Rosenberg Research

Will 2026 Be the Year of the Horse… Or the Year of the Coyote?

December 2025

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We are a global independent economic research and markets strategy firm, providing clients with unbiased insights and actionable investment guidance.

Beyond Consensus

JAMIE DIMON IS DEFINITELY <u>NOT</u> THE MODERN-DAY CHUCK PRINCE

"We have a lot of assets out there which look like they're entering <u>bubble territory</u>. That doesn't mean they don't have 20 per cent to go. It's just one more cause of concern."

"When you see one cockroach, there's probably more. Everyone should be forewarned."

- Jamie Dimon, October 14th 2025

Source: Yahoo Finance, Financial Times

IT'S NOT JUST JAMIE DIMON!

“AI looks like a classic investment bubble to us, with very high valuations and signs of rampant speculation."

— Ben Inker

“All 2-sigma equity bubbles in developed countries have broken back to trend. Today in the U.S. we are in the fourth super bubble of the last hundred years.”

— Jeremy Grantham

“High Valuations entail high risks.”

— Benjamin Graham

“Our goal is more modest: We simply attempt to be fearful when others are greedy and to be greedy when others are fearful.”

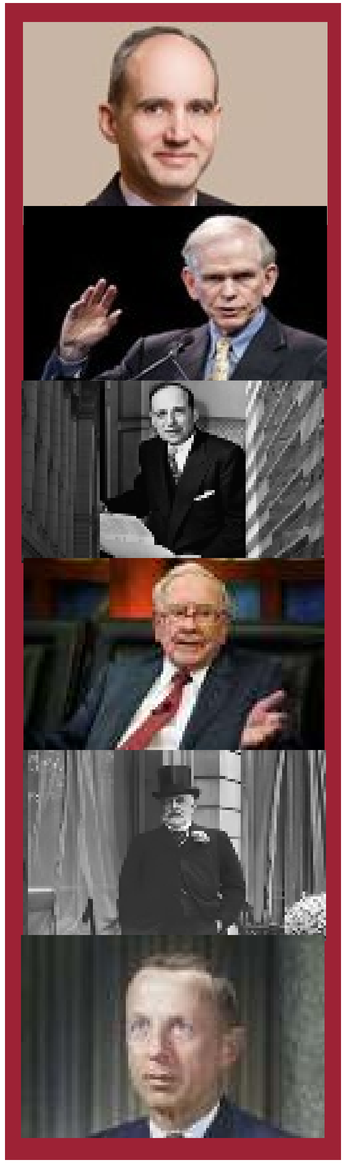
— Warren Buffett

“I will tell you my secret if you wish. It is this: I never buy at the bottom and I always sell too soon.”

— Baron Nathan Rothschild

“Bubbles always implode; by definition a bubble involves a non-sustainable pattern of price changes or cash flows.”

— Charles P. Kindleberger



WHY IS WARREN BUFFETT SITTING ON A RECORD CASH HOARD?

Berkshire Hathaway Cash-to-Total Assets Ratio
(ratio)

Shading indicates recession
Source: Bloomberg, Rosenberg Research

"Prices remained high relative to their historical relationship with fundamentals across a range of markets. Asset valuations were elevated. Since the market volatility of early April subsided, the ratio of equity prices to earnings has returned to near the high end of its historical range. An estimate of the equity premium—the compensation for risk in equity markets—remained well below average."

— Financial Stability Report, Federal Reserve Board, November 2025

"Some participants commented on stretched asset valuations in financial markets, with several of these participants highlighting the possibility of a disorderly fall in equity prices, especially in the event of an abrupt reassessment of the possibilities of AI-related technology."

— Minutes of the Federal Open Market Committee, October 28th-29th, 2025

Source: Federal Reserve

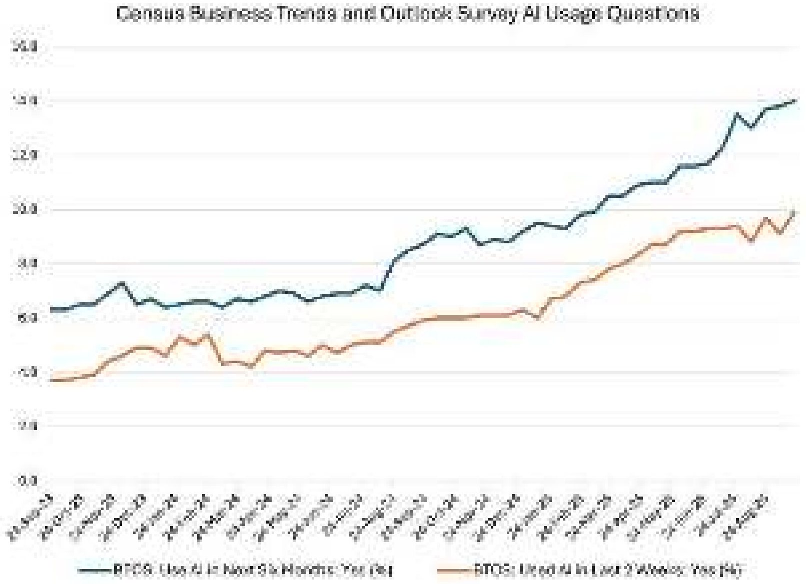
THERE'S THAT "B" WORD AGAIN!

Seeing Double: An AI Bubble?

Macro Minute
October 7, 2025

Artificial Intelligence (AI)-related investment has seen significant growth over the past couple of years. According to the Census Bureau's Business Trends and Outlook Survey, the share of businesses reporting that they used AI over the past two weeks more than doubled from 3.7 percent in September 2023 to nearly 10 percent by September 2025. The share of businesses expecting to use AI over the next six months rose even faster, rising from 6.3 percent to 14.0 percent over the same period.

Figure 1: Census Business Trends and Outlook Survey AI Usage Questions



Source: Census Bureau via Haver Analytics

FEDERAL RESERVE BANK OF RICHMOND
Richmond • Baltimore • Charlotte

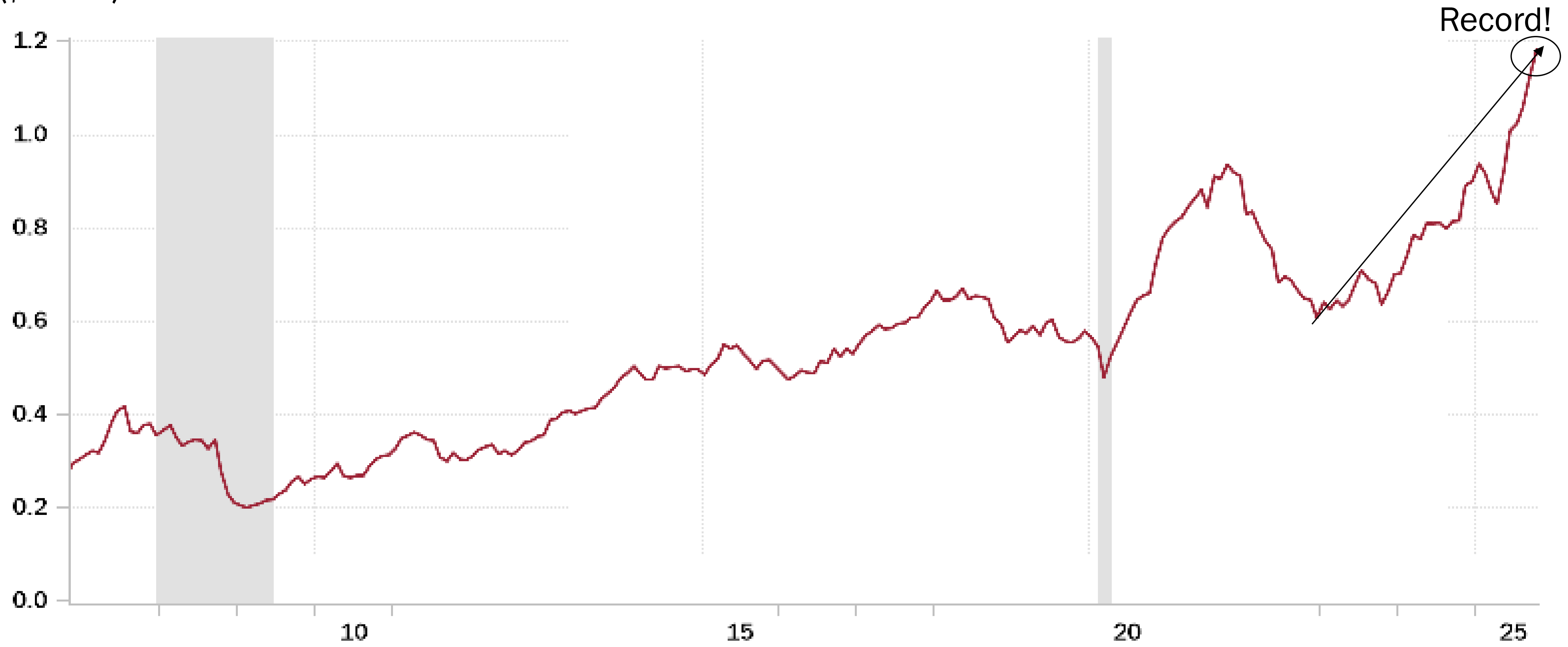
Source: Richmond Fed

6 SIGNS OF A CLASSIC MARKET BUBBLE

- Excessive Leverage
- Market Positioning
- Overconfidence
- Market Concentration
- 2 SD Valuations
- Over-Ownership

LEVERAGE SOARS TO UNPRECEDENTED LEVELS

Margin Debt
($ trillions)



Shading indicates recession
Source: Haver Analytics, FINRA, Rosenberg Research

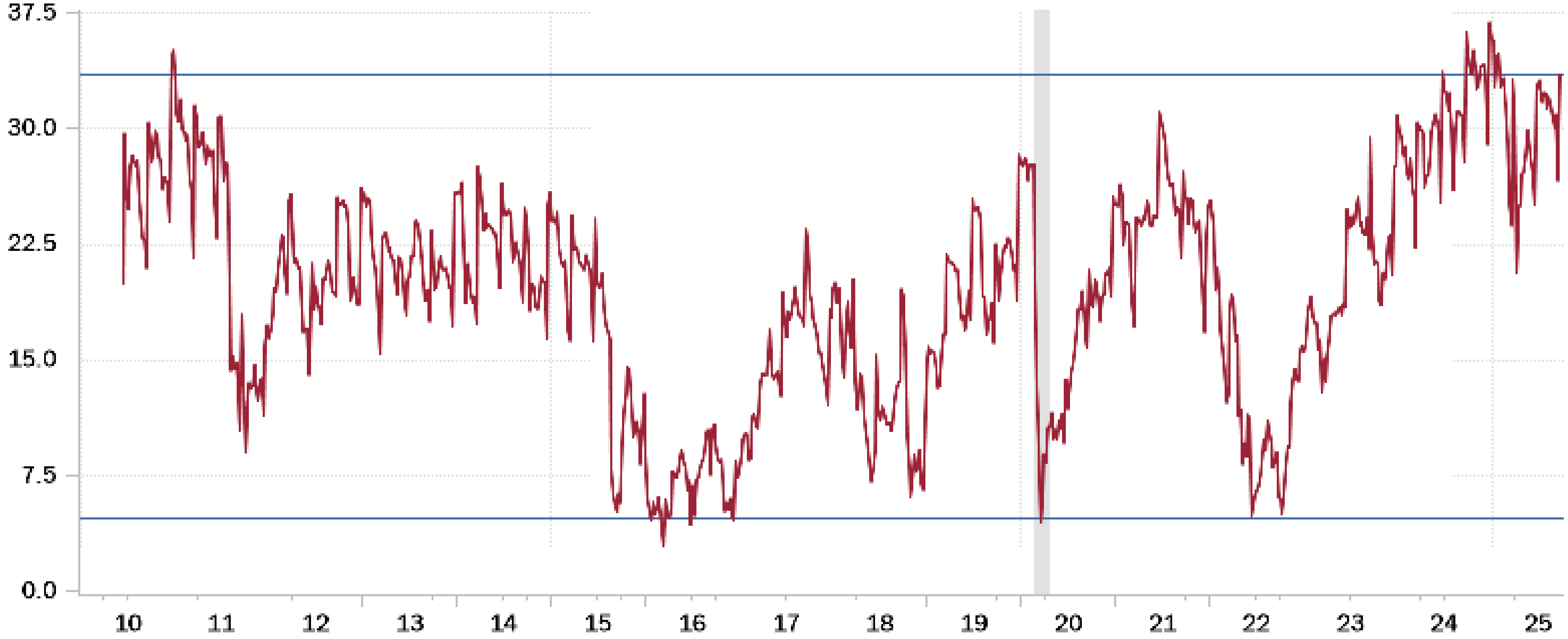
PROFESSIONAL INVESTORS HAVE NEAR MAXIMUM OPTIMISM

Market Vane Bullish Consensus
(percent)

Shading indicates recession
Source: Haver Analytics, Rosenberg Research

HEDGE FUNDS ARE NEAR "RECORD LONG" ON THEIR S&P 500 POSITIONING

Asset Managers and Leveraged Funds: Net S&P 500 Position
(percent of total open interest; >0 denotes net long)



Shading indicates recession
Source: Haver Analytics, CFTC, Rosenberg Research

PORTFOLIO MANAGERS ARE "ALL IN"!

