Wealth Enhancement®

Weekly Market Update | December 12th, 2025

Maloney Team

Fed Funds 3.50% - 3.75%, US Ten Year 4.184%, Oil $57.53

	Close	One Week	One Month	Year to Date	One Year
Dow Jones Industrial	48,458.15	+1.05%	+2.78%	+13.90%	+10.56%
S&P 500	6,827.41	-0.63%	+1.39%	+16.08%	+12.83%
Nasdaq Composite	23,195.17	-1.62%	+1.29%	+20.12%	+16.40%
Russell 2000	2,551.46	+1.19%	+6.83%	+14.41%	+8.72%

Stocks finally had a meaningful pullback over the past two days, with the Nasdaq in particular tumbling Thursday and Friday. The expected 0.25% decrease in Fed Funds from the December FOMC meeting was a non-event as it was already "baked in" to the market earlier in the week. Broadcom (AVGO – $360) released quarterly results easily topping both revenues and earnings but sold off on news that there might be margin pressure next quarter. Any excuse to take a profit! But it was understandable, as the stock returned 139% year-to-date, so a drop was not a surprise. Costco (COST - $884) also had good results but sold off along with the market. Nevertheless, most analysts raised Costco's twelve-month price target to an average of $1,050 from 31 analysts.

Human nature being what it is, the old saying, "the stock market climbs a wall of worry" is true, and with stocks at generous multiples the rumblings of a correction have been getting louder. Let us look at some historic corrections, what caused them and how long before they recovered.

The Great Crash of 1929

The granddaddy of stock market crashes began on Black Thursday October 24. Stocks as measured by the Dow Jones Industrial dropped by over 40% on the first days of the 1929 stock market crash and were a cause of the Great Depression. Stocks eventually lost 89% of their value and did not return to their earlier peak until 1954.

The Bear Market Crash of 1973–1974

This can be traced back to the end of WWII, the Bretton Woods agreement, the adoption of the gold standard and the US reliance on imported oil. In October

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1973, an Arab coalition led by Egypt and Syria launched a surprise attack on Israel on the holiday of Yom Kippur. The fighting lasted for 19 days with the US resupplying the Israeli military. In response Arab members of OPEC announced an embargo on oil exports to the US. Oil prices spiked higher and equities sold off.

1987 “Black Monday”
The Dow Jones Industrials lost 22% of its value, $1.7 trillion, in one day. The crash was caused by a series of events: Increasing tensions in the Middle East, a widening US trade deficit, and computerized program trading. What many may not remember is that stocks ended the year 5% higher. “Panic selling” was the absolute wrong thing to do.

The “Dot Com” Bust of 1999–2000
Nasdaq took center stage. Heavily invested in technology stocks, the index had risen 600% from 1995 to its peak in March 2000, then fell from 5,049 to 1,140, or 78%, giving up all its gains. It took 15 years to reach its prior peak. The Dow Jones and Standard & Poor’s 500 indices fell less and recovered more quickly.

Financial Crisis and Great Recession of 2007–2008
Excessive real estate borrowing and subprime mortgages were the culprits here. NINJA loans – No Income, No Job and No Assets were written for unqualified borrowers. Carpenters became contractors, and contractors became developers, all going into debt with little chance of meeting their obligations. Off balance sheet lending contributed to bank failures. It took five years for the Dow Jones to recover its 54% drop from its peak.

Covid 2020 Crash
Worldwide and caused by a combination of government-imposed shutdown of economic activity and a feared shortage of liquidity. Fortunately, having learned from previous policy errors, the Federal Reserve quickly slashed interest rates to address the liquidity issue, and congress passed a $2.2 trillion spending plan to restore economic activity, and stocks recovered in two months.

Stock Market Correction of 2022
Excessive government spending caused the highest inflation in years, reaching 9% in the middle of that year. The central bank was far too hesitant to raise interest rates, insisting that inflation was “transitory,” when in fact it was deepening.

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Recession fears and an inverted yield curve increased investor anxiety. The Russian invasion of Ukraine and supply chain worries contributed to the market's fall. Its low point was October 2022, down 25% and it ended the year 19% lower. It finally returned to its January 2022 high in December of 2023.

While stocks have historically climbed over the long term, it is difficult to predict short and intermediate term moves. The best defense for the average investor to make it through such episodes is asset allocation across stocks, bonds, cash, and perhaps real estate and alternative investments, appropriate for their investment objective, their stage in life and liquidity needs. Within equities it is important not to excessively overweight the "hot" sectors like Information Technology and Communications Services as has happened with the Artificial Intelligence hoopla over the past couple of years. People will always need food and drink, shelter, toiletries, electricity, aspirin and transportation. And this shift across sectors happened this past week, with Information Technology and Communications Services falling 2.05% and 3.07% while Materials, Financials and Industrials rose 2.47%, 2.25% and 1.47%, respectively.

This information is not intended as a recommendation. The opinions are subject to change at any time and no forecasts can be guaranteed. Investment decisions should always be made based on an investor's specific circumstances. Investing involves risk, including possible loss of principal.

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