Wealth Advisory Market Update

November 10, 2025

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Market Update

Market Commentary – November 2025

Equities

Equity markets extended their climb higher, even as market breadth weakened further. Much of the month's gains were concentrated in a small group of large-cap technology names. The period was marked by a flood of corporate earnings reports, the Federal Open Market Committee's (FOMC) latest announcements on interest rates and balance sheet policy, and a record-setting government shutdown.

The narrowness of this rally remains concerning, as concentration risk increases and valuations stretch further. The ratio of the equal-weighted S&P 500 to the market-cap-weighted S&P 500 has fallen to its lowest level since 2003—below even the trough reached during the 2008 financial crisis. This pattern of underperformance evokes memories of the late-1990s dot-com bubble, when gains were similarly concentrated. Today, a single stock now carries more weight in the S&P 500 than six entire sectors, underscoring the importance of diversification should a pullback occur.

Valuations continue to climb: the cyclically adjusted price-to-earnings (CAPE) ratio now exceeds 40x—second only to the 44.19x peak recorded in 1999[1]. Meanwhile, the U.S. stock market's total value relative to GDP (the Buffett Indicator) has reached roughly 220%, surpassing the threshold Buffett once described as "playing with fire."[2] In light of these risks, we remain cautious and defensively positioned, focusing on companies trading below intrinsic value and operating in sectors with durable demand.

Earnings season is nearly complete, with about 75% of companies having reported. Thus far, 82% have posted positive earnings surprises—the highest rate since the third quarter of 2021. Analysts continue to adjust forecasts to account for tariff-related impacts, which remain difficult to quantify. The strongest earnings growth has come from the technology, financials, and utilities sectors, while energy and communications (particularly telecom companies) have lagged.

Economic Indicators and Federal Reserve Policy

The FOMC delivered another 25-basis-point rate cut, as widely anticipated. However, the more notable development was its decision to end quantitative tightening by ceasing the runoff of maturing Treasuries from its balance sheet—effectively halting liquidity withdrawal from the financial system. During his press conference on October 29th, 2025, Chair Jerome Powell struck a more hawkish tone than markets expected, tempering expectations for another rate cut in December; market-implied odds fell from 90% to around 60%. Powell reiterated concerns about labor market dynamics and maintained his view that tariffs would produce only a one-time uptick in inflation.

The ongoing government shutdown has now become the longest in U.S. history, delaying the release of several key economic indicators, including employment and inflation data. One notable exception was the Consumer Price Index (CPI), which showed

1Yun, Li"Leon Cooperman Says We've Reached the Stage of the Bull Market That Warren Buffett Warned About." *CNBC*, CNBC, 1 Oct. 2025, www.cnbc.com/2025/10/01/leon-cooperman-says-weve-reached-the-stage-of-the-bull-market-that-warren-buffett-warned-about.html.
2"More Americans Are Falling behind on Their Auto Loan Payments. Here's Why." *CBS News*, CBS Interactive, www.cbsnews.com/news/auto-loan-payments-deliquencies-vanatagescore-study/. Accessed 1 Nov. 2025.

cooling inflation in both headline and core measures. Encouragingly, there are signs that negotiations between both sides of the aisle are resuming.

While higher-income consumers remain relatively resilient, lower-income households continue to face financial stress. The share of subprime auto borrowers more than 60 days delinquent has doubled since 2021, surpassing levels seen during the Great Recession.[3] Auto repossessions have also reached their highest level since 2009[4], indicating limited capacity for these borrowers to catch up. This segment of the consumer base remains burdened by rising debt and delinquency rates—an area we are monitoring closely.

Strategy

With market volatility elevated—evidenced by a record 119 days this year where individual stocks have gained or lost over $100 billion in market capitalization—we remain disciplined and selective. Our focus continues to be on companies with strong balance sheets, growing free cash flow, and products or services with inelastic demand.

After briefly dipping below 4%, the 10-year Treasury yield ended October around 4.1%, effectively unchanged for the month. The belly of the yield curve continues to appear most attractive, while spread differentials continue to favor mortgage-backed securities.

Outlook

We remain committed to active, risk-aware portfolio management amid a complex and rapidly evolving macroeconomic environment. While uncertainty persists, we continue to identify opportunities that align with our long-term investment philosophy. We appreciate your continued trust and partnership as we navigate these challenging markets together.

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3"More Americans Are Falling behind on Their Auto Loan Payments. Here's Why." *CBS News*, CBS Interactive, www.cbsnews.com/news/auto-loan-payments-deliquencies-vanatagescore-study/. Accessed 11 Nov. 2025.
4"'Finances Are Getting Tighter': US Car Repossessions Surge as More Americans Default on Auto Loans." *The Guardian*, Guardian News and Media, 17 Oct. 2025, www.theguardian.com/business/2025/oct/17/us-car-repossessions-economy#:~:text=Car%20repossessions%20surged%20to%20their,prior%20and%2043%25%20from%202022.