

Access Insights: 2025 Year End

Review &
2026 Outlook

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WEALTH GROUP



Executive Summary

The fourth quarter of 2025 concluded a year marked by notable economic resilience and steadily moderating inflation, setting a constructive foundation for 2026. Headline and core inflation eased to 2.7% and 2.6%, respectively, enabling the Federal Reserve to resume its interest-rate cutting cycle.

Executive Summary - Continued

U.S. equity markets delivered strong full-year returns, with performance broadening beyond mega-cap technology stocks despite intermittent volatility stemming from renewed trade tensions.

Looking ahead, we expect 2026 to be a period of “rational exuberance”— characterized by continued monetary policy normalization, the transition of artificial intelligence from innovation to monetization, and increasingly attractive opportunities in international equities and private markets. In this environment, investors should emphasize diversification and focus on companies with strong balance sheets to navigate an expected widening in market dispersion.

2025 Year in Review:

A Resilient Economy and Moderating Inflation

Market Performance: Broadening Gains Amid Volatility:

Global equity markets reached record highs in the third quarter of 2025. While momentum moderated in the fourth quarter, the **S&P 500 still delivered a solid 16.39% gain for the full year.**

Although the “Magnificent Seven” initially led market advances, 2025 ultimately saw a healthy broadening of returns into small-cap stocks and international markets—an encouraging sign for long-term market durability.



Market Performance - Continued

This broadening meaningfully benefited diversified asset allocators such as our firm. **All Access portfolios experienced a strong recovery in the second half of the year, with particularly notable performance from our World (60/40) Portfolio and Emerging Wealth Portfolio** (our more aggressive version of the Sector-Rotation Portfolio). Both portfolios outperformed their respective benchmarks.

Market Performance - Continued

As the year drew to a close, the U.S. economy demonstrated remarkable resilience while navigating a period of transition.

The defining narrative of 2025 was the meaningful cooling of inflation across key sectors, coupled with dynamic equity market performance influenced by technological innovation and evolving trade policies.

2025 Year in Review:

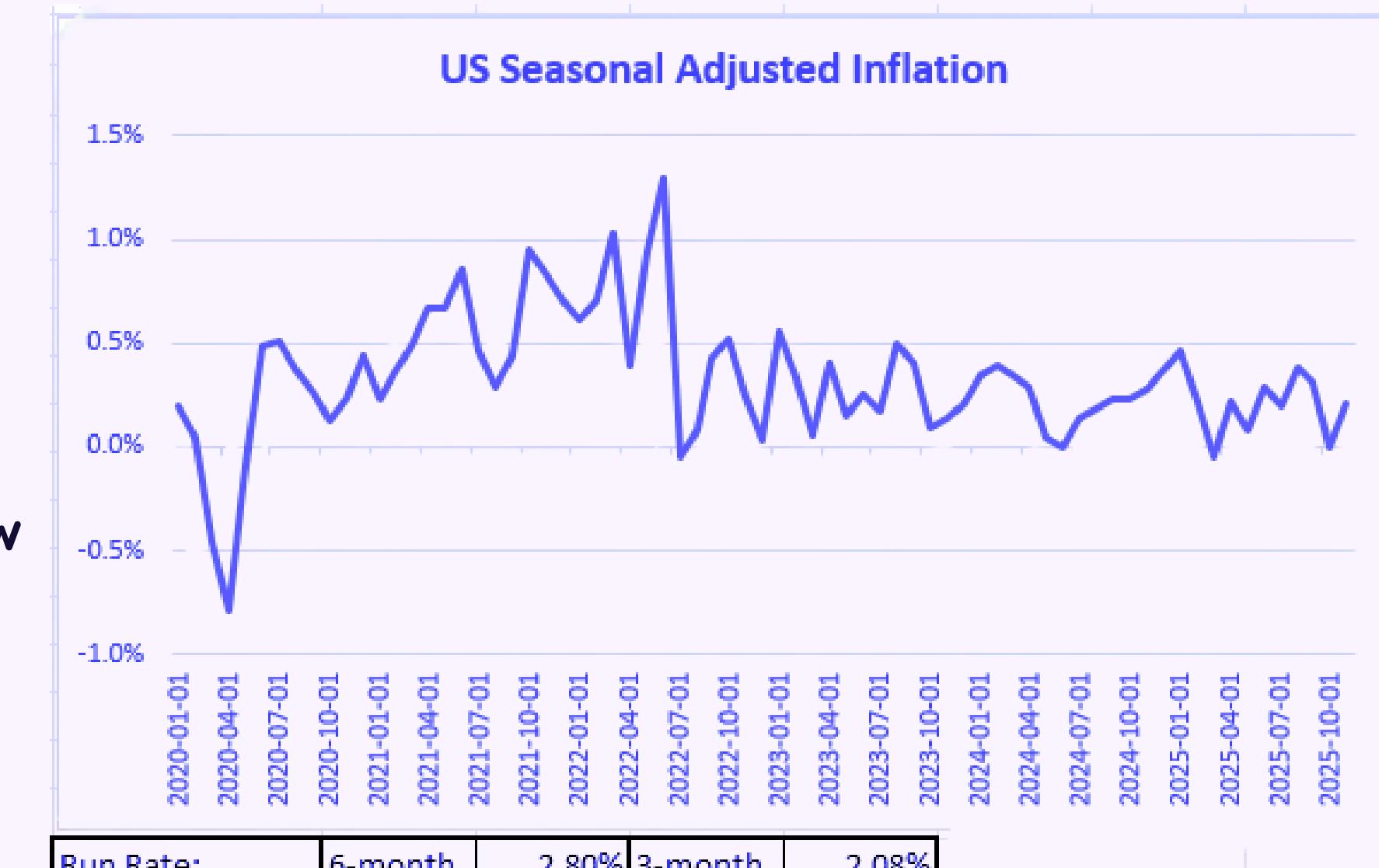
A Resilient Economy and Moderating Inflation

