



INVESTMENT STRATEGY STATEMENT | November 30, 2025

# Equity Leadership Reverses

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# Performance Review & Outlook

**Equity leadership reversed in November**, with AI-heavy and momentum names stumbling and Technology becoming the month's worst performer as investors questioned the timing and profitability of large-scale AI investment.

**November saw a meaningful rotation beneath the surface**, as stretched valuations and profit-taking in mega-cap tech contrasted with continued strength in quality and balance-sheet-driven names, reinforcing the case for diversification.

**While we remain confident that AI will be a transformational technology**, heavy near-term spending and uncertain payoff timelines mean investors should expect continued volatility as expectations and reality periodically diverge.

**Limited data availability amplified uncertainty**, as the unprecedented cancellation of the October jobs and CPI reports and delay of the November reports left markets without key inputs and contributed to sharper swings in Fed expectations.

**Policy uncertainty remained elevated**, with Powell emphasizing "strongly differing views" inside the Fed and futures markets pricing—but not guaranteeing—another cut, forcing policymakers to approach December's decision "in the fog."

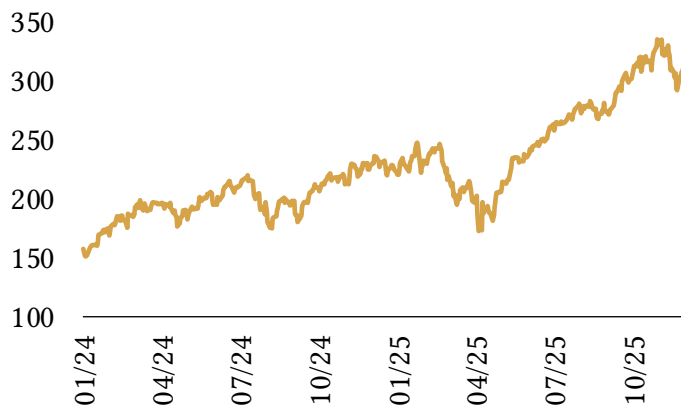
**The 10-year Treasury traded in a tight 4.00%–4.15% range**, briefly rising after hawkish remarks before ending the month near ~4.00% on weaker equities, softer labor estimates, and a modest flight to safety.

## Equity Market Overview

November saw a notable shift in investor sentiment. After months of strong flows into AI-heavy and momentum-driven names, some market participants began to question whether the scale of AI investment—and the eventual return on that investment—could justify current valuations. As a result, there was a reversal of some of the year's biggest momentum trades, and Technology ended November as the worst-performing sector for the month.

A useful illustration of this trend comes from the Goldman Sachs AI Basket Index, which declined roughly -12% from the end of October to November 21 before beginning to recover in the last few trading days of the month. That drawdown reflected investor worries over the pace and profitability of AI spending. While there was some rebound toward month-end, the mid-month slide underscored how fragile investor conviction can be when momentum trades collide with real questions of return on capital and execution.

## Goldman Sachs AI Basket Index



While we remain confident that AI will be a transformational technology and expect heavy investment in the space to continue, investors should be prepared for elevated volatility along the way. The scale of current spending is substantial, but the financial return on these investments will likely take time to materialize, creating periods where expectations and reality temporarily diverge. As a result, sharp swings in sentiment—both positive and negative—are likely to remain a defining feature of the AI theme in the near term.

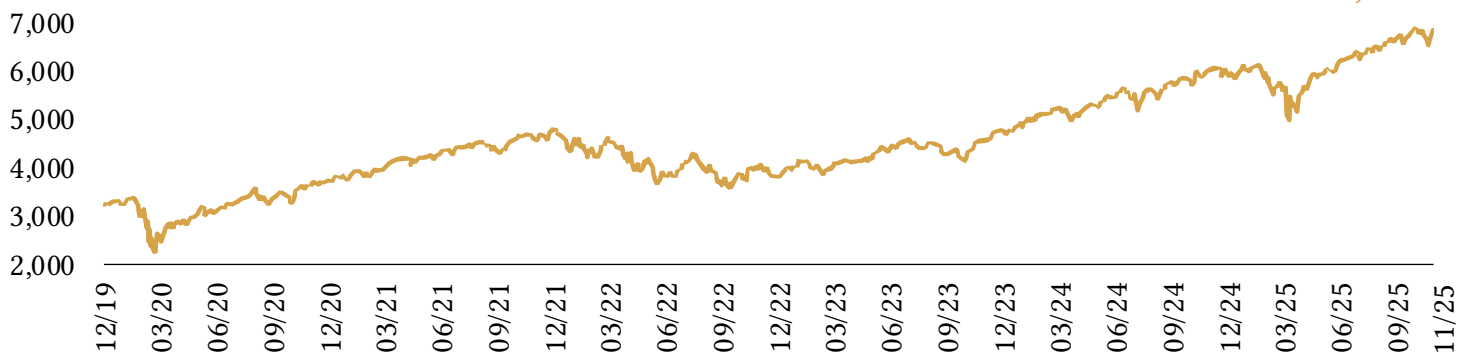
Much of the broader backdrop remains unchanged from what we wrote last month: the U.S. economy continues to show resilience despite policy volatility; tariffs have been less inflationary than feared; interest rates and short-term yields have eased, supporting balance sheets; and corporate fundamentals remain solid, with strong earnings, stable margins, and rising

