

# PLAINSCAPITAL BANK ECONOMIC HIGHLIGHTS



Economic Commentary  
December 2025

By Jerrod Dawson, CFA

## Executive Summary

- Economic activity stabilized after earlier fourth-quarter weakness.
- U.S. GDP growth projected at 2.4% for Q4.
- Regional manufacturing surveys and holiday sales showed improvement.
- Durable goods orders rose 0.5% m/m and 9.6% y/y.
- ADP payrolls fell 32,000, mainly from small businesses.
- Core inflation remains above 3% despite easing shelter costs.
- Housing indicators improved with stronger mortgage applications.
- Global economic signals remain mixed.
- The Fed ended Quantitative Tightening on December 5th.
- Policy shift saves \$265 billion in annual bank reserves.
- Change equals roughly a quarter-point rate cut.
- Administration plans tax cuts, deregulation, and strategic reshoring.
- Fiscal measures include \$100B business and \$150B consumer aid.
- Liquidity tightened from large October tax payments.
- Corporate earnings help stabilize the economy amid volatility.
- S&P 500 earnings growth projected at 7.74% for Q4.
- Technology leads with 22.2% growth: financials up 19.4%.
- Healthcare earnings expected to decline by 4.6%.
- Stimulus measures like the OBBB bill may boost consumer spending.
- Analysts' estimates are rising after stronger-than-expected Q3 results.
- Guidance Index shows optimistic corporate outlook despite uncertainties.

## Dedicated Investment Team

Andrew Cunningham, CFA®, CMT®, ChFC®  
Chief Investment Officer  
512.457.7534 | [andrew.cunningham@plainscapital.com](mailto:andrew.cunningham@plainscapital.com)  
Central Texas

Jerrod Dawson, CFA®  
Manager of Investment Strategies and Portfolio Management  
214.252.4150 | [jerrod.dawson@plainscapital.com](mailto:jerrod.dawson@plainscapital.com)  
Dallas

Kendall Parker  
Manager of Investment Services  
214.252.4165 | [Kendall.parker@plainscapital.com](mailto:Kendall.parker@plainscapital.com)  
Dallas

Stephen Schaller, CFA®, CFP®  
Market Manager, Portfolio Manager  
713.749.8113 | [stephen.schaller@plainscapital.com](mailto:stephen.schaller@plainscapital.com)  
Houston/ Coastal Bend

Victor Tanguma, AIF®  
Senior Portfolio Manager  
956.661.5466 | [victor.tanguma@plainscapital.com](mailto:victor.tanguma@plainscapital.com)  
McAllen/ Rio Grande Valley

Larry Smith  
Senior Portfolio Manager  
806.791.7256 | [larry.smith@plainscapital.com](mailto:larry.smith@plainscapital.com)  
West Texas

Irene Silva, AWMA®  
Portfolio Manager  
817.258.3818 | [irene.silva@plainscapital.com](mailto:irene.silva@plainscapital.com)  
Fort Worth

Triana Ramon  
Analyst  
214.252.4166 |  [triana.ramon@plainscapital.com](mailto: triana.ramon@plainscapital.com)  
Dallas

Morgan Cook  
Analyst  
817.258.3705 | [morgan.cook@plainscapital.com](mailto:morgan.cook@plainscapital.com)  
Fort Worth

## US Economic Cycle Drivers:

Growth	Latest Value (%)	Value 3mo Ago (%)	Trend q/q	Trend y/y
Citi Economic Surprise - United States	21.8	21.8	→	↓
Bloomberg Economics US GDP Nowcast	1.5	0.5	↑	↓
Consensus USA Growth Forecast Survey	-21.1	-41.2	↑	↓

Inflation	Latest Value (%)	Value 3mo Ago (%)	Trend q/q	Trend y/y
Citi Inflation Surprise Index - United States	-23.3	-15.0	↓	↓
Bloomberg Economics US CPI Nowcast	3.0	2.8	↑	↑
Consensus USA Inflation Forecast Survey	62.6	74.5	↓	↑

Employment	Latest Value (%)	Value 3mo Ago (%)	Trend q/q	Trend y/y
Unemployment Rate	4.4	4.1	↑	↑
Conference Board Employment Trend	106.8	107.9	↓	↑

Consumer Spending	Latest Value (%)	Value 3mo Ago (%)	Trend q/q	Trend y/y
Johnson Redbook Retail Sales y/y	5.7	6.6	↓	↑
Adjusted Retail & Food Service Sales	4.3	4.4	↑	↑
Conference Board Consumer Confidence	88.7	97.8	↓	↓

Corporate Profitability	NTM (%)	Value 3mo Ago (%)	Trend q/q	Trend y/y
S&P 500 Est. Sales Growth Rate	6.8	4.4	↑	↑
S&P 500 Est. EPS Growth Rate	13.2	8.5	↑	↑
NFIB Small Business Optimism	98.2	100.8	↓	↓

Government Policy	Latest Value (%)	Value 3mo Ago (%)	Trend q/q	Trend y/y
Budget/ GDP	-5.8	-7.0	↑	↑
USD Real Effective Exchange Rate	108.7	110.0	↑	↓

