# Market Review

as at December 31, 2025

2025 was a very strong year, with positive returns across all major financial markets. With those strong returns came a lot of volatility, and people that only view their portfolio once a quarter may have a much different perspective of this year than daily market watchers.

Equity markets slowed down a bit in Q4 from the high pace achieved in the preceding two quarters. Equities returned positive throughout Europe and the Americas for the quarter and year. Fixed income investors and investors with dry powder should pay attention as the US Fed rate-cut cycle has begun, and lower-risk investments such as CDs and money market funds may start to lose attractiveness relative to higher risk assets.

## Asset Returns

The fourth quarter of 2025 delivered an end-of-year rally in the US stock market, topping off a very strong year, and extending the bull run for a third consecutive year. Lower inflation numbers and the potential for future interest rate cuts have excited investors. We have yet to see technology and AI infrastructure slow down, and it continues to be a major source of investment returns, extending to related industries like power generation and material extraction. In the US, lower expected future interest rates should also help fixed income investments, though we have yet to see major movements in long-term interest rates due to uncertainty surrounding debt load and inflation.

North American equities recovered from early-year struggles that were mostly self-inflicted by US policy. The Nasdaq recorded a return of 2.7% in Q4 (21.2% YTD). The Russell 2000 Index, representing small-cap equities, continued its upward momentum, returning 2.2% for the quarter and 12.8% for the year. The S&P 500, representing large-cap equities, extended its second-quarter rally with a 2.7% gain in Q4 (17.9% YTD). Canada had a very strong year, primarily due to precious metals and the banking sector, up 6.3% in Q4 and 31.7% for the year.

International equities outperformed their North American counterparts during the quarter and year. For quite some time, investors have been patiently waiting for international equity to catch up to US dominance, and 2025 was a major step in that direction. The MSCI EAFE Index (representing Europe, Australasia, and the Far East) posted a YTD return of 32.0%, including a solid 4.9% gain in Q4.

US rate cuts have so far aligned with expectations and have not caused any major shocks to the fixed income market. 2026 brings less certainty as the US Fed has already begun to show a divergence of opinions among members. Long-term rates (10-30 years) remain elevated despite the beginning of the rate-cut cycle due to future inflation and growth uncertainty.

Commodity markets lagged behind equities in 2025. Tariff disruptions were a major factor as many companies stepped back from large projects because they were unable to accurately predict costs. The broad commodity index returned 4.8% in Q4 and 11.1% YTD. In contrast, gold remained a standout performer with a YTD return of 62.5%. Its role as a hedge against uncertainty and inflation was a major reason for the gains. Momentum was a factor for gold in the second half of the year, as volatility increased while investors prepared for the next gold run or correction.

## Geopolitical Uncertainty

In recent years, the phrase “unprecedented times” has become a common theme, and 2026 began with another reminder: reports emerged regarding significant political developments in Venezuela. Venezuela, one of the world’s most resource-rich nations, saw its regime nationalize foreign projects under Maduro. The transition of power and US co-management of Venezuelan operations could trigger a supply-side shock in the oil market. This marks a reversal of previous disruptions caused by Russian oil sanctions, which removed heating oil critical to Europe’s energy needs. The evolving situation underscores the volatility of global energy markets and the geopolitical forces shaping them.

Taiwan continues to face an uncertain future shaped by economic growth, technological leadership, and evolving geopolitical dynamics. Its position as a global hub for semiconductor manufacturing underscores its strategic importance in international supply chains. At the same time, cross-strait relations and global diplomatic considerations remain complex, requiring careful navigation to maintain stability. Economic diversification, security measures, and international partnerships will play critical roles in shaping outcomes. While challenges persist, opportunities for innovation and collaboration remain significant, emphasizing the need for balanced approaches that prioritize peace, economic resilience, and constructive engagement within the broader Asia-Pacific region.

A focus on global diversification should help lower the specific risk associated with uncertainty in individual markets while still allowing the benefits of the upside.

## Commodities

Commodities experienced notable movements over the past year, with precious metals among the strongest performers. Gold and silver saw significant gains, supported by factors such as inflationary pressures, geopolitical uncertainty, and steady central bank purchases. Silver also benefited from industrial demand linked to renewable energy and electric vehicle production. Broader commodity markets showed mixed trends: energy prices fluctuated as supply disruptions eased, while industrial metals like copper and aluminum were influenced by infrastructure spending and clean-energy initiatives. Overall, 2025 reflected a dynamic environment across commodity sectors, shaped by macroeconomic conditions and shifting global demand patterns.

## Outlook and Portfolio Positioning

We expect positive but modest returns for 2026, though outcomes will depend on market conditions, with diversification remaining key as many investors are somewhat nervous due to the extreme gains of the past three years stretching valuations. We expect volatility, especially in individual stocks, to be elevated as investors try to ensure that markets remain efficient and companies justify high valuations.

During Q4 2025, we reviewed our strategic allocations and will implement updates to our discretionary managed private client portfolios during Q1 2026, subject to individual portfolio objectives and mandates. The main change from our historical allocation is a lower allocation to US large-cap equity. Extended valuations and concentration of returns have lowered future expected returns with increased volatility. Through this, we have increased exposure to developed global equity. Further, with increased volatility around the world, our modeling showed a strong preference for diversification of assets.

