



Weekly Market Commentary

November 17, 2025

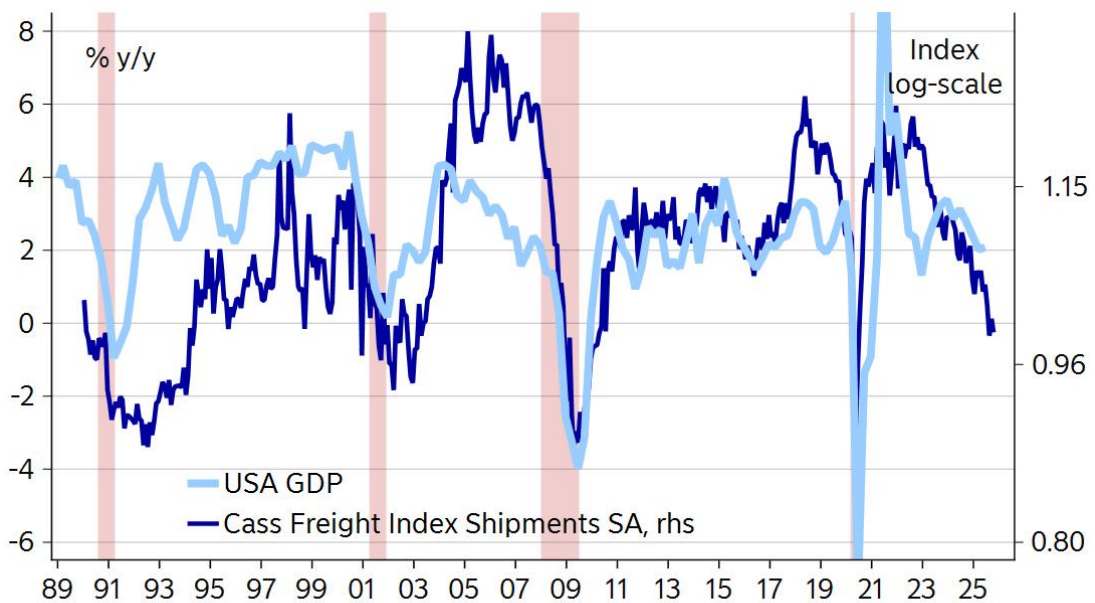


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Weekly Market Commentary – GRIP Report – Week Ending November 14, 2025

Growth

The Cass Freight Index, a barometer of North American shipping activity, has deteriorated sharply, signaling a broad growth slowdown. October freight volumes plunged to their weakest level for that month since 2009, with the shipments index down nearly 8% year-over-year. This persistent freight downturn – now stretching over two years of annual declines – reflects weak goods demand and businesses paring back inventories. Other leading indicators are also flashing caution: the Conference Board's leading economic index has fallen steadily in recent months, echoing soft manufacturing orders and a mild uptick in jobless claims. These warning signs have prompted recession alarms, yet most forecasters still stop short of predicting a full-blown recession. Instead, the consensus view is for markedly slower growth ahead rather than an outright contraction. In fact, after a modest uptick in GDP over the summer, economic momentum appears to be cooling as we head into year-end.



Source: Macrobond and Nordea

ISM Manufacturing: respondent commentary cited weak demand, trade tensions, and uncertainty.



