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# Mike Ryan's 2025 Thanksgiving cheat sheet

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**In what has now become an annual Thanksgiving tradition, my entire family will gather in San Diego to spend the holiday with my daughter and her family. My wife, daughter, son-in-law, two grandsons, and I will rise well before dawn on Thursday and follow in the footsteps of our pioneering forefathers as we embark upon our pilgrimage out west. Rather than having to endure harsh climates, hostile renegades, and meager rations while crossing the Rockies in a Conestoga wagon, we will instead confront the hardships of limited legroom, pushy passengers, and stale Biscoff cookies while traversing the continent at 30,000 feet in an Airbus 321.**

Upon arrival, we will once again muster the eclectic collection of relatives, in-laws, friends and neighbors who have come to comprise our annual holiday celebration. As always, I feel the need to prepare myself beforehand for when the conversation invariably shifts away from recent births, pending divorces, childhood achievements, and medical maladies and gravitates toward macroeconomics, public policy, geopolitics, and financial market topics.

I have therefore once again put together a "cheat sheet" to sustain myself against this onslaught of conversational broadsides.

It is my hope that you also find these reflections helpful as you brace for your own holiday gatherings.

## **Is AI a Bubble?**

Keep in mind that bubbles are almost impossible to forecast beforehand, difficult to identify even as they unfold, and challenging to understand once they have transpired. But just because we can't offer a definitive conclusion doesn't mean there isn't value to be gained through the process of addressing the question.

Let's start with evidence suggestive of a bubble. Valuations are admittedly stretched, with NVIDIA currently trading at a multiple above 50x and the "Mag 7" now accounting for about 35% of total S&P 500 market cap. Meanwhile, an increasingly aggressive capital spending cycle is being funded through non-traditional "circular financing" arrangements whereby investments in one enterprise are recycled to purchase products sold by the investing companies. There is also excess hype surrounding successful AI adoption, as companies report that more than three-quarters of all AI applications currently fail to meet initial expectations. But it's also important to remember that this is no mere rehash of the dot-com era. AI is already generating real revenues, with some estimates putting total global AI-related sales as high as \$750 billion for 2025. Commercial adoption has accelerated sharply, with nearly 90% of companies reporting regular use of AI, according to McKinsey.

Keep in mind also that the capital investments being made in chips, servers, and data centers have tangible value regardless of the AI applications. It's true that the ROI on many capital investments will fall short of expectations, tech-heavy investment portfolios will suffer episodic drawdown, and the majority of startups will fail. However, it's equally true that as the use case broadens and commercial applications proliferate, the ongoing monetization of AI will yield extraordinary returns to the companies wise enough to deploy the technology prudently and bold enough to employ it creatively.

### **Do tariffs still represent a significant market risk?**

While much ink has already been spilled on the subject of current tariff policy, it's still instructive to understand their nature and purpose.

While prior administrations have merely viewed tariffs as one dimension of trade and commercial policy, the Trump administration instead employs them as a primary tool for achieving a broad range of both foreign and domestic policy objectives. For example, while sweeping reciprocal tariffs have been leveraged to reverse chronic trade imbalances, more targeted strategic tariffs are intended to restore domestic capacity in certain goods deemed important to our national security interests.

Likewise, while across-the-board universal tariffs are being employed to generate revenues, selective ad hoc tariffs are intended to affect specific foreign policy goals. This suggests that tariff policy will remain a persistent and periodic risk to markets. Nonetheless, businesses have already adapted to existing tariff policies and are better able to adjust to new tariff threats. The impact on consumers has thus far been muted and largely manageable.

What's more, with the administration now focused upon negotiating individual trade deals, effective tariff rates are likely to trend moderately lower. This suggests that we have passed "peak tariff risk." So while threats will intermittently resurface as the administration looks to effect a host of differing policy outcomes via the use of tariff, these now represent more of a distraction to market performance rather than a primary determinant of their outcome.

