Market Update

December 2025

Presented By:
Doug Couden, CFA, Chief Investment Officer

Baker Avenue
Wealth Management

Grow and Protect Investment Philosophy

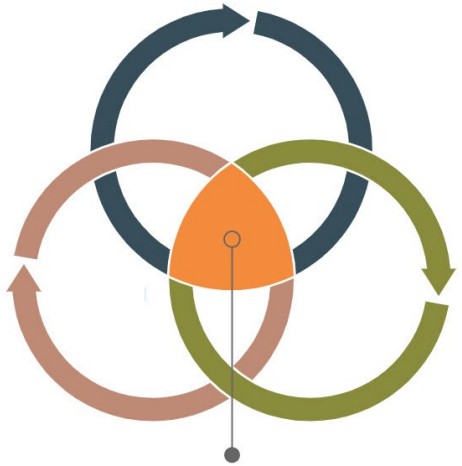
We utilize in-depth fundamental, technical and macro analysis for long-term capital appreciation and risk control.

Macroeconomic Analysis

- Monetary Policy
- Fiscal Policy
- Interest Rate Analysis
- Currency Moves
- Geopolitical Issues
- Business Cycle Analysis
- Inflation Direction
- Credit Cycle Analysis

Technical Analysis

- Relative Strength
- Intermarket Analysis
- Market Trends
- Moving Averages
- Support & Resistance Levels
- Seasonal Patterns

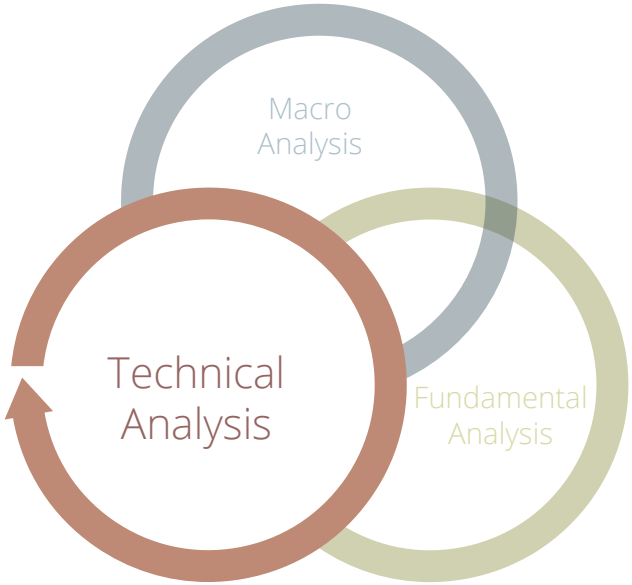


Fundamental Analysis

- Revenue & Cost Drivers
- Competitive Analysis
- Positioning
- Identifiable Catalysts
- Forecasts vs. Expectations
- Sustainability Profile
- Valuation

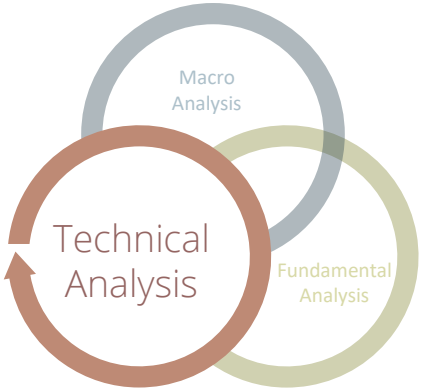
BakerAvenue Investment Committee

- Risk Exposure
- Portfolio Characteristics
- Thesis Challenges
- New Securities Selection



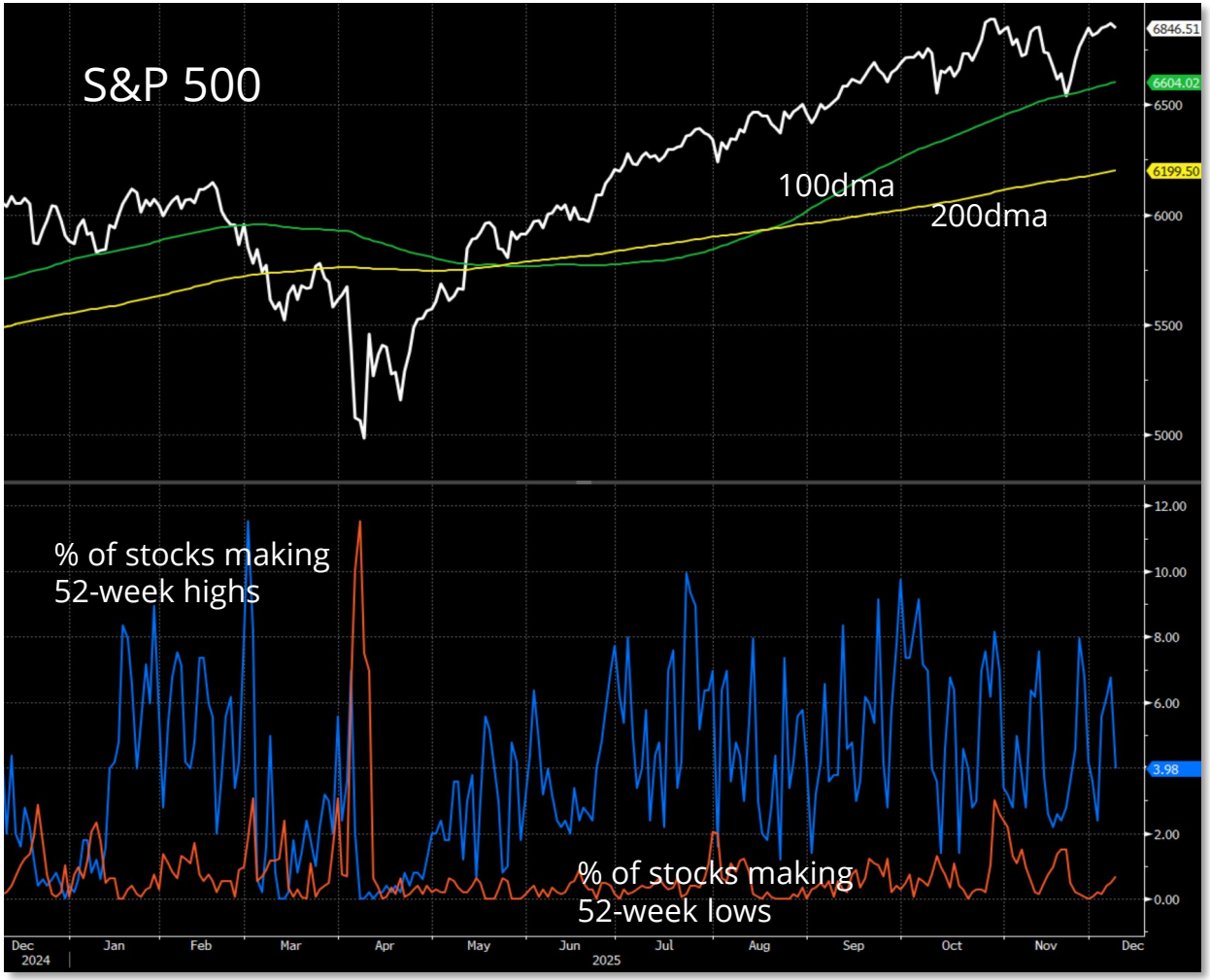
Technical Analysis

The technical backdrop remains in decent shape as strong price trends have been accompanied by internal improvement. Consolidation odds are up, but we suspect any corrective weakness is likely to be contained.

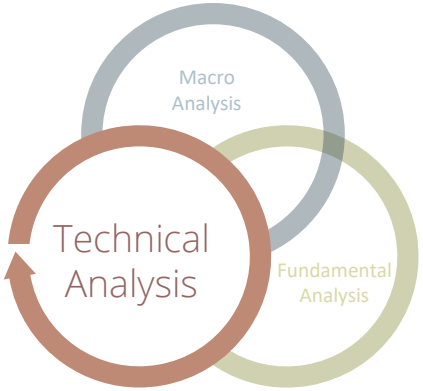


Strong Price Trend, Decent Internals

Most indices are trading above key technical levels. Internal metrics have improved but still have some work to do.



