

### Precious Metals Shine in 2025

Silver, platinum, palladium, and gold dominated global markets in 2025, emerging as the year's top-performing assets. Silver surged 147% for the year and gold rose 64%, driven by a weaker U.S. dollar, strong industrial demand, rising central bank demand aimed at diversifying away from the dollar, and heightened geopolitical tensions. Investors sought precious metals as a safe-haven trade amid aggressive fiscal policies across major economies including the U.S., Germany, and Japan. The dollar fell 9% in 2025 which helped international stocks outperform domestic equities. The MSCI all-country world ex-U.S. index rose 33%, outpacing the Standard and Poor's 500 Index's (S&P 500) 17.9% total return.

Inflation remained sticky and above the Federal Reserve's 2% target, but a softening labor market paved the way for the Fed to cut rates twice in the 4th quarter of 2025. Lower rates combined with high starting yields, helped U.S. fixed income deliver a solid 7.3% return for the year. Despite labor-market softening, U.S. economic growth remained resilient in the second half of 2025, supported by higher productivity. This dynamic offered investors a "Goldilocks" backdrop – robust growth combined with easing rates.

Investor sentiment was further lifted by robust corporate profits and continued investment in artificial intelligence hardware and software. The passage of the One Big Beautiful Bill, which introduced tax incentives for corporate capital expenditures, also helped reduce policy uncertainty and supported risk appetite.

### Bonds: Solid Returns as the Fed Cuts Rates

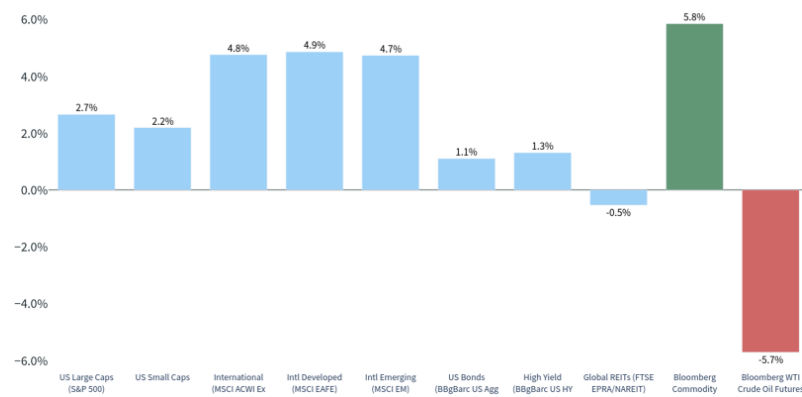
After holding policy steady through mid-year, the Federal Open Market Committee (FOMC) eased monetary policy with three 25 basis point "risk-management" cuts in September, October, and December — lowering the federal funds target range to 3.50%–3.75% by year end. Chair Powell cited "rising downside risks to employment" as justification for the shift. Treasury yield curve steepened during the fourth quarter: the 10 year rose two basis points to 4.17% while the two year fell 13 basis points to 3.48%. For the full year, 10-year Treasury yields declined 41 basis points, and the two year dropped to 76 basis points. Falling rates and strong yield carry supported broad fixed income performance. The Bloomberg U.S. Aggregate Bond Index returned 1.1% for the quarter and 7.3% for the year.

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### Major Index Returns – Quarter-to-date

Global asset class indices, total returns



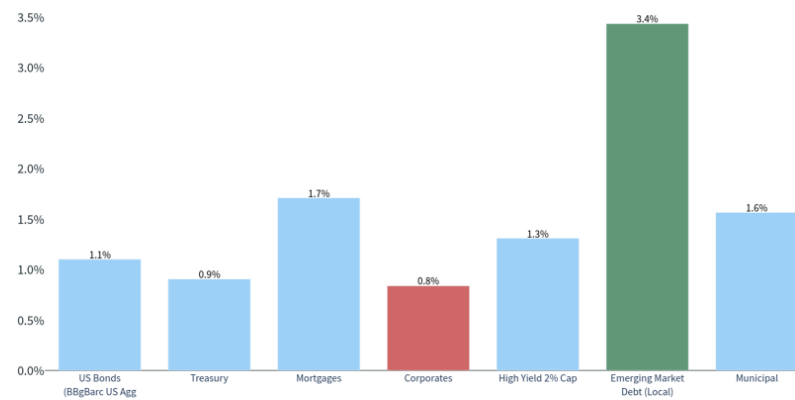
Sources: Clearnomics, Standard & Poor's, MSCI, Russell, Bloomberg, FTSE  
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### Bond Sector Returns – Quarter-to-date

