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As corporate earnings remained resilient and the U.S. Federal Reserve (the Fed) implemented two additional interest rate cuts, the S&P 500® Index marched to new all-time highs and advanced 2.66% during the fourth quarter. The S&P 500® Index had a strong start to the quarter, climbing 3.09% from the end of September to October 29, before dropping 5.01% from October 29 to November 20 as an extended U.S. government shutdown and uncertainty surrounding Fed policy weighed on investors.

Market Summary | 2025
Source: Bloomberg, L.P.

Data released in December filled the gap left by sparse economic reporting during the prolonged government shutdown and reflected a strengthening macroeconomic backdrop, steady inflation, and a shifting labor market. The current estimate of Gross Domestic Product for the third quarter of 2025 increased to 4.3% from the prior estimate of 3.8% - and was 100 basis points better than consensus expectations. The year-over-year November Consumer Price Index, released December 18, was below the consensus estimate while the quarter-over-quarter Personal Consumption Expenditures (PCE) Price Index matched the estimate. With nearly all S&P 500® Index companies reporting, corporate earnings were on track to be positive for the third quarter of 2025. Aggregate operating earnings increased 5.3% quarter-over-quarter and 12.7% year-over-year. Almost 86% of reporting companies either met or exceeded analyst estimates.

U.S. Macroeconomic Data | December Releases

	Period	Current	Estimate	Prior
U.S. Gross Domestic Product Growth	Q3 2025	4.3%	3.3%	3.8%
Unemployment Rate	November	4.6%	4.5%	*
Labor Participation Rate	November	62.5%	62.4%	*
Average Hourly Earnings (YoY)	November	3.8%	3.7%	3.7%
Consumer Price Index (YoY)	November	2.7%	3.1%	*
Core PCE Price Index (QoQ)	Q3 2025	2.9%	2.9%	2.6%

Past performance does not guarantee future results. Data Source: Bloomberg, L.P. *Prior data unavailable due to U.S. government shutdown.

The quarterly spread between S&P 500® Index implied and realized volatility, or the Volatility Risk Premium, was 5.14% - well above the since-1990 average of 3.57%. Implied volatility, as measured by the VIX®, averaged 17.75 in the fourth quarter. Consistent with its typical relationship, average implied volatility exceeded realized volatility, as measured by the standard deviation of daily returns for the S&P 500® Index, which was 12.61% for the quarter. The VIX® ended the third quarter at 16.28 before reaching an intra-quarter high of 26.42 on November 20. As the U.S. government reopened and the market advanced, the VIX® retreated to an intra-quarter low of 13.47 on December 24 before ending the quarter at 14.95.

The Cboe® S&P 500 BuyWrite℠ Index[1] (the BXM℠) returned 6.53% in the fourth quarter and 8.91% during the full year. The premiums the BXM℠ collected as a percentage of its underlying value provided loss mitigation and are an important component of performance. The premiums the BXM℠ collected as a percentage of the BXM℠'s underlying value were 2.60%, 2.92%, and 1.59% in October, November, and December,

The BXM℠ represents a covered call option writing approach and is passive and rules-based, not active. This results in returns that are heavily influenced by the equity market's path and the premiums collected on its written index call options.

respectively. The rules-based timing of the BXM℠'s option writing and the level of premiums collected as a percentage of its underlying value contributed significantly to the BXM℠'s participation in periods of advance and its level of loss mitigation during periods of market decline.

The Bloomberg® U.S. Aggregate Bond Index returned 1.10% in the fourth quarter, bringing its full year return to 7.30%. The yield on the 10-year U.S. Treasury Note (the 10-year) ended September at 4.15% and hit an intra-quarter low of 3.95% on October 22 before climbing to an intra-quarter high of 4.19% on December 9. The 10-year ended the quarter at 4.17%.

Past performance does not guarantee future results. Data Source: Morningstar Direct℠ and Bloomberg® Index Services Limited. Please see Important Information section for the full disclosure.

Important Information

Past performance does not guarantee future results. Sources: Morningstar Direct℠ and Bloomberg, L.P. For more information and access to additional insights from Gateway Investment Advisers, LLC, please visit www.gia.com.

1: The BXM℠ is a passive total return index designed to track the performance of a hypothetical buy-write strategy on the S&P 500® Index. The construction methodology of the index includes buying an equity portfolio replicating the holdings of the S&P 500® Index and selling a single one-month S&P 500® Index call option with a strike price approximately at-the-money each month on the third Friday of the standard index-option expiration cycle and holding that position until the next expiration.

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