Summit Trail Advisors

Monthly Download

November 2025

Summary

- **Markets were relatively flat** in November as volatility early in the month gave way to a late rebound driven by improving Federal Reserve rate cut expectations, healthier equity market breadth, and firmer credit conditions. While US Large Cap technology remained under pressure from renewed scrutiny of AI spending, gains in defensive sectors like Health Care, small caps, and several international markets helped support overall market performance. Treasury yields drifted lower and credit spreads remained contained, reflecting a still constructive macro backdrop despite lingering uncertainty around growth, inflation, and the policy outlook.

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Market Overview

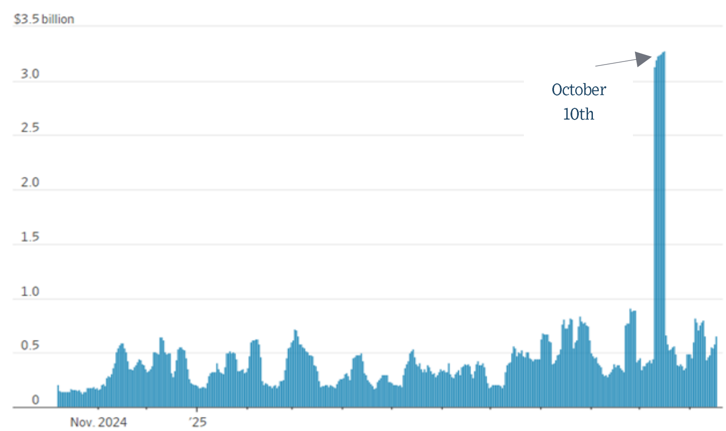
- **Equity markets** delivered mixed performance in November as both US and international stocks navigated volatility early in the month, driven by shifting central bank expectations and questions surrounding the AI narrative. US markets recovered into month end on improving prospects for a December rate cut and broader participation across sectors. Small cap stocks outperformed their large cap counterparts in the US. Developed markets outside of the US outperformed slightly, supported by currency tailwinds and more favorable sector allocations. Emerging Markets lagged as strength in several commodity-linked regions was offset by renewed weakness in China.
  - US Large Cap stocks (S&P 500) rose 0.3% supported by strength in Health Care, Consumer Staples, and select Communication Services names. Technology underperformed as concerns intensified around the durability of AI-related investment cycles and financing structures. Several mega cap names weighed on performance while Alphabet and Apple benefited from company-specific AI and product catalysts late in the month. The equal-weight S&P 500 index outperformed as leadership broadened, up 1.9% for the month. Year to date, the S&P 500 is up 17.8%.
  - US Small Cap stocks (Russell 2000) gained 1.0%, benefiting from improved monetary policy expectations and stronger performance in regional banks, homebuilders, industrials, and other rate-sensitive segments. Year to date gains stand at 13.5%.
  - Non-US stocks (MSCI EAFE Net) were up 0.6% for the month with Europe, Japan, and the United Kingdom contributing meaningfully to relative performance. Year to date gains are 27.4%.
  - Emerging Markets (MSCI Emerging Markets Net) declined 2.4% in November with the weakest performance in Asia tied to areas that had been leaders in October. November's reversal was led by technology-related softness in names like Samsung, slowing domestic activity, and country specific pressures in China and Korea. Year to date returns remain in a leadership position for 2025 at 29.7%.
- **Interest rates** declined across the curve in November with the yield curve steepening modestly. The 10-year Treasury yield declined from 4.10% at the start of the month to 4.02% at month-end, reflecting a partial reversal of earlier hawkish commentary and a rise in expectations for a December rate cut. Several key October economic releases have been canceled due to the government shutdown, hindering visibility into the broader economy. September nonfarm payrolls came in above expectations, while unemployment ticked up slightly.

  - High Grade Taxable bonds (Bloomberg US Aggregate) were up 0.6% as modestly lower yields supported duration-sensitive assets and credit spreads remained stable. Year to date gains are 7.5%.
  - Municipal bonds (Bloomberg 1-10 Year Muni Bond) added 0.2%, supported by steady reinvestment demand and normalizing flows following earlier tax-season pressures. Municipal bonds are now up 4.9% for 2025.
  - Corporate credit delivered positive performance across both high-quality and lower-rated segments. Investment Grade bonds (Bloomberg US Corporate Investment Grade) were up 0.7% for the month, driven by lower rates, healthy corporate fundamentals, and subdued issuance. High Yield bonds (Bloomberg US Corporate High Yield) rose 0.6% as steady coupon income and limited default activity offset weakness in more speculative growth industries. Year to date performance for Investment Grade and High Yield bonds are now both up 8.0%.

- **Commodities** (Bloomberg Commodity Index) advanced 3.2% in November, led by precious metals, as investors sought diversification amid shifting rate expectations and rising macro uncertainty. Gold continued its multi-month rally and is now up over 60% year to date, while agricultural commodities stabilized after prior weakness. WTI crude oil declined again on weaker supply demand dynamics. Bitcoin futures fell nearly 20% during the month as speculative positioning unwound. Returns for the cryptocurrency are now negative for 2025, despite having been up 35% at one point earlier in 2025.

