

QUARTERLY NEWSLETTER

FIRST QUARTER 2026

In this Q1 newsletter, we discuss market performance, take a look back at Wall Street's 2025 forecasts, and explore themes that are expected to play out in 2026.

Year-to-Date Asset Class Returns (1/1/2025 through 12/31/2025)

Equity Indices	Asset Class	4th Quarter	2025
S&P 500 Index	U.S. Large Capitalization	2.30%	17.88%
S&P MidCap 400 Index	U.S. Medium Capitalization	1.30%	7.50%
S&P SmallCap 600 Index	U.S. Small Capitalization	1.44%	6.02%
Russell 3000 Index	U.S. Equity	2.07%	17.14%
MSCI Europe, Asia & Far East	International - Developed	4.30%	31.89%
MSCI Emerging Markets	International - Emerging	4.26%	34.36%
Fixed Income Indices			
Bloomberg US Agg Float Adj. Index	U.S. Bond Market	0.85%	7.30%
Current Yields		Yield – Quarter End	
Treasury 1 Year	U.S. Treasury	3.48%	
Treasury 5 Year	U.S. Treasury	3.73%	
Treasury 10 Year	U.S. Treasury	4.18%	

“Forecasts may tell you a great deal about the forecaster; they tell you nothing about the future”

— Warren Buffet

In 2025, capital markets experienced a third consecutive year of positive returns. A key differentiator in 2025 was that International Developed (31.89%) and International Emerging Markets (34.36%) led equity returns over U.S. Large Cap (17.88%), Mid-Cap (7.5%) and Small-Cap (6.02%). Across the board, all asset classes performed well with the Bloomberg Aggregate U.S. Bond Index returning 7.30%.

Naturally the question that arises in January each year is what will the market do over the next 12 months? Should we act on the “wisdom” of Wall Street’s prognosticators? Let’s look back on 2025’s forecast results that also include a mid-year update when the Whitehouse introduced tariff programs. In the table shown below, we highlight 7 of 16 financial institutions that provided their forecast for where the S&P 500 would end the 2025 calendar year.

Continues Over >

Wall Street Firm Predictions*	2025 S&P 500 Year-End Target	Target Update April 15, 2025
Deutsche Bank	17.21%	17.21%
Bank of America	11.62%	-6.23%
Wells Fargo Investment Institute	10.51%	10.51%
Morgan Stanley	8.84%	8.84%
Citi	8.84%	-2.88%
Goldman Sachs	8.84%	-4.56%
JPMorgan Chase	8.84%	-12.93%

Source: Wall Street predicts a 10% stock rebound by the end of 2025. – Marketwatch.com April 2025

In actuality, the S&P 500 closed at 6,845.50 marking a total return of 17.88%. This figure includes dividends, whereas the forecast numbers do not include dividends. Without dividends, the S&P 500 returned 16.39%.

Of the above institutions, only one was within +/- 2% of the actual result when predicting the initial year-end target. It gets really interesting when market volatility increased in April due to the tariff announcement. The S&P 500 ventured into negative territory during the spring months and many of these institutions adjusted their targets downward to mirror market sentiment.

Per the Warren Buffet quote at the top of our newsletter, we learn more about the forecaster's (financial institutions) disposition towards current economic and capital markets than we do about the actual forecast. Market prognosticators can lean generally bullish (up markets) or bearish (down markets), *however the directions the markets will move is unknown even to our astute observers.*

Until next time....

Please feel free to share our newsletter with family and friends who you believe would benefit from our insights. We look forward to helping you and your family grow in 2026 by supporting your financial *Clarity, Confidence and Control* in the quality service environment you have come to expect.

Trio Wealth's position is that maintaining a diversified portfolio in low-cost securities and maintaining discipline to your asset allocation gives investors the greatest opportunity to earn your fair share of the market's returns over the long-term.

With the lesson to take Wall St. forecasts with a grain of salt in place, please know that we do deep research into the reports provided across our industry. We want to be aware of investment themes that provide insight into the potential direction the markets are headed. The main themes we see today are:

- 1. Artificial Intelligence is Real and Transformative** – but moving from hype to discipline. Stay invested in AI, but rotate from 'story stocks' toward companies with pricing power, balance-sheet strength and clear cash-flow paths.
- 2. Economic Growth is Slowing** – but no broad recession base case. Expect modest returns driven by earnings quality, not economic acceleration.
- 3. Inflation is Sticky; Central Banks are Cautious.** Inflation is cooling but not decisively defeated. Fixed income is back as a return contributor, but duration management and active security selection matter more than direction rate bets.
- 4. Equity Leadership is Broadening Beyond "The Magnificent Seven".** Concentration risk in U.S. mega-cap growth is a top concern. Opportunities will emerge in U.S. small, mid-cap equities, international developed markets. This is not an 'exit U.S. stocks' call – it's a diversification of equity leadership call. Rebalancing matters!

2026 is not about betting on one big macroeconomic call. It is about positioning portfolios for AI-driven change, slower growth, sticky inflation and broader market leadership – with discipline, diversification and income playing central roles. Trio Wealth will continue to maintain our diversified portfolio structure capturing the broadest asset classes via index ETFs, mutual funds and individual bonds where appropriate.

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