

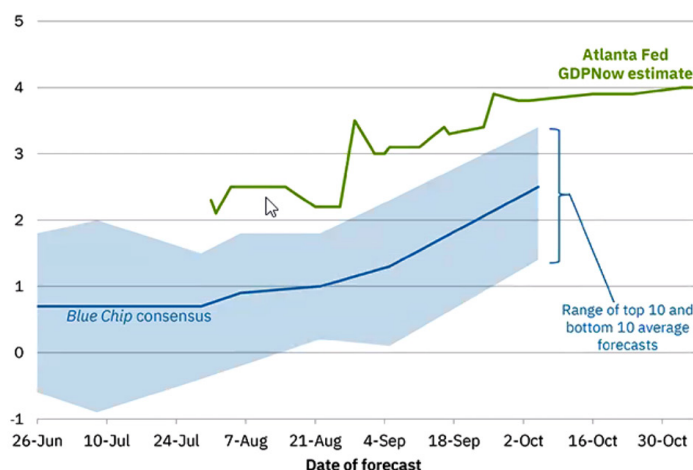
U.S. Economy & Market Perspective

As we approach the end of 2025, the economic backdrop remains constructive, supported by steady consumer activity, resilient corporate earnings, and a market that continues to respond positively to gradual improvements in key data. While political noise and temporary government disruptions have created gaps in the latest economic releases, the broader trend of the economy appears intact.

Recent estimates from the Federal Reserve Bank of Atlanta show GDP tracking near 4%, suggesting that economic momentum has strengthened through the second half of the year. Consumer spending — the backbone of economic growth — has posted several months of increasing gains, indicating ongoing confidence even in the face of uncertainty. Although updated labor market data has been delayed due to the government shutdown, corporate earnings results suggest that household and business spending remain healthy.

While intermittent volatility is expected—especially as new, delayed labor data is released—the broader trend of the economy appears intact, pointing toward continued expansion as we move into year-end.

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q3
Quarterly percentage change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Interest Rates & Market Expectations

One of the most discussed topics this year has been the path of interest rates. Current market probabilities indicate that the Federal Reserve is expected to implement three modest quarter-percent rate cuts over the next several quarters. This represents a meaningful shift from expectations earlier this year, when many anticipated more aggressive easing.

Unlike 2008 or other periods of economic stress — when the Fed had to act swiftly and dramatically — today's projections reflect a fine-tuning approach rather than emergency intervention. The market is not pricing in a recessionary downturn. Instead, it is signaling that the Fed will lower rates slowly to keep growth on track without overheating the economy. The Fed's caution is largely a response to persistent services inflation, suggesting the lower rates are intended to manage the risk of a slowdown without abandoning the fight against elevated prices.

CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES

MEETING DATE	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425
12/10/2025				0.0%	0.0%	0.0%	0.0%	47.6%	52.4%	0.0%
1/28/2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	19.0%	49.5%	31.5%	0.0%
3/18/2026	0.0%	0.0%	0.0%	0.0%	0.0%	8.6%	32.8%	41.4%	17.3%	0.0%
4/29/2026	0.0%	0.0%	0.0%	0.0%	2.3%	15.1%	35.1%	34.9%	12.6%	0.0%
6/17/2026	0.0%	0.0%	0.0%	1.4%	9.9%	27.0%	35.0%	21.6%	5.1%	0.0%
7/29/2026	0.0%	0.0%	0.5%	4.3%	15.8%	29.8%	30.4%	15.9%	3.3%	0.0%
9/16/2026	0.0%	0.2%	1.9%	8.7%	21.1%	30.0%	24.9%	11.1%	2.1%	0.0%
10/28/2026	0.0%	0.5%	3.1%	10.9%	22.7%	29.1%	22.4%	9.5%	1.7%	0.0%

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This environment has historically been supportive of both equity and fixed-income markets, particularly as borrowing becomes more affordable for consumers and businesses.

AI, Technology & Market Volatility

Recent pullbacks in technology stocks have raised questions about whether the market is experiencing an “AI bubble.” While rapid growth in spending and adoption has drawn comparisons to the dot-com era, today’s environment is fundamentally different.

The companies driving AI innovation today — such as Microsoft, Alphabet, Meta, and NVIDIA — are among the most profitable and well-capitalized businesses in the world. They operate with deep cash reserves, global scale, and diversified revenue streams. Short-term volatility is normal, especially in fast-growing sectors, but current dynamics look more like healthy corrections rather than the unwinding of speculative excess.

AI integration across industries remains in the early stages, and spending continues to rise. For long-term investors, this is an important theme to watch, but not a reason to move away from disciplined investing.

Portfolio Strategy — What This Means for Investors

Heading into the final weeks of the year, the data we have — combined with market expectations — paints a picture of an economy that is still trending upward. Seasonal strength, improving GDP estimates, and continued consumer spending all support the potential for a constructive market environment.

That said, investors should be prepared for intermittent volatility, especially as new data releases catch up from the shutdown. Market pullbacks during periods of strong economic growth have historically been short-lived and often provide opportunities.

A steady, long-term approach remains the most effective strategy. Staying invested, maintaining diversification, and avoiding emotional decision-making continue to be foundational principles during periods of uncertainty.



Looking Ahead

While the road ahead may include moments of turbulence, the broader economic trend remains positive. Periods of volatility are natural — and often healthy — within an expanding economy. Growth is stable, interest rates appear poised for gradual easing, and corporate earnings continue to support market strength.

Investors who remain focused on long-term goals, stay disciplined, and avoid reacting to short-term fluctuations have historically been rewarded.

As always, we continue to monitor economic conditions closely and will provide updates as new information becomes available.

Are you an employee or retiree with extended years invested in your benefits that's not currently working with us? Let us help you take control of your financial future with straightforward guidance on optimizing contributions, allocation models, and benefit elections. **Contact us to schedule a meeting.**

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