

Fourth Quarter 2025 Update

Markets closed 2025 on a strong note, with major U.S. indices sustaining record highs. The S&P 500 hovered near 6,700, the Dow Jones approached 47,000, and the Nasdaq extended gains, supported by resilient corporate earnings and continued enthusiasm for AI-driven innovation.¹ This performance underscores investor confidence even as economic signals point to a gradual slowdown. International equities posted modest gains, aided by easing inflation and stable monetary policy in Europe and Asia. However, global sentiment remains cautious amid trade uncertainty and geopolitical risks, particularly in the Middle East and Asia-Pacific.²

A key development this quarter was the Federal Reserve's December decision to cut rates by 25 basis points, bringing the target range to 3.50%–3.75%. This marks the third cut in 2025, reflecting concerns over softening labor markets and inflation trending toward 2.5%. While the Fed signaled a pause before further easing, markets interpreted the move as supportive for growth and liquidity heading into 2026.³ Despite strong year-end performance, headwinds persist. Earnings remain concentrated in mega-cap technology companies, global growth is uneven, and policy divergence across regions adds complexity for investors. Inflation expectations have moderated, but geopolitical tensions and trade volatility remain potential sources of disruption.⁴

We expect the global economy to slow during the upcoming months as U.S. tariff increases and rising protectionism dampen trade activity, before a modest growth recovery gains traction in 2026. Global markets are bracing for firmer inflation tied to U.S. tariffs in the coming months, which we anticipate will then dissipate as the one-time price hikes flow through the economy. Nonetheless, slower and less efficient trade may keep trade-sensitive inflation elevated in many regions worldwide.⁵

Key Themes

- **AI-Driven Growth:** Investment in AI infrastructure and productivity gains continues to fuel optimism, with tech earnings leading the market.⁶
- **Monetary Policy Shift:** The Fed's third rate cut signals a cautious easing cycle amid slowing labor markets and mixed inflation trends.⁷
- **Global Divergence:** Europe and select emerging markets show relative strength, while China's growth moderates and trade uncertainty lingers.⁸
- **Persistent Risks:** Geopolitical tensions, concentrated earnings in mega-cap tech, and policy unpredictability could amplify volatility.⁹

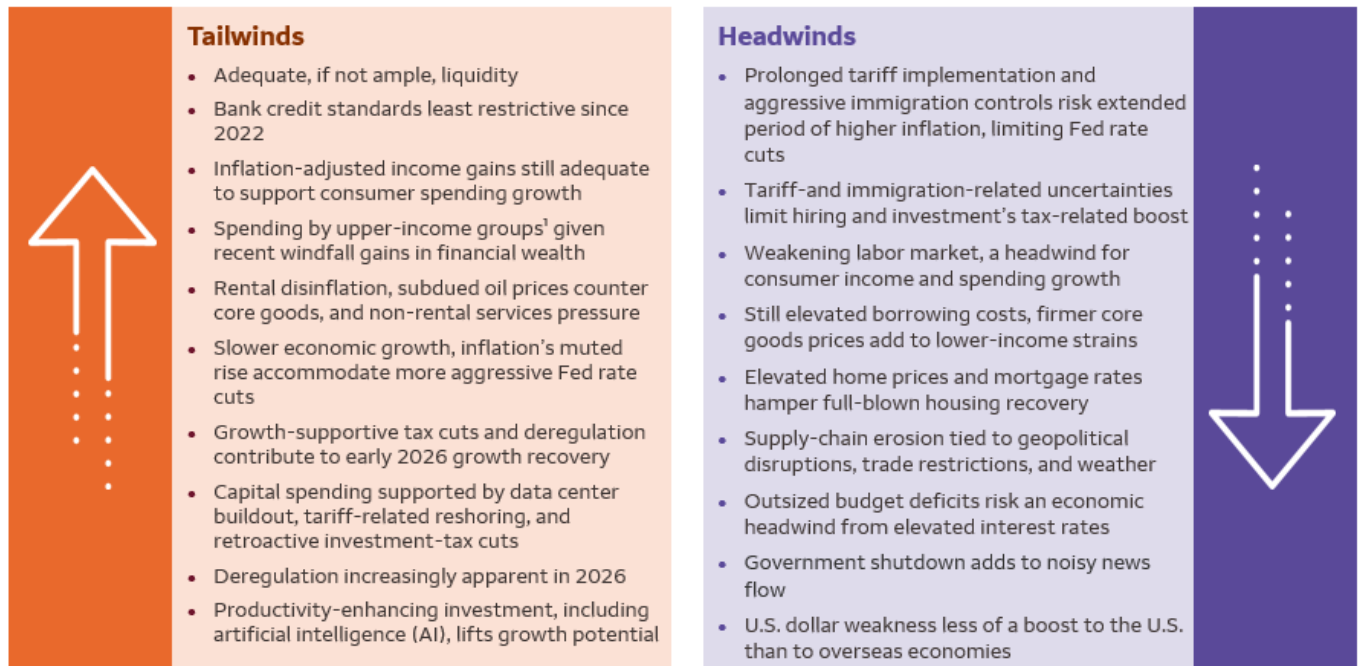
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Additional themes and areas of interest that we see as tailwinds and headwinds.

