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SUMMARY

- The 'Trump Doctrine' represents a new world order of diminished multilateralism in foreign relations.
- This is unlikely to harm US stocks in the near-term, due to economic resilience.... but may lead to greater long-term uncertainty.
- Geopolitical crises rarely lead to lower US stock prices over the following 12 months.

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Disorder In Davos

What The 'Trump Doctrine' Means for US Markets

World leaders used the economic forum in Davos, Switzerland last week to articulate vastly different views of a 'new world order'. What they all agreed on is that the old world order, established after WW II with its commitment to institutions such as NATO (the North Atlantic Treaty Organization), and the UN (United Nations), is changing into one that is more country and continent centric.

President Trump made it clear that 'America First' means a greater focus on the American continent and a lesser one on Europe, harkening back to the 200-year-old Monroe Doctrine and its' projection of American primacy. Canada's Prime Minister Carney and German chancellor Merz recognized the strength and rivalry of what they called the 'Great Powers' and articulated an alternative vision for what they called Middle Powers, seeking economic alliances with South American and Asian countries such as Brazil, Argentina, and India.

What Are the Aims of the 'Trump Doctrine'?

Notable examples of this 'Trump Doctrine' (or 'Donroe Doctrine', if you're being cheeky) over the past few weeks includes the US capture of Venezuela President Maduro, as well as heated rhetoric last week surrounding the sovereignty of Greenland (the world's largest non-continent island at roughly 836,000 square miles - see red area on orthographic projection below; map and data from NPR.org). The latter caused a crisis of confidence in NATO before resulting in what appears to be a framework that gives US broader access to missile defense and mineral rights than the current agreement.

Trump supporters cast his Doctrine as crucial in protecting US interests and national security versus rivals like China, as well as stabilizing supply chains and blocking authoritarian adversaries in Latin America and the Caribbean. Critics reframe it as a revival of 'gunboat diplomacy,' warning that it destabilizes the world by encouraging territorial expansionism, and in doing so undermines the West's entire post-WWII security framework.

While the news flow of last few weeks has been particularly intense, these actions can be viewed as simply a continuation of policies introduced in



Trump's first term and reinforced in his second. These policies emphasize an 'America First' focus on defense and the economy, and a diminished reliance on foreign allies in Europe and elsewhere.

The Doctrine also underlines a transactional approach to diplomacy that allows for 'bright lines' to be crossed, converting longstanding burden-sharing grievances into transactional demands that mix trade, territory, and alliance commitments. These bright lines include the controversial use of tariffs as a weapon to extract maximum leverage in negotiations- ala 'Liberation Day' last April, or last week's tariff threats towards Germany, Switzerland, and others.

The US is an increasingly insular country, and one that boasts a strong hand from which to extract concessions from allies and rivals alike. In addition to geography, these advantages include the world's richest consumer base and deepest capital markets, a huge store of natural resources, a world class military and the 'exorbitant privilege' of the US dollar's reserve currency status.

Our View: Pragmatism Behind the Bluster

We believe Trump is a transactional president who likes to achieve his policy aims through negotiation and deals with individual countries, ala 'divide and conquer.' We have learned that multilateral institutions will be supported when they help his objectives, and overruled when they don't.

