November Market Commentary | Markets Hold Steady

An “everything rally” caps a complex month for markets.

November ended with an “everything rally,” as U.S. stocks, bonds, credit, commodities and crypto all moved higher. Morgan Stanley data suggests this has been a theme for much of the year. Not since 2019 have all major asset classes delivered returns above inflation, providing investors with positive real returns across the board. Bloomberg reports that global equities are enjoying strong performance for the third consecutive year, with many strategists expecting further gains in 2026.

Despite the strong finish, November was still a down month for many markets overall.

Ranked Asset Class Return by Year – Blue Means You’re Beating Inflation

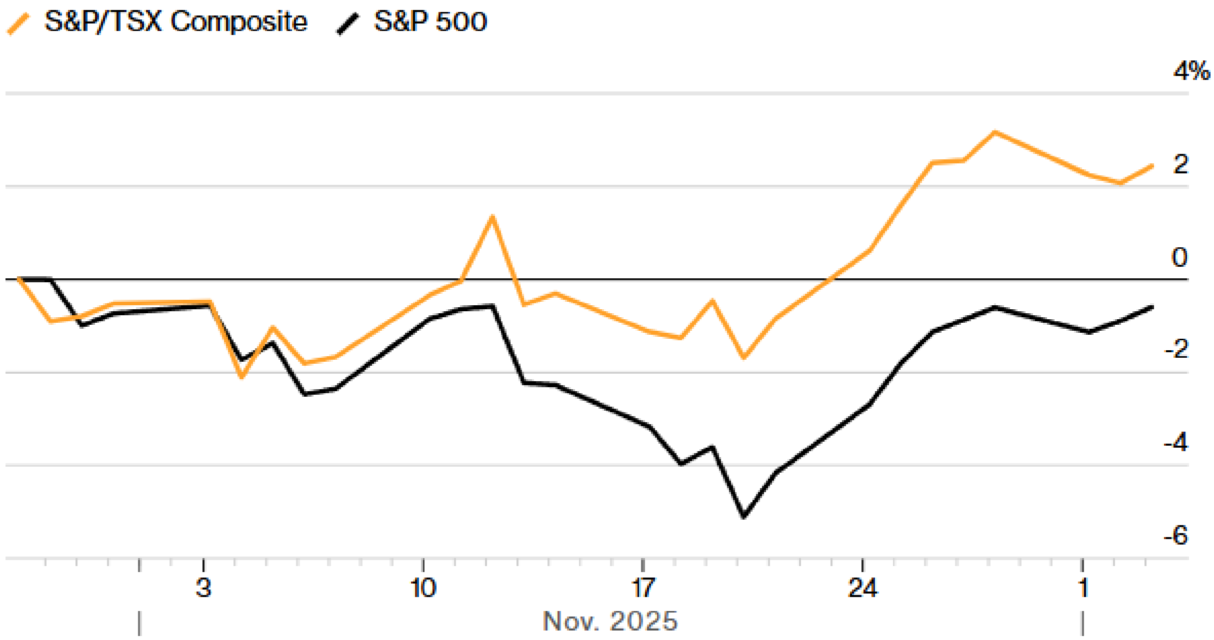
2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 YTD
MSCI JP (9%)	Commod. (21%)	MSCI CN (51%)	USD Cash (0%)	S&P 500 (29%)	MSCI CN (28%)	REITS (32%)	Commod. (0%)	S&P 500 (22%)	S&P 500 (21%)	MSCI CN (29%)
REITS (2%)	US Small (19%)	MSCI EM (35%)	US 2yr (0%)	REITS (26%)	US Small (18%)	S&P 500 (20%)	USD Cash (-4%)	MSCI JP (17%)	MSCI CN (16%)	MSCI EU (27%)
US 10yr (1%)	US HY (15%)	MSCI EU (24%)	US 10yr (-1%)	US Small (23%)	MSCI EM (17%)	Commod. (18%)	US 2yr (-10%)	MSCI EU (17%)	US Small (8%)	MSCI EM (27%)
EM $ Sov. (1%)	Global HY (12%)	MSCI JP (22%)	US Agg (-2%)	MSCI EU (22%)	S&P 500 (17%)	MSCI EU (9%)	EM Local (-14%)	US Small (13%)	Global HY (6%)	MSCI JP (21%)
S&P 500 (1%)	S&P 500 (10%)	S&P 500 (19%)	TIPS (-3%)	MSCI CN (21%)	MSCI JP (13%)	US Small (7%)	US HY (-17%)	Global HY (10%)	MSCI JP (6%)	Commod. (15%)
US 2yr (0%)	MSCI EM (9%)	US Small (12%)	US HY (-4%)	MSCI JP (17%)	Commod. (10%)	TIPS (-1%)	TIPS (-17%)	US HY (10%)	US HY (5%)	S&P 500 (14%)
US Agg (0%)	EM $ Sov. (7%)	EM Local (12%)	US IG (-4%)	MSCI EM (16%)	TIPS (10%)	US HY (-2%)	Global HY (-18%)	REITS (8%)	MSCI EM (5%)	US Small (10%)
USD Cash (-1%)	REITS (7%)	Global HY (8%)	EM Local (-5%)	US IG (12%)	US 10yr (9%)	MSCI JP (-5%)	US Agg (-18%)	EM $ Sov. (7%)	EM $ Sov. (4%)	EM $ Sov. (9%)
US IG (-1%)	US IG (4%)	EM $ Sov. (7%)	Global HY (-6%)	US HY (12%)	US IG (8%)	Global HY (-6%)	MSCI EU (-20%)	MSCI EM (7%)	Commod. (3%)	Global HY (8%)
TIPS (-2%)	EM Local (4%)	REITS (6%)	REITS (-6%)	EM $ Sov. (11%)	US Agg (6%)	USD Cash (-7%)	US 10yr (-20%)	US IG (5%)	REITS (2%)	US 10yr (6%)
MSCI EU (-3%)	TIPS (3%)	Commod. (5%)	EM $ Sov. (-6%)	Global HY (10%)	US HY (6%)	US 2yr (-7%)	US IG (-21%)	EM Local (3%)	US 2yr (1%)	US HY (5%)
Global HY (-3%)	MSCI JP (1%)	US HY (5%)	S&P 500 (-6%)	Commod. (8%)	Global HY (6%)	US IG (-8%)	MSCI JP (-21%)	US Agg (2%)	USD Cash (0%)	US IG (5%)
US Small (-5%)	US Agg (1%)	US IG (4%)	Commod. (-12%)	EM Local (7%)	MSCI EU (5%)	US Agg (-8%)	EM $ Sov. (-22%)	US 2yr (1%)	MSCI EU (0%)	EM Local (5%)
US HY (-5%)	MSCI CN (-1%)	US Agg (1%)	US Small (-13%)	US Agg (6%)	EM Local (4%)	EM Local (-8%)	S&P 500 (-23%)	TIPS (1%)	US IG (-1%)	US Agg (4%)
MSCI CN (-8%)	US 2yr (-1%)	TIPS (1%)	MSCI JP (-14%)	US 10yr (6%)	EM $ Sov. (4%)	MSCI EM (-9%)	MSCI EM (-25%)	USD Cash (0%)	TIPS (-1%)	TIPS (4%)
EM Local (-11%)	US 10yr (-1%)	US 10yr (0%)	MSCI EM (-16%)	TIPS (6%)	US 2yr (2%)	EM $ Sov. (-9%)	US Small (-25%)	US 10yr (0%)	EM Local (-1%)	US 2yr (2%)
MSCI EM (-15%)	USD Cash (-2%)	USD Cash (-1%)	MSCI EU (-16%)	US 2yr (1%)	USD Cash (-1%)	US 10yr (-9%)	MSCI CN (-27%)	MSCI CN (-14%)	US Agg (-2%)	REITS (2%)
Commod. (-19%)	MSCI EU (-2%)	US 2yr (-2%)	MSCI CN (-20%)	USD Cash (0%)	REITS (-6%)	MSCI CN (-27%)	REITS (-30%)	Commod. (-14%)	US 10yr (-3%)	USD Cash (0%)

Source: Bloomberg, Morgan Stanley Research; Note: We compute annual returns minus US headline inflation. Blue means returns (in USD) beat inflation, and red means returns trailed inflation.

Canadian equities outperform as defensive sectors lead.

Canadian equities were among the few markets to end November in positive territory. The S&P/TSX gained 3.9% (total return in Canadian dollars), once again outperforming most global peers. By comparison, U.S. equities returned 0.3% (total return in U.S. dollars). After peaking in October, U.S. stocks declined as much as 5% by mid-November before recouping most of those losses by month-end.

