What Investors Can Learn From 2025

What Investors Can Learn From 2025 Market Trends

It was another remarkable year for the U.S. stock market in 2025. The S&P 500® Index rose nearly 18% with 46 new all-time highs during the year!

While undoubtedly a good outcome, a single return figure fails to capture the full experience of investors. **Figure 1** helps fill in the gaps, capturing major headlines from the year atop the cumulative return of the S&P 500.

What's clear is that the strong market performance during the year occurred despite numerous examples of news contributing to investor uncertainty, and, critically, earning these returns required discipline.

Consider that between late February and early April, the S&P 500 fell nearly 19% based on end-of-day closing prices. On April 7, the index briefly dipped into bear market territory, with a decline of more than -21% from its late February high.

During that drawdown period, the index declined 6% in a single trading day, following the announcement of new tariffs on nearly all U.S. trading counterparts on April 3. When most of those new tariffs were paused less than a week later, the market surged almost 10% in one day, kick-starting a recovery that took just 54 days to claw back losses from the drawdown.

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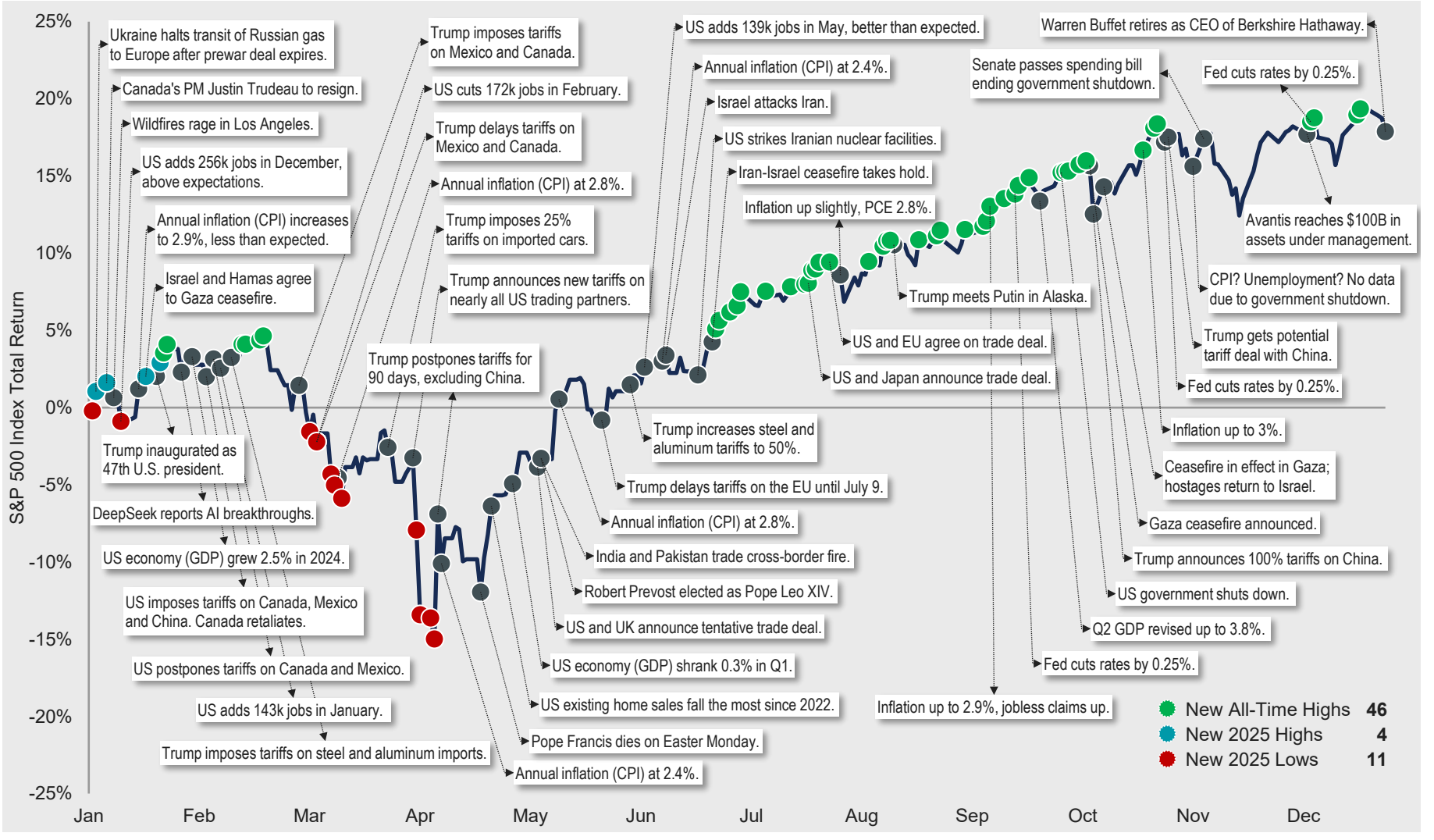
Figure 1 | S&P 500's 2025 Journey: Resilience Amid Headlines and Volatility



