



**IRONWOOD WEALTH ADVISORS**  
*a registered investment advisor*  
DISCIPLINED WEALTH MANAGEMENT

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## January 2026 - Happy New Year!! Let's Go!

### Market Update

(all values as of  
12.31.2025)

#### Stock Indices:

Dow Jones	48,063
S&P 500	6,845
Nasdaq	23,241

#### Bond Sector Yields:

2 Yr Treasury	3.47%
10 Yr Treasury	4.18%
10 Yr Municipal	2.73%
High Yield	6.48%

#### YTD Market Returns:

Dow Jones	13.07%
S&P 500	16.46%
Nasdaq	20.36%
MSCI-EAFE	27.89%
MSCI-Europe	31.95%
MSCI-Pacific	29.87%
MSCI-Emg Mkt	30.58%

US Agg Bond	7.30%
US Corp Bond	7.77%
US Gov't Bond	6.88%

#### Commodity Prices:

Gold	4,325
Silver	70.34
Oil (WTI)	57.42

#### Currencies:

Dollar / Euro	1.17
Dollar / Pound	1.34
Yen / Dollar	156.18
Canadian /Dollar	0.73

**Macro Overview:** 2025 started off shaky due to the administrations unprecedented tariff saber rattling. I shared my view within the monthly newsletter that calmer minds would prevail, markets would recover, and that the selloff presented a buying opportunity. That outcome was realized. Uncertainty lingered throughout 2025, creating a volatile investment landscape as fear shifted to a softening labor market and concerns about residual inflation. I viewed these concerns as relevant, but greatly overstated. Both stocks and bonds rose throughout the year, driven by strong earnings and optimism surrounding massive investment and capital expenditures related to Artificial Intelligence. In January 2025, I stated that strong earnings would drive multiple expansion, with a year-end SP500 target of 6700-6800. The SP500 exceeding my optimism – closing at 6845.

Tariffs remained a focal contention in 2025, as economists struggled to determine how much of an affect tariffs have been on consumers and U.S. companies. A recent study by the Federal Reserve Bank of San Francisco concluded that the tariffs imposed in April 2025 actually resulted in lower inflation and higher unemployment primarily due to uncertainty surrounding the tariffs.

An ounce of silver cost more than a barrel of oil at the end of 2025, the first time this price disparity has occurred since 1980 when the infamous Hunt brothers cornered the silver market. Silver reached \$70 per ounce and oil closed at just over \$57 per barrel at the end of 2025. Lower oil prices helps reduce global inflation, while stimulating growth.

The U.S dollar lost ground in 2025 driven by excessive U.S. debt concerns and uncertainty surrounding fiscal policy. A weakening dollar increases import costs for consumers, yet is beneficial for U.S. exporters as U.S. exports become more affordable. Our portfolio's material international exposure was a direct beneficiary of a weak dollar. International markets handily outperformed US markets, a trend I anticipate continuing in 2026.

Cryptocurrencies experienced a pull back towards the end of 2025. Speculation among crypto traders created tremendous volatility throughout the year. Cryptocurrencies experienced gains early in the year followed by a sharp correction late in the year. Regulatory clarity and institutional adoption continue to be leading tailwinds. I'm very optimistic long-term.

### 2025 In Review

#### Dow Jones Industrial Average Index

The broad index of 30 large cap stocks ended the year with a 13.07% gain

**48,063**

**4.18%**

#### 10 Year Treasury Bond Yield

Bond yields fell and bond prices rose during the year as the Fed lowered rates

#### U.S. National Debt

The national debt grew by roughly \$3.5 trillion during the year

**\$38.5  
Trillion**

**4.4%**

#### Unemployment Rate

Jobs were a struggle during the year with a slight rise in unemployment



**Bond Markets Overview:** Fixed income markets across various sectors had a favorable year, with bond prices advancing in 2025. U.S. Treasuries, investment grade corporates and high yield bonds all elevated in price as the Fed teetered on easing rates throughout the year, with affirmation of a lower rate trend towards the end of 2025. Our best performing fixed income portfolio holding was EIDOX – returning 17.20% for 2025 – a very impressive outcome for a non stock portfolio holding.

The Fed's trajectory, along with still attractive bond yields in 2025, drove demand throughout the year. Uncertainty in the equity markets added to demand for bonds as volatility led to greater bond demand. The 10-year Treasury bond yield finished the year at 4.18%, down from its peak of 5% in October of 2023. Bonds had their best year since 2020, when the pandemic drove funds toward bonds as a safe haven and for stability. I don't see the 10-year trading materially below 3.75-4 percent during 2026.

