The Bottom Line - Q1 2026

THE BOTTOM LINE

FIRST QUARTER : 2026

BUFFALO FINANCIAL QUARTERLY NEWSLETTER

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Look Ahead to 2026 — Investment Outlook & S&P 500 Forecasts

BY JEREMY I. BECK

As we turn the page on another strong year for equities, institutional analysts across Wall Street are laying out a wide range of 2026 price targets for the S&P 500. While views diverge on magnitude, the consensus tilts bullish — supported by expected earnings growth, continued AI-driven productivity gains, and a generally accommodative monetary environment. Yet risks remain, from inflation resurgence to stretched valuation multiples.

Below we unpack the landscape of expectations, the drivers underpinning them, and what investors should consider when positioning portfolios for the year ahead.

Look Ahead to 2026 — Investment Outlook & S&P 500 Forecasts (Cont'd)

📊 Wall Street's 2026 S&P 500 Price Targets

Here's a comprehensive snapshot of the most recent publicly available year-end 2026 forecasts from major Wall Street strategists:

Firm / Strategist	2026 S&P 500 Target	Theme / Rationale
Oppenheimer	**8,100**	Highest on the Street; strong earnings and resilient fundamentals driving upside.
Deutsche Bank	**8,000**	Bullish view on robust earnings & AI tailwinds.
Capital Economics	**8,000**	Aggressive earnings and valuation expansion scenario.
Morgan Stanley	**7,800**	U.S. equities to outperform with AI and earnings momentum.
Wells Fargo	**7,800**	Dual-phase rally anticipated through the year.
RBC Capital Markets	**7,750**	Solid growth outlook.
UBS	**7,700**	"AI escape velocity" thesis driving gains.
Citigroup	**7,700**	Continued corporate profit strength expected.
Fundstrat (Tom Lee)	**7,700**	Broad market upside given earnings optimism.
Yardeni Research	**7,700**	Earnings-driven upside projection.
Goldman Sachs	**7,600**	Strong fundamentals with AI productivity gains.
JPMorgan	**7,500**	Resilient economy and supportive policy backdrop.
HSBC	**7,500**	AI-led capex and earnings growth premise.
Barclays	**7,400**	Bullish call with rising corporate earnings expectation.
Societe Generale	**7,300**	Moderately optimistic stance relative to peers.
Raymond James	**7,250**	Fundamentals remain supportive, but gains should be muted in 2026.
Bank of America	**7,100**	Most conservative among major strategists.

Range of Targets: 7,100 — 8,100 (S&P 500 has an intraday value of 6,970 as of 1/15/2026)
Consensus mid-point: 7,600 - 7,800
Note: These targets are compiled from the latest publicly reported analyst forecasts (end-2025 / late-2025 research reports).

Look Ahead to 2026 — Investment Outlook & S&P 500 Forecasts (Cont'd)

📌 Why the Bullish Tilt? Key Drivers for 2026

1. Earnings Growth Still the Primary Engine

Most forecasts assume 10-15% earnings growth for S&P 500 companies in 2026. Analysts highlight that continued productivity gains — especially from AI deployments in tech, industrials, and services — should support corporate profits. Consensus S&P 500 earnings per share (EPS) for 2026 is forecasted to be roughly $305 - $310, up from the $272 current EPS, implying a mid-teens percentage growth.

2. AI Capital Investment Theme

A predominant narrative behind higher targets (7,700 - 8,100) is the "AI super cycle" or "escape velocity" — where heavy AI capex transitions into tangible earnings growth across the economy, particularly in labor-intensive industries. Automation of routine tasks will reduce labor costs in customer service, finance, legal review, computer programming and operations. Process optimization is also a key focus, specifically in supply chain management, inventory forecasting and logistics efficiency.

3. Monetary Policy Backdrop

Many forecasts assume the Federal Reserve will remain relatively accommodative with potential rate cuts or a pause in tightening, fostering supportive financial conditions for equities. Many equity investors ignore the impact of interest rates on an equity portfolio, and I've always used the "tug-of-war" analogy between the fixed income and equity markets. Higher interest rates would result in an attractive alternative to equities, as equity risk premiums compress as investors reallocate toward safer assets.

