



CARSON

Charts of the Week

Carson Investment Research

January 19 - 23, 2025

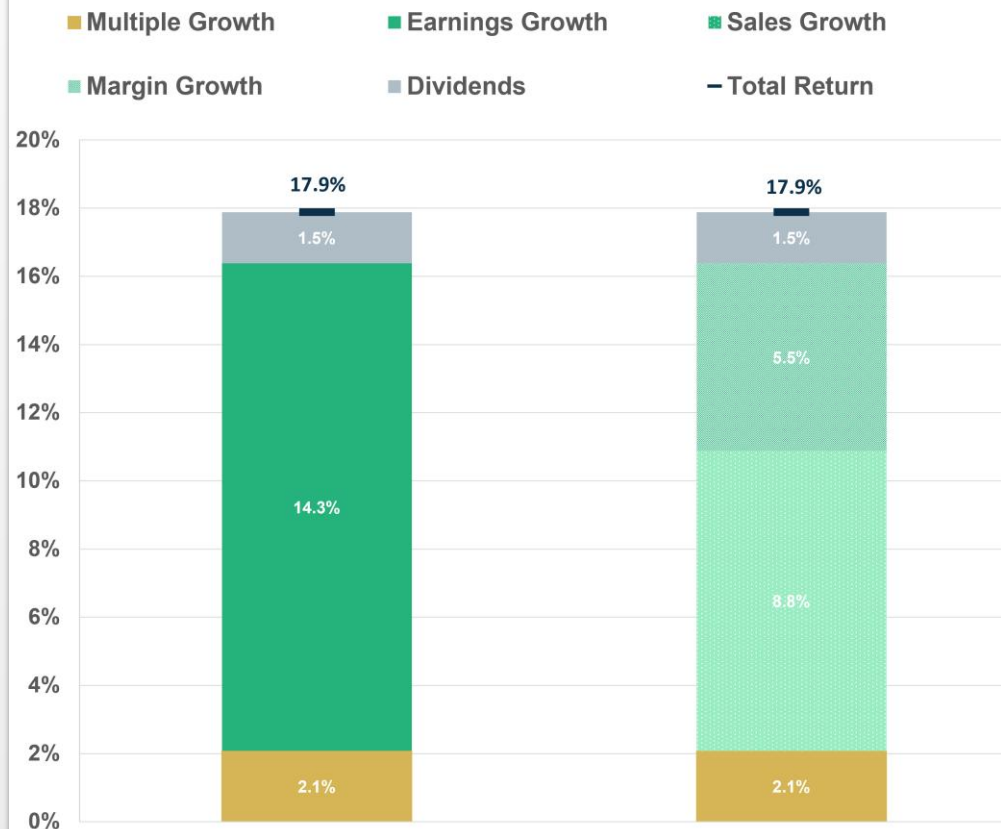
Chart of the Week

The 2025 Rally Was Earned, Not Bid Up

- The S&P 500's 17.9% return was driven mostly by fundamentals, not valuation: earnings growth = 14.3% vs multiple growth = 2.1%.
- Same 17.9% story through the income statement: sales growth = 8.8% + margin growth = 5.5%, with dividends = 1.5% and multiples = 2.1%.
- Translation: the market “did the work” via better growth/profitability. Less reliance on hoping valuations keep stretching.

Sales growth & margin expansion powered S&P 500 returns in 2025, much more so than multiple expansion

S&P 500 Total Return Drivers



Data source: Carson Investment Research, Factset 12/31/2025

Next 12-month data used for earnings, sales, margins and multiples.

