



Wealth Advisory Market Update

December 15, 2025

# Market Commentary – November 2025

## Equities

November ended with a sharp rally driven by a major shift in expectations for a potential Fed rate cut in December. The probability of a Fed cut surged from 25% to 90% in just ten days. It was enough to push the S&P 500 slightly into positive territory for the month. This marks the index's seventh consecutive monthly gain, its longest winning streak since 2021.

A mark for concern is market leverage continues to grow. Margin debt has reached a record \$1.1 trillion, climbing 40% year-over-year. Household equity allocations are also at all-time highs. Retail investors have been active participants in the rally and are increasingly relying on margin to do so—evidenced by margin debt reaching a record 6.23% of real disposable personal income.<sup>1</sup> Elevated leverage increases the risk that any meaningful pullback could be amplified by margin calls. This environment underscores the importance of maintaining diversification to stay prepared for potential volatility. While we are holding more cash than usual, it positions us to take advantage of discounted opportunities should forced selling emerge.

The technology sector also warrants attention. Recent weeks have seen growing scrutiny of stretched valuations among the mega-cap tech names that have powered markets for nearly three years. Several prominent AI-related companies have experienced notable widening in their credit default swap spreads, reflecting investor concern over rising debt loads used to fund AI expansion. As a result, the Nasdaq declined more than 1.5% for the month, despite a roughly 5% rebound in the final week.

---

## Economic Indicators and Federal Reserve Policy

The Federal Open Market Committee (FOMC) met in early December and delivered the widely anticipated 25-basis-point rate cut. The meeting also included an update to the board members' Summary of Economic Projections (SEP). Compared with their prior forecasts, officials now expect inflation to be one-tenth lower next year for both headline and core measures, and they have upgraded their growth outlook by 50 basis points—though part of that reflects the temporary impact of this quarter's government shutdown. Despite these adjustments, members maintained their projected path for future rate cuts.

While markets had already priced in the cut, many expected it to be presented in a more “hawkish” tone. However, Chair Jerome Powell's remarks did not signal that. He reiterated that tariffs mainly represent a one-time price effect and emphasized the committee's focus on the weakening labor market. When asked whether a rate hike was possible at the next meeting, he said it is not part of anyone's baseline scenario.

A major driver of the post-meeting market rally was the announcement that the Fed would begin purchasing Treasury bills to rebuild its balance sheet. This effectively marks the beginning of quantitative easing, as it injects liquidity into the system. Powell suggested the move was intended to manage reserves ahead of tax season and noted the pace of purchases could slow after April—but regardless, the market will see a meaningful increase in liquidity.

<sup>1</sup>Roberts, Lance. “The DPI Link to Margin Debt.” *RIA*, 8 Dec. 2025, [realinvestmentadvice.com/resources/blog/the-dpi-link-to-margin-debt/](https://realinvestmentadvice.com/resources/blog/the-dpi-link-to-margin-debt/).

Internationally, reports suggest that Japan may raise interest rates at its next policy meeting.<sup>2</sup> We are monitoring this closely, as higher Japanese rates could trigger an unwind of the yen carry trade—a strategy in which U.S. investors borrow in low-yielding yen to invest in higher yielding assets, particularly technology stocks. A strengthening yen could force investors to exit these positions to cover borrowing costs.

---

## Strategy

Given the high levels of leverage and elevated equity valuations, we remain defensive. Chasing the current rally would introduce unnecessary risk. We continue to favor companies with strong balance sheets, stable demand, and solid free-cash-flow generation, as these businesses are better positioned to weather a down cycle.

In fixed income, we have been gradually extending duration over the past 18 months. We continue to prefer the intermediate segment of the yield curve, which we expect to benefit from future Fed rate cuts while avoiding some of the fiscal and inflationary risks that affect longer maturities. Within this space, mortgage-backed securities remain particularly attractive from a spread perspective.

---

## Outlook

We remain committed to active, risk-aware portfolio management as the macroeconomic landscape continues to evolve. While uncertainty persists, we are consistently identifying opportunities that align with our long-term investment philosophy. Thank you for your continued trust and partnership as we navigate these challenging markets together.

**Matthew J. Roach, CFA®**  
Chief Investment Strategist

**Mike Servetas**  
Assistant Portfolio Manager

The information contained herein is for informational purposes only and is developed from sources believed to provide accurate information. The opinions expressed are those of the author, are for general information, and should not be considered a solicitation for the purchase or sale of any security. The decision to review or consider the purchase or sale of any security should not be undertaken without consideration of your personal financial information, investment objectives, and risk tolerance with your financial professional.

Forecasts or forward-looking statements are based on assumptions, may not materialize, and are subject to revision without notice. Any market indexes discussed are unmanaged and are generally considered to be representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indices do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indices. The S&P 500 Composite Index is an unmanaged group of securities that are generally considered to be representative of the stock market in general. Past performance does not guarantee future results.

Securities Offered through Allen, Mooney & Barnes Brokerage Services, LLC. Investment advice offered through Allen, Mooney & Barnes Investment Advisors LLC DBA AMB Wealth, a registered investment adviser.

<sup>2</sup>*Boj to Hike Rates to 0.75% in Dec, 1.0% by next Sept, Majority of Economists Say: Reuters Poll | Reuters*, [www.reuters.com/world/asia-pacific/boj-hike-rates-075-dec-10-by-next-sept-majority-economists-say-2025-12-11/](https://www.reuters.com/world/asia-pacific/boj-hike-rates-075-dec-10-by-next-sept-majority-economists-say-2025-12-11/). Accessed 11 Dec. 2025.