



# SilverOak

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WEALTH MANAGEMENT LLC

**Fourth Quarter 2025 Market Summary**

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# Fourth Quarter 2025 Market Summary

Investors had reason to be satisfied with 2025, as strong returns were delivered across all major asset classes. This outcome came despite heightened volatility in the first half of the year, as the equity market endured a near-bear market driven by new tariff policies that weighed on global trade and market sentiment. As uncertainty subsided, renewed momentum in the second half was fueled by continued investment in AI infrastructure and pockets of resilient consumer spending. Investors who remained optimistic and broadly diversified were rewarded.

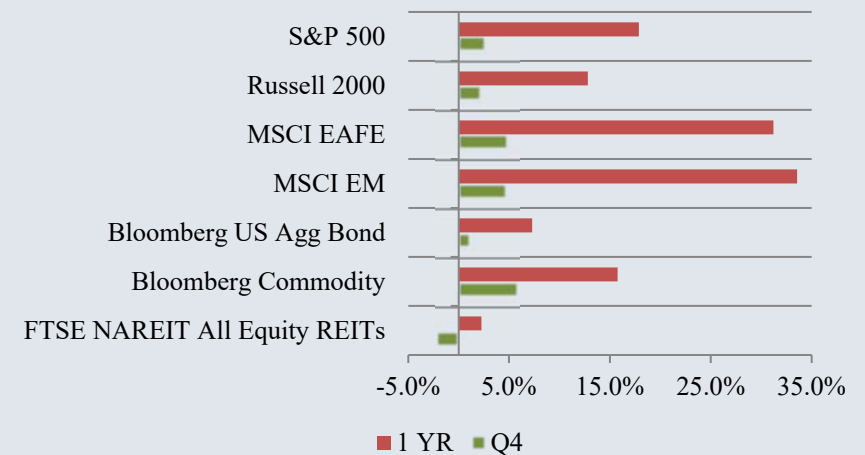
## 2025 Markets in Review

Equities continue to generate positive wealth effects, with the U.S. equity market posting its third consecutive year of returns exceeding 15%. The chart below shows that U.S. large company stocks, as represented by the S&P 500 Index, increased by 17.9% during the year, while U.S. small company stocks, as represented by the Russell 2000 Index, rose 12.8%. All eleven S&P 500 sectors posted positive returns, led by the technology and communication services sectors. Importantly, 2025 equity returns were driven primarily by earnings growth rather than valuation expansion, marking a healthier backdrop than in prior years, when multiple expansion played a larger role. Looking ahead to 2026, earnings growth is expected to remain robust, which could provide continued support for equities and create opportunities for a broader set of companies, including non-technology sectors, to contribute more meaningfully to market gains.

Regional diversification within equities proved particularly beneficial this year, as international markets outperformed U.S. equities by the widest margin since the early 2000s. International stocks, represented by the MSCI ACWI ex US Index, gained 32.4% during 2025. Emerging markets were up 33.6%, amid robust earnings growth. International returns were aided by a depreciating U.S. dollar and improving investor sentiment, which contributed to valuation expansion. The environment for international equities is more supportive than at any point in the past decade. Across many regions, fiscal and monetary policy has become more supportive, and ongoing investment in areas like defense and AI is adding to overall momentum. Financial stocks have benefited from a steeper yield curve and continuing corporate governance reforms implemented over recent years continue to enhance shareholder returns. Moreover, rising interest rates in Japan may prompt a reallocation of capital toward international markets following a prolonged period of U.S. market dominance. Taken together, these dynamics present a compelling case for continued performance in international equities.

The Bloomberg Barclays U.S. Aggregate Bond Index, representing a broad basket of bonds, reported a positive 7.3% return during the year. After cutting the federal funds rate by 100 basis points in 2024, the Federal Reserve held rates steady throughout the first nine months of 2025. Rate cuts resumed later in the year, with the Fed lowering rates by a cumulative 75 basis points across three meetings, bringing the target range to 3.5%–3.75%. With the Committee’s long-run projected rate at 3.0%, the scope for additional easing in 2026 appears limited, even amid ongoing political pressure to reduce rates. The yield curve should continue to steepen and fixed income investors can expect returns to be more in line with coupons as price appreciation may not be as beneficial as in 2025.

## Broad Market Index Returns Fourth Quarter 2025



## Looking Ahead

It is reasonable to question whether returns can continue at this pace. While market advances are rarely linear and periods of consolidation or pullbacks are both normal and healthy, many underlying data points remain solid. Despite broader uncertainties, many public companies continue to report a strong economic backdrop in their outlooks. Earnings and margins, which drive equity returns over the long term, continue to trend higher.

## Fourth Quarter 2025 Market Summary (continued)

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Recently, increased attention has been given to the perception of a K-shaped economy, where different segments are moving in opposite directions. Certain areas of the economy continue to perform well, while others face continued challenges. The upper arm of the “K” remains dominated by large public companies, particularly in technology-related industries, with strong balance sheets and robust cash flows. In contrast, the lower arm of the “K” represents by smaller companies that are under greater pressure from tariffs and higher interest rates.

The K-shaped dynamic is also evident at the household level. Rising asset prices have disproportionately benefited higher-income households, while lower-income households are more exposed to a softer labor market and ongoing inflation pressures. While a weakening labor market could weigh on consumer spending, lower-income households account for a smaller share of overall consumption. Higher-income consumers, supported by positive wealth effects, continue to drive a disproportionate share of spending. As a result, economic activity remains primarily supported by the upper end of both the corporate and household spectrum.

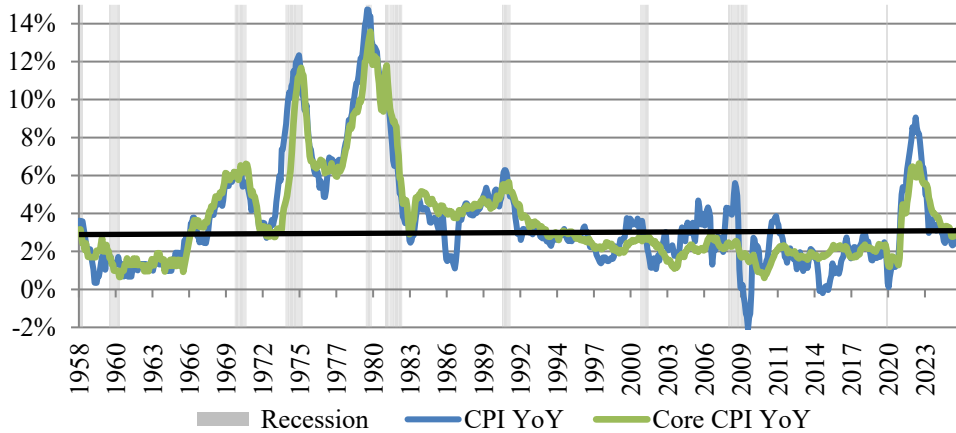
As 2026 unfolds, there remains a constructive path through the prevailing uncertainties. The economy is likely to benefit from tailwinds on both the fiscal and monetary fronts, adding liquidity to the broader economy and financial markets. While periods of volatility may emerge, driven by factors such as waning confidence in AI-driven growth, the upcoming Supreme Court ruling on tariffs, and unforeseen geopolitical developments, the underlying policy backdrop, coupled with strong corporate earnings, provides a cushion against more severe or prolonged downturns.

