

NEWSLETTER

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3 BIG THINGS

1

No Santa Clause rally was found in December, but don't fret, markets certainly didn't deliver coal in 2025. Despite a flat final month for the S&P 500, it was a tremendous 2025 for stocks. The S&P 500 ended the year 16% higher. International stocks were the top performer in the equity markets with developed markets, based on the MSCI EAFE Index, returning 31% and emerging markets, based on MSCI Emerging Markets, returning 34% on the year.

2

While international markets led equity returns, few assets performed better than precious metals in 2025. Silver finished the year with fireworks up 25% just in December and nearly 150% on the year. This may come as a surprise to some as Gold typically steals the headlines rather than silver. Gold returns were nothing to scoff at with a December return of 2% and finishing the year up over 60%.

3

A common topic in markets throughout the year was concentration and while US equity markets are certainly that, returns were more broad based than we have seen in recent years. December put a bow on this narrative with the equal weighted S&P 500 index outperforming the market cap weighted version during the month. The Mag 7 remains a powerful force and a risk in market cap weighted indices (top 10 stocks carry a 40% weight), but breadth steadily improved throughout December and could be pointing to a year ahead where the "other 493" stocks see outperformance unlike the previous 3 calendar years.

Quote of the month: "There is only one success. To be able to spend your life your own way" – Christopher Morley

MARKET QUICKTAKES

ECONOMIC INSIGHTS IN A NUTSHELL

The most influential data point on the macro economy front during the month was a much softer than expected inflation print. CPI rose at 2.7% y/y when most analysts expected the number to be 3%. This had to have let the Federal Reserve breathe a sigh of relief as their meeting took place in advance of the data release. The board did decide to lower interest rates for the third time. The target range is now 3.5%-3.75%. Markets are currently pricing in two additional rate cuts during 2026. Chairman Powell's term will be up in May and a new Chairman appointed by President Trump will take over. President Trump hasn't been shy in saying interest rates should be lower so this will be an interesting development to follow as the precedent is for the Federal Reserve to be independent from the federal government.

EQUITY

While US stocks¹ were essentially flat on the month, international markets put an exclamation point on an incredible year. Both developed markets² and emerging markets³ were up 2% in December. This brought their returns on the year to 32% and 34% respectively. Value stocks also had a strong December to help narrow the gap on growth stocks for the year. In 2025 value stocks⁴ finished the year up 16% while growth⁵ had another year of outperformance returning 18%.

FIXED INCOME

The broad bond indices saw slight losses in December as rates rose, but not enough to take away from the very strong year of fixed income returns. The US Aggregate Bond Index finished the year up over 7%. Some higher risk areas saw returns of nearly 9% on the year. The best performer in fixed income was similar to the equity side as emerging market bonds returned 14% on the year. While many had given up on bonds following 2022 and most of 2023 they have now posted consecutive solid return years.

COMMODITIES

2025 may well have been the year of the commodity. Or at least the metals. I touched on the impressive returns from gold and silver. Other metals including platinum, palladium, lithium, and copper all returned 45% or more. The flip side of the performance picture was oil and grains as they saw losses on the year.

Data from Morningstar Advisor Workstation

1 - S&P 500

2 - MSCI EAFE

3 - MSCI Emerging Markets,

4 - Russell 1000 Value

5 - Russell 1000 Growth

VIEWS FROM MARKET STRATEGISTS

Last December, as my inbox filled with market forecasts, I decided to make a few of my own.

Here's how they turned out:

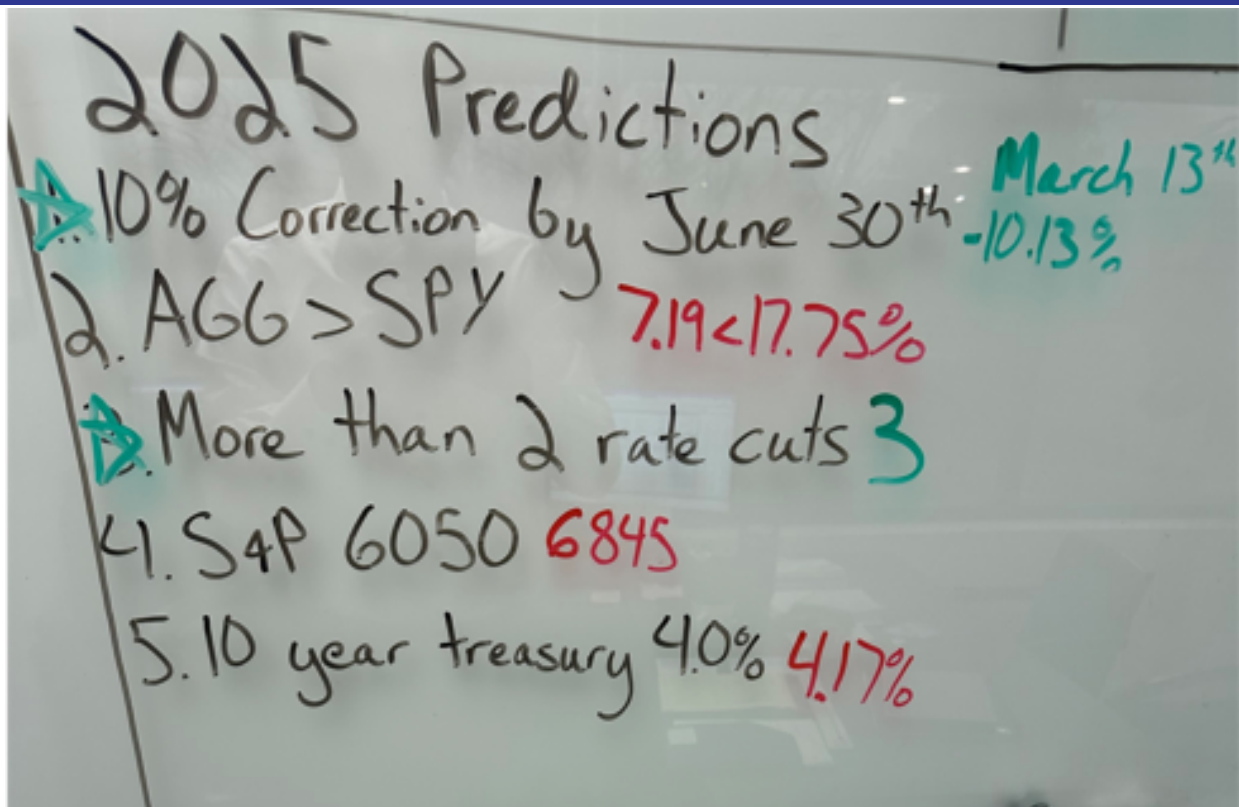
1. We'd see a 10% correction in the S&P 500 by the end of second quarter.
✓ On March 13, the index officially entered correction territory, down 10% from its all time high¹.
2. Bonds would outperform the S&P 500 for the year.
✗ Bonds had a solid year, but stocks ultimately had higher returns.
3. The Fed would cut rates more than two times.
✓ The Fed delivered its third cut in December. At the start of the year, that outcome carried only a 16% probability².
4. S&P 500 year-end target: 6,050.
✗ This felt reasonable when the index dipped below 5,000 in April. The final eight months proved far stronger, with the S&P 500 finishing the year at 6,845.
5. 10-year Treasury yield to finish near 4%.
✗ Yields moved lower and hovered around 4% for a stretch, but ultimately ended the year at 4.17%.

The bigger takeaway is this:

If you told me ahead of time we would see a Q1 correction that flirted with bear market territory and that the Fed would cut rates more than twice, I probably would have lowered my S&P 500 target, not raised it.

Even when you correctly anticipate major events, markets often respond in ways that defy expectations. That is why we focus on diversified portfolios designed to manage volatility while still participating in upside, even when forecasts miss the mark.

Predicting markets is hard. Building resilient portfolios matters far more.



Sources: Morningstar Advisor Workstation,
1 - FactSet data daily S&P 500 values
2 - CME Group; CME Fed Watch Tool

