

# Week In Review

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December 10, 2025

Today: Waiting for the Fed

David Toms

Disclaimer: I am not a certified financial analyst.

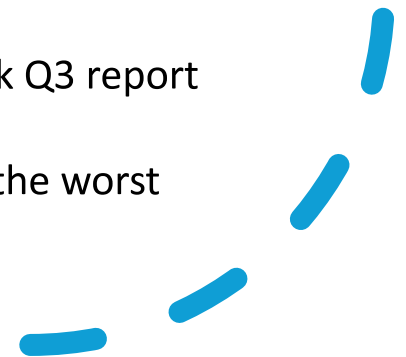
Any trading decisions you make are your responsibility

OLLI-GMU Investment Forum

# Economic Commentary

Big holiday  
season coming up

- Trump administration unveils \$12B bailout for farmers
- Fed is expected to cut interest rates today by 0.25%
  - Japan and ECB expected to raise rates
- US LEI down 0.3% - two months in row
- ISM Manufacturing index for September fell to 48.2
- ISM Services index for September rose to 52.6
- UM Consumer Sentiment remains near record low at 53
  - High prices are to blame
- Unemployment rate for November stable at 4.4% (Chicago Fed).
  - Unemployment claims are lowest in 4 years
  - Job openings steady MoM
- Only 10% of US companies have deployed AI-based products (Barrons)
- US productivity growth will slow to 1.3% (Barrons), causing GDP growth to slow to <2%
- Homebuilders are suffering: Toll brothers weak Q3 report
- Real estate market continues to deteriorate
  - Miami, Houston, Los Angeles, Denver are the worst
  - Delistings in Miami up 38% YOY.
- China trade surplus clears \$1T for 2025



# Market commentary

- Oracle and Broadcom report earnings this week
  - Pivotal moments for the AI sector
- Netflix and Paramount are in a big fight to acquire Warner Brothers/Discovery
- Bitcoin seems to have stabilized around \$90K
- Nvidia sales to China have been approved
  - Will China buy them?
  - Nvidia seeing more competition from Google, Amazon
  - Sales constrained by capacity at TSMC
- Tanger seeing increased holiday traffic
- Home Depot issues cautious 2026 projection
- CVS boosts profit projections
- VIX: declined to 17: neutral
- CNN fear gauge: 24: extreme fear
- AAI investor sentiment: 32% bullish; 43% bearish

# Review: AeroVironment (AVAV)

## AVAV Pros and Cons

Buy on the dip?

### PROS

- Principle businesses in drones, counter-drones, cyber and space products
- Forward growth: 151%
- Huge backlog: \$1.1B
- Won major new contract yesterday with US Army
- Price up 68% YoY
- Margins near 30%, and growing
- Price / Book: 3

### CONS

- Profitability problem – missed
- Stock price depends on winning major new contracts
- Also margin improvements
- Cash flow negative
- PE: 78

# Now what?

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- Fed interest rate cut TODAY is likely
- US economy is strong but....with uncertainty
  - Consumer spending is strong but with low confidence, nervousness
  - K-shaped consumer profile
  - Strong holiday season sales are projected
  - Black Friday was strong
- Labor market is clearly weakening – data still missing
- Tariff effects minimal and sector-dependent
  - Supreme Court to rule on tariff legality soon
- Stock market is very expensive, fragile
  - AI rebalancing in progress plus crypto crash, tax loss harvesting
  - Protect yourself with automated stop loss orders; or put options as insurance
  - Diversify!