

MARKET HIGHLIGHTS

- **Mixed economic news pushed equity markets higher ahead of the Federal Open Market Committee (FOMC) meeting**, where many are nearly certain a cut will happen. The focus will be on the FOMC statement and Federal Reserve (Fed) Chair Jerome Powell's press conference, with investors looking for signs of continued easing or a near-term pause to assess progress toward the 2% inflation target.
- **Strong signals from the White House suggest ultra-dove Kevin Hassett will be named the next Fed Chair.** Odds of a 25-basis-point rate cut at this week's meeting are above 90%.
- The holiday season started well, with **Mastercard SpendingPulse data showing a 4.1% rise in Black Friday spending** (more than the 3.4% increase last year). Online sales rose 10.4% with in-store sales up 1.7%.
- **Internationally, Japanese Government Bonds saw a notable sell-off**, with the 10-year yield rising 16 basis points to 1.95%. Bank of Japan Governor Kazuo Ueda signaled another rate hike may be imminent, as global bond vigilantes react to high deficits and fiscal discipline concerns.

MARKET PERFORMANCE

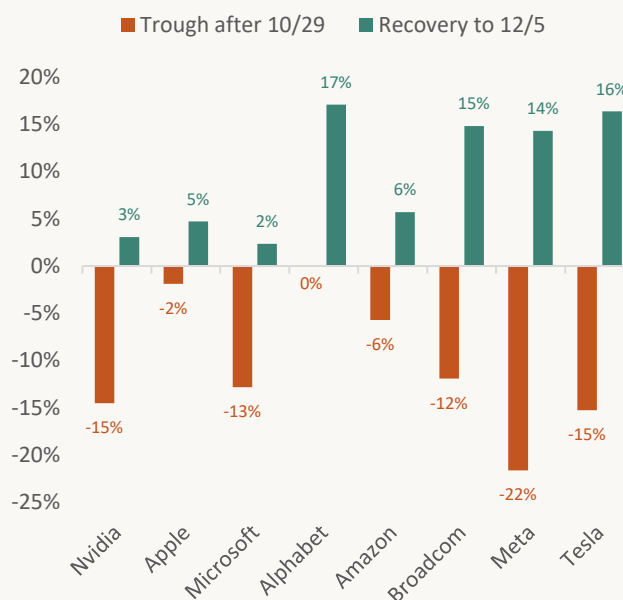
ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	-0.48%	6.94%
Municipal Bonds 1-10Y	0.03%	4.88%
U.S. High Yield	0.16%	7.98%
S&P 500	0.35%	18.22%
Russell 2500 (SMID cap)	0.75%	12.65%
MSCI EAFE (International)	0.77%	28.38%
MSCI Emerging Markets	1.42%	31.53%
MSCI ACWI (Global)	0.59%	21.78%
Crude Oil (NYMEX WTI)	1.01%	-17.08%
Gold LBMA PM	0.10%	62.62%
60/40 ACWI/Agg Portfolio	0.16%	15.85%

WHAT CAUGHT OUR EYES THIS WEEK

Who Will the AI Winners Be?

The artificial intelligence trade has grown less monolithic in recent weeks. After Nvidia peaked on October 29, other large tech stocks fell by anywhere from 22% (Meta) to nothing at all (Alphabet). Most have since bounced back, but to varying degrees, with Microsoft and Nvidia still struggling to recover. We view this as a natural evolution of behavior for investors in the AI innovation cycle. Attention is turning away from broad enthusiasm toward a selective approach that tries to separate winners and losers. Those bets will change over time, but the market's sensitivity to the risks of capital-intensive investments, debt funding, customer concentration, and stock valuations all reassure us that we aren't in the late innings of an AI bubble. This market isn't like the 1990s, where you could just add ".com" to your name and ride your stock price higher. Investors fell for that before—this time around, they'll want to see results.

Stock Price Troughs and Recoveries Since October 29



Please see important disclosures and other key information on page 4.