Source: Bloomberg, BakerAvenue. Data as of 12/8/2025.



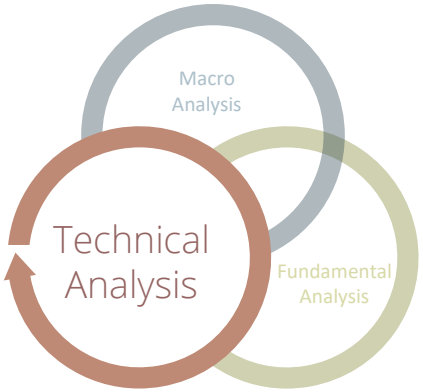
Relative Strength Message Is Pro-Growth

The economically sensitive pockets of the market are outperforming, while defensives have lagged. Historically, a good sign.

Asset Class	YTD Return	6-Mo. Rtn	1-Yr Return	RS 3 Mo.	RS 6 Mo.	RS 1 Yr.	Blend
Gold	59.4	24.9	58.8	9.4	10.9	41.3	18.1
Emerging Markets	31.8	18.2	27.8	1.8	2.0	10.8	4.1
QQQ - Technology	22.5	19.5	19.2	2.3	3.2	5.4	3.5
US Large Growth	22.6	19.5	19.8	0.9	3.0	6.1	3.3
US Small Growth	16.0	20.2	7.0	1.1	3.9	-5.5	0.9
US Small Cap	14.9	20.9	6.5	0.3	4.2	-6.2	0.6
US Small Cap Value	13.7	21.8	5.9	-0.5	4.6	-7.4	0.3
US Large Cap Blend	17.7	16.3	13.9	0.0	0.0	0.1	0.0
International Small Cap	29.1	10.4	24.2	-4.4	-5.0	6.7	-1.9
Momentum Factor	23.3	9.7	17.7	-2.4	-4.6	3.6	-2.0
International Unhedged	28.5	9.0	23.0	-2.2	-6.7	6.1	-2.4
Intl USD Hedged	21.1	11.2	19.0	0.3	-6.4	1.8	-2.7
Quality Factor	12.4	12.0	7.7	-0.6	-3.5	-5.2	-3.2
US Large Value	12.3	12.6	6.8	-0.9	-3.0	-6.7	-3.4
EW QQQ - Technology	15.5	9.8	8.4	0.0	-5.1	-3.9	-3.5
Dividend Growth	12.2	11.5	7.2	-2.7	-4.2	-6.0	-4.3
Commodities	5.9	7.8	8.4	-1.3	-7.1	-7.7	-5.8
EW - S&P 500	10.7	9.3	5.2	-3.5	-6.0	-8.0	-5.9
Bonds	6.7	4.3	4.5	-5.7	-10.1	-10.6	-9.1
US Dollar	-2.6	3.1	0.1	-2.5	-9.7	-14.4	-9.1
High Yield Bonds	8.0	4.8	6.9	-5.5	-10.9	-10.3	-9.4
Cash	3.9	2.1	4.2	-5.1	-12.3	-11.0	-10.2
Low Volatility Factor	3.2	-0.7	-1.0	-8.0	-14.8	-13.6	-12.8
US Large Cap Inverse	-11.7	-11.1	-8.3	-9.9	-22.8	-22.1	-19.4
Bitcoin	-3.5	-12.4	-11.4	-23.7	-24.2	-21.2	-23.3
Volatility Factor	-32.1	-42.1	-25.5	-15.2	-46.3	-33.7	-35.4

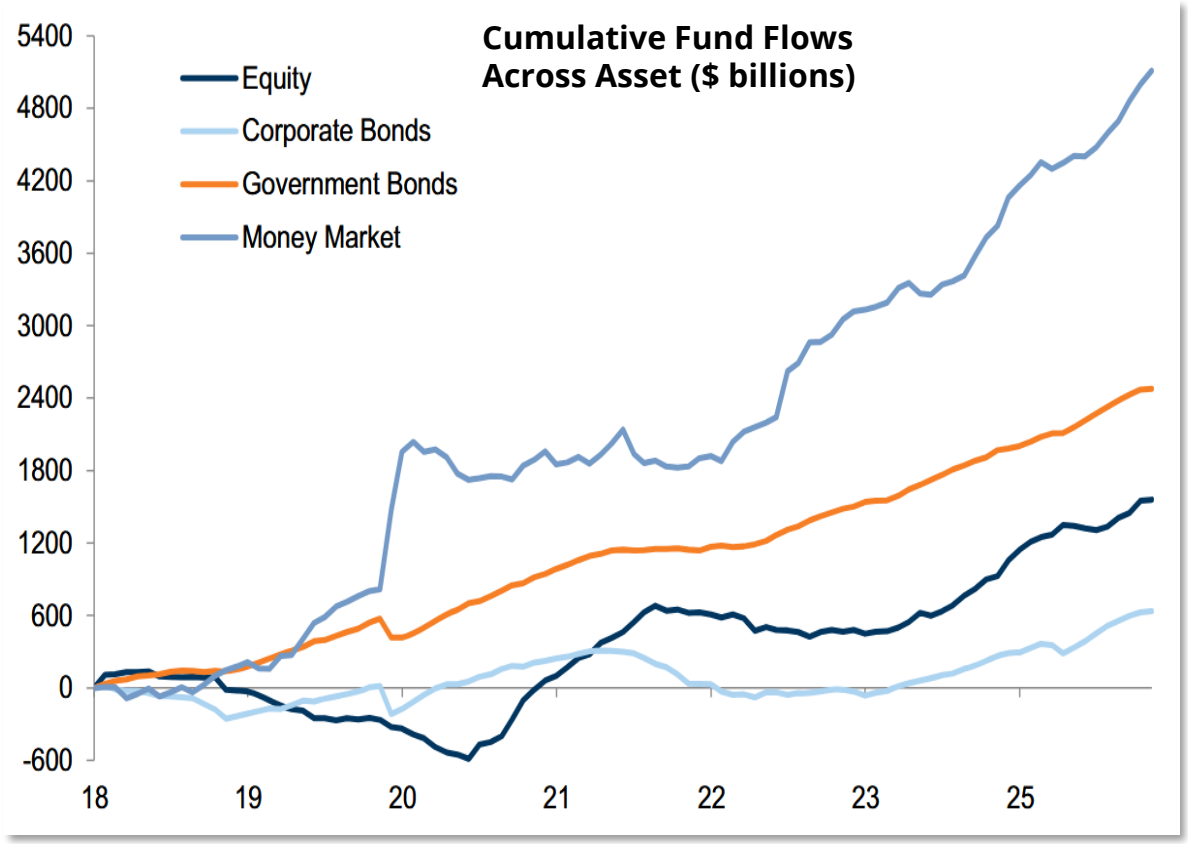
Sector	YTD Return	6-Mo. Rtn	1-Yr Return	RS 3 Mo.	RS 6 Mo.	RS 1 Yr.	Blend
Technology	27.4	24.5	23.2	5.6	8.4	8.9	7.8
S&P 500	17.7	16.3	13.9	0.0	0.0	0.1	0.0
Health Care	11.9	16.2	7.2	4.6	-0.9	-6.3	-0.9
Communications	21.4	15.1	16.7	-3.8	-1.6	2.7	-1.1
Industrials	18.6	8.3	11.7	-3.0	-6.4	-2.1	-4.5
Utilities	16.3	8.6	11.4	-1.0	-6.9	-3.8	-4.7
Discretionary	6.0	14.8	2.3	-5.0	-2.4	-9.7	-4.9
Energy	9.2	14.1	3.6	-0.8	-4.2	-10.9	-5.0
Financials	11.7	6.7	7.6	-4.5	-8.6	-5.6	-6.9
Materials	5.8	1.7	-2.7	-9.6	-12.4	-15.1	-12.4
Real Estate	2.9	-0.2	-3.4	-7.4	-14.5	-16.9	-13.3
Staples	1.0	-2.3	-2.9	-8.3	-16.5	-15.9	-14.3

Source: Bloomberg, BakerAvenue. Data as of 12/8/2025.

