



COLLAR CAPITAL MANAGEMENT
100 West Lawrence St, Suite 418
Appleton, WI 54911

CLIENT MEMORANDUM

December 11, 2025

SUBJECT: Federal Reserve Meeting Update and Outlook for 2026

Dear Valued Client,

Yesterday the Federal Open Market Committee (FOMC) held its December meeting where it made decisions on monetary policy and issued economic projections. The committee decided to lower the target range for the federal funds rate by 0.25% to 3.50-3.75%. Furthermore, the committee decided to initiate purchases of shorter-term Treasury securities, namely Treasury bills, for the sole purpose of maintaining ample reserves over time. The planned rate of purchases is \$40B in the first month and may be sustained for the next few months before possibly declining in Q2 2026 due to additional economic data. The dot plot, a chart showing what FOMC members expect for future interest rates, indicates one to two more cuts in 2026, aiming for around 3.4% by year-end. At his press conference, FOMC Chair Jerome Powell shared that the Fed is “well-positioned to wait and see how the economy evolves” and reiterated there is no predestined path for monetary policy.

Looking ahead, our outlook for the S&P 500 in 2026 remains cautiously optimistic. For Q1, we expect steady growth around 3-5%, driven by AI innovation, lower rates, and higher than expected tax returns. As the midterm elections come into view around mid-April alongside expectations for a continued “soft landing”, we expect market participants to rotate out of growth stocks or derisk their portfolios. This could result in market weakness going into October followed by a rebound in Q4. For the full year, we see moderate growth in market indices supported by strong earnings, avoiding a recession, and a broadening of market returns. As always, we will continue to seek opportunities for above-market returns on a risk-adjusted basis using individual stock selection, dividends / interest, and appropriate exposure to digital assets.

We thank you for your continued trust in us and want to wish you a Merry Christmas and Happy New Year.

Sincerely,

Patrick, Joe, & Chris
Collar Capital Management