



First Citizens Wealth™

Making Sense

Quarterly Market Review – Q4 2025



Global Markets

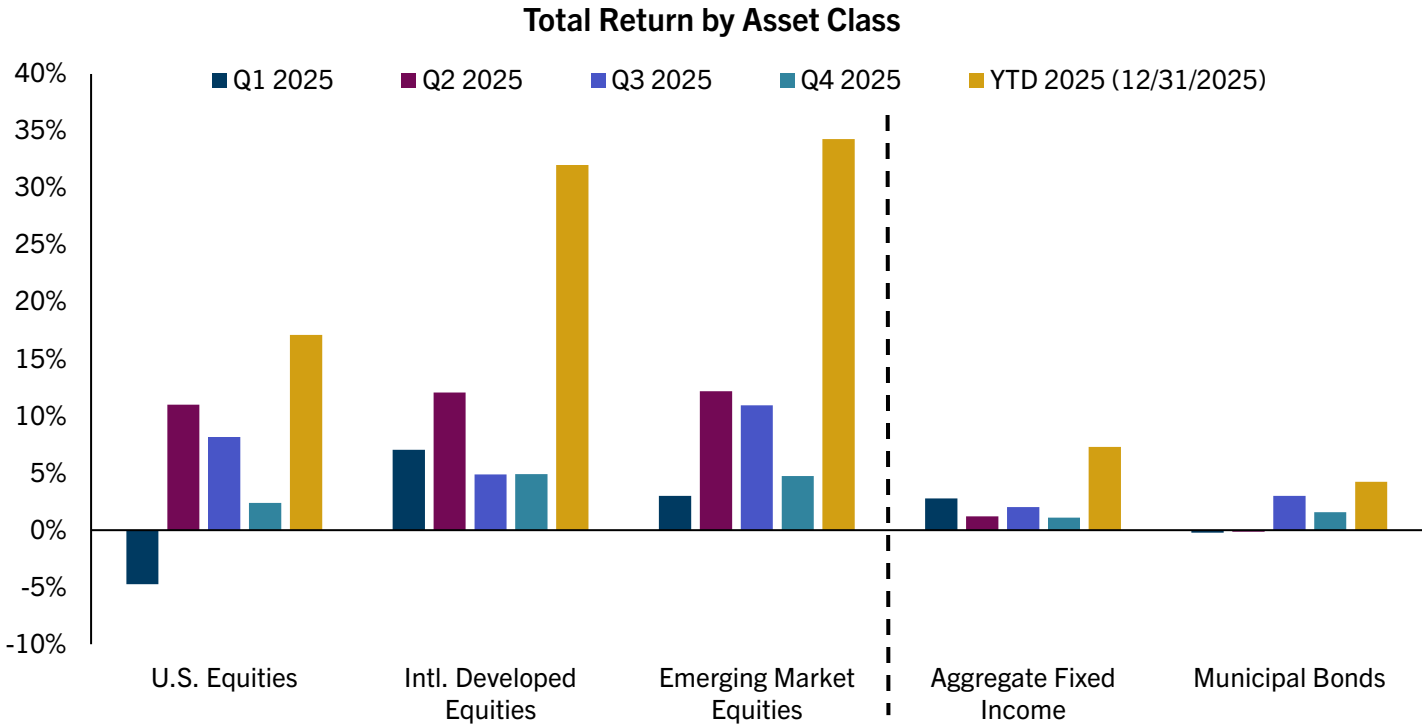
Global markets delivered positive returns in the fourth quarter to round out a solid year of gains across all major asset classes.

US equity returns were more modest in Q4 (+2.4%) compared to recent averages. But solid gains since April brought total US equity returns for 2025 to a healthy +17%.

International developed equities rose another 4.9% in Q4 to bring total return this year to a surging 32%, not to mention a sharp 34% gain for emerging markets. These were the best performing asset classes this year by far, as the dollar weakened substantially and the valuation gap with US equities narrowed.

