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# *Growth* on the Horizon, *Risks* on the Radar

2026 Economic and Market Outlook

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# Executive Summary

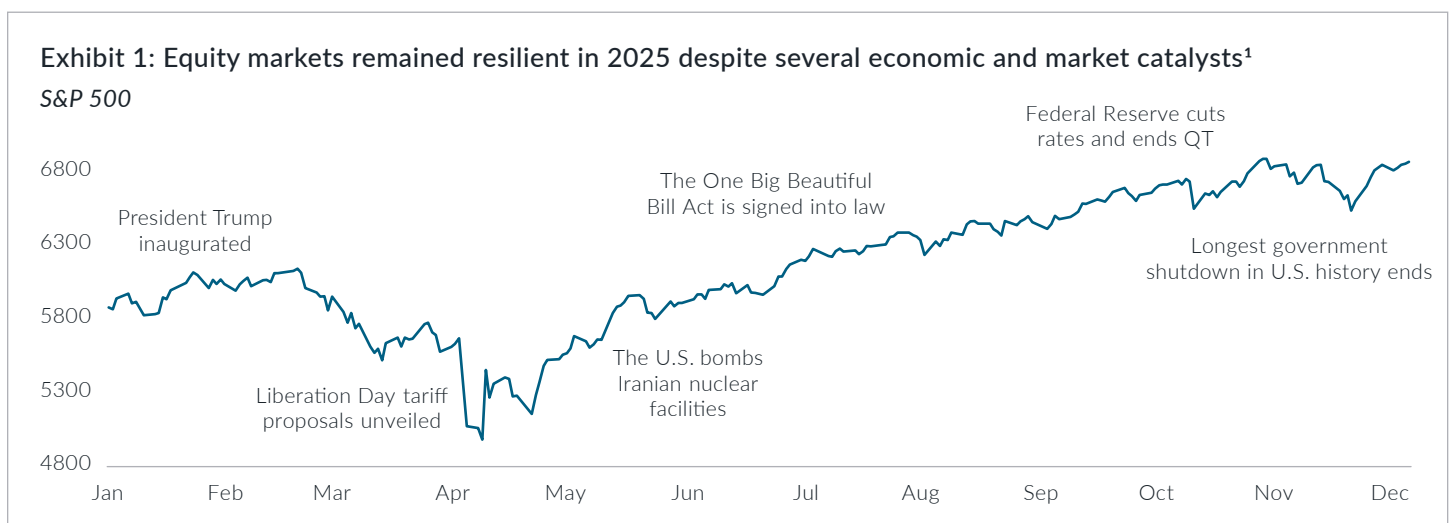
- Markets were notably resilient in 2025 despite sharp tariff-driven volatility, geopolitical tensions, and the longest federal government shutdown in U.S. history.
- Investors should expect above-trend U.S. economic growth in 2026 as tariff effects fade and powerful fiscal stimulus, artificial intelligence (AI)-related productivity, and potential deregulation combine to support demand.
- Top risks to monitor include upside inflation pressures, overextension of AI-related capital spending, and a gradual deterioration in credit discipline within debt markets.
- Overvalued and concentrated equity markets merit proactive risk control by regularly rebalancing back to a neutral risk position and diversifying portfolios.

## 2025 in Review: A Year Defined by Resilience

*"It ain't about how hard you hit; it's about how hard you can get hit and keep moving forward."* — Rocky Balboa

The story of financial markets in 2025 was one of resilience, a showing that would have made Rocky proud. Despite a series of policy shocks and geopolitical tensions, the S&P 500 continued to find its footing and move higher over the course of the year (Exhibit 1).

Much of the volatility stemmed from government policy. The market absorbed a nearly 20% drawdown following the rollout of the "Liberation Day" tariffs announced in early April, only to rebound sharply once the administration pulled trade policy back from the brink. From those April lows, equities staged an impressive recovery that persisted even as conflict with Iran escalated into military action.



Source: Glenmede, FactSet

Data as of 11/28/2025

Fiscal and monetary policy helped stabilize the backdrop. Around mid-summer, Congress passed the One Big Beautiful Bill Act (OBBBA), which provided for meaningful household and corporate stimulus through a range of tax provisions. The Federal Reserve also resumed cutting interest rates and ended its balance sheet runoff in the fall, responding to early signs of softening in the labor market. And in a year defined by policy surprises, even the longest federal government shutdown in U.S. history came and went with little lasting effect on markets.

Importantly, this resilience was not limited to large cap equities. Most major asset classes across stocks, bonds, and alternatives posted positive gains for the year. International equities led the pack, while small caps delivered a notable second-half resurgence.

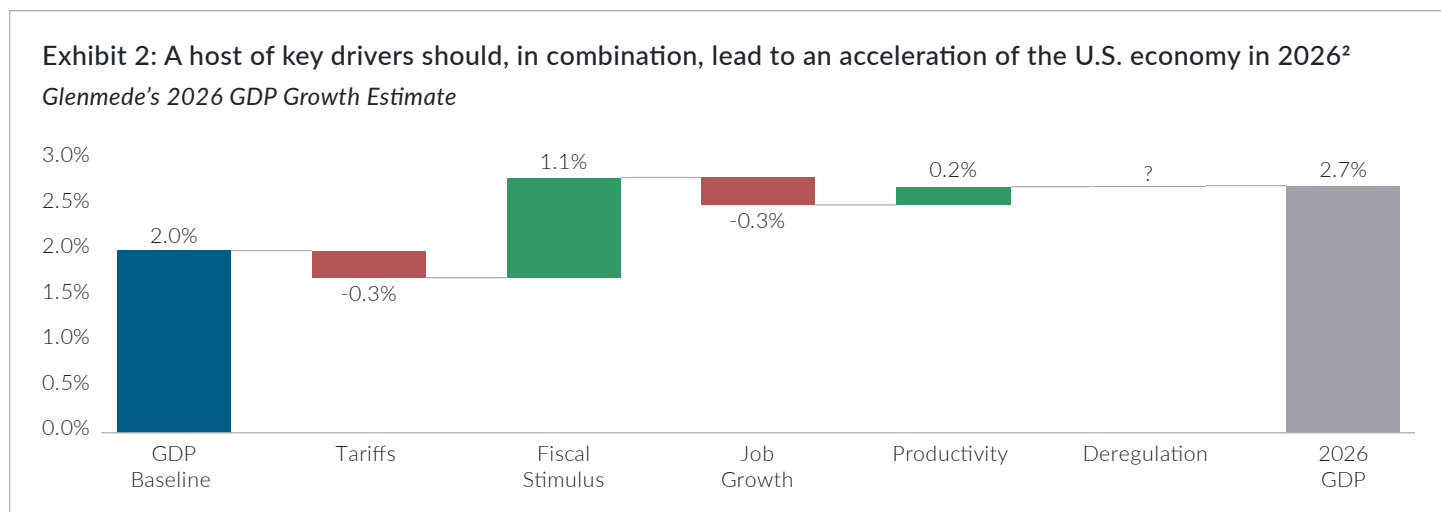
Looking ahead, the question is whether 2025's recovery laid the groundwork for a sturdier expansion in the year to come.

