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Market Update
(all values as of 12.31.2025)

Stock Indices:

Dow Jones	48,063
S&P 500	6,845
Nasdaq	23,241

Bond Sector Yields:

2 Yr Treasury	3.47%
10 Yr Treasury	4.18%
10 Yr Municipal	2.73%
High Yield	6.48%

YTD Market Returns:

Dow Jones	13.07%
S&P 500	16.46%
Nasdaq	20.36%
MSCI-EAFE	27.89%
MSCI-Europe	31.95%
MSCI-Pacific	29.87%
MSCI-Emg Mkt	30.58%
US Agg Bond	7.30%
US Corp Bond	7.77%
US Gov't Bond	6.88%

Commodity Prices:

Gold	4,325
Silver	70.34
Oil (WTI)	57.42

Currencies:

Dollar / Euro	1.17
Dollar / Pound	1.34
Yen / Dollar	156.18
Canadian /Dollar	0.73

Macro Overview

The Federal Reserve announced a rate reduction of a quarter point on the Fed Funds Rate in late October, yet is casting doubt on further rate cuts this year. Concerns surrounding underlying inflation are focal to the Fed as well as a weakening jobs market with increasing layoffs across various industries.

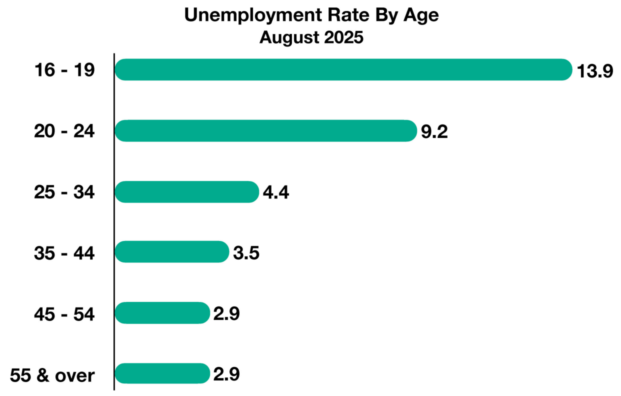
The U.S. government shutdown, a result of a congressional impasse, surpassed the prior longest shutdown of 34 days which occurred in 2019, making the current shutdown the longest on record. Air traffic control, national parks, and programs that provide benefits, such as food stamps and small business loans have been affected by the shutdown.

There are a growing number of companies reporting rising profitability with the implementation of AI and the reduction of employee count. Companies have been investing heavily in AI infrastructure from data centers to semi conductor chips and utilities. Concurrently, layoffs have been rising in certain sectors where AI is thought to be most effective.

A growing number of analysts and economists believe that the Fed's current easing of rates may be too little too late, as consumer loan payment delinquencies continue to rise. Commercial real estate loans are also under duress due to elevated variable rates brought about by the rapid Fed tightening in 2022 and 2023, and which haven't fallen since then.

Japan's new Prime Minister, Sanae Takaichi, is the nation's first female Prime Minister, with ample support for her ambitious fiscal and economic objectives. Japan currently ranks as the world's fourth largest economy, behind Germany, China and the United States. Japan's trade pacts with neighboring countries as well as the U.S. is critical to global trade due to its expansive manufacturing capabilities.

Unemployment is highest among those aged 16-24, more than double the overall rate for all workers. Younger applicants are increasingly having a difficult time finding jobs as more companies are initiating layoffs and reducing the number of new hires.



Inflation rose less than expected in the most recent data release, signaling that lessening inflation data may help entice the Fed to continue forward with its rate reduction trajectory. The Fed hinted at a possible pause in rate reduction in December should inflation data not warrant another rate cut. The inflation rate, as measured by the CPI rose 3% year over year increase as of September 2025, a steep drop from June 2022 when inflation was running at 9.1%.

Sources: Dept. of Labor, Federal Reserve, Bureau of Labor Statistics, Treasury Department

Earnings & Dwindling Inflation Propel Equities in October – Domestic Equity Update

The information technology sector continued to lead stocks in October, as it has since the beginning of the year. Utilities and communication services have also contributed to S&P 500 Index performance this year, as attention to artificial intelligence (AI) related companies have been a focus in 2025 thus far.

More analysts are expecting equity markets to become much more of a stock pickers market, rather than just buying an index. The enormous concentration of the "magnificent seven" stocks that have been the key driver behind the S&P 500 Index is indicative to analysts that particular stocks are and may continue to outperform the broader markets.

