

VeraBank Viewpoints:

2026 Market Perspective

Honest questions. Genuine advice.



VERABANK
WEALTH MANAGEMENT

VeraBank Viewpoints: 2026 Market Perspective

This report features VeraBank Wealth Management market commentary, global stock and bond market performance data, and a timeline of events for the past quarter.

With commentary about what has taken place in the financial markets and economy throughout 2025; you'll also find returns data for major asset classes which we also include in client portfolios.

The report concludes with our current views on the market and an article providing perspective on what really drives investment success in 2026 (and what doesn't).

Contact a [VeraBank Wealth Management advisor](#) with any questions or if you know someone who might benefit from our expert advice.

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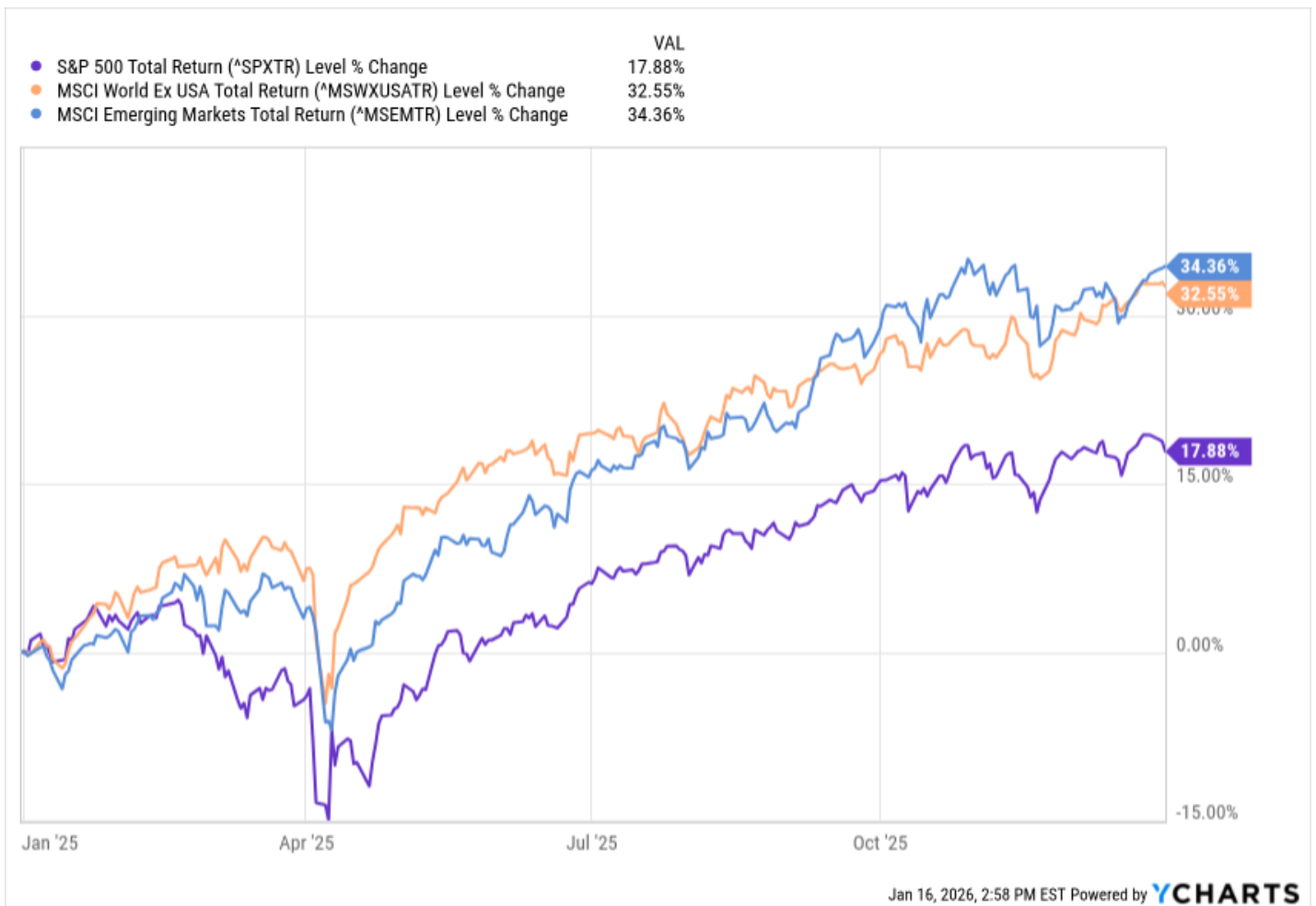
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2025 Market Review