Aggregate fixed income rose modestly in Q4. Yields moved slightly lower as the Federal Reserve cut interest rates by another 50 basis points in the quarter. Municipal bonds gained further in Q4 and returned 4.2% this year.

2025 delivered solid returns across asset classes



Source: Bloomberg. Note: Chart data represents Russell 3000, MSCI EAFE, MSCI EM, Bloomberg Aggregate Bond, Bloomberg Municipal Bond. Data as of 12/31/2025.

US Equity Performance

Large cap stocks posted gains of 3% during the quarter, outperforming both mid and small cap indices. Value outperformed growth, and both large and small cap indices posted modest gains. Across the size spectrum, value stocks were the best performers during the quarter. Growth stocks however lagged with mid cap posting negative returns.

For 2025 as a whole, returns across the size and style spectrum were impressive. Large cap growth continued its dominance in 2025. Value stocks across the size spectrum also generated substantial returns. This development could reflect some breadth coming into the market as concerns grow around concentration and valuation risks.

Large cap continues its dominance

QTD US Equity Returns As of 12/31/2025				YTD US Equity Returns As of 12/31/2025					
		Value	Blend	Growth			Value	Blend	Growth
Large		5.0%	3.0%	1.3%	Large		18.4%	19.2%	18.6%
	Mid	1.4%	0.2%	-3.7%		Mid	11.0%	10.6%	8.7%
	Small	3.2%	2.2%	1.2%		Small	12.6%	12.8%	13.0%

