

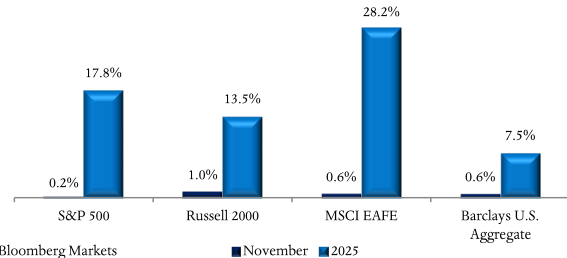


MARKETS

November saw a resurgence of equity volatility, with the S&P 500 index retreating -5.7% from its highs, then rebounding to secure a +0.2% monthly gain (+17.8% ytd). Shifting monetary policy expectations, and intensified scrutiny of AI-related spending were the main areas of concern. Notably, market breadth improved as traders rotated capital into defensive sectors, which significantly outperformed cyclicals and technology. The small-capitalization Russell 2000 index rose +1.0% during the month (+13.5% ytd), with the value subcomponents faring better than their growth counterparts. Conversely, the Nasdaq composite snapped its seven-month winning streak (-1.4%; +21.7% ytd), as profit-taking weighed on the technology sector. Overseas, equities in the MSCI EAFE index rose a fractional +0.6% in November, bringing year-to-date gains to +28.2%. Returns were driven by European shares (Stoxx 600 index +1.0%; +17.3% ytd), while technology-heavy Asian markets such as Korea and Taiwan stumbled. Japan's Nikkei 225 index was a notable outlier, declining -4.1% (+28.3% ytd) on profit taking and jitters over rising local interest rates.

US Treasury prices were firmer for the fourth consecutive month, as soft US labor market data and tepid consumer confidence supported lower yields and a steeper curve (the 2 year yield fell 8 basis points to 3.49% and the 10 year declined 7 bps to 4.01%). As a result, the Bloomberg Barclays US Aggregate bond index rose +0.6% in November (+7.5% ytd).

Commodity returns have exhibited a high degree of variance so far this year, and in November. WTI crude oil declined -4.0% to \$58.55, its fourth consecutive monthly decline (-18.4% ytd). The softening price trend is reflective of increased OPEC+ supply (with another output hike scheduled for December) compared with



Source: Bloomberg Markets

relatively stable global demand, coupled with a reduced Middle East risk premium. To the upside, precious metals continued their historic run with gold and silver rising +5.9% and +16.0%, respectively last month. Year-to-date returns of +62% and +96% amount to the highest since 1979, on the back of falling US yields and strong central bank demand. Overall, commodity markets advanced +3.2% in November (+16.1% ytd).

In the digital asset arena, Bitcoin declined -16.7% in November (-3.0% ytd). Highlighting the risks and rewards, at the intra-month low of \$80,554 the cryptocurrency had declined -36% from its October high (which had marked a +715% gain over the prior three years).

GEOPOLITICS

China-US negotiations have been renewed at a substantive level, aimed at finding a balance in sovereign and trade relations. Similarly, intense US diplomatic engagement with Russia and Ukraine seeks to end the nearly 4-year-old war. A 28-point US-backed peace plan has been proposed, with critics citing that it leans heavily in Moscow's favor, with little input from Kiev. Negotiators and officials from the US, Ukraine and Russia have crisscrossed the globe in recent weeks in a flurry of meetings to discuss a potential deal. These efforts signal cautious diplomatic engagement among the global superpowers.

The Trump Administration formalized a major pivot in national industrial strategy via the 'Genesis Mission.' Spearheaded by the Department of Energy, this initia-

tive establishes the 'American Science and Security Platform,' a sovereign artificial intelligence infrastructure designed to integrate high-performance computing with federal datasets. The mandate aims to accelerate R&D across strategic verticals, including semiconductors, biotechnology, and quantum science, while leveraging public-private partnerships to further US global hegemony in AI and national security.

US

The longest US government shutdown, lasting 43 days, ended in the middle of last month. The lack of macroeconomic data processing during that period continues to challenge economists. The official November employment report from the Bureau of Labor Statistics (BLS) has been postponed until December 16. In lieu, we note that ADP's survey of US private employers indicated that they shed 32,000 jobs in November as small businesses sharply cut back on workers in the latest sign of a slackening labor market. Four of the last six months have featured private sector job losses, with the recent datapoint being the highest in more than two and a half years. Officially, the unemployment rate stands at 4.4%.

Though the pass-through of import duties has been moderate, it has led to an uptick in inflation. A separate report from the BLS showed import prices were flat in September, but the end-cost of consumer goods, excluding motor vehicles, jumped 0.4% sequentially for a second straight month. The personal consumption expenditures (PCE) price index, the Federal Reserve's preferred data point for measuring inflation, came in at 2.8% on an annual basis in September.

Manufacturing output slowed to a 1.3% annualized growth rate in the third quarter, below the April-June quarter's 2.4% pace. Further, a surprisingly weak November consumer confidence report questioned the perception of strong US economic growth. On a positive note, a surge in spending on artificial intelligence remains supportive.

