



# Trend Report Commentary

---

November 2025



For Advisor Use Only This is provided for informational purposes only and should not be considered a recommendation to buy or sell a specific security Past performance is no guarantee of future returns Please see attached disclosures

## Overview: Liquidity Tightens, Dollar Strengthens, Risks Loom

Global financial conditions continued to tighten over the past month. Central bank policies have drained excess liquidity from markets, with the U.S. Federal Reserve maintaining a reduced balance sheet and high interest rates. Bank reserves have fallen, and funding costs are elevated, creating a more cautious lending environment. The U.S. dollar's strength has been remarkable, extending a roughly 21-week uptrend against other currencies. This dollar rally reflects both higher U.S. yields and a flight-to-safety by investors – a sign that global dollar liquidity is not as abundant as it was. As liquidity tightens and the dollar climbs, various risk factors are coming into focus. Market volatility has inched up, and previously resilient asset classes are showing signs of strain. The combination of a strong dollar and rising funding costs has raised concerns about pressure on emerging markets, corporate borrowers, and equity valuations. In summary, we enter the new month with financial conditions notably tighter than earlier in the year, a strong dollar testing global markets, and multiple risks looming on the horizon.



## Growth Indicators: Slowing Momentum (The “G” in GRIP)

Economic growth indicators are flashing signs of a slowdown. After a period of resilient expansion, momentum in key areas of the economy appears to be cooling. Recent data on manufacturing and consumer spending point to a more sluggish pace: factory activity indices have softened, and consumer sentiment remains subdued, especially among lower-income households. Many consumers are responding to higher prices and tighter financial conditions by “trading down” – opting for discounted goods or store brands and cutting back on non-essentials. Even though overall spending has been propped up by wealthier households, broad consumption patterns suggest growing caution. Areas like housing have also felt the pinch of high interest rates, with home sales and construction moderating. In short, the **growth** picture is one of deceleration – not a contraction yet, but a clear step down from the robust pace seen previously.

Corporate earnings reports this season corroborate the slowing growth momentum. Several high-profile companies have surprised investors with weaker outlooks or results, highlighting pressure on revenues and margins. **Chipotle Mexican Grill**, for example, shocked the market by cutting its sales forecast for the third time this year, citing a noticeable pullback in customer traffic. Its executives noted a sharp reduction in spending by households earning under \$100,000 – a demographic that accounts for a large portion of Chipotle’s sales. This suggests that budget-conscious behavior is hitting even popular restaurant chains. Chipotle’s stock plunged nearly 19% in one day after the latest guidance cut, wiping out about \$9 billion in market value and marking its worst trading day since 2012. Analysts warn that cost pressures and weaker demand could persist. As **BTIG analyst Peter Saleh** observed, *“In an environment with traffic declining, it is unlikely that consumers will give Chipotle the authority to raise menu prices. We expect this dynamic to result in significant margin contraction, not just for Chipotle...but for many of its competitors.”* In other words, companies may struggle to pass on higher costs to consumers who are already pulling back, which could squeeze profit growth across the sector.