Should markets experience a setback, several supportive factors could help reestablish momentum. These include lower interest rates, which would ease financial conditions for consumers and businesses; tax refunds that could bolster consumer spending; and a recovery in manufacturing as inventories normalize. In addition, lower interest rates could stabilize or fuel a rebound in housing activity, while sustained investment in AI infrastructure and related technologies remains a powerful longer-term growth driver. Taken together, these forces suggest that while risks remain, the environment continues to offer meaningful sources of support for economic growth and market performance.

## MACROECONOMICS

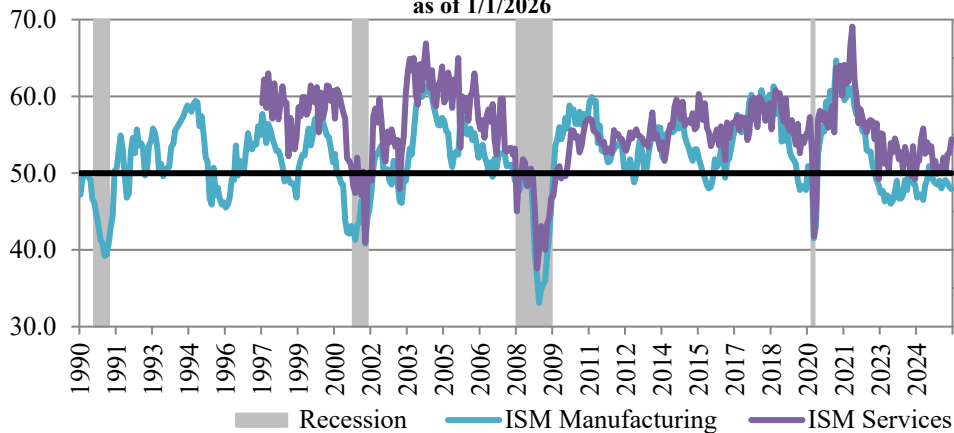
- The Bureau of Economic Analysis released the updated estimate of third quarter 2025 real GDP, an annual rate increase of 4.4% from the preceding quarter.
- Inflation remains contained within the Federal Reserve's target range of 2-3%. In December, headline CPI increased 2.7% year-over-year. Core CPI, which excludes food and energy, also increased 2.6%.

**Inflation - Consumer Price Index (CPI)**  
as of 1/13/2026



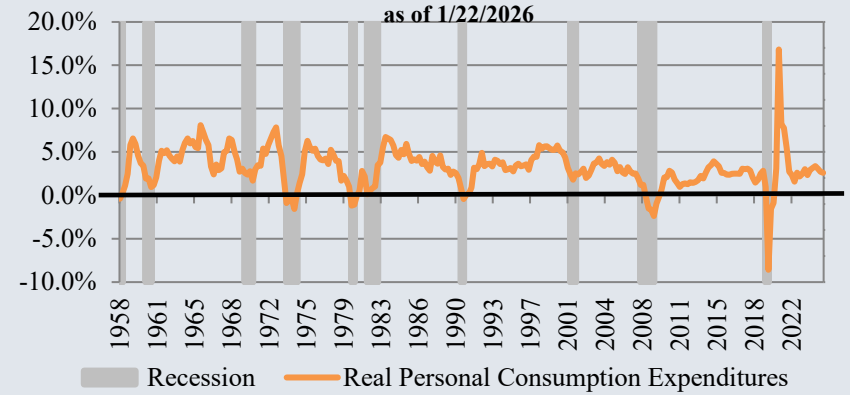
- The ISM Manufacturing Index was slightly lower during the quarter, finishing at 47.9 versus 49.1 in September. Typically, when the ISM Index is above 55 it is bullish and when it is below 45 it is bearish. The ISM Non-Manufacturing Index rose during the quarter finishing at 54.4 in December.

**ISM PMI Indices**  
as of 1/1/2026



- The Real Personal Consumption Expenditures grew at 2.6% year-over-year in 3Q, indicating consumers continue to fuel economic growth.

**Real Personal Consumption Expenditures**

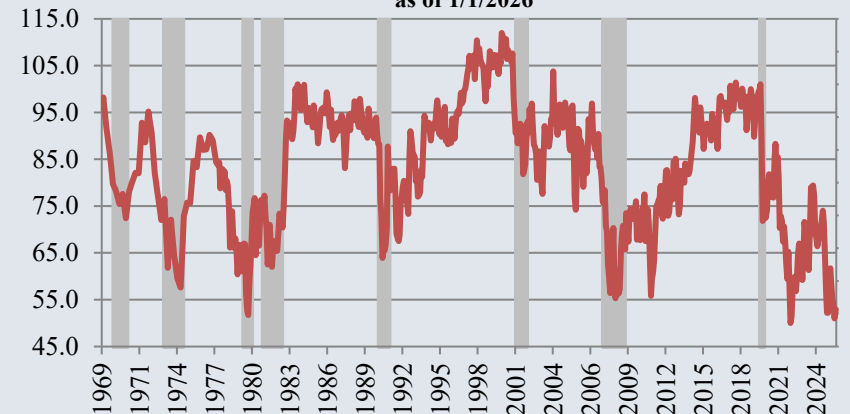


- The U.S. dollar was roughly flat vs. the third quarter but has depreciated by approximately 10% over the past year.

