

Weekly Market Recap



January 5, 2026

Index	Price	Price Returns	
		Close	Week
S&P 500® Index	6,858	-1.0%	0.2%
Dow Jones Industrial Average	48,711	-0.7%	0.7%
NASDAQ	23,236	-1.5%	0.0%
Russell 2000® Index	2,508	0.2%	1.1%
MSCI EAFE Index	2,893	-0.1%	0.0%
Ten-Year Treasury Yield	4.19%	0.0%	0.0%
Oil WTI ¹ (\$/bbl ²)	\$57.30	1.0%	-0.2%
Bonds ³	\$99.85	-0.2%	0.0%

¹WTI = West Texas Intermediate Oil. ²bbl = Barrel. ³Bonds are represented by the iShares U.S. Aggregate Bond ETF. Sources: Bloomberg L.P.; FactSet.

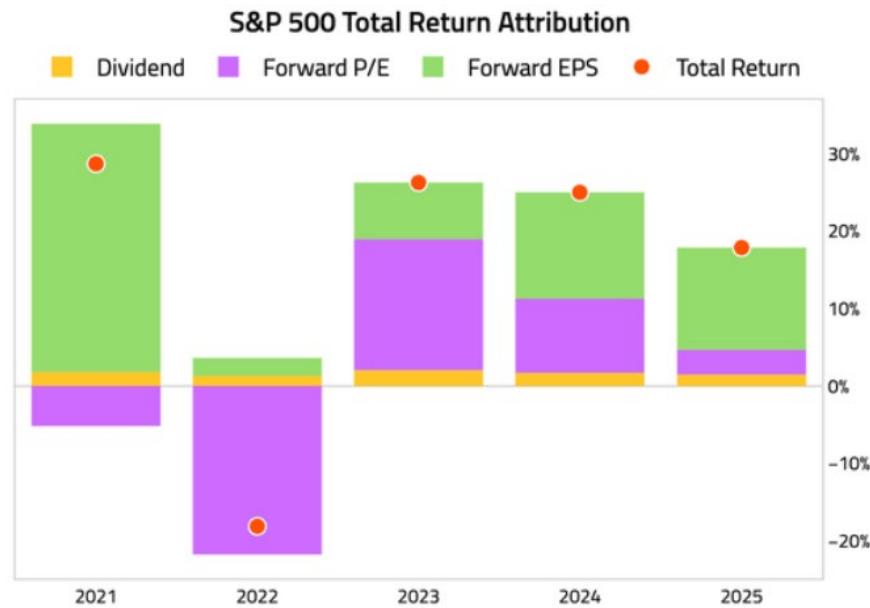
U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) fell -1.0% for the week with investors concerned about the failed “Santa Claus” rally (historically positive returns in the last five trading days of December and first two trading days of January). December Federal Reserve (Fed) meeting notes offered no surprises to us at Sterling Capital Management and reinforced expectations for cautious, gradual easing in 2026. Housing data modestly surprised to the upside, and jobless claims declined week-over-week. Investors may be looking ahead to early 2026 catalysts, which may include fiscal policy, Fed leadership change, and next-generation artificial intelligence (AI) model releases. The 10-year Treasury yield rose to 4.19% from 4.13%. The Dollar Index rose +0.5%, while gold fell -4.9% for the week. Oil (WTI) rose +1.0% for the week.
- S&P 500 Index Sector Returns:
 - Energy (+3.3%) outperformed, as the price of oil rose 1.0%.
 - Utilities (+0.9%) rose, partially due to increasing demand for power driven by AI data centers.
 - Industrials (+0.5%) rose, led by aerospace and defense companies and airlines.
 - Materials (-0.3%) fell, led lower by precious metals mining stocks and chemicals companies.
 - Healthcare (-0.4%) fell, led lower by medical devices and pharmaceutical stocks.
 - Real Estate (-0.6%) fell, led lower by apartments and data centers.
 - Communication services (-0.6%) fell, led lower by Alphabet and social media stocks.
 - Consumer staples (-0.8%) fell, led lower as investors tend to favor less defensive sectors.
 - Financials (-1.3%) fell, led lower by banks.
 - Technology (-1.5%) fell, led lower by AI semiconductor and AI software stocks.
 - Consumer discretionary (-3.2%) fell, led lower by Tesla, travel stocks, and a modest positive return for Amazon.