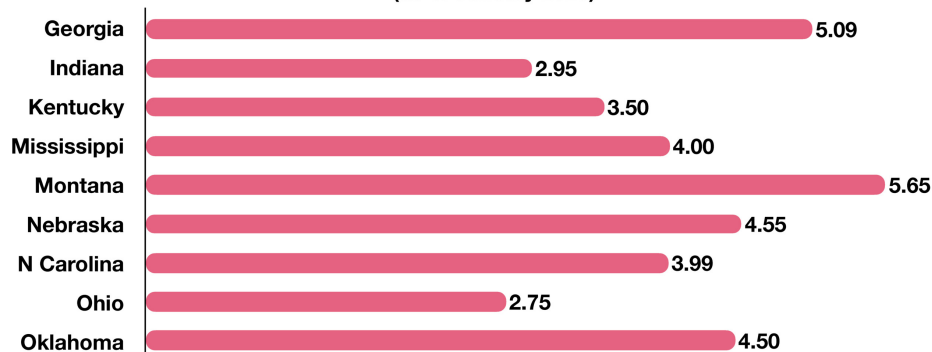
The President proposed that the federal government buy approximately \$200 billion of mortgage bonds through housing authorities Fannie Mae and Freddie Mac, in an effort to push mortgage rates down and increase housing affordability. I've advocated for this policy since 2024. Buying mortgage bonds in the open market curtails the supply of bonds which can lead to lower mortgage rates. So far, just the suggestion of this action has caused mortgage rates to dip.

**Equities Advance in 2025 – Domestic Equity Market Overview:** Equities were volatile, yet resilient throughout 2025 as uncertainty surrounding tariffs, geopolitical tensions and Fed rate cuts induced volatility. The Dow, S&P 500, and the Nasdaq all posted strong performance results for the year, exceeding most analysts expectations. The outcomes fell within my targets.

The bull market in the SP500 is showing welcoming signs of broadening. Across all equity related model portfolios, I've further increased exposure to small & mid sized companies, which I anticipate will contribute to our consistently strong performance. Our international exposure will likely also enhance our investment outcomes. Although I anticipate another year of high volatility, and I do not discount the possibility of a 10-15% correction, I'm forecasting the SP500 will trend towards 7600-7700 by year-end. Accelerating productivity should add 1% to the GDP, further reduce inflation, and stimulate broad based corporate earnings growth. I remain optimistic about my favorable economic and financial market thesis. But as always, remain guarded and vigilant.

**Fiscal Tax Policy:** For 2026, nine states are reducing their individual state income tax rates, Georgia, Indiana, Kentucky, Mississippi, Montana, Nebraska, North Carolina, Ohio, & Oklahoma. Currently, nine states have zero state income tax. California currently has the highest tax rate at 13.3%, followed by Hawaii at 11%, and New York at 10.9%. **OUCH!**

**State Individual Tax Rates**  
(as of January 2026)





**How AI Is Affecting the Economy – Technology & The Economy:** Artificial intelligence (AI) is currently boosting U.S. economic growth and market valuations, while also creating valuation risks, labor disruption, and energy challenges. Although there are some adverse considerations, the positives are more than counterbalancing. AI is a major driver of my productivity boon thesis – enhancing economic activity, reducing inflation, and further stimulating corporate earnings.

AI related investment in software, semi-conductor chips, data centers, power infrastructure, and networking has already added on the order of hundreds of billions of dollars to U.S. GDP since late 2022, with one estimate putting the contribution at around 250 billion dollars. Economists expect AI to raise productivity, yet unevenly among industries as various companies integrate AI into manufacturing, production, and service.

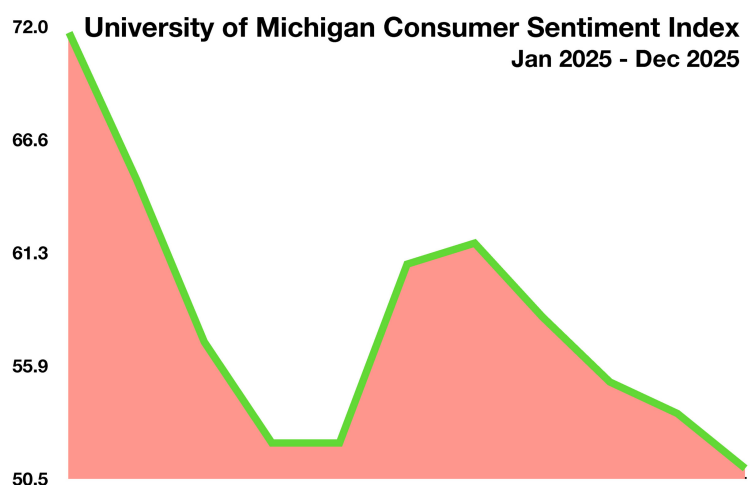
Thus far, AI appears to be a minor factor in the 2025 labor market slowdown, but economists expect that wider diffusion could displace some jobs even as it creates new tasks and demand in other roles. Maybe someday the computers and robots will do all the work and humanity can chillout on the beach with an umbrella drink. If it was only so simple.

