



Chart book

As of December 31, 2025

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An aerial photograph of a bridge spanning a river, with a teal overlay. The bridge is a multi-lane highway bridge with a small car visible in the distance. The river is dark and flows beneath the bridge. The surrounding landscape is rocky and hilly. The teal overlay is a semi-transparent layer that covers the entire image, with a thin horizontal line and a small green square on the bridge. The text "ECONOMIC PERSPECTIVE" is centered in the lower half of the image.

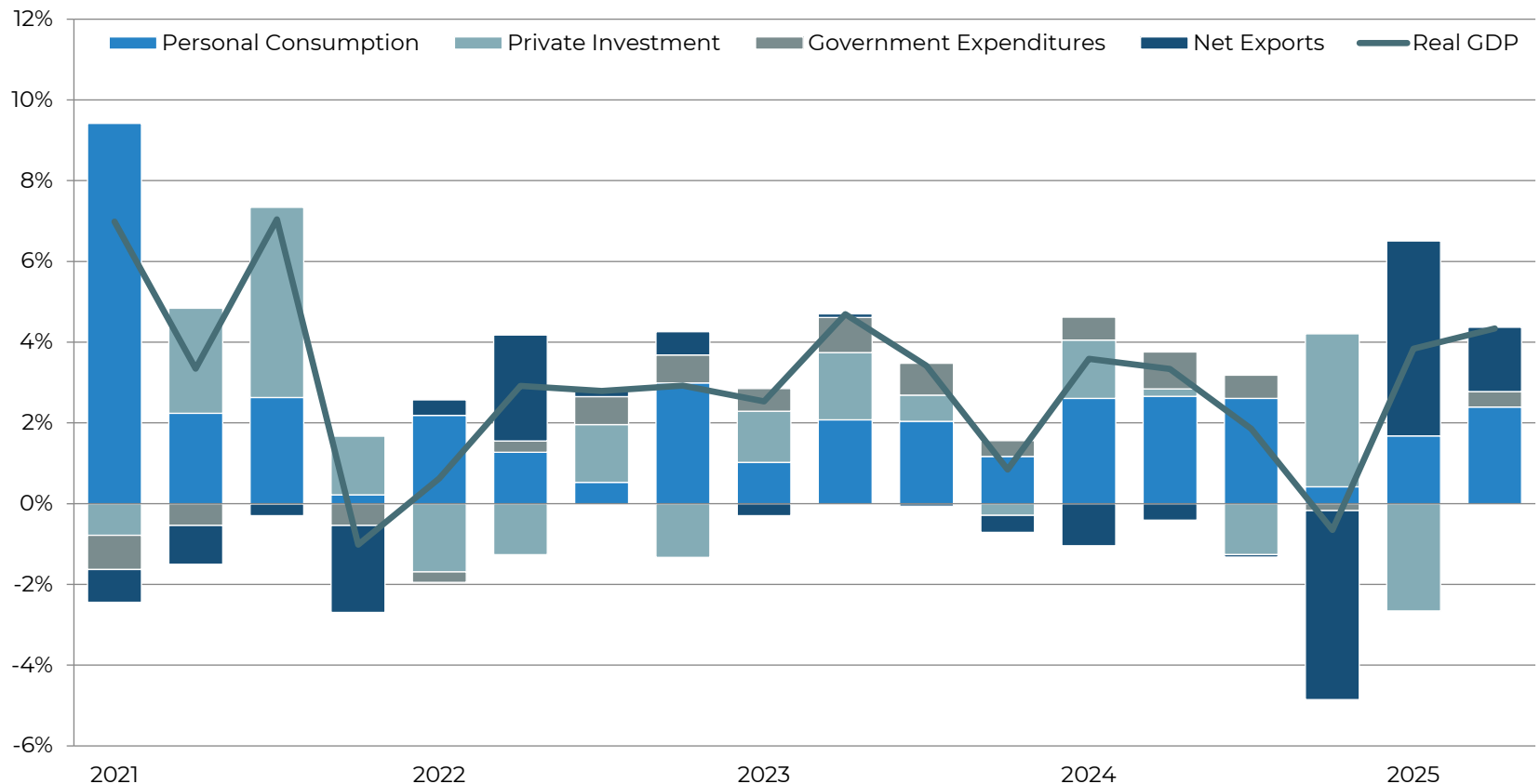
ECONOMIC PERSPECTIVE

A series of concentric circles in a light green color, located in the bottom right corner of the image. The circles are of varying radii and are centered on a point near the bottom right edge.

The U.S. economy grew at a robust 4.3% annualized rate in the third quarter, far exceeding expectations and marking the strongest growth since Q3 2023. The expansion was driven mainly by consumer spending, particularly on healthcare - which alone added 0.8% to GDP - and on information-processing equipment such as consumer electronics. Government spending, led by federal defense outlays, contributed an additional 0.4%, while exports rose and imports fell. However, business investment slowed and consumer confidence dropped sharply in December to near five-year lows, signaling potential weakness ahead. Economists caution that slower consumer spending and the effects of the recent government shutdown are likely to weigh on growth in the final quarter of 2025.

Economic Growth

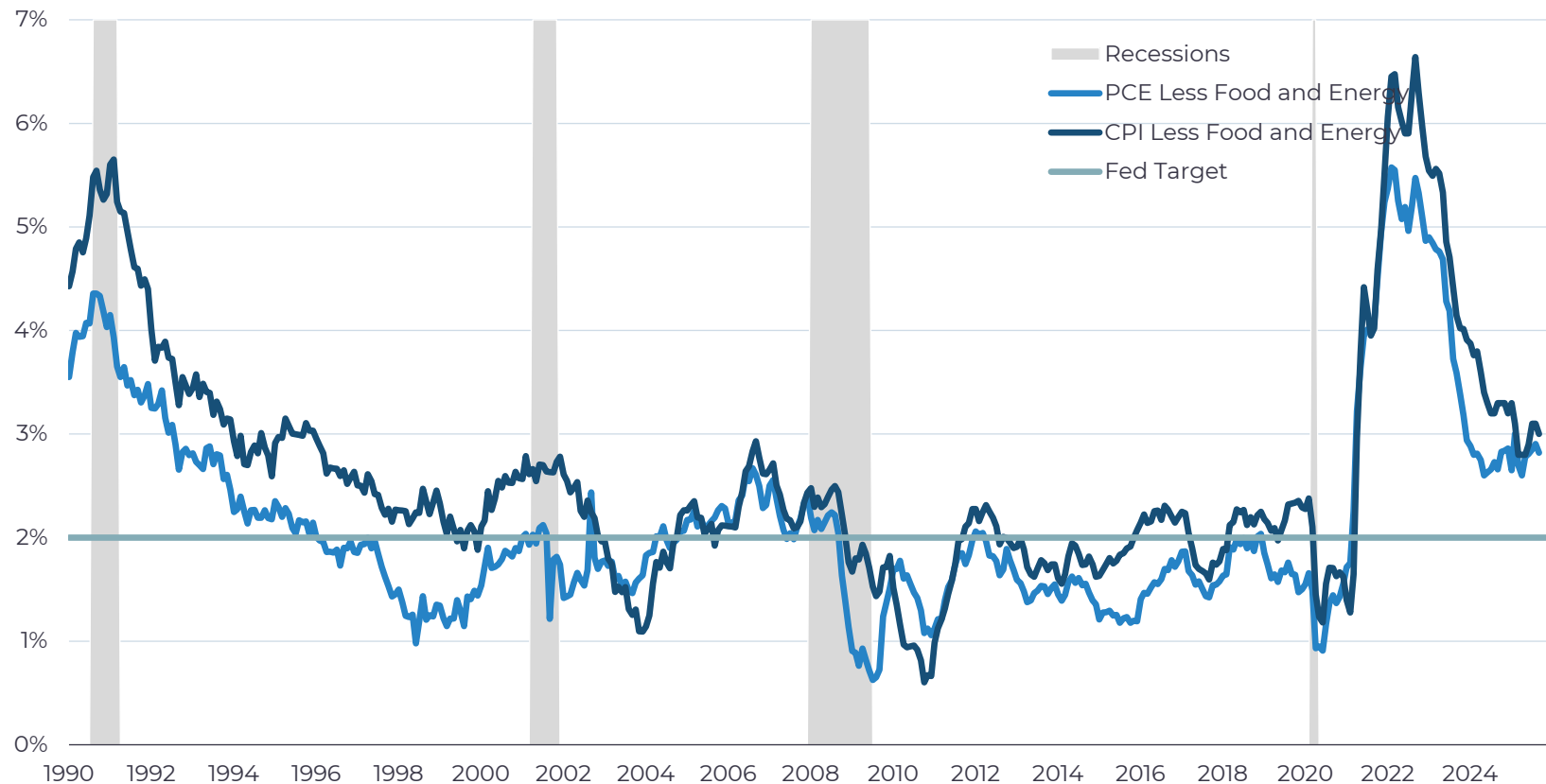
Contributions to Percent Change in Real GDP (Annualized Q/Q % Change)



Wall Street economists cautioned that November's surprisingly low U.S. inflation figures may be unreliable due to data disruptions from the recent government shutdown. Headline inflation fell to 2.7% year over year and core inflation to 2.6%, both well below expectations. Because the shutdown halted data collection for six weeks, the Bureau of Labor Statistics was forced to estimate or hold some prices unchanged - particularly in housing, a major component of inflation - potentially creating a downward bias. Analysts also noted that post-shutdown survey timing and Black Friday discounts may have further depressed readings. Economists expect inflation to rise again in coming months as full data collection resumes.

