"Investing" Generates True Economic Value – Do Prediction Markets?

In 1976, Steve Wozniak designed and built the Apple I. Steve Jobs recognized its potential, and the two Steves sold some of their personal belongings to fund a small production run. Roughly a year later, Mike Markkula invested $250,000 — approximately $80,000 in equity and $170,000 as debt — providing the capital, credibility, and structure needed to transform a hobbyist project into a company.[1]

Apple I Microcomputer[2]

Today, Apple's market capitalization is roughly $4 trillion. More importantly, Apple has created extraordinary value well beyond its shareholders. It has reshaped how we work, communicate, create, and consume information. It has raised productivity, created entire industries, employed millions directly and indirectly, and helped accelerate the transition to a knowledge-based economy.

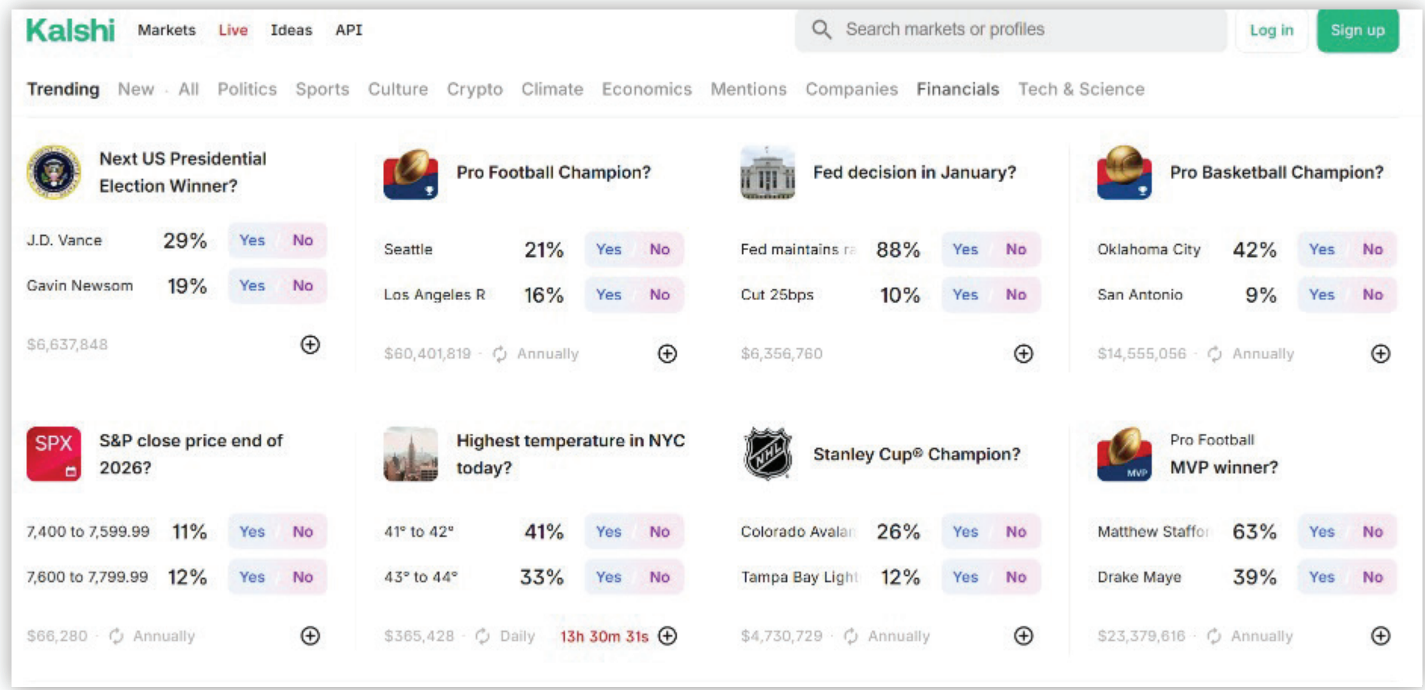
Apple has made the world a better place as it expanded the global economy and created additional wealth, raising the quality of life globally — meaning less food insecurity, better health outcomes, longer life expectancy, and more disposable income, among many other measures of well-being.

[1]How the Founders of Apple Got Rich - Mac History
[2]Apple I Microcomputer | National Museum of American History

(continued)

Meanwhile, in 2025, roughly $3.3 million was wagered on Polymarket on the question: *"Will Jesus Christ Return in 2025?"*[3] This wager produced no innovation, no productivity gains, no durable assets, and no societal benefit. One side will win, the other will lose, and Polymarket will take a fee, resulting in a net economic loss for participants overall. No value accrues to the world from this activity.

How are These Trending "Predictions" Adding Value?



Kalshi — Prediction Market for Trading the Future[4]

This contrast is not subtle — and yet, increasingly, it is blurred.

Barron's December 20th cover asked: *"Prediction Markets Will Make the Stock Market Obsolete. Yes or No?"*[5] The subheading sharpened the provocation: *"Wall Street is grappling with an uncomfortable question: Is there any distinction left between investing and gambling?"*

The answer is **yes**. Unequivocally.

The fact that the question is even being asked reflects how far financial discourse has drifted from first principles.

Let's define some terms:[6]

- **Investing** is the allocation of capital toward productive assets with a goal of future profit. It funds innovation, employment, and economic growth.
- **Hedging** seeks risk reduction, paying a premium to limit exposure of an existing asset.
- **Trading** is the exchange of assets, often with a goal of short-term profit or as a hedge. Trading provides liquidity, price discovery, or tactical positioning. It can support investing but is not synonymous with it.
- **Gambling** is the practice of risking money or other stakes in a game or bet.
- **Predicting** is to foretell on the basis of observation, experience or scientific reason.[7]

[3] Bet Against Christ's Return Pays 5.5% Annual Gain on Polymarket — Bloomberg: Evidently, betting against Christ was the right play in 2025... How does Polymarket substantiate those claiming to be Jesus Christ currently? Perhaps this money should be held in escrow until we are positive he indeed did not make a showing in 2025.

[4] Kalshi - Prediction Market for Trading the Future trending markets 10:29 AM EST on January 6, 2026

[5] Kalshi and Polymarket Prediction Markets Raise Big Questions About Investing — Barron's — emphasis to "investing" and "gambling" added by Obsidian CIO.

[6] These are general definitions. Sites like Investopedia can be used for a more detailed review of "investing," "Trading," and "Hedging," while we took the "Gambling" and "Predicting" definitions directly from the Merriam-Webster dictionary. GAMBLING Definition & Meaning — Merriam-Webster

[7] PREDICTING Definition & Meaning - Merriam-Webster This is an optimistic definition in our viewpoint given how some predictions seem to be made (e.g., lacking in observation, experience or scientific reason).

(continued)

Investing allows benefits to accrue not just to shareholders, but to workers, consumers, and the broader economy. A functioning capital market provides confidence to investors while creating efficiencies for those seeking capital.

Apple is a canonical example. Over decades, it raised billions in equity and debt, scaled globally, and introduced serial innovations — from the Macintosh to the iPhone — that reshaped multiple industries. Along the way, it created high-paying jobs, spurred competition, and forced entire sectors to become more efficient.

