MONTHLY MARKET RECAP

January 5, 2025

Index	Asset Class	2025		2024
		Dec.	YTD	
Equity Indexes		**Total Returns**		
NASDAQ 100	Mega Cap U.S. Growth Equity	(0.7)%	21.0%	25.9%
S&P 500	Large Cap U.S. Equity	0.1	17.9	25.0
S&P 400	Mid Cap U.S. Equity	0.1	7.5	13.9
S&P 600	Small Cap U.S. Equity	(0.1)	6.0	8.7
MSCI All Country World	Global Equity	1.1	22.9	18.0
MSCI All Country World (Ex U.S.)	International Equity	3.0	33.1	6.1
MSCI Europe, Asia & Far East (EAFE)	International Developed Market Equity	3.0	31.9	4.4
MSCI Emerging Markets (EM)	International Emerging Market Equity	3.0	34.4	8.1
Fixed Income Indexes				
Bloomberg U.S. Aggregate Bond	U.S. Investment Grade Bond	(0.2)	7.3	1.3
S&P National AMT-Free Municipal Bond	U.S. Investment Grade Muni Bond	0.2	3.8	1.3
S&P Municipal Bond High Yield	U.S. Muni Bonds (Below Investment Grade)	0.0	3.3	6.7
Bloomberg U.S. Corp. High Yield	U.S. Corp Bonds (Below Investment Grade)	0.6	8.6	8.2
Index Blends: Stock/Bond				
80%/20%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		0.8	19.8	14.5
60%/40%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		0.6	16.6	11.1
40%/60%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		0.3	13.5	7.7
20%/80%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		0.1	10.4	4.5
Data as of 12/31/2025. Source: Morningstar, and blended benchmark returns are based on monthly rebalancing.				

Please see important disclosures at end of this report.

Overview & Economy

Missing Puzzle Pieces. 2025 was a great year for investors, making it three in a row. Global equity indexes finished the year near all-time highs, although the actual highs for the major U.S. large cap indexes were logged in late October. (We'll unpack the 2025 performance details in the sections below.) We believe one important reason that U.S. indexes took a bit of a pause in the last couple months of the year has been due to some delayed and missing economic data.

The recent U.S. government shutdown which lasted 43 days (Oct. 1 to Nov. 12, 2025) was the longest in history and, unlike prior extended shutdowns, it also included the closure of critical economic data-producing agencies – like the Bureau of Labor Statistics (BLS) and Bureau of Economic Analysis (BEA). These closures resulted in the suspension of core data collection and processing functions. With regarding the BLS, for instance, retroactive data collection is not possible, therefore the data not gathered is forever lost. Complicating matters, the interruptions of data came at a time of conflicting signals about the trends in key economic conditions – particularly regarding inflation and employment.

While the gathering, assessment and release of economic data has resumed, some lost data will undermine the reliability of some important data for a while longer. For example, to compensate for the cancelled October data, the BLS made certain assumptions within its calculation of November CPI whereby some price categories were simply carried forward from September, effectively assuming 0% inflation. This fostered a downward bias and some misrepresentations for the November CPI data released several days late in mid-December.[1]

We can look forward to more reliable data releases in coming weeks and months. In this regard, the December Unemployment Rate is scheduled to be released January 9, and December CPI will be released on January 13. Beyond that, however, we must look out to the end of January with some trepidation, as the recent U.S. government shutdown ended due to a Congressional stopgap funding measure which only extends through to January 30, 2026.

Equity Markets

While 2025 was a notably strong year for global stocks overall, there were some undercurrents worth mentioning and keeping an eye on. Most notable, in our view, was the relative strength and leadership exerted by International stocks, which solidly outpaced U.S. stocks in 2025. Within the U.S., mega cap growth continued to lead. As measured by the NASDAQ 100, however, mega cap growth stocks gave back some ground in November and December. On the other hand, the S&P 500 held firm during these last two months – denoting some moderation of the risk-on leadership which persisted for most of last year. At the other end of the cap spectrum, U.S. Small and Mid Caps appreciated in 2025, but lagged miserably versus all other equity indexes we track in this report. In case you're wondering, the last year in which U.S. SMID outperformed U.S. Large was in 2022, and that was by going down less. And the last year that U.S. SMID outperformed U.S. Large on the upside was 2016.

Fixed Income Markets

Last year was also a notably strong year for U.S. bonds – particularly for investment grade taxable bonds, i.e., the Bloomberg U.S. Aggregate Bond Index. The Agg logged its best year since 2020 and kept up last year with much risker "high yield" bonds (i.e., below investment grade), an asset class which tends to ebb and flow in correlation to equities.

And while some have been declaring the death of the "60/40," and all stock/bond portfolios for that matter, in 2025 the proverbial "60/40" logged a solid 16.6% total return (i.e., 60/40 blend of global stocks and investment grade U.S. bonds). As context, the compound annual growth rate over the last 30 years has averaged 8.3% for the MSCI All Country World Index, 4.2% for the Bloomberg U.S. Aggregate Bond Index, and 7.3% for a "60/40" blend of these indexes – with the blend reflecting the uncorrelated diversification benefits of a portfolio of stocks and bonds.

Reference(s):

1) CNBC Article, "Trust these numbers? Economist see a lot of flaws in delayed CPI reports…", Dec. 18, 2025 – *Link*
   Reuters Article, "US job growth snaps back in Nov.; shutdown distorts unemployment rate", Dec. 16. 2025 – *Link*