



# Wealth Management Newsletter

Winter Issue 2026

## KEY POINTS

- Domestic and global equities posted positive returns in the fourth quarter, with the S&P 500 delivering double-digit gains for the third consecutive year
- Global equities outperformed U.S. markets as the de-dollarization trend gained momentum, though all major asset classes lagged the strong performance of precious metals
- Economic data exceeded expectations despite multiple geopolitical headwinds. Although disinflationary pressures eased and inflation remained above target, the Federal Reserve implemented three rate cuts in response to labor market concerns

## THE ECONOMY

In the fourth quarter of 2025, the U.S. economy demonstrated continued resilience with real GDP growing at an annualized rate of approximately 4.0%, supported by steady consumer spending and business investment. The labor market remained stable, with unemployment holding at 4.4%. Inflation continued to ease, with headline CPI near 2.7% and core CPI around 2.6%, signaling progress toward the Federal Reserve's price inflation mandate. Consumer confidence, however, weakened to 89.1, reflecting persistent concerns about economic uncertainty despite moderating inflation. Overall, Q4 closed with solid growth and cooling inflation, though elevated living costs in general, and housing affordability in particular, remained key economic challenges heading into 2026.

## GLOBAL EQUITIES

The fourth quarter of 2025 saw the S&P 500 navigate the longest U.S. government shutdown in history to deliver a 2.7% return. Sector leadership shifted toward value stocks, with Healthcare (+11.7%) leading gains, followed by Consumer Discretionary (+9.5%), Communication Services (+7.3%), and Financials (+2.0%), as the AI-driven rally paused. This rotation was reflected in quarterly index performance as well, with the NASDAQ up 2.7% and the Dow Jones Industrial Average rising 4%. Mid- and small-cap stocks posted gains of 1.6% and 2.2%, respectively. International equities benefited from attractive valuations and currency tailwinds, as developed markets advanced 4.9% and emerging markets returned 4.7%. Real estate lagged, with the DJ Real Estate Index down 2.3%, as expectations for lower interest rates reduced the appeal of income-producing assets. For the year, global equity markets were led by Emerging Markets which returned 34.3%, and Developed International Markets which returned 32%, followed by Nasdaq at 21.2% and the S&P 500 at 17.9% respectively.

## FIXED INCOME MARKETS

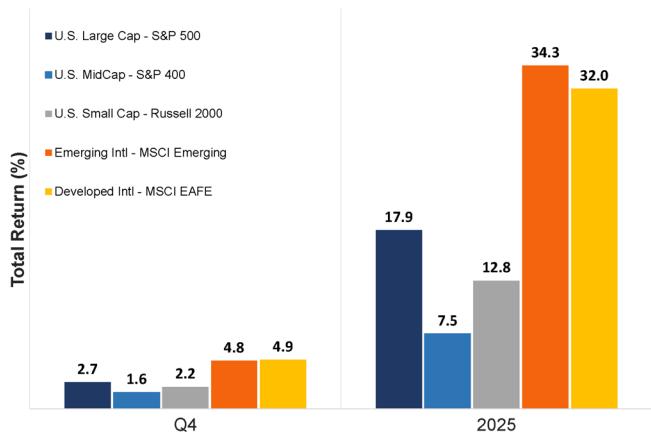
U.S. bond markets experienced modest but positive ongoing momentum in the fourth quarter as policy and economic signals coalesced. Treasury yields trended slightly lower,

with the 10-year yield hovering around 4.15% by year-end, reflecting anticipated Federal Reserve rate cuts and easing inflation pressures. The U.S. Treasury yield curve continued to steepen, driven by lower short-term yields and modestly higher long-term yields caused by ongoing fiscal concerns. Interest rate volatility, as measured by the MOVE index, fell sharply to the lowest levels since 2021, which continued to support investment-grade and high yield bonds that are now trading at spreads near multi-decade lows. Emerging market bonds outperformed all other sectors in Q4 and returned over 11% for the year. Overall, 2025 was a good investing environment for fixed income investors with the Bloomberg U.S. Aggregate Bond Index posting a +1.1% total return for the fourth quarter, and 7.3% for the year.

## LOOKING AHEAD

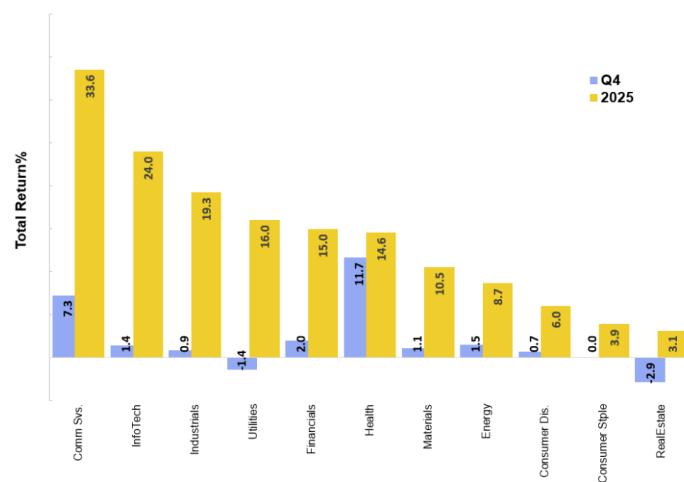
The fourth quarter of 2025 delivered continued positive returns for risk assets, with performance broadening beyond the "Magnificent 7" and other AI-driven names. The S&P 500 closed the year with a gain of 17.9%, despite an early-year drawdown of 18.8% from its peak. While domestic and geopolitical uncertainties persisted and technology valuations remained elevated, long-term investing requires discipline and avoiding short-term distractions. We remain vigilant, given stretched valuations and three consecutive years of double-digit equity gains. Accordingly, we believe maintaining diversification and avoiding overconcentration in the highest-flying stocks remains prudent. However, if the stock market rotation we observed in Q4 extends into 2026, further market upside is possible given the strong economic fundamentals and robust earnings expectations anticipated this year. Looking ahead, we will closely monitor Federal Reserve monetary policy, corporate earnings, and developments in Washington, while responding thoughtfully to an ever-evolving market environment. Please reach out to our wealth management team to review your investment goals and to ensure that your portfolio remains appropriately positioned.

