



November 24, 2025

Morning Briefing

2026 Is Coming!

Check out the accompanying [chart collection](#).

Executive Summary: Our base-case outlook calls for a continuation of the Roaring 2020s scenario next year, with ongoing productivity gains that fuel a robust economy, which propels earnings and the stock market higher. Today, Dr Ed reviews the Roaring 2020s thesis; outlines what he expects 2026 will bring in terms of economic variables, earnings, and the S&P 500; makes portfolio allocation recommendations; and weighs in on the “Impressive-493,” the rising appeal of foreign stock markets, bullish expectations for the dollar and gold, and bearish ones for bitcoin. After the Roaring 2020s? There’s reason to think the 2030s could roar as well. ... Also: Dr Ed reviews the 2025 remake of “Frankenstein” (+).

YRI Weekly Webcast. Join Dr Ed’s live webcast with Q&A on Mondays at 11 a.m., EST. You will receive an email with the link one hour before showtime. Replays of the weekly webcasts are available [here](#).

Roaring '20s I: Just Another Year of the Roaring 2020s. We are getting into the warm-and-fuzzy spirit of the holidays. Thanksgiving is on Thursday. Hanukkah begins the evening of December 14 and lasts through the evening of December 22. Christmas Eve is on December 24. Kwanzaa is from December 6 through January 1. The season ends with fireworks on New Year’s Eve. Then it is back to work after New Year’s Day as 2026 rolls in.

We expect that 2026 will be just another year of the Roaring 2020s, which remains our base-case scenario. Our Roaring 2020s scenario has had a good six-year run since we first predicted it in 2020. It has also had a good few months lately, with upward revisions to GDP and downward revisions to payroll employment, suggesting that productivity growth was strong during Q2 and Q3 of this year. Q4 might also show surprisingly strong productivity growth despite the government shutdown.

In the November 24, 2020 issue of our [Morning Briefing](#), we wrote: “This should be the first and last Thanksgiving requiring us all to socially distance from one another. Apparently, we will have a cornucopia of vaccines and treatments available for mass distribution early next year. If so, then 2020 may mark the beginning of the Roaring 2020s.” We then reviewed the

similarities we expected to see between the Roaring 1920s and the forthcoming Roaring 2020s.

First and foremost, among the similarities we anticipated was a technology-led productivity boom: “Today’s ‘Great Disruption,’ as Jackie and I like to call it, is increasingly about technology doing what the brain can do, but faster and with greater focus. Given that so many of the new technologies supplement or replace the brain, they lend themselves to many more applications than did the technologies of the past, which were mostly about replacing brawn. Today’s innovations produced by the IT industry are revolutionizing lots of other ones, including manufacturing, energy, transportation, healthcare, and education. My friends at BCA Research dubbed it the ‘BRAIN Revolution,’ led by innovations in biotechnology, robotics, artificial intelligence, and nanotechnology. That’s clever, and it makes sense.”

So far, so good. Indeed, notwithstanding numerous shocks, real GDP is at a record high ([Fig. 1](#)). Real personal consumption per household is at a record high ([Fig. 2](#)). Corporate profits is at a record high ([Fig. 3](#)). So is real capital spending ([Fig. 4](#)). The major stock market indexes rose to record highs on October 29 of this year as well ([Fig. 5](#)).

This happened despite the pandemic at the start of the Roaring 2020s. There was a recession in 2020, but it lasted only two months. The end of the lockdowns that caused the recession was followed by social distancing restrictions. Supply-chain disruptions from 2020 through 2023 resulted in an inflation spike during 2021 and 2022. So did Russia’s invasion of Ukraine in early 2022. The Fed responded to that spike by tightening monetary policy significantly during 2022 and 2023. This year, the big shock was Trump’s tariffs. And now, the pace of payroll employment gains has slowed dramatically.

The economy has proven its resilience to all these challenges. If it continues as we expect, the recent decade should remain recession-free. Instead of economy-wide recessions, there might continue to be rolling recessions hitting various industries at different times.