Canadian Stocks Beating S&P 500 Since October Peak



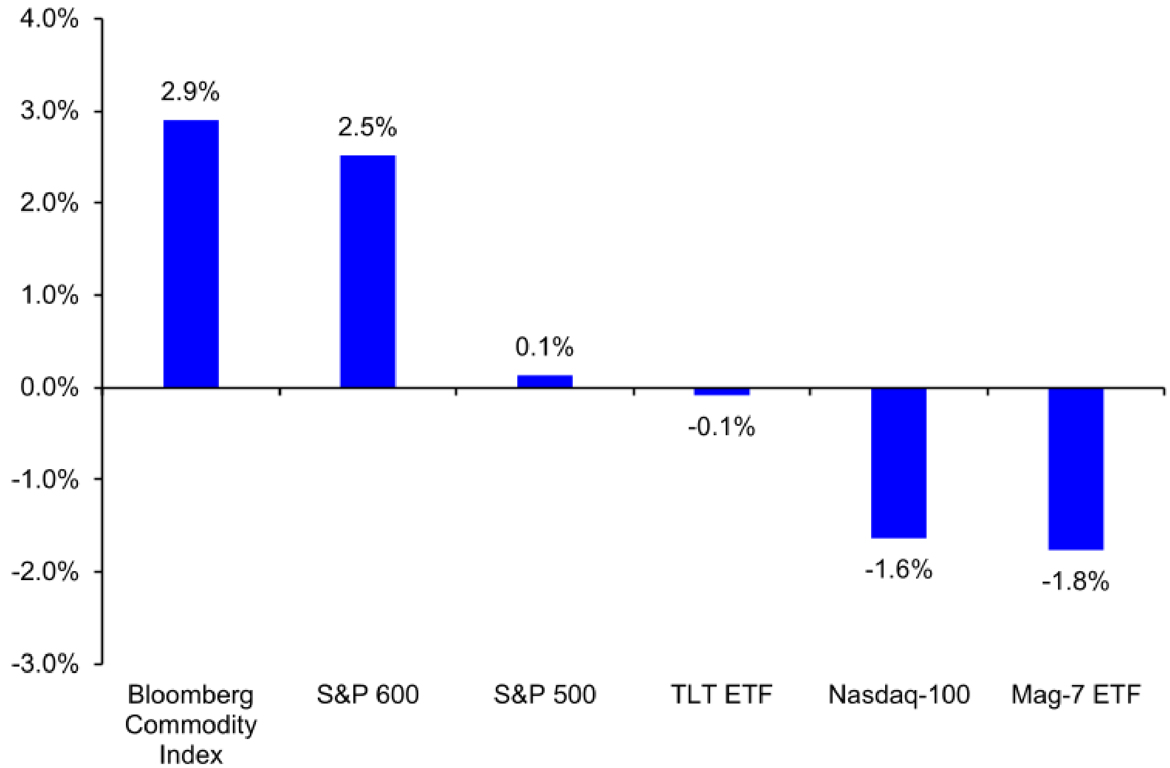
Source: Bloomberg
Data is normalized with percentage appreciation as of October 28, 2025.

The S&P/TSX did not experience a pullback of the same magnitude. The index quickly returned to record levels and is on pace to record the most year-to-date record highs since 2021. While this strength is encouraging, a sector-level view is more nuanced. Materials, led by gold, were the strongest performers, followed by consumer staples, both traditionally more defensive sectors. Technology lagged. Fortunately, the relatively modest weight of technology in the large-cap Canadian index limited the overall impact.

Rotation away from concentrated winners and speculative assets.

These trends in Canada mirror global patterns, particularly in the United States. Scotiabank notes that November's weakness in the S&P 500 was concentrated in the technology-heavy Magnificent Seven. Most stocks actually gained in November.

Exhibit 1 - November Performance: Damage Concentrated in the Mag-7 Stocks



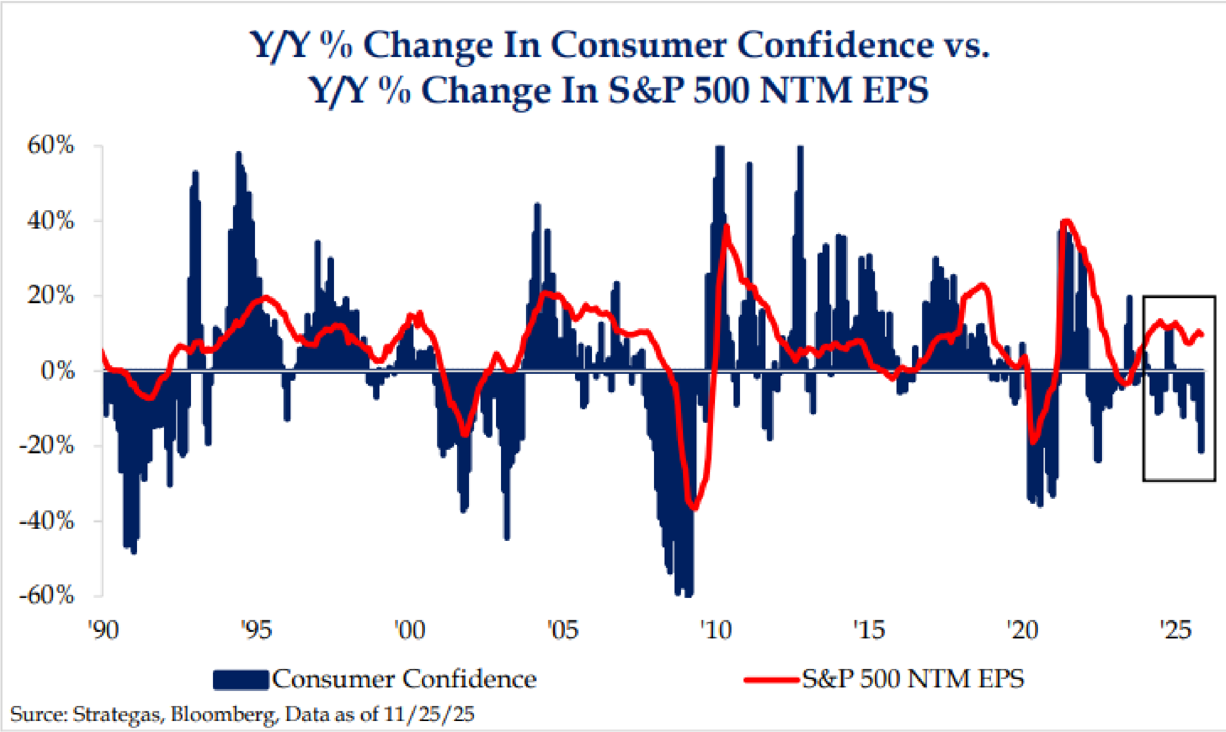
Source: Scotiabank GBM Portfolio Strategy, Bloomberg.

Performance was rotational. Stocks in the top decile of performance through the end of October were the only group to post negative returns in November. Speculative assets, including Bitcoin and meme stocks, also sold off, suggesting that investors with a more speculative or "gambling" approach bore the brunt of the weakness.

Resilient markets despite negative news flow.

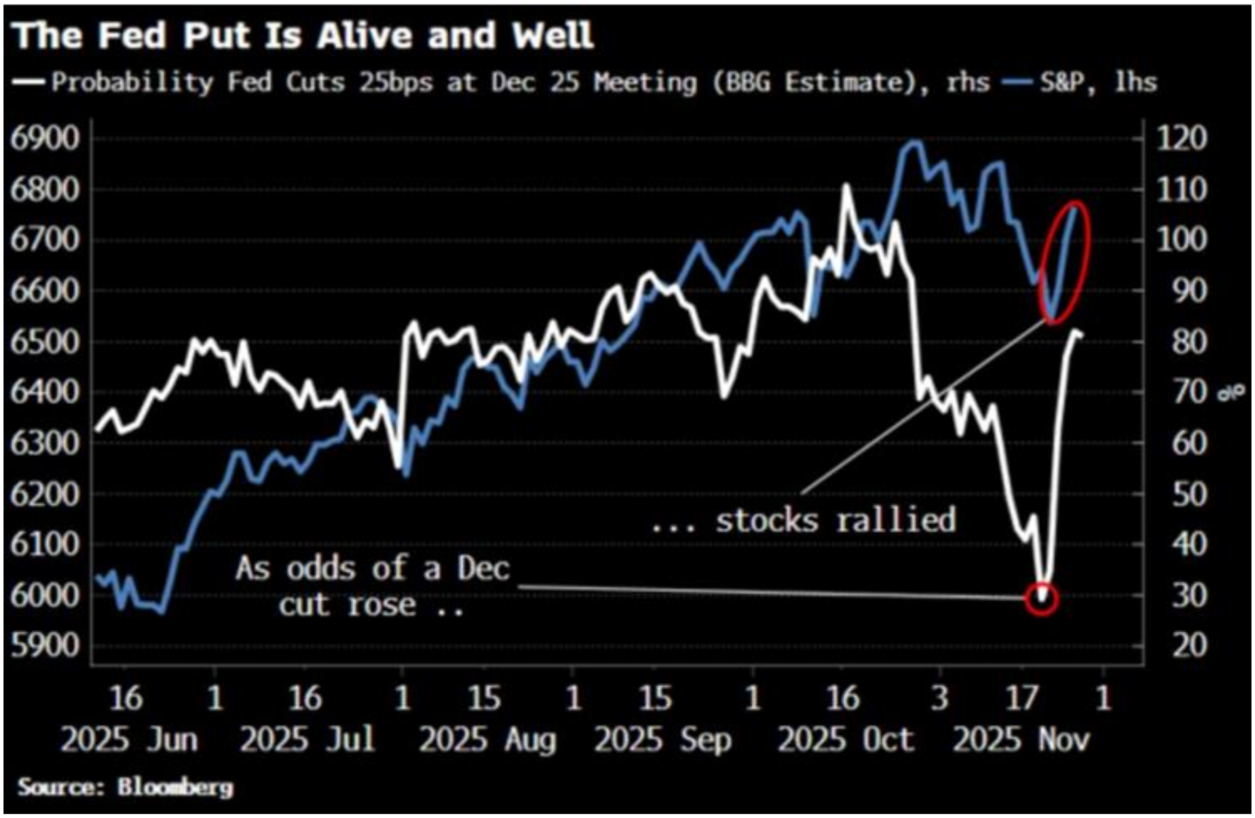
The key question is whether the early-November weakness was a brief pause or an early warning. Given the volume of negative macro and geopolitical headlines, the resilience of equity markets has been notable. A pullback, correction or even bear market would not be surprising in this context, even if it would be unwelcome.