Thus far this year, sectors outperforming other sectors include biotech, telecom, semiconductors and aerospace, while transportation, homebuilders, and regional banks have lagged.

Sources: S&P, Dow Jones, Nasdaq, Bloomberg

Bond Market Hesitant About Economic Data – Fixed Income Overview

The Fed announced that it would cease selling its inventory of Treasury bonds in the markets, a process it used since 2022 when it initiated increasing rates. The reduction in the supply of Treasuries hitting the market is expected to help reduce bond yields, as less supply increases prices. The Fed has been passively reducing its $6.6 trillion asset portfolio since mid-2022, when those holdings peaked at nearly $9 trillion as part of an extraordinary effort to support financial markets and the economy.

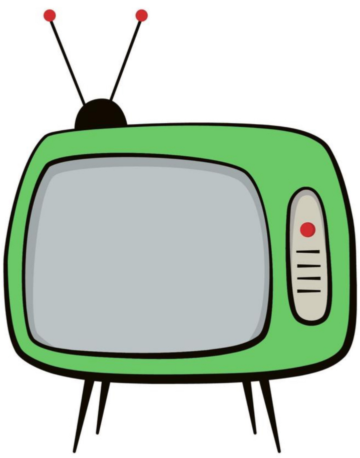
Inflation and job data reliability has become a challenge for the Federal Reserve's rate objectives, encouraging the Fed to rely on private sector data as well as their own compilations, such as the Beige Book.

Sources: Treasury Dept., Federal Reserve

Why A TV Only Costs $6 Today – Technological Advancement

The average cost of a standard TV in the US, adjusted for inflation, has significantly decreased over the past 50 years. A television that cost $1,000 in 1950 would cost approximately $6.19 in 2025 for an equivalent product.

Technology is what has driven the cost of televisions dramatically lower over the past few decades, as resistors, semiconductors, and screens became lighter, better, and less expensive to manufacture.TVs are one of the few products that have seen dramatic deflation in price relative to overall inflation trends.



In 1980, a typical 19″ color television cost about $400 adjusted for inflation, while today that same amount can buy a much larger 65″ TV with smart technology that didn't exist 45 years ago. Technology has also driven down the price for a range of products over the past few decades, particularly in electronics, energy, and software, as well as making them more accessible for millions of consumers.

Sources: Federal Reserve Bank of St. Louis, BLS

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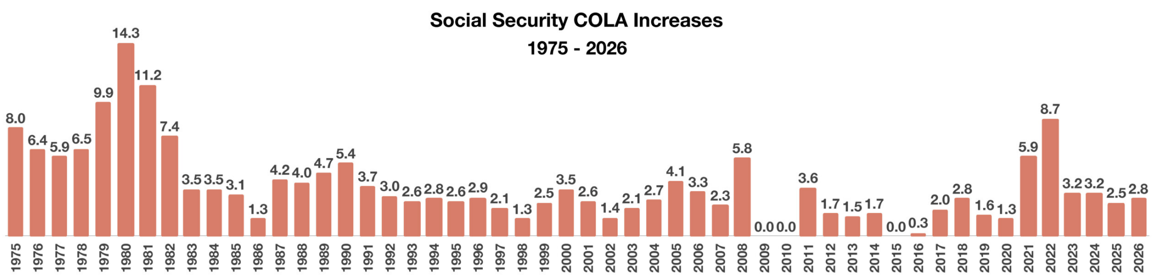
Social Security COLA Increase of 2.8% Lags Medicare Premium Increase in 2026 – Retirement Planning

Social Security recipients are due to receive an increase of 2.8% in 2026, a slight increase from the COLA in 2025. For many recipients, the increase in payments will go towards higher living expenses as well as increased Medicare premiums. The increase in benefit payments is effective in late December 2025 for SSI (Supplemental Security Income) recipients and in January 2026 for Social Security recipients.

Many are concerned that the Social Security benefit increase may not cover expenses that are rising at a faster pace, including essential items such as food, energy, and medical expenses not covered by medicare. Medicare Part B premiums are expected to increase 11.6% at the beginning of 2026, four times the 2.8% COLA increase for Social Security.



