<u>Key takeaways</u>

- The federal government shutdown has now become the longest in history.
- The labor market is still showing mixed signals, which leaves a Fed Funds rate cut on the table for December.
- Economic data remains a mixed bag, and the economy keeps humming away at a decent rate.

(Approximately 3 min. read)

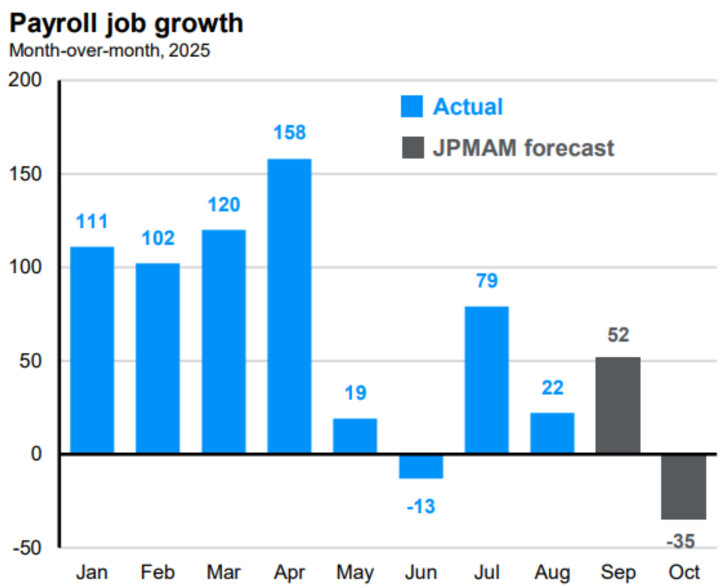
To those of you who have served in our Armed Forces, we are forever grateful.

The federal government shutdown has now become the longest in history, resulting in a second consecutive missed jobs report from the Bureau of Labor Statistics (BLS). In its absence, we can lean on alternative data sources to gauge the health of the labor market. This month, these sources have provided mixed signals.

ADP reported a 42k gain in private payroll jobs in October after a 32k decline the month prior. Both the ISM Services and Manufacturing employment indices improved, with the pace of contraction slowing in both sectors, while state level initial jobless claims for the month ending in the October survey week actually fell from September**. Other indicators, however, suggest caution is warranted. Announced seasonal hiring plans, according to Challenger, Gray & Christmas, are tracking well below normal levels**, while layoff announcements over the past two months have reached their highest levels, for September/October combined, since 2008. New job openings, reported by Indeed, have continued to fall steadily while consumer perceptions of labor market conditions were at their second lowest level in over four years in October according to the Conference Board. All of this aligns with the increase in the real-time unemployment rate forecast from the Chicago Fed to 4.4% in October.

Considering these and other indicators, JP Morgan's in-house model estimates that 52k jobs were added in September but that 35k jobs were lost in October see the chart below. Notably, this forecast assumes a 120k decline in federal government employment in October as most of the 150k+ employees who took a buyout this spring fell off federal payrolls. **While the Federal Reserve is also lacking official data on jobs, if their reading of labor market weakness is similar to this analysis, a further rate cut in December remains in the cards.**

Even with the labor market showing some weakness, the economy still seems to be humming along at a healthy growth pace. Corporate earnings for Q3 have been very strong so far, which **supports a solid economic state right now.**



Source: J.P. Morgan Asset Management, Weekly Market Recap, November 10, 2025

Allen Feest Kjellberg Wealth Management Group at Morgan Stanley
Team Updates

If you know anyone who would benefit from the information in this newsletter, please feel free to connect them with us and/or forward it to them.

We are all around this week.

Please enjoy this week's commentaries and links to reports below. To read the full report of any of the excerpts below, feel free to reach out to us and request a copy of the full report.

