

TALKING POINTS

Data through December 2025

Climate

Investors have no shortage of reasons for enthusiasm as calendar year 2025 comes to a close. Large, U.S.-based companies, as represented by the S&P 500 Index ("Index"), posted their third consecutive year of double-digit gains in 2025. More on this in the "Stock Market" section below, but record profit margins and persistent earnings growth formed the backbone of an astonishing equity market turnaround in April, propelling large cap U.S. equities to record highs multiple times throughout the year. Despite reports of increasing consumer default rates, the resumption of student loan repayments, and elevated housing expenses, U.S. consumers remain healthy, in our opinion. The most recent report on gross domestic product (GDP) tells the story. U.S. GDP increased by 4.3% in Q3'25, its fastest pace in two years, according to Reuters. Consumer spending, which accounts for more than two-thirds of U.S. GDP, increased by 3.5% over the time frame, its fastest pace in nearly a year. Meanwhile, the Federal Reserve ("Fed") reduced its policy rate by 75 basis points (bps) over the course of three meetings in 2025, driving the federal funds target rate (upper bound) down from 4.50% in January 2025 to 3.75% in December. Other positive impacts to GDP were continued AI and business investment, both of which may have been fueled by these cuts. Inflation declined despite lower interest rates. Data from Bloomberg reveals that inflation, as measured by the 12-month change in the consumer price index (CPI) stood at 2.7% in November 2025, down from 3.0% in September 2025.

Stock Market

The Index closed at 6,845.50 on 12/31/25, representing a price-only increase of 37.38% from its most recent low of 4,982.77 on 4/8/25, according to data from Bloomberg. The S&P MidCap 400 and S&P SmallCap 600 Indices remain 2.51% and 4.98%, respectively, below their all-time highs which were set on 11/25/24. The Index posted a total return of 0.06% in December 2025. Just five of the 11 major sectors that comprise the Index registered positive total returns for the month. Financials were the top-performer, increasing by 3.07%. Utilities had the worst showing, declining by 5.12%. Estimates for the Index's 2025 earnings per share (EPS) increased from a calendar year low of 264.15 in June to 271.04 in December. A similar trend occurred with the Index's 2026 estimated EPS, which increased from 300.15 in June to 311.41 in December. Earnings growth has been a key catalyst to this year's equity market performance, in our opinion, and 2026 calendar year estimates show this trend persisting. On 12/19/25, FactSet reported that analysts estimate the Index's earnings will increase by 15.0% year-over-year (y-o-y) in 2026. At the sector level, Information Technology (+28.6%), Materials (+22.0%), and Industrials (+15.4%) are estimated to contribute the most to overall earnings growth in 2026. As always, these estimates are subject to change. Investors funneled record amounts of capital into U.S. markets this year via ETFs. ETFGI reported that U.S. ETF assets stood at a record \$13.22 trillion at the end of November, with year-to-date (YTD) inflows surging to a record \$1.28 trillion over the period. Passive equity ETFs accounted for \$507.93 billion of the YTD total. Active ETFs (which ETFGI does not differentiate between equity or fixed income) totaled \$470.77 billion over the time frame.

Bond Market

The yield on the benchmark 10-year T-note stood at 4.17% at the close of trading on 12/31/25, down 40 bps from its 4.57% close on 12/31/24, according to data from Bloomberg. The 4.17% yield stood 148 bps above its 2.69% average for the 10-year period ended December 2025 and 82 bps below its most recent high of 4.99% set on 10/19/23. The yield on the 2-year T-note stood at 3.48% on 12/31/25, down 76 bps from when it stood at 4.24% on 12/31/24. Moody's reported that its trailing 12-month global speculative-grade default rate stood at 4.3% at the end of November 2025 (preliminary results). Fourteen corporate issuers rated by Moody's defaulted in November, up from six in October. November's total is the highest monthly tally since May 2025. In its baseline scenario, Moody's forecasts the global default rate declined to 4.0% in December 2025. For comparison, Moody's puts the global historical average default rate at 4.2%. The U.S. speculative-grade default rate stood at 4.9% in November. Moody's baseline scenario sees the U.S. default rate having decreased to 4.5% in December 2025.

Takeaway

Investors may find the current mood among U.S. consumers surprising, especially in light of the myriad of positive data divulged in the "Climate" section above. U.S. consumer sentiment, as measured by the University of Michigan's Survey of Consumers, plummeted at year's end, declining by 28.5% y-o-y in December. Data for Q3'25 U.S. household net worth is delayed as a result of the October government shutdown, but the data we have seen looks positive. Empower reported that the average 401(k) retirement account balance was \$329,915 in Q3'25, an increase of 4.5% quarter-over-quarter. Similarly, the average IRA balance increased by 3.9% quarter-over-quarter to a record \$277,483 in Q3'25. Equity market returns are expected to be positive yet again in 2026. A Bloomberg survey of 21 equity strategists found that the average 2026 year-end price target for the Index was 7,555 on 12/17/25, representing an increase of nearly 10.4% from 6,845.50, where the Index stood on 12/31/25. Strategists may be discounting for continued interest rate reductions in 2026. As of 12/31/25, the futures market was targeting a 3.0% federal funds target rate by the end of 2026. Time will be the ultimate arbiter regarding the direction of global equity and fixed income markets. We look forward to serving you in the next year!

