November 2025

MONTHLY MARKET INSIGHTS

Key takeaways:

- Major US indexes continued to rally through October; however, breadth narrowed meaningfully, with the equal-weight S&P 500 down for the month.
- Third-quarter earnings season kicked off last month, showing continued strength among US corporations. The S&P 500 is on track for its fourth consecutive quarter of double-digit earnings growth, as around two-thirds of constituents have now reported.[1]
- The Federal Reserve ("Fed") cut its benchmark rate by 25 basis points for a second consecutive meeting but struck a more hawkish tone. Policy risk remains elevated amid a prolonged government shutdown.

October was another positive month for equity markets, with the S&P 500 up 2.27%, marking its sixth consecutive monthly gain, the longest streak since 2021.[2] The advance remains primarily driven by enthusiasm and investment outlays surrounding artificial intelligence ("AI"). The technology-heavy Nasdaq reflected this dynamic with a one-month return of 4.70%.[3] However, market breadth narrowed, as the equal-weight S&P 500 index declined 1.25%, underscoring the continued dominance of AI beneficiaries, primarily the "Magnificent Seven".[4] Momentum in equities contrasted with a brief bout of credit stress following the collapse of auto-parts supplier First Brands and subprime auto lender Tricolor, both now in bankruptcy proceedings and reportedly under federal investigation for improper actions.[5] The headlines sparked fears of broader credit contagion, and regional banks, which have meaningful exposure to small and mid-sized business debt, sold off sharply.[6] However, the bankruptcies appear to be idiosyncratic events related to alleged managerial misconduct, rather than systemic credit stress, a view reinforced by solid third-quarter results from the Financials sector.

Large US banks kicked off earnings season with strong reports that meaningfully beat consensus expectations.[7] The strength from US banks pushed Financials to be the most significant contributor to S&P 500 earnings growth through the reported quarter. Technology sits as the second-largest contributor, bolstered by the ongoing AI investment wave.[8] Within the mega-cap tech sector, Alphabet, Amazon, Microsoft, and Apple were the four largest contributors to S&P 500 earnings growth. Investors rewarded the cohort, as the Magnificent Seven rose 4.94% in October.[9] With roughly two-thirds of companies having now reported, the S&P 500 is tracking towards 10.7% year-over-year earnings growth for the third quarter. If sustained, that would mark a fourth straight quarter of double-digit year-over-year earnings growth.[10]

1. Butters, John. "EARNINGS INSIGHT." FACTSET, 31 Oct. 2025, https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_103125.pdf
2. Bloomberg.
3. Id.
4. Id.
5. Bhatia, Ashok. "Lessons from First Brands and Tricolor." Neuberger Berman, 14 Oct. 2025, www.nb.com/en/global/insights/article-lessons-from-first-brands-and-tricolor.
6. Bloomberg.
7. Butters, John. "EARNINGS INSIGHT." FACTSET, 31 Oct. 2025, https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_103125.pdf
8. Id.
9. Bloomberg.
10. Butters, John. "EARNINGS INSIGHT." FACTSET, 31 Oct. 2025, https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_103125.pdf

Market leadership remains within the AI complex as investments in AI infrastructure continue to accelerate and propagate throughout layers of the economy. According to Goldman Sachs, capital expenditures on AI from hyperscalers alone are expected to total $1.4 trillion between 2025 and 2027.[11] Additionally, while earnings and stock performance have concentrated at the top, over 50% of S&P 500 companies referenced AI on their latest earnings calls, signaling a sustained commitment to the space.[12]

Policy developments added nuance to the month. The Federal Open Market Committee cut its key policy rate by 25 basis points in October to a range of 3.75%–4.00% and indicated the end of quantitative tightening at the end of November. Even so, investors read Chairman Powell's tone during his press conference as more hawkish than expected. When asked if a December cut was a foregone conclusion, he replied, "Far from it," pushing back on market expectations and taking a more combative tone than in recent press conferences.[13] Meanwhile, uncertainty is building around the prolonged government shutdown. Historically, US shutdowns have had a limited impact on markets and the economy, but the duration of the shutdown is now approaching uncharted territory. On November 5, the current shutdown will become the longest in US history.[14] Missed paychecks for federal workers and delays to benefits such as food stamps could create downstream economic effects if the shutdown drags into year-end. Government unions are pressuring Democrats to reopen the government; however, Democrats likely view the current shutdown as politically favorable and are inclined to wait until at least after the state and local elections on November 4.[15] As of now, NBC polling suggests Republicans and President Trump are receiving more blame (52%) than Democrats (42%) for the extended shutdown.[16]

The month also saw the long-awaited meeting between President Trump and China's President Xi. The meeting concluded with a one-year trade "truce", in which both sides agreed to no new tariffs, a delay to certain rare-earth restrictions, and limited relief for select high-tariff industries. Given the volatility surrounding tariff policy, whether the truce will actually hold for the entire year remains uncertain. While we remain far from the end of this process, in our view, it is a net positive to have at least some path forward for the US-China trade relationship.

Resilient earnings, ongoing AI investment, easing monetary policy, and favorable seasonality continue to skew our near-term view of markets upward. At the same time, policy risk is increasingly pressuring our constructive outlook, and the government shutdown warrants close attention as it enters unprecedented territory. We believe the AI mega-trend will continue to provide tailwinds to equities in the intermediate term; however, indications of growing exuberance may lead to intermittent volatility along the way. Taken together, we believe that maintaining healthy exposure to equities, combined with diversification into high-quality asset classes that offer strong downside protection, remains the most effective way to manage risk while staying positioned for potential upside.

11. Nathan, Allison, et al. "AI: In A Bubble." Top of Mind, Goldman Sachs Research, 22 Oct. 2025, publishing.gs.com/content/research/en/reports/2025/10/22/9b58a3aa-7e3e-40eb-b18c-2487a0d003d4.pdf.

12. Id.

13. Timiraos, Nick. "Future Fed Rate Cuts 'Far' From Certain After Divided Meeting." The Wall Street Journal, 29 Oct. 2025, www.wsj.com/economy/central-banking/fed-cuts-interest-rates-federal-reserve-by-another-quarter-point-but-data-blackout-obscures-the-path-ahead-0268bdf6?mod=central-banking_trendingnow_article_pos2.

14. Clifton, Daniel. "TARIFFS, TREASURIES, GOVERNMENT SHUTDOWN & ELECTIONS." Policy Outlook, Strategas, 3 Nov. 2025, www.strategasrp.com/Document/Index?strResearchProductID=hLRbpKfFKU5wWJYfwJ2Gyw%3d%3d.

15. Id.

16. Bowman, Bridget. "Poll: Republicans Shoulder More Shutdown Blame, as Signs of Voter Irritation with Both Parties Pile Up." NBCNews.Com, NBCUniversal News Group, 2 Nov. 2025, www.nbcnews.com/politics/trump-administration/poll-republicans-shutdown-blame-signs-voter-irritation-both-parties-rcna240552.

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