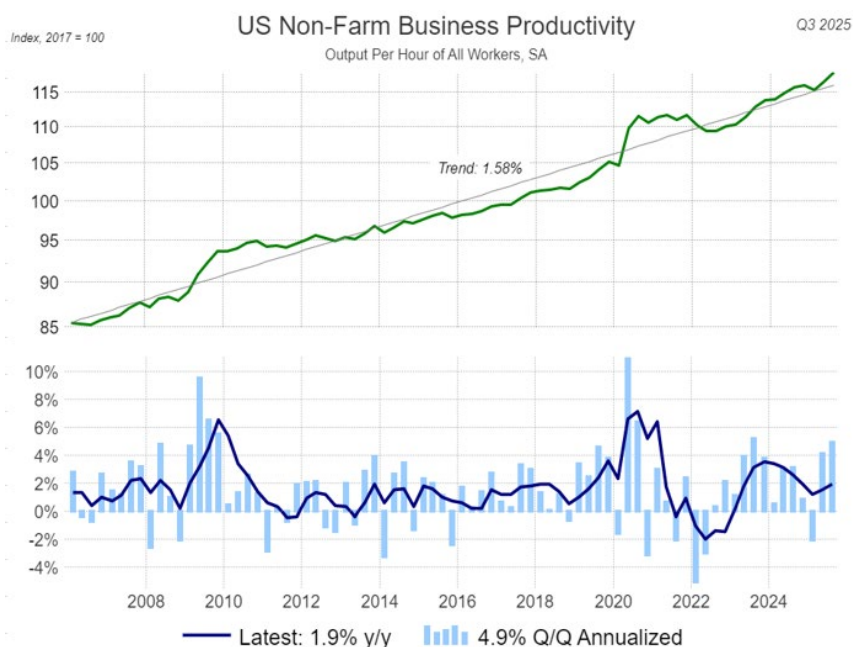
We have also come to believe that, beneath the bluster, the Trump Administration is sensitive to market feedback. At the end of the day Trump appears to be a pragmatist who knows he has a strong hand, but also needs economic growth, inflation control and buoyant markets to help maintain support. Each time he pulls back from an initial announcement, the less likely markets are to react to rhetoric in the future.

This lack of market reaction has been bolstered by the fact that, despite tariff implementation not seen in a century, the US economy just keeps on growing, with admirable resilience of US corporate cash flows and profit margins to the recent volatility in trade relations, tariff announcements and elevated inflation. Strong cash flow and margins are a phenomenon that cuts across US sectors, as well as across both public and private companies.

'America First' in Productivity Still Alive and Well

We think this speaks to the flexibility and productivity of Corporate America, still the envy of the world, in our view. Recent non-farm productivity data backs this up; at a 4.9% annualized rate (see chart, right), productivity is now above average levels again. With employment data muted, the setup is strong for both GDP and productivity growth to continue its strong pace, with the Atlanta Fed's GDPNow model trending above +5% for Q4 GDP growth. As we [recently discussed](#), the corporate sector's increasing use of artificial intelligence (AI) is likely aiding this growth. However, we also believe the US's [superior productivity](#) relative to other G7 nations has been going on for decades and predates the proliferation of AI.

Strong productivity growth suggests not only strong economic growth, but strong corporate earnings and cash flow...leading to stronger stock returns. According to NDR Research, productivity growth above 5-year averages is historically linked to above-average S&P 500 returns.



Source: LSEG Datastream, RiverFront; latest data release as of 3Q25. Chart shown for illustrative purposes only. Past performance is no indication of future results.

The resilience of the US corporate sector may also speak to a lower rate of tariff adoption relative to the worst-case scenario assumed during the ‘Liberation Day’ meltdown in April. According to recent JP Morgan research, the realized tariff rate in the US has been much lower at ~11% versus expectations of 15%...and only 14% of S&P 500 companies are highly sensitive to tariffs.