Inflation Outlook

Consumer Price Index (Core) and Personal Consumption Expenditures Price Index (Core) (Y/Y % Change)

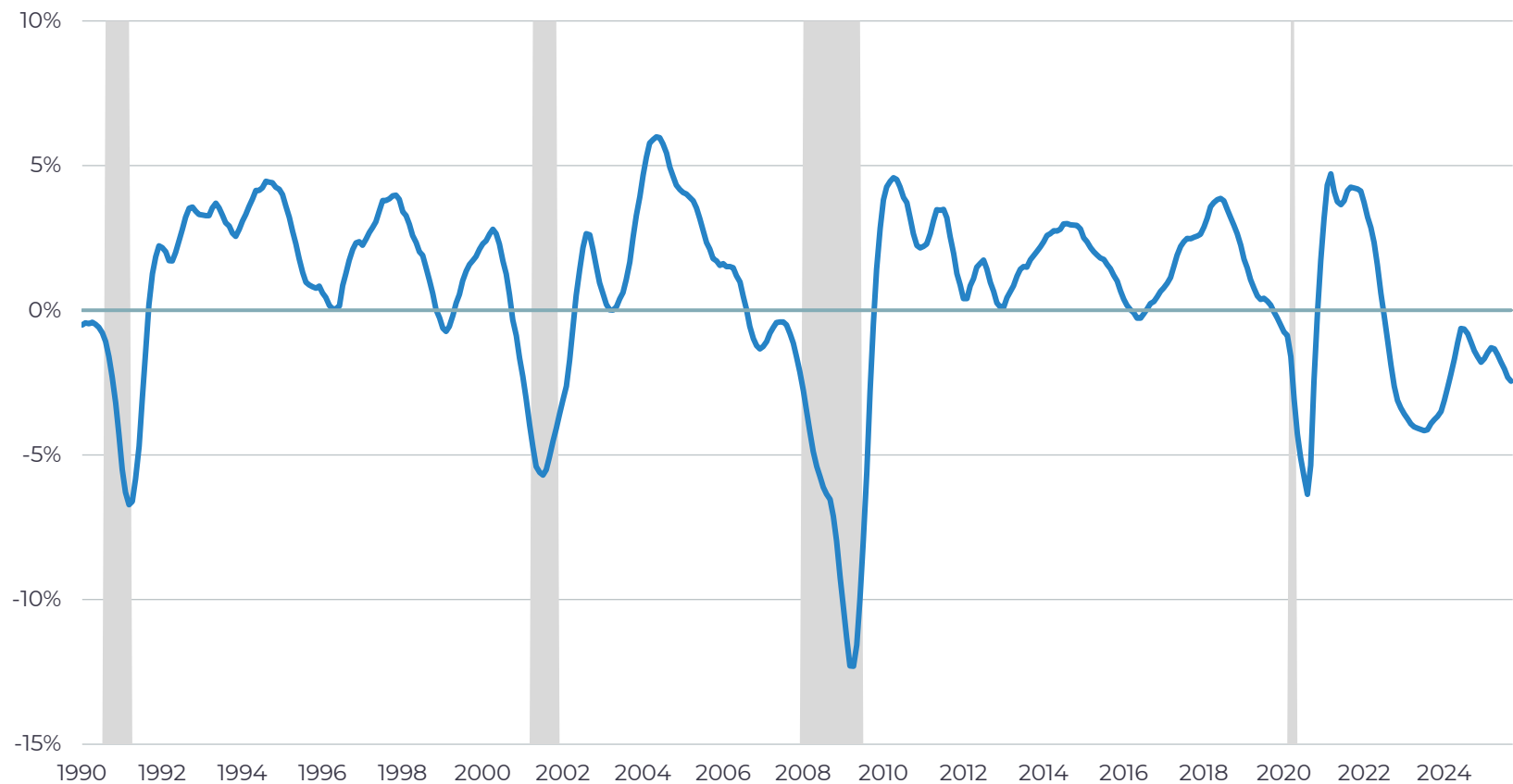


Note:

Due to the recent U.S. federal government shutdown, all further releases for The Conference Board Leading Economic Index® of the U.S. (U.S. LEI) data may be delayed. The Conference Board will resume publication once updated U.S. federal government data are released.

U.S. Economic Outlook

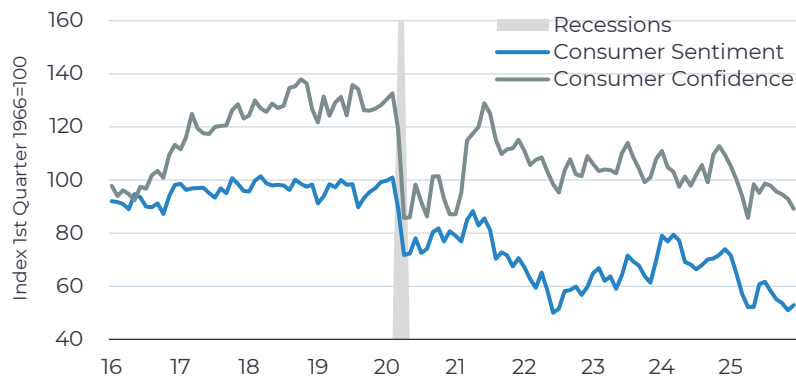
Leading Economic Index (Six-Month Moving Average of the Six-Month Rate of Change)



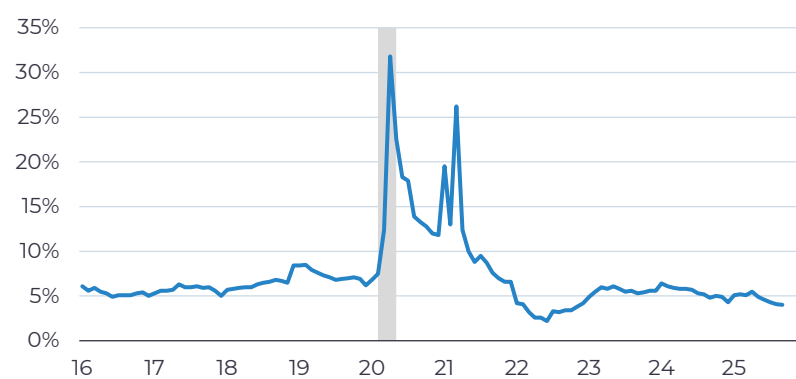
The Conference Board Consumer Confidence Index® declined in December, reflecting a sharp drop in perceptions of current business and labor market conditions, while expectations for the future remained weak and continued to signal elevated recession risk. Confidence stayed well below earlier 2025 levels despite some improvement after the government shutdown. Consumers grew more negative about their current financial situation for the first time in nearly four years, even as optimism about future finances, stock prices, and inflation trends improved modestly. Spending intentions became more cautious, with reduced plans for big-ticket purchases and travel, and a continued shift toward essential services and lower-cost, value-oriented spending.

Consumer Outlook

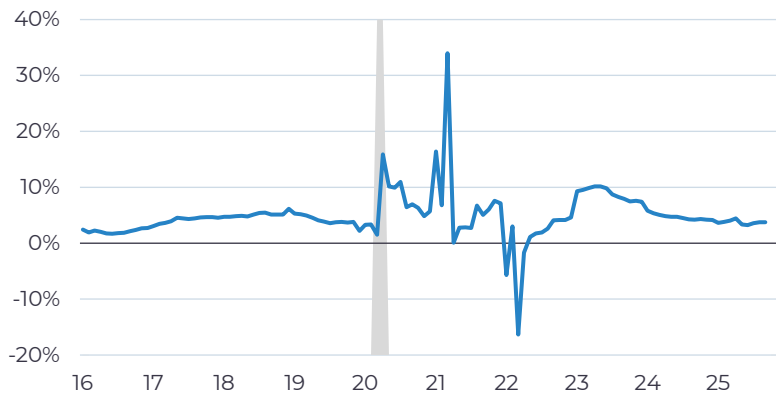
Consumer Sentiment & Confidence Indexes



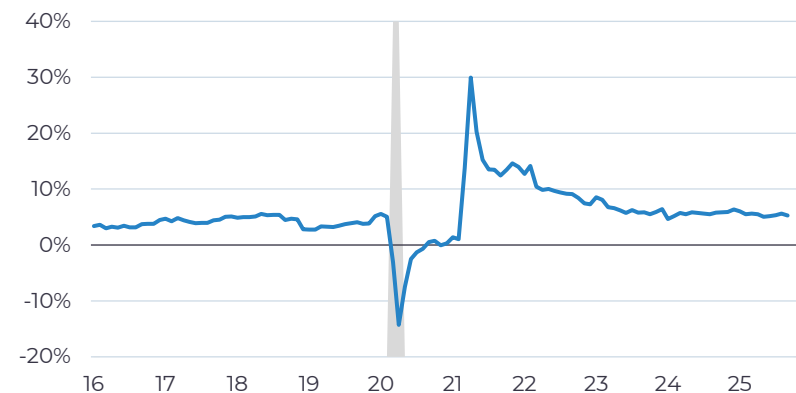
Personal Saving Rate (Seasonally Adjusted Annual Rate)



Disposable Personal Income (Y/Y % Change)



Personal Consumption Expenditures (Y/Y % Change)

