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Winter 2026 Market Perspectives

Happy New Year!

As we look back on 2025, it proved to be another strong year for both U.S. and international markets. What began with uncertainty, including the announcement of new tariffs in early April and a sharp, short-lived drop in global equities, ultimately turned into a year of solid performance. International stocks led the way with returns above 30%, and large U.S. companies posted double-digit gains for the third year in a row. All of this occurred against a backdrop of geopolitical tension in Europe and the Middle East, a reminder of how resilient markets can be even in unsettled times.

A major driver of this resilience has been the continued expansion of the artificial intelligence sector. Significant investment from major technology firms, combined with strong corporate earnings, helped lift not only large companies but also smaller U.S. businesses, the ones that employ most Americans and reflect the underlying health of the economy.

We also saw meaningful shifts in areas that affect everyday life. Oil prices fell nearly 20% over the year, and the full economic benefit of lower energy costs has yet to be felt. Housing prices have begun to soften, and because official inflation data relies on shelter numbers that lag by roughly 18 months, we expect continued downward pressure on inflation in the months ahead.

The Federal Reserve lowered interest rates three times in 2025, with expectations for additional cuts this year. If rates continue to ease, the housing sector, which has been strained since the rapid rate increases of 2022, could see renewed momentum.

Last summer’s tax legislation also provided clarity for both individuals and businesses. Knowing what tax rates will be over the next several years allows for more confident planning. New deductions for individuals over 65, as well as those earning tips and overtime, should provide a meaningful boost to household finances. For example, a 65-year-old taxpayer in the lowest bracket may see a refund of around $600 this spring, and with more than 68 million Social Security recipients, these changes will ripple through the broader economy.

Looking ahead, we are mindful of a few potential sources of volatility: another federal funding deadline later this month and an upcoming Supreme Court decision related to tariff authority. Either could create short-term uncertainty, and markets tend to react quickly when policy direction is unclear.

Over the holidays, I read Winning the Loser’s Game by Charles D. Ellis. One of its central lessons is especially relevant today: investors often harm their own long-term results by reacting emotionally to headlines. Success rarely comes from predicting the next surprise, it comes from having a sound plan, staying diversified, and maintaining discipline through different market environments.

We don’t know exactly what 2026 will bring. What we do know is that you have a strategy designed to support your long-term goals, not just the next market move. If anything in your life has changed, or if you’d like to revisit your plan, we’re always here to help.

Here’s to a healthy and prosperous New Year as we celebrate the 250th birthday of our great country.

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