

Markets and Economic Update

MARKETS AND ECONOMIC REVIEW: Q4-2025

In the fourth quarter of 2025, the economy and markets experienced notable developments:

Inflation and Economic Indicators: The Federal Reserve (the “Fed”) implemented two 25-basis point interest rate cuts, in October and December.¹ These cuts aimed to address labor market concerns and align monetary policy closer to a neutral stance. Inflation in November was slightly lower, with the Core Personal Consumption Expenditures Index (a measure of the total value of goods and services consumed by households) at 2.7% year-over-year.¹ The unemployment rate rose to 4.6%, the highest in four years, influenced by an increase in temporary layoffs and stable labor force participation.¹

Equities: The S&P 500 Index (representing the larger-capitalization US stock market) rose by 2.7%.² US stocks hit new highs, driven by strong earnings and expectations of easier monetary policy. Increasing the money supply lowers interest rates and enables easier access to credit, encouraging borrowing, spending, and investment to stimulate growth and reduce unemployment. The MSCI All Country World Index (ACWI), a global equity index containing large and mid-cap stocks in 23 developed and 24 emerging markets, gained 3.3% in US dollar terms.²

Bonds: The Bloomberg US Aggregate Index, a broad measure of the US bond market, increased by 1.1%.² The yield on the 10-year US Treasury note ended the quarter at 4.18%.² Fixed income assets performed well overall, with emerging markets’ debt leading the asset class.

Other Assets: The US dollar strengthened by 0.6%, driven by favorable interest rate differentials and its status as a safe-haven currency amid global economic uncertainties.² Concurrently, gold prices surged by approximately 11.9%, fueled by

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Please contact The Kelliher Corbett Group if you have any questions or to discuss the unique investment goals of you, your family, or your organization.

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4X Barron’s Top 100 Institutional Consulting Teams in The Nation

Source: Barrons.com (Awarded May 2022-2025). Data compiled by Barron’s based on 12-month period concluding in Dec of the year prior to the issuance of the award.

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strong demand from central banks, concerns over inflation, and the dollar’s relative weakness later in the quarter.² During the same period, silver prices also increased significantly, by approximately 13.6%.² The strong performance of silver can be attributed to several factors, including increased investment demand and market dynamics that have tightened supply.

Balanced Investor Results: A balanced (market cap-weighted) investor’s portfolio consisting of 50% stocks and 50% bonds returned 2.2% for the fourth quarter and 14.7% for the trailing 12-month period.² The same balanced investor’s portfolio with equally weighted US equities returned 1.8% for the fourth quarter and 12.4% for the trailing 12-month period.²

Market/Index	Q4-25	T12
Balanced Investor (Market Cap Weighted)*		
*50% Stocks (70% S&P 500, 24% MSCI EAFE NR, 6% MSCI EM NR)	2.21%	14.66%
*50% Bonds (100% BBg US Agg Bond)		
Balanced Investor (Equal Weighted)*		
*50% Stocks (70% S&P 500 EW, 24% MSCI EAFE NR, 6% MSCI EM NR)	1.76%	12.40%
*50% Bonds (100% BBg US Agg Bond)		
US Equities		
S&P 500 TR USD	2.66%	17.88%
S&P 500 Equal Weighted TR USD	1.39%	11.43%
International Equities		
MSCI EAFE NR USD	4.86%	31.22%
Emerging Market Equities		
MSCI EM NR USD	4.73%	33.57%
US Fixed Income		
Bloomberg US Agg Bond TR USD	1.10%	7.30%
Municipal Fixed Income		
Bloomberg Municipal TR USD	1.56%	4.25%

Source: Morningstar as of 12/31/2025

MARKETS AND ECONOMIC OUTLOOK

As The Kelliher Corbett Group continues to position managed client portfolios, we’re focused on the following key themes for 2026.

Inflation and Economic Indicators: The US economic projections for 2026 indicate a period of modest growth, diminishing inflation, and some labor market adjustments. Real GDP growth is expected to be 1.8% for the year, with a slight acceleration anticipated in the second half of 2026.³ This growth is supported by fiscal policy measures, such as the One Big Beautiful Bill Act, which front-loads deficits and back-loads spending cuts, providing a moderate fiscal impulse.

Inflation is projected to moderate as the effects of tariffs fade (see below). The PCE Index is forecasted to slow to 2.5%.³ The moderation in inflation is attributed to the gradual pass-through of tariffs and a softer labor market.