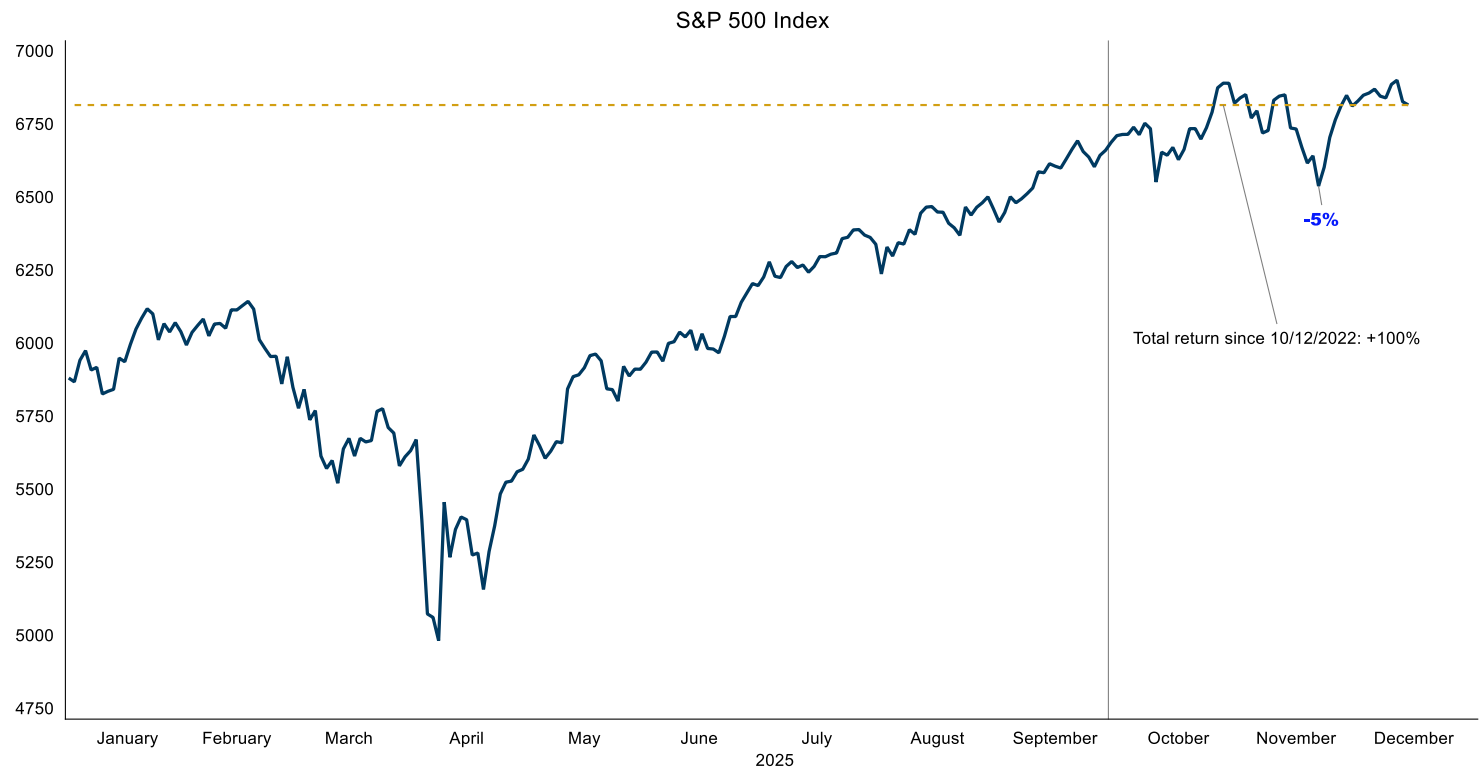
US Equity Performance

The S&P 500 rose 2.7% during the fourth quarter, rounding out a year of strong performance and finishing 2025 returning +18% despite the sharp selloff in April. For the year, the index hit its all-time high 39 times, and since October 2022 the S&P 500 has returned approximately 100%.

While returns for the S&P 500 in Q4 were somewhat more modest compared to Q3, volatility and drawdowns were contained. The worst sell off from peak in Q4 was a 5% drawdown in late November, and volatility was relatively benign.

As highlighted in our [2026 Market Outlook](#), our next-twelve-month price target for the S&P 500 is 7,200. We remain cautiously constructive on the US equity market, expecting solid returns but at a more modest rate compared to the last few years given elevated market concentration and valuations along with concerns surrounding inflation and job growth.

Resilient, record-breaking, but cautious



Source: Bloomberg
Data as of: 12/31/2025

Source: Bloomberg. Data as of 12/31/2025.

