PACIFIC GLOBAL
Investment Management Company

Weekly*Recap*

December 31, 2025

Market*Returns*

INDEX[1]	CLOSE	WEEK-TO-DATE CHANGE	YTD CHANGE
Dow Jones Industrial Avg.	48,063.29	-647.68 / -1.33%	12.97%
S&P 500®	6,845.50	-84.44 / -1.22%	16.39%
Nasdaq	23,241.99	-351.11 / -1.49%	20.36%
Russell 2000®	2,481.91	-52.43 / -2.07%	11.29%

	12/31/25 CLOSE	12/31/24 CLOSE
10-Year U.S. Treasury	4.17%	4.58%

Data: The Wall Street Journal, Federal Reserve

The*Bottom*Line

The equity markets, despite losses in the final week, posted double-digit gains for the year: the Nasdaq (20.36%) led markets higher followed by the S&P 500® Index (16.39%), the Dow Jones Industrial Average (12.97%) and the Russell 2000® Index (11.29%). In 2025, the yield on the 10-Year U.S. Treasury Note declined from 4.58% on December 31, 2024, to 4.17% as inflation eased and interest rates fell.

During the year, the major market catalysts included Artificial Intelligence (**AI**) growth initiatives, the One Big Beautiful Bill Act ("OBBBA"), tariffs and Federal Reserve monetary policy. The Magnificent Seven stocks, and *Broadcom*, which together represent more than 40% of the S&P 500® by weight, dominated performance. **By contrast, and to emphasize how heavily the Index is skewed towards technology, the *unweighted* Index gained 9.3% for the year.** As interest rates fell, and specifically after the Federal Reserve's three 25-basis point interest rate cuts, investors began to diversify from **AI** technology stocks into other sectors.

President Trump's tariff policy announcements triggered a severe selloff (the S&P 500® lost 18.9%; the Nasdaq declined 23.9% between mid-February and early April) in the equity markets; the markets recovered as the Administration delayed and/or modified tariffs and many companies adopted mitigation strategies. Corporate earnings rose by double digits in each of the first three quarters; the forecast for a 12.1% annual increase is well above the 8.6% 10-year average. Better-than-expected economic growth included a 4.3% increase in third quarter U.S. GDP, well above estimates of 3.0%. Companies benefited from tax law changes on depreciation and deregulation, and many offset tariffs by raising prices. *Energy*, the weakest sector, fell as oversupply hit oil prices; West Texas Intermediate, the U.S. benchmark, WTI fell 19.9%. Gold rose 64% while the volatile Bitcoin futures declined 6.8%.

Fed monetary policy will continue to heavily influence market sentiment. Minutes from the Fed's December meeting indicate that a continued decline in inflation will justify at least one rate cut in 2026. Robust consumer spending continues even as some buying activity shifts from hard goods to travel, entertainment and other experiences. Tax refunds, an anticipated benefit of the OBBBA, may add $50 to $55 billion to support consumer spending in 2026; refunds, along with declining interest rates may also provide a much-needed boost to the housing industry. **AI** spending continues to ramp up as companies add personnel to develop models and data centers; *OpenAI* recently reported that approximately 50% of their costs are personnel-related. Uncertainty over cost effectiveness of **AI** initiatives continues as some critics suggest comparisons to the dot-com bubble; and **AI** capital expenditure projections for next year exceed $500 billion. Concern over the economic impact of tariffs continues while awaiting the Supreme Court's pending decision on the Administation's reliance on emergency power to enact reciprocal tariffs.

Looking ahead, the positive catalysts may continue into 2026 with interest rates likely to decline further.

Best Wishes for the New Year; our next Weekly Recap will be issued on January 9, 2026.

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[1]The Dow Jones Industrial Average is an unmanaged, price weighted measure of 30 U.S. stocks selected by the Averages Committee to represent the performance of all U.S. stocks outside the Transportation and Utilities sectors. The S&P 500® Index is an unmanaged, market capitalization weighted index which measures the performance of the large cap segment of the U.S. equities market, covering approximately 75% of the U.S. equities market. The Index includes 500 leading companies in leading industries of the U.S. economy. The Nasdaq Composite Index is an unmanaged, market capitalization weighted measure of all domestic and international common stocks listed on The Nasdaq Stock Market. The Russell Midcap® Index measures the 800 smallest companies within the Russell 1000® Index based on a combination of their market cap and current index membership. The Russell 2000® Index is an unmanaged, market-weighted measure of stock market performance. It contains stocks of the 2,000 smallest publicly traded companies of the Russell 3000® Index. It is not possible to invest in the Indices.

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