

THE ECONOMY AT A GLANCE

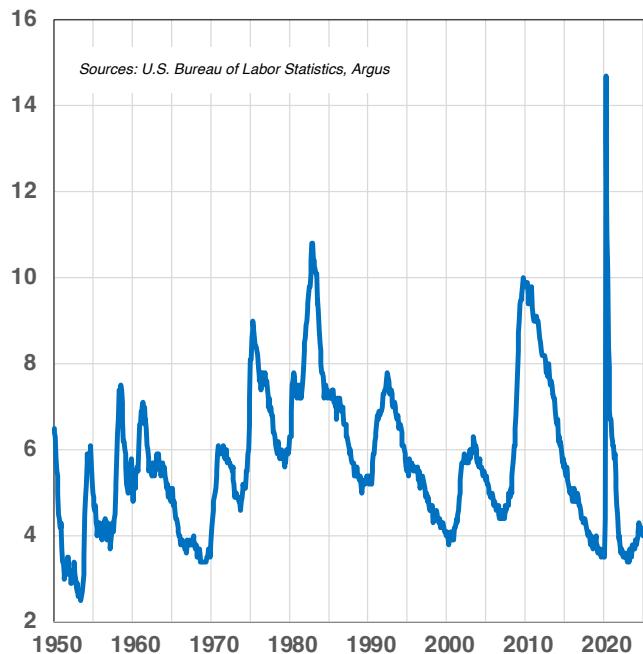
ECONOMIC HIGHLIGHTS

December 29, 2025
Vol. 92, No. 185

UNEMPLOYMENT RISES TO 4.6%

The Bureau of Labor Statistics (BLS) recently released the Employment Situation for November, indicating that the U.S. generated 64,000 nonfarm jobs in November, but lost 105,000 jobs in October. The November unemployment rate increased to 4.6% from 4.4% in September. Average hourly earnings increased \$0.05 month to month and are 3.5% higher year over year. The average workweek ticked up to 34.3 hours. Employment rose in healthcare, construction, and social assistance. Job losses occurred in transportation and warehousing as well as in the federal government. The manufacturing sector lost 5,000 jobs. Healthcare and social assistance added 64,000. The report also included October data from the Establishment survey, most notably a 105,000 decrease in nonfarm payrolls driven by reductions by the federal government. Private payrolls rose by 52,000 in October. The October report was preempted by the federal government shutdown. Data from the Household survey, which is used to calculate the unemployment rate, was not (and will not be) collected for October. September's payrolls were revised lower by 11,000 to 108,000 and August was reduced by 22,000 to (26,000). These results reduced the three-month average to 22,000 from 62,000. Federal government employment fell by 6,000 in November and 162,000 in October. Employees who had been on paid leave or receiving ongoing severance were removed from Federal payrolls at the end of September. Federal employment has declined by 271,000 since January.

U.S. UNEMPLOYMENT RATE (%)

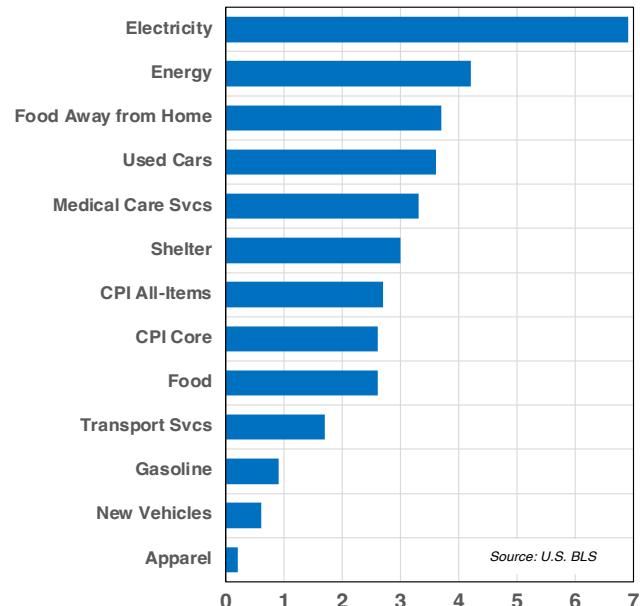


ECONOMIC HIGHLIGHTS (CONTINUED)