<sup>1</sup> Shown is the S&P 500, a market capitalization-weighted index of U.S. large cap stocks. Past performance may not be indicative of future results. One cannot invest directly in an index.

# Drivers of Growth in 2026

*"Growth is never by mere chance; it is the result of forces working together."* — James Cash Penney

As attention shifts to the year ahead, the outlook for U.S. economic growth appears bright. The combined effects of tariff policy, fiscal stimulus, shifts in the labor market, AI-related productivity, and the potential for deregulation point to above-trend prospects in 2026. Glenmede forecasts real gross domestic product (GDP) growth of 2.7% on a full year-over-year basis as these forces provide countervailing headwinds and tailwinds (Exhibit 2). To understand the full picture, it is helpful to break down the key components of the outlook.



Source: Glenmede

Data as of 11/28/2025

The first piece is trade policy, which played a central role in driving markets throughout 2025. Although implementation was uneven at times, tariff policy ultimately settled into a more stable form by year-end. Still, its economic effects are unlikely to be confined to 2025. Tariffs typically weigh on growth in the 12 months after they go into effect, and because many were implemented mid-year, the drag will likely spill into 2026. Additional product-specific duties may also be introduced, as the administration has already announced reviews that could lead to new duties on pharmaceuticals and semiconductors, though specifics have yet to be finalized.

Another factor to watch is the upcoming Supreme Court ruling on the administration's use of emergency powers to impose tariffs. The outcome matters, but likely not for the reasons many investors assume. Most of the tariffs put in place so far were enacted under the International Emergency Economic Powers Act of 1977 (IEEPA), which allows the president to regulate international commerce after declaring a national emergency. It was the fastest path to implementation with the fewest constraints on the timing, scale, and scope of duties. However, the Supreme Court is likely considering "how" rather than "if" the executive branch can impose tariffs. Even if the Court limits the use of IEEPA, the administration retains several other tools that could be used to reimpose duties in largely the same shape and form. These tools include Section 232 tariffs for national security purposes and Section 301 for unfair trade practices.

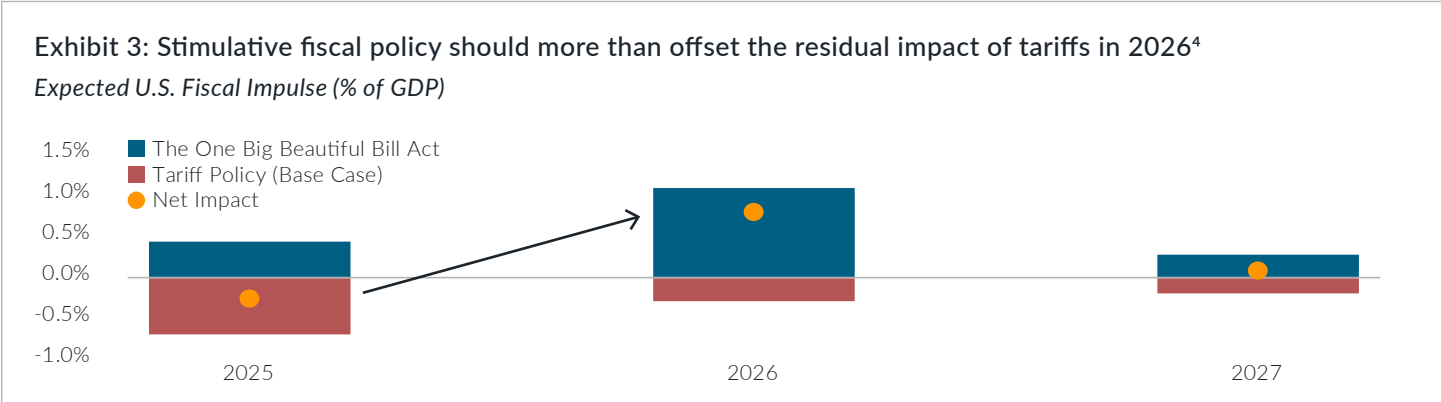
The more economically meaningful dimension of the ruling may be whether tariffs already collected under IEEPA must be refunded. A decision requiring repayment could return more than \$100 billion to domestic importers. Practically, this could have the look and feel of corporate stimulus checks, potentially encouraging fresh business activity.

Against these lingering trade headwinds, fiscal policy should provide significant support, most notably from the OBBBA. Its impact is expected to accelerate meaningfully in 2026 and more than offset the lingering headwinds from tariffs (Exhibit 3). Much of the provisions applied retroactively to 2025, but withholding schedules could not be adjusted in time to have a meaningful effect on the economy. As a result, individual tax refunds are projected to rise 35% year-over-year in 2026, delivering a sizable burst of consumer stimulus through measures such as a higher SALT cap, deductions for tips

<sup>2</sup> Shown are the drivers and their estimated impact on U.S. real gross domestic product (GDP) growth. GDP Baseline is an assumed long-term growth rate for the U.S. economy that is consistent with estimates used by both the Congressional Budget Office (CBO) and the Federal Reserve. Though created in good faith, there can be no guarantee that these indicators will be accurate. Actual results may differ materially from projections.

<sup>3</sup> SALT stands for state and local tax.