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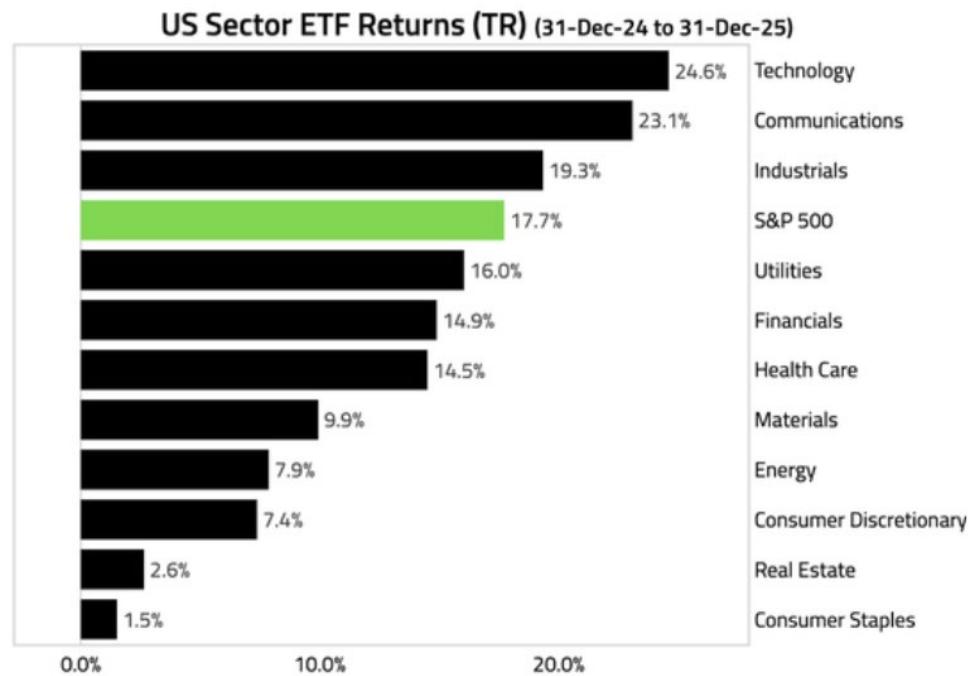
- S&P 500 Index rose 18% in 2025, primarily driven by earnings growth, with smaller contributions from price-to-earnings (P/E) expansion (forward P/E) and dividends.



Data is as of 12.26.2025. Forward P/E uses forecasted earnings to evaluate stock potential. Forward EPS (Earnings Per Share) is the estimated net income a company will generate per share over the next 12 months, calculated by dividing projected future earnings by the number of outstanding shares, providing investors a forward-looking view for valuation, often used in the Forward P/E ratio to gauge growth potential.

Sources: The Daily Shot; Bloomberg L.P.

- In 2025, the technology, communication services, and industrials sectors outperformed, while real estate and consumer staples underperformed.