VeraBank Wealth Management Commentary

Equity markets rose to all time highs in 2025

- US stock market indexes continue to climb to new record highs, with the S&P 500 up 17.88% in 2025.
- Non-US stock markets outperformed the US in 2025, with non-US developed market stocks up 32.55% and emerging market stocks up 34.36% through Q3.
- VeraBank Wealth Management's diversified approach to investing added significant value to client portfolios throughout the year, compared to investors solely focusing on the S&P 500 and trendy stocks that had performed well in the past.



2025 Equity Market Summary

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate		US Bond Market	Global Bond Market ex US
2025	STOCKS					BONDS	
	17.15%	31.85%	33.57%	7.67%		7.30%	2.80%
							
Since Jan. 2001							
Average Yearly Return	10.5%	7.5%	12.0%	8.9%		3.9%	3.8%
Best Year	33.6%	39.4%	78.5%	37.4%		10.3%	8.8%
	2013	2003	2009	2006		2002	2014
Worst Year	-37.3%	-43.6%	-53.3%	-45.7%		-13.0%	-9.8%
	2008	2008	2008	2008		2022	2022

US Stocks

2025 US Stock Market Index Returns

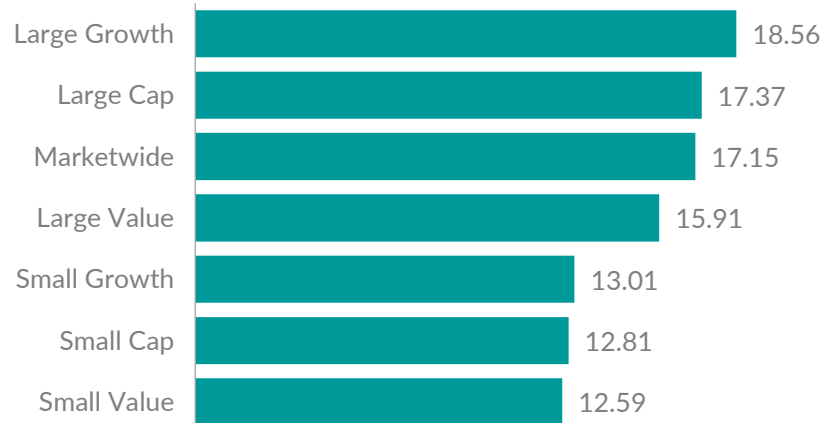
The US equity market posted positive returns for the year and underperformed both non-US developed and emerging markets.

Value underperformed growth.

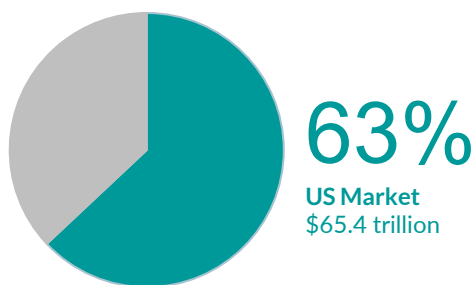
Small caps underperformed large caps.

REIT indices underperformed equity market indices.