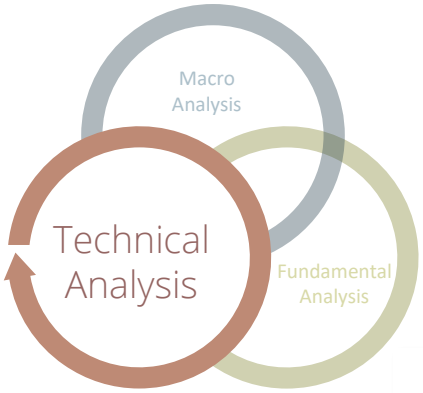


Investor Sentiment

Bull markets tend to die on euphoria, not skepticism. Currently, our investor sentiment reads are balanced. However, we do see an opportunity for allocations into equities.

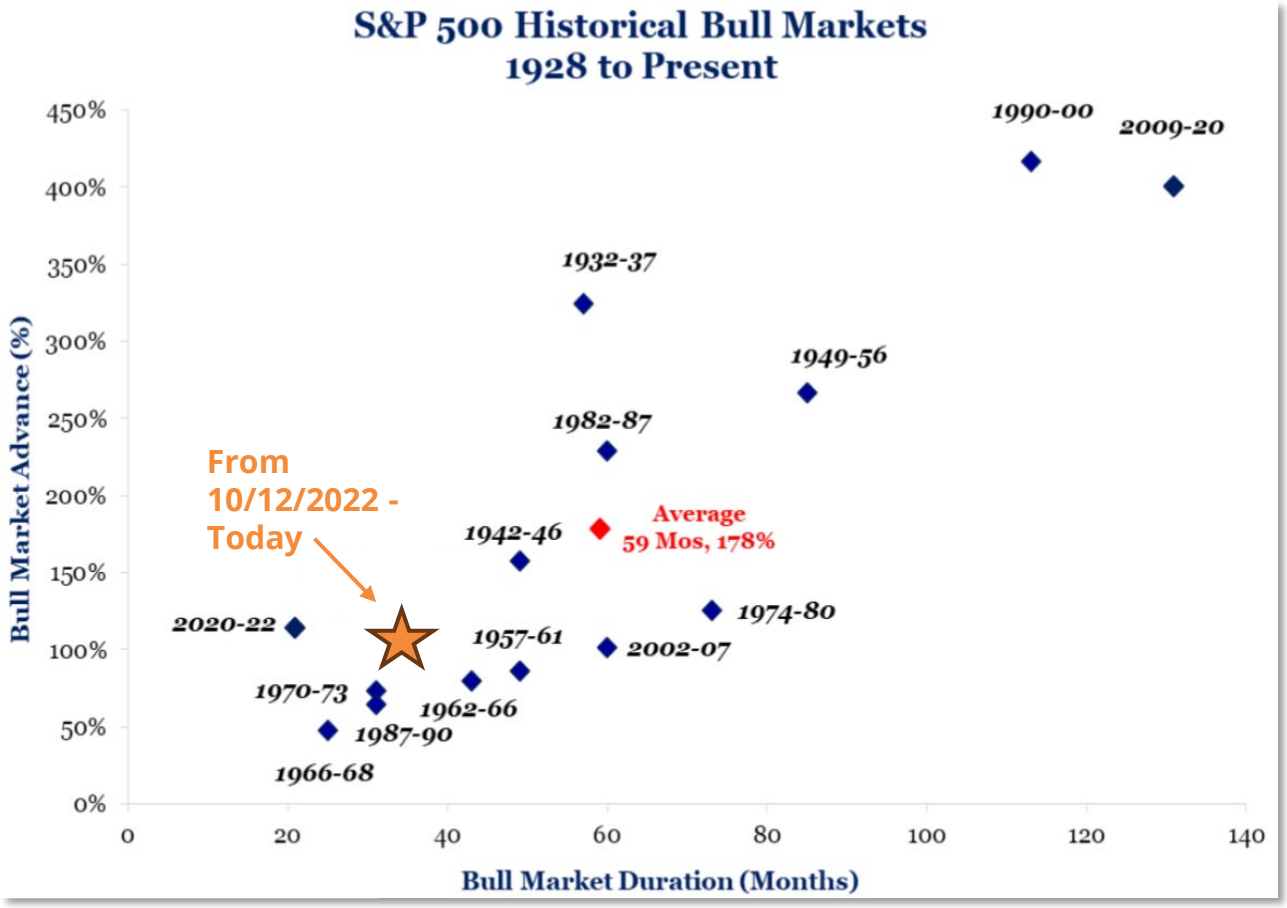


Source: Datastream, Haver, Goldman Sachs, Bloomberg, BakerAvenue. Data as of 12/8/2025.



Reviewing Bull Markets

The move off the '22 lows has been impressive, but in line with historical bull markets in terms of advance and duration.



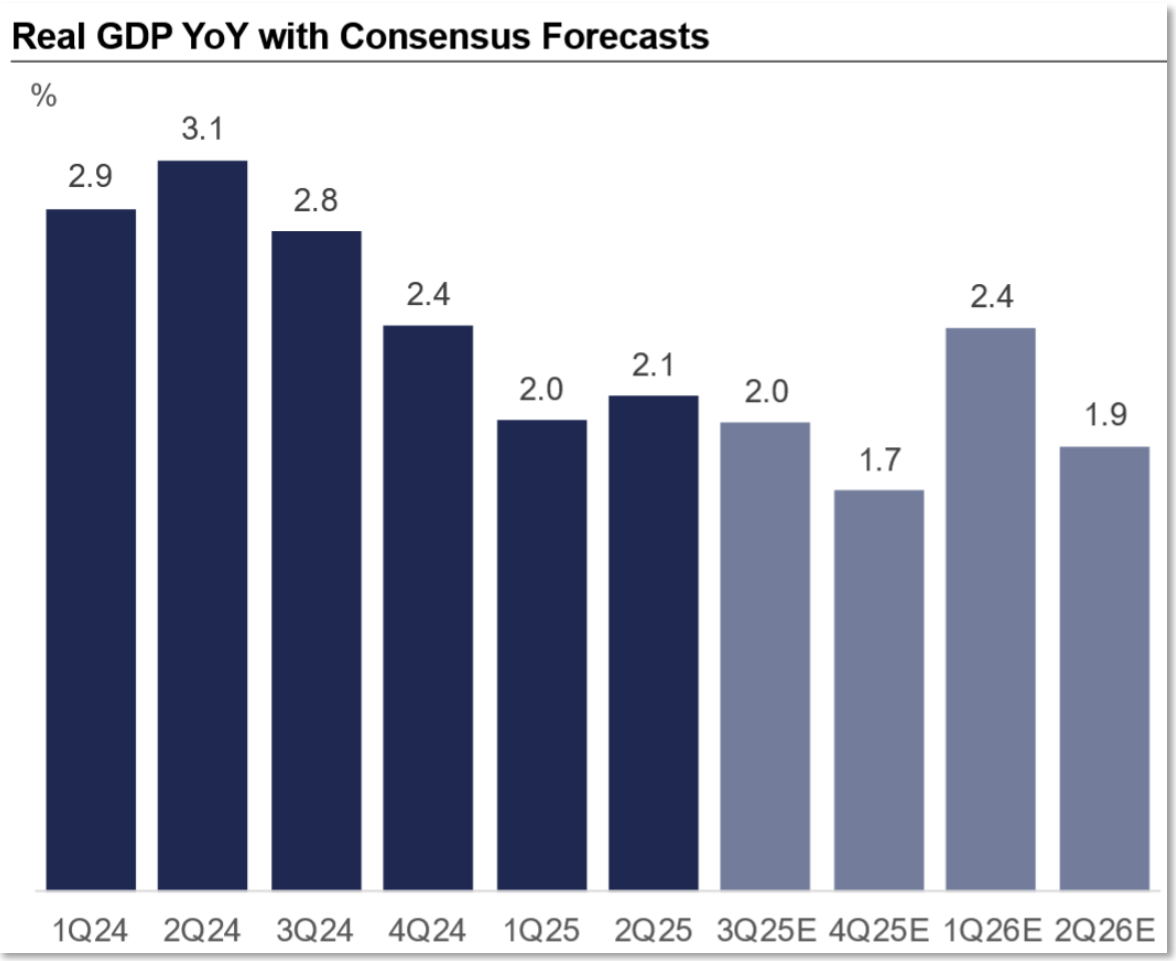
Source: Strategas, Bloomberg, BakerAvenue. Data as of 12/8/2025.