Strategas highlights a growing divergence between consumer confidence, which is falling, and S&P 500 earnings growth, which remains steady. This gap is one reason the current rally has many sceptics. The average American does not feel particularly confident, but earnings, especially in the technology sector and the Magnificent Seven, have been strong.



In November, however, there were signs the market may be starting to question that leadership. A change in leadership could be healthy if it reflects improving performance in other sectors. It would be more concerning if it simply reflected a loss of confidence in the Magnificent Seven. The data are mixed, but from an economic growth perspective, earnings and stock price performance appear on track to broaden in 2026.

Short-term interest rates will also play a major role, since they form the discount rate applied to future earnings. Hopes that the Federal Reserve remains on course to continue lowering rates are a central pillar of the bullish view. As Bloomberg's Simon White notes, equities inflected higher last month when the perceived odds of a December rate cut rose sharply, reinforcing the sense that the "Fed put" remains in place.

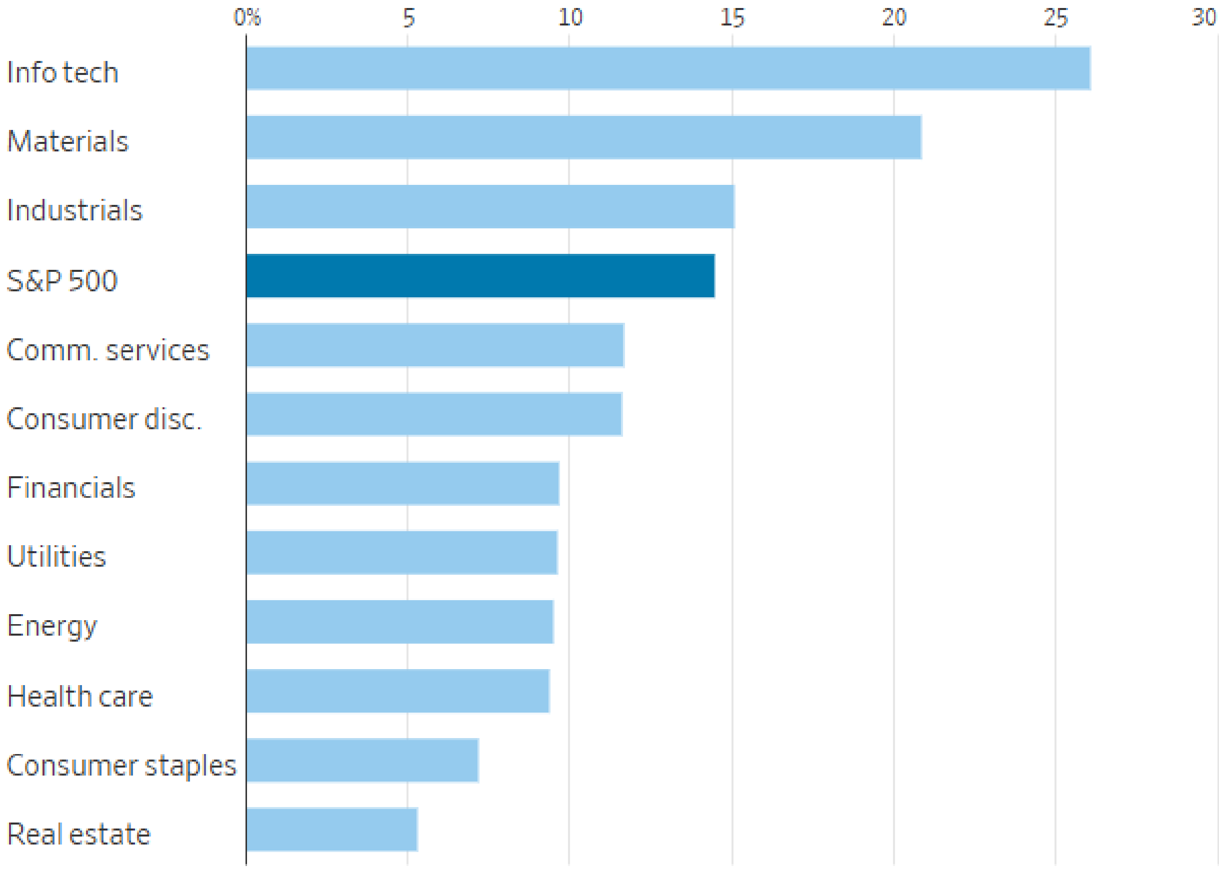


Earnings breadth may improve across sectors and market caps.

As noted, November's performance was rotational. Year-to-date leaders such as the Magnificent Seven underperformed, while the broader market fared relatively well.

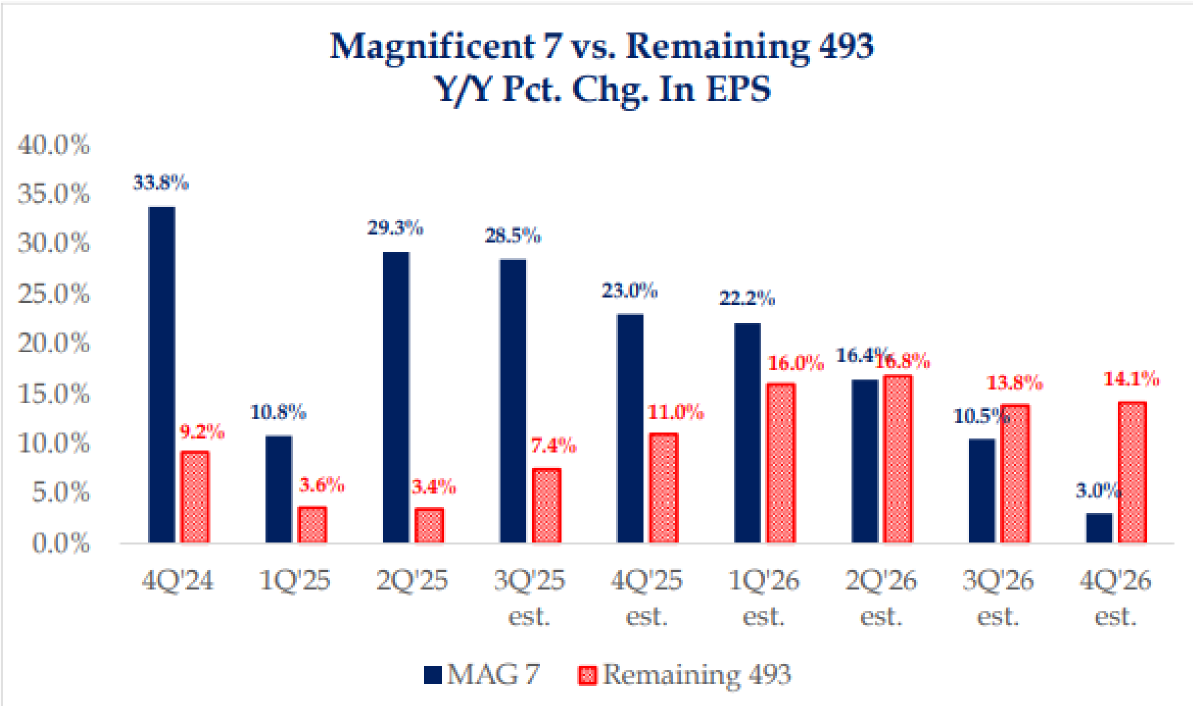
From an earnings perspective, FactSet still expects information technology to deliver the strongest sector-level growth in 2026, but materials and industrials are not far behind. Strategas forecasts that earnings growth for the other 493 companies in the S&P 500 will converge with the Magnificent Seven in the first half of 2026, then exceed them in the second half.