GOOD INFLATION NEWS

The Bureau of Labor Statistics reported that Consumer Price Inflation (CPI) ticked only slightly higher (by 0.2%) during the two-month period of September–November. Annualized, the gain was 2.7%, in line with recent price trends and below the 3.0% reading in September. On a core basis (excluding food and energy), the annualized consumer price inflation rate was 2.6%. The sticky-price categories of shelter and transportation showed improvement. On an annual basis, shelter prices are up 3.0% year over year -- not much higher than overall inflation. Transportation prices are up only 1.1%. Both the overall and core CPI rates are higher than the Federal Reserve's targets, but the trends remain lower. We continue to expect pricing pressures to ease in 2026 as the housing market cools due to high mortgage rates and the price of oil stays below \$90 per barrel. That gives the Fed wiggle room to focus on employment. The big issue with the Fed, of course, is the incoming new chairman (in May), and we think that the central bank will hold off on any major policy changes until the transition has occurred.

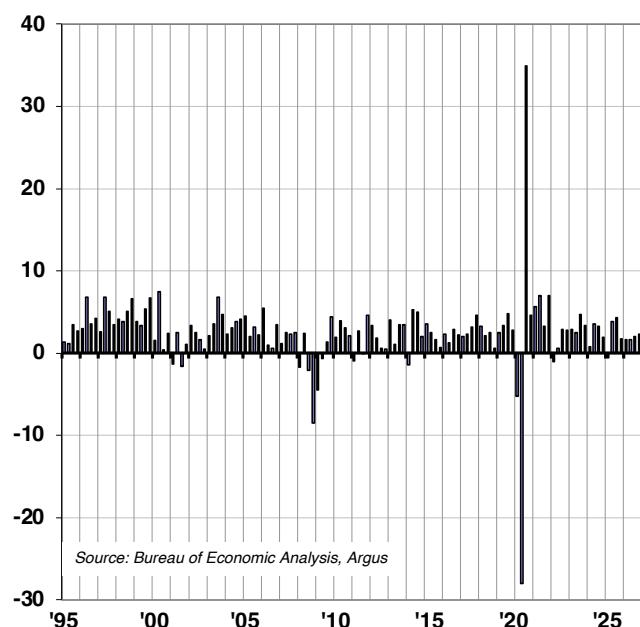
CONSUMER INFLATION FACTORS (% CHANGE Y/Y)



WORTH THE WAIT, 3Q GDP UP 4.3%

According to the initial estimate released by the Bureau of Economic Analysis, U.S. Gross Domestic Product (GDP) rose in the third quarter at an annualized rate of 4.3%, an increase from 3.8% last quarter. Spending by consumers rose 3.5%, an improvement from 2.5% in 2Q. Within goods, nondurables were up a very strong 3.9%. Durables were up 1.6%, after a 2.3% increase in 2Q. There was a drag from vehicles and products for the home. The huge services category was up 3.7% after an increase of 2.6% in 2Q, which dispels some fears about the consumer. Private investment declined 0.3%, hurt by a 6.3% decline in nonresidential structures. Residential investment (housing) was down 5.1%. Equipment and intellectual property were each up a strong 5.4%, helped by spending on artificial intelligence. Imports decreased 4.7% as trade normalized after tariff-related volatility. Net exports of goods and services (the trade balance) raised 3Q GDP by 1.59 points percentage points. Government consumption and investment rose 2.2%. The federal government was up 2.9%, with national defense up 5.8%. Nondefense was down 1.1%, State and local government was up 1.8%. The report also contains data on inflation, which picked up in 3Q. The PCE Price Index increased 2.8% in the third quarter, compared with an increase of 2.1 in the second quarter. Excluding food and energy, the index increased 2.9%, compared with an increase of 2.6% in the previous quarter.