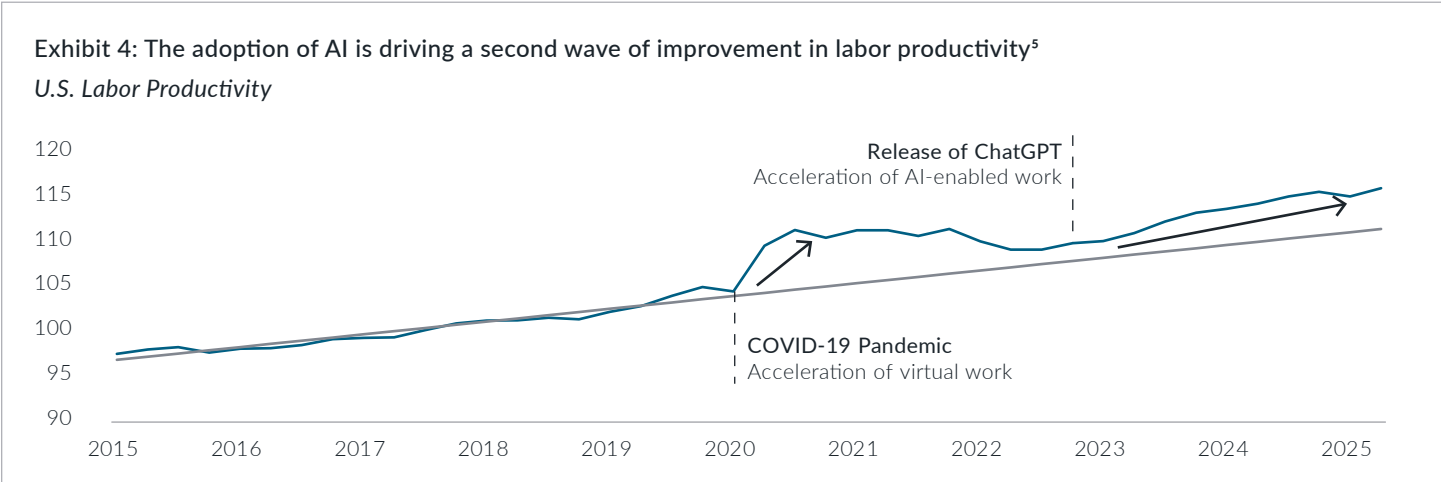
and overtime, and the ability to deduct auto loan interest. Importantly, much of this consumer stimulus is expected to flow to middle-income households, whose higher marginal propensity to spend an extra dollar earned should amplify the boost to overall growth. Businesses are also likely to benefit significantly from provisions that include accelerated depreciation and full expensing of research and development costs.



Source: Glenmede, Joint Committee on Taxation, Congressional Budget Office Data as of 12/1/2025

An emerging theme for 2026 is the formation of a more coherent U.S. industrial policy, shaped by the interplay of new tariffs and fiscal incentives. While data center construction has attracted most of the headlines, manufacturing investment has actually grown at a faster pace in recent years, a trend that may continue to accelerate. The OBBBA’s provisions for full expensing of manufacturing structures, expanded interest deductibility, and streamlined federal permitting create a powerful set of incentives for firms to build domestically. Combined with product-specific tariffs designed to encourage onshore production, these policies could spark a broader construction boom that extends well beyond data centers.

Heading into 2026, the U.S. labor market sits in an unusual equilibrium, with both the supply of and demand for labor essentially flatlining through most of the year. On the demand side, uncertainty around tariff policy prompted firms to scale back expansion and hiring plans. On the supply side, tighter immigration policy reduced the inflow of workers. The result has been a rare balance, with both supply and demand stabilizing at levels that roughly match one another, something with few historical precedents. Looking ahead, further declines in labor supply are likely to act as a headwind for overall job growth, even as continued adoption of AI drives a second wave of productivity gains. U.S. labor productivity has already accelerated meaningfully since the pandemic, first through the widespread adoption of virtual work, and more recently through rapid diffusion of generative AI tools (Exhibit 4). Additional gains are expected in 2026, partially offsetting slower growth in the labor force but perhaps not fully compensating for it.



Source: Glenmede, Piper Sandler, Bureau of Labor Statistics Data as of 6/30/2025

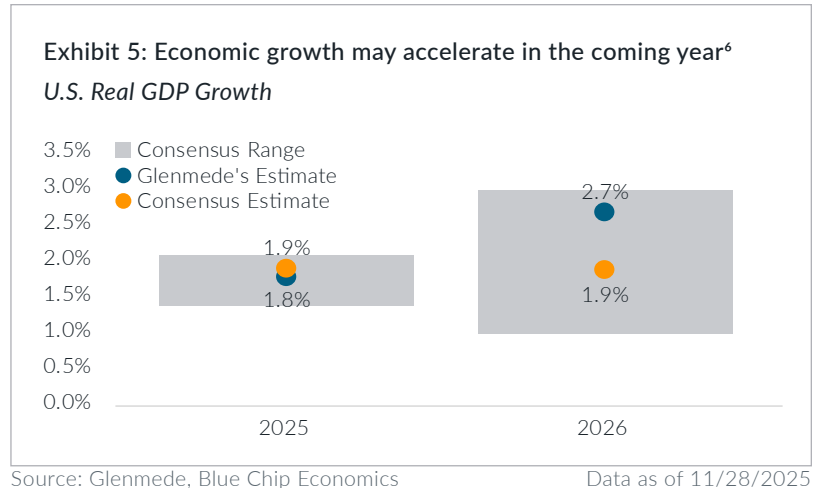
<sup>4</sup> Shown are the expected fiscal stimulus effects by year due to key policy changes associated with the OBBBA and Glenmede’s base case projection for revenues generated by new tariffs. Orange dots represent the net impact between both dimensions of policy change. Actual results may differ materially from projections and expectations.

<sup>5</sup> Shown in blue is U.S. non-farm labor productivity, measured as output per hour for all U.S. persons employed by non-farm businesses. The gray dashed line shows labor productivity’s pre-COVID trendline based on 2015–2019 data.

A potential wildcard for 2026 is the continuation of deregulation efforts. The first year of the Trump administration delivered a meaningful net reduction in regulations, lowering compliance costs for businesses. However, the incremental complexity from rapid changes to trade policy may have completely offset that reduced regulatory burden in 2025. Additional progress may emerge in 2026, particularly following an executive order creating the U.S. Investment Accelerator, which is a new office within the Department of Commerce designed to streamline federal, state, and local approvals for major projects. The initiative targets investments exceeding \$1 billion and aims to fast-track activity in strategic sectors by cutting through procedural bottlenecks.

It would feel remiss to discuss the 2026 outlook without acknowledging the midterm elections. Betting markets currently anticipate a shift from unified Republican control to split control of Congress, though plenty can happen before voters submit their ballots. The midterm elections should have limited direct economic impacts for 2026, as the results may have more implications for the legislative agenda in 2027.

Putting this all together, Glenmede's proprietary Recession Model indicates that the likelihood of an economic downturn in the U.S. continues its steady decline. The probability of recession within the next 12 months is estimated at 20%. Residual probabilities above 0% are not unusual during a late-stage expansion, and the U.S. economy exhibits several hallmark characteristics of this phase, including economic activity above potential, balanced labor markets, and above-target inflation. Combined with Glenmede's 2.7% economic growth projection, which sits toward the higher end of the consensus range (Exhibit 5), this underscores an upbeat outlook for growth, while highlighting the considerable uncertainty that remains.



## Top Risks to Monitor

*"Hope is a good breakfast, but it is a bad supper."* — Sir Francis Bacon

While the 2026 outlook points to above-trend growth, a range of developments could meaningfully alter the economic trajectory over the coming year. This is especially true in a late-stage expansion, when imbalances and excesses have the potential to disrupt ongoing growth. Three key risks warrant close attention: the potential for an upside inflation surprise, the buildup of excesses around big bets on AI, and vulnerabilities that could be lurking beneath the surface in debt markets.