Sources: Bloomberg, FactSet, and Investment Company Institute

Past performance is no guarantee of future results. Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index. There can be no assurance past trends will continue or estimates will be realized.

Open-End Net Fund Flows (\$)	11/25	10/25	YTD (Nov)
Equity	-80.4B	-116.6B	-1,086.1B
Taxable Bond	7.4B	20.5B	81.4B
Municipal Bond	0.2B	-0.5B	13.2B
Hybrid	-8.2B	-7.5B	-89.4B
Taxable Money Market	87.5B	132.2B	524.2B

Key Interest Rates/Yields	12/31/25	11/28/25	12/31/24
Federal Funds Target Rate	3.75%	4.00%	4.50%
2-Year T-Note	3.47%	3.49%	4.24%
5-Year T-Note	3.73%	3.60%	4.38%
10-Year T-Note	4.17%	4.01%	4.57%
Bond Buyer 40	4.78%	4.74%	4.41%

Commodities/U.S. Dollar	12/25	YTD	12 Mo.
U.S. Dollar Index (DXY)	-1.14%	-9.37%	-9.37%
FTSE/CC CRB Excess Ret.	-0.90%	0.69%	0.69%
Crude Oil/WTI (per Barrel)	-1.93%	-19.94%	-19.94%
Natural Gas (per million BTUs)	-24.00%	1.46%	1.46%
Gold Bullion (Ounce)	1.89%	64.58%	64.58%

S&P 500 Full-Year Earnings Estimates	2025	2026
12/31/25	271.04	311.41
11/28/25	270.74	309.19
12/31/24	274.13	311.07

Total Return Performance

U.S. Stock Indices	12/25	YTD	12 Mo.
S&P 500	0.06%	17.86%	17.86%
DJIA	0.92%	14.92%	14.92%
Nasdaq 100	-0.67%	21.02%	21.02%
S&P MidCap 400	0.07%	7.48%	7.48%
Russell 2000	-0.58%	12.79%	12.79%
Russell 3000	-0.02%	17.13%	17.13%

U.S. Styles/Market Caps	12/25	YTD	12 Mo.
S&P 500 Growth	-0.18%	22.14%	22.14%
S&P 500 Value	0.35%	13.19%	13.19%
S&P MidCap 400 Growth	-0.16%	7.44%	7.44%
S&P MidCap 400 Value	0.34%	7.56%	7.56%
Russell 2000 Growth	-1.28%	13.00%	13.00%
Russell 2000 Value	0.18%	12.58%	12.58%

Foreign Stock Indices (USD)	12/25	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	3.00%	31.85%	31.85%
MSCI Emerging Markets NET	2.99%	33.57%	33.57%
MSCI Europe NET	3.90%	35.41%	35.41%
MSCI BRIC NET	-1.00%	21.71%	21.71%
MSCI EM Latin America NET	1.08%	54.81%	54.81%
Nikkei 225	0.19%	29.30%	29.30%

Bloomberg Fixed Income Indices	12/25	YTD	12 Mo.
U.S. Treasury: Intermediate	0.04%	6.51%	6.51%
GNMA 30 Year	0.15%	8.07%	8.07%
Municipal Bond (22+)	-0.33%	1.95%	1.95%
U.S. Aggregate	-0.15%	7.30%	7.30%
Intermediate Corporate	0.20%	7.95%	7.95%
U.S. Corporate High Yield	0.57%	8.62%	8.62%
Global Aggregate	0.26%	8.17%	8.17%
EM Hard Currency Aggregate	0.53%	12.16%	12.16%