Cash Ratio
(percent)

Shading indicates recession
Source: Haver Analytics, ICI, Rosenberg Research

GETTING HIGH, ALL RIGHT!

Source: Bob Rich, Hedgeye

ANOTHER K-SHAPE: CONSUMERS DOWN, INVESTORS UP

American Consumers Sour On the Economy's Trajectory

Sentiment nears record lows on jobs, tariffs, inflation, but spending continues

By Chao Deng

American households are nearing the end of the year feeling a lot more dour about the economy than they did at the beginning, even as they keep spending.

High prices, a fragile job market and anxiety about President Trump's tariffs have helped drag consumer sentiment, as measured by the University of Michigan, down near historic lows this year. The latest numbers were slightly improved from a previous reading freighted by government shutdown disruptions, but barely.

"People are not feeling confident about the economy," said Joanne Hsu, who directs the University of Michigan Surveys of Consumers. Americans are still looking back to prices they paid before the Covid-19 pandemic and struggling to digest the increases since then.

"We haven't collectively come to grips that that is behind us," said Hsu.

The surveys are only one view of economic conditions, but they offer a consistent check of consumers' changing mood. Economists and analysts look at the results to help monitor and forecast the health of the economy.

The closely watched sentiment survey asks people how they feel now and down the road about their own financial situation and the economy as a whole. Those responses are then baked into an equation that produces a number ranging from 2 to 150.2. Higher numbers reflect a rosier outlook.

The survey shows that the nation started the year in relatively decent spirits about the economy, with a reading above 70 in January. Nearly a year later, a preliminary monthly reading released in early December showed sentiment slightly above 53.

That is better than the previous reading of 51, which was dented by the government shutdown that ended in mid-November.

The December report, based on Nov. 18 to Dec. 1 surveys, will be updated through Dec. 15 for a final reading later this

Please turn to page A4

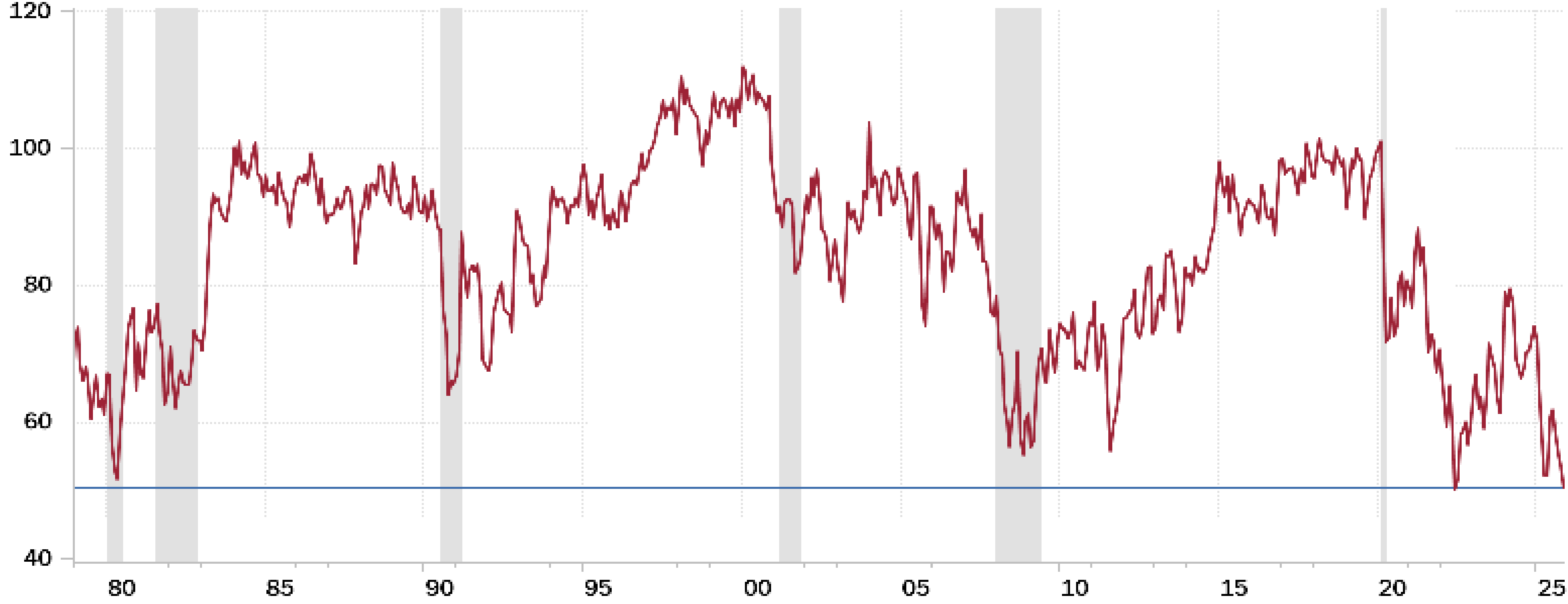
Investors Feel Good About The Stock Market Again

Recent gains reflect more than just optimism about artificial intelligence

Source: Wall Street Journal Print Edition (December 8th 2025)

CONSUMER CONFIDENCE IN THE LOWEST 1% RANGE OF ALL TIME

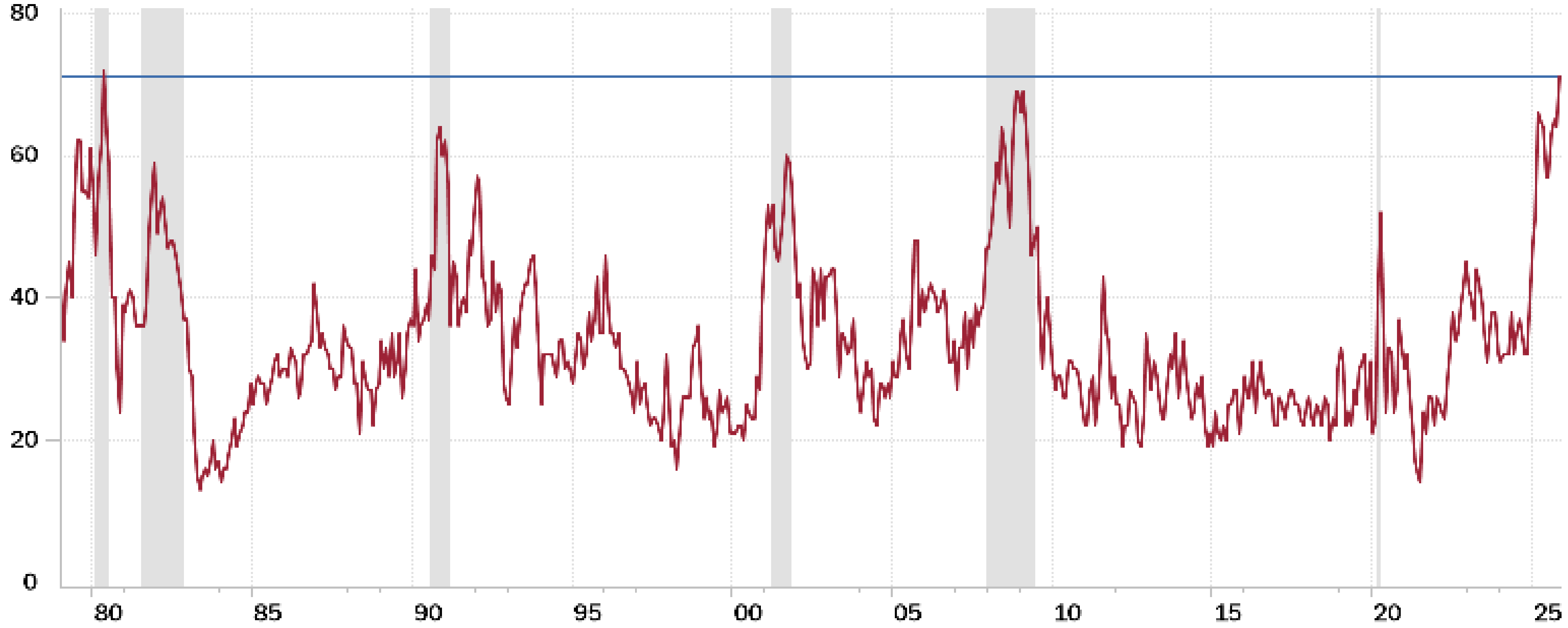
Consumer Sentiment Index
(index)



Shading indicates recession
Source: Haver Analytics, University of Michigan, Rosenberg Research

UNEMPLOYMENT CONCERNS ARE DEFINITELY AT RECESSION LEVELS

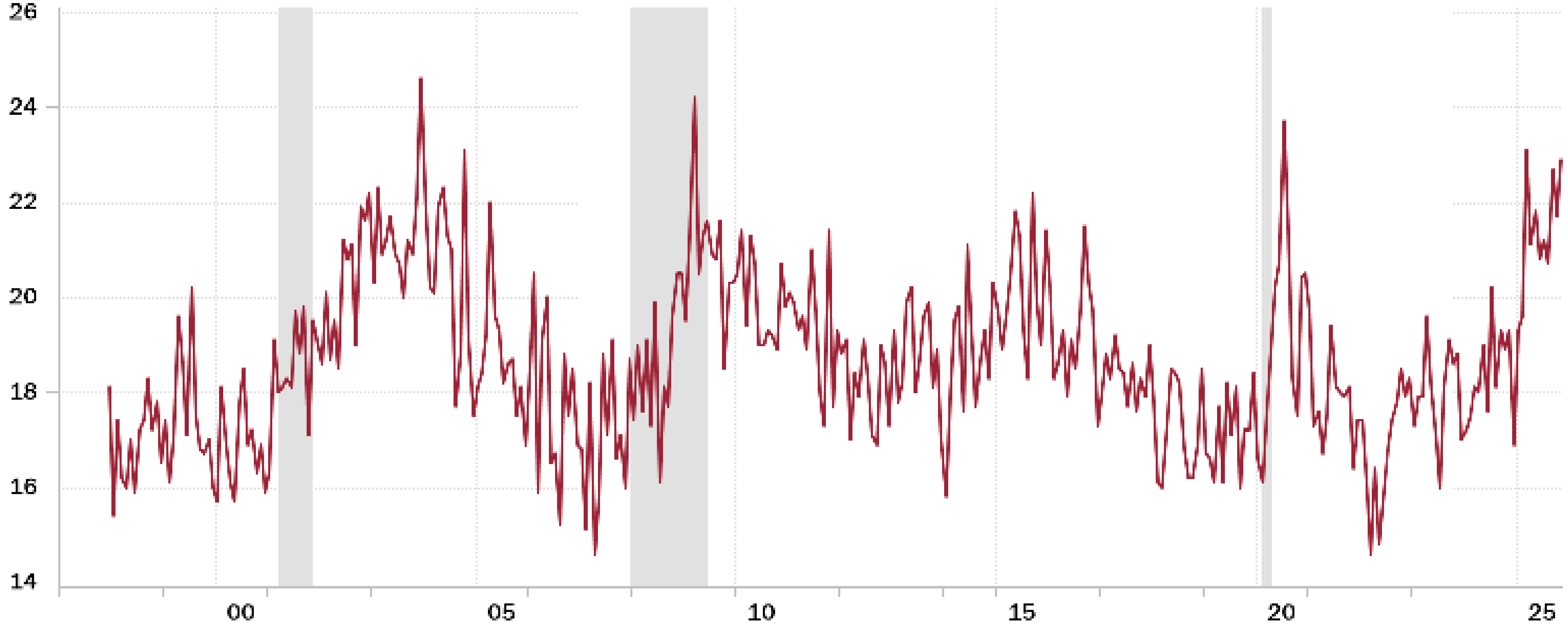
12-Month Expectations of More Unemployment
(percent of respondents)



Shading indicates recession
Source: Haver Analytics, University of Michigan, Rosenberg Research

MORE THAN ONE IN FIVE AMERICANS FEAR JOB LOSS (THANK YOU, AI!)