This is how economies grow.

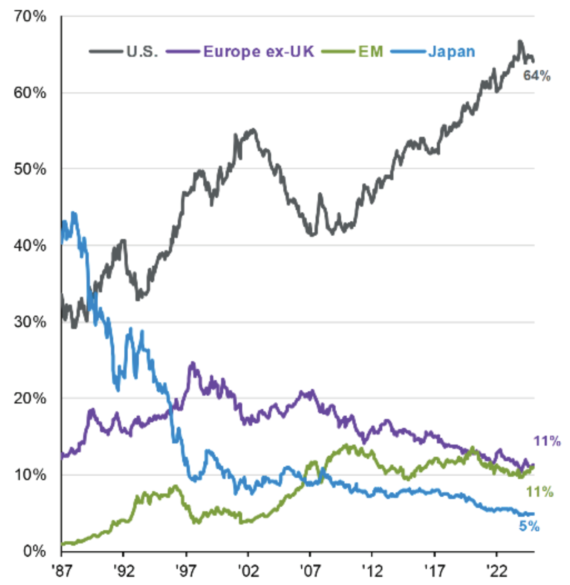
When Apple went public in 1980, it provided liquidity to early investors, democratized ownership, and dramatically expanded its ability to raise capital. Secondary markets allowed price discovery. Options markets allowed investors to hedge risk or tailor exposure. This infrastructure reduced Apple's cost of capital, enabling faster innovation.

America's capital markets remain the deepest, most liquid, and most dynamic in the world. If you have a good idea, this is where it gets funded. That system, supported by the rule of law, structures of regulation, and trust, has been one of the greatest wealth-creation engines in human history.

It is important to recognize that there is an element of gambling and gamification within capital markets. While these activities can support markets by creating deeper liquidity and better pricing for long-term investors and companies, it is unfortunate that the vast majority of participants lose money over time. For instance, zero-days-to-expiration (0DTE) options have become immensely popular over the last few years. Most participants appear to be seeking a quick payoff along with a dopamine boost. The same tools used for investing and hedging can also be used for gambling.

Share of global market capitalization[8]

% weight in MSCI All Country World, USD, monthly



Prediction markets are essentially forecasting tools. With enough participation, they can sometimes produce reasonably accurate probability estimates. They rely on the same principle as efficient markets theory — the "wisdom of crowds" — to unearth all information on a given market. Prediction market data may be useful to campaigns, corporations, or policymakers, but it is essentially another datapoint, another forecasting tool, no more.

Wagering on prediction markets is certainly not an investment. Participants engage in negative-sum wagers once platform fees are considered. Any value created — such as aggregated forecasting data — accrues primarily to the platforms, not to participants, and only marginally to society. The "hedging" argument is tenuous at best; most participants are not offsetting real-world exposure but are simply speculating.

Betting on elections, sporting events, or the Second Coming may be entertaining. It does not build anything.

[8] JP Morgan Q1 2026 Guide to the Markets

(continued)

Gambling feeds on perceived expertise, the illusion of edge, and the dopamine loop of short-term outcomes. The vig ensures the house wins over time; the vast majority of participants do not. It is not surprising that sports betting, crypto speculation and prediction markets often coexist on the same platform — a kind of digital amusement park — but this convergence may be dangerous for individuals more susceptible to addiction.

In summary, while prediction markets may create some value through additional forecasting data and tools, they may cause more damage to individual participants and, in our view, will not contribute meaningfully to future innovation or true economic growth.

Deep Thought: Economic Chokepoints

"It used to be that ravaging another country's economy required blockading its ports and laying siege to its cities. Now all it takes is a statement posted online by the U.S. government."[9]

Edward Fishman's *Chokepoints* details how economic power, such as sanctions, capital controls, and currency access, has become the dominant tool of modern geopolitics. Control of financial infrastructure now rivals military power.

This power is only feasible given America's global financial footprint: the U.S. dollar's role as the reserve currency and the fact that much of the world's financial plumbing runs on a U.S.-centric backbone. Other powerful blocs, including the G7, the EU, and others, have supported and participated in these economic actions, though sometimes reluctantly.

Two major questions recur throughout the book and are the source for ongoing debate by policymakers:

Do economic weapons weaken America's long-term dominance of global capital? Groups such as the BRICS countries are actively attempting to reduce U.S. financial influence. Are even allied nations increasingly uneasy about America's ability to weaponize access to capital? While there is currently no true alternative to the U.S. dollar, does that grant unlimited freedom to exploit this position?

AI Generated

Do economic weapons actually work?
Chokepoints makes clear that they can. We are still in the early stages of institutionalizing and refining best practices for weaponizing the financial system.

The reality underscores why robust capital markets matter. They are not just engines of growth; they are instruments of national power.

[9] Chokepoints: American Power in the Age of Economic Warfare by Edward Fishman | Goodreads

(continued)

In our October commentary[10] we highlighted that the Nobel prize in Economic Sciences was awarded for:

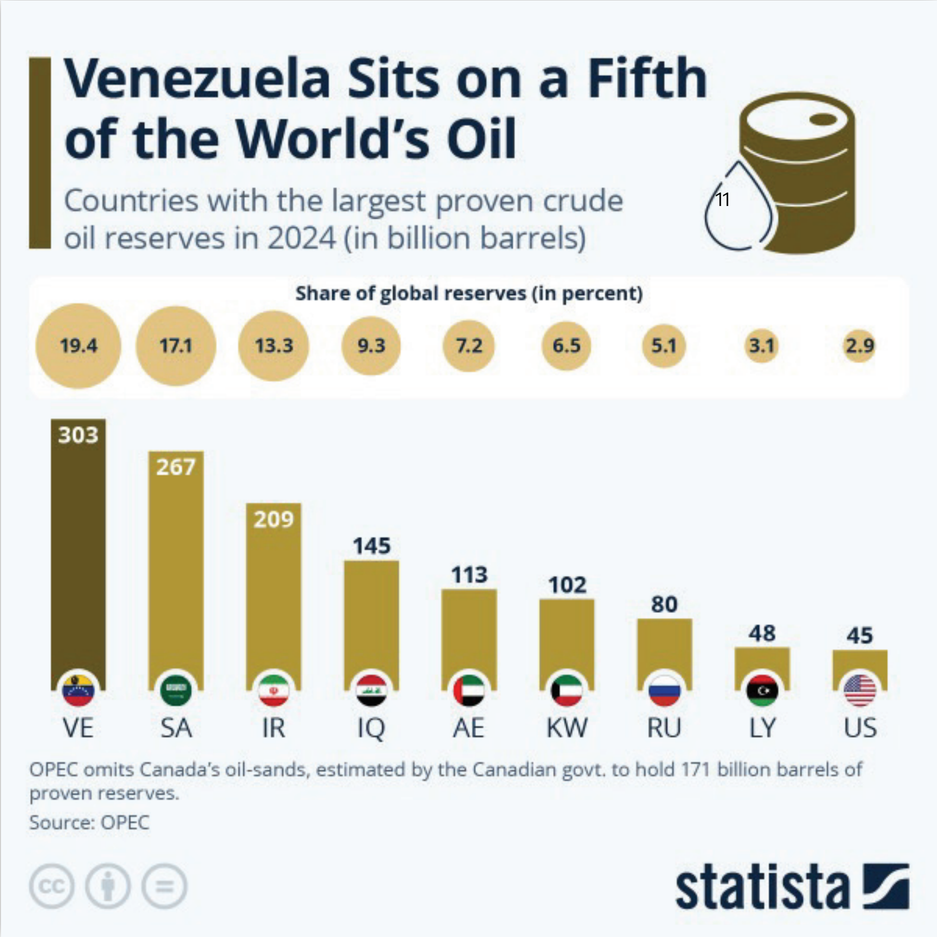
- Explaining innovation-driven economic growth,
- Identifying the prerequisites for sustained growth through technological process, and
- The theory of sustained growth through creative destruction.