Ranked Returns (%)



World Market Capitalization—US



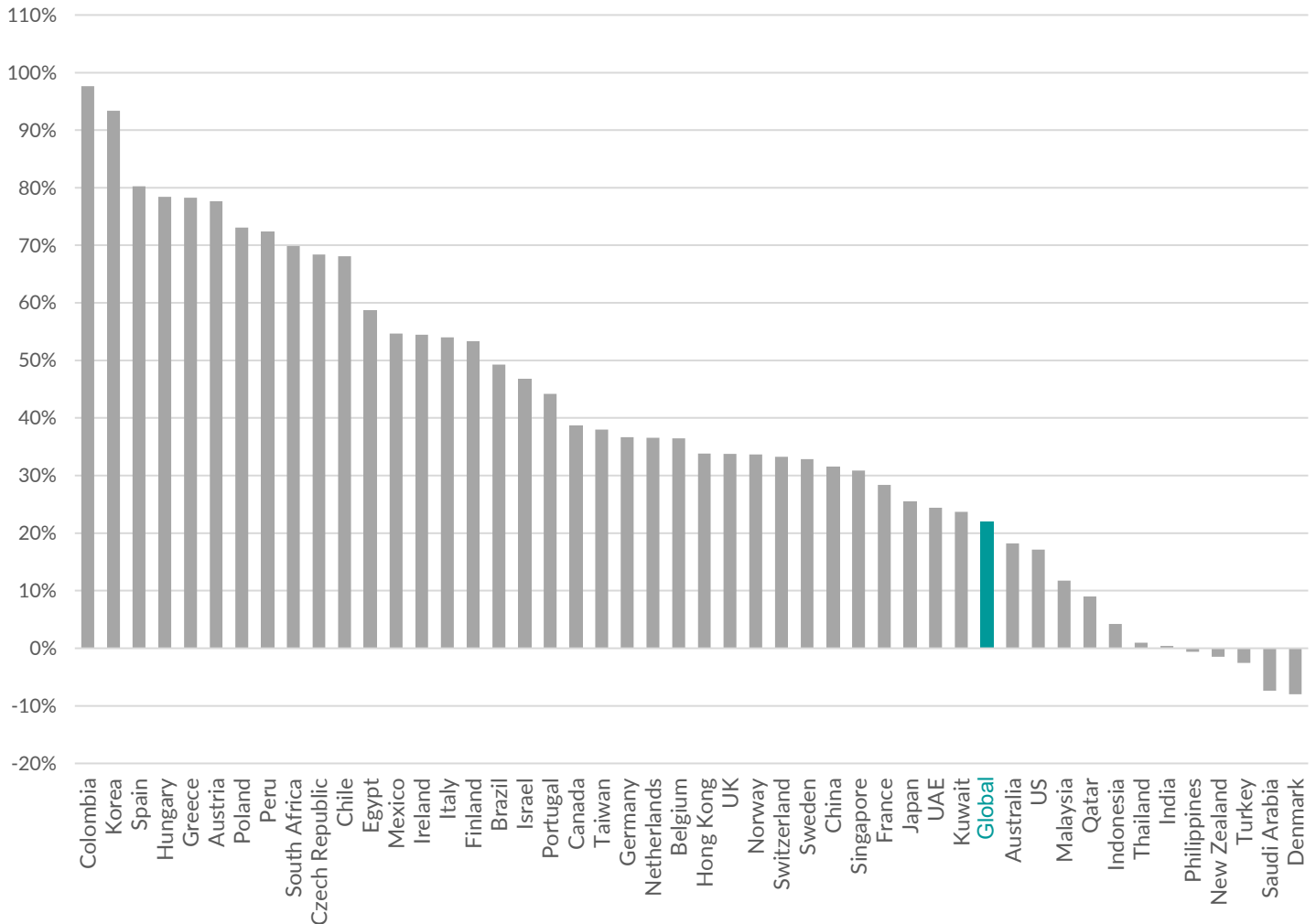
Period Returns (%)