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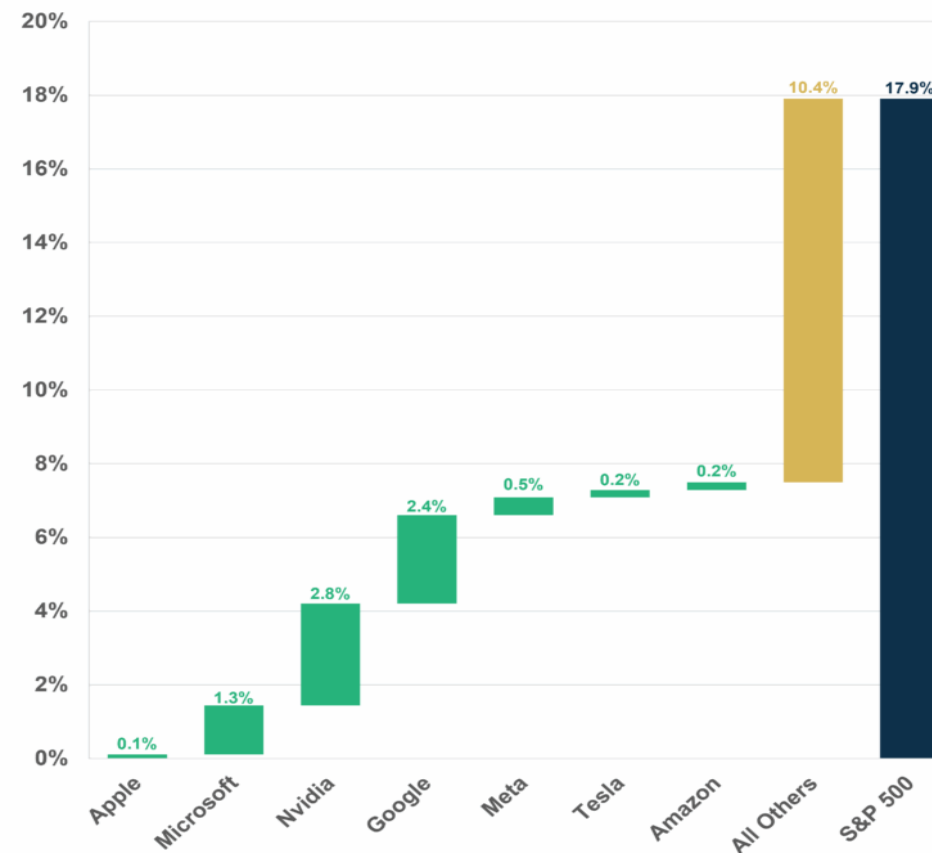
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Broader Than the Headlines

- The S&P 500's 17.9% gain wasn't a one-trick pony: "All Others" contributed 10.4% of the 17.9% total.
- The "Mag 7" names shown (Apple, Microsoft, Nvidia, Google, Meta, Tesla, Amazon) sum to about 7.5% contribution, meaning the majority came from the rest of the market.
- Nvidia (2.8%) + Google (2.4%) did heavy lifting, but breadth still mattered.

