Summary

Markets were mixed last week, with the DJIA up 1.0%. Both the S&P 500 and Nasdaq were down 0.6% and 1.6% respectively, as tech earnings and volatility renewed talks of an AI bubble. Treasuries were mixed as well, with the shorter end of the curve, 3-month to 2-year yields, falling on the announcement of a December rate cut; but the longer end of the curve, 5-year to 30-year yields, rose on increasing uncertainty and a slowing labor market. Job openings ticked up 0.2% in October to 7.670 million, but hires and quits both fell while layoffs and discharges rose. Together, this suggests that the labor market is steady but weakening. Initial unemployment claims rose to 236,000 after declining last week. The Employment Cost Index (ECI) rose 0.8% in the third quarter, below expectations. Economic activity indicators were also mixed. The Conference Board leading index fell 0.3% in September on deteriorating industrial orders and consumer expectations, but the NFIB small business optimism index in November rose 0.8 points as small businesses expect increases in sales volumes. Uncertainty related to how federal policy changes will impact businesses continues to rise.

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
NFIB Small Business Optimism (Nov – Tue 06:00)	99.0	98.3	
JOLTS - Job Openings (Oct – Tue 10:00)	7.670M	NA	
Leading Indicators (Sep – Tue 10:00)	-0.3%	NA	
MBA Mortgage Applications Index (12/06 – Wed 07:00)	+4.8%	NA	
Employment Cost Index (Q3 – Wed 08:30)	+0.8%	+0.9%	
FOMC Rate Decision (Dec – Wed 14:00)	3.50-3.75%	3.50-3.75%	
Treasury Budget (Nov – Wed 14:00)	-$173.0B	-$223.4B	
Initial Claims (12/06 – Thu 08:30)	236K	NA	
Continuing Claims (11/29 – Thu 08:30)	1,838K	NA	
Trade Balance (Sep – Thu 08:30)	-$52.8B	-$61.7B	
Wholesale Inventories (Sep – Thu 10:00)	+0.5%	-0.2%	
Next Week: Indicator	**Consensus Expectation***	**Prior**	**Comment**
Nonfarm Payrolls (Nov – Tue 08:30)	30K	NA	
Nonfarm Private Payrolls (Nov – Tue 08:30)	34K	NA	
Unemployment Rate (Nov – Tue 08:30)	4.4%	NA	
Avg. Hourly Earnings (Nov – Tue 08:30)	+0.3%	+0.2%	
Average Workweek (Nov – Tue 08:30)	34.3	NA	
Retail Sales (Oct – Tue 08:30)	+0.3%	+0.2%	Retail Sales ex. autos (prior): +0.3%
Housing Starts (Sep – Tue 08:30)	1,320K	1,307K	
Building Permits (Sep – Tue 08:30)	1,348K	1,312K	
Capacity Utilization (Nov – Tue 09:15)	77.4%	NA	
Industrial Production (Nov – Tue 09:15)	+0.1%	NA	
Business Inventories (Sep – Tue 10:00)	+0.1%	NA	
Retail Sales (Nov – Wed 08:30)	+0.2%	NA	Retail Sales ex. autos (prior): NA
Business Inventories (Oct – Wed 10:00)	+0.1%	NA	
CPI (Nov – Thu 08:30)	+0.3%	NA	
Core CPI (Nov – Thu 08:30)	+0.3%	NA	
Initial Claims (12/13 – Thu 08:30)	229K	236K	
Continuing Claims (12/06 – Thu 08:30)	NA	1,838K	
Leading Indicators (Nov – Thu 10:00)	-0.1%	NA	
Personal Income (Nov – Fri 08:30)	NA	NA	
Personal Spending (Nov – Fri 08:30)	NA	NA	
PCE Prices (Nov – Fri 08:30)	NA	NA	PCE Prices Core (prior): NA
Existing Home Sales (Nov – Fri 10:00)	4.10M	4.10M	
U. of Michigan Consumer Sentiment - Final (Dec – Fri 10:00)	53.3	53.3	

