FURSTENAU FINANCIAL
FAITH, PATIENCE, DISCIPLINE

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The Markets

Last week, the United States Federal Reserve (Fed) played "Would You Rather?"

Would You Rather? is a board game that presents players with classic dilemmas and asks which options would be more palatable to them. For example, a game card might ask, Would you rather:

- Be able to run on your hands or write with your feet?
- Eat chocolate-flavored broccoli or broccoli-flavored chocolate?
- Have the ability to see 10 minutes into the future or 150 years into the future?

Broadly speaking, the Fed has two mandates: 1) support maximum employment, and 2) support stable prices. Last week, members of the Fed's Federal Open Market Committee (FOMC) were asked to decide whether a cooling labor market or elevated inflation presented the bigger risk to the American people.

> **If elevated inflation were the bigger risk**, the federal funds rate might remain unchanged or move higher to support lower prices.
>
> **If cooling employment were the bigger risk**, the federal funds rate might remain unchanged or move lower to support maximum employment.

FOMC members were asked to make the decision without access to economic data from October and November, which are expected to be released in mid-December, according to Megan Leonhardt of Barron's.

The FOMC decided to lower the federal funds rate by a quarter of a percentage point. However, there was significant disagreement within the Fed about whether that was the right course of action. Two committee members thought the federal funds rate should remain unchanged, and one thought the rate cut should have been larger, reported Catarina Saraiva of Bloomberg.

In addition, the Fed's quarterly rate projections showed that six policymakers who are not on the FOMC indicated "the benchmark federal funds rate should end 2025 in a range of 3.75 [percent] to 4 [percent] — where it stood before Wednesday's cut — suggesting they opposed the move," reported Saraiva.

Since September 2025, the FOMC has lowered the federal funds rate by 0.75 percent. Since September 2024, it has lowered the rate by 1.75 percent.

The Standard & Poor's 500 and Nasdaq Composite Indexes finished the week lower after a broad selloff on Friday that Karishma Vanjani of Barron's attributed to uncertainty about artificial intelligence. The Dow Jones Industrial Average gained over the week. Yields on long maturities of U.S. Treasuries remained steady or moved higher over the week.

Data as of 12/12/25	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-0.6%	16.1%	12.8%	19.6%	13.4%	12.9%
Dow Jones Global ex-U.S. Index	0.7	26.7	22.5	13.4	5.3	6.0
10-year Treasury Note (yield only)	4.2	N/A	4.3	3.6	0.9	2.2
S&P GSCI Gold Index	2.0	63.9	59.8	34.2	18.8	15.1
Bloomberg Commodity Index	-2.7	10.3	10.0	-1.1	7.7	3.4

S&P 500, Dow Jones Global ex-US, S&P GSCI Gold Index, Bloomberg Commodity Index returns exclude reinvested dividends. The three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

HEALTH CARE COSTS ARE ON EVERYONE'S MINDS. The cost of employer health benefits is rising faster than inflation and wages, reported Mercer's Tracy Watts and Beth Umland. According to the Bureau of Labor Statistics, year over year through September 2025:

- Employers' health insurance costs increased 6.1 percent,
- Wages and salaries rose 3.5 percent, and
- Inflation was up 2.8 percent.

Mercer's National Survey of Employer-Sponsored Health Plans found the average cost of employer-sponsored health insurance reached $17,496 per employee in 2025, and is expected to increase another 6.7 percent in 2026, which would bring the average cost above $18,500 per employee.

"In nearly all employer-sponsored health plans, cost is shared with employees through both premium contributions deducted from their paychecks and plan design features that shift some financial responsibility to plan members when they access care. Since employees' share of the cost of health coverage typically rises at about the same rate as overall cost, increases of this magnitude are heightening concerns about healthcare affordability," wrote Watts and Umland.

A Kaiser Family Foundation poll conducted last summer confirmed that many Americans struggle with the cost of health care. It found that:

- **42 percent of insured Americans**, ages 18 to 64, said it was somewhat or very difficult to pay for health care.
- **82 percent of uninsured Americans**, ages 18 to 64, said it was somewhat or very difficult to pay for health care.

"Medical expenses are the leading cause of personal bankruptcy in the United States… Unexpected or chronic medical conditions can quickly overwhelm financial resources, even for those with health insurance. Given that over 90 [percent] of Americans have health insurance through commercial or government programs, the prevalence of medical bankruptcy is disconcerting," reported Jay Eisenstock in Chief Healthcare Executive magazine.

If you have questions about health insurance, get in touch. We may be able to provide some answers.

Weekly Focus – Think About It

"Our two goals are a bit in tension…everyone around the table at the FOMC agrees that inflation is too high and we want it to come down, and agrees that the labor market has softened and there is risk on that… the difference is how you weight those risks and what does your forecast look like – where do you think the bigger risk is. It's very unusual to have persistent tension between the two parts of the mandate…You've got one tool. You can't do two things at once."

--Federal Reserve Chair Jerome Powell, December 10, 2025

Best regards,

Ryan D. Furstenau

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
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