2025 benefited from Mag 7 contributions, but it was far from a top heavy year

Contributions to S&P 500 Total Return for 2025



Data source: Carson Investment Research, Factset 12/31/2025

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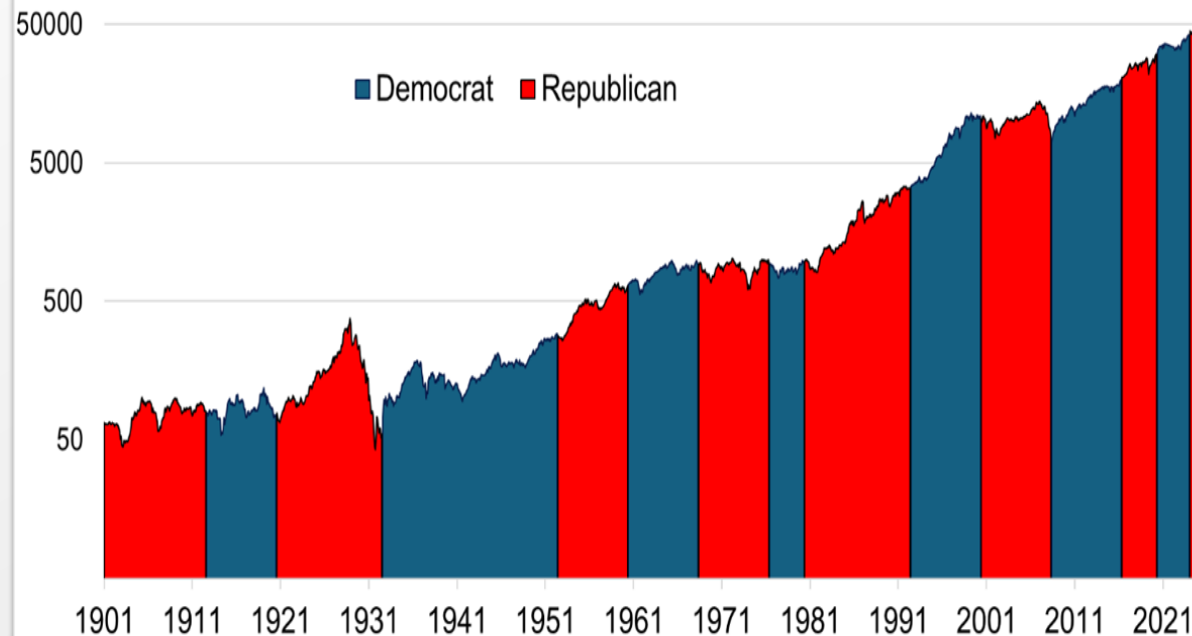
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Politics Changes, Markets Compound

- The long-run trajectory of Dow returns keeps rising through both red and blue stretches, meaning, compounding doesn't "switch off" with party changes.
- The visual punchline is the title itself: if you anchor to party, you risk missing the bigger driver (time in the market).

Don't Mix Politics And Investing

Dow Returns (Log Scale) Since Teddy Roosevelt Was In Office (1901 To Current)



Source: Factset, Carson Investment Research 12/31/2025

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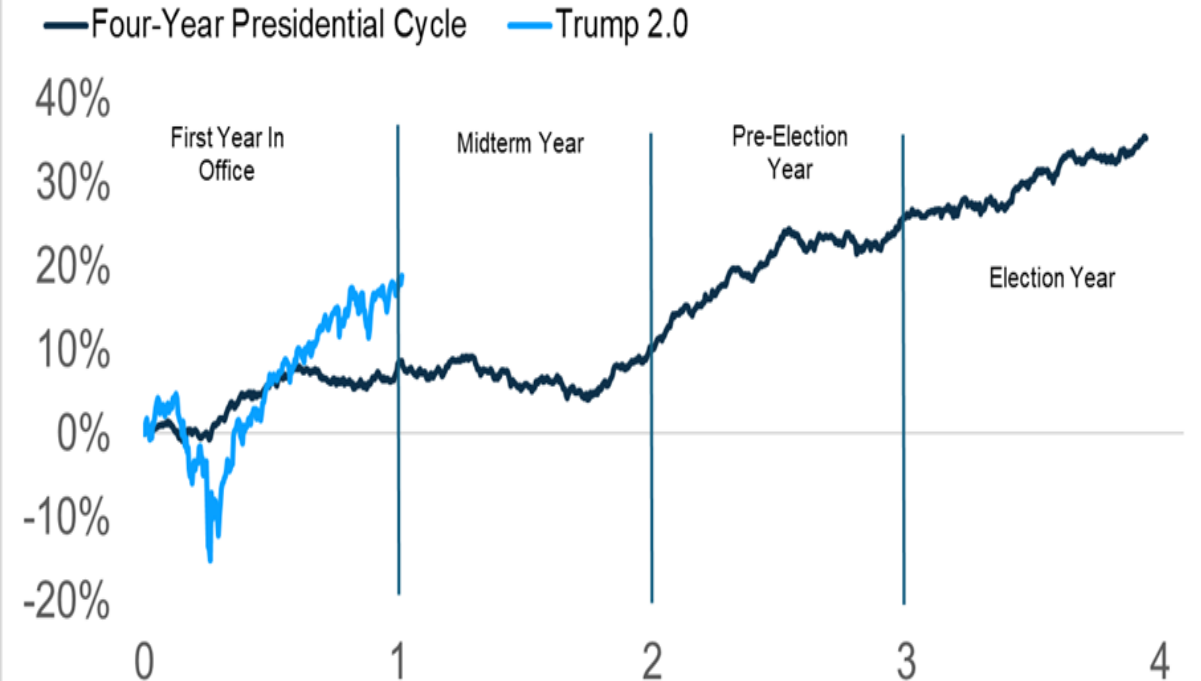