Inflation Progress and the Monetary Policy Pivot

The fourth quarter of 2025 marked a significant milestone in the fight against inflation.

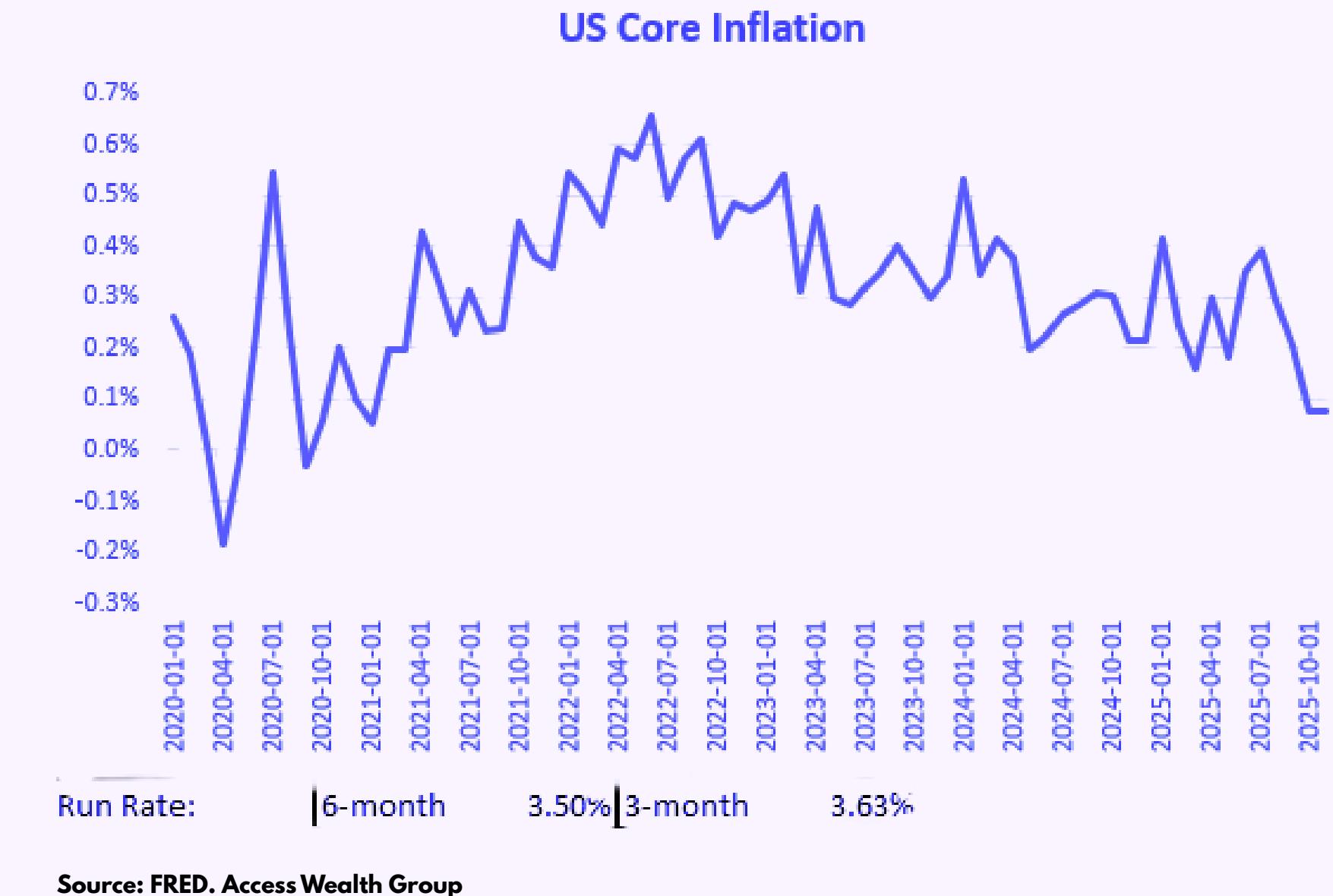
The November Consumer Price Index (CPI)

