



QUARTERLY MARKET REVIEW • RETROSPECTIVE

Fourth Quarter 2025

Stocks finished a third straight year of double-digit gains as the Fed cut rates twice more, despite a record-long government shutdown.

Data as of December 31, 2025 | Retrospective review prepared October 2026
catalystfg.com | (832) 657-7735

THE QUARTER AT A GLANCE

A third straight year of double-digit gains

+2.4%

S&P 500

Price return for the quarter

+16.4%

S&P 500, FULL YEAR

Price return for 2025, its third straight double-digit gain

3.50%–3.75%

FED FUNDS TARGET

After cuts in October and December

2.7%

INFLATION (CPI)

November, year over year, down from 3.0% in September

01**A record shutdown.**

A 43-day federal government shutdown, the longest in U.S. history, delayed key economic reports.

02**Two more rate cuts.**

The Fed cut rates in October and December, ending 2025 three-quarters of a point below where it began.

03**AI questions resurfaced.**

Investors debated whether heavy spending on artificial intelligence would pay off, leading to choppy trading in technology stocks.

U.S. STOCKS

Stocks capped a third straight year of double-digit gains

The S&P; 500 gained 2.4% in the fourth quarter, the Nasdaq rose 2.6%, and the Dow Jones Industrial Average rose 3.6%. The S&P; 500 and the Dow reached record highs in late December before slipping in the final days of the year.

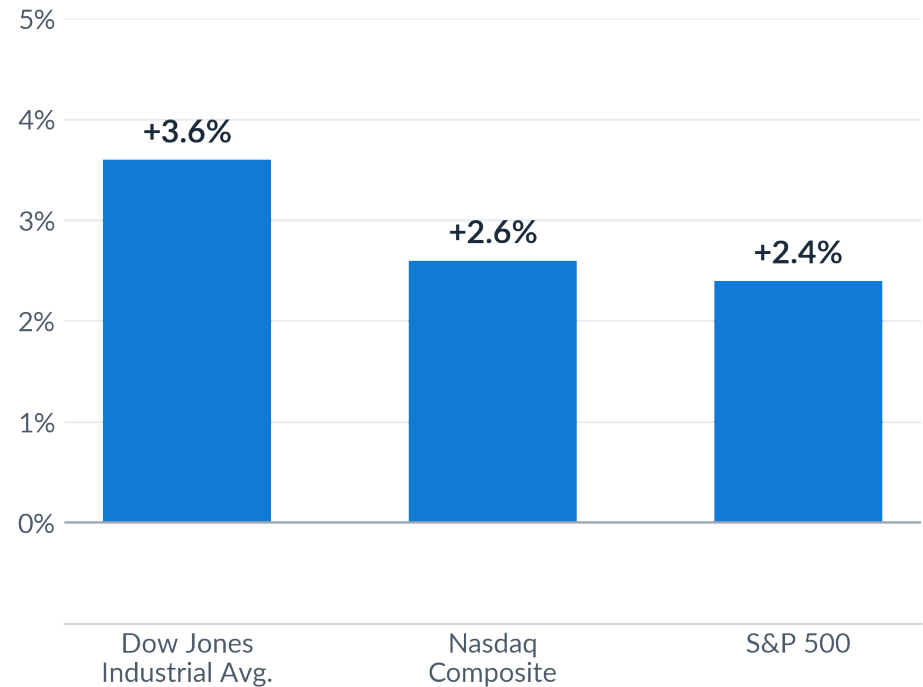
For the full year, the S&P; 500 gained 16.4%, the Nasdaq 20.4%, and the Dow 13.0%. It was the third straight year of double-digit gains for all three, a run last seen in 2019 through 2021.

Over 2023 through 2025, the S&P; 500 rose about 78%, its biggest three-year gain since 2018 through 2020.

WHY IT MATTERS

Three strong years in a row is unusual. Strong recent returns are a good reason to check that a portfolio's mix still matches its plan, since stocks may now make up a larger share than intended.

Fourth-quarter price returns, major U.S. indexes



Source: S&P Dow Jones Indices; Nasdaq. Price returns, September 30 to December 31, 2025. Indexes are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results.

INTEREST RATES AND THE FED

The Fed cut twice more and ended 2025 a step lower

The Federal Reserve cut its benchmark rate by a quarter point in both October and December, ending the year at 3.50% to 3.75%. In total, the Fed lowered rates by three-quarters of a point in 2025, after a full point in 2024.