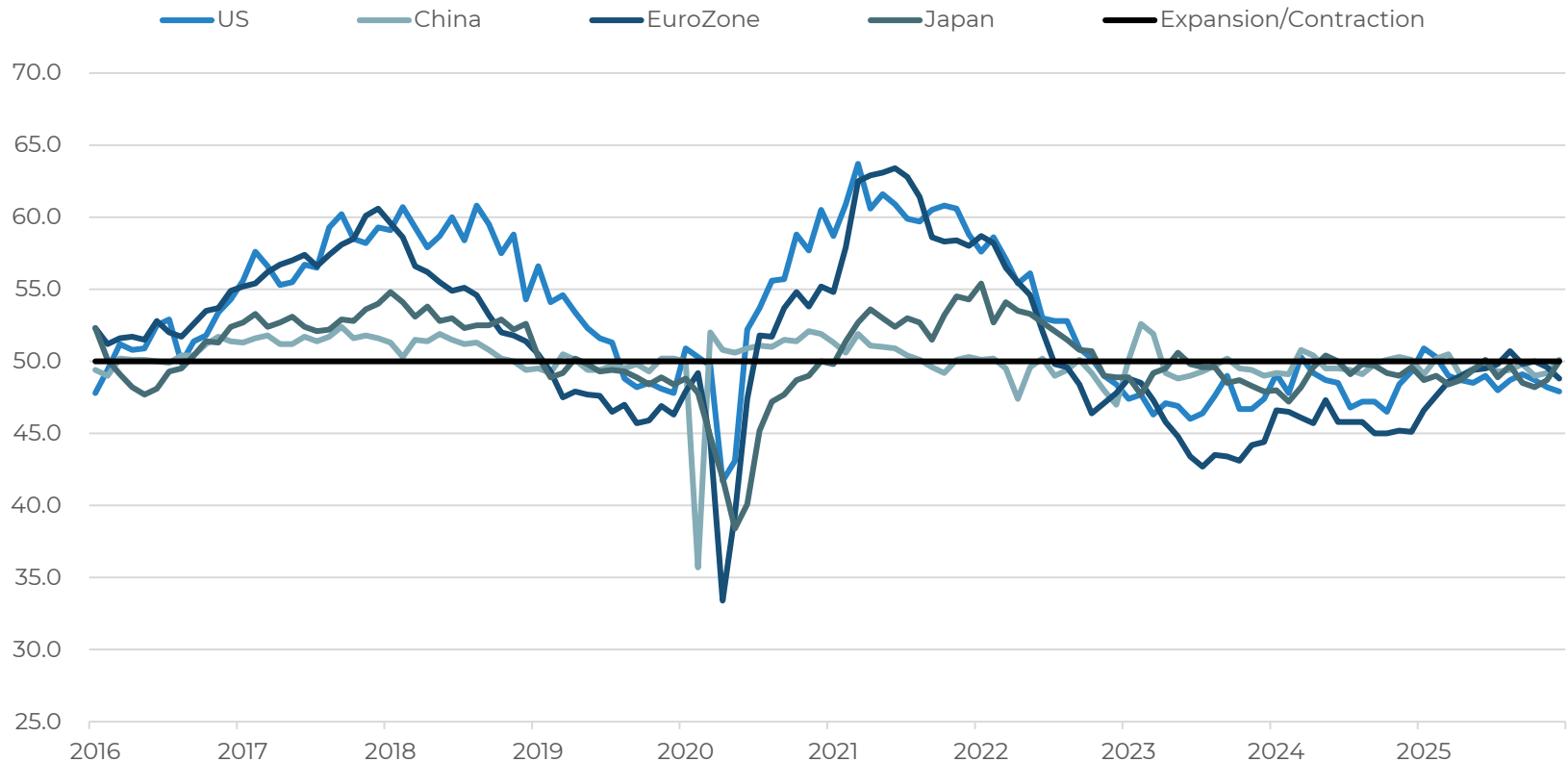


Source: Thomson Reuters/University of Michigan, Conference Board, U.S. Bureau of Economic Analysis (Reported monthly)

Global economic growth slowed at the end of 2025, with output and new orders easing. The J.P. Morgan Global Composite PMI fell to 52.0, it's lowest in six months, but remained above the 50.0 expansion threshold. Services outpaced manufacturing, led by financial services, while 11 of 14 countries saw growth - India, Spain, and Ireland performed best while China, the Euro area, Japan, and the UK lagged, and Canada contracted. New orders rose at the slowest pace in six months, with exports declining. Employment was largely stable, with gains in the US, euro area, and Japan offset by cuts in China, the UK, and Russia. Business optimism stayed positive, while input costs and selling prices rose moderately, particularly in services.

Global Economic Outlook

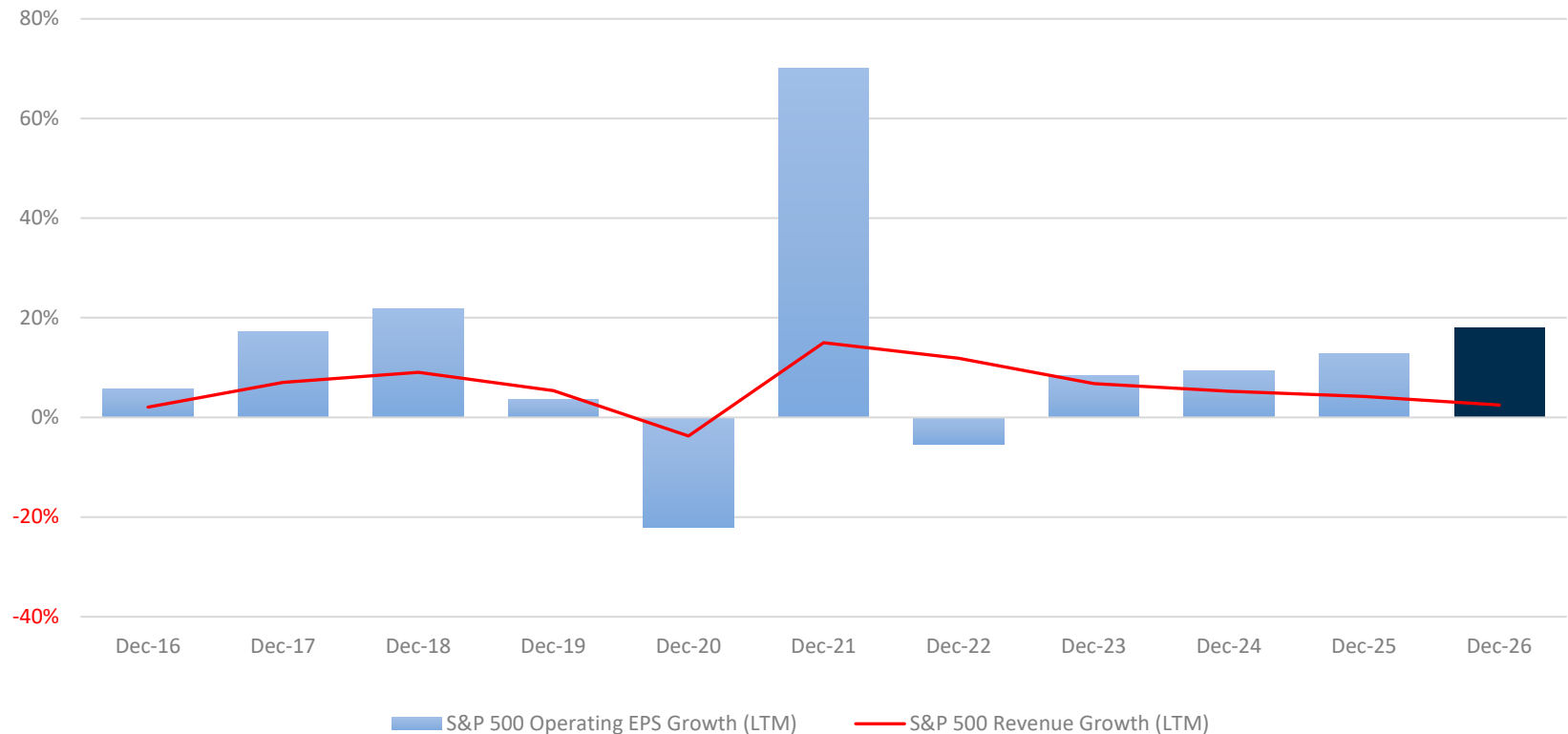
Manufacturing Purchasing Managers Index (PMI) (A PMI over 50 represents growth in manufacturing)



According to FactSet, the bottom-up price target for the S&P 500 over the next 12 months is 8047, which is 16.3% above the closing price of 6921. At the sector level, the Information Technology (+25.0%) sector is expected to see the largest price increase. On the other hand, the Financials (+9.0%) sector is expected to see the smallest price increase. Overall, there are 12,730 ratings on stocks in the S&P 500. Of these 12,730 ratings, 57.7% are Buy ratings, 37.3% are Hold ratings, and 5.0% are Sell ratings. At the sector level, the Information Technology (67%), Energy (65%), Communication Services (64%), and Materials (63%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (45%) and Utilities (48%) sectors have the lowest percentages of Buy ratings.

Corporate Profitability

S&P 500 Operating Earnings Per Share and Revenue Per Share Growth (Y/Y % Change)



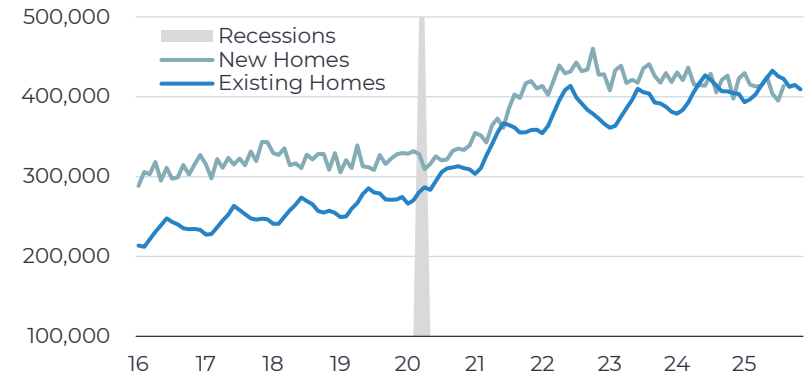
Housing affordability is expected to take center stage in 2026, with President Trump promising “the most aggressive housing reform in history.” The market has struggled for three years, pushing the typical first-time homebuyer to a record 40 years of age. Restoring affordability to 2019 level - when mortgage payments were about 21% of median income - would require extreme changes: mortgage rates dropping to 2.65%, incomes rising 56%, or home prices falling 35%, none of which are likely in 2026. Some combination of smaller changes could help, but meaningful relief remains challenging. Realtor.com forecasts modest improvement, with mortgage rates averaging 6.3%, incomes up 3.6%, and home prices rising 2.2%, lowering mortgage payments slightly below 30% of median income.