Global economic forces

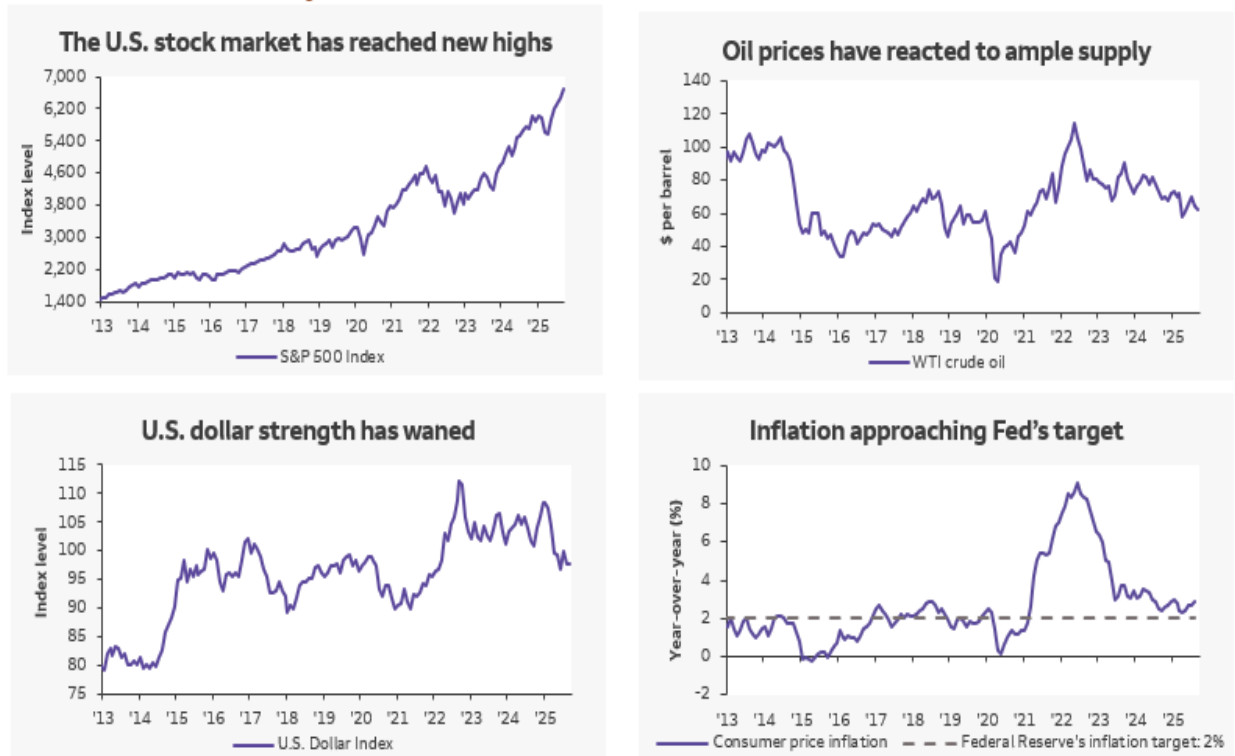


Source: Wells Fargo Investment Institute, as of September 30, 2025. Subject to change. Fed = Federal Reserve. 1. Federal Reserve Board, Financial Accounts of the U.S., as of September 11, 2025.