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Often a Pause, Not a Collapse

- The four-year cycle line shows the midterm year (year 2) is historically the “chop zone” where progress often stalls before improving into years 3 and 4.
- The current cycle path is visibly more volatile early than the average which could be useful framing for client expectations when markets feel noisy.

Midterm Years Can Be A Pause



Source: Carson Research, FactSet 01/16/2026 (1928 - Current)

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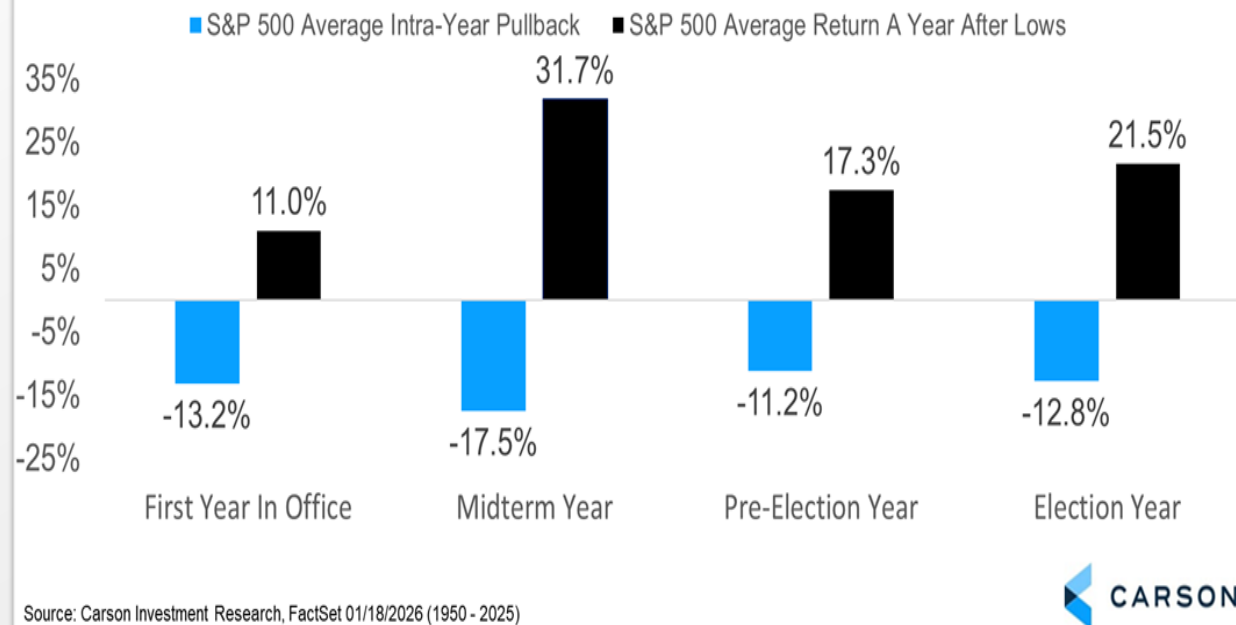
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Midterm Drawdowns Are the Feature

- Historically, the midterm year has the largest average intra-year pullback: -17.5% (vs -13.2% first year, -11.2% pre-election, -12.8% election year).
- The flip side is the rebound profile: average return a year after the lows = 31.7% in midterm years (highest of the cycle buckets shown).