Bloomberg Barclays bond sectors, total return



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Investment grade corporate bonds returned a 0.8% total return in the fourth quarter and 7.8% for 2025, supported by steady demand, elevated yield carry, and moderating inflation. Option adjusted credit spreads tightened by two basis points to +78, well below the peaks reached during periods of volatility earlier in the year. Strong corporate fundamentals, attractive income profiles, and ongoing spread compression helped sustain momentum into year end. High yield corporate bonds also performed well: the U.S. High Yield Index gained 1.3% in the fourth quarter and 8.6% for the year, with credit spreads tightening roughly 21 basis points to +266 as investors maintained a constructive stance toward risk despite macro uncertainty. The market continued to benefit from low default rates and healthy issuer fundamentals.

Agency mortgage backed securities (MBS) delivered a strong 1.7% return in the fourth quarter and 8.6% for the year, outperforming most major fixed income sectors. MBS benefited from steady yield carry, declining rate volatility, and rising institutional demand. Municipal bonds also strengthened in the fourth quarter due to lower yields and solid credit conditions. The Bloomberg Municipal Bond Index returned 1.6% in the fourth quarter and 4.25% for 2025, supported by strong state fiscal health — with reserves near decade high levels — and healthy demand driven by attractive tax equivalent yields and moderating issuance.

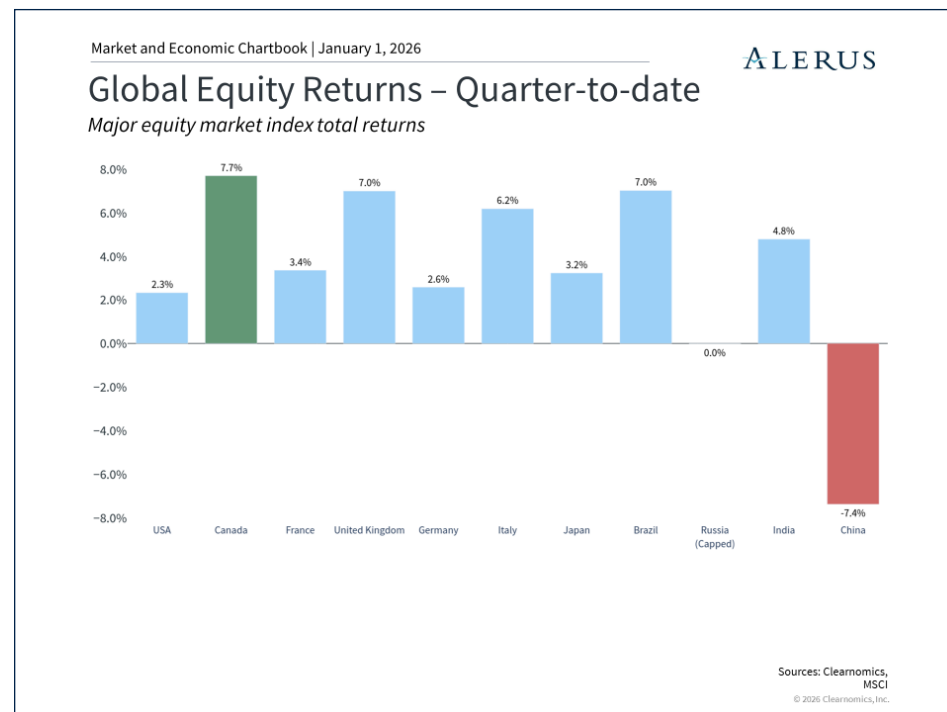
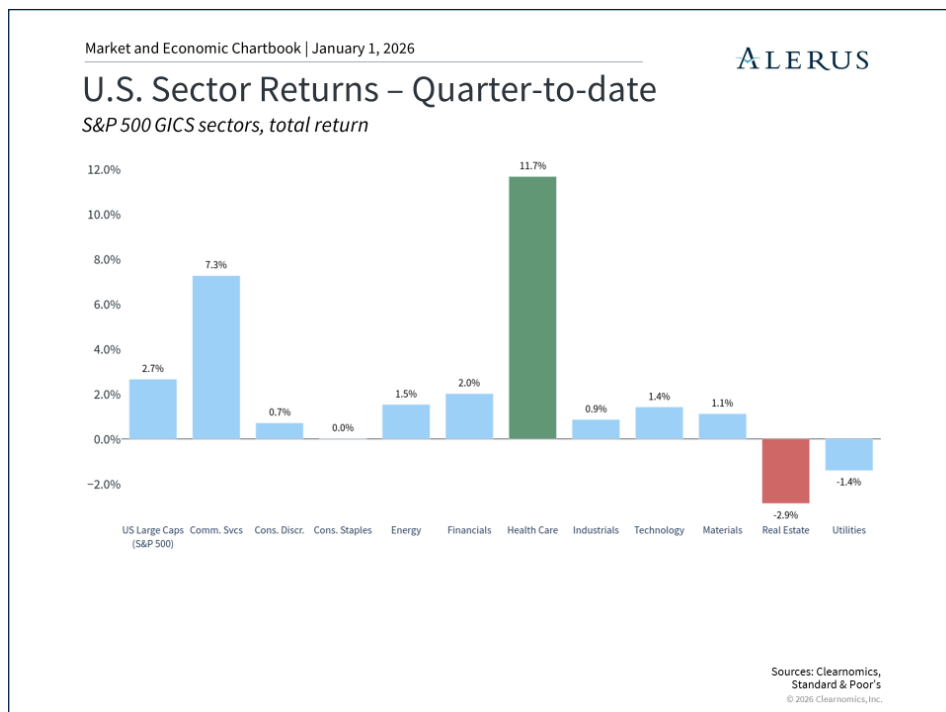
Emerging-market bonds finished 2025 on solid footing, extending their positive momentum into the fourth quarter. A softer U.S. dollar, steady global growth, and supportive central bank policy boosted both local currency and dollar denominated bonds. Improving economic fundamentals

