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Week-In-Review Market Commentary

January 4, 2026

Annual Market Insights & Look Ahead

—January 4, 2026

The summary below is provided for educational purposes only. Please let me know if you have any questions or want to discuss any other matters.

A Stock Market Three-Peat

The bull market that began in late 2022 continued through last year. The S&P 500 Index, which posted gains that topped 20% in both 2023 and 2024, recorded an advance of 16.39% last year.

Index	Quarterly Return %* thru Dec 31, 2025	YTD Return % thru 12.31.25
DJIA ¹	+3.59	+12.97
NASDAQ Composite ²	+2.57	+20.36
S&P 500 Index ³	+2.35	+16.39
The Global Dow ⁴	+4.21	+26.84
Bond Yields	Dec 31 Yield and Change*	Yield - % a/o Dec 31, 2024
3-month T- bill	3.67 -0.35	4.37
2-year Treasury	3.47 -0.14	4.25
10-year Treasury	4.18 +0.02	4.58
30-year Treasury	4.84 +0.11	4.78
Commodities	Dec 31 Price & Weekly Change*	Year-end 2024
Oil per barrel ⁵	\$57.42 - 4.95	\$71.65
Gold per ounce ⁶	\$4,341.10 +467.90	\$2,071.80

Sources: U.S. Treasury, MarketWatch
*September 30, 2025—December 31, 2025

But the year wasn't free of volatility. The bulls were thrown off track early in the year when unexpectedly steep tariffs were being levied, raising barriers to levels not seen in about 100 years.

In less than two months, the S&P 500 Index stumbled nearly 19%, per MarketWatch data, amid economic uncertainties stemming from steep taxes on many imported goods.

When most of the 'reciprocal tariffs' were delayed in mid-April, the S&P 500 registered its third-best daily advance (9.5%) since WWII, according to Bloomberg. That marked the bottom of the steep correction.

Yet, the contrast between the dire predictions of trade experts and the president's optimism regarding tariffs was stark.

Tariffs have yet to cause a widespread return of manufacturing jobs, but they have not led to much higher inflation either.

On the one hand, tariff advocates anticipated an economic boom led by manufacturing, while economists warned that a recession could ensue. Neither scenario played out in 2025.

One reason the dire predictions fell flat: the actual tariffs companies pay are lower than the headline numbers suggest.

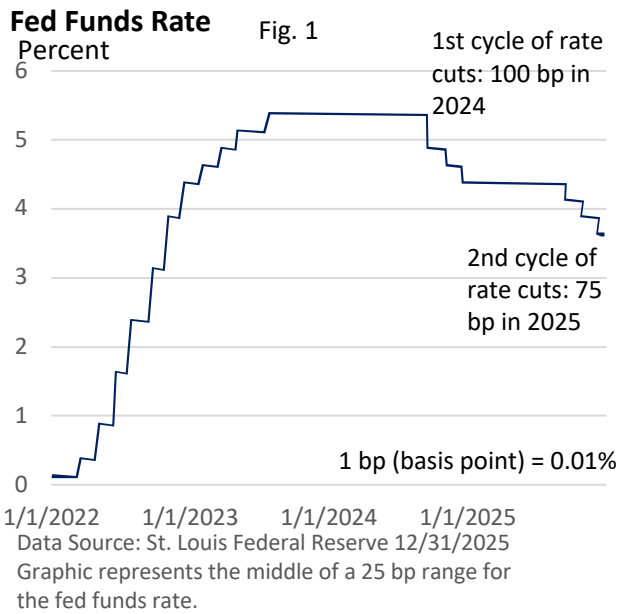
Revenues from tariffs suggest that the effective average rate is about 12.5%, according to Pantheon Macroeconomics, well below the early April estimate of about 28% from the Yale Budget Lab.

In addition, some firms absorbed part or all of the tariff costs, retaliation from trading partners has been limited, and stockpiling ahead of anticipated levies helped ease the impact on consumers. One thing is certain: government coffers are benefiting from a surge in tariff revenue.

Still, the Supreme Court is set to rule whether the statutes underpinning the emergency tariffs are unconstitutional.

Powering the market comeback

As economic fears from the tariffs began to recede, investors focused on economic and profit growth, Fed rate cuts in the fall (Figure 1), and the AI boom, driving major market indexes to new highs.