Labor market conditions are expected to show some slack, with the unemployment rate rising to 4.7% in the second quarter of 2026 before falling to 4.5% by year-end.³ The labor market is influenced by immigration controls and a slower-growing economy, which demands less labor. However, as the economy picks up in the latter half of the year, labor market conditions are expected to stabilize.³

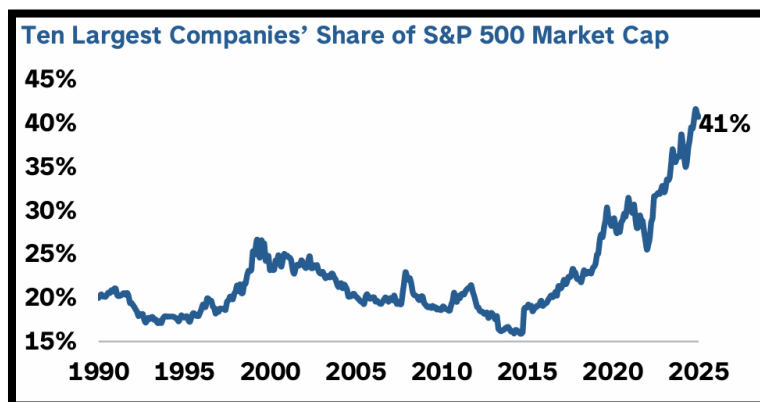
Overall, the US economy in 2026 should see modest growth, a gradual easing of inflationary pressures, and a labor market that adjusts to slower growth and policy changes.



Source: Morgan Stanley Wealth Management GIO, Bloomberg. Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material

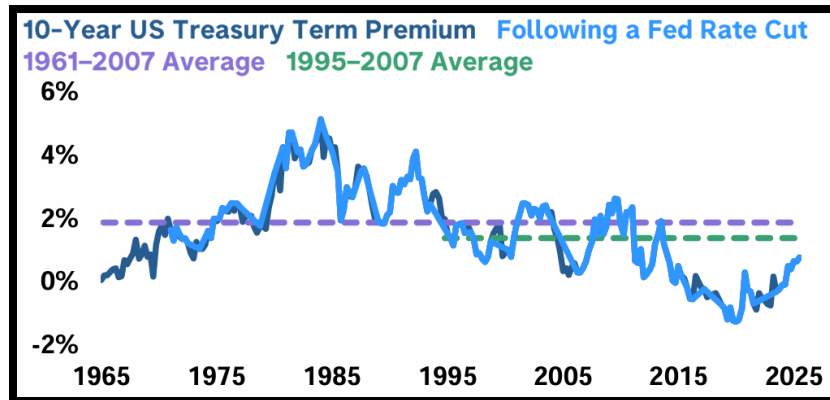
Equities: The 2026 US equity market consensus suggests a broadening of profit growth and market participation beyond the GenAI ecosystem. Despite recent market rotations, the S&P 500 remains concentrated, with the 10 largest stocks making up over 40% of its capitalization (see below).

The Kelliher Corbett Group’s 2026 equity market strategy emphasizes resilience, diversification, and thematic investing, with a focus across the broader global opportunity set. This strategy includes international developed and emerging market equities, which we feel present attractive growth potential and higher equity risk premiums. While the top companies in the S&P 500 often capture significant attention, the remaining 493 stocks offer a wealth of diverse opportunities. These companies span a wide range of sectors and industries, providing exposure to different growth drivers and economic cycles. By exploring these opportunities, investors may be able to enhance their portfolios’ resilience and potential for long-term growth.



