

# Leigh Baldwin & Co.

## *Investment Brokerage*

Accelerating into 2026. The last three years have been quite positive for the US equity markets, as have 6 of the last 7 years (did I really say "6-7"). For Investors, though, we now need to anticipate the direction of our investments going forward and, in many ways, the economy and the markets could be poised for possibly more good news. For the record, the S&P 500 rallied about 17% in 2025 along with international stocks finally catching a bid and popping over 20%. Not to be outdone, the bond market followed suit, with the Vanguard Total Bond Market ETF gaining 7% for the year. On to 2026...

We believe that economic growth comes from a combination of savings (money available to invest) and innovation (witness AI). There appears to be plenty of both, with over \$90 trillion in US investable assets and a recently announced 4.9% productivity gain, due in part to AI spending and now application. Another factor influencing corporate earnings is the realization of new tax cuts from the OBBBA Act which could act as a "buyback" mechanism as corporations can either reinvest stronger earnings or give these gains to shareholders as dividends. In addition, the current trend for interest rates is lower and even though it receives much headline attention, falling interest rates can be good for stock investors. Finally, potential M&A deals this year, on top of a breakout increase in deals during 2025, might also be a catalyst for economic and asset growth. In fairness, there are plenty of things that could go sideways in the world in which we are living. Geopolitical risk is certainly out in the universe, with potential flare-ups in Asia, the Middle East, etc. a possibility. There is also the risk that for all the hype, the cost and productivity savings stemming from AI fail to materialize, which could cause a major disruption to tech growth and spending which could lead to lower stock prices. Finally, inflation remains very sticky and is causing real financial burdens to the middle class in addition to being a threat to possible higher interest rates down the road. Our goal is to manage portfolios in a manner that continuously addresses risk while simultaneously striving to invest where our money is treated the best. Here's to another New Year and above all, cheers to healthy and happy years to come.

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