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# Investment Insights Monthly

From the Desk of Jack Kraft, CFA, Investment Strategist

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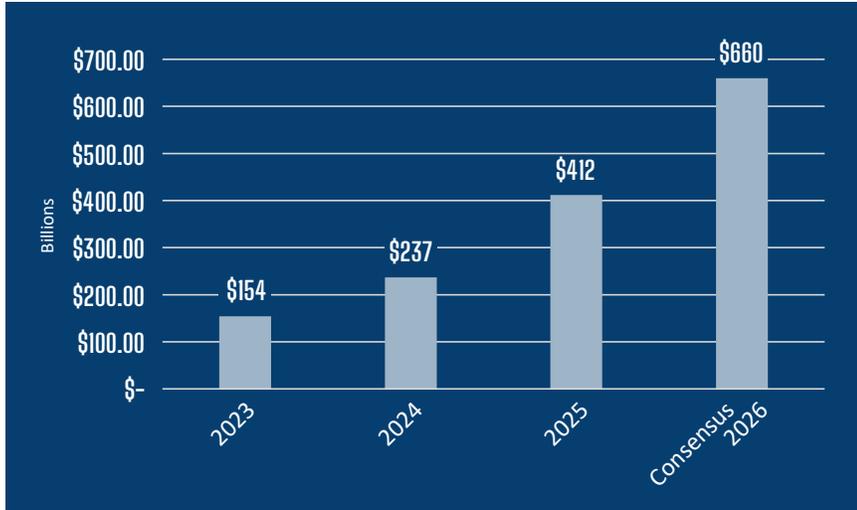
## AI Spending Boom Fuels Corporate Stimulus

Takeaways from the fourth-quarter earnings season made it clear that the investment engine behind artificial intelligence is accelerating rather than slowing. Companies are committing unprecedented levels of capital and increasingly adopting a mindset of “build now, evaluate later.” The five big hyperscalers—Google, Oracle, Meta, Microsoft and Amazon—are expected to increase their AI spending by more than \$100 billion, bringing

total projected investment to roughly \$660 billion. That figure represents about a 60% increase from 2025 levels and nearly three times the capital expenditure budgets seen in 2024. While investors are accustomed to central banks or governments supporting growth through monetary or fiscal stimulus, today’s AI spending boom fits a new mold where corporate balance sheets themselves are acting as a powerful form of modern-day stimulus.



## Hyperscaler Capex



As of January 31, 2026

Sources: Goldman Sachs, combined capital expenditures budgets for Oracle, Microsoft, Alphabet, Meta and Amazon

Investors have an unusual opportunity in 2026 and stand to reap the benefits of corporations, central banks and the U.S. government all supporting economic growth. Taken together, this favorable macroeconomic backdrop remains supportive of strong earnings growth and positive equity returns in the year ahead. The U.S. Federal Reserve is in the process of working its benchmark rate back to neutral, while the impacts from the One Big Beautiful Bill Act (OBBBA), signed last year, will start to take effect. Meanwhile, companies are being incentivized by the OBBBA to increase capital investment due to the permanent restoration of 100% bonus depreciation. This policy promotes immediate tax savings and a lower cost of capital, which frees up cash to be reinvested rather than being sent into Uncle Sam's back pocket.

Although incentives may be helping drive investment, companies downstream from the hyperscalers, including industrials, utilities and semiconductors, have been the primary beneficiaries of this surge in capital deployment. Investors have become less rewarding to the ones making

the investment as the hyperscalers have lagged in 2026. Questions have surfaced about whether spending at this scale can ultimately generate an adequate return. Adding to the uncertainty, firms that were once capital light are increasingly turning to the capital markets to finance AI expansion. In the first quarter alone, Google (Alphabet) and Oracle raised a combined \$45 billion, suggesting operating cash flows are no longer sufficient to fund the AI infrastructure build-out.