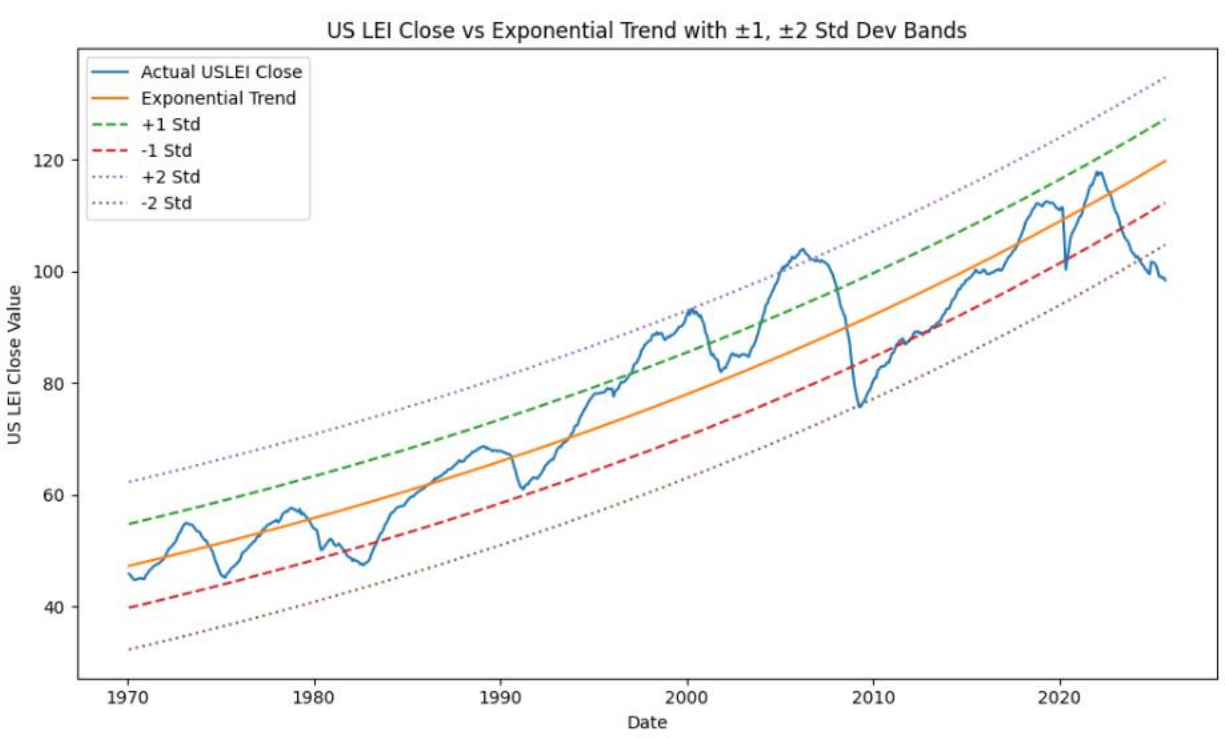


Notably, this consumer slowdown is not viewed as an isolated **Chipotle** issue but a broader trend. **Stifel analyst Chris O’Cull** remarked, “*We believe it’s more of a category problem, not just a Chipotle problem,*” emphasizing that the entire fast-casual dining space is grappling with similar headwinds. Even industry giant Starbucks, which managed to eke out a positive sales quarter after a long lull, acknowledged that customer spending is soft and margins are under pressure from rising input costs (like coffee beans). Beyond restaurants, many retailers have also reported shoppers becoming more price-sensitive and cautious. These signals from the corporate sector reinforce the macro data: growth is slowing as consumers and businesses tighten their belts.

Meanwhile, parts of the tech industry show a mixed growth picture. Some big technology firms posted solid headline results, but there are hints of caution in their spending and financing decisions. **Meta Platforms (Facebook’s parent)**, for instance, saw its latest earnings beat expectations, yet the stock sold off amid concerns about future expenses and investments. Meta responded by raising a substantial amount of capital in the debt market – undertaking a **jumbo bond sale** to fund its long-term projects (including artificial intelligence infrastructure). The offering was a notable success in terms of demand: Meta issued about \$30 billion in bonds and reportedly attracted around \$125 billion in investor orders for those bonds, a record level of interest. That record order book underscores two things: investors’ hunger for quality corporate debt (especially from cash-rich tech leaders) and the sheer scale of funding that even the largest companies now seek for growth initiatives. While the strong demand allowed Meta to borrow on relatively favorable terms, the necessity of raising \$30+ billion also raises questions about the **capital expenditure** needs and future free cash flow of big tech firms. In essence, even the tech sector’s darlings are not immune to the effects of higher capital costs and the need to prepare for a more challenging growth environment.



Taken together, the “G” for Growth in our GRIP framework is clearly losing altitude. The economy is still growing, but the pace is slowing, and cracks are emerging in interest-rate-sensitive areas and consumer-facing industries. Forward-looking indicators like new order volumes, hiring plans, and consumer confidence hint that the coming months could see further softness. We are closely watching whether this slower growth remains controlled (a gentle cooling) or if it accelerates into something more concerning, especially as other GRIP factors – Risk, Inflation, and Policy – interact with the growth picture.