Housing Market Outlook

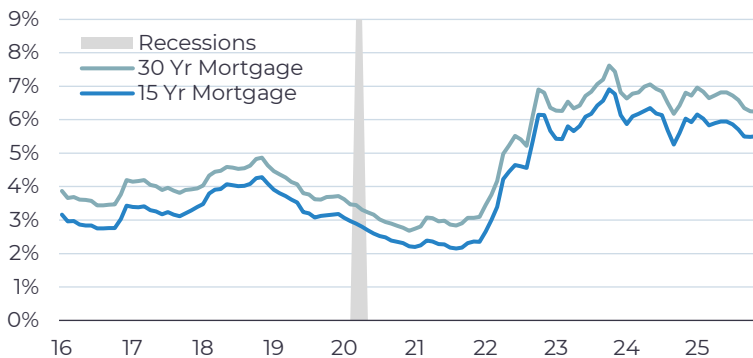
Housing Affordability (higher = more affordable)



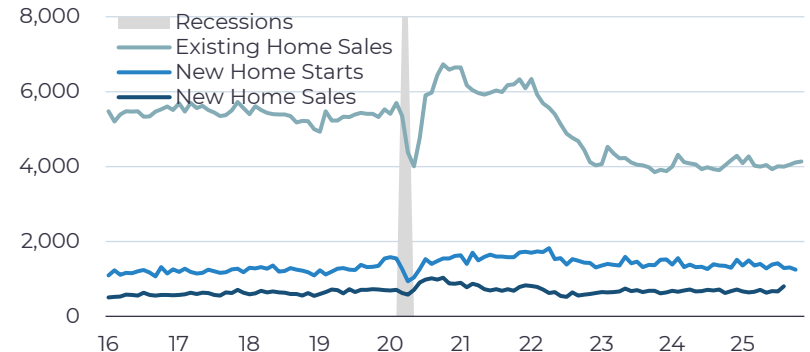
Median Selling Price of New and Existing Homes



Average Fixed Rate Mortgage in the U.S.®



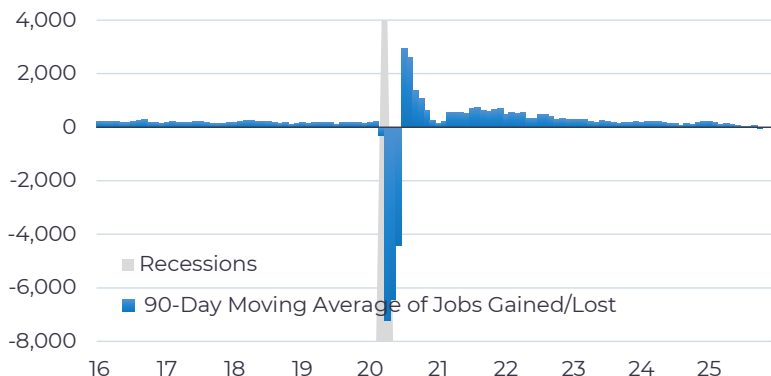
Housing Starts, Existing Home Sales and New Home Sales (000's)



U.S. employment growth slowed sharply in December, with nonfarm payrolls rising just 50,000 - below expectations - while the unemployment rate fell to 4.4%, signaling the labor market remains stable but sluggish. Job losses were concentrated in construction, retail, and manufacturing, while gains were narrow, led by restaurants, healthcare, and social assistance. Total jobs added in 2025 were only 584,000, a third of 2024's gains, reflecting weak hiring momentum and persistent policy and economic headwinds. Despite slow hiring, wages rose 3.8% year-over-year, highlighting ongoing labor shortages in some sectors. Economists describe the labor market as a "low-hire, low-fire" environment, with employers cautious amid trade policies, AI investments, and economic uncertainty.

Labor Market Outlook

Jobs Gained/Lost (000's) with 12-Month Moving Average



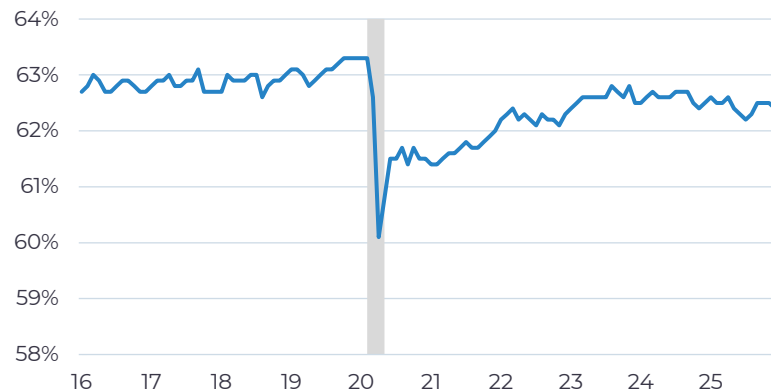
Labor Market Slack (000's)



Wage Growth (Y/Y % Change)



Labor Force Participation Rate



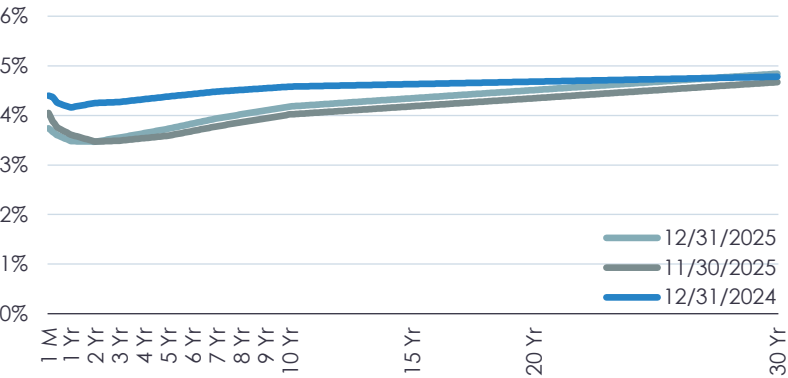
The background is an aerial photograph of a bridge spanning a river, with rocky banks on either side. A solid teal color is overlaid on the entire image. In the center, the text "BOND MARKET PERSPECTIVE" is written in white, bold, sans-serif capital letters. A thin teal horizontal line is positioned directly below the text. At the bottom center, there is a graphic of several concentric teal circles.

BOND MARKET PERSPECTIVE

Global government bond markets diverged in Q4 2025. UK gilts outperformed, supported by a well-received budget and a 25-basis-point rate cut by the Bank of England. U.S. Treasuries saw a steepening yield curve, with longer-term yields rising and short-term yields falling. The Fed cut rates twice during the fourth quarter to 3.5–3.75% amid continued moderate labor demand. Japanese government bonds sold off as yields hit multi-decade highs following a 21.3-trillion-yen fiscal stimulus and a 25-basis-point BoJ rate hike. Eurozone bonds were mixed, with peripheral markets like Italy outperforming, while German yields rose as the ECB revised growth and inflation forecasts but held rates. Investment-grade credit markets delivered positive returns, with U.S. spreads initially widening on bank concerns.

