

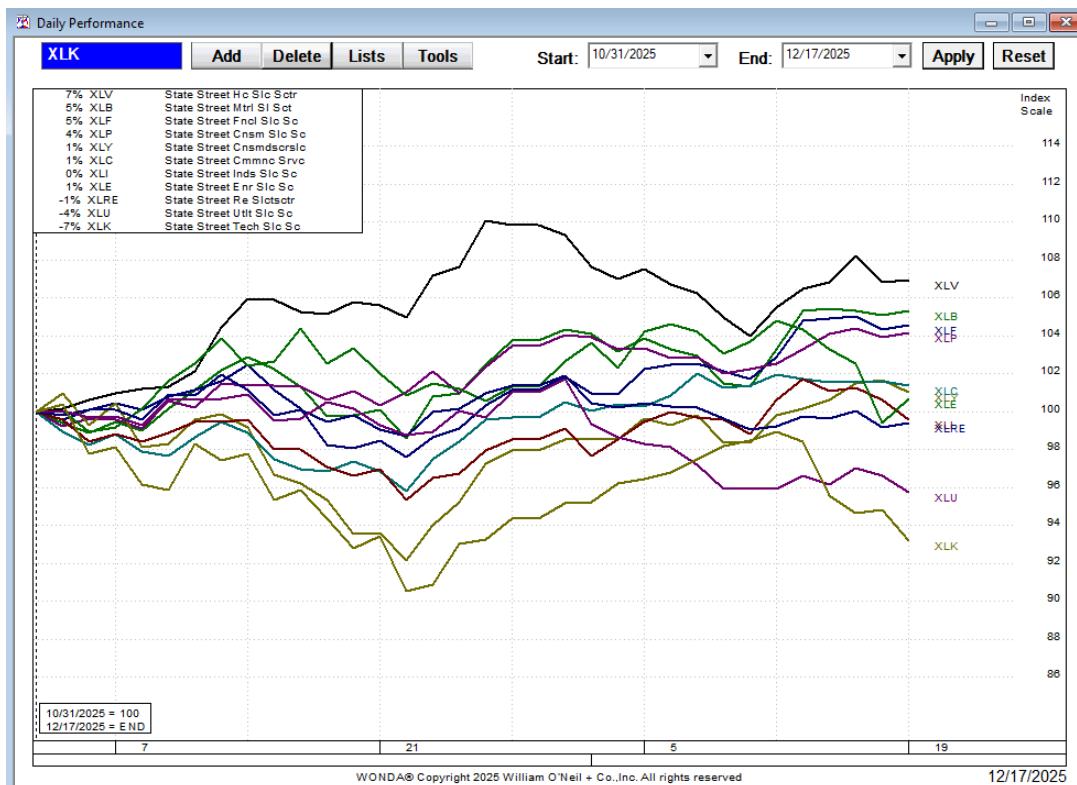


# Monthly Market Update

December 17, 2025

As we head to the holidays, the market is finishing another good year with a bit of anxiety over how long the powerful economy and hot AI trade can continue. The S&P has been trending sideways, down around one percent since the first of November, while the more tech-heavy Nasdaq is down closer to four percent since the same date. Given the market's run, it is nothing unusual yet.

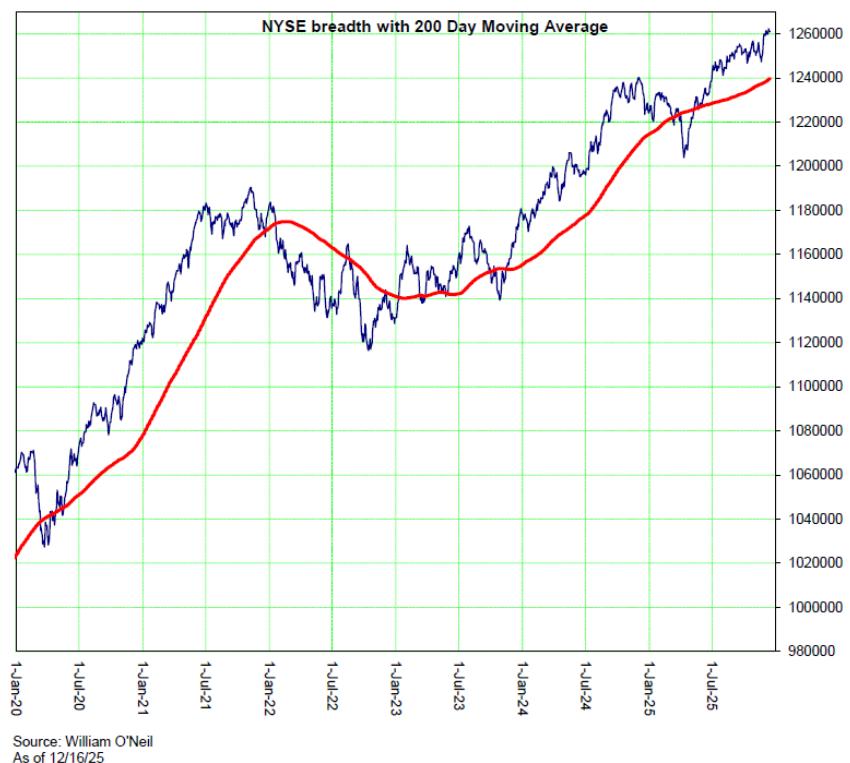
Recent market action has been a reminder of the value of diversification. While the AI trade has tapped the brakes, the broader market has remained stable as investors shifted money into value stocks, financials, and smaller companies. Interestingly, all sectors outside of tech and the interest rate-sensitive Utilities and Real Estate have been positive since November. For most of the year, we were seeing only two or three of the eleven sectors having success. For at least a brief time, the story has broadened.



The weakness in the largest tech names came as the narrative turned toward concerns about heavy AI spending and whether this investment cycle is truly justified.

The longer-term AI story still looks intact, but the market is now asking tougher questions. Investors want to see a clearer return on all this spending, proof that profits can grow in a sustainable way, and better timelines for when these investments will pay off. AI infrastructure remains central to the future, but it's now being evaluated with more caution and discipline.

Even with tech volatility, the overall market reached a new closing high just last week before pulling back on Friday, despite going through a modest and overdue 6% correction in November. Over the past six weeks, markets have mostly been moving sideways, digesting earlier gains and working through sector rotations. Market breadth has improved during this period — with the advance/decline line hitting new highs — which confirms the market's action and signals that strength is spreading across more parts of the market.



The larger economic environment continues to support equities. The Federal Reserve has lowered rates again and appears less concerned about inflation. They've also suggested that recent job data may have overstated employment strength, with the possibility that actual job growth has been negative. This bolsters the case for more rate cuts. At the same time, rising productivity and GDP growth above 3% both reinforce the idea of a soft landing.

As mega-cap growth and AI stocks slowed, a clear rotation took hold: toward value, banks, industrials, and smaller stocks. This broadening of leadership is a positive. Corporate earnings have also held up well, providing a solid foundation for current valuations and supporting a positive outlook heading into 2026. Earnings strength continues to be one of the most reliable pillars of this market.

Seasonal forces have also helped. December typically brings a risk-on tone as investors rebalance and position for the new year. While inflation data has been somewhat inconsistent month-to-month, markets have looked through the noise as long as the broader disinflation trend remains intact.

In summary, the market continues to show resilience. Leadership is expanding beyond tech, valuations are adjusting where needed, and the economic backdrop — from earnings to growth to monetary policy — remains constructive. This supports the case for staying diversified and maintaining tactical flexibility as we head into 2026.

For a full description of each strategy, please [click here](#).

Best regards,

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