## CONFIDENCE METRICS

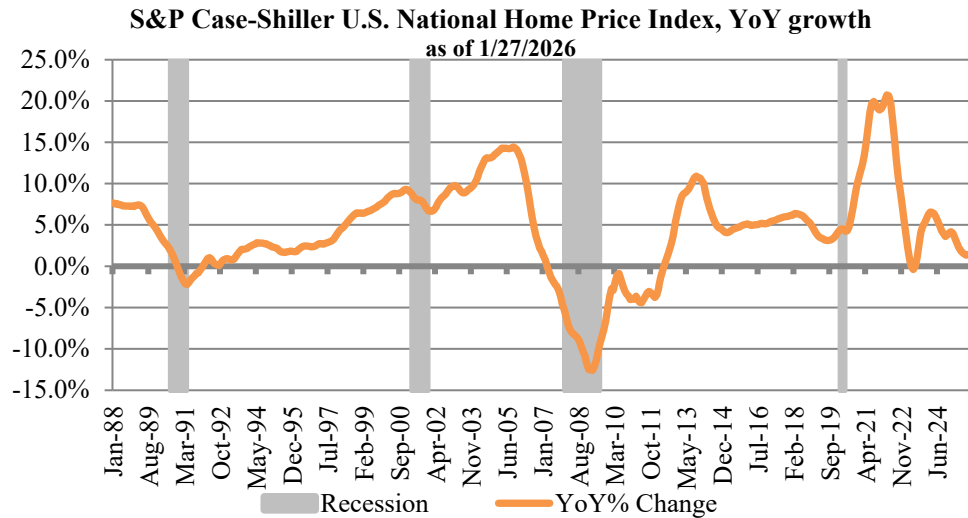
- The Conference Board's Consumer Confidence Index December reading was 89.1, a decrease from 95.6 in September. Consumers remain concerned with the economy and a weakening labor market.
- The University of Michigan Consumer Sentiment Index final reading for December was 52.9, down from the third quarter. The index can often be viewed as a contrarian indicator: low readings have historically been followed by above-average equity market returns, and vice versa.

**University of Michigan Consumer Sentiment Index**  
as of 1/1/2026

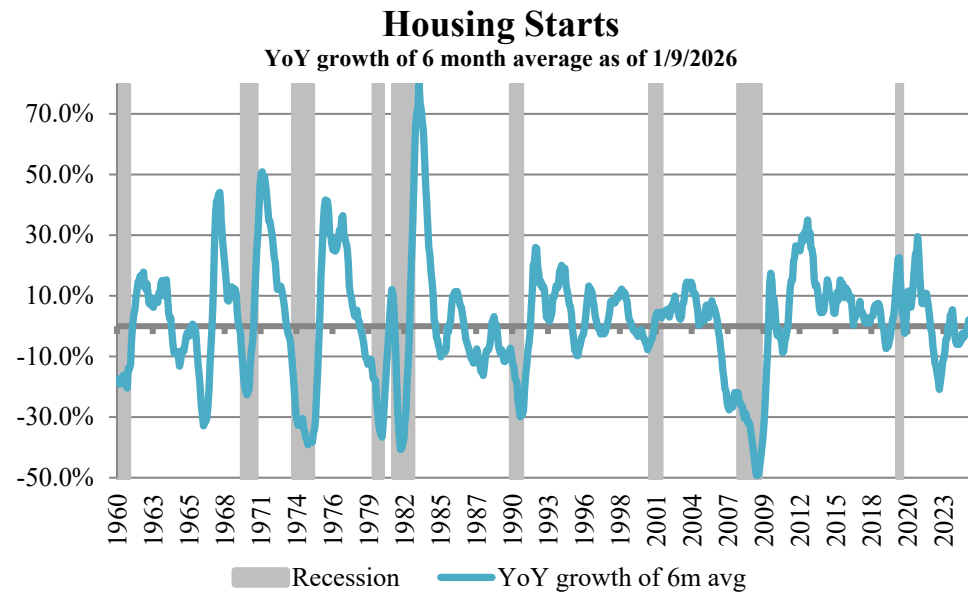


## HOUSING

- S&P Case-Shiller U.S. National Home Price Index (seasonally adjusted) showed home prices increased 1.4% year-over-year in November.

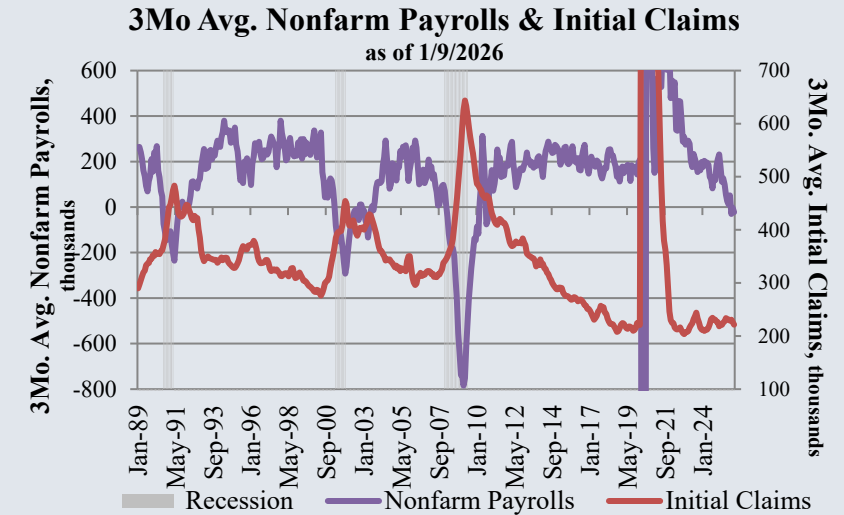


- Housing starts have remained subdued over the past two years, in part, due to higher financing costs. The housing market remains supply challenged.

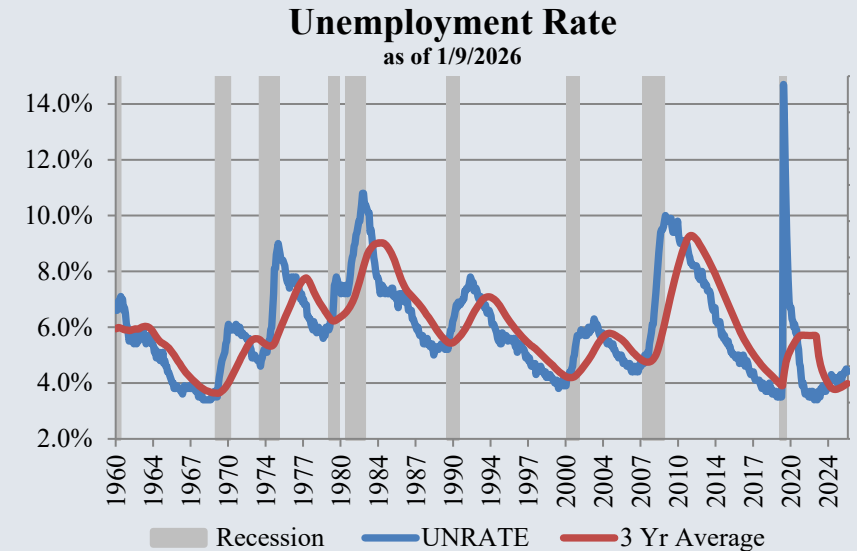


## EMPLOYMENT

- During the quarter, nonfarm payrolls continued to decline, averaging only 50,000 jobs added per month, but initial claims remain low.



