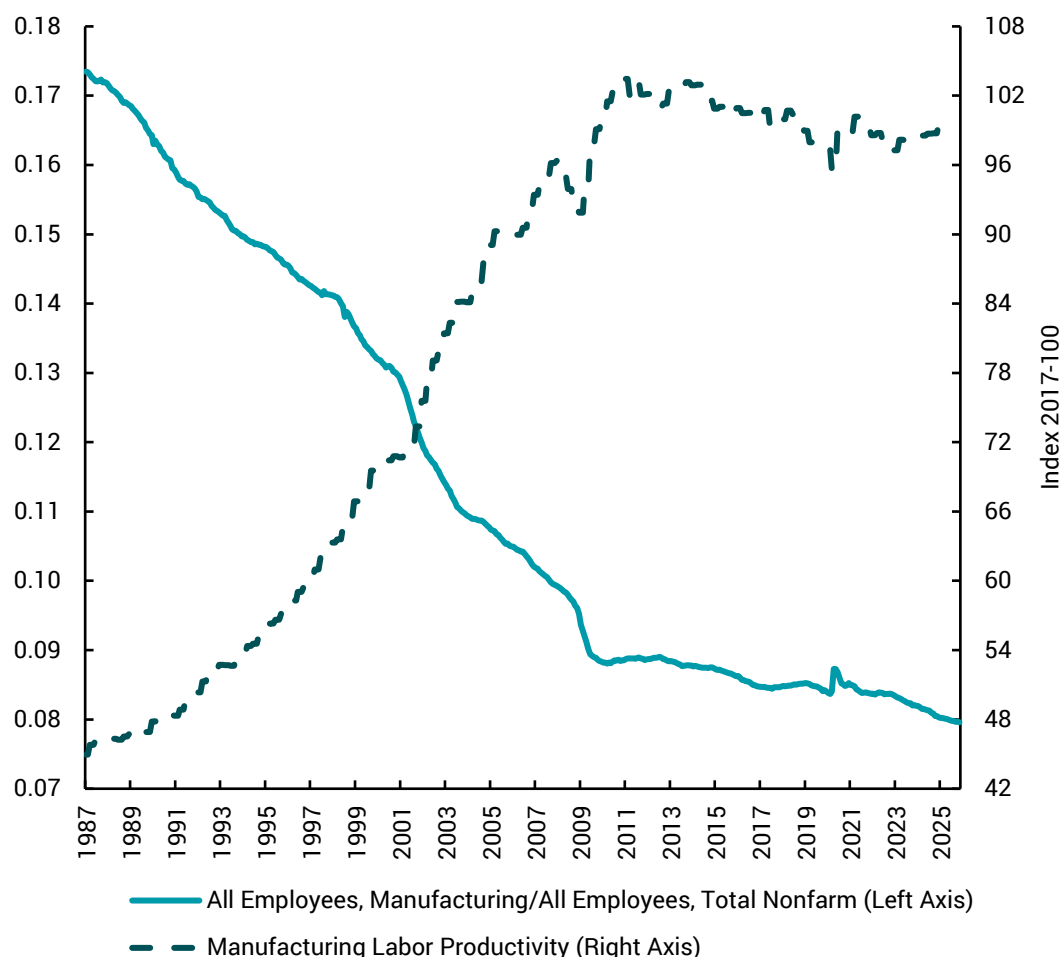


Weekly market update

Chart of the week (Dec. 19, 2025)



Manufacturing Employment and Productivity



Much has been made of the impact of globalization on the number of manufacturing jobs in the U.S. To be sure, the move to seek lower-cost labor overseas, a trend turbocharged by China's entry into the World Trade Organization in 2002, played a major part in the shuttering of manufacturing facilities across several industries. A key part of the current administration's shifts in trade policy is an effort to bring manufacturing, and its jobs, back to the U.S.