## Upside Risks to Inflation

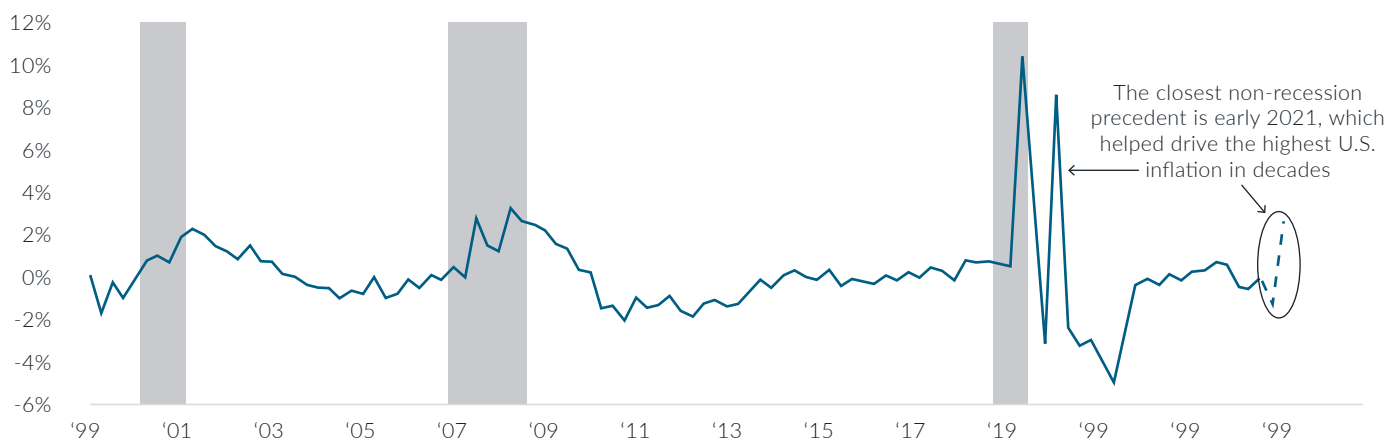
Historically, inflation tends to arrive in waves. In the months and years following spikes in inflation, there can be secondary aftershocks. The inflation of the 1970s provides a clear example, as it ultimately led to a second wave in the early 1980s. This historical pattern is not a direct forecast for 2026, as another spike that sees the Consumer Price Index grow 9%+ like it did in 2022 is unlikely. However, accelerating price trends highlight a plausible risk. After an initial inflation spike dissipates, there is often a temptation from policymakers to do something to address the ensuing affordability crisis. These efforts can often prove counterproductive, creating conditions that may help fuel another round of price pressures.

For 2026, of particular concern is the unusually large level of fiscal stimulus in a non-recessionary environment. Historically, stimulus of this magnitude has only been deployed during downturns to help spark a recovery in aggregate demand (Exhibit 6). In contrast, the economy remains in a healthy expansion, yet government stimulus is expected to accelerate. The closest precedent may be seen in early 2021, when stimulus measures enacted after the pandemic-era rebound in economic activity contributed to the highest inflation in decades.

<sup>6</sup> Shown in gray is a range of annual U.S. real GDP growth estimates from economists, alongside the average consensus estimate and Glenmede's own projections. Actual results may differ materially from projections.

## Exhibit 6: Unprecedented late-cycle fiscal stimulus could rekindle inflation<sup>7</sup>

### Contribution of Fiscal Policy to Real GDP Growth



Source: Glenmede, FactSet, Piper Sandler, Bureau of Labor Statistics

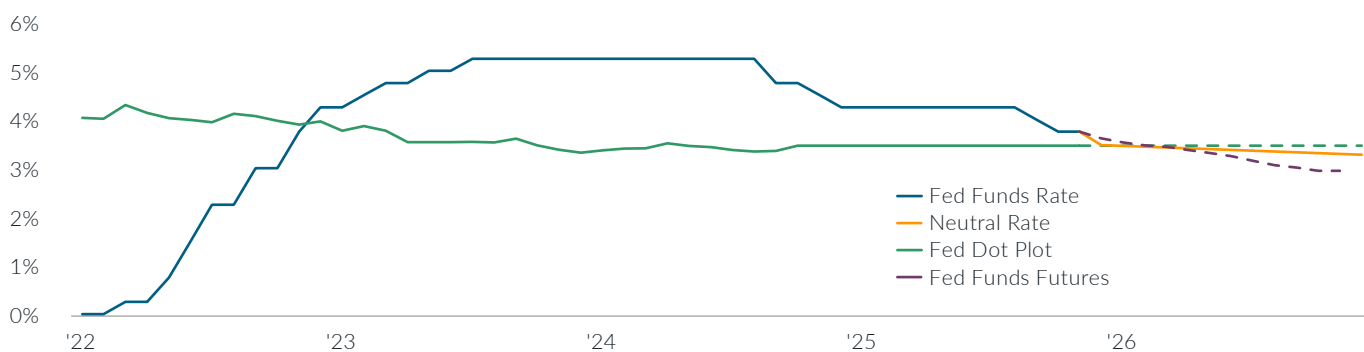
Data as of 11/28/2025

Tariffs add another layer of potential upward pressure. The estimated cumulative impact of tariffs could reach roughly 0.5–1.0% on top of prevailing trends in consumer prices, though only about 40% of that has been realized to date. Businesses carried abnormally high inventory levels before tariffs took effect, which has delayed the cost pass-through. As these inventories are worked through, additional price pressures may materialize in 2026.

The Fed cut rates and ended its balance sheet runoff in the back half of 2025, judging that the risks to the labor market have outweighed inflation concerns for the time being. If inflation begins to show renewed strength, the projected pace of rate cuts through 2026 could be disrupted. Market-based expectations, as well as the Fed's own projections, currently point to the federal funds rate settling out modestly below neutral by mid-year (around 3–3.5%), but meaningful upward pressure on prices could delay further easing (Exhibit 7).

## Exhibit 7: The Fed is expected to continue cutting rates, but renewed inflation could interrupt that path<sup>8</sup>

### Fed Funds vs. Neutral with Projections



Source: Glenmede, Bloomberg, FactSet

Data as of 12/1/2025

<sup>7</sup> Data shown in blue represent the Hutchins Center Fiscal Impact measure, which measures fiscal policy's contribution to real GDP growth in the U.S. on a quarterly, seasonally adjusted annualized basis. Solid blue figures represent actual results and dashed blue figures represent projections. Gray shaded regions represent periods of recession in the U.S. Actual results may differ materially from projections.

