



BIONDO

# PERSPECTIVES

## FOURTH QUARTER MARKET COMMENTARY

Happy New Year! We hope you and your loved ones are doing well as we kick off another year. Looking back at 2025, it had its share of ups and downs. From market volatility and inflation surprises to interest-rate uncertainties and global tensions, the early months kept everyone on their toes. Investor sentiment shifted daily as markets reacted to new data, often dramatically. Markets finished the year on a solid footing, underpinned by resilient economic activity, gradually improving inflation trends, and steady corporate earnings.



Scott A. Goginsky

US equity markets posted notable gains last year. The tech-heavy indices led the charge, with the Nasdaq Composite and Nasdaq 100 both up over 21%. This was fueled by continued strength in technology and communications companies. The S&P 500 also performed well, ending the year 17.9% higher, with broader participation than many had expected despite concerns about market concentration. The Dow Jones Industrial Average rose 14.9%, showcasing the steady performance of established dividend-paying companies. Smaller companies had a decent year, too, with the Russell 2000 climbing 12.8%, even though they lagged behind larger counterparts. Mid-cap stocks, on the other hand, had more modest gains.

Performance wasn't uniform throughout the year. The first quarter was particularly volatile as investors reacted to stubborn inflation data, uncertainty about Federal Reserve policy, and geopolitical issues. Trade policy concerns also fueled volatility through the spring and summer, as renewed tariff discussions added uncertainty to global supply chains and pressured investor sentiment in specific sectors. This led to several market pullbacks that tested investor confidence early on.

However, conditions began to stabilize. Easing inflation, steady interest rates, and strong corporate earnings supported a rebound, allowing equities to close near their highs.

US Benchmarks	2025	Q4	Q3	Q2	Q1	vs. 52W High	vs. 52W Low
Magnificent Seven	24.9%	4.5%	17.6%	21.0%	-16.0%	-2.2%	74.7%
Nasdaq Composite	21.2%	2.7%	11.4%	18.0%	-10.3%	-3.2%	57.2%
Nasdaq 100	21.0%	2.5%	9.0%	17.9%	-8.1%	-3.6%	52.6%
S&P 500	17.9%	2.7%	8.1%	10.9%	-4.3%	-1.4%	41.6%
NDX Equal Weight	15.0%	0.9%	3.7%	13.0%	-2.8%	-3.0%	36.3%
Dow Jones Industrials	14.9%	4.0%	5.7%	5.5%	-0.9%	-1.7%	31.3%
Russell 2000	12.8%	2.2%	12.4%	8.5%	-9.5%	-4.4%	43.2%
SPX Equal Weight	11.4%	1.4%	4.8%	5.5%	-0.6%	-1.7%	27.3%
S&P Midcap 400	7.5%	1.6%	5.5%	6.7%	-6.1%	-2.9%	31.6%

\*\*\* Percentages are in total return Source: Nasdaq

Technology and growth sectors were key drivers of returns, thanks to ongoing investment in areas like artificial intelligence, cloud computing, and data centers. At the same time, other sectors, such as industrials and financials, began to contribute as investor confidence improved and economic conditions stabilized. Leadership remained concentrated in larger companies with strong balance sheets, but participation did broaden modestly as the year progressed, easing some earlier concerns around concentration.

**Economic indicators improved gradually throughout the year.** Inflation began to moderate from its highs, interest rates edged lower, and financial conditions eased without encouraging reckless risk-taking. However, inflation data still showed month-to-month inconsistencies. Goods inflation settled, and supply chain pressures continued to fade. Inflation in services and housing, however, remained more persistent. On the upside, productivity gains, partly driven by technology investments, helped offset wage pressures, but overall progress felt slower and less predictable than many had initially hoped.

The market's focus on monetary policy shifted over the course of the year as inflation pressures showed signs of moderation. In 2025, the Fed implemented three interest rate cuts, moves that helped relax financial conditions and support market

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sentiment. These actions were best viewed as a recalibration rather than a pivot toward aggressive easing. Policymakers consistently emphasized the need to balance progress on inflation with the risk of slowing growth, while also acknowledging the added uncertainty created by trade policy and tariffs. In that context, tariffs were cited as one of several factors complicating the inflation outlook, reinforcing the Fed's cautious, data-dependent approach. Even after these cuts, rates stayed restrictive by historical standards, underscoring that the Fed's objective was to sustain the economic expansion, not to stimulate it.

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As the year came to a close, investor attention increasingly turned toward what policy might look like in 2026. Expectations moved away from further tightening and toward the possibility of additional, gradual rate cuts if inflation continued to cooperate. Long-term interest rates declined from their highs, the yield curve flattened, and the US dollar weakened modestly. Notably, these shifts occurred without fueling excessive speculation. Financial conditions improved in a measured way, suggesting investors remained focused on fundamentals rather than assuming an easy policy environment.



