

World markets review — 2025

Equities

Global stocks rallied, generating double-digit gains for the third year in a row. Driven by strong returns in international and emerging markets, the MSCI All Country World Index rose more than 22%. U.S. markets lagged other major regions of the world but still posted solid gains above 17%, fueled by investor enthusiasm for artificial intelligence (AI).

Shrugging off worries of a tariff-induced trade war, all sectors of the MSCI ACWI enjoyed positive returns for the year, led by communication services, materials and financials. Banks and computer chip makers were among the top returning stocks. Real estate, consumer staples and consumer discretionary sectors lagged the overall market returns.

Equity index returns (%)	Dec 2025		4Q 2025		2025	
	U.S. dollar	Local currency	U.S. dollar	Local currency	U.S. dollar	Local currency
	0.1	0.1	2.7	2.7	17.9	17.9
S&P 500	1.0	0.8	3.3	3.6	22.3	19.7
MSCI ACWI	3.0	2.2	5.1	6.0	32.4	24.4
MSCI ACWI ex USA	0.8	0.5	3.1	3.4	21.1	18.4
MSCI World	3.0	2.6	4.7	5.6	33.6	31.3
MSCI Emerging Markets	3.0	2.1	4.9	6.1	31.2	20.6
MSCI EAFE	3.9	2.5	6.2	6.1	35.4	20.6
MSCI Europe	1.1	1.0	2.2	6.3	23.3	21.0
MSCI Pacific						

Source: RIMES.

Fixed income

Bond markets advanced as many central banks around the world moved to reduce interest rates or hold them steady. With inflation sitting at moderate levels, the U.S. Federal Reserve (Fed) and the European Central Bank both slashed policy rates multiple times during the year. One exception was the Bank of Japan, which hiked its key interest rate to a 30-year high.

In foreign exchange markets, a weakening dollar helped fuel the rally in non-U.S. stocks. As international stocks commanded the spotlight, the dollar fell sharply against the euro, the British pound, the Swiss franc and most emerging markets currencies. The U.S. Dollar Index declined more than 9% for the year.

Fixed income index returns (%)	Dec	4Q	Exchange rates (% change vs. USD)	Dec	4Q	
	2025	2025		2025	2025	
Bloomberg U.S. Aggregate	-0.1	1.1	7.3	Euro	1.2	-0.0
Bloomberg Global Aggregate	0.3	0.2	8.2	Japanese yen	-0.4	-5.8
Bloomberg U.S. Corp IG	-0.2	0.8	7.8	British pound	1.5	-0.1
Bloomberg U.S. Corp HY	0.6	1.3	8.6	Canadian dollar	1.7	1.5
JPM EMBI Global Diversified	0.7	3.3	14.3	Australian dollar	1.7	0.6
JPM GBI-EM Global Diversified	1.5	3.3	19.3	Swiss franc	1.4	0.4

Source: RIMES. Returns are in USD.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

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North America

U.S. equities had strong returns in 2025, as growing enthusiasm for AI, a trio of interest rate cuts and strong corporate earnings from large-cap tech companies outweighed concerns over the economic impact of wide-sweeping tariffs implemented by U.S. President Donald Trump. Overall, the S&P 500 Index climbed 18%. The Nasdaq Composite advanced 21%, as the tech-heavy index benefited from strong returns within the sector.

The Fed lowered interest rates three times, matching the number of interest rate cuts from 2024. The cuts, which were made at the final three meetings of 2025, amounted to 75 basis points (bps), lowering the overall rate to 3.50%-3.75%. Inflation slowed in November, as the Consumer Price Index rose 2.7% from the previous year, a decrease from September's 3% rate.

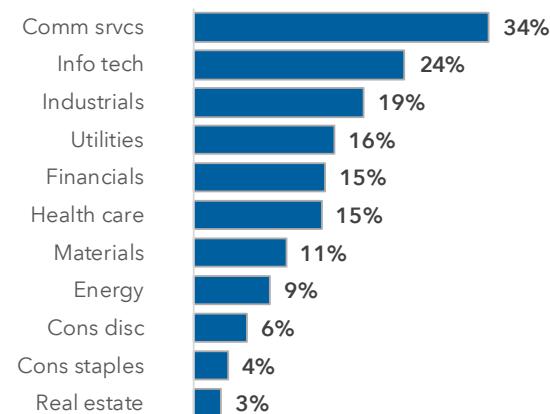
The U.S. economy grew in the second and third quarters of 2025, as gross domestic product (GDP) rose an annualized 3.8% and 4.3%, respectively, with the latter being the fastest rate in two years. This was a notable reversal from the first quarter GDP, which contracted by 0.5%. Unemployment, however, trended higher throughout the year, reaching 4.6% in November, the highest rate since September 2021.