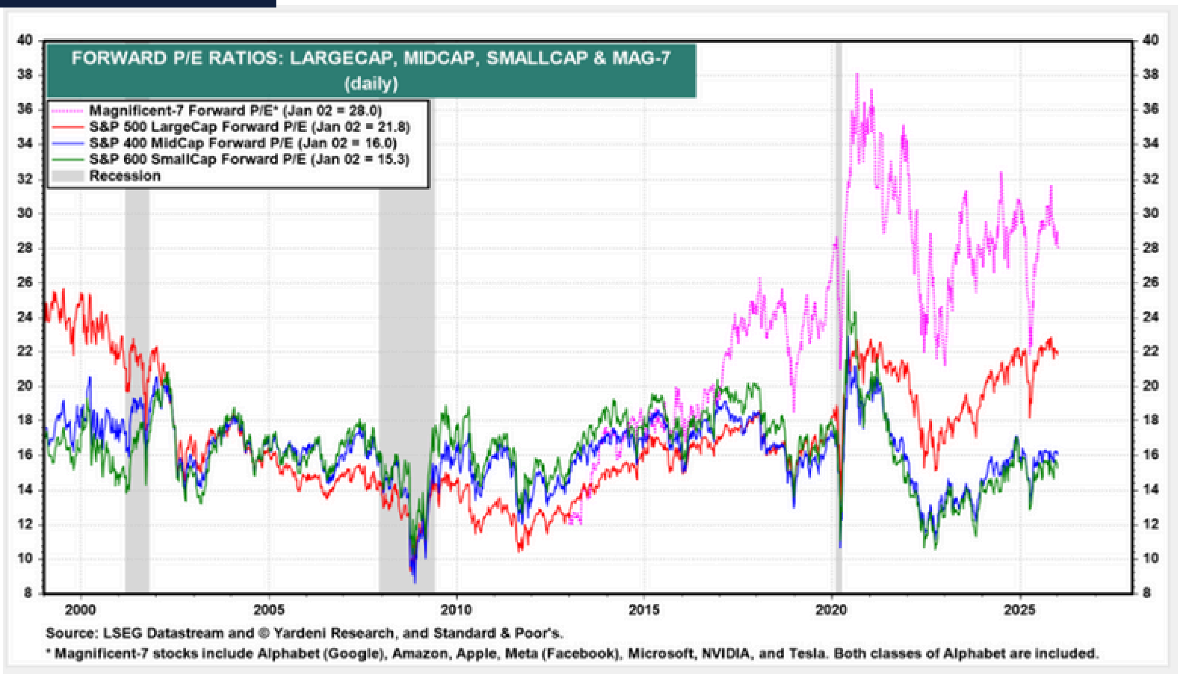
⚠️ Risks on the Horizon

Analysts also warn of growing risks that could undermine these forecasts:

- Inflation pressures driven by AI-related demand could surprise policymakers, potentially resulting in delayed rate cuts or tightening. While inflation is generally lower than the post-pandemic peak, several forces continue to create persistent upside risks.
- Stretched valuations and volatility — With forward P/E ratios above long-term averages, markets may be more sensitive to news flow and earnings disappointments. Forward Price to Earnings Ratios (P/E) remain stretched, with expected earnings of 22.5x in 2026, compared to a long-term forward P/E average of 17.5x. (Figure 1 - below)
- External shocks from geopolitical tensions, trade policy shifts, or unexpected macro shocks could upend optimistic projections. As an example, U.S. actions in Venezuela triggered risk-off behavior across global financial markets, including safe-haven flows into gold and the U.S. dollar. Investors remain sensitive to news that could disrupt global economic stability.

Look Ahead to 2026 — Investment Outlook & S&P 500 Forecasts (Cont'd)

Figure 1: Forward P/E Ratios:



Source: Yardeni Research (www.yardeni.com)

📈 Strategy Takeaways for Investors

Bullish stance for long-term investors:

A diversified equity allocation — especially tilted toward sectors poised to benefit from secular growth trends such as AI, cloud infrastructure, and select consumer segments — remains compelling anchored on strong earnings growth expectations.

Risk management is key:

Given stretched valuations and evolving macro risks, investors should consider hedges or disciplined rebalancing to guard against market drawdowns. As a general rule of thumb, we like to peel back layers of risk in a portfolio as equity market valuations become stretched.

Watch your time horizons:

Short-term trading patterns could diverge from long-term underlying fundamentals; patience and risk discipline remain critical.