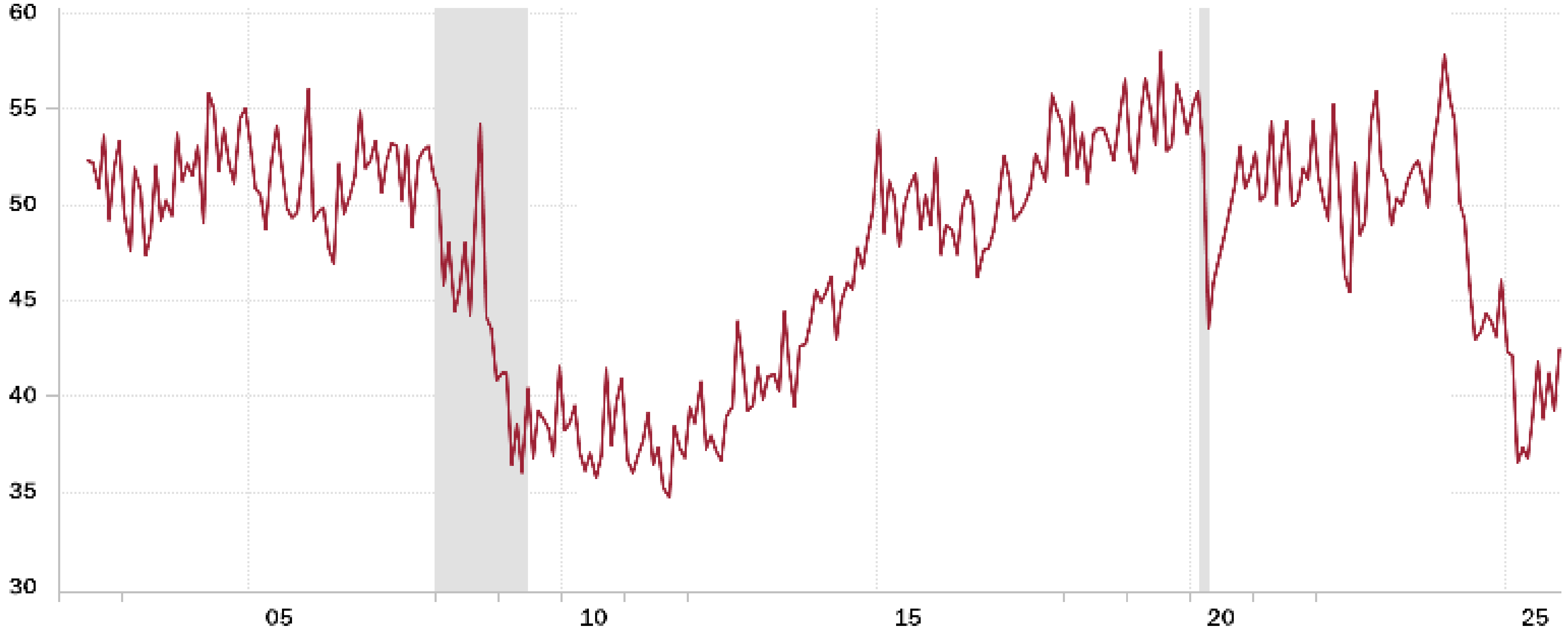
Probability of Losing a Job in the Next 5 Years
(percent)



Shading indicates recession
Source: Haver Analytics, University of Michigan, Rosenberg Research

NOT SO GREAT EXPECTATIONS WHEN IT COMES TO PERSONAL INCOME

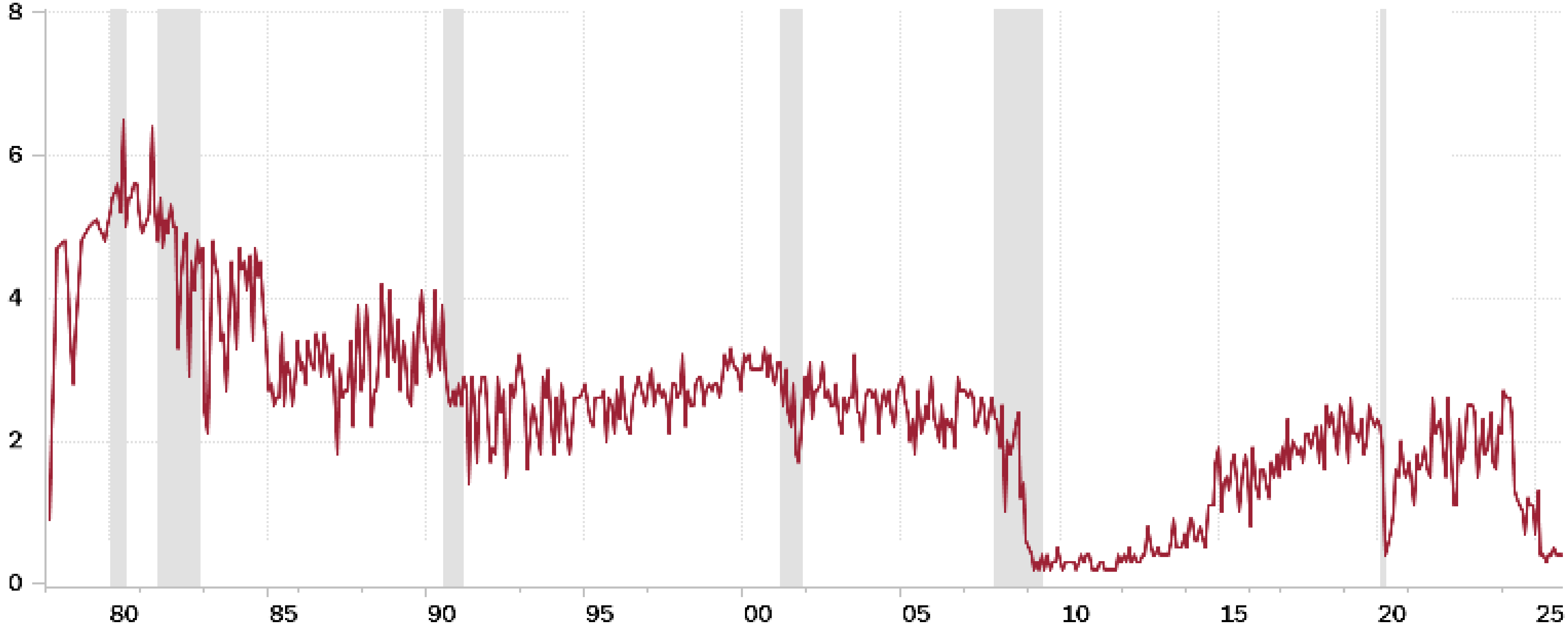
Probability of Personal Income Increasing in the Next Year
(percent)



Shading indicates recession
Source: Haver Analytics, University of Michigan, Rosenberg Research

THE MEDIAN WAGE GROWTH EXPECTATION FOR THE COMING YEAR IS +0.4%!!

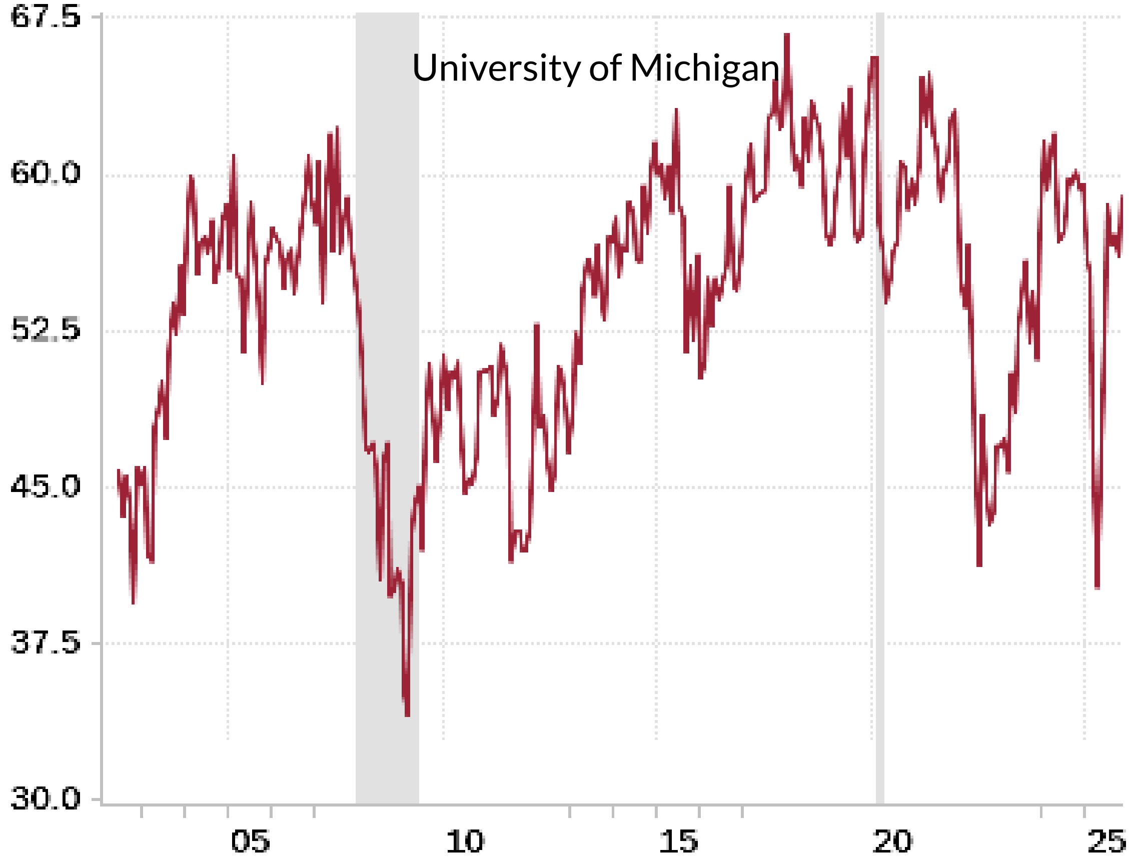
Median Rate of Income Change in 1 Year
(percent)



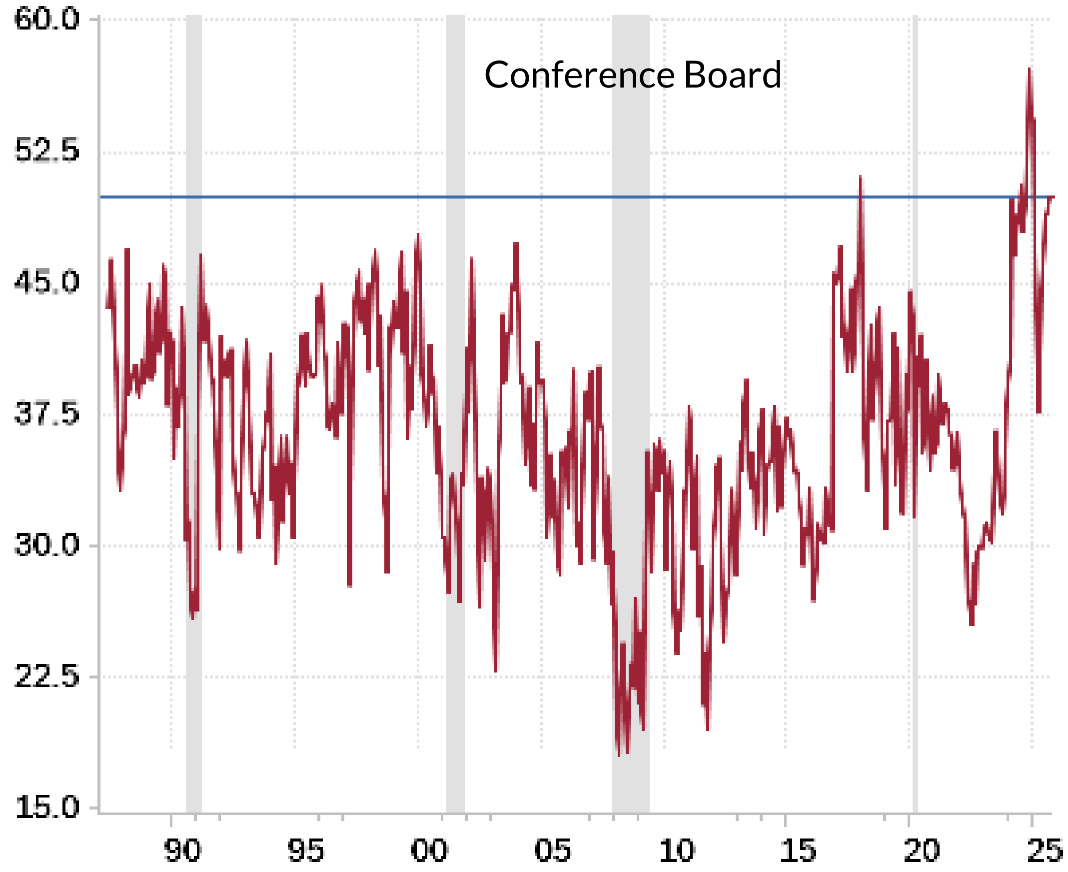
Shading indicates recession
Source: Haver Analytics, University of Michigan, Rosenberg Research

BUT WHO NEEDS A JOB OR A WAGE WHEN YOU HAVE THE STOCK MARKET??