Economic Commentary

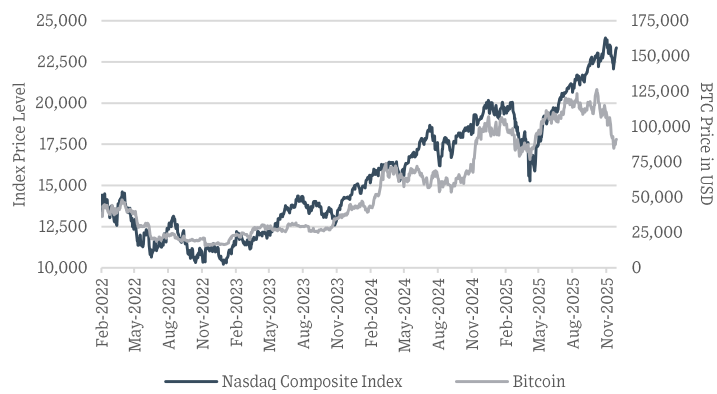
A Sharp Decline in Cryptocurrency Markets during the month pushed digital asset prices materially lower and caused stress across the broader crypto ecosystem. Bitcoin (BTC) fell nearly 20% intra-month with the price falling to around $80,600 before recovering to end November near $91,000. The largest cryptocurrency had traded above $126,000 just two months earlier. Ether posted similar losses and many smaller tokens with limited trading depth recorded even steeper declines. Several of these less liquid assets saw price drops that exceeded 30% as sell orders overwhelmed available liquidity on various trading platforms. Bitcoin's weakness to date in the 4th quarter stands out because the asset has historically shown strong year-end seasonality. Bitcoin's decline began back on October 10th, when President Trump's sudden announcement of increased tariffs on Chinese imports caused a sell-off in risk assets including a 14% intra-day decline in BTC. Bitcoin previously had seen strong price appreciation and leveraged positions had increased dramatically as investors expected further appreciation. Liquidations spiked, catching investors levered and off guard and while the Bitcoin price settled in for the remainder of October, leverage and buying interest did not return. Once prices began to decline again in November, exchanges triggered widespread liquidations of remaining leveraged long positions. Billions of dollars in bullish bets were unwound over a short period as forced selling amplified downward price pressure. Investment vehicles tied to corporate balance sheet Bitcoin strategies known as Digital Asset Treasuries ("DATs"), where companies accumulate Bitcoin or other cryptocurrencies as a long-term reserve asset, came under renewed scrutiny during the downturn. Michael Saylor's well known Bitcoin accumulation strategy (previously known as



Total Daily Liquidations on Crypto Exchanges
Source: Coinglass. Data is 7-day moving average.

MicroStrategy and now "Strategy") again drew attention as the price decline raised questions regarding the ability of DATs to manage their debt costs used to purchase additional crypto assets and at what level of price decline they would be forced to sell BTC, further pressuring the price. Strategy, the company, owns 3% of the current BTC supply outstanding.

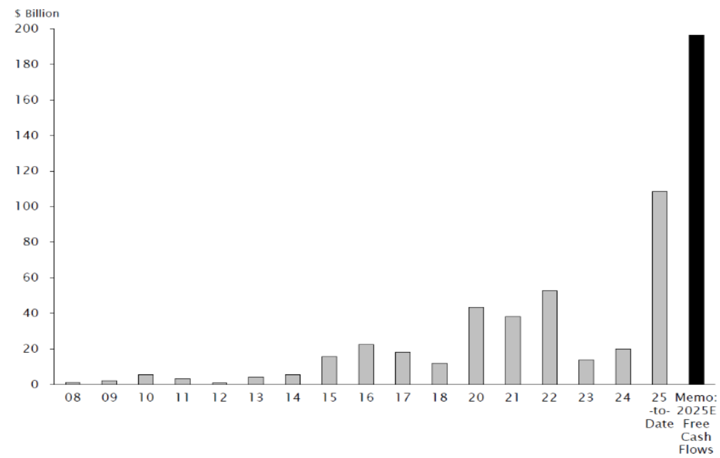
Bitcoin's sell-off in the absence of a market meltdown highlighted the changing relationship between cryptocurrency prices and traditional equity benchmarks. Bitcoin's performance began to diverge from the Nasdaq after showing a strong positive correlation in recent years. Bitcoin's price was moving for reasons that were unique to the crypto market and not necessarily because of what was happening in equities, interest rates, or the broader economy. In that context, the relative weakness in Bitcoin raised questions among some market participants about what the divergence implied for global liquidity conditions. If Bitcoin is viewed as a barometer of excess liquidity in the financial system, then the disconnect between Bitcoin falling to 6-month lows while major equity indices remain near their highs presents an interesting dynamic. The market reset during November offered a clearer view into the risk characteristics of cryptocurrency markets and put another dent in the crypto community's argument for digital assets as a "storer of value". When an asset whose rationale for investment is solely based on price starts to decline, finding a floor with such significant leverage may be a challenge.



