

# Week In Review

OLLI-GMU Investment Forum

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Today: Software firms under attack; Chaos in Gold, Silver markets

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Disclaimer: I am not a certified financial analyst.

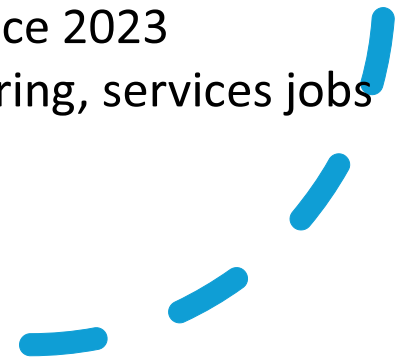
Any trading decisions you make are your responsibility

If you would like to acquire these slides, email me at:

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# Economic Commentary

- Kevin Warsh nominated to Fed Chair.
  - **Watch bonds' reactions**, esp 10 and 30 year.
- US population growth has slowed to 0.5% YoY.
  - **US may have it's first population decrease in history**
  - Average life expectancy rose to 79 yrs: Opioid crisis over
- US military gearing up to attack Iran; oil prices chaotic
- China loses Panama Canal license. And lost a zinc mining contract in Bolivia
- India signs trade deal with US; will stop buying Russian oil
- S&P500 earnings running 11% ahead of 2025
- US Q3 productivity up 4.9%; highest since 2023
- Labor weakness continues: manufacturing, services jobs continue declining



# Housing Market Easing Up (Barrons)

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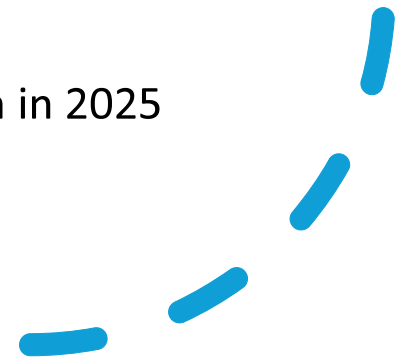
- Sales stuck at 30-year low, but..
- 62% of buyers paid less than list price
- Discounts are rising
- In December, there were 600,000 more sellers than buyers
- US housing is short 2M homes

# Market commentary

- By any measure, the US stock market is seriously overvalued
- Gold, silver cratered, then recovered: Chinese speculators are blamed
  - Recovery in progress; demand remains high
- MSFT slumped 8% on weak cloud results
  - Salesforce, Oracle down drastically
  - Cause: Anthropic announcement of new AI tools
- Palantir reported blowout revenue, earnings
- Visa, AmEx report spending up 7% and 10%
- Royal Caribbean up 17% on very strong demand for cruises
- Bitcoin falling below \$76K; MSTR disaster approaching
- BDCs getting clobbered again – software attack
  - ARES, OBDC others invested heavily (20%) in software
- VIX: rose to 18: neutral
- CNN fear gauge: 41: mildly fearful
- AAI investor sentiment: 44% bullish; 31% bearish
- Junk bond spreads: Rose to 2.8% from 2.5%; (FRED)
  - Long bonds are selling off

# The Case for Gold

- Gold is a hedge against inflation, currency deflation, and economic and geo-political uncertainty
- ETFs are the largest buyers of gold
- Central banks are buying aggressively: 25% of total demand
  - Especially Poland, China, India, Turkey, et al
  - Buying has doubled in 10 years
  - Except Russia, which is selling off gold reserves to support Ukraine war
- Jewelry demand remains high, especially in India and China
  - Jewelry demand fell 11% in 2025 due to higher prices
- Medical, dental and semi-conductor applications
  - Technology demand is steady in 2025
- Supply is growing very slowly: 1% growth in 2025
  - Supply is expected to peak in 2026
  - Few new discoveries
  - Increasing costs of mining



# By Every Measure, the Stock Market Is Seriously Overvalued (Steve Rochlis)

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## **Valuation Metric**

## **Current Signal (Jan 2026)**

CAPE Ratio

Overvalued

Buffett Indicator

Overvalued

Rule of 20

Overvalued (likely)

Tobin's Q Ratio

Overvalued

Fed Model

Not clearly signaling overvaluation / mixed

# SPDR Gold Shares (GLD)

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Bitcoin is in real trouble



# Now what?

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- Expect one or two Fed interest rate cuts in 2026
- Emerging market stocks expected to perform best this year
- **US economy is strong but....with some geo-political uncertainty**
  - Strong stimulants in place - OBBB
  - AI bubble talk is off the table
  - Affordability remains a concern
  - Consumer spending is strong but with low confidence, nervousness
- Labor market is clearly cooling off
- Tariff effects minimal and sector-dependent
  - Supreme Court to rule on tariff legality soon – long overdue
- Stock market is very expensive
  - Diversify!
  - Protect yourself with automated stop loss orders; or put options as insurance