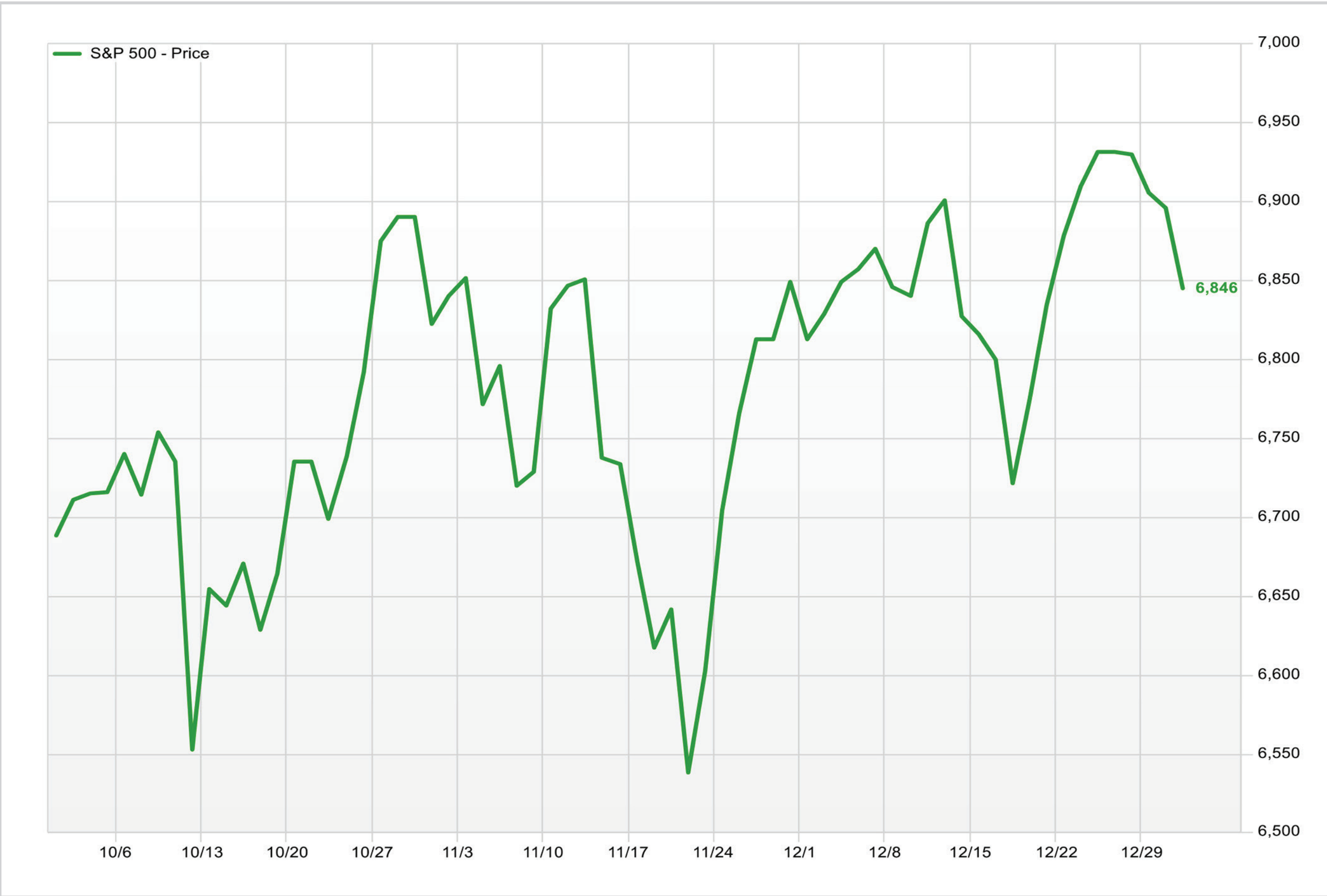
ST. GERMAIN WEALTH MANAGEMENT GROUP

Q4 2025 Highlights



MACROECONOMIC HIGHLIGHTS

Positive:

- Q3 QDP gains further momentum (+4.3%) and clocks in at best pace since summer '23 with Consumption +3.5% while business investment keeps trending higher despite uncertainties
- Inflation slows back down through November amid softer Shelter & Food, helping y-o-y ease back to 2.7% (core 2.6% slowest in ~5 years)
- Housing gains some more traction as rates plumb YTD lows: existing sales inch up through early winter with 1st time buyers rising, while average home prices up only ~1% y-o-y following spring slowdown

Negative:

- Hiring slows down dramatically after -100K (gov't) layoffs in October, while jobless rate worsens to 4.6% (a four-year high)
- Consumer Sentiment ends December down 5th straight month amid gloomier Present business condition readings, while Expectations below the 'recessionary level' almost a year running
- Manufacturing stuck in first gear: industrial production ticks up 3rd time in 4 months but annual change mild (+2%) and manufacturing payrolls shedding since April; also, forward-looking Institute for Supply Management (ISM) in contraction territory since March

S&P 500 Performance: finishes up 3rd straight quarter after a choppy November, led by Healthcare (+12%) and Communications (8%), but safe-haven Real Estate and Utes -1%

S&P 500 Earnings: third quarter earnings came in nicely ahead of consensus, with well over 80% beating expectations--the best since the early virus recovery days. Also, profits were up a similar low-teens percent again (14%), with sales growth also the best in a few years (+8%). Tech and Utilities led (as expected) with +20% earnings growth, but the former would be ~17% if the semiconductor names were excluded, while NRG Energy greatly aided the latter. Excluding such, Financials were the sole sector with a +20% bottom-line improvement. 'The "Magnificent 7" witnessed profit growth slow from upwards of 30% to 'only' about 18%, although investors expect a pickup moving into next year. Lastly, investors anticipate growth will moderate to 8% this quarter vs. a tougher 18% comparison, but still cap a 12% **full year** expansion with the 'Mag7' outpacing (+22%).

Notable Developments:

- China GDP slows again (to +4.8%) despite an easier year ago comparison, but YTD expansion is running a tad above the 5% goal, as production heats back up (6.5%)
- U.S. announces new Russian sanctions (Lukoil and Rosneft) in an effort to isolate them and curb oil revenue being used for war, while EU moves to ban their LNG starting '26
- Fed cuts rates a consecutive meeting (¼pt to 4% and lowest in a few years), in an effort to cushion the slower labor market despite lack of economic data during shutdown
- U.S. to halve Chinese tariffs (to 10%) in exchange for a reduction in chemicals made to create fentanyl, as well as tempered export controls on rare earth metals
- ECB holds target rate steady a 3rd straight meeting (at 2%) as inflation hovers just above their 2% target
- Senate ends longest government shutdown ever, which funds operations through January, but also funds Agriculture Dept, military & legislative branch a full year
- Trump relaxes tariffs on over 100 agriculture and food products, including beef, coffee, fruit, etc. in an effort to address consumers' cost of living concerns
- Fed cuts rate third straight meeting (¼pt to 3.75%), while Chair Powell noting job growth likely weaker-than-reported, but projections point to only 1 more cut in '26
- Japan raises rate (¼pt to 0.75% and highest in three decades) after being on hold nearly a year, which could cause capital to flow back into country (and away from U.S. assets)

Corporate Activity:

- Novo Nordisk buys Akero Therapeutics ($5.2B) which has a MASH drug pending approval, but loses to Pfizer in deal for Metsera ($10B), while Abbot buys Exact Sciences ($21B)
- Kimberly-Clark acquires (J&J spinoff) Kenvue ($40B), while Netflix wins bid for Warner Bros. assets ($72B) once they get split from the cable networks

Source: FactSet