Bitcoin and Nasdaq Price Divergence
Source: FactSet as of 11/28/25

The Release of Federal Economic Data resumed in November after the government shutdown halted several major reports. The jobs report was the first full dataset available and quickly became a focal point for markets because it offered the clearest update on labor market conditions after several weeks of limited visibility. The report showed steady payroll growth with only modest revisions to prior months. The unemployment rate remained near recent levels and labor force participation was little changed, pointing to a labor market that has slowed from its peak pace but remains stable. Wage growth continued to moderate, which reduced concerns that pay increases were driving persistent inflation pressures. Other labor market indicators, including job openings and quits, also pointed to a gradual cooling in demand for workers rather than an abrupt weakening. Additional labor data released in early December offered a more nuanced picture. Private payroll estimates from ADP indicated that employers shed jobs during November, marking one of the softer readings in the past two years and showing declines across several interest rate sensitive and white-collar industries. Pay growth for job stayers and job changers continued to ease, suggesting less pressure from wage driven inflation. Small businesses accounted for much of the weakness, while health care and leisure sectors continued to expand. Although ADP and official payroll figures often diverge, the data reinforced the view that hiring momentum has moderated. As additional data followed, a more complete picture of the post-shutdown economy emerged. Newly released inflation readings showed continued but uneven progress, with goods inflation cooling while several service categories remained firm. Consumer spending continued to grow at a slower but still positive pace, supported by stable employment conditions even as higher borrowing costs weighed on housing and durable goods. Updated manufacturing and service sector surveys showed mixed results, with activity stabilizing in some areas and softening in others. The latest manufacturing index remained below the threshold that separates expansion from contraction, with respondents citing cautious customer behavior, tariff-related uncertainty, and ongoing cost pressures. When viewed together, softer private payroll estimates, moderating wage gains, slower but steady consumer spending, and continued contraction in manufacturing activity, reinforce the view that the "non-AI" economy is decelerating in a measured way rather than slipping into a sharper downturn.

Nvidia's Quarterly Results were one of the most closely watched events in November because they provide the most current read on the pace of global AI spending. The company reported revenue that exceeded consensus estimates by roughly $2 billion and guided 4th quarter revenue almost $3 billion above expectations. Data center sales remained the largest contributor to growth. Despite these results, the stock reaction was muted as investors weighed strong fundamentals against valuations that had already priced in substantial future expansion. Nvidia entered the month trading near 30 times forward earnings, which reflected investor confidence in the durability of AI demand. Elevated multiples have created a more reactive trading environment, where any sign of slower spending or rising competition can produce noticeable day to day swings in the technology sector. Adding to investors' debate on valuations is a change in how companies are funding the expansion of AI infrastructure. Capital expenditure plans among the major hyperscalers have increased sharply over the course of the year. Forecasts for 2025 capex moved from roughly 20% growth at the start of the year to more than 60% by November, while expectations for 2026 rose toward 30%. The size of these commitments has pushed companies to rely more heavily on debt markets as opposed to free cash flow. Public technology firms have issued a large amount of corporate bonds, and private credit has become an increasingly important source of funding for large scale data centers. Private lenders hold significant dry powder that is now being directed toward AI-related projects, especially for companies investing ahead of meaningful revenue contributions. The shift from free cash flow funded investment to a broader mix of debt financing has become a focal point because it ties the pace of AI development more closely to credit markets. Many of the public Mag7 companies and related AI plays have plenty of room in their capital structures for debt although recent market darling Oracle stands out for its debt issuance to fund data center growth that is reportedly tied directly to OpenAI. The math on the assumptions for future revenue to justify the current spend was part of a JPMorgan report released in mid-November outlining in order to reach a 10% return on the planned AI spending over the next 5 years, the industry would need to reach $650 billion in annualized revenue by early next decade. To put that number in context, the report cited an example that level of annual revenue would require $35 in additional revenue *per month* from every current iPhone user worldwide. A sense that returns on the current investments in AI may not be attractive given the path to revenues may subdue valuations and will most likely hit the venture capital market first where valuations are even further stretched. Market performance during November reflected the interplay of these trends. Technology benchmarks lagged the broader market while the equal weight S&P 500 index outperformed as leadership shifted to segments less affected by valuation concerns in AI exposed areas. Nvidia's strong results, combined with a reassessment of pricing and funding conditions across AI related companies, contributed to a rotation toward more defensive and income-oriented sectors. Investors will continue to monitor upcoming earnings and spending announcements to determine whether recent volatility represents a normal recalibration following rapid multiple expansion or points to a more meaningful adjustment in AI valuations.



Hyperscalers & Oracle Corporate Bond Issuance
Source: Bloomberg, Empirical Research Partners

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