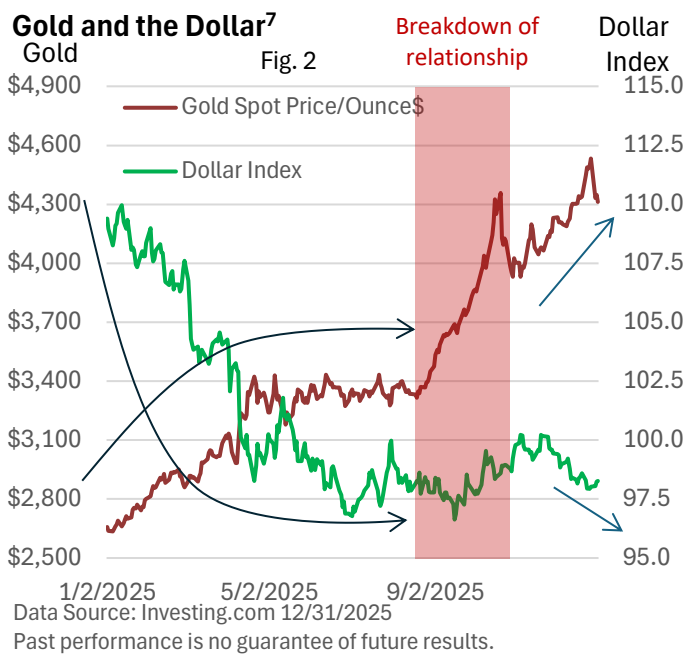
Notably, Fed rate cuts didn't lead to much of a drop in long-term Treasury yields. The benchmark 10-year yield actually rose 0.02 percentage points to 4.18% in the final quarter of the year (see table of returns).

Concerns over persistently high inflation, a widening federal deficit, and lingering doubts about the Fed's independence from executive branch interference appear to be fueling uncertainty among investors who have traditionally favored these bonds.

Why is this important? For various reasons. For starters, various consumer loan rates, including mortgage rates, closely track the 10-year Treasury yield.

2025 winners and losers

1. **Gold** was a big winner in 2025.



The dollar and gold typically move in opposite directions because gold, like many commodities, is priced in U.S. dollars. The dollar weakened last year, creating a tailwind for gold.

Gold was also aided by global central bank purchases, tariff and trade uncertainty, questions about the Fed’s independence, and Fed rate cuts.

Investors wary of heightened geopolitical tensions and other risks, like the ballooning U.S. deficit, also aided the shiny metal.

Lastly, success begets success; call it momentum. The increase in price encouraged speculators to add to their positions.

In other words, it’s FOMO—the Fear of Missing Out.

But precious metals can also be very unpredictable. We witnessed steep price drops in late October and again in late December.

2. Unlike gold, which thrived as a safe-haven asset amid geopolitical uncertainty, **cryptocurrencies** fell short of expectations. Crypto remains highly speculative, is very risky, and may be too speculative for some investors.

The recent weakness in crypto was surprising, especially given a more favorable regulatory environment under the current administration.

3. Meanwhile, **oil** suffered a decline last year amid concerns about the overall global economy and ample supply.

4. A somewhat unexpected twist for investors in 2025: the strong performance of **international stocks**.

After years of being the underdog, few were paying attention to overseas stocks.

Last year's success in the international arena, much like the surprise in gold, underscores a fundamental truth.

Markets move in cycles and aren't reluctant to defy even the most confident forecasts.

Why the strong intentional returns?

- Look no further than dollar weakness, as the move in currencies inflated returns on foreign assets when converted back into dollars.
- Looser fiscal policies caught the attention of investors, especially in European countries.
- Nagging worries about Fed independence spooked some investors, encouraging a flow of cash into international stocks.
- European and many international markets sport lower valuations, which helped attract investors.
- Ongoing trade tensions and tariff uncertainty weighed on US sentiment.

Bottom line—Holding global equities reduced home-country concentration and currency risk. Cyclical shift: After years of equity dominance, return cycles favored international markets last year.

A look ahead

As 2024 came to a close, the average forecast among 15 analysts placed the S&P 500 at 6,643 for year-end 2025, per the CNBC 2025 survey of market strategists.

That implied an advance of about 13% from the 2024 year-end closing price of 5,882.

On December 31, 2025, the S&P 500 closed at 6,845.50.

All in all, not bad for Wall Street's seers. But is this normal? Do the best and brightest from the top Wall Street firms typically nail their year-end target?

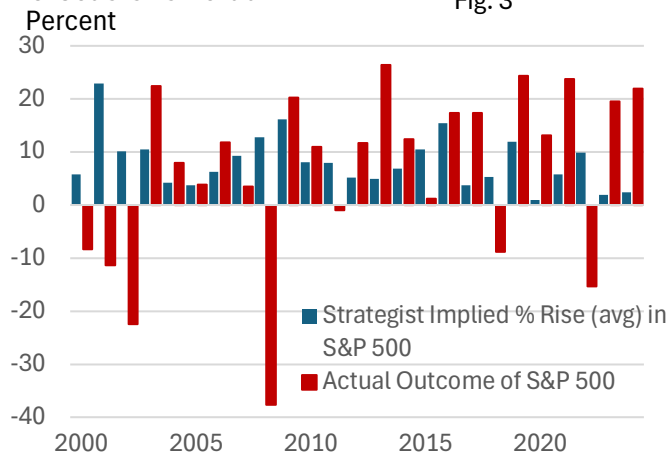
The short answer is no. Let's review Figure 3 below. The average forecast is represented by the blue bar. The actual return is in red.

Forecasts have historically varied by a wide margin over the last quarter of a century. The average miss per year between 2000 and 2024: 14.1 percentage points.

The widest miss was in 2008. In 2005, analysts hit the mark.