We currently have a "carrot and stick" approach to the issue. The stick is the tariffs being levied on imports, while the carrot is changes to tax policy that incentivize companies to make capital investments in U.S. based manufacturing. The hard part is that there is a timing differential between the impact of the stick and the benefit of the carrot. While the Consumer Price Index (CPI) for October and November provided signs that the price increases from tariffs have been less than feared, the reality is that inflation might fall even faster without them. Ongoing affordability issues from aggregate inflation since the start of the pandemic remain. At the same time, even with announcements of billions of dollars in investment, it will take months, and even years, before new plants and equipment are constructed and ready to hire new workers.

Beyond the impact on jobs within the U.S. manufacturing sector, another massive trend has been underway: increased productivity—and it may accelerate further as artificial intelligence (AI) becomes a bigger part of the U.S. economy. Despite some flattening of gains over recent years, our chart this week shows the material gains in productivity since the mid-eighties. Although there were significant job losses over that period, manufacturing output has remained relatively steady. This does not mean the shift in jobs globally has not had some negative aspects on the U.S. economy and its workers. Indeed, the gains in productivity could mean that manufacturing output would be significantly higher and gross domestic productivity (GDP) growth would be potentially better had this offshoring not happened. At the same time, globalization has been a factor in the decline in inflationary pressures and the long period of low and steady inflation since the mid-nineties.

This mixed message could continue as we make policy changes to bring more manufacturing back to the U.S. Job growth might be better, a positive, but overall costs for producers might be a bit higher, meaning inflation rates could settle at somewhat higher levels. This could lead to the Federal Reserve keeping rates a bit higher than we have become accustomed to, and consumer rates, such as mortgages, staying higher as well. Covid revealed the risks of offshoring much of our production capacity. Tariffs are acting as an accelerant to the trend already in place since the pandemic. Our sense is we will reach a point where we understand we do not want every manufacturing job back in the U.S., but there are clearly some areas where better control of production and distribution—in a word, resilience—is a benefit worth paying for.

Weekly market update



Commentary (Dec. 19, 2025)

Domestic Equities

- U.S. stocks declined in the beginning of the week on continued AI concerns, then rallied on Thursday and Friday with better-than-expected inflation data fueling hopes that the Fed has room to cut interest rates. The Nasdaq composite turned positive for the week while other parts of the market were flat to slightly negative.
- The tech sector recovered from volatility early in the week thanks to a positive earnings report from Micron Technology and Oracle announcing a joint venture with TikTok's U.S. operations.
- Nike shares fell after reporting weak sales in China and a decline in gross margin due to increasing tariff costs. FedEx also declined after reporting increased costs due to the UPS cargo plane crash which led to the grounding of all MD-11 planes during the busy holiday season.

Bonds

- U.S. Treasury yields shifted lower across the curve, driven by a rise in the official unemployment rate and softer inflation data for November. Traders also boosted bets that the Fed will continue to cut rates in 2026.
- The European Union (EU) agreed to loan Ukraine \$106 billion for the next two years to bolster the country's position in negotiations with Russia. The EU will fund the loan through joint debt issued through capital markets. This represents a departure from initial plans to use frozen Russian assets to support Ukraine.
- Across international markets, it was a busy week for central bank announcements, but most notably the Bank of Japan (BOJ) raised its main policy rate from 0.50% to 0.75%, its highest target in 30-years. Despite the hike, the Japanese yen weakened against the U.S. dollar. The Japanese 10-year yield also made a new high, exceeding 2% for the first time since the late 1990s.

International Equities

- Foreign stock markets turned in mixed performance for the week as investors digested a deluge of central bank decisions, looking for clues from key policymakers on their inflation and economic growth outlooks.
- The pockets of strength across key European markets were offset by weakness in Japan, resulting in sluggish performance from developed markets. The European Central Bank held its deposit facility rate at 2.0% with policymakers signaling that the cycle of interest-rate cuts is most likely finished based on the latest outlook for growth and inflation.
- Emerging market stocks struggled to maintain upward momentum this week amid weakness in the largest markets across Asia and Latin America. Mexico's central bank cut its policy rate by 0.25% to 7%, its 12th consecutive cut. However, policymakers remain concerned about the sluggish economy, exacerbated by uncertainty over U.S. tariffs and by core inflation hovering around 4%. Central banks in Hungary, Indonesia and Taiwan all elected to maintain policy rates at their current levels.

