GOELZER INVESTMENT MANAGEMENT

Avoiding the 1970s, Embracing the 1990s

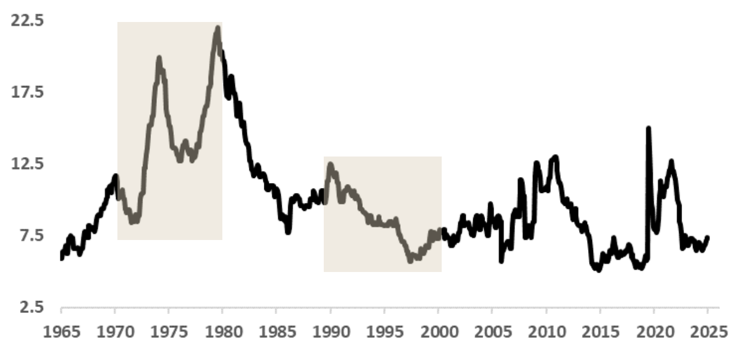
After a shaky November, U.S. stocks started December on a strong note. Confidence is bolstered by rising expectations of an interest rate cut at this week's Federal Reserve Open Market Committee meeting. Just a month ago, the odds of a December cut were no better than a coin flip; today, Fed Funds Futures put those odds above 90%, making a cut seem almost certain.

Why cut rates now? Inflation remains about 50% above the Fed's 2% goal (currently 3%), and unemployment, at 4.4%, though edging higher, is still well below the 50-year average of 6.1%. Meanwhile, the S&P 500 sits just shy of its October all-time high. So why ease policy?

San Francisco Fed President Mary Daly offers insight: "We don't want to work so hard to not be the 1970s that we cut off the possibility of the 1990s, losing jobs and growth in the process. That would be trading one mistake for another." In short, Fed officials believe the cooling job market reflects companies reducing hiring as they adopt productivity-enhancing technologies. These innovations could deliver faster growth with lower inflation. If that proves true, keeping rates high risks stalling both economic and job growth in the months ahead.

U.S. Misery Index

Current Inflation Rate Plus Unemployment Rate



Source: Bureau of Labor Statistics, Bloomberg. Mary C. Daly, "Policymaking Amid Change," Federal Reserve Bank of San Francisco, frbsf.org/research-and-insights/blog/sf-fed-blog/2025/11/10/policymaking-amid-change.
Chart source: Bloomberg

Economy

Last Week	This Week
Data Releases Affected by Government Shutdown	- ***NFIB Small Business Optimism (Nov.): 12/09***
- ***ISM Manufacturing (Nov.):*** *48.2 vs. 48.7 one month prior*	- ***JOLTS (Sep.): 12/09***
- ***ADP Employment Change (Nov.):*** *-32K vs. +42K one month prior*	- ***FOMC Rate Decision : 12/10***
- ***ISM Services (Nov.):*** *52.6 vs. 52.4 one month prior*	- ***FOMC Economic Projections: 12/10***

Equities

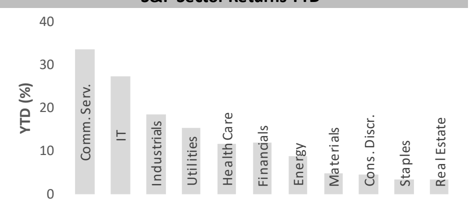
Returns (%)

Index	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	6847	0.53	2.60	17.80	13.86	21.95	14.90
Russell 1000 Growth	4813	0.75	2.12	19.72	16.53	29.75	16.47
Russell 1000 Value	2052	0.31	2.72	14.67	8.83	13.15	11.26
FTSE High Dividend Yield*	525	0.58	2.71	15.76	12.06	13.12	12.85
S&P Small and Mid Cap	18365	0.50	1.58	6.94	0.16	11.13	9.14
MSCI EAFE	2826	0.74	2.44	28.92	23.89	16.35	9.59
MSCI EM	1387	1.42	3.25	32.36	29.06	15.58	4.96

Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield
S&P 500	22.3	15.6	1.2
S&P 500 Growth	29.0	18.0	0.5
S&P 500 Value	17.1	13.6	2.0
FTSE High Dividend Yield*	13.5	13.1	3.9
S&P Small and Mid Cap	15.2	15.3	1.8
MSCI EAFE	15.5	13.5	2.9
MSCI EM	13.3	11.2	2.4

S&P Sector Returns YTD



** Bloomberg U.S Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.*

Fixed Income

Returns (%)

Index	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.38	-0.22	0.63	6.80	4.58	4.03	-0.34
U.S. Int. Gov/Credit	3.97	-0.13	0.74	6.49	5.51	4.73	0.94
U.S. Corporates	4.86	-0.11	0.47	7.37	4.77	5.32	0.06
High Yield	6.69	0.16	0.74	8.01	7.10	9.35	4.58
Municipals (1-10)	2.99	0.06	0.75	4.90	3.77	3.38	1.20

Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	3.58	3.51	3.61	4.24	4.15	4.31	0.15
10-yr Treasury	4.17	4.09	4.15	4.57	4.23	3.48	0.94
30-yr Treasury	4.80	4.75	4.73	4.78	4.42	3.43	1.69
SOFR	3.95	4.01	4.24	4.49	4.64	3.80	
6-mo. CD rate	3.78	3.82	3.94	4.33	4.34	4.92	0.22
Prime Rate	7.00	7.00	7.25	7.50	7.75	7.00	3.25
30-yr fixed mortgage	6.30	6.34	6.36	7.28	7.00	6.63	2.92

Data as of 4:25 PM ET, December 9, 2025. Returns through December 8, 2025.