



January 22, 2026

## Morning Briefing

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### Transports, Autos & AI In Healthcare

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Check out the accompanying [chart collection](#).

**Executive Summary:** Today, Jackie examines why investors have hopped onto transportation stocks this year—sending them racing to record highs after four years of idling—as well as how Trump administration policies affect automakers. After the elimination of tax credits for EV buyers, slowing EV demand has prompted restructurings at GM and Ford to improve profitability. And might Trump roll out a red carpet for Chinese automakers if they manufacture in the US as well as sell here? ... Also: A look at how the healthcare sector is capitalizing on AI.

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**Industrials: Transports Breaking Out?** The S&P 500 Transportation Composite looks like it's trying to break out of a four-year trading range to hit a new record high. The index has climbed 1.0% ytd through Tuesday's close, compared to the S&P 500's 0.7% decline. It's 4.1% away from its previous high, on March 30, 2022 ([Fig. 1](#)).

The Dow Jones Transportation Average already broke through to a new high in December and has climbed 2.9% ytd ([Fig. 2](#)). For Dow Theory believers, a new high in Transports is welcome news amid the recent flood of geopolitical volatility.

Driving the S&P 500 Transports higher ytd have been the following S&P 500 industries: Cargo Ground Transportation (7.2%), Air Freight & Logistics (6.4), Passenger Ground Transportation (2.5), Transport Composite (1.0), Passenger Airlines (-1.7), and Rail Transportation (-3.3) ([Fig. 3](#)).

Here's a look into what's shifting transports into higher gear:

(1) *Truckers & shippers.* The trucking companies in the S&P 500 Cargo Ground Transportation industry may have the best ytd performance, but the industry's two constituents—Old Dominion Freight Line and J.B. Hunt Transport Services—are small, representing only 7.1% of the S&P 500 Transportation industry's market capitalization.

The Air Freight & Logistics industry packs a bigger punch. It's home to C.H. Robinson Worldwide, Expeditors International of Washington, FedEx, and United Parcel Service, which together make up more than a quarter of the Transportation industry's market capitalization ([Table 1](#)).

(2) *Rejiggering UPS & FedEx*. Both UPS and FedEx have been restructuring parts of their businesses. UPS has cut 48,000 positions, increased automation, and focused on more profitable business, dropping Amazon as a customer. UPS shares, which tumbled 20.9% last year, have climbed 7.4% ytd.

FedEx is also driving change, with plans to spin off its own freight business this year as well as take on Amazon as a customer. Both companies have faced headwinds from the Trump tariffs, but they should have benefited from lower fuel prices. FedEx shares have climbed 4.2% ytd, adding to their 18.5% gain last year. FedEx shares often move in lockstep with the Dow Jones Transportation Average ([Fig. 4](#)).

**Consumer Discretionary: US vs Chinese Autos.** General Motors and Ford stocks had a banner 2025, rising 51.6% and 32.8%, after both companies announced that they'd be reducing their investments in electric vehicles (EVs) and increasing their focus on gasoline-powered vehicles. Both companies took multi-billion-dollar write-downs as EV demand slowed in 2025 after the Trump administration eliminated tax credits previously available to consumers buying EVs.

Sales of EVs could fall to 5% of US auto sales this year, according to Ford, down from the 10% market share EVs held before the \$7,500 tax credit expired in September. Investors are glad to see US auto companies turning their focus back to gas-fueled vehicles because they have better operating margins than their EV cousins. Auto companies are also expected to benefit from the Trump administration's looser regulations on the industry.

That said, President Trump has a habit of giving with one hand and taking away with the other. Last week, he said he'd be open to Chinese manufacturers' selling their cars in the US if they were manufactured in the US with US workers. Right now, Chinese car manufacturer Geely has a South Carolina facility building Volvo-branded vehicles; but otherwise, Chinese auto manufacturers' access to the US market is limited by massive tariffs that some tabulate are north of 200%.

In recent years, Chinese auto manufacturers have proved to be strong competitors, rapidly increasing their auto exports as well as their domestic market share. Here's a look at what

US manufacturers would be up against if more Chinese manufacturers set up shop in the US:

(1) *China's tough home market.* Chinese EV manufacturers would love an alternative to the hyper-competitive, slowing Chinese market. The average domestic vehicle margin in China was about \$717, but that could rise to almost \$3,000 if the cars were sold internationally, where they could command a premium, a JPMorgan analyst [estimates](#). Meanwhile, China's auto sales in December fell 18% y/y owing to waning government subsidies for EVs.