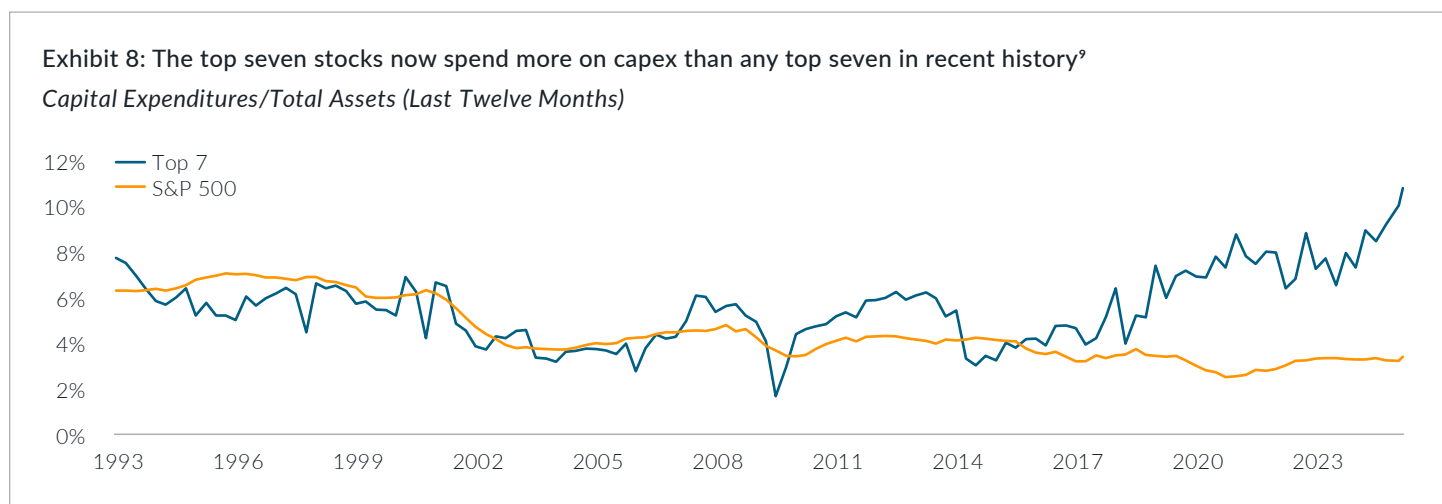
<sup>8</sup> Data shown in orange are Glenmede's estimates of the neutral federal funds rate over time (i.e., the level of rates that is neither economically stimulative nor restrictive) based on expectations for real interest rates via the Holston-Laubach-Williams model and Glenmede's inflation expectations. Fed Funds Rate in blue is the target rate midpoint. The dashed green line represents expectations for the forward path of rates based on fed funds futures pricing. The dashed purple line represents expectations for the forward path of rates based on the median respondent in the Federal Open Market Committee's dot plot projections.

Adding another layer of uncertainty, the Fed will likely have a new chair in 2026, as Jerome Powell's term expires in early 2026. The administration has reportedly narrowed the shortlist to four candidates: Kevin Hassett, Kevin Warsh, Christopher Waller, and Rick Rieder. Who the president nominates will be closely watched, as their perspective could influence both the timing and ultimate level of Fed policy over the course of the year.

## The Big Bet on Artificial Intelligence

Another key risk for 2026 surrounds the significant investments being made in the buildout of AI capabilities. There are concerns that the massive amount of capital expenditures (capex) could quickly become "cap-excess" if demand does not follow suit in a timely manner.

The rise of mega cap technology companies over the last few years has been highlighted by the characterization of their business models as asset-light and low capital intensive. The markets have persistently rewarded these businesses benefiting from the economies of scale that naturally flowed from the leverage on intangible assets. However, that may no longer be the case. Capex as a share of total assets for the largest seven stocks in the S&P 500 now easily outpaces the rest of the index. In fact, these companies are now more capital-intensive than any top seven stocks since at least the early 1990s (Exhibit 8). Industry analysts expect this trend to persist, as AI hyperscaler-related investments are expected to jump to 1.6% of U.S. GDP in 2026.



Source: Glenmede, FactSet

Data as of 10/31/2025

A historical parallel to this spending is the internet infrastructure boom of the late 1990s, a cautionary tale of large-scale capex cycles that misjudged demand. The early to mid-90s were categorized by the early buildout, as the emergence of the commercial internet drove demand for data capacity. Fiber optics were quickly recognized as the superior technology to carry data, voice, and video, and became the basis for the emerging infrastructure buildout. In the late-90s, the race to build out capacity amid overly optimistic projections led to more fiber being laid than justified by near-term demand. In the early 2000s, it became clear that demand was falling well short of expectations and a wave of bankruptcies hit the telecom sector, resulting in very poor results for investors that chased the wave of optimism for the stocks undertaking these investments.

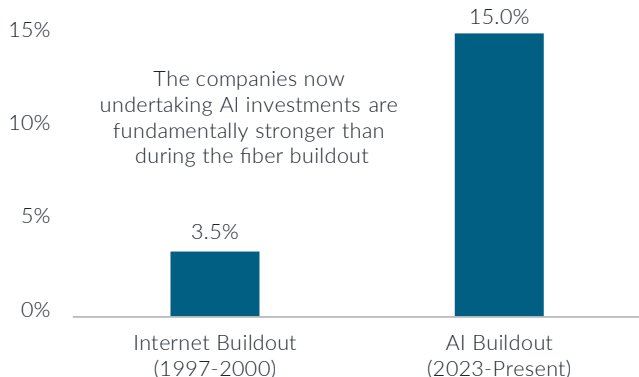
However, two important differences stand out today (Exhibit 9). First, AI investments are being made by fundamentally stronger businesses. AI hyperscaler firms currently generate roughly 15% free cash flow margins, compared with 3.5% for telecoms during the late 1990s. Second, much of the AI-related capex, such as computer chips for data centers, has a shorter useful life than fiber, which often sat idle for years before demand materialized. Those chips depreciate quickly, and the associated costs could add up meaningfully if the promises of AI result in data center overcapacity.

<sup>9</sup> Data shown represent average capex as a share of total assets, measured on a last-twelve-months basis, for two groups of stocks: the largest seven companies in the S&P 500 at each point in time (blue) and all index constituents (orange). Both lines reflect equally weighted averages of their respective groups. Past performance may not be indicative of future results. One cannot invest directly in an index.

