

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

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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)

- 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)

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)

Bitcoin is in real trouble

Now what?

- 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