Probability of Stock Price Increase in 1 Year
(percent)



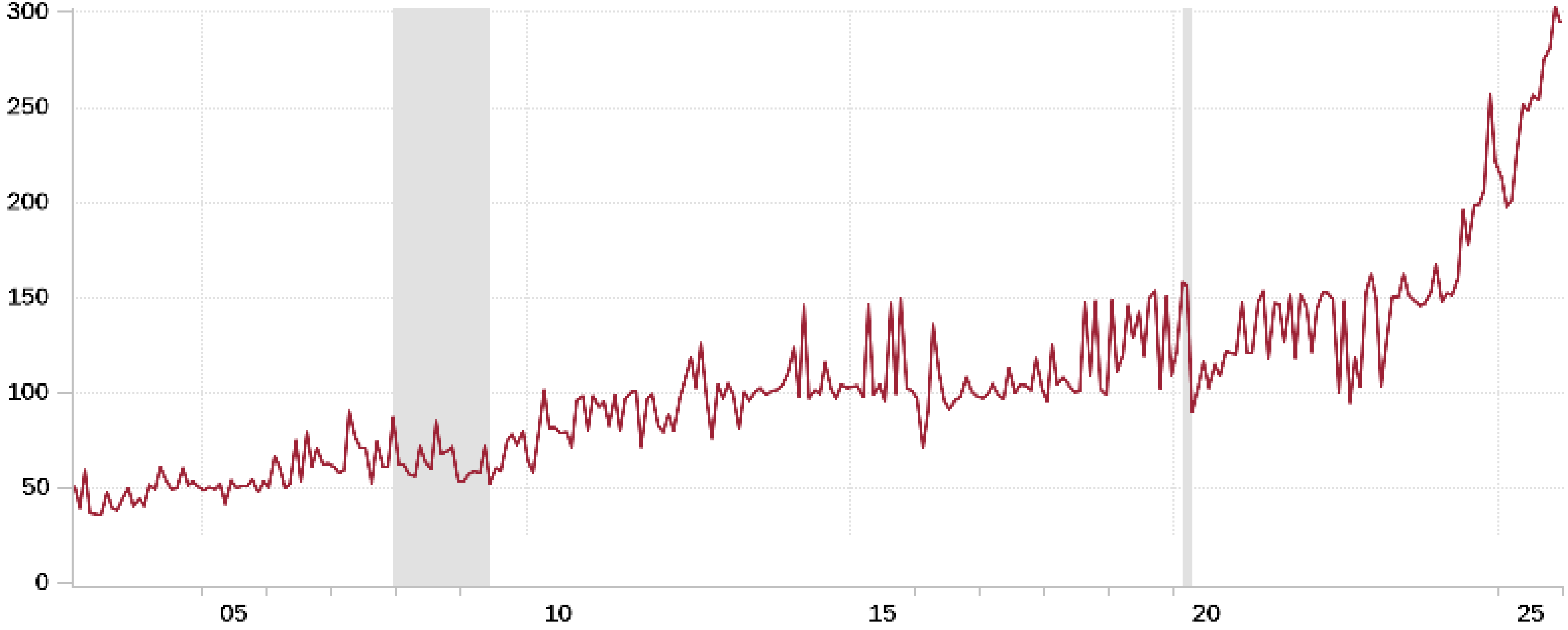
Expectations of Stock Price Increase in 1 Year
(percent of respondents)



Shading indicates recession
Source: Haver Analytics, University of Michigan, Conference Board, Rosenberg Research

"I'M RICH!!"

Median Value of Stock Market Investments
($ thousands)



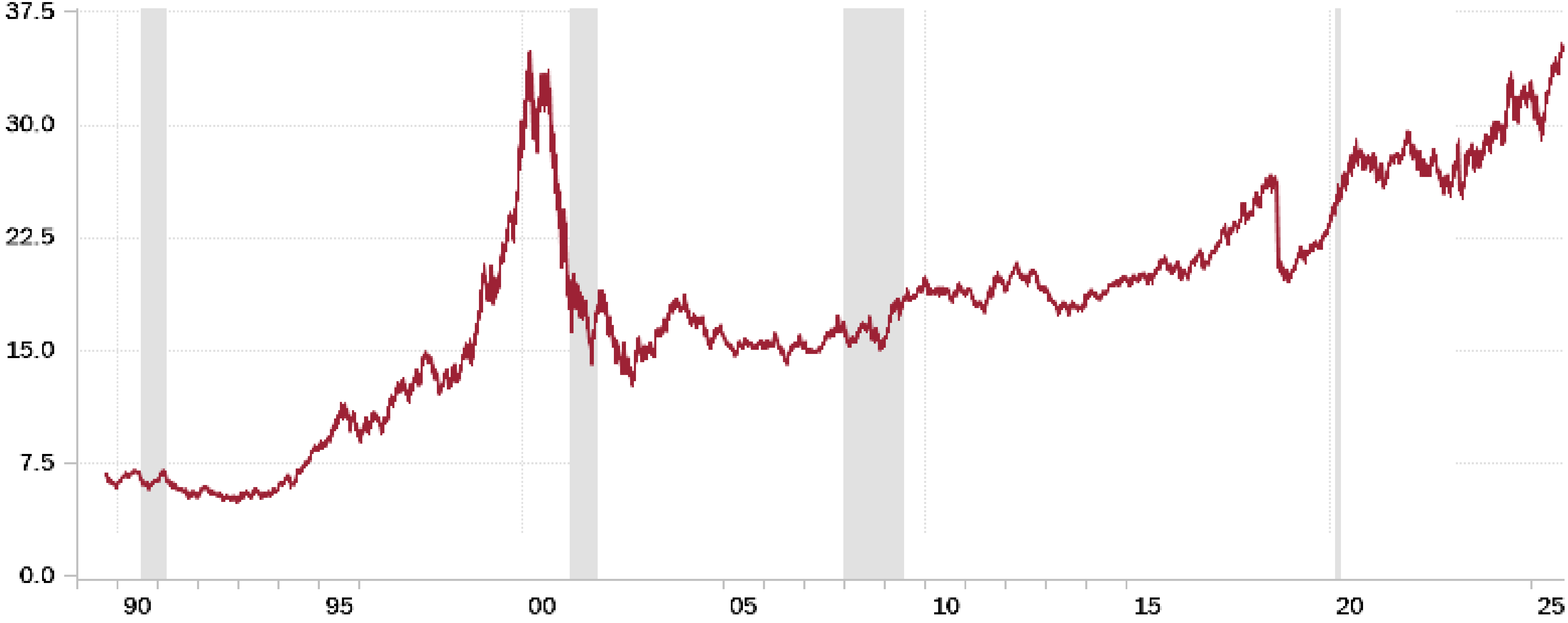
Shading indicates recession
Source: Haver Analytics, University of Michigan, Rosenberg Research

BOB FARRELL’S 10 MARKET RULES

1. Markets tend to return to the mean over time
2. Excesses in one direction will lead to an opposite excess in the other direction
3. There are no new eras — excesses are never permanent
4. Exponential rapidly rising or falling markets usually go further than you think, but they do not correct by going sideways
5. The public buys the most at the top and the least at the bottom
6. Fear and greed are stronger than long-term resolve
7. **Markets are strongest when they are broad and weakest when they narrow to a handful of blue-chip names**
8. Bear markets have three stages — sharp down, reflexive rebound and a drawn-out fundamental downtrend
9. When all the experts and forecasts agree — something else is going to happen
10. Bull markets are more fun than bear markets

PARTY LIKE IT'S 1999!

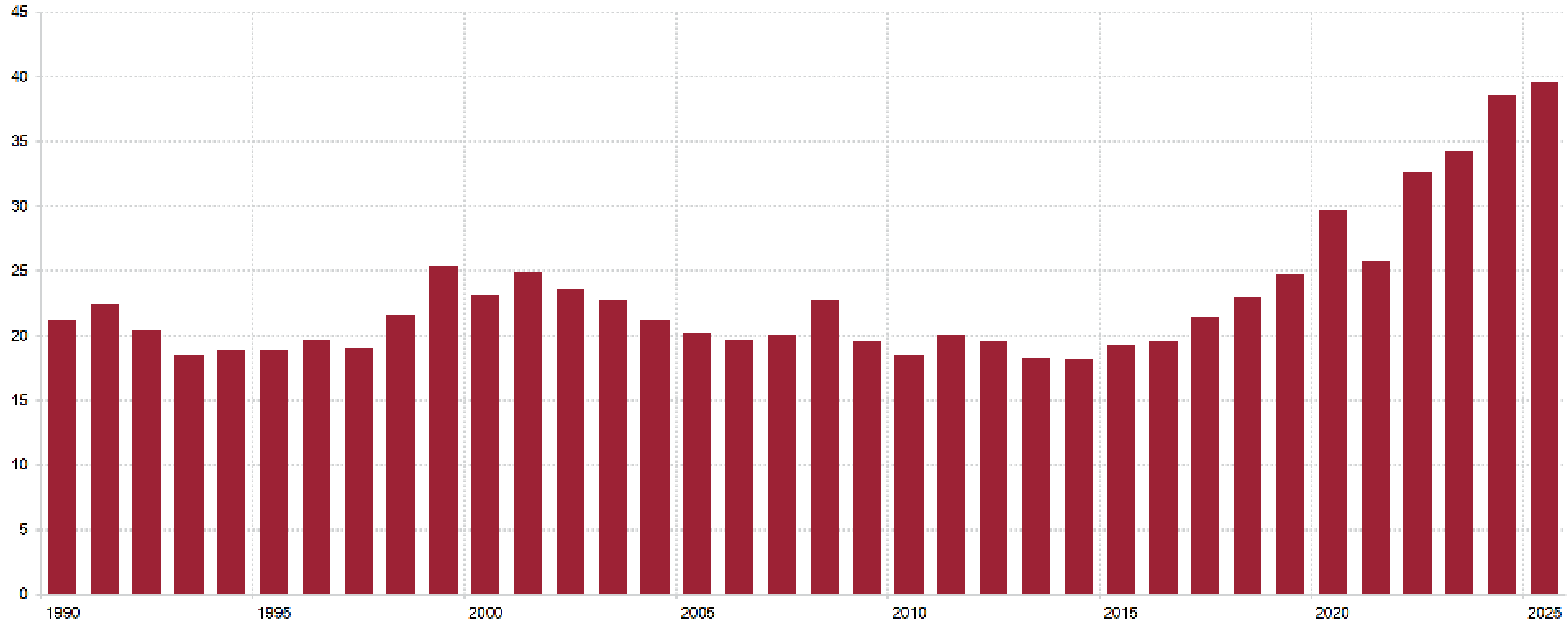
Stock Market Capitalization: Information Technology as a Share of the S&P 500
(percent)



Shading indicates recession
Source: Haver Analytics, Rosenberg Research

A HIGHLY CONCENTRATED MARKET — TODAY'S NIFTY 50 ACCOUNTS FOR 40% OF THE MARKET CAP

Top 10 Companies Share of the S&P 500 Market Cap
(percent)



Note: Data are on an annual basis; 1990-2024 are based on December 31st values. Current reading is as of October 15th 2025.
Source: Bloomberg, Rosenberg Research

FIVE COMPANIES WITH 30% OF THE MARKET CAP!

