

December 1, 2025

November Market Recap

A mid-month bout of volatility focused primarily on the AI tech giants gave way to a broader rally in November's final days amidst renewed expectations the US Federal Reserve (Fed) will cut interest rates in the coming weeks.

The late surge pushed the S&P 500 and Dow Jones Industrial Average indexes into positive territory, though just barely, for the seventh consecutive month. The tech-heavy Nasdaq index was down slightly, ending a seven-month run. Performance for all three remains strong for the year.

Prior to the rally, the major US indexes experienced their first pullback of more than 5% in over six months. A prolonged lack of economic data stemming from the US government's longest shutdown – it spanned 43 days until ending November 12 – as well as concerns for increased AI spending and waning rate-cut expectations contributed to the selloff.

"Pullbacks are common – and this one was short-lived," Raymond James Chief Investment Officer Larry Adam said. "With the AI theme evolving, the Fed's next move uncertain, and an economy straddling slowing growth and rising inflation, a pause was no surprise. Equity fundamentals look strong heading into 2026, but valuations in the 99th percentile point to near-term caution and heightened volatility."

The yield for the 10-year Treasury was down 0.06%.

We'll get into the details after we take a look at the numbers year-to-date.

	12/31/24 Close	11/28/25 Close*	Change Year to Date	% Gain/Loss Year to Date
DJIA	42,544.22	47,716.42	+5,172.20	+12.16
NASDAQ	19,310.79	23,365.69	+4,054.90	+21.00
S&P 500	5,881.63	6,849.09	+967.46	+16.45
MSCI EAFE	2,259.60	2,810.47	+550.87	+24.38
Russell 2000	2,230.16	2,500.43	+270.27	+12.12
Bloomberg Aggregate Bond	2,189.03	2,352.33	+163.30	+7.46

*Performance reflects index values as of market close on November 28, 2025.

Spending drove AI scrutiny

The technology sector declined nearly 5% as AI investment spending and circular financing were closely examined during earnings season. However, estimates for earnings growth for the next two years are strong.

Fed members torn on next rate cut

The Fed's position on monetary policy was murky after October's 0.25% rate cut was announced. Fed members seemed split, with about half favoring a December cut and half preferring to keep rates where they are into the new year. Based on more dovish comments at the end of November, Fed Funds futures reflected a 99% likelihood of another 0.25% cut in December.

Shutdown ends, but Congress remains on the clock

Congress passed a bipartisan funding package to extend government operations through January 30, 2026. The fate of Affordable Care Act premium tax credits set to expire at year-end remains unresolved. The January 30 deadline creates a compressed window for Congress to negotiate and pass the nine remaining 2026 appropriations bills, raising the prospect of another shutdown by late January.

Labor data released following shutdown

Employment growth was stronger than expected in September according to the delayed release from the Bureau of Labor Statistics. Employment increased by 119,000 during the month but net growth was brought down by the negatively revised August number, leaving the possibility of two months of negative job creation and two months of positive job creation during the last four months.

China-US trade tension eases

In a November deal, US tariffs on Chinese goods were reduced by 10%, China's October rare earth export controls were suspended, and elevated reciprocal tariffs were suspended for a year. China also agreed to suspend all retaliatory tariffs announced since March and committed to purchasing at least 12 million metric tons of US soybeans before year-end, with annual commitments of 25 million metric tons through 2028. Semiconductor tariffs remained delayed as the administration sought to avoid inflaming US-China relations.

A Russia-Ukraine peace deal could emerge

Diplomatic efforts picked up pace in November. The global economic impact of a deal would depend on the extent to which sanctions on Russia would be lifted, especially by the European Union. Even after the war ends, Europe is unlikely to return to its historical dependence on Russian energy.

The bottom line

After an impressive run, the major players in the AI space driving this year's equity rally hit a patch of volatility in November. This is not unusual. Pullbacks are normal. In fact, given elevated valuations, periods of volatility may occur. The future of AI and the mega-cap companies that invest in it continues to look promising. For the long-term investor, the market outlook remains positive.

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