Central Bank Policy Rate	Latest Value (%)	Value 3mo Ago (%)	Trend q/q	Trend y/y
U.S. Federal Funds Rate Upper Bound	4.0	4.5	↓	↓
U.S. Market Implied Policy Rate 1Y Fwd	3.2	2.9	↑	↓

Liquidity	3mo Δ (%)	12mo Δ (%)	Trend q/q	Trend y/y
U.S. Domestic Liquidity	-1.2	-1.1	↓	↓
Global Liquidity Index	0.2	15.9	↑	↑

Data source: Bloomberg

The data and commentary provided herein is for informational purposes only. No warranty is made with respect to any information provided. It is offered with the understanding that Hilltop Holdings Inc., PlainsCapital Corporation, Hilltop Securities and PlainsCapital Bank (collectively "PCB") are not, hereby, rendering financial and/or investment advice, and use of the same does not create any relationship with PCB. This is neither an offer to sell nor a solicitation of an offer to buy any securities that may be described or referred to herein. PCB does not provide tax or legal advice. Please consult your own tax or legal advisor regarding your specific situation. Whether any of the information contained herein applies to a specific situation depends on the facts of that particular situation. Investment and estate planning and management decisions may have significant financial consequences and should be made only after consulting with professionals qualified to offer legal, accounting and taxation advice. Neither this document nor any portion of its content's supplements, amends or modifies any account agreement with PCB. Unless otherwise noted:

\*All economic release data referenced from public sources believed to be accurate

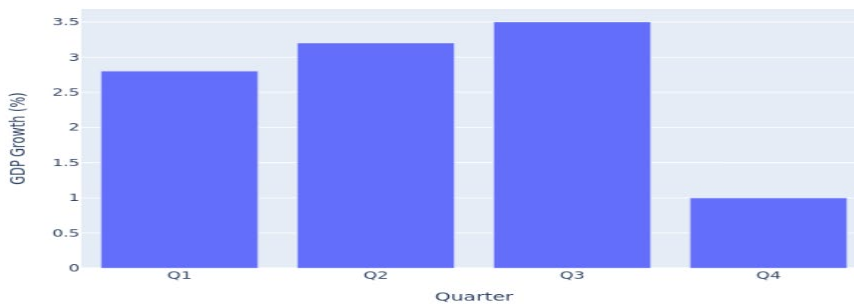
\*The source of data for all charts/graphs included in this presentation is Bloomberg LP.

\*Figures quoted represent monthly changes (m/m) and are seasonally adjusted

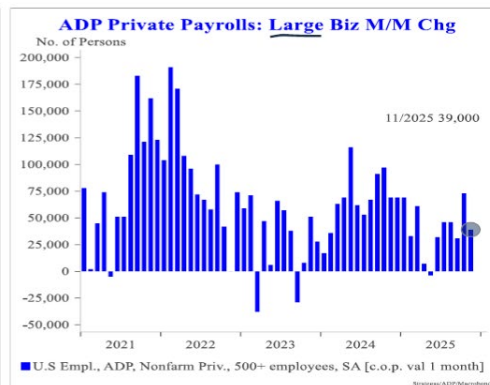
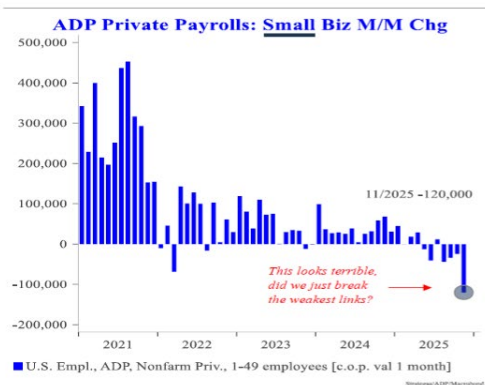
## US & Global Economic Highlights

Economic activity showed signs of stabilization after a soft patch in the fourth quarter. U.S. real GDP growth is forecasted at 2.4% for Q4, following earlier weakness related to the extended government shutdown and tariff-related disruptions. Timely indicators point to improvement: regional manufacturing surveys increased in November, retail spending stayed strong, and holiday sales were positive. Durable goods orders rose 0.5% month-over-month in September and 9.6% year-over-year, with core orders increasing for the sixth consecutive month. Nonresidential construction spending remained high, supported by data center investment, and contractor employment continued to rise.

US GDP Growth Trend – 2025



Labor market conditions were mixed. ADP private payrolls fell by 32,000 in November, mainly due to a sharp drop in small business employment (-120,000), while large companies added 39,000 jobs. Initial jobless claims stayed low at 191,000, and the four-week average remained near 215,000, showing no wide-scale decline. Consumer confidence dipped to 88.7 in November, but real personal consumption expenditures stayed steady, supported by wealth effects and expectations for fiscal stimulus in 2026.