Forecasts vs Actual

Fig. 3



Source: Bloomberg; Upside is how much strategists thought the index would rise from the day the forecast was issued through Dec 31 of the next year. Last date: 2024

The S&P 500 is an unmanaged index that cannot be invested into directly. Past performance is no guarantee of future results.

Where do the best and brightest see the market in 2026? According to the CNBC Market Strategist Survey of 14 firms, the average forecast puts the 2026 year-end S&P 500 at 7,628.57. The top forecast was issued by Oppenheimer (8,100). The lowest was entered by Bank of America (7,100).

Given this year's closing price of 6,845.50, that would amount to an advance of 11.4%, which is generally in line with the long-term average.

But let me also stress that, while long-term and patient investors have been rewarded, the S&P 500 rarely produces an annual advance that comes close to the average.

Annual gains or losses can vary by a wide margin. In fact, only four years during that period, between 1980 and 2025, came within plus/minus percentage points of the average in Figure 4.

From 1980 to 2025, when the S&P 500 Index finished higher, the average increase was 19.1%. When the index finished lower, the year's average loss was 13.8% (dividends reinvested).

The index delivered an annual gain in 83% of years and finished lower 17% of the time (data from LPL Research and DJ Indices; past performance does not guarantee future results).

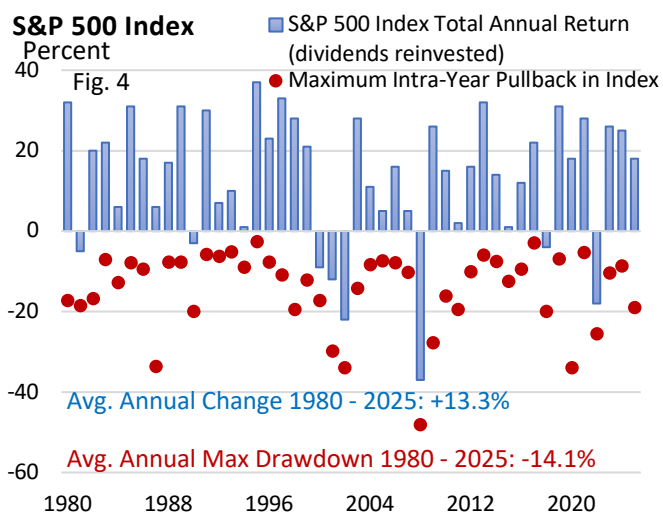
Why do analysts struggle to hit the mark? Strategists grapple with human behavior and the unknown. As noted above, forecasts don't always pan out.

A bullish case can be advanced for 2026—expected profit growth, expected economic growth, and the consensus forecast for stable or falling interest rates. Yet, too much optimism leaves little room for disappointment.

Stocks are richly valued, much as they were at the beginning of 2025. The S&P 500 is heavily skewed toward the top 10 largest companies. Plus, when markets are priced for perfection, minor disappointments can lead to lower prices.

We saw that last year when steep tariffs were initially levied. When the dark cloud from tariffs began to clear, major market indexes recovered and moved to new highs.

Since 1980, maximum pullbacks during the year averaged 14.1% (Figure 4). In 2025, the maximum peak-to-trough drawdown for the S&P 500 was a steep 18.9%. Still, the average annual change was +13.3% (dividends reinvested).



Data Source: S&P DJ Indices, LPL Research 12/31/2025 The S&P 500 is an unmanaged index which cannot be invested into directly. Past performance is no guarantee of future results.

Figure 4 serves as a reminder that market advances are rarely linear, and pullbacks can occur without warning. Yet, over time, stocks have demonstrated a strong historical track record.

As always, please reach out if you have any questions or if you wish to discuss any other topics.

Warmest Regards and Best Wishes in 2026!

Warmest Regards,

Jay H. Levy, CFP®, CRPC®, CPRC™
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¹ The Dow Jones Industrial Average is an unmanaged index of 30 major companies which cannot be invested into directly. Past performance does not guarantee future results.

² The NASDAQ Composite is an unmanaged index of companies which cannot be invested into directly. Past performance does not guarantee future results.

³ The S&P 500 Index is an unmanaged index of 500 larger companies which cannot be invested into directly. Past performance does not guarantee future results.

⁴ The Global Dow is an unmanaged index composed of stocks of 150 top companies. It cannot be invested into directly. Past performance does not guarantee future results.

⁵ CME Group front-month contract; Prices can and do vary; past performance does not guarantee future results.

⁶ CME Group continuous contract; Prices can and do vary; past performance does not guarantee future results.

⁷The Dollar Index (DXY) is an index (or measure) of the value of the US dollar relative to a basket of foreign currencies, often referred to as a basket of US trade partners' currencies. The Index rises when the US dollar gains value when compared to other currencies. You cannot buy into the index directly. Commodity-related products, including gold, carry a high level of risk and are not suitable for all investors. Commodity-related investments, including gold, can be highly volatile and may lack liquidity. Their performance is significantly influenced by fluctuations in underlying commodity prices, global events, import restrictions, international competition, government regulations, and broader economic conditions. Past performance is no guarantee of future results. The content was prepared by Jay Levy and other third-party providers. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness.