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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"Every runner understands this. Front-runners work the hardest, and risk the most." Phil Knight

MARKETS

Macro Recap: The latest U.S. labor market report showed resilience despite mixed signals. After a challenging October, November brought a return to job creation with 64,000 new positions added, marking a step toward stability. While the unemployment rate ticked up to 4.6%, this level remains historically low compared to long-term averages, suggesting the labor market is adjusting rather than contracting.

On the inflation front, the news was encouraging: consumer prices rose at just 2.7% annually in November, well below expectations of 3.1%. This softer inflation trend strengthens the case for the Federal Reserve to consider additional rate cuts in 2026, supporting growth and investment opportunities.

Meanwhile, precious metals continued their remarkable rally, underscoring strong demand for safe-haven assets. Silver surged past $67 per ounce for the first time, up more than 130% year-to-date, while gold set another record, climbing 64% in 2025. These gains highlight investor confidence in tangible assets amid evolving economic conditions.

Equity Recap: The stock market closed the week on a mixed note as investors navigated volatility in mega-cap tech and AI-related names, sector rotation, and economic data that ultimately had little impact on near-term monetary policy expectations. Large-cap indexes reflected this divergence, with the S&P 500 edging up 0.1%, the Nasdaq Composite gaining 0.5%, and the Dow Jones Industrial Average slipping 0.7%. Smaller-cap benchmarks were more subdued, as the Russell 2000 fell 0.9% and the S&P Mid Cap 400 finished flat.

Looking ahead, earnings momentum remains a bright spot. Companies in the S&P 500 are on track to deliver double-digit growth for the second consecutive year. With about a month before fourth-quarter results are released, analysts surveyed by FactSet project full-year 2025 earnings to rise 12.1% over 2024 levels, with energy as the only sector expected to post a decline. This outlook underscores continued strength in corporate profitability despite a complex market backdrop.

Bond/Rate Recap: Treasury yields were little changed this week, reflecting a steady tone in fixed income markets. The 10-year U.S. Treasury yield edged lower by one basis point to 4.15%, while the 2-year yield also slipped by one basis point to 3.49%, signaling continued stability in rate expectations.

Week Ahead: On Tuesday, the government is scheduled to release its delayed initial estimate of third-quarter U.S. economic growth, more than six weeks later than usual due to the recent shutdown. The report will provide a key update on momentum heading into year-end. After contracting in the first quarter, GDP rebounded strongly in the second quarter with an annualized gain of 3.8%, and markets will be watching closely to see if that strength carried through the summer.

INDICES

	Dec 15 Open	Dec 19 Close	Weekly Change	Dec 31 2024	YTD Change
DJIA	48,458	48,135	-0.7%	42,544	13.1%
S&P 500	6,827	6,835	0.1%	5,882	16.2%
NASDAQ	23,195	23,308	0.5%	19,311	20.7%
Russell 2000	2,551	2,529	-0.9%	2,230	13.4%
KBW Bank Indx	164.7	165.4	0.4%	127.5	29.7%
Bitcoin	$89,487	$89,770	0.3%	$93,714	-4.2%
Oil (WTI)	$57.32	$57.82	0.9%	$71.72	-19.4%
Gold	$4,339	$4,425	2.0%	$2,625	68.6%
Prime	6.75	6.75	0.00	7.50	-0.75
Effective Fed Funds	3.64	3.64	0.00	4.33	-0.69
3m Tbill	3.61	3.60	-0.01	4.31	-0.71
2yr UST	3.50	3.49	0.00	4.24	-0.75
10yr UST	4.16	4.15	-0.01	4.57	-0.42
2-10yr UST Spread	66	66	-1	33	33
2y AAA Muni/10y UST	70.0%	70.3%	0.3%	66.5%	3.8%
10y AAA Muni/10y UST	65.5%	65.9%	0.4%	68.4%	-2.5%
5yr Inflation Forecast	2.33	2.28	-0.05	2.42	-0.14

Week Ahead

- **Monday:** No major reports
- **Tuesday:** 3rd Q GDP, Durable goods, Consumer confidence, Industrial prod.
- **Wednesday:** Weekly unemployment
- **Thursday:** Christmas Holiday
- **Friday:** No major reports

***Could be delayed or canceled**

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