WEEKLY ECONOMIC UPDATE DEC. 29, 2025

HAVE A GREAT NEW YEAR'S

Stocks delivered for investors last week as positive economic data and bullish holiday cheer powered the start of a “Santa Claus rally” past consumer bah humbug sentiment.

The Standard & Poor’s 500 Index rose 1.40 percent, while the Nasdaq Composite Index advanced 1.22 percent. Meanwhile, the Dow Jones Industrial Average gained 1.20 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, moved ahead 1.16 percent.[1,2]

AI Stock Sleigh Delivers

Stocks rallied at the start of the week, riding pre-holiday momentum as artificial intelligence (AI) related technology names continued to drive gains.[3]

Fresh data out Tuesday initially quashed market momentum, reflecting investor concern that the stronger-than-expected Q3 economic growth might dissuade the Fed from adjusting interest rates in 2026.

But those fears appeared to subside after a Fed official said the U.S. is “way behind the curve in terms of lowering rates” compared with other central banks around the world. Those comments, combined with continued momentum and market leadership from the AI trade, boosted sentiment and lifted the S&P 500 to a record close despite a fresh consumer confidence reading that missed expectations.[4]

Christmas Eve brought more of the same, kicking off what’s known as the “Santa Claus rally” period—the last five trading days of the year and the first two trading days of the new year. The S&P hit new intraday and closing highs on Wednesday’s shortened trading day—its fifth consecutive session of gains.[5]

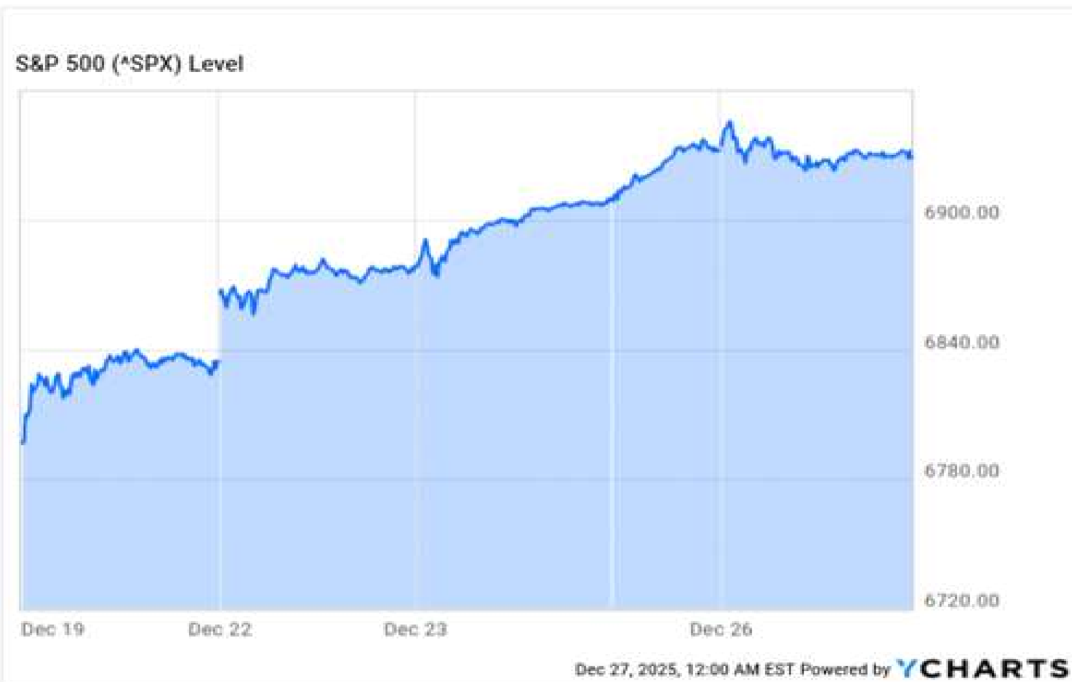
While stocks largely went sideways on Friday amid thin holiday volume. The S&P 500 hit another intraday high, and all three major averages posted weekly gains. It was the S&P’s fourth weekly gain in five weeks.[6]

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
MSCI EAFE	5.20%	31.99%	32.82%	59.54%
Dow Jones Industrial Average	5.13%	16.52%	14.49%	77.71%
S&P 500	3.49%	19.35%	16.25%	101.5%
Nasdaq Composite	3.30%	23.07%	18.66%	91.36%

S&P 500 Daily Close



10-Year Note Review

Indicator Name Date	Latest Value	1M Ago 3M Ago 1Y Ago	1M Change 3M Change 1Y Change
10 Year Treasury Rate 12/26/25	4.14%	4.00% 4.20% 4.58%	3.50% -1.43% -9.61%

GDP Jumps

The delayed Q3 gross domestic product report was released on Tuesday, showing that the economy grew at an annualized 4.3 percent rate. That number beat expectations by more than a full percentage point and marked the strongest economic growth in two years.[7]

While it didn't garner many headlines, another metric released on the same day told a similar story. Industrial production grew 2.5 percent year over year in November—the highest annualized increase since September 2022 and nearly triple what it was at the start of 2025.[8]

This Week: Companies Reporting Earnings

Monday: Pending Home Sales.

