



Monthly Market Update

January 7, 2026

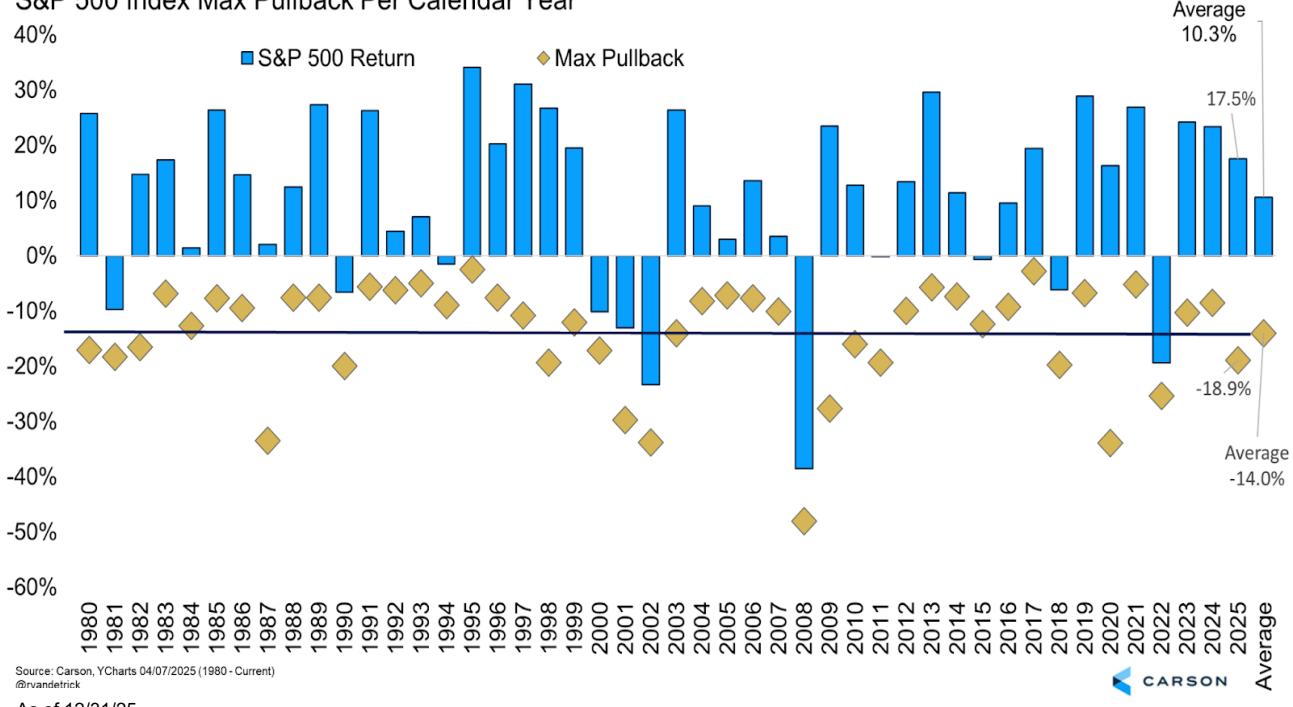
December proved to be a relatively calm close to a year that was both anxiety-filled and rewarding for investors. Despite periodic volatility, 2025 marked the third consecutive positive year for the S&P 500, a notable achievement given the many macroeconomic and geopolitical uncertainties we faced along the way.

Market activity during December was largely driven by typical year-end dynamics, including profit-taking in areas that had performed well and continued digestion of interest-rate expectations heading into the new year. From a technical perspective, the S&P 500 continues to trade within its long-established uptrend. The broader bullish foundation remains intact, supporting the continuation of this trend over both the near and longer term. Pullbacks have been well-contained, prices have held near the upper end of their range, and buyers have consistently stepped in following periods of short-term weakness. As a result, our constructive stance on the market remains, and portfolios continue to be positioned close to fully invested in our tactical strategies.

Looking back on 2025, markets experienced their share of challenges. Early in the year, tariff-related recession concerns triggered a sharp 18.9% pullback over a two-month period. While the speed and intensity of that decline felt dramatic at the time, we believe it is important to keep it in perspective. Historically, markets experience average annual pullbacks of approximately 14%, placing this year's drawdown well within normal ranges.

Putting 2025 In Perspective

S&P 500 Index Max Pullback Per Calendar Year



Source: Carson, YCharts 04/07/2025 (1980 - Current)
@rvandermic

As of 12/31/25



Average

Average
-14.0%

Average
10.3%

17.5%

Average
-18.9%

Importantly, the continued strength of the AI-driven investment cycle defied expectations and helped power markets higher through accelerating growth and expanding profit margins.

In prior years, concerns were often raised about the heavy concentration of market returns among the so-called “Magnificent Seven” technology stocks. In contrast, 2025 told a different story. Only two of the Magnificent Seven—NVIDIA and Alphabet—outperformed the S&P 500 this year.

Mag 7 in 2025: NVIDIA & Alphabet stand tall

Drivers of Return (2025)

■ Earnings Growth

■ Multiple Growth

— Price Return



Data source: Carson Investment Research, Factset 12/31/2025

@sonusvarghese

Next 12-month data used for earnings and multiples



Market participation broadened meaningfully as the year progressed, with market breadth reaching all-time highs. This improvement has been reflected in notable breakouts across additional sectors, including financials and industrials, reinforcing the overall health of the market advance.

As we look ahead to 2026, encouraging developments are underway, though risks and uncertainty remain. We believe uncertainty, however, is often what creates opportunity. We will continue to adhere to our disciplined investment process—seeking to protect capital in our tactical strategies during periods of heightened risk while fully participating during favorable market environments. We remain constructive on the long-term outlook and maintain a disciplined, selective framework for evaluating conditions as they evolve.

For a full description of each strategy, please [click here](#).

Best regards,

CHURCHILL MANAGEMENT GROUP at Focus Partners Wealth

877-937-7110

[**info@churchillmanagement.com**](mailto:info@churchillmanagement.com)

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