Chinese manufacturers have proven adept at grabbing market share in their home market. Foreign auto manufacturers' [market share](#) in China shrank from 62% in 2019 to roughly 33% last year. The Chinese are known for producing autos that they can sell for as low as \$10,000.

(2) *Chinese auto companies look abroad.* With a home market that's increasingly competitive and slowing, Chinese auto companies have turned to the export markets. [China's vehicle exports](#) rose 21% to 7 million units in 2025, and Deutsche Bank recently estimated that 2026 exports would rise 13% y/y. It's estimated that Chinese manufacturers [sold more](#) passenger and commercial vehicles globally in 2025 (27 million) than Japanese manufacturers (25 million), marking the first time in two decades that Japanese manufacturers didn't lead the pack.

Chinese manufacturers [sold](#) 500,000 vehicles in Southeast Asia last year (up 49% y/y), 2.3 million in Europe (up 7%), 230,000 in Africa (up 32%), and 540,000 in Latin America (up 33%). Chinese automakers represented 5.1% of new-vehicle registrations in the first half of 2025 in the European Union and the United Kingdom, nearly double year-ago levels. The head of the China Passenger Car Association estimated that China's EV exports to the EU would rise by an average of 20% each year from 2026 to 2028.

The growth has been even faster for BYD, one of China's largest car manufacturers. Exports accounted for 20% of BYD's sales in 2025, double 2024's level. Its exports to Europe rose 276% y/y to 159,869 cars during the first 11 months of 2025.

(3) *Chinese cars head to Canada.* Canada has cracked open its market to Chinese auto manufacturers a bit. Prime Minister Mark Carney [cut the 100% import tax](#) on Chinese EVs to only 6.1% but capped imports at 49,000 vehicles this year and 70,000 in about five years. In return, China will lower its tariffs on Canadian canola seeds from 84% to about 15%.

One might argue that President Trump pushed Canada into the arms of China after calling Canada “the 51st US state” and slapping tariffs on our northern neighbor’s goods. Prior to the Chinese/Canada agreement, US car makers had been losing market share in Canada. In the first 10 months of 2025, only 36% of passenger vehicles [imported into Canada](#) came from the US, down from an average of 49% in the 10 years prior. Conversely, Mexican, Japanese, and South Korean-made vehicles are gaining market share in Canada. Some of the shift is due to manufacturers’ moving production headed for Canada out of the US and into other countries to avoid Canadian tariffs.

(4) *A look at the numbers.* GM, Ford, and Tesla are the sole members of the S&P 500 Automobile Manufacturers stock price index, which has fallen 6.4% ytd through Tuesday’s close, and has risen only 1.6% y/y ([Fig. 5](#)). The industry’s stock price index is dragged down by auto giant Tesla, whose shares have dipped 6.8% ytd and 1.7% y/y.

After posting losses last year, the industry’s results are forecast to improve markedly this year. The Automobile Manufacturers industry’s revenues are forecast to grow 2.6% this year and 4.1% in 2027, while earnings jump 22.7% this year and 15.6% next year ([Fig. 6](#) and [Fig. 7](#)).

Much of that improvement is due to Tesla’s earnings, which are forecast to grow roughly 30% this year and next, according to analysts’ consensus estimate. GM’s earnings are forecast to grow only 4.8% this year but 14.0% in 2027. After declining in 2025, Ford’s earnings are forecast to grow 16.4% this year.

Optimists hope that Tesla’s Optimus humanoid robot division and its autonomous taxi business will bear fruit this year, while Ford and GM could benefit from the renewed focus on gas-powered vehicles and lower interest rates. The industry’s forward P/E, at 56.5, reflects the impact of Tesla’s lofty valuation ([Fig. 8](#)).

**Disruptive Technologies: AI in Healthcare.** The use of AI in many areas of healthcare is exploding. It’s being deployed by doctors to transcribe notes, by pharmaceutical companies to expedite drug discovery, and by scientists to predict disease. Here are some recent advancements we’ve come across:

(1) *AI boosts drug development.* [The Thinking Game](#) is a documentary that walks viewers through the creation of Google’s DeepMind and how a team led by its founder, Demis Hassabis, used AI to predict the folds of proteins. DeepMind created the publicly available AlphaFold Protein Structure Database in July 2021; by July 2022, the structures of around

200 million proteins from one million species had been uploaded.