U.S. Treasury Market

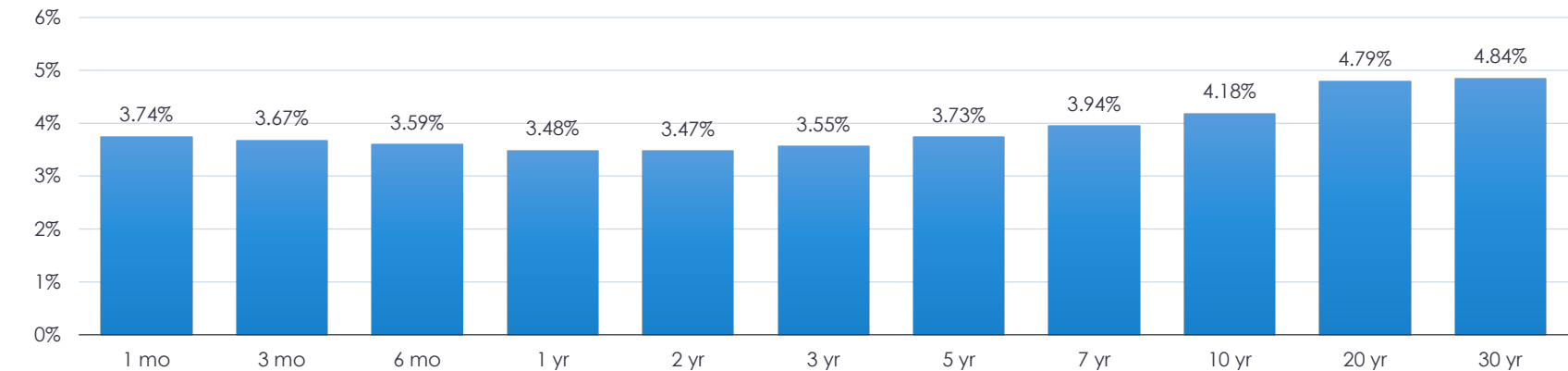
U.S Treasury Yield Curve



Historical U.S. 10-Year Treasury Rate

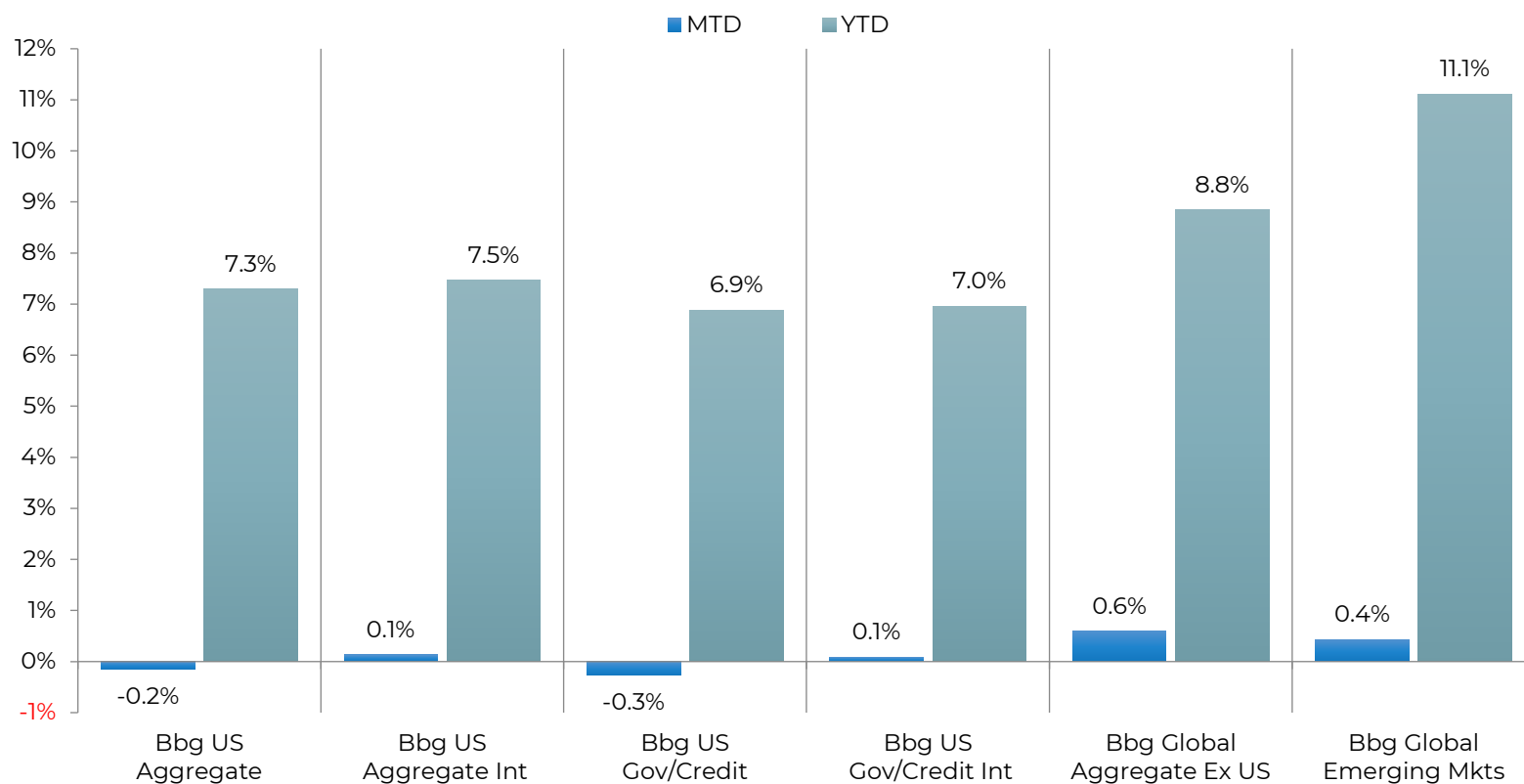


Current U.S. Treasury Yields by Maturity



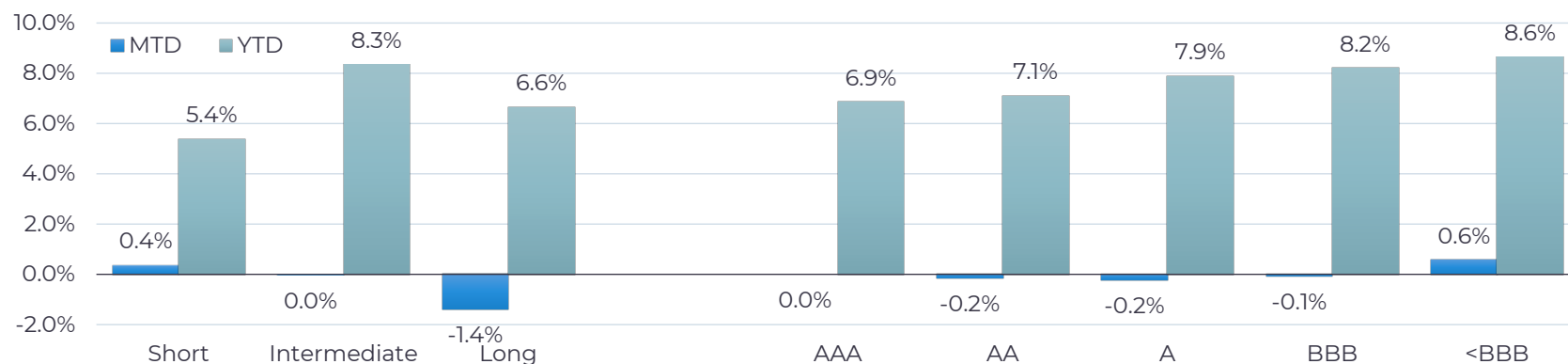
Source: U.S. Department of Treasury

Global Fixed Income Returns by Bellwether Index

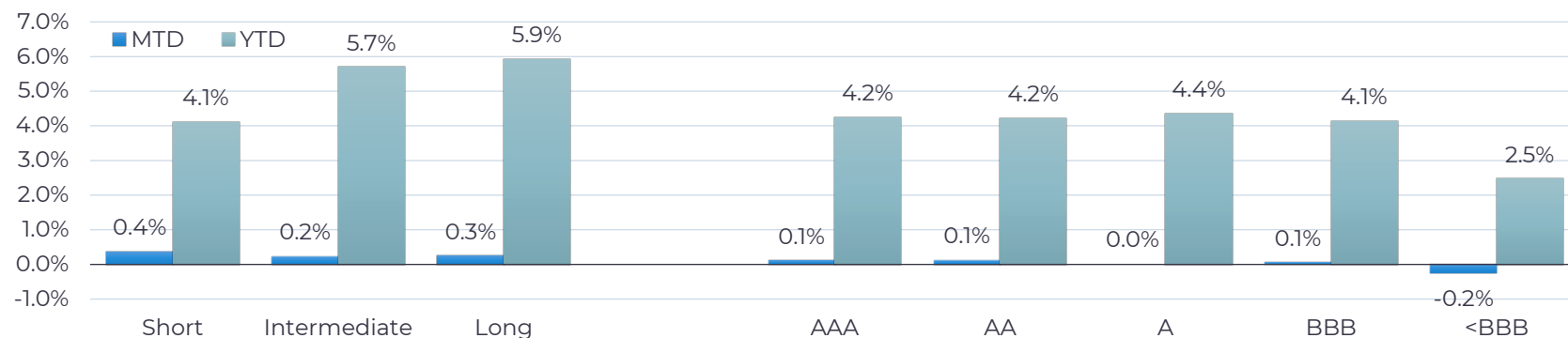


Domestic Fixed Income Returns by Maturity and Credit Quality

Domestic Bond Market - Taxable

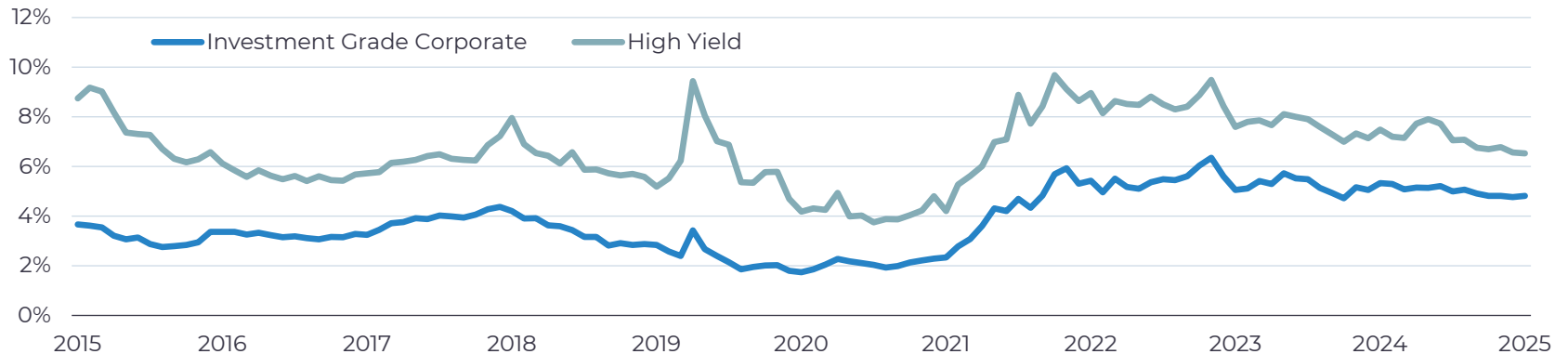


Domestic Bond Market - Municipal

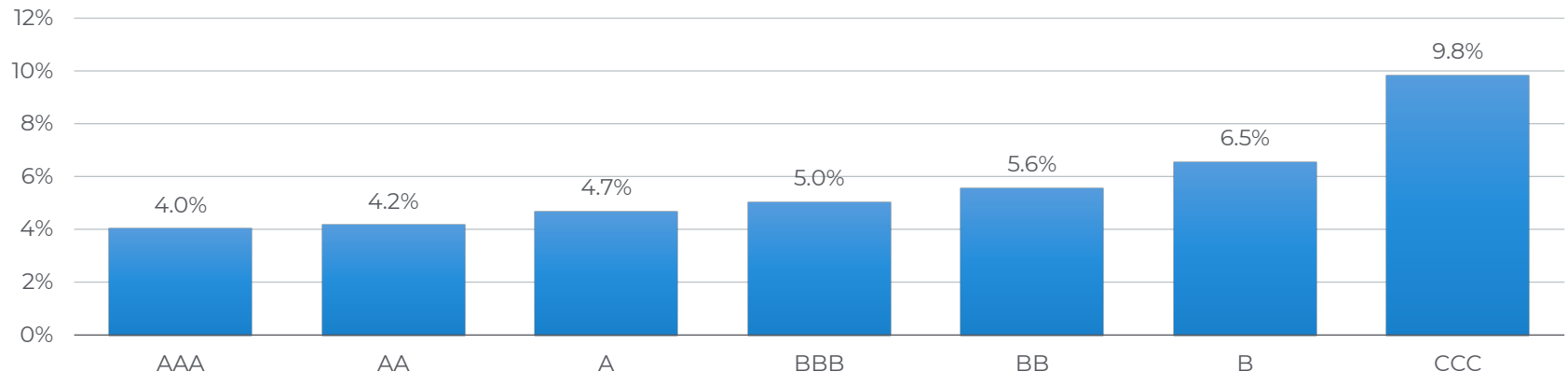


Domestic Fixed Income Bond Yields

Historical Corporate Bond Market Yield to Worst



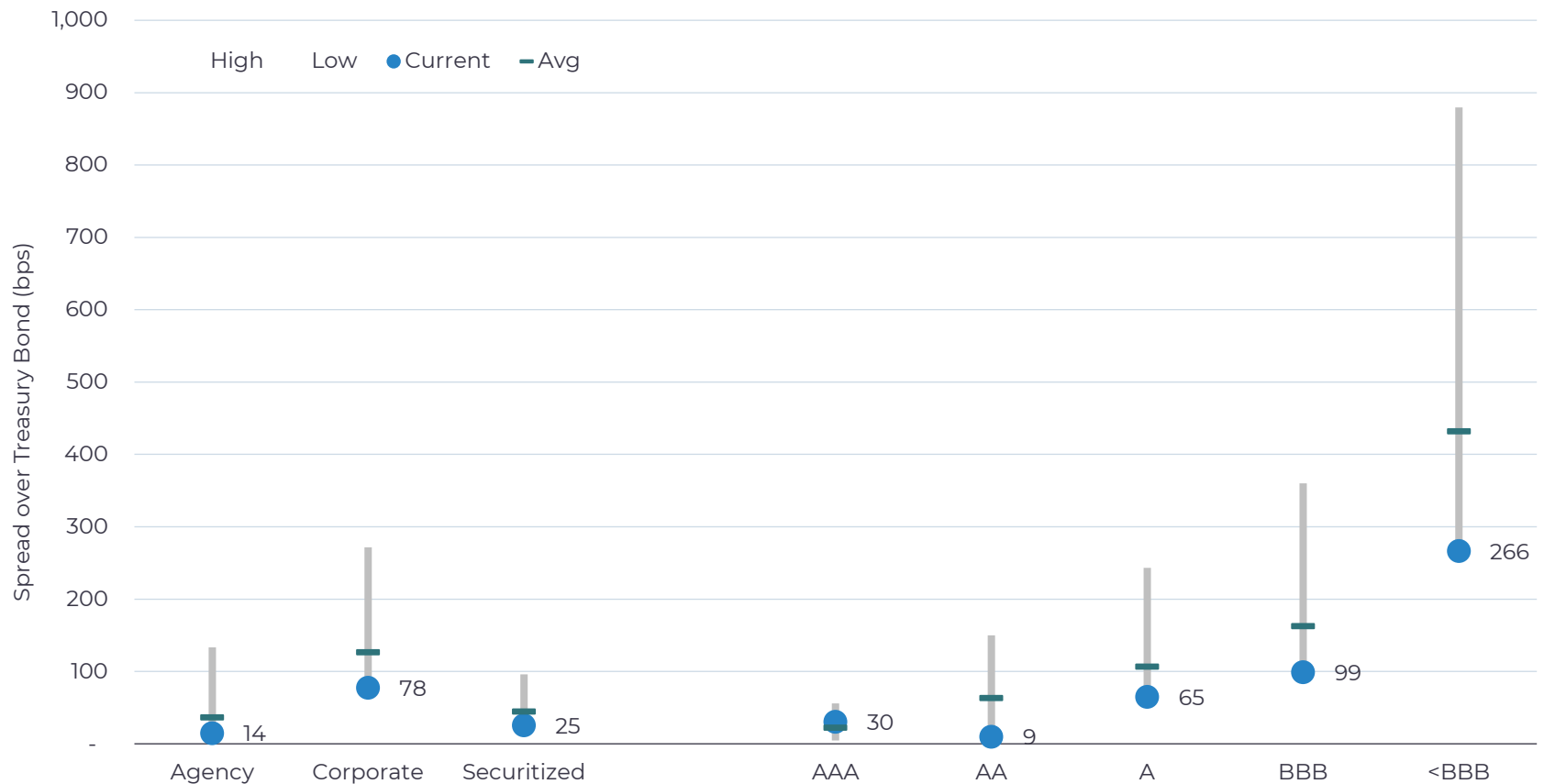
Current Corporate Bond Market Yields by Credit Quality



Investment Grade Corporate bonds are represented by the Bloomberg Barclays U.S. Corporate Investment Grade index. High Yield bonds are represented by the Bloomberg Barclays U.S. Corporate High Yield index. Source: Bloomberg Barclays

Domestic Fixed Income Bond Spreads