This reinforces our central thesis that continual cycles of innovation drive long-term economic growth, which in turn leads to higher standards of living.

Investors who fund these continual cycles of innovation should profit handsomely over the long-term. This is how we invest on behalf of our constituents.

Operation Absolute Resolve, a U.S. military operation against Venezuela, was carried out on January 3, 2026. Its long-term implications remain uncertain and will take time to fully evaluate. In the interim, the severity of Venezuela's challenges is evident when viewed through the condition of its oil industry:

Yet, they are not drilling!



[10] Market-Commentary-2025.10.pdf

[11] Chart: Venezuela Sits on a Fifth of the World's Oil | Statista

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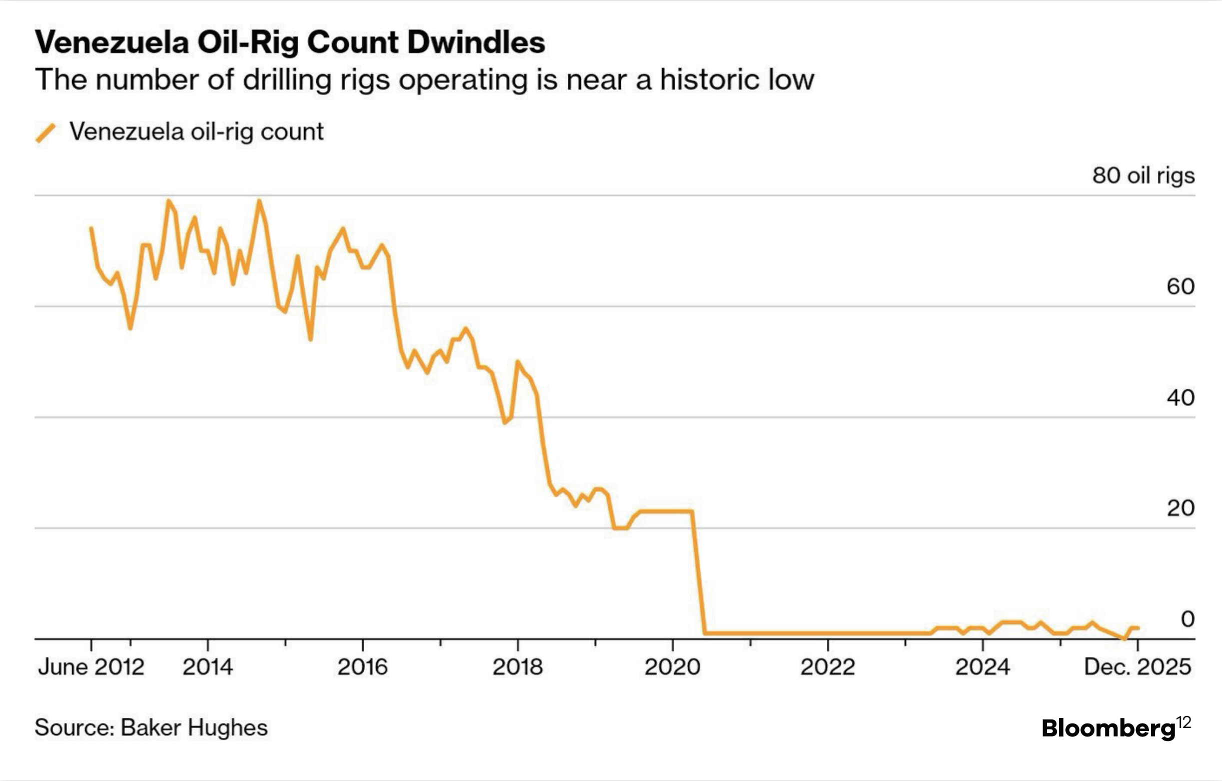

[12] Bloomberg Politics daily newsletter

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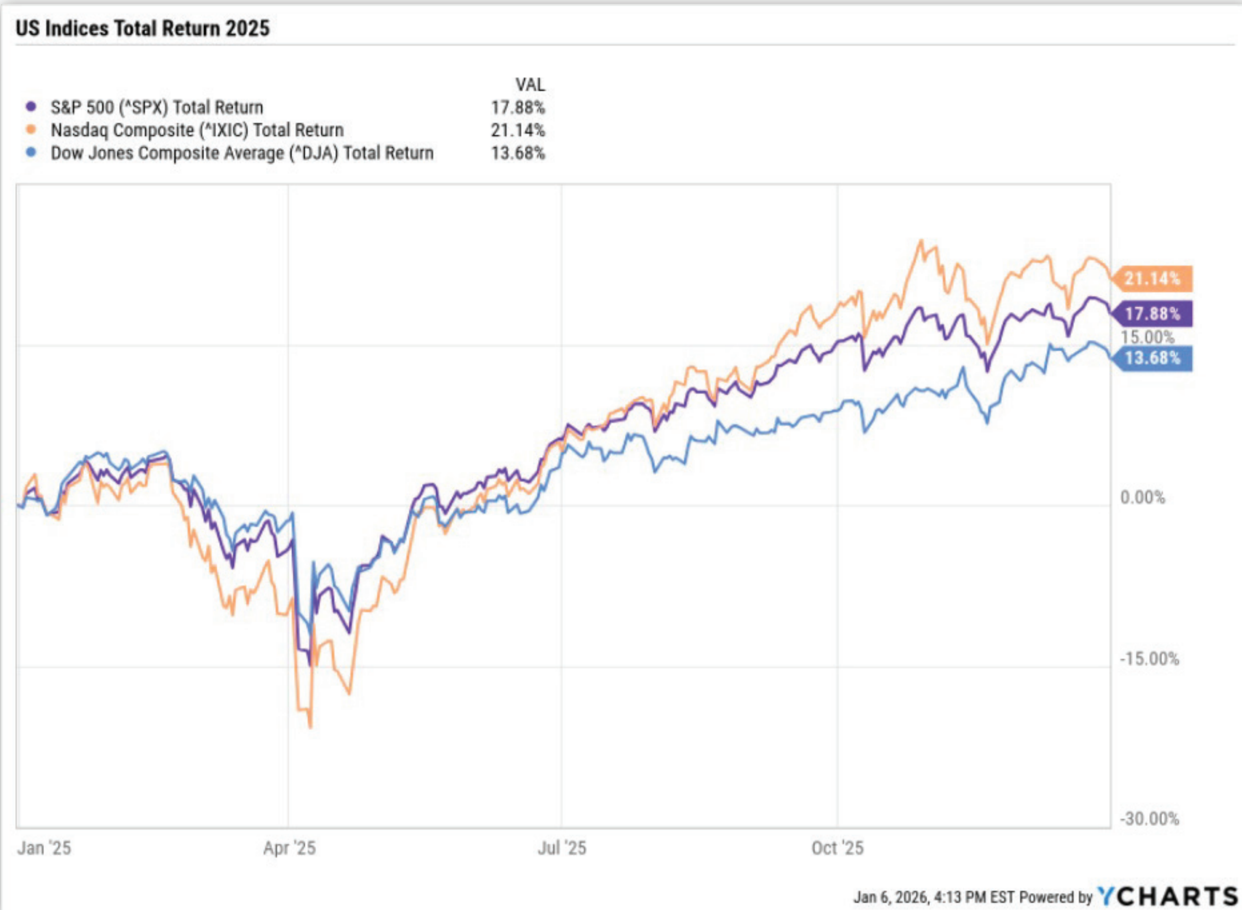
2025 Market Year-in-Review—From Policy Shock to Cautious Recalibration