AI is now widely used by small startups and large pharmaceutical companies in an effort to develop new drugs. Spun off from Google's DeepMind, Isomorphic Labs is using AI to design drugs in oncology and immunology, with the aim of licensing them after early-stage trials. Its first clinical trials are [expected](#) by year-end.

Eli Lilly has also been particularly active in this area. The company announced a \$1 billion [partnership](#) with Nvidia to create an AI drug discovery lab in San Francisco that has access to big data, big computing resources, and scientific expertise.

The AI lab is expected to train large biomedical foundation and frontier models for drug discovery and development. Scientists will be able to analyze genome sequences, predict patient outcomes, and explore biochemical possibilities. The hoped-for outcome: ability to develop cures to more diseases faster than ever before.

That deal was followed by news that the pharma giant will use software developed by Chai Discovery, an AI startup founded in 2024, to design new molecules and medicines. Chai-2 is an algorithm that develops the proteins needed to fight illnesses. "In addition, Chai will develop a purpose-built AI model, exclusively for use by Lilly, trained on large-scale proprietary Lilly data and tailored to Lilly's discovery workflows," a [press release](#) stated.

(2) *AI predicts future illnesses.* Researchers have built an [AI model, GluFormer](#), that identifies who is predisposed to developing diabetes and heart disease up to 12 years in advance. Created by the Weizmann Institute of Science, Israeli startup Pheno.AI, and Nvidia's AI research center in Israel, the model was trained on more than 10 million glucose measurements collected from continuous glucose monitors worn by 10,812 individuals, most of whom were not diabetic at the time.

Researchers applied the model to data from 580 people collected 12 years earlier. The model correctly predicted 66% of the individuals who later developed diabetes. And of those placed in the high-risk group by the model when the tests began, 69% subsequently died from cardiovascular illnesses versus none placed initially in the low-risk group.

The ability to use this model to more accurately predict future outcomes than is currently possible could give patients the time and incentive to change behaviors and reshape how preventative care is delivered.

(3) *AI in the doctor's office.* AI seems to be catching on in the doctor's office. In a Q3-2025 athenahealth [survey](#) of 501 physicians, 64% said AI tools have eased some of their documentation burden and 62% said their practices have used four or more AI tools. It's hoped that AI will reduce doctors' piles of paperwork—and their burnout.

One of the key AI tools doctors are adopting is ambient AI scribes, programs that “listen” to doctor-patient conversations, then generate a draft note for doctors to review and enter into the patients' electronic health records. More advanced scribes may be able to generate a letter or fill out a form based on the doctor-patient conversation. And in the future, scribes may prompt doctors with questions to ask based on the conversation with the patient and aid in doctor's decision making.

Google has a suite of offerings that speed up work in doctors' offices, including Vertex AI Search for Healthcare, which helps professionals find information more quickly within health records and medical documents. It also developing AMIE, Articulate Medical Intelligence Explorer, an AI system that evaluates and diagnoses a patient.

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## Strategy Indicators

**S&P 500 Earnings, Revenues, Valuation & Margins** ([link](#)): During the January 15 week, the S&P 500's forward revenues and earnings ticked down less than 0.1% from their record highs during the prior two weeks. The forward profit margin remained steady w/w at its record high of 14.5%. The forward profit margin is now 4.2ppts above its seven-year low of 10.3% during April 2020. The consensus expectations for forward revenues growth was steady w/w at a 42-month high of 7.0%. From a longer-term perspective, that's well above its 20-year average of 5.2% and its 33-month low of 2.3% during the February 23, 2023 week. That compares to a pandemic-recovery-boosted record-high 9.6% forward revenues growth at the end of May 2021 and 0.2% during April 2020, which was the lowest reading since June 2009. The forward earnings growth forecast was steady w/w at 15.2%, down just 0.1ppt from a 54-month high of 15.3% during the January 1 week. That's still up 4.4ppts from its 15-month low of 10.9% during the May 29 week and well above its 20-year average of 11.4%. That compares to its 23.9% reading at the end of April 2021, which was boosted by the recovery from the pandemic to its highest reading since June 2010 and up substantially from its record low of -5.6% at the end of April 2020. Analysts expect revenues to rise 6.5% in 2025 (unchanged w/w at a new high), 7.1% in 2026 (steady at a new high), and a faster 7.2% gain in 2027 (steady at a new high), compared to a 5.0% rise in 2024. They expect an earnings gain of 13.1% in 2025 (steady at a nine-month high), a 15.5% rise