Then and Now — A Comparison of the Top Ten Stocks Today Versus the March 2000 Bubble Peak

Today

Name	Market Cap ($ trillions)	As % of Total Market Cap
Nvidia	4.58	7.8%
Microsoft	3.82	6.5%
Apple	3.68	6.2%
Google	2.96	5.0%
Amazon	2.35	4.0%
Meta	1.8	3.0%
Broadcom	1.68	2.8%
Tesla	1.45	2.5%
Berkshire Hathaway	1.06	1.8%
Oracle	0.88	1.5%
Total	**24.26**	**41.1%**

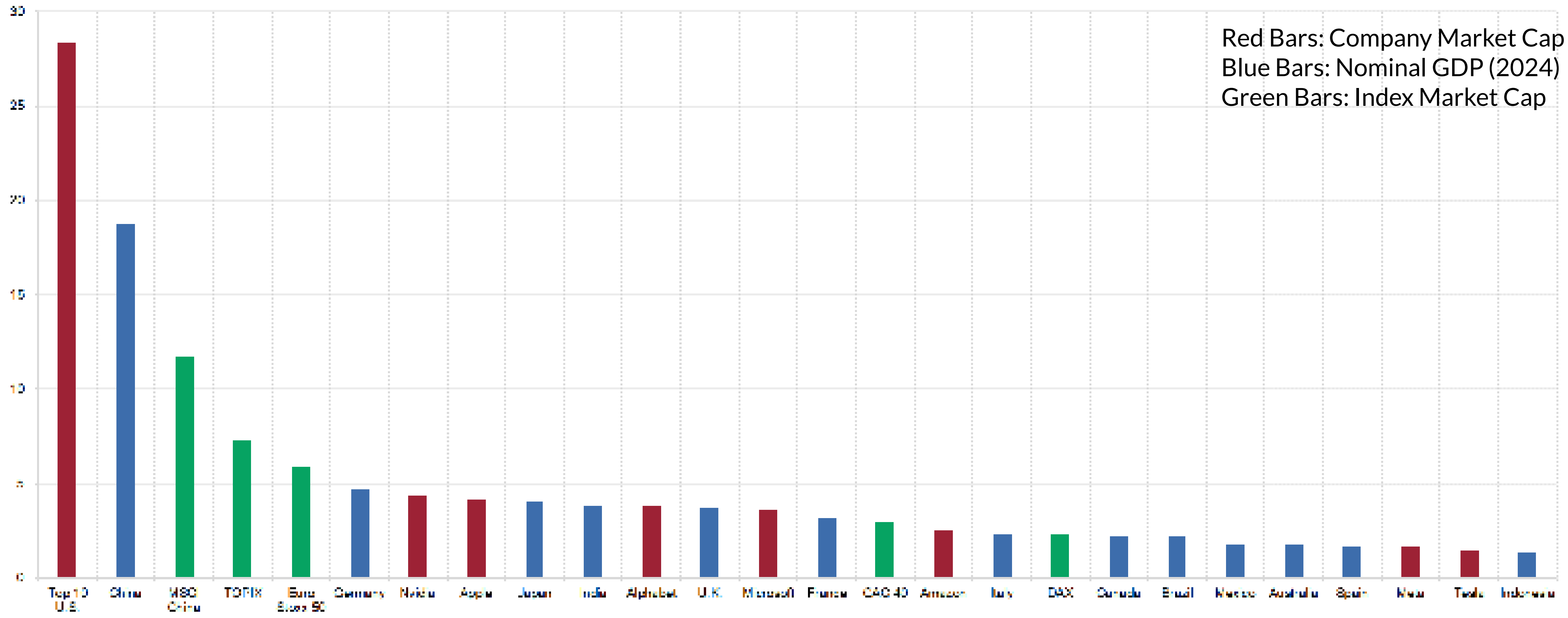
Market Peak (March 23rd, 2000)

Name	Market Cap ($ trillions)	As % of Total Market Cap
Microsoft	0.56	4.4%
Cisco	0.54	4.2%
General Electric	0.53	4.1%
Intel	0.48	3.8%
Oracle	0.42	3.3%
Exxon	0.26	2.1%
Walmart	0.24	1.9%
Pfizer	0.22	1.8%
Citigroup	0.21	1.6%
Nokia	0.21	1.6%
Total	**3.65**	**28.8%**

Note: Today's data are as of Monday, October 13th 2025
Source: Bloomberg, Rosenberg Research

TOP 10 U.S. STOCKS TOGETHER ARE BIGGER THAN ANY COUNTRY'S GDP OR EQUITY MARKET!

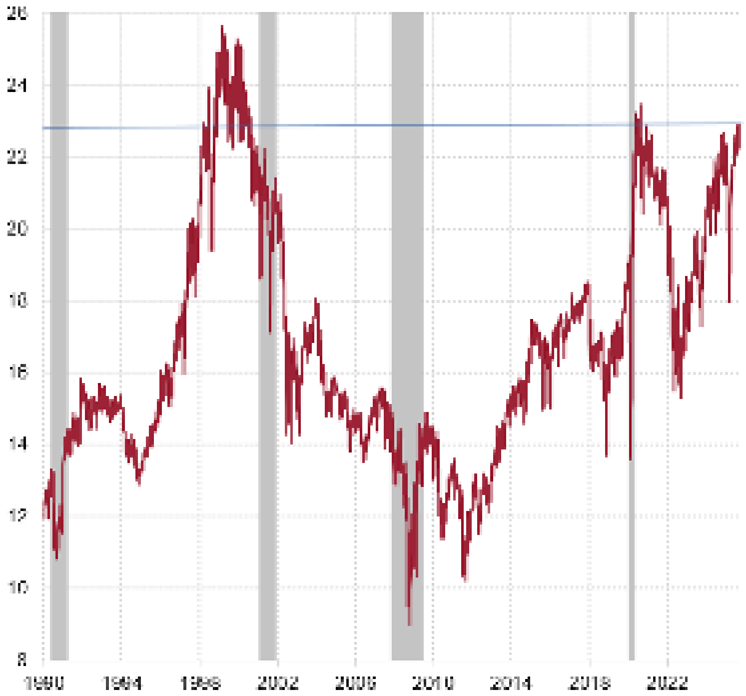
Market Cap & Nominal GDP
($ trillions)



Source: Bloomberg, Julius Baer, Rosenberg Research

BUBBLE!

12-Month Forward Price-to-Earnings Ratio
(ratio)



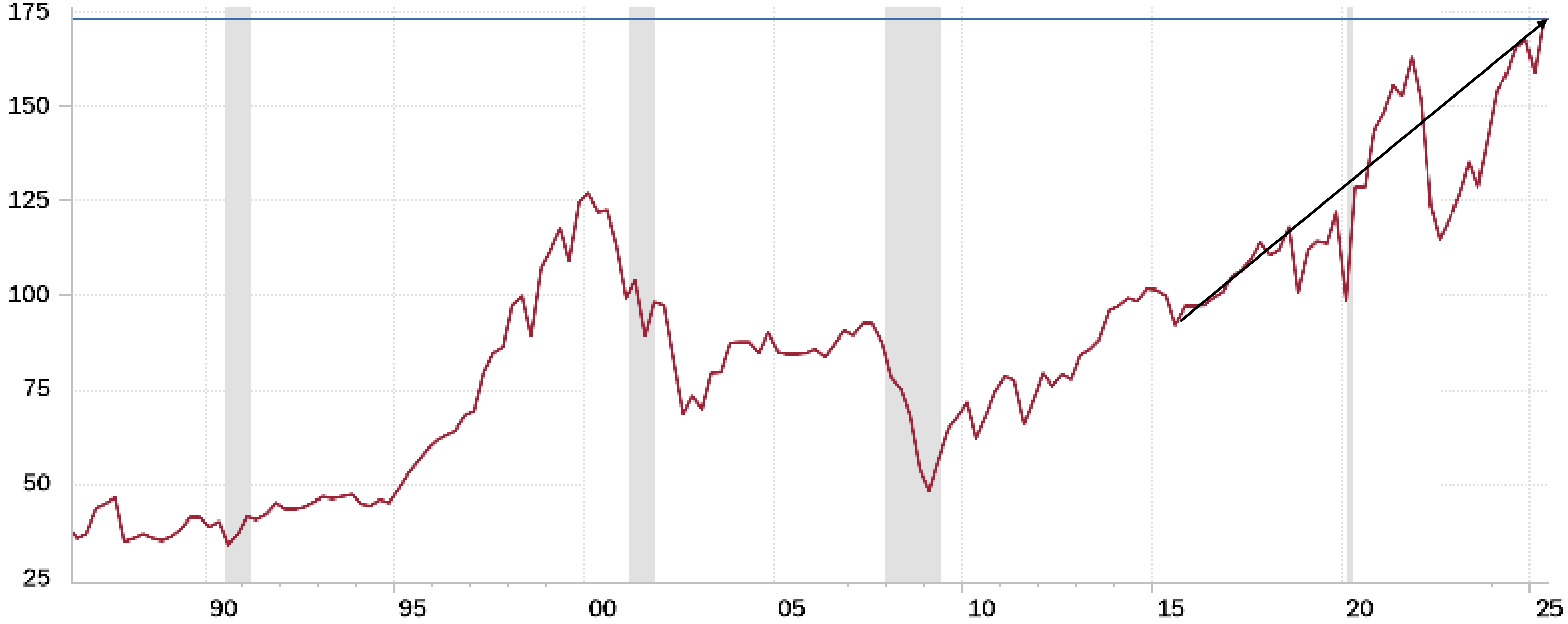
Price-to-Book Ratio
(ratio)

Price-to-Sales Ratio
(ratio)

Shading indicates recession
Source: Bloomberg, Rosenberg Research

BUBBLE!

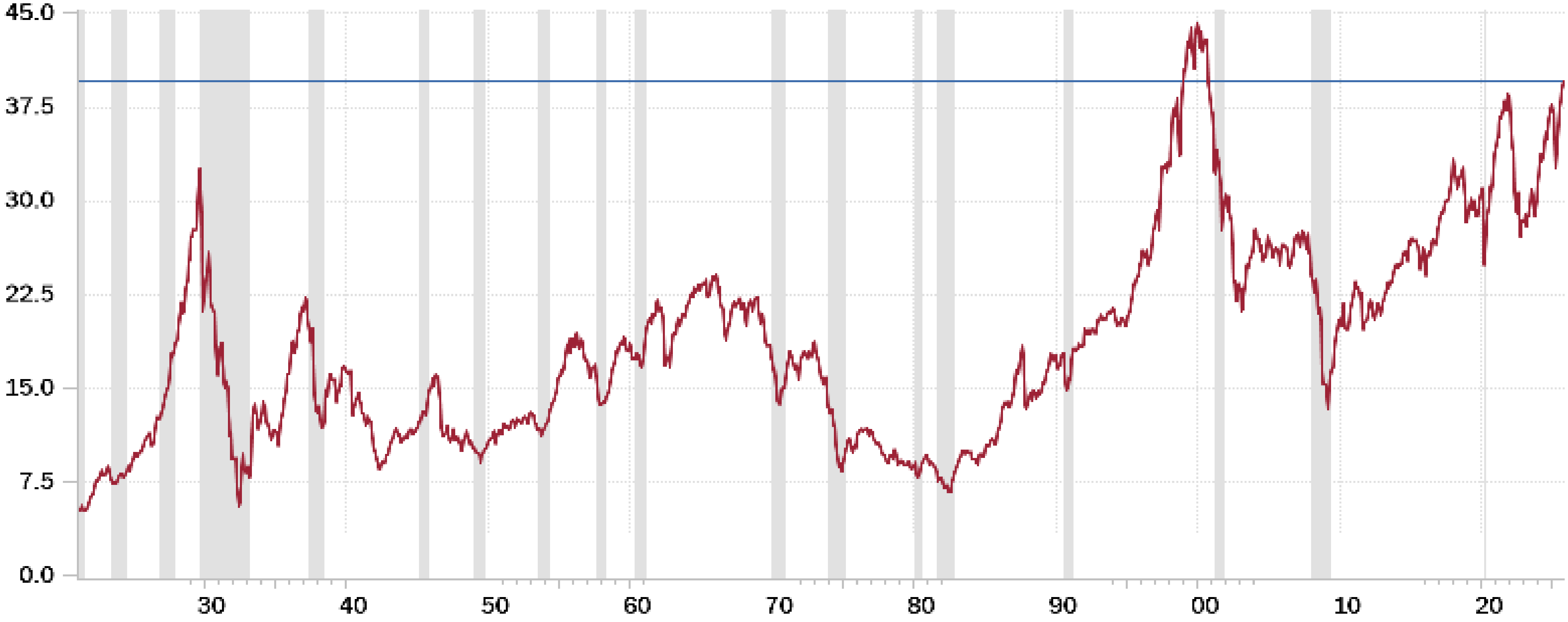
The Buffett Indicator: S&P 500 Market Cap as a Share of GDP
(percent)



Shading indicates recession
Source: Haver Analytics, BEA, Rosenberg Research

THE SECOND MOST EXPENSIVE STOCK MARKET OF ALL TIME

S&P 500: CAPE Multiple
(ratio)



Shading indicates recession
Source: Haver Analytics, Robert Shiller, Rosenberg Research

FORWARD RETURNS GET CANNIBALIZED AT THESE CAPE LEVELS...

