NOVEMBER 2025

We hope everyone had a great Halloween! Did you know that the first Jack-o'-lanterns were actually made from turnips not pumpkins (National Geographic)?

Overall October has been status quo for the markets. We started the month with a government shutdown that is currently ongoing, saw more news related to tariffs and finished the month with a Fed rate cut, so much for a slow news month.

As of this writing on 10/30, the government shutdown just hit the 30-day mark. The battle is essentially over the expiring Affordable Care Act Subsidies at the end of the year. Many Republicans would like to deal with them later while many Democrats say they need to be addressed now. Things could come to a head as open enrollment started this week and people are seeing how much healthcare costs have increased. According to The Hill, the Senate is trying to hammer out a proposal to end the shutdown as soon as next week.

Throughout the month we also had a re-escalation of US- China Trade tensions. "Beijing moved to effectively ban Chinese companies from doing business with U.S. subsidiaries of a South Korean shipbuilding giant. China said the Hanwha Ocean subsidiaries supported the U.S. government and hurt Chinese firms' interests and then said they were going to put export controls on rare earth minerals" (WSJ). Things have calmed down since; President Trump and President XI recently reached a trade truce with China agreeing to pause rare earth export controls for a year, Trump cutting tariffs to 10% (the overall tariff rate still stands around 47%), and China has agreed to purchase a large quantity of soybeans and other farm products (CNBC). We will be keeping an eye on the tariff situation as we enter November as the Supreme Court is expected to hear arguments on how far Trumps tariff power actually extends.

The economy has been relatively resilient despite the headlines. The Atlanta Federal Reserve (Fed) estimates real gross domestic product (GDP) growth is running between 3% and 4%. As of October 24th, 29% of S&P 500 companies have reported earnings results and the earnings growth rate for the S&P 500 is expected to be around 9.2%, which if things hold, would be the 9th straight quarter of positive earnings growth according to FactSet. Inflation expectations have also remained contained and in a special Consumer Price Index Report (CPI) the US Bureau of Labor Statistics showed that inflation has risen by 3% over the past year. The bond markets expectation for inflation over the next 3-5 years has been stable which could suggest that for now, the Fed has achieved price stability (Invesco).

The labor market has continued to show signs of weaking. Job growth has slowed with big headlines the last week of October of companies announcing layoffs. While an immigration driven slowdown in labor supply growth has helped temper the impact of weaker job creation on unemployment, some companies expect the unemployment rate will end the year around 4.5 percent before stabilizing (Guggenheim).

On Wednesday, 10/29, the Fed voted to cut interest rates by 0.25% (Morgan Stanley). While this was largely priced into the markets, what comes next remains to be seen. On one side you have the AI-spending boom and stock market rally powering spending which would limit the need to significantly lower rates, but on the other side they are navigating changes in trade and the labor market which if they stop cutting interest rates could push unemployment higher (WSJ).

Lots going on into the end of the year. We are looking at capital gains and making sure all the required minimum distributions are sent out. If any concerns or issues arise, please let us be the sounding board to help.

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