Macroeconomic Analysis

While our base case still assumes slow, but non-recessionary, growth, macro uncertainty remains elevated. We expect the global easing cycle, along with fiscal support, will serve as offsets.

Resilient Growth

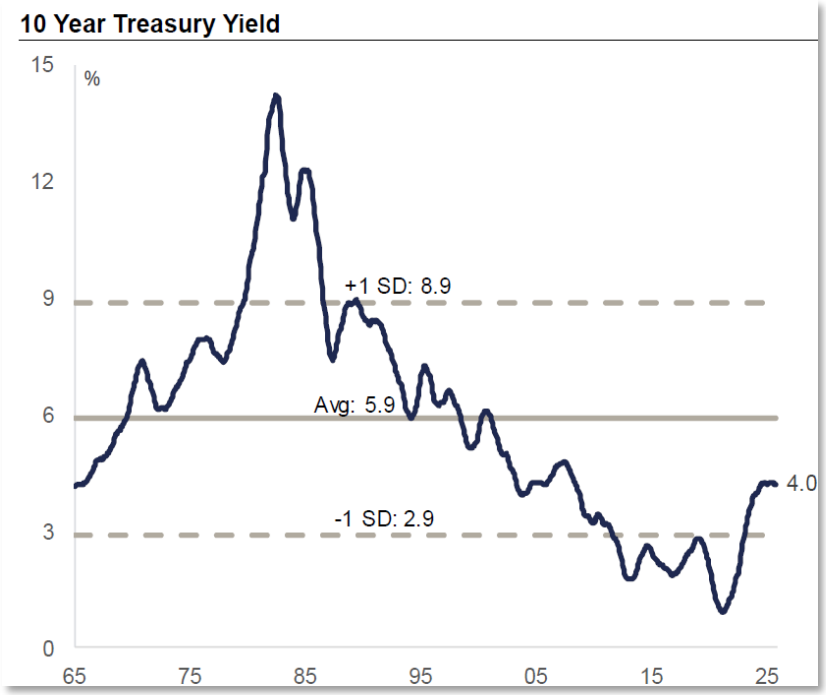
The US economy has been resilient. We continue to believe we are in a slow, but non-recessionary backdrop. Economists have been too pessimistic in their forecasts recently.

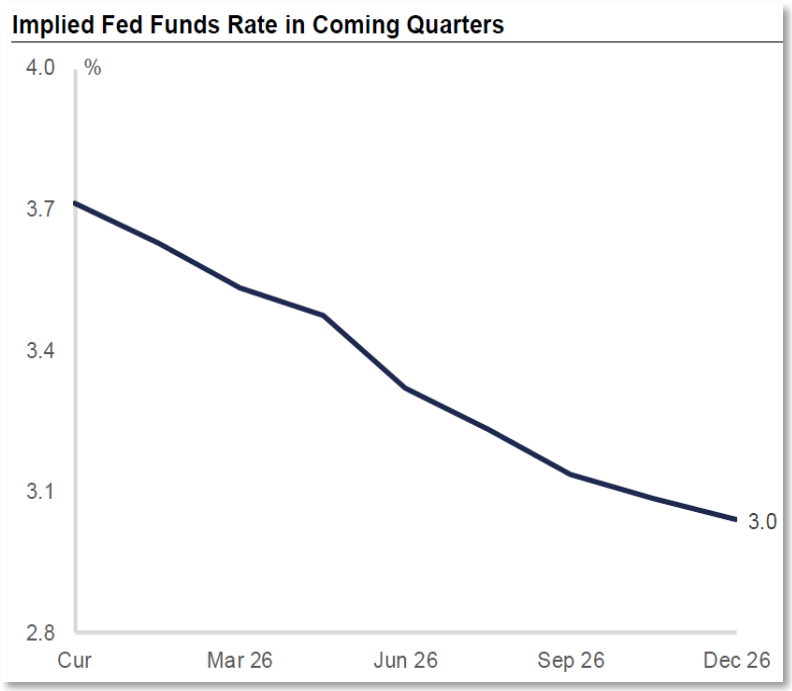


Source: Bloomberg, BakerAvenue. Data as of 12/8/2025.

The Rate Path

While Treasury yields are well off pandemic-lows, they are quite low relative to their long-term history. We see lower, but not low, rates going forward as the Fed normalizes policy.

