SMITH SHELLNUT WILSON
AN AFFILIATE OF 61BANK

Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"When the well is dry, we know the worth of water." Benjamin Franklin

MARKETS

Macro Recap: Last week's economic data delivered a significant surprise. The government's long-delayed initial estimate of third-quarter U.S. GDP showed an annualized growth rate of 4.3%, far exceeding the consensus forecast of 3.2%. This strong performance follows a 3.8% expansion in the second quarter and a 0.6% contraction in the first quarter, highlighting a sharp rebound in economic activity during the second half of the year.

Precious metals continued their historic rally. Silver broke through the $77 per ounce mark for the first time, representing a year-to-date gain of roughly 155%. Gold also surged, up about 70% for the year, while platinum joined in setting record highs. These moves underscore heightened investor demand for safe-haven assets amid ongoing market uncertainty.

Oil prices saw a modest rebound during the week, with U.S. crude trading near $57 per barrel on Friday afternoon. Despite the uptick, crude remains well below its year-end 2024 level of about $72 and is on track for its steepest annual decline since 2020, when prices fell 21%.

Equity Recap: The stock market finished the holiday-shortened week with solid gains across major indexes. The S&P 500 rose 1.4%, setting fresh record highs, while the Dow Jones Industrial Average added 1.2% and notched a record closing high on Wednesday. The Nasdaq Composite also climbed 1.2%, though it still has ground to cover before challenging its own record levels.

Despite strong domestic performance, the S&P 500's year-to-date return of just over 19% trails two key international benchmarks. An ex-U.S. developed-markets index is up nearly 32% for the year, and an emerging-markets index has gained about 34%, highlighting the relative strength of global equities in 2025.

Volatility expectations continued to ease. The Cboe Volatility Index (VIX) fell to 13.6 on Wednesday, its lowest level in more than a year, down sharply from a recent high of 26.4 on November 20. The year's peak occurred in early April when the VIX surged above 50 amid tariff-related uncertainty.

Bond/Rate Recap: Treasury yields held steady over the week, signaling a calm tone in fixed income markets. The 10-year U.S. Treasury yield edged down by two basis points to 4.13%, while the 2-year yield slipped by one basis point to 3.48%.

Following three interest rate cuts in 2025, bond market pricing continued to reflect expectations for additional easing in 2026. As of Friday's close, futures markets implied about a 74% probability that the Federal Reserve will deliver at least two quarter-point cuts during the year, according to CME FedWatch. The likelihood of just one cut stood at 21%, with only a 5% chance assigned to no change in rates.

INDICES

	Dec 22 Open	Dec 26 Close	Weekly Change	Dec 31 2024	YTD Change
DJIA	48,135	48,711	1.2%	42,544	14.5%
S&P 500	6,835	6,930	1.4%	5,882	17.8%
NASDAQ	23,308	23,593	1.2%	19,311	22.2%
Russell 2000	2,529	2,534	0.2%	2,230	13.6%
KBW Bank Indx	165.4	168.3	1.8%	127.5	32.1%
Bitcoin	$89,770	$87,506	-2.5%	$93,714	-6.6%
Oil (WTI)	$57.82	$56.74	-1.9%	$71.72	-20.9%
Gold	$4,425	$4,533	2.4%	$2,625	72.7%
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	3.60	3.62	0.02	4.31	-0.69
2yr UST	3.49	3.48	-0.01	4.24	-0.76
10yr UST	4.15	4.13	-0.03	4.57	-0.44
2-10yr UST Spread	66	65	-1	33	32
2y AAA Muni/10y UST	70.3%	69.7%	-0.6%	66.5%	3.3%
10y AAA Muni/10y UST	65.9%	66.0%	0.1%	68.4%	-2.4%
5yr Inflation Forecast	2.28	2.25	-0.04	2.42	-0.17

Week Ahead

- **Monday:** Pending home sales
- **Tuesday:** S&P Case-Shiller 20-City Home Price Index
- **Wednesday:** Release of minutes from the December 9–10 FOMC meeting
- **Thursday:** New Year's holiday observed
- **Friday:** Construction spending

***Could be delayed or canceled**

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