MARKET REVIEW & OUTLOOK

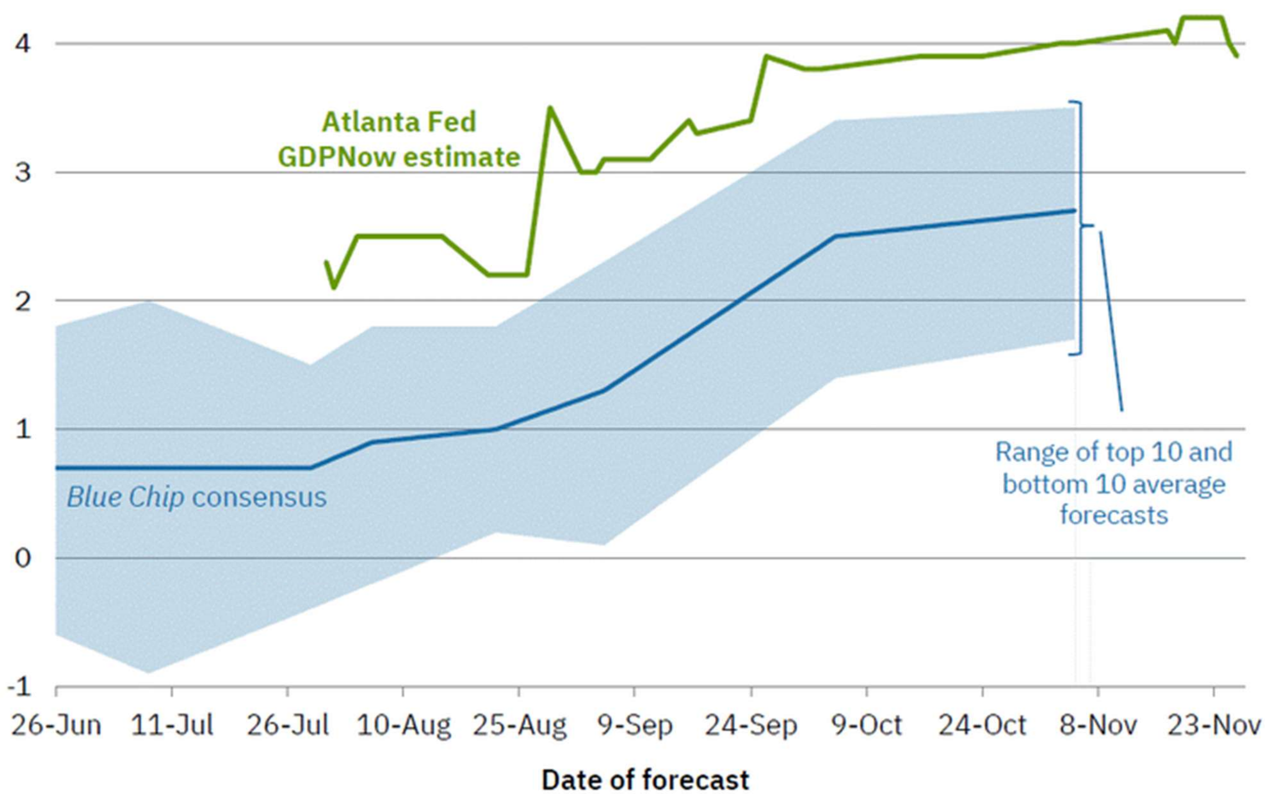
NOVEMBER 2025

KEY TAKEAWAYS

- **Equities:** Fed Head Powell's indication a December rate cut was not on autopilot led to a sharp drawdown. The doves came out at the end of the month which triggered a ferocious rally.
- **Fixed Income:** The U.S. 10-year Treasury Yield held in a tight range until the government reopened and started releasing data, driving yields back down toward 4%.
- **Crude oil** continues to drift lower.
- The government shutdown finally ended mid-month, though economic data is still sparse.