November 13th, 2025

Global Investment Committee Weekly
Treading water

With markets stalling as we enter the seasonally strongest stretch of the year, we're observing an intensifying tug of war. On one side are those who embrace the early-cycle 2026 reacceleration thesis, and on the other those who, like the GIC, expect more of the same in 2026—a narrow, grinding, late-cycle bull market where sustenance of GenAI capex is the only story that matters. Several factors are currently weighing on the early-cycle narrative. First is market breadth, which has deteriorated meaningfully; second is the growing debate about the pace of Fed easing; and third are trends around earnings revisions breadth and evidence of margin expansion. Non-GenAI-related capex and labor market vulnerability are also concerns. All that said, policy catalysts may yet recharge the early-cycle thesis, given signs that drag from the government shutdown may be approaching a denouement and Supreme Court tariff rulings could partially relieve corporate margins. With markets taking a breather, and valuations ambitious, now is a good time for annual rebalancing and tax-loss harvesting. **Consider** rebalancing for maximum strategic-asset-allocation diversification. Avoid single-stock concentration, and take profits in high-beta, unprofitable, small/micro-cap and speculative names, where gains could be vulnerable in 2026; redeploy to large-cap core and quality stocks, including the "Mag 7" and GenAI productivity beneficiaries in financials, health care and energy. In fixed income, focus on quality and benchmark-range duration. International equities and real assets, including gold, real estate and select private infrastructure, are opportunities to add.

Fixed Income Insight
Some Discernment of Quality in Credit?

After a very complacent summer that featured speculative expansion of equity market breadth to include outperformance of small-caps, unprofitable tech names and meme stocks, credit investors appear to be taking notice of rumblings about a pickup in "credit stress" in the lowest-rated parts of the market. In fact, after collapsing to near 300 basis points, the spread between yields on B-rated debt and CCC debt has widened by close to 30 basis points. While not necessarily an alarm bell, this could be the first "canary in a coal mine" worth noting. Further widening in these spreads could be a signal of later-cycle economic dynamics.

Source: Morgan Stanley – Global Investment Committee, The GIC Weekly, November 10, 2025

First Trust's Monday Morning Outlook
A very political week

Please use this link to read a special edition of First Trust's Economic Research Report:

A very political week

Source: First Trust, Economic Research Report, November 10, 2025

J.P. Morgan's U.S. Weekly Market Recap

This week in review

- ADP private payrolls rose by 42k
- Consumer sentiment fell to 50.3 in November
- ISM mfg./ svcs. PMIs came in at 48.7 and 52.4, respectively

This week ahead

- Initial and continuing jobless claims

The federal government shutdown has now become the longest in history, resulting in a second consecutive missed jobs report from the BLS. In its absence, we can lean on alternative data sources to gauge the health of the labor market. This month, these sources have provided mixed signals.

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Considering these and other indicators, our in-house model estimates that 52k jobs were added in September but that 35k jobs were lost in October. Notably, this forecast assumes a 120k decline in federal government employment in October as most of the 150k+ employees who took a buyout this spring fell off federal payrolls. While the Federal Reserve is also lacking official data on jobs, if their reading of labor market weakness aligns with ours, a further rate cut in December remains in the cards.

Source: J.P. Morgan Asset Management, Weekly Market Recap, November 10, 2025
[Weekly Market Recap (jpmorgan.com)]

BlackRock's Global Weekly Commentary
AI front and center at our 2026 Forum

Key Points

- At our internal 2026 Forum last week, the AI buildout ran through the debate among our portfolio managers along with other key topics such as stablecoins.
- The Nasdaq Composite dropped 4% - its worst weekly drop since the April tariff announcement - led by a rout in technology shares. The S&P 500 lost 1.5%.
- The longest-ever U.S. government shutdown will likely delay October CPI and retail sales data. A reopening could allow for the release of backlogged data.

The AI theme has powered stocks to new highs this year. Over the course of our 2026 Outlook Forum last week, the AI buildout – its scale and potential constraints, notably energy – ran through the discussion. Our fund managers also focused on AI's key role in the strategic competition between the U.S. and China. The rise of stablecoins and the blurring of boundaries between public and private were also hot topics on how the future of finance mega force is quickly evolving.