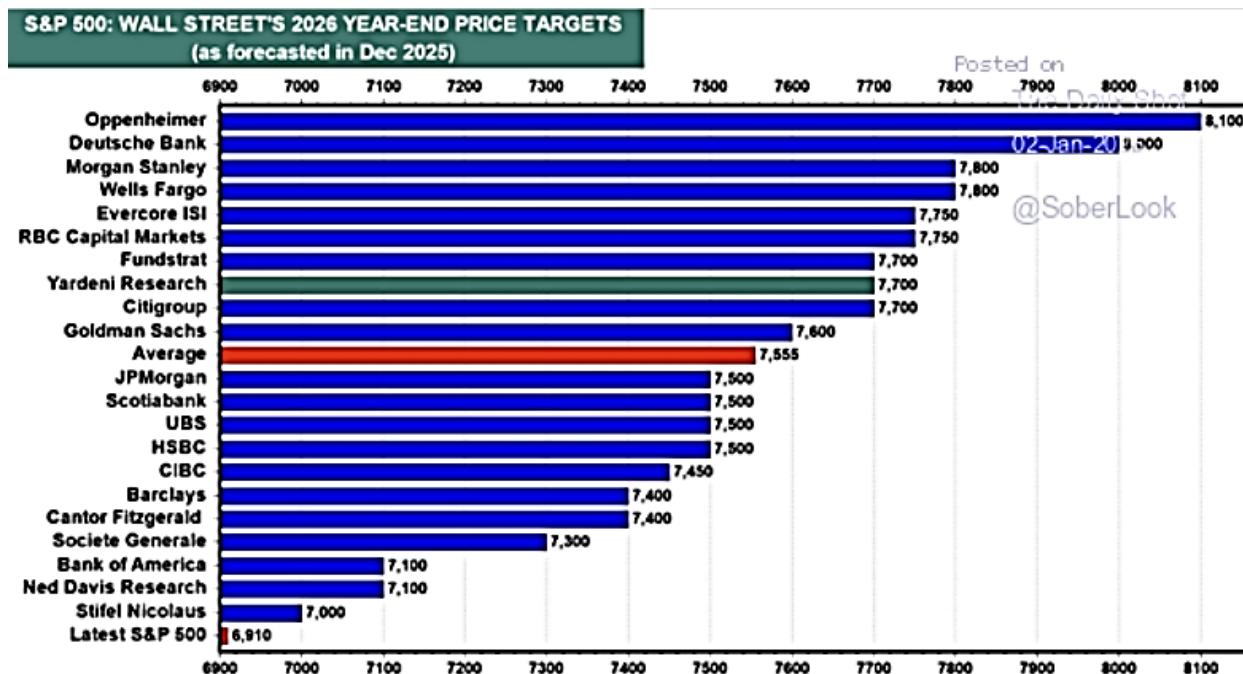


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ETF: Exchange-traded fund. TR: Total return. Sources: The Daily Shot; Bloomberg L.P.

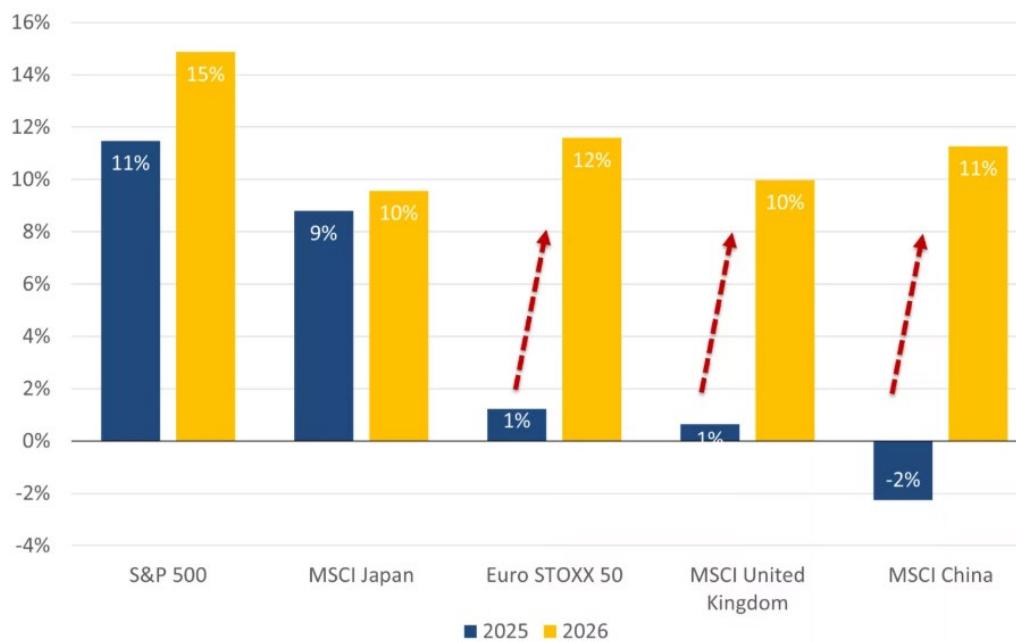
- Wall Street's average 2026 year-end price target for the S&P 500 Index is 7,555.