- We believe drawn-out tariff increases should help mitigate the U.S. economy's slowdown but extend the soft patch into early 2026 before tax cuts, deregulation, and Fed interest-rate cuts fuel a moderate economic recovery.
- Our view is that policy uncertainties, tepid business and consumer confidence, and less ample liquidity will dissipate as 2026 comes into view, reducing exposure to financial volatility. That could lessen the risk of periodic pullbacks by leveraged sectors of the global economy and elevated asset values compared to 2025.¹⁰

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Where are we today?

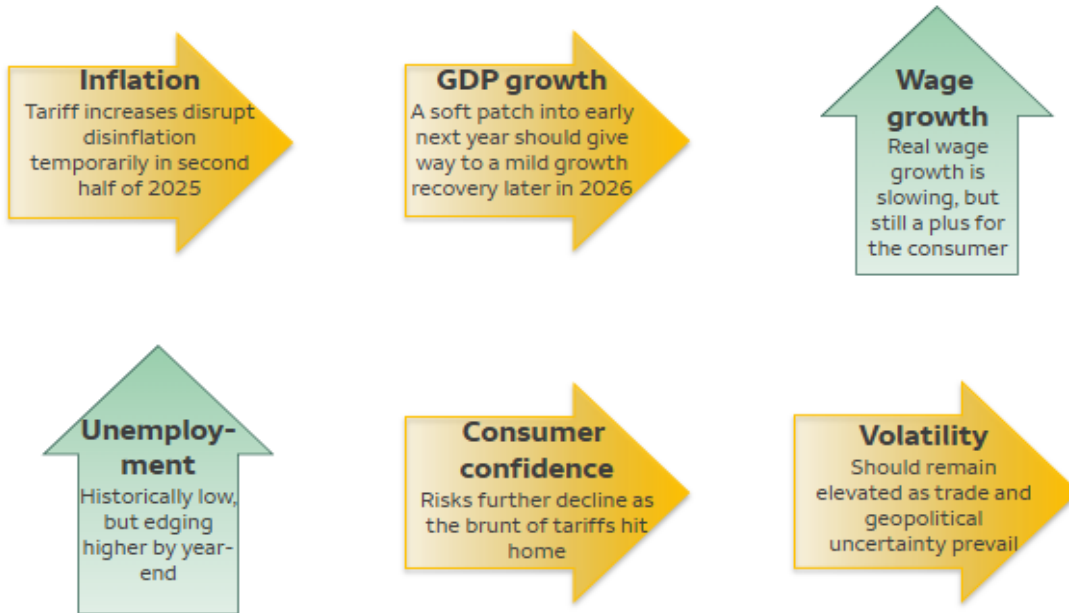


Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data from January 1, 2013, to September 30, 2025. Consumer price inflation: monthly data from January 1, 2013, to August 31, 2025. The S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the U.S. stock market. The Consumer Price Index measures the average price of a basket of goods and services. West Texas Intermediate (WTI) is a grade of crude oil used as a benchmark in oil pricing. U.S. Dollar Index (USDIX) measures the value of the U.S. dollar relative to the majority of its most significant trading partners. This index is similar to other trade-weighted indexes, which also use the exchange rates from the same major currencies. An index is unmanaged and not available for direct investment. Past performance is no guarantee of future results. Stocks may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. Fed = Federal Reserve. Interest Rates – Wells Fargo Investment Institute.

