



Providence, Rhode Island

WEEK OF NOVEMBER 24, 2025

Market Navigator

U.S. equities fell, with the S&P 500 down for the second time in three weeks and the Nasdaq Composite lower for the third consecutive week. Despite an initial move upward after reporting earnings, Nvidia was down roughly 6 percent. Treasuries saw some curve flattening; the 2-year yield fell as investors priced in a greater probability of a December interest rate cut.

Quick Hits

1. **Beyond the headlines:** When good earnings aren't enough.
2. **Report releases:** A mixed September jobs report gave Federal Reserve (Fed) hawks and doves something to take away.
3. **Financial market data:** Equity markets fell, in part due to concerns over big tech spending and returns on investment.
4. **Looking ahead:** The focus this week is on consumer spending and confidence as well as producer prices.

Beyond the Headlines: When Good Earnings Aren't Good Enough

Last week, Nvidia reported earnings that beat estimates and provided guidance for sales and gross income for the following quarter that exceeded forecasts, yet the stock fell nearly 6 percent. This has been part of a bigger trend during this quarter's earnings season—companies have been punished for missing earnings and not rewarded for beating earnings. The average miss has led to a 5 percent stock price decline from the two days before to the two days after earnings, which is nearly double the five-year average decline.

Meanwhile, companies that beat earnings are seeing only a 0.4 percent gain, less than half of what they've averaged over the past five years. The good news is 83 percent of companies beat expectations this quarter. Nvidia's decline despite the positive earnings was even more pronounced, with the company and the market seeing an initial rise and then a strong reversal the day after reporting earnings. Goldman Sachs noted that the S&P 500 closing negative after gapping up more than 1.4 percent at the open has happened only twice before: April 7, 2020, (Covid-19) and April 8, 2025 (so-called Liberation Day).

High Valuations Pressure Earnings

One major reason for the reactions to earnings is high valuations. Before the last few weeks drove the market down, the S&P 500 was trading above 23 times earnings, which was higher than levels we saw during the pandemic (and also a time when interest rates were near 0). This puts more pressure on companies to continue to deliver higher growth, with the index expecting earnings growth of 11 percent in 2025 and 14 percent growth for the following two years. It's only happened twice since 2012 that the S&P 500 has delivered more than 12 percent growth: in 2021, in the rebound from Covid-19, and in 2018, after the passage of the Tax Cuts and Jobs Act. One reason for high

valuations is the concentration in equity markets. The top 10 companies are trading at 30.4 times forward earnings and comprise nearly 42 percent of the index. The rest of the index is trading at 19.4 times forward earnings.

With continued concentration in the S&P 500, it's important to evaluate your portfolio to understand where the risks and opportunities are. The top 10 companies are still expected to outpace the growth of the rest of the index over the next year, with almost double the growth. Still, this has added risk to a portfolio without making any trades.

Diversification Options

Outside of the top 10, there are various ways to diversify a portfolio, including the equal weight S&P 500, mid-caps, small-caps, or international stocks. Small-caps, after seeing several years of declining earnings, are expected to see earnings jump 20 percent this year. Although mid-caps are trading at a discount to large-caps, they are expected to see similar earnings growth, which could also provide an opportunity for derisking a portfolio. Similarly, international stocks are expected to see double-digit earnings growth after several years of tepid growth, while still trading at a significant discount to U.S. stocks. Although we've seen large-caps outperform for several years, it's important to continue evaluating the risk and reward as valuations rise—and even good earnings aren't good enough.

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Report Releases: November 17–21, 2025

National Association of Home Builders (NAHB) Housing Market Index
November (Tuesday)

Home builder confidence increased more than expected, marking two consecutive months of improvement for the index.

- Expected/prior month NAHB Housing Index: 37/37
- Actual NAHB Housing Index: 38



Federal Open Market Committee (FOMC) Meeting Minutes
October (Wednesday)

Minutes from the Fed's October meeting showed continued concerns about the health of the labor market, with Fed officials largely expecting to see further softening in the months ahead.



Employment Report
September (Thursday)

Hiring rose in September; 119,000 jobs were added after a surprising loss in jobs in August. The unemployment rate increased to 4.4 percent.

- Expected/prior change in nonfarm payrolls: +53,000/–4,000
- Actual change in nonfarm payrolls: +119,000



Existing Home Sales
October (Thursday)

The pace of existing home sales rose modestly last month, beating expectations.

- Expected/prior month existing home sales monthly change: +0.5%/+1.3%
- Actual existing home sales monthly change: +1.2%



>> The Takeaway

- The delayed September jobs report provided a mixed picture; it offered better numbers than expected, but the increased unemployment rate will give Fed hawks and doves something to take away for the central bank’s December meeting, at which a rate cut remains up in the air.

Financial Market Data

Equity

Equities were lower, with the S&P 500, Nasdaq Composite, Russell 2000, and international markets declining. It was the third consecutive losing week for the Nasdaq despite an earnings beat by Nvidia, which initially led to gains for the stock and the market on Thursday before a sharp reversal. AI skepticism, with a focus on capital constraints and capital expenditure sustainability, played a role, as did widening credit spreads, the circularity of investments, and whether companies will see a return on investment. Communication services, health care, and consumer staples were the only positive sectors, whereas tech and consumer discretionary led the declines.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	−1.91%	−3.37%	13.54%	12.42%
Nasdaq Composite	−2.71%	−6.06%	16.04%	18.21%
DJIA	−1.85%	−2.64%	10.35%	7.22%
MSCI EAFE	−3.40%	−2.53%	24.13%	23.76%
MSCI Emerging Markets	−3.71%	−4.76%	27.20%	26.31%
Russell 2000	−0.75%	−4.35%	7.49%	1.59%

Source: Bloomberg, as of November 21, 2025

Fixed Income

Treasury yields declined as the market priced in a greater possibility of a rate cut despite a mixed bag from the delayed employment report and takeaways from the October FOMC meeting that showed many Fed officials did not think the central bank should cut rates in December due to concerns over rising inflation.

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.45%	0.24%	7.05%
U.S. Treasury	0.50%	0.34%	6.37%
U.S. Mortgages	0.41%	0.30%	8.00%
Municipal Bond	−0.09%	0.08%	4.00%

Source: Bloomberg, as of November 21, 2025

>> The Takeaway

- Markets continued to be driven, either to the positive or the negative, based on the risks and opportunities AI brings.
- Between a questionable labor market and inflation that remains above its target, the Fed has a difficult path to tread.

Looking Ahead

The focus this holiday-shortened week will be on retail sales, consumer confidence, and producer prices. All data is expected to be released on Tuesday.

- The Producer Price Index for September is expected to be mixed after falling unexpectedly in August.
- Retail sales are expected to grow for the fourth consecutive month in September.
- The Consumer Board Consumer Confidence Index for November is expected to fall as concerns over inflation and employment weigh on consumers.



Providence, Rhode Island: State House Rotunda



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convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent. One basis point (bp) is equal to 1/100th of 1 percent, or 0.01 percent.

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