## MAJOR ASSET CLASS RETURNS



Data Sources: Bloomberg Financial LP, Bangor Savings Bank

## S&P 500 SECTOR RETURNS



## SIZE & STYLE RETURNS

Quarter-to-Date			Year-to-Date		
Value	Core	Growth	Value	Core	Growth
3.7%	2.1%	0.6%	Large	15.9%	17.3%
1.4%	0.2%	-3.5%	Medium	11.0%	10.6%
2.7%	1.9%	1.2%	Small	12.6%	12.8%
					18.5%
					8.7%
					13.0%

## OTHER

	12/31/2025	12/31/2024	12/31/2023
Fed Funds Target	3.8%	4.5%	5.5%
30-Year Fixed Mortgage	6.3%	7.3%	7.0%
WTI Oil (\$/barrel)	\$57	\$72	\$72
U.S. Dollar (\$)	\$98	\$108	\$101
Gold (\$/oz)	\$4,319	\$2,625	\$2,063
Bitcoin	\$87,648	\$93,714	\$42,508

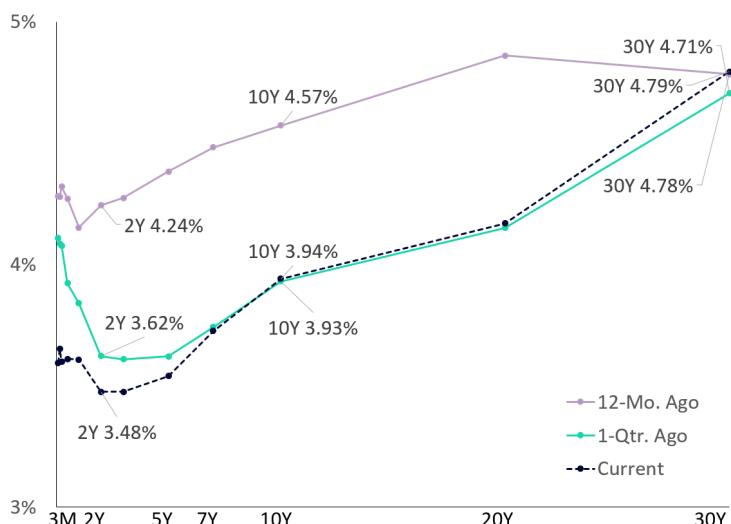
## EQUITY INDEX RETURNS

Index	QTD	1 YR	3 YR
U.S. Large Cap - S&P 500	2.7%	17.9%	86.0%
Dow Jones Industrial Average	4.0%	14.9%	53.5%
NASDAQ Composite	2.7%	21.2%	127.2%
U.S. Mid Cap - S&P 400	1.6%	7.5%	42.5%
U.S. Small Cap - Russell 2000	2.2%	12.8%	47.0%
Developed International - MSCI EA	4.9%	32.0%	64.2%
Emerging International - MSCI Em	4.8%	34.3%	59.9%
MSCI All Country World Index	3.4%	22.9%	78.2%

## U.S. FIXED INCOME RETURNS

Index	QTD	1 YR	3 YR
Bloomberg U.S. Aggregate	1.1%	7.3%	14.6%
Bloomberg Gov't/Credit	0.9%	6.9%	14.3%
Bloomberg U.S. TIPS	0.1%	7.0%	13.2%
Bloomberg U.S. Credit	0.9%	7.8%	19.0%
Bloomberg Corporate High Yield	1.3%	8.6%	33.3%

## U.S. TREASURY MARKET



Maturity	Current	1-Qtr. Ago	12-Mo. Ago	1-Mo. Change
3-Month	3.6%	4.1%	4.3%	-0.5%
6-Month	3.6%	3.9%	4.3%	-0.3%
1-Year	3.6%	3.8%	4.2%	-0.2%
2-Year	3.5%	3.6%	4.2%	-0.1%
5-Year	3.5%	3.6%	4.4%	-0.1%
10-Year	3.9%	3.9%	4.6%	0.0%
30-Year	4.8%	4.7%	4.8%	0.1%

Source: Bangor Wealth Management and Bloomberg. Data as of 12/31/2025. Past performance is no guarantee of future results.

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