Policymakers and researchers note that the main near term macro risk is not mass unemployment, but resulting in retraining, regional dislocation, and pressure on lower skilled occupations. This societal segment is likely the first and most displaced by AI.

AI has been a dominant equity theme, helping propel S&P 500 performance in 2025, with a large share of returns concentrated in AI linked megacap tech, data center, chip, and cloud companies. Regulators and analysts are considering whether AI driven optimism encourages excessive leverage or speculative behavior in equity and credit markets, which could amplify any downturn. At the same time, diversified adoption of AI across sectors is seen as a potential cushion against shocks, making the U.S. economy somewhat more resilient if productivity effects materialize as expected.

**What Happened To Consumer Confidence in 2025 – Consumer Behavior:** The beginning of 2025 revealed that consumers were optimistic because of low unemployment, ongoing job growth, and stable inflation. Yet, by the end of 2025, optimism had fallen sharply, with more consumers reporting pessimism and cautious feelings about the economy as inflation, job scarcity, and living costs led consumer worries. The University of Michigan consumer sentiment index stood at 64.7 in January 2025 then fell to 51.0 by November, eventually edging up to 52.9 in December and leaving sentiment well below historical norms.

Behavior and spending signals in 2025 found more consumers opting for cheaper goods and prioritizing essentials, with many cutting back on discretionary purchases and major expenditures. By the fourth quarter of 2025, net sentiment was 30 percent below its late 2024 peak, underscoring how uneasy consumers felt heading into 2026. (Source: University of Michigan Consumer Sentiment Index; FRED)





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THE U.S. DOLLAR FELL ROUGHLY 9.5% IN 2025

## Dollar's Decline in 2025 Was Largest Since 2017 – Currency Overview

In 2025, the U.S. dollar had a notably weak year and under performed most other major currencies, with broad indexes showing its largest annual drop since 2017 and one of the steepest declines in decades.

**U.S. Dollar Index / Jan 1, 2025 - Dec 31, 2025**



The U.S. Dollar Index, which tracks the dollar against six major currencies (euro, yen, pound, Canadian dollar, Swiss franc, Swedish krona), fell roughly 9.5% in 2025, the largest drop since 2017. Earlier in the year, the dollar had been down about 11%, marking the biggest first half loss since the 1970s. Factors affecting the dollar in 2025 include slower U.S. growth expectations, high fiscal deficits, policy uncertainty regarding tariffs, political tensions, and shifting

global capital flows away from U.S. assets. Easing of U.S. interest rates also reduced the yield advantage of dollar assets, making holding the dollar less attractive relative to other major currencies.

Sources: Federal Reserve Bank of St. Louis

## What Are Rare Earth Materials – Commodities Review

Rare earth materials are minerals or compounds that contain one or more rare earth elements, which are comprised of 17 metallic elements used extensively in modern technologies. These materials are important because they provide unique magnetic, optical, and catalytic properties that are hard to substitute with numerous high-tech applications.

These elements are actually relatively abundant in the Earth's crust, but are rarely found in concentrated deposits, which makes mining and separation difficult.

The term "rare earth" comes from the early discovery of these elements in unusual mineral "earths" and from the scarcity of economically viable deposits, not from a true rarity in nature.

Rare earth materials are essential in magnets for wind turbines and electric vehicles, in smartphone components, and in computer hard drives. They also appear in glass polishing powders, catalysts for oil refining and car exhaust treatment, phosphors in LED and fluorescent lighting, and components for lasers and fiber-optic communication. Rare earth materials are used throughout modern technology, mainly for powerful magnets, specialized lighting, displays, and advanced electronics. Their unique magnetic and optical properties make many devices smaller, more efficient, and more energy saving than would otherwise be possible.

Sources: U.S. Department of the Interior, CIA World Factbook