- Overall, another great year for equities – Nasdaq up over 20%, S&P over 15%, and Dow over 13% on a total return basis.
- US equities did sell off materially in April after Liberation Day due to the high level of uncertainty surrounding tariffs. The sell off was brief as the Trump administration quickly implemented a pause on most of the highest tariffs implemented on Liberation Day.
- Markets then rallied throughout the summer as uncertainty surrounding tariffs subsided. Expectations for rate cuts and excitement surrounding AI deals were also catalysts for the back half of the year.
- Late in the year, equities gave up some gains on concerns over stretched valuations in AI/big tech.

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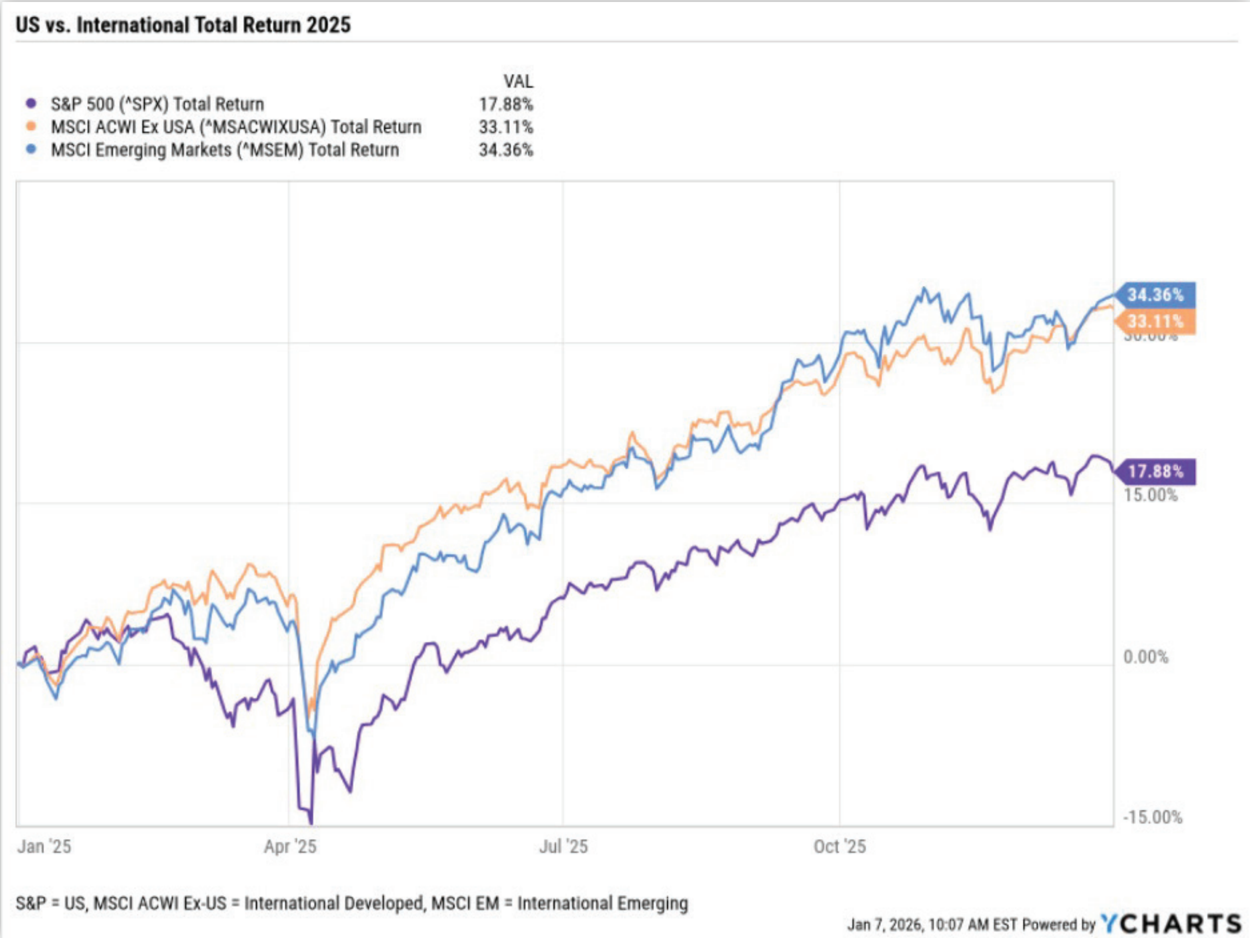

- US equity markets had strong returns, but international equity markets outperformed materially in 2025. International developed markets and international emerging markets both returned over 30% for the year.
- Some of this outperformance was a result of the dollar weakening throughout the year – Above graph is in USD, which means it reflects the strength of foreign currencies relative to USD.
- Within international markets, value stocks were the real winners – heading into the year valuations within international value were at a steep discount vs. US equities and vs. international growth. This valuation gap narrowed to more "normalized" levels by year end (although still trading cheap vs. tech heavy US indices).
- **2025 is a prime example of the benefits of diversification.**