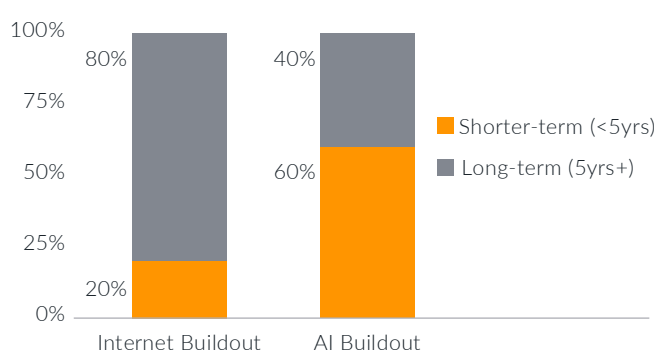


## Exhibit 9: Today's AI buildout is led by stronger firms, but more of the spending is on items that quickly become obsolete<sup>10</sup>

**Average Free Cash Flow Margin (Buildout Phase)**



**Lifespan of Capital Expenditures**



Source: Glenmede, FactSet

Data as of 10/31/2025

Source: Glenmede, McKinsey, Fibre to the Home (I-TTH) Council

Data as of 10/31/2025

Identifying thematic investment opportunities is one thing, but determining which companies will capture the long-term benefits is another entirely. The innovations that occurred during the Tech Bubble eventually drove robust earnings growth, yet only two of the top 10 companies in the tech/communications sectors at the turn of the millennium remain in the top 10 today. Meanwhile, the market is pricing these firms at extreme valuations. The aggregate market capitalization of the Magnificent 7 now exceeds that of all large, mid, and small cap stocks in Europe and Japan combined. Such concentration risks highlight the importance of caution. The promise of AI-driven innovation is not guaranteed, and overexuberant spending could leave investors exposed if demand falls short.

## Cockroaches and Debt Markets

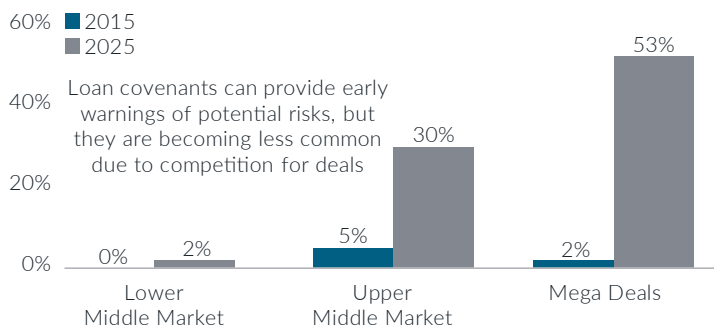
Rising stress in parts of the credit ecosystem is another risk worth monitoring. Subprime auto delinquencies have recently reached new all-time highs, contributing to the high-profile bankruptcy of Tricolor, a lender specializing in subprime auto loans to borrowers with limited or no credit history. Much like spotting an invasive pest skittering across the floor, the emergence of visible credit cracks often signals that more trouble may be lurking out of sight.

One area where those hidden issues could reside is private credit. Its share of the non-investment grade loan market has more than doubled since 2010 (from 16% to 37%), far outpacing high yield bond issuance and leveraged loans. Ultra-low interest rates and tighter post-2008 bank regulations created fertile ground for nonbank lenders to expand, pushing more risky lending into opaque structures that make borrower stress harder to detect.

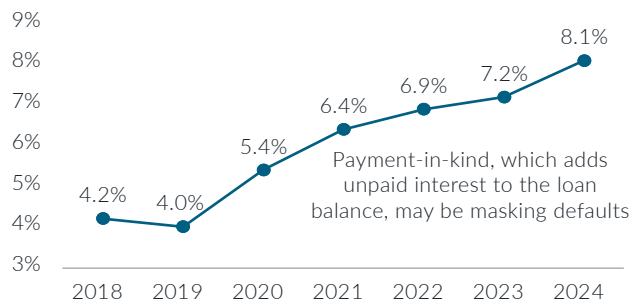
<sup>10</sup> Data shown on the left are the average free cash flow margins for the companies involved in the fiber buildout (S&P 500's telecommunications services sector from 1997 through 2000) and the AI buildout (Oracle, Meta, Google, Amazon, and Microsoft from 2023 to present). Data shown on the right represent a general overview of the lifespan of the various costs for building fiberoptic infrastructure and data centers. The S&P 500 is a market capitalization weighted index of U.S. large cap stocks. This visual should not be interpreted as a recommendation to buy, hold, or sell any specific securities. Past performance may not be indicative of future results. One cannot invest directly in an index.

## Exhibit 10: Eroding traditional safeguards and payment-in-kind structures are making private credit risks harder to spot<sup>11</sup>

### U.S. Private Credit: Covenant-Lite Issuance



### U.S. Private Credit: Payment-in-Kind Share of Income



Source: Glenmede, Preqin, Proskauer Rose

Data as of 6/1/2025

Source: Glenmede, FitchRatings

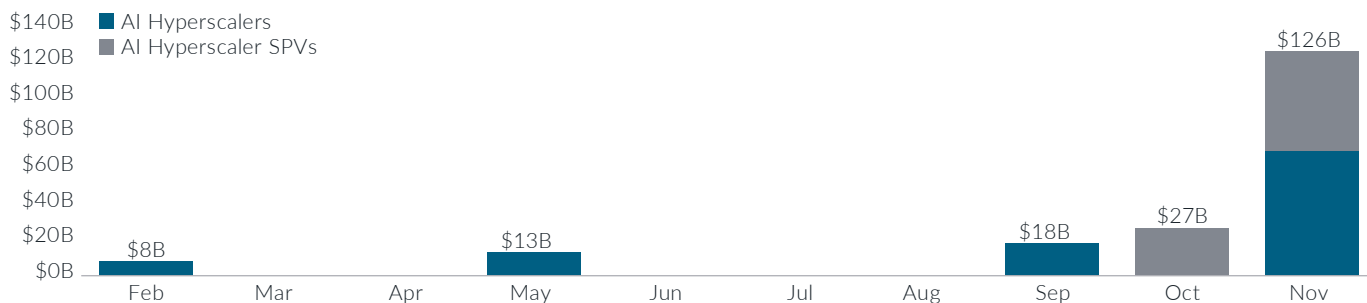
Data as of 12/31/2024

Investor safeguards have also been eroded; as more capital has flowed into private credit, borrowers have been able to secure increasingly favorable terms on their loans (Exhibit 10). For example, the prevalence of covenant-lite structures has climbed sharply, weakening early warning mechanisms designed to flag deteriorating fundamentals. Meanwhile, payment-in-kind financing has become more common, allowing borrowers to capitalize unpaid interest. This is an arrangement that may temporarily suppress reported default rates while leverage quietly builds.

AI hyperscalers add another wrinkle. After years of funding the massive AI buildout primarily through free cash flows, these firms increasingly rely on external borrowing as cash flow growth has petered out (Exhibit 11). The growing use of special-purpose vehicles to intermediate this financing adds an additional layer of opacity, making it more difficult to assess how much balance sheet risk is accumulating beneath the surface.