Midterm Years See The Largest Intra-Year Pullback

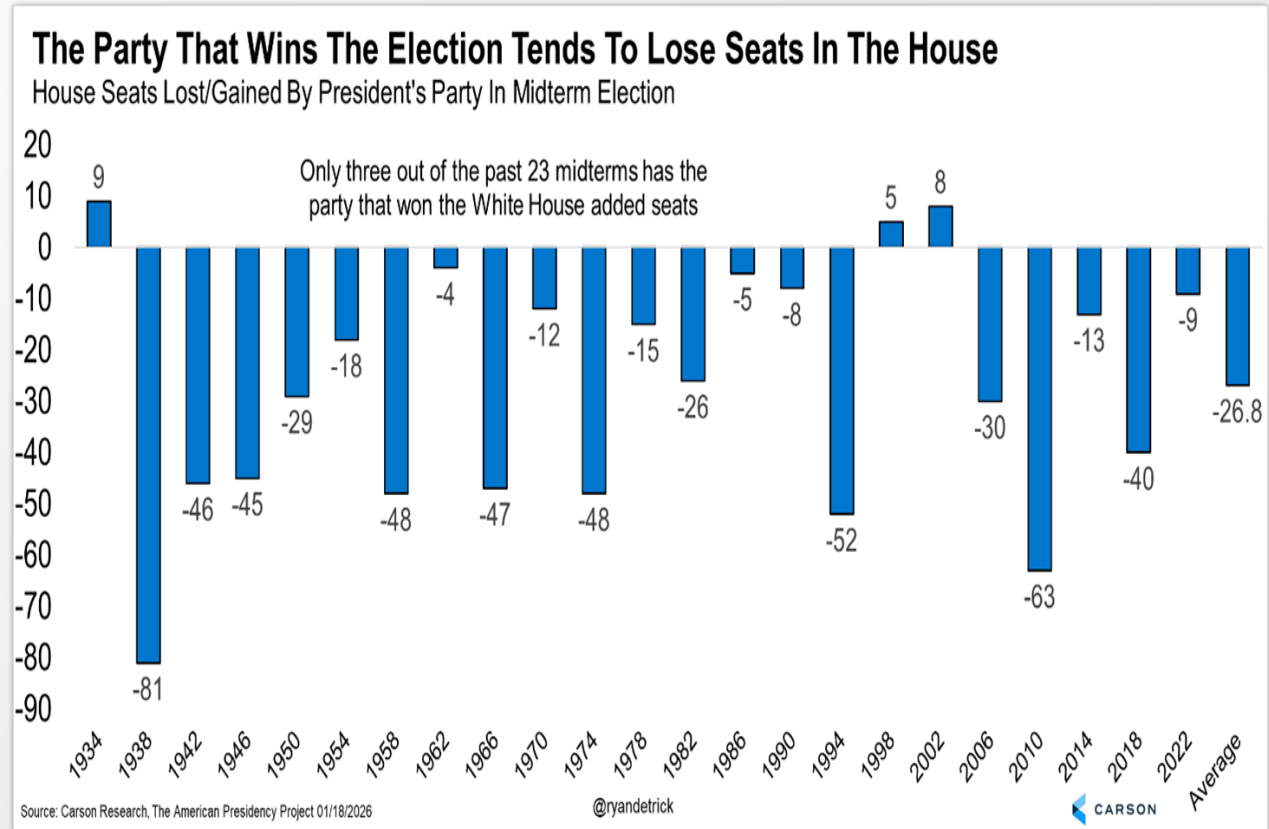
Pullbacks and Returns A Year Off The Lows For The S&P 500 Index Based On The Four-Year Presidential Cycle



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Midterms Usually Punish the Party in Power

- The chart states it directly: only 3 of the past 23 midterms had the president's party gain House seats.
- The far-right shows an average seat change of -26.8. The default outcome is losses, not a coin flip.
- Practical Takeaway: election-year positioning based on “my team will win big” is historically fighting the base rate.



