

Market Update

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US Stock Market: Wrappin' Up 2025 and Peekin' at 2026

As we sit here on this fine January morning in 2026, looking back at the last year's stock market's antics is full of ups, downs, and a heap of speculation that would make a riverboat gambler blush. The year 2025 closed out with the S&P 500 up a solid 16%, the Nasdaq jumping 19%, and the Dow climbing 13%, proving once again that Wall Street's got more lives than a cat in a curiosity shop. But since the calendar flipped, things have been quieter, with early gains raising everyone's hopes, but watching the tech sector with concerns of a developing sideways shuffle amid tariff talk and AI whispers.

Performance at the End of 2025

Ah, 2025—what a year for the bulls, who charged ahead like they owned the pasture. The S&P 500 wrapped up at around 6,846 on December 31, posting a 16% gain from where it started, driven by AI and a Fed that finally cut rates. The Nasdaq, bless its tech-heavy heart, soared 19% to 23,242, while the Dow, that old reliable workhorse, trotted up 13% to 48,135. It wasn't all smooth sailing—volatility spiked in April with a 16.5% drop in the S&P 500. By May, however, the correction looked more like an opportunity and investors rushed back to buy bargains. Communication services and tech led the pack last year, up 34% or so, while real estate lagged behind like a slowpoke in a footrace.

Here's a table summarizing the closing acts, using ETF proxies for them indices—because sometimes you got to measure the river by the boats on it:

Index	Open (Jan 1, 2025)	Close (Dec 31, 2025)	YTD Change (%)
S&P 500 (SPY)	589.39	681.92	+15.7
Dow Jones (DIA)	428.34	480.57	+12.19
Nasdaq (QQQ)	514.3	614.31	▼ +19.45

Note: Data from Polygon API aggregates.

International markets outshone Uncle Sam's in spots, with the dollar dropping 9.4%—its worst since 2017—giving foreign stocks a leg up. All told, it was a year where AI hype and policy easing kept the party going, even if tariffs loomed like storm clouds on the horizon.

Performance Since the Beginning of 2026

Now, turning to this fresh year, from January 2 (markets closed on the 1st) to the 7th, the S&P 500 edged up 0.83% to around 6,914, the Dow climbed 2.73% to 494.99 (ETF scale), and the Nasdaq ticked 0.36% higher to 622.31. It's early days, mind you, with thin trading and folks still nursing holiday hangovers, but it appears the Large Cap Value has life (for the first time in three years) versus the tech heavy Growth sector.

The table below shows the young year's moves:

Index	Open (Jan 2, 2026)	Close (Jan 7, 2026)	YTD Change (%)
S&P 500 (SPY)	685.71	691.43	+0.83
Dow Jones (DIA)	481.85	494.99	+2.73
Nasdaq (QQQ)	620.06	622.31	+0.36

Note: Polygon API data; scaling to index levels approximate.

Issues That May Influence Performance Over the Rest of January 2026

Looking ahead to the rest of this month, the market's facing several influences that could swing it like a pendulum on a grandfather clock. First off, tariffs and geopolitical squabbles are hanging over like fog on the river, potentially adding to inflation and slowing growth if they bite harder than expected. Then there's the Fed's dance with rates. We currently expect at least one more cut of .25% early in 2026, particularly if jobs numbers soften, but sticky inflation above 3% could cause the Fed to pause. AI spending is another wild card; if the bubble whispers turn to shouts, we might see a pullback, though earnings growth of 12–15% could buoy the ship.

Add in consumer spending that's resilient but slowing—with job growth cooling and unemployment ticking up—and you've got a recipe for volatility, especially with thin volumes mid-month. Policy from the new administration, like tax cuts, might spark a rally, but deficits could spook the bond folks. All in all, I expect earnings reports to begin and support markets in January, but later in the quarter we may see some softness.



Conclusion

In closing, 2025 was a banner year for the market, closing strong despite the bumps, and 2026 is off to a good start that's got folks watching like hawks. With tariffs, AI, and the Fed pulling strings this month, it's anybody's guess which way the wind will blow. We'll be watching earnings first in January to set the mood for the year. Happy 2026! We look forward to another great year for the RCP family.

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