First Trust

Weekly Market Commentary

Week Ended December 26, 2025

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	3.623 (2.1 bps)	Bond Buyer 40 Yield:	4.79 (unch.)
6 Mo. T-Bill:	3.572 (-2.6 bps)	Crude Oil Futures:	56.74 (0.08)
1 Yr. T-Bill:	3.479 (-2.2 bps)	Gold Spot:	4,533.21 (194.33)
2 Yr. T-Note:	3.479 (-0.4 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.530 (0.6 bps)	US High Yield:	7.06 (-1 bps)
5 Yr. T-Note:	3.696 (0.2 bps)	BB:	5.89 (-3 bps)
10 Yr. T-Note:	4.128 (-1.9 bps)	B:	7.28 (unch.)
30 Yr. T-Bond:	4.814 (-1.0 bps)		

Treasury yields were flat or down slightly over the course of the week as investors await further insight on what moves the Federal Reserve Bank will make in 2026. As calendar year 2025 comes to a close, the market is expecting 2 to 3 interest rate cuts next year, but much will depend on the state of the economy and the new Fed Chairman. President Donald Trump said that he wants his "new Fed Chairman to lower interest rates if the economy is doing well" and that "anybody that disagrees will never be the Fed Chairman." The President also said that he has narrowed his search for the next Fed Chairman down to 3 or 4 candidates and expects to have a nominee in the next few weeks. On Tuesday, 3Q Annualized GDP rose 4.3%, which was significantly higher than consensus estimates of 3.3%. However, October Durable Goods Orders growth was -2.2%, lower than the expectation of a -1.5% growth, giving investors mixed views on the state of the economy. Wednesday showed December 20 Initial Jobless Claims of 214k were below both last week's claims of 224k and the estimate of 224k, showing that layoffs are still relatively low. The market implied probability of a 25-basis-point cut to the Federal Funds Rate dropped from 22% to 20% over the course of the week. The chance of a rate cut at each meeting next year remained relatively stable, leading the market implied Federal Funds Rate at the end of 2026 to increase just 2 basis-points to 3.06. Gold also ended the week at an all time high of $4,533.21 an ounce on escalating geopolitical tensions and weakness in the dollar. Major economic reports (related consensus forecasts, prior data) for the upcoming holiday-shortened week include Monday: November Pending Home Sales MoM (0.8%, 1.9%); Tuesday: December MNI Chicago PMI (39.5, 36.3); Wednesday: December 27 Initial Jobless Claims (n/a. 214k); Friday: December Final S&P Global US Manufacturing (51.8, 51.8), October Personal Income (n/a, 0.4%), October Personal Spending (n/a, 0.3%).

US Equities

Weekly Index Performance:		Market Indicators:	
The Dow®	48,710.97 (1.2%)	Strong Sectors:	Materials, Info Tech Financials
S&P 500®	6,929.94 (1.41%)		
S&P MidCap 400®	3,373.29 (0.7%)	Weak Sectors:	Health Care, Cons. Discretionary Cons. Staples
S&P SmallCap 600®	1,503.80 (0.55%)		
Nasdaq Composite®	23,593.10 (1.23%)	NYSE Advance/Decline:	1,662 / 1,144
Russell 2000®	2,534.35 (0.21%)	NYSE New Highs/New Lows:	232 / 82
		AAII Bulls/Bears:	37.4% / 34.8%

The market gave investors a nice Christmas gift last week, with the S&P 500 rising 1.41%. Yukon Cornelius would be pleased to see that materials performed best among sectors as "silver and gold" sustained their rise in price. **Freeport-McMoRan** led metals & mining with a 7.91% return; copper also moved higher last week. The information technology sector followed materials in total return and provided the most contribution to the S&P 500's return, led by semiconductors. **Micron** led semiconductors in total return (7.10%) while **NVIDIA** led contribution to return as the mega-cap chip giant returned 5.27% and struck a $20B deal with AI startup Groq. Despite the culmination of the holiday shopping season, it was the consumer discretionary and consumer staples sectors that found themselves at the bottom of sector returns. The former sector saw strong returns in the textiles apparel & luxury goods industry as well as the broadline retail industry, but it would seem investors stayed local for Christmas, given the lowly performances of the automobiles and the hotels restaurants and leisure industries. The latter sector had a fire lit under the tobacco industry, but the food products and the beverages industries gave the consumer staples sector some indigestion. Turning to economic news, the second GDP reading for the third quarter was 4.3%, quite the upward revision from the prior 3.8% reading and higher than the 3.3% revision expected. Personal consumption for Q3 registered a 3.5% figure, higher than the 2.7% expected. Durable goods data from October was -2.2%, lower than the -1.5% expected. October capacity utilization was 75.9% and 76% in December. Industrial production fell 10 bps in October and rose 20 bps in November. This week we expect November home sales, FOMC meeting minutes for the December 10th meeting, personal income and spending, and PCE data. No S&P 500 companies are announcing earnings this week.