Economics

- On Wednesday, October Retail Sales were released and showed no change from September. Consumers remain cautious amid broad concerns about affordability.
- On Thursday, November's Consumer Price Index (CPI) rose 2.7% year-over-year, coming in below the consensus estimate of 3.1%. Core CPI increased 2.6%, also below expectations of 3.0%. Core inflation has remained sticky, with components such as shelter and auto insurance still elevated. The better-than-expected report increases the likelihood of interest rate cuts next year.
- Also on Thursday, jobless claims rose to 224,000 for the week, in line with estimates and an improvement from last week's reading of 237,000. Despite some seasonal volatility, recent data indicates stability in new layoffs.

Weekly Market Update

For Week Ending December 19, 2025

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	48,134.89	-0.6%	15.1%	15.6%
S&P 500 Index	6,834.50	0.1%	17.6%	18.0%
NASDAQ Composite	23,307.62	0.5%	21.5%	21.1%
S&P 400 Midcap Index	3,350.25	0.0%	8.9%	9.5%
S&P 600 Smallcap Index	1,495.86	-0.9%	8.0%	8.0%
MSCI EAFE	10,484.19	0.2%	29.7%	30.6%
MSCI Emerging Markets	746.55	-1.5%	30.1%	29.4%
Bloomberg US Agg	2,344.14	0.3%	7.1%	7.3%
Bloomberg Municipal 5 Yr	518.75	0.1%	4.9%	5.0%
Bloomberg US Corporate	3,534.89	0.3%	7.5%	7.6%
Bloomberg Glb Agg ex US Hdg	607.95	0.0%	2.5%	2.7%
Bloomberg High Yield	2,904.12	0.2%	8.2%	8.5%
MSCI US REIT Index	2,336.17	-0.6%	1.1%	3.6%
Bloomberg Commodity Index	273.69	-0.1%	14.7%	17.5%

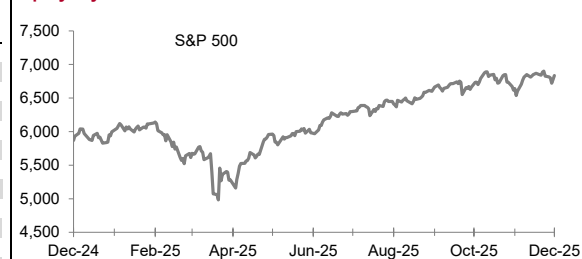
	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	3.75%	3.75%	4.50%	4.50%
3-Month Treasury	3.60%	3.61%	4.31%	4.33%
1-Year Treasury	3.50%	3.52%	4.14%	4.26%
2-Year Treasury	3.48%	3.52%	4.24%	4.32%
5-Year Treasury	3.69%	3.74%	4.38%	4.42%
7-Year Treasury	3.91%	3.94%	4.48%	4.50%
10-Year Treasury	4.15%	4.18%	4.57%	4.56%
30-Year Treasury	4.82%	4.84%	4.78%	4.74%

Consumer Rates				
30-Year Mortgage	6.30%	6.31%	7.28%	7.29%
Prime Rate	7.50%	7.50%	8.25%	8.25%
SOFR	3.66%	3.67%	4.49%	4.30%

Commodities				
Gold (spot)	4,338.88	4,299.63	2,624.50	2,594.01
Crude Oil WTI	56.66	57.44	71.72	69.91
Gasoline	2.87	2.92	3.06	3.05
Natural Gas	3.98	4.11	3.63	3.58
Copper	5.44	5.28	4.03	4.02

