



Q4: From tariffs to tensions, markets found a way to deliver

### **January 7, 2026**

Imagine a year characterized by economic uncertainty from tariffs, geopolitical tensions in Europe and the Middle East, and concerns about a global economic slowdown. Under those conditions, it would have been reasonable to anticipate stagnant or even declining global equity and bond markets.

Instead, the MSCI World Index rose 2.9% in Q4, finishing the year up 19.5%. In the U.S., the S&P 500 Index gained 2.3% in the quarter and 16.4% for the year. In Canada, the S&P/TSX Composite Index increased 5.6% for the quarter and 28.2% for the year.<sup>1</sup>

Bonds also advanced, with the FTSE Canada Universe Bond Index up 2.6% for the year (but down slightly at -0.3% for the quarter), and the Bloomberg US Aggregate Bond Index up 1.1% in Q4 and 7.3% for the year.<sup>1</sup>

For investors, 2025 was another reminder that headlines don't always dictate returns.

What drove market returns in 2025?

### 1. **Stable economic growth**

Despite concerns about a downturn, markets held firm, helped by easing inflation and sustained economic activity.<sup>2</sup>

### 2. **Interest rates**

Central banks reportedly made approximately 300 interest rate cuts over the last 24 months (as of December 31, 2025).<sup>3</sup> Investors generally view rate cuts as stimulative, with their effects typically being felt over the following 12 to 15 months.<sup>4</sup>

### 3. **Technological innovation**

AI-related announcements continued to spark rallies. Optimism around productivity gains and profit growth remained strong.<sup>5</sup>

Looking toward 2026

Short-term market fluctuations are part of the investing experience. Even so, several factors could influence the year ahead: ongoing investment in AI, potential interest rate adjustments, and a constructive economy.

Balance short-term noise with long-term goals

Headlines will bring surprises, and volatility can test patience. Successful investing isn't about reacting to every market move. It's about maintaining perspective when conditions change and keeping decisions anchored to long-term objectives. That discipline helps turn periods of uncertainty into progress over time.

Sources: <sup>1</sup>Bloomberg, January 1, 2025 to December 31, 2025. <sup>2</sup>[Economic growth in 2025 has defied the gloomy expectations.](#) <sup>3</sup>[Central Bank Rates | Worldwide Interest Rates.](#) <sup>4</sup>[When the Fed Cuts: Lessons from Past Cycles for Investors - CFA Institute Enterprising Investor.](#) <sup>5</sup>[Just how big is the AI investment wave?.](#)

The MSCI World Index tracks the performance of publicly traded large- and mid-cap stocks of developed market companies. The S&P 500 Index tracks the performance of 500 of the largest publicly traded companies in the United States. The S&P/TSX Composite Index is the benchmark Canadian index that tracks the performance of companies listed on the Toronto Stock Exchange (TSX). The FTSE Canada Universe Bond Index tracks the performance of marketable government and corporate bonds outstanding in the Canadian market. The Bloomberg US Aggregate Bond Index tracks the performance of U.S.

investment-grade bonds in government, asset-backed, and corporate debt markets. It is not possible to invest directly in an index.

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