



Mean Reversion Is Not a Theory

Market Update — February 5, 2026

The week of January 30, 2026, may be remembered as a turning point. What began with the largest single-day collapse in precious metals since 1980 has cascaded into a broader reassessment of market assumptions. Gold fell 9-12% and silver crashed over 30% in a single session. In the days that followed, software stocks entered freefall, Bitcoin has plunged from \$95,000 to \$65,000, and even companies posting exceptional earnings have seen their shares punished.

At GLR Partners, we believe these are not isolated events. They are symptoms of a regime shift - one we have been preparing for...

Introducing the GLR 3 Pillars Framework

At GLR Partners, we evaluate markets through a consistent framework we call the Three Pillars. This approach helps us assess when to increase or decrease risk, how to position portfolios, and where opportunities may emerge. We will be introducing this framework in greater detail throughout 2026.

Economic Cycle	Monetary Policy	Market Conditions
Economic expansion drives capital expansion and financial markets	Federal Reserve acts to balance inflation and employment	Investor sentiment drives markets beyond fundamentals
⚠ CAUTIONARY Labor market weakening	⚠ CAUTIONARY Hawkish Fed Chair incoming	⚠ CAUTIONARY Elevated valuations correcting

When all three pillars flash caution simultaneously, as they do today, history suggests changes are warranted.

Pillar 1: The Labor Market Is Weakening

Yesterday's ADP employment report confirmed what we've been watching: the labor market is losing momentum. Private employers added just 22,000 jobs in January - less than half the 45,000 economists expected. December's figure was revised down from 41,000 to 37,000.

Year	Private Sector Jobs Added
2024	771,000
2025	398,000
Jan 2026	22,000

As ADP's Chief Economist Dr. Nela Richardson noted: "Job creation took a step back in 2025, with private employers adding 398,000 jobs, down from 771,000 in 2024. We've seen a continuous and dramatic slowdown in job creation for the past three years."

Manufacturing has lost jobs every month since March 2024. Professional and business services shed 57,000 jobs in January alone. Large employers cut 18,000 positions. This is not a healthy labor market – it's one that warrants attention.

Pillar 2: A Hawkish Fed Chair

The immediate trigger for January 30's precious metals collapse was President Trump's nomination of Kevin Warsh to lead the Federal Reserve. A former Fed Governor known for his hawkish stance during the 2008 financial crisis, he is widely viewed as "the most hawkish of the four final candidates for Fed Chair," according to Columbia Business School economist Brett House.

The nomination sent the dollar sharply higher and triggered massive forced liquidation in gold and silver positions. The leverage built up as precious metals surged upward - gold was up 66% and silver 135% in 2025 - unwound violently.

Pillar 3: Market Conditions Are Correcting

The AI capex story is beginning to crack. Alphabet announced plans to spend \$175-185 billion on AI infrastructure in 2026 - more than double its 2025 spend. Meta expects \$115-135 billion. Combined, the hyperscalers are committing over \$600 billion this year. The market is asking: What is the return on this investment?

Asset / Sector	Recent Decline
Software Sector (3 months)	-30%
Bitcoin (from Oct high)	-49%
Silver (Jan 30)	-31%
Gold (Jan 30)	-12%
Microsoft (post-earnings)	-10%

The most telling signal: exceptional earnings are being punished. Microsoft reported 17% revenue growth and 60% earnings growth—yet fell 10% in a single day. When great earnings lead to stock declines, the market is telling you that valuations have gotten ahead of fundamentals.

Why This Matters for Your Portfolio

Environments like this one tend to favor strategies that don't rely on momentum continuing indefinitely. Systematic managed futures can capture trends as they develop - up or down. Deep value approaches benefit when expensive assets reprice. Capital preservation strategies provide ballast when correlations rise.

For context, 2022 offered a useful case study. When stocks and bonds fell together, alternative strategies like these provided genuine diversification - something the traditional 60/40 portfolio could not deliver that year.

The current environment shares some characteristics with that period: elevated valuations, a Federal Reserve focused on inflation, and growth stocks under pressure. These conditions suggest that non-correlated return sources and value-oriented equity strategies may continue to play an important role.

Looking Forward

We expect volatility to persist. The rotation from growth to value strategies is in its early innings. Markets are transitioning from the euphoric momentum of 2023-2024 to an environment where diversification, risk management, and non-correlated return sources matter once again.

At GLR Partners, we believe in diversification broadly - specifically through alternative investment strategies that have found their way into many client portfolios, along with our rotation into more value-centric equity strategies. This is not a time for conventional portfolios.

We are here to discuss how these developments affect your specific situation and what adjustments, if any, may be appropriate for your portfolio. Please don't hesitate to reach out.

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