report showed headline inflation of **2.7%**, well below the consensus expectation of **3.1%**. Core CPI, which excludes food and energy, also eased to **2.6% year-over-year**, outperforming expectations of 3.0%. Monthly increases for both headline and core CPI were a modest 0.2%, **below the anticipated 0.3%**.



Source: FRED. Access Wealth Group

Disinflation was broad-based. Shelter inflation—one of the most persistent components—declined to 3.0%, its lowest annual pace since 2021. Food prices rose 2.6% year-over-year, while energy prices increased 4.2%.



Economic Landscape

This sustained moderation in inflation allowed the Federal Reserve to resume its rate-cutting cycle in late 2025, implementing three 25-basis-point reductions.

By year-end, the federal funds rate had settled in a 3.50%-3.75% range, supported by a labor market that cooled modestly but remained fundamentally strong.

Metric	Actual	Expected	Difference
Core CPI	2.6%	3.0%	-0.4%
Monthly CPI	0.2%	0.3%	-0.1%
Monthly Core CPI	0.2%	0.3%	-0.1%
Shelter Inflation	3.0%	N/A	N/A
Food Prices (YoY)	2.6%	N/A	N/A
Energy Prices (YoY)	4.2%	N/A	N/A
Headline CPI	2.7%	3.1%	-0.4%

Source: Access Wealth Group

The Impact of Trade Policies and Tariffs

Trade policy was a major driver of volatility in 2025, particularly after the Trump administration reintroduced tariffs. The average effective U.S. tariff rate surged from approximately 2.5% to nearly 27%, reaching its highest level in over a century. Reciprocal tariffs ranging from 10% to 41% were imposed on various trading partners, with China briefly facing tariffs as high as 145% before subsequent pauses and negotiated agreements.

The Impact of Trade Policies and Tariffs

The economic burden of these tariffs fell largely on U.S. companies and consumers, who paid an estimated 82% of total tariff costs in **October 2025 (Trade Compliance Resource Hub)**. This policy-driven uncertainty contributed to the S&P 500's spring sell-off. However, markets rebounded sharply—rallying nearly 39% from April lows—as several tariffs were paused or reduced through new trade deals. This episode underscored both the market's sensitivity to trade policy and its ability to rapidly reprice as conditions evolve.

2026 Outlook: Navigating “Rational Exuberance”

Entering 2026, the macroeconomic backdrop remains constructive. We expect continued growth and further easing of inflation, though investors should remain mindful of shifting market dynamics and elevated valuation risks.