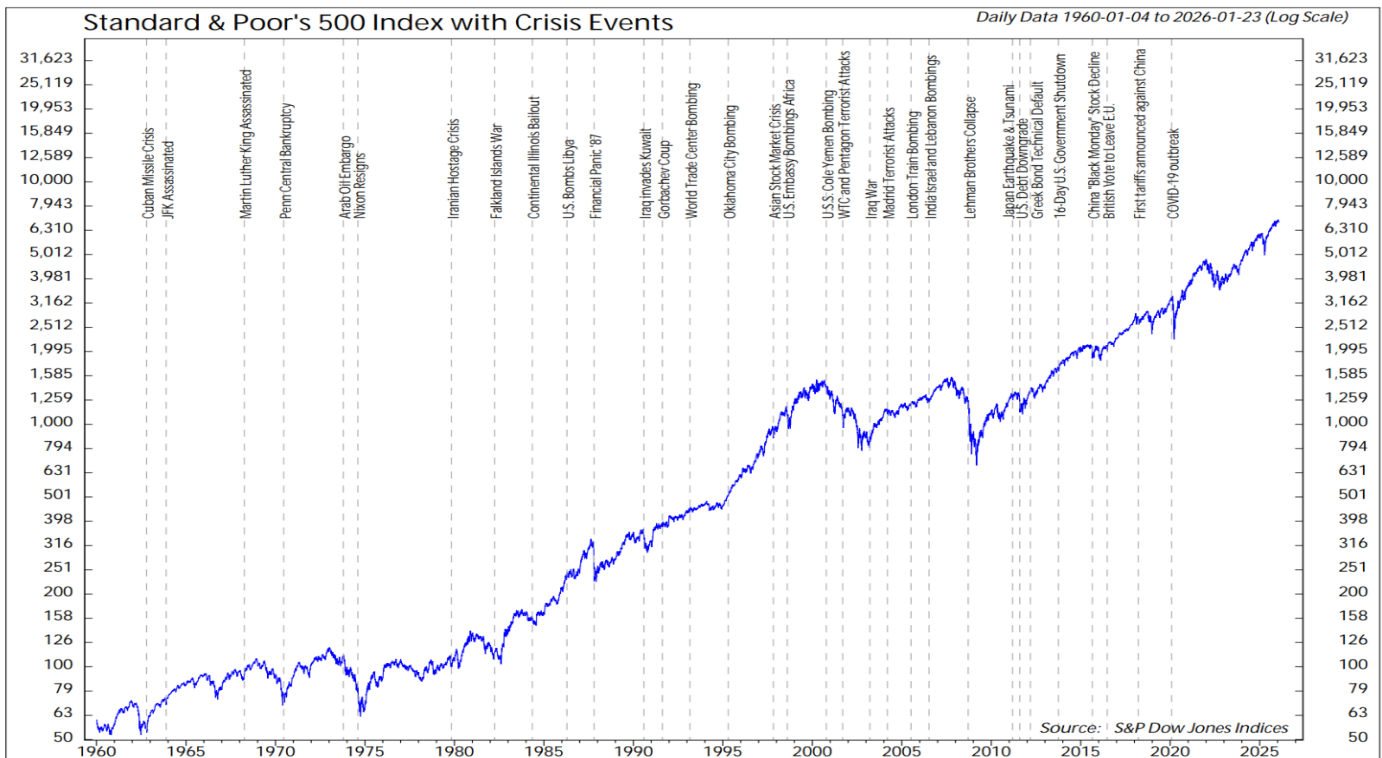
What It Means for US Markets: Higher Volatility, Stickier Inflation, More Episodic Stock Opportunities...And Longer-Term Uncertainty

Anyone who views this US stance as transitory hasn’t been paying attention – ‘America First’ is the ‘New Normal,’ and the direct and indirect effects of this shift will be felt for years to come. Outside of the geopolitical implications, we’d like to make two conclusions as it relates to the effect that we anticipate this will have on markets:

1. **Higher volatility in both stock and bond markets:** The mercurial nature of the Trump Administration’s announcements is a natural volatility amplifier for risk markets– as the past week has shown. However, just because volatility may increase doesn’t necessarily suggest that investors try to trade their way around ‘tweet’-related dips. On the contrary, we believe that these frequent bouts of volatility may actually create more opportunities for attractive entry points for longer-horizon investors willing to look past the latest scary headline or social media post – as last April’s ‘Liberation Day’ turned out to be.

In our view, the most powerful drivers of intermediate-term stock prices tend to have little to do with geopolitics, and much more to do with predicting corporate cash flows and the interest rates used to discount them. To this point, as we [first explored](#) back in the summer of last year, some may be surprised to learn that **the market’s response to significant geopolitical events is often quite muted and short-lived**, as the NDR Research chart below visually suggests.

