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Annual Market Review 2025

Overview

The year 2025 was extraordinary for the economy and the markets. Sweeping tariffs, a cooling labor market, rising consumer prices, a prolonged U.S. federal government shutdown, turmoil in the Middle East, and the ongoing Russia/Ukraine war were some of the many factors that should have signaled economic contraction and a downturn in the stock market. Yet, the opposite occurred. Gross domestic product expanded, largely driven by strong consumer spending. Each of the major stock market indexes listed here posted solid year-end gains. Corporate profits and earnings grew, despite the unemployment rate increasing to its highest level since September 2021. Throughout the year, there were several major events that impacted the stock market and the economy.

The year began rather benignly until April, when President Trump rolled out a fresh round of tariffs across a wide range of imported goods. Unsuspecting investors were shaken, worried about a possible recession and rising inflation. The immediate response was a major move away from equities, causing a spike in volatility. In addition to a plunge in stock prices, the value of the U.S. dollar fell, while U.S. government Treasuries, normally viewed as a safe haven, also saw a selloff, pulling bond prices lower, while pushing yields higher.

Over the course of the next several months, new trade agreements prompted a reduction in some tariff rates on certain imports, helping to calm investors' concerns. Nevertheless, despite geopolitical headwinds and valuation concerns, equities delivered a robust year, largely fueled by the continued artificial intelligence boom and a resilient consumer.

The "Department of Government Efficiency" (DOGE), led by Elon Musk, implemented aggressive spending cuts and federal workforce reductions. While proponents cited long-term savings, the immediate impact included disruptions to government services and a government shutdown in October.

Consumer prices remained stubbornly elevated for much of the year. Inflation, as measured by the Consumer Price Index (CPI), stayed "sticky," hovering around 3.0%-3.1%, well above the Fed's 2.0% target. This persistence was attributed partly to new universal import tariffs and trade disputes that raised costs for goods. In 2025, prices for food rose 2.6%, while shelter prices rose 3.0%. Prices at the wholesale level rose 2.7% for the year, which included a 4.0% rise in prices for food and a 3.8% jump in energy prices.

The economy grew in 2025, despite early-year volatility and aggressive trade policy shifts. Gross domestic product expanded by approximately 1.8% to 2.0% for the full year. Growth was uneven; after a sluggish start in the first quarter, activity accelerated significantly in the third quarter, reaching a robust 4.3% annualized rate of growth before moderating again in quarter four. Consumer spending remained the primary engine of economic growth but became increasingly reliant on higher-income households. Business investment, particularly in artificial intelligence (AI) and software, provided a critical tailwind, offsetting weakness in manufacturing and housing.

The U.S. stock market delivered a strong performance to kick off 2026. Market indexes reached record-setting levels. Overall, Wall Street showed resilience despite mixed corporate results and ongoing fiscal policy uncertainty. Each of the benchmark indexes listed here closed January in the black. The S&P 500 rose steadily throughout the month, even surpassing the 7,000 threshold for the first time in its history.

The Dow's gains reflected broad market strength, while the tech-heavy NASDAQ showed consistent upward momentum throughout the month. Entering February, investor sentiment remained cautiously optimistic.

January was a pivotal month for the U.S. economy, revealing both the strengths and vulnerabilities. The combination of fiscal stimulus, resilient corporate earnings, and technological innovation provided avenues for growth, but the headwinds from tariffs, a cooling labor market, and persistent inflation signaled a more challenging road ahead. The economy appears to be transitioning from stimulus-fueled expansion to a period of more modest, uneven growth. Gross domestic product ended the third quarter of 2025 with an annualized return of 4.4%. Forecasts suggest the fourth quarter GDP may tick down a bit.

Price pressures are moderating but remain above the Federal Reserve's 2.0% target, impacted by tariffs, both threatened and realized, and overall fiscal policy uncertainty. The labor market continued to show signs of strain. Job growth slowed considerably, while the unemployment rate increased from 4.1% in December 2024 to 4.4% in December 2025.

Late in January, the Federal Reserve held interest rates steady, reinforcing expectations for a stable policy path, with possibly one or two rate cuts later in the year. Among the market sectors, energy, materials, consumer staples, industrials, and communication services advanced, marking a shift away from tech shares.