S&P 500 2026 earnings growth estimates



Source: FactSet

REMAINING 493 EARNINGS GROWTH EXPECTED TO CONVERGE ON THE MAG 7 IN 2H'26



A similar dynamic may unfold between small-cap and large-cap stocks. Earnings growth for the small-cap S&P 600 has lagged the large-cap S&P 500 for several years. Strategas believes this could change in the first quarter of next year, with small-cap earnings inflecting sharply higher. In another sign of broadening strength, the Dow Jones Transportation Average reached new highs in early December, typically a positive signal for cyclical sectors.

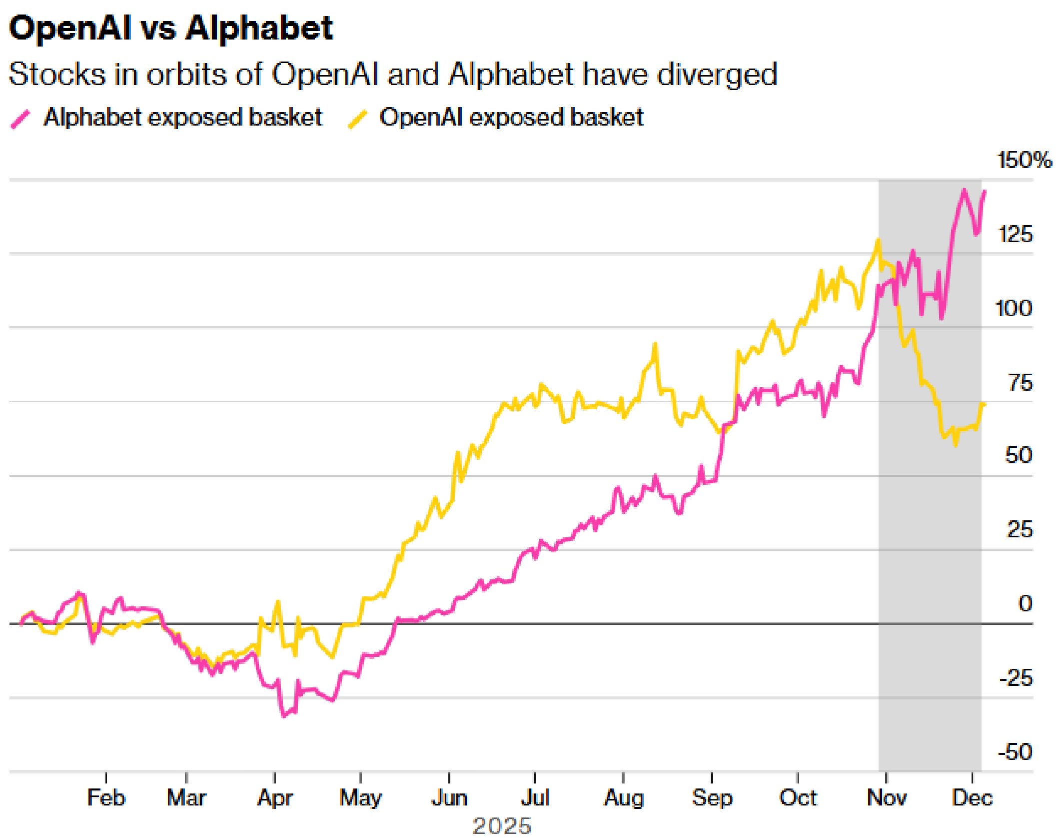
SMALL EPS GROWTH EXPECTED TO ACCELERATE PAST LARGE CAPS IN 2026

Source: Strategas, Bloomberg Consensus Estimates, Data as of 12/8/25

AI and technology remain central, but investors are more selective.

Rotation does not mean investors have abandoned technology or AI-related stocks. Instead, November's weakness appears more consistent with greater selectivity around AI exposure than with broad-based disenchantment.

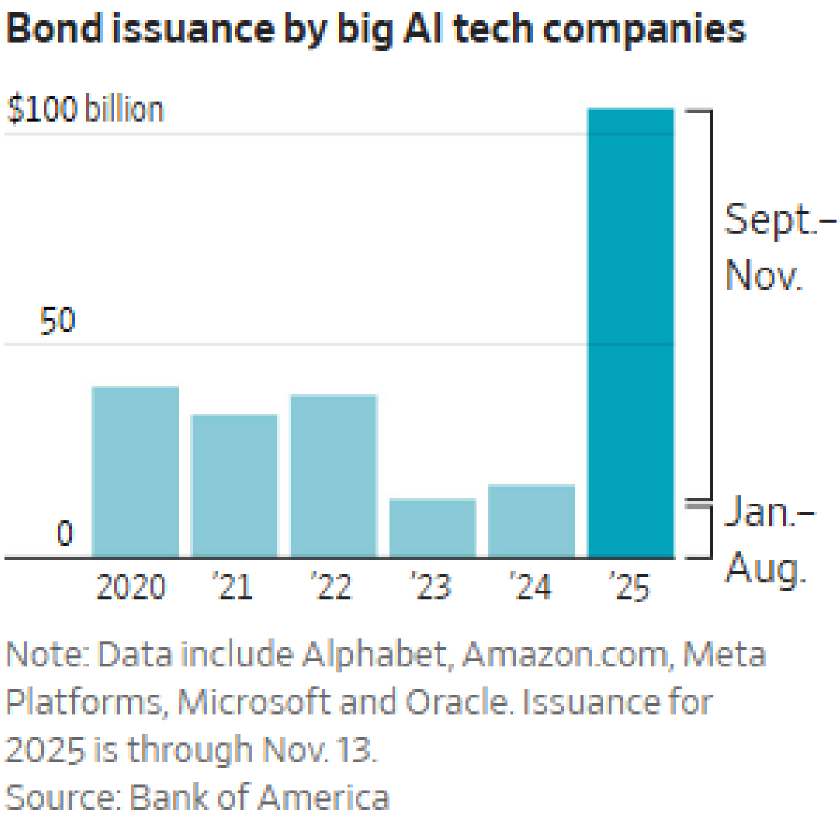
Positive news from Alphabet on both browser and chip fronts shifted investor enthusiasm toward companies leveraged to its ecosystem rather than that of OpenAI and Nvidia. The competitive landscape remains very much in flux. Companies are ramping up capital spending to ensure they are positioned as eventual winners.



Source: Bloomberg, Morgan Stanley
Data is normalized with percentage appreciation as of January 2, 2025.

From a profitability standpoint, this is a concern in the near term and is one reason Apple, which has so far avoided large-scale AI spending, has outperformed. Historically, most AI-related capital expenditure has been funded from the ample free cash flow of Magnificent Seven companies such as Microsoft, Meta, Amazon and Alphabet.

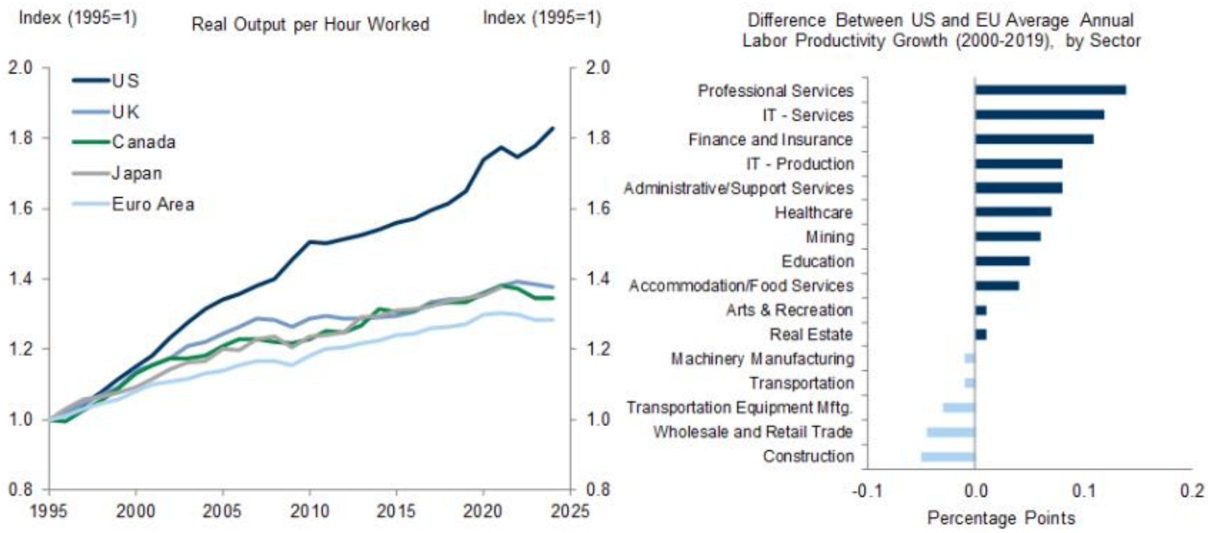
Bank of America reports that these heavy spenders began to increase their borrowing in September. Morgan Stanley estimates that large-cap technology spending on AI could approach USD 3 trillion through 2028. Concerns about this borrowing are reflected in the cost of credit protection. Five-year credit default swap spreads on Oracle debt, for example, have risen to their highest level in 16 years, with Oracle seen as a significant spender with comparatively shallower balance-sheet resources.