## Exhibit 11: AI hyperscalers are increasingly using debt and special purpose vehicles to finance capex<sup>12</sup>

### New Debt Issuance



Source: Glenmede, Bloomberg

Data as of 11/25/2025

So far, broad indicators do not point to systemic stress from leverage. The St. Louis Fed Financial Stress Index remains below long-term averages, suggesting that current market conditions remain benign. But past surges, such as in 2008 and 2020, show how quickly strains can escalate. Even when headline measures appear calm, the presence of early “cockroaches” argues for continued vigilance around real-time indicators.

<sup>11</sup> Shown in the left panel are the shares of new private credit issuance classified as covenant-lite, defined by those that lack one clear financial maintenance covenant such as leverage or interest coverage ratios. Each group is defined by the following: Lower Middle Market (less than \$25 million in borrower EBITDA), Upper Middle Market (greater than \$50 million in borrower EBITDA), and Mega Deals (greater than \$500 million in borrower total debt). EBITDA refers to earnings before interest, taxes, depreciation, and amortization. Shown in the right panel is payment-in-kind income as a percentage of interest and dividend income for business development companies rated by Fitch.

<sup>12</sup> Shown is the monthly amount of new debt issuance from the AI Hyperscalers (Alphabet, Oracle, Amazon, Meta), in billions of U.S. dollars. Teal figures represent direct issuance from the companies themselves, and gray figures represent indirect issuance via special purpose vehicles (SPVs), subsidiaries, or partner companies that are raising debt guaranteed by the AI Hyperscalers. November figures include pending loan packages.

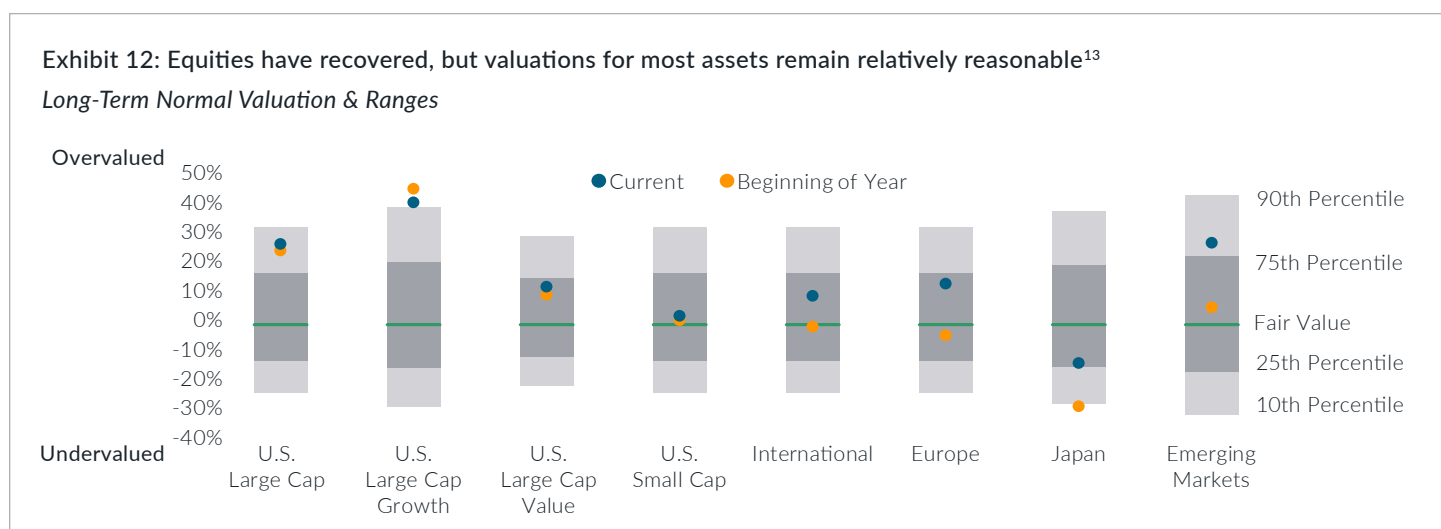
# Investment Playbook

*"If you don't know where you're going, you might wind up someplace else." — Yogi Berra*

While bright economic prospects for 2026 present a constructive backdrop for risk assets, the price paid for those assets remains one of the most important determinants of forward returns. Valuations for U.S. large cap equities moved notably higher in 2025 and currently sit at the 84th percentile, within striking range of the critical 90th percentile threshold, above which valuations alone can become a constraint on near-term performance.

Against this backdrop, a neutral risk positioning in line with longer term policy targets appears justified. After a year of strong gains from risk assets, many investors may benefit from rebalancing back toward their longer-term strategic allocations that are designed to support the achievement of multi-year financial goals.

The details beneath the surface may present opportunities for investors to enhance diversification (Exhibit 12). The driving force behind those premium valuations on U.S. large cap equities has been growth stocks, which now sit at the 90th percentile and are inherently embedded with optimistic expectations, leaving little margin for error. In contrast, other portions of the domestic equity markets are more fairly priced. Large cap value sits at the 75th percentile and small caps trade right near fair value, offering a more balanced risk-reward profile relative to the most richly valued segments of the market. The same could be said internationally, as Japanese equities are offered at meaningful discounts to fair value. Conversely, emerging market valuations have climbed toward the 80th percentile after a strong 2025, leaving less room for multiple expansion going forward.



Source: Glenmede, MSCI, FactSet

Data as of 11/28/2025

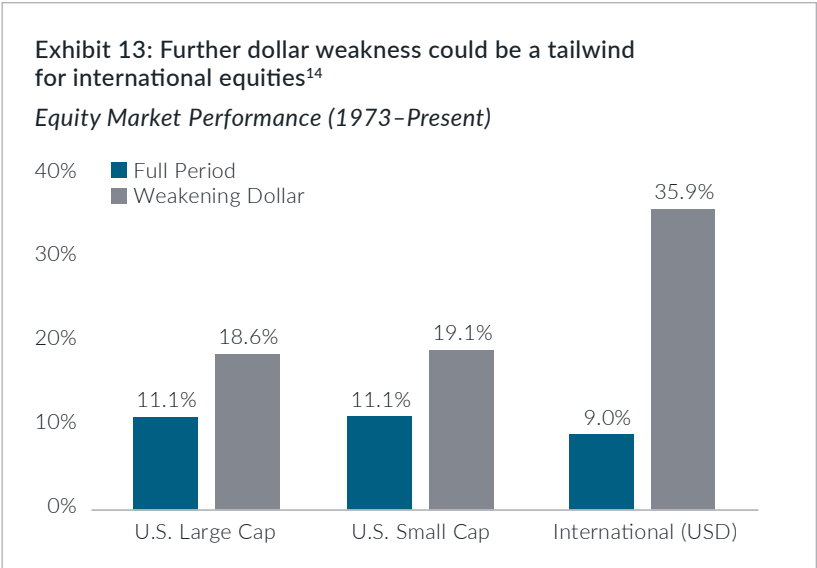
In a similar vein, concentration in equity markets may be providing a timely signal for diversification. Measures comparing the aggregate weight of mega cap companies to the median stock in the U.S. are near levels seen only in the late 1920s and 1990s. Historically, such extremes have served as timely signals to diversify, with the average stock materially outperforming mega caps on average in the subsequent years. Traditional market capitalization weighted benchmarks have become increasingly top-heavy, making deliberate diversification a central portfolio construction priority entering 2026.