across many emerging economies — including moderate inflation, stable growth, and rebuilding foreign exchange reserves — helped sustain investor confidence. Higher yields and diversification benefits further supported demand for emerging-market debt.

### Stocks: International Outperforms as Dollar Falls

International equities extended their leadership over domestic stocks in the fourth quarter. Emerging-market stocks rose 4.7%, while developed international markets were up 4.9%. For the full year, emerging market stocks advanced 34.4% and developed markets climbed 31.9%. A 9% decline in the U.S. dollar in 2025 amplified these gains for U.S. investors. International markets also benefited from expanding valuation multiples, higher dividend yields, and solid earnings growth. Even after 2025's multiple expansion, international stocks continue to trade at meaningfully lower valuations than U.S. equities across several metrics.

European stocks were supported by fiscal stimulus measures, including increased defense spending following President Trump's push for NATO members to contribute more. Within emerging markets, South Korea was the standout performer, surging 94% for the year as Samsung and SK Hynix benefited from soaring demand for artificial-intelligence hardware. In Europe, Spain led regional performance, supported by attractive valuations, a sovereign credit upgrade, and a rebound in the banking sector.



U.S. stocks also delivered strong results, though they lagged international markets. The S&P 500 stock index returned 2.7% in the fourth quarter and 17.9% for 2025 — its third consecutive year of double-digit gains. Large caps continued to outperform small caps, and growth again outpaced value, a theme in place since late 2022. Technology and communication services – dominant components of the large-growth style – were the top-performing sectors. Artificial intelligence remained a central theme: Nvidia, a company that produces semi-conductor chips that power this market, reached a record \$5 trillion market capitalization, while digital memory-chip makers such as SanDisk, Western Digital, and Micron gained more than 200% during the year. By year-end, Technology and Communications Services together ballooned to a record 50% of the S&P 500.

Encouragingly, small- and mid-cap earnings began to improve late in the year. If this trend continues, these segments may be positioned to narrow the performance gap with large-cap stocks in 2026.