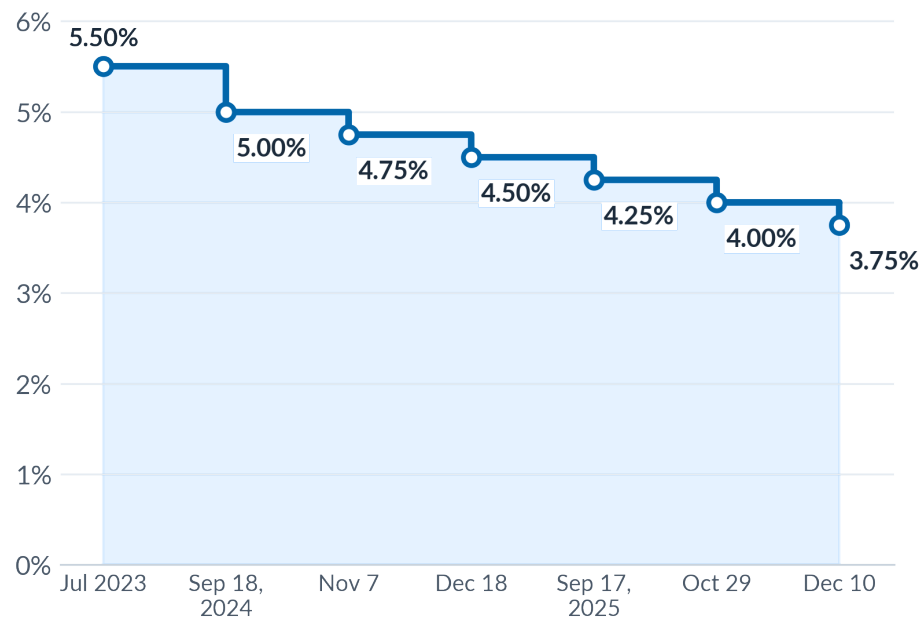
The 10-year Treasury yield ended 2025 near 4.16%, down from 4.58% at the end of 2024, its first annual decline in five years.

Bonds delivered solid gains for 2025, helped by both falling yields and steady income.

WHY IT MATTERS

After the fastest rate increases in decades and a series of cuts, interest rates settled at levels that still offer meaningful income for savers and bond investors.

Federal funds target rate (upper bound), 2023–2025



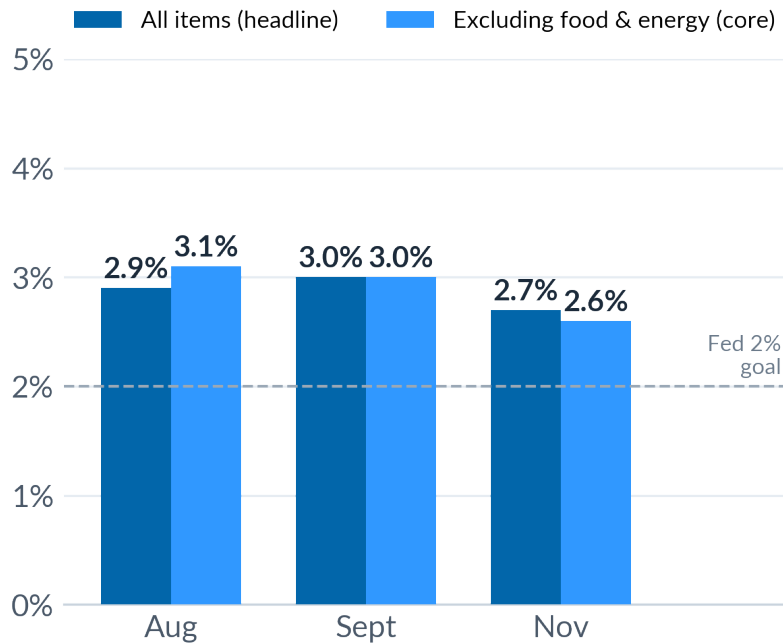
Source: Board of Governors of the Federal Reserve System, FOMC statements. Upper bound of the target range after each change.

INFLATION AND OIL

Inflation held below 3% as oil prices slid

The government shutdown disrupted inflation data, and no October report was published. In November, overall inflation was 2.7% and core inflation, which leaves out food and energy, was 2.6%, though some economists cautioned that the shutdown may have affected the readings.

