



Benchmark Returns as of December 31, 2025

	For the Month	For the Year		For the Month	For the Year
S&P 500	0.06%	17.88%	Bloomberg Aggregate Bond Index	-0.15%	7.30%
Dow Jones Industrial Average	0.92%	14.92%	Developed International	3.01%	31.89%
Nasdaq	-0.47%	21.14%	Emerging Markets	3.02%	34.36%

A Triple Play for Double-Digit Returns



The bull market in U.S. equities that began in mid-October 2022 continued through the final month of 2025. Following gains of 26.3% and 25.0% in 2023 and 2024, respectively, the S&P 500 notched a 17.9% gain in 2025. A “triple double”

for the S&P 500 has occurred only three other times since 1952. After a brief summary of data for December, we will look back at some of the most notable market influences of the past year. We will conclude with a list of top investment issues as the new year commences.

DECEMBER SUMMARY Major U.S. equity indexes were rangebound for the month. The benchmark S&P 500 backed off from its closing high on December 24th (its 39th for the year) but ended the month with a fractional gain logging a total annual return of nearly 18%.

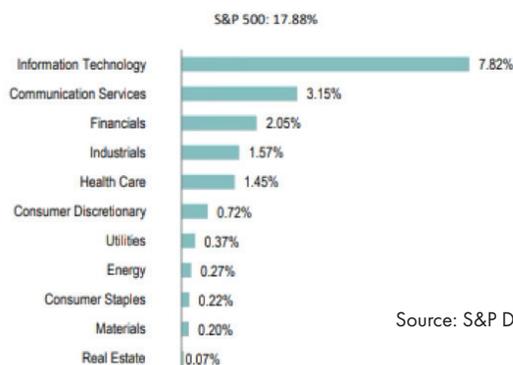
The Federal Reserve cut the fed funds rate by 0.25% at the conclusion of the December 9-10 FOMC meeting. This brought the benchmark short-term lending rate to a range of 3.50% - 3.75%. The outlook for interest rates in 2026 is still coalescing, but at least one more quarter-point cut is expected. Investors are weighing the potential impact of the still-unannounced successor to current Fed chair Jerome Powell, whose term ends in May. The first FOMC meeting of 2026 will be held January 27–28.

The calendar of economic releases from U.S. agencies is still normalizing after the 43-day government shutdown. As a result, much of December’s data was backward-looking and sometimes hard to interpret. Still, major reports came in as, or better than, expected. The Consumer Price Index eased to 2.7% year-over-year in November, the November unemployment rate ticked up to 4.6%, and the initial estimate of third-quarter GDP showed remarkable growth of 4.3%.

2025 IN REVIEW U.S. financial markets navigated an unusually policy-driven and eventful backdrop in 2025. The sharpest bout of volatility followed the April 2 “Liberation Day” tariff announcements. Equities swiftly fell nearly 20% as investors reassessed growth and inflation risks and priced in potential retaliation. The selloff was remarkably short-lived: subsequent tariff “pauses” and shifting headlines produced powerful relief rallies. Investors repeatedly returned their focus to earnings resilience and secular themes such as AI-related capital spending.

The rampant enthusiasm for artificial intelligence softened as a healthy skepticism about AI’s ability to transform the economy emerged. Still, the tech-led rally was intact, as seen top right:

S&P 500 Sector Contribution 2025



Source: S&P Dow Jones Indices

Geopolitical tensions remained a persistent source of headline risk, but market reactions were muted. In other global news, international markets – both developed and emerging – broadly outpaced the U.S. in 2025, helped by more attractive valuations and a weaker U.S. dollar.

The Federal Reserve resumed its rate-cut cycle in September, prompting a broad decline in bond yields across much of the fixed income market. Given the inverse relationship between yields and prices, major fixed-income indices posted solid gains.

CONCLUSION AND 2026 OUTLOOK It is impossible to predict where the markets will be in another year’s time. The range of outcomes for 2026 is considerable and we are always mindful of the uncertainties inherent in the investment process. While not exhaustive, the issues we are examining include:

- Will spending on AI infrastructure continue and begin to deliver tangible results and productivity gains?
- Will corporate earnings justify the current high equity valuations?
- Will inflation decline to the Fed’s desired 2% pace?
- Will the labor market reach equilibrium with the reduced number of workers due to immigration enforcement?
- Will geopolitical tensions have lasting implications for the financial markets?
- Will mortgage rates and home prices find a level that re-ignites the housing market?
- Will the Supreme Court roll back Trump’s 2025 tariffs, and with what consequences?

We will continue to navigate the evolving landscape to best position client portfolios for success.

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