Sources: FactSet; Edward Jones.

- Earnings growth is expected to increase on a global basis in 2026.

Earnings growth expected to go global in 2026



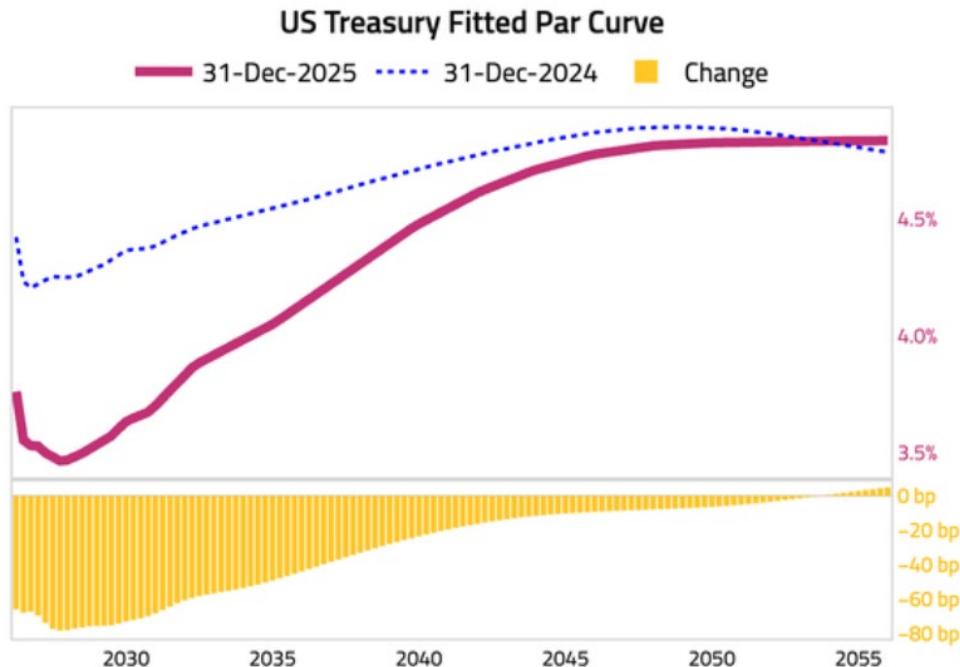
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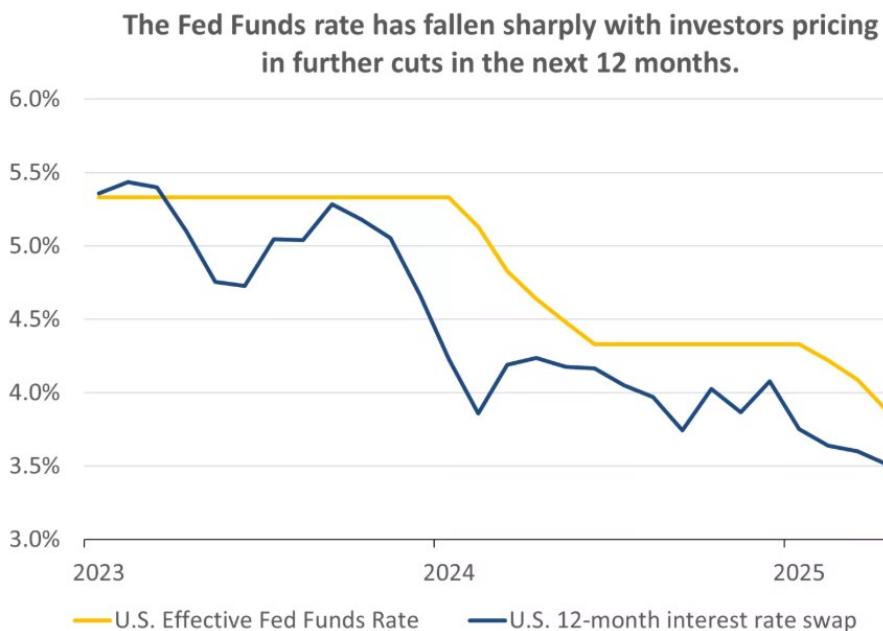
Fixed Income Markets

- From the beginning of 2025 to the end of the year, the U.S. Treasury yield curve experienced a decline in the short-end of the curve, while the long-end of the curve remained roughly similar yield levels throughout the rest of 2025.



