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Weekly Market Guide

Following a 5.1% drawdown (its first 3%+ pullback in over 6 months), the S&P 500 has bounced over the past week. "Soft-patch" economic data and Fed expectations, along with fluctuations in the AI narrative, have been the primary influences on the market lately.

A strong start to holiday shopping has eased concerns on the consumer. Mastercard reported US Black Friday sales up +4.1% y/y (vs expectations of 3.6%). Furthermore, e-commerce sales jumped 10.4% vs in-store sales +1.7%. Restaurant spending was up 4.5%. AdobeAnalytics supported these numbers, reporting Black Friday online sales +9.1% y/y. These numbers indicate a healthy consumer, despite sluggish employment trends, which should boost economic and earnings growth.

Expectations for a rate cut by the Federal Reserve on December 10th have shifted upward. The current market-implied probability of a 25bp cut is up to 95% (from 29% odds on 11/19). With current monetary policy in restrictive territory, along with higher employment risks and lower inflation risks, we agree that the Fed is likely to cut next week. Importantly, looser policy is boosting bank lending, which should stimulate economic activity ahead.

Technically, the S&P is exhibiting a good bounce- the index is back above the 50-day moving average and 1% from October 29th highs. We are encouraged by the broadening participation beneath the surface, as there are more S&P stocks above their 50 DMA now than at the market highs. Seasonal tailwinds persist, as December is historically one of the best months for market performance. Watch for potential resistance in the 6850-6920 area, as well as support in the 6600-6734 area. The market is attempting to break its trend of lower highs and lower lows since the October peak.

All in all, we view the current market consolidation as normal and healthy (following a 6-month glide-path higher). We also believe downside should be limited, and would look to use weakness as opportunity. Our positive stance on equities over the next 12 months is supported by healthy economic and earnings growth (boosted by tax savings, investment incentives/spending, lagged effect of lower rates). AI has dominated the market narrative for ~3 years now, and we are hopeful that the benefits of this technology can begin to broaden out across industries, rather than just a narrow sleeve of companies. With valuation multiples much lower outside of AI/Tech-land, we believe diversification is important.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	11.6%	6.0%
S&P 500	16.1%	12.9%
S&P 500 (Equal-Weighted)	8.2%	1.5%
NASDAQ Composite	21.2%	20.7%
Russell 2000	10.5%	1.3%
MSCI All-Cap World	19.2%	16.0%
MSCI Developed Markets	24.0%	20.9%
MSCI Emerging Markets	27.7%	26.5%
NYSE Alerian MLP	2.1%	-3.9%
MSCI U.S. REIT	0.6%	-6.1%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Communication Svcs.	33.0%	10.7%
Information Technology	24.8%	35.0%
S&P 500	***16.1%***	-
Industrials	15.7%	8.0%
Utilities	15.4%	2.3%
Health Care	11.9%	9.6%
Financials	9.1%	13.0%
Materials	5.1%	1.7%
Consumer Discretionary	4.6%	10.3%
Energy	4.5%	2.8%
Consumer Staples	2.7%	4.8%
Real Estate	0.2%	1.7%