All sectors gained at least 3%, as the S&P 500 Index set record highs several times throughout the year. Communication services, information technology and industrials had the strongest returns. Shares of NVIDIA, Broadcom and Micron Technology were all among the top returning stocks, as demand for AI infrastructure led to gains for chipmakers. Google parent Alphabet soared, in part due to the company's strong third-quarter earnings. Eli Lilly also rose sharply after a November deal with President Trump provided the GLP-1 maker with tariff exemptions and access to Medicare patients.

The consumer staples and real estate sectors posted the smallest gains. UnitedHealth shares fell early in the year when the company lowered its 2025 profit forecast while posting disappointing first-quarter earnings. Salesforce, Procter & Gamble and Home Depot also declined.

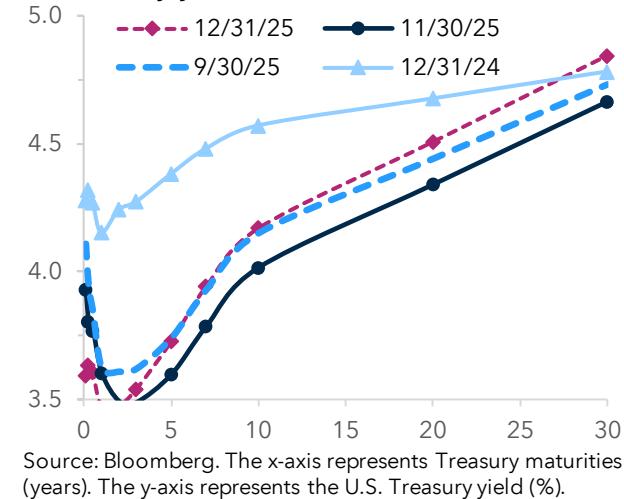
U.S. bonds produced positive results in 2025. The Bloomberg U.S. Aggregate Index grew by 7.3%, as the Fed cut rates late in the year. The Treasury yield curve steepened throughout the year, with the yield on U.S. 10-year notes falling 40 bps to 4.17%, while the two-year yield dropped by 77 bps to reach 3.48%. Within U.S. credit markets, investment-grade bonds (BBB/Baa and above), as measured by the Bloomberg U.S. Corporate Investment Grade Index, gained 7.77% and high-yield bonds, as measured by the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index, rose by 8.62%.

S&P 500 total returns (2025)



Source: RIMES. Data labels reflect rounded figures.

U.S. Treasury yield curve



Europe

European stocks rose sharply, generating the highest calendar-year return since 2009. With the U.S. raising tariffs on trading partners around the world in early 2025, investor sentiment shifted toward non-U.S. stocks with lower valuations. A subsequent U.S.-Europe trade deal announced in July helped calm fears of a trans-Atlantic trade war, fueling further gains. Overall, the MSCI Europe Index rose 35% in U.S. dollar terms and 21% in local currency.

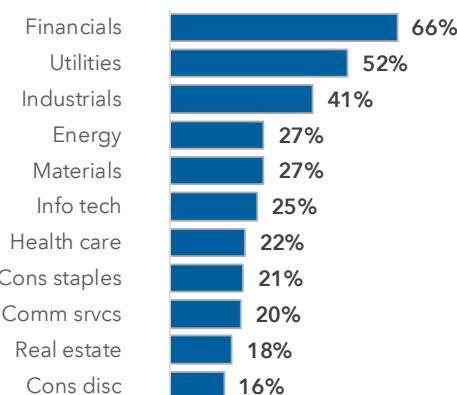
Stocks gained additional support from better-than-expected economic growth, low interest rates, solid corporate earnings and a weakening dollar. The European Central Bank (ECB) cut interest rates multiple times during the year, leaving its key policy rate at 2%. ECB officials also raised their economic growth forecast for the eurozone to 1.4% for the full year 2025 and 1.2% for 2026, citing Europe's "resilient" economy in the face of rising tariffs.