Key Macroeconomic Themes

Monetary policy normalization is likely to continue, with the Federal Reserve expected to deliver **one to two additional rate cuts in 2026**. This would place the policy rate in the low 3% range, potentially near **3.4% by year-end**. Despite short-term rate cuts, longer-term yields—particularly the 10-Year Treasury—are expected to remain anchored in the low 4% range due to structural factors and increased issuance. As a result, long-term rates are likely to remain higher than pre-pandemic norms.

Global GDP growth is projected to recover to approximately 1.6% in 2026, as tariff-related uncertainty gradually subsides. Combined with moderating inflation, this environment remains broadly supportive of risk assets.

AI Productivity Shift: From Excitement to Monetization

The market's focus on artificial intelligence is shifting from speculative enthusiasm toward tangible monetization. While AI-driven equity performance was a major theme in 2025, 2026 is likely to emphasize measurable real-economy outcomes.

We believe autonomous driving at scale represents one of the most consequential medium-term breakthroughs, with potential benefits from labor substitution, logistics efficiency, and productivity gains. This transition from theoretical promise to practical application should continue to drive innovation and investment across the technology ecosystem.

Geographic and Style Diversification

After a strong 2025, U.S. equity valuations remain near historic highs. In contrast, international equities—particularly in **Europe and Emerging Markets—offer more attractive valuations and stand to benefit from local rate cuts.**

These regions may provide meaningful diversification benefits and incremental return opportunities. In an environment where dispersion between market winners and losers is expected to widen, geographic and style diversification will be increasingly important.

The Private Markets Rebound

A rebound in private equity and private credit activity is anticipated in 2026, supported by improving transaction volumes and lower base rates. As public markets contend with elevated valuations, private markets may offer compelling alternative opportunities for investors seeking differentiated returns and long-term growth.

Major Market Risks in 2026

Periods of rational exuberance are often accompanied by elevated risks. Key areas of concern include:

AI-Driven Market Fragility

- **AI bubble concerns:** Schwab identifies fears of an AI spending bubble as one of the most frequently cited risks for 2026, particularly following late-2025 weakness in technology stocks.
- **Overconcentration in mega-cap tech:** A small number of AI-linked companies continue to drive a disproportionate share of index returns.
- **Corporate capex uncertainty:** If AI investments fail to deliver near-term productivity gains, valuations could reprice sharply.
- **Complacency:** Elevated optimism may amplify downside risks.

Major Market Risks in 2026 - Continued

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Policy and Regulatory Uncertainty

- **Unclear central bank direction:** Mixed inflation signals may complicate rate-cut timing and increase volatility.
- **U.S. policy changes:** JPMorgan highlights that recent policy initiatives and upcoming Supreme Court decisions could materially alter the economic outlook.

Major Market Risks in 2026 - Continued

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Valuation and Earnings Risks

- **Elevated valuations:** Morningstar notes that U.S. equities trade near fair value but with heightened volatility risk.
- **Earnings divergence:** BlackRock expects widening performance gaps between companies with strong and weak balance sheets.
- **Profit normalization:** After several strong years, corporate earnings growth may moderate.

Major Market Risks in 2026 - Continued

Periods of rational exuberance are often accompanied by elevated risks. Key areas of concern include:

Geopolitical and Macro Risks

- **Geopolitical flare-ups:** Heightened tensions in East Asia, the Middle East, and South America underscore the fragility of the global equilibrium.
- **Fiscal divergence:** Differing fiscal paths across countries may increase cross-border investment complexity and dispersion.

Strategy and Portfolio Guidance

In this environment, we remain constructive but disciplined. While easing inflation and accommodative monetary policy are supportive, investors should not expect a one-way rally—particularly in fixed income—unless long-term yields decline more meaningfully. **We continue to emphasize companies with fortress balance sheets**, strong cash flows, and high margins that can withstand policy, tariff, or geopolitical volatility.

Strategy and Portfolio Guidance

Above all, diversification remains the **most effective tool** as the dispersion between market winners and losers widens in 2026.

We remain **vigilant in managing risks associated with elevated valuations and geopolitical uncertainty**. Risk management has always—and will continue to be—our highest priority in stewarding your assets!



To learn more, contact us

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