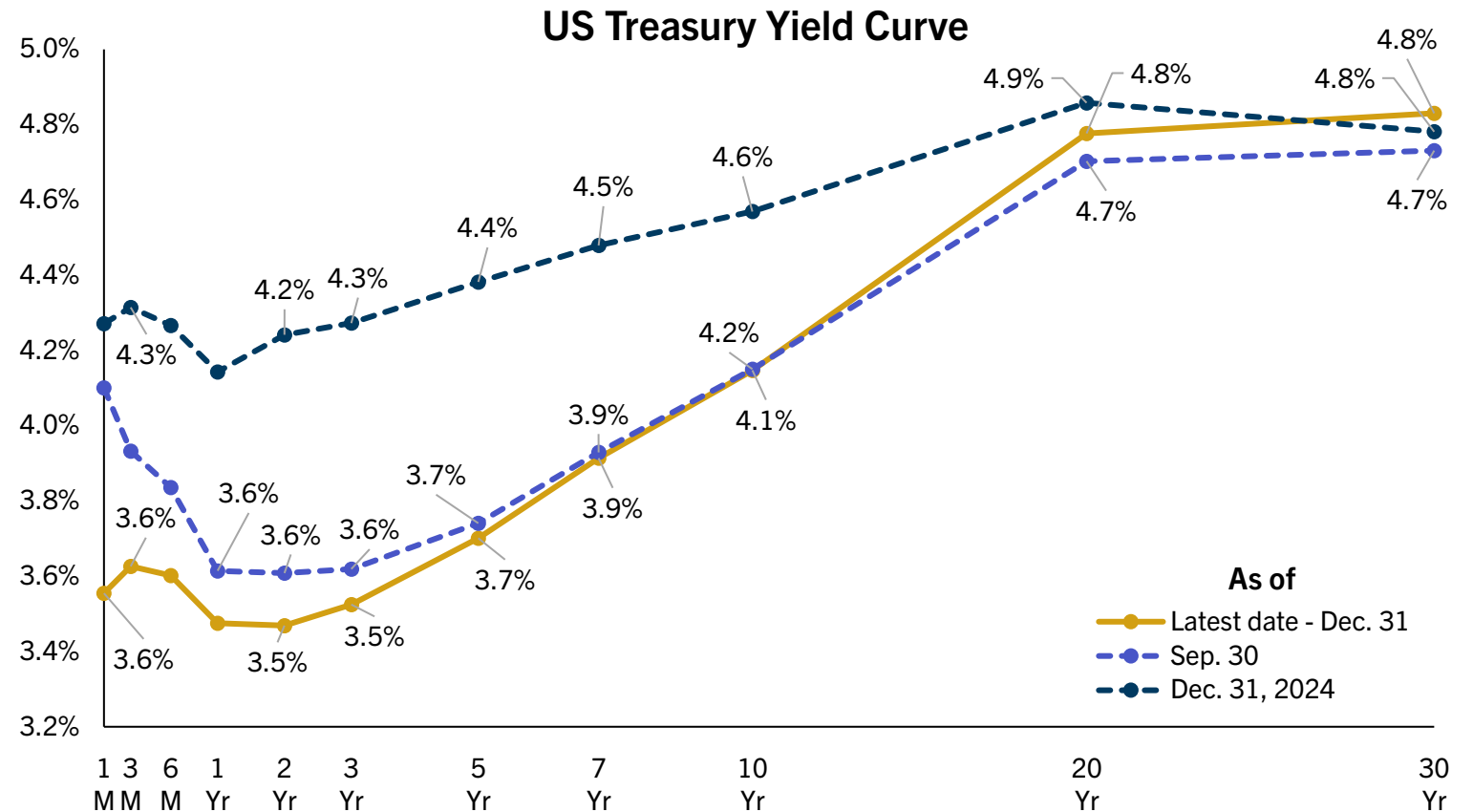
Fixed Income

The Federal Reserve lowered interest rates by another 0.5% in Q4, steepening the yield curve and nearly ending the inversion that has been a feature of the curve since 2022. Yields in the belly and long end of the curve were little changed from Q3, with the 10-year Treasury yielding 4.1% at the close of 2025.

After the Fed lowered rates by 0.75% this year and 1.00% in 2024, markets now see the central bank on hold until June. The Fed delivered these “risk management cuts” in response to a cooling labor market, but now policymakers and investors will likely wait to see how the economic data pans out before signaling the next expected rates move.

Rate cuts directly affect the short end of the yield curve. Yields for the 10-year Treasury and 30-year mortgage rate depend on longer-term expectations for markets and the economy and don’t necessarily move in step with the Fed’s rate cuts.

The yield curve steepened in Q4



Source: Bloomberg. Data as of 12/31/2025.

Fixed Income

Yields remain attractive despite recent interest rate cuts. Yields have declined across the board, especially following the Fed’s multiple 0.25% cuts over the past few months. The 10-year Treasury yield has remained above 4% yielding 4.1% at the end of the year. Municipal bonds yielded 3.6%, little changed compared to last year. Corporate bond yields have fallen from last year but also were little changed relative to the last few quarters, reflecting tighter spreads.

Yields are below the peaks of recent years, but we still see attractive opportunities for fixed income investors.