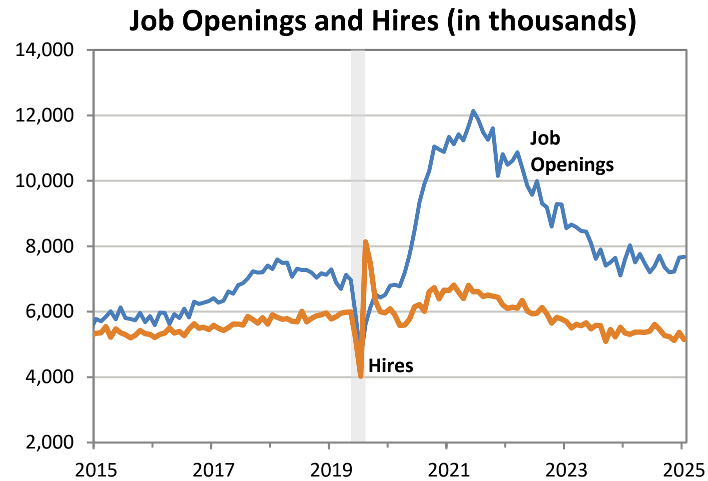
**Sources: www.briefing.com and www.federalreserve.gov*

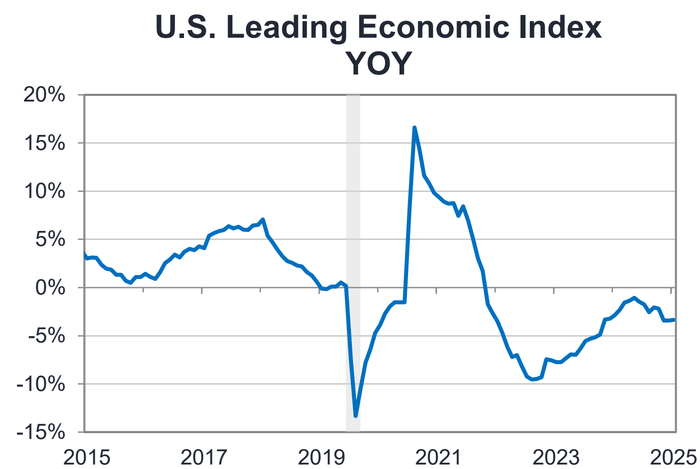
Economic Review

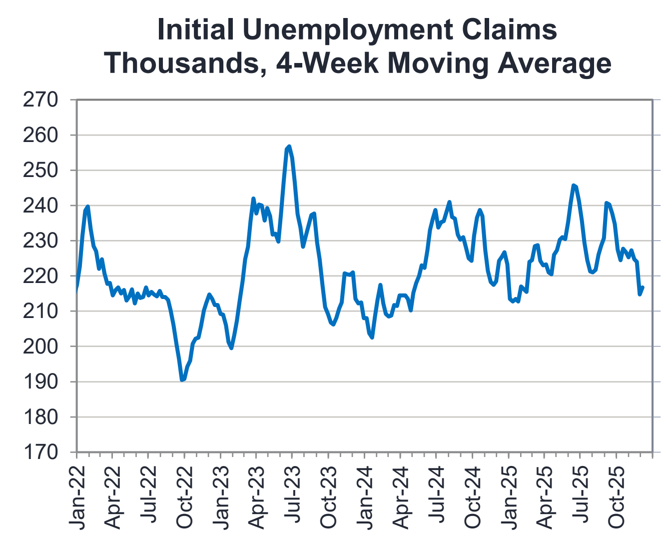
JOB OPENINGS ticked up 0.2% in October to 7.670 million, the highest level since May; however, openings did not grow uniformly across the country. The South exhibited the largest increase, with openings growing 2.4% month over month. Job openings in the West also rose but at a comparatively lower rate (+0.8%) in October. The Northeast and Midwest both experienced significant drops in openings, with openings falling 2.7% and 2.5%, respectively. Despite the slight uptick in job openings, HIRES declined, falling 4.1% month-over-month in October. In addition, QUITS fell 6.0% and LAYOFFS AND DISCHARGES increased 4.1% in October. A decrease in hiring and a rise in layoffs suggest that companies are cautiously scaling back labor costs, while the fall in quits suggests workers are less confident in their ability to find a new position. Altogether, the JOLTS data from October point to a slowing labor market.

The Conference Board LEADING ECONOMIC INDEX (LEI) fell 0.3% in September to 98.3, following an upwardly revised 0.3% drop in August; the index has fallen 2.1% over the past six months. Declines in the LEI are generally due to nonfinancial components, with deteriorating consumer expectations of business conditions putting the most downward pressure on the curve (-0.21 pp contribution), followed by the ISM new orders index (-0.14 pp contribution), whose decline points to weakening demand. These declines were partially offset by the financial components of the index, with the S&P 500 contributing 0.11 pp and the Leading Credit Index contributing 0.05 pp. The current weakness in the LEI suggests economic growth will likely slow into 2026.

