HELMSTEAD
WEALTH MANAGEMENT

2025 Review and Looking Forward

As 2025 neared a close, mid-December markets pushed forward before settling just shy of all-time highs. Stock markets around the world finished the year in positive territory. However, looking only at the end-of-year gains implies an easy year for investors, which it was not. Patience and perspective were paramount to keeping long-term goals in focus. Volatility throughout the year presented multiple opportunities to change course. Hopes for a calmer 2026 dissipated quickly as headlines rolled in during the first nine days of the new year.

Economic growth, interest rate cuts, rising earnings, and the continued surge of the artificial intelligence (AI) sector all helped push the S&P 500 to its third consecutive year of double-digit returns in 2025. In the S&P 500's 97-year history, similar streaks have only happened six times. Fresh tax incentives, a more administrative friendly Fed Chair, and untold investment commitments into AI could provide the tailwind needed for another positive year. On the other hand, continued weakness in the labor market, the U.S. midterm elections, and tension between US fiscal and monetary policy provide enough uncertainty that I'm not convinced a fourth consecutive year is ahead.

Global investments finally bested U.S. markets in 2025. Last year marked the first time in nearly 15 years that international markets outpaced U.S. large-cap returns. A resilient global economy, the falling US dollar (-9.4% in 2025, the most since 2017), European defense and infrastructure spending, and European Central Bank rate cuts all assisted in a great year for international investors. Attractive stock valuations for international corporations (compared to their U.S. counterparts) also greatly contributed to the outperformance. By the end of 2026, global markets had outpaced the U.S. by nearly 2-to-1.

All things considered, current market levels are an ideal time for us to review your risk tolerance and investment goals. Adjustments aren't necessary; I just want to confirm that expectations align with your portfolio allocation. History tells us we can't charge forward at this pace forever. Reducing risk <u>after</u> a market correction is not advisable, as it is the worst time to do so. Diversification, appropriate liquidity, and managing downside risk are the best tools for staying on track in both up <u>and</u> down markets.

Please keep in mind that January 31st falls on a Saturday this year. This means W-2s and some 1099s must be filed by February 2nd. The remaining 1099s must be delivered by February 17th. If you recently made the move to paperless, your tax documents will be available online. If you cannot locate them, please contact me, and I am more than happy to help you track them down.

Hopefully you had a wonderful holiday season and a nice New Year. I will be contacting you soon to discuss your portfolio.

Thank you and take care,

Travis J. Brock, CFP®

These are the opinions of Travis Brock and not necessarily those of Cambridge, are for informational purposes only, and should not be construed or acted upon as individualized investment advice.

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