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Valuation

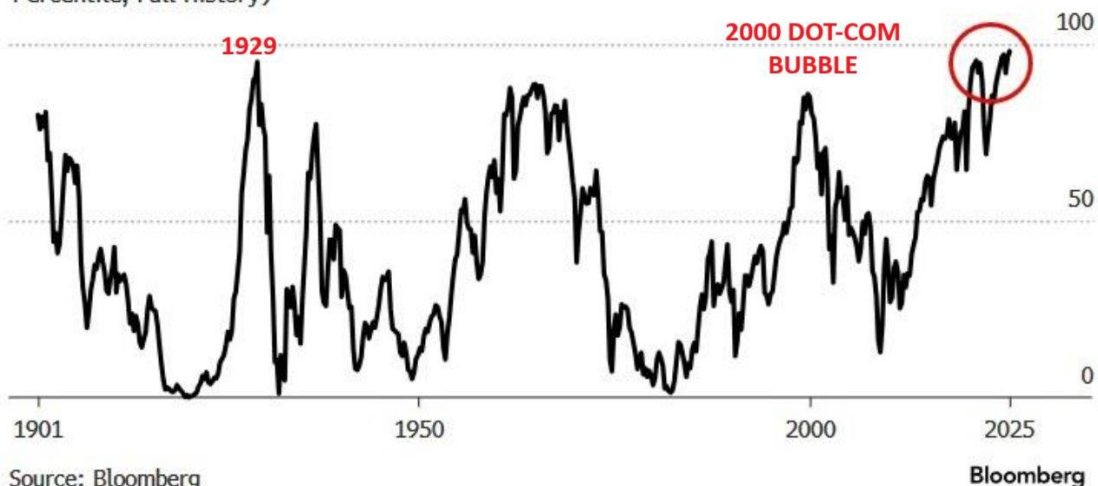
U.S. equity valuations have reached historic extremes, raising questions about sustainability. Stock indexes hover near all-time highs, fueled by outsized gains in major technology and AI-related names. This has pushed key valuation metrics into historically lofty territory. For example, the S&P 500's cyclically-adjusted price/earnings ratio (CAPE) recently approached **40**, a level only seen at the peak of the dot-com bubble in 1999–2000. By virtually any measure – from simple forward P/E ratios to the “Buffett Indicator” (total market cap to GDP) – the market is more richly valued than at almost any point in history. Such elevated valuations imply high expectations for future growth and earnings, leaving little margin for error.

Market leadership has also narrowed, with a handful of mega-cap tech stocks contributing a disproportionate share of the year's gains. This concentration risk underscores the fragility of the rally: if the optimism around these “Magnificent 7” tech giants falters, the broader index could stumble. Indeed, market commentators have issued warnings that current equity prices embed unusually high optimism. Even Federal Reserve officials have noted that asset prices appear “fairly highly valued” of late. **Extreme optimism** can persist for a while, but history shows it rarely does so indefinitely. Going forward, stretched valuations could act as a headwind on returns – investors may need either a significant earnings surge or a sentiment shift to justify further upside. In short, the stock market's valuation is at an historic high, which warrants caution even as prices continue to climb.

US Stock Valuations Have Never Been Higher

Stock market has never been richer over more than 100 years

Trailing P/E, Forward P/E, CAPE, P/B, P/S, EV/EBITDA, Q Ratio, Mkt Cap to GDP (Average Percentile, Full History)