Financial stocks led markets higher, rising 66% amid soaring profits due largely to higher fees and trading income. Shares of Banco Santander gained more than 160% as Spain's largest bank reported a record-high profit of €10.3 billion in the first nine months of the year, up 11% from the same period last year. Stocks in the utilities sector gained more than 50% in aggregate. Shares of Iberdrola rose 64% as the Spanish energy company raised its full-year profit guidance to €6.6 billion. Industrial stocks also rallied, gaining more than 40% for the year.

Consumer discretionary stocks lagged, rising about 16% as consumer-oriented companies were hit by tariff-induced uncertainty. Adidas fell more than 18% for the year. Despite strong earnings, the German sports apparel firm came under pressure as tariffs threatened to harm its export-heavy business and as sales fell short of analyst expectations. In the health care sector, shares of Novo Nordisk lost nearly 40% amid fierce competition from rivals selling equivalent versions of its diabetes and weight-loss drugs Wegovy and Ozempic.

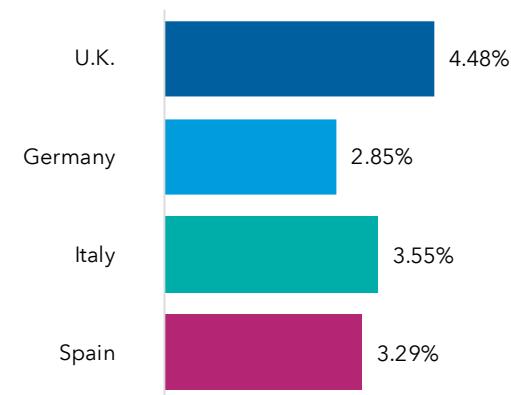
In fixed income markets, European bonds advanced amid modest growth in the eurozone economy and the ECB's decision to keep policy rates steady. The yield on Germany's benchmark 10-year note rose 49 bps to end the year at 2.85%. The same maturity in Spain rose 23 bps to 3.29%. In currency markets over the full year, the euro climbed more than 13% against the dollar.

MSCI Europe total returns (2025)



Source: RIMES. Returns are in USD. Data labels reflect rounded figures.

10-year government bond yields



Source: Bloomberg. As of December 31, 2025.

Asia-Pacific

Japanese equities advanced, driven by optimism over improved U.S.-Japan trade ties, a weaker yen and corporate reforms. All sectors advanced with utilities and energy leading gains. The Japanese yen ended the year flat against the U.S. dollar.

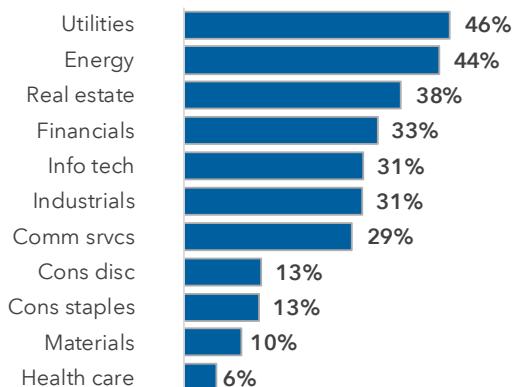
The Bank of Japan (BOJ) raised its key interest rate to a 30-year high. The bank increased its benchmark rate by 25 bps to 0.75% at its December meeting, marking its second and final rate hike of 2025. It previously raised its interest rate in January amid elevated inflation. Core inflation, which excludes fresh food, rose 3.0% in November, up slightly from 2.9% in September, remaining well above the bank's 2% target. Meanwhile, Japan's economy contracted more than expected in the third quarter, declining to an annualized rate of 2.3%, versus an initial government reading of -1.8%, on weaker capital investments. In May, uncertainty on the impact of U.S. tariffs on Japanese exports prompted the BOJ to lower its GDP growth forecast to 0.5% from 1.1% for the fiscal year ending in March 2026. Elsewhere, manufacturing contracted at a slower pace in December. The S&P Global Flash Japan Manufacturing Purchasing Managers' Index (PMI), an indicator of manufacturing performance, climbed to 49.7 in December from 48.7 in November.

