

Market Perspectives

November 2025



Market volatility picks up as sustainability of AI spending is questioned.

Index	MTD	QTD	YTD	2024	2023	2022
S&P 500	0.25	2.59	17.81	25.02	26.29	-18.11
Dow Jones Industrial Average	0.48	3.08	13.88	14.99	16.18	-6.86
Russell 2000	0.96	2.79	13.47	11.54	16.93	-20.44
NASDAQ Composite	-1.45	3.21	21.71	29.57	44.64	-32.61
Europe, Australia, & Far East (EAFE)	0.64	1.84	28.03	4.35	18.85	-14.05
MSCI Emerging Markets	-2.38	1.71	30.41	8.05	10.27	-19.78
Bloomberg Barclays U.S. Aggregate Bond	0.62	1.25	7.46	1.25	5.53	-13.04
Bloomberg Barclays U.S. Corporate High Yield	0.58	0.74	8.01	8.19	13.45	-11.19

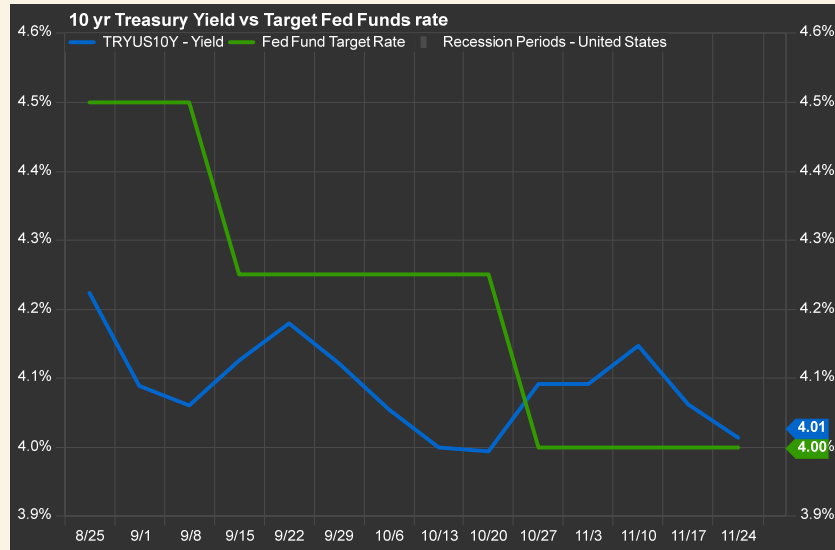
As of 11.30.2025; Returns in percent

FINANCIAL MARKET PERFORMANCE

US equities put in mixed performance in what was a volatile month of November. The S&P 500 eked out a gain of 0.25% after trading down more than 4.5% at one point in the month but rebounded to post a positive return for the seventh straight month. Notably, the equal-weight S&P 500 rallied ~2%, as market breadth improved. The Nasdaq, however, fell 1.45% and snapped a seven-month winning streak. Artificial Intelligence (AI) related names, including most of the Mag 7, fell during the month on fears of a bubble in AI spending and thus dragged the Nasdaq Composite to a loss. The small cap Russell 2000 Index was the best performer of the major indices, rising 0.96% for the month.

Without the support of a falling US dollar, foreign equities also had a difficult month. The MSCI EAFE index produced a small gain of 0.64%, and the MSCI Emerging Markets Index dropped 2.38%.

Bond yields were stable during the month, allowing investment grade bonds to earn their coupon. As a result, the Bloomberg US Aggregate Bond index gained 0.62% and the High Yield Bond index, which tends to be more closely correlated to stocks, gained 0.58%. In contrast to earlier in the year, longer-term interest rates have now traded in a stable range for the past three months, while the Fed Funds rate has fallen, which is positive for financial market returns.

