

BULL & BEAR *Bulletin*

December 2025



400 East Water Street
Elmira, NY 14901
607-734-2665

447 East Water Street
Elmira, NY 14901
607-733-9022

www.valicenti.com

Over 40
years of
Cultivating
Relationships

Strong 2025, Constructive Setup for 2026

2025 was another spectacular year for both U.S. and international equities, with international markets leading the way. Year-to-date through December 12th, the S&P 500 Index has returned 17.49%. Information Technology and Communication Services were among the top-performing sectors, returning 23.18% and 31.66%, respectively, while Real Estate and Consumer Staples lagged at 3.10% and 5.45%. Gold and silver also delivered a historic run, alongside other precious metals.

Looking ahead to 2026, consensus expectations remain constructive. Based on average analyst estimates, S&P 500 earnings growth is expected to be about 12.6%, according to Bloomberg. The average year-end 2026 target for the index is approximately 7,489, or about 10% above current levels. Market expectations also lean toward lower interest rates, though there is growing debate as to the magnitude and timing. Further rate cuts may be supported if inflationary pressures continue to ease, helped by lower commodity prices and the fading impact of tariffs. Recent FOMC projections raised growth expectations, while inflation expectations have remained steady. In his most recent press conference, Fed Chair Jerome Powell highlighted productivity growth as an important driver. Additionally, prediction markets now suggest a more competitive field for the next Fed chair, rather than a single clear frontrunner. The leading candidates are generally viewed as more receptive to interest-rate cuts than the current Fed leadership, which could imply a modestly more growth-supportive policy stance. Advances in AI may also support market optimism by boosting productivity growth over time, though the pace and magnitude of these gains remain uncertain.

Despite the positive expectations, 2026 will not be without risk. The consumer backdrop remains bifurcated, with lower-income households feeling the impact of the higher cost of living substantially more than middle- and higher-income households. Any meaningful deterioration in consumer spending could send shockwaves through the economy. The labor market has also been progressively weakening. Powell recently stated that official data may be overestimating job creation by up to 60,000 jobs per month, suggesting underlying employment trends may be softer than headline data imply. Finally, inflation could still be of

concern if goods prices remain sticky, additional tariffs are introduced, or further fiscal spending is enacted before the midterm elections.

Moreover, international equities outperformed U.S. equities in 2025, and we remain modestly more constructive on international equities on a relative basis. Many countries are increasing spending on defense, infrastructure, energy, and AI, and these trends may persist in the near term. In fixed income, we favor higher-quality, intermediate-duration bonds, which offer attractive yields and potential price appreciation if rates move lower. Overall, we remain constructive on risk assets but emphasize diversification and quality given these late-cycle risks.

Please remember that past performance is no guarantee of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Valicenti Advisory Services, Inc. [“Valicenti”], or any non-investment related content, made reference to directly or indirectly in this commentary will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, no portion of the foregoing content serves as the receipt of, or a substitute for, personalized investment advice from Valicenti. Neither Valicenti’s investment adviser registration status, nor any amount of prior experience or success, should be construed that a certain level of results or satisfaction will be achieved if Valicenti is engaged, or continues to be engaged, to provide investment advisory services. Valicenti is neither a law firm, nor a certified public accounting firm, and no portion of the commentary content should be construed as legal or accounting advice. A copy of the Valicenti’s current written disclosure Brochure and Form CRS discussing our advisory services and fees continues to remain available upon request or at www.valicenti.com. Please Remember: If you are a Valicenti client, please contact Valicenti, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. Unless, and until, you notify us, in writing, to the contrary, we shall continue to provide services as we do currently. Please Also Remember to advise us if you have not been receiving account statements (at least quarterly) from the account custodian.