We forecast real GDP growth of 2.5% this year. In 2026, we expect 3.0% growth, with productivity rising 2.5% and both the labor force and employment increasing by only 0.5%. The unemployment rate is likely to end this year at 4.5%, primarily because of the rising jobless rate among recent college graduates due to the rapid proliferation of AI. The same may be said about 2026.

Roaring '20s II: Productivity-Led Economic & Earnings Growth Fueling Bull Market.

Over the past three years, the average annual productivity growth rate has risen back to 2.0%, the historical average for this series ([Fig. 6](#)). We expect productivity to grow closer to 3.0%-3.5% over the remainder of the Roaring 2020s, which should boost real GDP growth to 3.5%-4.0% over the rest of the decade ([Fig. 7](#)). Again, our upbeat forecast is based on the impact of BRAIN technologies in boosting the productivity of scarce workers.

The outlook for earnings and the stock market over the remainder of the decade is very bullish under our base-case Roaring 2020s scenario. Let's walk through it:

(1) We predict that S&P 500 operating earnings per share will rise from \$268 this year to \$310 in 2026, \$350 in 2027, \$400 in 2028, and \$450 in 2029 ([Fig. 8](#)). Admittedly, this will require the S&P 500 profit margin to rise to record highs in the coming years in response to faster productivity growth.

(2) Our scenario for the S&P 500's forward earnings is equally bullish. We forecast where forward earnings will be at year-ends simply by lagging each of our annual earnings forecasts by one year ([Fig. 9](#)).

(3) We assume that the forward P/E of the S&P 500 (i.e., the multiple with forward earnings as the "E" value) will range from 18 to 22 over the rest of the decade ([Fig. 10](#)).

(4) The result of this exercise is that the S&P 500 would be on track to rise to 9,000 to 11,000 by the end of 2029 ([Fig. 11](#)). Let's split the difference and aim for 10,000 by the end of the Roaring 2020s! That would be up from 3,230 at the end of 2019, representing an increase of 210%. Is that amount of gain delusional? Not really, since it was exceeded during three of the previous decades since the 1920s ([Fig. 12](#)). Since the Roaring 1920s, there have been three roaring decades for the stock market with gains of over 200%!

Roaring '20s III: A Disinflationary Year. During 2025, consumer price inflation has stalled around 3.0% y/y. It probably would have been down to 2.0% by now but for Trump's tariffs, which boosted consumer durable goods inflation this year ([Fig. 13](#)). The underlying inflation rate in the labor market should remain disinflationary. It is simply the yearly percent change in unit labor costs (ULC) inflation, which is hourly compensation divided by productivity. ULC was up just 2.5% y/y during Q2 ([Fig. 14](#)). It should be lower next year if productivity growth roars ahead, as we expect. The Fed might actually hit its 2.0% inflation target next year.

Roaring '20s IV: A More Independent Fed. What does all this mean for monetary policy

and the bond market? We believe that the Fed actually will be more independent in 2026 even though President Donald Trump is expected to pick a dove as the next Fed chair to replace Jerome Powell during May 2026. Other participants on the Federal Open Market (FOMC) are likely to be increasingly independent of the new Fed chair. In the past, Fed chairs succeeded in maintaining a consensus with few if any dissenters. October's FOMC minutes showed that there is already less consensus than usual.

In any event, we are expecting no rate cut at the December 10 meeting of the FOMC and one cut next year that drops the federal funds rate to 3.50%-3.75%. We also expect that the bond yield will continue to range between 4.00%-5.00% in 2026.

Why wouldn't interest rates be lower if inflation falls to 2.0% next year? They might be. But the interest-rate levels we are forecasting would be neutral ones, neither restrictive nor stimulative to the economy, since productivity would be boosting real GDP growth and moderating inflation. Lower rates than those would risk a stock market bubble.