productivity. Policy tailwinds—from tax changes to regulatory rollbacks—are still encouraging investment, especially in AI, where mega-cap spending is reshaping corporate balance sheets and contributing meaningfully to GDP. At the same time, higher valuations, pressure on lower-income households, a still-large federal deficit, and risks of AI overinvestment temper the outlook. The lack of official October data added to uncertainty, driving sharp swings in Fed expectations and placing even greater importance on the November reports set for release in December.

*As we look toward the remainder of the year, the setup for equities is balanced between the usual seasonal strength in December and a meaningful potential for volatility tied to delayed economic data.*

As we wrote last month, the fundamental backdrop remains broadly supportive, but elevated valuations, uneven consumer strength, as seen in the most recent sentiment and retail sales reports, and uncertainty created by missing data continue to warrant a measured, risk-aware approach, suggesting that investors emphasize quality and diversification in their portfolios.

## S&P 500 Price Index



# Sector and Index Performance

The S&P 500 just barely kept its winning streak alive in November thanks to a late rally to close the month. That marks seven consecutive months of gains for the index.

## Top Index Movers

+0.2%	S&P 500
+0.5%	Dow Jones Industrial Avg.
-1.4%	Nasdaq Composite

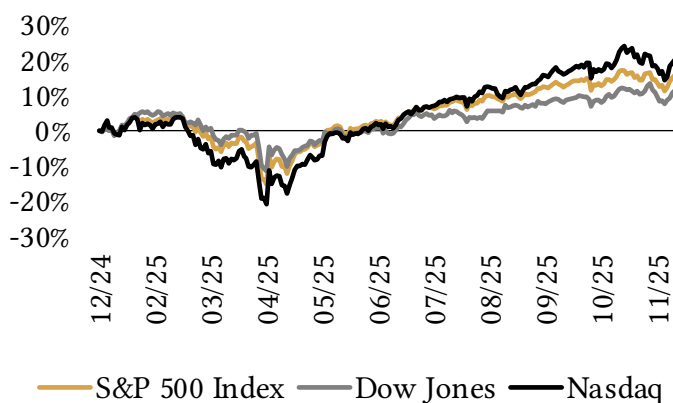
## Outperforming Sectors

+9.1%	Health Care
+6.3%	Communication Services
+3.9%	Consumer Staples

## Underperforming Sectors

-4.4%	Technology
-2.4%	Consumer Discretionary
-1.0%	Industrials

## Index Returns YTD



## Fixed Income Market Overview

U.S. bond markets were relatively quiet in November, largely due to the absence of economic data from the Bureau of Labor Statistics (BLS) and the lack of a Federal Reserve meeting during the month.

*The 10-year U.S. Treasury yield traded mostly around 4.15% before pulling back following more hawkish-than-expected comments from Federal Reserve Chair Jerome Powell after the October FOMC meeting.*

Powell noted that there were “strongly differing views” among policymakers regarding the appropriate path for monetary policy.

By month-end, the 10-year yield had declined toward the 4.00% level, supported by a flight to safety amid weaker equity markets, softer labor estimates, and news surrounding potential frontrunners to be appointed as the next Federal Reserve Chair and the possible effect of that appointment on future policy direction.

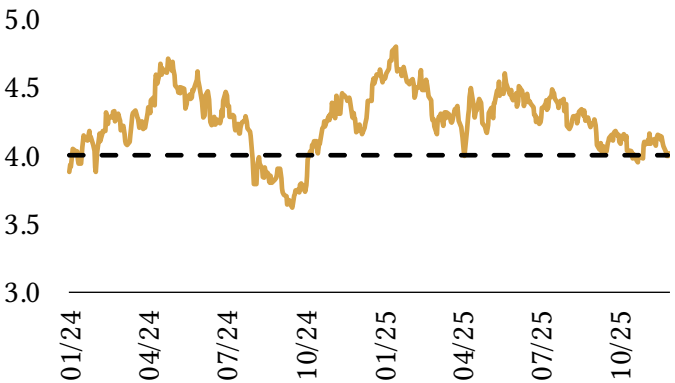
The most notable development in November was the BLS decision to cancel the October 2025 jobs report—an unprecedented action even in prior government shutdowns. This followed the earlier absence of the October CPI release. These two key metrics are central to interest rate policy and have acted as opposing forces for much of the year. The BLS also announced that the November employment report will be delayed until December 16th, rather than the typical first-Friday schedule. The timing is particularly significant, as the Federal Reserve will hold its final FOMC meeting of the year on December 9–10.