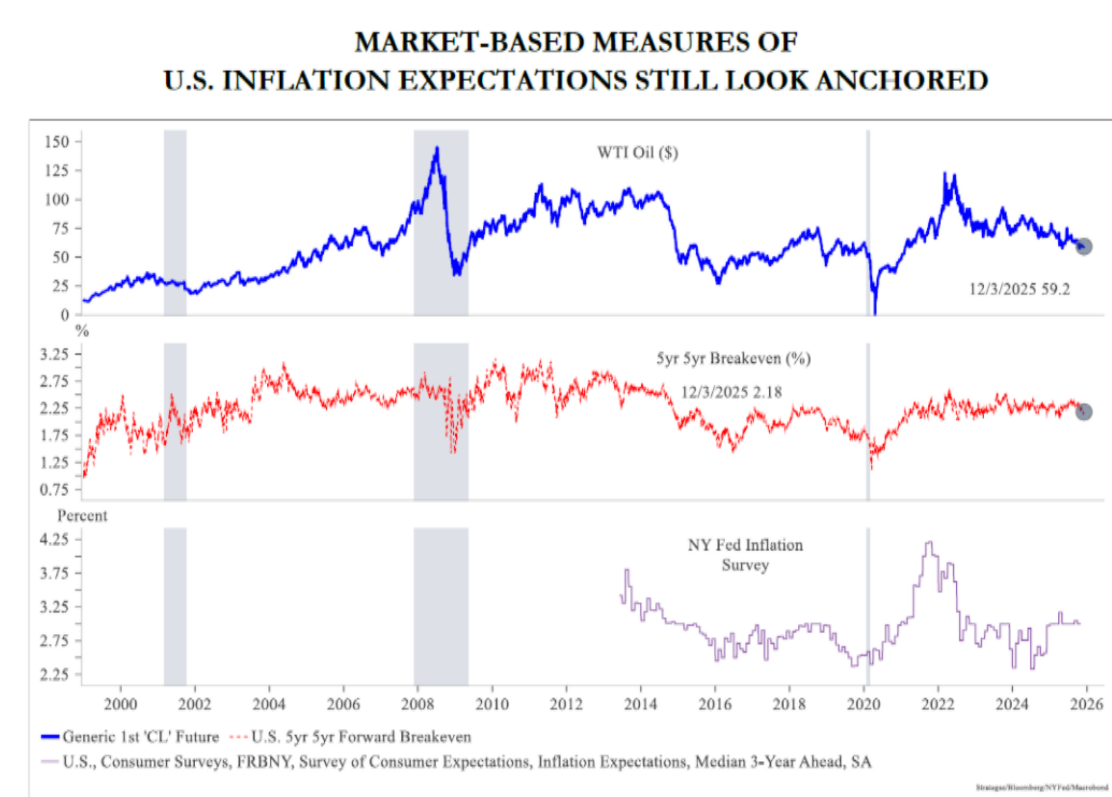


Inflation readings were mixed. Core CPI and PCE measures remain above 3%, although recent data indicate easing shelter costs and stable commodity indices. Market-based inflation expectations are anchored, with the five-year forward

### Critical points for the economy

- Economic activity steadied after earlier weakness in the fourth quarter.
- U.S. GDP is projected to grow by 2.4% in Q4.
- Regional manufacturing surveys and holiday sales indicated progress.
- Durable goods orders increased 0.5% month-over-month and 9.6% year-over-year.
- ADP payrolls declined by 32,000, primarily due to small businesses.
- Core inflation stays above 3% despite declining shelter costs.
- Housing indicators improved due to stronger mortgage applications.
- Global economic indicators continue to show mixed signals.

breakeven close to 2.18%. Energy prices were subdued, with WTI crude around \$59 per barrel, while metals such as copper and aluminum gained strength alongside a commodity index near a three-year high.



Housing indicators showed modest improvement. Homebuilders gained momentum, with strong price performance in leading firms and increased mortgage applications. The equal-weight S&P Homebuilding group recorded a 10-day rate of change in the 98th percentile historically, indicating renewed sector resilience. Prospects for lower mortgage rates could support the housing recovery.



