MILLER TABAK + CO., LLC

Morning Comment

Wednesday December 11, 2025

Don't Expect a Boring End to 2025

- **The stock market has been trading in a very tight range over the past two weeks or so. We do not expect that to continue, however. We expect a rather large breakout of this range for equities…but the direction of that breakout will likely be determined by how the bond market reacts to the Fed's rate announcement, and Chairman Powell's press conference today.**

Once again, we saw very little movement in the major stock averages yesterday…as the S&P 500 and the NDX 100 both traded in one of their tightest one-day ranges of the year. Volume remained low…and breadth was non-descript as well. **In other words, investors continue to wait to hear what the Fed has to say in their announcement this afternoon, and what Chairman Powell has to say in his press conference…and to see how the markets react to those comments…before they make any significant decisions.**

We will almost certainly see some wild swings after the Fed comments hit the news-tape at 2:00…but we probably won't see how the market is really going to react until we're well into Mr. Powell's press conference (and there might be a few swings…in both directions…while he is speaking). Sometimes we don't get the "real" reaction until the next day, but we usually have a good idea of the markets' response by the end of trading on the day of the announcement.

As most people are aware, the bond market experienced a "sell the news" reaction to the 50-basis point rate cut in October…as price fell and yields rose over the next few weeks. **This time, however, the Treasury prices have already been falling as we move into the Fed's announcement. So, one could argue that the market is already pricing-in a "hawkish rate cut" today.** (Yes, bonds did decline and thus yields did rise just before the October meeting as well, but that move was much smaller than the one we've seen going into this meeting.) Therefore, some of the worst fears surrounding today's announcement…when it comes to long-term interest rates….might not come to fruition.

If (repeat, IF), that is the case…and long-term yields come back down…a breakout move in the stock market is quite likely. As we highlighted yesterday, a noticeable divergence has developed between the bond market and the stock market over the past few weeks….with bond prices falling…while stock prices have been pushing back up towards their record highs from October. When these kinds of divergences develop, it's usually the bond market which is the correction one. However, that's not always the

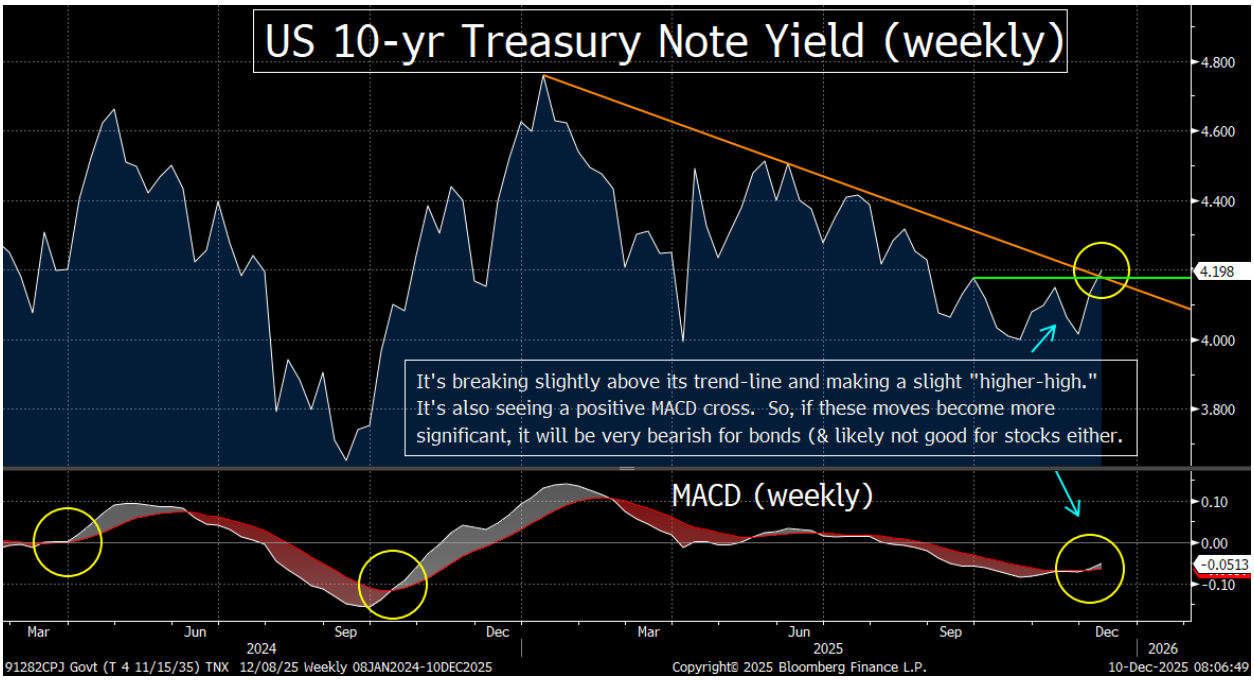
case. So, there is still a chance that we'll get a nice Santa Claus rally in the equity market before the year is over.

What we're trying to say is that we think this divergence will very likely resolve itself soon after the Fed announcement/press conference today. We also believe that the bond market will be the one which will determine what happens in stocks (like it usually does). If the bond market bounces back (and thus yields drop), this should be something that should help the major averages break to new highs…and then "momentum" (driven by FOMO and performance fear) should take them quite a bit higher.

If, however, bond prices fall further…and thus yields push meaningfully above the key resistance level we've been harping on recently…the stock market will likely see a surprising decline over the next few weeks. In other words, it will probably play catch up (or should we say, "catch down") with the decline in bond prices we've been experiencing for seven weeks now. (Chart below.)

For us, we're leaning towards a bullish outcome…because it seems to us that the bond market has already priced-in a "hawkish rate cut." However, we do not have a high level of confidence in that opinion. So, we're just going to sit back and let the markets tells us what they're going to do. We WILL say, however, that we do not expect a further sideways move into the end of the year in the stock market. We should get an outsized move in one direction or the other…and we should know that direction by the end of this week.

There really isn't a lot more we can add this morning. We're just going to have to sit back and see how the markets react this afternoon…and the rest of this week. So, we'll leave it there……However, we'll just add two more quick comments…that are unrelated to the markets: First, we're definitely looking forward to watching the College Football Playoffs over the coming weeks. It's just too bad that the best college team from Indiana won't be participating……Second, the Army/Navy game will be played this weekend. If you are any kind of a college football fan at all, try to go to the Army/Navy game at some point in your life. Make sure to go into the stadium early and see ALL of the festivities…and say there after the game to see/hear the two schools sing their school songs……It's an absolutely fabulous experience!



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