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MARKET & ECONOMIC COMMENTARY: Q4

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THE KAMINSKY-SILVERMAN GROUP

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Closing the Year: Market Review and Perspective

Overview

2025 marked the third year in a row of double-digit stock market gains as the U.S. market, measured by the S&P 500, gained 16.4%. Global markets also rose, in many cases outpacing the US markets. Similarly, in the fourth quarter, the US market rose 2.4% while global markets outside the US delivered 5%, highlighting the benefits of global diversification. Despite periodic uncertainty throughout the year, market strength was supported by easing monetary policy, resilient corporate earnings, continued economic growth, and a further moderation in inflation.

U.S. Equity Markets

U.S. markets demonstrated notable resilience in Q4 despite several headwinds, including concerns around a prolonged government shutdown, weakening consumer sentiment, and emerging labor market softness. Although markets experienced some late-quarter volatility, U.S. equities reached all-time highs during the period.

Market leadership broadened during 2025. Five of the so-called "Magnificent Seven" stocks underperformed the S&P 500[1], revealing potential vulnerabilities in highly concentrated, mega-cap-heavy portfolios. Elevated equity valuations of certain sectors, particularly technology, remained a point of concern as price-to-earnings ratios approached historical highs. Questions about potential over-investment in Artificial Intelligence (AI) infrastructure added a drag to some related sectors and propelled an investment shift to other industries. Health Care, in particular, posted a strong quarterly gain of nearly 12%, benefiting from defensive characteristics and improved earnings visibility. Markets also responded favorably to the Federal Reserve's continued cutting cycle during the quarter.

[1] Q4 Post-Mortem From an Investment Adviser: Year of Resilience | Kiplinger

Tech Stocks Took Second Place in Q4 2025

Sector Snapshot	12/31/25
Sector	QTD Return
Health Care	11.70%
Technology	2.31%
Financials	2.02%
Materials	1.72%
Energy	0.93%
Industrials	0.92%
Consumer Defensive	-0.08%
Consumer Cyclical	-0.15%
Comm. Services	-0.23%
Utilities	-1.37%
Real Estate	-3.19%

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International & Emerging Markets

International equities were a clear bright spot in Q4 and throughout 2025. Both developed and emerging markets posted strong returns, supported by a weaker U.S. dollar, improving global economic data, and renewed capital flows into non-U.S. markets. Emerging markets benefited from stronger commodity exports, and easing inflation pressures

Valuations abroad remained more attractive relative to the U.S., contributing to strong performance across Europe, Asia, and emerging economies. The year reinforced the value of maintaining global exposure rather than relying solely on U.S.-centric portfolios.

International Markets Outperformed the US Market in 2025

Region Summary							12/31/25
Region	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
U.S. Stock	0.01%	2.42%	17.75%	17.75%	23.24%	13.87%	14.79%
International Developed	3.02%	5.26%	32.55%	32.55%	18.28%	10.04%	9.11%
Emerging Markets	2.99%	4.73%	33.57%	33.57%	16.40%	4.20%	8.42%
Europe Stock	3.90%	6.20%	35.41%	35.41%	18.22%	10.30%	8.52%
Asia Pacific Stock	2.11%	3.46%	28.00%	28.00%	16.05%	4.98%	8.08%
Latin America Stock	1.08%	8.20%	54.81%	54.81%	14.79%	8.65%	8.79%

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Economic Growth and Lower Interest Rates Support the Market

Economic data in late 2025 presented a mixed but generally supportive backdrop.

The U.S. unemployment rate rose to 4.6% in November, the highest level since early 2021, signaling some cooling in labor conditions, while job gains were limited to the health care, construction, and social assistance sectors[2].

At the same time, inflation moderated sufficiently to allow the Federal Reserve to continue its gradual path of rate cuts. While inflationary pressures remain a concern, the data to date suggest tariffs have had a minimal impact on overall U.S. price levels[3].

Lower interest rates helped support both consumer and corporate balance sheets, boosting spending and investment. Despite persistently weak consumer sentiment surveys, retail spending remained resilient, driven largely by higher-income consumers who benefited from rising home equity and stock market wealth. While spending pressures among lower-income households affected certain sectors, such as fast-food restaurants, stronger demand from more affluent consumers more than offset these effects at the broader economic level.

Supported by solid consumer spending and increased capital expenditures, particularly in AI, real GDP growth accelerated to 4.3% in Q3 2025, up from 3.8% in Q2, and likely remained strong in Q4[4].

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[2] The Employment Situation - December 2025

[3] https://www.bloomberg.com/news/newsletters/2026-01-13/tariff-pass-through-limited-so-far-us-data-show-evening-briefing-americas

[4] Gross Domestic Product, 3rd Quarter 2025 (Initial Estimate) and Corporate Profits (Preliminary) | U.S. Bureau of Economic Analysis (BEA)

Looking Ahead

As we move into 2026, the tension between a cooling labor market and lingering inflation pressures persists. Nevertheless, both companies and investors have reasons for cautious optimism. Tariffs have not meaningfully impacted economy-wide inflation, in part due to revised and renegotiated headline rates. In addition, the tax legislation passed in 2025 is expected to increase discretionary income for households and corporations, providing further support for economic growth.

As always, markets must navigate numerous uncertainties, including the risk of renewed inflation, a sharper labor market slowdown, potential reassessment of AI-related investments, and ongoing geopolitical tensions. Still, 2025 demonstrated the resilience of companies amid rapid change. While short-term volatility is an inevitable aspect of investing, we believe a diversified global approach remains well-positioned for the long term, and that investors continue to benefit from maintaining disciplined portfolios aligned with their objectives.

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S&P 500 Index represents the 500 leading U.S. companies, approximately 80% of the total U.S. market capitalization.

Dow Jones Industrial Average (DJIA) Is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

The Nasdaq Composite Index (NASDAQ) measures all Nasdaq domestic and international based common type stocks listed on The Nasdaq Stock Market and includes over 2,500 companies.

MSCI World Ex USA GR USD Index captures large and mid-cap representation across 22 of 23 developed markets countries, excluding the US. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets (as defined by MSCI). The index consists of the 25 emerging market country indexes. **Bloomberg Barclays US Aggregate Bond Index** measures the performance of the U.S. investment grade bond market. The index invests in a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States – including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities, all with maturities of more than 1 year.

Bloomberg Barclays Global Aggregate (USD Hedged) Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging market issuers. Index is USD hedged.

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