Wealth Enhancement®

Weekly Market Update | December 26th, 2025

Maloney Team

Fed Funds 3.50% - 3.75%, US Ten Year 4.3%, Oil $56.93

	Close	One Week	One Month	Year to Date	One Year
Dow Jones Industrial	48,710.97	+120%	+2.71%	+14.49%	+13.30%
S&P 500	6,929.94	+1.40%	+1.72%	+17.8.%	+16.06%
Nasdaq Composite	23,593.10	+1.22%	+1.63%	+22.18%	+19.63%
Russell 2000	2,534.35	+1.06%	+1.94%	+13.64%	+11.15%

Third quarter economic data, whose release had been delayed due to the government shutdown, reported that the U.S. economy grew at an annualized rate of 4.3% in the third quarter of 2025, the fastest pace in two years. It surpassed economists' expectations of 3.3% and built upon the second quarter's robust 3.8%. If one had to identify a theme to describe this year's equity markets, it might be Artificial Intelligence and a strong economy combined to lead stocks to record highs. Will this persist in 2026? Merrill Lynch expects the bull market to continue in 2026, driven by strong earnings and economic growth, though its pace may moderate due to softness in the labor market, shakeouts in the Artificial Intelligence (AI) sector, valuation concerns, and midterm election volatility.

Regarding the valuation concerns, price/earnings ratios are historically high. Under such a scenario, p/e ratios will correct to the historic norm in one-of- two ways; stock prices will fall as earnings growth declines or turns negative, lowering p/e ratios; or earnings will increase, which will lower p/e ratios, in the absence of p/e multiple expansion.



Source: Charles Schwab, Bloomberg, as of 12/5/2025.

The latter scenario means that p/e ratios will decline for the right reason, rising earnings. That is the consensus for next year. Note also from the chart that the forward p/e ratio trendline has dropped below the earnings per share (EPS) trendline, supporting the consensus.

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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