

Economic and Investment Newsletter

December 2025

Current Market Commentary

How much is inflation central to the FOMC's thinking? A lot. As the committee meets to decide the timing of the next interest-rate move, Fintent Invest maintains its prior view that there will be no additional cuts in 2025. Until there is greater clarity on the trajectory of both inflation and employment, the Fed is likely to keep rates on hold at current levels. With GDP growth still robust—Atlanta Fed forecasts Q3 growth at 3.9%—the balance of risks argues more against cutting rates this week than waiting until its next meeting in 2026.

There are ongoing signs that prices remain elevated and sticky, which is especially concerning given the Fed's dual mandate to manage both inflation and employment. Recent Black Friday data show a strong rebound in retail activity, with online sales reaching \$11.8 billion, up roughly 9–10% year over year. However, once adjusted for inflation, the impact looks far more modest: overall nominal Black Friday sales rose about 4.1% year over year, and with CPI around 3%, real growth was closer to 1%.

The U.S. is not alone in grappling with persistent inflation. Germany's inflation accelerated more than expected in November, and other major economies such as Japan, Canada, and Australia are either signaling further rate hikes or maintaining restrictive settings in response to solid inflation and GDP readings. Central banks globally remain cautious about loosening policy too quickly.

China presents a different but connected story. Its export-driven economy remains resilient as the EU, the rest of Asia, Africa, and Latin America have stepped up purchases of Chinese manufactured goods, pushing its trade surplus above US\$1 trillion even as exports to the U.S. fell 29% year over year due to tariffs. This wave of excess Chinese supply is helping to cap global inflation: with China's CPI hovering near zero and producer prices still in deflation, it is effectively exporting disinflation via lower-cost goods. The "true" global inflation backdrop would likely look hotter without this offset.

Yet China's strength in external trade contrasts with its soft domestic demand. A prolonged downturn in the property sector has eroded household wealth and confidence, making it harder for authorities to spur domestic spending when so much household balance-sheet value is tied up in real estate. With home prices down about 3.7% in 2025 and overall home sales expected to decline 7–8%, the wealth effect has largely evaporated, and there is still little visibility on a floor for the housing market.



Economic and Investment Newsletter

December 2025

Fintent Invest Strategy Outlook

Fintent Invest is committed to diversification across geographies, market capitalizations, and asset classes in our portfolio construction process. Building sustainable long-term wealth requires cost-effective diversification, with particular emphasis on spreading risk across asset classes. As of market close on December 5, 2025, year-to-date returns were 16.81% for the S&P 500, 22.1% for the Nasdaq, and 25.16% for the Developed International Index, while Bitcoin extended its decline to a -5% YTD return, wiping out its earlier gains and more. Fintent Invest has long held the view that understanding how an asset performs over a full business cycle—typically 5 to 7 years—is critical when deciding whether to include that asset or asset class in our model portfolios. Given our focus on delivering risk-adjusted returns for our clients, we have excluded digital currencies from our model portfolios due to its risk-adjusted return inefficiency.

While developed international equities remain a bright spot, Fintent Invest is also mindful that cracks in the U.S. economy may be obscured rather than absent. It is concerning that the top 10% of U.S. households now account for nearly 50% of consumer spending, according to Moody's Analytics—a concentration that appears unsustainable and could pose a risk if the economy weakens, particularly as elevated prices continue to pressure lower-income households. Housing, the largest asset on most household balance sheets, also looks vulnerable: about 6% of listings have been removed by sellers unwilling to accept lower prices, and the FHFA Home Price Index showed a nominal year-over-year increase of only 1.7% in September 2025. With CPI running near 3% for much of the year, U.S. home prices are effectively falling in real terms. More troubling still, auto-loan stress has surged, with more than 2.2 million vehicles repossessed in 2025 so far; over 6.5% of subprime borrowers are 60+ days delinquent, and industry analysts expect more than 3 million repossessions for the year—approaching 2008–09 levels.

In anticipation of a potential downturn, Fintent Invest's model portfolios emphasize high-quality, large-cap companies in the U.S. and other developed markets that generate resilient cash flows and are better positioned to weather economic stress. Even though gold prices have experienced recent volatility, the year-to-date trend remains positive, and Fintent Invest expects demand for gold to persist as inflation stays a concern for central banks in most developed economies and geopolitical risks remain elevated.

On the fixed income side, Fintent Invest maintains a nuanced approach, recognizing that a wider yield spread between investment-grade and non-investment-grade bonds is a matter of when, not if. Cash-flow pressures are likely to intensify for smaller, lower-quality issuers, while rising national debt raises concerns about the long-term risk profile of extended-maturity Treasuries. As a result, Fintent Invest continues to emphasize medium-duration, high-quality corporate bonds within its portfolios.



Economic and Investment Newsletter

December 2025

The comments are for educational purposes only and do not constitute investment advice, and that information is from third-party sources believed to be reliable but that Fintent Invest is not responsible for any errors in information; and that there is no guarantee that any statements, past or present, guarantee future results. This content is not intended to serve as personalized financial, legal, or tax advice, nor should it be interpreted as an offer or recommendation to buy or sell any financial products or securities.