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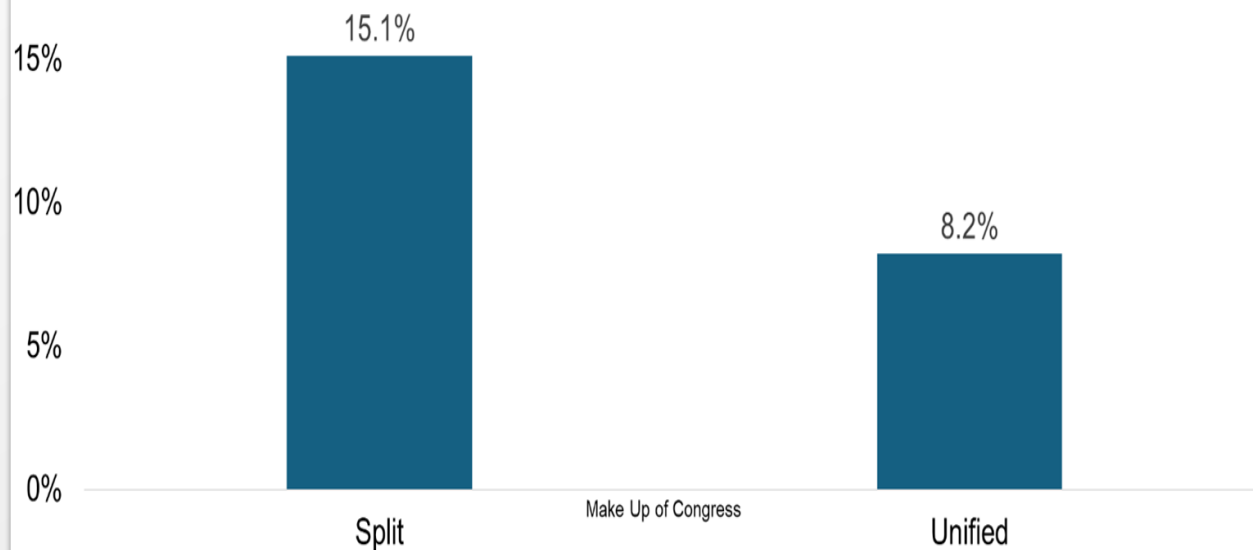
Gridlock Has Been a Tailwind (Historically)

- Average S&P 500 annual return with split Congress: 15.1% vs unified: 8.2%.
- That's nearly double the return in the split vs unified comparison shown. The market often likes fewer big policy swings.

A Split Congress Tends To Be The Best For Stocks

Average S&P 500 Annual Return (1951 - 2025)

20%



Source: Carson Investment Research, FactSet 01/20/2026 (1951 - 2025) Starts in 1951 with the 82nd Congress
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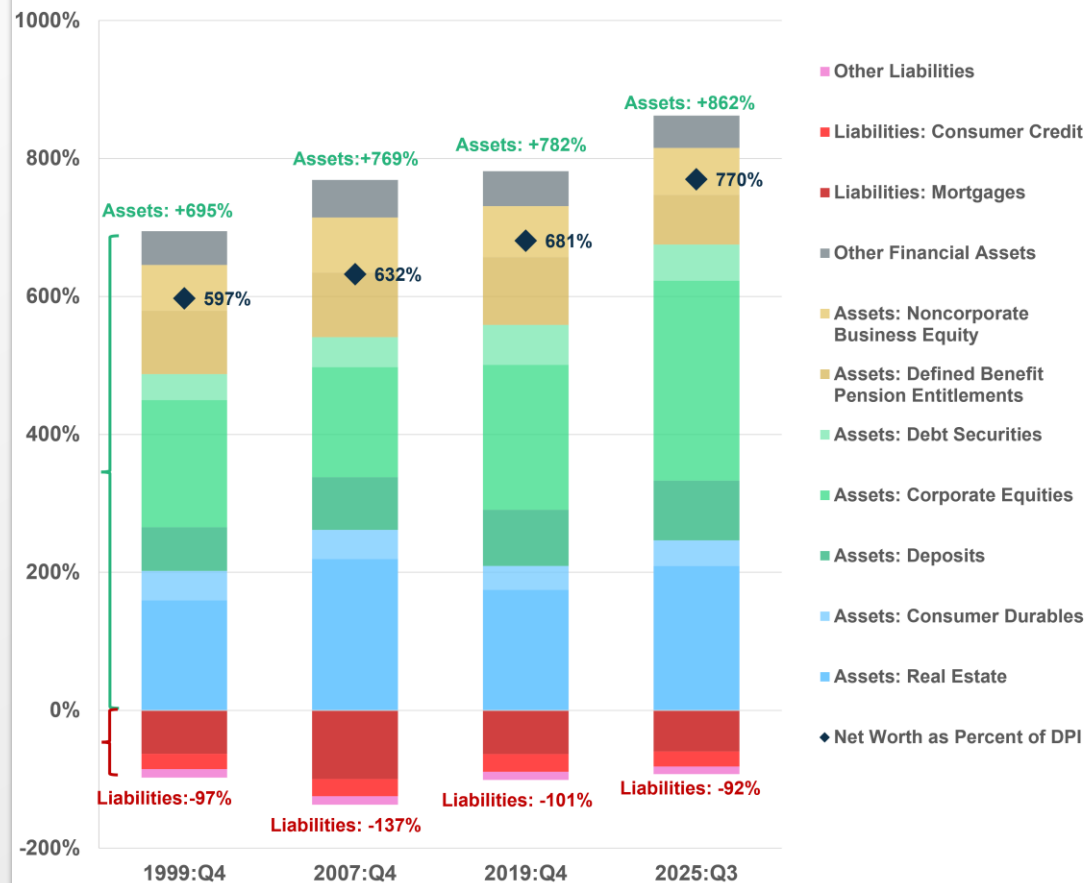
Consumer