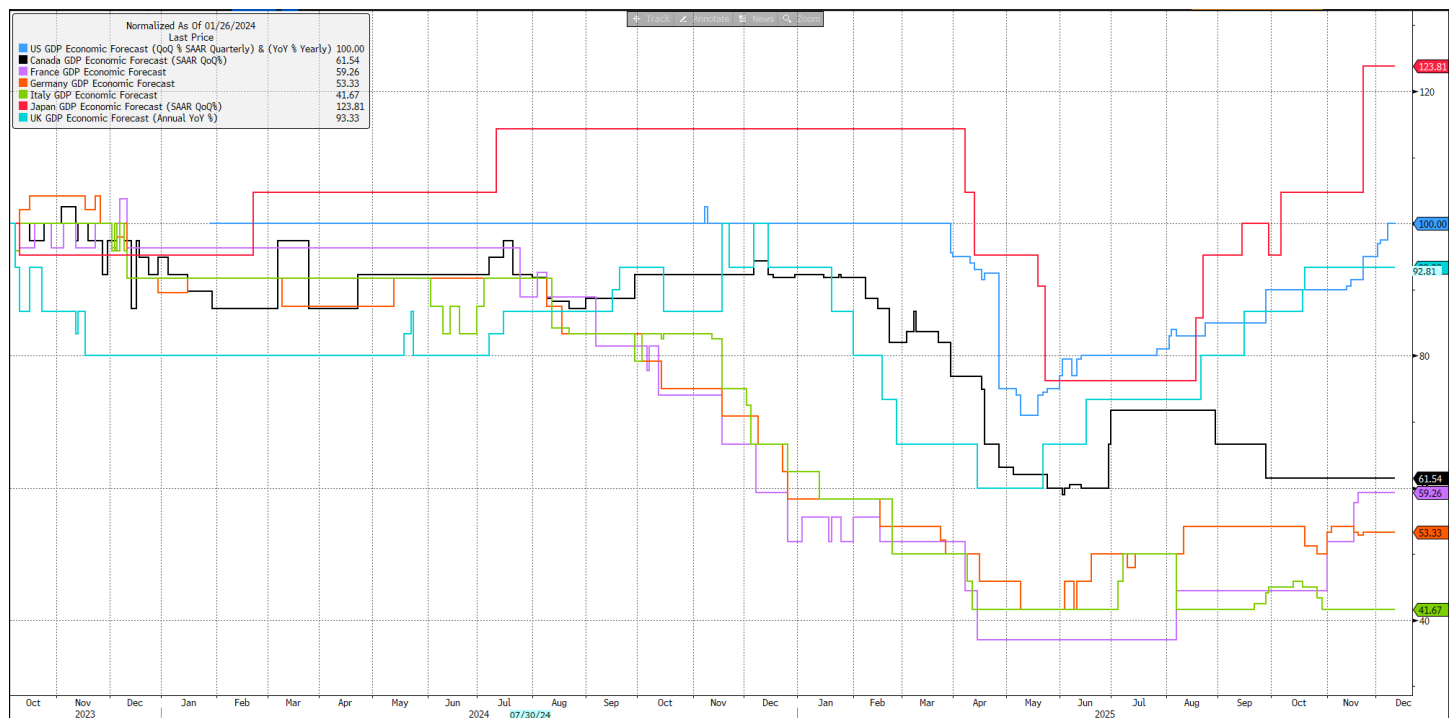
The data and commentary provided herein is for informational purposes only. No warranty is made with respect to any information provided. It is offered with the understanding that Hilltop Holdings Inc., PlainsCapital Corporation, Hilltop Securities and PlainsCapital Bank (collectively "PCB") are not, hereby, rendering financial and/or investment advice, and use of the same does not create any relationship with PCB. This is neither an offer to sell nor a solicitation of an offer to buy any securities that may be described or referred to herein. PCB does not provide tax or legal advice. Please consult your own tax or legal advisor regarding your specific situation. Whether any of the information contained herein applies to a specific situation depends on the facts of that particular situation. Investment and estate planning and management decisions may have significant financial consequences and should be made only after consulting with professionals qualified to offer legal, accounting and taxation advice. Neither this document nor any portion of its content's supplements, amends or modifies any account agreement with PCB. Unless otherwise noted:

\*All economic release data referenced from public sources believed to be accurate

\*The source of data for all charts/graphs included in this presentation is Bloomberg LP.

\*Figures quoted represent monthly changes (m/m) and are seasonally adjusted

Globally, economic signals were mixed. Canada's GDP grew 2.6% quarter-over-quarter annualized in Q3, while Eurozone sentiment indicators showed tentative stabilization amid structural challenges. Germany's Ifo survey reflected softer expectations despite a slight improvement in current conditions. In Asia, China's manufacturing PMI stayed below 50 at 49.2, offset by targeted stimulus measures, while Japan's inflation data remained strong, supporting expectations for a potential Bank of Japan rate hike. Emerging market currencies strengthened, with the JPM EM FX Index reaching a 52-week high, driven by gains in MXN, BRL, and ZAR.



The data and commentary provided herein is for informational purposes only. No warranty is made with respect to any information provided. It is offered with the understanding that Hilltop Holdings Inc., PlainsCapital Corporation, Hilltop Securities and PlainsCapital Bank (collectively "PCB") are not, hereby, rendering financial and/or investment advice, and use of the same does not create any relationship with PCB. This is neither an offer to sell nor a solicitation of an offer to buy any securities that may be described or referred to herein. PCB does not provide tax or legal advice. Please consult your own tax or legal advisor regarding your specific situation. Whether any of the information contained herein applies to a specific situation depends on the facts of that particular situation. Investment and estate planning and management decisions may have significant financial consequences and should be made only after consulting with professionals qualified to offer legal, accounting and taxation advice. Neither this document nor any portion of its content's supplements, amends or modifies any account agreement with PCB. Unless otherwise noted:

