



January 2, 2026

[Name]
[Address]
[City], [State], [Zip]

Dear [Name]:

MAJOR MARKET INDEXES

2025

	<u>4th QTR</u>	<u>YTD 2025</u>
S&P 500 Index (TR)	+2.66%	+17.88%
Dow Jones Industrial Average (TR)	+4.03%	+14.92%
Nasdaq (Price only)	+2.57%	+20.36%
MSCI All Country World Index (Net, USD)	+3.30%	+22.35%
MSCI All Country World Index ex USA (Net, USD)	+5.08%	+32.43%
Bloomberg U.S. Aggregate Bond Index (TR)	+1.10%	+ 7.30%
Bloomberg Muni Bond Index (TR)	+1.56%	+ 4.25%

Sources: Stifel. TR = Total Return, Net = Net Return, USD = U.S. Dollar

After U.S. equities fell in the year's 1st quarter and endured a bruising selloff in the immediate days after President Trump, invoking the *International Powers Act (IEEPA)*, announced sweeping tariffs on foreign imports on April 2nd, dubbed "*Liberation Day*" by the President (i.e., the *Dow Jones Industrial Average* and *S&P 500* fell -9.3% and -9.7%, respectively in the two trading days, Thursday, April 3 and Friday, April 4 that followed), U.S. stocks pushed higher in the 2nd, 3rd and 4th quarters closing the year near all-time record highs. While the President's on-one-day, off-the-next tariff brawl with our largest trading partners has played havoc on consumer and business confidence, investors have drawn encouragement that the President has walked back many of his threatened duties. For example, in April tariffs on China were increased to 145%. A few weeks later they were reduced to 30% and in October a trade agreement was reached dropping duties to 20%. The independent nonpartisan *Tax Foundation* estimates that the effective tariff rate on all imports in 2025 will be 11.2%, a huge jump from 2.5% in 2024 but much less than the initially threatened 23% on "*Liberation Day*". Additional factors that have buoyed investor sentiment include the surprising resilience of the U.S. economy (i.e., real *GDP* grew at an annualized rate of 4.3% in the 3rd quarter and 3.8% in the 2nd quarter), strong corporate earnings, the more dovish posture of the *Federal Reserve (Fed)*, the passage of the President's "*Big Beautiful Bill*" that extended the *2017 Tax Cuts and Jobs Act* which would have expired, as well as, continued optimism that artificial intelligence (*AI*) will lead to a substantial boost in productivity across the economy.

Meanwhile, the global and international equity markets, as measured by the *MSCI ACWI* and *MSCI ACWI ex USA Indices*, fared even better outpacing our domestic markets as many central banks around the world have been more aggressive in cutting interest rates in support of their economies. A weaker U.S. \$ has also served as a tailwind to returns (i.e., when the U.S. dollar is weakening foreign assets and earnings are worth more in dollar terms).

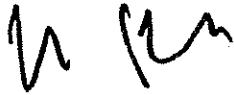
On the fixed income front the *Fed*, fearful of a weakening labor market (i.e., the unemployment rate has drifted steadily higher over the past 2 ½ years rising from 3.4% in April 2023 to 4.6% in November, its highest level in more than four years), reduced the federal funds rate by ¼% at each of its last three meetings after leaving rates steady at its five prior meetings in calendar year 2025. While inflation remains above the *Fed's* 2% target (i.e., the November year-over-year *CPI* reading was 2.74%), a tariff driven inflation surge has not materialized. With the ¼% reduction at its December 9-10 meeting, the federal funds target range sits at 3.50% – 3.75%. In the past 15 months, since September 2024, the *Fed* has cut rates by a total of 1.75%. A comparison of *U.S. Treasury* yields at the close of calendar years 2025 and 2024 follows:

<u>Maturity</u>	<u>12/31/2025</u>	<u>12/31/2024</u>
1 Month	3.74%	4.40%
3 Month	3.67%	4.37%
6 Month	3.59%	4.24%
1 Year	3.48%	4.16%
2 Year	3.47%	4.25%
5 Year	3.73%	4.38%
7 Year	3.94%	4.48%
10 Year	4.18%	4.58%
30 Year	4.84%	4.78%

Going forward investors will continue to assess and appraise the normal variables that impact the trajectory of the U.S./global economy and corporate profits (i.e., jobs growth, consumer sentiment, geopolitical developments, politics, the value of the U.S. dollar, oil prices, inflation, policy emanating from Washington D.C. etc.). At the moment investors appear to be viewing the U.S. economy in an almost perfect position in supporting equity and bond prices – soft enough, particularly on the jobs front, to warrant additional *Fed* interest rate cuts but not so weak as to bring on a recession. Among the factors that could test today's positive investor sentiment are inflation reaccelerating, outsized declines in the labor markets, geopolitical events disrupting economic activity (i.e., Russia's unrelenting war in Ukraine, China's continued warlike overtures toward Taiwan resulting in a military altercation or conflict and the October 10 ceasefire between Israel and Hamas unraveling are top of mind), a rising deterioration in the private credit markets, including concerns that the massive borrowing for *AI* infrastructure will not translate into actual, profitable returns and increased government borrowing crowding out private investment and pushing up interest rates. Let us also not forget that mid-term national elections will be held in less than 10 months on November 3rd, 2026 – come this spring and summer investors are likely to be paying close attention to how the political landscape may or may not change.

If you have any questions, please don't hesitate to call. *Happy New Year* – wishing you all the very best!

Best regards,



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Sources: *Morningstar, U.S. Bureau of Economic Analysis, The World Bank, Trading Economics, The Wall Street Journal, USA Today, U.S. Dept of the Treasury and CNBC.*

S&P 500 Index: Standard and Poor's 500 Index covers 500 industrial, utility, transportation, and financial companies of the U.S. markets (mostly NYSE issues).

Dow Jones Industrial Average: Covers 30 major industrial companies traded on the New York Stock Exchange (NYSE). It is a price-weighted arithmetic average, with the divisor adjusted for stock splits. The index is calculated on both a price change and a total return basis.

NASDAQ Composite: This composite index covers approximately 4,500 stocks traded over the counter. It represents many small company stocks but is heavily influenced by about 100 of the largest stocks listed on the NASDAQ. It is a value-weighted index calculated on price change only and does not include income.

The MSCI All Country World Index is a free float-adjusted, market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets.

The MSCI All Country World ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the U.S.) and 25 Emerging Markets (EM) countries.

The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), and ABS and CMBS (agency and nonagency).

Indices are unmanaged and are not available for direct investment. Past performance is no guarantee of future results, and no one can predict the markets with any certainty. Index returns include the reinvestment of dividends, except where noted, but do not include adjustments for brokerage, custodian, and advisory fees. There are no guarantees that the objectives of the strategies mentioned above will be met.

There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries.

Income from particular municipal bond issues may or may not be subject to state and alternative minimum taxes. Capital gains tax may apply if sold prior to maturity. Due to their narrow focus, sector-based investments typically exhibit greater volatility.