



January 20, 2026

Dow: 48,489

A Review of 2025 Predictions

Do you notice that your inbox is stuffed with market and economic predictions at the beginning of each year, but never a recap at year end? We aren't afraid to walk the high wire, so here is a review of our 2025 predictions.

GLP-1 drugs will come under greater scrutiny

Correct – Thyroid and pancreatic risks continue to be investigated. The biggest news for the drugs last year was that you may not be able to quit them once you lose the weight, meaning any cumulative negative effects will continue to build in your system.

Growth Pothole

Correct – GDP was negative 0.6% in the first quarter of 2025.

Growth Recovery

Correct – GDP rebounded to 3.8% annualized in the second quarter and 4.3% in the third quarter. We are starting to believe that we can see the future...

Stock market will rise by double digits

Correct – Bullseye! Here is what we said twelve months ago: "This market is very ripe for a correction after the run of the last two years. We would expect it to come early in the year, along with the growth slowdown scare. It is amazing how many strategists predict single digit up years for the stock market when they aren't that common. We will call for another year of double-digit returns."

China Fail

Wrong – Chinese GDP stayed sluggish, and there is still a load of bad debt to deal with, but the government has strings it can pull to delay a significant recession. Demographics are now working against them, with a very low birth rate, but a larger recession is still off in the future.

Home Price Correction

Correct – Although home prices nationally have shown a modest increase, cities we mentioned, like Orlando, Denver, and Austin, have seen price corrections, an increase in inventory, and a slowing in sales.

Private Debt Problems

Partially Correct – Defaults and restructurings are beginning to appear, but the pipeline for new debt issuance is still open. Inflows to this asset class will have to slow significantly in order for larger structural problems to manifest themselves.

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Immigration Backlash

Correct – Nationalism is on the rise in many European countries as well as in the U.S. Disputes have reached the boiling point in many countries, and we hope tempers can cool. In January, we said this about the European countries: “The political upheaval currently experienced by these countries is mainly driven by immigration concerns, and multi-party countries are having difficulty forming governments. The natural result of immigration concerns will be the continued rise of Nationalist parties in many of these countries.”

Inflation, Fed Funds, and Interest Rates Lower

Correct – All moved lower, albeit inflation only from 2.9% in 2024 to 2.7% in 2025. The Fed cut rates three times in the second half of the year, and Treasury yields fell approximately 50 basis points across the curve.

Trump Agenda Slowed

Correct – 2025 witnessed an amount of new legislation passed by Congress that was far below average. Many of us free marketers would see that as a positive. Alas, like many modern Presidents that can’t move their priorities through Congress, Trump has become adept at legislating through executive orders.

The Most Important Call

A near perfect prediction record will be hard to repeat, but we think our most important call came in the first quarter of 2025, during the market correction, when we said that tariffs would not be inflationary. The lack of inflation or a recession in 2025 clearly were two of the factors that allowed the market to continue to climb. In February, we said, “Much has been said about tariffs being inflationary, but we actually worry about them for a different reason: because they are contractionary. They tend to create a combination of reduced trade, consumption, and output. In some cases they reduce all three,” and “Tariffs are a cost and a drag on the economy because they increase the cost of an item without increasing its value or utility. So why aren’t they inflationary? Because, if a household has a set amount of discretionary dollars to spend, they do not blindly accept the cost increase without making other changes to their behavior.”

In late March, less than two weeks from the bottom in the S&P 500, we said, “The market decline may have already discounted the potential negatives.”

We have no illusions that our prediction record will be as successful in 2026 as it was in 2025, but that is not necessarily our goal. This exercise helps us construct and evaluate a framework for analyzing the economy and the markets, and we adapt as new information becomes available. Every day brings new challenges, and we will face them with the best experience and analytical rigor we can muster.

Random Thought: “If you want to know what will happen in the markets this year, ask me next year”

- Anonymous Dana Employee

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