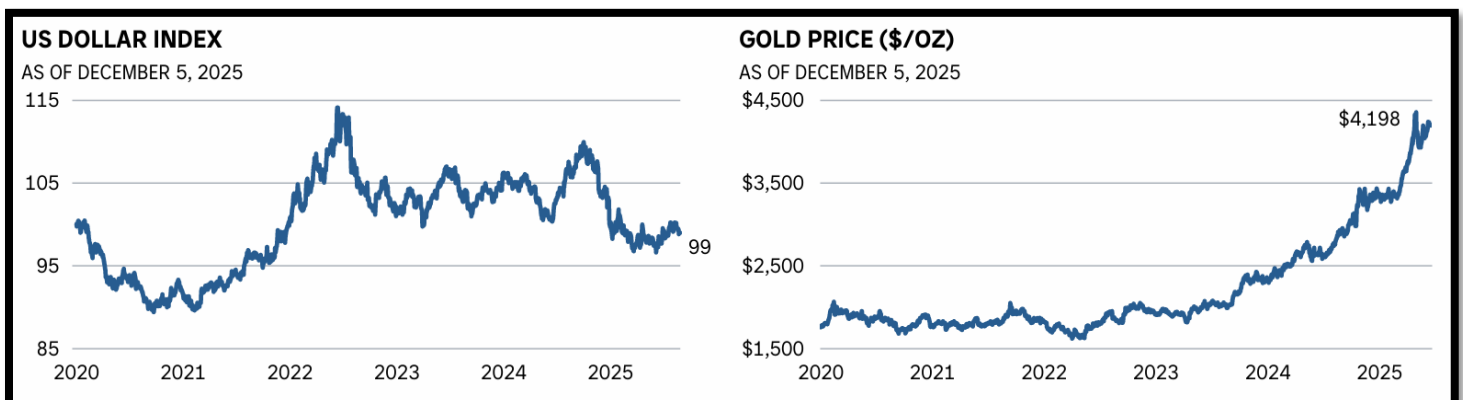
Source: Morgan Stanley Wealth Management GIO, Bloomberg. Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material

Bonds: While the US bond market just delivered one of its strongest total-return years since 2020, on the back of Fed easing, long-maturity yields have stayed relatively anchored since 2023, with the 10-year yield recently hovering between 4.1% and 4.2%.⁴ The result of higher-for-longer rates for longer-duration Treasuries has been a much steeper yield curve and continued normalization of the long-run term premium, currently around 75 basis points.⁴ Given the US' long-term debt and deficit picture, we see this risk-premium normalization as constructive for bond investors, who should be properly compensated for potential policy choices. Although the term premium is now its highest in more than 10 years, it remains less than half its 65-year average (see below); as such, we continue to be cautious regarding adding portfolio duration.



Source: Chart of the Week: BCA Research, US Census Bureau as of Dec. 31, 2025. Fixed Income Insight: Bespoke, Bloomberg as of Dec. 31, 2025 1985 1995 2005 2015
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Other Assets: In 2026, the US dollar is expected to weaken in the first half, with a potential rebound in the latter half of the year.⁴ This fluctuation is influenced by US economic indicators and Federal Reserve policies. Gold is projected to continue its upward trend, potentially reaching \$4,800 per ounce by the end of the year, supported by falling interest rates and strong demand from central banks and investors.⁴



Source: Morgan Stanley Wealth Management GIO, MS & Co. Research, Bloomberg, Congressional Budget Office (CBO). US Deficit estimates are from CBO. Federal Balance Sheet estimates are from the MS & Co. Research US Economics Team. Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

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Sources

1. MyGIO - [Global Insights: Five Themes to Watch in 2026](#) January 7, 2026
2. Morningstar as of 12/31/2025
3. MyGIO - [On the Markets: The Bull Matures: No Time for Complacency](#) January 6, 2026
4. MyGIO - [CIO Brief](#) January 12, 2026

Disclosures: 2022-2025 Barron's Top 100 Institutional Consulting Teams (formerly referred to as Barron's Top 50 Institutional Consulting Teams, Barron's Top 50 Institutional Consultants, Barron's Top 30 Institutional Consultants) Source: Barrons.com (April 2022, 2023, 2024, 2025). Barron's Top 100 Institutional Consulting Teams ranking awarded in 2022, 2023, 2024, 2025. Each ranking was determined based on an evaluation process conducted by Barron's which concluded in December of the previous year the award was issued having commenced in December of the year before that. Neither Morgan Stanley Smith Barney LLC nor its Financial Advisors or Private Wealth Advisors paid a fee to Barron's to obtain or use the ranking. This ranking is based on in-person and telephone due diligence meetings to evaluate each advisor qualitatively, a major component of a ranking algorithm that includes client retention, industry experience, review of compliance records, firm nominations, and quantitative criteria, including assets under management and revenue generated for their firms. Investment performance is not a criterion. Rankings are based on the opinions of Barron's and this ranking may not be representative of any one client's experience. This ranking is not indicative of the Financial Advisor's future performance. Morgan Stanley Smith Barney LLC is not affiliated with Barron's. Barron's is a registered trademark of Dow Jones & Company, L.P. All rights reserved. ©2022 Morgan Stanley Smith Barney LLC. Member SIPC

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For index, indicator and survey definitions referenced in this report please visit the following:

<https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions>

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