WEEKLY MARKET COMMENTS – DECEMBER 29, 2025 – EXTERNAL

According to the old-time script, the final two weeks of the year are supposed to be strong ones, and the holiday-shortened week that ended proved to follow the pattern with the Dow, S&P, the Nasdaq and even the Russell 2000 Index of small stocks all gaining with the first three measures advancing by more than 1%.

On Friday, after a higher start, some selling entered which allowed them to all end slightly lower for the session after those new highs in the morning. Trading was extremely light, roughly half of the usual volume as many participants decided to take an extralong weekend following the Christmas holiday closure on Thursday.

The S&P has risen nearly 18% so far in 2025, assisted by the deregulatory polices of the current administration in addition to investor enthusiasm about the future of artificial intelligence.

Gold and silver prices continued their onward and upward push, with gains of 1.1% and 8% for the latter to a record high $77.20 an ounce. Both metals have gained this year, with gold ahead by 70% and silver up by 140% as investors have looked for alternatives to stocks and the latter has risen due to supply constraints. This has resulted in miners such as FCX doing well.

Gold prices initially rose on concerns during the U.S. government shutdown. In addition, there is the expectation that further interest rate cuts further on this year will result in the dollar weakening against other currencies.

For those who remember, in the old days the price of platinum was always higher than gold due its use as a catalytic converter in automobiles. Despite its gain of around $260 on Friday to $2,534, it is well below gold at $4,562. This is probably due to computer products being used more extensively in autos today.

Getting back to the economy, 3Q G.D.P. grew at 4.3% for the largest expansion in two years. Business and consumer spending are moving higher despite still-elevated inflation and interest rates and a cooling labor market. The economy’s strength was considered distorted in the prior two quarters.

The latest G.D.P. was helped by exports gaining 8.8% while imports dropped by 4.7% and this added about 1.6% to headline growth. This combination is unlikely to continue and this may partially reverse in upcoming quarters.

Real final sales to private domestic purchases gained 3%,

Consumer spending rose by 3.5% and business investment grew as well, led by equipment and intellectual property. This shows that domestic demand was strong while borrowing costs remained high and hiring slowed.

Capital intensive investment in technology and AI does increase output without requiring large additions in payrolls. Spending by higher income participants continue to make up a larger share of consumption. This disconnect explains why the lower income groups remain upset on the economy.

Economic reports this week will see: Monday – pending home sales; Tuesday – Case Shiller home price index; Minutes from the last policy F.OM.C. meeting will be released.

And finally, let us hope for the best in the markets, and health and happiness in 2026!

DONALD M. SELKIN – Chief Market Strategist - EXTERNAL