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CIO Weekly Commentary
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CIO VIEWS: STRATEGY AND PORTFOLIO CONSTRUCTION

Dry January for stocks not likely, with earnings on tap

Bottom line up top

Mixed macro backdrop could leave some investors shaken, others stirred to stay bullish. After a mostly magnificent 2025 for stocks, investors enter the new year keenly aware that the economic and investment outlook offers both heady optimism and sobering caution.

Last week's U.S. employment-related updates reinforced this theme. The Labor Department's nonfarm payrolls report for December was a touch weaker than expected at +50,000 jobs, with downward revisions to October and November totals. The unemployment rate, however, ticked down to 4.4%. The softer payrolls number followed an ADP employment survey showing above-consensus but still muted job creation (+41,000) in the private sector, marking the ninth sub-100,000 gain in the past 12 months. November's Job Openings and Labor Turnover Survey (JOLTS) data missed forecasts by a wide margin (7.1 million openings versus 7.7 million expected) — a continued easing in labor demand that has job availability now revisiting five-year lows (Figure 1). On balance, this mix of labor market data likely clears the "good enough" hurdle for markets.

Beyond data, new and ongoing geopolitical tensions will almost certainly inject volatility into markets. And the threat of another potential U.S. government shutdown at the end of January, while not a base case scenario, adds a familiar layer of political uncertainty that markets have learned to discount but not fully dismiss.

Corporate earnings should be a key catalyst. Given the muddled macro picture, equity markets may be more influenced by asset class and company-specific fundamentals than multiple expansion during the coming fourth-quarter earnings season. For the S&P 500 Index,

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On behalf of Nuveen's Global Investment Committee

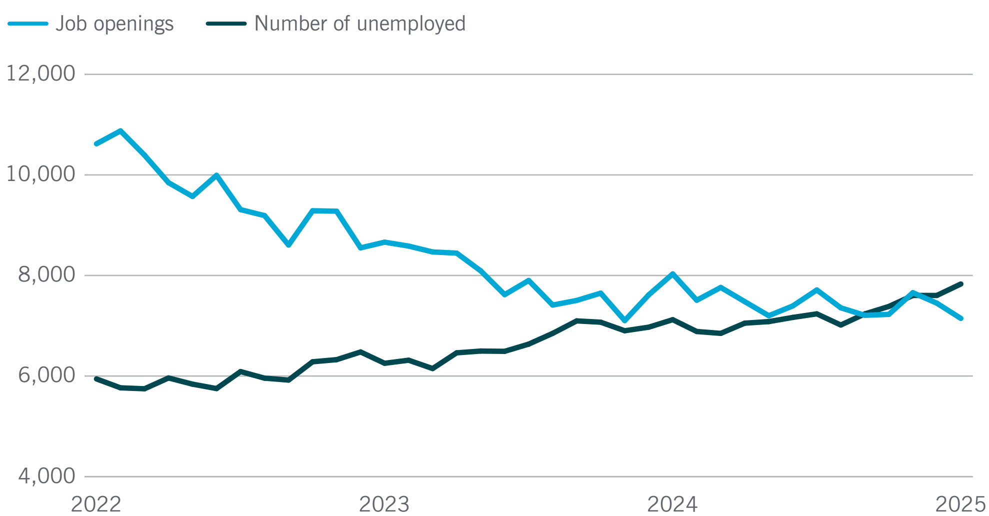
As Nuveen's Chief Investment Officer and leader of our Global Investment Committee, Saira drives market and investment insights, delivers client asset allocation views and brings together the firm's most senior investment leaders to deliver our best thinking and actionable investment ideas. In addition, she is a portfolio manager for several key investment strategies.

Amid economic uncertainty, another strong corporate earnings season should help stock prices grind higher.

the outlook is less about paying up for optimism and more about earning returns the old-fashioned way — through revenue growth, margin discipline and operating leverage. Earnings growth expectations remain constructive, with margins looking poised to improve incrementally as productivity gains offset slower top-line growth. The result might be a market that grinds higher but doesn't sprint — a trajectory defined by selectivity over speculation, where equity leadership is earned, not assumed.