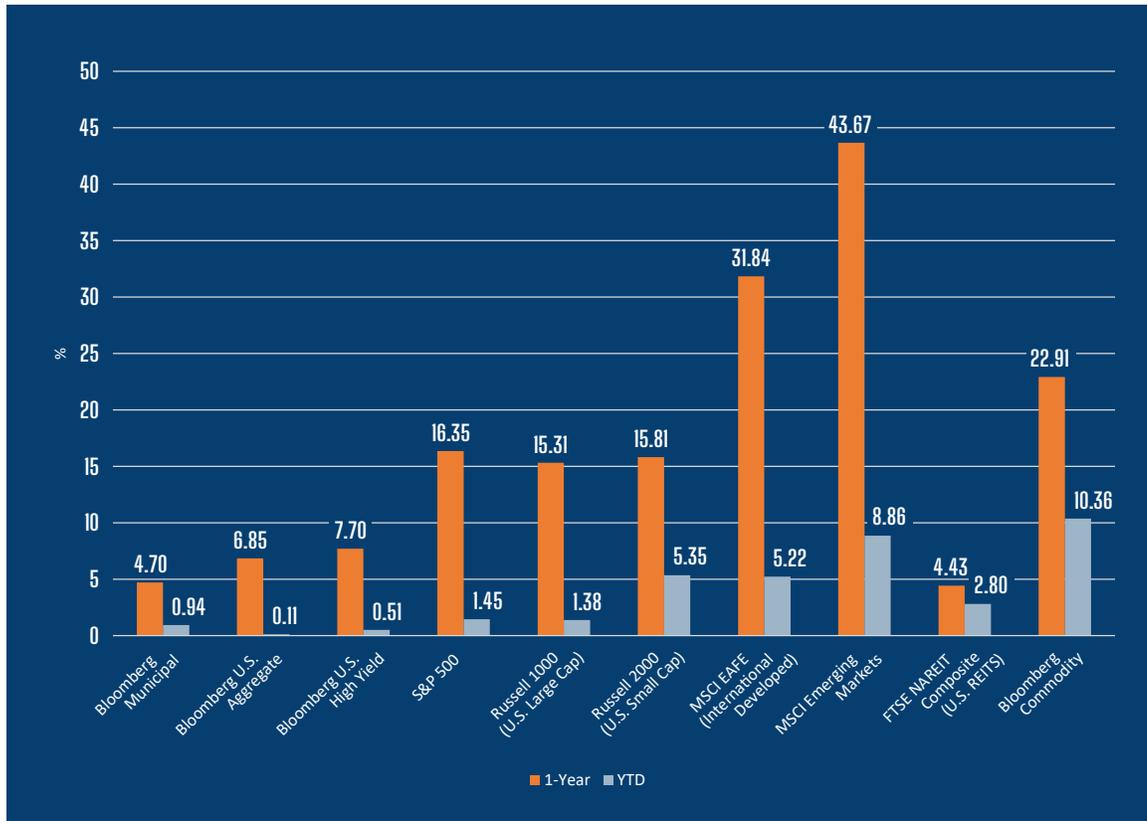
The market remains uncertain about how to identify winners in artificial intelligence, as companies investing heavily in AI and those vulnerable to disruption have come under pressure. Anthropic's recent move into legal workflows underscored the risk of artificial intelligence disrupting traditional software business models. That fear quickly rippled through the rest of the software industry as the space re-rated lower. The anxiety did not stop there as fear of disruption spread into insurance and financial brokers, financial data providers, advertising companies and even some health care companies.

Uncertainty will likely persist as investors assess what lower barriers to entry mean for competition in exposed areas of the market. One message that remains clear from a sell-off spanning multiple sectors is that investors believe AI has the opportunity to erode profit pools for companies without durable competitive advantages. Furthermore, when the world's largest CEOs are committing balance sheets at this scale, the investment appears less speculative and more like a signal that they believe meaningful returns on AI capital are achievable.



## Asset Class Returns

Comparing Recent 1-Year and Year-to-Date Total Returns



As of January 31, 2026

Source: Conway Investment Research

### Fixed Income

- Fixed income across the globe eked out small gains in January, driven by higher starting yields and fairly range-bound prices/yields.
- Municipals posted a strong monthly gain compared to core fixed income that struggled a bit with higher Treasury yields.
- Credit generally outperformed, again benefiting from higher carry and the already very tight credit spread environment.