Japan's cabinet approved a \$135 billion stimulus package. The plan aims to support the economy and tame rising prices. New Prime Minister Sanae Takaichi, who succeeded Prime Minister Shigeru Ishiba after his resignation in September, said the package will be funded by government revenue and measured bond issuance. The BOJ continued its bond tapering program but scaled back the pace. Government bond yields were volatile with long-term bond yields hitting record highs supported by the BOJ rate hike. Similarly, financial stocks rallied on stimulus measures. Financial stocks like Sumitomo Mitsui, Mizuho Financial and Mitsubishi UFJ contributed. Conversely, shares of pharmaceutical firm Daiichi Sankyo fell after a series of discounted block trades.

Australian shares rose. Equities, which were impacted by global trade uncertainty at the start of the year, recovered to close the year higher. Most sectors were positive with utilities and materials leading gains. The Reserve Bank of Australia cut rates three times in 2025 to end at 3.6% as inflation remained elevated. Miners like BHP, Rio Tinto and Fortescue saw their shares rise as demand for metals like copper pushed prices higher. Elsewhere, shares of accounting software provider Xero lost ground as fears of a potential AI bubble dragged global tech stocks in early December. The Australian dollar strengthened 7.7% against the greenback.

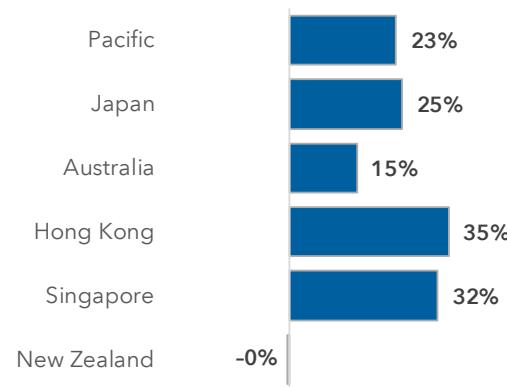
Hong Kong equities outpaced the region. Record investment flows from mainland China and enthusiasm for tech companies not listed in the mainland boosted the city's shares. All sectors rose. Strong equity flows drove the Hong Kong dollar to its strongest appreciation in 20 years against the U.S. dollar in September.

MSCI Japan total returns (2025)



Source: RIMES. Returns are in USD. Data labels reflect rounded figures.

MSCI Pacific total returns (2025)



Source: RIMES. Returns are in USD. Data labels reflect rounded figures.

Emerging markets

Emerging markets (EM) stocks posted their largest gains since 2017, driven by a weaker U.S. dollar and a global rotation toward non-U.S. stocks. Leading technology companies in emerging markets, such as Taiwan's TSMC and Korea's SK Hynix, benefited directly from the growth in AI. The MSCI Emerging Markets Index gained 33.57%.

The materials sector surged 62.49%, driven by global supply chain realignment and new manufacturing investments worldwide. The information technology and communication services sectors also posted large gains. While no EM sectors declined during the year, real estate and consumer staples posted the smallest gains.

Chinese stocks gained 31.17% as it became clear that the country's economic picture was not as dire as once believed. Government officials sought to blunt deflation by closing inefficient manufacturing capacity and curbing intense price competition in certain industries. China's technology sector benefited from the emergence of AI startup DeepSeek and supportive government policies to encourage entrepreneurs. Meanwhile, diversified exports have helped offset tariffs imposed by the U.S.

Indian stocks underperformed most EM countries, rising just 2.62%. Export-oriented sectors such as pharmaceuticals and information technology struggled amid U.S. tariffs and weak overseas demand. Indian technology services firms Tata Consultancy and Infosys were among the biggest detractors in the MSCI EM Index.

Latin American equities outperformed other EM regions with the MSCI Latin America Index gaining 54.81%. Stocks rose in Mexico and Brazil by 56.14% and 49.72%, respectively, as policymakers weighed interest rate cuts amid slowing inflation. Argentine shares declined 4.67%. The country's economic growth slowed in the third quarter, reversing a strong rebound in previous quarters amid a sluggish job market.

