

Capital Markets Snapshot

Courtesy of the Davis Financial Group

Week ending December 5, 2025

Last week, markets remained largely steady as investors awaited the upcoming Federal Reserve meeting, with the S&P 500 posting modest gains and remaining just below all-time highs. The probability of a 0.25% rate cut at the December meeting rose to over 95%, driven by contained inflation and a softer near-term economic outlook. The U.S. Treasury yield curve continued to steepen as short-term rates dropped sharply while longer-term yields rose, with the 10-year yield reaching 4.14% partially due to rising Japanese government bond yields and expectations for a more hawkish Bank of Japan. Labor market data was mixed: ADP reported the largest private payroll decline in over two years, but initial jobless claims dropped to a three-year low. Inflation data showed core PCE rising 2.8% year-over-year, slightly below expectations, while consumer sentiment improved modestly. Equity markets consolidated after a strong November, with the S&P 500 up 18% year-to-date and the Nasdaq up 23%. As we approach year-end, some potential markets will be closely watching this week's Fed rate decision and the delayed November jobs report. Reviewing portfolios for potential rebalancing may be prudent as equity gains may have shifted expected allocations.

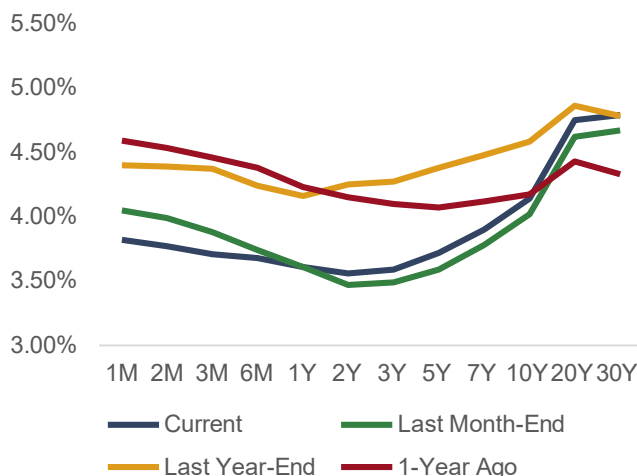
Fixed Income Markets Overview

- The yield curve steepened sharply last week as rates with less than 1-year to maturity fell between 6 and 23 basis points and rates longer than 1-year rose 9 to 13 bps.
- All eyes will be on this week's Federal rate decision, as expectations have been shifting drastically in recent weeks. As of Friday, markets were pricing in a 96% probability of a 25 basis points cut. Market pricing now anticipates about 3.3 Fed rate cuts through the end of 2026, down from 3.7 the prior week.
- Japanese government bond yields surged, with 10-year JGBs hitting an 18-year high, impacting global yield dynamics.
- Inflation expectations moderated, with University of Michigan data showing year-ahead inflation expectations dropping to 4.1%. The Fed's preferred inflation gauge (core PCE) rose 2.8% year-over-year, slightly below estimates.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
Short	1-3 Year Govt/Credit	-0.1%	4.9%	4.7%	1.9%
	Core Plus				
	Intermediate Govt/Credit	-0.3%	6.6%	4.8%	1.0%
	International Aggregate	-0.2%	7.6%	3.4%	-2.0%
	US Aggregate	-0.5%	6.9%	4.2%	-0.3%
	US Treasury	-0.6%	6.0%	3.2%	-0.9%
	US TIPS	-0.4%	7.0%	3.6%	1.4%
	US Corporate	-0.5%	7.5%	5.5%	0.0%
	US Corporate High Yield	0.1%	8.1%	9.4%	4.6%
Other	Emerging Markets Aggregate	0.0%	10.6%	8.6%	1.6%
Muni	US Municipals	-0.1%	4.0%	3.7%	0.9%
	US Municipals High Yield	-0.3%	2.4%	5.5%	2.4%

Source: Bloomberg as of December 5, 2025

U.S. Treasury Yield Curve



Source: Bloomberg and U.S Treasury as of December 5, 2025

Interest Rates (%)