Asset Class	1 Year	Annualized				
		3 Years	5 Years	10 Years	15 Years	20 Years
Large Growth	18.56	31.15	15.32	18.13	16.58	13.23
Large Cap	17.37	22.74	13.59	14.59	13.87	10.94
Marketwide	17.15	22.25	13.15	14.29	13.58	10.77
Large Value	15.91	13.90	11.33	10.53	10.78	8.32
Small Growth	13.01	15.59	3.18	9.57	9.94	8.76
Small Cap	12.81	13.73	6.09	9.62	9.47	8.20
Small Value	12.59	11.73	8.88	9.27	8.73	7.40

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Value (Russell 1000 Value Index), Large Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Value (Russell 2000 Value Index), and Small Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Dow Jones US Select REIT Index used as proxy for the US REIT market. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2026, all rights reserved.

Country Returns

2025 Global Equity Market Index Returns



Past performance is no guarantee of future results.

Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. MSCI data © MSCI 2026, all rights reserved.

Fixed Income

2025 Fixed Income Index Returns

Within the US Treasury market, interest rates generally decreased during the year.

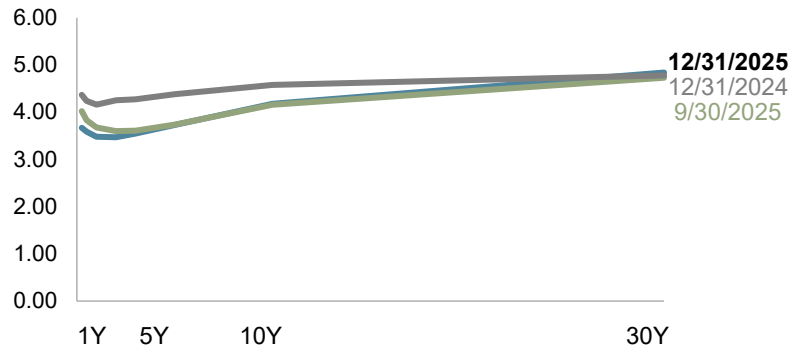
On the short end of the yield curve, the One-Month US Treasury Bill yield decreased 66 basis points (bps) to 3.74%. The One-Year US Treasury Bill yield decreased 68 bps to 3.48%. The yield on the Two-Year US Treasury Note decreased 78 bps to 3.47%.

The yield on the Five-Year US Treasury Note decreased 65 bps to 3.73%. The yield on the 10-Year US Treasury Note decreased 40 bps to 4.18%. The yield on the 30-Year US Treasury Bond increased 6 bps to 4.84%.

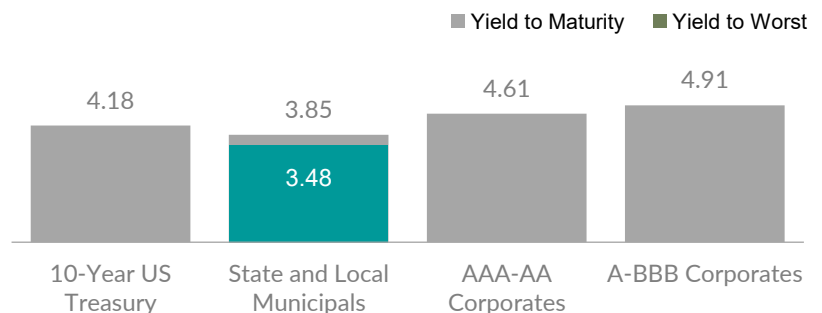
In terms of total returns, short-term US treasury bonds returned +5.84% while intermediate-term US treasury bonds returned +6.51%. Short-term corporate bonds returned +6.81% and intermediate-term corporate bonds returned +7.95%.

The total returns for short- and intermediate-term municipal bonds were +4.11% and +5.75%, respectively. Within the municipal fixed income market, general obligation bonds returned +4.31% while revenue bonds returned +4.21%.