## Risk Environment: Crack in Credit and Market Internals (The “R” in GRIP)

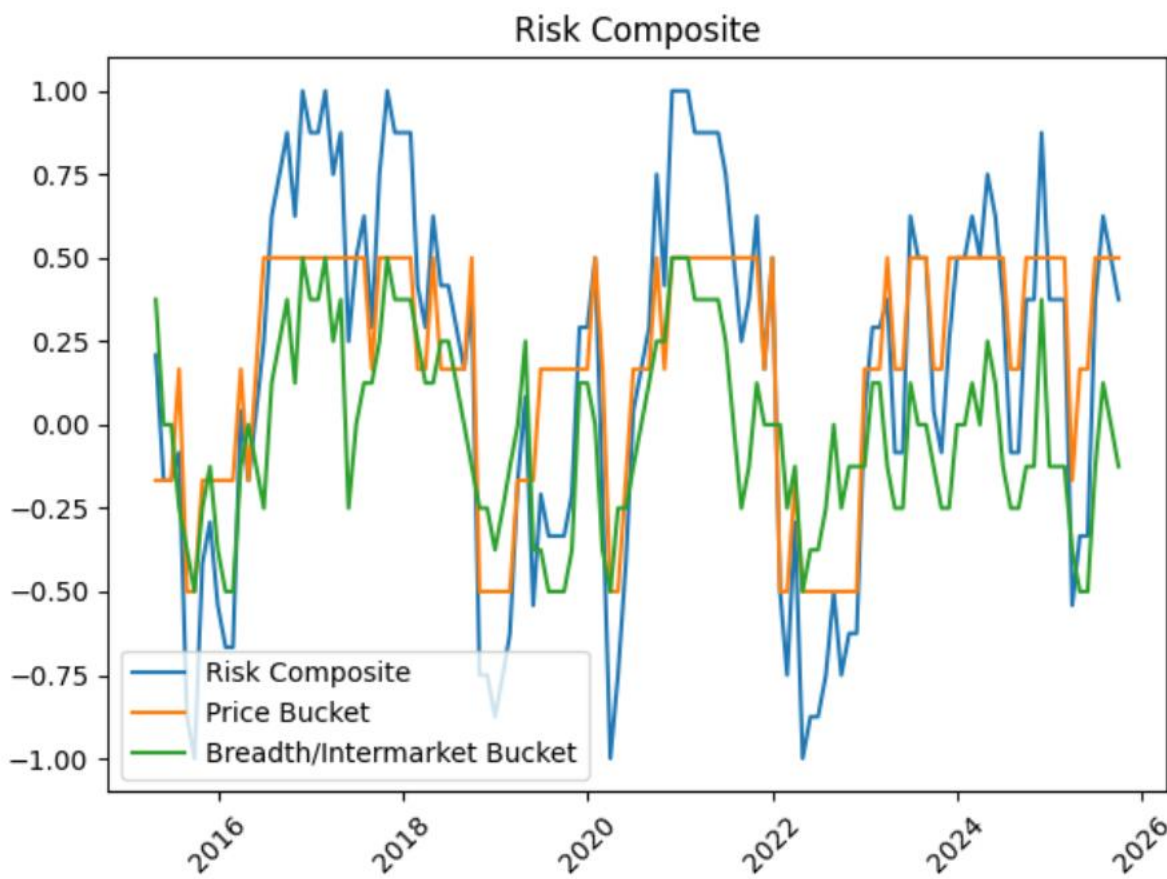
The risk environment has become more fragile, with stress signs appearing in credit markets and within the market’s internal dynamics. After a long stretch of low credit spreads and easy refinancing, corporate debt investors are turning more cautious. **Cracks in credit** are evident as borrowing costs climb and some companies face newfound skepticism from lenders and bondholders. A striking example comes from **Oracle Corporation**. Despite its strong market position in software, Oracle’s aggressive investments in AI infrastructure and the debt needed to fund them have raised eyebrows in credit circles. Credit traders have been increasingly seeking protection against a potential Oracle default – so much so that the cost to insure Oracle’s debt (via credit default swaps, or **CDS**) has surged to its highest level in about two years. **Morgan Stanley’s credit analysts** highlighted that *“near-term credit deterioration and uncertainty may drive further bondholder and lender hedging.”* In other words, they see rising risk of credit stress and advise investors to proactively hedge credit exposure. The fact that a financially solid, blue-chip name like Oracle has seen its five-year CDS spreads jump significantly is telling. It suggests that even large-cap companies are not immune to credit worries when they take on substantial debt loads. Oracle is in the process of raising an enormous \$38 billion in new debt to fund data centers in Texas and Wisconsin – one of the largest debt deals ever for technology infrastructure. Investors, while still willing to lend, are clearly demanding more protection and higher yields under these tightening conditions. More broadly, high-yield bond spreads (the extra yield above Treasuries that riskier companies pay) have crept up from their lows, and lenders have become more selective. The era of practically free money is over, and we are starting to see which borrowers might struggle in a world of 5%+ interest rates.



Beyond corporate credit, other **risk indicators** in the financial system are also flashing yellow. Market-based gauges of risk appetite – such as the volatility index (VIX) and the performance of economically sensitive stocks – have seen shifts. The VIX, while not spiking dramatically, has drifted higher from its complacent lows, indicating that investors are buying more options insurance against market swings. **Market internals** (the underlying health of market movements) show deterioration. For much of this year, a handful of mega-cap technology stocks propped up the major equity indices, masking weakness underneath. That narrow leadership is now proving to be a vulnerability. Breadth has thinned: the percentage of stocks hitting new lows has risen, while fewer stocks are participating in rallies. Small-cap equities and many cyclical sectors have significantly lagged the marquee names. In fact, several equity segments have already entered correction territory (down over 10% from recent peaks) even though the S&P 500 index is only modestly off its highs. This kind of divergence – where the indices stay afloat due to a few giants, while the average stock struggles – often precedes broader market pullbacks. It reflects waning risk appetite and growing concern that the market's foundation is not as strong as it appeared.



