

Perspective on Fourth Quarter 2025 Economic & Market Events

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The start of a new year brings a natural opportunity to check in—on goals, plans, and the partnership we share with you. We are grateful for your trust and remain committed to supporting your financial journey.

The past year brought a series of turns in the economic landscape. Early expectations for rapid interest rate cuts gave way to a more measured path as inflation proved slower to recede than many anticipated. Although the Federal Reserve ultimately adjusted its policy stance in late 2025, lowering rates in response to softening labor data and improving price stability, policymakers have remained cautious in signaling what comes next.¹

Overall, the U.S. economy showed resilience in 2025. Real GDP growth came in modestly positive, buoyed by stable consumer spending and steady, if uneven, business activity.² Yet underneath those headline figures, markets experienced notable swings. Shifting expectations around monetary policy, ongoing geopolitical concerns, and recalibrated corporate earnings all played a role in driving volatility—particularly in the second half of the year.

Fixed-income markets, after a challenging stretch in prior years, found renewed relevance. Bonds served their traditional role as a source of stability, especially as yields adjusted and income once again became a meaningful contributor to total return. The long-assumed inverse relationship between stocks and bonds did not always hold, a reminder that diversification remains essential—but also nuanced—in today’s environment.³

Looking ahead, 2026 begins with a familiar mix of promise and uncertainty. Inflation continues to trend in the right direction, and the Federal Reserve’s policy pivot has opened the door for further adjustments if economic conditions evolve favorably. Global economic growth remains uneven, and we continue to monitor risks tied to trade, energy markets, and political shifts at home and abroad. In this context, a steady hand and long-term orientation remain powerful tools for navigating change.

Technology continues to evolve, and artificial intelligence is increasingly a part of that landscape. AI adoption is expected to influence how companies operate, how industries innovate, and how markets interpret long-term growth opportunities. While short-term outcomes are uncertain and valuations can ebb and flow, we are paying attention to how these long-term productivity trends may influence economic growth and investment dynamics as we look toward the years ahead.⁴

In addition to economic signals, markets continue to reflect broader social and political dynamics. Across the United States, public sentiment and confidence have shown divergence, and episodes of civic activism and political debate have added to the general sense of uncertainty among some households and businesses. While these developments can influence investor psychology in the short term, we encourage clients to remain focused on long-term planning grounded in fundamentals rather than reacting to headlines.⁵

In times like these, we are reminded that true progress is often quiet—built through consistent planning, clear priorities, and decisions aligned with purpose rather than prediction. Our investment philosophy continues to emphasize long-term discipline, thoughtful diversification, and alignment with each client’s individual goals and risk tolerance.

We recognize that this past year has also brought change—within markets, within portfolios, and, for some, in how you connect with us. Whether your relationship with us is longstanding or newly forming, we want you to feel confident in our shared path forward. We are always here to meet with you—whether for a portfolio review or simply a conversation to support your goals. We enter 2026 with a steady focus: offering thoughtful guidance, clear communication, and care that reflects the values we share.

Citations:

¹ Reuters, “Federal Reserve cuts benchmark rate by 25 basis points amid cooling inflation,” December 2025.

² Philadelphia Fed, Survey of Professional Forecasters, Q4 2025: “Real GDP growth projected at 1.6% for the year.”

³ Fidelity Viewpoints, “Year-End Market Review: 2025 Recap and 2026 Outlook,” January 2026.

⁴ Morgan Stanley, “Investment Outlook: Shaping Markets in 2026,” January 2026.

⁵ Pew Research Center, “Most Americans continue to rate the U.S. economy negatively as partisan gap widens,” October 2025.

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