



Hamilton-Bates Market Update

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**The Snow is Here, and
so is Santa Claus and
His Rally**

Its snowing again here in eastern Pennsylvania, and we may have a shot at a white Christmas. The stock market stumbled a bit early in the month on AI growth and capital cost concerns. Those have been largely worked through, and the market has moved to within a whisper of an all-time high.

AI

As for AI, it sure looks like this isn't the beginning of the end, but more like the end of the beginning. Just saying 'AI' or spending on AI won't juice a stock anymore. Investors now want to see some tangible results for the expenditure. It's sort of like the Internet buildout boom where the companies that built the internet stepped aside as leaders to the content companies that benefitted from the internet. That could be where we are now with AI. AI is here to stay but the companies that will benefit most as users are yet to be made clear. Perhaps it will prove to be a productivity booster for the economy.

The Economy, Earnings, and Interest Rates

The economy continues to grow, with the just released GDP report showing better than expected growth of 4.6%. Past inflation still is causing affordability issues but fuel and rent costs are coming down, as is current inflation. It's clear the plan will be to 'Run It Hot' on the economy to help grow our way through the inflation and significant debt burden. The Fed cut in December and may cut again in early 2026, helping to keep short-term rates down. Earnings remain strong with surprises to the upside in earnings growth. Only the labor market has been a little punk, showing less the robust growth in the past few months. If the labor market holds up things will be fine. If the labor market weakens this could put the breaks on growth in 2026.

Stock Market and Investment Outlook

A bullish trend is in place and the Fed is supportive, that's reason enough to be bullish. But throw in a growing economy, strong

earnings, and seasonal flows, and the odds are strong the market will enter 2026 on a strong footing.

Managed accounts have had a strong year, ending up between 8%-20% net depending on the portfolio profile. That is darn good when you consider that in the first part of the year when the market was getting smoked—our portfolios hardly felt it. Cutting volatility without cutting growth prospects is the name of the game.

Merry Christmas and Happy New Year!

S&P 500 Chart—Uptrend Continues—Moving Up and to the Right



The S&P continues to move higher, and remains well above our watch levels of 6700 and then 6200. More likely than a test of those levels is a breakout push above 6900. We could see a move into the low 7000's in early 2026.