OUR CURRENT OUTLOOK

- **The U.S. economy is resilient**, but softer labor markets are translating into slower (albeit still positive) trends for consumer spending.
- **Our current expectations of a recession in the next 12 months are moderately low.**
- The One Big Beautiful Bill Act can **offset some of the negative impacts of tariffs on consumers and businesses**, with benefits accelerating in 2026.
- **The Federal Reserve is still looking to cut interest rates.** We expect three rate cuts in total for 2025.
- **We expect S&P 500 profits to grow at mid-single-digits in 2025** and re-accelerate to low double digits by 2026.
- **AI capital spending, driven by the hyperscalers, should continue to boost the U.S. economy**, fueling productivity gains and infrastructure growth.
- **Potential risks to our outlook include** disappointments in return on investment for AI spending, growing signs of speculative excess in certain pockets of equity markets, continued geopolitical uncertainty, and further deterioration in foreign sentiment for U.S. Dollar assets

IN CASE YOU MISSED IT

INSIGHTS

[December 2025 Economic and Market Outlook](#)

[Is the Stock Market Overvalued? What Investors Can Do](#)

[Should Investors Fear an AI Bubble?](#)

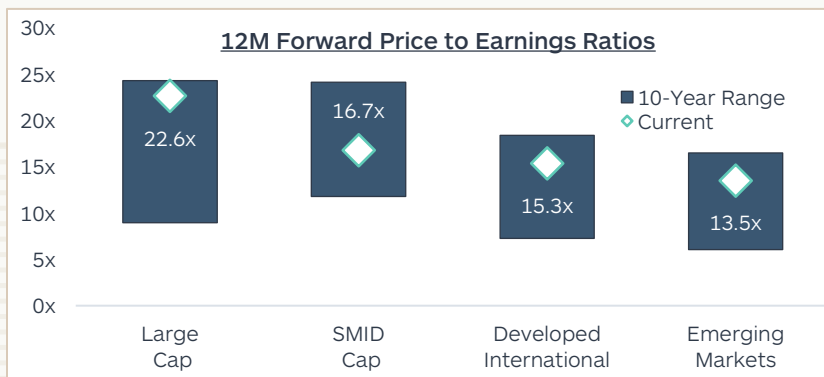
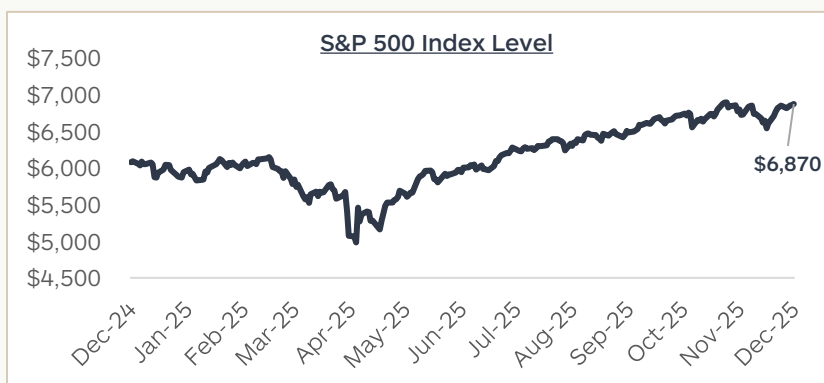
ARCHIVE

[Historical Economic and Market Outlooks Insights](#)

WEBINARS

[Recording: Q4 2025 Market & Economic Outlook](#)

EQUITIES

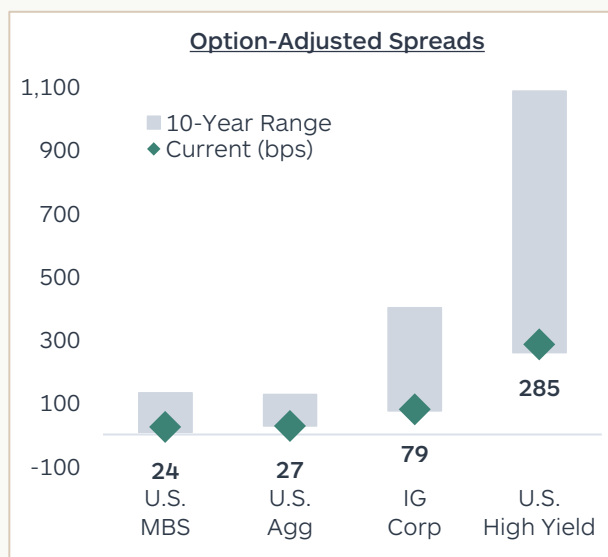


S&P 500 SECTOR	1-WEEK	YTD
Energy	1.4%	10.0%
Information Technology	1.4%	26.1%
Consumer Discretionary	0.9%	6.1%
Comm. Services	0.8%	36.0%
Financials	0.7%	12.4%
Industrials	0.6%	18.6%
Consumer Staples	-1.3%	4.3%
Materials	-1.4%	6.6%
Real Estate	-1.5%	3.9%
Health Care	-2.7%	13.0%
Utilities	-4.5%	16.8%

