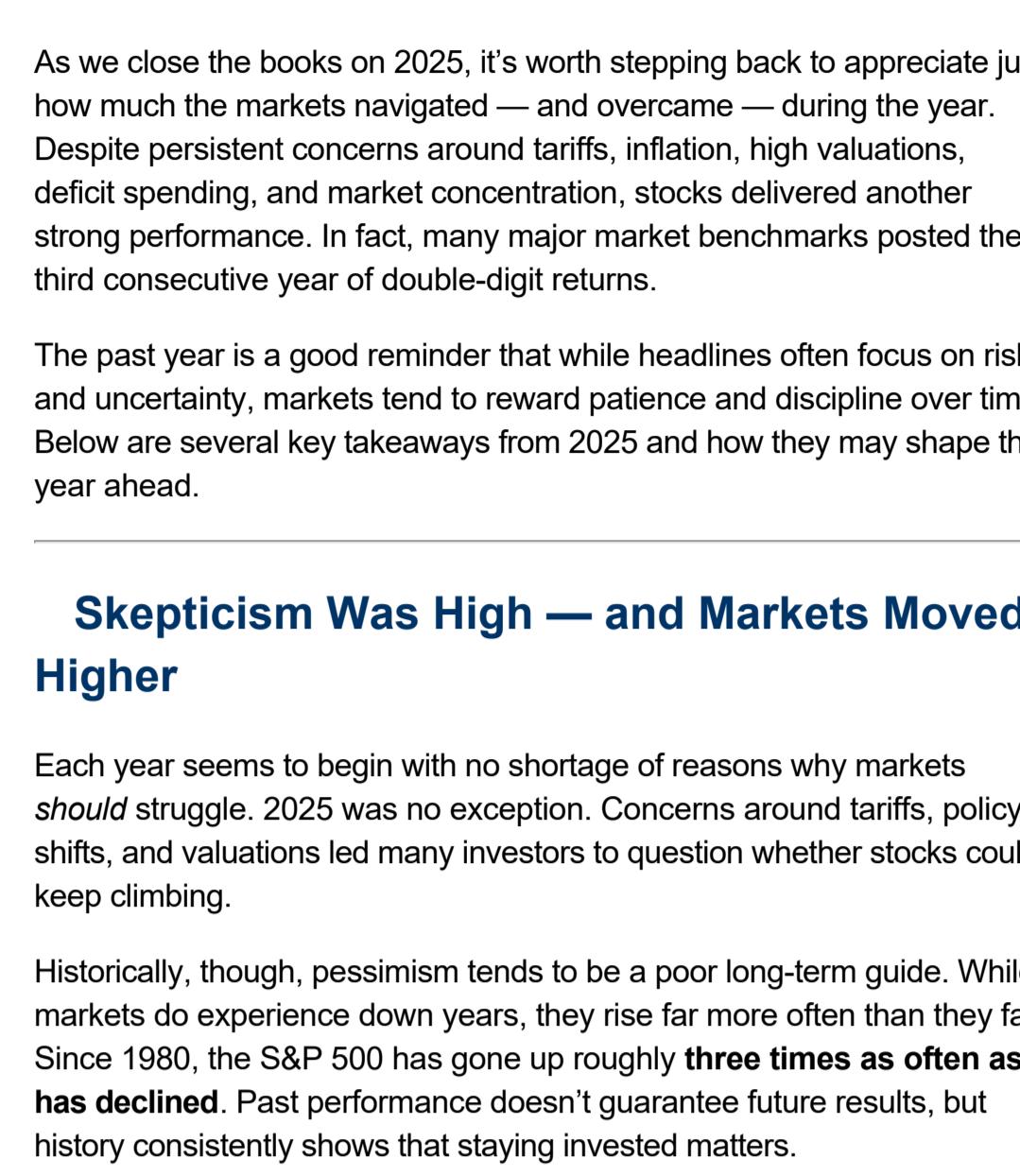


2025 Market Review: Perspective After a Strong Year



As we close the books on 2025, it's worth stepping back to appreciate just how much the markets navigated — and overcame — during the year. Despite persistent concerns around tariffs, inflation, high valuations, deficit spending, and market concentration, stocks delivered another strong performance. In fact, many major market benchmarks posted their third consecutive year of double-digit returns.