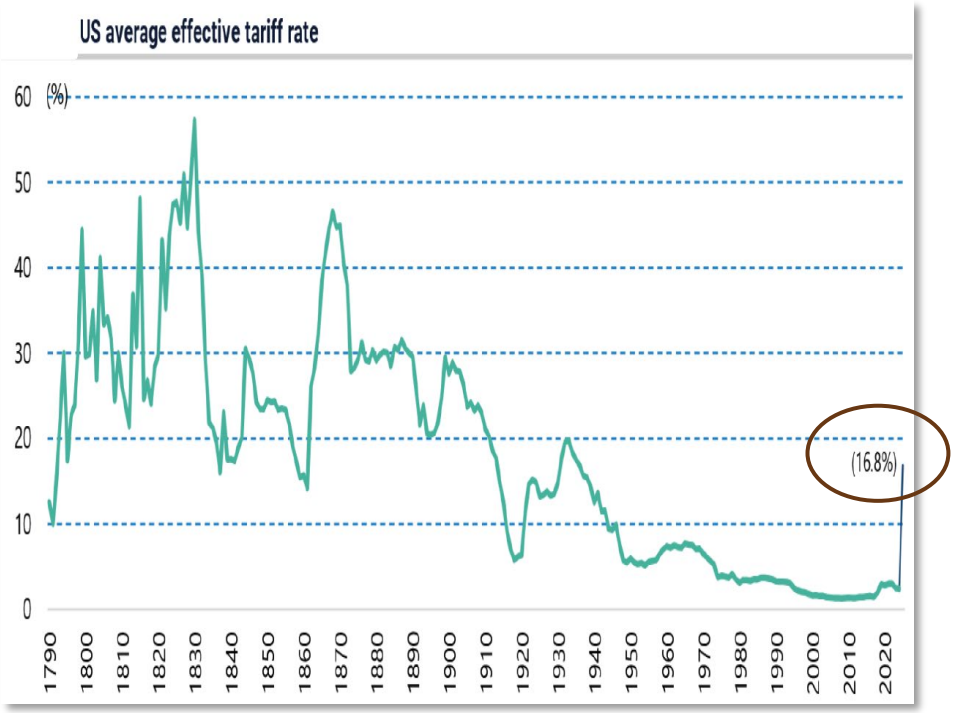


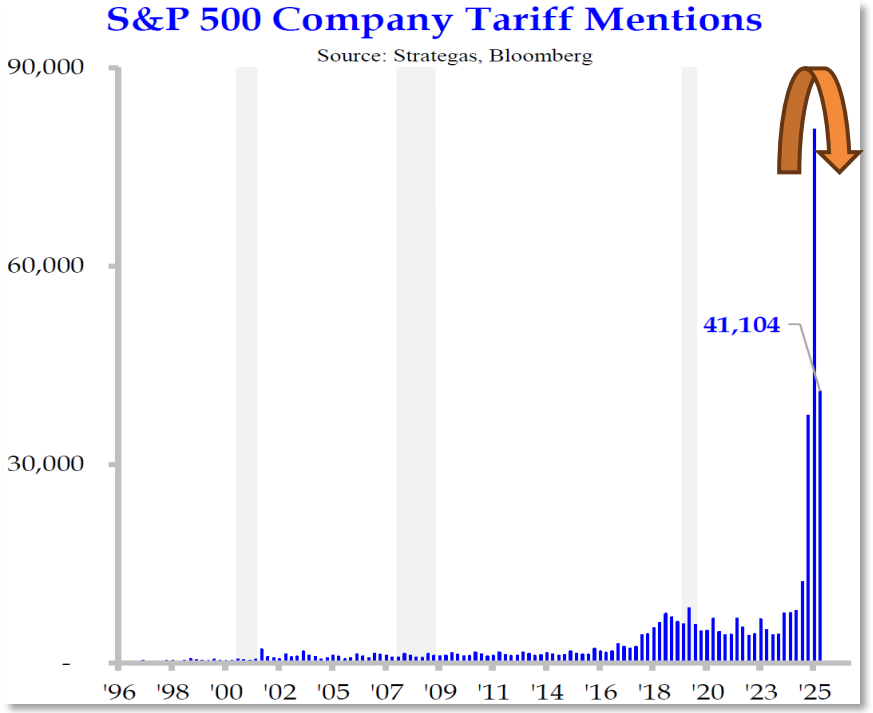


Source: Bloomberg, Seaport, BakerAvenue. Data as of 11/30/2025.

Past Peak Tariff Uncertainty

On trade, we think worst-case outcomes have been effectively de-risked after months of negotiations between the US and its trading partners. Less tariff uncertainty will help with future planning.

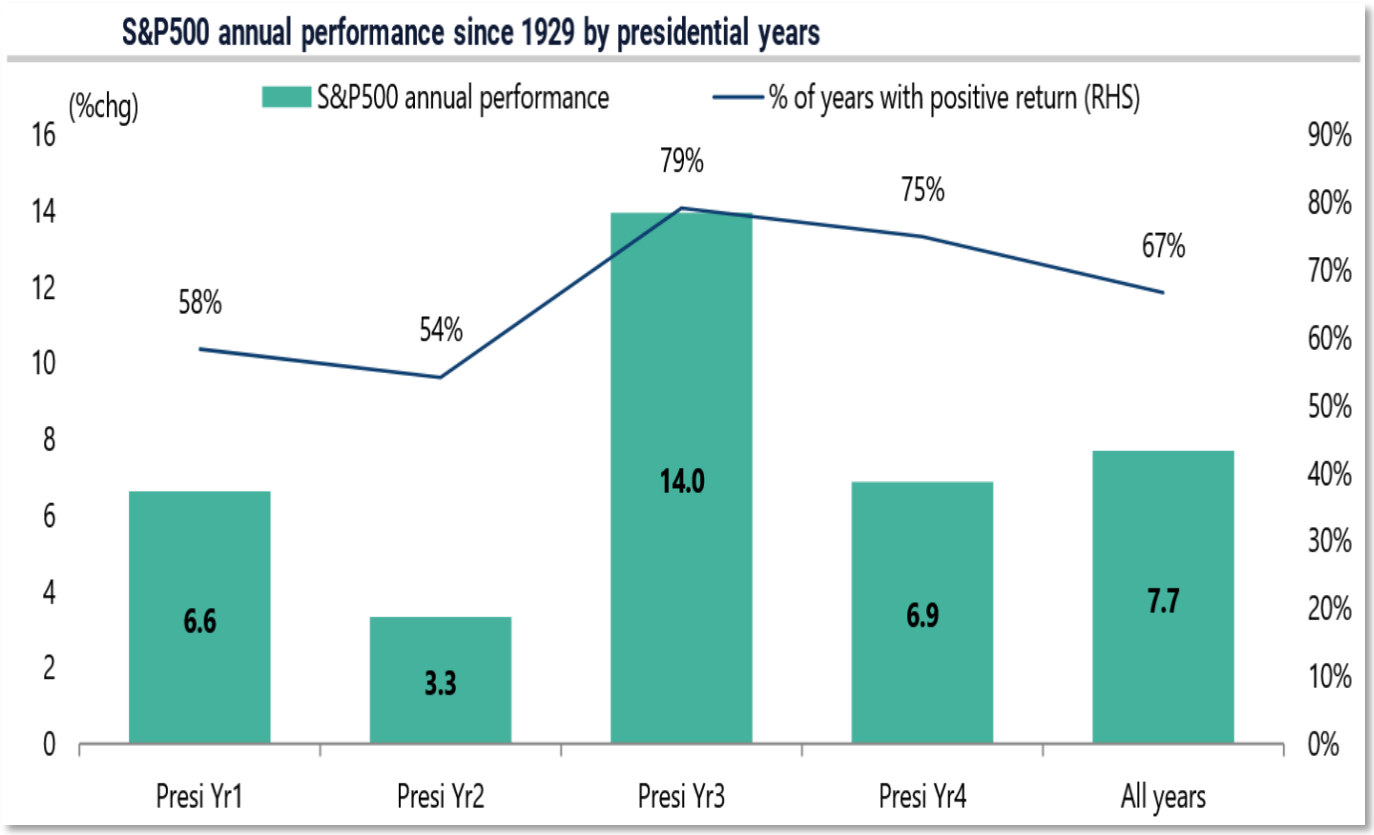




Source: Bloomberg, Jefferies, BakerAvenue. Data as of 11/31/2025.

Geopolitics to Stay Topical

'26 is a mid-term election year. Historically, a volatile geopolitical backdrop with lots of sectoral implications.



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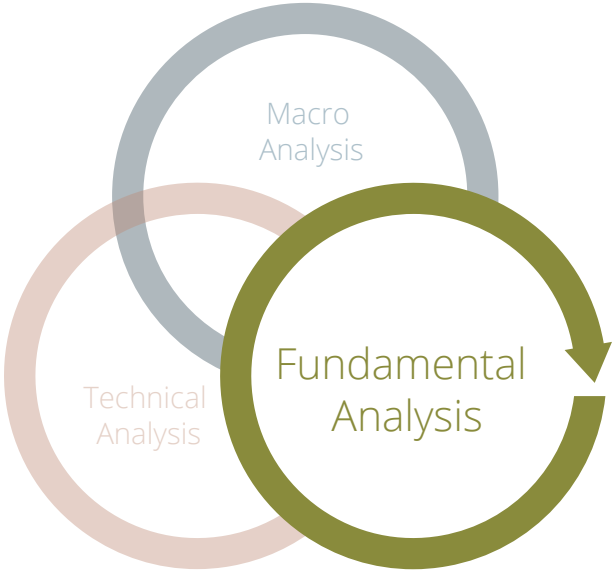
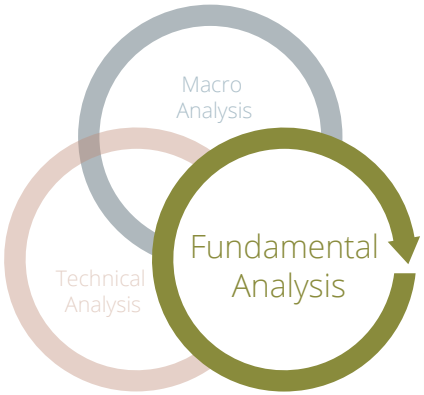