The establishment of Social Security occurred on August 14, 1935, when President Roosevelt signed the Social Security Act into law. Since then, Social Security has provided millions of Americans with benefit payments. The payments are subject to automatic increases based on inflation, also known as cost-of-living adjustment (COLA) which has been in effect since 1975. Over the years, recipients have received varying increases depending on the inflation rate. (Source: Social Security Administration)

It's The Wealth Effect That Keeps Everyone Spending – Consumer Economics

The risk to the economy now is that a significant portion of the nation's consumer spending is led by top earners due to the wealth effect. Should the stock market pull back and housing prices fall, the momentum could quickly dissipate. Even as inflation and higher rates have been an ongoing hindrance, consumers remain resilient and continue to spend. The reasoning behind the confidence and tenacity of consumers is believed to be what is known as wealth effect, which is the change in spending that accompanies a change in perceived wealth.

An increase in the wealth effect has been a result of the increase in real estate and equity values, which has created a sense of wealth thus prompting consumers to spend more. Real estate and equities have pushed the level of household net worth up an astonishing $10.3 trillion over the past year, encouraging consumers to spend more out of current income. Some analysts and economists relate this scenario to what occurred in the late 1990s. Economists view the wealth effect as a psychological phenomenon where an increase in home and stock values are perceived as a justification to spend more, as though it was an increase in income. In actuality, the increase in asset values may not be sustainable and may even result in a devaluation, erasing confidence and spending motivation for consumers.

Source: Federal Reserve Bank of St. Louis

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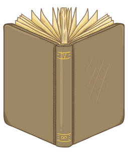
Fed's Beige Book Report Sheds Light On Direction of Economy – Domestic Economy

As labor market data collected by the Department of Labor has come into question, the need to identify other data with more reliability has become critical. Staff cuts to the department as a result of the government shutdown have also added to the delay of collected data. As a result, many analysts and economists have shifted their reliance to the Federal Reserve's Beige Book, which compiles various labor and economic statistics and releases it every six to eight weeks. The Beige Book is an aggregation of data from the 12 Federal Reserve district banks from across the country.



In it's most recent release this past month, the Beige Book indicated sluggish economic and labor market conditions across the country, with three districts reporting slight/modest growth, five reporting no change, and four a slight softening. The report found that a weakening labor market was ensuing pressure on consumers, with discretionary expenditures off from prior periods. Employers have been actively reducing head count across various industries, with layoffs and attrition increasing.

Some companies interviewed by the Fed were having a tougher time filling certain positions usually occupied by immigrant workers, who have become subject to immigration tensions. Some Fed districts noted that tariff-induced costs were impacting some businesses, yet it was unclear as to how much of an affect the tariffs have actually been on final prices to consumers. (Sources: Board of Governors of the Federal Reserve System, www.federalreserve.gov/monetarypolicy/publications/beige-book-default.html)

Year-End Tax Planning For Cryptocurrency Transactions – Tax Planning

As millions of investors dabbled in cryptocurrency this past year, the IRS has heightened its surveillance of transactions in order to tax gains. Recently passed tax legislation contains details on identifying and taxing gains on cryptocurrency transactions. The rapid and extensive emergence of cryptocurrency transactions has brought about uncertainty surrounding taxing transactions as an asset, similar to a stock, rather than a currency. Some cryptocurrency trading platforms also pay interest on leveraged digital currency positions,

creating yet another tax liability on the interest earned. Since the federal government sees a tremendous tax revenue opportunity in taxing digital currency transactions, the IRS has already started to issue tax ramification guidelines applicable to such transactions. The U.S. government expects to raise about $28 billion over the next ten years by tracking and taxing transactions. Digital wallets, which hold crypto currencies, may be required to report holdings and transactions to the IRS, similar to traditional financial institutions. The IRS also plans to crack down on taxpayers not reporting gains from crypto transactions, as noted on the most recent IRS tax return forms. Some crypto trading platforms intend to start issuing 1099-Misc and 1099-K forms in order to comply with IRS reporting requirements. As consumers become more comfortable with making payments with digital currencies, each transaction may become a taxable event. The ability to store cryptocurrency in a digital wallet, then use it for a purchase, may trigger a tax consequence if the currency is sold at a gain in order to make the purchase. The IRS is expected to require platforms providing digital wallets to maintain the cost basis on all currency transactions. Should a 1099 form not be issued by the digital currency platform used, then the IRS is suggesting that taxpayers maintain a record of all purchases and sells in order to properly report any taxable gains or losses. (Source: IRS)