Stock Market Indexes

Market/Index	2024 Close	As of Sept 30	2025 Close	Month Change	Quarter 4 Change	2025 Change
DJIA	42,544.22	46,397.89	48,063.29	0.73 %	3.59 %	12.97 %
NASDAQ	19,310.79	22,660.01	23,241.99	-0.53 %	2.57 %	20.36 %
S&P 500	5,881.63	6,688.46	6,845.50	-0.05 %	2.35 %	16.39 %
Russell 2000	2,230.16	2,436.48	2,481.91	-0.68 %	1.86 %	11.29 %
Global Dow	4,863.01	5,917.39	6,169.34	1.81 %	4.26 %	26.86 %
Fed. Funds	4.25%-4.50%	4.00%-4.25%	3.50%-3.75%	- 25 bps	- 50 bps	- 75 bps
10-yr Treasury	4.57%	4.14%	4.16%	14 bps	2 bps	- 41 bps
US Dollar-DXY	108.44	97.82	98.26	-1.22 %	0.45 %	- 9.39 %
Crude Oil-CL=F	\$ 71.76	\$ 62.51	\$ 57.46	- 3.38 %	- 8.08 %	- 19.93 %
Gold-GC=F	\$ 2,638.50	\$ 3,882.60	\$ 4,323.90	1.74 %	11.37 %	63.88 %

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Snapshot 2025

The Markets

- **Equities:** Despite early-year volatility driven by trade policy uncertainties, 2025 proved to be a strong year for U.S. equities, with the major indexes (the Dow, the S&P 500, and the NASDAQ) delivering solid annual returns. The market's resilience was supported by solid corporate profitability, a pivot in Federal Reserve monetary policy, and a stabilization of trade relations after a rocky second quarter. Among the major U.S. market indexes, the NASDAQ outperformed, driven by continued strength in AI and tech giants. The S&P 500 notched its eighth straight monthly gain in December, largely influenced by corporate profit growth.

The Dow recovered from a deep dive in April to end the year on an upward trend. U.S. small caps, as measured by the Russell 2000, had a decent but choppy year. While a nearly 11.0% annual return was historically solid, it lagged behind the three major U.S. indexes. On the other hand, 2025 was a banner year for global blue chips. After years of U.S. tech dominance, non-U.S. markets (particularly in Europe and parts of Asia) rallied. The Global Dow, which tracks 150 leading companies from around the world, significantly outperformed the major U.S. market indexes. The Global Dow saw consistent growth through Q2 and Q3, accelerating in Q4 to finish 2025 near record highs.

- **Bonds:** After years of historic volatility, 2025 offered fixed income investors a "solid" year. While bonds did not match the double-digit rallies seen in equities, they fulfilled their traditional role of providing income and stability, with most core indices finishing firmly in the green. The 2025 U.S. Treasury bond market, however, was defined by significant volatility influenced by new economic legislation, persistent inflation, a shift in fiscal policy expectations, and the conclusion of the Federal Reserve's restrictive interest rate cycle. The 10-year Treasury yield, which began the year at 4.57%, ended the year around 4.16%. Meanwhile, the two-year yield fell more aggressively to approximately 3.46%, reflecting the Fed's rate cuts.

- **Oil:** In 2025, the crude oil market was defined by a steady downward trend, ending the year at some of its lowest levels since the COVID-19 pandemic. Despite temporary surges driven by geopolitical tensions in Ukraine and the Middle East, a combination of record-breaking U.S. crude production and cooling global demand, particularly from China, led to a cumulative price decline of approximately 20.0% over the year.

- Prices at the pump trended higher for the first half of the year, only to decline throughout the remainder of the year. Prices largely responded to changes in global economics, supply and demand, and other extraordinary factors attributable to the unrest in the Middle East. The average retail price for a gallon of regular gasoline was \$3.047 at the beginning of the year. By the end of June, the price had risen to \$3.213 per gallon, then steadily declined for the remainder of the year, closing with an average price of \$2.811 on December 29.

- **FOMC/interest rates:** The Federal Open Market Committee (FOMC) navigated a complex year defined by "stubborn" inflation, a cooling labor market, and significant geopolitical shifts, including the impact of new trade tariffs. After a period of holding rates steady in the first half of the year, the Fed shifted to a series of 25-basis-point rate cuts starting in September through December, which brought the federal funds target rate range down 75 basis points to 3.50%-3.75%. This brought borrowing costs to their lowest level since 2022. The FOMC is entering 2026 with a cautious stance. Their updated projections suggest only one additional 25-basis-point rate cut for the entirety of 2026.

- **US Dollar-DXY:** The U.S. dollar experienced its most challenging year in decades, ending a long period of dominance with a significant annual decline. After starting the year at historic highs, the U.S. Dollar Index (DXY) fell by more than 9.0% over the course of the year, marking its steepest drop since 2017. The dollar's downturn was driven by a combination of fiscal, political, and technical factors, including broad-based tariffs and fiscal concerns that led to the downgrading of the U.S. long-term sovereign credit rating.

- **Gold:** Gold enjoyed a record-breaking year, characterized by an unprecedented rally that saw the precious metal surge nearly 70.0%, its strongest annual gain in over 40 years. Prices rose from roughly \$2,600 at the start of the year to an all-time high of over \$4,500 per ounce before settling at around \$4,324.00.