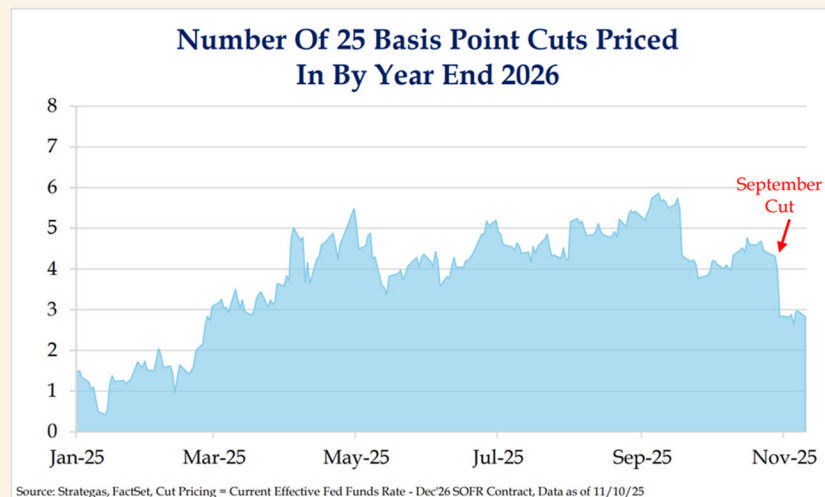


Source: FactSet As of 12.1.25

PERFORMANCE DRIVERS

Amid a lot of potentially negative moving pieces and volatility last month, the optimistic fundamental narrative supported by double-digit earnings growth, a solid macro-economic backdrop, elevated Mag 7/AI Capex, strong retail demand for stocks, favorable seasonality (i.e. Santa Clause rally) and looming fiscal stimulus/tax refunds from the One Big Beautiful Bill kept the bullish tailwind in place.

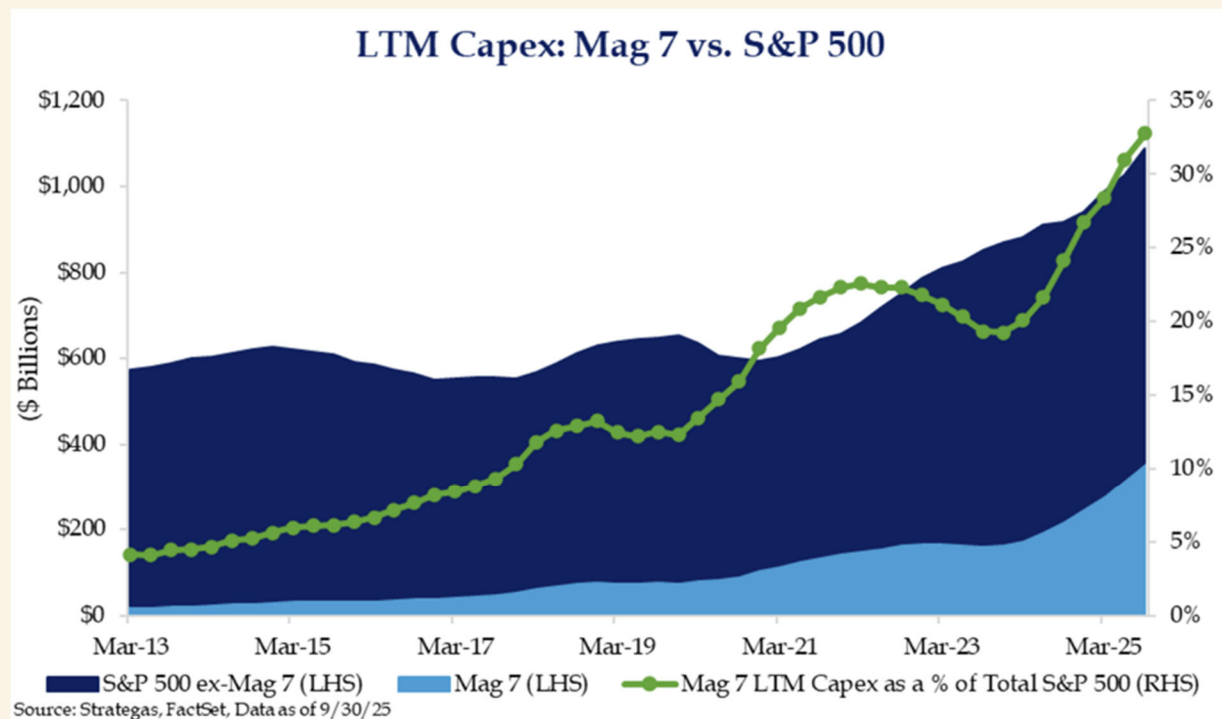
On the Fed front, spillover from Fed Chair Powell's late-October FOMC press conference comments that a December rate cut is not a foregone conclusion ("far from it"), hawkish Fed-speak and October FOMC minutes that noted "many" Fed officials suggested it would likely be appropriate to keep rates unchanged for the rest of the year pushed the probability of a December rate cut below 30% at one point mid-month. However, a weaker than expected September labor report (postponed due to government shutdown) combined with more dovish comments from Fed members triggered a meaningful reversal, with December rate cut odds accelerating to above 80% in the final week of the month. In fact, markets are now pricing in 3 more rate cuts between now and the end of 2026.



