



Market Update

(all values as of 12.31.2025)

Stock Indices:

Dow Jones	48,063
S&P 500	6,845
Nasdaq	23,241

Bond Sector Yields:

2 Yr Treasury	3.47%
10 Yr Treasury	4.18%
10 Yr Municipal	2.73%
High Yield	6.48%

YTD Market Returns:

Dow Jones	13.07%
S&P 500	16.46%
Nasdaq	20.36%
MSCI-EAFE	27.89%
MSCI-Europe	31.95%
MSCI-Pacific	29.87%
MSCI-Emg Mkt	30.58%

US Agg Bond	7.30%
US Corp Bond	7.77%
US Gov't Bond	6.88%

Commodity Prices:

Gold	4,325
Silver	70.34
Oil (WTI)	57.42

Currencies:

Dollar / Euro	1.17
Dollar / Pound	1.34
Yen / Dollar	156.18
Canadian /Dollar	0.73

Macro Overview

Pronounced uncertainty throughout 2025 created volatile trading sessions as labor market concerns and lingering inflation kept the Fed from lowering rates to the extent that had been expected. Regardless, both equity and fixed income markets rose throughout the year, driven by consistent earnings and optimism surrounding massive investment and capital expenditures related to Artificial Intelligence (AI).

Tariffs remained a focal contention in 2025, as economists struggled to determine how much of an affect tariffs have been on consumers and U.S. companies. A study by the Federal Reserve Bank of San Francisco concluded that the tariffs imposed in April 2025 actually resulted in lower inflation and higher unemployment primarily due to uncertainty surrounding the tariffs.

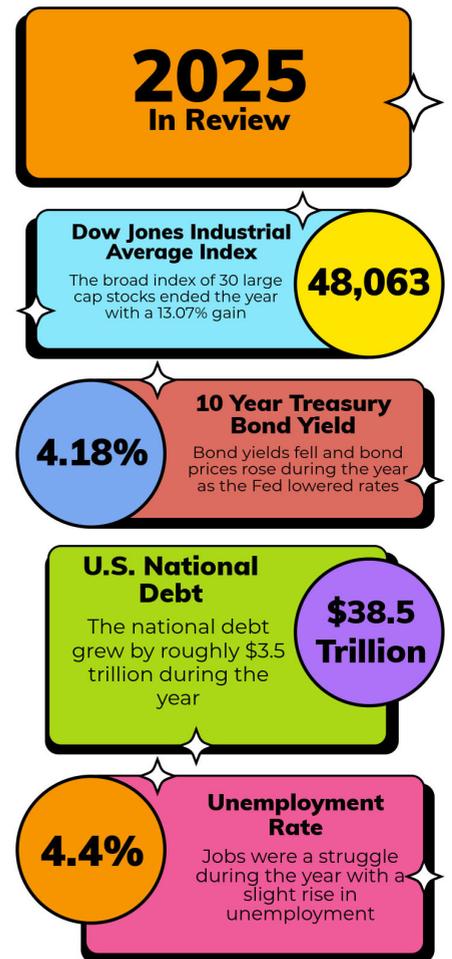
Geopolitical tensions in Europe, the Middle East and Asia drove skepticism about international trade and commodity prices. An ounce of silver cost more than a barrel of oil at the end of 2025, the first time this price disparity has occurred since 1980 when the infamous Hunt brothers cornered the silver market. Silver reached \$70 per ounce and oil closed at just over \$57 per barrel at the end of 2025.

The U.S dollar lost ground in 2025 driven by excessive U.S. debt concerns and uncertainty surrounding fiscal initiatives. A weakening dollar increases import costs for consumers, yet is beneficial for U.S. exporters as U.S. exports become more affordable.

Cryptocurrencies experienced a pull back towards the end of 2025, as leveraged digital currency positions unraveled. Rampant speculation among crypto traders created tremendous volatility throughout the year. Cryptocurrencies experienced gains early in the year followed by a sharp correction late in the year. Regulatory clarity and institutional adoption continue to be leading concerns surrounding digital currencies.