The U.S. Economy

The second read for 3rd quarter GDP also did not happen because of the government shutdown. So again, we turn to the only data we have, the 3rd quarter GDP estimates, which are also likely impacted by the lack of government data, continues to show more growth with GDPNow estimate remaining near +4%, and the Blue-Chip consensus forecast has moved up to almost +3%, as shown in the chart below. It appears that GDP was strong in the 3rd quarter, though inflation was perking up but employment stabilized in the September report.



Sources: *Blue Chip Economic Indicators* and *Blue Chip Financial Forecasts*
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the *Blue Chip* survey.

Source : https://www.frbatlanta.org/cqer/research/gdpnow

Stocks and Bonds

The U.S. 10-year Treasury yield held tightly to the 4.1% rate for the first few weeks of the month. After the government shutdown finally ended and more data started trickling in, yields slid down to 4%. It's not fully clear if it was weak data or Fed Williams breaking ranks from the hawks and putting his stake in the ground as dovish and supporting a rate cut in December. Either way, the result was a nearly 15 basis point drop in rates the last 6 trading days of the month. Data releases from the government are nowhere near back to normal and some reports may never see the light of day. The big question, will the Fed cut rates at the December meeting? As you can see from the chart below, there was a wild swing in market expectations, which didn't have much impact on Fixed Income, but created a bumpy ride for equity markets.

Source: Bloomberg

Source: https://www.zerohedge.com/markets/silver-soars-record-high-november-climaxes-best-tnxgiving-week-lehman

Another modest decline in yields was a small tailwind for High Quality fixed income, which as measured by the iShares US Aggregate Bond ETF again rose +0.61% for the month. The U.S. 10-year Treasury bond yield ended the month at 4.02%, down from October's close of 4.10%.

The Dow Jones Industrial Average climbed +0.32%, the S&P 500 increased +0.13%, and the small cap iShares Russell 2000 ETF rose +1.02%. The developed international markets traded in line with the U.S. markets, though emerging markets lagged meaningfully. The MSCI EAFE iShares Core International Developed Markets ETF Index gained +0.85%, and the MSCI Emerging Markets iShares Core ETF Index dropped -1.71%.

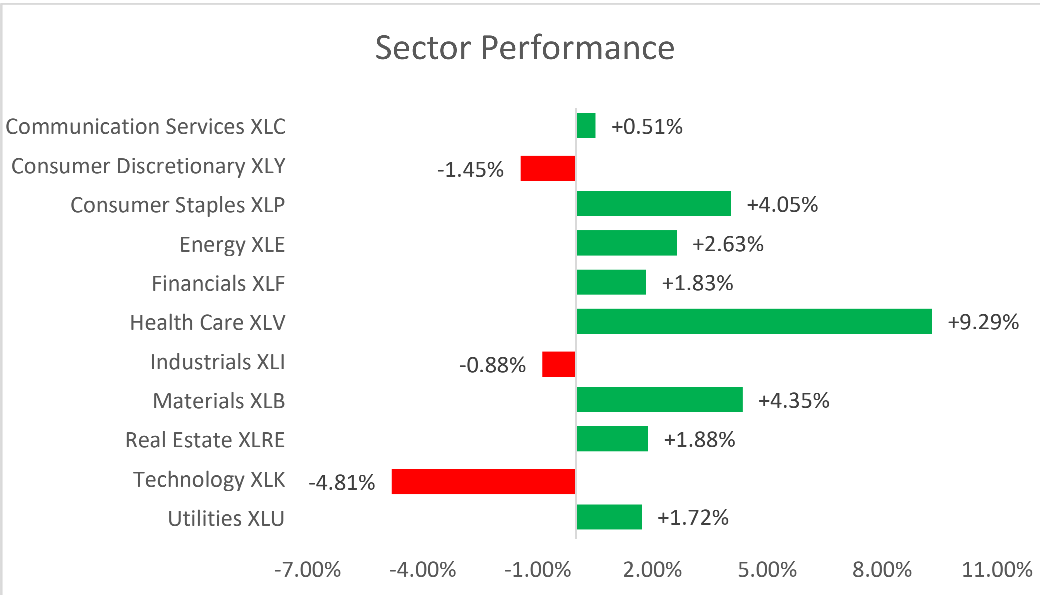
November's sector performance was generally green, though Technology was a big loser.