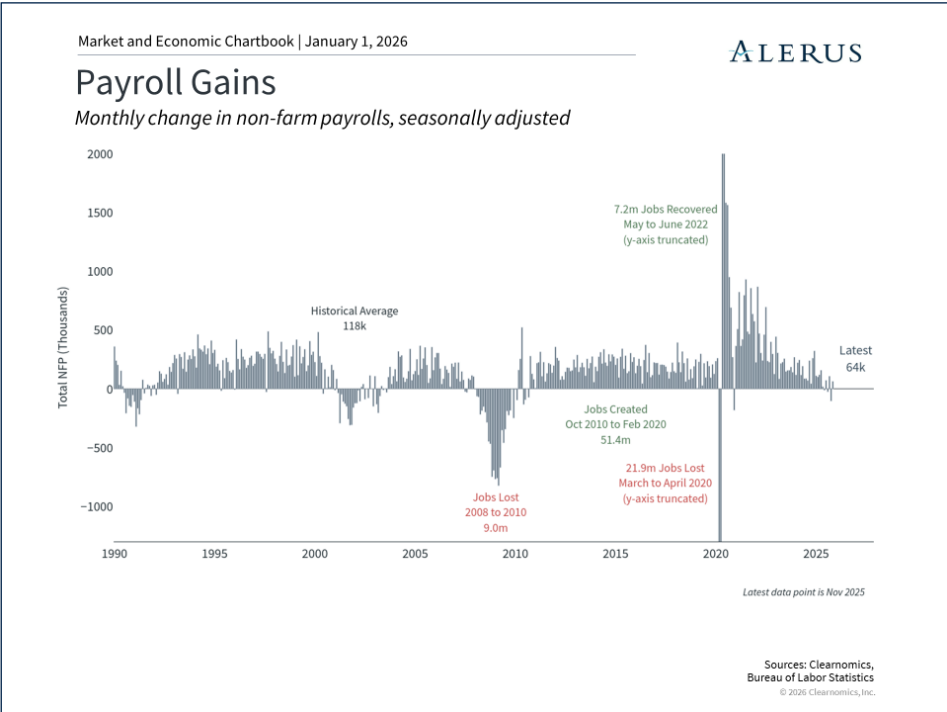
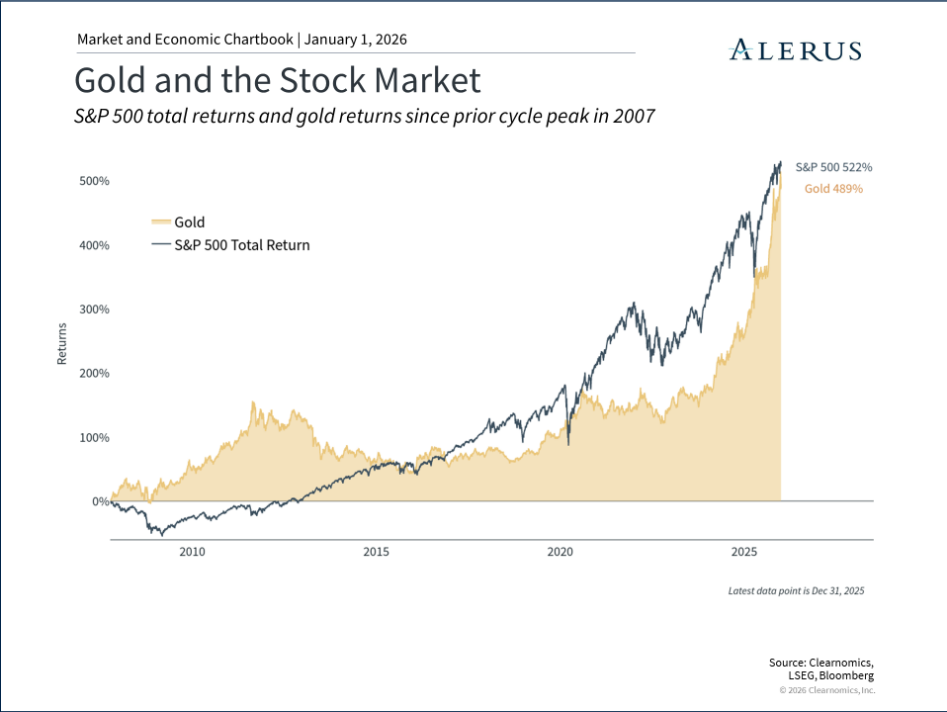
Commodities: Precious Metals Soar

Precious metals were the standout performers of 2025. Gold prices rose 64%, silver surged 147%, and platinum gained 77%. These extraordinary gains were fueled primarily by soaring central bank demand for gold as countries sought to diversify their reserves away from the U.S. dollar. Geopolitical uncertainty, the Fed interest rate cuts, and a weaker dollar added further support.

