



TheECONOMY

2025 in the Rearview: Some Answers, But Many Questions Remain

2025 is almost in the rearview mirror, and with it, a tumultuous economic year comes to a close. In the span of 12 months, we saw: Liberation Day; a first-quarter economic contraction; the head of the Bureau of Labor Statistics (BLS) fired over jobs revisions; the longest government shutdown in history; and the Fed cutting rates three times. These are just a few of the high-profile economic headlines that came out this year. Inflation for November declined to 2.7% from 3.0% in September (we did not receive October numbers due to the shutdown), though some experts warn that the shutdown may have affected the report. Nevertheless, the report showed potentially cooling inflation that will inform the Fed's rate path in 2026.

The shutdown also affected the jobs report. We did not receive the unemployment rate for October, though we did receive the rest of the jobs numbers. According to the Bureau of Labor Statistics (BLS), the U.S. shed 105,000 jobs in October, before adding 64,000 jobs in November. However, the unemployment rate ticked up to 4.6% in November, the highest rate since September 2021, signaling a weaker labor market than the jobs data may have otherwise suggested.

We are unlikely to receive the missing October data, and several key data points, including Q3 GDP, have yet to be released. Overall, the shutdown has obscured the economy's performance, and many economists and market participants have taken the numbers with a grain of salt. Regardless, the U.S. will enter 2026 with potentially cooling inflation and a potentially weaker labor market than expected. All of which will influence the Fed's path forward regarding rates.

After three cuts this year, the market has priced in two more cuts next year. Jerome Powell, the Chairman of the Federal Reserve, will see his term end in May, at which time a new Chair will be appointed by the President. This appointment will significantly impact how the market perceives the path for rates in 2026 and beyond. Although there is a short list of candidates, it remains unclear who will ultimately be appointed. What we do know is that the final two cuts of 2025 saw increasing dissent, both in favor of cuts and against them - signaling that the committee itself has increasingly divergent views on where rates should go.

As 2025 draws to a close, the U.S. economy stands at a crossroads, with cooling inflation and a softening labor market setting the stage for a pivotal year ahead. With the Fed's leadership transition looming and policy uncertainty still high, we look ahead to what could be a defining chapter, either toward or away from stability.

Treasury Yields

Maturity	12/18/25	11/18/25	CHANGE
3 Month	3.603%	3.852%	-0.249%
6 Month	3.583%	3.805%	-0.221%
1-Year	3.488%	3.651%	-0.163%
2-Year	3.471%	3.573%	-0.102%
3-Year	3.505%	3.567%	-0.061%
5-Year	3.667%	3.684%	-0.017%
10-Year	4.122%	4.113%	0.008%
30-Year	4.799%	4.733%	0.066%

Source: Bloomberg

Agency Yields

Maturity	12/18/25	11/18/25	CHANGE
3 Month	3.540%	3.760%	-0.220%
6 Month	3.450%	3.640%	-0.190%
1-Year	3.250%	3.500%	-0.250%
2-Year	3.680%	3.604%	0.076%
3-Year	3.630%	3.601%	0.029%
5-Year	3.750%	3.733%	0.017%

Source: Bloomberg

Commercial Paper Yields (A-1/P-1)

Maturity	12/18/25	11/18/25	CHANGE
1 Month	3.734%	3.884%	-0.150%
3 Month	3.824%	3.997%	-0.173%
6 Month	3.813%	3.974%	-0.161%
9 Month	3.777%	3.952%	-0.175%

Source: Bloomberg

Current Economic Releases

Data	Period	Value
GDP QoQ	Q2 '25	3.80%
U.S. Unemployment	Nov '25	4.60%
ISM Manufacturing	Nov '25	48.2
PPI YoY	Sep '25	2.70%
CPI YoY	Nov '25	2.70%
Fed Funds Target	Dec 18, 2025	3.50% - 3.75%

Source: Bloomberg

Source: Bloomberg. Data as of Dec 17, 2025. Data unaudited. Many factors affect performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. Investment involves risk including the possible loss of principal. No assurance can be given that the performance objectives of a given strategy will be achieved. VIP is not a bank. An investment in VIP is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although VIP seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. All comments and discussions presented are purely based on opinion and assumptions, not fact. These assumptions may or may not be correct based on foreseen and unforeseen events. The information presented should not be used in making any investment decisions. This material is not a recommendation to buy, sell, implement, or change any securities or investment strategy, function, or process. Any financial and/or investment decision should be made only after considerable research, consideration, and involvement with an experienced professional engaged for the specific purpose. **Past performance is not an indication of future performance. Any financial and/or investment decision may incur losses.**

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