

On The Margin

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December 2025 Recap

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PRELUDE

The December holiday season can be an emotional roller coaster for many people. The season often begins with the stress that comes with preparing for it (coordinating schedules, shopping for gifts, cleaning the home, cooking large quantities of food, etc.). However, the stress often turns into relief and joy from seeing family and friends, spending precious time together, and exchanging gifts. These contrasting emotions can make the December holiday season a powerful mix of pressure and heartfelt happiness. Global markets experienced their own ups and downs during December amid another interest rate cut from the Federal Reserve, ongoing concerns about business cases for artificial intelligence, and a better-than-expected Q3 U.S. GDP report. At month's end, U.S. equities and fixed income generated mixed results, while international equities finished 2025 on a positive note.

GLOBAL EQUITY

Another volatile month within the U.S. equity market led to mixed results by the end of December, with performance across multiple major indexes ranging from -0.6% and +0.9%, cumulatively. Large cap value stocks were among the biggest winners within the U.S. market for a second straight month, driven partly by positive returns from several companies in the financial sector. The large cap value space also benefitted again from limited exposure to the technology sector amid growing concerns about the valuations of certain companies nearest to the development of artificial intelligence



technologies. Large cap growth stocks were among the laggards within the U.S. market as investors continued to rotate away from the space amid further concerns about near-term business prospects for certain companies involved in the advancement of artificial intelligence technologies. As an example, shares of Broadcom Inc. fell -14.0% during December despite the company releasing better-than-expected earnings. Investors remained worried about the company possibly experiencing near-term margin compression amid its costly infrastructure buildup to produce more chips for usage within AI applications. Despite another interest rate cut from the Federal Reserve during the month, small cap stocks finished December in negative territory as performance within the technology sector dragged overall index performance lower.

International markets generated broadly positive returns in December as the U.S. dollar weakened relative to several other major currencies. Developed international markets, as represented by the MSCI EAFE Index, returned +3.0% for the month. European bank stocks were among the better performers in December, highlighted by UBS Group. Shares of UBS Group rose +21.0% after Swiss legislators proposed reducing capital requirements on banks. European banks were also among the better performers within the MSCI EAFE Index throughout 2025, as the industry experienced stronger-than-expected fee and trading income despite falling interest rates. Emerging markets generated their eleventh month of positive returns in December 2025, as the MSCI EM Index returned +3.0%. South Korean equities were among the most significant contributors to performance, led by both Samsung Electronics and SK Hynix. The two stocks returned +21.8% and +25.4% respectively, amid optimism surrounding both companies producing large

TABLE 1: GLOBAL EQUITY	DEC	QTD	YTD	1 YR
Dow Jones Industrial Average	0.92	4.03	14.92	14.92
S&P 500 Index	0.06	2.66	17.88	17.88
Russell 2000	-0.58	2.19	12.81	12.81
Russell 1000 Growth	-0.62	1.12	18.56	18.56
Russell 1000 Value	0.68	3.81	15.91	15.91
MSCI ACWI USD	1.04	3.29	22.34	22.34
MSCI EAFE USD	3.00	4.86	31.22	31.22
MSCI EM USD	2.99	4.73	33.57	33.57
MSCI ACWI ex US USD	3.00	5.05	32.39	32.39

Source: Bloomberg, as of 12/31/2025. Past performance does not guarantee future returns.

volumes of memory chips for NVIDIA (to advance NVIDIA's artificial intelligence initiatives). As a refresher, both Samsung Electronics and SK Hynix are two of the five biggest positions in the MSCI EM Index (at 3.5% and 2.1% weights, respectively), leading both companies' returns to have a meaningful impact on the overall performance of the index.

FIXED INCOME

The U.S. Treasury yield experienced divergent moves during December as short-term rates fell, while long-term rates rose, resulting in mixed returns across the fixed income space. While short-term rates fell following the Federal Reserve's third interest rate cut of 2025, long-term rates rose amid hawkish guidance from Federal Reserve officials following the interest rate cut. The combined performance impact of such yield curve moves led the Bloomberg U.S. Aggregate to fall -0.2% in December. As we look at 2026, investors expect the Federal Reserve to reduce interest rates two or three more times over the course of the year.

TABLE 2: FIXED INCOME	DEC	QTD	YTD	1 YR
Bloomberg US Aggregate	-0.15	1.10	7.30	7.30
Bloomberg 1-3 Yr Gov/Credit	0.34	1.16	5.35	5.35
Bloomberg Treasury 5-7 Yr	-0.29	1.16	8.02	8.02
Bloomberg Investment Grade Corp	-0.19	0.87	7.83	7.83
Bloomberg High Yield Corp	0.57	1.31	8.62	8.62
JPMorgan EMBI Global Diversified	0.72	3.29	14.30	14.30

Source: Bloomberg, as of 12/31/2025. Past performance does not guarantee future returns.



Joe Nitting serves as the Director of Research for the centralized investment research function of the Retirement & Investment Solutions practice at CBIZ, Inc. Joe conducts investment research in both traditional and alternative asset classes, and he assists in the portfolio construction process for the firm's centralized investment research function. Joe has a B.S. in both Finance and Accounting from the University of Dayton. He began his career in investments at a boutique registered investment advisory firm in the greater Chicago area, focusing on traditional investments. He also served as an analyst for a registered investment advisory firm in the Cleveland area, where he specialized in alternative investments. Joe plays an important role in fostering a culture of collaboration and creativity within CBIZ while offering unique insights based on his experience across a wide spectrum of investment types.

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I wanted to briefly touch on the Q3 U.S. GDP report, given how positive it came in relative to expectations. As a reminder, the report showed the U.S. economy grew +4.3% in the third quarter, relative to expectations of +3.2%. Robust consumer spending seemed to drive the greater-than-expected expansion. Beyond the report itself, we are keen to see if such a growth trend will continue and, if so, how such a trend may influence the Federal Reserve's stance on cutting interest rates further in 2026 given the range of conflicting data it already faces (tenuous U.S.-China trade relations, labor market health, inflation remaining above its stated 2% target, etc.). While we cannot reasonably make predictions about any of these items at this time, we look forward to sharing additional perspectives related to such topics with you in 2026.

POSTLUDE

As some of our readers may remember from the September edition of On The Margin, we concluded that piece by sharing some of the content our investment team is reading, watching, and listening to (both for work and for fun) with our audience. That conclusion format is back by popular demand here as we conclude the fourth quarter, with new content below for our audience's reference and (hopefully) enjoyment.

- *We are reading:* **The World for Sale.** Authors Javier Blas and Jack Farchy explore the impact that billionaire commodity traders (who buy, hoard, and sell the earth's resources) have on global trade.
- *We are watching:* **Stranger Things.** A fictional series where a government-funded research laboratory inadvertently creates a portal to an alternate dimension, the presence of which begins to affect the residents of a small town in unusual ways.
- *We are listening to:* **Prof G Markets.** Scott Galloway and Ed Elson break down the news and events that are moving global markets, offering differentiated perspectives relative to mainstream financial media.

Thank you to our audience for the opportunity to share our perspectives with you throughout 2025 and we are excited to continue doing so. We hope you had a happy and healthy holiday season and look forward to connecting with you during 2026.

