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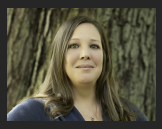
Reviewing 2025: A Year of Historic Market Performance



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Markets delivered exceptional performance in 2025, navigating numerous significant events throughout the year. Investors witnessed a steady stream of major developments, from tariff policy shifts in April to continued advancement in artificial intelligence technology, the enactment of the One Big Beautiful Bill Act, and various other noteworthy occurrences. Despite these challenges, U.S. equities reached unprecedented levels, international equities delivered superior returns, and fixed income continued its positive trajectory. The S&P 500 now boasts double-digit gains in six of the last seven years and has approximately doubled since reaching its trough in 2022.

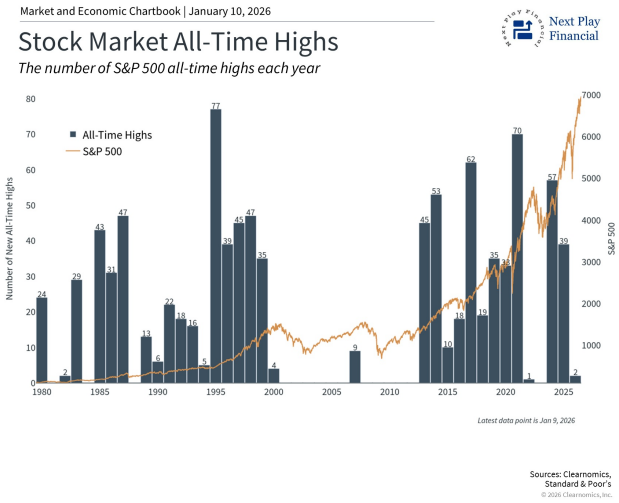
Last year serves as a powerful reminder that maintaining discipline and concentrating on long-term objectives represents the most effective approach to managing uncertainty. Looking forward to 2026, examining the factors that influenced markets during the previous year provides valuable insights for investors as they prepare for upcoming challenges and opportunities.

Primary Market and Economic Factors in 2025

• The S&P 500 delivered a 17.9% total return including dividends throughout 2025, recording 39 fresh record peaks. The Dow Jones Industrial Average advanced 14.9% while the Nasdaq produced a 21.2% return.
• The VIX, which measures equity market volatility, concluded at 14.95, remaining below historical averages despite spiking to 52.33 during April.
• The Bloomberg U.S. Aggregate Bond Index advanced 7.3%, marking its strongest year since 2020. The 10-year Treasury yield declined to 4.17% by year-end from 4.57% at year-start.
• International developed equities and emerging market equities each surged more than 30% in U.S. dollar terms according to the MSCI EAFE Index and MSCI EM Index, respectively.
• The U.S. dollar index concluded at 98.32, declining 9.3% from its starting level of 108.49. The currency touched its lowest point at 96.63 in September.
• Bitcoin decreased approximately 6.5% from $93,714 to $87,647, following a peak of $125,260 in October.
• Gold experienced substantial appreciation throughout the year, closing at $4,341 per ounce for a

64% increase. Silver similarly advanced to $70.60 per ounce from $29.24 at year-start.

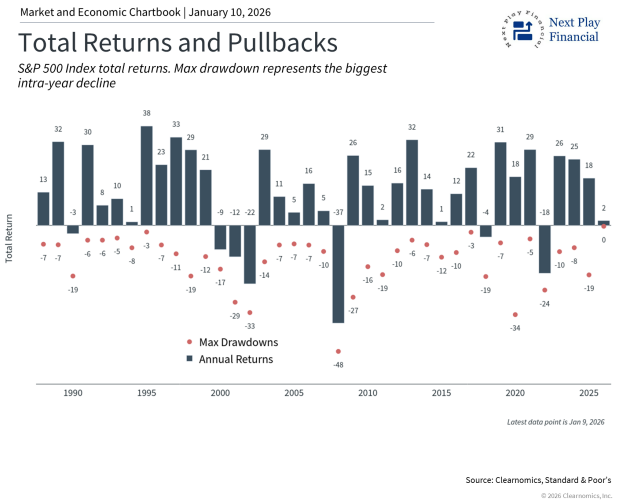
Significant developments in 2025



Numerous developments during the previous year fell into the category of "known unknowns." Former Secretary of Defense Donald Rumsfeld popularized this terminology, contrasting "known unknowns" with "unknown unknowns." For market participants, this framework proves useful because the former represents uncertainties that can be anticipated. When markets respond to such events, investors who prepare accordingly can avoid unexpected disruptions.