CHART: GEOPOLITICAL CRISES GENERALLY ONLY HAVE A SHORT-LIVED AFFECT ON US MARKETS



Source: Ned Davis Research. Chart DAVIS196. Data daily as of 06.30.2025. Past performance is no guarantee of future results. © 2026 Ned Davis Research Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at nдр.com/copyright.html. For data disclaimers, refer to nдр.com/vendorinfo/. See Definitions & Disclosures section for S&P 500 index definition. This chart plots Standard & Poor's 500 Index with crisis events going back to 1960. The dashed lines are plotted on the start date of each event. This chart provides a visual of the impact of crisis events on the market. Past results are no guarantee of future results, and no representation is made that a client will or is likely to achieve positive returns, avoid losses, or experience returns similar to those shown or experienced in the past. Shown for illustrative purposes only. Performance shown is not representative of any RiverFront portfolio or client experience.

Conducting an even broader study using the long-lived Dow Jones Industrial Average (DJIA) in order to go back well over a century, NDR Research studied the market impact of fifty-eight acute crisis events starting in 1907. Their findings were conclusive: US stocks on average were higher 1, 3, 6 and 12 months after the crisis event. In the minority of times when markets were lower – for instance, when Russia invaded Georgia in August 2008– the geopolitical crisis happened concurrently in the midst of an unrelated economic downturn.

This is not to say that geopolitics don't matter to US stocks. Rather, our stance is that, in order to exact long-term impact on markets, geopolitical shifts like 'America First' must manifest themselves in instruments that have direct impact into stock prices. One example could be the US dollar. To the extent that the Trump Doctrine causes foreign institutions to move away over time from their reliance on the dollar, relative strength of country stock markets could shift significantly – as currency translation's effect on earnings and comparative trade advantage can be profound. Our Base Case view on the US dollar, as articulated in our recently-released [2026 Outlook](#), is for continued moderate weakness over the course of the next year, not a collapse as some US bears are predicting. Mild dollar weakness should continue to be a positive backdrop for US corporate earnings, in our view. **We continue to believe that the US dollar will remain the world's reserve currency for the foreseeable future.** However, if geopolitics leads to a longer-term collapse in the dollar, we would view that as destabilizing for US markets and would be forced to review our portfolio positioning.

2. **Stickier structural inflation...combined with sustained economic growth:** Another example of how geopolitics could lastingly impact US markets is via the transmission mechanism of inflation. One classic example is the transmission mechanism of oil prices...historically, unrest in the Middle East or Latin America led to destabilizing oil price spikes and 1970s style 'stagflation'. However, unlike the 1970s, North American oil and gas is now well supplied, lowering the sensitivity of oil prices to geopolitics.

Inflation trends can also directly affect interest rates and rate policy, which as we suggested earlier likely has significant impact on intermediate term-stock prices. A more insular world is likely to continue to drive supply chain realignment and reshoring, as nations revise their views of who is and isn't a reliable trading partner. This realignment is likely to drive higher structural inflation, as nations prioritize geopolitical security over corporate efficiency. Investment assets with relatively low fixed cash flows – such as long-term US, European and Japanese sovereign debt – become incrementally less attractive, in our view. **We remain underweight fixed income in our balanced asset allocation portfolios.**

However, another feature of 'America First' is enough domestic fiscal and monetary stimulus to help keep the economy expanding, keeping recession risk low. This 'reflationary' backdrop tends to be positive for corporate revenues and cash flows...which tend to drive stock prices. We believe this is particularly true for business models whose revenues and cash flows tend to grow faster than inflation, such as technology. **Thus, we remain overweight US equities across our portfolio.** We continue to favor tech-related names with strong free cash flow. In addition, we also prefer financials and industrial themes that benefit from the second order effects of the Doctrine, including steeper yield curves and a 'reflationary' economic environment.

What Does the Trump Doctrine Mean for International Stocks?

Despite the US' advantages enumerated above, we are also favorable on some selected international investment themes. In particular, for more risk-tolerant investors we favor European financials as well as value-oriented companies across Europe and non-China Asia. Ironically, some of the potential positive international catalysts are direct and indirect consequences of the Trump Doctrine. Countries like Germany are being forced to engage in greater deficit spending in as they look to rearm themselves in a world where America no longer accepts the role of 'the world's policeman.' This is driving both steeper yield curves (the difference in yield between short and longer-term bonds) and stronger capital expenditures. These are likely to be positive revenue drivers of financial and cyclical business models, in our view.

