



WEEK OF DECEMBER 8, 2025

Market Navigator

Led by the Nasdaq Composite and the small-cap Russell 2000, U.S. equities rallied again last week. Treasuries were weaker as stronger economic data had investors questioning the pace of Federal Reserve (Fed) easing in 2026. Service sector confidence, personal income and spending, and consumer confidence exceeded expectations, indicating the economy remains on solid footing.

Quick Hits

- Beyond the headlines:** Merger and acquisition activity is another positive market sign.
- Report releases:** Most economic reports offered good news for economic growth as we end the year.
- Financial market data:** Equity markets rallied across the board, and Treasuries were weaker across the curve.
- Looking ahead:** The highlight this week will be the Fed's interest rate decision, along with several important earnings reports.

Beyond the Headlines: Merger and Acquisition Activity Is Another Positive Market Sign

On Friday, investors and consumers were greeted with news of a merger between Netflix and Warner Brothers. Netflix agreed to spend \$72 billion and assume roughly \$11 billion in net debt to complete the deal. Although it's uncertain whether the deal will receive regulatory approval, it's indicative of another trend that has supported equity markets this year.

Led by activity in the U.S., global merger and acquisition (M&A) activity this year has rebounded from disappointing years in 2023 and 2024. This positive trend bodes well for robust M&A activity continuing in 2026.

Strength in Deal Size

Market strength this year has been in the size of the deals, not necessarily their volume. Corporate management teams have focused on positioning themselves for future growth by looking to acquire quality companies—and they're more than willing to pay for them. Unsurprisingly, the technology sector has experienced the highest percentage of M&A activity this year, with companies looking to add to their AI portfolios. Growth in that area of the market seems to be a long-term theme.

Not coincidentally, the same area of the stock market that has led to higher returns over the past three years is the same one that corporate America is focused on to enhance its offerings for future growth. These things tend to go hand in hand. Increased M&A activity can lead to higher

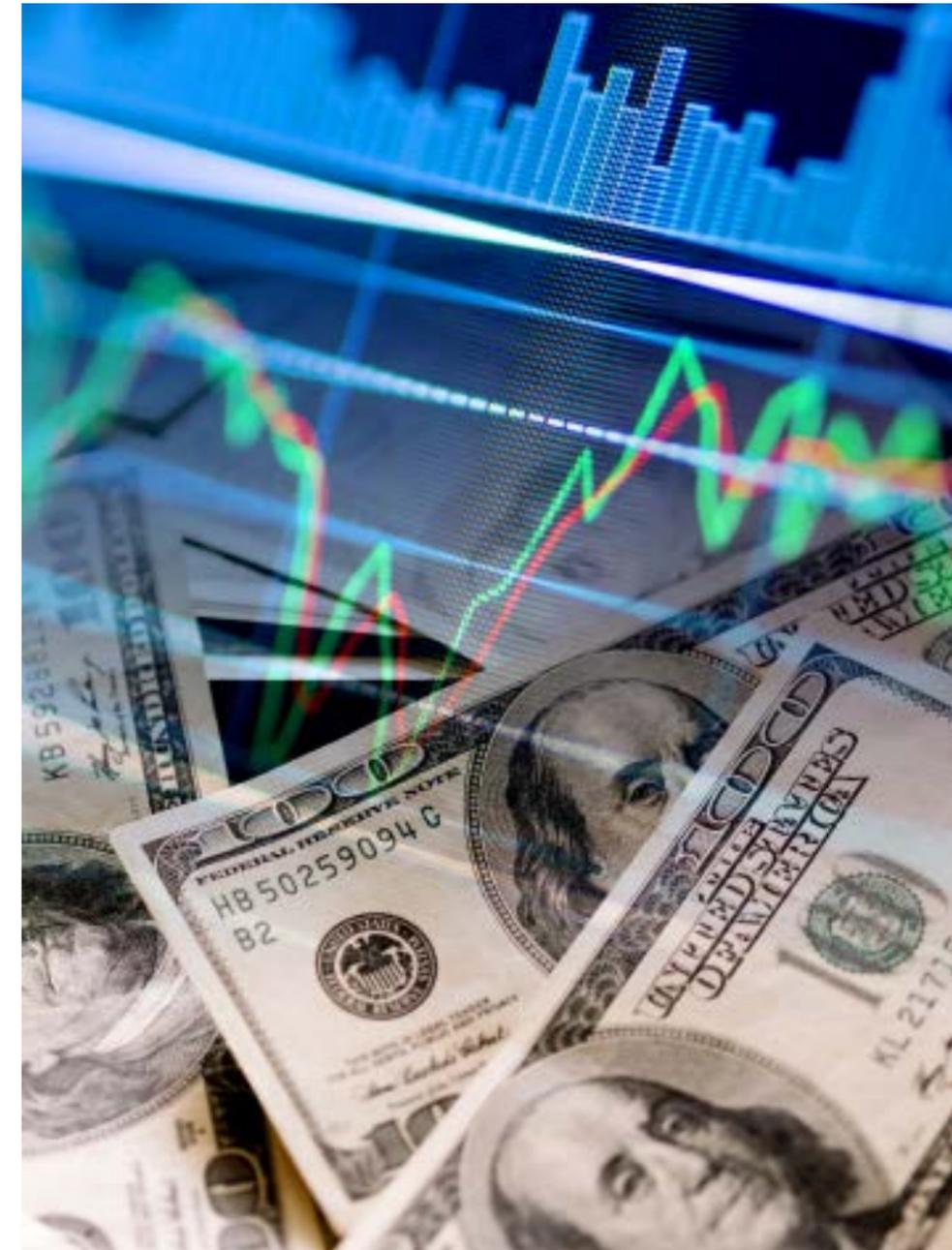
valuations for publicly traded companies in the same sector and industries. In addition, higher valuations can motivate decisions made by executive management teams as they try to position themselves for higher growth in the future to drive outperformance for shareholders.

