



The Weekly Market Update – 1/5/26: Solid Year For U.S. Equities

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	6,858.47	-1.03%	0.19%	0.19%	16.61%	6,932.05	1.1%
Dow Jones Industrial Average	48,382.39	-0.67%	0.66%	0.66%	13.72%	48,731.16	0.7%
NASDAQ Composite	23,235.63	-1.52%	-0.03%	-0.03%	20.32%	23,958.47	3.1%
Russell 2000	2,508.22	-1.03%	1.06%	1.06%	12.47%	2,590.61	3.3%
MSCI EAFE (USD)	2,910.01	0.51%	0.60%	0.60%	28.66%	2,910.01	0.0%
MSCI Emerging Markets (USD)	1,429.48	2.30%	1.79%	1.79%	32.92%	1,444.93	1.1%
Bloomberg Commodity Index	109.51	-2.64%	-0.16%	-0.16%	10.88%	237.95	117.3%
Barclays U.S. Aggregate Bond	93.80	-0.35%	-0.29%	-0.29%	3.73%	112.07	19.5%

Source: FactSet

The S&P 500 equity index delivered a third consecutive year of double-digit percentage returns in 2025 as global equities concluded a strong year. The S&P 500's price return was +16.4% (+17.9% including dividends) in 2025 and followed price returns of +23.3% and +24.2% in 2024 and 2023, respectively. Growth beat value as the Nasdaq Composite (growth) index led U.S. equities with an increase of +20.4%, while the Russell 1000 Value index lagged, but still posted a respectable +13.6% gain. Small-company stocks, as measured by the Russell 2000 index, increased +11.3% in 2025, lagging the S&P 500 for the fifth consecutive year. Notably, international equities led global returns with two large multi-country indices, MSCI Emerging Markets and MSCI EAFE (Europe, Australia, and Far East; a proxy for developed foreign markets), delivering price returns of +30.6% and +27.9%, respectively. MSCI EAFE's annual performance last beat the S&P 500 in 2022, and emerging markets had not outperformed since 2020. Within the S&P 500's eleven macro sectors, returns ranged from a leading +32.4% (Communication Services) to a lagging -0.3% from Real Estate. Among the ten positive S&P 500 sectors in 2025, three delivered gains greater than the index (Comm Services, Technology, and Industrials) and three others – Financials, Utilities, and Healthcare – gained well over +10%. Interest rates moved lower in 2025, delivering bond market gains as the U.S. 10-year Treasury yield (long-term interest rates) was 4.17% on 12/31/25, down from 4.57% to start the year (12/31/24). Short-term rates also moved lower as the 2-year Treasury yield closed the year at 3.48%, down from 4.24%. The 0.75% decline matched the decrease in the Federal Reserve Bank's (Fed) managed overnight federal funds target range, which ended the year at 3.50% to 3.75%, down from 4.25% to 4.50%. The average 30-year fixed mortgage rate was 6.15% on 12/31/25, down from 6.85%. Gold delivered a big performance surprise in 2025, closing the year at \$4,322 per ounce (spot gold), up +65% for the year. U.S. markets navigated a volatile first quarter of 2025 as the second, non-consecutive term of President Trump launched a shift in trade policy with tariff uncertainty. As the year progressed, many tariffs were delayed and trade policy pivoted to negotiations and deals. A mid-year budget deal included tax and investment incentives and technology spending for data centers and artificial intelligence (AI) surged. Both corporate earnings and U.S. economic growth surprised to the upside.

Markets stalled in November and December, but still posted gains for the fourth quarter. The S&P 500 increased +2.4% in 4Q25, its third consecutive quarterly increase after a 1Q25 decline of -4.6%. Fourth quarter market headwinds included a six-week federal government budget shutdown that weighed on consumer confidence, fears of an "AI bubble" as data center investment accelerated and included increasing debt issuance, and weakening monthly jobs increases. Midway through 4Q25, the S&P 500 had pulled back -5.1% from earlier highs, but by 12/10/25 the index had recovered to make a new high. We expect U.S. economic growth to moderate in 4Q25 (not reported yet) but then to rebound in the first half of 2026. At the same time, corporate earnings growth appears healthy.

The first week of January includes a series of late 2025 economic data, filling in blanks from the government shutdown. On 1/9/26, the Bureau of Labor Statistics (BLS) will report December jobs data with nonfarm payrolls expected to increase +60 thousand (K) with an unemployment rate of 4.5% (November reports were +64K and 4.6%, respectively). Data reports are current after the shutdown limited collection in October and November. The Atlanta Federal Reserve Bank GDPNow estimate has 4Q25 GDP tracking at +2.7%.