Latest Economic News

The following section contains a review of the latest economic data available as of January 30, 2026.

- **Employment:** Job growth was little changed in December, with the addition of 50,000 new jobs and has shown little change since April. The change in employment for October was revised down by 68,000, from -105,000 to -173,000, and the change for November was revised down by 8,000, from +64,000 to +56,000. With these revisions, employment in October and November combined was 76,000 lower than previously reported. The unemployment rate was 4.4% in December, 0.1 percentage point lower than the previous rate but 0.3 percentage point above the December 2024 estimate. The number of unemployed persons in December, at 7.5 million, edged down 278,000 from November but was 583,000 above the December 2024 estimate. The number of long-term unemployed (those jobless for 27 weeks or more) was essentially unchanged at 1.9 million from November and accounted for 26.0% of all unemployed persons.

The total number of long-term unemployed in December was 397,000 above the estimate from a year earlier. The labor force participation rate inched down 0.1 percentage point to 62.4% in December from November and was 0.1 percentage point below the rate from December 2024. The employment-population ratio in December, at 59.7%, increased 0.1 percentage point from November and 0.2 percentage point from December 2024 (59.9%). In December, average hourly earnings increased by \$0.12, or 0.3%, to \$37.02. Over the past 12 months ended in December, average hourly earnings rose by 3.8%. The average workweek decreased by 0.1 hour to 34.2 hours in December.

- There were 209,000 initial claims for unemployment insurance for the week ended January 24, 2026. During the same period, the total number of workers receiving unemployment insurance was 1,827,000. The insured unemployment rate was 1.2%, the same rate as a year earlier. There were 210,000 initial claims a year ago, while the total number of workers receiving unemployment insurance was 1,849,000.

- **FOMC/interest rates:** The Federal Open Market Committee (FOMC) left the federal funds target rate range at its current 3.50%-3.75%. The majority of the Committee members based their decision on the facts that economic activity has been expanding at a solid pace, the unemployment rate showed signs of stabilization, job gains remained low, and inflation continued to be somewhat elevated. Ten members of the Committee voted in favor of the monetary policy decision, while two members voted to reduce rates by 25.0 basis points.

- **GDP/budget:** The economy expanded in the third quarter of 2025, impacted by a notable drop-off in goods imports due to tariffs, an increase in exports, and strong consumer spending. Gross domestic product accelerated at an annualized rate of 4.4% in the third quarter following an increase of 3.8% in the second quarter. A year ago, GDP expanded at an annualized rate of 3.3% in the third quarter. Consumer spending, as measured by the personal consumption expenditures index, rose 3.5% in the third quarter, higher than in the second quarter (2.5%) but below the 2024 pace of 4.0%. Spending on services rose 3.6% in the third quarter, compared with a 2.6% increase in the second quarter. Consumer spending on goods increased 3.0% in the third quarter (2.2% in the second quarter). Private domestic investment advanced from -13.8% in the second quarter to 0.0% in the third quarter. Nonresidential (business) fixed investment rose 3.2% in the third quarter compared with a 7.3% increase in the second quarter. Residential fixed investment declined 7.1% in the third quarter, higher than the 5.1% decrease in the second quarter. Exports rose 9.6% in the third quarter, compared with a 1.8% decrease in the previous quarter. Imports, which are a negative in the calculation of GDP, declined 4.4% in the third quarter after falling 29.3% in the second quarter.

- December 2025 saw the federal budget deficit come in at \$145 billion, roughly \$58 billion more than the deficit of \$87 billion from a year earlier. In December, receipts totaled \$484 billion, while expenditures were \$629 billion. Over the three months of the current fiscal year, the government deficit sits at \$602 billion, 18% less than the cumulative deficit over the same period of the previous fiscal year. Over the same three months, individual income taxes, at \$606 billion, account for nearly half of the total receipts of \$1,225 billion. Total expenditures for this fiscal year equal \$1,827 billion, of which Social Security (\$402 billion) and National Defense (\$267 billion) account for the largest outlays.

- **Inflation/consumer spending:** According to the latest Personal Income and Outlays report, which covers October and November, personal income increased 0.1% in October, followed by a 0.3% advance in November. Disposable (after-tax) personal income ticked up 0.1% in October, followed by an increase of 0.3% in November. Personal consumption expenditures (PCE) rose 0.5% in October, the same increase as in November.

From the preceding month, the PCE price index increased 0.2% in both October and November. Excluding food and energy, the PCE price index also increased 0.2% in both months. From the same month one year ago, the PCE price index increased 2.7% in October, followed by an increase of 2.8% in November. Excluding food and energy, the PCE price index also increased 2.7% in October, followed by an advance of 2.8% in November.