INITIAL UNEMPLOYMENT CLAIMS increased 44,000 to 236,000 during the week ending December 6, the largest increase since July 2021; however, the four-week moving average increased by only a modest 2,000 and remains near the lower bound of historical averages. CONTINUING UNEMPLOYMENT CLAIMS, which had remained stubbornly elevated, decreased 99,000 to 1.8 million in the week ending November 29; however, since the reference week includes Thanksgiving, it is unsurprising that claims fell. The four-week moving average of continuing claims remains elevated at 1.9 million. The divergence of initial and continuing claims that has characterized 2025 could further complicate the FOMC's rate outlook and add uncertainty into the labor market.







Fed Speeches

At the Delaware State Chamber of Commerce, Philadelphia Fed President Anna Paulson argued that recent interest rate cuts were aimed at protecting a cooling labor market while keeping inflation on a gradual path back toward the Fed's 2% target, underscoring what she described as a delicate balancing act for monetary policymakers.

Paulson noted that headline economic indicators show the economy is steady but slowing. The unemployment rate has risen modestly to 4.4% in September, and economic growth, which ended 2024 at 2.4%, is now expected to slow to around 1.7% in 2025.

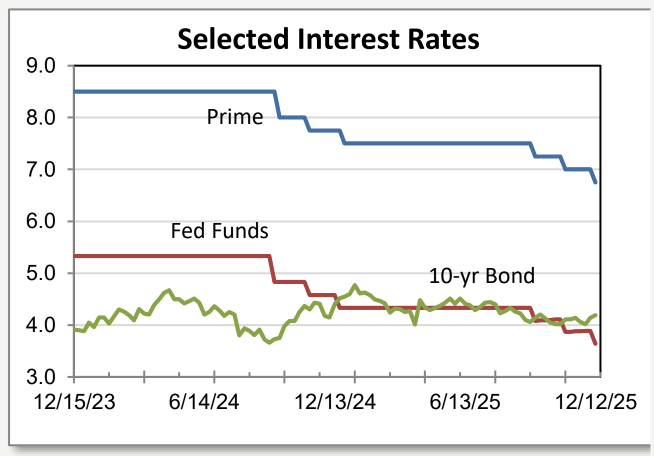
Job creation has slowed sharply in recent months, hiring has become concentrated in health care and social services, and workers report greater anxiety about job security, even as layoffs remain limited. A decline in labor supply, partly reflecting tighter immigration policies, has helped prevent a sharper rise in unemployment, but Paulson warned that downside risks have increased. She says,

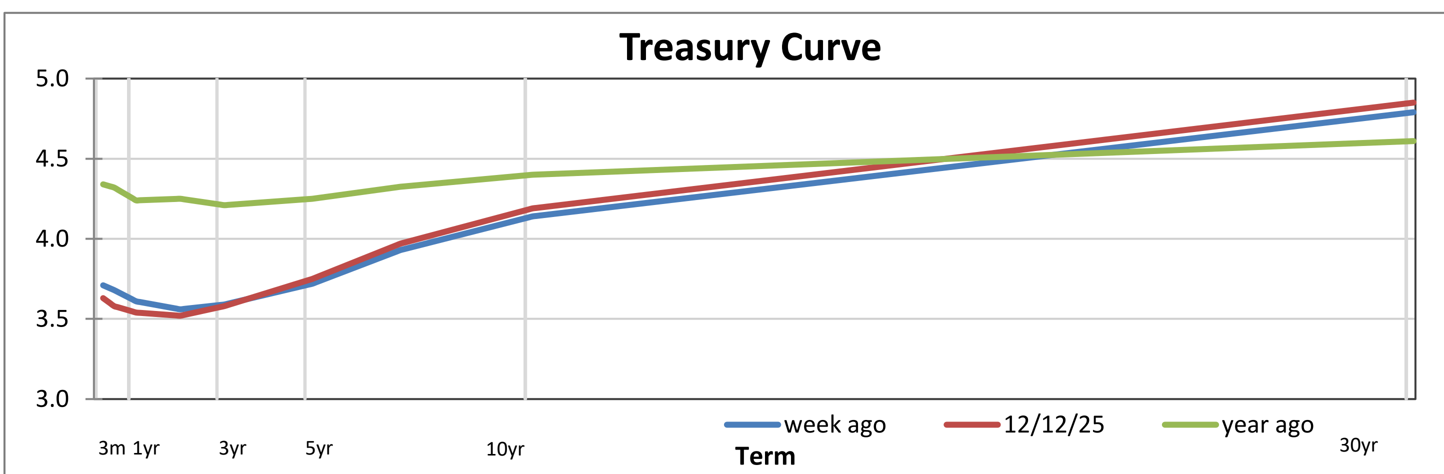
> *On net, I am still a little more concerned about labor market weakness than about upside risks to inflation.*

