

## **In 2025, financial markets experienced strong growth across all sectors:**

- The global economy proved to be more resilient in 2025 than had been feared, despite severe headwinds that ranged from Donald Trump's trade war to geopolitical tensions and the conflicts in Ukraine and the Middle East.
- Though market volatility increased significantly, U.S. stock markets enjoyed their third year in a row of positive gains, with the S&P 500 returning 17.9% for the year, the Dow Jones Industrial Average returning 13% and the NASDAQ Index returning 21.2%. Artificial Intelligence (AI) remained the dominant driver of U.S. equity markets, though it should be noted that as investors began attempting to discern the eventual winners and losers in the AI race, only two of the "Magnificent Seven" tech companies (Apple, Microsoft, Amazon, Alphabet, Nvidia, Meta, Tesla) outperformed the S&P 500.
- Canada's financial markets delivered an even stronger overall performance, with the S&P/TSX Composite Index rising by 28% on the year, outpacing major global peers as resource, financial and commodity sectors drove gains despite trade tensions and economic headwinds.
- After a prolonged period of underperformance versus U.S. markets, international stocks nearly doubled the return of U.S. stocks in 2025. This can be attributed to factors including a weakening U.S. dollar, lower valuation metrics of foreign stocks, increased spending by foreign governments to spur their economies and a softening of regulations.
- The Bank of Canada and the U.S. Federal Reserve continued with the rate cuts that started in late 2024. This pushed short-term investment yields down while pushing those same bond prices higher due to the inverse relationship between bond yields and prices.

As we enter 2026, the global political climate is marked by heightened geopolitical tensions and fractures in long-standing alliances, exemplified by the renewed U.S.–Europe trade disputes over Greenland that threaten NATO unity and spark broad diplomatic pushback. Ongoing large-scale conflicts and unrest, including mass protests in Iran and unresolved wars like Russia's invasion of Ukraine, continue to shape international relations and draw varied responses from world powers. Meanwhile, governments worldwide are grappling with domestic polarization, election pressures and misinformation, making international cooperation on security, trade, and climate increasingly difficult.

## **Despite all this, as we look ahead to 2026, there are reasons to be cautiously optimistic:**

- The outlook for global equities in 2026 is positive, with gains forecast for both developed and emerging markets
- AI will feature heavily for the global economy in the coming year. While the possibility exists that investor enthusiasm will wane over fears of a tech bubble, overall optimism for this revolutionary technology is almost universal and is expanding across sectors.
- In spite of geopolitical instability and trade barriers, moderate global growth is forecasted thanks to the ongoing AI boom, loosening monetary policies and various government stimulus programs.
- There are also hopes for a slowdown in the rate of consumer price growth in 2026. This would pave the way for central banks to end their cycle of interest rate cuts, though in the U.S. there is increasing pressure from Washington for deeper cuts. This political interference with the Federal Reserve threatens its independence and credibility and is expected to weigh on financial markets.
- The U.S. dollar's value and status as the global safe haven will continue to be under pressure if foreign investors, nervous or upset about the U.S. trade or foreign policy changes, either decide to keep more of their money at home or invest in foreign assets.

When it comes to investing, no two years are the same. History shows that success over the long haul comes to those who stay invested in well-diversified portfolios that are tailored to meet their individual needs. Your Edmond Financial Group advisor designed your financial plan with this in mind and with the understanding that market fluctuations are a normal and expected part of investing.

If you have questions about your portfolio or would like to schedule a review, please contact us at 204-478-8500 or by email at [efg@efgi.com](mailto:efg@efgi.com).

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