Productivity gains from AI may take time to materialize.

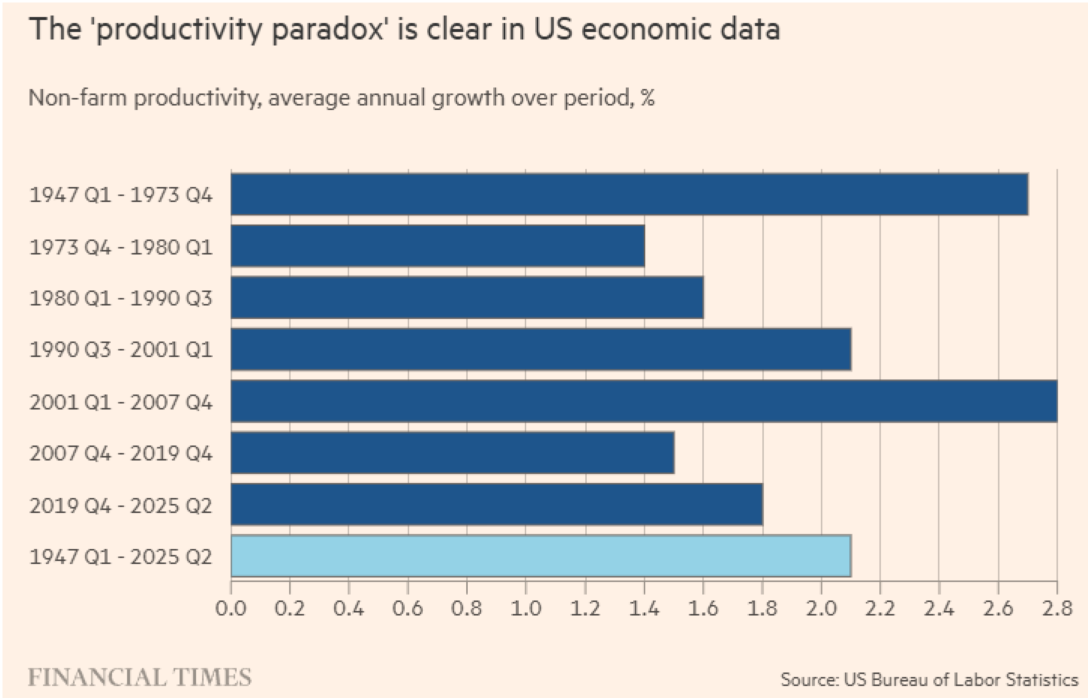
Ultimately, the success of AI-related investment will depend not only on company-level profitability, but also on its contribution to productivity growth in the broader U.S. economy. Goldman Sachs notes that U.S. labour productivity has averaged 2.1% since 1995, more than double that of any other advanced economy, largely due to growth in IT and IT-intensive sectors.

Exhibit 1: Since the Late 1990s, US Labor Productivity Has Grown More Than Twice as Fast as Other Advanced Economies'; the US Outperformance Mainly Reflects Stronger Productivity Growth in IT and IT-intensive Sectors



Source: Goldman Sachs Global Investment Research, US Bureau of Labor Statistics, ONS, Eurostat, Penn World Tables, Nikolov et al. (2024), Draghi (2024)

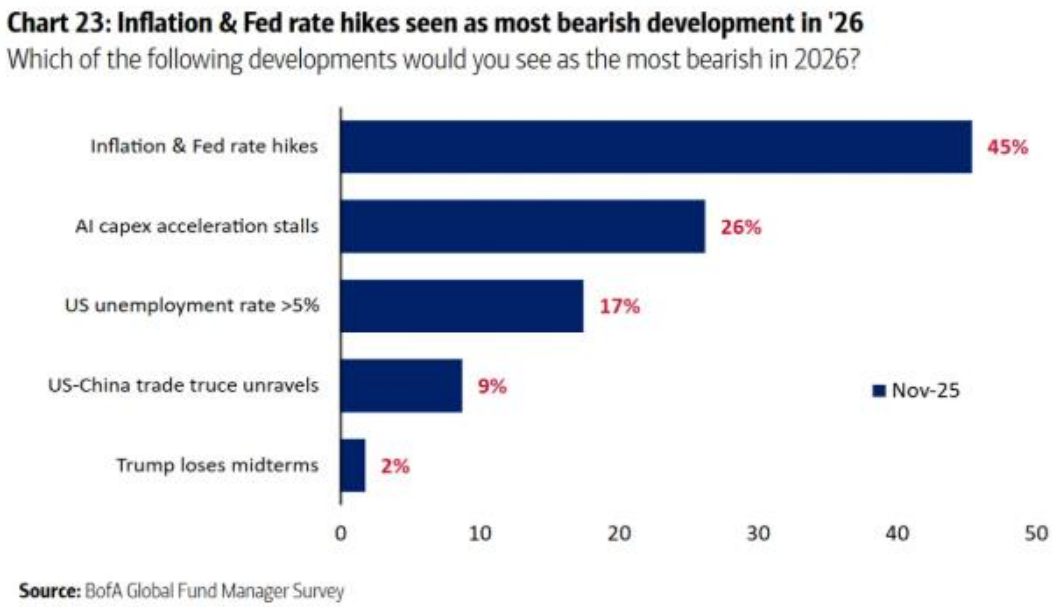
The Financial Times points out that productivity gains from new technologies often occur with a lag as businesses adapt. Investments in the internet in the early 1990s, for example, did not show up fully in productivity statistics until later in the decade. Barron's estimates that only about 10% of businesses currently use any form of AI, and that the economic benefits could take years to appear in the data.



While productivity increased 3.3% in the second quarter of 2025, that strength mostly reflected post-pandemic improvements in service-sector productivity, rather than AI.

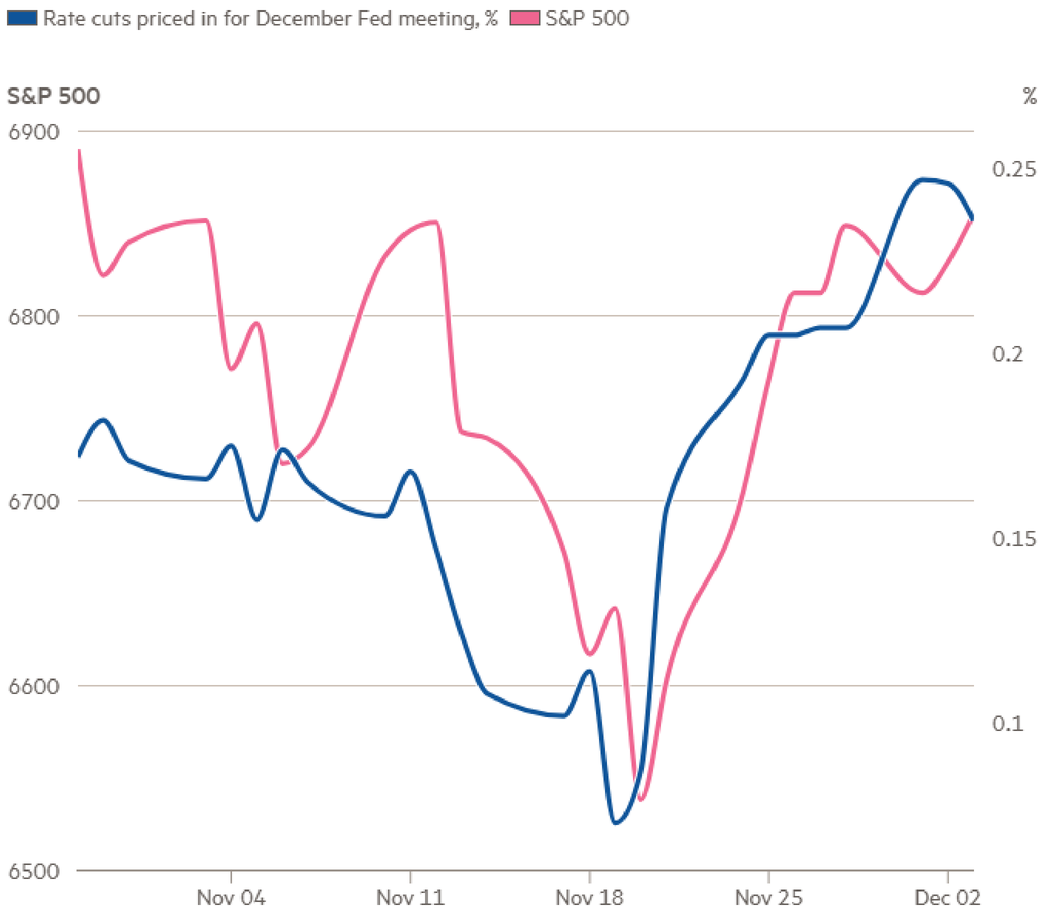
Inflation and the risk of a policy reversal remain key market risks.