She expects inflation to ease modestly in 2026 as tariff-related increases in goods prices fade and housing inflation continues to cool. With policy rates still in restrictive territory, Paulson emphasized the importance of Federal Reserve credibility, arguing that well-anchored inflation expectations give policymakers flexibility to respond patiently to economic weakness and potential overheating.

Financial Markets

Markets ended last week mixed as somewhat disappointing guidance from tech earnings sent the S&P 500 down 0.6% and the Nasdaq down 1.6%. The DJIA, which is less exposed to tech and AI, rose 1.0% on the week. Treasury yields were also mixed. Due to this week's Fed rate cut and expectations of another cut next year, yields on the shorter end of the curve decreased, with the 6-month yield falling the most (-10 bps). The longer end of the curve rose last week despite the rate cut, with the 10-year yield rising 5 bps and the 30-year yield rising 6 bps, as activity data and labor market data continue to point to slowing growth going into next year. Oil fell 1.9% this week as geopolitical uncertainty was offset by oversupply concerns that have characterized the second half of this year. Gold rose 2.0% to $4,329, nearing its peak of $4,359 it reached in October.





Interest Rate Forecast*

During the Fed's December policy meeting, the Federal Open Market Committee (FOMC) lowered the federal funds target rate to 3.50% to 3.75%. In the statement released following the meeting, the FOMC stated, "In support of its goals and in light of the shift in the balance of risks, the Committee decided to lower the target range for the federal funds rate by 1/4 percentage point to 3-1/2 to 3-3/4 percent. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective."

Avg. for:	Prime	Fed Funds	SOFR	6-Mo. T-Bill	2-Yr. Note	10-Yr. Treasury	30-Yr Bond	30-Yr Mortgage
4th Qtr '25	7.05	3.92	4.00	3.78	3.56	4.08	4.67	6.21
1st Qtr	6.75	3.63	3.64	3.66	3.51	3.89	4.51	6.02
2nd Qtr	6.59	3.46	3.48	3.54	3.48	3.82	4.30	5.96
3rd Qtr	6.42	3.29	3.31	3.39	3.41	3.75	4.20	5.88
4th Qtr '26	6.25	3.13	3.14	3.23	3.29	3.68	4.14	5.79

December 2025

FINANCIAL MARKET SUMMARY

	As of 12/12/2025	As of 12/05/2025	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	6.75	7.00	(25)	(25)	(75)
Secured Overnight Financing Rate (SOFR)	3.66	3.92	(26)	(34)	(75)
Fed Funds (Wed close)	3.64	3.89	(25)	(24)	(69)
TREASURIES (BE) (Changes in BPs)					
3 Months	3.63	3.71	(8)	(32)	(45)
6 Months	3.58	3.68	(10)	(22)	(25)
1 Year	3.54	3.61	(7)	(16)	(12)
2 Years	3.52	3.56	(4)	(10)	(4)
5 Years	3.75	3.72	3	1	12
10 Years	4.19	4.14	5	5	13
30 Years	4.85	4.79	6	11	17
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.47	2.47	0	(1)	45
5-Year Muni	2.41	2.41	0	2	27
10-Year Muni	2.74	2.75	(1)	35	(14)
30-Year Muni	4.19	4.16	3	9	(7)
30-Year Conventional Mortgage	6.22	6.19	3	(2)	(13)
MARKET INDICATORS (Changes in %)					
DJIA	48,458.05	47,954.99	1.0	2.8	5.7
S&P 500	6,827.41	6,870.40	(0.6)	1.4	3.7
NASDAQ	23,195.17	23,578.13	(1.6)	1.3	4.8
CRB Futures	373.19	382.53	(2.4)	(1.1)	(0.2)
Oil (WTI Crude)	57.44	58.55	(1.9)	(3.9)	(7.2)
Gold	4,328.30	4,243.00	2.0	6.0	18.8
Yen / Dollar	155.81	155.33	0.3	1.6	5.7
Dollar / Euro	1.17	1.16	0.8	1.0	0.1