The AI theme took center stage at our 2026 Outlook Forum last week. The AI buildout's scale and its implications were a major part of the discussion over the Forum's two days as estimates of capital spending over the next five years and beyond keep getting revised higher. Anchoring that debate was also a focus on the physical constraints facing the buildout: compute, materials and especially energy. Estimates of future power demand from AI data centers and chips are huge – and vary dramatically, highlighting the uncertainty. See the chart. Yet it's unclear how that demand will be met, especially in the U.S. That made power grids and energy a key part of the debate about the AI outlook – and tied into the discussion about U.S.-China strategic competition given the ambitions of each on AI and how they can meet the required energy needs.

Our fund managers also commented on how useful mega forces – our framework launched a few years ago for the big structural changes driving economic transformation – are in a world where the macro environment is no longer your friend. We see the geopolitical fragmentation mega force at work in the ongoing strategic competition between the U.S. and China on AI and other fronts. The recent trade truce came in part because China imposed strict export controls on rare earths – essential in a wide variety of products from electric vehicles to AI infrastructure. After a sharp U.S. response, a one-year deal emerged. Our portfolio managers discussed over what timeframe the U.S. could wean itself off its dependency on China for rare earths, reflected in a deal with Australia aimed at delivering an $8.5 billion pipeline of critical minerals projects.

The fast-evolving future of finance

The fast-evolving future of finance mega force was also a hot topic of discussion, centering on two key themes. First: stablecoins – digital tokens pegged to a fiat currency, typically U.S. dollars, and backed by reserve assets – which have seen adoption skyrocket since 2020 and were given a regulatory framework in the U.S. with the passage of the Genius Act earlier this year. Stablecoins fuse the frictionless transfer of cryptocurrencies with the perceived stability of fiat currency. Our discussion focused on their disruptive potential via their possible adoption in emerging markets and the implications for demand of U.S. Treasuries as well their potential impact on banks. Second: the increased blurring of public and private markets with a particular focus on private credit – both the risks and opportunities. This is how capital markets themselves are transforming to finance this intersection of mega forces, in our view.

More broadly, the discussion also focused on how public credit markets have proved resilient for a while now, with credit spreads near historic lows even as growth has slowed. And elevated equity valuations were a particular focus in assessing how to think about what those valuations mean in this unique environment where mega cap tech companies are expanding the financing of the AI buildout, as seen with recent bond sales.

Bottom line: The AI buildout was front and center at our 2026 Outlook Forum last week. Our fund managers also highlighted the importance of mega forces as an investment lens. Look for more out 2026 Outlook on Dec. 3.

Market backdrop

The Nasdaq slid 4%– its largest weekly drop since the April reciprocal tariff announcement – led by tech stocks tied to the AI theme. The S&P 500 fell 1%. Some of the drop was tied to the ADP jobs report showed a soft labor market. Even with the pullback in stocks, U.S. 10-year Treasury yields were flat around 4.10% - showing they are proving less effective as portfolio ballast at times. Gold prices steadied near $4,000 after a two-week retreat.

The ongoing U.S. government shutdown – the longest in history – will likely prevent the release of CPI and retail sales data, though if the government reopens, backlogged data will start to be released. We note that U.S. initial jobless claims, released last week, suggest that the current “no hiring, no firing stasis” persists. In China, we look for signs of softer October activity after a strong September and track the impact of a new central bank lending tool on credit growth.

Source: BlackRock Investment Institute, November 10, 2025

Click here for entire commentary including important disclosures

Thank you,

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Named to the 2025 Forbes Best-In-State Wealth Management Teams Ranking

Source: Forbes.com (Awarded Jan 2025) Data compiled by SHOOK Research LLC based for the period from 3/31/23–3/31/24. Awards Disclosures

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The Barclays Capital Global Aggregate Bond Index is a market-weighted index of global government, government-related agencies, corporate, and securitized fixed-income investments. An investment cannot be made directly in a market index.

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