

Our entire team would like to wish you, your family, and your friends a very Happy Holidays and Merry Christmas! It has been an interesting year to say the least, and we hope you have been reminded of at least a few things you can be thankful for and celebrate this holiday season. If nothing else, **hopefully you can embrace some of your traditions in a safe and fun manner!**

We also hope you can **take some time to relax, reflect, and recharge** before 2026 is here! No better time than now to do it.

Our team would like to take a moment and **thank you for the trust and confidence you and your family place with us. It is not something we ever take lightly. The highest honor we receive every year is knowing we are able to help and make positive, significant differences in our clients' lives. It is what puts a smile on our face every morning, and we are thankful for you each day.**

Over this holiday season as you're visiting with friends and family, **if there is someone that may benefit from our team's help, we'd be honored to connect and meet with them.** We value your trust and appreciate the opportunity to help other people you care about throughout your community.

This will be our last update for the year; we will pick these back up in 2026.

Allen Feest Kjellberg Wealth Management Group at Morgan Stanley Team Updates

If you know anyone who would benefit from the information in this newsletter, please feel free to connect them with us and/or forward it to them.

Our offices will close early on Wednesday (12/24) and will be closed on Thursday (12/25) and Friday (12/26) all for the Christmas holiday.

Our offices will also close early on Wednesday (12/31) and will be closed on Thursday (1/1/26) both for the New Year holiday.

As we do each year, our team has coordinated our schedules over the next couple of weeks to make sure we have team members available to help our clients, and at the same time, give us all some time away from work and with our respective families and friends. We appreciate your understanding with this, and we will make sure our clients are taken care of.

Please enjoy this week's commentaries and links to reports below. To read the full report of any of the excerpts below, feel free to reach out to us and request a copy of the full report.

December 23rd, 2025

Global Investment Committee Weekly *A look back, a look forward*

Most years are characterized by a few overarching themes that shape portfolio performance drivers and stimulate institutional muscle memory for market watchers. Entering 2025, the GIC's overarching themes—index-concentration risks, threats to “American exceptionalism” and potential for inflation

with higher-for-longer rates—mostly served investors well. While we had the direction of travel right in emphasizing gold, non-US equities and limited bond duration, we had our misses too, with 2025 likely to be recalled for Liberation Day, an accelerating GenAI capex boom and divergence among the US dollar, gold and bitcoin. On tariffs, investors were reminded that demand destruction and falling corporate margins, rather than inflation, can be first-order effects. Meanwhile, the GenAI boom reminded investors that tech revolutions are rarely linear, with competition and complex financing schemes supporting active stock picking. And regarding currency-linked commodities, we were reminded that historical correlations don't always hold. In 2026, we anticipate three main trends: a secondary-market-liquidity surge, blurring the line between public and private markets; increased IPOs, M&A and IG debt issuance; and shifting sector leadership favoring financials. **Consider** preparing for new equity index leadership and liquidity opportunities in “privates,” while rebalancing for maximum strategic diversification and avoiding single-name concentration. Also consider taking profits in high-beta, unprofitable, small/micro-cap and speculative equities and redeploying to large-cap core and quality names, broadening to GenAI productivity beneficiaries in financials, health care and energy. Add to rest-of-world equities, with a focus on EM, and plan for 2026-vintage deployments in venture capital, growth equity and commercial real estate.

Fixed Income Insight

Lower-Rated High Yield Increasingly Tracking Stocks

Broadly speaking, the high yield bond asset class is typically a quasi-equity one, with risk profiles of lower-quality borrowers often following the risk appetites of equity investors. Since midsummer, however, stock market rotation has fostered movement away from an exclusive focus on megacap and quality tech to one encompassing a broader set of high-beta equities, including small caps, unprofitable tech names and meme stocks. Amid that shift, the correlation between the lowest-rated bonds and stocks has increased the most, echoing the theme that premiums paid for quality are low. Like the opportunity to buy unloved quality equities in 2026, we see potential buys among core, B-rated bonds, where yields are decent and diversification properties higher.

Source: Morgan Stanley – Global Investment Committee, The GIC Weekly, December 22, 2025

First Trust's Monday Morning Outlook

Greedy innkeeper or generous capitalist?

