



JANUARY 2026  
**MARKET  
COMMENTARY**

David Homard, CFA

**The final months of 2025 highlighted the remarkable resilience of financial markets, even under difficult circumstances.** Significant obstacles emerged, including the longest government shutdown in U.S. history, widespread layoffs, declining consumer confidence, and persistent negative news. Nevertheless, markets continued to move higher. By the end of the year, U.S. stocks had grown roughly 2% over the last quarter, while international equities performed even better, increasing by about 5%. Investors maintained their optimism, despite considerable uncertainty.

Bond investments also experienced positive returns. Most broad bond funds rose approximately 1%, providing solid support for diversified portfolios. For those with a typical allocation—60% stocks and 40% bonds—the fourth quarter delivered a gain of about 2%, and the entire year resulted in an impressive 16% increase. This performance far exceeded historical averages, making 2025 rewarding for those who embraced diversification.

Still, the year began turbulently. U.S. stocks fell nearly 19% from their high in February, approaching bear market territory. After bottoming out in April, however, stocks rebounded sharply, soaring about 38%. This rapid turnaround demonstrates how quickly market dynamics can shift.

Throughout all the volatility, stocks set new record highs 39 times during 2025, marking it as one of the most robust years on record. The key takeaway is that remaining invested through the ups and downs can yield long-term benefits.

This strong finish followed two excellent years in 2023 and 2024. Over the past five years, U.S. stocks posted gains exceeding 15% in four of those years, with 2022 being the only notable exception. This pattern illustrates the variability in annual returns and reminds us that results often diverge from long-term averages.

Examining the broader U.S. economy reveals mixed signals: business activity remained healthy, but the housing and labor sectors saw some weakness. Hiring slowed late in the year, and payroll data pointed to less job creation than official figures indicated—dampening consumer sentiment. Even so, slower workforce growth and improved hiring strategies suggest a gradual, rather than abrupt, economic downturn.

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The forecast remains upbeat, with ongoing growth expected for both the economy and businesses. Investment in artificial intelligence continues to attract attention, although elevated market valuations mean that missteps—whether related to policy, economics, or geopolitics—could carry heightened risks. Consequently, maintaining holdings in bonds and inflation-resistant assets remains a prudent strategy.