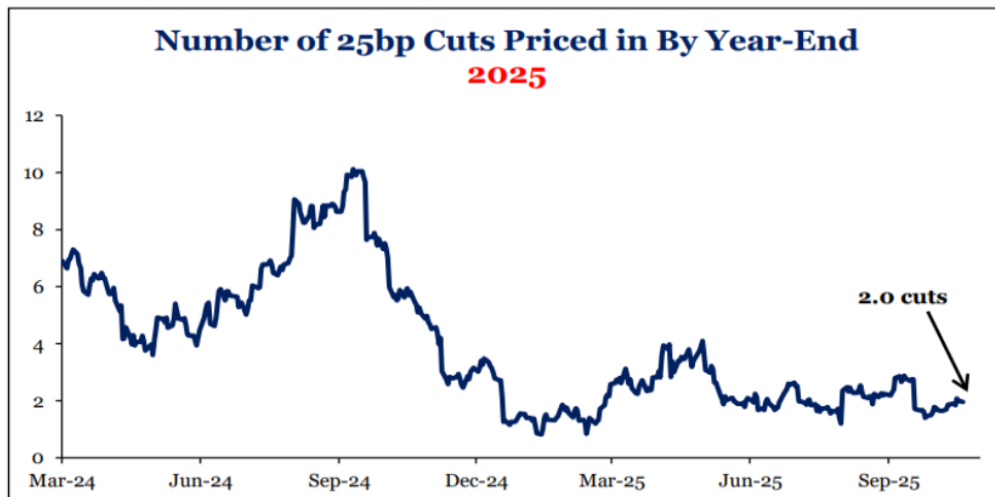
\*All economic release data referenced from public sources believed to be accurate

\*The source of data for all charts/graphs included in this presentation is Bloomberg LP.

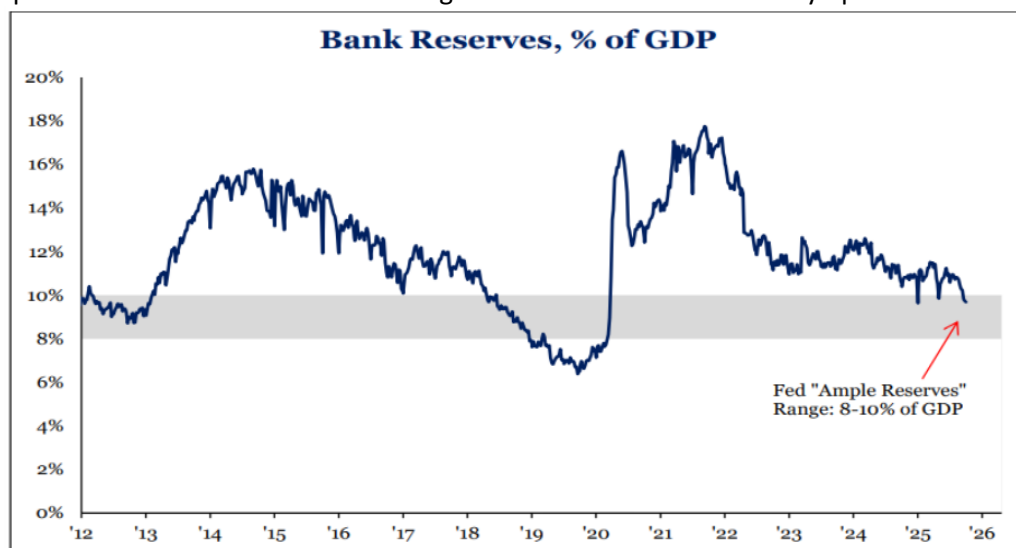
\*Figures quoted represent monthly changes (m/m) and are seasonally adjusted

## Monetary Policy & Fed Outlook Highlights

Recent developments in U.S. policy indicate a major shift in monetary, fiscal, and liquidity conditions. The Federal Reserve completed its Quantitative Tightening program on December 5th, which could save \$265 billion in bank reserves annually. This change is roughly equivalent to a quarter-point rate cut and aligns with market expectations for further rate reductions.



Chairman Powell's comments before liquidity-draining events like tax payments and Treasury settlements emphasize the need for this policy change. The Treasury's questions about reinvestment strategies indicate a shift in monetary operations.