Other internal metrics underscore caution as well. Credit conditions for consumers are tightening – for instance, delinquency rates on credit cards and auto loans have inched up from historic lows, and banks have reported stricter lending standards. In equity markets, sentiment surveys and fund flow data suggest that investors are becoming more defensive, rotating out of speculative areas and into perceived safer havens. Geopolitical risks, too, hover in the background (from trade tensions to regional conflicts), contributing to a cautious mood. While none of these risks individually is enough to derail markets, together they paint a picture of **rising risk aversion**. In the “R” for **Risk** segment of our GRIP analysis, we note that the easy, high-liquidity environment of the past years has decisively shifted. Our risk composite is now back in a **neutral position**. Investors should be prepared for potential “**air pockets**” – sudden bouts of volatility or credit tightening – as we navigate the late stage of this cycle.



## Inflation Easing, Policy Tight – A Deflationary Threat? (The “I” and “P” in GRIP)

Inflation, which was the dominant concern for markets a year or two ago, has been gradually easing. Price pressures are cooling in many major economies, including the U.S. By the latest readings, U.S. consumer price inflation has fallen to around the 3% year-over-year range – much lower than the peaks seen in 2022, and inching closer to the Federal Reserve’s 2% target. Core inflation (excluding volatile food and energy components) has also moderated, though it remains somewhat above target. Importantly, forward-looking indicators of inflation are signaling further relief: global supply chain bottlenecks have largely resolved, oil and gas prices are negatively trending, and broad measures of the money supply growth have slowed from the rapid acceleration during the pandemic. Even wages, while still rising, have seen the pace of increase slow in recent months. All of this suggests that **inflation is no longer running away – it is gradually coming to heel.**

At the same time, **policy remains tight.** The Fed has been slow to lower rates despite weaker growth and declining inflation. Though rates have been cut, Jerome Powell indicated future cuts are uncertain, especially in December. This cautious approach may reveal economic fragility.

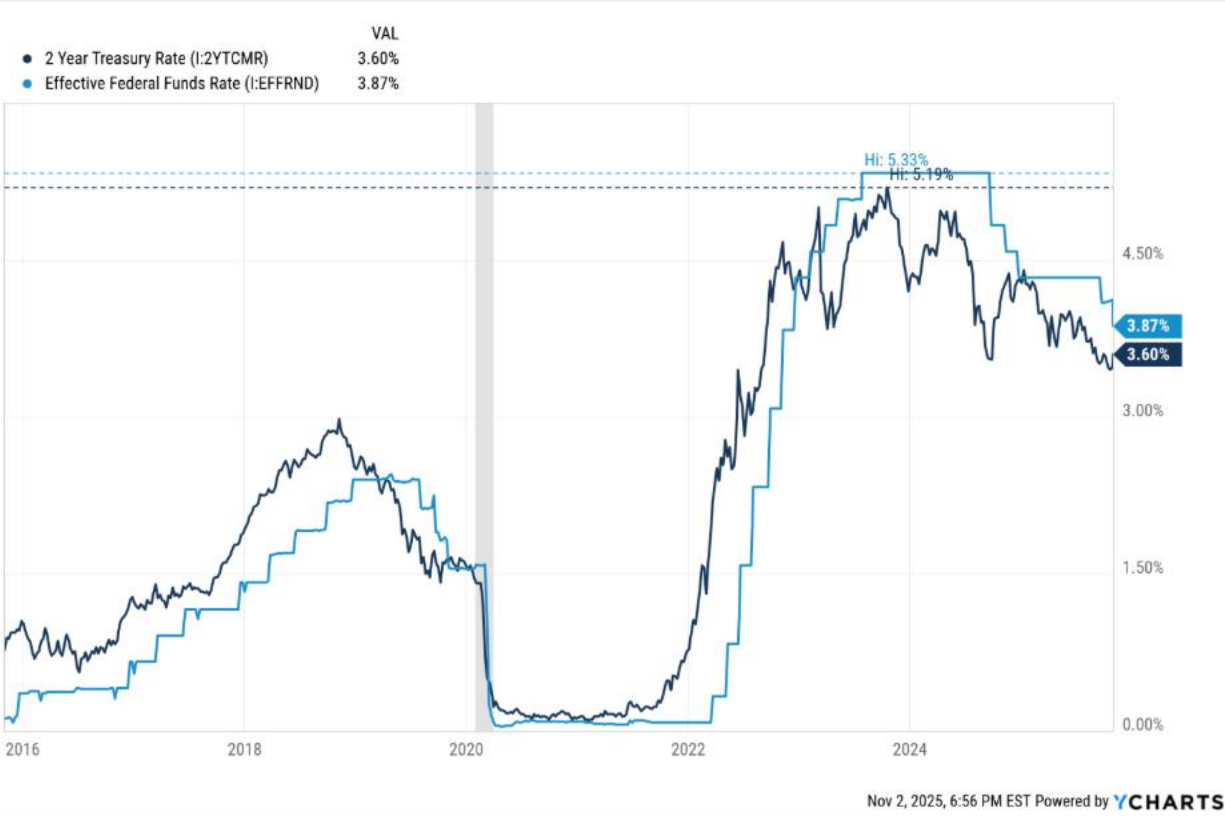
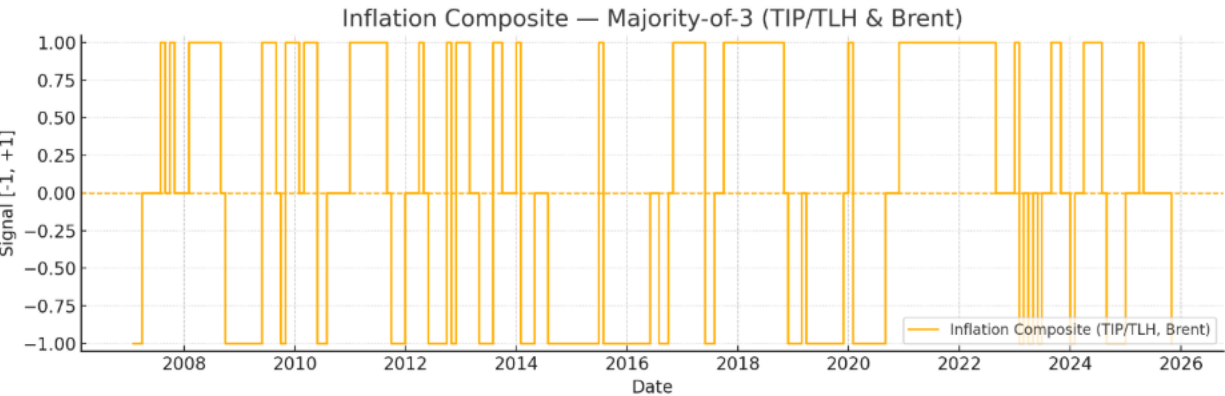


