

Market Commentary - Fourth Quarter 2025

2025 in Review – Markets ended the year on solid footing despite signs of slowing economic momentum. In the fourth quarter, leadership broadened meaningfully with the top performing sectors being health care, communication services and financials. Up until the fourth quarter, healthcare and financials had lagged the overall market, making this rotation a positive development for stocks. The bottom performing sectors of the market were real estate, utilities and industrials. Gold and silver closed the year at their highest levels since 1979, and bonds had their best return since 2020. Investors continue to monitor the impact of tariffs and inflation, shifting trade relationships, and the evolving role of artificial intelligence (AI) on corporate margins and inflation. The labor market has started to show signs of cooling, with slower job creation and softer business and consumer sentiment indicators, resulting in the Federal Reserve cutting rates by 0.25% in the fall.

2026 Outlook – Looking ahead, economic growth is expected to be modest, but positive. Several factors that could lead to market volatility include the pace and timing of interest rate cuts, the announcement of the new federal reserve chair, geopolitical events, and the possibility of an increase in inflation. Within the technology sector, concerns have emerged around a potential “AI bubble”. Today’s companies are fundamentally stronger than those during the dot.com era, however, the rapid increase in AI related spending raises questions about whether companies will achieve sufficient return on their investment. On the positive side, tax cuts will bode well for corporate and individual spending, which will result in stronger growth of the economy.

Portfolio Strategy – Following strong market performance the last three years, we remain mindful of elevated valuation levels, especially with technology companies. Lofty valuations do not prevent further gains, but it does suggest that returns may be more uneven and more dependent on providing strong corporate earnings. We will continue to focus on quality by investing in companies with stable earnings, strong balance sheets, strong cash flow and low debt. We remain diversified among asset classes and market sectors. On the fixed income side of the portfolio, we are increasing our duration to capture higher yields and to minimize reinvestment risk. Most importantly, we ensure that our clients’ investment portfolios are in line with their risk tolerance, goals and time horizon.

Equity Market Returns	QTD	2025
S&P 500	2.65%	17.88%
NASDAQ Composite	2.57%	20.36%
Dow Jones Industrial Average ETF	4.02%	14.07%
Fixed Income Market Returns		
Barclays U.S. Aggregate Bond	1.10%	7.30%

As your dedicated wealth advisors, Erin and Matt are here to help you navigate today’s complex financial landscape with confidence. We are committed to providing thoughtful guidance, strategic insight, and personalized support every step of the way.



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Please feel free to reach out to Matt or Erin directly using the contact information provided below. We welcome the opportunity to engage with you soon.



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