

THE ECONOMY AT A GLANCE

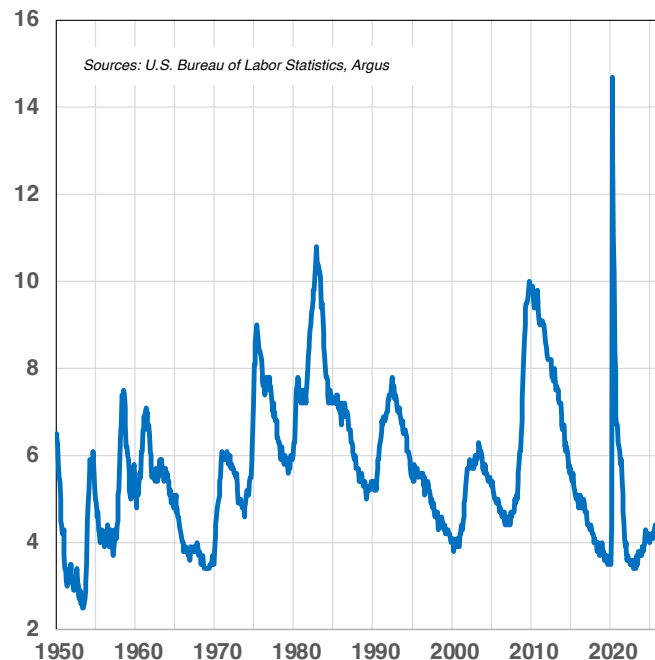
ECONOMIC HIGHLIGHTS

December 1, 2025
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PAYROLLS POP

The Bureau of Labor Statistics (BLS) released the long-awaited Employment Situation for September, indicating that the U.S. generated 119,000 nonfarm jobs in September and that the job market remained resilient. August's payrolls were revised lower by 26,000 to -4,000 and July was reduced by 7,000 to 72,000. The strong September result and the revisions raised the three-month average to 62,000 from 29,000 before the report. The BLS Diffusion Indexes strengthened, indicating that 55.6% of 250 private industries are hiring, up from 49% in August. Manufacturing improved to 52.8% from 47.9%. The September unemployment rate increased to 4.4%. Average hourly earnings increased \$0.09 month to month and are 3.8% higher year over year. The average workweek was unchanged at 34.2 hours. We had expected an unemployment rate of 4.3%, but the increase to 4.4% is not a big surprise. In September, employment continued to rise in healthcare, food services and drinking places, and social assistance. Job losses occurred in transportation and warehousing and in the federal government. The manufacturing sector lost 6,000 jobs. Healthcare and social assistance added 57,100. Federal government employment fell by 3,000, and has declined by 97,000 since January. The BLS reiterated that employees on paid leave or receiving ongoing severance pay are counted as employed in the establishment survey. The BLS will release an employment report covering November on December 16.

U.S. UNEMPLOYMENT RATE (%)

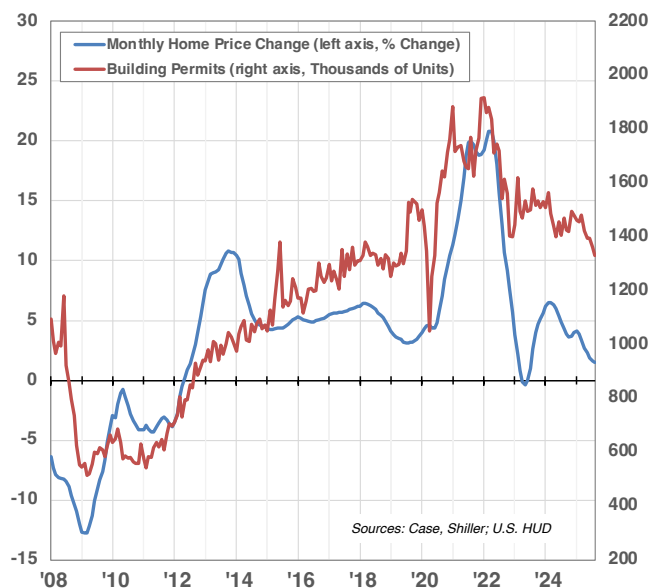


ECONOMIC HIGHLIGHTS (CONTINUED)

GDP IS GROWING WITHOUT HOUSING

Residential fixed investment, the category that includes homebuilding in the GDP report, is poised for an annualized decline of 2.7% in 3Q, this according to the Federal Reserve Bank of Atlanta's GDPNow indicator. The economy is growing without help from housing because consumer spending is solid and investments in artificial intelligence are more than picking up the slack. As a result, residential fixed investment is likely to represent less than 4% of GDP in the third quarter, well below the average of 4.6% since the beginning of 1947. Economists surveyed by the Federal Reserve Bank of Philadelphia expect residential investment to decline by 0.1% next year, with GDP up 1.8%. The forecasters expect housing starts to be 1.35 million in 2026, about the same as in 2025. Remodeling activity, which also contributes to residential investment, is poised to rise 1.9% in 4Q25, 2.4% in 1Q26, 2.1% in 2Q26, and 1.9% in 3Q26, according to the Leading Indicator of Remodeling Activity (LIRA) from the Harvard University Joint Center for Housing Studies. The National Association of Home Builders recently reported a small increase in builder confidence in November. Indices for current single-family sales and traffic of potential buyers were slightly higher, while conditions over the next six months declined.