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	21.52	22.87	5.72	1.53
S&P 500	22.09	25.39	5.46	1.18
S&P 500 Value	18.39	20.25	3.50	1.89
S&P 500 Growth	26.61	32.29	10.20	0.58
NASDAQ	27.67	36.57	7.62	0.62
S&P Midcap 400	16.55	18.61	2.68	1.59
S&P Smallcap 600	15.74	17.21	1.96	2.35
MSCI EAFE	15.70	16.66	2.17	2.85
MSCI Emerging Markets	13.03	15.68	2.07	2.43

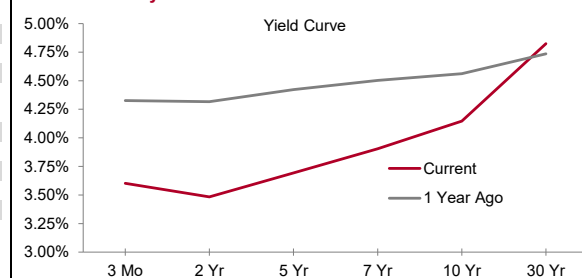
Equity Style



1 Month*				Year to Date*			
Value	Core	Growth		Value	Core	Growth	
Large	3.51	3.02	2.61	Large	13.20	17.64	21.74
	6.84	6.19	5.62		9.00	8.90	8.85
Mid				Mid			
Small	8.31	7.88	7.46	Small	8.24	7.95	7.67

*S&P Indices

Fixed Income Style



1 Month*				Year to Date*			
Short	Interm.	Long		Short	Interm.	Long	
Govt	0.45	0.38	-0.70	Govt	5.03	6.37	5.29
	0.52	0.63	0.24		5.70	7.70	7.00
Corp				Corp			
HY	0.77	1.19	-1.13	HY	7.42	8.17	11.99

1-3 Yrs 1-10 Yrs +10 Yrs

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	2.7%	2.7%
CPI Core Inflation	2.6%	3.3%
Personal Consumption Exp (PCE) Core	2.8%	2.8%

Jobs		
Unemployment Rate (U3)	4.6%	4.2%
Broader Unemployment Rate (U6)	8.7%	7.7%
JOLT Survey (in millions)	7.67	7.62
Jobless Claims (000's)	224	222
Change in Non-Farm Payroll (000's)	64	261
Average Hourly Earnings (Y/Y % Change)	3.5%	4.2%

Consumer & Spending		
Consumer Confidence (Conf Board)	88.7	112.8
Consumer Spending (\$ Bil)	21,152	20,148
Consumer Credit (\$ Bil)	5,084	5,067
Retail Sales (\$ Bil)	733	708

Housing		
Housing Starts (000's)	1,307	1,391
Case-Shiller Home Price Index	328.94	324.74

U.S. Productivity		
Real Gross Domestic Product (\$ Bil)	23,771	23,287
Quarter over Quarter Change	3.8%	3.6%
Year Over Year Change	2.1%	3.1%
ISM Manufacturing	48.20	48.40
Capacity Utilization	75.87	75.72
Markit US Composite PMI	53.00	55.40

U.S. General		
Leading Economic Indicators	98.3	101.7
Trade Weighted Dollar Index	120.5	127.2
EUR / USD	1.17	1.04
JPY / USD	157.75	157.44
CAD / USD	0.72	0.69
AUD / USD	0.66	0.62

S&P 500 Sector Returns

	1 Month	YTD
Communication Services	4.56%	31.80%
Information Technology	1.17%	23.78%
Industrials	3.68%	19.62%
Utilities	-3.68%	14.99%
Financials	6.36%	14.80%
Health Care	1.74%	14.25%
Materials	5.54%	9.94%
Consumer Discretionary	7.67%	7.58%
Energy	-1.61%	6.23%
Consumer Staples	2.56%	4.50%
Real Estate	-0.51%	2.05%

Source: Bloomberg

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