Current Bond Spreads Compared to 15-Year Range and 15-Year Average



The length of each bar represents the Range of the highest and lowest spread to the Treasury benchmark over the past 15 years. Average represents the average spread over the past 15 years. Current represents the most recent month. Source: Bloomberg Barclays

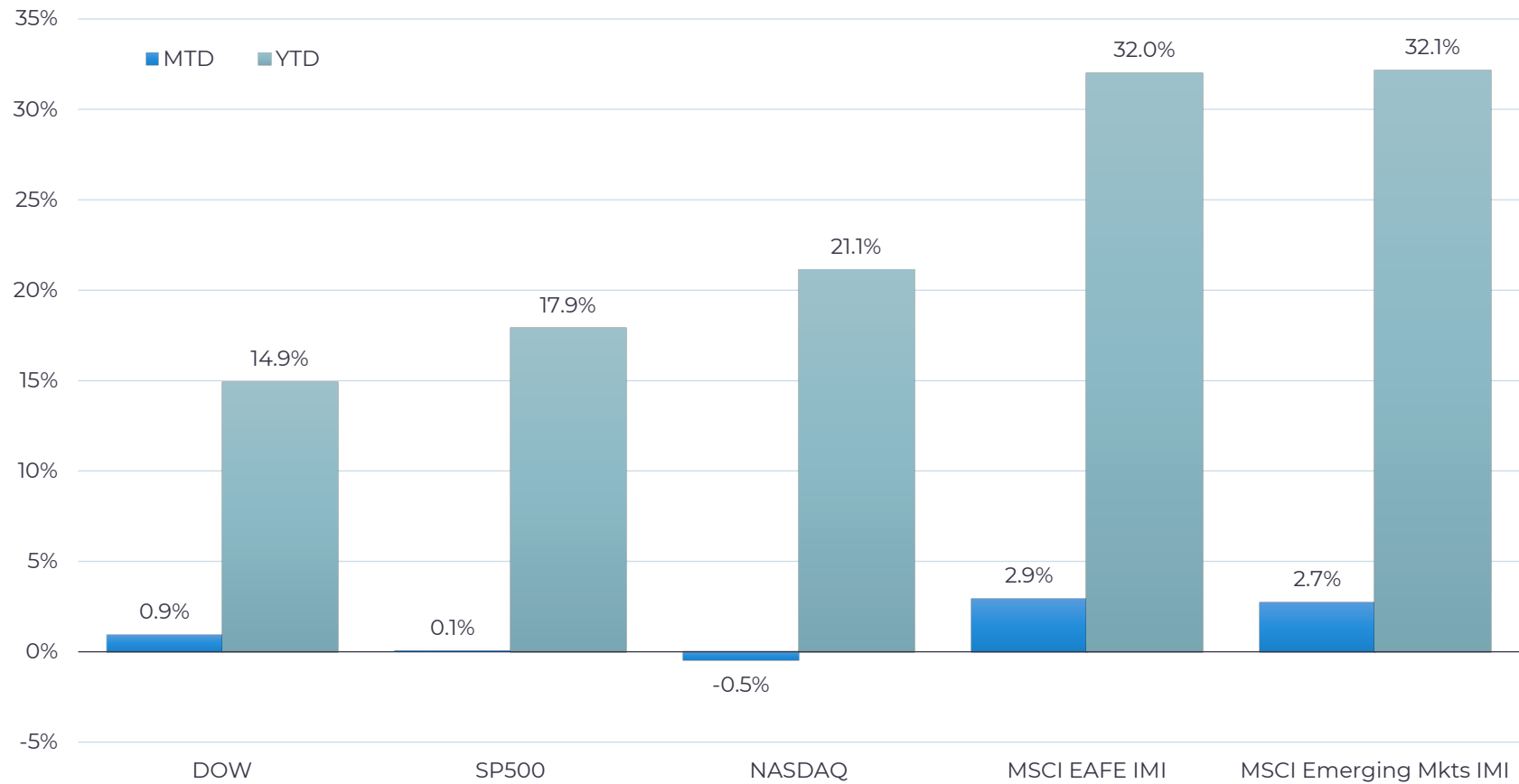


EQUITY MARKET PERSPECTIVE

Global equity markets ended 2025 with strong gains, led by non-U.S. stocks benefiting from a weaker dollar, attractive valuations, and rotation away from U.S. technology. Solid earnings, easing inflation, and expectations of further rate cuts supported sentiment. The S&P 500 rose ~18%, led by tech and communication services, with some broadening to cyclical and defensive sectors. International Developed markets gained 32%, while emerging markets led the pack returning 32.1% for the year. Investor optimism remained strong, though concerns about high valuations, policy, and geopolitical risks persisted heading into 2026.