REAL GDP (% GROWTH/QTR)



FINANCIAL MARKET HIGHLIGHTS

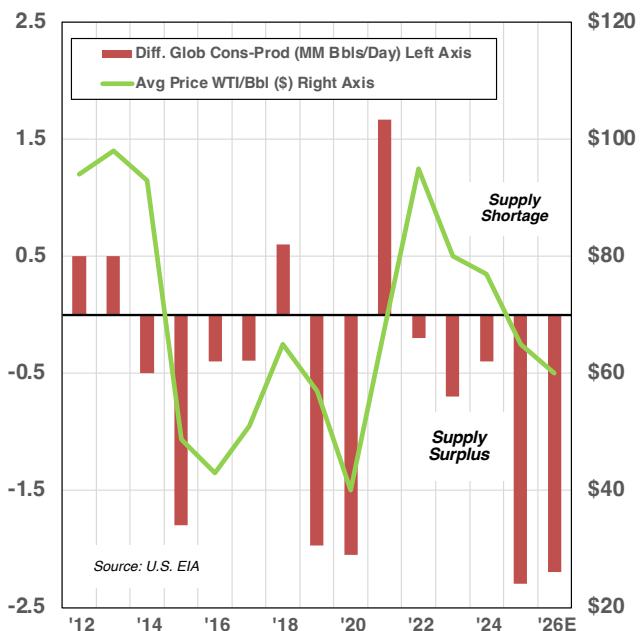
OIL PRICES LIKELY TO TREND LOWER

The price of a barrel of the crude oil benchmark grade West Texas Intermediate has fluctuated between \$56 and \$80 over the past year -- and currently is toward the bottom of that range. Oil prices are down almost 50% from back in 1H22, when Russia invaded Ukraine. For 2025, we are calculating an average price of \$65, compared to \$77 in 2024, \$80 in 2023 and \$95 in 2022. For 2026, our forecast is \$60, and our forecast trading range is \$50 to \$70. The core drivers behind oil prices over the long term come from Econ 101: global supply and demand. According to the U.S. Energy Information Administration, there will be an excess supply of oil in 2025: global consumption is estimated at 103.9 million barrels per day, while global production is estimated at 106.2 million barrels. The outlook for 2026 also calls for supply to exceed demand, which is likely to extend the ceiling to oil price levels. Of course, there are always wild cards, such as geopolitical developments. The growth path of the Chinese economy also plays an outsize role in the direction of oil prices, and growth in India may, at some point, have a greater impact than it does today. That said, absent wild cards, the global demand-supply outlook suggests the days of triple-digit oil prices are in the rear-view mirror as the world economy pivots toward cleaner energy solutions.