- In our view, U.S. stock market gains will be driven primarily by earnings growth in 2026. Interest rates (affecting stock valuations) may remain volatile, likely restrained by subdued inflation but at risk of moving higher on budget-deficit worries.
- We view the risk of an oil-price spike posed by potential geopolitical flare-ups as limited because of a well-supplied market, near-term global growth concerns, and our expectation for only slight U.S. dollar firming by year-end 2026. Elsewhere, supply-demand fundamentals are stronger for industrial metals, supported by prospects for a mild global economic-growth recovery.¹¹ Lower oil prices have acted like a tax cut, reducing costs and friction across the global economy, which supports growth and stabilizes supply chains.

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Where are we headed?



Source: Wells Fargo Investment Institute, as of September 30, 2025. Subject to change. GDP = gross domestic product. Fed = Federal Reserve.

- The U.S. economy is headed for what we believe will be a mild, tariff-induced soft patch from late 2025 into early 2026, setting the stage for a moderate growth recovery through much of next year, supported by tax cuts and Fed interest-rate cuts.
- We expect drawn-out tariff implementation to contribute to modestly firming inflation, which should dampen economic growth in the coming months by pressuring real incomes. Renewed disinflation, combined with more positive policies, is expected to support a moderate growth recovery that gains momentum into the heart of 2026.¹²

The Federal Reserve

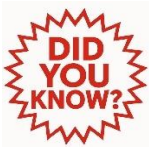
The Federal Reserve continued its easing cycle in late 2025 with two additional rate cuts aimed at sustaining economic momentum amid slowing growth and moderating inflation. In October 2025, the Fed reduced the federal funds target range by 25 basis points, bringing it down to 3.75%–4.00%. This move followed earlier cuts in September and reflected policymakers’ commitment to a gradual shift toward a more accommodative stance as labor market softness persisted and inflation trended closer to the Fed’s 2% target.

A subsequent cut in December 2025 lowered the range by another 25 basis points to 3.50%–3.75%, marking the fourth consecutive reduction since September 2024. The Fed cited continued progress on disinflation and the need to support business investment and consumer confidence heading into 2026. While officials signaled a cautious approach to further adjustments, these cuts underscored a strategic pivot from the aggressive tightening cycle of 2022–2023 toward a more supportive monetary environment.¹³

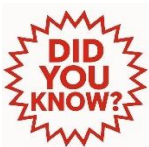
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Federal Funds Rate Changes¹⁴

FOMC Meeting Date	Rate Change	Federal Funds Rate
14-Dec-22	50	4.25% to 4.50%
1-Feb-23	25	4.50% to 4.75%
22-Mar-23	25	4.75% to 5.00%
3-May-23	25	5.00% to 5.25%
26-Jul-23	25	5.25% to 5.50%
18-Sep-24	-50	4.75% to 5.00%
7-Nov-24	-25	4.50% to 4.75%
18-Dec-24	-25	4.25% to 4.50%
17-Sep-25	-25	4.00% to 4.25%
29-Oct-25	-25	3.75% to 4.00%
17-Dec-25	-25	3.50% to 3.75%



- CFP® and FPQP® Professionals** – Our team includes four CERTIFIED FINANCIAL PLANNER™ professionals and a Financial Paraplanner Qualified Professional®, each dedicated to providing in-depth financial analysis and personalized guidance. Using our advanced eMoney platform, we help you visualize your current financial picture and plan confidently for the future. We include conversations on estate planning strategies, social security income strategies, retirement needs analysis, Long-Term Care policies and other insurance solutions, the sale of a business, lending needs (home or other large purchases), philanthropic endeavors and more! Please reach out to your advisor with questions.



- Upcoming Financial Webinar: 2026 Market Outlook**
Tuesday, January 27th at 10AM PST – email invitations should be sent out the second week of January.
2026 Market Outlook with guest speaker Bryan Piskorowski. Bryan is head of Advice and Investment Guidance for the Intermediary Distribution team at Allspring Global Investments and has 25 years of experience in the investment industry.

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Required Minimum Distribution (RMD) Start Ages:

Birth Date	Applicable RMD Age
Before July 1, 1949	70 ½
July 1, 1949 – 1950	72
1951-1959	73
1960 or later	75

Turning 73 in 2026?

You can take your first Required Minimum Distribution (RMD):

- Either by December 31, 2026 -or-
- Delay until no later than April 1, 2027.