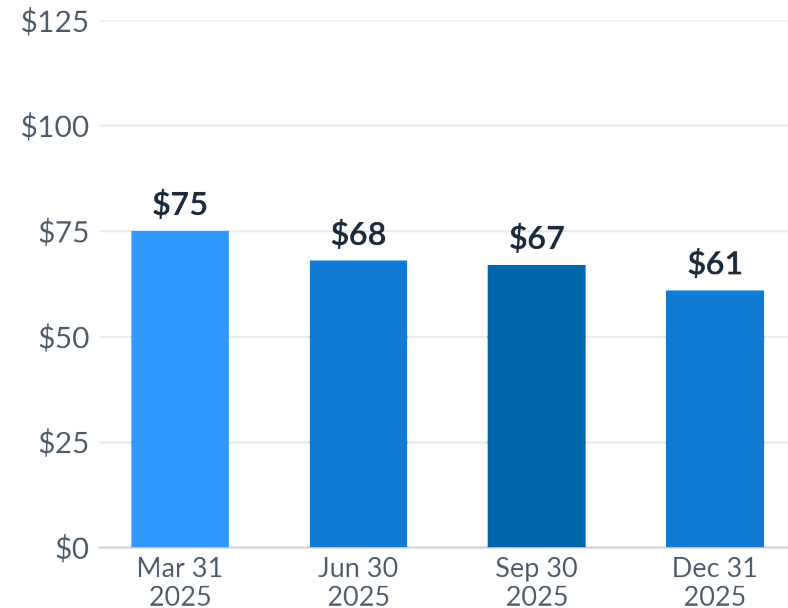
Consumer price inflation, year over year



Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers. October 2025 data were not published because of the federal government shutdown.

Oil prices fell over the quarter as global supply outpaced demand. Brent crude ended 2025 near \$61 a barrel, down from about \$67 at the end of September, marking its third straight yearly decline.

Brent crude oil futures, dollars per barrel



Source: ICE Futures Europe, Brent front-month settlement prices at each quarter-end.

LOOKING BACK

What came next

War in the Middle East

Conflict that began in late February 2026 disrupted energy supplies and sent oil prices sharply higher.

Inflation climbed back

Overall inflation rose to 4.2% in May 2026, its highest level since 2023, before easing to 3.4% by July.

The Fed reversed course

The Fed raised rates in September 2026, its first increase since 2023.

Stocks kept climbing

Despite the turbulence, the S&P; 500 was up about 12% for 2026 through September.

KEEPING PERSPECTIVE

Three strong years in a row can make it easy to forget that markets also go through difficult stretches. 2026 brought a new set of challenges, which is why a balanced, long-term plan matters most when things are going well. Past performance is not a guarantee of future results.

IMPORTANT INFORMATION

Definitions, sources, and disclosures

Definitions. The S&P 500 tracks 500 large U.S. companies. The Nasdaq Composite includes more than 3,000 stocks listed on the Nasdaq exchange and is weighted toward technology. The Dow Jones Industrial Average tracks 30 large U.S. companies. The 10-year Treasury yield is the annual return on a 10-year U.S. government bond held to maturity. The Consumer Price Index (CPI) measures changes in prices paid by urban consumers; core CPI excludes food and energy. Brent crude is the main global benchmark for oil prices. The federal funds rate is the Federal Reserve's benchmark short-term interest rate.

Sources. S&P Dow Jones Indices; Nasdaq; Board of Governors of the Federal Reserve System (FOMC statements, H.15 Selected Interest Rates); U.S. Department of the Treasury; ICE Futures Europe; U.S. Bureau of Labor Statistics. Data as of December 31, 2025, unless otherwise noted. The "Looking back" page reflects data through September 2026.

This material is provided for general informational and educational purposes only. It is not intended as investment, tax, or legal advice, and it is not a recommendation or solicitation to buy or sell any security. It reflects market conditions as of the date noted and is subject to change without notice. Information is obtained from sources believed to be reliable, but its accuracy and completeness are not guaranteed.

Past performance is not a guarantee of future results. All investing involves risk, including the possible loss of principal. Indexes are unmanaged, do not reflect fees or expenses, and cannot be invested in directly. Bond prices generally fall when interest rates rise. Forward-looking statements are not guarantees of future events.

Investment advisory services are offered through Catalyst Wealth Management LLC, a registered investment adviser. Securities are offered through Innovation Partners, LLC, Member FINRA/SIPC. Innovation Partners LLC and Catalyst Wealth Management LLC are not affiliated. Financial advisors do not provide specific tax or legal advice; please consult your tax or legal professional regarding your situation. Check the background of your financial professional on FINRA's BrokerCheck at brokercheck.finra.org.