In the near term, inflation and the risk of higher rates are more immediate concerns for markets. A recent Bank of America Fund Manager Survey found that 45% of respondents view a combination of higher inflation and renewed Fed rate hikes as the most bearish potential development for 2026.



The market's sensitivity to policy expectations was evident in November. There is a tight correlation between the odds of a December rate cut and the level of the S&P 500. For many households, inflation, or the price of everyday goods and services, is a more meaningful indicator of economic health than equity indices.

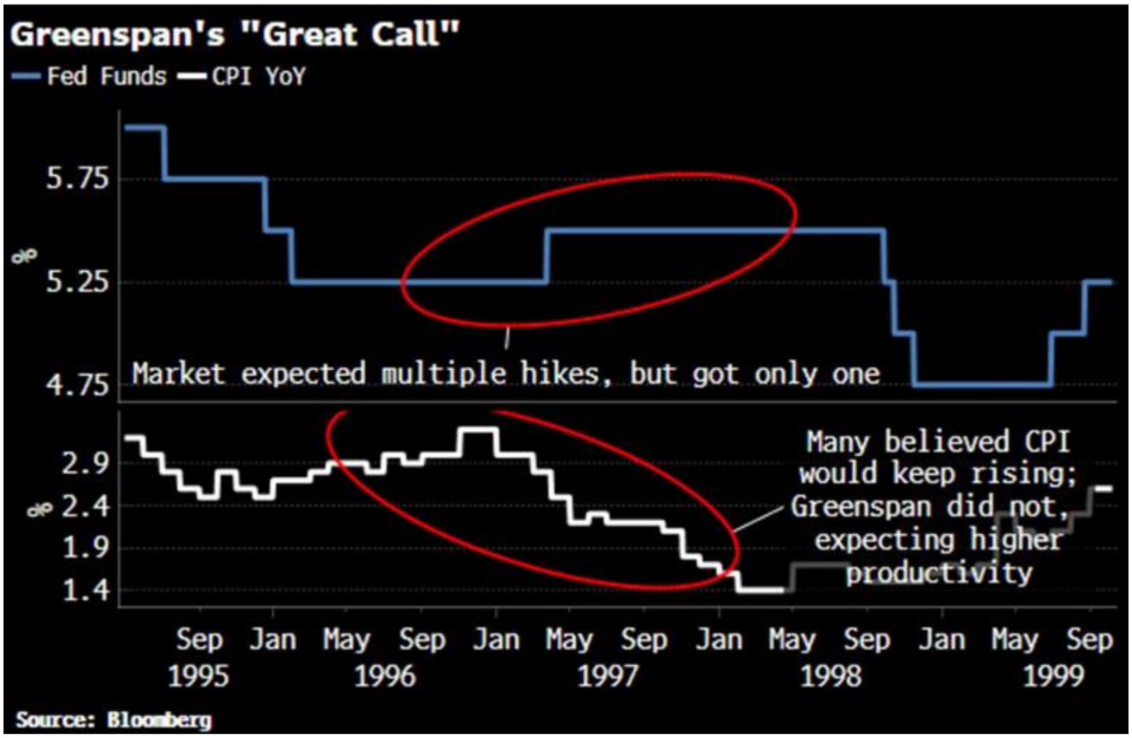
Rate cut rally



©FT Source: Bloomberg

This leaves the Fed in a difficult position, balancing the risk of higher inflation against the market and economic desire for lower rates. Cutting rates too aggressively in a strong economy, as occurred in the late 1970s and early 1980s, can trigger a second inflation spike.

Alternatively, the Fed could take a page from former Chair Alan Greenspan's "great call" in the late 1990s. As Bloomberg's Simon White highlights, Greenspan refrained from tightening, despite high and rising inflation, because he believed improving productivity would show up in the data and restrain inflation. It did, but such a strategy would be bold today given both the uncertain timing of AI-driven productivity and strong flows into commodity ETFs that may be signalling a future move higher in inflation.

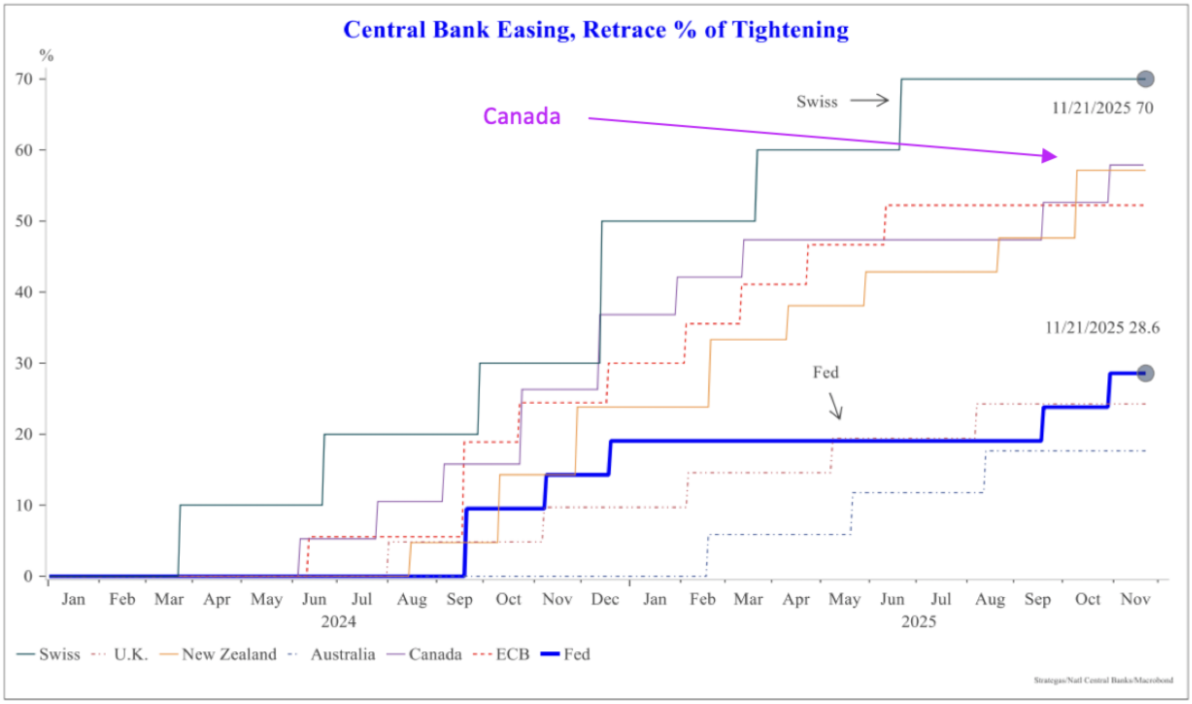


The Fed faces pressure while other central banks move further ahead.

Federal Reserve Chair Jerome Powell is under considerable pressure to calibrate policy correctly. Many analysts expect further easing, with a baseline outlook calling for a cut in December, followed by additional cuts in March and June 2026.

Strategas notes that the Fed already appears behind the curve relative to other central banks. After the pandemic, the Fed raised rates by 525 basis points and has cut only 150 basis points so far, a retracement of about 29%. By comparison, the Bank of Canada raised 475 basis points and has cut 225 basis points, a 58% retracement.

SINCE 2021, THE FED HIKED RATES +525 BP, THEN CUT -150 BP.
THIS 150/525 = 28.6% RETRACEMENT STILL LOOKS SLOW IN A GLOBAL CONTEXT.



Within the Fed itself, there is meaningful dispersion in views on the future path of rates. Uncertainty remains around both the timing and the ultimate destination of the Fed Funds Rate. Strategas points out that, based on the current composition of the FOMC, the committee could tilt more dovish in 2026 as voting members rotate.