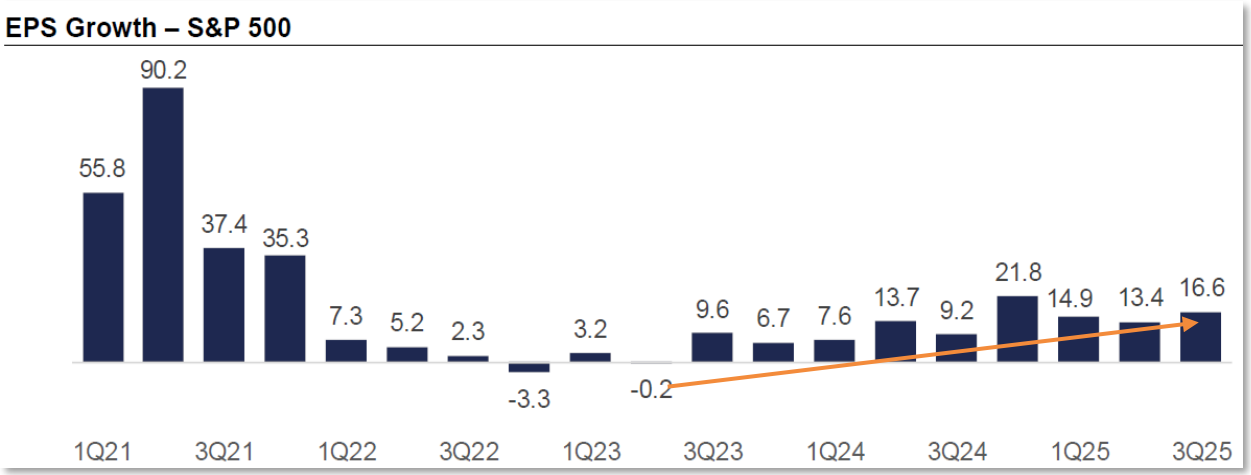
Fundamental Analysis

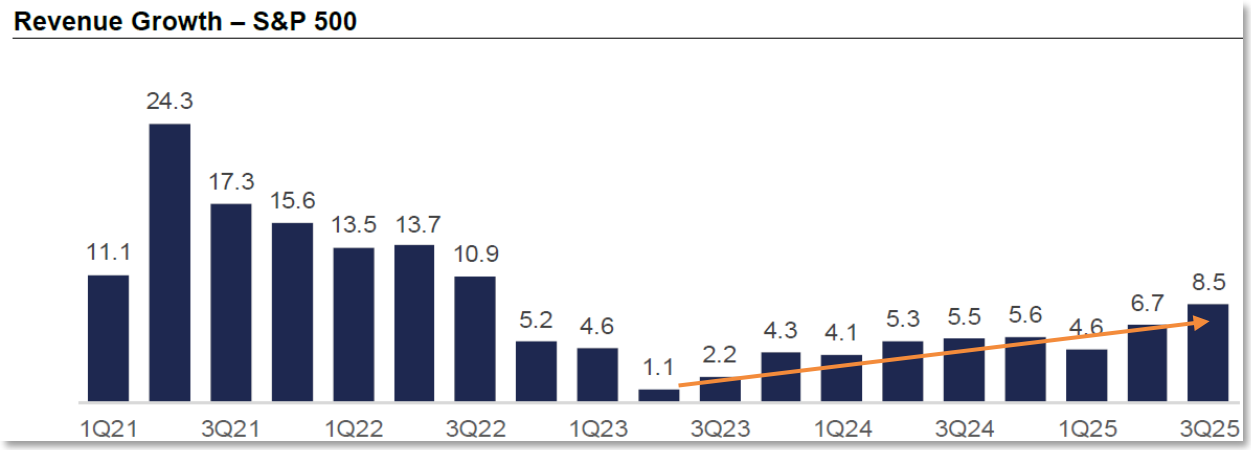
Fundamentals remain in decent shape, and we continue to see upside to consensus earnings and revenues estimates. Valuations are extended, but we believe several themes (e.g., AI, industrial spending, capital market activity, etc.) are sustainable.



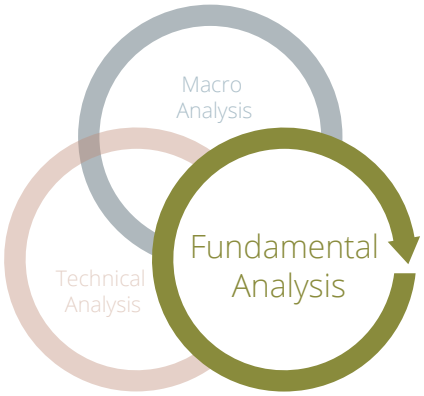
Solid Fundamental Backdrop

Earnings season was stellar with growth rates accelerating. We continue to see upside to earnings and revenue estimates.



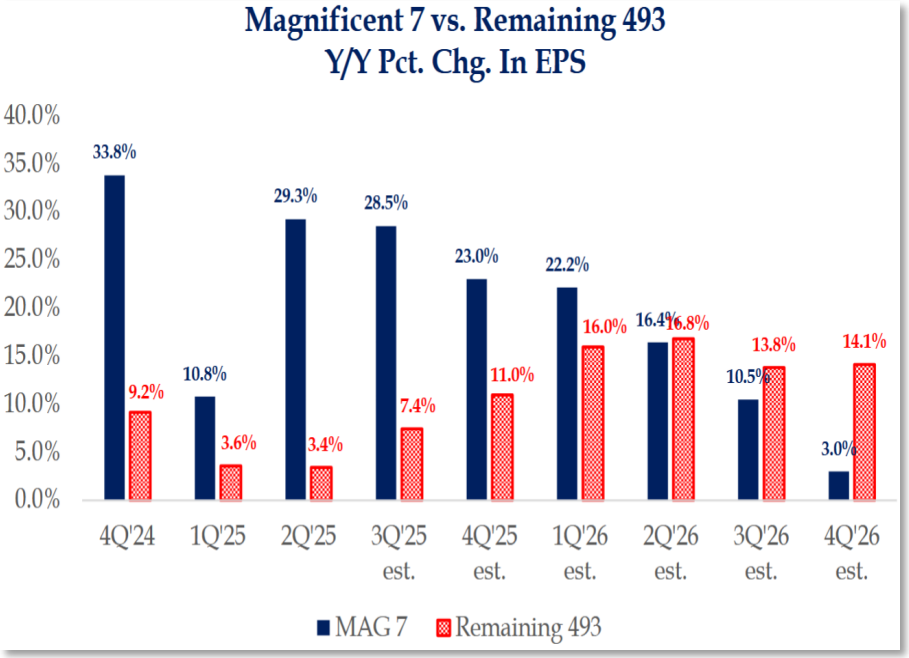


Source: FactSet, Seaport, Bloomberg, BakerAvenue. Data as of 12/8/2025.



Shifting Relative Growth Profile

The large growth stocks have contributed most to the growth profile of the market. However, forecasts call for a leveling out.