Households Aren't Tapped Out

- By 2025: Q3, assets are ~862% of disposable income while liabilities are ~-92%. Net worth is marked around 770%.
- Net worth moved from ~681% (2019:Q4) to ~770% (2025:Q3) even with higher rates in between.
- This supports a “balance sheets are a cushion” framing (not a guarantee, but the setup is stronger than 2007).

Aggregate household balance sheets are in good shape right now

Household Balance Sheets: Assets, Liabilities and Net Worth
As Percent of Disposable Income



Data source: Carson Investment Research, Federal Reserve 01/16/2025

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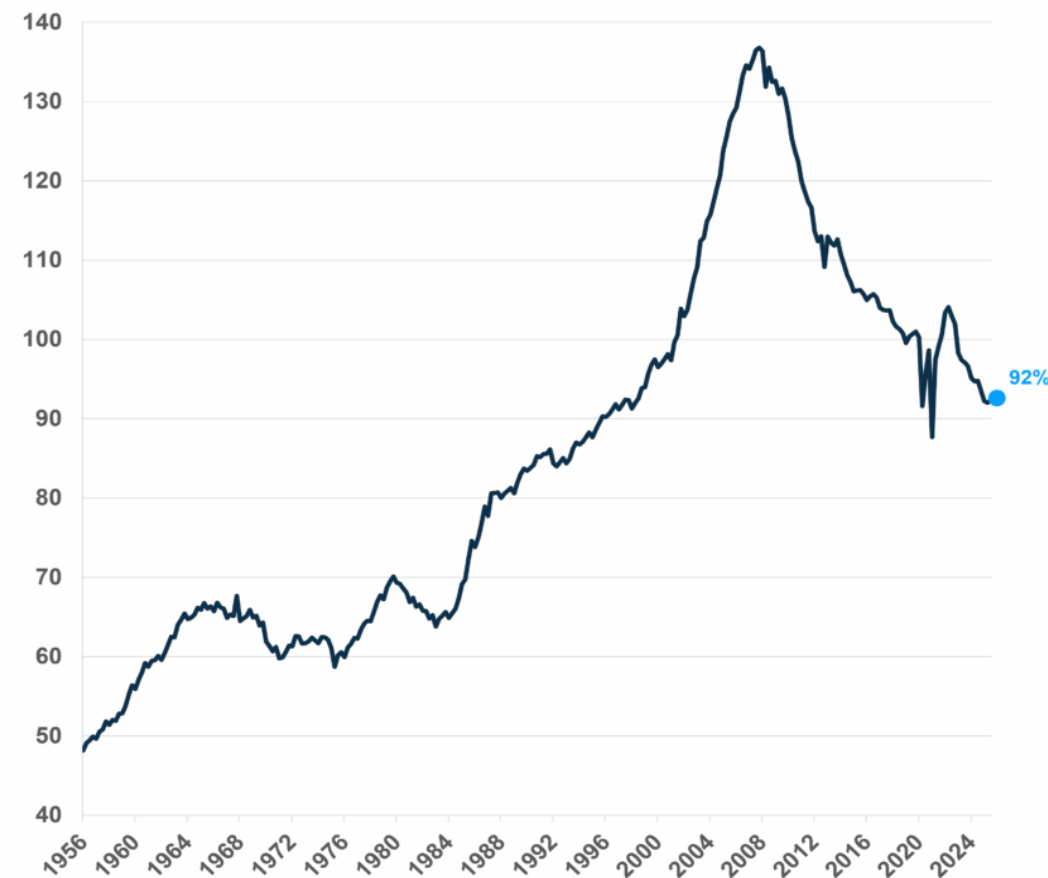
Consumer

