

December 2025

## MONTHLY MARKET INSIGHTS

### Key takeaways:

- Despite turbulence in the Artificial Intelligence (“AI”) complex and a -4.36% decline in the Technology sector, the S&P 500 still finished November slightly positive, marking its seventh consecutive monthly gain.<sup>1</sup>
- Google’s Gemini 3 launch and the potential commercialization of its Tensor Processing Units (“TPUs”) introduced the first meaningful challenge to Nvidia’s dominance in AI chips, driving a double-digit monthly decline in Nvidia and raising questions about future AI winners.
- December will feature the last FOMC meeting of the year, with markets expecting a 25-basis-point cut.<sup>2</sup> While we see a cut as likely, Powell may use the meeting to lay the groundwork for a pause in the cutting cycle, even as investors start to look ahead to President Trump’s next Federal Reserve (“Fed”) chair nominee.

November proved to be a mixed month for equity markets. While the dominant leaders in the AI complex experienced a meaningful pullback, the S&P 500 index still closed the month in positive territory, returning 0.13%.<sup>3</sup> The index’s ability to sustain its rally amid a -4.36% decline in the Technology sector underscores the breadth of support from other sectors in the US market, given that the Technology sector has grown to represent over one-third of the index.<sup>4</sup> For the month, value outperformed growth, with the Russell 1000 Value index returning 2.47%, while the Russell 1000 Growth index declined -1.87%.<sup>5</sup> International markets slightly lagged US markets, with the MSCI All Country World ex US Index down -0.16%.<sup>6</sup>

The month hinted at a potential reshuffling of leadership in the AI race, a shift that reverberated across the Technology complex and contributed to November’s elevated market volatility. Google’s unveiling of its latest AI model, Gemini 3, and the expanding capabilities of its proprietary TPUs introduced the first meaningful challenge to Nvidia’s dominance in AI chips. For nearly a decade, Alphabet maintained these chips exclusively for internal use. However, The Information recently reported that talks are underway to commercialize them, with Meta Platforms allegedly already in advanced discussions on a multibillion-dollar agreement to access Google’s TPUs.<sup>7</sup> The newest TPUs in Google’s lineup are seen as legitimate competitors to Nvidia’s Graphics Processing Units (“GPUs”), with Gemini 3 reportedly trained exclusively on these processors. The competitive threat was material enough to send Nvidia shares down -12.59% for the month, erasing approximately \$245 billion in market capitalization.<sup>8</sup> The pullback was particularly notable given Nvidia’s dominant position in AI since 2022, when it emerged as the premier provider for high-performing AI training chips. Nvidia’s market dominance positioned the company to benefit significantly from the secular AI trend and become the world’s most valuable publicly traded company. Google’s entry into the chips market may signal increased competition for NVDA and other AI semiconductor companies and could potentially lead to further volatility across the Technology sector.<sup>9</sup>

1. Bloomberg.

2. Id.

3. CBOE.

4. Bloomberg.

5. Id.

6. Id.

7. Efrati, Amir, and Anissa Gardizy. “Google Further Encroaches on Nvidia’s Turf with New AI Chip Push.” The Information, 24 Nov. 2025, [www.theinformation.com/articles/google-encroaches-nvidias-turf-new-ai-chip-push](https://www.theinformation.com/articles/google-encroaches-nvidias-turf-new-ai-chip-push).

8. Bloomberg.

9. Id.

Remarkably, despite the pronounced weakness in Technology, the S&P 500 managed to deliver a positive return for the month, reflecting continued broad strength in corporate earnings. With over 95% of third-quarter earnings now reported, the S&P 500 showed consolidated earnings growth of 13.4% year-over-year, its fourth straight quarter of double-digit growth, a run that underscores the fundamental health of corporate America.<sup>10</sup> November also provided further evidence of the US consumer's resilience. While survey data regarding consumer sentiment has remained pessimistic for months, top-level consumer spending metrics have remained strong, driven by higher-income cohorts. Black Friday saw record online spending of \$11.8 billion, according to Adobe Analytics, up 9.1% year-over-year. Similarly, Mastercard SpendingPulse data, which captures both online and in-person transactions, showed a 10.4% year-over-year increase in online sales, while in-store sales posted a modest 1.7% gain.<sup>11</sup> This data suggests that e-commerce growth is not merely substituting for in-person shopping but rather represents genuine incremental spending.

