DeMarche

PERSPECTIVES AND POSITIONS

By James Dykstal, CFA, Portfolio Manager, August 2025

This is a summary of our views on the economy and markets based on data through November 2025.

Economy

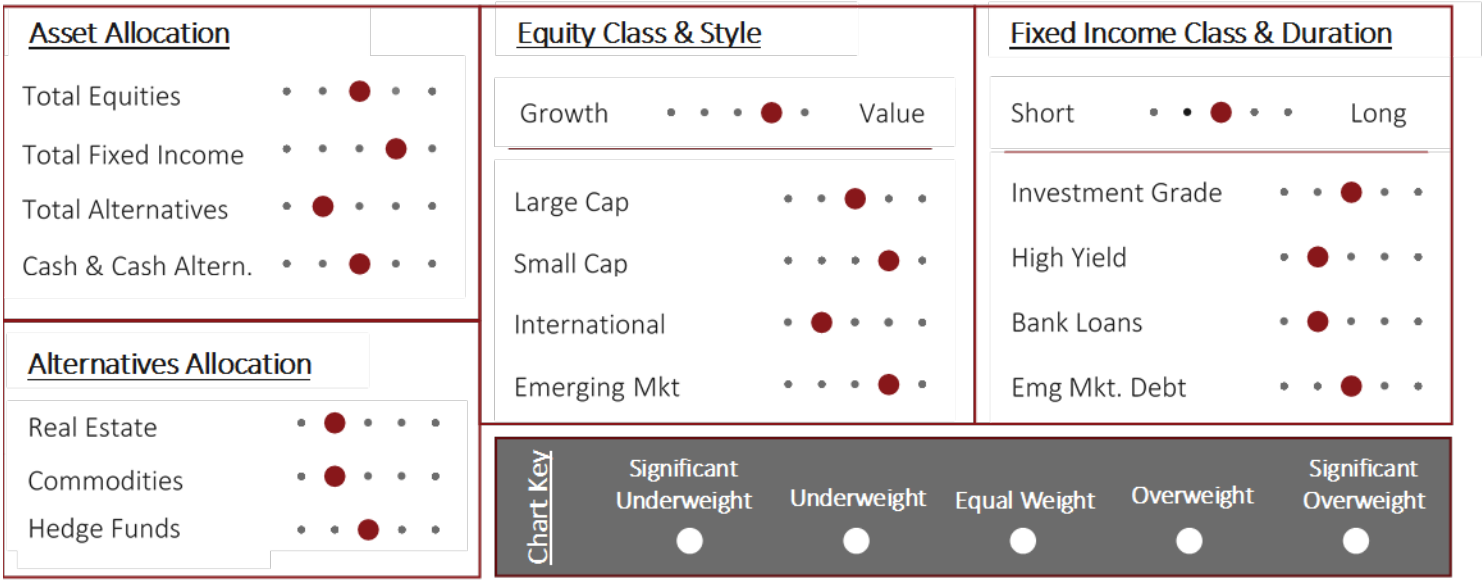
- U.S. GDP Growth – The annual inflation rate came in at 2.7% in December 2025, the lowest rates since July and below market expectations. The Fed has cut interest rates 25 basis points each at the last two meetings. The expectation is for further cuts in 2026 but at a slower pace. GDP is expected to be about 2.0% to 2.5% for the third quarter. The release has been delayed due to the government shutdown.
- The unemployment rate has increased to 4.6% from 4.4% in November. Employment growth has slowed but is still positive for the month, reversing negative job growth from the prior month.
- The 10 year Treasury closed November at 4.02%, down slightly from 4.10% at the beginning of the month. The market expectation that the Federal Reserve would cut rates in November was priced into markets.

Markets

- The economy looks to be growing at a slow and steady pace and recession risks seem to be subsiding.
- Fixed Income – The Fed cut rates in November by 25 basis points. The market expectation is that by the end of 2026, the Fed will have cuts rates by another 50 basis points.
- Equities – The market advance has stalled in November closing in-line to where it started the month. The economy looks to be growing at a slow and steady pace and recession risks seem to be subsiding. The dollar weakness from earlier in the year has subsided and the dollar has been trading within a narrow trading range.

TACTICAL POSITIONS

The following is our current Model Portfolio Positioning Summary:



[1] Provided by our affiliate, Discretionary Management Services (DMS), LLC