Please use this link to read a special edition of First Trust's Economic Research Report:

[Greedy innkeeper or generous capitalist?](#)

Source: First Trust, Economic Research Report, December 22, 2025

J.P. Morgan's U.S. Weekly Market Recap

This week in review

- Headline and core CPI fell to 2.7% and 2.6% y/y
- Nonfarm payrolls grew by 64k in November
- Unemployment rate ticked up to 4.6%

This week ahead

- 3Q25 GDP (1st est.)
- Consumer confidence

Investors have had to contend with plenty of noise in 2025. Tariff uncertainty disrupted markets, the longest government shutdown in U.S. history delayed economic data and the Fed resumed its easing cycle after an extended pause. Nevertheless, economic growth held up and equity markets are hovering near all-time highs. Meanwhile, inflation remains elevated, so consumers will continue to face higher prices this holiday season.

As seen in PNC's Christmas Price Index, which tracks the cost of each gift in the song "The Twelve Days of Christmas," prices rose by 4.5% in 2025, down from 2024's 5.4% gain. Thankfully, these goods are all produced domestically, meaning no tariff-related impacts were felt. Inflation was primarily driven by service-related gifts, which climbed 5.4% y/y, compared to a 2.8% rise for goods-related gifts. However, the steepest price hikes actually came from two goods. After two years of stable prices, the cost of five gold rings rose 32.5% y/y as heightened concerns over geopolitical risks and rising deficits pushed gold prices higher. The cost of a partridge in a pear tree rose 13.5%, entirely due to higher pear tree prices from increased labor and land costs. For those interested in new hobbies, all four of the entertainment gifts experienced price increases, led by 8.1% y/y and 3.5% y/y gains in the costs of ten lords-a-leaping and nine ladies dancing. Luckily, bird lovers can rejoice this year as the costs of two turtle doves, three French hens, four calling birds and seven swans-a-swimming all stayed flat.

With growth and inflation expected to rise in early 2026 before moderating the remainder of the year, bargain hunters may want to start planning next year's gifts already!

Source: J.P. Morgan Asset Management, *Weekly Market Recap*, December 22, 2025
[Weekly Market Recap \(jpmorgan.com\)](https://www.jpmorgan.com/markets/weekly-market-recap)

BlackRock's Global Weekly Commentary

Diversification mirage in plain sight

Key Points

- We see the diversification mirage – one of our 2026 Outlook themes – playing out in real time with a sharp spike in global bond yields.
- The Nasdaq lost 2% as AI-linked capital spending concerns hurt tech stocks. U.S. 10-year yields hit a three-month high amid a global bond selloff.
- We see the potential for a Bank of Japan rate hike and Bank of England rate cut. Delayed U.S. inflation and jobs data are likely to be noisy.

We see the diversification mirage theme in our 2026 Outlook playing out in real time: rising developed market bond yields underscore our view that traditional diversifiers like long-term Treasuries offer diminished portfolio ballast. The importance of the AI theme illustrates why a "neutral" portfolio allocation doesn't exist when only a handful of mega forces are driving returns. We think this environment calls for being dynamic and seeking unique return sources.

For a few years, we have laid out how the economic transformation of mega forces challenged traditional methods of portfolio diversification. In this environment, efforts to diversify away from the U.S. or the AI mega force amount to larger active calls than before. Our analysis shows that after

accounting for factors that typically explain equity returns, a growing share of U.S. stock returns are tied to a single, common driver. See the chart. We think investors should focus less on spreading risk indiscriminately and more on owning it deliberately – in short, a more active approach. We also think portfolios need a clear plan B and readiness to pivot quickly. Another illustration of the diversification mirage? Spiking developed market bond yields in recent weeks. This underscores our view that traditional diversifiers like long-term bonds do not offer the portfolio ballast they once did.

The surge in long-term bond yields is partly due to heightened market concerns about loose fiscal policy and deteriorating fiscal outlooks. Japanese 30-year bond yields hit record-highs earlier this month and are up more than 100 basis points this year. The latest move up was triggered by a Japanese government fiscal spending package, as well as the Bank of Japan signaling a potential rate hike this week. Central banks in Australia and Canada have also shifted their tone on rates – either flagging an end to cuts or the potential for a hike.

