Fidelity Viewpoints®: Market Sense

Week 185 January 13, 2026

TRANSCRIPT

SPEAKERS:

Heather Hegedus   Leanna Devinney   Naveen Malwal

HEATHER HEGEDUS: Hey there, everybody. Thank you so much for making the time today to join us for another episode of *Market Sense*. I'm Heather Hegedus with Fidelity. The year is young, but we are already seeing the markets reach new highs. And it's continuing that trend that we saw in 2025, right, with the markets ignoring the noise and letting earnings lead the charge.

We still, though, are continuing to navigate risks and uncertainty. We have to mention that it's not without risk and uncertainty right now. And we do think that today's show, talking about portfolio diversification, is a particularly timely one. We're going to be delving today into ways to consider balancing any potential future risks with new opportunities that might go beyond what you might think of when you think of traditional diversification, like a 60/40 portfolio.

So to talk about this today, we are thrilled to be joined today by Naveen Malwal. He is a CFA, charterholder, and an institutional portfolio manager here at Fidelity. And his team manages millions of client accounts here at Fidelity. And we are thrilled to be joined by one of our original members of *Market Sense*. This is such a treat. Leanna Devinney, she is a vice president and market leader here at Fidelity, who oversees multiple investor centers across the Boston area now.

Since you were first on this program when it first started in 2020, Leanna, your role has certainly expanded. And it's been a while. We haven't seen you. So we really miss you. Good to see you.

LEANNA DEVINNEY: I've missed you all. So thank you for having me back. I'm so excited to be here.

NAVEEN MALWAL: Yeah, it's good to have you here. You're an OG, as the kids would say.

HEATHER: She certainly is an OG. And hopefully, our legal team allows us to use terms like that, Naveen. It is Tuesday, January 13. And as I said off the top of the show, we are just two weeks into the year, and the headlines just keep coming, it seems. So by the end of the month, we're expecting to find out who the Trump administration will nominate as Chair Jerome Powell's replacement at the fed. We've also seen just in the past couple of days some increasing tensions between Powell, the fed, and the Trump administration.

And we're also awaiting that Supreme Court decision about tariffs, which could come as soon as tomorrow. So we are watching these things for you so you don't have to worry about them. And we will let you know when there are market implications. So far, haven't seen many. But I thought I would check in with you, Naveen, here on what the potential market implications could be. What's the big picture here with all of these headlines? And can you put it into context for investors, please?

NAVEEN: Yeah, so a couple of big headlines out there, one over the weekend regarding the fed and subpoenas being out there. So so far, the market reaction has been relatively muted on this topic, the idea that maybe the Federal Reserve, members of the board, the head of the board, are being investigated. The market hasn't responded strongly to that. And there's a couple of reasons for it. One, this does feel pretty early in the process. And there's still a lot of questions and unknowns here. But two, these things do take time to play out.

And with Chairman Powell, his term as the head of the board does run out in May. Now he can stay on past that as part of the bigger board until 2028. But in terms of the timing, we'll see how fast the legal process might move, or may not move. And they can always just decide at the end of the day not to really go further with this either. So I think that the market's kind of in wait-and-see mode. And there might be a prudent way for investors to approach this as well, as not to react too quickly to what's happening, or what's happened, I guess, over the course of the weekend, and let time of play itself out on this one.

As for the other idea you mentioned, Heather, the potential for a Supreme Court ruling on the tariffs, again, we're not sure what they're going to say. People are speculating on different directions this might go in. I think investors could expect, though, we may get to see some shifts happening in the tariffs. If the Supreme Court rules, for example, that this set of tariffs that were used may not apply here, then perhaps the administration would try a different set of tariffs to reach similar kinds of results.

So if that were to take place, I think what you might see is different headlines on tariffs coming and going over time, rates getting moved around, different goods and countries getting tariffed or not tariffed. So perhaps some near-term uncertainty. But I think what we learned last year, right, the tariff headlines can cause some volatility here and there.

But at the end of the full year last year, the earnings story, economic growth, those really carried the day. So the tariff noise, the headlines are out there. But focusing on those fundamentals might wind up being more productive for investors.