Within equities, smaller companies may be beneficiaries from both a valuation perspective and due to several other cyclical and policy-related forces. Historically, small cap equities tend to outperform during Fed easing cycles due to their higher interest costs and greater exposure to floating-rate debt. In addition, the provisions embedded in the OBBBA, including enhanced interest deductibility and research and development expensing, provide disproportionate support for smaller companies, which typically allocate a large share of revenues to research and rely more heavily on debt financing.

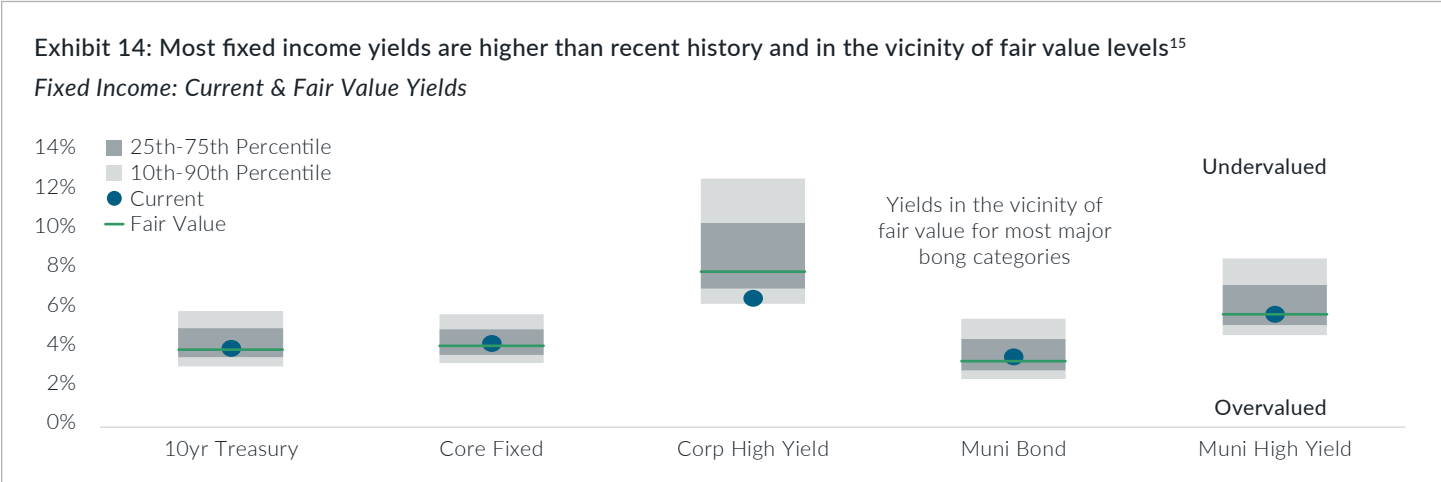
<sup>13</sup> Data shown are Glenmede's estimates of long-term fair value for U.S. Large Cap (MSCI USA), U.S. Large Cap Growth (MSCI USA Growth), U.S. Large Cap Value (MSCI USA Value), U.S. Small Cap (MSCI USA Small), International (MSCI All Country World ex-U.S.), Europe (MSCI Europe), Japan (MSCI Japan), and Emerging Markets (MSCI EM) based on normalized earnings, normalized cash flows, dividend yield, and book value for each index. Blue dots represent current valuation levels and purple dots represent valuation levels at the beginning of 2025. Glenmede's estimates of fair value are arrived at in good faith, but longer-term targets for valuation may be uncertain. One cannot invest directly in an index.

Currency considerations add another important strategic dimension. Glenmede continues to emphasize that a portfolio composed of assets completely denominated in one currency is not adequately diversified. A full policy weighting to international equities can provide meaningful diversification, as the foreign exchange component of its return profile can act as a significant risk mitigator during periods of dollar weakness (Exhibit 13). With the dollar still sitting above the 90th percentile on valuation metrics that adjust for interest rate differentials and purchasing power parity, additional depreciation remains a plausible scenario, one for which investors should be adequately prepared.

In fixed income, the Treasury yield curve is expected to normalize in 2026 as the Fed continues cutting rates, easing the U-shape at the front end of the curve. Most major fixed income sectors appear within a reasonable range of fair value, with one exception: corporate high yield (Exhibit 14). High yield credit spreads remain near historically tight levels, offering limited compensation for credit risk if the cockroaches scuttling out of debt markets prove to be a larger infestation. Importantly, this is an observation contained to corporate credit markets, whereas municipal high yield spreads sit at more reasonable levels.



Source: Glenmede Data as of 11/28/2025



Source: Glenmede, FactSet Data as of 11/28/2025

Overall, investors should stay anchored to their long-term investment plans and maintain risk exposures in line with those strategic targets, while identifying opportunities to rebalance and enhance diversification where warranted. Thoughtful rebalancing and diversification can help manage risk, as a well-constructed long-term plan is designed to navigate periods of market uncertainty.

<sup>14</sup> Shown is the annualized performance of U.S. Large Cap (S&P 500), U.S. Small Cap (Russell 2000), and International (MSCI All Country World ex-U.S., backfilled prior to 1988 with MSCI EAFE) equities since 1973 in blue, and the performance of each over the same period including only the months when the U.S. dollar was weakening in green. Past performance may not be indicative of future results. One cannot invest directly in an index.

<sup>15</sup> Shown are Glenmede's estimates of long-term fair value for taxable and tax-exempt debt securities. Proxy indices for each asset class are as follows: Core Fixed (Bloomberg U.S. Aggregate), Corp High Yield (Bloomberg U.S. Aggregate Credit Corporate High Yield BB), Muni Bond (Bloomberg Municipal Bond), Muni High Yield (Bloomberg Municipal High Yield). Glenmede's estimates of fair value are arrived at in good faith, but longer-term targets for valuation may be uncertain. One cannot invest directly in an index.

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