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Good-bye 2025, Hello 2026! While it shouldn't surprise us, it always does…how quickly it seems an entire year comes and goes. 2025 wasn't one without some surprises and…elevated blood pressure. At times it felt like the San Diego July 4th celebration from 2012. If you're unaware…their intended 1-hour show lasted about 40 seconds. (FYI - No one was seriously injured and there are some great videos of it online.) That's how it felt at times in 2025…an entire year's worth of global economic events exploding before our eyes in just a couple days. Not once, but a few times. In looking back, we're reminded how lucky we are to be surrounded by the people we are and have the data-driven processes we do. This helped keep folks not seriously injured from the unexpected explosions while remaining intact with wins & lessons to carry forward. Along with some laughs…

Moving on to the task at hand, stocks around the world notched strong returns last year in a market that was powered by optimism about the vast potential of artificial intelligence while also primed by Federal Reserve interest-rate cuts. It was not a smooth ride, though, with historic swings triggered by a range of forces including US trade policies, geopolitical tensions, concerns over lofty valuations and some uncertainty around the path of central-bank monetary policy. Below are some points we think are worth noting:

- Overall, 2025 was another strong year to thoughtfully own general market exposure as the S&P 500 completed a third consecutive year of double-digit gains. That said, 2025 came with a much steeper drawdown than the prior two years, reaching almost 20% during April's liberation day volatility event. The Nasdaq 100 Index gained 20% last year, a third consecutive year of gains as mega-cap tech companies led a disproportionate share of the US stock market's advance in 2025. Their executives also accounted for an outsized share of insider selling as billionaire founders, CEOs and directors took more than $16 billion off the table.

- The Treasury market in 2025 had its best year since 2020 as US trade policy shifts curtailed economic activity and the Federal Reserve cut interest rates in response to weakening labor-market conditions. Measures of US bond-market swings recorded their steepest annual decline since the aftermath of the financial crisis, while investment-grade spreads tightened for a third straight year, leaving average risk premiums below 0.80%.

- The Bloomberg Dollar Spot Index fell about 8% this year and traders are betting on further weakness. After tumbling in the wake of President Donald Trump's tariff rollout in April, the greenback failed to rebound much in part on expectations that Trump will name a dovish successor to Fed Chair Jerome Powell, whose term ends this year.

- Precious metals posted a ferocious run higher last year. Gold notched a series of records in 2025, aided by central bank buying, easing Federal Reserve policy and a weaker US dollar. Demand for haven assets, driven by geopolitical tensions and trade frictions, also buoyed prices. Silver rallied even more than gold during the year, hitting records and blowing through levels that until recently seemed unthinkable. Copper had its best year since 2009, fueled by near-term supply tightness and bets that demand for the metal key in electrification will outpace production. Oil closed out the year with its steepest annual loss since 2020 as the market confronts wide-ranging geopolitical risks and steadily rising supplies across the globe. A punishing surplus is expected to weigh on prices in 2026.

Turning our attention to where things could be heading, our analysis and portfolio management functions are focused on the following dynamics in the global economy:

- US job gains probably remained modest in December, wrapping up one of the weakest years for employment growth since 2009. Following years of scrambling to attract workers, employers slowed their hiring in 2025. Stabilization in job openings suggest many firms were content with staffing levels, although a whirlwind of gov't trade-policy changes also encouraged companies to focus on cost-saving efforts and approach hiring with caution. A weaker job market has thus far been net positive for risk assets as it has prompted lower interest rates, however, any further weakening could likely become a negative.

- The S&P 500's 10 biggest stocks now account for roughly 40% of the index, a level of concentration not seen since the 1960s. Our belief is that this level of concentration could pose a risk to generic/static index tracking portfolios if the current AI euphoria dissipates. The mega-cap technology companies that were once high profit margin firms are seeing free cash flow drop increasingly as the pursuit of artificial intelligence dominance is extremely capital expenditure intensive. We are highly focused on diversifying our various portfolios as to not have high amounts of mega cap "AI" concentration.

- Trade bellwethers Taiwan and South Korea led a rebound in Asia's manufacturing activity, with firms heading into 2026 with optimism that global demand is weathering President Donald Trump's trade tariffs. Following last year's strong run higher in non-U.S. stocks at large, we believe there could be ongoing opportunities in markets outside the U.S.

While we anticipate some sort of fireworks this year, we have our ear plugs, sunglasses, & running shoes handy. As always, if you would like to discuss any aspect of our process or data, please don't hesitate to reach out. We will never miss an opportunity to discuss something that we're incredibly passionate about & that we get to do every day. Here's to a fabulous '26 for you and yours!

Ryan & Justin

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