📊 Summary — Look Ahead to 2026

Wall Street strategists broadly forecast continued gains for the S&P 500 through 2026, with year-end targets ranging from 7,100 on the conservative side to 8,100 at the aggressive edge. As of December 31, 2025, the S&P 500 closed at 6,845. Bank of America's most conservative 2026 forecast of 7,100 implies a projected gain of approximately 3.9% for the year.

By contrast, Oppenheimer's upper-end target of 8,100 suggests a potential return of roughly 18.3% for the S&P 500 in 2026. While earnings and AI innovation underpin the bullish case, investors must balance optimism with risk awareness in today's complex market environment.

On behalf of everyone at Buffalo Financial, we wish you and your family a healthy, successful and prosperous New Year.

All the best,

Jeremy I. Beck

Jeremy I. Beck
CEO, Buffalo Financial
Financial Advisor, RJFS

FIXED INCOME UPDATE - Q1 2026

BY MATTHEW J. PITROLA

The fixed income market maintained its momentum throughout 2025, buoyed by the "great rate reset" of 2022.

As we move into 2026, the environment for bonds remains attractive, though we are becoming more selective in our positioning, which we will detail below.

Despite all of the uncertainty around tariffs and inflation last year, the Federal Reserve continued on its interest rate cutting path. Throughout all of the uncertainty, yields remain near 15-year highs, with the 10-Year U.S. Treasury yielding 4.163% (as of market close on 12/31/25).

We believe that the fixed income markets still offer a compelling risk-reward profile. For example, using the Bloomberg Barclays Aggregate benchmark (AGG) with a 4% starting yield, a 1% rise in rates might lead to a manageable 2% total loss after accounting for income.

Conversely, a 1% drop-in rates could produce a 10% total return. This asymmetric profile is a significant improvement from the sub-1% yield environment seen during the post-pandemic era.

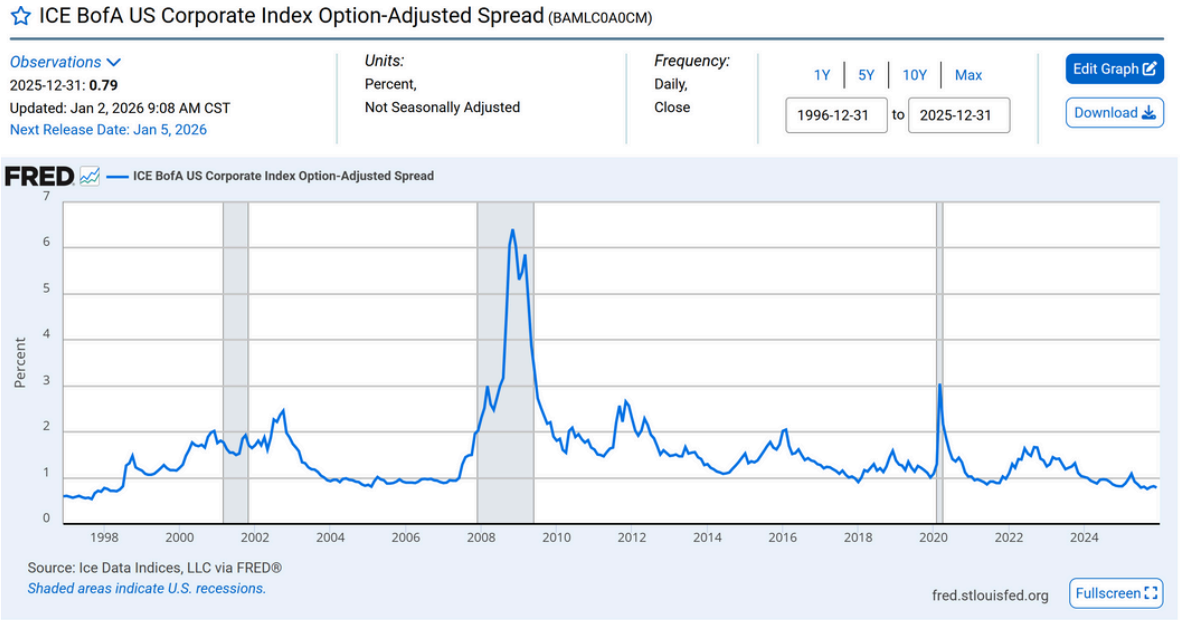
Figure 1: Ten Year U.S. Treasury Yield (15 Year Chart)

Fixed Income Update - Q1 2026 (Cont'd)

Credit Tightness Continues:

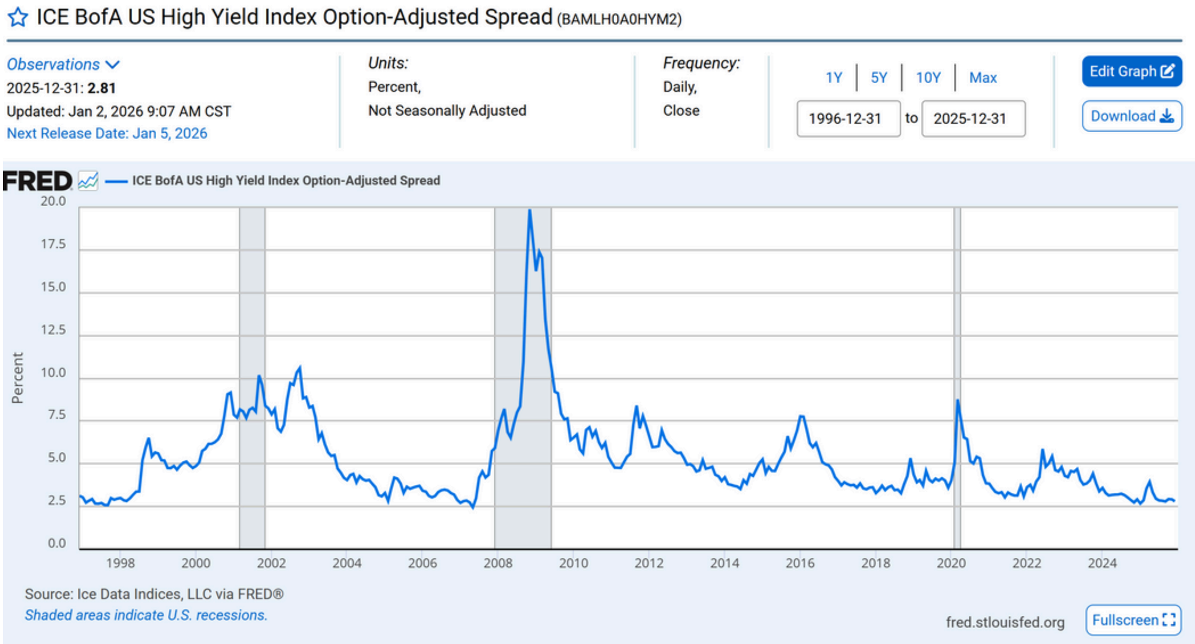
While the general backdrop for the fixed income landscape continues to look enticing, the resilience of the U.S. economy has also kept credit spreads extremely tight based on historical patterns. See the below referenced charts of Investment Grade & High Yield Bond spreads.

Figure 2: Investment Grade Corporate Bond Spread:



Source: Federal Reserve Economic Database

Figure 3: High Yield Corporate Bond Spread:



Source: Federal Reserve Economic Database

We feel that investors should manage credit exposure in both the investment grade and high yielding bond markets. Investors also need to stay vigilant for times of stress that may occur in 2026, as this may be a good entry point for new investor dollars to flow into these higher yielding areas of the fixed income markets at a fair price.

Fixed Income Update – Q1 2026 (Cont'd)