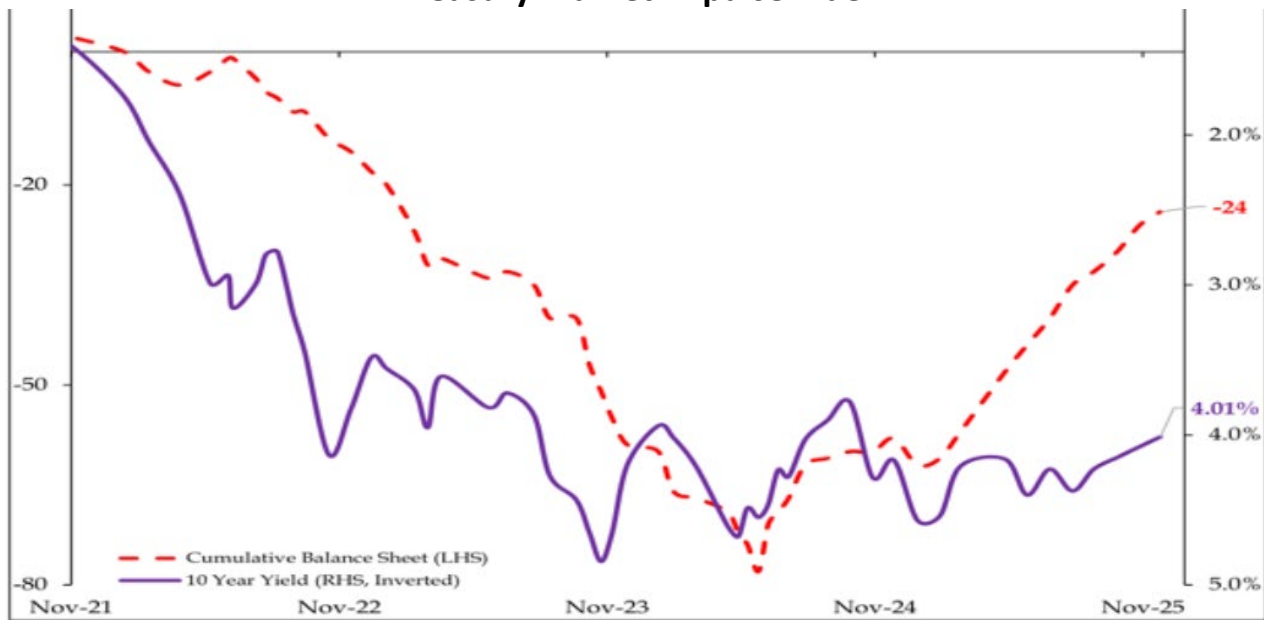
On the fiscal front, the administration is moving toward a policy framework marked by significant tax cuts, deregulation, and strategic reshoring. This approach indicates a multi-year positive impact on economic growth. The bipartisan support for fiscal stimulus requires monetary backing, including possible yield curve control and targeted balance sheet expansion. Recent and upcoming measures—such as \$100 billion in business tax cuts and \$150 billion in consumer aid—highlight the scale of fiscal support.

### Critical points for policy

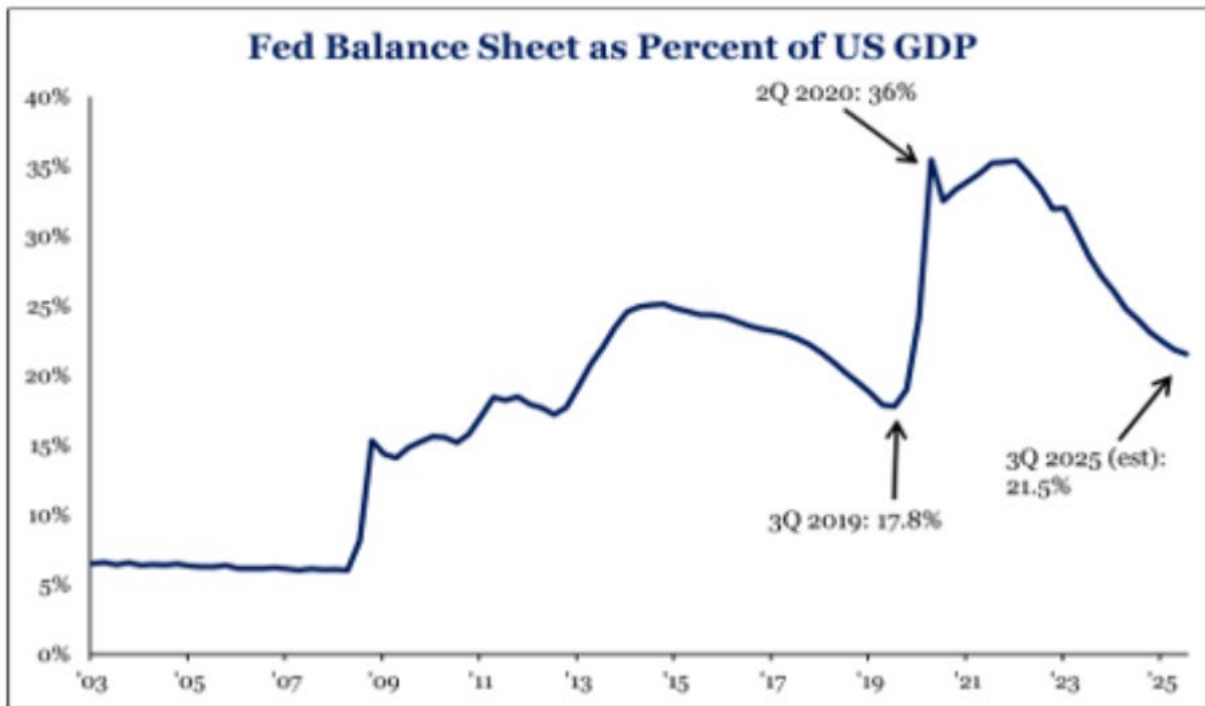
- The Fed concluded Quantitative Tightening on December 5.
- Policy change saves \$265 billion each year in bank reserves.
- Change is approximately a quarter-point rate cut.
- Administration plans tax cuts, deregulation, and strategic reshoring.
- Fiscal measures include \$100 billion in business aid and \$150 billion in consumer aid.
- Liquidity tightened due to large October tax payments.