HEATHER: Well, there always are going to be headlines. I mean, that's just the reality of it, alarming headlines now and then, Naveen. And whether or not they have a market impact is another issue. But how can diversification help investors ride these kinds of events out?

NAVEEN: At a high level, diversification comes back to this idea of not having all of one's eggs in one basket. So this is thinking about not just holding a couple of stocks, or a handful of stocks, or maybe even just one part of the overall global stock-and-bond market, but investing in a wider range of investments. So we're sharing an example here on the screen right now. For those of you who are not watching this, what we're showing you here is an example of a 60% stock portfolio and 40% bond portfolio.

So of those 60% stocks is made up of 42% US, 18% international. And in this example, the bond portion is 35% investment-grade bonds and 5% short-term investments. That's an example of what a diversified portfolio may look like. And how this can help investors potentially is historically, if you go back, a mix of investments typically has experienced less volatility than investing solely in stocks.

As one example, last year in April, we had a sell off following the tariff announcements where the stock market did experience quite a bit of volatility. But in the accounts that we manage, the millions of accounts that we manage, the more diversified portfolios experienced less volatility in the overall stock market. How that helps is the typical investor starts to feel maybe some anxiety as the market is falling. And the further the decline is, the sharper the volatility is, the more likely they are to make a decision in the moment. And the decision may wind up trimming their plan.

May mean they get out of the plan, which is unfortunate because typically, the markets do recover. And that's what we saw last year, right? The markets did have volatility, but they did recover at the end of the day.

So if a diversified portfolio allows an investor to experience less volatility, it makes sense that they may then persist through periods of volatility more successfully, and not make as many rash decisions. So that's how it can be helpful for a investor to consider diversification if they're worried about either overall market risk, or specific parts of the market.

HEATHER: Not only did the market make up the ground that it had lost last year, Naveen, but it's continued to reach all-time highs. So then investors missed out on those extra bonuses, right?

So one reason that we felt the diversification was a timely topic, Naveen, is because we've been getting a lot of questions from our viewers and listeners out there about tech concentration in their portfolios, and whether they need to start looking at other sectors or other asset classes, perhaps, because of headlines of a potential AI bubble. So how are you and your team navigating these kinds of concerns for 2026?

NAVEEN: So every investor is going to have their own goals and interests here. And some who are very enthusiastic about artificial intelligence may want to have a lot of exposure to that space. For other investors, though, they maybe perhaps enjoy some exposure, but don't want to have maybe their entire portfolio dedicated to that. And here's where there's opportunities to diversify. So just as one example, the team that I work with that manages the US stock portion of our client accounts, they're looking for ideas beyond just the large growth companies that are out there, many of them which are tied into technology.

For instance, they have also added exposure to things like value stocks. And value companies typically have less exposure to technology. Those stocks that tend to have lower valuations, they tend to be in places like energy, utilities, may be some health care stocks as well, as well as other sectors. So that's one way of diversifying the portfolio.

In a similar light, if an investor were to focus on say, a dividend strategy, they might find themselves with more exposure to areas like utilities, telecoms, and energy, and less so to other parts of the market. So those are some high level ways of thinking about diversifying within US stocks. Having said that, some of these shortcuts like thinking about, I'll just get some dividend stocks, I won't have as much exposure, it may pay off to be careful here because a lot of utilities, maybe people don't think about utility stocks as tied to artificial intelligence.

But a lot of utility stocks did rally pretty strongly last year because the energy demand from these companies could be something dramatically higher than what it is today. So some of these utilities are benefiting from that outlook, that growth outlook, over the coming years. So if there was some volatility, or a shift in the AI narrative, those stocks could be impacted. So just a word of caution for investors. If you're looking to diversify away from tech, to just assume that one doesn't have exposure because of the label of one strategy, I think that might be premature.

I think digging a bit deeper to see what the exposure is, or has been in technology more recently, may be a more productive way of building a diversified portfolio for your typical investor.