Most EM currencies appreciated against the U.S. dollar, which had its worst year since 2017. The Hungarian forint and the Mexican peso were among the top-performing EM currencies against the dollar, rising 21.5% and 15.6%, respectively. The Argentine peso fell 29% and the Turkish lira fell 17.7%. ■

Both dollar- and local currency-denominated EM bonds rose significantly during the year. EM local-currency debt rose by 19.26% in dollar terms, as measured by the J.P. Morgan GBI-EM Global Diversified Composite Index. U.S. dollar-denominated debt gained 14.3% in dollar terms, as measured by the J.P. Morgan EMBI Global Diversified Index. All sub-asset classes posted positive gains. ■

2025 total returns (%)

Equity indexes	(USD)	Fixed income / currency	USD debt	Local debt	Local debt	Exchange rate
			(USD)	(USD)	(Local)	(vs. USD)
MSCI Emerging Markets	33.6	JPM EMBI Global Div	14.3	---	---	---
MSCI Brazil	49.7	JPM GBI-EM Global Div	---	19.3	10.1	---
MSCI China	31.2	Brazil	13.2	34.5	19.3	12.7
MSCI India	2.6	China	6.8	4.7	0.3	4.5
MSCI Mexico	56.1	Indonesia	8.9	8.7	12.6	-3.5
MSCI South Africa	77.6	Malaysia	8.9	16.4	5.7	10.2
MSCI Korea	99.8	Mexico	16.2	35.3	17.0	15.6
MSCI Saudi Arabia	-5.1	Poland	9.9	26.0	9.6	14.9
MSCI Taiwan	39.1	South Africa	16.1	41.3	24.1	13.9
MSCI Thailand	6.8	Turkey	12.2	11.5	35.4	-17.7

Source: RIMES

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Unless otherwise noted, all returns are in U.S. dollars and assume the reinvestment of dividends. Country stock returns are based on MSCI indexes.

Bond ratings, which typically range from AAA/Aaa (highest) to D (lowest), are assigned by credit rating agencies such as Standard & Poor's, Moody's and/or Fitch, as an indication of an issuer's creditworthiness.

Bloomberg indexes are unmanaged, and results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes. **Bloomberg U.S. Aggregate Index** represents the U.S. investment-grade fixed-rate bond market. **Bloomberg Global Aggregate Index** represents the global investment-grade fixed income markets. **Bloomberg U.S. Corporate Investment Grade Index** represents the universe of investment grade, publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. The **Bloomberg U.S. Corporate High Yield Bond Index** measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market. The **Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index** covers the universe of fixed-rate, non-investment-grade debt. The index limits the maximum exposure of any one issuer to 2%.

S&P Global purchasing manager indexes (PMIs) track business trends across both manufacturing and service sectors for various countries. The indexes are based on data collected from companies and follow variables such as sales, new orders, employment, inventories and prices. The **S&P Global Flash Japan Manufacturing PMI** provides this information about Japan.

J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified and related country-specific indexes track total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, eurobonds. **J.P. Morgan Government Bond Index – Emerging Markets (GBI-EM) Global Diversified** and related country-specific indexes cover the universe of regularly traded, liquid fixed-rate, domestic currency emerging market government bonds to which international investors can gain exposure.

MSCI indexes are free-float-adjusted, market-capitalization weighted indexes. Developed market index results reflect dividends net of withholding taxes. Emerging market index results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter. Each index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes. **MSCI All Country World Index (ACWI)** is designed to measure results of more than 40 developed and emerging equity markets. **MSCI All Country World (ACWI) ex USA Index** is designed to measure equity market results in the global developed and emerging markets, excluding the United States. **MSCI EAFE® (Europe, Australasia, Far East) Index** is designed to measure developed equity market results, excluding the United States and Canada. **MSCI Emerging Markets Index** is a free-float-adjusted market-capitalization-weighted index designed to measure equity market results in more than 20 global emerging markets. Individual emerging markets listed herein represent a subset of the MSCI Emerging Markets Index. **MSCI Europe Index** is designed to measure developed equity market results across 15 developed countries in Europe. **MSCI Pacific Index** is designed to measure the equity market performance of the developed markets in the Pacific region. It consists of Japan, Australia, Hong Kong, New Zealand and Singapore. **MSCI World Index** is designed to measure equity market results of developed markets. The index consists of more than 20 developed-market country indexes, including the United States.

Nasdaq Composite Index is a broad-based market-capitalization-weighted index that measures all domestic and international-based common-type stocks listed on The Nasdaq Stock Market.

S&P 500 Index is a market-capitalization-weighted index based on the results of 500 widely held common stocks. This index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes.

The **Consumer Price Index (CPI)**, reported by the U.S. Bureau of Labor Statistics, measures the change in prices paid by consumers for goods and services.

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