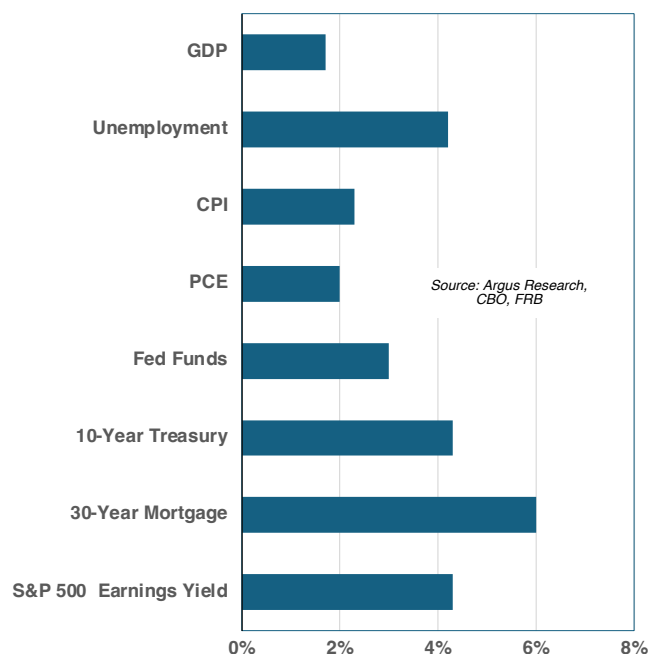
HOUSING MARKET TRENDS



OUR (VERY) LONG TERM FORECASTS FOR 2036

Our long-term forecasts are based on our analysis of estimates published by the Congressional Budget Office, the Federal Reserve Board members and regional bank presidents, and more than 50 economists in the Philadelphia Fed's quarterly Survey of Professional Forecasters. Our estimate of GDP is based on the CBO's economic projections, including GDP building blocks of 0.3% growth in the labor force and 1.4% labor force productivity growth. The Fed's Summary of Economic Projections in September includes "longer-run" forecasts for real GDP growth (1.8%), the unemployment rate (4.2%), PCE inflation (2.0%), and the fed funds rate (3.0%). We based our 4.3% estimate of the 10-year yield on the 200-bps average spread between the Treasury yield and the CPI since 1962. Of note, CPI typically runs higher than PCE because of the manner in which it is constructed. We are using the CBO's estimate of 2.3% for the CPI, which is 30 basis points (bps) above its PCE estimate. The 30-year mortgage rate has averaged 175 bps more than the 10-year Treasury since 1971. Our P/E estimate of 23.3 is based on the Fed model and a 4.3% earnings yield. The CBO estimates put the T-note at 3.7% in 2036, which puts the mortgage rate at 5.45%, and the 2036 P/E at 27-times.