FIGURE 1: THE U.S. LABOR MARKET HAS BECOME MORE BALANCED

Monthly job openings versus number of unemployed (000s)



Source: Bloomberg, L.P, and the U.S. Department of Labor as of 30 Nov 2025.

Portfolio considerations

A closer look at the bullish earnings outlook: On the heels of the U.S. equity market's powerful start to 2026 comes Q4 2025 reporting season for S&P 500 companies, with analysts currently projecting +8.3% year-over-year earnings growth, based on FactSet estimates. This would mark the tenth consecutive quarter of positive earnings growth for the index. Estimated year-over-year revenue growth of +7.7% exceeds historical norms, while projected net margin growth of +12.8% signals healthy profitability.

As shown in Figure 2, eight of 11 sectors show positive earnings growth for the fourth quarter, led by information technology (+25.9%). Not surprisingly, artificial intelligence (AI) is driving the tech sector's momentum, fueled by surging demand for AI infrastructure and cloud services. Data will be only part of the earnings outlook provided in the weeks ahead. Investors will also be paying close attention to earnings per share (EPS) guidance from company managements. More than 100 companies have issued guidance so far, fairly evenly split between positive and negative perspectives.

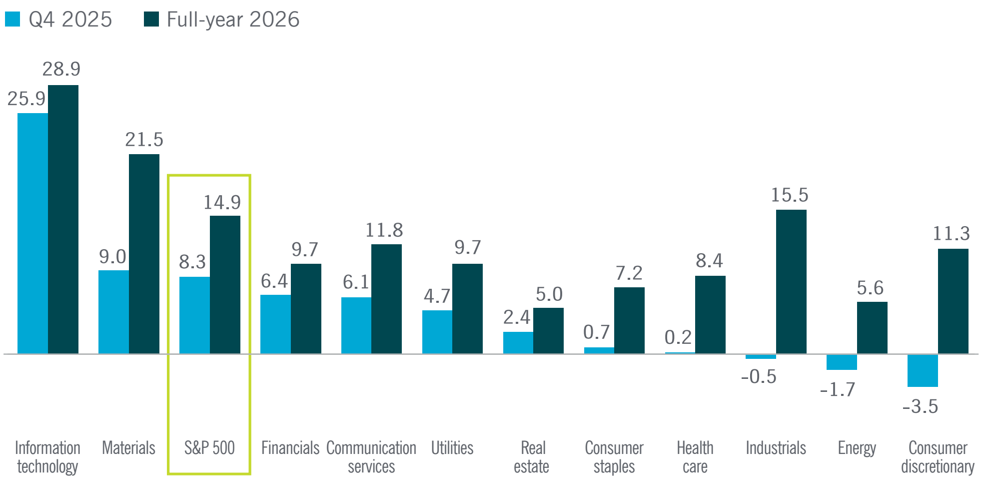
Sector earnings estimates suggest equity market leadership could broaden in 2026.

Looking ahead to full-year 2026 earnings growth estimates, information technology continues to shine (+28.9%), while materials (+21.5%), industrials (+15.5%), communication services (+11.8%) and consumer discretionary (+11.3%) also project double-digit earnings gains — suggesting we could see a bull market of greater breadth beyond technology this year.

A degree of caution is warranted amid the broad optimism, however. Equity valuations are elevated, with the price-to-earnings (P/E) ratio for the S&P 500 Index at 22.0x forward earnings, above the five- and 10-year averages of 20.0x and 18.7x, respectively. Geopolitical uncertainty, inflation persistence and potential recession risks require ongoing monitoring, though current fundamentals suggest these concerns remain manageable.

FIGURE 2: CORPORATE EARNINGS COULD POWER FORWARD IN 2026

Q4 2025 and full-year 2026 estimated earnings-per-share growth (%)



Data source: Data source: FactSet, 9 Jan 2026. **Performance data shown represents past performance and does not predict or guarantee future results.**

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Regular meetings of the GIC lead to published outlooks that offer:

- macro and asset class views that gain consensus among our investors
- insights from thematic "deep dive" discussions by the GIC and guest experts (markets, risk, geopolitics, demographics, etc.)
- guidance on how to turn our insights into action via regular commentary and communications

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Endnotes

Sources

All market and economic data from Bloomberg, FactSet and Morningstar.

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