HEATHER: Sort of goes along the lines of what Peter Lynch likes to say, know what you own. And dig a little bit deeper. And know what the exposure is. Go beyond the title of that sector or that stock, right? Let's bring Leanna in now.

So Naveen just gave us some great ideas for potential diversifiers and some cautionary tales too, some warnings about shortcuts. I think it's important to understand, Leanna, that there's always going to be volatility in the markets. Right? So diversification can help. But it's not going to eliminate risk. Right? How do you talk through that with clients? Do clients have a hard time wrapping their heads around that reality?

LEANNA: You're absolutely right. So diversification doesn't eliminate risk. But it makes the investing experience smoother. And it really helps manage that risk. And when investors talk to us about eliminating risk, they often say, oh, I just want to be all in cash. But remember, cash isn't risk free either. Over time, cash often loses purchasing power because it doesn't keep pace with inflation. So our most successful investors, they have a financial plan that reflects their goals, their time horizon, and their comfort level with risk.

So you can see here on the screen, for those watching, the components that can make up that financial plan. And inside the financial plan, it usually includes a healthy emergency fund, that's the liquidity, a reliable income plan for expenses, and then it's a diversified portfolio, again, aligned to your risk tolerance and your goals. And when we help our investors build plans, we start with asset allocation. That's the mix of stocks, bonds, and cash.

Then we diversify within that mix to help reduce the risk and smooth out the ride. And I think it's just worth repeating again, diversification and asset allocation, they do not ensure a profit or guarantee against loss.

HEATHER: You just talked about things like time horizon, risk tolerance. And we know there can be even more value in customizing your portfolio to meet your specific needs and your specific situation since we all have different situations. Can you tell us more about the value in personalization, and how an investor can assess what's right for them, as opposed to just following a strict 60-40 portfolio?

LEANNA: Yeah, it's a great question. Personalization is the key because every investor's situation is unique. And there are so many ways that my team can help meet the needs of our clients. And I think it's important to note that, again, it's specific to your unique situation. We often hear, it's an old myth in a way, clients come in and they say, OK, my age should dictate my bond exposure. But actually, two investors that are the same age could have completely different allocations because it's aligned to your goals, and your risk tolerance, and your financial picture.

So at a high level, how we personalize really, we assess what's right for you based on your goals and time horizon, and then evaluating your risk tolerance. And we use conversations and tools to help understand your comfort with volatility. I'd say too, the classic 60-40 portfolio, it does certainly work for many, especially near retirement. But it's definitely not one size fits all. And personalization, and again, that diversification really helps our investors stay disciplined and confident, especially when the markets are moving, and when we see that volatility.

HEATHER: Yeah, I had heard that old adage too, that your age and your bond allocation should be the same. But we all have different life situations. So that makes perfect sense. Let's delve a little bit deeper here now and talk about specific diversification strategies, if we could. So Naveen, you had talked earlier about some of the potential risks, things like AI concentration, geopolitics, also inflation, the rise of fiscal debt. How are you and your team positioning portfolios against those potential risks this year?

NAVEEN: Yeah, diversification strategies is definitely a tongue twister. So good job with that getting through it. So there's a lot of risk, as you said, Heather. And it's hard to capture all of them. There's always new ones coming, old ones going away. So the diversified portfolio, it can be made for a lot of components. I touched on one earlier specifically within US stocks, how to diversify away from perhaps that specific risk within US stocks.

But thinking more broadly, right, thinking about what Leanna just discovered around goals, risk tolerance, time horizon, what clients usually wind up with is a mix of stocks, and bonds, and other investments. So our team typically manages a mix of those different asset classes or investment types for the client. And what we're looking at right now is trying to stay diversified across different types of investments then even within different types of investments. So I mentioned earlier within the US stocks, the idea of having some value exposure along with the growth stocks.

In that same light, investing in smaller or mid-sized companies in the US can also keep you in the US stock market, but have less exposure to technology. Those smaller parts of the market have more exposure to other areas, like financials, for example. Stepping outside of US stocks, investing in international stocks, wound up being a very successful strategy last year. And over time, that has been a pretty nice way for investors to get diversified mix of that stock market return, not just from the US, but globally.

