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MARKET VIEW WEEKLY

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ECONOMIC REVIEW¹

- The Q3 Gross Domestic Product report (GDP) was delayed, but showed economic growth was strong in the third quarter.
 - Real GDP increased at a 4.3% annual rate in Q3, outpacing the consensus expected +3.3%.
 - The largest positive contributions to real GDP growth came from personal consumption and net exports.
 - Government purchases and business investment in intellectual property and equipment were also positive.
 - Inventories, home building, and commercial construction all weighed slightly on growth for the quarter.
- Core Real GDP, which includes consumer spending, business fixed investment, and home building, but excludes more volatile categories like government purchases, inventories, and international trade, grew at a 3.0% annual rate in Q3.
 - Core Real GDP was up 2.6% versus the third quarter last year.
- One weaker aspect of the report showed that real GDP is up 2.3% from a year ago, which is slightly below the 2.4% growth rate since the pre-COVID peak.
 - This still amounts to solid economic growth and was achieved in spite of a continued decline in inventories – a decline that may have come to an end in Q4, indicating economic growth should continue moving forward.
 - Positively, business investment in equipment rose for the third straight quarter, which may improve productivity growth in the year ahead.
- GDP Prices rose at a 3.8% annualized rate in Q3 and are up 3.0% from a year ago.

How does the most recent economic data impact you?

- Although the delayed GDP report may be a bit stale at this stage, it showed solid economic growth largely driven by strong consumer spending, ahead of a projected record year for holiday-season spending.
 - On the margin, Core Real GDP up 2.6% from a year ago slightly trails the 2.8% growth rate for the metric since the pre-COVID peak (at the end of 2019), which may have tempered market enthusiasm for the reading.
- Corporate profits remain near record highs, rising 4.2% in Q3 and up 9.1% from a year ago.
 - However, even with record high profits, the current range for long-term interest rates suggests the S&P 500 is still meaningfully overvalued.
- High nominal GDP – real GDP growth plus inflation – registering at an 8.2% annual rate in Q3 and up 5.4% from a year ago, with inflation above the Federal Reserve's (Fed's) target, may force the central bank to pause rate cuts unless and until there is more evidence that inflation is trending back to 2%.



A LOOK FORWARD¹

- With the New Year upon us in another holiday-shortened week, Pending Home Sales, S&P Case-Shiller Home Price Index, and minutes of the Fed's December meeting will highlight the economic data releases.

How does this week's slate of economic data impact you?

- Year-end readings in a seasonally slow period for home building likely won't move markets dramatically, but investors will closely parse the latest Fed minutes for any indication of where rates are heading in 2026.



MARKET UPDATE²

Market Index Returns as of 12/26/2025	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	1.41%	3.91%	19.32%	17.55%	23.62%	15.04%
NASDAQ	1.23%	4.27%	22.96%	20.41%	32.56%	13.84%
Dow Jones Industrial Average	1.20%	5.43%	16.47%	15.26%	15.76%	12.18%
Russell Mid-Cap	0.79%	1.76%	12.37%	11.27%	14.99%	9.02%
Russell 2000 (Small Cap)	0.21%	4.30%	15.13%	14.46%	14.79%	6.22%
MSCI EAFE (International)	1.20%	4.91%	31.28%	30.52%	17.12%	9.24%
MSCI Emerging Markets	2.14%	4.18%	32.87%	31.96%	16.12%	4.70%
Bloomberg US Agg Bond	0.21%	1.11%	7.31%	7.65%	4.65%	-0.32%
Bloomberg High Yield Corp.	0.16%	1.10%	8.40%	8.50%	9.71%	4.57%
Bloomberg Global Agg	0.55%	0.32%	8.26%	8.35%	3.99%	-2.03%



OBSERVATIONS

- Major U.S. large-cap indices ended the week of Christmas with solid gains, showing the S&P 500 (+1.41%), the NASDAQ (+1.23%), and the Dow (+1.20%) all up more than one percent.
- Mid-cap (+0.79%) and small-cap (+0.21%) equities were both positive, but trailed the major averages, reflecting further caution toward economically sensitive areas.
- Developed international markets (+1.20%) kept pace with domestic large-cap averages, while emerging markets rebounded strongly from a minor pull-back last week, rising 2.14%.
- Fixed income indices were positive domestically (+0.21%), internationally (+0.55%), and across the credit spectrum (+0.16%).



BY THE NUMBERS

- **Oil Prices Supported by Geopolitical Tensions:** Oil rises as geopolitical tensions continue. Brent crude is up 1% to \$60.89 a barrel, while WTI rises 1.15% to \$57.39 a barrel. U.S. talks with Ukraine on ending the war with Russia haven't delivered an agreement. President Trump offered few specifics on Sunday as to how a deal could be reached after a phone call with Russia's Putin and a meeting with Ukraine's Zelensky. Meanwhile, oil is being supported by heightening tensions between the U.S. and Venezuela.³
- **The NFL's \$212 Million Benchwarmer:** Mike McDaniel had a clear directive when he was hired in 2022 as the head coach of the Miami Dolphins. It was up to the young offensive whiz in cropped pants and designer glasses to unlock the potential of Dolphins quarterback Tua Tagovailoa, a former first-round pick whose first couple of seasons in the NFL had been an undeniable flop. For a while, it all went according to plan. McDaniel and Tagovailoa formed the engine of the most explosive offense in the NFL, and the team rewarded Tagovailoa with a \$212 million contract that would keep him in Miami for years to come. But on Sunday, a one-sided loss to the Cincinnati Bengals served as the strongest evidence to date that those plans have completely blown up. In that game, Tagovailoa was relegated to wearing a headset and holding a dry erase board as the most expensive backup in NFL history. It leaves the Dolphins to reckon with the fallout from the costliest mistake in modern football: spending a fortune on a quarterback only to realize that he isn't actually the answer.⁴

Economic Definitions

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

Pending Home Sales: This concept tracks signed real estate contracts for existing single-family homes, condos and co-ops that have not yet closed. As such it is a leading indicator for existing home sales.

S&P Case-Shiller US Home Price Index: The S&P/ CoreLogic Case-Shiller Home Price Indexes -also known simply as the Case-Shiller Home Price Indexes – refers to a group of indexes that measures or tracks the average changes in the prices of single-family-detached residences (houses) throughout the United States by observing the purchase price and resale value of those houses that have undergone at least two arm's length sale transactions.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg US Agg Bond: The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg High Yield Corp: The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Bloomberg's EM country definition, are excluded.

Bloomberg Global Agg: The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Municipal Bond Index: The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

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¹ Data obtained from Bloomberg as of 12/26/2025.

² Data obtained from Morningstar as of 12/26/2025.

³ [Oil picks up on lack of Russia-Ukraine peace breakthrough](#)

⁴ [The NFL's \\$212 million benchwarmer](#)