

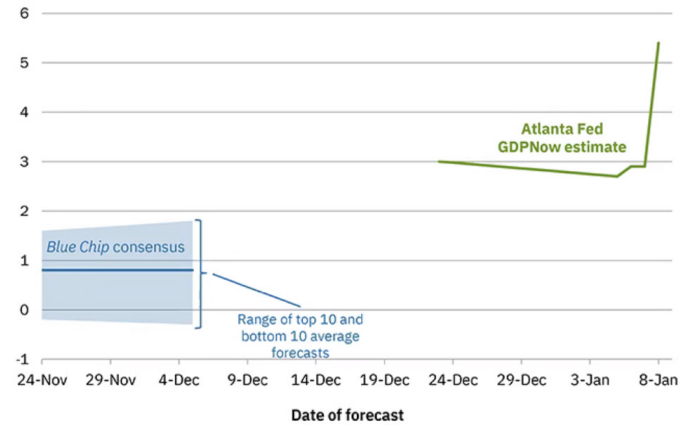
U.S. Economy & Market Perspective

As we head into 2026, the U.S. economy is on solid footing. Growth picked up meaningfully toward the end of last year, consumers are still spending, and most major parts of the economy continue to move in the right direction.

One way to see this is through the Atlanta Fed's GDPNow estimate, which shows economic growth running above a 5% annual pace late in 2025. That's a strong number by historical standards. What's driving it is familiar: steady jobs, rising wages, and household income that continues to support day-to-day spending.

Even though a few government reports have been delayed, what we can see from company earnings and retail sales suggests an economy that remains in expansion, not one that's rolling over.

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q4
Quarterly percentage change (SAAR)



Interest Rates & Market Expectations

Inflation has continued to cool, with price pressures easing from the highs we saw over the past few years. That shift matters because it gives the Federal Reserve more room to maneuver.

Market expectations point to a cautious, measured approach from the Fed — not aggressive rate cuts, but not further tightening either. Historically, this type of environment has been supportive for both stock and bond markets, particularly when economic growth remains intact.

In short, the goal is to keep the economy moving forward without reigniting inflation — a balancing act, but one that markets tend to handle reasonably well.

Labor Market Conditions

While the unemployment rate has edged higher, the broader labor picture remains healthy. Job openings are still elevated compared to long-term averages, layoffs remain low, and hiring continues across many industries.

A key reason unemployment has risen is that more people are entering or re-entering the workforce, not because jobs are disappearing. That's generally a sign of confidence and opportunity, rather than economic stress.

For households, this matters because steady employment remains the foundation supporting income, spending, and overall financial stability.

ALTERNATIVE MEASURES OF LABOR UNDERUTILIZATION

Measure	Nov. 2024	Oct. 2025	Nov. 2025	Nov. 2024	July 2025	Aug. 2025	Sept. 2025	Oct. 2025	Nov. 2025
U-1 People unemployed 15 weeks or longer, as a percent of the civilian labor force	1.6	-	1.7	1.7	1.8	1.7	1.8	-	1.8
U-2 Job losers and people who completed temporary jobs, as a percent of the civilian labor force	1.9	-	1.9	2.0	2.0	2.0	2.1	-	2.1
U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate)	4.0	-	4.3	4.2	4.2	4.3	4.4	-	4.6
U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers	4.2	-	4.7	4.5	4.5	4.6	4.7	-	4.9
U-5 Total unemployed, plus discouraged workers, plus all other people marginally attached to the labor force, as a percent of the civilian labor force plus all people marginally attached to the labor force	4.9	-	5.4	5.1	5.2	5.3	5.4	-	5.6
U-6 Total unemployed, plus all people marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all people marginally attached to the labor force	7.4	-	8.4	7.7	7.9	8.1	8.0	-	8.7

NOTE: People marginally attached to the labor force are those who currently are neither working nor looking for work but indicate that they want and are available for a job and have looked for work sometime in the past 12 months. Discouraged workers, a subset of the marginally attached, have given a job-market related reason for not currently looking for work. People employed part time for economic reasons are those who want and are available for full-time work but have had to settle for a part-time schedule. Updated population controls are introduced annually with the release of January data. Data for October 2025 were not collected due to the federal government shutdown.

U.S. BUREAU OF LABOR STATISTICS

Consumer & Fiscal Tailwinds

For many of our clients, income isn't driven by a simple 40-hour workweek. Overtime plays a major role, and for some households it represents **a third or more of total annual earnings**.

With the new **no tax on overtime** provisions under the *One Big Beautiful Bill*, many workers are now keeping more of their hard-earned income — not just on additional hours, but across a meaningful portion of their annual pay. Similar changes affecting tipped income mean those workers are also keeping more of what they earn.

Higher take-home pay improves household cash flow. Historically, when disposable income rises, consumer spending tends to follow — **and consumer spending remains the primary engine of the U.S. economy**.

Structural Growth Drivers

Powerful long-term investment cycles continue to support growth. The adoption of artificial intelligence across business and infrastructure remains in its early stages, with capital spending on data centers, semiconductors, and automation continuing to expand. **At the same time, significant investment in domestic manufacturing and infrastructure is underway, providing durable, multi-year support for economic activity and employment.**

Valuations & Market Volatility

While the fundamental economic picture remains strong, valuations in certain areas of the market are elevated relative to long-term averages. As a result, periods of consolidation or short-term pullbacks are possible. Such corrections, when driven by valuation adjustments rather than weakening fundamentals, have historically been temporary.

As Warren Buffett has observed, "Be fearful when others are greedy, and greedy when others are fearful."

Portfolio Strategy — What This Means for Investors

The combination of solid economic growth, moderating inflation, supportive monetary policy, and long-term structural investment trends continues to provide a favorable backdrop for diversified portfolios. Maintaining balance, diversification, and a long-term perspective remains essential.



Looking Ahead

As 2026 unfolds, the broader economic trend remains positive, supported by strong consumer activity and rising business investment. Periods of volatility are natural — and often healthy — and should be viewed as adjustments rather than signals of economic reversal. Staying disciplined and focused on long-term goals continues to be the most effective approach in an evolving market environment.

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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