Encouraging Signs

Although that bodes well for investors in technology and AI companies, it can also be positive for the overall stock market. To approve spending billions of dollars, executives must have confidence in the stability of the economy and the tax landscape, along with the ability to source products globally. It can also signify that companies are comfortable with how to navigate increased volatility and uncertainty.

All in all, the increased absolute level of M&A deals and the growing size of the capital commitments needed to get them done are good signs for investors. Combined with the strength of corporate earnings throughout the year, this provides a positive backdrop for markets as we finish the year and enter 2026.

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Report Releases: December 1–5, 2025

ISM Manufacturing Index November (Monday)

Manufacturer sector confidence fell more than expected last month, dropping the index to a four-month low.

- Expected/prior ISM Manufacturing index: 49.0/48.7
- Actual ISM Manufacturing index: 48.2



ISM Services Index November (Wednesday)

Service sector confidence improved modestly last month. Despite the rise, new order growth slowed and service sector employment fell.

- Expected/prior ISM Services index: 52.0/52.4
- Actual ISM Services index: 52.6



Personal Income and Spending September (Friday)

Personal income and spending improved in September, which was a good sign for overall economic growth.

- Expected/prior month personal income monthly change: +0.3%/–0.4%
- Actual personal income monthly change: +0.4%
- Expected/prior month personal spending monthly change: +0.3%/+0.5%
- Actual personal spending monthly change: +0.3%



Preliminary University of Michigan Consumer Sentiment Survey December (Friday)

Consumer confidence rose more than expected in December after falling in November, marking the first improvement for the index in five months.

- Expected/prior month University of Michigan consumer sentiment survey: 52.0/51.0
- Actual University of Michigan consumer sentiment survey: 53.3



>> The Takeaway

- Manufacturing sector confidence fell and services sector confidence improved modestly last month. Combined, the reports indicate that the economy continued to expand.
- Personal income and spending improved in September, indicating that economic growth was on solid footing before the government shutdown.

Financial Market Data

Equity

Led by the Nasdaq and the small-cap Russell 2000, stocks continued to rally, in part due to stronger-than-expected economic data and anticipation that the Fed will reduce interest rates this week. The S&P 500 and Dow Jones Industrial Average were also higher. It was a risk-on rally, as seen in the strength of small-caps, technology, communication services, consumer discretionary, financials, and industrials. Underperforming sectors were utilities and health care.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.35%	0.35%	18.20%	14.54%
Nasdaq Composite	0.93%	0.93%	22.87%	20.52%
DJIA	0.62%	0.62%	14.58%	8.97%
MSCI EAFE	0.77%	0.77%	29.16%	23.95%
MSCI Emerging Markets	1.43%	1.43%	32.23%	29.26%
Russell 2000	0.88%	0.88%	14.45%	6.66%

Source: Bloomberg, as of December 5, 2025

Fixed Income

Stronger economic data generated concern among fixed income investors that the Fed might not ease rates as much as anticipated in 2026, causing weakness in the Treasury market. Yields on the 10-year rose from 4.02 percent to 4.14 percent.

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-0.48%	-0.48%	6.94%
U.S. Treasury	-0.61%	-0.61%	6.01%
U.S. Mortgages	-0.29%	-0.29%	8.04%
Municipal Bond	-0.12%	-0.12%	4.03%

Source: Bloomberg, as of December 5, 2025

>> The Takeaway

- Equities, paced by small-caps, technology, and communication services, rallied across the board in a risk-on rally as investors looked ahead to this week's Fed meeting and interest rate decision.
- Treasuries were weaker due to strong economic data. Yields on the 10-year increased as investors adjusted their expectations for central bank interest rate cuts in 2026.

Looking Ahead

The focus this week is on the central bank's Federal Open Market Committee (FOMC) meeting and interest rate decision. We also expect high-profile earnings reports from technology and consumer companies.

- All eyes are on the **Fed's meeting** and interest rate decision on Wednesday.
- **Earnings reports** from Oracle, Adobe, Broadcom, and Costco are expected this week.





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convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent. One basis point (bp) is equal to 1/100th of 1 percent, or 0.01 percent.

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