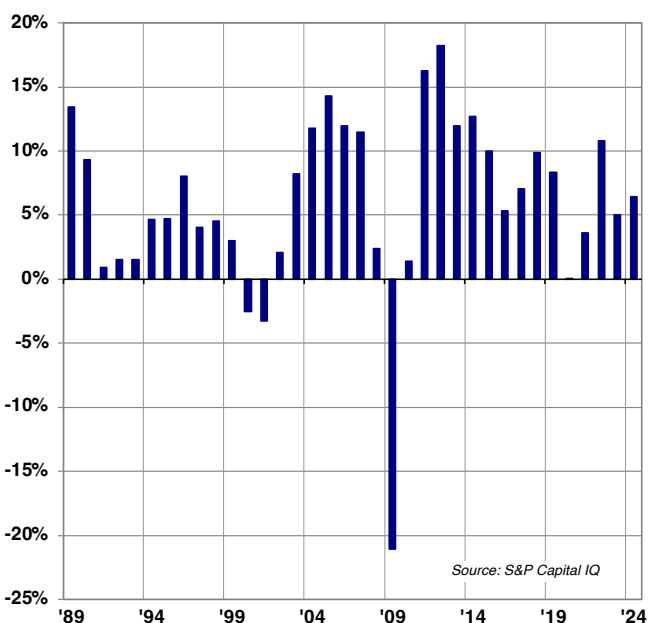
THREE SIGNALS FROM DIVIDEND GROWTH

Since 1988, the dividends of companies in the S&P 500 have grown on average 6% per year, faster than long-term GDP growth and testament to the fundamental soundness of corporate America. But rates have varied sharply over the years. At times, the dividend growth rate has been zero or negative (during the “dot-com” implosion in the early 2000s; the bear market of 2008-09; and the COVID-19 pandemic). At the other end of the spectrum, the average dividend growth rate has been 10% or above in 12 of the past 36 years. More recently, dividend growth was 9% in 2018-19, a good period for stocks as trade wars settled and the Fed took a dovish stance on interest rates. But dividend growth slowed sharply in 2020 due to the pandemic, and growth has been in the 5%-6% range in the past two years. At this stage of the economic and market cycles, we recommend that investors focus on dividend growth instead of dividend yield. We are bullish on companies that have boosted their dividend at high growth rates for many years consecutively. We think this type of consistent -- and accelerated -- dividend growth gives three important signals: a company’s balance sheet is strong; management is mindful of shareholder returns; and management is telling investors that the near-term outlook for the company is promising.

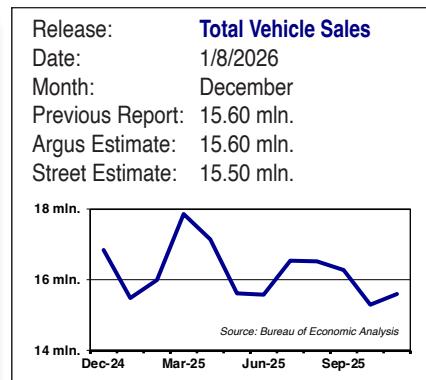
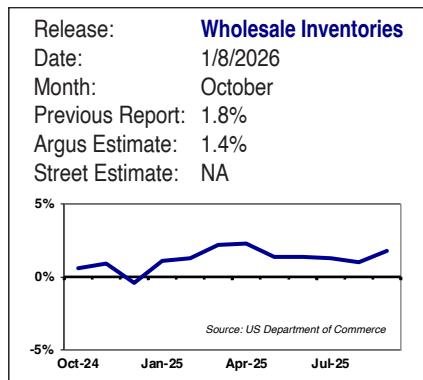
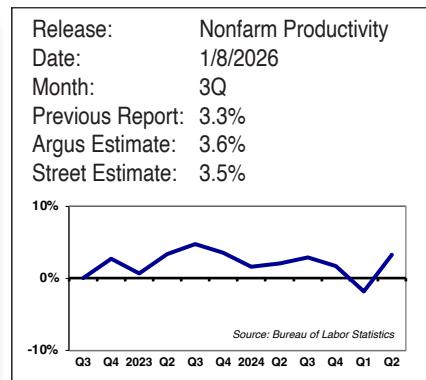
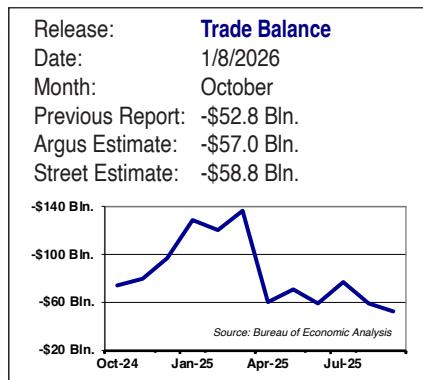
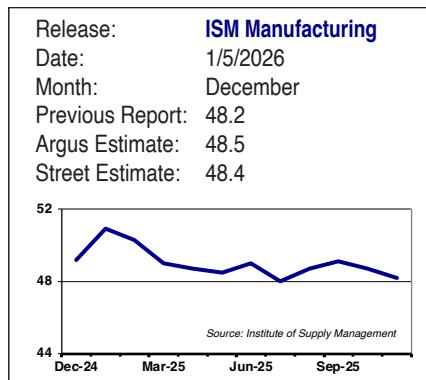
OIL PRICE OUTLOOK