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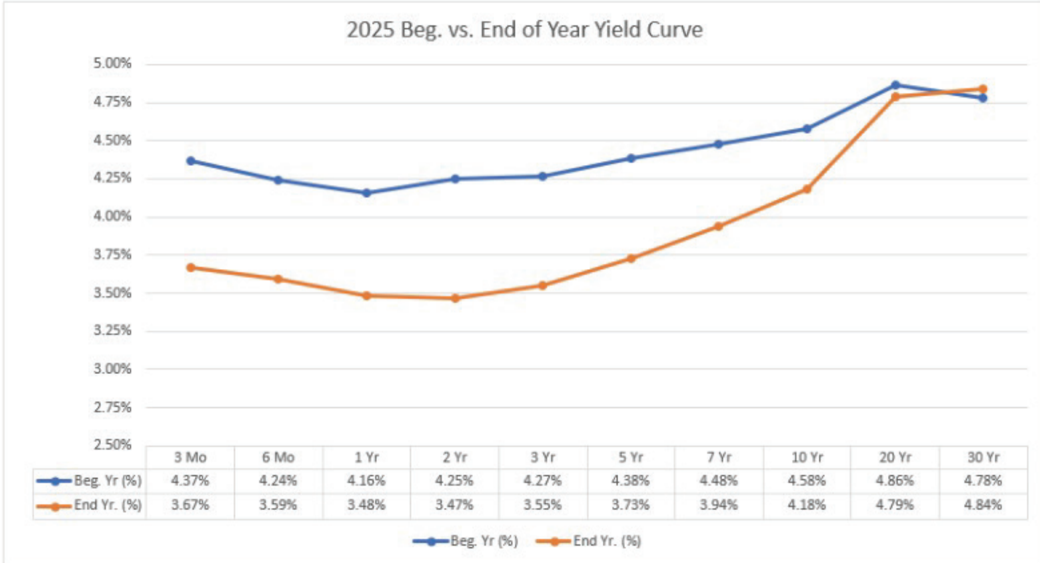

Spreads	Beg. Yr (bps)	End Yr. (bps)	Change (bps)
30y vs. 10y	20	66	46
30y vs. 2y	53	137	84
30y vs. 3Mo	41	117	76
10y vs. 2y	33	71	38
10y vs. 3Mo	21	51	30

- The yield curve steepened in 2025.
- Front end/intermediate part of curve lowered materially mainly due to Fed rate cuts.
- The very long end on the curve (10+ years) closed the year right around beginning of the year levels as concerns over fiscal sustainability and government borrowing emerged.
- After cutting rates by 25 bps in each of the final three meetings of 2025, it now seems unlikely that there will be further cuts in Q1 of 2026 but there is still hope for the rest of the year.

2025 Market Summary

Markets in 2025 were shaped less by economic fundamentals and more by policy-driven regime shifts. The year began with optimism around cooling inflation and resilient growth but quickly gave way to volatility as tariffs re-emerged as a dominant force, culminating in the April "Liberation Day" shock. As trade uncertainty gradually receded, attention shifted to weakening labor conditions, forcing the Federal Reserve to pivot toward rate cuts despite inflation remaining above target. By year-end, markets were supported by easier policy and AI-driven investment but increasingly focused on valuation discipline, sustainability, and the limits of monetary support—closing the year not in crisis, but in cautious recalibration.

Q1 2025 — From Optimism to Policy-Driven Uncertainty

The year began with cautious optimism as markets leaned on economic resilience, easing inflation, and expectations for eventual Federal Reserve cuts. That optimism faded quickly as trade policy re-emerged as the dominant risk. Tariff threats escalated through January and February, driving a sharp rise in policy uncertainty and eroding confidence despite still-solid growth and earnings. By March, tariffs moved from speculation to implementation, retaliation followed, and recession risk entered the narrative after the administration acknowledged that economic pain could be an acceptable tradeoff. Markets ended the quarter grappling with the realization that policy — not fundamentals — would dictate direction in 2025.

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Q2 2025 — Shock, Stabilization, and Adjustment

Q2 was defined by extreme volatility followed by rapid recalibration. April's "Liberation Day" tariffs triggered a historic market shock, resetting expectations for growth, inflation, and policy credibility. Panic subsided only after a partial policy reversal, and a 90-day tariff pause stabilized markets. May and June brought a powerful recovery as worst-case scenarios receded, trade negotiations resumed, and geopolitical risks proved short-lived. While equities rebounded sharply, bond markets signaled discomfort with rising fiscal imbalances, marking a transition from crisis response to cautious adjustment.

Q3 2025 — From Tariff Clarity to a Fed Pivot

The third quarter marked a decisive shift in focus from trade policy to economic fundamentals. With tariff outcomes becoming more structured and predictable, markets turned their attention to emerging labor-market weakness and slowing growth. Inflation showed early signs of tariff pass-through just as employment data deteriorated, forcing the Fed's dual mandate into conflict. By late summer, it became clear that monetary policy would have to respond. The Fed's September rate cut confirmed the pivot, supporting risk assets even as underlying economic momentum continued to soften.

Q4 2025 — De-Risking, Policy Support, and Cautious Recalibration

The final quarter of the year reflected a more disciplined and selective market environment. While policy easing continued, confidence became increasingly conditional. AI-driven leadership persisted into October but was met with rising scrutiny around valuations, leverage, and sustainability. November saw broad de-risking as growth assets stalled, crypto sold off, and policy uncertainty resurfaced amid a record government shutdown. December closed the year with the Fed delivering its third consecutive rate cut, but unusually strong dissent and cautious messaging underscored growing limits to policy support. Markets exited 2025 recalibrated to easing policy but increasingly focused on durability rather than momentum.

Key Tailwind

- Trump administration's pro-growth/deregulation agenda
- Trade deals
- AI enthusiasm
- Modest inflation
- Rate cuts (3)

Key Headwinds

- Economic policy uncertainty (i.e. tariffs)
- Liberation Day market shock
- Consumer sentiment
- Labor market weakness
- Stretched valuations (AI/tech)
- Geopolitical tensions (US/China trade war, Russia/Ukraine conflict, Israel/Iran conflict)s

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Talking Points— December 2025

Monthly Market Recap

The final month of 2025 ended with equities roughly where they began the month, with the Dow up slightly and the S&P and Nasdaq slightly lower. In fixed income markets, short-term and long-term yields diverged rather materially, leading to the treasury yield curve steepening. The front end (0-2 years) of the curve fell while the intermediate/long end (2+ years) rose. Fixed income performance was primarily driven by the Fed's interest rate decision and commentary, while equity performance was muted due to concerns surrounding AI/big tech valuations and capex spend.

US monetary policy took center stage this month. Markets entered December confident that slowing labor market conditions and subdued inflation would allow the Fed to continue easing policy (i.e. lower rates). That view was validated mid-month when the Fed confirmed that it would be implementing its third consecutive 25 bps rate cut, bringing the benchmark rate to 3.50% - 3.75%. While the decision itself was well anticipated by markets, it was surprisingly not a consensus amongst Fed officials as three officials dissented (i.e. did not vote with the majority). It is also important to note that Powell's commentary post-decision seemed to "raise the bar" for further cuts. In addition to its rate cut, the Fed announced that it would be resuming its balance sheet expansion (easing policy), which could put additional downward pressure on rates. Looking ahead, the base case is that the Fed will hold rates at current levels at its next meeting in January.

Economic data released throughout the month painted a "mixed" picture of the US economy. As mentioned, heading into December labor market data showed material weakening while inflation data remained muted. This trend continued – overall unemployment drifted higher and jobs added were not enough to offset prior losses. On the inflation front, delayed CPI and PCE data surprised to the downside, although there were some concerns over the quality of the data given the government shutdown. The most surprising data point of the month, however, was the release of Q3 GDP. It showed that the US economy grew at a 4.3% pace during the quarter, much higher than forecast. Like CPI, this release is a bit misleading as much of the growth was a result of the massive capex spend on AI related initiatives during the observation period.