Corporate fundamentals stayed strong. Profit margins held above long-term averages, free cash flow was solid, and companies maintained healthy balance sheets. Many took advantage of this stability to return capital to shareholders through dividends and buybacks, while others reinvested significantly in long-term growth. Capital spending remained robust, particularly in sectors like technology, infrastructure, and energy capacity. These trends helped reinforce confidence in the sustainability of earnings, even as economic growth moderated and financing conditions remained relatively tight by historical standards.

Artificial intelligence was a significant theme throughout the year, though investor focus shifted. Early excitement led to substantial investments and rising valuations, especially among large tech firms. Investors became more discerning as the year progressed, favoring companies that could convert investment into earnings while showing less patience for rising costs or uncertain returns.

While the US economy proved relatively resilient, growth remained uneven across regions. Some central banks moved closer to easing, while others faced structural challenges related to inflation, fiscal policy, or slower growth. Budgetary spending and infrastructure investment

provided a tailwind for select international markets, though geopolitical risks, trade uncertainty, and currency volatility continued to weigh on global confidence. These dynamics reinforced the importance of diversification and thoughtful exposure across regions and asset classes.

As we look ahead to 2026, several trends are likely to influence the market, with inflation being the most significant factor. Recent data show signs of easing, but progress has been inconsistent and remains vulnerable to new pressures. Key areas such as service inflation, labor costs, and housing-related expenses are running above their long-term targets. Various structural issues—such as higher minimum wages, ongoing fiscal deficits, and supply chain constraints—indicate that inflation might be more stubborn and more sensitive to shocks than many expect. Because of this, we can't rule out the possibility that inflation could settle at a higher range than the market currently anticipates.

Another area to watch as we move through 2026 is the labor market. While headline employment data have remained relatively stable, confidence in job security has begun to soften, particularly among lower- and middle-income workers. At the same time, higher-income employment has remained more resilient. This divergence helps explain why consumer spending has continued to support growth even as parts of the economy show signs of strain.

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These labor dynamics may also help explain why inflation pressures have not accelerated as much as many initially expected following tariff announcements. In several tariff-affected industries, employers appeared more willing to adjust staffing levels or slow hiring rather than pass higher costs directly on to consumers. As a result, some tariff-related pressures may have been more evident in employment decisions than in headline inflation data.

Taken together, these trends have reinforced the economy's increasingly K-shaped structure. The disconnect between Wall Street and Main Street seems greater than ever. Higher-income households continue to account for a disproportionate share of spending, while lower-income consumers face mounting pressure from job uncertainty and rising living costs. If this dynamic persists, the economy may become more sensitive to softening in the labor market, adding another layer of risk to the 2026 outlook.

Monetary policy will closely track these trends. There's growing optimism about interest rate cuts in 2026, but the timing and pace will hinge on inflation data. If a snag or reversal occurs, the Fed might have to keep rates tighter for longer than expected. Even a more gradual easing could shake market expectations and increase volatility, particularly in sectors that have thrived in a declining-rate environment.

Earnings growth will be more critical moving forward. With valuations higher than a year ago, markets could be less forgiving if inflation pressures profit margins or input costs. Companies with strong pricing power, efficient operations,

and sound capital management will be better positioned. On the other hand, those more vulnerable to labor costs or dependent on favorable financing could face greater scrutiny. Although market leadership might evolve, we expect selectivity to remain a key theme.



We also need to keep an eye on global risks. Geopolitical issues, fiscal policy changes, and regional inflation trends could sway market sentiment and trigger bouts of volatility. These factors can create short-term uncertainty, reinforcing the importance of diversification and a long-term perspective. We're continually monitoring economic indicators, inflation trends, and policy moves to adjust our portfolios as conditions change. We don't try to

predict short-term market swings. Still, we stay focused on managing risk, maintaining a diversified approach, and positioning ourselves for long-term growth, all while being ready to navigate uncertain times. Market pullbacks and volatility are part of investing, so staying disciplined through both good and challenging times is crucial.

Our portfolios are built with a long-term outlook in mind, tailored to your individual goals, time frames, and comfort with risk and fluctuation. While no investment strategy can eliminate uncertainty, we believe that being patient, diversified, and focusing on high-quality businesses lays a solid foundation for adapting to changing market conditions.

Thank you for your continued trust. If you'd like to chat about your portfolio or your broader financial plans in more detail, we're here to help!

