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MML Investors Services

A review of Q4 2025

Quarterly Economic Update

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U.S and Canadian Markets

U.S. stocks notched a solid gain in the fourth quarter as investors cheered lower interest rates and solid corporate profits while navigating limited economic updates due to the U.S. government shutdown.

The Standard & Poor's 500 Index gained 2.35 percent, while the Nasdaq Composite added 2.57 percent. The Dow Jones Industrial Average advanced 3.59 percent. The Toronto Stock Exchange capped a strong year with a solid Q4, picking up 5.63 percent.[1]

October Shutdown

U.S. stocks rose for the sixth consecutive month in October as AI- and tech-led advances pushed major averages.[2]

Solid Q3 corporate results helped drive market momentum over a month that is notorious for declines. However, after the U.S. Senate failed to pass dueling funding bills that would have prevented the shutdown, sentiment began to shift negatively.[2]

Late-Month November Rally

Stocks then turned mixed in November as a late-month rally clawed back some losses from earlier in the month. After the U.S. federal government's shutdown ended, investors' focus shifted to the Federal Reserve as they kept an eye on big consumer-related stocks for insights into the economy, with few official monthly economic reports being issued.[3,4]

December Ends Quietly

U.S. stocks regained some momentum in December but faced pressure late in the month. A fresh CPI report showed inflation cooled in November, lifting stocks across the board. The Federal Reserve cut short-term rates, but the jobs market continued to give mixed signals, which created anxiety about how the Fed will guide rates in 2026.[5,6,7]

U.S. Sectors

Health Care (+11.22 percent) was the clear leader for Q4, while Technology (+2.14 percent) came in just shy of the overall Index. Financials (+1.65 percent), Materials (+1.16 percent), Industrials (+0.55 percent), and Energy (+0.11 percent) also posted gains. Consumer Discretionary (-0.36 percent), Communication Services (-0.57 percent), and Consumer Staples (-0.88 percent) were under pressure, while Utilities (-2.32 percent) and Real Estate (-4.23 percent) suffered larger declines.[8]

Canada Recap

Canada released its third-quarter gross domestic product data in October, which showed the economy grew a modest 1.2 percent year over year. The report showed that trade tensions and investment weakness took a toll on the economy.[9]

Canadian stocks also pushed higher despite a disappointing employment report, which showed the economy created 2,000 jobs over the quarter (10,000 expected). On the upside, unemployment dropped to 6.5 percent in November—its lowest level since July 2024—and the Canadian consumer continued to spend despite mixed updates on consumer sentiment.[10]

Markets Recap			
	December 2025 (%)	Q4 2025	Year-to-Date (%)
S&P 500	-0.05%	2.35%	16.39%
Nasdaq	-0.53%	2.57%	20.36%
Russell 2000	-0.74%	1.86%	11.29%
S&P/TSX Composite	1.05%	5.63%	28.25%
10-Year Treasury Notes	4.16%	4.15%	-0.46%
Fed Funds Rate	3.50% - 3.75%	4.00 - 4.25%	4.25% - 4.50%

Yahoo Finance, December 31, 2025. The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid.

What Investors May Be Talking About in January

In the month ahead, federal workers will continue to work overtime to catch up on all the economic reports delayed by the shutdown.

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While they have been making steady progress, five key reports remain delayed: Retail sales, industrial production, housing starts, new home sales, and durable goods.[11]

Fed officials believe they will be caught up by the end of January. Ironically, that's when the temporary spending bill passed in November 2025, which ended the 43-day shutdown, will run out of funds.[11]

By month's end, expect attention to focus on how Congress will structure a new spending bill.

