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After posting double-digit percentage increases for both 2023 and 2024, US stocks ended a third consecutive year of gains with the S&P 500 returning 17.9%, the Nasdaq gaining 21.1%, and the Dow Jones Industrial Average gaining 14.9% for 2025, respectively. A resilient US economy, trade optimism, falling US Treasury yields, steady inflation, and robust earnings fervor have propelled the three major US indexes new all-time highs.

Artificial intelligence remained the dominant theme driving equity markets, with Information Technology (+24%) and Communication Services (+33.6%) leading gains in 2025. Late Q4 2025 profit-taking on Technology stocks prompted a rotation toward cyclicals. But the S&P 500 still beat the equal-weighted index by 1.3% in the quarter, its third straight year of outperformance.

Outside the US equity markets, the MSCI All-Country World ex-US Index returned 22% in 2025. The MSCI EAFE index, the benchmark for developed international stocks, gained 31.9%; the Japan Nikkei delivered a total return of 26.9%. Emerging market equities were among the star performers, as the MSCI EM index rose 34.4% in 2025. In Mainland China, the benchmark Shanghai Composite Index rose 23.7% for the year, marking its strongest performance since 2019 and reached its highest closing level in a decade. China's advances in artificial intelligence and resilience in global trade have helped boost investor confidence, easing concerns over weak domestic demand.

For 2025, global diversification was a winning strategy for US investors. Diversification comes in many forms. While the financials sector is the largest sector in the MSCI All-Country ex-US benchmark, the top five individual stocks in the index are all technology plays: Taiwan Semiconductor, the Netherlands' ASML, China's Alibaba and Tencent, and Korea's Samsung Electronics. Stronger earnings growth, attractive valuations vs. US stocks, and a weaker US dollar have driven the overall outperformance of equities outside the US.

The Federal Reserve cut rates by 25 bps for a third straight meeting, lowering the target range to 3.50% to 3.75%. The updated dot plot still signals one rate cut in 2026 and another in 2027. Chair Powell struck a dovish tone, noting that tariff-driven inflation may peak in Q1 2026, while cautioning that job gains may be overstated. The 10-year US Treasury yield held steady in Q4 2025, ending at 4.19%, down 40 bps YTD. The 2- and 10-year spread has widened to 71 bps, the widest level in four years, as fiscal strains kept longer maturity yields elevated.

Despite another stellar year for equity returns, the S&P 500 skipped the widely expected year-end rally. Investors had hoped for a "Santa Claus" rally, which spans the five final trading days of the year and the first two trading days in January. On average, since 1950, the S&P 500 has gained 1.3% during the "Santa Claus" rally while finishing higher nearly 80% of the time. This time around, the S&P 500 finished 1.5% lower during this stretch of time. Some investors were taking profits from some highly appreciated

Fourth Quarter Market Watch

	Date	1 Quarter Ago		1 Year Ago	
	12/31/2025	9/30/2025	% chg	12/31/2024	% chg
DJIA	48,063.29	46,397.89	4.0%	42,544.22	14.9%
S&P 500	6,845.50	6,688.46	2.7%	5,881.63	17.9%
NASDAQ Composite	23,241.99	22,660.01	2.7%	19,310.79	21.1%
Russell 2000	6,168.16	6,055.28	2.2%	5,542.50	12.8%

	Date	1 Quarter Ago		1 Year Ago	
	12/31/2025	9/30/2025	% chg	12/30/2025	% chg
Japan Nikkei 225	50,339.48	44,932.63	5.8%	39,894.54	26.9%
MSCI EM (Emerging Markets)	1,404.37	1,346.05	4.8%	1,075.48	34.4%
MSCI EAFE	2,892.71	2,767.03	4.9%	2,261.81	31.9%
MSCI AC World	1,014.62	984.78	3.4%	841.33	22.9%
FTSE 100 (TR)	11,403.26	10,671.06	6.8%	9,063.04	35.1%
SSE Composite Index	3,968.84	3,882.78	4.1%	3,351.76	23.7%

US Equity Sector

	Q4	1-yr ret.
Consumer Discretionary	0.7%	6.0%
Consumer Staples	0.0%	3.9%
Energy	1.5%	8.7%
Financials	2.0%	15.0%
Health Care	11.7%	14.6%
Industrials	0.9%	19.4%
Information Tech	1.4%	24.0%
Materials	1.1%	10.5%
Telecom	7.3%	33.6%
Utilities	-1.4%	16.0%

US Equity Style

	Q4	1-yr ret.
Russell 1000 Value	3.8%	15.9%
Russell 1000 Growth	1.1%	18.6%
Russell 2000 Value	3.3%	12.6%
Russell 2000 Growth	1.2%	13.0%

Economic Sentiment

	12/31/2024	1 Yr. Ago
Unemployment Rate	4.60	4.10



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stocks; others are showing more doubts on how long this rally can last.