S&P 500 ANNUAL DIVIDEND GROWTH

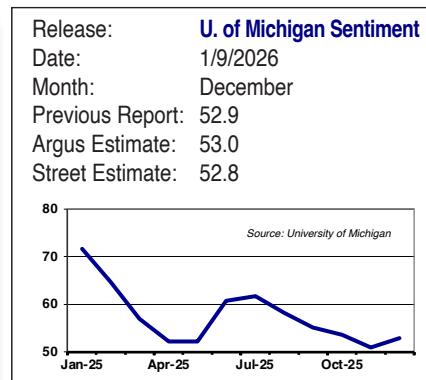
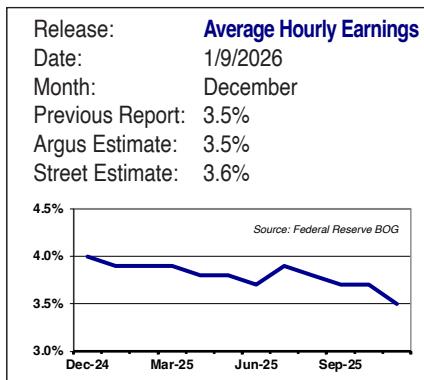
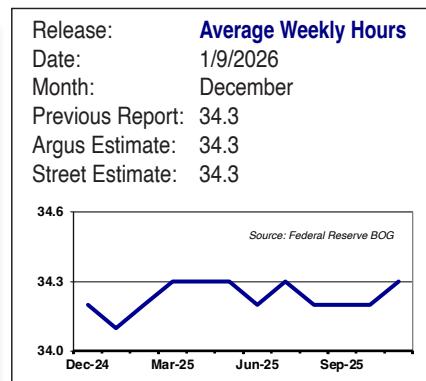
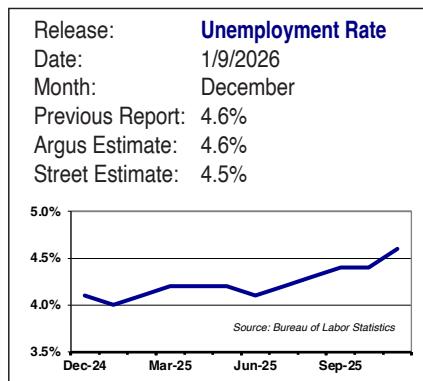
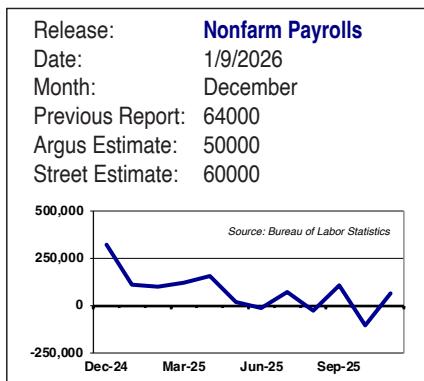


ECONOMIC TRADING CHARTS & CALENDAR



Previous Week's Releases and Next Week's Releases on next page.

ECONOMIC TRADING CHARTS & CALENDAR (CONTINUED)



Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
29-Dec 2-Jan	No Major Announcements					

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
13-Jan	Consumer Price Index CPI ex-Food & Energy New Home Sales	December December Sept. & Oct.	2.7 2.6 800K	NA NA NA	NA NA NA	NA
14-Jan	Retail Sales Retail Sales ex-autos PPI Final Demand PPI ex-Food & Energy Existing Home Sales Business Inventories	November November November November December October	3.5% 4.0% 2.7% 2.6% 4.13 Mln. 1.2%	NA NA NA NA NA NA	NA NA NA NA NA NA	NA
15-Jan	Import Price Index	November	0.3%	NA	NA	NA
16-Jan	Industrial Production Capacity Utilization	December December	2.5% 76.0%	NA NA	NA NA	NA

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