Data from 1/1/2025 - 12/31/2025. Source: FactSet, Avantis Investors. **Past performance is no guarantee of future results.**

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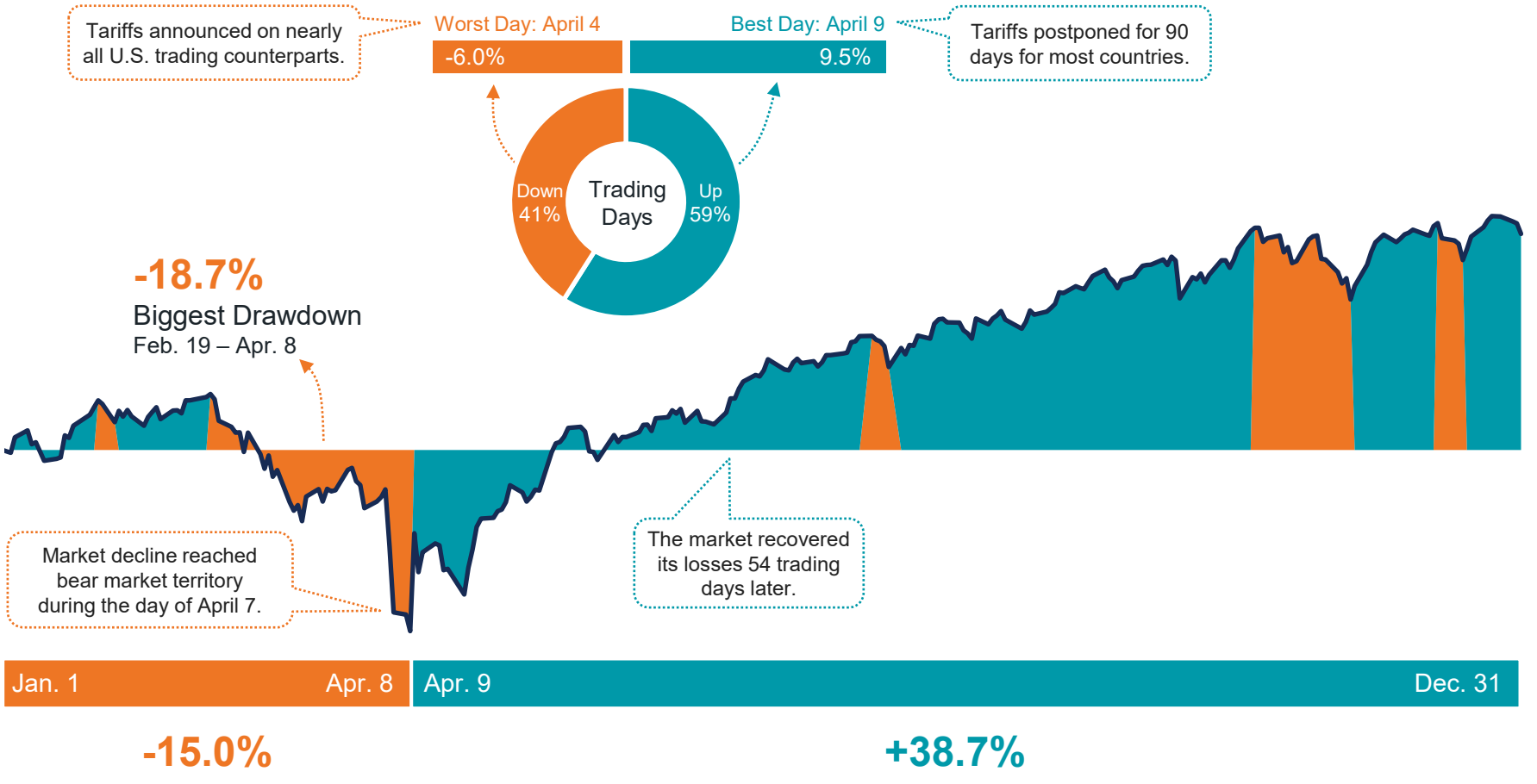
All told, the index rose about 39% from April 9 through the end of the year. Investors who stayed the course through those trying times were likely rewarded. **Figure 2** illustrates the ups and downs that investors faced in the U.S. market during 2025.