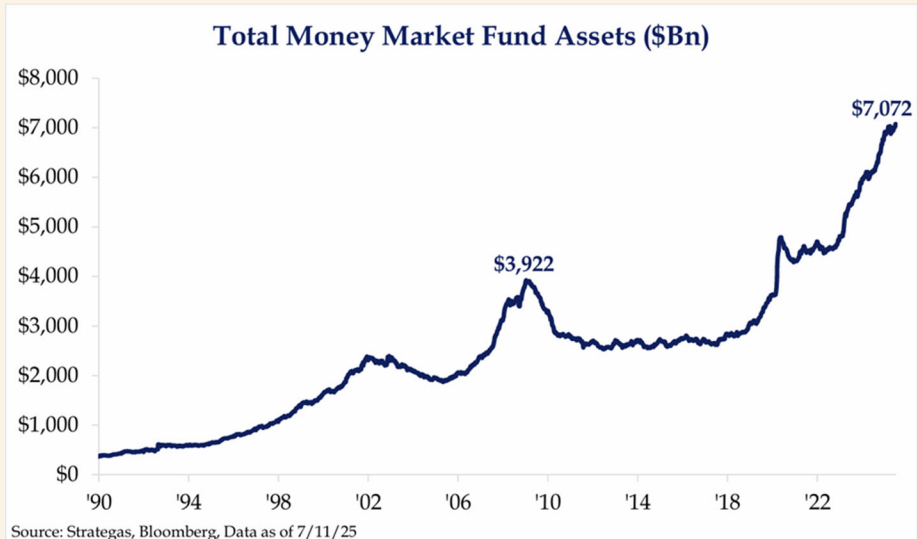
Source: Strategas, FactSet, Cut Pricing = Current Effective Fed Funds Rate - Dec'26 SOFR Contract, Data as of 11/10/25

Turning to the AI scrutiny theme, the usual suspects were in focus. These included concerns over the sustainability and quality of Capex spending commitments, return on investment and productivity uncertainty, vendor financing circularity and China competition. OpenAI remained in the crosshairs (\$1.4T in spend commitments vs only \$13B in revenue), while the financial press highlighted the increasing use of complex debt financing options. Late in the month, the Google Gemini 3 launch was seen as a possible negative given the newfound competition it may create for Nvidia's GPUs.

The ramp in December Fed easing expectations drove the big bounce over the last five days of November, with some help from improved valuations (esp. for Mag 7) and progress following the reopening of the US government. Corporate earnings remained the big bullish talking point with a nearly complete Q3 earnings season delivering growth of 13.5%, well above the 7.9% expected at the end of September. Despite all the AI scrutiny, there was no shortage of evidence about the insatiable demand for AI computing power. This was best highlighted by Nvidia, which beat Q3 revenue by ~\$2B and guided Q4 revenue nearly \$3B above consensus. AI spending continues to be key for earnings growth in 2026, as the Mag 7 Capex now accounts for 33% of total S&P 500 Capex.

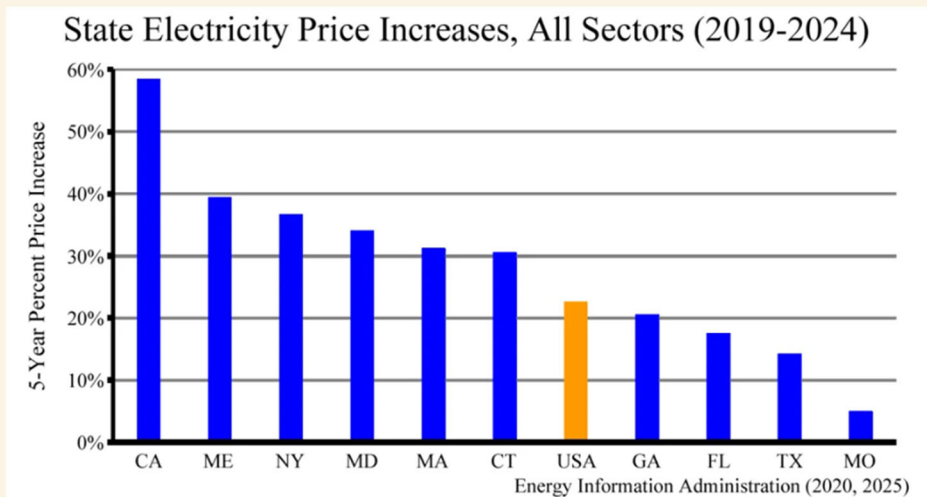


Finally, consumer demand for stocks is expected to grow as the mountain of cash In Money Market funds seeks higher yielding investments while the Fed continues to lower the Fed Funds rate and Money Market yields decline.



SIDE NOTE—ARE FOSSIL FUELS STILL A GOOD INVESTMENT?

