

Keen monthly insights on both the economy and the markets

THE ECONOMY

As we turn the page on 2025, we remain optimistic on the prospects for a safe and prosperous 2026. Recent economic data supports our view, with the US economy stronger – and inflation lower – than the majority of the ‘experts’ expected.

Specifically, 3Q’25 US GDP came in at 4.3% – a full point over consensus estimates of 3.3% and higher than 61 of the 62 economists forecasted. Additionally, CPI was 2.7% vs. estimates of 3.1%, which is also better than expected. Clearly, the ‘steepening yield curve and firm commodity prices’ we noted last month, were once again correct.

Finally, while there is tremendous, passionate, debate on President Trump’s foreign policy, we would argue that a stable, free market economy in Venezuela is probably a good thing for the world. Not to mention, a huge upgrade for Venezuelans.

THE MARKETS

Looking at the markets, we also remain optimistic about 2026. We believe the early 2025 stock market decline was a full-fledged bear market and not a mere correction. Historically, these ~20% declines occur every 4 years or so.

The Bloomberg Commodity Index is holding its breakout through 108, which suggests demand for raw materials is strong. As we have noted before, this implies a healthy, robust, economy. Let’s hope this signal is correct.

Finally, small and mid-cap stocks also remain firm. This broadening is not only good news for the stock market but also the ‘real’ economy, as many of these smaller firms make large, tangible contributions to our daily lives.

Mike Hurley, CMT
 Chief Investment Officer



Chart courtesy of TradeStation – as of January 2, 2026

TRADITIONAL STRATEGIES

We start our process with traditional, modern portfolio theory models, then adjust them based on our outlook. Specifically, we seek to:

- 1) Maintain higher cash levels when we're expecting a cyclical downturn, or 'bear' market
- 2) Add gold to portfolios during periods of inflation
- 3) Tilt fixed income positions based on credit conditions and the trends in interest rates

We offer Conservative, Moderate and Aggressive models, which use stock/bond ratios of 40/60, 60/40 & 80/20, as their starting points, respectively.

ADAPTIVE STRATEGY

Our 'adaptive' model breaks from modern portfolio theory, based on the observation that markets typically become highly correlated when under stress.

This strategy applies momentum and risk parity to a universe of 10 ETFs, selecting a portfolio of 5. The portfolio is rebalanced monthly using the 60-day volatility to weight the top 5 ETFs. The goal being, to provide stock like returns with lower volatility.

ABOUT NEXADVISORS

NexAdvisors is a privately owned, independent wealth manager located in Dallas, Texas, comprised of professionals with over 100 years of combined experience in the industry. We provide both traditional investment strategies along with forward-thinking approaches to help our clients meet their goals.

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