This combination of **easing inflation and tight policy** raises a new question: could we be at risk of tipping into outright disinflation or even deflation in some areas? When price growth is low and policy is tight, the pendulum can swing too far. For instance, some sectors are already experiencing price declines – certain goods categories have seen prices fall due to weak demand and excess inventories. Globally, there are hints of a deflationary mindset in places like China, where consumer prices were flat to down earlier in the year amid sluggish demand. In Europe, inflation is coming down sharply as well, and some forecasts show it could undershoot targets next year. If economic growth continues to slow (as discussed in the Growth section) and borrowing costs remain high, businesses may start cutting prices to attract the dwindling demand, and workers might lose bargaining power for wage increases. In a worst-case scenario, that can spiral into deflation – a broad decline in prices – which is dangerous because it can lead consumers to delay purchases and debt burdens to become heavier in real terms.

To be clear, we are not in deflation now, and this is not a prediction that deflation is imminent. Rather, it is a **risk to keep on the radar**. The central banks are well aware of this balance; they remember the lessons of past episodes (like Japan's long deflationary period or the post-2008 disinflationary pressures). Policymakers would likely respond if inflation fell too far below target by cutting rates or pausing QT. In fact, some central banks have started to signal more flexibility: for example, we've seen smaller rate hikes or pauses, and discussions about when to ease have begun to enter the conversation. The key point for the "I" (Inflation) and "P" (Policy) in our GRIP analysis is that we've moved from an environment of **inflation risk** to one where **disinflation** is the trend – and perhaps an overcorrection is possible. Investors and advisors should consider how their portfolios would fare in a low-inflation, slow-growth world: such an environment might favor high-quality bonds (benefiting from potential rate cuts) and reliable dividend-paying or stable-margin companies, while posing challenges for firms that rely on pricing power or high inflation to grow earnings.



In summary, the inflation picture has improved significantly, but policy is still very tight. The intended effect is to ensure the inflation dragon is slain – but we must be vigilant that we don’t end up in an icy landscape of deflation. We will be watching central bank communications in the coming months for any shift in tone, as the data evolves. The likely path is one of continued disinflation with central banks gradually relaxing their grip if the economy weakens further. That transition, however, can be tricky to navigate without unsettling markets.



## Valuations and Diverging Market Trends

The equity market in 2025 has been a story of divergences. Valuations tell one side of that story. On aggregate, stock market valuations – especially in the U.S. – remain elevated by historical standards, but the high-level view masks a great divide underneath. A small group of mega-cap technology and AI-driven companies saw their stock prices soar earlier in the year, stretching their price-to-earnings ratios and contributing the bulk of the market's gains. Companies like those in the so-called “Magnificent Seven” traded at rich multiples after investors piled in, confident in their growth and competitive moats. This led the S&P 500 index to appear expensive relative to earnings and pushed metrics like the forward P/E of the index well above long-term norms.