The higher the multiple, the lower the future return potential

	<10	10-20	20-30	30-35	35+
1-Year Forward Return	17.3%	8.1%	6.5%	7.4%	-1.1%
3-Year Forward Return (Annualized)	14.0%	6.9%	5.2%	7.2%	-3.3%
5-Year Forward Return (Annualized)	13.9%	6.1%	5.4%	3.6%	-3.0%
10-Year Forward Return (Annualized)	7.6%	7.3%	4.5%	1.4%	-1.8%

Source: Bloomberg, Rosenberg Research

THIS IS THE SIXTH BUBBLE IN THE PAST CENTURY!

The CAPE Multiple Crossed Above 2 SD in June 2024
(standard deviation)

Note: The circled points represent the peak standard deviation (SD) readings corresponding to cycles when the CAPE multiple crossed above 2 SD
Source: Bloomberg, Rosenberg Research

MORE EVIDENCE OF WHAT HAPPENS TO FUTURE RETURNS IN THE POST-BUBBLE ENVIRONMENT

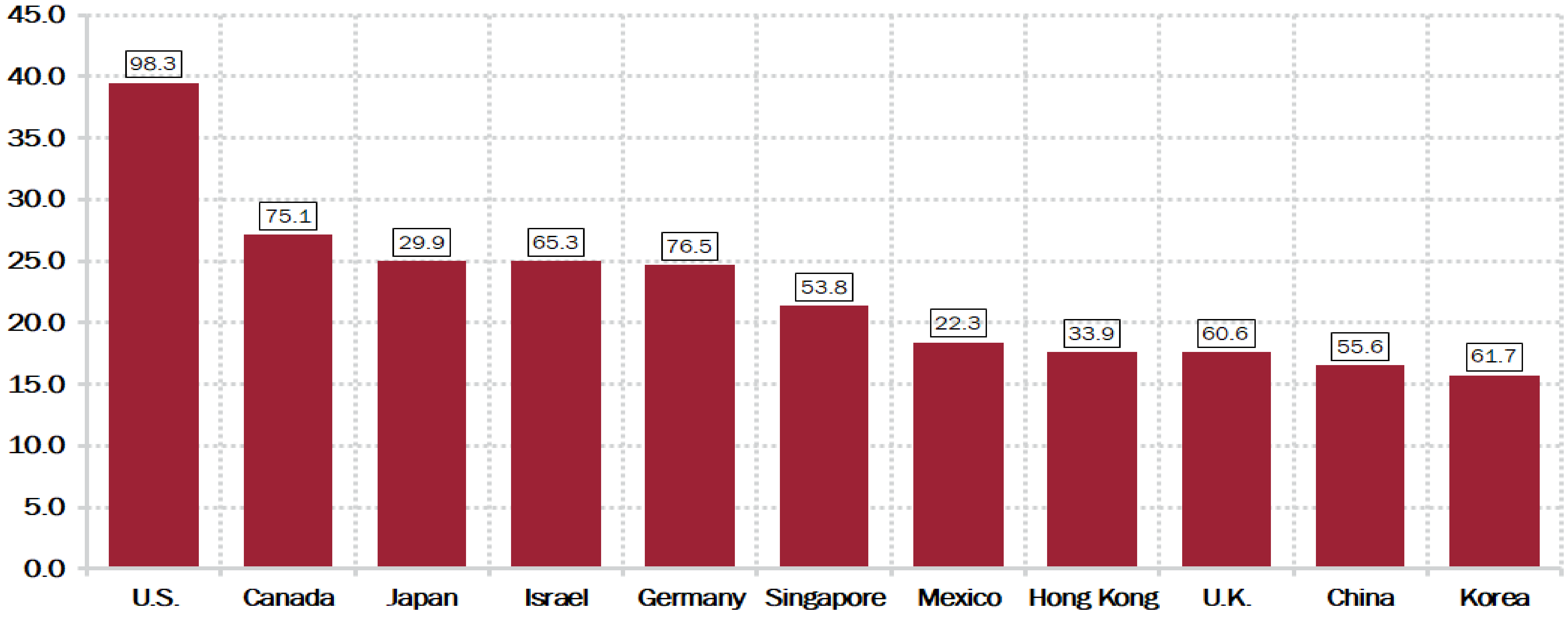
S&P 500 Forward Returns Based on CAPE Standard Deviation Ranges

	0.0 - 0.5	0.5 - 1.0	1.0 - 2.0	2.0+
1-Year Forward (Annualized)	4.9%	7.3%	8.4%	0.1%
3-Year Forward (Annualized)	5.5%	5.4%	5.2%	-2.9%
5-Year Forward (Annualized)	6.1%	4.7%	4.4%	-2.8%
10-Year Forward (Annualized)	4.7%	5.5%	2.3%	-1.8%

Source: Bloomberg, Rosenberg Research

ONLY THE U.S. EQUITY MARKET IS IN A CLASSIC BUBBLE

CAPE By Country
(ratio)



*Values in the box represent the percent of time that valuations were lower than they are today
Source: Bloomberg, Rosenberg Research

ANOTHER BUBBLE WORTH NOTING: CORPORATE BONDS PRICED FOR NO DEFAULT CYCLE

Investment-Grade Spread
(percentage points)

High-Yield Spread
(percentage points)

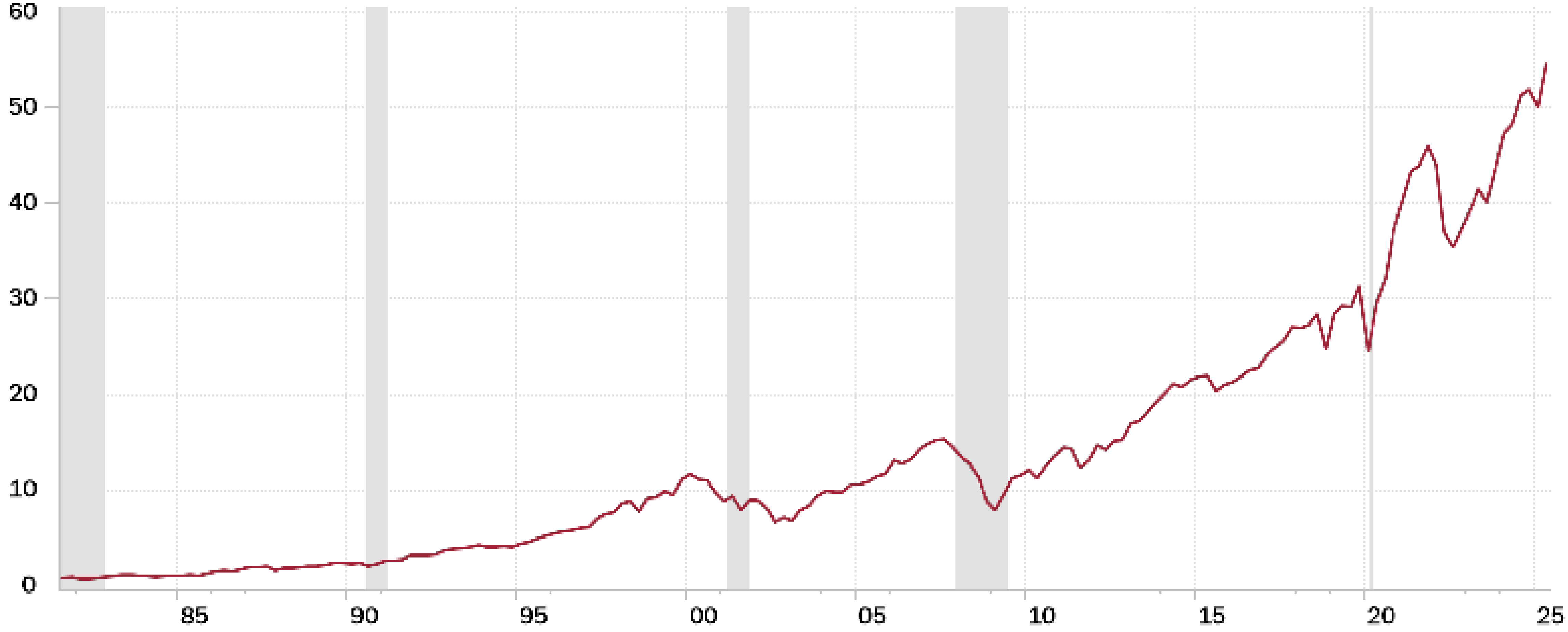
Shading indicates recession
Source: Haver Analytics, BofA, Rosenberg Research

"DON'T STOP 'TIL YOU GET ENOUGH!"

Source: Money Greedy. N.d. Photograph. The Unbounded Spirit.

AMERICAN HOUSEHOLDS HAVE OVER $50 TRILLION OF EQUITY EXPOSURE!

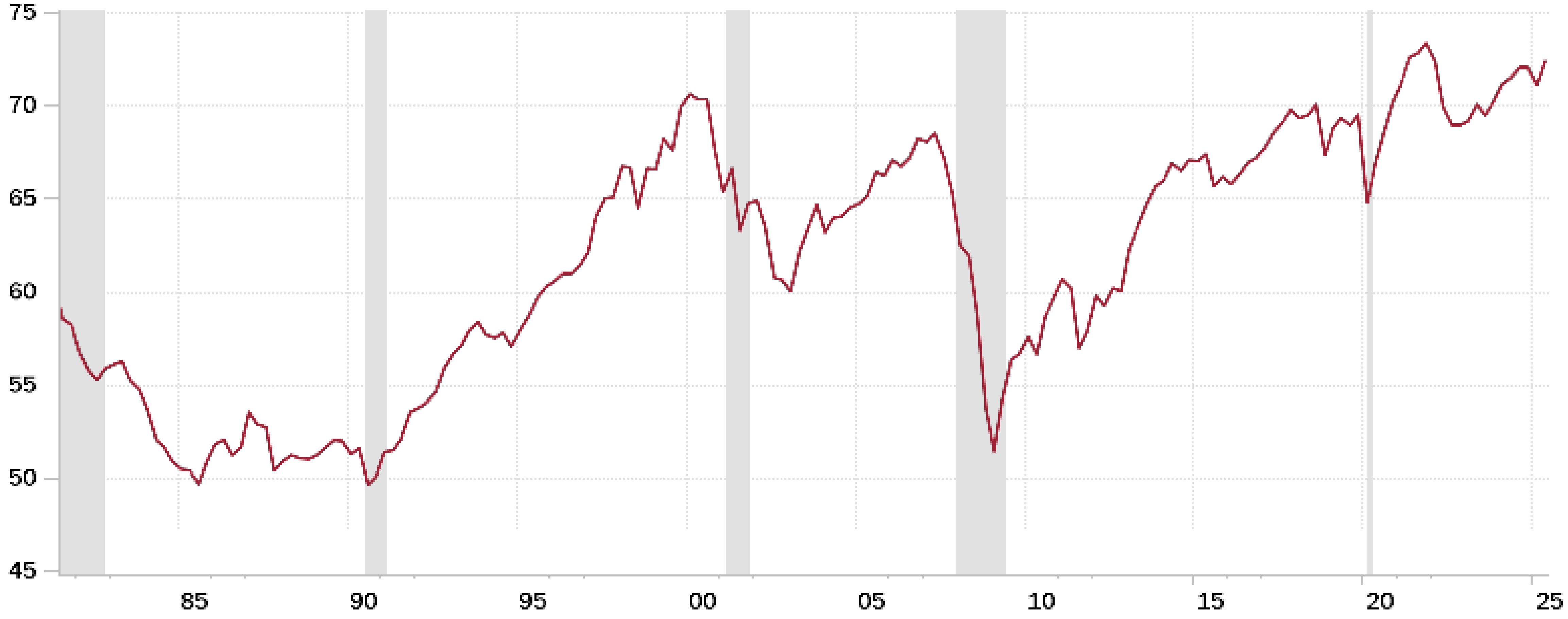
Fed Flow of Funds: Household Equity Assets
($ trillions)