- The unemployment rate was flat during the quarter to 4.4% and remains above its three-year average, showing potential weakness.

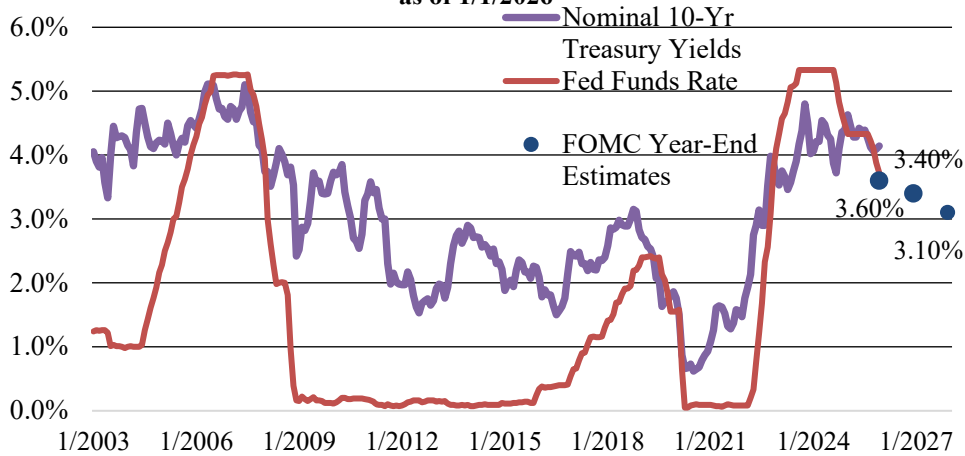


## FED POLICY

- During the quarter, the Federal Open Market Committee (FOMC) lowered the federal funds rate to 3.50%-3.75%. The Fed is forecasting further rate cuts in 2026.

### U.S. 10-Year Treasury Yield vs. Fed Funds Rate

as of 1/1/2026



- The Fed ceased reducing its balance sheet in December but noted it could initiate further purchases of Treasuries if needed.

### Federal Reserve Balance Sheet, assets in trillions \$

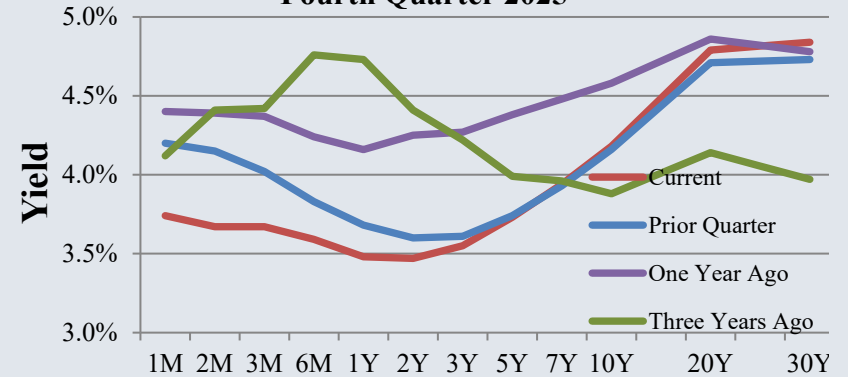
as of 1/15/2026



## FIXED INCOME

- During the quarter, yields fell on the short-end of the U.S. Treasury curve. Yields on the intermediate to long-end of the curve were relatively unchanged. Short-term interest rates are controlled or heavily influenced by central banks, whereas long-term interest rates are affected by market forces and economic growth.

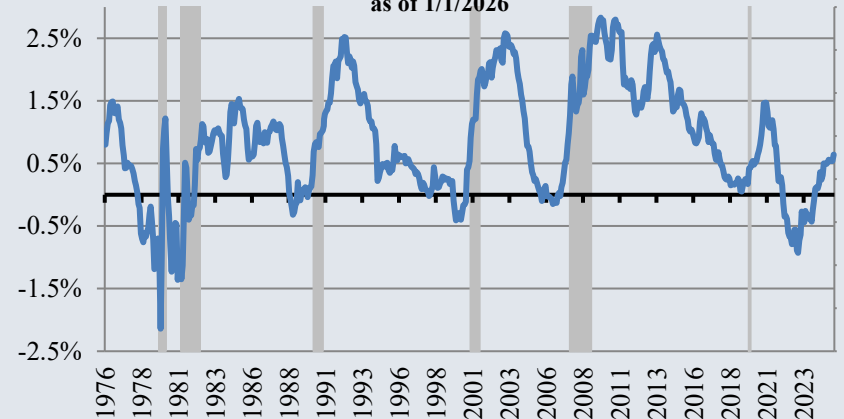
### U.S. Treasuries Yield Curve Fourth Quarter 2025



- The spread between short and intermediate-term Treasuries remained positive. The curve had been inverted for over two years, the longest such occurrence. Historically, an inverted yield curve has signaled a recession. This time, while the overall economy avoided one, certain sectors, such as manufacturing, faced downturns.

### U.S. Treasury Spread 10-year vs. 2-year

as of 1/1/2026



## FIXED INCOME (continued)

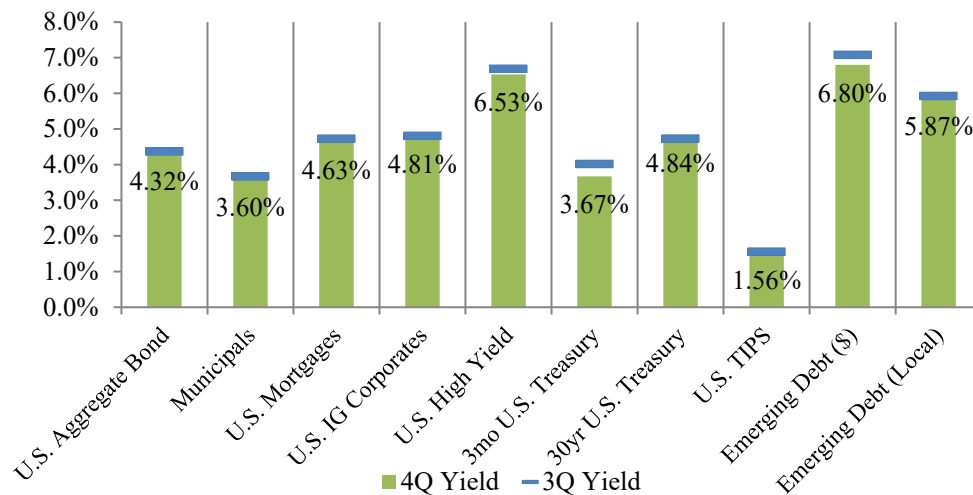
- During the quarter, the Bloomberg Barclays U.S. Aggregate was up 1.10%. High Yield and Emerging Market Debt outperformed as high income and a weaker U.S. dollar added to returns. Munis rebounded and remain attractive.