US Treasury Yield Curve (%)



Bond Yields Across Issuers (%)



Period Returns (%)

Asset Class	Annualized					
	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Bloomberg U.S. High Yield Corporate Bond Index	8.62	10.06	4.51	6.53	6.03	6.74
FTSE World Government Bond Index 1-5 Years	8.56	4.43	-0.13	1.27	0.24	1.86
Bloomberg U.S. Aggregate Bond Index	7.30	4.66	-0.36	2.01	2.42	3.25
Bloomberg U.S. TIPS Index	7.01	4.23	1.12	3.09	2.91	3.51
Bloomberg U.S. Government Bond Index Long	5.61	0.65	-7.18	0.05	2.52	3.30
FTSE World Government Bond Index 1-5 Years (hedged to USD)	5.12	4.89	1.80	2.08	1.91	2.49
Bloomberg Municipal Bond Index	4.25	3.88	0.80	2.34	3.34	3.52
ICE BofA US 3-Month Treasury Bill Index	4.18	4.81	3.17	2.18	1.47	1.71
ICE BofA 1-Year US Treasury Note Index	4.15	4.54	2.48	2.03	1.44	1.90

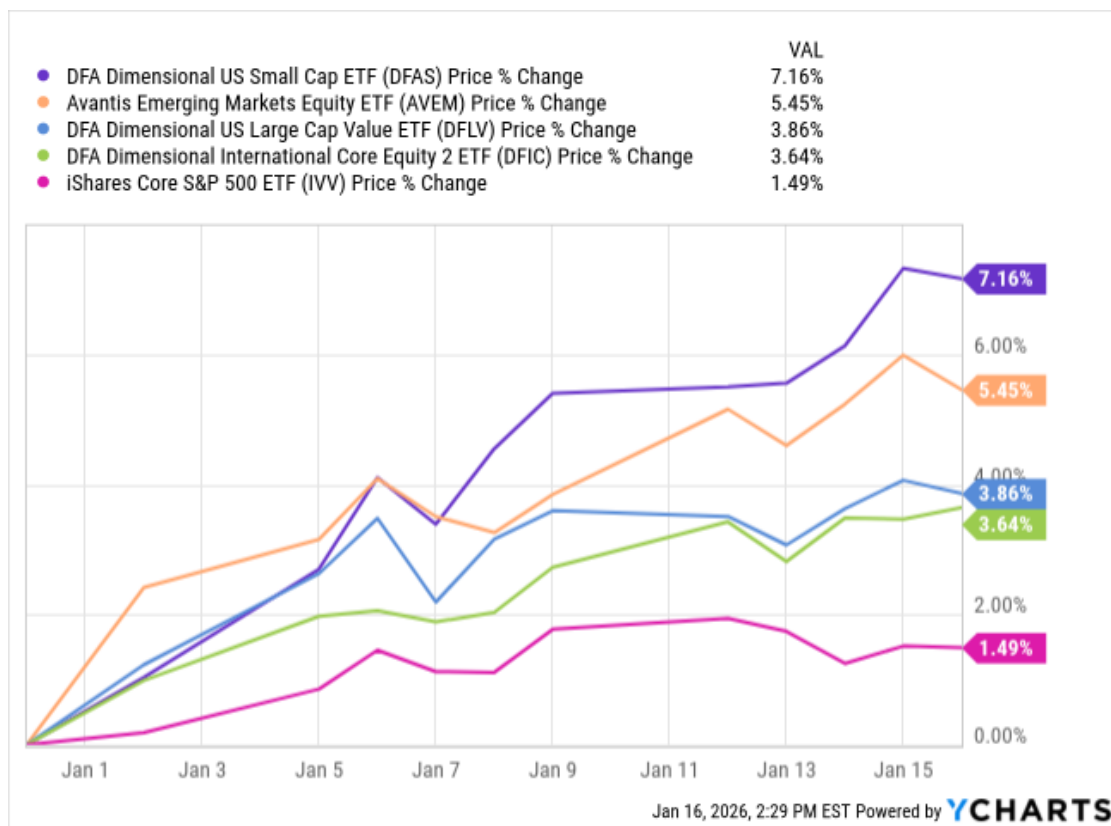
One basis point (bps) equals 0.01%. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds, and the Yield to Worst are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated. Bloomberg data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2025 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2025 ICE Data Indices, LLC. S&P data © 2025 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Bloomberg data provided by Bloomberg.