Global Equity Returns by Bellwether Index

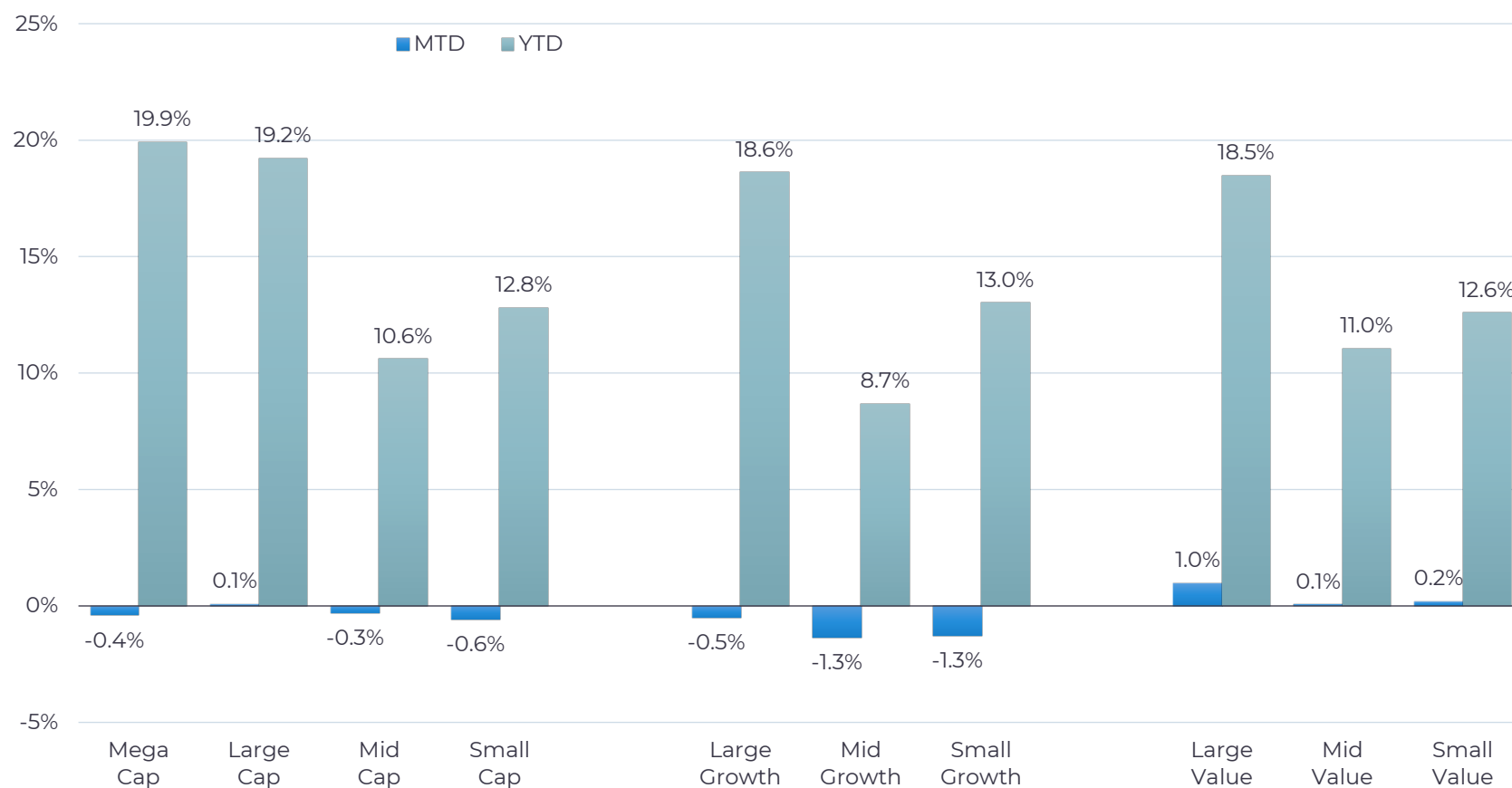
Global Equity Markets



Source: S&P Dow Jones, NASDAQ, MSCI

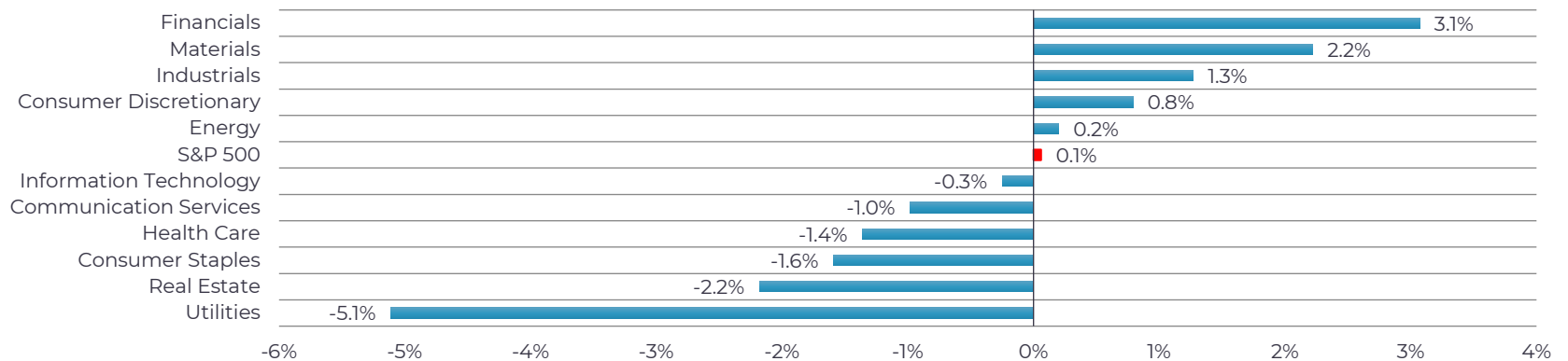
Domestic Equity Returns by Market Cap & Style