Roaring '20s V: Rebalancing Toward the Impressive-493. The recent concerns about an AI bubble are already taking some air out of it without bursting it. Almost all the bubble is in the Information Technology and Communication Services sectors of the S&P 500. Together, they account for 45% and 38% of the market capitalization and earnings shares of the S&P 500 ([Fig. 15](#)). It's hard to imagine that they will continue to take so much oxygen out of the room.

As a result, we recommend market weighting them rather than overweighting the Information Technology and Communication Services sectors. We still recommend overweighting Financials and Industrials ([Fig. 16](#) and [Fig. 17](#)). We now also would overweight Health Care going into 2026 ([Fig. 18](#)).

It is also getting harder to recommend Stay Home rather than Go Global. The latter has beat the former this year. Stay Home has worked since 2010. The market capitalization share of the US in the All Country World MSCI rose to over 65% at the end of last year ([Fig. 19](#)). We would be looking for more opportunities abroad and will be doing so in 2026.

Roaring '20s VI: A Good Year for the Dollar & Gold. We remained bullish on the dollar this year and viewed its weakness as a correction in a bull market ([Fig. 20](#)). That remains our view for 2026. We expect that the proliferation of stablecoins backed by US Treasury bills will proliferate around the world, boosting the demand for both US Treasury debt and the dollar. So we are not in the "debasement camp" nor in the camp that has been warning

that a US debt crisis is imminent.

We also remain bullish on gold, which we expect will rise to \$5,000 by the end of next year and \$10,000 by the end of 2029 ([Fig. 21](#) and [Fig. 22](#)). Geopolitical uncertainties are likely to remain high over the rest of the decade. Central banks are likely to continue diversifying their international reserves into gold. Chinese investors are also likely to remain strong buyers, as they hope to offset losses on their “ghost” apartments and in their volatile stock market.

Roaring '20s VII: A Bad Year for Bitcoin. Bitcoin has been described as “digital gold.” The recent severe selloff suggests that it might be digital fools’ gold. Yes, we know, it fell sharply in late 2021 through 2022, which turned out to be a great buying opportunity ([Fig. 23](#)). That could happen again this time. However, its rebound from 2023 through 2024 was largely attributable to support from Wall Street and the Trump administration. The GENIUS Act of July 2025 legitimized stablecoin for transactions purposes, thus eliminating that as a role for bitcoin, which is proving to be a very volatile store of value. Next year is likely to be another bad one for bitcoin advocate Michael Saylor’s Strategy company ([Fig. 24](#)).

Roaring '20s VIII: Will the Roaring 2020s End Badly? We first started writing about the Roaring 2020s in our January 6, 2020 *Morning Briefing*: “So the Roaring '20s remains a viable scenario. The problem is that that decade was followed by the Great Depression of the 1930s; if history repeats that pattern, we can party for another 10 years.” Trump’s tariffs have already stress-tested the US and global economies for a 1930s-style Smoot-Hawley scenario without much signs of stress.

In other words, the 2030s could be another roaring decade. Happy holidays!

Movie. “Frankenstein” (+) is Guillermo del Toro’s 2025 remake of the 1931 classic, with Jacob Elordi playing the role of the monster rather than Boris Karloff. The original was better because he was scarier and more likable, at the same time. The latest version is very stylized with lots of CGI (i.e., computer-generated imagery). It is also long, slow, and boring. It was much easier to feel sorry for the original monster than for the new reincarnation. Maybe there will be a remake of “The Bride of Frankenstein” that’s more interesting. (See our movie reviews [archive](#).)