Source: FactSet

Fed Influence on Equities

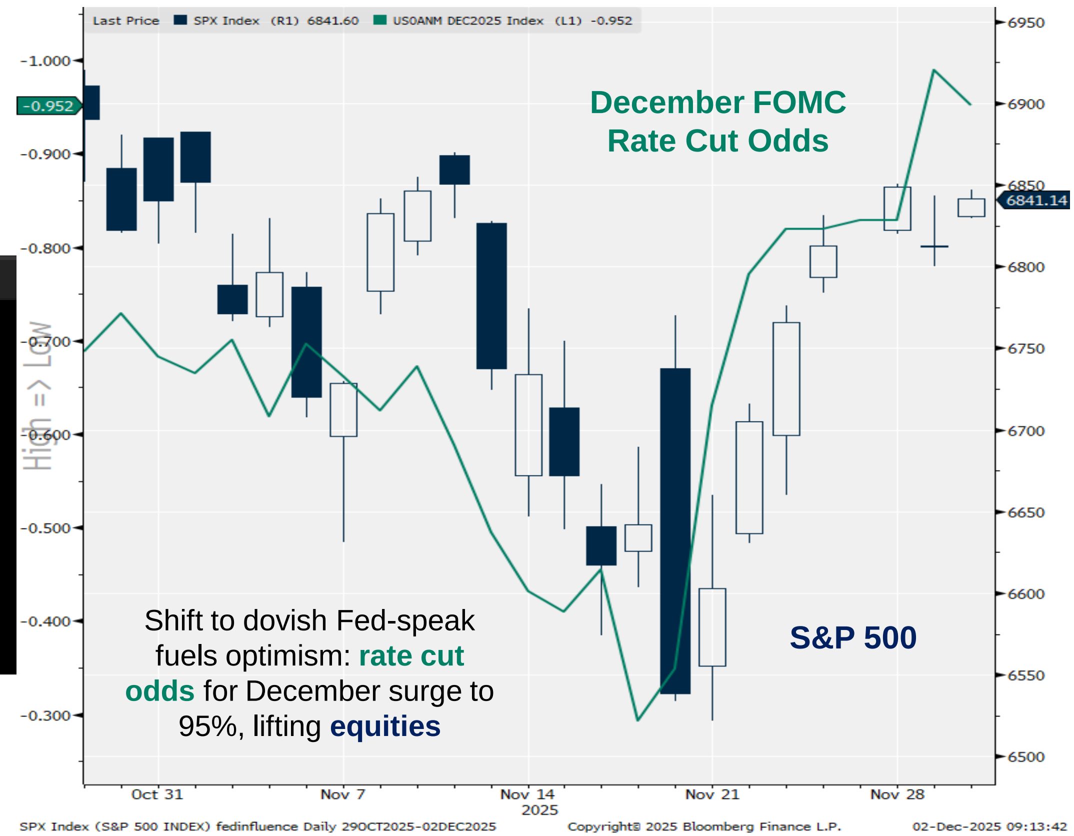
Expectations for a rate cut by the Federal Reserve on December 10th have bounced back. The current market-implied probability of a 25bp cut is up to 95% (from 29% odds on 11/19). With monetary policy in restrictive territory, along with higher employment risks and lower inflation risks, we agree that the Fed is likely to cut next week. Importantly, looser policy is boosting bank lending, which should stimulate economic activity ahead.

Market-Implied Fed Funds Rate Probabilities

Region: United States »

Target Rate	4.00
Effective Rate	3.89

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate
12/10/2025	-0.946	-94.6%	-0.236	3.655
01/28/2026	-1.255	-31.0%	-0.314	3.578
03/18/2026	-1.618	-36.3%	-0.405	3.487
04/29/2026	-1.896	-27.7%	-0.474	3.418
06/17/2026	-2.494	-59.9%	-0.624	3.268
07/29/2026	-2.835	-34.1%	-0.709	3.182
09/16/2026	-3.208	-37.3%	-0.802	3.089
10/28/2026	-3.415	-20.8%	-0.854	3.038
12/09/2026	-3.627	-21.2%	-0.907	2.985