## Treasury Market Impulse Index



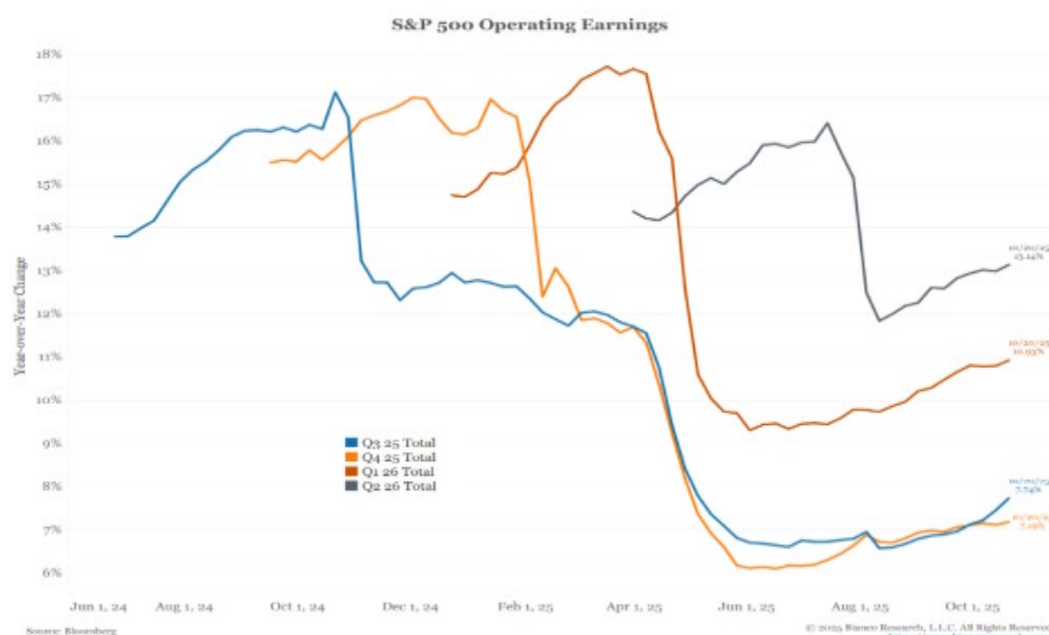
Liquidity conditions have tightened due to large October tax payments, especially in areas with high capital gains. These payments decrease bank reserves by transferring funds to the Treasury General Account, affecting market liquidity.



## Corporate Profitability Highlights

Recurring themes in the U.S. corporate profitability report include the stabilizing influence of corporate earnings on the broader economy and the importance of sector-specific performance, especially in financials and technology. Corporate profits serve as a buffer against macroeconomic volatility, and the overall growth trend, while slow, is getting better. Looking ahead, stimulus measures like the OBBB bill are expected to support consumer spending, which could further boost corporate results. As companies keep updating their guidance, maintaining a balanced view will be key for understanding trends and managing investor expectations.

Corporate profitability in the U.S. continues to demonstrate resilience amid shifting economic conditions. S&P 500 earnings are forecasted to grow by 7.74% in the fourth quarter of 2025 and exceed 10% in early 2026.

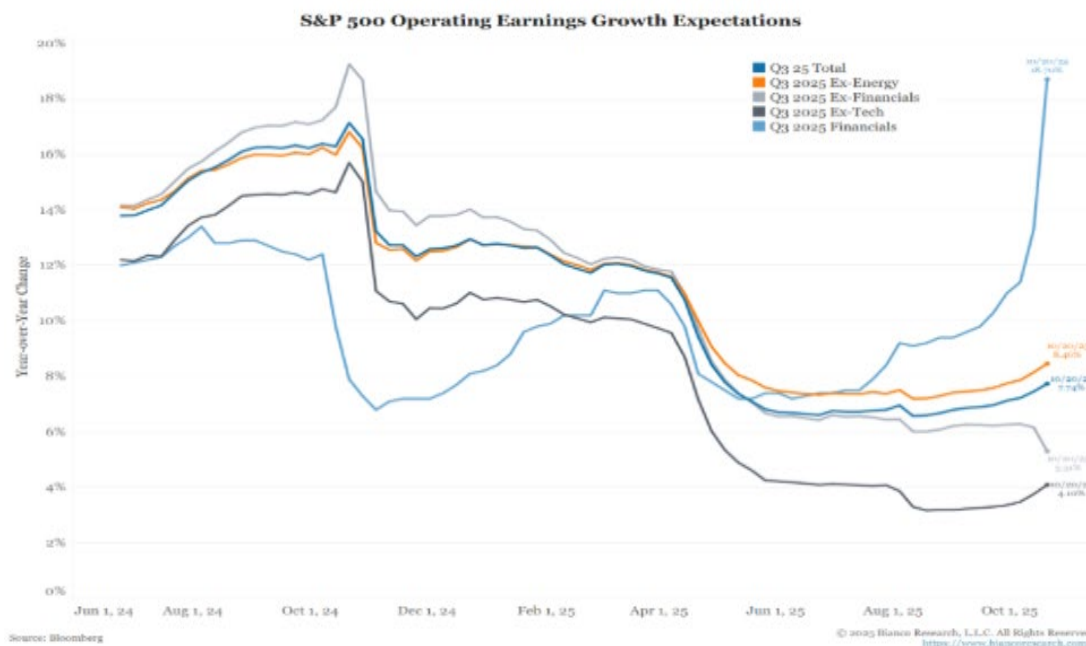


Financials have increased significantly this year, with nearly 19.4% growth. Still, Technology remains a key driver, with earnings expected to grow by 22.2%. However, any disruptions to AI-related capital spending could affect this outlook and have major repercussions for the broader market. Healthcare, on the other hand, faces challenges, with earnings expected to decline by 4.6%. That said, analysts' estimate revisions, which are usually conservative before earnings season, have been gradually increasing as companies report stronger-than-expected results from Q3.

