



## Capital Markets Commentary – December 2025

Just when we were running out of creative ways to describe up markets, November threatened to hand us a loser. To be fair, as losing months go, November barely made the grade. In the US, only the NASDAQ closed in the red and even then, not by much, and the major European bourses were positive across the board. Asia struggled, sure, with the Japan's Nikkei closing down over 5%, but other than that, returns were more “meh” than truly disappointing. It seems we've been spoiled rotten by markets that seem to show us nothing but green and perhaps our expectations are verging upon unreasonable. After all, the S&P 500 hasn't had a down month since April.<sup>i</sup>

At Graystone Charleston, part of our mission is to take as much worry as possible off your plate so we worry – a lot. Sometimes, when markets have been so good for so long, we can sound more bearish than we really are because we feel we need to remind folks that markets don't go up forever. Actuarially, the longer they rise, the more likely a near-term correction becomes. Stands to reason, right? Let's pretend, though, that you *could* invest directly in an index (note that as one of our many disclaimers below indicates, we cannot invest directly in an index). Since 2020, we've had almost five years that ranged from good to terrific and only one year, 2022, that was miserable. Returns for each of those years were (are) as follows:

2020	+16.26%
2021	+26.89%
2022	-19.44%
2023	+24.23%
2024	+23.31%
2025	+17.81% (YTD) <sup>ii</sup>

Now say you had put \$100,000 into the S&P 5000 on the first trading day of January 2020 (and again, you can't invest directly in an index, but humor us) and reinvested the dividends. Today, your \$100,000 investment would be worth approximately \$232,104.64<sup>iii</sup>. Now remember, in 2020 you would have weathered the COVID recession and market blowout, including a 34% drop in March<sup>iv</sup>. You survived 2021's supply chain disruptions and the highest inflation rate in a generation. In 2022, you stuck it out when Russia invaded Ukraine and interest rates spiked. In 2023, you gutted out the regional bank crisis and in 2024, you held firm when China's Shenzhen and Hang Seng collapsed. This year, you made it through Liberation Day, a paralyzed Congress, a government shutdown, and a conflicted Fed. And still, your \$100,000 has grown to \$232,104.64.

Talking amongst ourselves here at Graystone, many of us have commented that we can't remember a time when bull markets have left clients so very nervous. The very air seems to be permeated with a bearish malaise, and we get it. Valuations are not cheap, fiscal and monetary policy seem chaotic, and nobody seems to know if artificial intelligence will lead to unparalleled prosperity or to the end of western civilization. Plus, in our communications to you, we err in favor of highlighting challenges to the market. We lay awake at night in dread that a raging bull market will lead someone to overestimate their tolerance for downside risk. This is the monster that lurks under our beds.

However, while caution is prudent, fear is not. Let's do some more pretending. Let's pretend that in January of 2020, we had looked into our crystal ball and had listed the litany of woes that would befall markets over the next six years without telling you how markets performed in response. Would you have put your \$100,000 in the market or would you have stuffed it in a Mason jar and dug a hole in the yard?