Source: Bloomberg, FactSet

Technical: S&P 500

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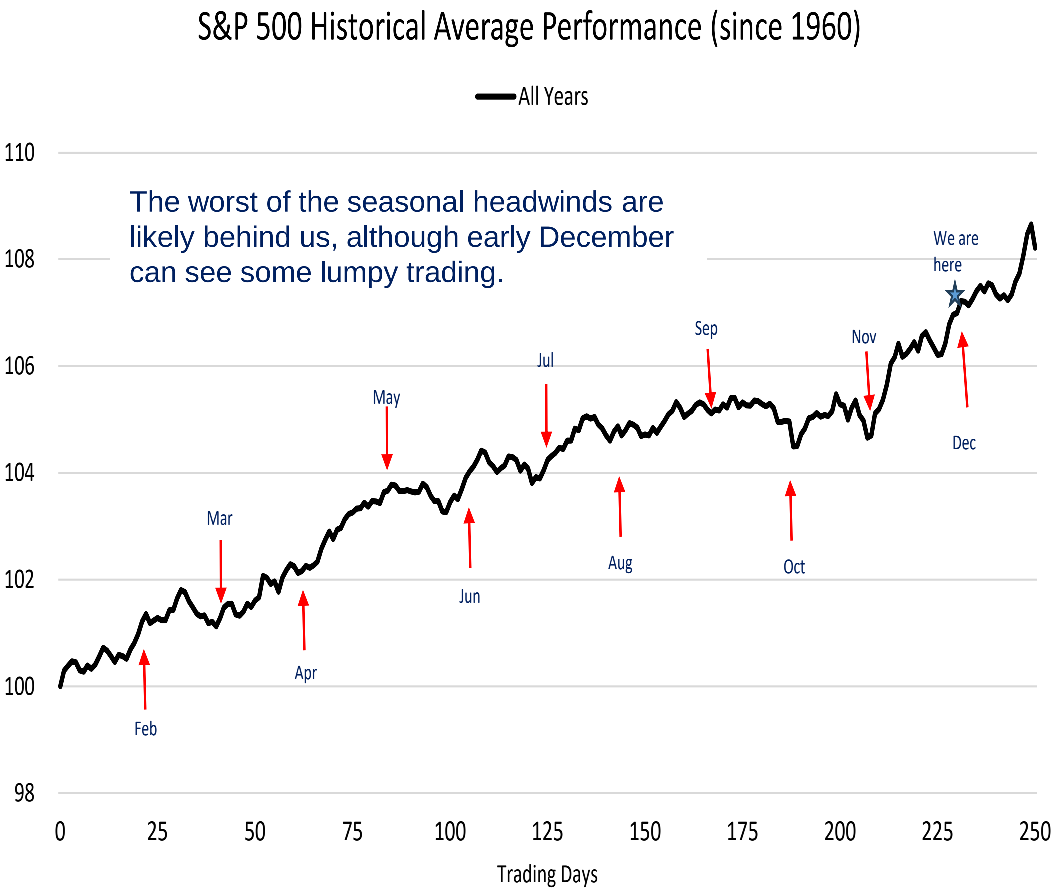
All in all, we view the current market consolidation as normal and healthy (following a 6-month glide-path higher). We also believe downside should be limited, and would look to use weakness as opportunity.

Source: Bloomberg, FactSet

Seasonality

Seasonal tailwinds persist, as December is historically one of the best months for market performance.

