Economic & Market Commentary
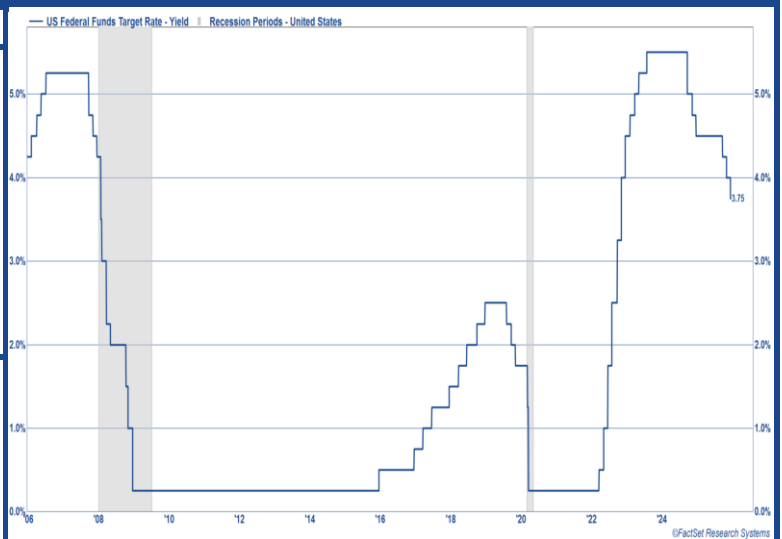
Stocks finished mixed last week as the unwinding of the AI trade pressured the NASDAQ and tech stocks in favor of cyclical stocks. The rotation was tagged to several factors including less hawkish (higher rates) FOMC takeaways, looming 2026 fiscal boost with the One Big Beautiful Bill, and depreciation expense tailwinds, as well as some weak company-specific updates around the AI trade. As expected, the December FOMC meeting ended with a 0.25% cut bringing the fed funds rate to 3.50-3.75%, with the policy statement containing some hawkish tweaks. Also as expected, the decision featured three dissents, with Governor Miran preferring a 0.50% cut, while Chicago's Goolsbee and Kansas City's Schmid voting for a hold. The updated SEP (economic projections) showed four additional soft dissents. The median forecast was for one 0.25% cut in 2026, though economist takeaways were somewhat mixed on the rate cut path next year given uncertainty around the labor market, inflation, and resilient economic growth. For 2026, GDP was revised upward to 2.3% from 1.8% while inflation was revised lower to 2.4% from 2.6%. The unemployment rate was left unchanged at 4.4%. Chair Powell's press conference comments were less hawkish than feared, not closing the door on a January cut and noting federal jobs data may be overstating job creation by up to 60,00 a month. As of this morning, fed fund futures show a 26.6% chance of a rate cut in January. The Fed is in a paradox as both mandates are at risk as inflation risk is tilted to the upside and risks to employment to the downside. Chair Powell recognizes there is no risk-free path for policy but feels policy is balanced at the high end of the neutral rate and not favoring one mandate over the other. The Fed is on hold until there is a clearer economic picture which starts this week with the release of November payrolls, retail sales, and CPI and PCE inflation reports followed by the first estimate of 3Q25 GDP next week.

Index Total Returns - December 12, 2025

	1-Wk	YTD	1-Yr
MSCI-Emerging	0.43	32.09	27.74
MSCI-Developed	0.85	29.47	25.30
NASDAQ	-1.61	20.87	17.31
S&P 500	-0.61	17.51	14.29
Russell 2000	1.21	15.85	9.55
Dow Jones	1.10	15.84	12.25
S&P 400	0.95	8.87	3.26
Barclay's U.S. Bond Index			
High Yield	-0.13	8.00	7.13
Aggregate	-0.20	6.73	5.57
Int. Gov. Credit	-0.02	6.55	6.03
5-year Muni	0.05	4.83	4.16
Municipal	-0.04	3.99	2.88

Fed Funds Target Rate

U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	3.53	3.60	4.21
U.S. 2-Yr	3.53	3.56	4.19
U.S. 3-Yr	3.58	3.59	4.16
U.S. 5-Yr	3.75	3.72	4.18
U.S. 10-Yr	4.19	4.14	4.32
U.S. 30-Yr	4.85	4.79	4.55

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.45	3.43	3.38
U.S. AA	3.48	3.47	3.38
U.S. A	3.86	3.85	3.77
U.S. Baa	4.48	4.47	4.27
U.S. Municipal	3.61	3.60	3.52
Michigan	3.74	3.73	3.69

S&P 500 Sector Total Returns - December 12, 2025

Sector	1-Wk	YTD	1-Yr
Comm. Services	-3.16	31.66	36.38
Info Tech	-2.30	23.18	24.61
Industrials	1.38	20.28	10.72
Utilities	-1.05	15.59	6.41
Financials	2.32	14.99	8.74
Health Care	0.47	13.55	6.50
Energy	-0.56	9.41	-0.96
Materials	2.44	9.25	-2.46
Con. Discretion	0.33	6.50	9.04
Consumer Staples	1.15	5.45	0.21
Real Estate	-0.76	3.10	-5.76

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	22.38	19.08	1.10
S&P 400 - Mid Cap	16.34	16.30	1.31
S&P 600 - Small Cap	15.57	15.93	1.53