November 2025 Economic Statistics

	Nov-25	Dec-24	Dec-23
Federal Funds Target Rate	3.75 - 4.00%	4.25 - 4.50%	5.25 - 5.50%
Consumer Confidence Index	88.7	104.7	110.7
Manufacturing PMI Index	48.2%	49.3%	47.4%
Unemployment Rate	4.4% (est.)	4.2%	3.7%
JPY / USD	156.15	157.18	141.06
USD / EUR	1.1595	1.0353	1.1036
Gold / oz.	\$4,230.37	\$2,623.81	\$2,062.59
Oil (WTI) / bbl	\$58.55	\$71.72	\$71.65

Sources: see disclosure *

Given the tug-of-war between rising inflation and softening labor conditions, odds of Federal Reserve monetary policy action gyrated wildly last month. The bond market now implies there is a near-certainty that the FOMC will vote to lower interest rates at its December meeting. A quarter-point cut would bring the target federal-funds rate to a range of 3.50%-3.75%. Thereafter economists expect two, possibly three, more interest rate reductions in 2026, both around summertime.

EUROPE

The European Commission raised its regional growth forecast for 2025 to 1.3% from 0.9% on the back of front-loading in exports and stronger-than-expected investment flows. There are also signs that the EU is becoming more business-friendly, watering-down digital and climatic regulatory requirements last month. Productivity has stalled as generous welfare states become ever less affordable, both of which need to be addressed. Further, taxes are too high to be consistent with investment and job creation. Economic growth is the only way out. This requires a looser regulatory approach to new technologies, less hostility to successful companies and financial reforms, in order to let Europe funnel more capital toward its own entrepreneurs. Still in its infancy, this trend bears watching.

ASIA

China's economic data releases during November proved disappointing, with continued softness seen in domestic activity. Industrial production and fixed asset investment came in lower than expected, while real

estate activity remained weak and consumer sentiment was subdued. The manufacturing PMI reading ticked higher but remained in contractionary territory for a fifth straight month. On a positive note, US-China trade relations improved, with the US pulling back from its threat of additional 100% tariffs and China suspending some of its export controls.

Japan announced a ¥21.3 trillion (\$112 billion) stimulus to address inflation and support households. Measures include energy subsidies, cash handouts, and tax relief. Given that this fiscal action will further elevate Japan's already high debt level (230% of GDP), Japanese 30-year government bond yields rose to a record high. Further, a depreciating yen adds to inflationary risks, with the CPI rising 3% year-over-year. As a result, the Bank of Japan appears poised to raise interest rates in December.

OUTLOOK

We look for US stock indexes to continue advancing in a healthy manner, with broad participation accompanied by a rotation into previously underperforming sectors such as healthcare, energy, materials, transports, homebuilders, and regional banks. Gasoline prices and interest rates are near multi-year lows, which bodes well for consumption. Seasonal trends also favor equities into year-end, with December historically ranking in the top quartile of performance, especially when strong macro conditions are intact. While an imminent interest rate cut is widely anticipated, Fed Chair Powell's forward guidance will be critical for sustaining momentum.

The S&P 500's third-quarter earnings season concluded in November, with growth accelerating to 13.5%, driven by over 7% revenue growth and 6% margin expansion. The technology sector has been the main driver, with the "Magnificent Seven" constituents expected to produce a full-year 22% increase in earnings per share, ahead of the 15% expected seven months ago. S&P 500 index earnings are expected to further accelerate in 2026 with the top technology leaders growing earnings by 22.5% compared to 11% for the rest of the market (circa 16% growth on

average), according to Factset. Artificial Intelligence adoption is accelerating: 50% of new code at search engine giant Google employs AI, 10% of businesses are integrating AI into production, and 44% of firms are paying for AI subscriptions. These productivity enhancing efforts should continue to improve profitability margins of our favored large-capitalization multi-national growth portfolio companies. The risk being that investor expectations are already high, as seen by the above historical average valuations (forward p/e ratio of the Magnificent 7 is 29.3; S&P 500 22.4). The onus is now on these well-managed companies to meet their ambitious growth targets, failing which will lead to short-term volatility.

Meanwhile, the S&P 400 mid-cap and S&P 600 small-cap equity indexes offer investors more reasonable forward p/e ratios of 16.2 and 15.2, respectively (down from 3-year highs in the mid-20's). Overseas markets also provide relative opportunities, as seen by Europe's Stoxx 600 index which trades at 14.6x forward earning with a robust 12% growth outlook for 2026.

Fixed income markets are grappling with the uncertainty created by the shutdown-related dearth of economic data and debate about the Fed's future policy path. The pass-through of tariffs to the US consumer continues to be a known unknown for economists, and fiscal expansion poses an additional risk for price stability in 2026.

Alternative asset diversification is poised to continue to produce solid risk adjusted returns in 2026. Precious metals and related mining equities have produced outstanding returns since our initial recommendation, yet our research indicates the opportunity is still in the middle innings. Software equities have been out of favor of late, on account of the possibility of disruption by AI, continuing to offer an attractive entry point. Further, we have identified unique investments in cybersecurity, water infrastructure, artificial intelligence, and natural resources. Lastly, our proprietary efforts to source direct investments are gaining traction, with several compelling small and middle market prospects. Wishing you and your families a wonderful holiday season.

Important Disclosure and Terms of Use: Property of Papamarkou Wellner Asset Management, Inc. For targeted distribution only and not a solicitation. This report may not be displayed, reproduced, distributed, transmitted, or used to create derivative works in any form, in whole or portion, by any means without express written consent by Papamarkou Wellner Asset Management, Inc. or its broker dealer affiliate, Papamarkou Wellner & Co., Inc. MEMBER: FINRA/SIPC. All opinions expressed within unless otherwise stated are those of Papamarkou Wellner Asset Management, Inc. based on the most recent market, security, and economic data available.

*Sources: Reuters, Bloomberg, Bureau of Labor Statistics, Conference Board, Federal Reserve, Institute for Supply Management, MSCI, Russell, Standard & Poor's, Financial Times and the Wall Street Journal.