Calendars

US: Mon: Dallas Fed Manufacturing Index; Chicago Fed National Activity Index. **Tues:** Retail Sales 0.4%; Business Inventories 0.1%; PPI 0.3%*m/m*, 2.7%*y/y*; ADP Employment; Consumer Confidence; Richmond Fed Manufacturing Index -2; Pending Home Sales.
(Source: FX Street)

Global: Mon: Germany Ifo Business Climate Index 88.5; Lagarde; Cipollone; Elderson; Nagel. **Tues:** Germany GDP 0.0%*q/q*, 0.3%*y/y*; France Consumer Confidence; Cipollone.
(Source: FX Street)

Strategy Indicators

Global Stock Markets (US\$ Performance) ([link](#)): The US MSCI index dropped 2.0% during the November 21 week to 4.4% below its record high on October 28. The AC World ex-US underperformed, with a 3.3% decline for the week to 4.6% below its record high on October 29. The AC World ex-US has been hitting new record highs since May 14—the first time it’s had such a long streak of successive record highs since June 15, 2021. EMEA was the best performing region last week, albeit with a decline of 2.4%, followed by EM Latin America (-2.9%), Europe (-3.2), and the AC World ex-US. EM Asia was the worst regional performer, with a decline of 4.0%, followed by EMU (-3.8), EM (-3.7), and EAFE (-3.4). The India MSCI index, with a decline of 0.7%, performed the best among country indexes, ahead of Canada (-1.1), Mexico (-1.7), the UK (-2.0), and Switzerland (-2.1). The China and Korea MSCI indexes were the worst performers *w/w*, with declines of 5.5%, followed by Hong Kong (-5.2), Spain (-4.3), and Sweden (-4.3). In terms of *ytd* performance rankings, the 12.2% gain for the US MSCI index ranks as the third worst country performer and trails the 21.8% gain for the AC World ex-US. Among the regional indexes outperforming the AC World ex-US *ytd*, EM Latin America leads with a gain of 40.6%, followed by EMU (27.7), EM (24.0), EM Asia (23.2), Europe (22.9), and the AC World ex-US. EAFE is the worst *ytd* performer, albeit with a gain of 20.4%, followed by EMEA (20.6). Korea is the best *ytd* performer, with a gain of 69.8%, followed by Spain (58.9), South Africa (53.1), Mexico (40.8), and Brazil (38.3). The worst performing countries *ytd*: India (2.8), Australia (3.5), the US (12.2), Japan (18.4), and France (20.0).

US Stock Indexes ([link](#)): All of the 48 major US stock indexes that we follow fell during the week ended November 21, compared to 10 rising a week earlier. The S&P 400 MidCap Value and S&P 600 SmallCap Pure Growth indexes were the best performers for the week, albeit with declines of 0.2%, ahead of S&P 600 SmallCap Growth (-0.3%) and Dow Jones 20 Transports (-0.4). The Nasdaq Industrials index was the worst performer, with a decline

of 3.3%, followed by Nasdaq 100 (-3.1), S&P 500 LargeCap Pure Growth (-2.9), Russell 1000 Growth (-2.9), and Russell 3000 Growth (-2.8). All but three of the 48 indexes are higher ytd. With a gain of 16.6%, the S&P 500 LargeCap Growth index remains in the top spot as the best performer so far in 2025, ahead of Nasdaq 100 (15.4), Nasdaq Composite (15.3), and S&P 100 MegaCap (14.7). The worst performing major US stock indexes ytd: S&P 600 SmallCap Equal Weighted (-1.5), S&P 600 SmallCap Value (-0.7), S&P 600 SmallCap (0.0), and Dow Jones 20 Transports (0.7).

S&P 500 Sectors Performance ([link](#)): Just three of the 11 S&P 500 sectors rose during the week ended November 21, but eight were ahead of the S&P 500's 1.9% decline. That compares to five S&P 500 sectors rising a week earlier, when the same five were ahead of the S&P 500's 0.1% gain. The outperformers last week: Communication Services (3.0%), Health Care (1.8), Consumer Staples (0.8), Real Estate (-0.1), Materials (-0.6), Utilities (-0.9), Financials (-1.5), and Industrials (-1.7). The underperformers last week: Information Technology (-4.7), Consumer Discretionary (-3.3), and Energy (-3.1). The S&P 500 is now up 12.3% ytd, with ten of the 11 sectors positive ytd and four are ahead of the index. During the June 20 week, Consumer Discretionary and Health Care were trailing so far behind ytd that they were the only sectors trailing the index. Communication Services has reclaimed the crown as the best ytd performer, with a gain of 26.4%, followed by Information Technology (18.6), Utilities (15.7) and Industrials (13.3). These seven sectors are lagging the S&P 500 so far in 2025: Consumer Discretionary (-0.7), Real Estate (0.7), Consumer Staples (1.6), Materials (2.9), Energy (3.8), Financials (6.7), and Health Care (12.2).

