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THE JKA REPORT

AN INVESTMENT NEWSLETTER FOR CLIENTS & PROSPECTS



10 things investors can be thankful for last year

Key takeaways:

Economic resilience

The global unemployment rate is estimated to be 4.9%, which is the lowest level in nearly 35 years.

Strong earnings

US corporate earnings have remained remarkably strong in 2025, defying earlier expectations of a slowdown.

Rate cuts

The Federal Reserve (Fed) resumed its easing cycle this year, and we anticipate more rate cuts in 2026.

1. Economic growth has been resilient

Since 2025 generated a lot of negative news, one might assume that economic growth was awful. That's not the case. The global unemployment rate is estimated to be 4.9%, which is the lowest level in nearly 35 years.

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2. Global stocks performed well in 2025

The US was no longer the “only game in town” as non-US stock markets posted strong gains. International stocks outperformed, with the MSCI All Country World (ACWI) ex USA rising sharply, thanks to supportive fiscal policies in Europe and Asia and proactive monetary easing.

3. Corporate earnings have been strong

US corporate earnings have remained remarkably strong in 2025, defying earlier expectations of a slowdown. Across multiple quarters, more than 80% of S&P 500 companies beat both earnings and revenue forecasts, with year-over-year growth exceeding 11%. The Japanese have even more to be thankful for - earnings growth this year has been even stronger.

4. Innovation is driving growth

It may sound counterintuitive, but we’re thankful for increased defense spending in Europe. Bear with us. Greater defense investment tends to have a positive multiplier effect on economic activity and can spur innovation, like how the US military-industrial complex has historically driven technological advancements. At the same time, the artificial intelligence (AI) sector is innovating at an extraordinary pace, and the significant spending on data centers in the US is another positive driver of growth.

5. Inflation expectations are contained

Despite concerns over tariffs and questions about Fed independence, US inflation expectations remain well-anchored near the Fed’s target. This stability provides the Fed with cover to begin lowering interest rates in 2026 if warranted.

6. Monetary policy has been easing

The Fed resumed its rate-cutting cycle in 2025. The path of its interest rate cuts remains uncertain, but with inflation expectations contained and payroll growth moderating, we anticipate additional rate

reductions in 2026. Lower policy rates combined with potentially improving growth are conditions that stocks will likely welcome.

7. Fiscal stimulus is growing in key regions

Germany and Japan are leading efforts to expand fiscal policy in the year ahead. For Germany, this represents a notable shift from its traditional stance, and we expect it will support domestic demand and encourage private-sector capital investment. Meanwhile, Japan’s new Prime Minister, Sanae Takaichi, recently announced a 21.3 trillion yen (\$135.5 billion) fiscal stimulus package. While bondholders may be less enthusiastic about this development, stock investors are likely to welcome the news.

8. Valuations aren’t excessive in most instances

While concerns about stock valuations often focus on the S&P 500, they don’t reflect the broader opportunity set. US mid- and small-cap stocks, value segments, and non-US markets have been trading at more attractive levels, offering investors a chance to build portfolios with better valuation profiles. This diversification can help position investors for long-term growth potential while mitigating concentration risk.

9. The US government has reopened

After the longest shutdown in US history, the government has reopened, and federal employees are receiving back pay. We’re thankful these workers can enjoy Thanksgiving, and especially grateful that airport staff will enable Americans to travel and spend time with their families. Notably, for the 13th time out of the 22 shutdowns since 1976, the US stock market posted positive returns during the shutdown period.

10. These are the good old days

By almost every measure - health, wealth, and opportunity - today is better for more people than at any point in history. Global life expectancy has risen dramatically, extreme poverty has fallen to record lows, and technological progress has expanded access to education, health care, and information worldwide. While challenges remain, the long-term trend is one of unprecedented improvements in living standards and human well-being.

Investing At All-Time Highs S&P 500 index