	4Q 25 Return	1-Yr Return	5-Yr Return	10-Yr Return
U.S. Aggregate Bond	1.10%	7.30%	-0.36%	2.01%
Municipals	1.56%	4.25%	0.80%	2.34%
U.S. Mortgages	1.71%	8.58%	0.15%	1.59%
U.S. IG Corporates	0.84%	7.77%	-0.09%	3.27%
U.S. High Yield	1.31%	8.62%	4.51%	6.53%
3mo U.S. Treasury	0.99%	4.23%	3.23%	2.21%
30yr U.S. Treasury	-0.50%	3.73%	-9.17%	-0.88%
U.S. TIPS	0.13%	7.01%	1.12%	3.09%
Emerging Debt (\$)	3.29%	14.30%	1.78%	4.40%
Emerging Debt (LCL)	3.34%	19.26%	1.12%	3.88%

Bloomberg and JPMorgan Indices

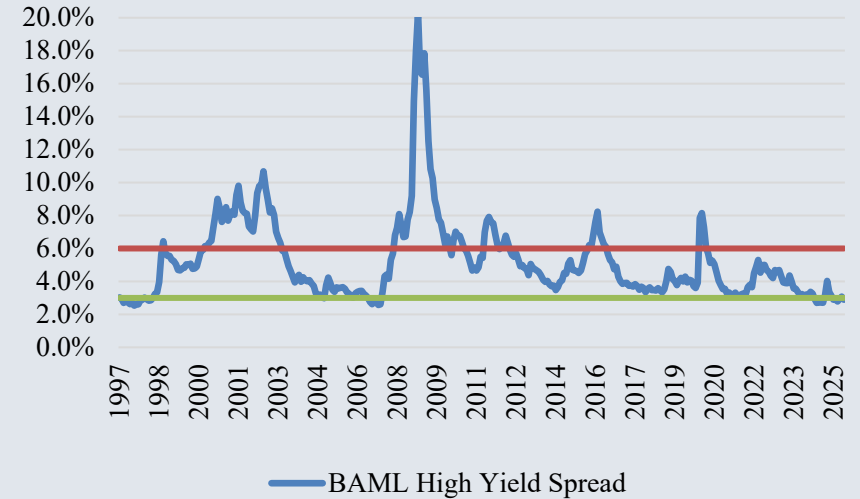
- Yields decreased during the fourth quarter and remain a positive source of income.

### Fixed Income Yields Fourth Quarter 2025



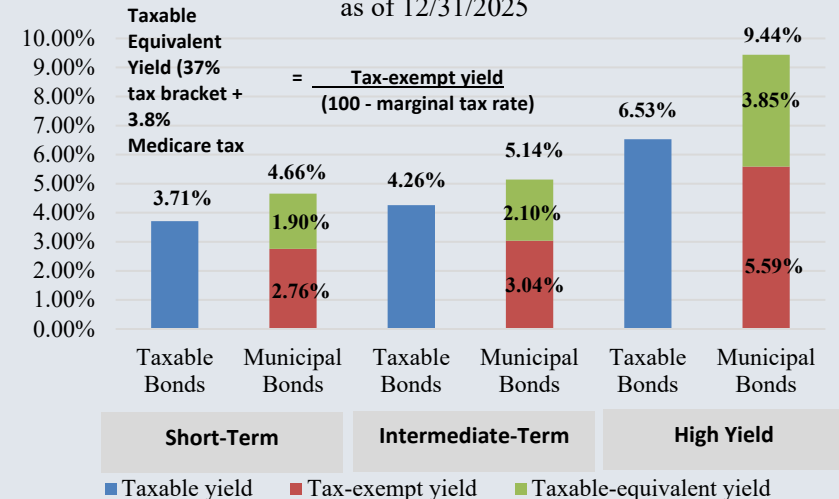
- Credit spreads slightly widened during the quarter but remain near historically low levels.

### Credit Spreads - High Yield as of 1/1/2026



- Municipals are currently more attractive relative to taxable bonds on an after-tax basis for investors in the highest marginal tax bracket.

### Taxable and Tax-equivalent Yields as of 12/31/2025



## DOMESTIC EQUITIES

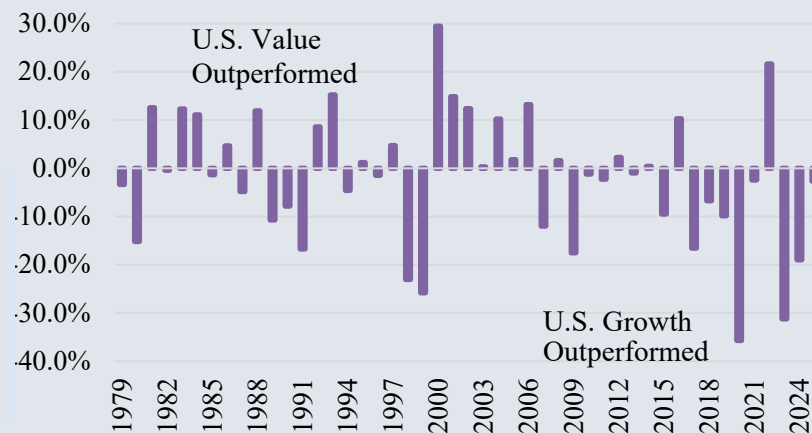
Fourth Quarter 2025 Returns			
	Value	Core	Growth
Mega Cap		3.0%	
Large Cap	3.8%	2.4%	1.1%
Mid Cap	1.4%	0.2%	-3.7%
Small Cap	3.3%	2.2%	1.2%
Micro Cap	9.4%	6.3%	2.1%

- The Russell 1000 Index, comprising of large and mid-capitalization stocks, posted a positive total return of 2.4% during the fourth quarter. On a year-over-year basis, the Russell 1000 Index has increased 17.4%.
- Small capitalization stocks, as represented by the Russell 2000 Index, increased 2.2% during the fourth quarter. On a year-over-year basis, the index has increased 12.8%.