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FIXED INCOME

KEY INTEREST RATES	12/5/25	Δ YTD
Municipal Bonds 1-10Y	2.99%	-0.37%
3M T-Bill	3.70%	-0.62%
Effective Federal Funds Rate	3.89%	-0.44%
10Y Treasury Yield	4.14%	-0.43%
U.S. Aggregate	4.35%	-0.55%
30Y Mortgage Rate	6.33%	-0.95%
Prime Rate	7.00%	-0.50%
U.S. High Yield	7.10%	-0.55%



COMMODITIES, CURRENCIES, CRYPTO

Asset Class	12/5/2025
Crude Oil	\$60.07
Gold	\$4,243.00
U.S. Dollar Index	\$98.99
Bitcoin	\$89,600.00

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THE WEEK AHEAD



Please see important disclosures and other key information on page 4.

ABBREVIATIONS: Agg: Aggregate. EM: Emerging Markets. SOFR: Secured Overnight Financing Rate. MBS: Mortgage-backed securities. IG: Investment Grade.

CHART OF THE WEEK: Cerity Partners, Bloomberg as of 12/5/2025

MARKET PERFORMANCE: All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 12/5/25. Underlying indices are in descending order: Bloomberg US Aggregate provided by Bloomberg Capital; Bloomberg Municipal Bond 10 Yr provided by Bloomberg Capital; ICE BofA US High Yield Index provided by Bloomberg Capital; S&P 500; provided by: Standard & Poor's. Index; Russell 2500; provided by: Russell Investments; MSCI Europe, Australasia, and the Far East (EAFE) provided by MSCI net official pricing; MSCI EM provided by MSCI net official pricing; MSCI All Country World Index (ACWI) provided by MSCI net official pricing; Crude Oil (WTI) provided by CME; LBMA Gold Price PM provided by FactSet. The 60/40 ACWI/Agg Portfolio (60% ACWI / 40% AGG) is not a recommendation and is provided for reference purposes only.

EQUITIES: Top Left-hand Chart. S&P 500 Index Level as of 12/5/25 and provided by Standard & Poor's. Bottom Left-hand Chart. Forward Price to Earnings Ratios refers to the price-to-earnings ratio for the forward 12 months, which is a valuation measure applied to respective broad equity indices as of 12/5/25. Large Cap data is proxied with the S&P 500 and provided by FactSet. SMID data is proxied by the Russell 2500 and provided by FactSet. Developed International data is proxied with the MSCI EAFE and provided by FactSet. Emerging Markets data is proxied by the MSCI EM and provided by FactSet. S&P 500 Sector performance table. Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends. 1-Week and Year-to-Date (YTD) returns are as of 12/5/25.

FIXED INCOME: Top Table. Effective Federal Funds Rate provided by FactSet. Composite Municipal Bond Yield provided by FactSet. Bloomberg US Aggregate provided by FactSet. 3-Month Treasury Bill rate provided by FactSet. 10-Year Treasury Yield provided by FactSet. 30-Year Mortgage Rate provided by FactSet. ICE BofA US High Yield Index provided by FactSet. Prime Rate provided by FactSet. Bottom Table. Option Adjusted Spreads as of 12/5/25. Bloomberg US Aggregate Securitized – MBS, Bloomberg US Aggregate, ICE BofA US Corporate, ICE BofA US High Yield data provided by Bloomberg Capital.

COMMODITIES, CURRENCIES, CRYPTO: WTI NYMEX Crude Oil provided by FactSet. Gold is proxied with the LBMA Gold PM and provided by FactSet. Bitcoin is proxied by the Bitcoin (CME) Continuous index and provided by FactSet. U.S Dollar prices are proxied with the U.S. Dollar Index and provided by FactSet.

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