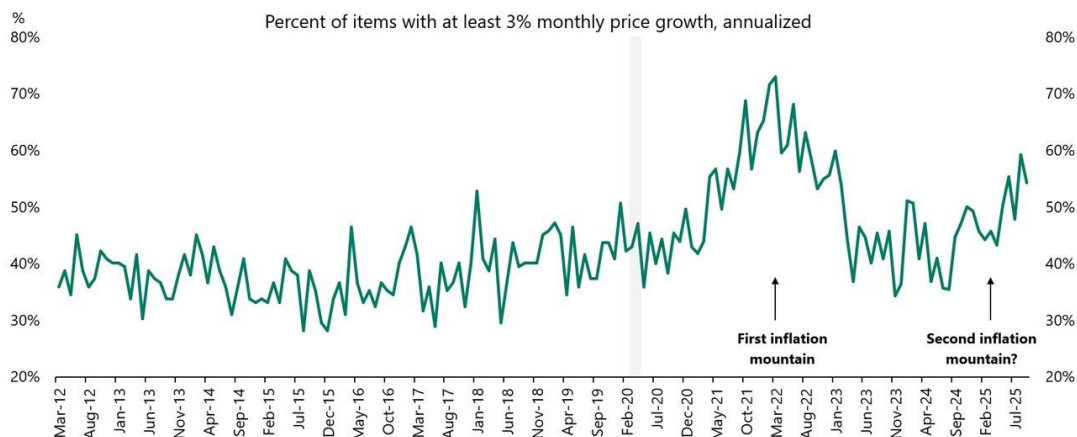


Inflation

Inflation remains stubbornly broad-based, even as headline price increases have come down from their peak. After spiking to multi-decade highs in 2022, inflation has cooled considerably – the overall Consumer Price Index (CPI) is now rising around **3%** year-over-year, compared to 9% at the peak. However, beneath this moderate headline number, price pressures are far from vanquished. Core inflation (excluding food and energy) is running closer to **3½%**, and many everyday categories continue to see steeper climbs. In fact, a large share of the CPI basket is still experiencing price gains well above the Federal Reserve's 2% target. By recent estimates, roughly **40–50%** of individual CPI components are up more than 3% from a year ago, a proportion significantly higher than the one-third or so typical in the pre-pandemic era. This indicates that inflation's **breadth** – the dispersion of price increases across goods and services – remains persistently wide.

More than 50% of items in the CPI basket show at least a 3% price increase

APOLLO



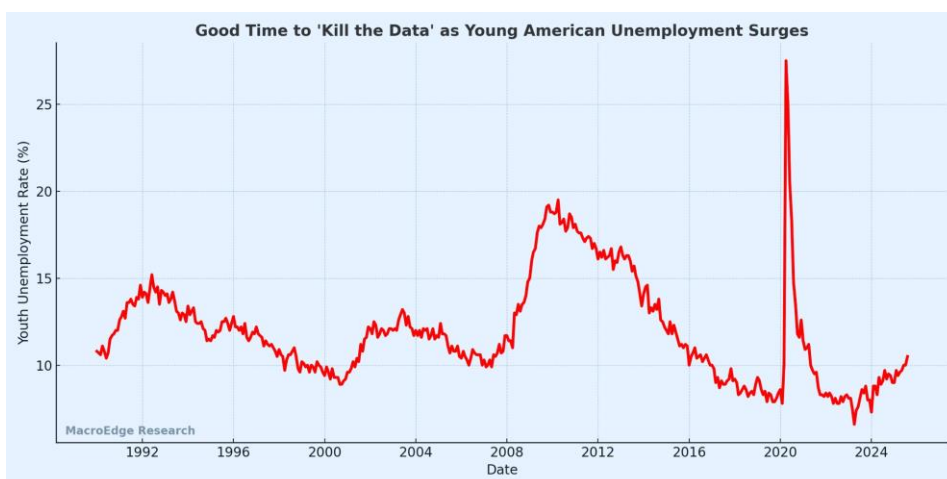
Key sticky areas like housing and services are keeping underlying inflation firm. Shelter costs (rent and owners' equivalent rent) have decelerated from last year's torrid pace but continue to log monthly increases, and wage-intensive service categories such as transportation and personal care are still seeing elevated inflation. New import tariffs implemented this year are also adding some **upward pressure** to core goods prices (for example, prices for vehicles and apparel ticked up after tariffs). On a positive note, energy prices have softened versus a year ago – oil and gasoline are cheaper than last year, which has helped temper headline inflation. Overall, price pressures have eased from the crisis levels of 2022, but the inflation backdrop in late 2025 is one of **gradual improvement** rather than a complete return to price stability. With inflation still running a bit above target and price increases proving widespread, the Fed is likely to remain watchful. Policymakers can take some comfort in the downward trend, but they are mindful that progress could stall if broad-based pressures persist.



Labor Market

The labor market presents a mixed picture, with pockets of weakness emerging even as overall conditions stay relatively firm. Notably, youth unemployment has been rising sharply in certain major economies, underscoring the **unevenness** in job prospects. In China, the urban youth jobless rate surged to nearly **19%** this past summer – a record high since the statistic's methodology was revised two years ago. This comes after Chinese authorities temporarily halted publishing the youth unemployment figure in 2023 when it spiked above 21%, highlighting the severity of the issue. The latest data show millions of young Chinese, especially new college graduates, struggling to find work amid a post-pandemic economic slowdown and skills mismatch. Such elevated youth unemployment is not only a social concern but also a drag on consumer confidence and spending in the world's second-largest economy.