Tuesday: Case-Shiller Home Price Index. Minutes of the Fed's December FOMC meeting.

Wednesday: Weekly Jobless Claims.

Thursday: NEW YEAR'S DAY—MARKETS CLOSED.

Quote of the Week

"The real danger of AI is not runaway intelligence or sentient machines. It is the slow erosion of human responsibility under the banner of efficiency."

– Joaquim Couto

Of Note

The gold price is racing from one all-time high to the next. That’s good news for friends of the precious metal and bad news for anyone still hoping for a stabilization of global debt dynamics.

Assuming the markets close out the year without major volatility, gold holders can look forward to an approximate 70 percent increase in value within a single year. This is remarkable—not least because 2024 already ended with a 26 percent gain for the otherwise conservative asset class of precious metals. That amounts to a doubling of value in just two years—a surge usually seen in the tech sector rather than gold.

For the most stable money humanity has ever known, which has served as a store of value in crises for millennia, this is no ordinary development. Quite the opposite. Among those who follow geopolitical developments and financial markets closely, such a compressed upward movement is an unmistakable signal: Danger is imminent.

Whether it’s military conflicts—like the Ukraine crisis, which still carries dangerous escalation potential—or the global debt dynamics now affecting nearly every region, capital is visibly fleeing to the safe haven of gold. Gold has a key advantage over other assets: there is no counterparty risk. Physical ownership—not as an ETF held at a bank—represents a tangible value that, aside from the annual 1.6 percent mining increase, neither inflates nor can be arbitrarily frozen.

By comparison, the M2 money supply—which includes cash, deposits, short-term term deposits such as money market funds, and savings accounts—is expected to grow by seven to nine percent globally this year. Gold is becoming scarcer relative to circulating fiat money—a compelling argument, particularly in central bank circles. Banks are well aware that their interest rate policies, coupled with ongoing debt monetization, lead to planned currency devaluation. Hence, the precise move into gold—central bankers are essentially trying to secure themselves.

The size of the global gold stock is limited and fairly precisely measurable. Worldwide, there are 216,000 tons of gold, equating to a volume of 11,200 m^3—forming a cube with a side length of 22.3 meters.

Globally, it was again the central banks pushing gold prices higher this year. The Polish, Chinese, and Turkish central banks stand out. Combined, central banks are expected to add roughly 1,000 tons of gold to their vaults this year—a figure well above the long-term average of 400–500 tons. As mentioned, danger is imminent.

This massive buying suggests that central bankers know full well we are facing a global debt problem—or may already be in the eye of the storm. Interest rates are rising in almost every economy, prompting investors to demand higher risk premiums on sovereign bonds from highly indebted states. The U.S., with over 120 percent debt, joins France (~117 percent) and Italy (~136 percent). Even Germany, currently an exception at 65 percent debt, plans a significant buildup in the coming years. Overstretched welfare states and additional burdens from migration-related crises push public budgets further into deficit, only offset by continuously growing bond volumes.

When central banks step in and take on large parts of this new debt, the credit money supply grows alongside the actual credit process, driving inflation in both goods and asset prices.

Subordinating monetary policy to fiscal mandates has created a powerful political unit. Debt policy becomes the norm, and the natural causality between deficit, higher taxes, and inflation is systematically stretched out over time. Who today links rising food prices or the precious metal boom to the Federal Reserve or the ECB?

Private investors feel the pressure, too: German households, for instance, bought about 9,000 tons of gold this year in the form of jewelry, goods, and coins.

Growing private and institutional demand for safe assets, which shows no sign of abating and is expected to continue into 2026, points to a severe trust crisis. Rising sovereign bond yields—especially in Japan, with debt around 230 percent—have reached alarming levels, scaring investors and exposing the depth of the trust crisis. A storm is brewing—and Japan may well be where it begins.

For years, Japan served as a carry trade hub: borrowing cheaply in yen and investing elsewhere for higher returns with limited currency risk. Rising rates there could abruptly make these long-standing financing models unprofitable.

The foundation of the international financial market, largely built on U.S. Treasuries, risks destabilization. Options to hedge against the monetary excess—central banks taking on massive state debts—are limited.

Gold remains one of the safest havens. For those preferring more volatility, Bitcoin is digital gold: serving the same purpose, independent of state creditworthiness, and operating as a self-contained economic ecosystem.

As if one more proof was needed that a storm might hit capital markets, Italy—one of the Eurozone's three pillars—has gone on the offensive. The country is working to legally transfer gold stored at the Italian central bank to state ownership. Does Prime Minister Giorgia Meloni foresee that in a Euro crisis, the ECB might tap national gold reserves to stabilize the common currency?

How far has the trust crisis in capital markets already advanced? The new year may soon give us a clearer answer to this pressing question.[9]

Footnotes And Sources

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Please consult your financial professional for additional information.