EVERGREEN REMINDERS

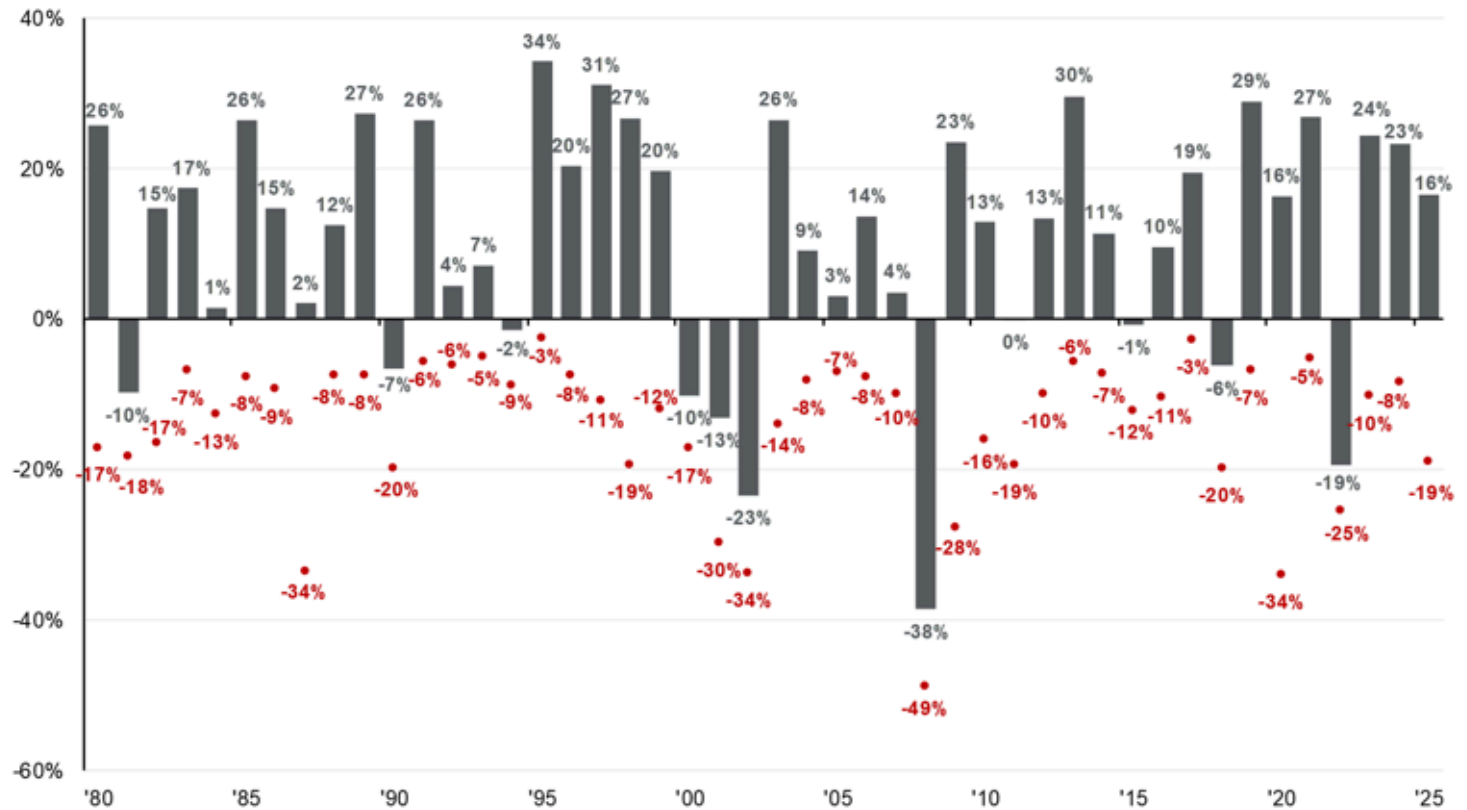
We believe the last 8 months of the year have been incredible for the stock market. In April the S&P 500 sat 19% below its annual high closing price and down 15% on the year. We finished the year setting several new market highs and with a 16% return on the S&P 500. In periods of low market volatility and strong gains, I find it important to remind clients that volatility is the norm, not the exception. The chart below looks at the largest drawdown in the market each year (red dot) along with the calendar year performance (grey bar.) Dating back to 1980, 35 of the 46 calendar years have seen positive stock market returns and despite this overwhelming majority being positive, the average decline in any given year is 14.2%. This serves as a reminder that the market can and will decline and despite declines, if history is any guide over longer time frames markets are incredibly resilient and a great wealth creation device. So, when the market inevitably gets choppy or sees losses in 2026 do not panic, but remember that his is completely normal.

Annual returns and intra-year declines

GTM U.S. 16

S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.2%, annual returns were positive in 35 of 46 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest peak-to-trough decline during the year. Returns shown are calendar year returns from 1980 to 2025, over which the average annual return was 10.7%. Past performance is no guarantee of future results. Guide to the Markets - U.S. Data are as of December 31, 2025.

LIFESTYLE HACK

Make next year's holiday decorating easier on yourself by utilizing some of these storage ideas for the seasonal decorations. Not only may it be helpful in taking down the holiday decor, but they will surely make next year's process a breeze when it comes to putting out the decorations.

<https://www.apartmenttherapy.com/storing-christmas-decorations-hacks-37524405>

PLANNING CORNER

"Defaults Day" is a new trend that I think is a great way to set up the year for success. Take a day to review things in your life that are just set on default. Below is a starting point of things:

Recurring subscription services, 401k contributions and other automatic savings, your phone screen and apps that are front and center, Set a calendar planner for the gym, date night, something that you're hoping to do more of in 2026.

LOCAL EVENTS THIS MONTH

- The new year starts out with winter sports season in full swing. The Omaha Supernovas begin their season with a game at CHI Health Center January 8th.
- Also in volleyball, LOVB Nebraska, home of Olympian Jordan Larson and ex-Husker star Lexie Rodriguez, has home games at Baxter Arena the 11th and 30th.
- Creighton men's and women's teams as well as Nebraska men's and women's basketball have home games throughout the month at CHI Center and Pinnacle Bank Arena, respectively.
- On January 17th, the Rose Theater, will have a candlelight performance of the Best of Hans Zimmer.
- January 23rd - 25th the Midlands International Auto Show takes over CHI Center.
- The 24th, also at CHI Health Center, Rascal Flatts will play a concert.

Disclosures

The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.

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