Date	12/5/2025	11/28/2025	12/31/2024	12/5/2024
Federal Funds Rate	3.82%	4.05%	4.40%	4.59%
3 Month Treasury	3.71%	3.88%	4.37%	4.46%
6 Month Treasury	3.68%	3.74%	4.24%	4.38%
2 Year Treasury	3.56%	3.47%	4.25%	4.15%
5 Year Treasury	3.72%	3.59%	4.38%	4.07%
10 Year Treasury	4.14%	4.02%	4.58%	4.17%
30 Year Treasury	4.79%	4.67%	4.78%	4.33%
US Aggregate	4.35%	4.27%	4.91%	4.62%
US Corporate	4.84%	4.76%	5.33%	5.02%
US Corporate High Yield	6.58%	6.57%	7.49%	7.08%
US Municipal	3.60%	3.58%	3.74%	3.39%
US Municipal High Yield	5.67%	5.64%	5.52%	5.23%

Spreads Over 10-Year US Treasuries

Date	12/5/2025	11/28/2025	12/31/2024	12/5/2024
30 Year Treasury	0.65%	0.65%	0.20%	0.16%
US Aggregate	0.21%	0.25%	0.33%	0.45%
US Corporate	0.70%	0.74%	0.75%	0.85%
US Corporate High Yield	2.44%	2.55%	2.91%	2.91%
US Municipal	-0.54%	-0.44%	-0.84%	-0.78%
US Municipal High Yield	1.53%	1.62%	0.94%	1.06%

Source: Bloomberg and U.S. Treasuries as of December 5, 2025

Equity Markets Overview

- US equities were up last week, as the tech-heavy Nasdaq edged out the S&P 500 and Dow Jones on the week. Markets are priced near record highs as the S&P 500 and Dow closed within 1% of their prior ATHs, while the Nasdaq finished less than 2% below its peak.
- Q3 S&P 500 earnings grew 13.4% year-over-year, marking the fourth straight quarter of double-digit growth.
- Sector performance was mixed last week. Utilities and Healthcare fell sharply, posting losses of 4.5% and 2.7%, respectively. Energy and Technology sectors posted the largest gains of 1.4%.
- Small caps slightly edged out their large and mid-cap peers. On a YTD basis, the recent dominance of large cap and growth stocks continues through 2025.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
All-Cap	S&P 1500	0.4%	17.4%	20.6%	14.4%
Large-Cap	S&P 500	0.4%	18.2%	21.5%	14.9%
	S&P 500 Growth	0.8%	23.3%	27.2%	15.8%
	S&P 500 Value	-0.1%	12.6%	14.8%	13.0%
Mid-Cap	S&P Midcap 400	0.4%	7.8%	11.5%	9.8%
	S&P Midcap 400 Growth	0.4%	8.1%	12.4%	8.0%
	S&P Midcap 400 Value	0.4%	7.6%	10.6%	11.5%
Small-Cap	S&P Smallcap 600	0.6%	6.7%	8.8%	8.1%
	S&P Smallcap 600 Growth	0.3%	6.8%	9.4%	6.8%
	S&P Smallcap 600 Value	0.9%	6.6%	8.2%	9.3%
Int'l.	MSCI ACWI ex-USA	0.9%	29.8%	15.7%	8.0%
	MSCI EM	1.4%	31.5%	14.8%	4.6%

Source: Bloomberg as of December 5, 2025

Alternative Markets Overview

- Oil prices edged up to a two-week high on Friday on increasing expectations the U.S. Federal Reserve will cut interest rates next week as well as increased geopolitical uncertainty that could limit supplies from Russia and Venezuela.
- Gold posted a modest 0.3% loss last week, but saw a strong Friday rally as markets reacted to increasing expectations of an upcoming Federal Reserve rate cut.

Name	1W	YTD	3Y (Ann.)	5Y (Ann.)
S&P GSCI	1.9%	9.5%	5.7%	16.3%
Gold	-0.3%	60.7%	33.6%	18.2%
FTSE All Equity NAREIT	-1.6%	2.8%	5.4%	4.9%
Bitcoin	-2.1%	-4.4%	74.1%	36.2%
Ethereum	-1.1%	-9.5%	34.0%	38.7%

Source: Bloomberg as of December 5, 2025



Upcoming Week

- As we wrap up 2025, it is a light week for earnings reports. Two notable releases this week include Oracle and Broadcom.
- Key economic releases this week include the Federal Reserve rate decision, JOLTS October report (delayed by the government shutdown), and weekly jobless claims.