REGARDLESS OF DEC, FOMC VOTERS WILL BE ROTATING IN 2026 & THE BALANCE OF HAWKS VS. DOVES MIGHT TILT TOWARDS A MORE DOVISH OVERALL STANCE

Fed Spectrometer: Fed Members' Policy Inclinations

2025 FOMC Voting Members [-2 = dovish/ 0 = neutral/ +2 = hawkish (1)]

	Board of Governors	
Permanent voters	Jerome H Powell, Chair	0
Permanent voters	Philip Nathan Jefferson, Vice Chair	0
Permanent voters	Michelle White Bowman, Governor	-2
Permanent voters	Michael S Barr, Governor	0
Permanent voters	Stephen Miran, Governor	-2
Permanent voters	Christopher J Waller, Governor	-2
Permanent voters	Lisa DeNell Cook, Governor	-1
	Voting Regional FRB Presidents	
Permanent voters	John Carroll Williams, New York	-1
Outgoing voters	Susan M Collins, Boston	0
Outgoing voters	Austan Dean Goolsbee, Chicago	0
Outgoing voters	Alberto Musalem, St Louis	+1
Outgoing voters	Jeffrey R Schmid, Kansas City	+2

	Alternate Voters (2)	
	Sushmita Shukla, First VP of FRB New York	N/A
Incoming voters	Elizabeth M Hammack, Cleveland	+2
Incoming voters	Anna L Paulson, Philadelphia	-1
Incoming voters	Neel Tushar Kashkari, Minneapolis	0
Incoming voters	Lorie K Logan, Dallas	+1
	Non-Voters	
	Thomas I Barkin, Richmond	+1
	Raphael W Bostic, Atlanta	0
	Mary Colleen Daly, San Francisco	-1

(1) Numerical ratings are subjective assessments of Bloomberg's U.S. Economics team based on recent comments.
(2) Alternate Voters are non-voting unless required to vote in the absence of a voting member.

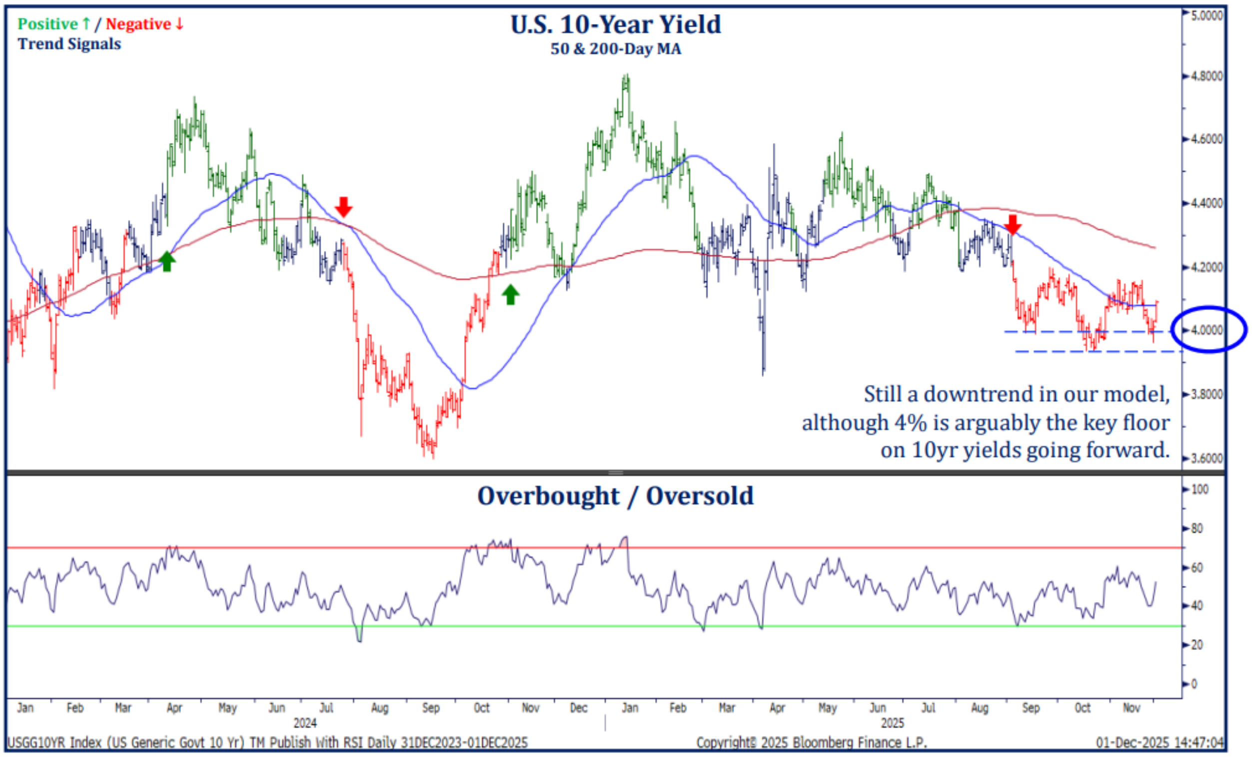
Source: Bloomberg Fed Spectrometer (table as of 9/16/25), St. Louis Fed.

Rising term premia challenge the usual rate-cut playbook.

Lower short-term rates usually pull long-term yields lower, but not always. Since the Fed began cutting rates last year, 10-year yields have actually risen. With the exception of 1998, history suggests 10-year yields typically fall during cutting cycles.

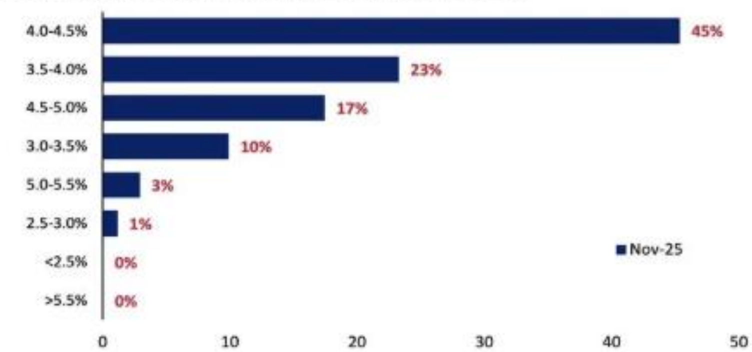
Bloomberg attributes the recent rise to an increase in the term premium, the extra return investors demand to hold longer-dated bonds to compensate for inflation and other risks. Strategas identifies 4% as a key floor for 10-year yields at present. A Bank of America survey found that 45% of managers expect the 10-year yield to end 2026 in a range between 4.0% and 4.5%.

4% REMAINS THE FLOOR FOR 10-YEAR



The path of inflation will be critical for both Fed decisions and longer-term yields.

Chart 24: 45% of FMS investors expect 10Y UST yields to be in 4.0%-4.5% range by YE '26
Where do you expect the 10-year US Treasury yield to be by year-end 2026?



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

Turning to year-end 2026 targets...

45% of FMS investors expect 10-year US Treasury yields to be in the 4.0% to 4.5% range by year-end 2026.

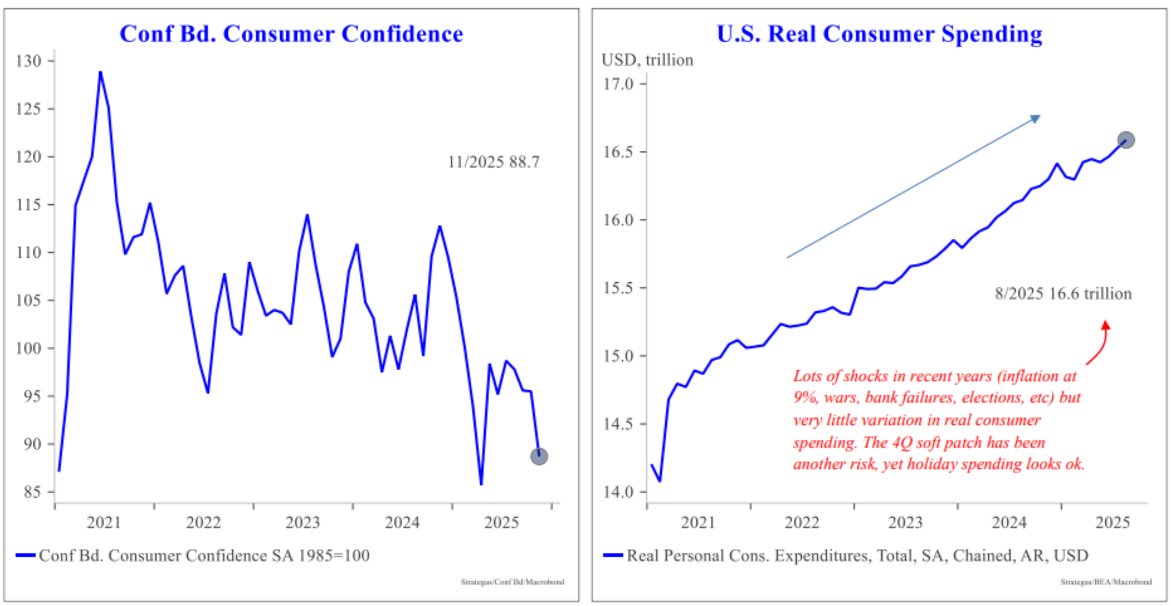
Just 1% say yields end '26 below 3%, and only 3% say yields end above 5%.

Headline inflation moderates while affordability concerns rise.