Global monetary policy disconnect

We think the U.S. disconnect with other central banks is a risk heading into next year. The U.S. has stronger growth and inflation but is taking a more dovish stance, while these economies face weaker data with more hawkish central banks. We already see the Fed erring on the side of being too easy even with the divisions among Fed policymakers. Long-term Treasury yields can rise further if investors demand more premium for the risk of holding them, so we prefer short-term Treasuries in this environment. Any rebound in hiring or a rise in business confidence could reignite inflation pressures and bring back policy tensions with debt sustainability. This puts a spotlight on this week's U.S. data, especially when the release of economic data starts to normalize in January. We think the delayed October payrolls data this week could show a contraction, reflecting deferred government layoffs. These figures could also be noisy due to the difficulties of collecting data during the government shutdown as Fed Chair Jerome Powell noted last week.

We are in a more challenging environment for diversification, favoring a dynamic approach. We think this environment calls for seeking truly idiosyncratic return sources - such as in private markets and hedge funds - as a distinct allocation for earning alpha in portfolios.

Bottom line: We see the diversification mirage theme from our full-year outlook unfolding now. This environment calls for a dynamic approach with a plan B. We stay pro-risk on the AI theme and prefer unique exposures for portfolio ballast.

This is our final edition for 2025. Happy holidays to all, and the *Weekly commentary* will return on Monday, Jan. 5.

Market backdrop

Tech stocks slid on a sharp drop in AI names Broadcom and Oracle over larger capital spending plans and thinner profit margins. The Nasdaq shed about 2% on the week, while the S&P 500 lost nearly 1% but was not far from all-time highs. The Fed penciled in another cut in 2026, reinforcing our view that it will err on the side of keeping policy too easy next year. U.S. 10-year Treasury yields rose to three-month highs near 4.20%, while long-term yields surged elsewhere.

2025 winds down with a busy week of central bank meetings. We see the potential for a Bank of Japan rate hike; expect the Bank of England to cut; and think the European Central Bank will hold rates steady,

even as it turns more hawkish. We look to global inflation data to shed light on central banks' positioning going into 2026 and eye U.S. payrolls to see if the softer labor market that has allowed the Fed to cut persisted during the data blackout.

Source: BlackRock Investment Institute, December 22, 2025

[Click here for entire commentary including important disclosures](#)

Thank you,

Erik Feest, CFP®

CERTIFIED FINANCIAL PLANNER™

First Vice President, Financial Advisor

Portfolio Management Director

Lending Specialist

CA Insurance License: #0K76762

[Allen Feest Kjellberg Wealth Management Group at Morgan Stanley](#)

"Helping our clients and their families to and through retirement since 1995"

Morgan Stanley

1478 Stone Point Dr., Suite 500 | Roseville, CA 95661

916-797-7730 Erik Feest

916-797-7731 John Allen

916-788-9462 Tatyana Kjellberg

916-797-7791 Mustafa Ahmadzai

916-797-7750 Fax

Erik.Feest@MorganStanley.com | <https://advisor.morganstanley.com/allen-feest-kjellberg-wealth-management-group>

Named to the 2025 [Forbes Best-In-State Wealth Management Teams](#) Ranking

Source: Forbes.com (Awarded Jan 2025) Data compiled by SHOOK Research LLC based for the period from 3/31/23–3/31/24. [Awards Disclosures](#)

NMLS: #1412445

Since 1935, Morgan Stanley has focused on the needs of private investors, and today, our clients entrust us with over \$4 TRILLION in assets. If you know someone with concerns about a life transition, their investments, retirement plans, access to credit and/or lending, or the market in general, please allow us to be a trusted and experienced resource for them. We appreciate the opportunity to help.

Diversification does not guarantee a profit or protect against loss in a declining financial market.

The views expressed herein are those of the author and do not necessarily reflect the views of Morgan Stanley Wealth Management or its affiliates. All opinions are subject to change without notice. Neither the information provided nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. Past performance is no guarantee of future results.