However, outside of these select few, many stocks have languished and now trade at much more reasonable – even cheap – valuations. Smaller capitalization stocks and value-oriented sectors (such as certain financials, industrials, and healthcare names) have underperformed the tech giants, leaving them with compressed earnings multiples. Some of these more **unloved stocks** are pricing in a good deal of bad news already and could actually benefit if the economy skirts a severe downturn. International markets likewise often trade at a discount to U.S. equities at present. Europe and emerging markets, for instance, have lower average P/E ratios, partly reflecting their own set of challenges (energy costs, geopolitics, etc.), but also indicating potentially attractive long-term entry points if global growth stabilizes.



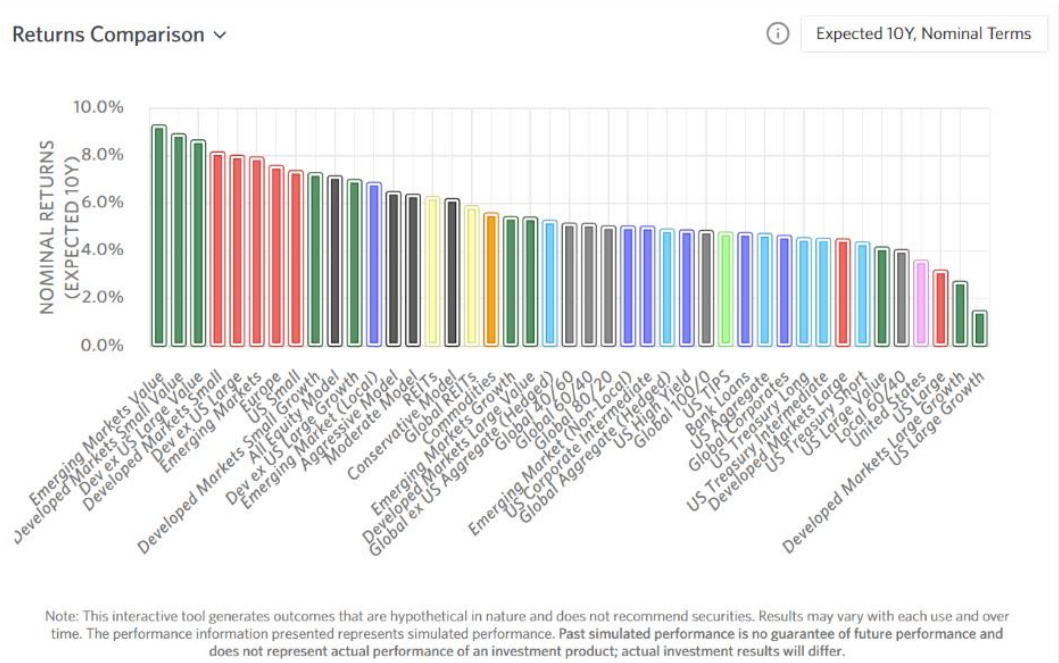
This divergence in performance and valuation is a critical trend. On one hand, the concentrated gains in a few large stocks have made the overall market look sturdier than it truly is. On the other hand, they present a **risk**: any stumble by these leaders (whether due to earnings misses, regulatory issues, or simply profit-taking) can have an outsized impact on indices. We've already seen hints of this. Recently, some of the high-flying tech names did falter – for example, Meta's stock dropped over 10% in a single session after its earnings report revealed rising costs and a cautious outlook. When a market darling corrects, it can dent broader sentiment quickly. At the same time, the underperformers – like many small-cap stocks or cyclicals – have been quietly grinding lower or sideways, in some cases reaching levels that price in a mild recession. The gap between winners and losers in the market is near multi-year extremes. History suggests such gaps eventually close, either through a correction in the former, a rally in the latter, or a bit of both.

Another diverging trend relates to **bonds versus stocks**. With interest rates now much higher, fixed-income assets offer yields not seen in over a decade. A 10-year U.S. Treasury bond at around 4% now rivals equities, especially as the S&P 500's market cap to GDP ratio suggests U.S. stocks could deliver negative returns on average over the next 12 years. For years, there was a popular saying that “There Is No Alternative” (TINA) to stocks, because bond yields were so low. That is no longer the case – investors *do* have alternatives now. This shift means equity risk premiums (the excess return investors demand for stocks over risk-free bonds) have narrowed. In plain language, stocks are less of a bargain relative to bonds. For richly-valued segments of the equity market, this could be a headwind: if investors can get a similar return with far less volatility by buying high-grade bonds, they may rebalance away from expensive stocks.



Furthermore, within equities, sector trends are diverging as economic conditions change. Earlier in the year, growth-oriented sectors (tech, communications services, etc.) dominated, buoyed by excitement around themes like artificial intelligence. More recently, there has been a tentative rotation into sectors that lagged – for instance, some investors have been bargain-hunting in beaten-down financial or small-cap names. Whether this rotation has legs remains to be seen, but it underscores that the one-way trade into big tech has become less certain. We could be witnessing the beginning of a broader catch-up by undervalued parts of the market, or at least a more two-sided market where leadership alternates.