In commodities, precious metals extended their rally in Q4 and YTD. Gold climbed 64% in 2025, driven by easier monetary policy, strong demand for safe-haven assets, and central bank buying. Silver soared 141%, the biggest gains since 1979.

WTI crude capped the year with a fifth straight monthly decline, sliding 8% in Q4 to under \$58 a barrel. Seasonal demand weakness, new oilfield startups, and optimism for a Russia/Ukraine peace deal added pressure to an already oversupplied market. In early January 2026, since the capture of Venezuelan President Nicolas Maduro, Brent, the international crude oil benchmark, has risen less than \$3 to around \$63 a barrel. Some additional supply from Venezuela has been priced into oil futures but has yet for this to be felt in the physical market as it will take years to fix the oil infrastructure in Venezuela before any meaningful production increases.

The US dollar enjoyed an extended period of strength from 2011 through 2022, driven by strong domestic economic growth and the greenback's status as a refuge during periods of geopolitical uncertainty. 2025 saw the reversal of the trend. Concerns about the ballooning federal deficit and the stability of the US financial systems have reduced demand for the dollar. Many central banks are trying to diversify their reserve assets to focus more on nondollar assets such as gold and other currencies. As a result, the dollar lost 6% of its value in 2025.

The huge gains in artificial-intelligence stocks have fueled much of the market's gains over the past three years, which some say may limit any further upside in the equity market. However, we do not believe that the market, and technology stocks in particular, are in an AI bubble, given the increasing levels of skepticism that have constrained valuations. For example, only three of the Magnificent 7 stocks have outperformed the S&P 500 in 2025 despite overall superior earnings growth. While many analysts and investors continue to believe that AI will be transformative for the world, more market participants are beginning to question whether the hundreds of billions of investment spending on AI infrastructure will generate promised returns within foreseeable pay back periods. Such levels of skepticism are healthy, as they release some pressures that would potentially build into a bubble.

Bond Markets

	12/31/2025	1 Qtr Ago	1 Yr. Ago
Treasury Bill, 90 Day	3.63	3.94	4.32
Treasury Note, 2 Year	3.48	3.61	4.24
Treasury Note, 5 Year	3.73	3.74	4.38
Treasury Bond, 10 Year	4.17	4.15	4.57
Treasury Bond, 30 Year	4.84	4.73	4.78

Exchange Rates (Rate per US dollar)

	12/31/25	1 Qtr Ago	1 Year Ago
Euro	0.851	0.851	0.966
British Pound	0.743	0.743	0.798
Swiss Franc	6.988	7.118	7.299
Chinese Yuan	89.879	88.789	85.614
Indian Rupee	156.745	147.685	157.160
Japanese Yen	0.851	0.851	0.966

It is tough to make forecasts about the future. Even so, the events of 2025 still offer some valuable lessons. Uncertainty loomed large at the beginning of 2025. The prospect of major changes in US tariff policy only added to the uncertainty. Market pessimism came in early April, when US equities sold off over 10% over a two-day window, as concerns looming over the adverse impact from tariffs to companies and consumers from demand destruction, slowing economic growth, as well as potential retaliation by major trading partners. But these worries turned out to be unfounded. The US economic growth and consumer spending remained strong, and the rapid shifts in tariff policy kept the near-term impact of new surcharges on imported goods muted. As a result, investor who sold stocks in response to the tariff turmoil would have missed out on significant gains. Despite a few short-term blips, the markets continued its strong pace during most of 2025.

After an incredible run in the S&P 500, during which six of the past seven years delivered returns above 15%, a streak not seen since 1930, the US equity market is vulnerable to any disappointing earnings or economic news. We expect earnings, rather than valuation multiples, to be the primary driver of future returns. International diversification still works. In the years following the global financial crisis, US stocks outperformed non-US stocks by nearly 7% per year from 2009 through 2024. But 2025 was a vindication of global investing again. Non-US stocks make up nearly 40% of the total value of publicly traded stocks globally and offer a hedge against high US valuations. We continue to remain disciplined in asset allocation and risk management, seeking high quality investments with an attractive risk/reward trade-off over the long-term.

Lei Qin, CFA, CFP®, FRM, CAIA
Director of Equity Research and
Portfolio Management

Alex Raffol, CFA, CFP®
Chief Investment Officer

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Commodities

	12/31/25	1 Qtr Ago	1 Yr. Ago
Gold	4,341.10	3,873.20	2,641.00
Crude Oil	57.42	62.37	71.72
UD Dollar Index	98.05	97.45	108.30
Bloomberg Commodity Index	109.69	104.63	98.76

Interest Rates

	12/31/2025	1 Qtr Ago	1 Yr. Ago
PRIME RATE	6.75	7.25	7.50
FEDERAL FUNDS RATE	4.33	4.33	4.58
LIBOR RATE 30 DAY	3.48	3.61	4.24
LIBOR RATE 3 MONTHS	4.17	4.15	4.57
30YR FIXED MORTGAGE	6.15	6.34	6.91