Wealth Management

Ameritas Investment Partners, Inc.

Market Commentary

Quarter Ended Dec. 31, 2025

A 2025 Three-peat

The bull market that kicked off in late 2022 kept rolling through 2025, with the S&P 500 recording another impressive year, climbing 17.88% following back-to-back gains that exceeded 20% in 2023 and 2024.

Key Index Returns as of 12/31/25

	QTD %	YTD %
Dow Jones Industrial Average	4.03	14.92
Nasdaq Composite	2.72	21.14
S&P 500 Index	2.66	17.88
Russell 2000 Index	2.10	12.38
MSCI World ex-USA*	5.20	31.85
MSCI Emerging Markets*	4.73	33.57
Bloomberg U.S. Agg Total Return	1.10	7.30

*in U.S. dollars

Source: Morningstar
Indices are unmanaged, do not incur fees or expenses and cannot be invested into directly. The above returns include the impact of both price appreciation (depreciation) and dividends. Equity markets fluctuate in value and smaller companies and foreign investments often are more volatile than larger domestic companies. Past performance is not indicative of future results.

We did, however, experience a sharp but temporary pullback when so-called Liberation Day tariffs levied in early April generated an enormous amount of uncertainty. When steeper-than-anticipated tariffs were modified, volatility began to dissipate, and investors re-engaged amid positive fundamentals.

As we saw in 2024, the Federal Reserve lowered the fed funds rate. We believe it's worth noting that recent rate cuts by the Fed came against a backdrop of continued economic growth, a key factor supporting corporate earnings.

Profit growth also remained strong, which underpinned equities amid the expanding U.S. economy.

Moreover, the AI boom continued to fuel tech stocks and earnings. Just as in 2024, the tech-heavy Nasdaq Composite once again led the charge, outpacing other major U.S. indexes

A 2025 surprise—the global arena

Global stocks have been hibernating for years. In 2024, the MSCI World Ex-USA Index posted a gain of just 2.0%, according to MSCI (in U.S. dollars). Its 10-year annualized gain of 2.6% per year paled in contrast to major U.S. market indexes.

Last year, however, global stocks awoke from their slumber, easily outpacing returns in the U.S.

For starters, a weaker dollar amplified global equities held by U.S. investors. A falling dollar boosts U.S. returns when foreign currencies are translated back into dollars. As referenced in the table of return, the MSCI ex-USA Index leapt 31.85%.

Other factors that bolstered returns around the world include:

- Ongoing trade tensions and tariff uncertainty weighed on U.S. sentiment and encouraged investors to look at other markets.
- Many global markets sported lower valuations, attracting investors.
- Looser fiscal policies, especially in European countries, supported equities.
- Lingering doubts about the Fed's independence from executive branch interference fueled diversification outside the U.S.

Last year's outsized advance is a reminder that investments in global equities reduce home-country concentration and currency risk.

Aided by a drop in the dollar, gold also delivered an outstanding return. Globally, gold is priced in dollars, and a weaker dollar tends to support the price of gold. In addition, gold was supported by modest global central bank purchases, tariff and trade uncertainty, questions about the Fed's independence and Fed rate cuts.

Investors wary of heightened geopolitical tensions and other risks, like the ballooning U.S. deficit, also aided the shiny metal.

While many of the factors that supported gold last year remain in place as we enter 2026, we would be remiss not to caution that gold is very speculative, and price action can be very volatile.

AI Boom or Bust

Let's start with a big-picture view. Driven by surging demand for computing power, McKinsey & Company projects that global investment in data centers could reach $6.7 trillion by 2030. But forecasts are never set in stone, and forecasts vary widely, according to McKinsey.

In November, high valuations for AI-focused technology companies came under the microscope, and market volatility, while still subdued, picked up.

But let's be real, too. Forecasts aren't guarantees, and visibility beyond the short term is limited, as the pace of AI innovation makes future demand hard to pin down. As McKinsey noted, "A lack of clarity about future demand makes precise investment calculations difficult."

In part, massive capital expenditures are raising red flags. This year alone, major tech firms plan to pour about $400 billion into AI efforts, according to The Wall Street Journal[1]. And they say it isn't enough amid soaring demand for their products.

Given the huge outlays, it's still unclear when these companies might see meaningful returns. Moreover, many of the biggest players are now tapping debt markets to fund cloud and AI projects, a notable shift from their general reliance on cash reserves.

And then there's OpenAI, the privately held powerhouse behind ChatGPT. It's a central figure in the AI boom, but investors worry it might be over-leveraged, over-committed and overvalued. Its business model seems to depend on unbridled optimism in capital markets to sustain its need for cash as it ramps up capacity to meet demand.

With huge spending plans and mounting losses[2] that may roll into 2029 or 2030, OpenAI seems to be a risky bet, according to some folks, even as it remains one of the most influential players shaping the future of AI.

Yet, others argue that concerns are overblown. Revenues at OpenAI are rising quickly[3]—driven by paid subscriptions to ChatGPT—and enterprise adoption is strong. Moreover, OpenAI has deep ties to the world's largest technology firms, and it is beginning to diversify beyond ChatGPT.

The bull case for AI suggests OpenAI could become the backbone of global AI, driving massive revenue growth while using strategic partnerships to keep costs under control.

On the other side of the coin, the AI bear case hypothesizes spending may spiral beyond returns, and governance problems could flare up. If competition heats up or valuations drop, OpenAI could face serious financial strain. This could also impact many other companies driving to be part of the AI push.

The new year

According to CNBC's 2026 survey of 14 market strategists, the average year-end target for the S&P 500 is 7,628.57, representing an 11% advance from its 2025 finish.

In part, many of the themes that supported stocks last year remain in place. The economy is expanding, and corporate profits are expected to remain on an upward trajectory. Although the Fed is eyeing fewer rate cuts this year, it isn't currently considering rate hikes amid an inflation rate that remains modestly but stubbornly above the Fed's target rate of 2%.

But a note of caution is in order. Strategists bring unique observations to our attention. We are better informed due to their diligence and insights. But we all grapple with the unknown, and no one knows precisely how the future will unfold. The unknown encourages us to get comfortable with some degree of risk which allows us to become better and more disciplined investors.

Final thoughts

While diversification can't fully shield a portfolio from market pullbacks, it remains one of the most effective ways to reduce volatility and pursue long-term financial goals.

Our investment philosophy is rooted in experience and supported by rigorous academic research. While equities will inevitably disappoint, history has demonstrated that patient, disciplined investors are consistently rewarded over the long term.

We trust you found this review to be insightful. If you have any questions or simply want to talk through your portfolio or other financial goals, don't hesitate to reach out to your financial professional.

Ameritas
fulfilling life

Ameritas Investment Partners

[1] Source: The Wall Street Journal, Oct. 30, 2025, *Big Tech Is Spending More Than Ever on AI and It's Still Not Enough*
[https://www.wsj.com/tech/ai/big-tech-is-spending-more-than-ever-on-ai-and-its-still-not-enough-f2398cfe]
[2] Source: The Wall Street Journal, Nov. 13, 2025, *Big Tech's Soaring Profits Have an Ugly Underside: OpenAI's Losses*
[https://www.wsj.com/tech/ai/big-techs-soaring-profits-have-an-ugly-underside-openais-losses-fe7e3184]
[3] Source: CNBC, Nov. 6, 2025, *Sam Altman says OpenAI will top $20 billion in annualized revenue this year, hundreds of billions by 2030*
[https://www.cnbc.com/2025/11/06/sam-altman-says-openai-will-top-20-billion-annual-revenue-this-year.html]