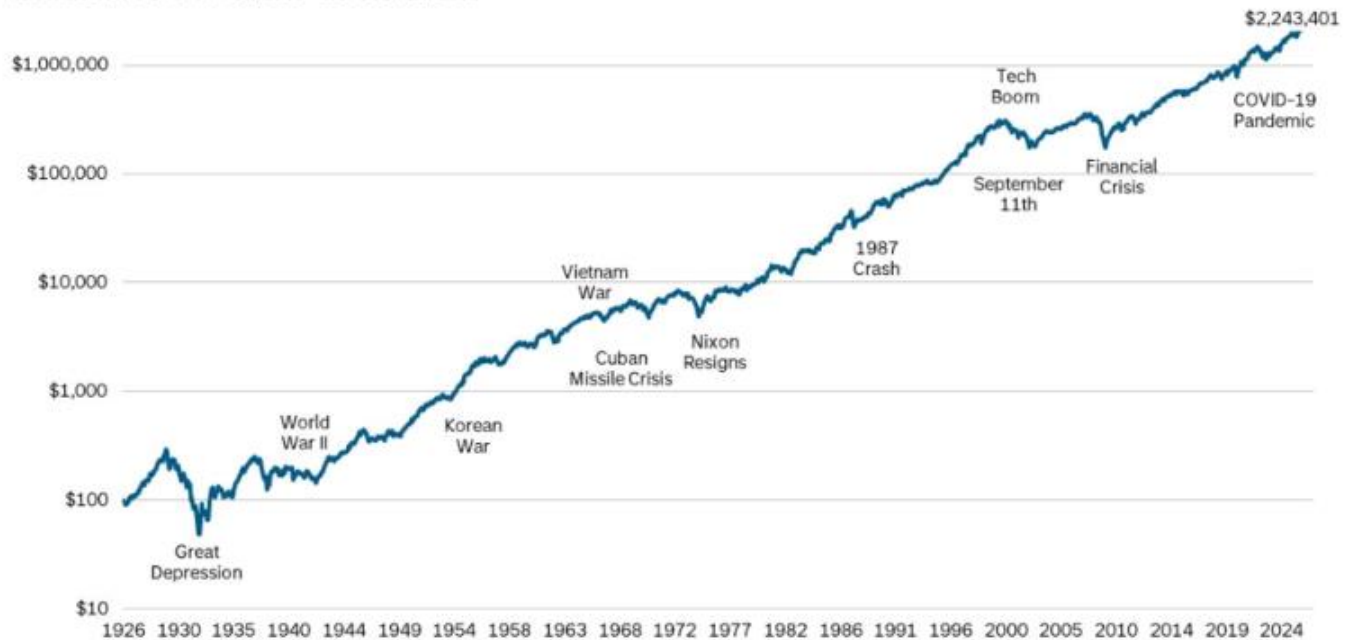
Here's our point. We can make projections and calculations that help us form opinions around the relative valuation of the market, but we cannot tell you with great authority how markets will perform in 2026. Nobody else can, either, but our discussions with you cannot, and will not begin with our outlook on markets or rates. Our conversations and subsequent recommendations begin with your tolerance for risk and your investment objectives. Full stop. Let's resolve to begin the New Year not with a discussion of the Fed, or tariffs, or valuations, or rates, but with a discussion about your needs and expectations. We'll continue to build from there.

Until then, all of us at Graystone Charleston wish you and yours a very Merry Christmas and a healthy, prosperous New Year and know that we always, and we mean *always*, look forward to hearing from you.

# S&P 500 Has Gained In the Long-Run Despite the Headlines

## S&P 500: GROWTH OF \$100 (LOG SCALE)

MONTHLY DATA: JANUARY 31, 1926 – OCTOBER 31, 2025



Source: Calculated by Morgan Stanley Wealth Management GIO, using data provided by Morningstar, FactSet, Ibbotson. (c) 2025 Morningstar, Inc. All rights reserved. Used with permission. This information contained herein: (i) is proprietary to Morningstar and/or its content providers; (ii) may not be copied or distributed; and (iii) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

WEALTH MANAGEMENT GLOBAL INVESTMENT OFFICE • CHARTBOOK • MARKET CORRECTIONS

<sup>i</sup> Source: Morgan Stanley Wealth Management GIO, Bloomberg, FactSet

<sup>ii</sup> Source: S&P Global

<sup>iii</sup> Source: S&P Global <https://www.spglobal.com/spdji/en/indices/equity/sp-500/#overview>

<sup>iv</sup> Source: Thompson Reuters

The views expressed herein are those of the author and do not necessarily reflect the views of Morgan Stanley Wealth Management or its affiliates. All opinions are subject to change without notice. Neither the information provided nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. Past performance is no guarantee of future results.

This material contains forward looking statements and there can be no guarantees they will come to pass. The information and statistical data contained herein have been obtained from sources believed to be reliable but in no way are guaranteed by Morgan Stanley as to accuracy or completeness. There is no guarantee that any investments mentioned will be in each client's portfolio.

Morgan Stanley Wealth Management has no obligation to notify you when information in this presentation changes.

International investing may not be appropriate for every investor and is subject to additional risks, including currency fluctuations, political factors, withholding, lack of liquidity, and the absence of adequate financial information, and exchange and control restrictions impacting foreign issuers. These risks may be magnified in emerging markets.

Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment

---

may be reinvested at a lower interest rate. Interest on municipal bonds is generally exempt from federal income tax, however some bonds may be subject to the alternative minimum tax, accrued market discount taxes and / or capital gains taxes.

Bonds rated below investment grade may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk and price volatility in the secondary market. Investors should be careful to consider these risks alongside their individual circumstances, objectives and risk tolerance before investing in high-yield bonds. High yield bonds should comprise only a limited portion of a balanced portfolio.

Equity securities may fluctuate in response to news on companies, industries, market conditions and the general economic environment. Companies cannot assure or guarantee a certain rate of return or dividend yield; they can increase, decrease or totally eliminate their dividends without notice.

Because of their narrow focus, sector investments tend to be more volatile than investments that diversify across many sectors and companies.

Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets.

The indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. For index, indicator and survey definitions referenced in this report please visit the following: <https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions>

This material is disseminated in the United States of America by Morgan Stanley Smith Barney LLC.

Morgan Stanley Smith Barney research, or any portion thereof, may not be reprinted, sold or redistributed without the written consent of Morgan Stanley Smith Barney.

Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors or Private Wealth Advisors do not provide tax or legal advice. Individuals should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trusts, estate planning, charitable giving, philanthropic planning or other legal matters.

Morgan Stanley Smith Barney LLC is a registered Broker/Dealer, Member SIPC, and not a bank. Where appropriate, Morgan Stanley Smith Barney LLC has entered into arrangements with banks and other third parties to assist in offering certain banking related products and services.

**NOT FDIC INSURED / MAY LOSE VALUE / NOT BANK GUARANTEED / NOT A BANK DEPOSIT / NOT INSURED BY ANY GOVERNMENT AGENCY**

The investments listed may not be appropriate for all investors. Morgan Stanley Smith Barney LLC recommends that investors independently evaluate particular investments and encourages investors to seek the advice of a financial advisor. The appropriateness of a particular investment will depend upon and investor's individual circumstances and objectives.

Information contained herein has been obtained from sources considered to be reliable, but we do not guarantee their accuracy or completeness.

This communication contains links to third party websites that are not affiliated with Morgan Stanley. These links are provided only as a convenience. The inclusion of any link is not and does not imply an affiliation, sponsorship, endorsement, approval, investigation, verification or monitoring by Morgan Stanley of any information contained in any third-party website. In no event shall Morgan Stanley be responsible for the information contained on that site or your use of or inability to use such site. Furthermore, no information contained in the site constitutes a recommendation by Morgan Stanley to buy, sell, or hold any security, financial product, particular account or instrument discussed therein. You should also be aware that the terms and conditions of such site and the site's privacy policy may be different from those applicable to your use of any Morgan Stanley website.

Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors or Private Wealth Advisors do not provide tax or legal advice. Individuals should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trusts, estate planning, charitable giving, philanthropic planning, or other legal matters.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stock in all three NASDAQ tiers: Global Select, Global Market, and Capital Market. An investment cannot be made directly in a market index.

The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization US stocks. An investment cannot be made directly in a market index.

Dow Jones Industrial Average (DJIA). A price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry.

Euro STOXX 50 Index: Provides a blue-chip representation of super-sector leaders in the Eurozone.

NIKKEI 225 Index: This price-weighted index is comprised of Japan's top 225 blue-chip companies on the Tokyo Stock Exchange.

[This illustration is hypothetical and shown for illustrative purposes only. The illustration is not intended to predict the returns of any particular investment, which will fluctuate with market conditions. Actual results may differ from those depicted in the illustration.](#)

---

Hang Seng Hong Kong: The Hang Seng Index is a free-float capitalization-weighted index of a selection of companies from the Stock Exchange of Hong Kong.

DAX Index: This index represents 30 of the largest and most liquid German Companies that trade on the Frankfurt Exchange.

Investments and services offered through Morgan Stanley Smith Barney LLC. Member SIPC. Graystone Consulting, a business of Morgan Stanley.

Morgan Stanley Smith Barney LLC. Member SIPC. CRC 5031729 12/25