The Consumer Is Less Levered

- Household liabilities as % of disposable income sit around 92% now, down sharply from the ~135% peak around the GFC era.
- The chart's headline holds: leverage is lower than at any point in the last ~25 years shown (with a note about 2021's stimulus distortion).

American households are much less levered than at any time over the last two and half decades*

Household Liabilities
As Percent of Disposable Income



Data source: Carson Investment Research, Federal Reserve 01/16/2026

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*Except briefly in 2021, when stimulus checks went out and boosted disposable income



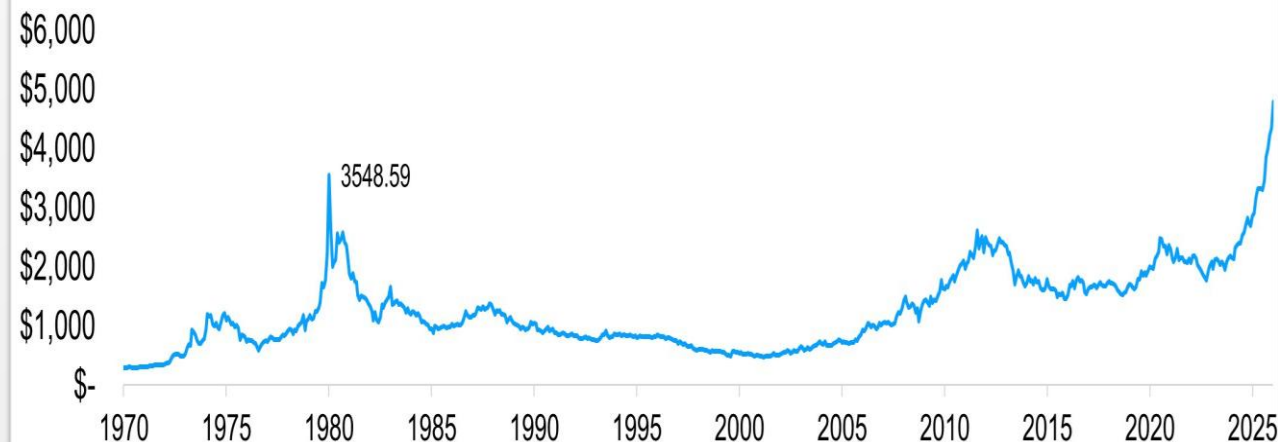
Gold

Gold Just Rewrote Its Real High

- The chart flags the prior inflation-adjusted peak in 1980 at ~3548.59 (real price).
- The current move pushes above that prior real peak.
- A historic rally on gold continues marking new highs into 2026.

Gold Peaked 46 Years Ago Today In 1980

Real Price Of Gold Per Ounce (Adjusted Using CPI) 1970 - Current



Source: Carson Investment Research, FactSet 01/21/2026

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