Think about the big brands and businesses out there that can add to the bottom line for investors. Those tend to be the two biggest drivers of growth over the long run, and international stocks for many investors over a very long-term time frame. Outside of those international US stocks, if you look at the diversifiers, it can be things like bonds, as Leanna mentioned earlier, right?

So the bond part of the portfolio, it doesn't grow as quickly as the stock portion. But when the stock market does wobble, you'll typically see the bond market retain that value, or even go up in value, even if the stocks are having a hard time. So that's a nice balance to have in the portfolio.

And then beyond stocks and bonds, there's always other ideas to think about too. So thinking about inflation risk, maybe exposure to inflation-protected bonds, often called TIPs, might be helpful. Or investing in commodities, or real estate stocks, or even some alternative strategies. These are different things to consider for investors they build out a well-rounded portfolio. And many of these ideas are the types of things we'll typically use as we manage client accounts over time.

HEATHER: People often hear about bonds as a diversifier, and you were just talking about bonds. Can you talk a little bit more about the current role that they're playing in portfolios these days? Because it has evolved in the past couple of years.

NAVEEN: It has. And bond markets, typically over the long run, have provided a nice balance for the stock market. But there are stretches of time where the bond market maybe doesn't give you as much protection as you would have hoped for. Maybe bonds and stocks move in the same direction sometimes. And that can be stressful for investors. That can typically happen when yields are lower. When yields are lower, when the interest rates are lower, those bonds may not be able to give you as much of a support when the market does get rocky, especially if inflation is accelerating, or rates are rising.

As we saw just a few years ago back in 2022, the bond market experienced a lot of volatility. Having said that, generally speaking, bonds can provide a lot of support. Just as one example, back in 2008, US stock market fell by over 30% that year. But bonds are up 5% that year. That's how powerful they can be, even if the stock market is having a very difficult time or going through a crisis like it did back then.

So the idea of investing in bonds is twofold. One, you do get a nice income coming out of the bond. Right? So the yield on the bond will give you a nice income on your portfolio. But perhaps more importantly, for many investors, if not just as importantly, is this idea that if there's going to be volatility in the market, this type of investment is going to experience typically much less volatility in the broader stock market. And that can help investors, as I touched on earlier, stay invested for longer.

HEATHER: All right.

LEANNA: I think it's also such an important note, Heather, if I may, just on both international exposure as well as bonds. Just over the past 10 years, we've seen a little bit of a loss of appetite for both of those diversifiers. And what can happen is we then want to diversify after the fact. So when we really help partner with our clients, we talk about the power of diversification proactively, and to be there through a long period of time, again as that stabilizer. But many have just said, oh, I just want to be in, large-cap US equities. And we can see just over the course of the past few years why it is so important to diversify across those other categories.

HEATHER: And to be proactive because I'm sure we've had this conversation before, Leanna, but for the past decade, international stocks were lagging. But then last year, international stocks actually beat US stocks. So people missed out on that if they were waiting for all the signals, right? And so that's where the value comes from having a team like what you guys can provide.

Let's also talk about alts. I'd love to get both of your thoughts on this as well as potential diversifiers. Can you maybe talk about, in simple terms, how an alt strategy might play into a portfolio?

NAVEEN: Yeah, I'll do this pretty briefly. This can be kind of a complicated topic, but it's an important one for investors to think about. We've always talked, I think for a long time as an industry, about stocks and bonds as your typical building blocks to have in a portfolio. But alternatives, these can be strategies that invest in areas like commodities.

And the strategy might actually benefit from commodities rising or falling. That's called a trend-following strategy. Other managers in this space might invest in rising or falling interest rates, or even in investments in real estate, for example. There's also this idea of investing in private stocks and private bonds. So private assets are starting to enter the conversation. And then digital assets, thinking about cryptocurrencies as an example, is perhaps a newer entry into this space.