Trade policy concerns, for example, remained prominent on investors' minds well before April 2. Although advance awareness didn't reduce the initial market response given the magnitude of these trade measures, it enabled swift recovery once circumstances evolved. Market participants also anticipated Federal Reserve rate adjustments following labor market softening. Many predicted new tax legislation would advance given Republican majorities in both congressional chambers.

Even uncertainties surrounding AI, perhaps the most significant question facing markets currently, have remained foremost in investors' thinking. The January DeepSeek development, when a Chinese AI firm demonstrated that models could be developed and operated more economically, arrived unexpectedly. However, comparisons to the dot-com era and previous waves of substantial capital investment by major corporations are widely recognized.

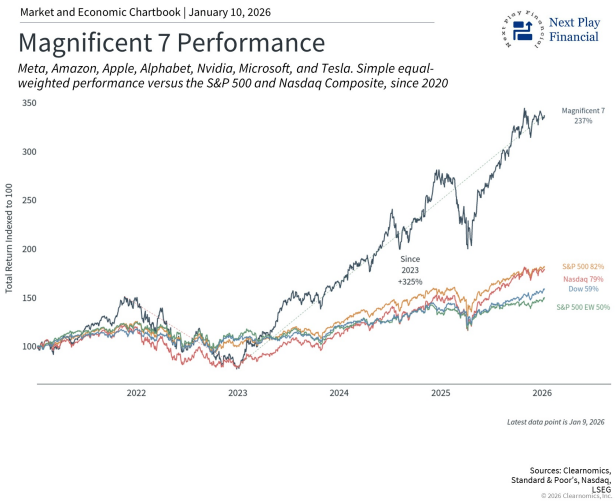


To highlight the principal market-moving developments throughout the year, here are ten key moments:

- **January 20**: President Trump is inaugurated.
- **January 21**: The $500 billion private-sector Stargate project is announced.
- **January 27**: AI stocks fall on DeepSeek news.
- **April 2 to 9**: "Liberation Day" tariff announcement leads to a market correction. This was followed by a 90-day pause which sparked a rally.
- **July 4**: The "One Big Beautiful Bill Act" is signed into law, extending many Tax Cuts and Jobs Act provisions.
- **September 17**: The Fed begins cutting interest rates again.
- **September 22**: Nvidia and OpenAI announced a major strategic partnership and investment,

raising concerns of "circular deals."
• **October 1**: The government shuts down for what would be a record-setting 43 days.
• **October 14**: Jamie Dimon warns of "cockroaches" after the bankruptcies of Tricolor and First Brands.
• **December 16**: According to the BEA, the unemployment rate hit a four-year high of 4.6% in November.

Three primary themes characterized the previous year



Which themes influenced markets throughout these developments? First, artificial intelligence clearly dominated market discussion during 2025. From substantial infrastructure commitments to concerns regarding market concentration, AI emerged as a critical driver of economic expansion and market gains. The Magnificent 7 equities now constitute approximately one-third of the S&P 500, generating concentration concerns that indicate most investors hold positions in these securities whether knowingly or not. Accounting for this reality when developing investment approaches and financial strategies will become increasingly critical.

Second, trade policy generated uncertainty but produced smaller economic consequences than anticipated. Tariffs on imports increased substantially for numerous trading partners, yet the anticipated economic disruptions mostly failed to emerge. This occurred because corporations adjusted, tariffs were suspended or reduced, and consumer expenditures stayed robust. For market participants, this demonstrates that policy changes in Washington, whether concerning trade or fiscal matters, do not invariably produce predictable effects on the economy or financial markets.

Third, numerous asset categories delivered strong performance during 2025. International equities exceeded U.S. market returns, partly attributable to dollar weakness. Fixed income produced substantial gains and has nearly offset losses from 2022. Additional assets including gold also achieved record performance. Therefore, capturing returns across these asset classes depends less on selecting individual positions and more on maintaining appropriate asset allocation that can capitalize on opportunities while controlling risk exposures.

The bottom line? 2025 represented a successful year for market participants. While strong market performance merits celebration, it reinforces the critical importance of sustaining investment discipline. Investors should carry this principle forward into their investment and financial planning for the year ahead.

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