	S&P 500 Weight	Russell 1000 Value Weight	Russell 1000 Growth Weight	4Q 25 Return	1-Yr Return	10-Yr Return
Energy	2.8%	5.7%	0.3%	1.5%	8.7%	8.3%
Materials	1.8%	4.0%	0.3%	1.1%	10.5%	9.9%
Financials	13.4%	22.3%	6.4%	2.0%	15.0%	13.2%
Industrials	8.2%	13.0%	6.0%	0.9%	19.4%	13.0%
Cons. Disc.	10.4%	7.4%	13.4%	0.7%	6.0%	13.2%
Technology	34.4%	11.3%	50.3%	1.4%	24.0%	24.3%
Comm. Services	10.6%	8.5%	12.1%	7.3%	33.6%	14.1%
Real Estate	1.8%	4.0%	0.4%	-2.9%	3.2%	6.4%
Health Care	9.6%	12.2%	8.1%	11.7%	14.6%	9.9%
Cons. Staples	4.7%	7.2%	2.4%	0.0%	3.9%	8.2%
Utilities	2.2%	4.4%	0.3%	-1.4%	16.0%	10.6%
S&P 500 Index	100.0%	100.0%	100.0%	2.7%	17.9%	14.8%

- During the quarter, Health Care and Communication Services outperformed, while nine of eleven sectors had positive performances. Real Estate and Consumer Staples have been notable laggards over the past year.

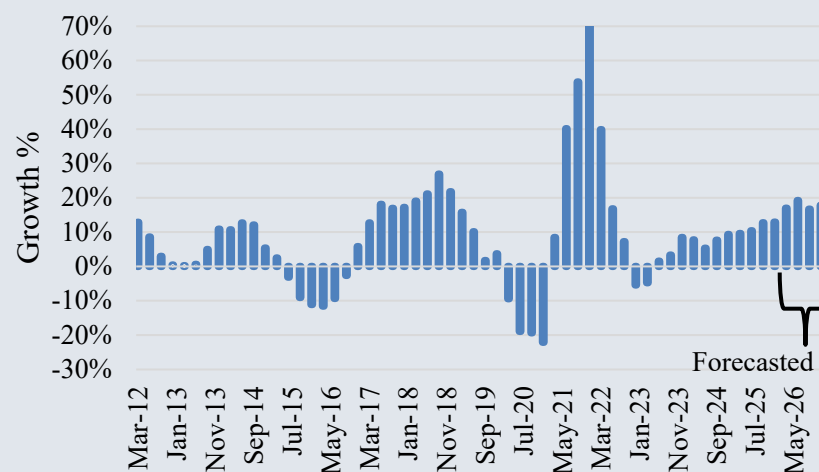
## U.S. Value vs. Growth Relative Equity Performance (as of 12/31/25)



Russell 1000 Value TR vs. Russell 1000 Growth TR

- Value outperformed Growth during the quarter. However, Growth has outperformed for fourteen out of the past nineteen years, as large tech companies have grown earnings and market cap significantly.

## S&P 500 Earnings Growth Trailing 12-Month Operating Earnings Growth YoY (as of 1/16/2026)



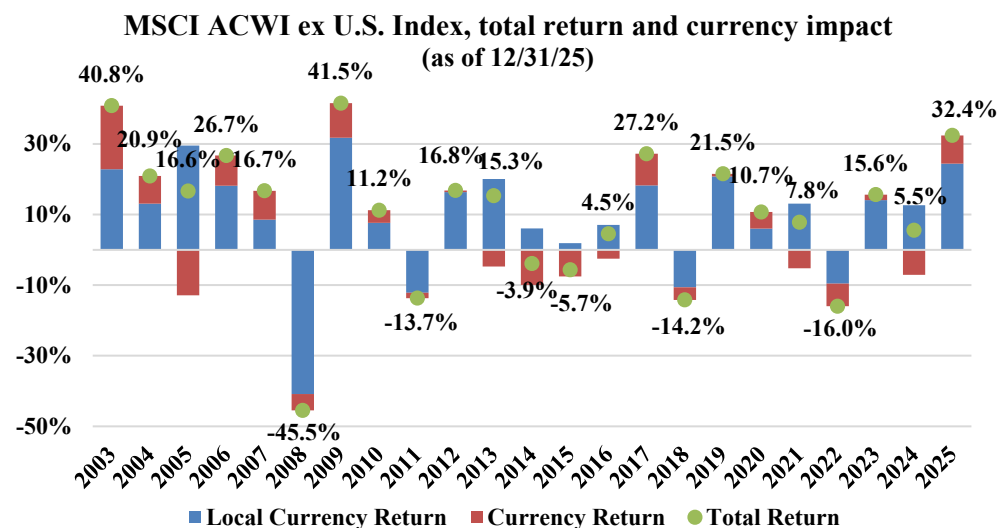
- Corporate earnings are expected to grow more than 10% in 2026, with profit margins remaining strong. Secular growth in AI continues to boost earnings.

## INTERNATIONAL EQUITIES

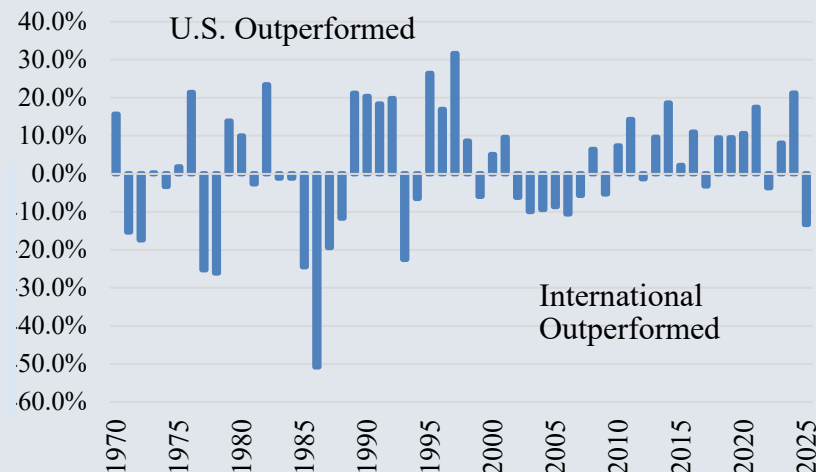
- Developed international stocks, as represented by the MSCI EAFE, were up 4.9% during the quarter, and up 31.2% on a year-over-year basis.
- Emerging market stocks performed in line with developed markets during the fourth quarter as the MSCI Emerging Markets Index was up 4.7%. On a year-over-year basis, emerging market stocks are outperforming developed markets with a return of 33.6%.