Elsewhere, labor market conditions are healthier but not immune to cooling trends. In the United States, the unemployment rate for young workers (ages 16–24) has ticked up modestly in recent months, though it remains far below the extremes seen in China. Across Europe, youth joblessness varies – some countries face double-digit youth unemployment, a chronic issue that has seen slight worsening in economies like Spain and Italy as growth slows. By contrast, overall U.S. unemployment is still historically low and job openings, while down from their peak, indicate continued labor demand. Wage growth has moderated only gradually, suggesting the labor market is loosening but not cracking. The broader takeaway is that labor market strength cannot be taken for granted in a slowing economy. The spike in youth unemployment abroad serves as a cautionary sign: even as total employment stays near full, certain demographic groups can experience acute pain. Policymakers will need to monitor these fissures – a sustained rise in joblessness among younger cohorts can have long-term consequences for productivity and social stability.



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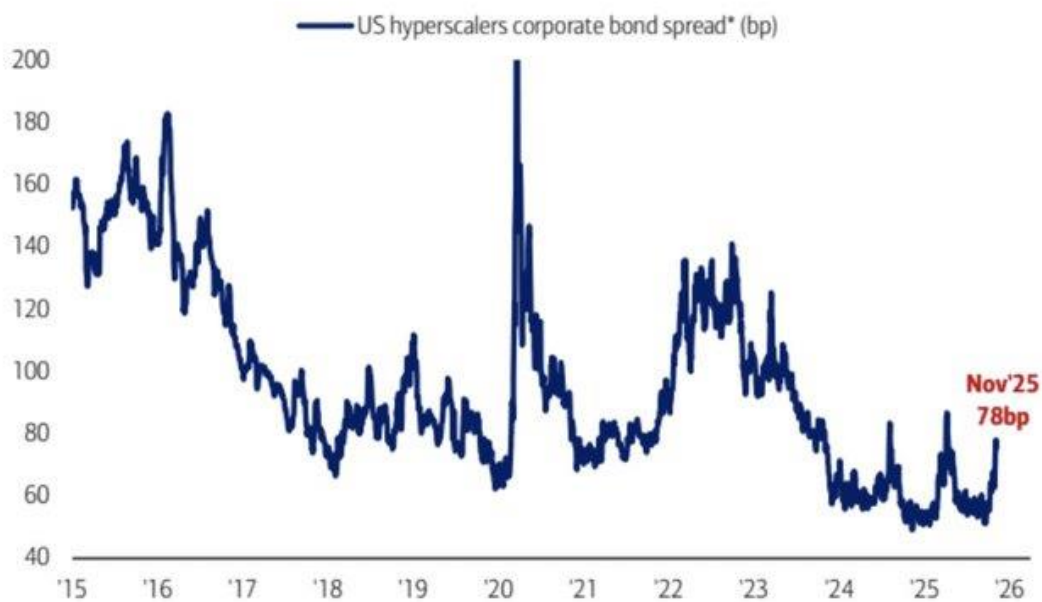
Credit Market

Credit market indicators are starting to flash caution, particularly in the tech sector, even as equities remain ebullient. A wave of massive bond issuance by large technology and cloud companies (“hyperscalers”) this fall has met some investor pushback, evidenced by a uptick in credit spreads. Earlier this year, corporate bond spreads had ground to post-2008 lows – for instance, yields on investment-grade bonds were only about **0.74%** (74 basis points) above equivalent Treasuries in mid-September, the tightest level in 15 years. But with tech firms raising tens of billions in new debt to fund aggressive AI and data center expansion, debt investors are demanding more yield. In recent weeks, those investment-grade credit spreads widened back out into the mid-80s (bps), still low by historical standards but notable for reversing a long tightening trend. In other words, credit markets are no longer **complacent** about Big Tech’s voracious capital needs. Even highly rated issuers like Alphabet and Meta had to offer a premium on new bond sales, a sign that lenders are slightly more wary and insist on extra compensation for the burgeoning supply of tech debt.