Figure 2 | S&P 500 Index by the Numbers in 2025



Data from 1/1/2025 - 12/31/2025. Source: Bloomberg, Avantis Investors. **Past performance is no guarantee of future results.**

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But no recap of stocks in 2025 would be complete without discussing the meaningful outperformance of non-U.S. markets.

Not only did non-U.S. stocks best their U.S. peers for the first time since 2022, but the MSCI ACWI ex USA Index, which includes both non-U.S. developed and emerging markets, beat the S&P 500 Index by about 14.5% in 2025, as shown in **Figure 3**. That's by far the highest margin of outperformance for non-U.S. stocks in the past 15 years. The next closest was a little more than 5% in 2017.

Furthermore, relative outperformance wasn't driven exclusively by developed or emerging markets or sub-asset classes within these regions. Many segments of non-U.S. stocks outperformed the S&P 500 by posting significantly higher returns during the year.

Figure 3 | Non-U.S. Stocks Stole the Show in 2025

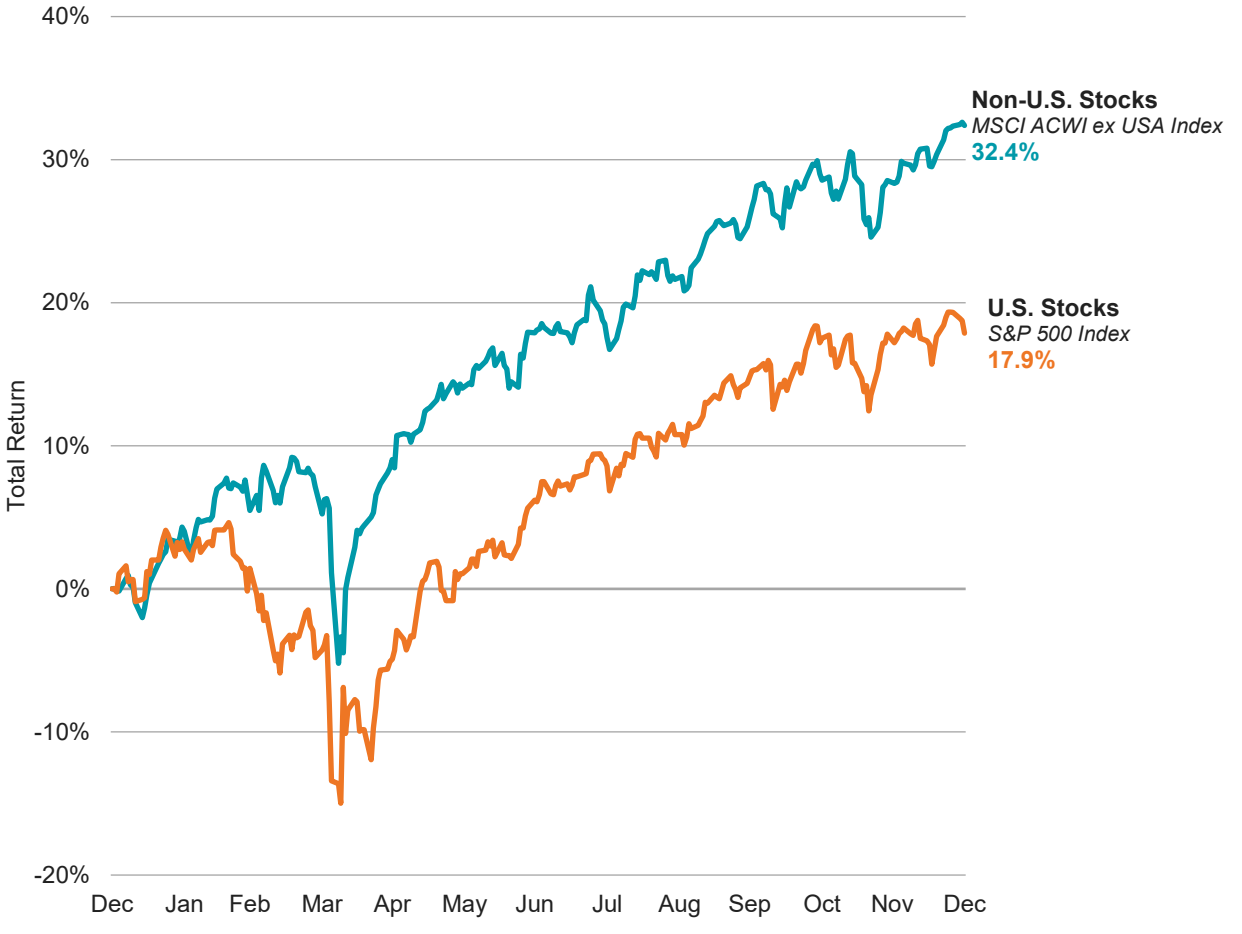