in 2026 (steady w/w and 0.1ppt below a 15.6 high), and a 15.4% rise in 2027 (up 0.1ppt w/w to a new high), compared to 2024's earnings gain of 11.7%. Analysts expect the profit margin to rise 0.8ppt y/y to 13.3% in 2025 (unchanged at an eight-month high), 1.0ppt y/y in 2026 to 14.3% (unchanged at an eight-month high), and 1.1ppts y/y in 2027 to 15.4% (steady at a new high), compared to 2024's 12.5%. Looking at valuation data as of January 15, the S&P 500's weekly forward P/E was steady w/w at 22.2. That's just 0.4pt above the 26-week low of 21.8 during the December 18 week and 1.1pts below the 25-year high of 23.3 during the October 30 week. That's now up 3.0pts from its 16-month low of 19.2 during the April 17 week. It also compares to 23.1 in early September 2020, which was then its highest level since July 2000, and to a 77-month low of 14.0 in March 2020. The S&P 500 weekly price-to-sales ratio was steady w/w at 3.21. That's up 0.08pt from a 10-week low of 3.13 during the November 20 week, and is now 0.07pt from its record high of 3.28 during the October 30 week. That's up from a six-month low of 2.22 during the October 26, 2023 week and compares to a 49-month low of 1.65 in March 2020.

**S&P 500 Sectors Revenues, Earnings, & Margins** ([link](#)): During the January 15 week, six of the 11 S&P 500 sectors posted gains in their forward revenues, six had forward earnings rise, and forward profit margins rose for one and fell for another. These five sectors had post pandemic- or record-high forward revenues this week: Communication Services, Consumer Discretionary, Financials, Industrials, and Information Technology. A fifth sector, Consumer Staples, would be at a record high too, but is instead 3.8% below due to Drug Retail's exit in September. These three sectors are less than 0.1% from their recent record highs: Health Care, Real Estate, and Utilities. Energy's remains depressed at 29.1% below its September 2008 record and 16.3% below its cyclical high in October 2022. Materials' is now 5.4% below its June 2022 record high. These four sectors had record-high forward earnings this week: Communication Services, Financials, Information Technology, and Utilities. Forward earnings is less than 0.8% below very recent record highs for these five sectors: Consumer Discretionary, Consumer Staples, Health Care, Industrials, and Real Estate. Forward earnings remains depressed for Energy and Materials, but is improving now for the latter. Relative to their respective highs during 2022, Energy's is 40.9% below and at a seven-month low, while Materials' has improved to 19.4% below and is near a 37-month high. Looking at the forward profit margin, Materials' rose w/w to an 18-month high as Energy's tumbled to a 63-month low. These two were at record highs: Industrials and Information Technology. These four sectors remain close: Communication Services, Consumer Discretionary, Financials, and Utilities. Among the five lagging sectors: Consumer Staples, Materials, and Real Estate are improving somewhat from their recent multi-year lows; Energy's is struggling to move higher; and Health Care's is still at a record low. Here's how the S&P 500 and its 11 sectors rank based on their current forward profit

margin forecasts along with their record highs: Information Technology (30.0%, steady w/w at a record high and up 2.3ppts since August when it made its first record high since September 2024 after low-margin Dell's addition to the index lowered the margin 1.3ppts from a record high 27.6% then to 26.3%), Financials (21.1, steady w/w at 0.1ppt below its 21.2 record high on December 18), Communication Services (19.7, steady w/w and down from its 19.8 record high during the August 7 week), Real Estate (16.6, steady w/w and down from its 16.8 eight-month high in early October and from its 19.2 record high in 2016), Utilities (14.9, steady w/w at a 59-month high and just 0.2ppt below its 15.1 record high in April 2021), S&P 500 (14.5, steady w/w at a record high), Materials (11.5, up 0.2ppt w/w to an 18-month high and up 1.0ppt from 51-month low 10.5 in late February and down from a 20-month high of 11.6 in July 2023 and a 13.6 record high in June 2022), Consumer Discretionary (9.5, steady w/w and down from a 9.6 record high on December 4), Energy (8.5, down 0.2ppt w/w to a 63-month low and down from its 12.8 record high in November 2022), Industrials (11.3, steady w/w at a record high), Health Care (8.1, steady w/w at a record low and down from its 11.5 record high in February 2022), and Consumer Staples (7.1, steady w/w and up 0.4ppt from a 21-month low of 6.7 during the 9/4 week just before Drug Retail's exit from the sector, and down from its 7.7 record high in June 2020).

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