In summary, **valuations and market trends are telling a story of divergence**. For investors and advisors, this means averages can be deceiving. It is a market of “haves and have-nots” – and that presents both risks and opportunities. High valuations in the market’s favorites warrant caution, as any disappointment can lead to sharp corrections. Conversely, the laggards with low valuations could offer upside if the pendulum of sentiment swings back or if economic outcomes turn out better than the doomsayers predict. The key is to recognize these divergences and ensure portfolios are not over-concentrated in one side of the market’s seesaw.



Source: Research Affiliates

## Strategy and Allocation: Diversification for a Potential Correction

Given the landscape described – tightening liquidity, slowing growth, creeping risks, easing inflation with tight policy, and divergent market trends – our recommended approach is one of cautious diversification. This is a time to **revisit portfolio allocations** and ensure they are aligned with a more uncertain, slow-growing environment. We are not advocating wholesale bearishness or running for the exits, but prudence is warranted. Here are the key elements of our strategy and allocation guidance at this juncture:

- **Diversify Across Asset Classes:** Make sure your portfolio isn't overly concentrated in equities, especially not just in the recent winners. With bond yields much improved, adding to fixed income can provide both income and a cushion against potential equity market declines. High-quality bonds (government and investment-grade corporate) look attractive now relative to a year ago, given their yields and the possibility of price gains if the economy weakens and interest rates eventually fall. Holding some cash or cash-equivalents can also be sensible; cash yields are high, and it provides dry powder to deploy if markets correct.
- **Rebalance Equity Exposure:** Within equities, think about diversifying across sectors, styles, and geographies. If a portfolio has enjoyed outsized gains in a handful of U.S. large-cap tech names, it may be time to trim those positions to lock in some gains and reduce concentration risk. Reallocate into areas with solid fundamentals but lower valuations – for example, certain defensive sectors (healthcare, consumer staples) or value-oriented stocks that could hold up better in a downturn. Also consider international equities where appropriate: some European and Asian markets have lagged and trade at discounts, and they could outperform if the U.S. economy slows more than others.



- **Emphasize Quality and Resilience:** In slow-growth periods, companies with strong balance sheets, reliable earnings, and manageable debt tend to fare better. Within both stocks and corporate bonds, we prefer issuers that have healthy cash flows and not too much leverage. This ties back to the credit cracks we noted – if credit conditions tighten further, weaker borrowers will suffer most. By tilting equity portfolios toward quality (for instance, companies with high return on equity and low debt ratios) and ensuring bond holdings are predominantly high-grade, an investor can reduce the risk of permanent loss from defaults or dilutions. Quality doesn't mean dull – many innovative companies also have solid finances – but it does mean being mindful of excessive debt or speculative business models.
- **Incorporate Defensive and Uncorrelated Assets:** Consider assets that could provide some protection or diversification if a correction hits. This might include **gold or other precious metals**, which often serve as safe-havens when real yields are low or when financial stress rises. It could include alternative strategies or assets, such as infrastructure or hedge-fund-like strategies, that are less tied to broad market moves. Systematically diversified trend-following strategies, private industrial real estate, infrastructure, and long-short equity managers are investment options available for consideration. Even within equities, raising exposure to dividend-paying stocks or those with more stable demand (utilities, essential services) can add a defensive tilt. The idea is to have portions of the portfolio that might zig when the rest zags.



- **Stay Nimble and Prepare for Opportunities:** Being diversified and somewhat defensive does not mean one should disengage from the market. On the contrary, it's important to stay alert and ready to adjust as conditions evolve. If a significant correction does occur, it could present opportunities to buy high-quality assets at cheaper prices. We advise keeping a watchlist of assets you've wanted to own at better valuations – whether it's a blue-chip stock that finally comes down to earth, or a corporate bond whose yield becomes very attractive. When others are forced to sell in a panic, prepared investors can step in calmly. This is the advantage of having some liquidity on hand and a clear plan.

In implementing these strategies, the goal is not to try to time every twist and turn of the market, but rather to ensure portfolios are **robust** – able to withstand shocks and participate in upside, whichever way the wind blows next. By diversifying now, one can potentially mitigate the impact of a market correction that many see as increasingly likely, while still being positioned to benefit from longer-term growth and any surprises on the upside (for example, if the economy avoids a hard landing and certain undervalued assets rally).



## Conclusion: Cautiously Navigating the Crossroads

We find ourselves at an important crossroads in the market and economic cycle. The year has seen strong undercurrents – from liquidity tightening and a recent move higher for the dollar, to slowing growth and persistent policy restraint – and now we face the consequences of those shifts. The **GRIP** framework (Growth, Risk, Inflation, Policy) suggests that each pillar is entering a new phase: growth is decelerating, risk is rising, inflation is receding, and policy remains tight (for now). This convergence defines the crossroads: will the economy manage a soft landing as inflation cools, or will the cumulative weight of tighter money lead to a more pronounced downturn? Will markets rotate and broaden out in leadership, or will the imbalances and cracks lead to a deeper correction? These are the key questions as we move forward.

