

Key Takeaways:

- U.S. economy remained resilient in 2025 despite headwinds.
- Inflation and labor market cracks proving difficult for Federal Reserve.
- International equities outperform U.S. equities.
- Global bonds higher for the third straight year.
- Precious metals drive broad commodity performance.

Annual Review of 2025

The U.S. economy powered through the variety of headwinds that it was handed in 2025. Despite the longest government shutdown on record, muted job creation and a massive overhaul of global trade, the U.S. economy delivered ~4% growth in the second and third quarter and is on pace to grow at least 2.0% for the year. Global equities rallied on the surprisingly strong economic growth, the euphoria over artificial intelligence and central banks cutting interest rates. A global easing policy helped bonds post their third consecutive year of gains. However, it was precious metals that were the major winner in 2025 with gold prices making more than 50 fresh record highs for the year. This week, we offer a review of 2025 from an economic and asset class perspective.

- **Muted job creation in 2025:** The U.S. economy is on pace to add the least amount of jobs since 2020 and the unemployment rate is at a five year high.
- **Inflation stubborn:** Core inflation as measured by PCE core is growing 2.8% (YoY). Service prices are leading price increases, specifically from the energy sector.

- **Resilient consumer spending:** Consumer spending was strong in 2025 despite real disposable income that is only growing 1.5% (YoY) (the slowest since 2022).

- **Housing bottom?** Existing home sales steadily rose in 2H25 as the mortgage rate fell ~80 bps. Homebuilder sentiment and prospective buyers' traffic also improved in 2H25.

- **Global Equities – Strong year for global equities:** The MSCI AC World Index posted its third consecutive year of double digit gains, the longest streak since 2019–2021.

- **International outperforms U.S.:** The MSCI EAFE and MSCI EM indices outperformed U.S. equities (as tracked by the S&P 500) for the first time since 2017.

- **Emerging markets lead:** The MSCI EM Index was led higher by strong equity returns in Brazil, Mexico, South Korea, and Taiwan as tariff tensions eased in 2H25.

- **U.S. returns broaden but tech still leads:** The Nasdaq was the best performing U.S. Index in 2025. However, we saw the rally broaden

in 2H25 with small and midcap stocks outperforming large cap.

Fixed Income – Bonds higher for third straight year: The Bloomberg Aggregate Index was higher for the third straight year, supported by accommodative monetary policy.

• **EM Debt outperforms:** EM debt (in USD) led global fixed income supported by the desire for yield and better sentiment around emerging markets.

• **U.S. credit outperforms Treasuries:** Both high yield and investment grade credit outperformed Treasuries for the third consecutive year. This has not happened since 1995-1997.

Commodities – Precious metals shine: The Bloomberg Commodity Index was higher as gains in precious metals overshadowed large declines in oil, cocoa and wheat.

• **Precious metals surge:** Gold prices rose by the most since 1979 but silver prices rose over 100%. A weak dollar, economic uncertainty, easing central banks, a fear of missing out and tariff uncertainty all led the metals higher.

Weekly Economic Recap –

Fed Minutes Highlight Deep Committee Divisions

Pending home sales in the U.S. climbed for the fourth consecutive month and more than expected in November amid price improvement and falling mortgage rates. An index of contract signings increased by 3.3% to the highest level since February 2023 (79.2). All regions reported increased signings during the period.

Home prices increased in the U.S. in October as tracked by the S&P Case-Shiller Index. The largest price increases for the month came from San Francisco, Phoenix, Chicago, and San Diego. Prices declined in Boston, Denver, Tampa and Charlotte.

The Federal Reserve released the minutes from their December meeting which showed a largely divided Fed as it relates to the future of interest rates. The division among committee members was evident as some officials who supported lowering rates indicated “they could have supported keeping the target rate unchanged.” Policymakers noted that new economic data (which had been delayed given the U.S. Government shutdown) could be helpful in determining the appropriate path forward.

Key Takeaways:

- Pending sales of homes in the U.S. increase.
- Home prices continue to increase.
- Fed meeting minutes highlight committee divisions.
- Emerging markets lead global equity performance.
- Bond yields diverge after release of Fed meeting minutes.
- Commodities lower driven by precious metal weakness.