	4Q 25 Return	1-Yr Return	5-Yr Return	20-Yr Return
World	3.3%	22.3%	11.2%	8.2%
World Ex-U.S.	5.1%	32.4%	7.9%	5.6%
EAFE	4.9%	31.2%	8.9%	5.6%
Europe	6.2%	35.4%	10.3%	5.9%
Japan	3.2%	24.6%	6.6%	4.2%
Pacific Ex-Japan	0.0%	20.6%	5.7%	6.7%
Emerging Markets	4.7%	33.6%	4.2%	6.0%
EM (Asia)	4.5%	32.1%	3.6%	7.3%
EM (Latin America)	8.2%	54.8%	8.7%	4.9%
EM (Eastern Europe)	14.6%	75.0%	-12.0%	-2.2%

- Currency was additive to international equity returns in 2025. The U.S. dollar has been very strong the past ten years, but currency trends tend to be cyclical.



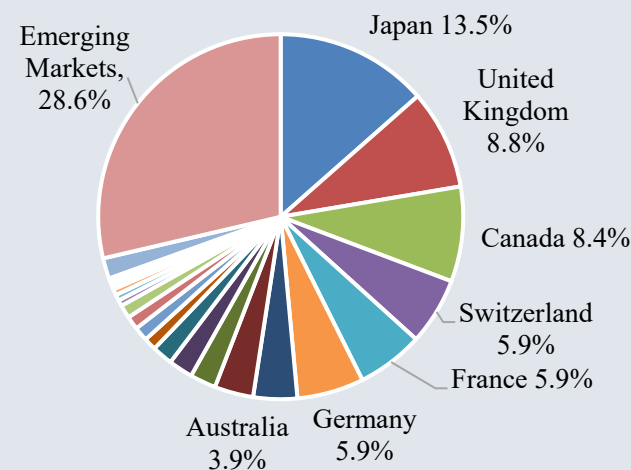
## U.S. vs. International Equity Performance (as of 12/31/25)



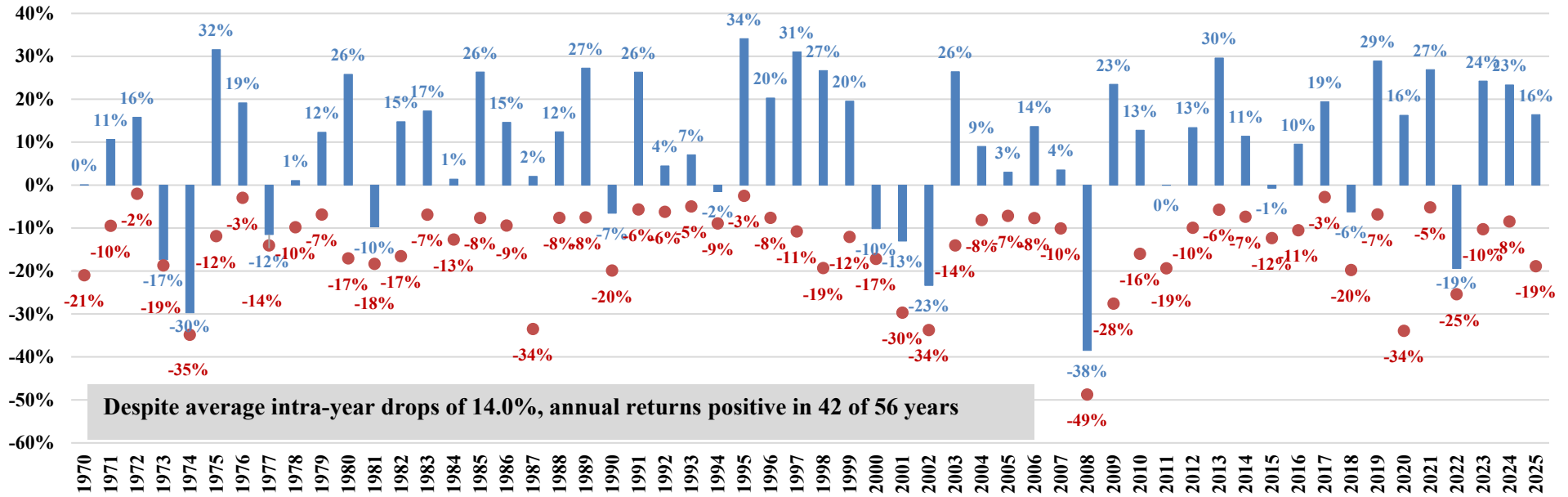
S&P 500 TR vs. MSCI EAFE NR

- International equities outperformed U.S. equities during the quarter. International equities outperformed by the widest amount since the early 2000s. Performance is cyclical as shown in the chart above.

## Country Weighting in MSCI ACWI ex U.S. (as of 12/31/25)

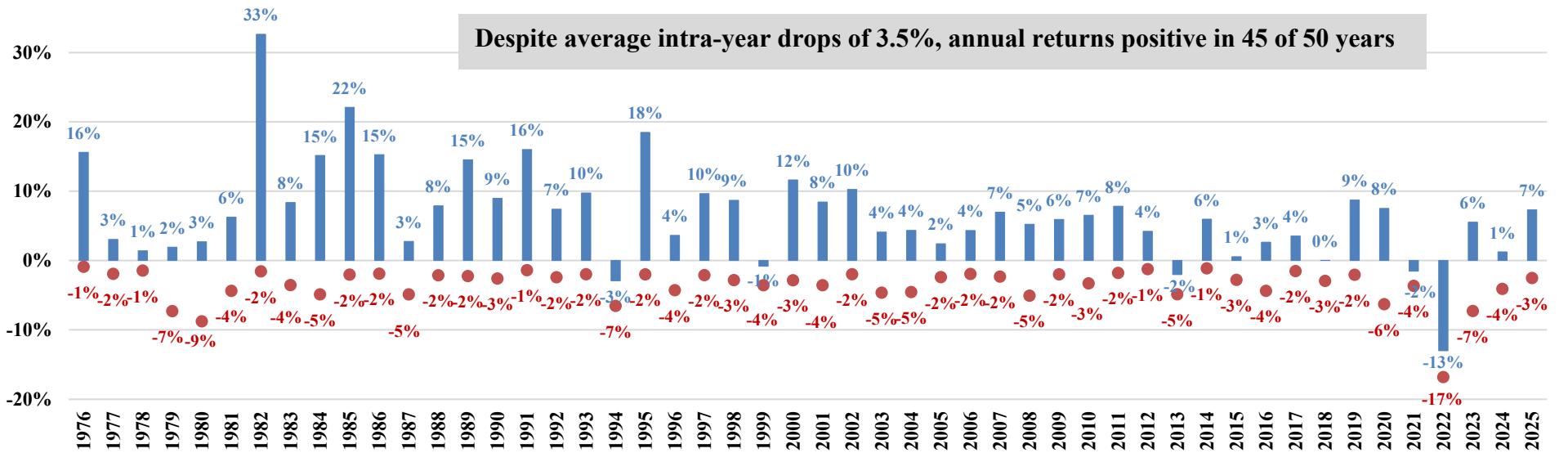


## S&P 500 Intra-Year Declines vs. Calendar Year Returns



Returns are based on price index only, do not include dividends, as of 12/31/2025