Tech earnings were a notable source of volatility as several high profile companies (e.g., Oracle, Broadcom) reported results that reignited concerns around margin pressures and rising debt levels tied to hyper-aggressive AI related capex. The results themselves weren't all bad but with valuations already feeling stretched, markets analyzed the results with more of a fine-tooth comb than in previous quarters (where it seemed that any AI related headline lifted the entire stock market regardless of its materiality).

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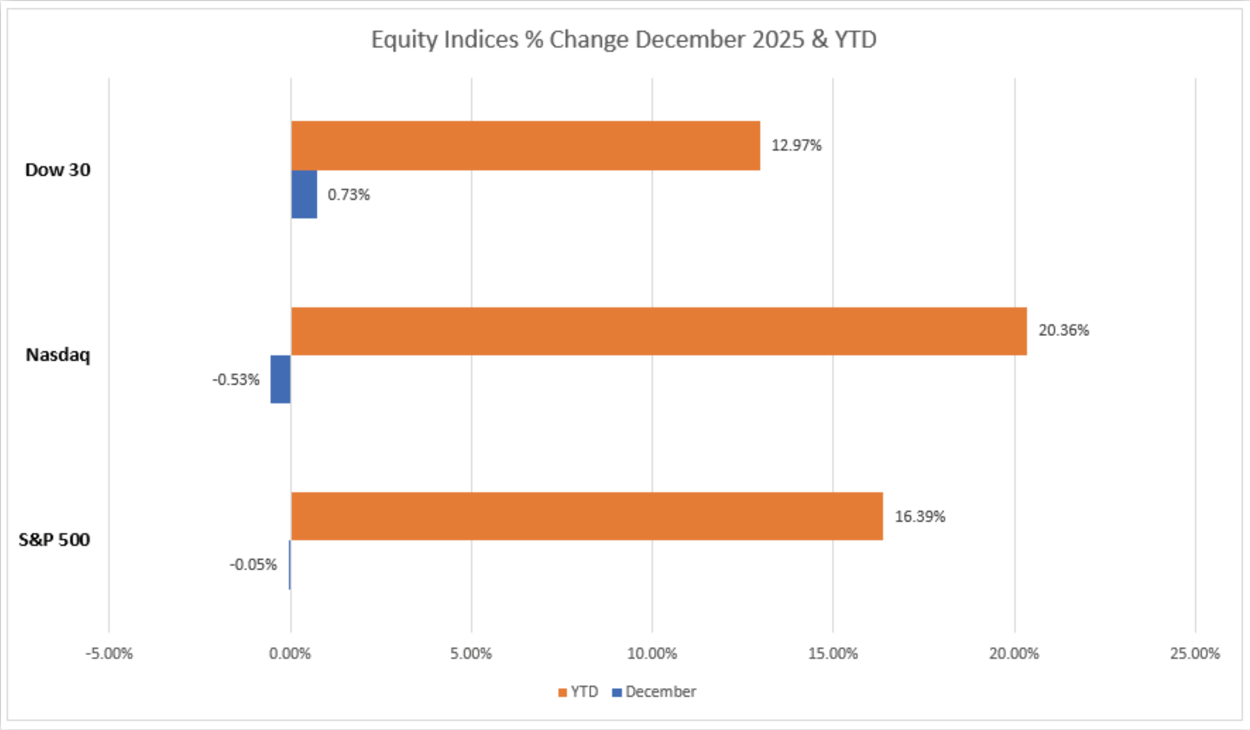
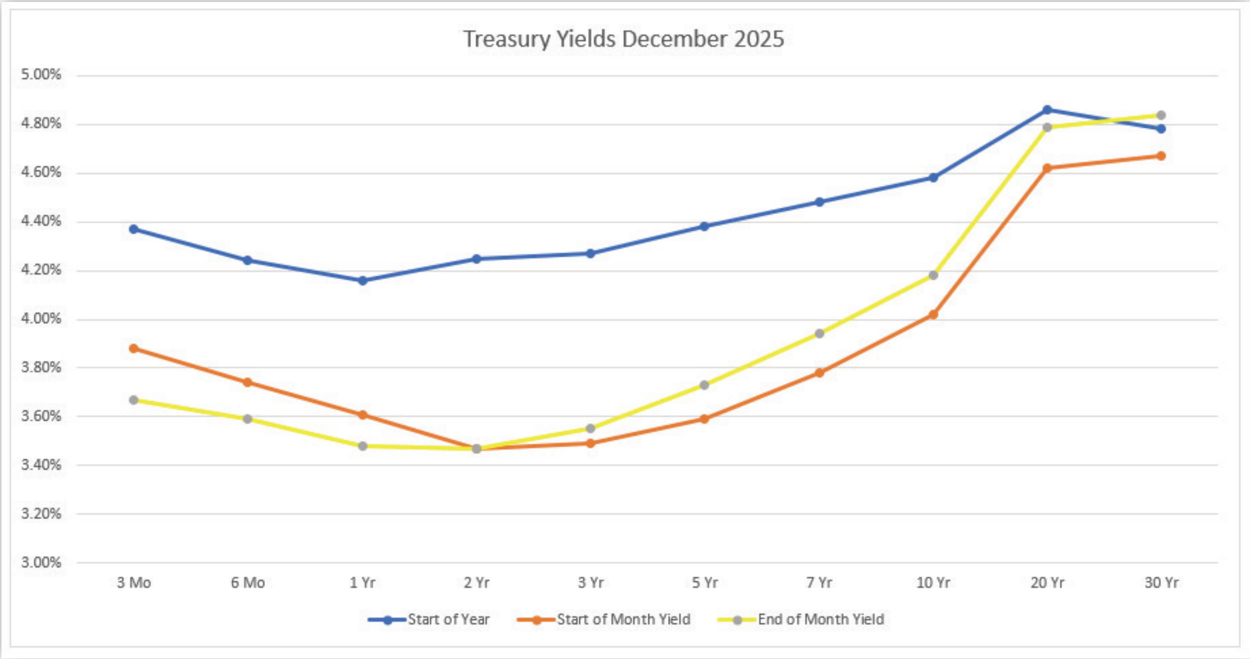
Graphs/Visuals