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Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The 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. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The S&P 500 index change (price returns not including dividends) by quarter in 2025 was: 1Q25: -4.6%, 2Q25: +10.6%, 3Q25: +7.8%, 4Q25: +2.4%. The -5.1% decline in November 2025 started on 10/28/25 (closing price 6,891) with the trough on 11/20/25 (6,539). On the 12/11/25 the index closed at 6,901.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities. Growth sectors are those that generally drive expected annual sales and earnings growth that exceed market and sector average. Value stocks will typically trade at valuation levels below peer group averages. Cyclical sectors tend to be more economically sensitive, with more volatility in sales and earnings growth when the economy is either decelerating or accelerating.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric.

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data on a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at www.bea.gov. Major components of GDP include personal consumption expenditures, non-residential fixed investment, residential investment, government expenditures and adjustments for inventories and net exports (imports). Non-Residential Fixed Investment includes several subcategories including software and information processing equipment that measure investment in technology. Imports of goods and services are subtracted from GDP data (products are not produced or performed in the U.S) while exports are added to GDP. On 12/23/25 the BEA reported that 3Q25 GDP increased +4.3% annualized from the previous quarter. This was inflation-adjusted, or "real GDP." The [12/23/25 GDP reported is linked here](#).

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics, while the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey is drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work. In 2025 monthly jobs data has been reported through November.

Volatility looks at to what degree and how quickly prices move over a given span of time. In the stock market, increased volatility, in the form of rapidly falling prices, is often a sign of rising uncertainty.

The U.S. Constitution states that money drawn from the U.S. Treasury must be from appropriations signed by law. Congress has created 12 appropriation committees to approve annual spending in 12 spending categories. Spending bills require a majority vote in the U.S. House of Representatives, and 60 votes in the U.S. Senate, and then a signature from the President. Bills can be combined into an omnibus bill, or

funding can be extended through a continuing resolution. On 11/12/25 Congress approved a continuing resolution that ended the budget shutdown after six weeks.

Generative Artificial Intelligence (GenAI): We think of artificial intelligence as using advanced computers to process large amounts of data to ultimately approach human problem solving and decision making. While still predictive models, generative AI can give detailed responses, much better than a search engine, which does a good job of telling the user where to go to find additional information. As generative AI systems access more data, they become larger and learn to make better decisions. At each iteration, the system gains knowledge, enhancing its predictive (reliable) capabilities and ability to produce original content. Generative AI systems become more robust as they are used as all new data can be trained into the system, creating new challenges and opportunities.

The Federal Reserve Bank of Atlanta publishes a current quarter U.S. economic growth, to track real (inflation adjusted) gross domestic product, or GDP. GDPNow is not an official forecast of the Atlanta Fed. Rather, it is best viewed as a running estimate of real GDP growth based on available economic data for the current measured quarter. There are no subjective adjustments made to GDPNow – the estimate is based solely on the mathematical results of the model. The most recent GDPNow update for 4Q25 GDP reflected growth tracking at 2.7% (as of 1/5/26) and is one source of our commentary about recent U.S. economic data exceeding expectations.

The Conference Board publishes a monthly survey of consumer confidence. The Consumer Confidence Survey® reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitudes, buying intentions, vacation plans, and consumer expectations for inflation, stock prices, and interest rates.

S&P 500 earnings growth reflects the year-over-year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index.

The Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members – the seven members of the Board of Governors of the Federal Reserve System, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Federal Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Board of Governors of the Federal Reserve System is responsible for the discount rate and reserve requirements, and the Federal Open Market Committee is responsible for open market operations. The Federal Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and, in this way, alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury securities, indicating the relationship between the interest rate and the time ("term") to maturity. The yields of the 2-year and 10-year U.S. Treasury notes are widely followed barometers of the current U.S. interest rate environment. Treasury security data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

In July 2025, the U.S. Congress passed the [One Big Beautiful Bill Act](#) and it was signed by the President. A summary of the Bill's provision was published by the Tax Foundation. Our discussion about pro-growth business investment incentives tied immediate deduction for capital investment projects and less restrictive limitations on interest deductions and makes permanent Section 179 expensing for small business.

The Trump Administration on 2/12/25 announced a framework for its Reciprocal Tariffs, with a link to the memorandum, "Fair and Reciprocal Plan." On 3/26/25 the White House announced tariffs on imported automobiles and certain automobile parts. Here is a link to a Fact Sheet from the President that outlines the action. The President's April 2, 2024 Tariff Announcement is also linked. Also linked is the White House Fact Sheet on the U.K. trade agreement. The 90-day pause on Reciprocal tariffs was announced on 4/9/25. On 4/9/25, the White House delayed most reciprocal tariffs, and released a memo, Modifying Reciprocal Tariff Rates. Reciprocal tariff dates were further extended, Extending the Modification on 7/7/25. Framework trade deals were announced with the European Union on 7/27/25 and Japan on 7/23/25. The U.S. Federal Court of Appeals ruling against many of the reciprocal tariffs is linked.

The price of gold is sourced through FactSet and is the spot gold price per ounce quoted in U.S. dollars.

30-year fixed mortgage rates are sourced from FactSet and FreddieMac (Federal Home Loan Mortgage Corporation).