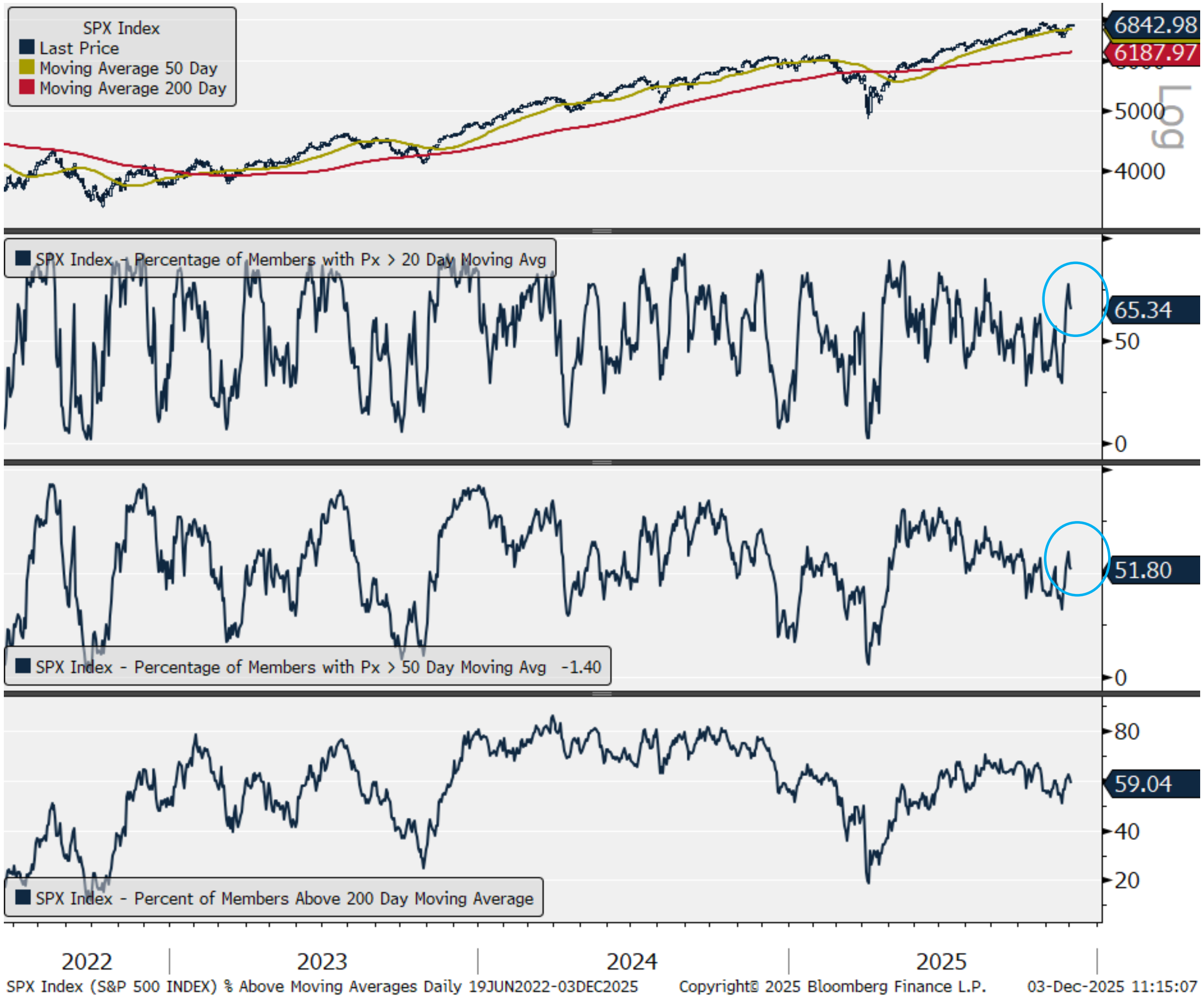


S&P 500: Historical Monthly Returns

	Since 1960			
	Row Labels	Average of Return	StdDevp of Return	Rank
Jan	1	1.06%	4.90%	4
Feb	2	0.05%	3.75%	11
Mar	3	0.95%	3.79%	6
Apr	4	1.33%	4.10%	2
May	5	0.34%	3.69%	8
Jun	6	0.12%	3.57%	10
Jul	7	0.91%	3.99%	7
Aug	8	0.26%	4.56%	9
Sep	9	-0.76%	4.31%	12
Oct	10	1.04%	5.69%	5
Nov	11	1.76%	4.40%	1
Dec	12	1.27%	3.40%	3
	Grand Total	0.69%	4.28%	