Morgan Stanley Smith Barney LLC offers insurance products in conjunction with its licensed insurance agency affiliates.

Because of their narrow focus, sector investments tend to be more volatile than investments that diversify across many sectors and companies.

Since long-term care insurance is medically underwritten, you should not cancel your current policy until your new policy is in force. A change to your current policy may incur charges, fees and costs. A new policy may require a medical exam. Actual premiums may vary from any initial quotation.

Guarantees and contractual obligations are backed by the claims-paying ability of the issuing insurance company.

International investing may not be suitable for every investor and is subject to additional risks, including currency fluctuations, political factors, withholding, lack of liquidity, the absence of adequate financial information, and exchange control restrictions impacting foreign issuers. These risks may be magnified in emerging markets.

Information contained herein has been obtained from sources considered to be reliable, but we do not guarantee their accuracy or completeness.

The strategies and/or investments discussed in this material may not be suitable for all investors. Morgan Stanley Smith Barney LLC recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a Financial Advisor or Private Wealth Advisor. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

The Global Investment Committee is a group of seasoned investment professionals who meet regularly to discuss the global economy and markets. The committee determines the investment outlook that guides our advice to clients. They continually monitor developing economic and market conditions, review tactical outlooks and recommend model portfolio weightings, as well as produce a suite of strategy, analysis, commentary, portfolio positioning suggestions and other reports and broadcasts.

The returns on a portfolio consisting primarily of Environmental, Social and Governance ("ESG") aware investments may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because ESG criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria.

The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization US stocks. An investment cannot be made directly in a market index.

The Barclays Capital Global Aggregate Bond Index is a market-weighted index of global government, government-related agencies, corporate, and securitized fixed-income investments. An investment cannot be made directly in a market index.

Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market

conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

Bonds rated below investment grade may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk and price volatility in the secondary market. Investors should be careful to consider these risks alongside their individual circumstances, objectives and risk tolerance before investing in high-yield bonds. High yield bonds should comprise only a limited portion of a balanced portfolio.

Investing in commodities entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention.

Alternative investments are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They may be highly illiquid, can engage in leverage, short-selling and other speculative practices that may increase volatility and the risk of loss, and may be subject to large investment minimums and initial lock-ups. They may involve complex tax structures, tax inefficient investing and delays in distributing important tax information. They may have higher fees and expenses than traditional investments, and such fees and expenses can lower the returns achieved by investors.

Equity securities may fluctuate in response to news on companies, industries, market conditions and the general economic environment. Companies cannot assure or guarantee a certain rate of return or dividend yield; they can increase, decrease or totally eliminate their dividends without notice.

This material is intended only for clients and prospective clients of the Portfolio Management program. It has been prepared solely for informational purposes only and is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or other financial instrument, or to participate in any trading strategy.

The individuals mentioned as the Portfolio Management Team are Financial Advisors with Morgan Stanley participating in the Morgan Stanley Portfolio Management program. The Portfolio Management program is an investment advisory program in which the client's Financial Advisor invests the client's assets on a discretionary basis in a range of securities. The Portfolio Management program is described in the applicable Morgan Stanley ADV Part 2, available at www.morganstanley.com/ADV or from your Financial Advisor.

This communication contains links to third party websites that are not affiliated with Morgan Stanley. These links are provided only as a convenience. The inclusion of any link is not and does not imply an affiliation, sponsorship, endorsement, approval, investigation, verification or monitoring by Morgan Stanley of any information contained in any third party website. In no event shall Morgan Stanley be

responsible for the information contained on that site or your use of or inability to use such site. Furthermore, no information contained in the site constitutes a recommendation by Morgan Stanley to buy, sell, or hold any security, financial product, particular account or instrument discussed therein. You should also be aware that the terms and conditions of such site and the site's privacy policy may be different from those applicable to your use of any Morgan Stanley website.

Morgan Stanley Smith Barney LLC does not accept appointments nor will it act as a trustee but it will provide access to trust services through an appropriate third-party corporate trustee.

Investments and services offered through Morgan Stanley Smith Barney LLC. Member SIPC.

CRC 5083445