BP: Basis point. Sources: Bloomberg L.P.; The Daily Shot.

- The fed funds rate has fallen quickly, and investors are pricing-in further interest rate cuts in 2026.



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Source: Bloomberg L.P.; Edward Jones.

International Markets 2025 Summary

- European markets (STOXX 600 Index) rose +1.3% as European inflation fell to 3.0% in November.
- The Chinese stock market (Shanghai Composite A share) rose modestly as China's Purchasing Managers Index (PMI) rose to 50.1 in December from 49.2 in November.
- Japanese equities (Nikkei 225 Index) fell -0.8% in a holiday-shortened week.

This Week:

- The volume of corporate earnings reports will be lighter this week.
- Economic data:
 - Monday: Institute for Supply Management (ISM) Manufacturing Index;
 - Tuesday: PMI Services Final, Redbook Chain Store, American Petroleum Institute Crude Inventories;
 - Wednesday: Mortgage Bankers Association Mortgage Purchase Applications, Automatic Data Processing Employment Report, Job Openings and Labor Turnover Survey (JOLTS), Factory Orders, ISM Non-Manufacturing Index, Department of Energy Crude Inventories;
 - Thursday: Challenger Job Cuts, Unit Labor Costs (preliminary), Weekly Jobless Claims, Trade Balance, Productivity (preliminary), Wholesale Inventories (Final), Energy Information Administration Natural Gas Inventories;
 - Friday: Housing Starts, Nonfarm Payrolls, Unemployment Rate, Average Weekly Hours, Average Hourly Earnings, Michigan Consumer Sentiment (Preliminary).

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®
Executive Director

Griffith Jones, Jr.
Executive Director

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Index Definitions

Performance is compared to an index, however, the volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.

The **S&P 500® Index** is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

The **Russell 2000® Index** measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

The **Dow Jones Industrial Average (DJIA)** is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

The **NASDAQ Composite Index** is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

The **MSCI EAFE Index** is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 900 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The **MSCI Japan Index** is designed to measure the performance of the large and mid cap segments of the Japanese market.

The **MSCI United Kingdom Index** is designed to measure the performance of the large and mid cap segments of the UK market.

The **MSCI China Index** captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign.

The **STOXX Europe 600 Index** is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The **Nikkei 225** is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

The **Shanghai Stock Exchange Composite Index** is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

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Technical Terms:

The **Dollar Index** is a measure of the U.S. dollar's value relative to its most significant trading partners' currencies: EUR, JPY, CAD, GBP, SEK, and CHF. **Earnings per Share (EPS)** is a common measure of profitability per share of a company's common stock. The **Price-to-Earnings Ratio** measures a company's share price relative to its earnings per share (EPS). Often called the price or earnings multiple, the P/E ratio helps assess the relative value of a company's stock. The **federal funds rate** is the target interest rate that commercial banks charge each other for overnight loans to meet their reserve requirements, set by the Federal Reserve's Federal Open Market Committee (FOMC) to influence broader economic conditions and rates such as prime rates, mortgage rates, and car loan rates. A monthly **Purchasing Managers Index (PMI)** highlighting the manufacturing sector is made available by the Institute for Supply Management (ISM), a nonprofit supply management organization. The **ISM Services PMI** (Purchasing Managers' Index) is a monthly economic indicator that measures the activity of the US services sector. It's published by the Institute for Supply Management (ISM) and is based on surveys of purchasing and supply managers in the services industry. The **Job Openings and Labor Turnover Survey (JOLTS)** tells us how many job openings there are each month, how many workers were hired, how many quit their job, how many were laid off, and how many experienced other separations (which includes worker deaths). The **Michigan Consumer Sentiment Index (MCSI)** is a monthly survey of consumer confidence levels in the United States conducted by the University of Michigan. The survey is based on telephone interviews that gather information on consumer expectations for the economy. (Technical definitions are sourced from Corporate Finance Institute.)

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