A new Fed Chair and a new home for money market funds

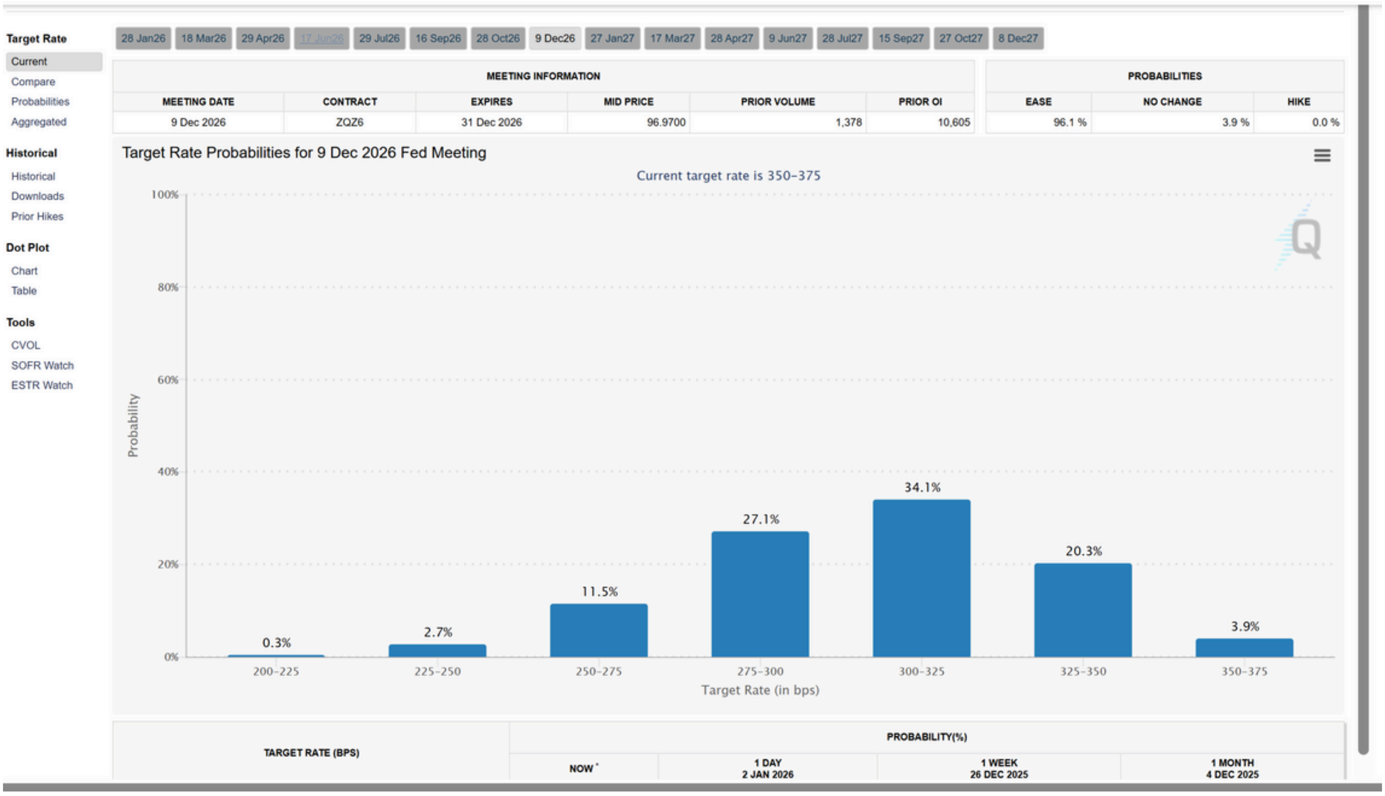
Speaking of money finding a new home, the Investment Company Institute reported that as of end of year 2025, a record $7.73 trillion is currently invested in money market funds.

We believe that this money will more than likely begin to find a new home in 2026. With the current Fed Chair's tenure ending in May of 2026, President Donald Trump will be the one tasked with naming a new Federal Reserve Chairman to take over effective in June. Trump has been very vocal about interest rates being too high, given the lower inflation readings we have seen over the course of his presidency. If the new chairman comes in with a sweeping agenda to lower the Effective Federal Funds Rate (EFFR), this will negatively affect the yields investors are receiving in money market positions.

Investors will find themselves in a situation where they must weigh their alternatives and possibly move into more interest rate sensitive buckets like short term treasury bonds or credit sensitive buckets like high quality investment grade corporates.

The current Federal Open Market Committee (FOMC) Fed Watch projections are calling for 2 interest rate cuts over the course of 2026, but these projections can be widely erratic, and hinge on the labor markets resilience and the absence of excessive inflation.

Figure 4: Target Rate Probabilities for December 2026 FOMC Meeting



Source: CME Fed Watch Tool

Happy New Year!!