The past year is a good reminder that while headlines often focus on risk and uncertainty, markets tend to reward patience and discipline over time. Below are several key takeaways from 2025 and how they may shape the year ahead.

Skepticism Was High — and Markets Moved Higher

Each year seems to begin with no shortage of reasons why markets *should* struggle. 2025 was no exception. Concerns around tariffs, policy shifts, and valuations led many investors to question whether stocks could keep climbing.

Historically, though, pessimism tends to be a poor long-term guide. While markets do experience down years, they rise far more often than they fall. Since 1980, the S&P 500 has gone up roughly **three times as often as it has declined**. Past performance doesn't guarantee future results, but history consistently shows that staying invested matters.

Earnings Drove Performance

Stock prices ultimately follow earnings, and that relationship was clear again in 2025. Companies in the S&P 500 grew earnings at a **double-digit pace**, helping support strong market returns. Many analysts expect earnings growth to continue into 2026.

It's no coincidence that technology was one of the strongest-performing sectors of the year. Companies delivering real earnings growth — particularly those investing in innovation and artificial intelligence — were rewarded by the market.

□ Policy Matters More Than Politics

One of the most volatile periods of 2025 occurred last spring, when concerns around tariffs briefly pushed the market close to ending the bull run. Tariffs directly affect corporate profitability, so the market reacted swiftly.

Once those tariffs were reduced or removed, markets quickly recovered and reached new highs. The takeaway: **policies that affect profits matter far more than political headlines**. When political events don't materially impact corporate earnings — such as government shutdowns — they tend to have limited lasting effect on markets.

Volatility and Strong Returns Can Coexist

It may surprise investors to learn that 2025 included a significant pullback. At its low point on April 8, the S&P 500 was nearly **19% below its prior peak** — yet it still finished the year up more than **16%**.

This isn't unusual. Since 1980, the S&P 500 has averaged about an **11% annual return** (excluding dividends), alongside an average **intra-year drawdown of roughly 14%**. Short-term declines are a normal part of long-term growth, which is why perspective and discipline are so important during periods of market stress.

Lower Interest Rates Helped Both Stocks and Bonds

After a challenging period for bonds in prior years, 2025 brought welcome relief. As inflation moderated and the Federal Reserve began cutting rates, the Bloomberg U.S. Aggregate Bond Index gained **more than 7%**.

Lower interest rates also supported stock valuations. While the S&P 500 ended the year trading at a higher price-to-earnings ratio than its long-term average, valuations alone are not reliable predictors of short-term market performance. What matters most is how earnings and economic conditions evolve over time.

Looking Ahead

Many of the same themes from 2025 will carry into the new year. While tariffs may play a smaller role, policy uncertainty around the midterm elections could add volatility. At the same time, there are meaningful tailwinds — including potential Fed rate cuts, ongoing fiscal stimulus, and substantial investment in artificial intelligence.

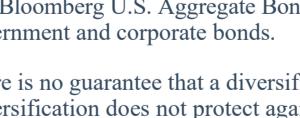
Markets rarely move in straight lines, but the combination of economic growth and earnings momentum suggests another positive year is possible.

Staying Focused on What Matters

Markets get most of the attention, but planning is what really drives long-term outcomes. When your investments are aligned with your goals, volatility becomes easier to manage.

If you'd like to check in, review your strategy, or talk through any changes in your life or finances, just click the button below to schedule a meeting.

Schedule a Meeting



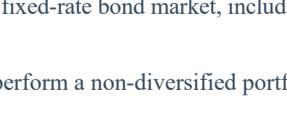
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All data is provided as of January 7, 2026.

The Standard & Poor's 500 Index (S&P500) is a capitalization-weighted index of 500 stocks designed to measure major industries of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all sectors of the U.S. economy.

The PE ratio (price-to-earnings ratio) is a measure of the price paid for a share relative to the annual net income or profit for each unit of income. So the stock is more expensive (and paid a higher PE ratio) if investors are paying more for each unit of earnings. It is also possible for companies to have a higher PE ratio than others.

The Bloomberg U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

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