Glossary and Disclosures

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S&P 1500 Index combines three leading indices, the S&P 500, the S&P Midcap 400, and the S&P Smallcap 600, to cover approximately 90% of U.S. equity market capitalization.

S&P 500 Index includes approximately 500 leading companies that covers approximately 80% of available U.S. equity market capitalization.

S&P 500 Growth Index is a stock index that represents the fastest-growing companies in the S&P 500 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P 500 Value Index is a stock index that represents the companies in the S&P 500 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Midcap 400 Index is distinct from the large-cap S&P 500 and designed to measure the performance of 400 U.S. mid-sized companies, which have differing liquidity and growth potential than large and small cap companies.

S&P Midcap 400 Growth Index is a stock index that represents the fastest-growing companies in the S&P Midcap 400 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Midcap 400 Value Index is a stock index that represents the companies in the S&P Midcap 400 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Smallcap 600 Index measures the performance of 600 small-sized U.S. companies to reflect the small-cap segment of the U.S. equity market, which is typically known for less liquidity than large cap stocks.

S&P Smallcap 600 Growth Index is a stock index that represents the fastest-growing companies in the S&P Smallcap 600 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Smallcap 600 Value Index is a stock index that represents the companies in the S&P Smallcap 600 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

MSCI ACWI ex-US Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries.

MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries.

S&P GSCI is broad-based and production weighted to represent the global commodity market beta. The index is designed to be investable by including the most liquid commodity futures.

S&P GSCI Gold a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold future.

FTSE All Equity NAREIT Index contains all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria.

Bitcoin USD Spot Exchange Rate measures the last price of 1 Bitcoin in USD.

Bloomberg Galaxy Bitcoin Index is designed to measure the performance of a single bitcoin traded in USD.

Ethereum USD Spot Exchange Rate measure the last price of 1 Ethereum in USD.

Bloomberg Galaxy Ethereum Index is designed to measure the performance of a single Ethereum traded in USD.

Bloomberg Barclays 1-3 Year Govt/Credit Index is the 1-3 Yr. component of the U.S. Government/Credit index, which includes securities in the Government, which includes treasuries and agencies debt securities, and Credit Indices, which includes publicly issued U.S. corporate and foreign debt that meet specified maturity, liquidity, and quality requirements.

Bloomberg Intermediate US Government/Credit Bond Index is a broad-based flagship benchmark that measures the non-securitized component of the US Aggregate Index with less than 10 years to maturity; this includes investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities

Bloomberg Barclays Global Aggregate Bond Index provides a broad-based measure of the global investment-grade fixed income markets, with three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices.

Bloomberg Barclays U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

Bloomberg Barclays U.S. Treasury Aggregate Bond Index is the U.S. Treasury component of the U.S. Government index and represents public obligations of the U.S. Treasury with a remaining maturity of one year or more.

Bloomberg US TIPS Index consists of Inflation-Protection securities issued by the U.S. Treasury.

Bloomberg Barclays US Corporate Bond Index is the Corporate component of the U.S. Credit index and represents publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements.

Bloomberg Barclays U.S. Corporate High Yield Index covers the universe of fixed rate, non-investment grade debt.

Bloomberg Barclays Emerging Markets Bond Index is broad-based with country eligibility and classification as an Emerging Market being rules-based and reviewed on an annual basis using World Bank income group and International Monetary Fund (IMF) country classifications.

Bloomberg Barclays U.S. Municipal Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market.

Bloomberg Barclays US High Yield Municipal Index is an unmanaged index of noninvestment-grade municipal debt securities, which provides a representation of the performance of US high-yield tax-exempt bonds.

Federal Funds Rate is the interest rate at which depository institutions trade federal funds (balances held at Federal Reserve Banks) with each other overnight.

U.S. Treasury Securities are issued by the federal government and are considered to be among the safest investments you can make, because all Treasury securities are backed by the "full faith and credit" of the U.S. government.

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