- The Consumer Price Index advanced 0.3% in December and 2.7% for the year, which was the same increase as over the 12 months ended in November. The largest factor in the December increase was a 0.4% rise in shelter prices. Food prices increased 0.7% over the month, while energy prices rose 0.3% in December. Prices less food and energy rose 0.2% in December. Over the last 12 months, prices for shelter rose 3.2%, energy prices increased 2.3%, and food prices increased 3.1%.

- The latest data reveals that the Producer Price Index increased 0.5% in December after rising 0.2% in November. Producer prices increased 3.0% in 2025 after advancing 3.5% in 2024. In December, prices for goods were unchanged from the previous month, while prices for services rose 0.7%. Excluding foods, energy, and trade services, producer prices moved up 0.4% in December.

- **Housing:** Existing home sales rose 5.1% in December and 1.4% over the last 12 months. Inventory of existing homes for sale in December, at a 3.3-month supply, declined 21.4% from November's estimate but was in line with the rate from December 2024. The median sales price in December was \$405,400, down from \$410,000 in November, but higher than the December 2024 estimate of \$403,700.

Sales of existing single-family homes also rose 5.1% in December (1.8% over the last 12 months). The median sales price for existing single-family homes in December was \$409,500, down from the November price of \$415,100, and marginally higher than the December 2024 price of \$408,500.

- The latest report on new home sales from the Census Bureau was released on January 13 and was for October. Sales of new single-family houses in October 2025 were 0.1% below the September rate but 18.7% above the October 2024 estimate. Inventory of new single-family homes for sale in October represented a supply of 7.9 months at the current sales rate, virtually unchanged from the September estimate but 15.1% below the estimate from a year earlier.

The median sales price of new houses sold in October 2025 was \$392,300. This was 3.3% below the September 2025 price of \$405,800 and 8.0% below the October 2024 price of \$426,300. The average sales price of new houses sold in October 2025 was \$498,000. This was 3.0% above the September 2025 price of \$483,500 but was 4.6% below the October 2024 price of \$521,900.

- **Manufacturing:** Industrial production (IP) increased 0.4% in December and grew 2.0% for the year. Manufacturing output rose 0.2% in December and 2.0% for 2025. In December, the index for mining fell 0.7% (+1.7% for the year), while the index for utilities climbed 2.6% (+2.3% for 2025).

- New orders for durable goods, up three of the last four months, rose 5.3% in November. This followed a 2.1% September decline. Excluding transportation, new orders increased 0.5%. Excluding defense, new orders increased 6.6%. Transportation equipment led the November increase, climbing 14.7%, marking the third monthly increase in the last four months.

- **Imports and exports:** U.S. import prices increased 0.4% over the two months from September 2025 to November 2025, according to the latest report from the Bureau of Labor Statistics (BLS). Prices for exports increased 0.5% over the two months from September 2025 to November 2025. The BLS did not collect survey data for October 2025 due to a lapse in appropriations. Prices for imports increased 0.1% from November 2024 to November 2025. Export prices increased 3.3% over 12-months ending in November.

- The international trade in goods deficit for August was \$85.5 billion, 16.8% under the July estimate. Exports of goods for August dipped 1.3%, while imports of goods declined 7.0%. Over the 12 months ended in August, exports decreased 0.4% and imports fell 4.1%.

- The latest information on international trade in goods and services, released January 29, 2026, was for November and revealed that the goods and services trade deficit was \$56.8 billion, an increase of \$27.6 billion from the October deficit. November exports were \$292.1 billion, \$10.9 billion, or 3.6% less than October exports. November imports were \$348.9 billion, \$16.8 billion, or 5.0%, above the October estimate. Year to date, the goods and services deficit increased \$32.9 billion, or 4.1%, from the same period in 2024. Exports increased \$185.7 billion, or 6.3%. Imports increased \$218.6 billion, or 5.8%.

- **International markets:** European equities opened 2026 with record highs, extending the strong rally from late 2025. Tech and defense stocks were the main drivers of gains in January. European investors mostly shrugged off geopolitical tensions, particularly U.S. military involvement in Venezuela and tariff threats related to Greenland. Asian markets saw a heavy influx of capital and record-setting indexes but mixed performance across major countries. For January, the STOXX Europe 600 Index rose 2.6%; the United Kingdom's FTSE advanced 2.5%; Japan's Nikkei 225 Index gained 5.9%; and China's Shanghai Composite Index increased 3.8%.

- **Consumer confidence:** January saw consumer confidence decline after a moderate increase in December. The Conference Board Consumer Confidence Index® decreased 9.7 points in January to 84.5 from an upwardly revised 94.2 in December. The Present Situation Index, based on consumers' assessment of current business and labor market conditions, fell 9.9 points to 113.7 in January. The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, decreased 9.5 points to 65.1 in January, well below the threshold of 80.0 that usually signals a recession ahead.

Warmest regards,

Financial Concepts Unlimited, Inc.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

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