This subtle shift in credit conditions is drawing comparisons to late-1990s bubble warnings. Analysts point out that during the dot-com boom, one early harbinger of trouble was a widening in credit spreads – bond investors grew cautious even as stock prices kept soaring. We may be seeing a similar dynamic now: equity markets are pricing in rosy scenarios for AI-driven growth, but the credit market’s **risk appetite** has begun to ebb. High-yield (junk) bond spreads have likewise moved up from cyclical lows, indicating a general re-pricing of risk. None of these moves suggest an imminent crisis, but they do imply that the era of ultra-cheap capital for companies is ending. If the cost of debt continues to rise, highly leveraged or speculative ventures (many in the tech arena) could face pressure. The widening tech credit spreads, coupled with record equity valuations, underscore the possibility that an **AI/tech bubble** may be forming – or at least that investors are starting to differentiate and demand more for risk. It’s a trend worth watching, as credit markets often serve as the proverbial canary in the coal mine for financial stress.



Chart 9: Hyperscaler bond spreads = AI bubble “watch-out” metric
Hyperscaler corporate bond spreads* (bp)



Source: ofA Global Investment Strategy, ICE Data Indices LLC. Weighted-average corporate bond spread for the US hyperscalers (AMZN, GOOGL, META, MSFT, ORCL)

RofA GLOBAL RESEARCH

GRIP Summary

Taken together, our **GRIP** framework assessment suggests a cautious outlook as we balance growth, risk, inflation, and policy factors:

- **Growth** is clearly decelerating. Freight transport and manufacturing data point to weakening momentum, even though a solid labor market has so far prevented an outright downturn. Economic expansion continues, but at a much cooler pace with rising risks on the horizon.
- **Risk & Valuation** in financial markets are at exuberant levels. Investor risk appetite remains high – evident in stretched equity valuations – yet beneath the surface there are hints of fragility (narrow market leadership and early-stage credit spread widening). The current optimism leaves markets vulnerable to shocks or disappointments.



- **Inflation** is moderating only gradually. Headline inflation around 3% is an improvement from last year, but price pressures are still uncomfortably pervasive across the economy. This persistent breadth of inflation means central bankers cannot declare victory and must stay vigilant, even as the trend inches in the right direction.
- **Policy** is at a turning point. The Federal Reserve, which spent 2024 on hold after aggressive rate hikes, has cautiously begun to ease monetary policy as growth risks mount. In October the Fed delivered its second 0.25% rate cut of the year, bringing the benchmark rate down to about 3.8%. However, officials have signaled they will move carefully and remain “data-dependent,” balancing the goal of taming inflation against the need to sustain growth. Fiscal policy, meanwhile, is becoming less supportive in the U.S. as pandemic-era spending fades.

In sum, the macro environment is defined by cross-currents. Growth is slowing and **recession alarms** are softly ringing, even as markets forge ahead to new highs. Inflation is past its peak but not yet fully tamed. The labor market’s foundation is firm, but cracks – like youth unemployment spikes – are appearing at the edges. And while the cost of money was extraordinarily cheap in recent years, it is now inching up as credit markets normalize and central banks tiptoe toward easing. For investors and advisors, prudent strategy means remaining vigilant: this late-cycle backdrop calls for balancing optimism with defense. The coming weeks will test whether the economy can navigate a soft landing – cooling just enough to quell inflation without undermining employment – or whether further shifts in policy and positioning will be required as conditions evolve.

Sources

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- **RBC Economics** – “September inflation downside seals the deal for an October cut from the Fed.” (Oct 15, 2025)
- **South China Morning Post** – “China’s youth unemployment soars to 2-year high as job crunch deepens.” (Sep 18, 2025)
- **Janus Henderson Investors** – “Mega-issuance and the AI arms race: Big Tech’s impact on credit spreads.” (Nov 13, 2025)



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