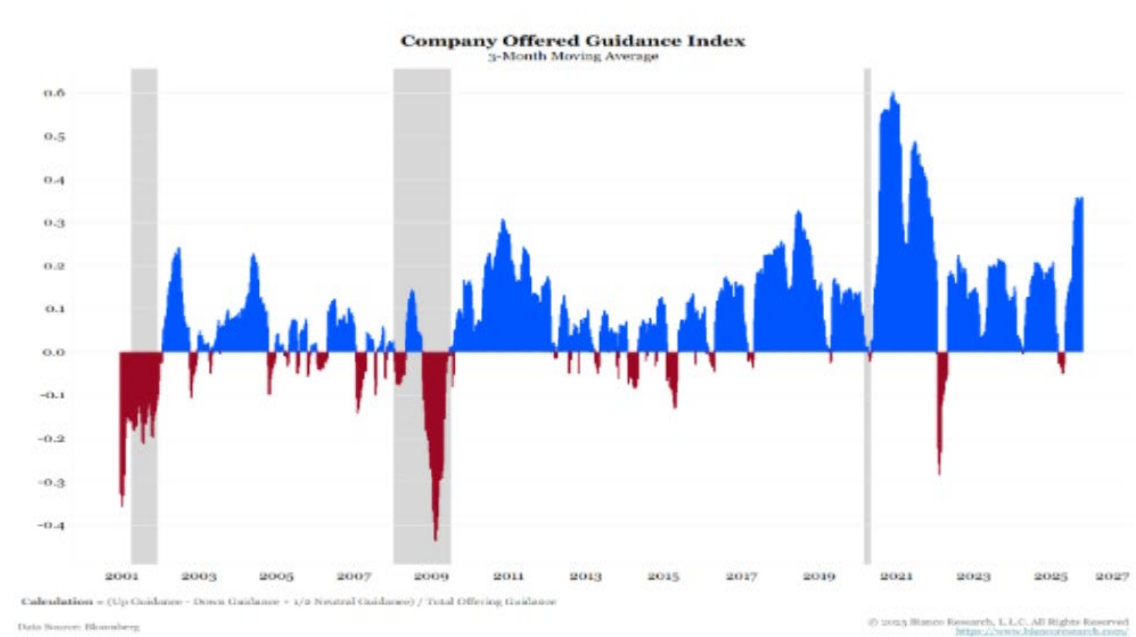
### Critical points for profitability

- Corporate earnings contribute to stabilizing the economy amidst volatility.
- S&P 500 earnings are projected to grow by 7.74% in Q4.
- Technology leads with 22.2% growth; financials increase by 19.4%.
- Healthcare earnings are expected to decrease by 4.6%.
- Stimulus measures such as the OBBB bill could increase consumer spending.
- Analysts' forecasts are increasing after better-than-expected Q3 results.
- Guidance Index indicates an optimistic corporate outlook despite uncertainties.





The Guidance Index presents a mostly optimistic view from corporate management, showing confidence in year-end results despite broader uncertainties. This optimism aligns with the larger economic outlook, where GDP growth has been revised upward and consumer sentiment remains strong. Even with ongoing concerns about the business outlook through 2025, companies still expect a positive year-end.



Over a three-month rolling period, analysts had been lowering their expectations until recently. However, now they seem to be becoming more optimistic and are boosting their forecasts, according to the Citi Global Earnings Revision Index. Why might they be increasing their projections if everyone is predicting an economic slowdown? The main reason could be that company management has remained very optimistic.

**Sources:** BLS, BEA, Census Bureau, Federal Reserve, Strategas Research, Bloomberg

The data and commentary provided herein is for informational purposes only. No warranty is made with respect to any information provided. It is offered with the understanding that Hilltop Holdings Inc., PlainsCapital Corporation, Hilltop Securities and PlainsCapital Bank (collectively "PCB") are not, hereby, rendering financial and/or investment advice, and use of the same does not create any relationship with PCB. This is neither an offer to sell nor a solicitation of an offer to buy any securities that may be described or referred to herein. PCB does not provide tax or legal advice. Please consult your own tax or legal advisor regarding your specific situation. Whether any of the information contained herein applies to a specific situation depends on the facts of that particular situation. Investment and estate planning and management decisions may have significant financial consequences and should be made only after consulting with professionals qualified to offer legal, accounting and taxation advice. Neither this document nor any portion of its content's supplements, amends or modifies any account agreement with PCB. Unless otherwise noted:

\*All economic release data referenced from public sources believed to be accurate

\*The source of data for all charts/graphs included in this presentation is Bloomberg LP.

\*Figures quoted represent monthly changes (m/m) and are seasonally adjusted