Our stance, as outlined, is one of cautious navigation. We are **cautious**, because the warning signs are credible and numerous – it is no time for complacency. But we are also **navigating**, meaning we are actively managing through the uncertainty rather than retreating into shell shock. This means staying informed, remaining disciplined, and sticking to sound investment principles. It's about avoiding both reckless risk-taking (chasing the last bit of a rally in overvalued assets) and undue pessimism (abandoning the market entirely out of fear). There is a middle path that involves prudent adjustments and vigilant oversight.



In practical terms, navigating this crossroads means expecting more volatility ahead and not being alarmed by it. Markets could very well swing as they digest new data – a weaker jobs report here, a dovish hint from the Fed there – and as they react to any surprises, positive or negative. By being prepared (through diversification, quality tilts, and clear allocation plans as discussed), we can handle these swings without derailing long-term goals. Remember that every market correction or bear phase has eventually given way to a recovery. Our task is to ensure that we **survive and preserve capital** during the storms and are in a position to thrive when the skies clear.

As we close this monthly trend report, the tone is admittedly more cautious than it was earlier in the year. That is appropriate given the data and developments we've summarized. However, cautious does not mean negative on the future. It means we recognize the challenges of the present and take them seriously. Beyond the near-term hurdles, opportunities will emerge – whether it's locking in higher yields, purchasing discounted equities, or entering new markets that were previously overheated. By carefully navigating the current crossroads, we set ourselves up to capitalize on those future opportunities for the benefit of our clients.

In conclusion, we advocate maintaining a balanced and watchful approach. The road ahead may have bumps and turns, but with a well-thought-out strategy, we can steer through them. We will continue to monitor the **GRIP** factors and all relevant market trends closely, and we'll be ready to adjust our guidance as needed. For now, the playbook is clear: respect the risks, diversify your exposures, and stay nimble. With this mindset, financial advisors and investors can confidently and cautiously navigate whatever lies at the crossroads of late 2025, keeping portfolios on track toward their long-term objectives.



## DISCLOSURES

Ascentis Asset Management ("Ascentis") is a registered investment adviser. Registration does not imply a certain level of skill or training. More information about Ascentis including its advisory services and fee schedule can be found in Form ADV Part 2 which is available upon request. Ascentis provides non-discretionary advisory services to other registered investment advisers and investment adviser representatives and does not provide advice to underlying clients of the firms and representatives to which it provides advisory services.

This is Ascentis's current assessment of the market and may be changed without notice. The visuals shown are for illustrative purposes only and do not guarantee success or certain level of performance. This material contains projections, forecasts, estimates, beliefs and similar information ("forward looking information"). Forward looking information is subject to inherent uncertainties and qualifications and is based on numerous assumptions, in each case whether or not identified herein. This information may be taken, in part, from external sources. We believe these external sources to be reliable, but no warranty is made as to accuracy.

This material is not financial advice or an offer to sell any product. Different types of investments involve varying degrees of risk and there can be no assurance that any specific investment will either be suitable or profitable for a client's investment portfolio. Economic factors, market conditions and investment strategies will affect the performance of any portfolio, and there are no assurances that it will match or outperform any benchmark. Investing in non-traditional and international investments involves additional risks that are not generally associated with investing in domestic equities.

The backtest simulation and associated performance figures provided are hypothetical. Performance figures do not include the deduction of advisory fees, brokerage or other commissions and any other expenses that a client would have paid or actually paid. The results do not represent the results of actual trading using client assets but were achieved by means of the retroactive application of a model that was designed with the benefit of hindsight. The results may not reflect the impact that any material market or economic factors might have had on the adviser's use of the back-tested model if the model had been used during the period to actually manage client assets. The results portrayed reflect the reinvestment of dividends and other earnings. Returns should not be considered indicative of the skill of the adviser. The hypothetical performance results do not relate to the type of advisory services currently offered by Ascentis Asset Management.

**Benchmarks:** The index / indices used by Ascentis have not been selected to represent an appropriate benchmark to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely recognized indices. Indices are not available for direct investment, are unmanaged and do not incur fees or expenses. Detailed information regarding the indices is available upon request. The volatility of the indices may be materially different than that of the portfolio.

**PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.** Not FDIC insured. All investment strategies have the potential for profit or loss. Historical data may use proxies to represent investments and asset classes. These proxies may have holdings and performance that vary from the investments or asset classes over time.





## CONTACT US

Please feel free to call us or contact us via email if you require any further information.

**EMAIL:** [contact@ascentis.co](mailto:contact@ascentis.co)

**ADDRESS:** 5001 Spring Valley Road,  
Suite 810W  
Dallas, TX 75244 USA

**WEBSITE:** [www.ascentisasset.com](http://www.ascentisasset.com)