### Equities

- U.S. equities were generally positive last month, led by small caps and value stocks.
- Small caps outperformed large caps, and value stocks outpaced growth stocks across all market capitalizations.
- The Russell 1000 Growth Index was the only major benchmark to post a negative return in January.
- Stocks outside the United States posted solid gains, driven by emerging markets, value stocks and small caps.
- Europe, Australasia and Far East (EAFE) markets outperformed U.S. equities, with the best gains coming from Japanese equities.
- Emerging markets rose nearly 9% last month, with strong gains coming from Latin America, Eastern Europe and Asia ex-China.
- The weaker U.S. dollar boosted EAFE returns by 76 basis points (bps) and emerging-market returns by 7 bps.



| January 30, 2026                       | MTD    | QTD    | YTD    | 1-Year | 3-Year | 5-Year  | 10-Year |
|--|--------|--------|--------|--------|--------|---------|---------|
| <b>Fixed Income Indices</b>            |        |        |        |        |        |         |         |
| Bloomberg U.S. Treasury Bill 1-3 Month | 0.30%  | 0.30%  | 0.30%  | 4.22%  | 4.90%  | 3.30%   | 2.21%   |
| Bloomberg Municipal                    | 0.94%  | 0.94%  | 0.94%  | 4.70%  | 3.22%  | 0.86%   | 2.32%   |
| Bloomberg US Govt/Credit Intermediate  | 0.23%  | 0.23%  | 0.23%  | 5.11%  | 4.57%  | 2.01%   | 2.06%   |
| Bloomberg U.S. Aggregate               | 0.11%  | 0.11%  | 0.11%  | 6.85%  | 3.65%  | -0.20%  | 1.88%   |
| Bloomberg U.S. High Yield              | 0.51%  | 0.51%  | 0.51%  | 7.70%  | 8.88%  | 4.54%   | 6.75%   |
| Bloomberg Global Aggregate             | 0.94%  | 0.94%  | 0.94%  | 8.56%  | 3.19%  | -1.79%  | 1.27%   |
| <b>U.S. Equity Indices</b>             |        |        |        |        |        |         |         |
| DJ Industrial Average                  | 1.80%  | 1.80%  | 1.80%  | 11.65% | 14.94% | 12.42%  | 13.94%  |
| S&P 500                                | 1.45%  | 1.45%  | 1.45%  | 16.35% | 21.11% | 14.99%  | 15.57%  |
| NASDAQ Composite (Price)               | 0.95%  | 0.95%  | 0.95%  | 19.54% | 26.52% | 12.41%  | 17.66%  |
| Russell 1000                           | 1.38%  | 1.38%  | 1.38%  | 15.31% | 20.66% | 14.09%  | 15.38%  |
| Russell 1000 Growth                    | -1.51% | -1.51% | -1.51% | 14.50% | 27.05% | 15.14%  | 18.63%  |
| Russell 1000 Value                     | 4.56%  | 4.56%  | 4.56%  | 15.83% | 13.67% | 12.53%  | 11.61%  |
| Russell Mid Cap                        | 3.06%  | 3.06%  | 3.06%  | 9.33%  | 12.48% | 9.39%   | 12.10%  |
| Russell 2500                           | 4.98%  | 4.98%  | 4.98%  | 13.46% | 11.99% | 7.79%   | 11.87%  |
| Russell 2000                           | 5.35%  | 5.35%  | 5.35%  | 15.81% | 12.20% | 6.16%   | 11.21%  |
| Russell 2000 Growth                    | 3.98%  | 3.98%  | 3.98%  | 13.91% | 13.45% | 3.01%   | 11.27%  |
| Russell 2000 Value                     | 6.86%  | 6.86%  | 6.86%  | 17.90% | 10.81% | 9.21%   | 10.76%  |
| <b>Non-U.S. Equity Indices</b>         |        |        |        |        |        |         |         |