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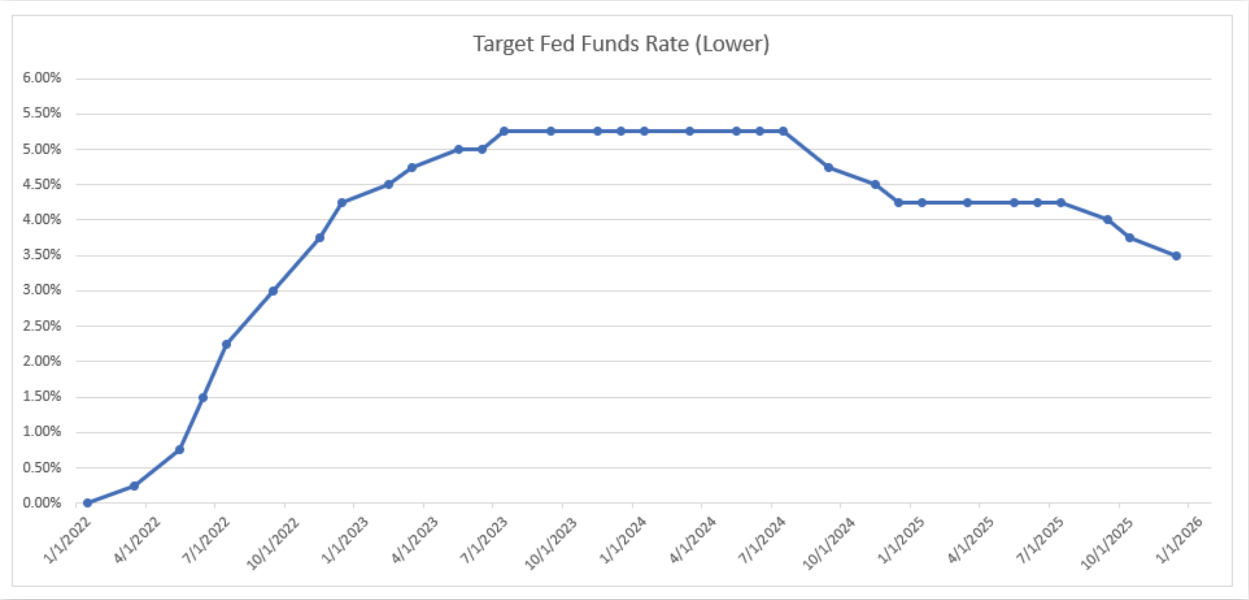
Fed Interest Rate Decisions Since Start of Hiking Cycle

FOMC Meeting Date	Hike/Cut	Target Fed Funds Rate (Lower)	Target Fed Funds Rate (Upper)
Start of 2022	-	*0.00%*	*0.25%*
3/16/2022	**0.25%**	0.25%	0.50%
5/4/2022	**0.50%**	0.75%	1.00%
6/15/2022	**0.75%**	1.50%	1.75%
7/27/2022	**0.75%**	2.25%	2.50%
9/21/2022	**0.75%**	3.00%	3.25%
11/2/2022	**0.75%**	3.75%	4.00%
12/14/2022	**0.50%**	4.25%	4.50%
2/1/2023	**0.25%**	4.50%	4.75%
3/22/2023	**0.25%**	4.75%	5.00%
5/3/2023	**0.25%**	5.00%	5.25%
6/14/2023	**0.00%**	5.00%	5.25%
7/26/2023	**0.25%**	5.25%	5.50%
9/20/2023	**0.00%**	5.25%	5.50%
11/1/2023	**0.00%**	5.25%	5.50%
12/13/2023	**0.00%**	5.25%	5.50%
1/31/2024	**0.00%**	5.25%	5.50%
3/20/2024	**0.00%**	5.25%	5.50%
5/1/2024	**0.00%**	5.25%	5.50%
6/12/2024	**0.00%**	5.25%	5.50%
7/31/2024	**0.00%**	5.25%	5.50%
9/18/2024	**-0.50%**	4.75%	5.00%
11/7/2024	**-0.25%**	4.50%	4.75%
12/18/2024	**-0.25%**	4.25%	4.50%
1/29/2025	**0.00%**	4.25%	4.50%
3/19/2025	**0.00%**	4.25%	4.50%
5/7/2025	**0.00%**	4.25%	4.50%
6/18/2025	**0.00%**	4.25%	4.50%
7/30/2025	**0.00%**	4.25%	4.50%
9/18/2025	**-0.25%**	4.00%	4.25%
10/29/2025	**-0.25%**	3.75%	4.00%
12/10/2025	**-0.25%**	3.50%	3.75%



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Probability of Upcoming Fed Interest Rate Decisions							
12/12/2025	*Hike*	*Hold*	*Cut*	*Hike 25bps*	*Cut 25bps*	*Cut 50bps*	*Cut 75bps*
January	0.00%	75.60%	24.40%	0.00%	24.40%	0.00%	0.00%
12/19/2025	*Hike*	*Hold*	*Cut*	*Hike 25bps*	*Cut 25bps*	*Cut 50bps*	*Cut 75bps*
January	0.00%	77.90%	22.10%	0.00%	22.10%	0.00%	0.00%
12/26/2025	*Hike*	*Hold*	*Cut*	*Hike 25bps*	*Cut 25bps*	*Cut 50bps*	*Cut 75bps*
January	0.00%	80.10%	19.90%	0.00%	19.90%	0.00%	0.00%
1/2/2026	*Hike*	*Hold*	*Cut*	*Hike 25bps*	*Cut 25bps*	*Cut 50bps*	*Cut 75bps*
January	0.00%	82.80%	17.20%	0.00%	17.20%	0.00%	0.00%

November CPI and Core CPI (yoy)	Nov.	vs. Expected	vs. Sept.
CPI	*2.7%*	*3.1%*	*3.0%*
Core CPI	*2.6%*	*3.0%*	*3.0%*

September PCE and Core PCE (yoy)	Sept.	vs. Expected	vs. Aug.
PCE	*2.8%*	*2.8%*	*2.7%*
Core PCE	*2.8%*	*2.9%*	*2.9%*

Highlights/Notes

Highlight: Markets welcomed another 25 bps cut from the Fed but concerns surrounding AI/big tech valuations and capex spend resulted in muted performance for equities.

FAM Sentiment Summary 2025:

2025	January	February	March	April	May	June	July	August	September	October	November	December
Fed	**Mildly Bearish**	**Mildly Bearish**	**Mildly Bullish**	**Mildly Bearish**	**Mildly Bullish**	**Neutral**	**Neutral**	**Mildly Bullish**	**Mildly Bullish**	**Mildly Bearish**	**Neutral**	**Mildly Bullish**
Interest Rate Decisions	Neutral	Neutral	Mildly Bullish	Neutral	Mildly Bullish	Neutral	Neutral	Neutral	Bullish	Neutral	Neutral	Bullish
Commentary	Mildly Bearish	Mildly Bearish	Mildly Bullish	Bearish	Mildly Bullish	Neutral	Mildly Bearish	Bullish	Mildly Bullish	Bearish	Mildly Bullish	Mildly Bearish
Economic Data	**Mildly Bearish**	**Mildly Bearish**	**Mildly Bearish**	**Mildly Bearish**	**Neutral**	**Mildly Bullish**	**Mildly Bearish**	**Mildly Bearish**	**Neutral**	**Neutral**	**Neutral**	**Mildly Bullish**
Inflation	Mildly Bearish	Mildly Bearish	Mildly Bearish	Bullish	Mildly Bullish	Bullish	Mildly Bearish	Mildly Bearish	Bullish	Bullish	Neutral	Bullish
Employment/Labor Market	Bearish	Mildly Bearish	Mildly Bullish	Mildly Bullish	Mildly Bullish	Mildly Bullish	Bearish	Bearish	Neutral	Neutral	Neutral	Mildly Bearish
GDP	Mildly Bullish	Neutral	Mildly Bearish	Mildly Bearish	Mildly Bearish	Neutral	Neutral	Mildly Bullish	Neutral	Neutral	Neutral	Bullish
Consumer Spending	Neutral	Mildly Bearish	Bearish	Neutral	Mildly Bearish	Neutral	Mildly Bullish	Neutral	Neutral	Neutral	Neutral	Neutral
Consumer Sentiment	Neutral	Bearish	Bearish	Bearish	Neutral	Neutral	Mildly Bullish	Neutral	Mildly Bearish	Neutral	Mildly Bearish	Neutral
Housing/Real Estate	Mildly Bearish	Mildly Bearish	Mildly Bullish	Neutral	Neutral	Neutral	Mildly Bearish	Neutral	Neutral	Neutral	Neutral	Neutral
Global Events/News	**Mildly Bearish**	**Neutral**	**Mildly Bearish**	**Neutral**	**Neutral**	**Neutral**	**Neutral**	**Neutral**	**Neutral**	**Neutral**	**Neutral**	**Neutral**
China	Bearish	Neutral	Neutral	Mildly Bearish	Mildly Bullish	Mildly Bullish	Neutral	Neutral	Neutral	Mildly Bullish	Mildly Bullish	Neutral
Europe	Mildly Bearish	Neutral	Mildly Bearish	Neutral	Mildly Bearish	Neutral	Mildly Bullish	Mildly Bullish	Mildly Bullish	Neutral	Neutral	Mildly Bullish
Japan	Neutral	Mildly Bearish	Neutral	Neutral	Neutral	Neutral	Mildly Bullish	Neutral	Neutral	Mildly Bullish	Neutral	Mildly Bearish
Middle East	Neutral	Neutral	Mildly Bearish	Neutral	Mildly Bullish	Mildly Bullish	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Russia/Ukraine	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Mildly Bearish	Bearish	Mildly Bearish	Mildly Bearish	Neutral	Neutral
US Politics/Government	**Neutral**	**Bearish**	**Bearish**	**Bearish**	**Mildly Bullish**	**Mildly Bullish**	**Mildly Bullish**	**Mildly Bullish**	**Neutral**	**Mildly Bullish**	**Mildly Bullish**	**Neutral**
Tariffs	Bearish	Bearish	Bearish	Bearish	Neutral	Mildly Bullish	Mildly Bullish	Mildly Bullish	Neutral	Mildly Bullish	Mildly Bullish	Mildly Bullish
US/China Trade War	n/a	n/a	n/a	Bearish	Bullish	Bullish	Mildly Bullish	Bullish	Mildly Bullish	Mildly Bullish	Mildly Bullish	Mildly Bearish
Economic Policy	Bullish	Neutral	Neutral	Neutral	Mildly Bearish	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Market Trends	**Mildly Bullish**	**Neutral**	**Mildly Bearish**	**Neutral**	**Neutral**	**Neutral**	**Mildly Bullish**	**Neutral**	**Mildly Bullish**	**Mildly Bullish**	**Mildly Bearish**	**Mildly Bearish**
Earnings	Bullish	Mildly Bullish	Bearish	Mildly Bullish	Neutral	Neutral	Mildly Bullish	Mildly Bearish	Bullish	Mildly Bullish	Bullish	Mildly Bearish
AI/Chips	Mildly Bullish	Mildly Bullish	Neutral	Mildly Bearish	Neutral	Mildly Bullish	Mildly Bullish	Mildly Bullish	Bullish	Bullish	Mildly Bearish	Bearish
Crypto	Mildly Bullish	Bearish	Mildly Bearish	Neutral	Mildly Bullish	Neutral	Mildly Bullish	Neutral	Neutral	Neutral	Bearish	Mildly Bearish

Noteworthy Details:

- Fed – Neutral to Mildly Bullish
  - — The decision to cut was bullish but Powell's commentary poured cold water on hopes for more cuts in the near future.
- Inflation – Neutral to Bullish
  - — Markets and the Fed did not have much data to work from last month due to the government shutdown, but inflation data released this month was better than expected (i.e., lower inflation).
- GDP – Neutral to Bullish
  - — Q3 GDP came in at 4.3% - well above expectations.
- Earnings – Bullish to Mildly Bearish
  - — Markets are paying closer attention to tech earnings and concerns over rising debt levels/ valuations are building.

(continued)

Key Topics/Items from Below:

- ***BEARISH***
  - — Concerns over the elevated debt levels of companies operating in the AI space – a direct result of the AI capex frenzy that took place throughout much of 2025
- ***MILDLY BEARISH***
  - — Japan's Central Bank signaling to markets that they are open to the idea of a rate hike in the beginning of the month – resulting in yields on 10-year government bonds reaching its highest levels since 2008
  - — Natural gas prices hitting a 3-year high in the beginning of the month as forecasts pointed to a "colder-than-expected" winter
  - — Three Fed officials dissenting on the decision to cut rates by 25 bps in December
  - — Powell's commentary post interest rate decision where he seemed to "raise the bar" for further cuts
  - — Earnings guidance from JP Morgan which suggested that its expenses in 2026 were likely to be higher than originally forecasted
  - — China unveiling plans to increase export controls on steel products in 2026
  - — November's jobs report (delayed) and some additional data points from October (delayed) showed that since September the overall unemployment rate rose by more than expected
  - — Energy prices rising towards the end of the month on increasing geopolitical tensions (mainly US/Venezuela)
  - — Precious metals prices dropping materially in the last week of the month after surging throughout 2025 – led by a selloff in silver futures (down 8%, largest decline in almost 5 years)
- ***NEUTRAL***
  - — Fed announcing that it will resume its balance sheet expansion
  - — Stronger than expected economic data from China which showed that exports grew materially, pushing the country's trade surplus higher
  - — Mexico announcing that it would implement tariffs on "select" goods from Asia (ranging from 5-50%)
  - — October retail sales data pointing to sales growth "stalling out"
  - — Central Bank of Japan announcing that it will raise interest rates by 25 bps this month (well telegraphed, no surprise to markets) – resulting in yields on 10-year Japanese government bonds topping 2% (highest since 1999)
  - — President Trump ordering a blockade of all sanctioned tankers entering/exiting the country
  - — Trump administration announcing that all construction of US offshore wind projects had been halted
  - — Chinese government announcing that it expects to meet its growth targets for 2025 despite major economic headwinds
- ***MILDLY BULLISH***
  - — Private sector jobs data from ADP pointing to a "modest fall" in jobs which markets took as a sign that the Fed is likely to cut (beginning of the month)
  - — September Core PCE coming in below expectations
  - — Bank of England joining the US in lowering capital requirements for banks
  - — US lowering tariffs on South Korea autos from 25% to 15%
  - — Natural gas prices dropping 20% from beginning of the month highs on reports of warmer weather during the holidays

(continued)

- The University of Michigan's Consumer Sentiment Survey showing that sentiment unexpectedly improved in November
- Oil prices dropping to pre-Russia/Ukraine conflict levels
- The U.K. FTSE 100 index hitting an all-time high

- ***BULLISH***
  - Fed cutting rates by 25 bps at its December meeting (third consecutive cut)
  - November CPI and Core CPI coming in materially lower-than-expected
  - Release of Q3 GDP data which showed that the US economy grew at a 4.3% pace during the quarter (much higher than forecasts)