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## Weekly Market Flash

### The Chorus of the Bulls

*December 19, 2025*

The latest Global Fund Manager Survey published by the Bank of America is out. The survey canvasses the opinions from 238 institutional fund managers, collectively managing around \$364 billion, on a wide spectrum of issues around the economy and financial markets. The tenor is pretty upbeat. Well, very upbeat, actually. The sentiment indicator – a broad measure of expectations about economic growth and equity market performance – is the highest it has been since July 2021.

#### What to Expect When the Market Expects Bulls

That sounds nice, perhaps. Fund managers (for reasons we do not entirely share) are happy with the economic direction of things. They have high risk appetite. Cash levels among these fund managers, at 3.3 percent, is the lowest on record since BoA started keeping tabs on these things in 1999. Defenses are lowered, in other words. Meanwhile another metric in the BoA report, called with a full dose of clarity the “Bull & Bear Indicator,” currently reads 7.9. This indicator has a couple key threshold levels. One is 2.0, which investors interpret as a buy signal because it suggests that the fund managers are overly bearish. The other is 8.0, which is interpreted as a sell signal because it points to too much optimism among the fund manager set – an outpouring of animal spirits reflecting what former Fed chair Alan Greenspan called “irrational exuberance” back in 1996.

Of course, just because a number like the Bull & Bear indicator warns of too much optimism does not mean that a course correction is just around the corner. Anyone who took Greenspan’s comments seriously and sold out of the US equity market in 1996 missed out on some of the best years stocks in this country have ever experienced. What it does say, though – and this should not be a surprise to anyone who has been following the path of the market over the past few months – is that markets are closer to being priced for perfection than being tethered to historically reasonable valuation ranges. That means that any number of things could happen in the global economy next year to take the wind out of the market’s sails. Here is where we come back to the comment we made above: we see plenty of reasons to question whether the 2026 economic growth story is quite as robust as the fund managers seem to think.

#### The Mixed Bag Economy

To be clear, the base case we have been building for next year does not contemplate a recession at least for the foreseeable future. It has been a while since we have seen GDP growth numbers – thanks to the government shutdown, we won’t get the Q3 reading until next Tuesday. But the consensus estimate among economists is around three percent, and that comes on the heels of the 3.8 percent growth recorded in Q2. A big part of the growth story involves the hundreds of billions of dollars pouring into AI infrastructure, and that trend shows no signs of slowing down, even as some observers question how much of that capex is going to produce a real return on investment. On the consumer spending side, the slowdown we have been watching all year has not turned into a freeze.

We expect growth will slow next year. What might make outcomes differ from a modest slow-growth base case, though, are negative developments in the labor market and consumer prices. Today we finally got a look at the November jobs numbers from the Bureau of Labor Statistics, and they presented a mixed bag. Nonfarm payrolls rose by 64,000, which was more than the 40,000 consensus estimate (the NFP



number for October, which also came out today, showed job losses amounting to 105,000 but that was almost entirely due to the one-off factor of federal employees accepting deferred resignation). But the overall unemployment number rose to 4.6 percent, the highest since September 2021 in the aftermath of the Covid pandemic. Unemployment has risen steadily all year, while companies that track layoffs such as Challenger, Gray and Christmas have reported multi-year high levels of layoffs in recent months. In his remarks last week following the Federal Open Market Committee's monetary policy meeting, Fed chair Jay Powell noted that risks to both unemployment and consumer prices are skewed to the upside, meaning more potential to get worse than to get better. We concur. The best way we think we can describe the economy now is as a mixed bag, open to interpretation.

So we see the potential (though in no way inevitable) for a bumpy ride – and that is to say nothing of the concerns about the bond market which we shared with you a couple weeks ago. You will see a deeper set of our thoughts about the economy in a few weeks when we publish our annual outlook. In the meantime, let's enjoy the fund managers' upbeat vibes while they are still around.

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