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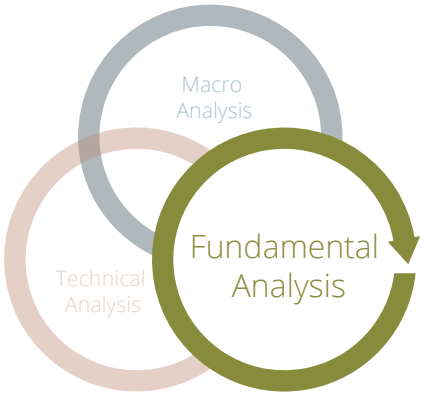
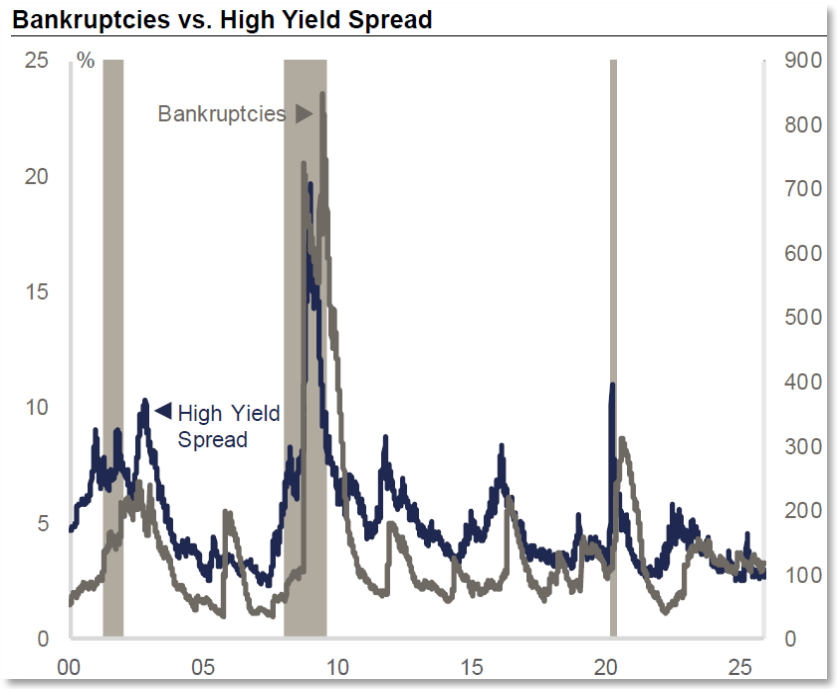
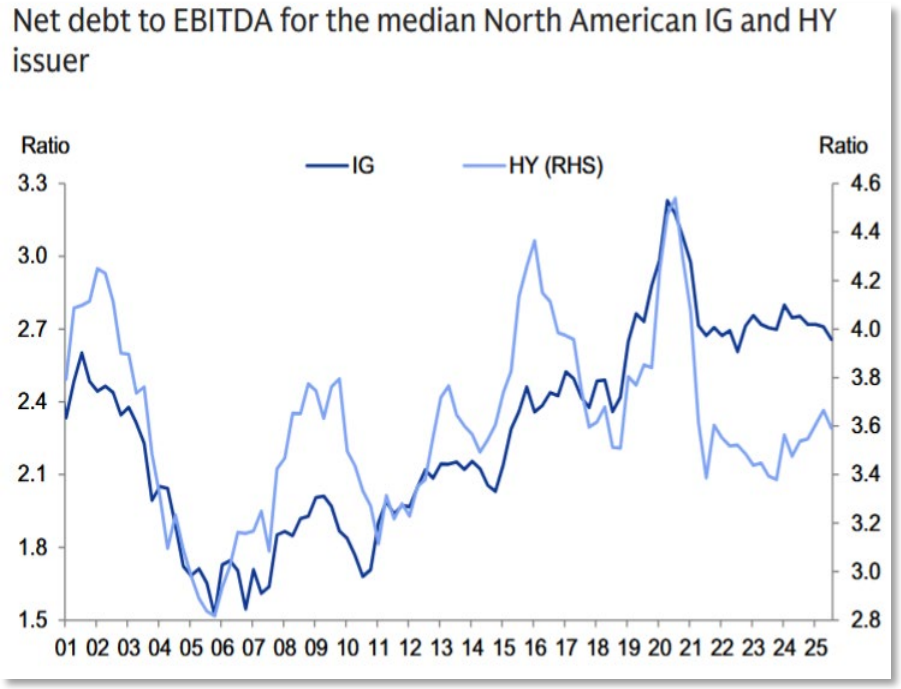


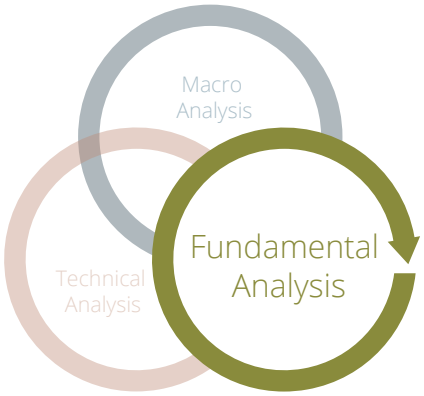
Monitoring the Credit Backdrop

A couple bankruptcies, as well as concerns about consumer finances, have many investors questioning the health of the credit backdrop. The market is signaling very little recessionary risk.



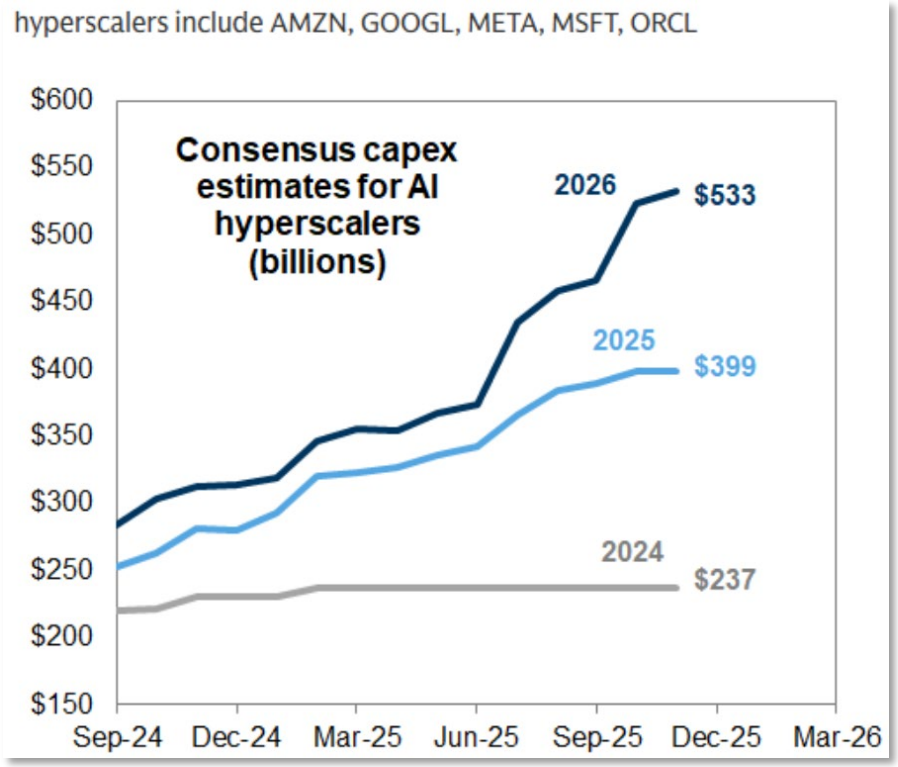


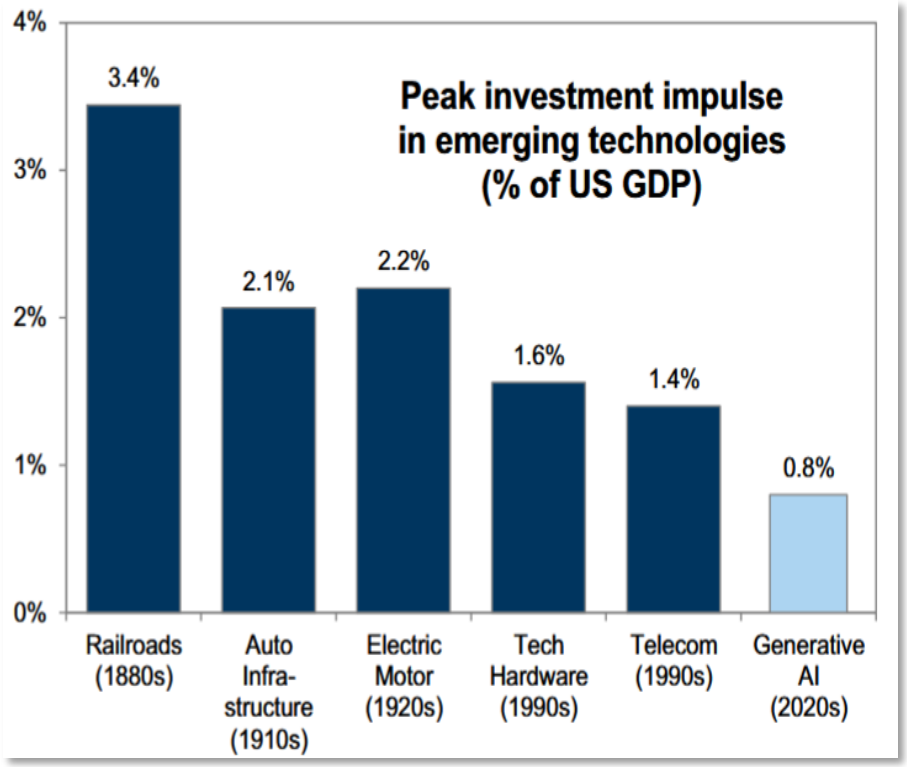
Source: Goldman Sachs, Seaport, Bloomberg, BakerAvenue. Data as of 12/8/2025.