# Macro Indices Report as at December 31, 2025 (percent)

| | DEC | NOV | OCT | Q4 2025 | YTD | 2024 | Annualized 3 Years | Annualized 5 Years |
|---|---|---|---|---|---|---|---|---|
| **GLOBAL EQUITY** | | | | | | | | |
| MSCI AC World Total Return | 1.0 | 0.0 | 2.2 | 3.3 | 22.3 | 17.5 | 20.6 | 11.2 |
| MSCI EAFE | 3.0 | 0.6 | 1.2 | 4.9 | 32.0 | 4.4 | 18.0 | 9.6 |
| **NORTH AMERICA EQUITY** | | | | | | | | |
| S&P 500 Total Return | 0.1 | 0.2 | 2.3 | 2.7 | 17.9 | 25.0 | 23.0 | 14.4 |
| DOW JONES INDUSTRIAL AVG | 0.9 | 0.5 | 2.6 | 4.0 | 14.9 | 15.0 | 15.3 | 11.6 |
| S&P 400 Net TR | 0.0 | 2.0 | -0.5 | 1.5 | 7.0 | 13.4 | 12.0 | 8.6 |
| NASDAQ COMPOSITE | -0.5 | -1.4 | 4.7 | 2.7 | 21.2 | 29.6 | 31.4 | 13.4 |
| RUSSELL 2000 INDEX | -0.6 | 1.0 | 1.8 | 2.2 | 12.8 | 11.5 | 13.7 | 6.1 |
| S&P/TSX COMPOSITE INDEX | 1.3 | 3.9 | 1.0 | 6.3 | 31.7 | 21.7 | 21.4 | 16.1 |
| **EUROPE EQUITY** | | | | | | | | |
| BLOOMBERG EUROPEAN 500 | 2.8 | 1.0 | 2.7 | 6.6 | 20.4 | 9.5 | 15.4 | 12.1 |
| FTSE 100 INDEX | 2.3 | 0.4 | 4.1 | 6.9 | 25.7 | 9.6 | 14.0 | 12.9 |
| CAC 40 INDEX | 0.5 | 0.1 | 3.0 | 3.6 | 14.3 | 0.9 | 11.5 | 11.2 |
| DAX INDEX | 2.7 | -0.5 | 0.3 | 2.6 | 23.0 | 18.8 | 20.7 | 12.3 |
| **ASIA EQUITY** | | | | | | | | |
| MSCI AC Far East Ex Japan | 3.2 | -3.7 | 4.5 | 3.9 | 37.2 | 9.6 | 14.7 | 0.7 |
| NIKKEI 225 | 0.3 | -4.1 | 16.6 | 12.1 | 28.6 | 21.3 | 26.9 | 15.1 |
| HANG SENG INDEX | -0.6 | -0.1 | -3.5 | -4.1 | 32.5 | 22.9 | 13.4 | 2.4 |
| S&P/ASX 200 INDEX | 1.3 | -2.5 | 0.4 | -0.9 | 11.4 | 12.7 | 12.7 | 11.3 |
| SHANGHAI SE COMPOSITE | 2.3 | -1.6 | 2.0 | 2.7 | 21.7 | 16.2 | 11.8 | 5.5 |
| **SOUTH AMERICA & EM EQUITY** | | | | | | | | |
| MSCI EM Net Total Return USD Index | 3.0 | -2.4 | 4.2 | 4.7 | 33.6 | 7.5 | 16.4 | 4.2 |
| S&P LATIN AMERICA 40 | 0.7 | 5.9 | 1.9 | 8.6 | 54.5 | -22.0 | 17.3 | 9.5 |
| BRAZIL IBOVESPA INDEX | 1.3 | 6.4 | 2.3 | 10.2 | 34.0 | -10.4 | 13.6 | 6.2 |
| S&P BSE SENSEX INDEX | -0.6 | 2.2 | 4.7 | 6.4 | 10.5 | 9.6 | 13.4 | 13.7 |
| **FIXED INCOME** | | | | | | | | |
| ICE BoA 1-3 Year US Treasury Index | 0.3 | 0.5 | 0.3 | 1.1 | 5.1 | 4.1 | 4.5 | 1.8 |
| BLOOMBERG US Agg | -0.1 | 0.6 | 0.6 | 1.1 | 7.3 | 1.3 | 4.7 | -0.4 |
| BLOOMBERG Multiverse (Unhedged) | 0.3 | 0.3 | -0.2 | 0.3 | 8.4 | -1.3 | 4.3 | -1.9 |
| Citi World BIG US Hedged | -0.2 | 0.3 | 0.8 | 0.9 | 5.1 | 2.6 | 4.8 | -0.3 |
| ICE BoA US High Yield Index | 0.7 | 0.5 | 0.2 | 1.3 | 8.5 | 8.2 | 10.0 | 4.5 |
| JPM EMBI Global Core – US$ | 1.7 | 1.6 | 1.2 | 4.6 | 10.4 | 6.2 | 12.1 | 2.0 |
| JPM EM Global Cove – Local | 1.4 | 2.1 | -0.8 | 2.7 | 15.0 | -2.4 | 10.3 | 2.2 |
| **COMMODITIES** | | | | | | | | |
| BLOOMBERG Commodity Index | -0.7 | 2.9 | 2.6 | 4.8 | 11.1 | 0.1 | -0.9 | 7.0 |
| GOLD | 2.4 | 5.9 | 3.5 | 12.2 | 62.5 | 26.6 | 32.4 | 17.1 |
| OIL (WTI) | -1.3 | -3.6 | -1.2 | -5.9 | -7.6 | 14.4 | 0.6 | 16.0 |


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