Source: Bloomberg, FactSet

S&P 500: % of Stocks Above Moving Averages



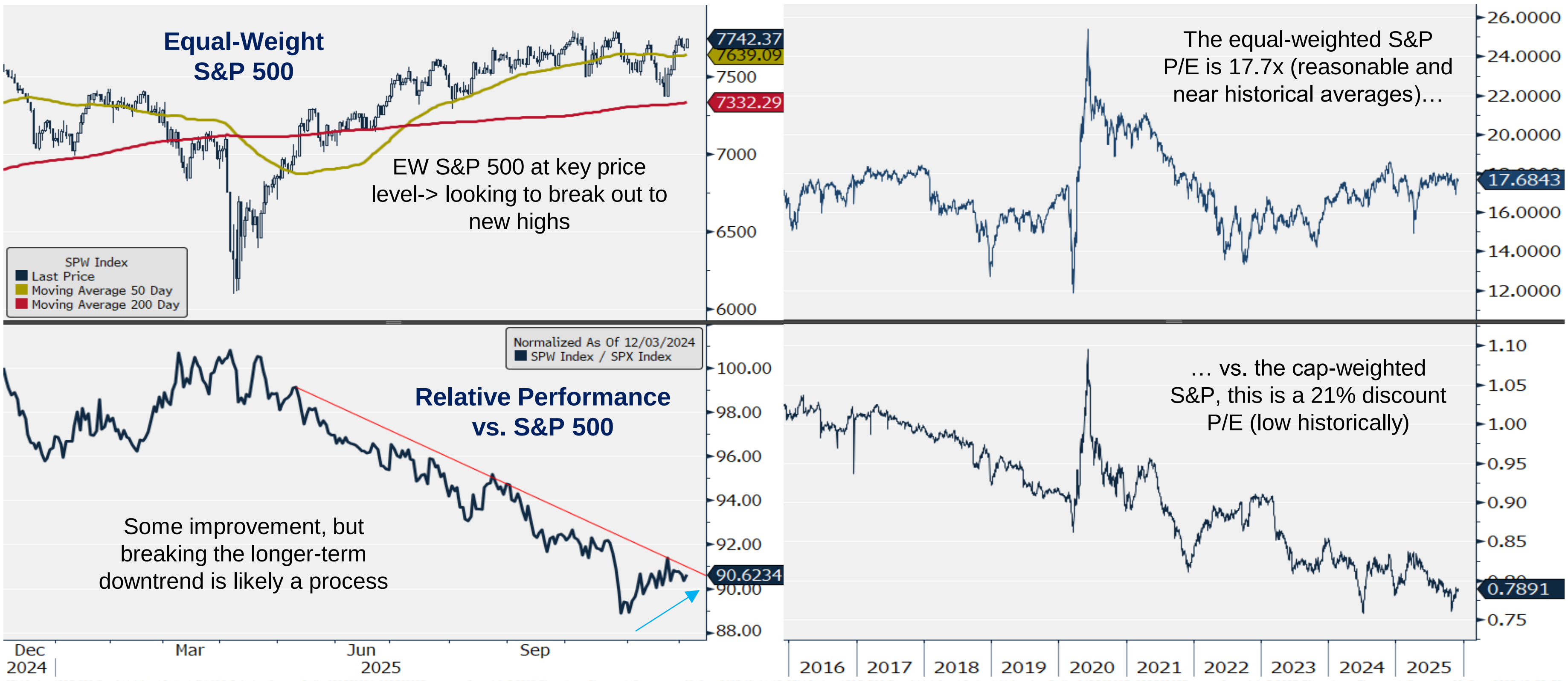
We are encouraged by the broadening participation in the market bounce.

We are seeing an improvement in the percentage of members trading above their 20 and 50-day moving averages, posting their highest readings in months- and better readings than when the S&P was at highs.

Source: Bloomberg, FactSet

Diversification is Still Important

The recent market rotation has the “average stock” near a price break out, and relative strength is testing the downtrend in place since April/Liberation Day lows. AI has dominated the market narrative for ~3 years now, which has led to a high bar (and elevated valuations) for stocks levered to the AI infrastructure build out. While Tech trades at an elevated 28x P/E (stretching the S&P P/E to 22x), the “average stock” trades at just 17.7x. We are hopeful that the benefits of AI/technology can begin to broaden out across industries, rather than just a narrow sleeve of companies. And as the market fundamentals broaden out, we believe performance will broaden out as well. In our opinion, this bodes well for diversification and active management.



Source: Bloomberg, FactSet

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Index Definitions

The **S&P 500** is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

The **Dow Jones Industrial Average (DJIA)** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

The **NASDAQ Composite** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The **MSCI World All Cap Index** captures large, mid, small and micro-cap representation across 23 Developed Markets (DM) countries. With 11,732 constituents, the index is comprehensive, covering approximately 99% of the free float-adjusted market capitalization in each country.

The **MSCI EAFE (Europe, Australasia, and Far East)** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in 23 emerging market countries. The index's three largest industries are materials, energy, and banks.

The **Russell 2000** index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks.

The **NYSE Alerian MLP** is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

The **Barclays Intermediate Government/Credit Bond** index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

The **Euro Stoxx 50 Index** is a market capitalization weighted stock index of 50 large, blue-chip European companies operating within Eurozone nations. Components are selected from the Euro STOXX Index which includes large-, mid- and small-cap stocks in the Eurozone.

The **China CSI 300** is a capitalization-weighted stock market index designed to replicate the performance of top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. It had a sub-indexes CSI 100 Index and CSI 200 Index.

The **S&P 500 Futures** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **DJIA Futures** is a stock market index futures contract traded on the Chicago Mercantile Exchange`s Globex electronic trading platform. Dow Futures is based off the Dow 30 stock index.

The **Nasdaq 100 Futures** is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international companies listed on the NASDAQ.

Europe: DAX (Deutscher Aktienindex (German stock index)) is a blue chip stock market index consisting of the 40 major German companies trading on the Frankfurt Stock Exchange.

Asia: Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.