US Economic Indicators

Employment ([link](#)): The September jobs report, originally slated for October 3, was delayed by the government shutdown. The BLS released the September jobs report on November 20, and it showed payroll employment increased a larger-than-expected 119,000—considerably above the consensus estimate of 50,000—and a rebound from August's 4,000 shortfall. Private payrolls climbed 97,000 during the month, while government payrolls rose 22,000. August's payroll employment change was revised down by 26,000 (to -4,000 from +22,000), while July's was revised down by 7,000 (to +72,000 from +79,000) for a net loss of 33,000. Employment trended higher in health care (+43,000), food services & drinking places (+37,000), and social assistance (14,000)—with the latter recording continued growth in individual and family services (+20,000). Meanwhile, job losses occurred in transportation & warehousing (-25,000), reflecting losses in warehousing & storage (-11,000) and couriers & messengers (-7,000). Federal government jobs continued to decline

in September, by 3,000 during the month and 79,000 since January's peak. Household data show the unemployment rate was little changed at 4.4%, though was up from last September's 4.1%. The participation rate was little changed at 62.4%. (BLS notes, "BLS will not publish an October 2025 Employment Situation news release. Establishment survey data for October 2025 will be published with the November 2025 data. Household survey data were not collected for the October 2025 reference period due to a lapse in appropriations and will not be collected retroactively. For both surveys, the collection period from November 2025 data will be extended and extra processing time will be needed." The Employment situation news release for November 2025 is scheduled to be published on Tuesday, December 16, 2025 at 8:30 AM.)

Consumer Sentiment Index ([link](#)): Consumer sentiment fell for the fourth time in November, as consumers remain frustrated about the persistence of high prices and weakening incomes, according to the report. Consumer sentiment sank from 61.7 in July to 51.0 in November—the lowest since June 2022; sentiment was at 71.8 a year ago. Current conditions also dropped for the fourth successive month, from 68.0 in July to a record low of 51.1 this month, while the expectations component fell from 58.1 in June to 50.3 in October, though edged up to 51.0 in November. The current condition and expectations components were at 63.9 and 76.9, respectively, a year ago. Turning to inflation, year-ahead inflation expectations eased again this month to 4.5% from 4.6% in October, 4.7% in September, and 4.8% in August. Long-run inflation expectations eased from 3.9% last month to 3.4% this month, with expectations moderately above January's 3.2% rate.

Existing Home Sales ([link](#)): "Home sales increased in October even with the government shutdown due to homebuyers taking advantage of lower mortgage rates," noted Lawrence Yun, chief economist of NAR. "First time homebuyers are facing headwinds in the Northeast due to lack of supply and in the West because of high home prices. First-home buyers fared better in the Midwest because of the plentiful supply of affordable houses and in the South because there is sufficient inventory. Existing home sales climbed 1.2% in September to a seven-month high of 4.10mu (saar), in line with expectations. Single-family home sales climbed 0.8% to 3.71mu, while condominium and co-op sales jumped 5.4% to 390,000 units. The former rose 1.9% versus a year ago, while the latter was flat versus a year ago. Regionally, existing home sales were a mixed bag: Sales in the Midwest (5.3% m/m & 2.1% y/y) and South (0.5 & 2.8) rose on both a monthly and yearly basis, while the West (-1.3 & -2.6) was negative during both periods. The Northeast (0.0 & 4.3) showed flat sales during the month, though a gain versus a year ago. The inventory of unsold existing homes at the end of October was at 1.52 million units, down 0.7% m/m, though up 10.9% y/y. Unsold inventory was at a 4.4 months' supply at the current sales pace, down from 4.5

months in September but up from 4.1 during October 2024.