HIGH/LOW SNAPSHOT

Data through December 2025

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	6932.05	12/24/2025	1829.08	2/11/2016	6845.50	-1.25%	17.86%	1.14%
S&P 500 Growth	5090.93	10/29/2025	1035.44	2/11/2016	4971.45	-2.35%	22.14%	0.53%
S&P 500 Value	2115.35	12/24/2025	788.67	2/11/2016	2092.98	-1.06%	13.19%	1.85%
S&P MidCap 400	3395.15	12/11/2025	1218.55	3/23/2020	3305.14	-2.65%	7.48%	1.41%
S&P MidCap 400 Growth	1614.81	12/11/2025	574.06	2/11/2016	1572.01	-2.65%	7.44%	0.85%
S&P MidCap 400 Value	1083.78	11/25/2024	373.28	3/23/2020	1055.06	-2.65%	7.56%	2.13%
S&P 100	3481.00	10/29/2025	820.61	2/11/2016	3432.34	-1.40%	20.14%	1.01%
DJIA	48731.16	12/24/2025	15660.18	2/11/2016	48063.29	-1.37%	14.92%	1.58%
Nasdaq 100	26119.85	10/29/2025	3947.80	2/9/2016	25249.85	-3.33%	21.02%	0.64%
Russell 2000	2590.61	12/11/2025	953.72	2/11/2016	2481.91	-4.20%	12.79%	1.30%
Russell 2000 Growth	1729.61	12/11/2025	573.10	2/11/2016	1651.86	-4.49%	13.00%	0.55%
Russell 2000 Value	2826.65	12/11/2025	1067.63	3/23/2020	2717.15	-3.87%	12.58%	2.12%
Russell 3000	3936.13	12/24/2025	1067.34	2/11/2016	3882.77	-1.36%	17.13%	1.16%
MSCI World Net (ex U.S.) (USD)	10897.02	12/30/2025	4189.62	2/11/2016	10863.91	-0.30%	31.85%	2.75%
MSCI Emerging Markets Net (USD)	770.52	10/29/2025	296.25	1/21/2016	766.52	-0.52%	33.57%	2.33%
Bovespa/Brazil (USD)	31059.25	12/4/2025	9077.09	1/21/2016	29284.34	-5.71%	50.75%	7.46%
RTS/Russia (USD)	1919.58	10/25/2021	628.41	1/20/2016	N/A	N/A	N/A	N/A
S&P BSE 500/India (USD)	461.76	9/26/2024	129.66	3/23/2020	416.37	-9.83%	2.49%	1.14%
Shanghai Composite/China (USD)	578.15	12/13/2021	358.39	10/18/2018	567.86	-1.78%	27.12%	2.31%
KOSPI/South Korea (USD)	2.95	11/3/2025	1.16	3/19/2020	2.92	-0.89%	82.69%	1.41%
Hang Seng (USD)	4241.01	1/26/2018	1871.10	10/31/2022	3292.76	-22.36%	32.22%	3.01%
MSCI Euro (USD)	2207.36	12/30/2025	865.50	3/18/2020	2201.71	-0.26%	39.81%	2.82%
S&P 500 Consumer Discretionary	1996.58	11/3/2025	543.54	2/11/2016	1928.43	-3.41%	6.04%	0.62%
S&P 500 Consumer Staples	923.91	3/3/2025	494.55	1/20/2016	864.89	-6.39%	3.90%	2.56%
S&P 500 Energy	749.39	4/5/2024	179.94	3/18/2020	687.34	-8.28%	8.68%	3.40%
S&P 500 Utilities	471.56	10/15/2025	218.81	1/20/2016	433.81	-8.01%	16.04%	2.83%
S&P 500 Financials	927.78	12/24/2025	264.89	2/11/2016	911.60	-1.74%	14.97%	1.36%
S&P 500 Banks	629.93	12/24/2025	180.19	2/11/2016	614.66	-2.42%	33.80%	2.13%
FTSE NAREIT All Equity REITs	980.08	12/31/2021	483.48	3/23/2020	752.64	-23.21%	2.25%	4.16%
S&P 500 Health Care	1847.27	11/25/2025	732.99	2/11/2016	1805.89	-2.24%	14.60%	1.66%
S&P 500 Pharmaceuticals	1309.91	11/25/2025	549.29	2/11/2016	1295.30	-1.12%	27.15%	2.15%
NYSE Arca Biotechnology	7480.23	12/22/2025	2642.53	2/11/2016	7152.00	-4.39%	24.77%	0.21%
S&P 500 Information Technology	6064.80	10/29/2025	636.18	2/9/2016	5684.00	-6.28%	24.04%	0.51%
Philadelphia Semiconductor	7467.49	12/10/2025	559.18	2/11/2016	7083.13	-5.15%	43.46%	0.71%
S&P 500 Communication Services	460.93	12/5/2025	130.86	12/24/2018	452.39	-1.85%	33.56%	0.70%
S&P 500 Industrials	1334.01	12/24/2025	412.06	3/23/2020	1313.14	-1.56%	19.27%	1.35%
S&P 500 Materials	616.97	10/18/2024	234.97	1/25/2016	574.41	-6.90%	10.54%	1.89%
Philadelphia Gold & Silver	363.21	12/26/2025	38.84	1/19/2016	342.28	-5.76%	152.80%	0.81%
FTSE/CC CRB Excess Return	329.59	6/9/2022	106.29	4/21/2020	298.78	-9.35%	0.69%	N/A
ICE BofA Perpetual Preferred	341.89	9/17/2025	215.28	2/11/2016	339.06	-0.83%	5.48%	6.52%
ICE BofA U.S. High Yield Constrained	617.30	12/31/2025	313.74	2/11/2016	617.30	0.00%	8.50%	7.08%

Source: Bloomberg

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