World Markets

The MSCI EAFE Index rose 4.54 percent in the fourth quarter. It outperformed all three major U.S. market averages over the quarter and for the full year.[12]

In Europe, Spain (+11.84 percent) was the clear leader among the major developed markets. The United Kingdom (+6.21 percent) and Italy (+5.20 percent) also outperformed the MSCI EAFE Index, while France (+3.21 percent) and Germany (+2.55 percent) also logged gains.[12]

Pacific Rim stocks were mixed, with Japan (+12.03 percent) notching a solid gain for the three months. Australia (-1.52 percent) was under pressure. Korea (+23.06 percent) was the standout for the quarter and year (75.63 percent.).[12]

World Market Recap

Index	December 2025 (%)	Q4 2025	Year-to-Date (%)
Global			
Hang Seng (China)	-0.88%	-4.56%	27.77%
KOSPI (Korea)	7.32%	23.06%	75.63%
Nikkei (Japan)	0.17%	12.03%	26.18%
Sensex (India)	-0.60%	6.13%	9.02%
EGX 30 (Egypt)	2.64%	14.07%	40.65%
Bovespa (Brazil)	1.29%	10.18%	33.95%
IPC All-Share (Mexico)	1.12%	2.21%	29.88%
ASX 200 (Australia)	1.16%	-1.52%	6.80%

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Europe			
DAX (Germany)	2.74%	2.55%	23.01%
CAC 40 (France)	0.33%	3.21%	10.42%
IBEX 35 (Spain)	5.72%	11.84%	49.37%
FTSE 100 (United Kingdom)	2.17%	6.21%	21.51%
IT40 (Italy)	3.66%	5.20%	31.47%

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Indicators

Please note: Some U.S. government reports remain delayed.

Gross Domestic Product (GDP): The economy grew at a 4.3 percent annualized pace in the third quarter, based on the initial Q3 estimate from federal data delayed by the government shutdown. It beat economists' forecasts of 3.2 percent and marked the highest economic growth in two years.[13]

Employment: The latest jobs report combined full data for November and partial data for October. Employers added 64,000 jobs in November, an upside surprise, as economists had only anticipated a 40,000 job gain. By contrast, the economy shed 105,000 jobs in October, reflecting government job cuts pared by private sector gains.[14]

Retail Sales: While federal data for November retail sales was still unavailable as of late December, the Chicago Fed's Advance Retail Trade Summary estimated that retail and food services sales (excluding autos and auto parts) rose 0.3 percent in November over the prior month.[15]

Industrial Production: In December, the U.S. federal government released three months of industrial production data that had been delayed due to the shutdown. Industrial output increased 0.2 percent in November, slightly beating expectations, after October's 0.1 percent decline.[16]

Housing: Homebuilder confidence for newly built single-family homes rose 1 point in December over the prior month, to a score of 39. November's score of 38 was its highest reading in seven months, suggesting that homebuilder confidence is holding for now despite less builder optimism overall. (A reading over 50 indicates most single-family homebuilders are confident in

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overall housing market conditions, while a lower reading indicates less builder optimism.)[17]

Sales of existing homes rose 0.5 percent in November over the prior month, falling off from October's upwardly revised 1.5 percent month-over-month gain. Year over year, sales fell 1.0 percent compared with October's 1.7 percent gain. Regionally, sales increased month over month in the Northeast and South, were flat in the West, and fell in the Midwest.[18]

The median existing home sales price in November was $409,200, 1.2 percent higher than a year ago. The supply of unsold homes decreased slightly month over month but increased 7.5 percent year over year.[18]

Consumer Price Index (CPI): Consumer prices rose 2.7 percent in November over the prior 12 months, cooler than the 3.1 percent annualized rise economists expected and slower than September's +3.0 percent pace. Core inflation, which excludes volatile food and energy prices, rose 2.6 percent year over year—both cooler than expectations and slower than September's 3.0 percent increase.[19]

Durable Goods Orders: Orders of manufactured goods designed to last three years or longer fell 2.2 percent in October (the latest available federal data), falling farther than the 1.5 percent decline expected. It followed September's 0.7 percent rise, revised up from +0.5 percent. Transportation orders dropped 6.5 percent, including a 20.1 percent decline in civilian aircraft orders. Excluding transportation, new orders rose 0.2 percent. Private sector data suggests that manufacturing activity picked up in November and December, which may indicate a rise in federal data for November orders.[20]

The Federal Reserve

The Federal Reserve convened two official meetings in the fourth quarter, during which officials delivered numerous speeches over the three-month period.