If you delay your first RMD to April 1, 2027, you will be required to take 2 RMDs in 1 tax year:

- The first by April 1, 2027 (satisfies 2026 required distribution) -and-
- The second by December 31, 2027 (satisfies 2027 required distribution).

Tax Planning and Retirement Plan Contributions

For those still working, we want to make sure you are maximizing deferrals into retirement plans and taking advantage of other employer options to save like Stock Purchase Plans, Deferred Compensation, and Health Savings Accounts. Tax tables can be found on our [website](#) and please consult your tax preparer with deduction questions.

Important Dates

Please note the contribution limits and plan funding deadlines below:

- 401(k) and 403(b) and governmental 457(b) plans - For 2026, the maximum contribution under age 50 is \$24,500. The catch up is \$8,000 for age 50 and over. The catch-up for ages 60-63 is \$11,250.
- Traditional and Roth individual retirement account (IRA) funding – For 2026, the maximum allowable contribution is \$7,500 with a \$1,100 catch-up for age 50 and over. The 2025 deadline to contribute \$7,000 with a \$1,000 catch-up for age 50 and over is 4/15/2026 (or tax filing date).
- SEP IRA - \$70,000 contribution limit for 2025 – deadline to contribute is 4/15/26 (or tax filing date). The 2026 contribution limit is \$72,000.

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Milestones

- 50: Catch-up contributions to IRAs and qualified retirement plans. 60-63 special catch-up contributions.
- 59 ½: Can take distributions from qualified retirement plans and possibly in-service withdrawals to an IRA without a 10% additional tax. One can also take distributions from IRAs without a 10% additional tax.
- 62-70: Can apply for Social Security benefits (we will help you estimate the best age to begin Social Security to maximize lifetime benefit). With good health, Social Security benefits increase greatly every year you wait.
- 65: Can apply for Medicare.
- 73-: Must begin RMDs (Required Minimum Distributions) from Traditional IRA accounts (excluding Roth IRAs).

Financial Education Corner

- If you are in Required Minimum Distribution years and would like to reduce your taxable income, the IRS allows donations up to \$115k (\$230k married filing jointly – both spouses need to have IRA's) in 2026 to Qualified Charities for a dollar-for-dollar reduction of taxable income. Wells Fargo Advisors offers IRA checkbooks, and you can mail payments directly to these Qualified Charities. **In 2026, please check with your tax professional about your continued ability to self-report IRA checks on IRS form 1040.**
- From your IRA, you are allowed to make a one-time \$54,000 (2025 limit) to a split-interest entity like a charitable remainder trust or charitable annuity trust which is not taxed as ordinary income.
- **Catch-up contribution amendment.** If you are between the ages of 60-63 (by 12/31), in 401(k), 403(b), Gov't 457(b) plans, you are entitled to a catch-up contribution of \$11,250. The maximum catch-up for ages 50-59 and 64+ is \$8,000 for 2026.

Team Website

Please note tax planning tables and archived newsletters can be found on our team website:

www.zasprivatewealthmanagement.com

Full biographies of each financial advisor and client associate can be found on our website.

Our website also includes wealth planning areas our team implements as needed, detailed examples of services we provide, articles, newsletters, financial calculators and an account log-on link.

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We will continue to monitor these topics as well as other economic and geopolitical concerns that may continue to impact markets:

- **U.S.–Iran relations remain tense in Q4 2025:** In October, the U.S. imposed sanctions targeting ~40 entities involved in Iranian oil and petrochemical exports—part of a coordinated action by State and Treasury to curb Tehran’s revenue streams. Meanwhile, the UN Security Council was sharply divided over renewed sanctions under the JCPOA “snapback” mechanism triggered by E3 (France, Germany, U.K.) in August; efforts to reach a consensus failed as of late December.¹⁵
- **Russia–Ukraine war:** As of December 29th, the U.S. and Ukraine made significant progress toward a peace deal after Zelensky met Trump to discuss a 20-point plan that is about 90% complete. Security guarantees for Ukraine are nearly finalized, though major territorial issues like Donbas and the Zaporizhzhia nuclear plant remain unresolved. Trump also spoke with Putin in what Trump called “productive” calls, and both sides agreed to form working groups on security and economic terms. Follow-up talks with European partners are scheduled for January in Washington.¹⁶
- **Unemployment:** In November 2025, the U.S. economy added 64,000 jobs—following a prior loss of 105,000 in October due to federal workforce reductions—while the unemployment rate rose to 4.6%, the highest since September 2021.¹⁷
- **Housing starts:** In October, U.S. housing starts moderated to approximately 1.30 million annualized units, with single-family starts at around 0.92 million and multifamily at ~0.39 million—reflecting ongoing affordability challenges and softening demand.¹⁸
- **Existing home prices:** The median sales price for existing U.S. homes in October reached \$415,200—a 2.1% year-over-year increase—according to the National Association of Realtors via St. Louis Fed data.¹⁹
- **Gasoline prices:** As of mid-December 2025, the national average for a gallon of regular gasoline was about \$2.89—the lowest December since 2020—driven by ample supply and softening demand.²⁰
- **Personal savings rate:** U.S. households saved at a seasonally adjusted rate of **4.7%** in September 2025, consistent with August, but down from the 5.0% seen in June and July.²¹
- **Consumer debt:** U.S. household debt totaled **\$18.39 trillion** at the end of Q2 2025, up by \$185 billion from Q1—driven primarily by a \$131 billion increase in mortgage balances, alongside higher credit card (+\$27 B), auto (+\$13 B), and student loan (+\$7 B) debt.²²
- **Trade deficit:** In September 2025, the U.S. goods and services trade deficit narrowed to **\$52.8 billion**—down from \$59.3 billion in August—on stronger exports (+3.0% to \$289.3B) and modest import growth (+0.6% to \$342.1B). The improvement was driven by a \$7.1B reduction in the goods deficit and a \$0.6B drop in the services surplus.²³
- **Rare earth reserves:** As of late 2025, China retains the world’s largest rare earth oxide reserves (~44M metric tons), followed by Brazil (21M), India (6.9M), Australia (5.7M), Russia (3.8M), Vietnam (3.5M), the U.S. (1.9M), and Greenland (1.5M). Together, these eight countries hold the majority of global reserves—highlighting strategic diversification efforts.²⁴

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Conclusion

Our 2026 outlook stresses looking beyond short-term headlines to focus on durable economic and policy trends. Despite early-year challenges from tariffs and immigration constraints, Wells Fargo Investment Institute expects U.S. economic momentum to strengthen as lower interest rates, deregulation, and tax cuts converge to support growth. Artificial intelligence (AI) investment is projected to expand across industries, driving productivity gains and reinforcing business modernization. These factors, combined with accommodative monetary policy, should create a constructive backdrop for markets and broaden equity participation through the year.

Globally, growth is expected to remain uneven, with the U.S. acting as the primary engine of expansion. Overseas economies face structural headwinds such as elevated debt burdens and geopolitical risks, while China's emphasis on AI contrasts with persistent weakness in consumer and manufacturing sectors. Despite these challenges, long-term trends—such as technology adoption, infrastructure investment, and policy support—are anticipated to reinforce each other and sustain global economic recovery. Investors are encouraged to focus on these thematic drivers rather than reacting to short-term volatility. Key themes include technological transformation led by AI, policy tailwinds from rate cuts and tax incentives, and the interplay of productivity gains with capital spending.²⁵

Volatility is likely to persist, particularly around global trade developments and policy shifts, but history shows that patient, long-term investors have been rewarded for staying the course through market cycles. Aligning investments with goals and maintaining discipline remain critical. Diversification and asset allocation have historically helped reduce portfolio risk and smooth returns over time. As always, we encourage investors to focus on long-term objectives—such as retirement, education, and wealth preservation—rather than reacting to short-term market noise.

We are available to review your goals and plans to ensure they remain aligned with your needs and time horizons. Staying invested through periods of uncertainty has historically proven to be a sound strategy for building wealth over time.

Asset allocation and diversification do not ensure a profit or protect against a loss in a down market.

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