Shading indicates recession
Source: Haver Analytics, Federal Reserve, Rosenberg Research

EQUITY EXPOSURE LITERALLY OFF THE CHARTS

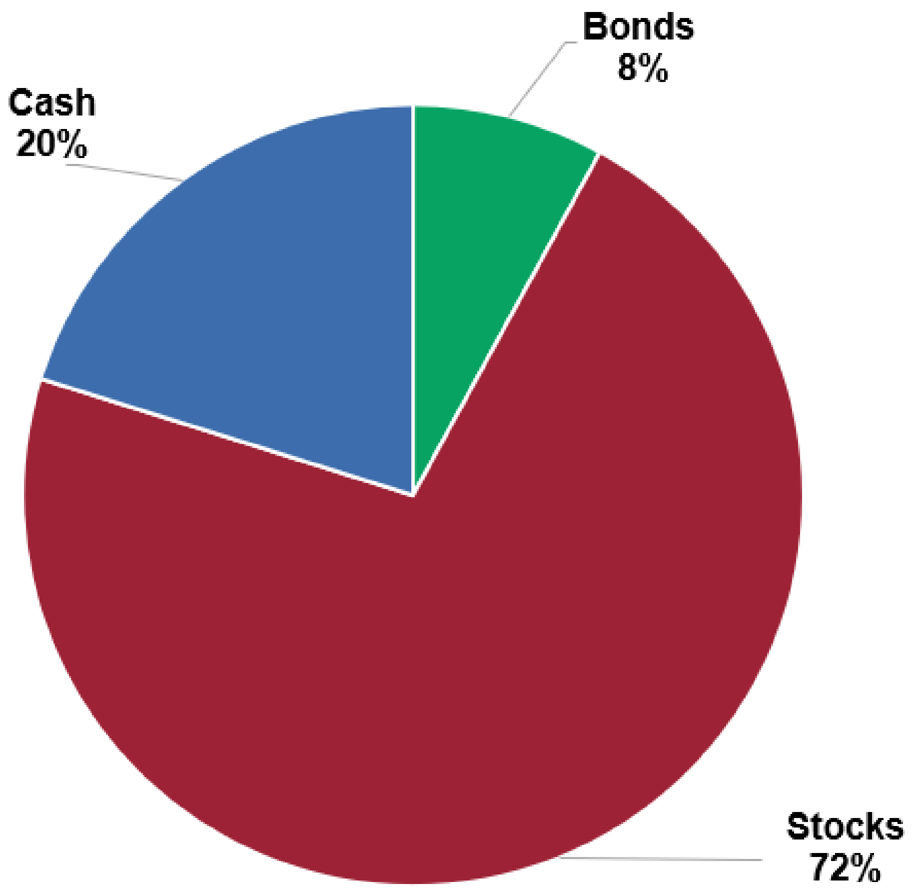
Fed Flow of Funds: Household Equity Holdings as a Share of Financial Assets
(percent)



Shading indicates recession
Source: Haver Analytics, Federal Reserve, Rosenberg Research

HOUSEHOLDS OVER-EXPOSED TO THE EQUITY MARKET!

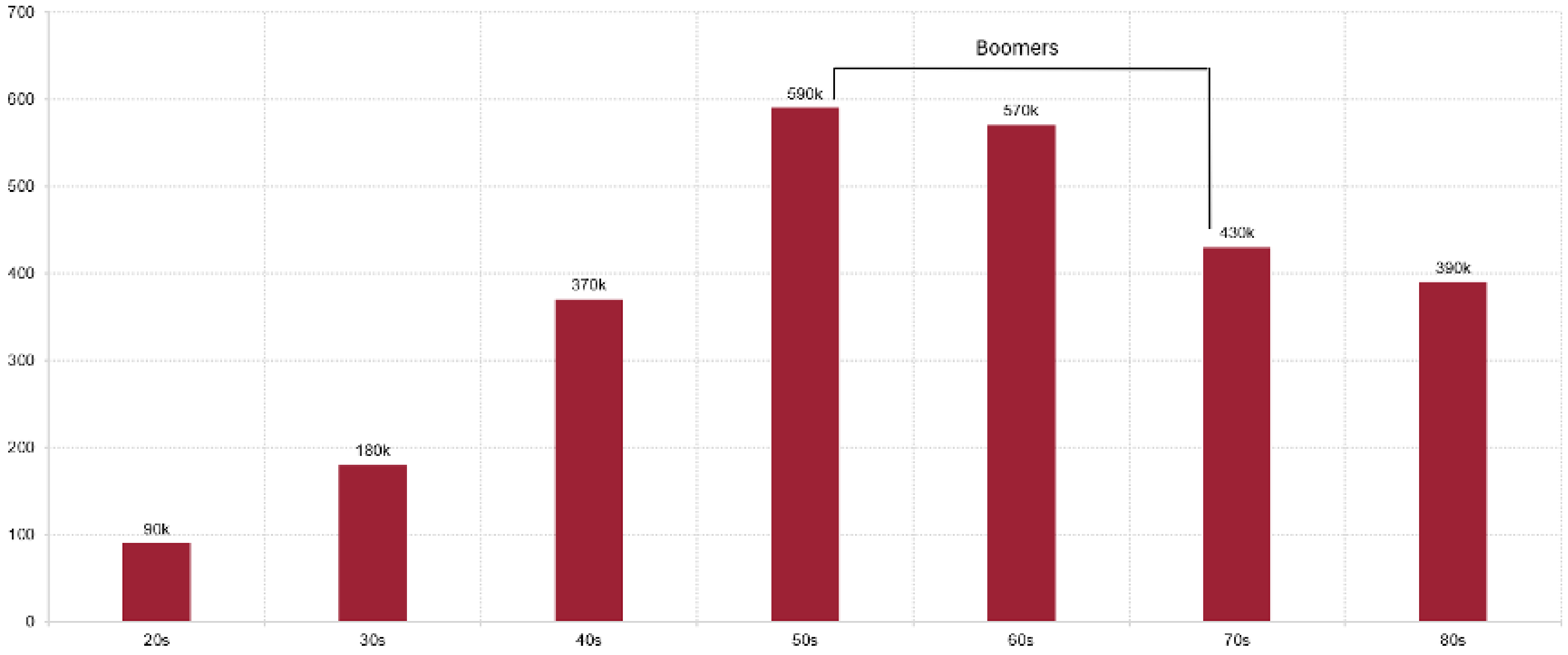
Share of Financial Assets
(percent)



*Excludes trade receivables, life insurance reserves, pension entitlements, miscellaneous assets.
Source: Haver Analytics, Federal Reserve, Rosenberg Research

WHAT WILL HAPPEN IF THE BOOMERS TURN TO BUST?

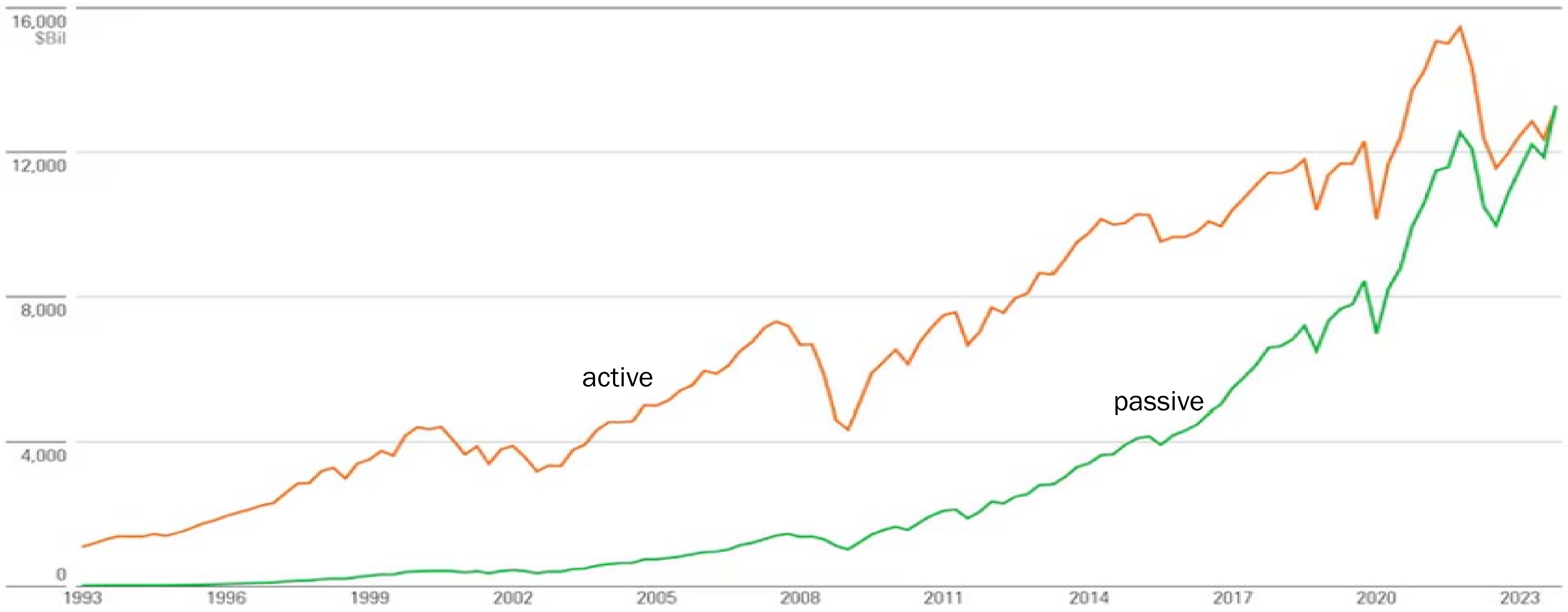
Average 401(k) Balance By Age (2024)
($ thousands)



Source: Empower, Rosenberg Research

PASSIVE INDEX FUNDS NOW EXCEED MORE THAN 50% OF THE STOCK MARKET

Historical Fund Assets: Active vs. Passive
(orange line; Active Assets; $ billions)
(green line; Passive Assets; $ billions)