The Federal Open Market Committee (FOMC) cut interest rates by a quarter percentage point at its October meeting, a move widely expected. Federal Reserve Chair Jerome Powell said in his post-meeting press conference that another rate adjustment in December was "not a foregone conclusion," due in part to the government shutdown making up-to-date economic data reports scarce, and the challenge of setting monetary policy without them.[21]

However, the FOMC ultimately cut rates by another quarter percentage point at its December meeting. At his post-meeting press conference, Fed Chair Powell said it would be a higher bar for further rate adjustments.[22]

Minutes from the December meeting, released on December 30, confirmed themes consistent with those presented in Powell's December press conference. Members remain concerned about a wobbly labor market, but remain focused on.[23]

The Federal Reserve's first meeting of 2026 is January 27-28.

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2.25 billion[24]

The number of cups of coffee consumed worldwide every day.

66%[25]

The percentage of U.S. adults who drink coffee daily.

12 kg[27]

The amount of coffee consumed per person annually in Finland, the world's highest per capita.

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70%[26]

The share of coffee drinkers globally who brew coffee at home in 2025.

2 billion[28]

The number of people worldwide who drink tea every morning.

87%[29]

The percentage of people in Turkey who regularly drink tea is the highest rate globally.

50.2kg[30]

The amount of tea consumed per person annually in Sri Lanka is the world's highest per capita tea consumption.

80%[32]

The percentage of U.S. households that have tea at home.

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98 Million[31]

The number of cups of coffee consumed daily in the United Kingdom.

63%[33]

The share of people in the United Kingdom who drink coffee regularly.

$269.27 Billion[34]

The 2024 value of the global coffee market is projected to reach nearly $370 billion by 2030.

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The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. The S&P 500 Composite Index is an unmanaged group of securities considered to be representative of the stock market in general. The Nasdaq Composite is an index of the common stocks and similar securities listed on the Nasdaq stock market and considered a broad indicator of the performance of stocks of technology and growth companies. The Russell 1000 Index is an index that measures the performance of the highest-ranking 1,000 stocks in the Russell 3000 Index, which is comprised of 3,000 of the largest U.S. stocks. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark for the performance in major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. Index performance is not indicative of the past performance of a particular investment. Past performance does not guarantee future results. Individuals cannot invest directly in an index. The return and principal value of stock prices will fluctuate as market conditions change. And shares, when sold, may be worth more or less than their original cost.

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The Hang Seng Index is a benchmark index for the blue-chip stocks traded on the Hong Kong Stock Exchange. The KOSPI is an index of all stocks traded on the Korean Stock Exchange. The Nikkei 225 is a stock market index for the Tokyo Stock Exchange. The SENSEX is a stock market index of 30 companies listed on the Bombay Stock Exchange. The Jakarta Composite Index is an index of all stocks that are traded on the Indonesia Stock Exchange. The Bovespa Index tracks 50 stocks traded on the Sao Paulo Stock, Mercantile, & Futures Exchange. The IPC Index measures the companies listed on the Mexican Stock Exchange. The MERVAL tracks the performance of large companies based in Argentina. The ASX 200 Index is an index of stocks listed on the Australian Securities Exchange. The DAX is a market index consisting of the 30 German companies trading on the Frankfurt Stock Exchange. The CAC 40 is a benchmark for the 40 most significant companies on the French Stock Market Exchange. The Dow Jones Russia Index measures the performance of leading Russian Global Depositary Receipts (GDRs) that trade on the London Stock Exchange. The FTSE 100 Index is an index of the 100 companies with the highest market capitalization listed on the London Stock Exchange.

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