Geopolitics remains a risk to markets and merits careful monitoring. In Eastern Europe, pressure has mounted on Ukraine to find a path toward a peace treaty following a major corruption scandal surrounding the country's top peace negotiator.<sup>12</sup> The differing views between the United States and the European Union regarding the extent of territorial concessions Ukraine should make in any peace deal create additional complications to the situation. A successful peace agreement could provide valuable stability and create an economic tailwind for Europe. Conversely, a prolonged war increases the risk of further escalation, potentially challenging European economies and markets. Tensions also rose in South America, as US President Donald Trump declared that the airspace above and surrounding Venezuela should be considered closed in its entirety. The move further intensified his administration's actions against Venezuela's president, Nicolas Maduro, over his alleged ties with drug cartels. A further deterioration of US-Venezuelan relations could escalate into open conflict, undermining regional stability and heightening the risk of renewed volatility in global markets.

As we move into December, attention will pivot back to monetary policy, with the Federal Open Market Committee meeting for the final time this year on December 10th and 11th. The market widely expects another 25-basis-point rate cut to close the year. While we believe that a rate cut is the most likely outcome, we would not be surprised if Chairman Powell's press conference sets the stage for a potential pause in the cutting cycle, as the Fed seeks to balance support for the labor market with long-term price stability. Adding a layer of complexity to the policy outlook, President Trump has reportedly decided on his nominee to replace Powell, whose term ends in May of next year.<sup>13</sup> Once the new nominee is announced, it remains to be seen whether Powell's voice or his successor's will carry more weight with market participants.

As we approach year-end, we continue to see structural strength in equity markets. While valuations may appear stretched by historical standards, we believe the combination of resilient corporate earnings, looser monetary policy, durable consumer spending, and the secular AI investment cycle should continue to support risk assets. The key factor to monitor remains the labor market. While consumer spending has persisted despite weak sentiment, a sharp and sustained rise in unemployment could quickly reverse spending patterns and overall market momentum.

10. Butters, John. "EARNINGS INSIGHT." FACTSET, 21 Nov. 2025, [www.advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight\\_112125.pdf](http://www.advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_112125.pdf)

11. Grantham-Philips, Wyatt. "Shoppers Spend Billions on Black Friday to Snag Holiday Deals, despite Wider Economic Uncertainty." MSN, The Associated Press, 29 Nov. 2024, [www.msn.com/en-us/money/companies/shoppers-spend-billions-on-black-friday-to-snap-holiday-deals-despite-wider-economic-uncertainty/ar-AA1RoDPI?ocid=BingNewsSerp](http://www.msn.com/en-us/money/companies/shoppers-spend-billions-on-black-friday-to-snap-holiday-deals-despite-wider-economic-uncertainty/ar-AA1RoDPI?ocid=BingNewsSerp).

12. Zelenskyy's Chief of Staff Resigns as Ukraine Corruption Investigations Widen. NPR, The Associated Press, 28 Nov. 2025, [www.npr.org/2025/11/28/g-s-1-99736/zelenskyy-s-chief-of-staff-resigns-as-ukraine-corruption-investigations-widen](http://www.npr.org/2025/11/28/g-s-1-99736/zelenskyy-s-chief-of-staff-resigns-as-ukraine-corruption-investigations-widen).

13. Singh, Muskan. "Has Trump Chosen a New Fed Chair? Will They Deliver the Interest Rate Cuts He Demands?" The Economic Times, 1 Dec. 2025, [economictimes.indiatimes.com/news/international/us/has-trump-chosen-a-new-fed-chair-will-they-deliver-the-interest-rate-cuts-he-demands/articleshow/125697924.cms](https://economictimes.indiatimes.com/news/international/us/has-trump-chosen-a-new-fed-chair-will-they-deliver-the-interest-rate-cuts-he-demands/articleshow/125697924.cms).

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