With the jobs report unavailable ahead of the meeting, policymakers will be forced to set interest rate policy without one of their key labor inputs. The Fed will, however, receive September Personal Consumption Expenditures (PCE) data on December 5th—its preferred measure of inflation. Addressing the uncertainty, Powell stated, “If you asked me could it affect ... the December meeting, I’m not saying it’s going to, but yeah, you could imagine that. You know, what do you do if you’re driving in the fog? You slow down.”

As of this publication, Fed Funds futures are pricing roughly an 80% probability of a rate cut at the December meeting. However, as seen throughout the year, futures markets are not always reliable predictors of policy outcomes.

*Given Powell’s recent comments and the limited economic data resulting from the shutdown, it is possible that the October rate cut may have been the final move of 2025.*

10 Year U.S. Treasury Yield (%)



12-Month Percentage Change of Indices

Index (Local Currency)	Level	November	YTD	12 Month
S&P 500	6,849.09	0.2%	17.8%	15.0%
Dow Industrials (DJIA)	47,716.42	0.5%	13.9%	8.0%
Nasdaq	23,365.69	-1.4%	21.7%	22.4%
Russell 2000	2,500.434	1.0%	13.5%	4.1%
U.S. 2yr Treasury	3.4893	-2.4%	-17.7%	-15.9%
U.S. 10yr Treasury	4.0132	-1.6%	-12.2%	-3.7%
Gold (NY Spot \$/oz)	4,239.43	5.9%	61.5%	60.4%
Silver (NY Spot \$/oz)	46.5003	16.0%	95.5%	84.5%
Copper (\$/metric ton)	9,560.24	-12.1%	10.5%	7.5%
Oil (WTI Spot/bbl)	58.55	-4.0%	-18.4%	-13.9%
Oil (Brent Spot/bbl)	63.2	-2.9%	-15.3%	-13.4%
Natural Gas (\$/mmBtu)	4.85	17.6%	33.5%	44.2%

Data as of November 30, 2025. Source: FactSet/Bloomberg

# Economic Overview

## Key Economic Indicators



### JOB MARKET

#### Employment Report

The non-farm payrolls report for September was released in November, and showed a gain of 119,000 jobs for the month, better than expected. The unemployment rate ticked up to 4.4%, which is consistent with the low-hire, low-fire environment leading to some slack building in labor markets. The October payrolls report will not be released due to the U.S. government shutdown.

#### Initial Jobless Claims

Initial jobless claims averaged 223,750 for the month of November and continuing claims continued to creep higher to 1.960mm.

### HOUSING MARKET

#### House Prices

The S&P Cotality Case-Shiller U.S. National Home Price NSA Index reported a 1.3% annual gain in September. This represents a significant cooling from the 4.1% increase in January of this year and the 6%+ gains last spring. It is also the third consecutive month of sequential monthly declines in the index.



### PERSONAL INCOME & SPENDING

#### Personal Income & Spending

The PCE report was not released due to the US government shutdown.

# Economic Overview

## Key Economic Indicators



### ECONOMIC GROWTH

#### GDP Growth

The first read on Q3 GDP was not reported due to the U.S. Government shutdown. The Atlanta Fed GDPNow figure ended the month at 3.9%, and the consensus among economists tracked by Bloomberg currently stands at 3.0%. Both figures are well above trend growth for the U.S. economy.

### INFLATION

#### Consumer Price Index (CPI)

The CPI report for October was canceled due to the lack of ability to gather data during the U.S. government shutdown.

#### Personal Consumption Expenditures (PCE) Price Index

The PCE price index was not released due to U.S. government shutdown.



# Conclusion: The Good, The Bad, and The Uncertain

## The Good

Corporate fundamentals remain solid, with earnings generally exceeding expectations and S&P 500 profits projected to rise over 10% in 2025 and 17% in 2026. Companies continue to manage SG&A effectively and leverage technology to improve efficiency, supporting margins even amid slower hiring. Productivity gains remain strong, underpinning long-term economic growth. On the market front, seasonal equity strength remains a potential tailwind heading into year-end, and recent declines in short-term yields have eased financial conditions, supporting both corporate and consumer balance sheets.

## The Bad

The Technology sector saw the worst performance in November amid a pullback in AI and momentum trades, with the Goldman Sachs AI Basket Index down roughly 11% from late October to November 21. Elevated valuations, stretched consumer budgets, and a still-large federal deficit continue to weigh on sentiment. Tariff-related pressures and slower hiring create additional challenges. Meanwhile, the temporary government shutdown has canceled key economic data—including October jobs and CPI reports—making it more difficult for markets and the Fed to gauge conditions accurately.

## The Uncertain

Investor expectations for the Federal Reserve remain highly uncertain. The absence of October labor data ahead of the December FOMC meeting complicates policy forecasting, and while September PCE data will provide some guidance, markets must navigate policy decisions “in the fog,” as Powell noted. Fed Funds futures currently price an ~80% probability of a December rate cut, but actual outcomes are uncertain. In addition, while AI investment is expected to continue, returns will likely take time to materialize, meaning heightened volatility could persist in equity markets as investors reconcile expectations with execution.



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