## Bloomberg U.S. Agg Bond Intra-Year Declines vs. Calendar Year Returns



Returns are based on total return, as of 12/31/2025

# Market leadership changes. Focus on asset allocation and diversification.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	10-yrs '16-'25 Return	10-yrs '15-'24 Volatility
	Real Estate 28.0%	Real Estate 2.8%	Small Cap 21.3%	Emerging Markets 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	Real Estate 41.3%	Commodities 16.1%	Large Cap 26.3%	Large Cap 25.0%	Emerging Markets 34.4%	Large Cap 14.8%	Small Cap 20.7%
	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	International 25.6%	Fixed Income 0.0%	Real Estate 28.7%	Emerging Markets 18.7%	Large Cap 28.7%	Cash 1.5%	International 18.9%	Small Cap 11.5%	International 31.9%	Small Cap 9.6%	Real Estate 17.3%
	Fixed Income 6.0%	Fixed Income 0.6%	Large Cap 12.0%	Large Cap 21.83%	Real Estate -4.0%	Small Cap 25.5%	Large Cap 18.4%	Commodities 27.1%	High Yield -12.7%	Small Cap 16.9%	Asset Allocation 10.2%	Large Cap 17.9%	Emerging Markets 8.9%	Emerging Markets 16.5%
	Asset Allocation 5.3%	Cash 0.0%	Commodities 11.8%	Small Cap 14.7%	High Yield -4.1%	International 22.7%	Asset Allocation 10.5%	Small Cap 14.8%	Fixed Income -13.0%	Asset Allocation 14.2%	High Yield 9.2%	Asset Allocation 15.8%	International 8.7%	Large Cap 15.1%
	Small Cap 4.9%	International -0.4%	Emerging Markets 11.6%	Asset Allocation 14.5%	Large Cap -4.4%	Asset Allocation 19.4%	International 8.3%	Asset Allocation 13.5%	Asset Allocation -13.9%	High Yield 14.0%	Emerging Markets 8.1%	Commodities 15.8%	Asset Allocation 8.2%	International 14.8%
	Cash 0.0%	Asset Allocation -2.0%	Real Estate 8.6%	High Yield 10.4%	Asset Allocation -5.8%	Emerging Markets 18.9%	Fixed Income 7.5%	International 11.8%	International -14.0%	Real Estate 11.4%	Commodities 5.4%	Small Cap 12.8%	High Yield 6.0%	Commodities 13.0%
	High Yield 0.0%	High Yield -2.7%	Asset Allocation 8.3%	Real Estate 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	Large Cap -18.1%	Emerging Markets 10.3%	Cash 5.3%	High Yield 12.1%	Real Estate 5.8%	Asset Allocation 10.1%
	Emerging Markets -1.8%	Small Cap -4.4%	Fixed Income 2.7%	Fixed Income 3.5%	Commodities -11.3%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	Emerging Markets -19.7%	Fixed Income 5.5%	Real Estate 4.9%	Fixed Income 7.3%	Commodities 5.7%	High Yield 8.4%
	International -4.5%	Emerging Markets -14.6%	International 1.5%	Commodities 1.7%	International -13.4%	Commodities 7.7%	Commodities -3.1%	Fixed Income -1.5%	Small Cap -20.4%	Cash 5.1%	International 4.4%	Cash 4.3%	Cash 2.2%	Fixed Income 5.1%
	Commodities -17.0%	Commodities -24.7%	Cash 0.3%	Cash 0.8%	Emerging Markets -14.3%	Cash 2.2%	Real Estate -5.1%	Emerging Markets -2.2%	Real Estate -25.0%	Commodities -7.9%	Fixed Income 5.5%	Real Estate 2.3%	Fixed Income 2.0%	Cash 0.6%

Best  
↑  
Asset Class Performance  
↓  
Worst

Performance of all cited indices is calculated on a total return basis and includes dividend reimbursement. Indices are not available for direct investment. Past performance is not indicative of future results. It is important to remember that there are risks inherent in any investment and there is no assurance that any asset class or index will provide positive performance over time.

- \* Large Cap – S&P 500 Index
- \* Small Cap – Russell 2000 Index
- \* International – MSCI EAFE GR Index
- \* Emerging Markets – MSCI EM GR Index

- \* Fixed Income – Barclays Capital Aggregate Bond Index
- \* Real Estate – FTSE NAREIT All Equity REIT Index
- \* Commodities – Bloomberg Commodity Index
- \* High Yield – Barclays Global High Yield Index

\*Cash – Barclays 1-3m Treasury Index

The “Asset Allocation” portfolio assumes the following weights: 25% S&P 500, 10% Russell 2000, 15% MSCI EAFE, 5% MSCI EM, 25% Barclays Agg, 5% Barclays 1-3m Treasury, 5% Barclays Global High Yield Index, 5% Bloomberg Commodity Index, 5% FTSE NAREIT All Equity REIT Index

Source: Morningstar, through 12/31/2025

# U.S. Large Cap Equity Returns by Year

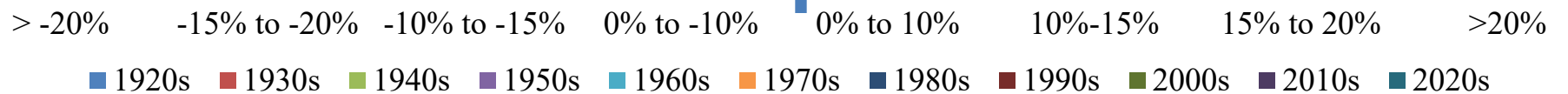
Negative Years: 26 Years

Positive Years: 74 Years

Gains > 20%  
38 Years

U.S. Large Cap Equities have averaged 10.5% annually from 1926 to 2025

Losses > -20%  
6 Years



Source: Morningstar, through 12/31/2025. Index: IA SBBI US Large Stock TR USD Ext

Disclaimer:

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Investment decisions should be made based on an investor's specific circumstances taking into account items such as, risk tolerance, time horizon and goals and objectives. All investments have some level of risk associated with them and past performance is no guarantee of future success.