RATES IN 2036

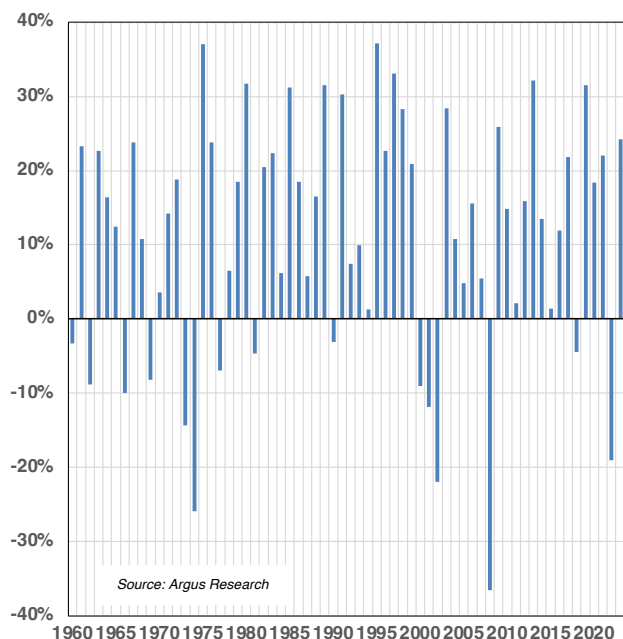


FINANCIAL MARKET HIGHLIGHTS

NOT EASY TO THREE-PEAT

The long-term trend in the U.S. stock market has been higher. By deciles, annual returns most often fall in the 10%-20% range, which has happened 16 times. In second place, perhaps surprisingly, is the 20%-30% range, which has occurred 15 times, including in 2023 and 2024. That said, it can be a challenge for the market to string together three good years in a row. There have been 16 instances since 1960 in which the stock market has risen double-digits at least two years in a row, including a long run of eight years in the 1980s and nine-year streaks in the 1990s and from 2009-2017. What happened in the “year 3” years? Well, the average return in those 16 third years was only 2%, and eight of those years included outright stock market declines. When the stock market did advance in a third year, the average return was 12%, or in line with the historical average. What’s more important, of course, are the fundamentals. Given our outlook for economic expansion into next year, declining interest rates, and positive corporate profit growth, we think the current bull market, now three years old, has room to run, even if the pace of acceleration slows.

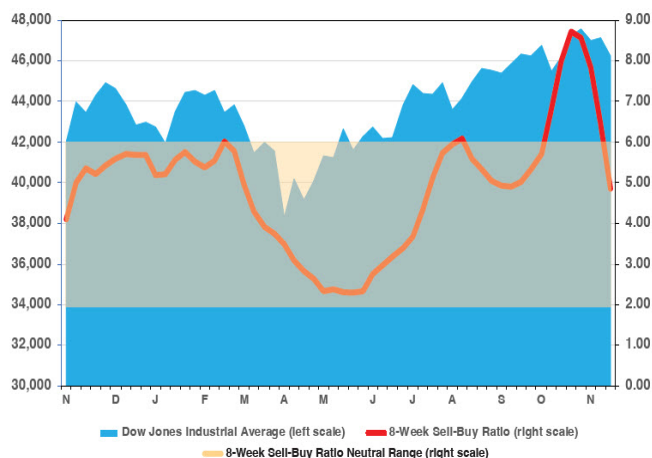
ANNUAL S&P 500 RETURNS



IS AN INSIDER PIVOT UNDERWAY?

Are corporate insiders beginning to see value? Starting in the middle of October, data from Vickers Stock Research provided consistent evidence of very weak insider sentiment. During that month-plus period, stock indices initially held their own, but then flattened, and then started to fall back in response to growing fears related to valuations and interest rates. Volatility spiked as well, and the so-called “AI-trade” came under pressure after a very impressive run that has started to look to some like a bubble. But now, the number of recent insiders sales that meet the criteria for inclusion in the data from Vickers has started to decline (by 2% week over week) and the number of purchases made by insiders has turned up (by 30% week over week). While the volume of transactions still needs to recover to consistently meaningful levels (as earnings season ends), it does appear that insiders are starting to see selective opportunities. Turning to the numbers, a sell/buy ratio from Vickers is bullish at 2.00 or lower. Vickers’ eight-week ratios still have ground to cover before they can meet that criteria, with the NYSE eight-week reading at 4.40, the Nasdaq reading at 5.31, and the Total (all exchanges) reading at 4.87. But the one-week readings look much better, at 2.46 for the NYSE, 2.13 for the Nasdaq, and 2.21 for the Total ratio.

TOTAL 8-WEEK SELL/BUY RATIO VS. DJIA



No Releases this Week

Previous Week's Releases and Next Week's Releases on next page.

ECONOMIC TRADING CHARTS & CALENDAR (CONTINUED)

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
1-Dec	ISM Manufacturing	November	48.7	49.4	49.0	48.2
	ISM New Orders	November	49.4	49.2	NA	47.4
3-Dec	ISM Services Index	November	52.4	52.0	51.5	NA
	Industrial Production	September	0.8%	0.9%	NA	NA
	Capacity Utilization	September	75.8%	75.7%	77.3%	NA
	Import Price Index	September	0.0%	0.1%	0.4%	NA
5-Dec	PCE Deflator	September	2.7%	2.8%	2.8%	NA
	PCE Core Deflator	September	2.9%	2.9%	2.9%	NA
	Personal Income	September	5.1%	5.0%	NA	NA
	Personal Spending	September	5.6%	4.8%	NA	NA
	U. Michigan Sentiment	December	51.0	52.0	51.2	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
16-Dec	Nonfarm Payrolls	November	119K	NA	NA	NA
	Unemployment Rate	November	4.4%	NA	NA	NA
	Average Weekly Hours	November	34.2	NA	NA	NA
	Average Hourly Earnings	November	3.8%	NA	NA	NA
18-Dec	Consumer Price Index	November	3.0%	NA	NA	NA
	CPI ex-Food & Energy	November	3.0%	NA	NA	NA

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