Yield levels remain attractive

US Fixed Income Indices		
Index	Yield-to-Worst	
	As of	
	12/31/2025	12/31/2024
2-Year Treasury	3.5%	4.2%
10-Year Treasury	4.1%	4.6%
Aggregate Bond	4.3%	4.9%
Intermediate Government/Credit	3.9%	4.6%
Municipal Bond	3.6%	3.7%
Investment Grade Corporate Bond	4.8%	5.3%
High Yield Corporate Bond	6.5%	7.5%

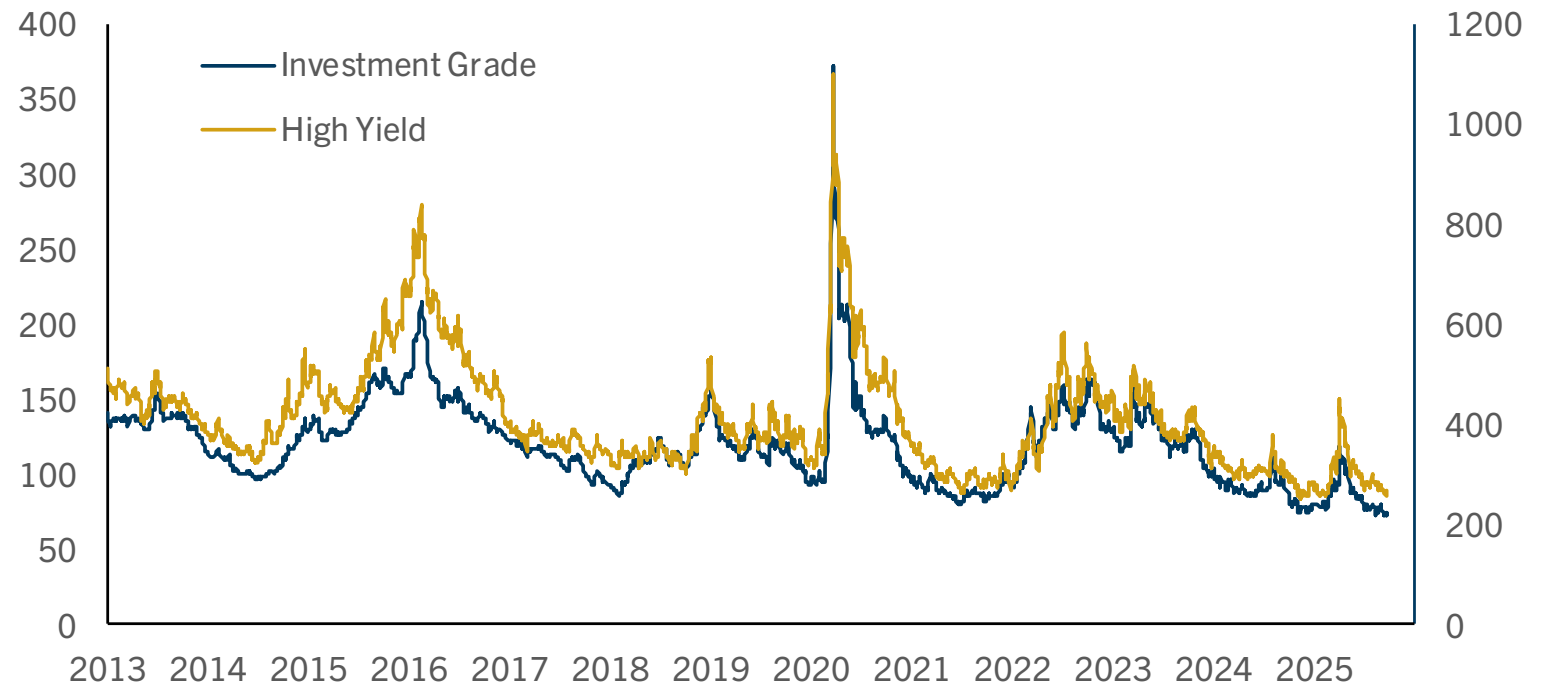
Fixed Income

Credit spreads for investment grade and high yield corporate bonds have continued to narrow and are at or near historic levels of tightness.

Credit spreads are a good proxy for perceived risk, and fixed income markets are not currently pricing an imminent dislocation. We would expect to see a widening of spreads before any significant economic downturn.

Corporate credit spreads tightened even further

US Fixed Income: Option Adjusted Spreads in Basis Points



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