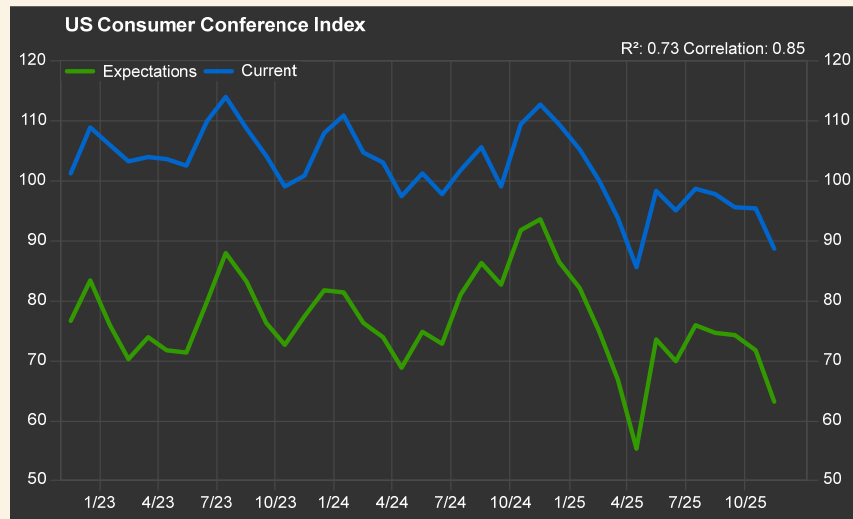
We’ve all seen and felt the sharp increase in electricity prices over the recent past. In addition to increased demand for AI and industrial uses, is the push for more “green energy” a chief culprit behind this rise in electricity prices nationally? The chart below shows that states with more restrictive fossil fuel policies (and an emphasis on more renewable/clean energy production) have seen the largest rise in energy prices over the past 5 years (e.g. CA, NY), while states with fewer restrictive policies (e.g. TX, FL) have seen prices rise by less than the national average. This pattern has been mirrored in certain European economies as well. As government bodies begin to understand the economic advantage of supporting growth in fossil fuel production, we could very well see crude oil and natural gas prices rise from the current somewhat soft levels over the intermediate term. Such a trend should benefit investors in these industries.



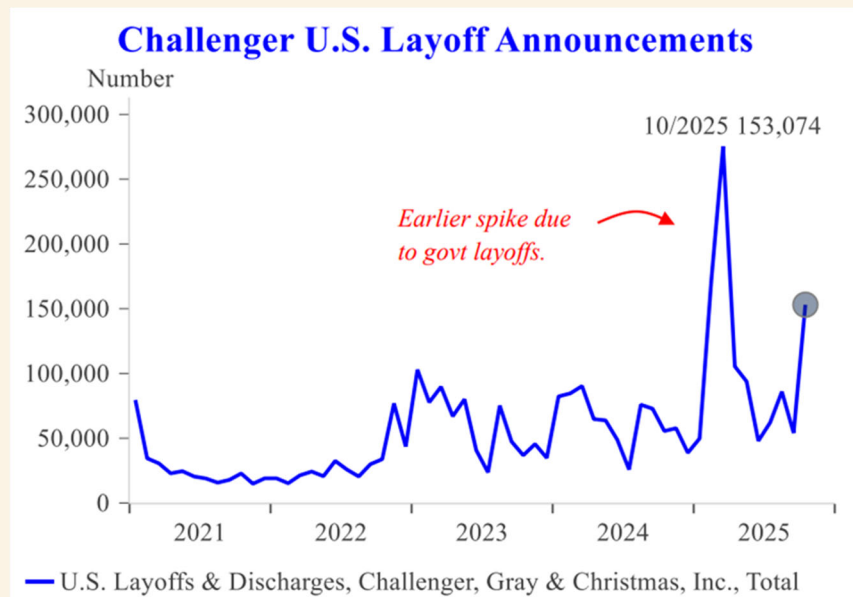
THE BEARISH NARRATIVE

Key bearish talking points include the excessive valuation of stocks relative to history, labor market weakness and the impact on consumer spending, the potential for fewer Fed rate cuts (and higher interest rates across the curve) than expected, the dependence on AI spending to drive earnings growth, and sticky inflation and affordability challenges.

Consumer confidence, both in current conditions and future expectations, took a nosedive in November and reflected consumer concerns about the state of the economy. This coupled with rising layoffs (we've had the second highest level of layoffs for the first 10 months of the year since 2009) could well have a negative impact on consumer spending, which drives 70% of US GDP.