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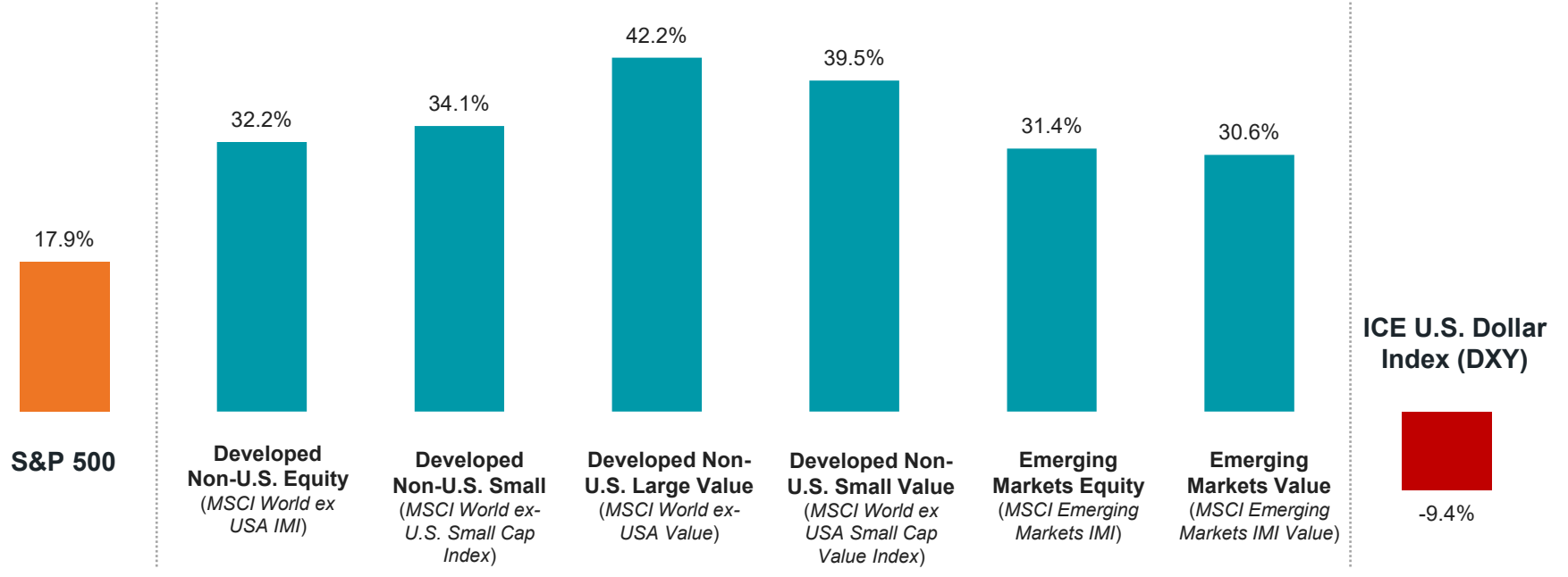
Figure 4 presents a selection of non-U.S. market indexes and their returns in 2025, compared to the U.S. market. A popular U.S. dollar index is also included, showing that the U.S. dollar (USD) declined during the year relative to major non-U.S. currencies.

A declining dollar aids the returns of non-U.S. market exposure held in USD, but the data indicates that it didn't explain all outperformance from non-U.S. markets during the year. In fact, the USD's decline was concentrated in the first half of the year, with a modest rise in the second half.

The results are a welcome reminder of the potential value of globally diversified portfolios. And investors who focused on companies in non-U.S. markets with higher profits and lower relative prices generally fared even better. For example, within developed non-U.S. small-cap stocks, one definition of value — companies with both low prices relative to their equity and higher profitability — rose nearly 50% in 2025!

