ECONOMIC COMMENTARY | Q4 | 2025

Stocks and bonds remained resilient in the 4th quarter, overcoming concerns about the U.S. job market and AI (artificial intelligence) spending to add a few percentage points to the strong overall tally for the year. With the S&P 500 concluding at +17.9% and Barclays US Aggregate Bond Index ending at +7.3%, it was an excellent year for balanced portfolios.

Inflation pressures eased during the quarter, allowing the Federal Reserve to lower interest rates two more times. Markets took comfort in the idea that rates may now be closer to a long-term normal range. Bond yields were relatively stable, providing more predictable income opportunities for investors.

The job market gave investors some concern at the end of the year. According to the Department of Labor, the U.S. economy added only 50,000 jobs in December, marking the end of the worst year for annual job growth. We see jobs as one of the biggest overall concerns for the market. However, it's not all bad news. If the job market weakens, the market may benefit more from an anticipated Fed rate cut than it suffers from the impact of job losses.

For the full year, U.S. stock markets delivered strong results across most areas. Large-company growth stocks led the way, with the S&P 500 Growth Index rising **22.2%.** Large-company value stocks also posted solid gains, up **13.2%.** Mid-sized companies gained **7.5%,** while small-cap stocks advanced **12.2%,** reflecting improving confidence beyond just the largest firms.

International markets were a standout in 2025. Developed markets outside the U.S. led global performance, rising **34.9%** for the year. Emerging markets also posted impressive gains, with emerging markets excluding China up **34.6%,** and emerging markets excluding state-owned enterprises gaining **27.9%.** A weaker U.S. dollar and stabilizing global growth helped drive these stellar results.

Bonds also produced positive returns, providing both income and diversification. Emerging market local-currency bonds led fixed income performance, rising **19.0%** for the year. Mortgage-backed securities returned **8.5%,** while high-yield corporate bonds gained **8.6%** and investment-grade corporate bonds rose **7.8%.** U.S. Treasury bonds posted steady gains across maturities, with intermediate-term Treasuries up **7.5%** and short-term Treasuries returning **5.2%.** Short-term inflation-protected securities and floating-rate bonds also delivered modest gains, helping preserve purchasing power. Global bonds outside the U.S. added **3.0%** for the year.

Three themes stood out as the year ended. First, inflation continues to move in the right direction, giving policymakers some leeway to further reduce interest rates. Second, global diversification proved valuable as international markets contributed meaningfully to returns. Third, corporate earnings remained resilient, supported by disciplined cost management and stable demand.

As always, short-term market movements can be unpredictable. But history shows that maintaining a disciplined, diversified approach remains one of the most effective ways to navigate uncertainty. We appreciate the trust you place in us and look forward to working with you in the year ahead. If you have any questions, please call us at 561-613-0130.

Miller Wealth Advisors

Planning for life. Preparing for a lifetime.

Sources:

1. Horsesmouth, What the Experts See Coming in 2026, 01.02.2026
2. Wall Street Journal: Stock Funds Rose 12.8% in 2025, 01.03.2026
3. Valmark: TOPS Quarterly Update Q4 2025, 01.20.2026