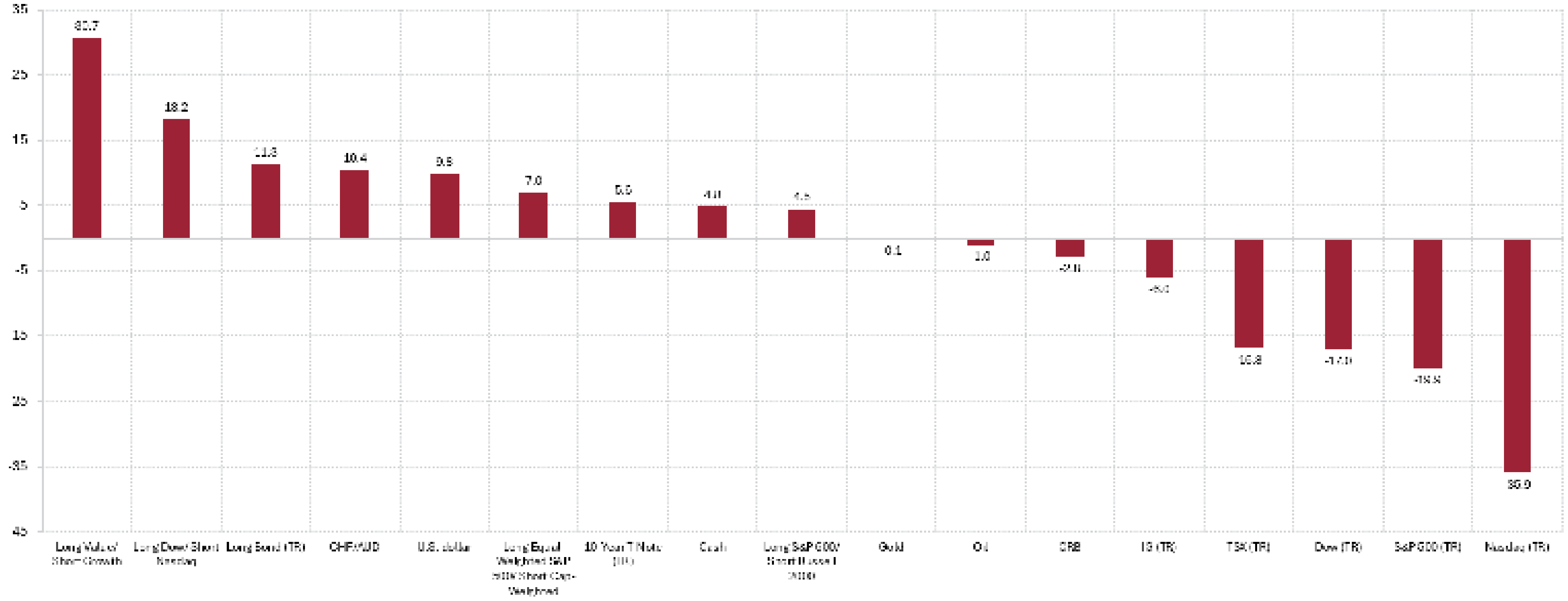
Source: Morningstar Direct Asset Flows

DON'T GET CLEANED OUT IN THE POST-BUBBLE BATH

Source: Bob Rich, Hedgeye

WHERE TO HIDE AFTER THE BUBBLE POPS: BONDS AND CASH

Median 1-Year Forward Returns Following CAPE/Market Peaks
(percent)



Note: Data are median 1-year forward returns following CAPE/market peaks in 1973, 2000, 2007, and 2022. The Cap-Weighted/Equal-Weighted S&P 500 and Russell 2000/ S&P 600 trades only include data for 2000, 2007, and 2022
Source: Bloomberg, Rosenberg Research

PUTTING OUR MONEY WHERE OUR MOUTH IS

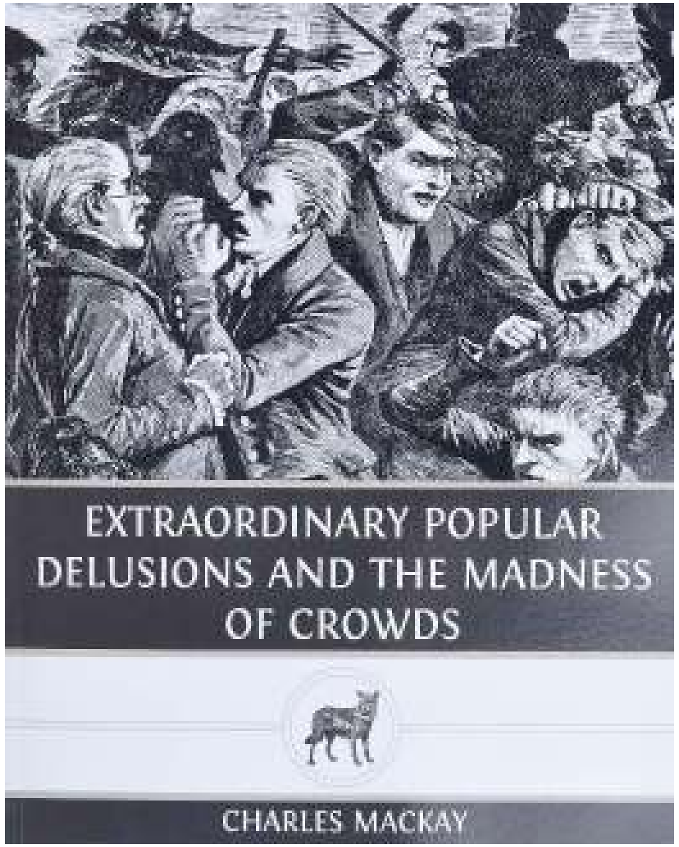
"Rosie Macro Fund" Holdings and Weights
(percent)

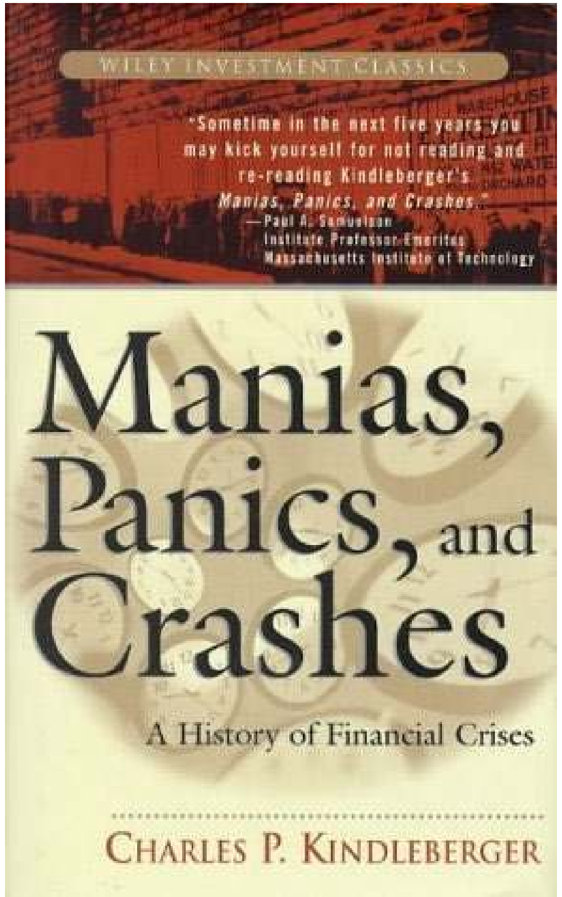
Holding	Ticker	Weight (%)
U.S. Treasury 10-Year Note ETF	UTEN	18.5
U.S. Treasury 2-Year Note ETF	UTWO	17.6
iShares 0-3 Month Treasury Bond ETF	SGOV	9.5
VanEck Rare Earth and Strategic Metals	REMX	5.2
iShares MSCI Asia Ex. Japan ETF	AAXJ	5.0
GS Access UK Gilts 1-10 Years UCITS ETF	GBPG	4.9
VanEck Gold Miners ETF	GDX	4.8
iShares Silver Trust	SLV	4.7
SPDR Gold Shares	GLD	4.2
Japanese Yen	JPY	4.0
iShares Global Health Care ETF	IXJ	3.7
Global X Equal Weight Canadian Pipelines ETF	PPLN	3.7
Global X Defense Tech ETF	SHLD	3.6
STOXX Europe Aerospace & Defense ETF	EUAD	3.6
Global X Uranium ETF	URA	3.6
Utilities Sector SPDR	XLU	3.5

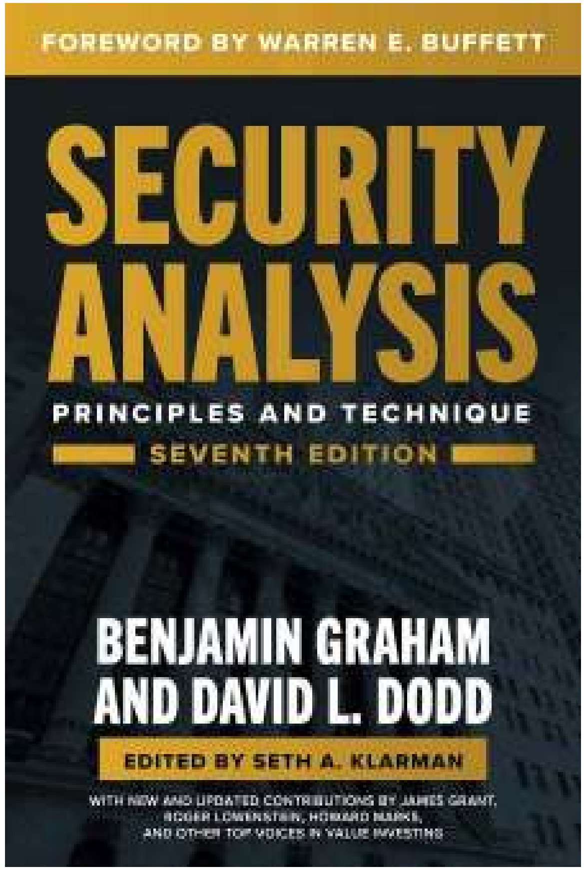
- YTD Performance: +27.1%
- 60/40 Benchmark: +13.6%
- Sharpe Ratio: 2.5
- Beta: 0.4
- Running Yield: 2.7%

Note: Weights do not add to 100% due to rounding. Holdings updated as of November 28th, 2025. Portfolio metrics represent year-to-date values.
Source: Bloomberg, Rosenberg Research

WHAT I KEEP ON MY NIGHT TABLE

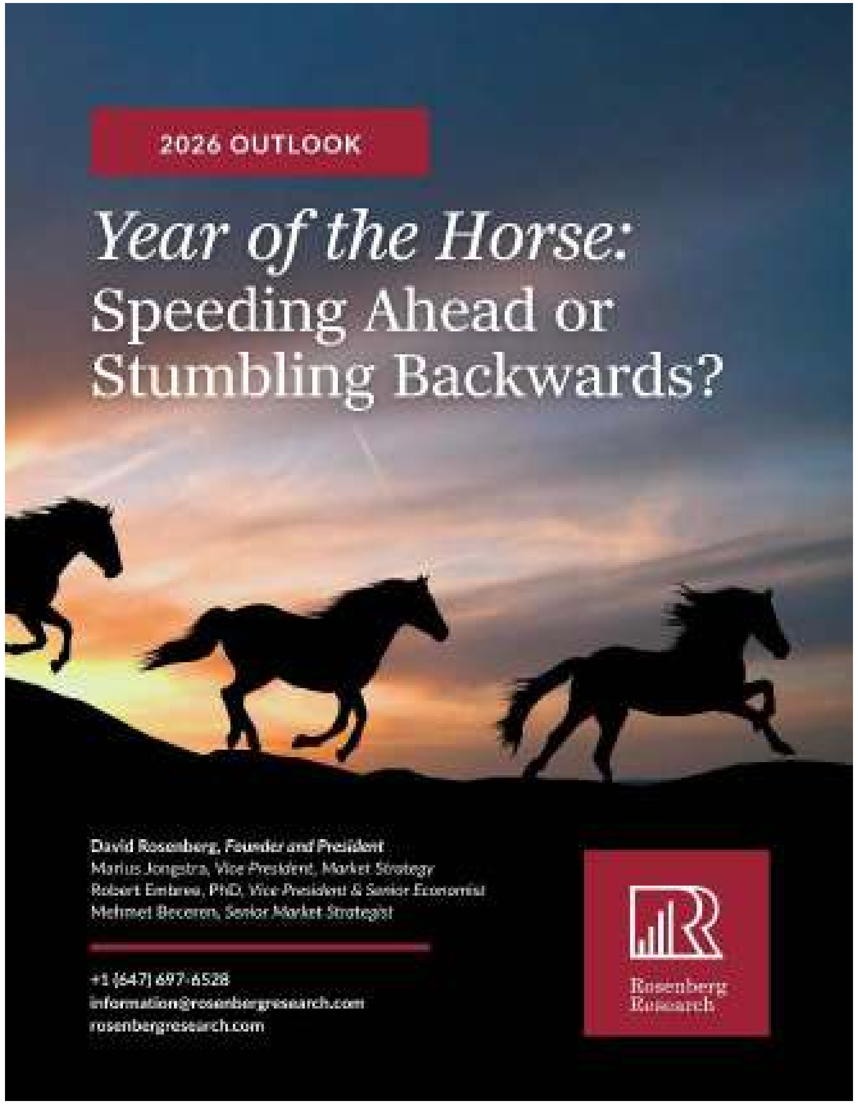






Source: Rosenberg Research

AND BE SURE TO PUT THIS ON YOUR SHELF IN MID-JANUARY!



Source: Rosenberg Research

Rosenberg Research

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