2026 Market Perspective

VeraBank Wealth Management Commentary

Equity markets near all-time highs — new leaders emerge

- As we kick off the new year, the market leaders that took over in 2025 continue to lead the way in 2026 — with a couple new additions. As of January 16, 2026, International Developed and Emerging Market stocks have significantly outperformed the broad US market. Within the US, small company stocks and value stocks have outperformed the S&P 500.
- Is this the end of the years long trend of tech companies and the S&P 500 consistently leading in performance? The S&P 500 and tech companies should still remain a meaningful allocation of a diversified portfolio for many investors, but recent results are another reminder for investors to look beyond markets that have performed well in the past.



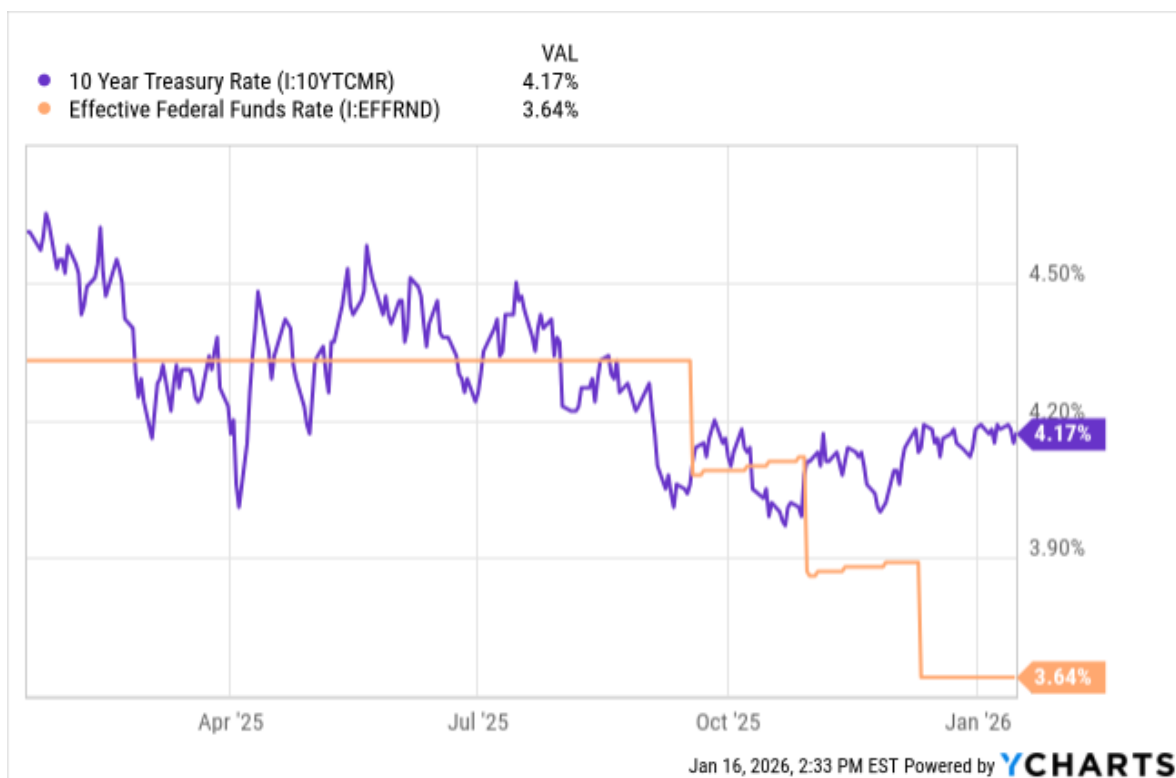
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2026 Market Perspective