Figure 4 | Many Non-U.S. Market Asset Classes Outperformed U.S. Stocks in 2025

Total Return of Various Asset Classes in 2025



Data from 1/1/2025 - 12/31/2025. Source: Bloomberg, Avantis Investors. **Past performance is no guarantee of future results.**

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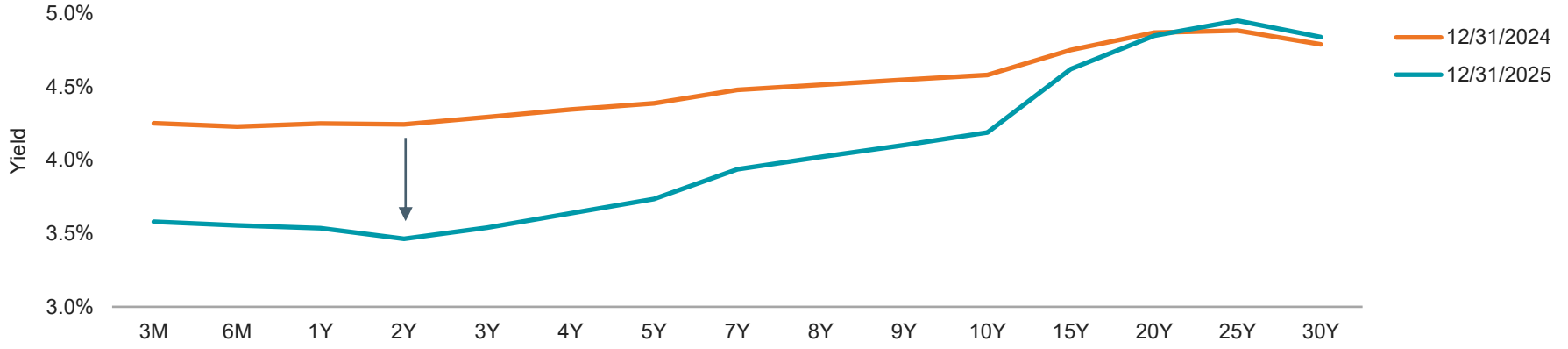
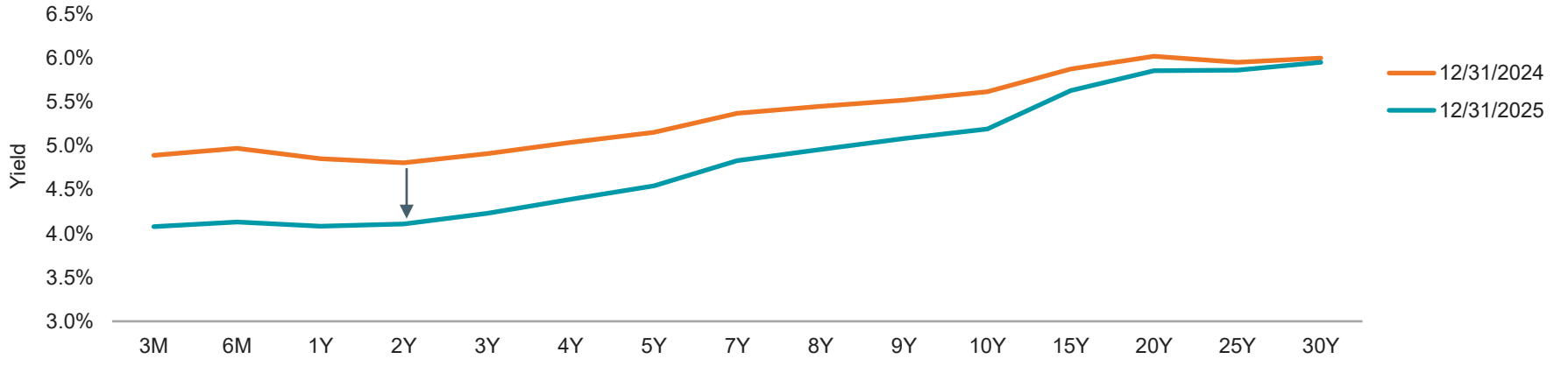
The good news in 2025 wasn't limited to equity investors. The bond markets broadly delivered strong returns of their own. In a year when the Federal Reserve voted for three quarter-point cuts to the federal funds rate, U.S. yield curves notably steepened during the year, as shown in **Figure 5**.

Figure 5 | Yield Curves Steepened in 2025

Panel A | U.S. Treasury Yield Curve at the Start and End of 2025



Panel B | U.S. BBB-Rated Corporate Curve at the Start and End of 2025



Data for both charts from 12/31/2024 - 12/31/2025. Source: Bloomberg. **Past performance is no guarantee of future results.**