The best performers were…

- Health Care: +9.29%
- Materials: +4.35%
- Consumer Staples: +4.05%

The worst performers were…

- Technology: -4.81%
- Consumer Discretionary: -1.45%
- Industrials: -0.88%



Source: https://www.morningstar.com

Oil Report

Crude Oil continues to meander lower and this month spent most of its' time below the $60 level. Softness in global demand continues to get headlines along with "glut" concerns for 2026. The geopolitical landscape is also hurting oil prices as there continues to be chatter about a potential peace accord in the Ukraine/Russia conflict. The current NYMEX WTI Crude Oil futures settled at $58.48, losing over 4% from the prior month's close of $60.98 a barrel. RBOB gasoline was again like Crude as well, dropping by over 4% for the month vs. October's close. We are now entering the slower winter season and barring some unexpected event, oil and gas prices are likely to continue drifting lower.

The Rest of the Data

The October ISM Manufacturing Index decreased to 48.7 from September's reading of 49.1, remaining below 50. The ISM Services Index jumped to 52.4 in October, from September's print of 50.0, moving back above the 50 level. Any reading below 50 generally indicates deteriorating conditions and any reading above 50 generally indicates improving conditions. The prices paid component for Manufacturing dropped again and is now below elevated levels and Services' prices remain at highly elevated levels. Consumer confidence plunged to 88.7 in November, which compared to an upwardly revised 95.5 in October, presumably negatively influenced as this was measured near the end of the long government shutdown. The September Jobs report was resurrected after the government shutdown, though October is being canceled. The unemployment rate in September climbed to 4.4%, while the number of jobs added came in at 119,000 in September, beating all expectations. The Consumer Price Index for All Urban Consumers (CPI-U), was not released for October due to the government shutdown. As a reminder, CPI increased +0.3% in September, on a seasonally adjusted basis. Over the last 12 months, the All-Items Index rate rose by +3.0% on a non-seasonally adjusted basis. The CPI ex Food and Energy eased to +3.0% over the last year. Economic growth appears good, the last reported employment data beat expectations, and inflation is both moderating and holding firm at elevated levels. The Fed throwing cold water on the market's expected December rate cut expectation caused a lot of equity volatility but is now once again expected to make another rate cut in December. We will continue to monitor economic activity, policy announcements, and inflation reports for potential shifts.

Summary

Powell, at least temporarily, derailed the equity market rally that we had seen entering November. The wave of hawks continued to weigh on equity prices, as even with the shutdown ending, Federal government data releases were sparse. Late in the month, with the S&P 500 down nearly 5%, the doves returned and markets rallied hard into month end, generally recouping intra-month losses. Now the big question, does the Fed in fact cut interest rates again in December? Further, if a rate cut occurs, will it become a sell the news event given the pace of the recent rally? Lastly, as the government resumes normal operations, how long will it take to get caught up, as we continue to see data delayed. More importantly, what will the data show and how long will it take for the economy to normalize from the disruptions caused by the long government shutdown? Sorry, lots of questions, and at this point very few answers.

More than ever, the markets can be emotional, so we retain our focus on what we can control, which is the amount of equity risk that is taken in a clients' portfolio in concert with the clients' risk tolerance and long-term goals. The markets will always face different "worries", today it is inflation/tariffs vs. growth and interest rates, tomorrow it will be something else. We have built our asset allocation models with dynamic features and quarterly rebalancing, both in fixed income and equities.

If you have specific questions about your portfolio or financial situation, we are here to help. Long-term financial planning is designed to deal with uncertainty like those we discussed above. Our portfolio management process is to design a prudent allocation across many asset classes. Equities are for long-term growth and several vehicles that we utilize offer defensive mechanisms to mitigate equity market declines.

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