So what all these things have in common is they don't necessarily go up and down at the same time as the stock market or the bond market. So if you get times where either the stock or bond market are not giving you a lot in terms of returns, or even experiencing volatility, having some exposure to these strategies may be helpful during those moments and provide either support or additional returns when those typical asset classes maybe are going under some stress.

Having said all that, if you're not familiar with some of these terms, you're not alone. This is a relatively new space for many investors. So I think getting educated, perhaps training, perhaps working with a financial professional in these areas may be very helpful. There are some potential risks here that are not typical of the stock-and-bond market. So whether it comes to the liquidity some of these investments, how easily can you buy and sell these things, or some of the fees that are attached, or some of the complexity of the strategy, but they're not as intuitive to you. There's a lot to learn here and digest.

So not to shy away from this, but if this is a space you're interested in, I think this is a space where a lot of either self-education or help from a professional might be particularly of help.

HEATHER: Well, even when you are diversified, guys, it doesn't really mean set it and forget it. Like, say you find your formula, you figure out what percent you want, alts, and bonds, and stocks. It doesn't mean that we're just going to end it there because the markets are constantly changing, the world is constantly changing. So I think it might be helpful to wrap up this discussion, Leanna, by talking about the process of rebalancing, and how to go about that. How do you and your team talk to clients about rebalancing?

LEANNA: Yeah, you're spot on because rebalancing is really the maintenance of your portfolio. So diversification helps reduce the risk. But over time, the markets move, and your portfolio drifts away from that original mix that we had agreed upon. So rebalancing really brings it back in line with the goals and your risk level. And I think you can think of it this way, even. If you had 60% stocks, 40% in bonds 10 years ago, and you did just set it and forget it, just with the strong run we've had, that's probably now closer to 80% stocks.

And while you've had growth, yes, this is a very different risk profile than you intended. And then when we see volatility, that's when some of the emotional decisions, or emotional mistakes, can happen. So rebalancing really keeps you in line with your objectives. And the most common question I got when I was sitting in front of clients, and my team gets so often, is how often should I be rebalancing? And really, the answer is, it depends. It depends on market movement, it depends on your situation.

And so the portfolios that Naveen's teams manage, they're reviewing and rebalancing regularly because the market shifts, and our life changes too. Even someone on my team recently worked with a client, whose portfolio had significant growth, and actually concentration in tech equities. But they've realized not only are they not diversified, that they haven't rebalanced. And they're coming close to retirement. And now, they're having the conversation to get in that prudent asset allocation, and getting really well diversified to help meet their objectives. So that's the maintenance aspect of the portfolio.

HEATHER: So it's not a, you just do it at the same time every year. You've got to be a little bit flexible depending on market circumstances and life circumstances.

LEANNA: Yeah, you do, proactively.

HEATHER: Yeah. And Naveen, as one of your clients, I know your team is always rebalancing because I get the emails when you're rebalancing. So you don't always expect it to happen the first of the month all of the time. It could happen whenever the market events.

NAVEEN: Continuously, but typically maybe once a month, we'll actually make a trade or adjustment happen.

HEATHER: Yeah. Yeah, OK. Well, thanks to both of you for really sharing what that process might look like for you and your teams. Terrific discussion. Before we go, I just wanted to mention, we always are trying to incorporate your investing asking questions into our show to make sure we're addressing what's on your mind, and that our discussion is at the level that you are looking for it to be at.

So we would really appreciate it if you would take just, truly, two minutes of your time to fill out a survey on our show to help us improve it. It's at Fidelity.com/MarketSense. And I promise you, this is one survey where there is somebody actually on the other end of it who's reading your responses. And it will impact our show going forward. So we appreciate you always being part of the process, and part of this conversation. And on behalf of Naveen Manuel and Leanna Devinney, terrific discussion, guys, I'm Heather Hegedus. Hope to see you back here soon. Remember, we are live Tuesdays at 2:00 Eastern. Take care.

Diversification and/or asset allocation do not ensure a profit or protect against loss.

Stock markets are volatile and can fluctuate significantly in response to company, industry, political, regulatory, market, or economic developments. Investing in stock involves risks, including the loss of principal.