VeraBank Wealth Management Commentary

What the new Fed Chair means for markets

- Markets care about policy and data. While all indications and expectations point to President Trump nominating a Fed Chair in May that will push for lower interest rates, investors should still expect the voting members of the Federal Open Market Committee (FOMC) to rely on data to set their target rate. Fed Funds futures currently predict 0.25-0.50% in cuts throughout 2026.
- While the President, Federal Reserve, and Congress can take actions to attempt to reduce other interest rates (mortgage, credit card, etc.), these are set by market forces. When the Fed or President announce news of an attempt to decrease interest rates or a cut in the Fed Funds rate, it is possible and common for longer term rates to increase on news. For example, the 10-year US Treasury is above the lows seen last April, despite a 0.75% drop in the Fed Funds rate.



Contact a [VeraBank Wealth Management advisor](#) with any questions or if you know someone who might benefit from our expert advice.

What Really Drives Investment Success in 2026 (and What Doesn't)

As one year ends and another begins, it's worth revisiting what truly drives long-term investment success — and just as importantly, what does not. While markets and headlines change from year to year, the foundational principles that shape outcomes tend to remain remarkably consistent. At VeraBank, we're here to guide our clients on the path that has proven to work over time, and avoid the pitfalls that often lead investors astray.

What Drives Investment Success in 2026

- **Clarity of Purpose:** When investments are connected to clear goals, it becomes easier to stay committed through inevitable periods of uncertainty. Purpose provides context when short-term results feel unpredictable. We align short-term goals with short-term investments and longer-term goals with longer-term investments. As our clients' goals evolve and markets move, we manage portfolios to make necessary adjustments.
- **Behavior and Perspective:** Investor behavior is one of the most underestimated drivers of results. Decisions made under stress, excitement, or fear can have long-lasting consequences. Maintaining perspective and resisting emotional reactions helps preserve the integrity of a long-term plan. At VeraBank, we help clients take the emotion out of investing and make decisions based on facts and data.
- **A Repeatable Process:** Long-term success is built on process, not prediction. A disciplined investment process is designed to function across many different environments, reducing the need to forecast what comes next. Diversification, risk management, and alignment with objectives provide a framework that adapts without constant intervention – this is a proactive approach to investing, rather than reactive to news that is already price into markets
- **Time and Compounding:** Time is an investor's most valuable resource. Compounding works quietly and steadily, rewarding patience and consistency. Allowing capital to grow without unnecessary disruption often proves more powerful than attempting to optimize short-term outcomes.
- **Discipline:** Successful investing is less about making perfect decisions and more about avoiding costly mistakes. Staying committed to a well-designed plan — especially during periods of uncertainty — often has a greater impact than any individual investment choice.

What Really Drives Investment Success in 2026 (and What Doesn't)

What Rarely Drives Success

- **Predictions and Forecasts:** Market forecasts at the beginning of each year can be interesting and entertaining but are almost always unreliable. Even well-reasoned predictions are often derailed by unforeseen events. Investment success is far more dependent on a clearly defined plan and investment process, rather than on the ability to anticipate what will happen next.
- **Frequent Adjustments:** Activity often feels productive, but constant changes can increase costs, taxes, and timing risk. More decisions do not necessarily lead to better outcomes.
- **Chasing What Worked Recently:** Recent success is often mistaken for future reliability. Decisions based on past performance alone can expose investors to unnecessary risk and disappointment.
- **Short-Term Results:** Short-term outcomes can be noisy and misleading. Focusing too heavily on them can distract from progress toward long-term objectives.

Looking Ahead

As we enter 2026, the most important investment principles remain unchanged. Long-term success is rarely the result of bold predictions or perfect timing. It is built gradually through discipline, process, patience, and sound decision-making — principles that endure regardless of the year on the calendar. At VeraBank, we are here to guide clients through the inevitable stressful news headline, geopolitical event, or down day in the market — we're here to remain focused on each client's purpose for investing and help them achieve their goals.



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