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Q4 2025 - Market Commentary[1]

- The U.S. Federal Reserve reduced interest rates by 0.25% in December, its third consecutive 0.25% interest rate cut.
- The Fed recently raised its 2026 U.S. economic growth forecast by 0.5% to 2.3% and reduced its 2026 core Personal Consumption Expenditures inflation forecast to 2.5%.
- The 2026 median forecast by Fed members is for one 0.25% interest rate cut while expectations are for two 0.25% rate cuts.
- Two interest rate cuts by the Fed, stronger than expected GDP growth, and lower inflation supported the continuation of the stock market rally during Q4.
- As measured by the Russell 3000 Index, the broad U.S. equity market returned +2.4% during the Q4 and +17.2% for the year.
- The Russell 2000 Index of small cap stocks gained +2.2% during the fourth quarter and 12.8% for the year.
- International stocks finished 2025 on a strong note and continued to outperform U.S. stocks during the fourth quarter.
- 2025 was the strongest year for int'l stocks since 2019 and generated the widest outperformance vs. U.S. stocks since 2017.
- The MSCI ACWI Ex U.S. Index returned +5.0% during the fourth quarter and +32.4% for the year.
- Emerging markets were the best performing equity category of 2025 with a gain of +4.7% during Q4 and +33.6% for the year.
- U.S. bonds delivered positive returns Q4, benefiting from two interest rate cuts by the Fed and inflation readings moving lower.
- The 10-year U.S. Treasury bond yield ended the year at 4.17%, down from 4.58% at the start of 2025.
- The Bloomberg Aggregate Bond Index returned +1.1% during the fourth quarter and +7.3% for the year.
- High yield bonds outperformed with a +2.5% gain for Q4 and +8.6% for the year as credit spreads remained near all-time lows.
- Municipal bonds finished the year in positive territory but lagged taxable bonds during 2025 due to their longer maturity profile.
- Precious metals finished the year with exceptional returns as investors flocked to stores of value and major central banks remained persistent buyers.
- Gold was the best performing asset class during Q4 with a +11.2% return and had a +64% gain for 2025.
- Oil had its fourth straight quarter of negative returns and finished 2025 with a -20% decline.
- Although lower oil prices are negative for energy related stocks, lower oil prices translate into lower gasoline prices and lower inflationary pressures, which is positive for consumer spending and U.S. economic growth.
- Digital assets including Bitcoin experienced large declines during the fourth quarter.
- A flash crash in October turned earlier gains into a multi-month drawdown and resulted in Bitcoin posting losses for the year.
- The Morningstar Global Balanced Index gained +2.6% during the Q4 and finished the year with a very strong gain of +16.1%.

Performance Table[1]

	4Q25		2025		2024		2023		2022	
S&P 500 Index (U.S. large/mega cap stocks)	2.7%	↑	17.9%	↑↑↑	25.0%	↑↑↑	26.3%	↑↑↑↑	-18.1%	↓↓↓
Russell 2000 Index (U.S. small cap stocks)	2.2%	↑	12.8%	↑↑↑	11.5%	↑↑↑	16.9%	↑↑↑	-20.4%	↓↓↓
Russell 3000 Index (all U.S. stocks)	2.4%	↑	17.2%	↑↑↑	23.8%	↑↑↑	26.0%	↑↑↑↑	-19.2%	↓↓↓
MSCI EAFE Index (large cap developed markets int'l stocks)	4.9%	↑	31.2%	↑↑↑↑	3.8%	↑	18.2%	↑↑↑	-14.5%	↓↓↓
MSCI EM Index (emerging markets stocks)	4.7%	↑	33.6%	↑↑↑↑	7.5%	↑↑	9.8%	↑↑	-20.1%	↓↓↓
MSCI All Countries Ex U.S. Index (all non-U.S. stocks)	5.1%	↑↑	32.4%	↑↑↑↑	5.5%	↑↑	15.6%	↑↑↑	-16.0%	↓↓↓
MSCI All Countries World Index (all global stocks)	3.2%	↑	22.1%	↑↑↑	17.5%	↑↑↑	22.2%	↑↑↑	-18.4%	↓↓↓
Bloomberg Aggregate Bond Index (invt. grade bonds)	1.1%	↑	7.3%	↑↑	1.3%	↑	5.5%	↑↑	-13.0%	↓↓↓
Bloomberg High Yield Index (below invt. grade corp. bonds)	1.3%	↑	8.6%	↑↑	7.7%	↑↑	13.5%	↑↑↑	-12.2%	↓↓↓
Bloomberg Short-Term Treasury Index (cash)	1.0%	↑	4.3%	↑	5.3%	↑↑	5.1%	↑↑	1.0%	↑
Bloomberg Municipal Bond Index	1.6%	↑	4.3%	↑	1.2%	↑	6.4%	↑↑	-8.6%	↓↓
Gold	11.2%	↑↑↑	63.7%	↑↑↑↑↑	27.4%	↑↑↑↑	13.2%	↑↑↑	0.0%	↔
Oil (West Texas Intermediate Crude)	-8.2%	↓↓	-20.1%	↓↓↓	0.7%	↑	-11.4%	↓↓↓	6.7%	↑↑
Bitcoin	-23.4%	↓↓↓	-6.4%	↓↓	122.7%	↑↑↑↑↑	153.0%	↑↑↑↑↑	-64.0%	↓↓↓↓↓
Morningstar Global Balanced Index (60% stocks / 40% stocks)	2.6%	↑	16.1%	↑↑↑	7.6%	↑↑	10.7%	↑↑↑	-12.3%	↓↓↓

Data sourced from Barclays, Market Watch, MSCI, Russell, Standard & Poors, Wall Street Journal and Barrons.

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