Foreign markets can be more volatile than U.S. markets due to increased risks of adverse issuer, political, market, or economic developments, all of which are magnified in emerging markets. These risks are particularly significant for investments that focus on a single country or region.

Fixed income investments entail interest rate risk (as interest rates rise bond prices usually fall), the risk of issuer or counterparty default, issuer credit risk and inflation risk. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks all of which are magnified in emerging markets.

Because of their narrow focus, sector investments tend to be more volatile than investments that diversify across many sectors and companies.

The commodities industry can be significantly affected by commodity prices, world events, import controls, worldwide competition, government regulations, and economic conditions.

Value stocks can perform differently from other types of stocks and can continue to be undervalued by the market for long periods of time.

Lower yields—Treasury securities typically pay less interest than other securities in exchange for lower default or credit risk. **Interest rate risk**—Treasuries are susceptible to fluctuations in interest rates, with the degree of volatility increasing with the amount of time until maturity. As rates rise, prices will typically decline. **Call risk**—Some Treasury securities carry call provisions that allow the bonds to be retired prior to stated maturity. This typically occurs when rates fall. **Inflation risk**—With relatively low yields, income produced by Treasuries may be lower than the rate of inflation. This does not apply to TIPS, which are inflation protected. **Credit or default risk**—Investors need to be aware that all bonds have the risk of default. Investors should monitor current events, as well as the ratio of national debt to gross domestic product, Treasury yields, credit ratings, and the weaknesses of the dollar for signs that default risk may be rising.

Changes in real estate values or economic conditions can have a positive or negative effect on issuers in the real estate industry, which may affect these types of funds.

Fidelity does not provide legal or tax advice. The information herein is general and educational in nature and should not be considered legal or tax advice. Tax laws and regulations are complex and subject to change, which can materially impact investment results. Fidelity cannot guarantee that the information herein is accurate, complete, or timely. Fidelity makes no warranties with regard to such information or results obtained by its use and disclaims any liability arising out of your use of, or any tax position taken in reliance on, such information. Consult an attorney or tax professional regarding your specific situation.

Information presented herein is for discussion and illustrative purposes only and is not a recommendation or an offer or solicitation to buy or sell any securities. Views expressed are as of the date indicated, based on the information available at that time, and may change based on market and other conditions.

Unless otherwise noted, the opinions provided are those of the speakers and not necessarily those of Fidelity Investments or its affiliates. Fidelity does not assume any duty to update any of the information.

To the extent any investment information in this material is deemed to be a recommendation, it is not meant to be impartial investment advice or advice in a fiduciary capacity and is not intended to be used as a primary basis for you or your clients' investment decisions. Fidelity and its representatives may have a conflict of interest in the products or services mentioned in this material because they have a financial interest in them and receive compensation, directly or indirectly, in connection with the management, distribution, or servicing of these products or services, including Fidelity funds, certain third-party funds and products, and certain investment services.

This podcast is intended for U.S. persons only and is not a solicitation for any Fidelity product or service.

Past performance is no guarantee of future results.

The Chartered Financial Analyst designation is offered by the CFA Institute. To obtain the CFA charter, candidates must pass three exams demonstrating their competence, integrity, and extensive knowledge in accounting, ethical and professional standards, economics, portfolio management, and security analysis, and must also have at least 4,000 hours of qualifying work experience completed in a minimum of 36 months, among other requirements. CFA is a trademark owned by the CFA Institute.

"Fidelity Managed Accounts" or "Fidelity managed accounts" refer to the advisory services provided for a fee through Strategic Advisers LLC (Strategic Advisers), a registered investment adviser. Brokerage services provided by Fidelity Brokerage Services LLC (FBS), and custodial and related services provided by National Financial Services LLC (NFS), each a member NYSE and SIPC. Strategic Advisers, FBS, and NFS are Fidelity Investments companies.

This information is intended to be educational and is not tailored to the investment needs of any specific investor.

Personal and workplace investment products are provided by Fidelity Brokerage Services LLC, Member NYSE, SIPC,
900 Salem Street, Smithfield, RI 02917

1244014.2.0