Domestic Equity Markets

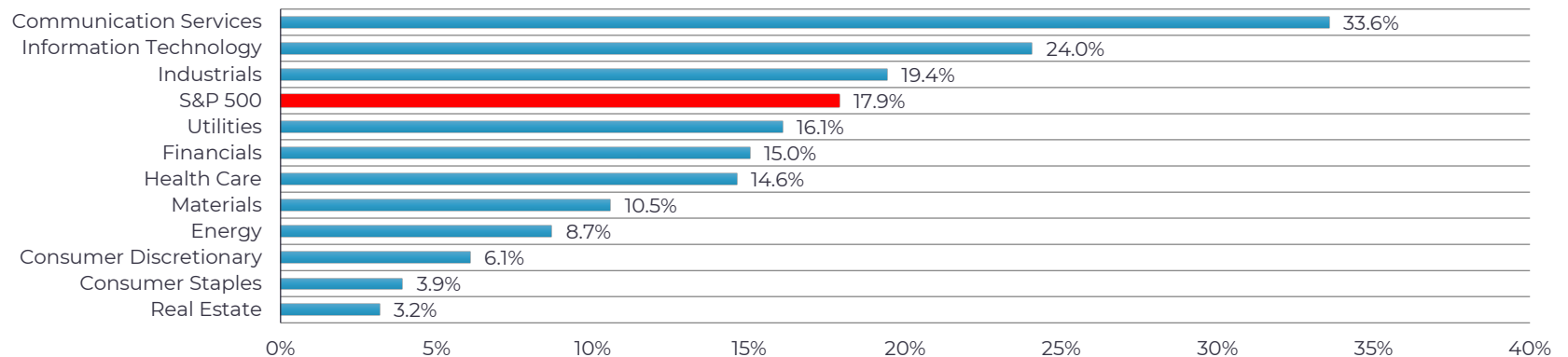


Domestic Equity Returns by Sector

MTD S&P 500 Returns by Sector

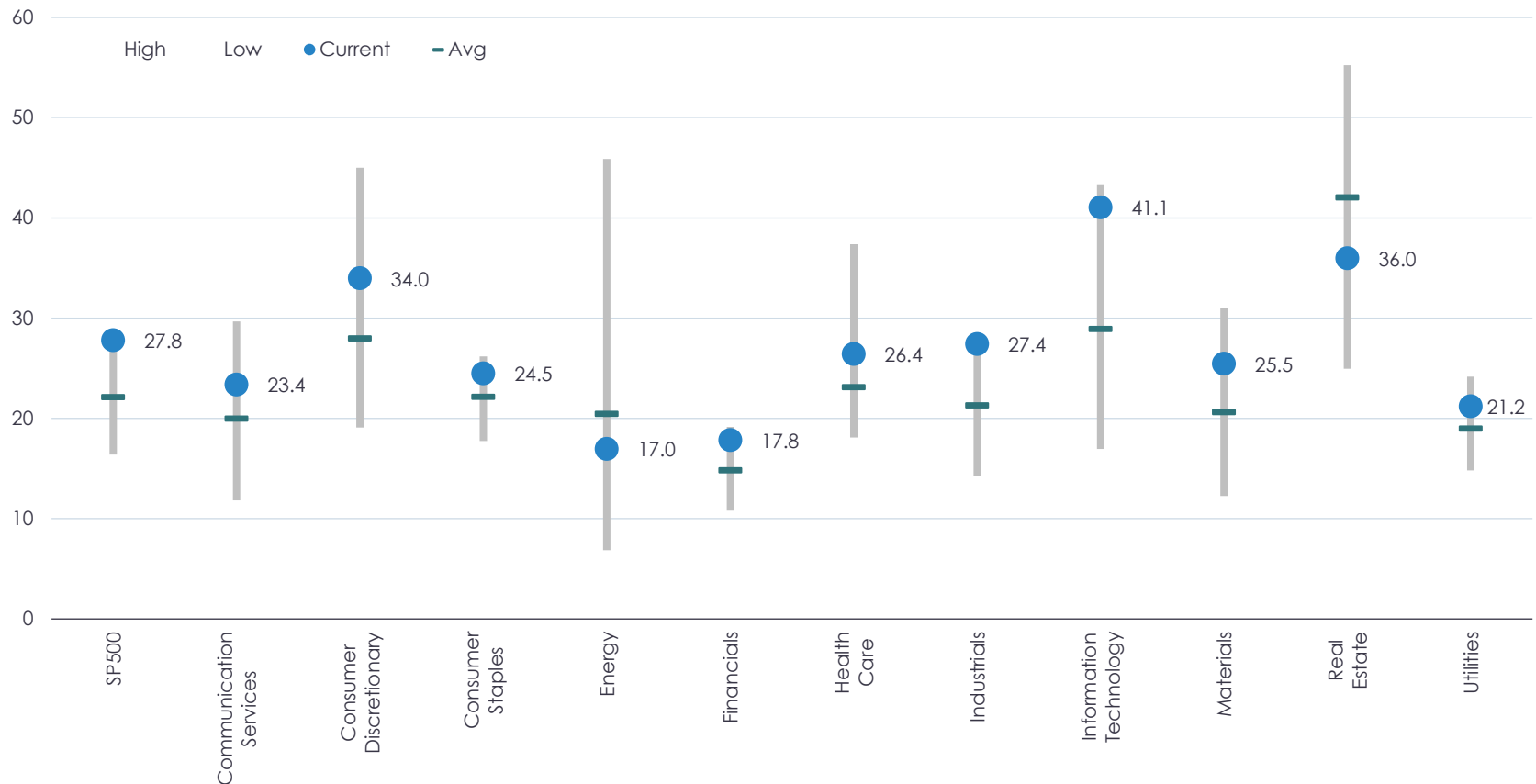


YTD S&P 500 Returns by Sector



Domestic Equity Valuations by Sector

Trailing 12 Month P/E Ratio Compared to 10-Year Range and 10-Year Average



P/E ratios are based on trailing 12 months earnings (LTM) excluding negative earnings. The length of each bar represents the Range of the highest and lowest P/E ratio over the past 10 years. Average represents the average P/E ratio over the past 10 years. Current represents the most recent month. Source: Bloomberg

Economic Indicator Descriptions

- **Real Gross Domestic Product (GDP):** GDP is a basic measure of U.S. economic output adjusted for inflation. Alternatively, it can be thought of as the final value of all goods and services produced within the U.S. Positive GDP growth signals an expanding economy.
- **Consumer Price Index (CPI):** Measuring the change in the CPI provides an estimate for inflation. The CPI tracks the price of a basket of consumer goods and services. High inflation or deflation (negative inflation) can be signs of economic worry. CPI is typically reported in two ways: headline and core CPI. Headline CPI includes all categories that comprise the CPI basket of goods and services.
- **Personal Consumption Expenditure Chain-type Price Index (PCEPI):** Measuring the change in the PCEPI provides an estimate for inflation. In comparison to CPI, which uses one set of expenditure weights for several years, this index uses expenditure data from the current period and the preceding period. This price index method assumes that the consumer has substituted from goods whose prices are rising to goods whose prices are stable or falling. Core PCEPI, which is closely monitored by the Fed, strips out the more volatile Food and Energy categories.
- **Conference Board Index of Leading Economic Indicators (LEI):** The LEI is designed to signal peaks and troughs in the business cycle. The ten components include: average weekly manufacturing hours; average weekly initial claims for unemployment insurance; manufacturers' new orders for consumer goods and materials; ISM® Index of New Orders; manufacturers' new orders for nondefense capital goods excluding aircraft orders; building permits for new private housing units; stock prices of 500 common stocks; Leading Credit Index™; interest rate spread on 10-year Treasury bonds less federal funds and average consumer expectations for business conditions.
- **The Institute for Supply Management (ISM) PMI Index:** The PMI is a composite index of five "sub-indicators", which are extracted through surveys to purchasing managers from around the country. The five sub-indexes are: Production, New orders, Supplier deliveries, Inventories and Employment level. An Index value over 50 indicates expansion; below 50 indicates contraction.
- **The Institute for Supply Management (ISM) Non-manufacturing Index (NMI):** The NMI is a composite index of four "sub-indicators", which are extracted through surveys to purchasing managers. The four sub-indexes: Business activity, New orders, Employment, Supplier deliveries. An Index value over 50 indicates expansion; below 50 indicates contraction.
- **Consumer Confidence Index (CCI):** The Consumer Confidence Index is a well-known proxy for the attitudes of U.S. consumer towards the business climate, personal finances and spending. This index attempts to measure the confidence that consumers have in the overall economy. This is important because consumer spending accounts for a large portion of U.S. GDP.
- **Consumer Sentiment Index (MCSI):** The MCSI uses telephone surveys to gather information on consumer expectations regarding the overall economy. The MSCI is becoming more useful for investors because it gives a monthly snapshot of whether consumers feel like spending money by accessing their views on the business climate, personal finance, and spending in order to judge their level of optimism/pessimism. This is important because consumer spending accounts for a large portion of U.S. GDP.
- **Disposable Personal Income per Capita (DPI):** DPI is the amount of money that households have available for spending and saving after income taxes have been accounted for. DPI is monitored to gauge the overall state of the economy.
- **Personal Consumption Expenditures (PCE):** PCE consists of the actual and imputed expenditures of households including durables, non-durables and services.
- **Retail Sales:** The retail sales report captures in-store sales as well as catalog and other out-of-store sales. The report also breaks down sales figures into groups such as food and beverages, clothing, and autos. The results are often presented two ways: with and without auto sales being counted, because their high sticker price can add extra volatility to the data.
- **Housing Affordability Index (HAI):** Published monthly by the National Association of Realtors, the HAI index has a value of 100 when the median-income family has sufficient income to purchase a median-priced existing home. A higher index number indicates that more households can afford to purchase a home.
- **Unemployment Rate:** Calculated monthly by the Bureau of Labor Statistics, the unemployment rate is a gauge of the health of the U.S. labor market. High unemployment can stifle the growth of the economy.
- **Wage Growth:** Calculated quarterly by the Bureau of Labor Statistics, the employment cost index measures the growth of employee compensation (wages and benefits). The index is based on a survey of employer payrolls in the final month of each quarter. The index tracks movement in the cost of labor, including wages, fringe benefits and bonuses for employees at all levels of a company. We are using the wage component of this index.

Benchmark Descriptions

- **U.S. Aggregate Bond:** The Barclays U.S. Aggregate Bond Index measures the performance of USD-denominated, SEC-registered, investment-grade, fixed-rate or step up, taxable bonds. The index includes bonds from the Treasury, Government-Related, Corporate and MBS, ABS, and CMBS sectors. Securities included in the index must have at least one year until final maturity.
- **U.S. Treasury:** The Barclays Capital U.S. Treasury Index measures the performance of public obligations of the U.S. Treasury with a remaining maturity of one year or more.
- **U.S. Agency:** The Barclays Capital U.S. Agency Bond Index measures the performance of the agency sector of the U.S. government bond market and is comprised of investment-grade USD-denominated debentures issued by government and government-related agencies, including FNMA. The index includes both callable and non-callable securities that are publicly issued by U.S. government agencies, quasi-federal corporations, and corporate and foreign debt guaranteed by the U.S. government.
- **U.S. Corporate:** The Barclays Capital U.S. Corporate Bond Index measures the performance of publicly issued USD-denominated corporate and Yankee debentures and secured notes that meet specified maturity, liquidity, and quality requirements.
- **U.S. MBS:** The Barclays Capital U.S. Mortgage Backed Securities Index measures the performance of mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).
- **U.S. Municipal Bond:** The Barclays Capital Municipal Bond Index measures the performance of the USD-denominated, investment grade, fixed-rate tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds. Securities included in the index must have at least one year until final maturity.
- **General Obligation Bond Index:** The Barclays General Obligation Bond Index measures the average market-weighted performance of general obligations securities that have been issued in the last five years with maturities greater than one year.
- **Revenue Bond Index:** The Barclays Revenue Bond Index measures the average market-weighted performance of revenue backed securities that have been issued in the last five years with maturities greater than one year.
- **Investment Style:** Performance of different types of stocks will vary over time. A common way to characterize a stock is by market capitalization (e.g., large cap or small cap) or style (e.g., value or growth).
- **Large Cap vs. Small Cap:** Large companies tend to be more established companies and therefore exhibit lower volatility. Over an extended period of time, expected returns of small cap companies are often higher due to the risks associated with smaller, less established companies.
- **Value vs. Growth:** Value companies typically trade at discount valuations and may pay a dividend. Growth companies are those that are experiencing greater earnings growth prospects.
- **Mega Cap:** The Russell Top 50 Index measures the performance of the top 50 largest companies in the Russell 1000 Index, which represents approximately 40% of the total market capitalization of the Russell 1000 index.
- **Large Cap:** The Russell Top 200 Index measures the performance of the 200 largest companies in the Russell 1000 Index, which represents approximately 68% of the total market capitalization of the Russell 1000 index.
- **Mid Cap:** The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 36% of the total market capitalization of the Russell 1000 Index.
- **Small Cap:** The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.
- **Large Cap Growth:** The Russell 1000 Growth Index measures the performance of those Russell 1000 index companies with higher price-to-book ratios and higher forecasted growth values.
- **Large Cap Value:** The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.
- **Mid Cap Growth:** The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.
- **Mid Cap Value:** The Russell Midcap Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.
- **Small Cap Growth:** The Russell 2000 Growth Index measures the performance of those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values.
- **Small Cap Value:** The Russell 2000 Value Index measures the performance of those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.



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