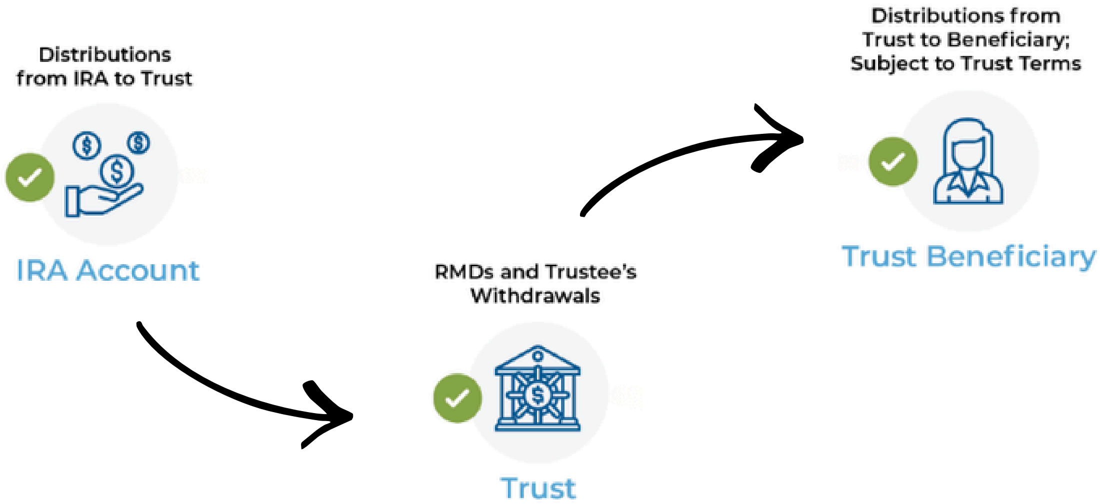
Matthew J. Pitrola
President, Buffalo Financial
Financial Advisor, RJFS

TRUSTEED IRAs

BY JACOB WOOD

For many families, an IRA is one of the largest assets they will ever own. While most planning focuses on how those dollars support your retirement, it's just as important to think about what happens to those assets when you're gone. A trusteed IRA is one way to add structure and protection to the passing on of your retirement savings, as it can allow you to address larger wealth transfer goals compared to simply naming beneficiaries.

A trusteed IRA takes your existing Traditional or Roth IRA and adds a built-in trust arrangement. Instead of your beneficiaries receiving a lump sum from the account upon your passing, the IRA is managed by a trustee who follows specific instructions you set in advance. These instructions can control how quickly money is distributed, how it can be used, and who ultimately receives it. This approach can help prevent a large inheritance from being spent too quickly or mismanaged.



Trusteed IRAs are often used when beneficiaries may need additional guidance or protection. This might include minor children, beneficiaries with special needs, or family members who may not be ready to manage a significant sum on their own. They can also be helpful in blended family situations, where you want to provide income to a spouse while ensuring remaining assets eventually pass to children from a prior marriage. Another benefit of a trusteed IRA is coordination with your broader estate plan. Because the rules are built into the IRA itself, a trusteed IRA can help reduce confusion, limit disputes among heirs, and ensure your wishes are carried out as intended. While there are additional complexities when compared to a standard IRA, many families find the added oversight and confidence to be well worth it.

Trusteed IRAs are not a one-size-fits-all solution, but it can be a powerful planning tool when used appropriately. If your IRA represents a meaningful portion of your wealth, or your family situation is more complex, it may be worth exploring whether a trusteed IRA fits into your overall financial and estate planning strategy. As always, we're here to help you evaluate your options and make informed decisions with confidence.

Happy New Year,
Jacob Wood
Vice President, Buffalo Financial
Financial Advisor, RJFS

GOLD RUSH

BY TYLER SACCO

Gold has been all the rage in 2025. Investing in precious metals such as gold can serve as a valuable complement to a traditional stock and bond portfolio by enhancing diversification and helping manage risk. Gold has historically exhibited a low correlation with equities and fixed income, which can help reduce overall portfolio volatility, particularly during periods of market stress or economic uncertainty. Additionally, precious metals are often viewed as a hedge against inflation and currency depreciation, as they tend to retain value when purchasing power declines. By incorporating gold into a broader asset allocation, you may improve portfolio resilience.

An asset that has historically served as a hedge against inflation has risen more than 60% this year, prompting questions about the drivers behind gold's sharp appreciation. A primary factor has been significant demand from central banks globally, which have been increasing gold allocations as part of their reserve management strategies. In addition to retail investor participation, countries such as the United States, China, Poland, India, and others have been actively expanding their gold holdings.

This trend raises an important question: why are so many nations increasing their gold reserves? Elevated geopolitical uncertainty, including ongoing conflicts such as the Russia-Ukraine war and evolving trade and tariff policies under President Trump, has reinforced gold's role as a safe-haven asset. At the same time, a weakening U.S. dollar has further enhanced gold's appeal as an alternative store of value. Together, these factors have been among the most influential drivers behind gold's price surge.

Why are countries abandoning U.S. Treasuries and moving to gold?