The President proposed that the federal government buy approximately \$200 billion of mortgage bonds through housing authorities Fannie Mae and Freddie Mac, in an effort to push mortgage rates down and increase affordability for buyers. Buying mortgage bonds in the open market curtails the supply of bonds which can lead to lower mortgage rates.

Sources: U.S. Treasury, Federal Reserve, Fannie Mae





Bond Prices Edge Higher in 2025 – Fixed Income Markets Overview

Fixed income markets across various sectors had a favorable year, with bond prices advancing in 2025. U.S. Treasuries, investment grade corporates and high yield bonds all elevated in price as the Fed teetered on easing rates throughout the year, with affirmation of a lower rate trend towards the end of 2025.

The Fed’s trajectory, along with still attractive bond yields in 2025, drove demand throughout the year. Uncertainty in the equity markets added to demand for bonds as volatility led to greater bond demand.

The 10-year Treasury bond yield finished the year at 4.18%, down from its peak of 5% in October of 2023. Bonds had their best year since 2020, when the pandemic drove funds toward bonds as a safe haven and for stability.

Sources: U.S. Treasury, Federal Reserve

Equities Advance in 2025 – Domestic Equity Market Overview

Equities were resilient throughout 2025 as uncertainty surrounding tariffs, geopolitical tensions and Fed rate cuts induced volatile trading sessions. The Dow Jones, S&P 500 Index, and the Nasdaq all posted strong performance results for the year, exceeding most analysts expectations.

Massive capital injections by numerous technology companies in AI led to broad appreciation in sectors and industries associated with AI expansion. The spillover from AI investment benefited companies with indirect ties to AI, similar to what occurred in the late 1990s and early 2000s as the internet expanded.

Sources: Dow Jones, S&P, Nasdaq, Bloomberg

Nine States Reduce Their State Income Tax Rates for 2026 – Fiscal Tax Policy

For tax year 2026, nine states are reducing their individual state income tax rates, Georgia, Indiana, Kentucky, Mississippi, Montana, Nebraska, North Carolina, Ohio, and Oklahoma. The tax cuts apply to individual taxpayers living in each respective state.

State Individual Tax Rates
(as of January 2026)



Most of these nine states have established a planned decrease of tax rates over the next few years, hoping to ease tax strains on current state taxpayers and incoming residents. There are currently nine states with a zero state income tax

rate, some of which had taxes or higher tax rates in place before eliminating them. California currently has the highest tax rate at 13.3%, followed by Hawaii at 11%, and New York at 10.9%.

Source: Tax Policy Center



How AI Is Affecting the Economy – Technology & The Economy

Artificial intelligence (AI) is currently boosting U.S. economic growth and market valuations, while also creating valuation risks, labor disruption, and energy challenges.

AI related investment in software, semi-conductor chips, data centers, power infrastructure, and networking has already added on the order of hundreds of billions of dollars to U.S. GDP since late 2022, with one estimate putting the contribution at around 250 billion dollars.

Economists expect AI to raise productivity, yet unevenly among industries as various companies integrate AI into manufacturing, production, and service.

Thus far, AI appears to be a minor factor in the 2025 labor market slowdown, but economists expect that wider diffusion could displace some jobs even as it creates new tasks and demand in other roles.

Policymakers and researchers note that the main near term macro risk is not mass unemployment, but resulting in retraining, regional dislocation, and pressure on lower skilled occupations.

AI has been a dominant equity theme, helping propel S&P 500 performance in 2025, with a large share of returns concentrated in AI linked megacap tech, data center, chip, and cloud companies. Regulators and analysts are considering whether AI driven optimism encourages excessive leverage or speculative behavior in equity and credit markets, which could amplify any downturn. At the same time, diversified adoption of AI across sectors is seen as a potential cushion against shocks, making the U.S. economy somewhat more resilient if productivity effects materialize as expected. (Sources: RPS, Current Population Survey, Bureau of Labor Statistics, St. Louis Fed)