### **How serious is the threat to the Fed's independence?**

The current administration's efforts to directly influence monetary policy have understandably raised concerns over the Fed's independence. But these concerns are neither new nor novel.

While we now take the independence of our central bank for granted, it is important to note that through much of its early existence the Fed was frequently subjected to political pressure from both the executive and legislative branches.

In the years immediately following passage of the Federal Reserve Act of 1913, the Fed became the primary source for funding the Allied war effort, and it remained the Treasury's official fiscal agent even after the war. The Fed's role in supporting government financing practices continued right through both the Great Depression and Second World War. While the Treasury-Federal Reserve Accord of 1951 in effect memorialized central bank autonomy, elected officials from both parties still sought to influence monetary policy-making over the ensuing decades. These current attacks upon the Fed are therefore not without precedent. But despite these challenges the Fed has managed to retain and even strengthen its independence. This is largely a function of the Fed's structural elements that have evolved over the years through both legislative action and policy necessity. For example, Fed governors serve overlapping 14-year non-renewable terms, which limits the ability of any one president to "stack" the FOMC. What's more, five of the 12 regional reserve bank presidents (none of whom are nominated by the President) serve as FOMC voting members on a rotating basis. Presidents are only able to remove governors for "cause," which is deemed to include "inefficiency, neglect of duty, or malfeasance." Although the President is currently seeking to have Fed Governor Lisa Cook removed for cause, the district court has issued a preliminary injunction against the action and the Supreme Court has rejected the administration's emergency appeal.

Finally, each of the five candidates currently under consideration to succeed Jay Powell have an understanding and an appreciation for the importance of the Fed's independence. While I believe several would make exceptional Fed Chairs, I'm also confident that all would make competent ones.

Bottom line: Despite ongoing threats by the Trump administration, the Fed will effectively defend and retain its hard won independence, in my view.

### **How durable is the current economic expansion?**

The current US economic expansion has run for just over four and a half years—or about six months shy of the post-war average. Whether or not this expansion manages to exceed the historical average will depend to a large degree upon the resiliency of labor markets, the implications of policy choices, and durability of AI capital spending.

While it appears that job growth has slowed and wage gains have moderated, overall labor market conditions remain supportive of real income growth. Meanwhile, the Fed retains an overall easing bias and is likely to cut rates at least twice more times by mid-2026 even though inflation remains above their preferred 2% target rate. Although the full impact of tariffs has yet to be felt, the impact would appear manageable, as consumers have adjusted and business have adapted. It is likely that businesses will begin to scale back the pace of AI-related spending over time as the infrastructure buildout matures. However, there is little to suggest that this will happen anytime soon as the race for AI dominance continues unabated.

Overall then, still-positive personal income growth, a strong “wealth effect” from higher asset prices, an easing of monetary policy, and continued strong AI spending should help extend the current expansion beyond the historical average.

Happy holidays,  
Mike Ryan – Vice Chair, UBS GWM US

### **Holiday Bonus**

As a bonus I have included several book suggestions on selective topics as gift ideas, especially curated for those with decidedly eclectic tastes:

- *Against the Machine: On the Unmaking of Humanity*, by Paul Kingsnorth
- *Our Dollar, Your Problem: An Insider's View of Seven Turbulent Decades of Global Finance, and the Road Ahead*, by Ken Rogoff
- *World on the Brink: How America Can Beat China in the Race for the Twenty-First Century*, by Dmitri Alperovitch and Garrett Graff
- *The Struggle for Taiwan: A History of America, China and the Island Caught Between*, by Sulman Khan
- *The History of the Peloponnesian War*, by Thucydides
- *The Age of AI: And Our Human Nature*, by Dan Huttenlocher, Henry Kissinger and Eric Schmidt
- *The Coming Wave: AI, Power and Our Future*, by Mustafa Suleyman
- *Secrets of the Temple: How the Federal Reserve Runs the Country*, by William Greider.

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