Historically, as the U.S. dollar has served as the world's primary reserve currency, periods of dollar weakness have often coincided with rising gold prices. That relationship remains relevant today, as the dollar continues to show signs of sustained weakness. While the United States has long been viewed as one of the most reliable sovereign borrowers, its growing fiscal imbalance, now exceeding $38 trillion in national debt, has raised concerns among global investors and foreign governments.

As a result, some countries have begun to de-risk their reserve portfolios by diversifying away from U.S.-centric assets and increasing allocations to non-U.S. currencies or gold. This shift has been reinforced by recent Federal Reserve monetary policy decisions. With the federal funds rate reduced to a target range of 3.50%-3.75% at the December meeting of the Federal Open Market Committee (FOMC), the relative yield advantage of U.S. assets has diminished.

The principle that "money goes where money grows" has contributed to reduced demand for U.S. Treasuries, as investors and sovereign institutions seek higher yields in other markets where they remain comfortable with the associated risk. Additionally, potential inflationary pressures stemming from President Trump's tariff policies may further weigh on the U.S. dollar, reinforcing the appeal of gold as an alternative store of value.

Gold Rush (Cont'd)

The gold market looking forward

While it is impossible to predict with certainty how the price of gold will evolve over the next year, we can analyze current data and trends to form a broader perspective. The U.S. dollar faces a challenging environment over the coming months. Global de-dollarization continues to gain momentum, contributing to a shift of foreign capital away from U.S. Treasuries and into alternative assets, such as gold.

Looking ahead to U.S. monetary policy, market sentiment suggests that additional interest rate cuts may be implemented in 2026. According to the CME Group FedWatch tool, the most likely scenarios point to either two or three separate quarter-point reductions in the federal funds rate by the end of next year (see Figure 4, Page 8).

In addition, the full economic effects of President Trump's tariff policies have yet to be fully realized. These tariffs may continue to raise the cost of certain goods, potentially increasing consumer prices, prompting companies to reduce costs elsewhere, including through layoffs, and placing upward pressure on inflation.

Given these factors, the U.S. dollar is likely to face multiple headwinds in the year ahead. Against this backdrop, demand for gold may continue to rise, as investors seek a reliable store of value amid currency weakness and economic uncertainty.

With these considerations in mind, several key developments over the next year warrant close attention. Fed Chair Jerome Powell's term concludes in May, and the appointment of a new chair could significantly influence the timing and magnitude of projected rate cuts. At the same time, the impact of President Trump's tariff policies can be tracked through monthly inflation indicators, such as the Consumer Price Index (CPI) and Producer Price Index (PPI), which provide insight into how rising costs are affecting both consumers and businesses. Additionally, shifts in global reserve allocations, particularly the movement of assets from U.S. Treasuries to gold or other non-U.S. currencies, offer an important signal of international sentiment regarding the U.S. economy and the dollar's long-term stability. Together, these factors will play a central role in shaping the demand for gold and the trajectory of the dollar over the coming year.

Go Bills!
Tyler Sacco
Vice President, Buffalo Financial
Registered Representative, RJFS

Buffalo Financial's Newest Member

We are excited to announce the newest addition to our team here at Buffalo Financial!

Iris Celeste Pitrola was born on December 18th, 2025, weighing a healthy 8 pounds 2 ounces.

Mom, Dad, and baby are all doing great!

Disclosures: The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

Bond prices and yields are subject to change based upon market conditions and availability. If bonds are sold prior to maturity, you may receive more or less than your initial investment. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices rise.

529 plans come with fees and expenses, and there is a risk they may lose money or underperform. Most states offer their own 529 programs, which may provide benefits exclusively for their residents. Please consider whether the state plan offers any tax or other benefits. Tax implications can vary significantly from state to state.

Investing involves risk and you may incur a profit or loss regardless of strategy selected, including diversification and asset allocation. Every investor's situation is unique and you should consider your investment goals, risk tolerance and time horizon before making any investment. Prior to making an investment decision, please consult with your financial advisor about your individual situation.

While we are familiar with the tax provisions of the issues presented herein, as Financial Advisors of RJFS, we are not qualified to render advice on tax or legal matters. You should discuss tax or legal matters with the appropriate professional.

The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee that it is accurate or complete, it is not a statement of all available data necessary for making an investment decision, and it does not constitute a recommendation. Any opinions are those of the authors and not necessarily those of Raymond James.

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