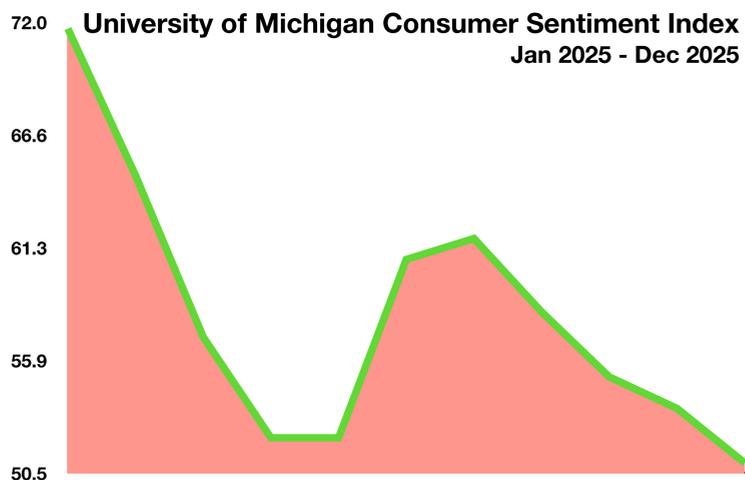
What Happened To Consumer Confidence in 2025 – Consumer Behavior

The beginning of 2025 revealed that consumers were optimistic because of low unemployment, ongoing job growth, and stable inflation. Yet, by the end of 2025, optimism had fallen sharply, with more consumers reporting pessimism and cautious feelings about the economy as inflation, job scarcity, and living costs led consumer worries.

The University of Michigan consumer sentiment index stood at 64.7 in January 2025 then fell to 51.0 by November, eventually edging up to 52.9 in December and leaving sentiment well below historical norms.

Behavior and spending signals in 2025 found more consumers opting for cheaper goods and prioritizing essentials, with many cutting back on discretionary purchases and major expenditures.

By the fourth quarter of 2025, net sentiment was 30 percent below its late 2024 peak, underscoring how uneasy consumers felt heading into 2026. (Source: University of Michigan Consumer Sentiment Index; FRED)





Dollar's Decline in 2025 Was Largest Since 2017 – Currency Overview

In 2025, the U.S. dollar had a notably weak year and under performed most other major currencies, with broad indexes showing its largest annual drop since 2017 and one of the steepest declines in decades.

131 **U.S. Dollar Index / Jan 1, 2025 - Dec 31, 2025**



The U.S. Dollar Index, which tracks the dollar against six major currencies (euro, yen, pound, Canadian dollar, Swiss franc, Swedish krona), fell roughly 9.5% in 2025, the largest drop since 2017. Earlier in the year, the dollar had been down about 11%, marking the biggest first half loss since the 1970s. Factors affecting the dollar in 2025 include slower U.S. growth expectations, high fiscal deficits, policy uncertainty regarding tariffs, political tensions, and shifting

global capital flows away from U.S. assets. Easing of U.S. interest rates also reduced the yield advantage of dollar assets, making holding the dollar less attractive relative to other major currencies.

Sources: Federal Reserve Bank of St. Louis

What Are Rare Earth Materials – Commodities Review

Rare earth materials are minerals or compounds that contain one or more rare earth elements, which are comprised of 17 metallic elements used extensively in modern technologies. These materials are important because they provide unique magnetic, optical, and catalytic properties that are hard to substitute with numerous high-tech applications.

These elements are actually relatively abundant in the Earth's crust, but are rarely found in concentrated deposits, which makes mining and separation difficult.

The term "rare earth" comes from the early discovery of these elements in unusual mineral "earths" and from the scarcity of economically viable deposits, not from a true rarity in nature.

Rare earth materials are essential in magnets for wind turbines and electric vehicles, in smartphone components, and in computer hard drives. They also appear in glass polishing powders, catalysts for oil refining and car exhaust treatment, phosphors in LED and fluorescent lighting, and components for lasers and fiber-optic communication. Rare earth materials are used throughout modern technology, mainly for powerful magnets, specialized lighting, displays, and advanced electronics. Their unique magnetic and optical properties make many devices smaller, more efficient, and more energy saving than would otherwise be possible.

Sources: U.S. Department of the Interior, CIA World Factbook