Weekly Market Recap –

Global Equities Lower but Emerging Markets Higher

Equities: The MSCI AC World Index was slightly lower to start 2026 led by weakness in the U.S. markets. U.S. averages were lower during the holiday-shortened trading week amid large-cap tech weakness. The tech-heavy Nasdaq was the weakest performing average during the week, falling for the second time in four weeks. Emerging markets led global performance with strong performance from South Korea and Taiwan.

Fixed Income: The Bloomberg Aggregate Index was lower for the first time in three weeks. Bond yields diverged with shorter-dated treasuries (2YR) falling marginally and longer-dated treasuries (10YR) rising. Yields were mixed after the Fed released their December meeting minutes which highlighted deep divisions among policymakers surrounding the future of interest rate policy.

Commodities/FX: The Bloomberg Commodity Index was lower for the third time in four weeks. Energy prices weighed on the broad index, led by natural gas prices on warmer weather expectations. Precious metals were also lower as investors took profits after record highs in 2025.

Double-Digit Return for S&P 500 for Third Straight Year



Footnotes: Data is as of December 2025.
Data Source: FactSet Research Systems, Verdence Capital Advisors.

Global Equities Mixed in Start to 2026

		Current	1WK	1MO	3MO	1YR	YTD			Current	1WK	1MO	3MO	1YR	YTD
U.S. Equities	Dow Jones Industrial Average	48,382	-0.7%	2.0%	4.5%	16.1%	0.7%	International Equities	MSCI AC World (USD)	1,020	-0.3%	1.7%	3.2%	23.1%	0.5%
	S&P 500	6,858	-1.0%	0.5%	2.4%	18.4%	0.2%		MSCI EAFE (USD)	2,910	0.6%	3.8%	4.7%	32.1%	0.6%
	Russell 1000 Growth	4,752	-1.8%	-0.9%	0.2%	18.4%	-0.3%		MSCI Europe ex UK (USD)	3,287	1.1%	4.7%	5.0%	36.8%	0.8%
	Russell 1000 Value	2,089	-0.1%	2.3%	4.5%	17.1%	0.9%		MSCI Japan (USD)	4,805	-0.5%	1.6%	4.6%	24.7%	0.1%
	Russell 2500	4,359	-0.7%	2.5%	2.7%	13.5%	1.4%		MSCI UK (USD)	1,596	0.9%	4.9%	6.9%	36.0%	0.6%
	Russell 2000	2,508	-1.0%	1.9%	2.3%	13.9%	1.1%		MSCI EM (USD)	1,429	2.3%	4.3%	4.9%	36.4%	1.8%
	Nasdaq	23,236	-1.5%	-0.7%	1.9%	21.3%	0.0%		MSCI Asia ex Japan (USD)	932	2.6%	4.2%	4.2%	35.7%	2.0%
Fixed Income	U.S. Aggregate	4.4%	-0.2%	-0.1%	0.5%	7.0%	-0.2%	Commodities	Bloomberg Commodity Index	276	-2.6%	-0.4%	5.4%	14.6%	-0.1%
	U.S. Govt/Credit	4.2%	-0.2%	-0.1%	0.4%	6.6%	-0.2%		Crude Oil (USD/bbl)	\$58.0	2.2%	-2.1%	-2.9%	-16.0%	0.5%
	U.S. 10 Year Treasury	4.2%	-0.4%	-0.5%	0.3%	7.8%	-0.3%		Gold (\$/oz)	\$4,332.3	-2.4%	5.4%	13.8%	67.6%	2.4%
	U.S. TIPS (1-10YR)	3.9%	0.0%	-0.1%	0.1%	7.3%	-0.1%		Copper	\$569.2	2.8%	10.1%	16.0%	45.5%	4.3%
	U.S. High Yield	6.6%	0.2%	0.6%	1.2%	8.4%	0.0%		Wheat	\$506.5	-2.2%	-5.2%	-4.6%	-15.1%	0.1%
	EM Bonds (USD)	5.7%	0.0%	0.5%	2.2%	11.0%	0.0%		U.S. Dollar	98	0.7%	-0.3%	1.0%	-9.4%	0.4%
	Municipal Bonds	3.6%	0.1%	0.3%	1.4%	4.1%	0.0%		VIX Index	14.5	6.7%	-12.5%	-12.7%	-19.1%	-2.9%

Footnotes: Data is as of January 2, 2026.

Source: Bloomberg Finance LP, Verdence Capital Advisors.

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