Industrial demand also played a major role: silver, platinum, and palladium saw strong usage in technology, green-energy applications, solar panels, and electric vehicles. Supply disruptions — including strikes and production stoppages — tightened markets and pushed prices to record highs.

In contrast, cryptocurrencies declined over the year. Early optimism followed the Trump administration’s pro-crypto stance, including the appointment of crypto-friendly regulators and a series of growth-oriented policy moves. But as 2025 progressed, investor attention shifted toward artificial intelligence and precious metals, reducing demand for digital assets. The energy-intensive nature of bitcoin mining also became a headwind as data centers redirected power capacity to support the surge of AI infrastructure.

While precious metals rallied, crude oil prices fell 20% in 2025 — their steepest annual drop in five years. Oversupply was the key driver: OPEC nations unwound earlier production cuts, and non-OPEC producers increased output. The U.S. alone now produces nearly 13 million barrels per day, surpassing Saudi Arabia and reinforcing global supply abundance. The U.S. dollar also weakened, falling 9.3% against a basket of major currencies – its worst performance since 2017. The dollar entered the year overvalued, and as the Fed cut interest rates, narrowing yield differentials made the currency less attractive.



## Outlook 2026: Favorable for Risk Assets

The policy shocks of 2025 — tariffs, tighter immigration rules, and reductions in federal employment — should begin to subside by the end of the first quarter of 2026. From there, we anticipate economic growth to pick up meaningfully through the rest of the year, supported by continued investment in artificial intelligence and pro-growth provisions of the One Big Beautiful Bill, including tax refunds and corporate incentives for capital investment. The Trump administration's deregulation agenda should also bolster growth, particularly in the banking and financial services sectors. We also anticipate tariff-driven prices and inflation to peak in the first half and begin to normalize towards the Fed's target of 2% during the rest of the year. With inflation slowing and continuing slack in the labor market, the Fed should have room to cut benchmark interest rates twice, creating a "Goldilocks" scenario supportive of risk assets.

We remain constructive on fixed income in 2026. Above average yields continue to offer compelling income, while the possibility of Fed easing creates potential for additional price appreciation. Healthy carry and gradually loosening monetary policy environment create a favorable outlook for bond investors, with total returns that may exceed typical yield levels.

We maintain a favorable view on government backed mortgage securities and continue to maintain an overweight in the sector. Agency MBS offer attractive yields with no credit risk, supported by explicit government guarantees. Limited issuance — driven by elevated mortgage rates and subdued refinancing activity — has kept supply constrained and bolstered valuation stability. Institutional demand has also strengthened as money managers increasingly replace banks as key buyers, taking advantage of the sector's compelling relative value. This overweight is funded by an underweight to U.S. Treasuries, where relative yields and income potential are less compelling.

We maintain a neutral stance on investment-grade corporate bonds. Valuations are rich, spreads are tight, issuance is likely to ramp up in 2026 as companies fund AI-related capital expenditures and seek to benefit from incentives in the One Big Beautiful Bill. We are also underweight on high yield: recent performance has been strong, but current spreads offer less relative value. The

municipal bond outlook remains favorable, supported by high yields, steady demand, and the potential for additional Fed rate cuts.

Both economic momentum and the potential for lower rates make for a favorable investment environment for equities. Selecting among domestic, international-developed, and emerging market equities presents a complex decision for investors. There are tailwinds for all of them — Fed rate cuts, a weaker dollar, increased fiscal spending in Europe, and favorable growths for emerging market equities. Conditions may also be turning in favor of small-cap stocks, which could begin to close the performance gap with large caps. We expect the ongoing adoption of artificial intelligence applications and related infrastructure spending to remain key drivers of the overall market and favor the technology sector. The administration's focus on deregulation should help banks and other financial companies.

Growing fiscal deficits, geopolitical tensions, central bank demand, and industrial applications should continue to support demand for precious metals in 2026. On the other hand, we anticipate crude markets to remain oversupplied. With President Trump's focus on lowering oil prices, we remain bearish on crude oil. We also are constructive on copper given its role in global electrification and green energy transition.

## Risks

- Persistent policy uncertainty
- Sticky or higher inflation prompting Fed rate hikes
- Geopolitical tensions



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Sources: FactSet, Jefferies, Morning Star, Morgan Stanley, Goldman Sachs, Wall Street Journal, Bloomberg, Financial Times

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