However, despite deflation taking hold across most of the rest of the globe, the Chinese economy still appears stagnant, with eleven consecutive quarters of deflation reflecting weak domestic demand and brutal price competition among producers. We prefer to own technology in the US, Korea, and Taiwan over Chinese companies, where the rights of shareholders are subsumed to the whims of Chinese policymakers.

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All charts shown for illustrative purposes only. Technical analysis is based on the study of historical price movements and past trend patterns. There are no assurances that movements or trends can or will be duplicated in the future.

Ned Davis Research (NDR) is a global provider of independent investment research, solutions and tools. Founded in 1980, NDR helps clients around the world make objective investment decisions.

Stocks represent partial ownership of a corporation. If the corporation does well, its value increases, and investors share in the appreciation. However, if it goes bankrupt, or performs poorly, investors can lose their entire initial investment (i.e., the stock price can go to zero). Bonds represent a loan made by an investor to a corporation or government. As such, the investor gets a guaranteed interest rate for a specific period of time and expects to get their original investment back at the end of that time period, along with the interest earned. Investment risk is repayment of the principal (amount invested). In the event of a bankruptcy or other corporate disruption, bonds are senior to stocks. Investors should be aware of these differences prior to investing.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa). This effect is usually more pronounced for longer-term securities). Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. Lower-quality fixed income securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Foreign investments involve greater risks than U.S. investments, and can decline significantly in response to adverse issuer, political, regulatory, market, and economic risks. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.

Investing in foreign companies poses additional risks since political and economic events unique to a country or region may affect those markets and their issuers. In addition to such general international risks, the portfolio may also be exposed to currency fluctuation risks and emerging markets risks as described further below.

Changes in the value of foreign currencies compared to the U.S. dollar may affect (positively or negatively) the value of the portfolio's investments. Such currency movements may occur separately from, and/or in response to, events that do not otherwise affect the value of the security in the issuer's home country. Also, the value of the portfolio may be influenced by currency exchange control regulations. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by the portfolio.

Foreign investments, especially investments in emerging markets, can be riskier and more volatile than investments in the U.S. and are considered speculative and subject to heightened risks in addition to the general risks of investing in non-U.S. securities. Also, inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries.

Technology and internet-related stocks, especially of smaller, less-seasoned companies, tend to be more volatile than the overall market.

Artificial intelligence, or AI, refers to the simulation of human intelligence by software-coded heuristics. Nowadays this code is prevalent in everything from cloudbased, enterprise applications to consumer apps and even embedded firmware.

Index Definitions:

Standard & Poor's (S&P) 500 Index measures the performance of 500 large cap stocks, which together represent about 80% of the total US equities market.

The Dow Jones Industrial Average (DJIA), sometimes referred to as the Dow or Dow 30, is a stock market index that tracks the performance of 30 large, publicly traded companies in the United States

Definitions:

Gross domestic product (GDP) is a monetary measure of the market value of all final goods and services produced in a period (quarterly or yearly) of time.

Inflation is a gradual loss of purchasing power, reflected in a broad rise in prices for goods and services over time.

A recession is a significant, widespread, and prolonged downturn in economic activity. A common rule of thumb is that two consecutive quarters of negative gross domestic product (GDP) growth indicate a recession. However, more complex formulas are also used to determine recessions.

Stagflation is an economic cycle characterized by slow growth and a high unemployment rate accompanied by inflation. Economic policymakers find this combination particularly difficult to handle, as attempting to correct one of the factors can exacerbate another.

Deflation is characterized by a general decline in prices, which increases the purchasing power of money but can harm borrowers and financial markets

Reflation is a policy response to economic slowdowns that aims to boost spending and counter deflation. It can involve tax cuts, lower interest rates, expanding the money supply, or increased infrastructure spending, all meant to jump-start activity after a contraction. As the early phase of recovery, reflation helps move an economy from stagnation back toward growth.

When referring to being "overweight" or "underweight" relative to a market or asset class, RiverFront is referring to our current portfolios' weightings compared to the composite benchmarks for each portfolio.

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