Keeping an Eye on AI Spending

Hyperscaler capital spending intentions have accelerated further. We are monitoring the circular financing concerns, but at this point continue to see upside to forecasts.





Source: Goldman Sachs, Bloomberg, BakerAvenue. Data as of 12/8/2025.

Current Market Overview - December '25

- Factors within our technical, fundamental, and macro disciplines continue to skew positively on balance. Tactical consolidations are to be expected given the recent advance.
- The technical foundation is underscored by upward sloping long-term averages, while internal metrics remain choppy. Macro uncertainty remains; while there are signs of sluggishness (e.g., jobs), growth rates remain positive. We believe corporate fundamentals remain in decent shape with another year of earnings growth tracking ahead of plan.
- Our base case still assumes slow, but non-recessionary, growth. We are mindful of the risks and plan on being thoughtful regarding portfolio construction and risk control. The backdrop is well-suited for active oversight.

Source: BakerAvenue. As of 12/8/2025.

Select BakerAvenue Technical Indicators

TECHNICAL INDICATOR	CURRENT STATUS	REFERENCE
New Highs vs. New Lows	Neutral	When "New Highs" exceeds "New Lows," it implies an upward biased market.
Long-term trend	Positive	Defined as being above / below the 12-month moving average and above or below the prior monthly high or low.
% of stocks > 50 DMA	Neutral	Below 50% is negative. Oversold levels below 5% is contrarian positive.
% of stocks > 200 DMA	Neutral	Below 50% is negative. Oversold levels below 10% is contrarian positive.
% of Golden Crosses	Positive	% of stocks with 50 DMA > 200 DMA for major indices.
Sentiment Bull:Bear Ratio	Neutral	AAII Sentiment: Excessive bearish is contrarian positive, excessive optimism is contrarian negative.
Cyclicals vs. Defensives	Positive	Relative strength ratio between cyclicals vs defensives.
Small vs. Large Ratio	Neutral	Measures market breadth and "risk on" investor sentiment (4mo:9mo).
High Yield vs. Treasuries	Positive	Measures appetite for risk and recession probabilities (4mo:9mo).
VIX	Neutral	Greater than 25 suggests elevated risk. Extreme VIX numbers may be construed as contrarian positive.

Source: BakerAvenue. Data as of 11/30/2025.

Select BakerAvenue Macro Indicators

MACRO INDICATOR	CURRENT STATUS	REFERENCE	METRICS
Monetary Policy	**Positive**	Assessment of global monetary backdrop (accommodative or restrictive).	Rates; Policy
Inflation	**Positive**	Multiples react to different levels (and forecasts) of inflation.	CPI; PPI; Wages
Interest Rates	**Neutral**	Monitor absolute level, yield curve slope and rate volatility impacts on market multiples.	Yield Curve; Fed Guidance
Currency Factors	**Neutral**	Currency moves play a role in asset selection.	DXY; RMB; EUR; etc.
Commodity Backdrop	**Positive**	Important to monitor supply & demand; particularly crude and its impacts.	All commodities
Geopolitical Risk	**Negative**	Assessing market risks associated with various geopolitical tensions.	Policy risk index, Intl. metric, etc.
Business Cycle Analysis	**Neutral**	Where are we in the business cycle?	Expansion metrics, GDP growth, etc.
Fiscal Policy	**Positive**	Stimulative or Restrictive fiscal policy.	Budget; Taxes; Elections; etc.
Leading Indicators	**Neutral**	Analyze key economic inputs to assess economic growth potential.	PMI; Cons. Conf.; Employment; etc.
Economic Surprise Trend	**Positive**	Trend in incoming macro data and inflection points.	CESI; ESRI; etc.

Source: BakerAvenue. Data as of 11/30/2025.

Select BakerAvenue Fundamental Indicators

FUNDAMENTAL INDICATOR	CURRENT STATUS	REFERENCE	METRICS
Earnings Growth	**Positive**	Measure of overall corporate profitability – the more profitable, the better.	EPS YoY/QoQ
Earnings Revisions	**Neutral**	Market expectations on corp profitability, focus on trend & inflection.	FY1/FY2 +/-
Sales Growth	**Positive**	A measure of top line corporate success.	Revs YoY/QoQ
Sales Revisions	**Neutral**	Market expectations on corporate revenues, focus on trend & inflection.	FY1/FY2 +/-
Valuation	**Negative**	Overall market, sector & industry levels on an absolute and relative basis.	P/E; PE; P/B; P/CF
Credit Spreads	**Positive**	Relative to Tsy; sector and in trend context, key to risk management.	HY over Tsy; IBOX
Margins	**Positive**	A measure of corporate profitability – we focus on trend and inflection.	OpM; GM
Payout Ratios	**Positive**	Overall market, sector & industry levels on an absolute & relative basis.	DivYld; Payout
Mgt Commentary	**Neutral**	Reviewing bottom-up corporate intel for guidance on business trends.	Meetings; Channel Checks
Corporate Buybacks	**Positive**	Overall market, sector & industry levels on an absolute & relative basis.	Announced buybacks

Source: BakerAvenue. Data as of 11/30/2025.

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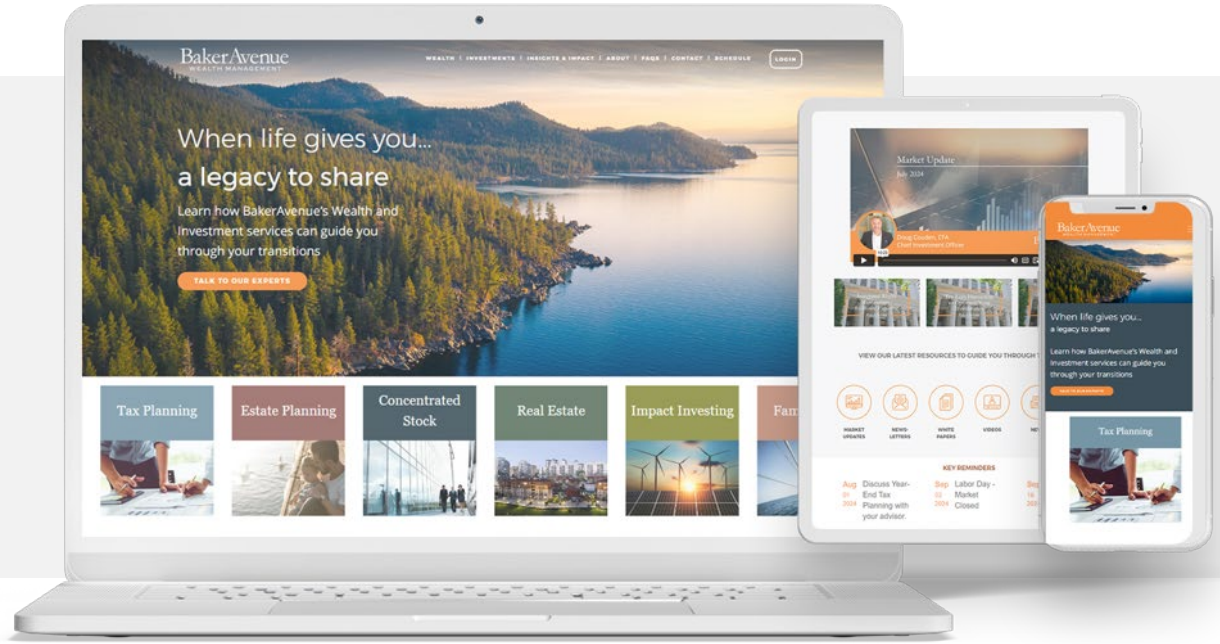

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