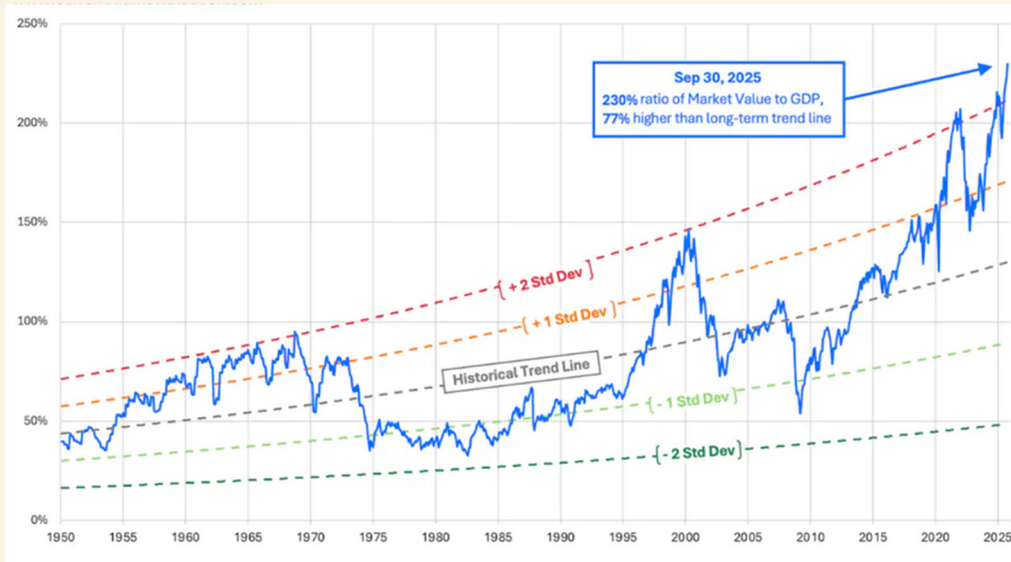


Source: Factset As of 12.1.25

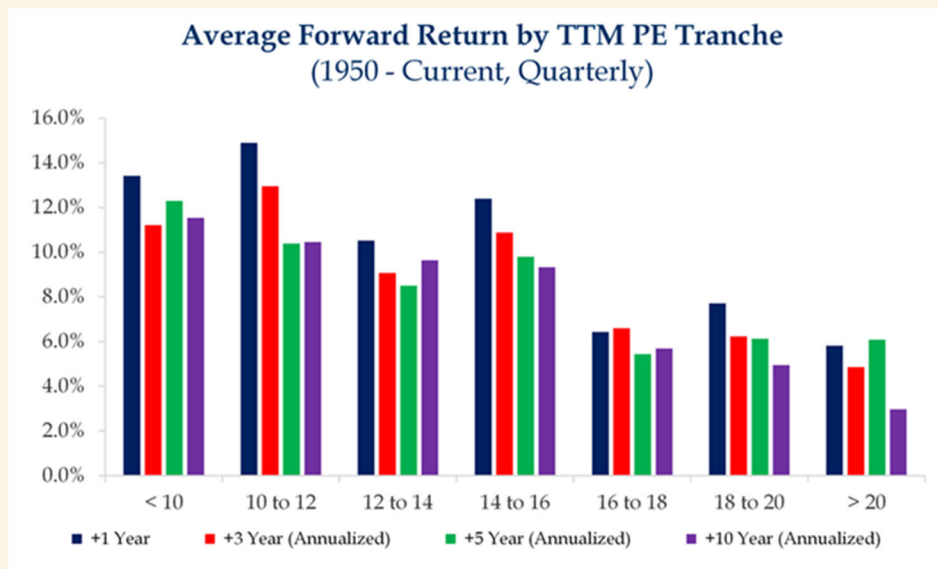


Source: Strategas As of 10.31.25

And, not to harp on the stock market valuation issue, but US stocks are now trading at 230% of GDP, (i.e. the Buffet Indicator), a level that is 77% higher than its long-term trend. Stocks don't fall just because they become too expensive per se, but such a valuation level today is likely to mean more meager gains in the years to come.



Source: Current Market Valuation As of 9.30.25



Source: Strategies As of 12.1.25

WHAT TO EXPECT & INVESTMENT PORTFOLIO IMPLICATIONS

Despite the stock market volatility seen in November, the market trend continues to be favorable as we move through the 4th quarter, given strong corporate earnings growth, the likelihood of an even lower Fed Fund rate by year end, and positive seasonality. However, we continue to believe that the best strategy for long-term investors is a healthy mix of stocks & bonds, US & foreign investments, as well as publicly traded and private investments. Diversification, including private alternatives, is even more imperative today given what appears to be excessive valuation levels in US stocks.

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