| MSCI World                             | 2.26%  | 2.26%  | 2.26%  | 20.08% | 19.85% | 13.39%  | 13.69%  |
| MSCI ACWI                              | 2.98%  | 2.98%  | 2.98%  | 22.40% | 19.60% | 12.46%  | 13.31%  |
| MSCI ACWI Ex-U.S.                      | 5.99%  | 5.99%  | 5.99%  | 35.60% | 17.17% | 9.67%   | 10.36%  |
| MSCI EAFE                              | 5.22%  | 5.22%  | 5.22%  | 31.84% | 16.77% | 10.83%  | 10.09%  |
| MSCI EAFE Growth                       | 4.71%  | 4.71%  | 4.71%  | 20.30% | 12.17% | 6.02%   | 9.01%   |
| MSCI EAFE Value                        | 5.71%  | 5.71%  | 5.71%  | 44.06% | 21.47% | 15.59%  | 10.93%  |
| MSCI Europe                            | 4.46%  | 4.46%  | 4.46%  | 33.14% | 17.41% | 12.28%  | 10.41%  |
| MSCI Japan                             | 6.59%  | 6.59%  | 6.59%  | 31.24% | 18.10% | 8.58%   | 9.64%   |
| MSCI AC Asia                           | 7.67%  | 7.67%  | 7.67%  | 38.75% | 17.33% | 6.30%   | 10.16%  |
| MSCI EAFE Small Cap                    | 5.80%  | 5.80%  | 5.80%  | 35.49% | 14.91% | 7.39%   | 9.44%   |
| MSCI ACWI Ex-U.S. Small Cap            | 6.45%  | 6.45%  | 6.45%  | 36.42% | 15.90% | 8.80%   | 10.15%  |
| MSCI Emerging Markets                  | 8.86%  | 8.86%  | 8.86%  | 43.67% | 17.32% | 5.81%   | 10.53%  |
| MSCI EM Asia                           | 8.28%  | 8.28%  | 8.28%  | 42.87% | 17.28% | 4.84%   | 11.02%  |
| MSCI China                             | 4.70%  | 4.70%  | 4.70%  | 36.30% | 9.44%  | -3.51%  | 7.66%   |
| MSCI EM Eastern Europe                 | 8.91%  | 8.91%  | 8.91%  | 71.12% | 37.83% | -9.25%  | 1.63%   |
| MSCI EM Latin America                  | 15.35% | 15.35% | 15.35% | 63.92% | 17.30% | 13.95%  | 11.35%  |
| MSCI EM Small Cap                      | 7.29%  | 7.29%  | 7.29%  | 31.38% | 16.47% | 10.47%  | 10.41%  |
| MSCI Frontier Markets                  | 3.88%  | 3.88%  | 3.88%  | 48.70% | 21.81% | 10.82%  | 9.50%   |
| <b>Hedge Fund Indices</b>              |        |        |        |        |        |         |         |
| IQ Hedge Multi-Strategy                | 2.44%  | 2.44%  | 2.44%  | 10.08% | 8.90%  | 4.14%   | 4.37%   |
| <b>Real Assets Indices</b>             |        |        |        |        |        |         |         |
| FTSE NAREIT Composite                  | 2.80%  | 2.80%  | 2.80%  | 4.43%  | 3.83%  | 5.36%   | 6.41%   |
| Alerian MLP                            | 8.02%  | 8.02%  | 8.02%  | 8.98%  | 20.53% | 26.48%  | 10.99%  |
| Bloomberg Commodity                    | 10.36% | 10.36% | 10.36% | 22.91% | 7.61%  | 12.26%  | 6.95%   |
| S&P Global Infrastructure              | 5.06%  | 5.06%  | 5.06%  | 25.89% | 14.65% | 12.55%  | 10.05%  |
| <b>Other</b>                           |        |        |        |        |        |         |         |
| Oil Price Brent Crude                  | 16.17% | 16.17% | 16.17% | -7.57% | -5.77% | 4.81%   | 7.36%   |
| CBOE Market Volatility (VIX)           | 16.66% | 16.66% | 16.66% | 6.15%  | -3.49% | -12.02% | -1.46%  |

Source: Morningstar



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