Global Economic Indicators

US PMI Flash Estimates ([link](#)): “Flash PMI signals faster economic growth in November, but price pressure also intensify” was the headline of the November report. November’s C-PMI (to 54.8 from 54.6) climbed to a four-month high, signaling an acceleration of growth over Q4 so far—with output expanding continually for 34 months. The upturn reflects the largest increase in new orders since last December and the second largest gain since April 2022. The NM-PMI (55.0 from 54.8) was also at a four-month high, with the service sector recording its largest output increase since July and new orders posting its biggest gain so far this year. Meanwhile, the M-PMI (51.9 from 52.5) was at a four-month low, and the M-PMI Output (53.6 from 53.7) measure was the lowest in two months. Manufacturers reported “a worrying combination of slower new orders growth and a record rise in finished goods stock.” This accumulation of unsold inventory hints at slower factory production expansion up ahead. Turning to prices, input cost inflation increased sharply this month—posting its fastest rate in three years, barring the jump in costs seen in May—with tariffs the predominant reason. Service sector costs increased at the fastest pace since January 2023, while manufacturing costs eased to its slowest pace since February, though remained well above the average seen during the past three years. Higher input cost inflation fed through to a steeper rise in average prices charged for goods and services—though competitive pressures kept selling price inflation below recent peaks.

Eurozone PMI Flash Estimates ([link](#)): The Eurozone continued to expand in November. The C-PMI (52.4 from 52.5) continued to exhibit solid growth, led by the service sector, with its NM-PMI (53.1 from 53.0) at an 18-month high. Meanwhile, the M-PMI Output (50.5 from 51.0) measure fell to an eight-month low—hovering around the breakeven point of 50.0. The M-PMI (49.7 from 50.0) slipped into contractionary territory, sinking to a five-month low. Looking at the Eurozone’s two largest economies, Germany saw its C-PMI (to 52.1 from 53.9) slow a bit, as the M-PMI (48.4 from 49.6) continued to contract and the M-PMI Output (50.7 from 52.4) measure moved down toward the breakeven point. Meanwhile, the NM-PMI (52.7 from 54.6), continued to expand, though at a slower pace. Economic activity in France stabilized this month, with the C-PMI (49.9 from 47.7) on the brink of expansion territory, posting a 15-month high, while the NM-PMI (50.8 from 48.0) also reached a 15-month high. Meanwhile, the M-PMI (47.8 from 48.8) and M-PMI Output (45.2 from 46.0) measures both contracted and sank to nine-month lows. The report noted that excluding Germany and France, the rest of the Eurozone saw output expanding at the fastest pace

since April 2023. Turning to pricing, the two price indexes signaled differing trends, with input costs increasing at its fastest pace since March, while output prices inflation eased this month to its lowest level in just over a year.

Japan PMI Flash Estimates ([link](#)): “Business activity growth strengthens in November, but cost pressures intensify,” according to the report. The C-PMI (to 52.0 from 51.5) accelerated at a slightly faster pace, with the NM-PMI (unchanged at 53.1) showing the service sector expanding at a steady pace, while both the M-PMI Output (49.6 from 48.3) and M-PMI (48.8 from 48.2) measures continued to contract, though at a slower pace. The report notes that Japanese companies remained generally confident that output will increase over the next 12 months, though the degree of optimism edged down from September and was below the survey’s long-run average. The sectors were at odds, with service companies less upbeat about the year ahead and manufacturers more confident. November data indicates stronger price pressures across Japan, with input costs inflation accelerating for the second straight month, posting its steepest rate since May, led by the service industry. Companies are passing on these higher costs to customers, where possible, pushing average selling prices higher.

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