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Sources: Index returns and chart – Nasdaq; Market outlook – Nasdaq, CNN, Morgan Stanley; Economic outlook – Seeking Alpha, Yahoo Finance, Newsweek, OECD; Global outlook – Blackrock; UBS

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## What the One Big Beautiful Bill Act (OBBBA) Means for Retirement Savers over 50

On July 4, 2025, Congress passed a sweeping tax and budget law known as the One Big Beautiful Bill Act (OBBBA). The widely anticipated legislation contains hundreds of provisions affecting individual and business taxes, retirement savings, deductions, and benefit policy. Among its many changes are some important aspects that will matter to investors and retirement savers in 2026 and beyond.

The OBBBA builds on prior tax legislation, including the 2017 Tax Cuts and Jobs Act, by making many of its provisions permanent while also introducing new tax provisions. Key features include expanded tax deductions, changes to the state and local tax (SALT) deduction limits, new deductions related to overtime and vehicle loan interest, and the creation of tax-advantaged savings vehicles for children born between 2025–2028.

While the OBBBA itself doesn't overhaul retirement plans, it works alongside other major retirement-focused legislation, most notably the SECURE Act 2.0, to reshape how middle-aged and older Americans save and pay taxes on their retirement contributions.

### 401(k) Changes That Matter for Investors 50+

One of the most significant retirement planning developments tied to the OBBBA era (and to the implementation of SECURE 2.0) is how 401(k) "catch-up" contributions work for savers age 50 and over.



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## What Are Catch-Up Contributions?

Catch-up contributions allow savers aged 50 or older to contribute more than the regular 401(k) limit in a given year. These catch ups are intended to give workers a way to boost their retirement savings, especially if they couldn't contribute as much as they wanted earlier in their career and allows them to take advantage of peak earning years. Prior to the new rules, catch-ups could be made on a pre-tax basis, lowering taxable income in the year of the contribution.

### Higher Limits for 2026

For the 2026 tax year (returns filed in 2027), the IRS has announced the following expanded limits:

- The standard 401(k) contribution limit is increased to \$24,500, up from \$23,500 in 2025.
- Catch-up contributions for individuals aged 50 and older rose to \$8,000, up from \$7,500 in 2025.
- Those aged 60-63 benefit from the enhanced "super catch-up" contribution of \$11,250.

This higher amount is available if the employer's plan permits it. Together, these limits mean a saver aged 50–59 can put up to \$32,500 into a 401(k) in 2026, while those aged 60–63 could contribute up to a total of \$35,750.

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### Mandatory Roth Catch-Up for High Earners

Beginning in 2026, savers aged 50 or older with prior year FICA wages above \$150,000 (indexed for inflation) will be required to make their catch-up contributions on an after-tax Roth basis. This change removes the ability to take a pre-tax deduction on catch-up dollars, increasing taxable income in the year of contribution but offering the long-term benefit of tax-free growth and qualified withdrawals. It also places new importance on employer plan design: if a plan does not offer a Roth option, high earning participants may be unable to make catch-up contributions at all unless the plan is amended.

Together, these developments mark a significant shift in how retirement savings will be structured for many households – especially those in their peak earning years

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who have historically relied on pre-tax catch ups to manage taxable income.

## What This Means for Investors and Financial Planning

### 1. Adjust Your Tax Forecasts

Higher catch-up limits and the Roth mandate for high earners mean projected retirement tax bills may differ significantly from prior years. For investors with incomes above the FICA threshold, more income is recognized today instead of deferred. This has implications for cash flow, taxable income, and marginal tax bracket planning.

### 2. Review Employer Plans and Roth Options

Not all 401(k) plans automatically offer Roth 401(k) features. Savers, especially those nearing or past age 50, should confirm whether their employer plan allows Roth catch ups and if plan documents need amendments.

### 3. Consider Timing Around Age Bands

The enhanced “super catch-up” limits for ages 60–63 provide a valuable window for accelerated retirement savings. Investors in this age range may want to maximize contributions while they can, especially if they are behind on retirement goals.

### 4. Integrate With Broader Tax Strategy

The OBBBA's broader tax changes — including deductions for older taxpayers and adjustments to standard and itemized deductions — make it more important than ever to integrate retirement planning with overall tax planning. This may include evaluating Traditional vs. Roth contributions, income timing, IRA conversions, and charitable giving strategies.

## Final Thoughts

With higher limits, new age band opportunities, and mandatory Roth treatment for high earners, 2026 introduces a more complex—but potentially more advantageous—retirement planning landscape. These changes affect taxes, cash flow, and long-term strategy in ways that deserve careful consideration.

Now is an ideal time to speak with your wealth advisor to understand how these rules apply to your situation and how to position your retirement savings most effectively moving forward.



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