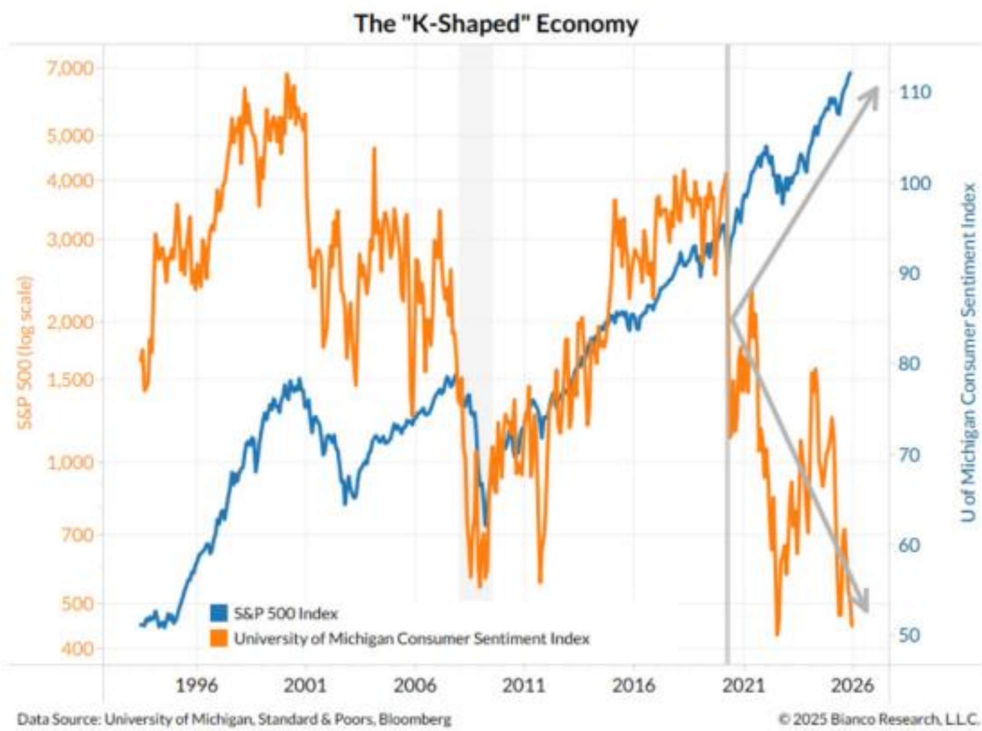
Headline inflation appears to be moderating and could continue to ease, which is positive for the macro outlook. However, this does not fully address the strain on households adjusting to the higher price levels of recent years.

Strategas notes that while real consumer spending has continued to trend higher, consumer confidence has fallen sharply. Aggregate data can mask important distributional effects. Bloomberg's news-trend analysis shows a surge in stories referencing "affordability," highlighting that many households are struggling despite positive top-line economic data.

INDIVIDUALS OVERALL FEELING BAD,
BUT HAVE BEEN SPENDING ON TREND, IN REAL (INFLATION-ADJUSTED) TERMS



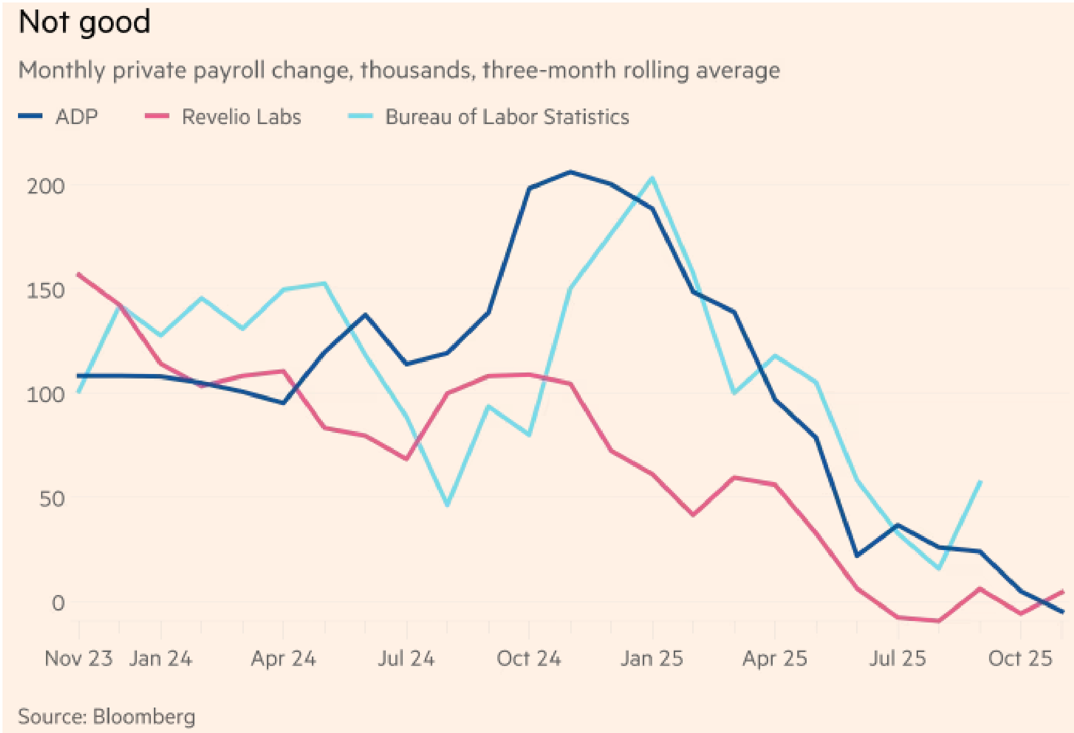
Many observers describe the current U.S. economy as "K-shaped," with some households doing very well while others are left behind. Jim Bianco's work shows that equity markets have performed strongly, benefiting households that own stocks. The steep decline in the University of Michigan Consumer Sentiment Index is likely a better reflection of the experience of the broader population, many of whom do not participate meaningfully in equity markets and are more affected by rising costs.



Source: Jim Bianco

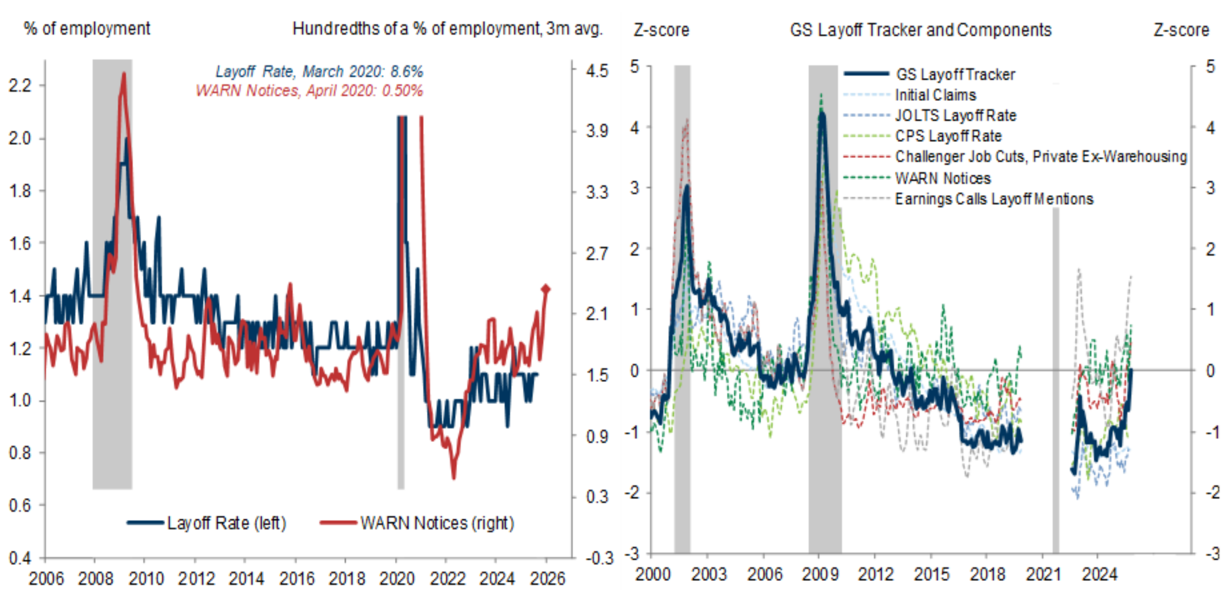
Labour market indicators point to rising anxiety.

Households are not only worried about prices; they are also concerned about jobs. While inflation remains on the Fed's radar, its immediate focus has shifted toward the softening labour market. Monthly private payroll gains have been trending lower for most of the year, and Americans increasingly expect higher unemployment over the next 12 months.



A Harris Poll survey found that [nearly half of Americans]() believe it would take at least four months to find a job comparable to their current role. Initial jobless claims remain low, but Goldman Sachs notes that other layoff indicators have been rising.

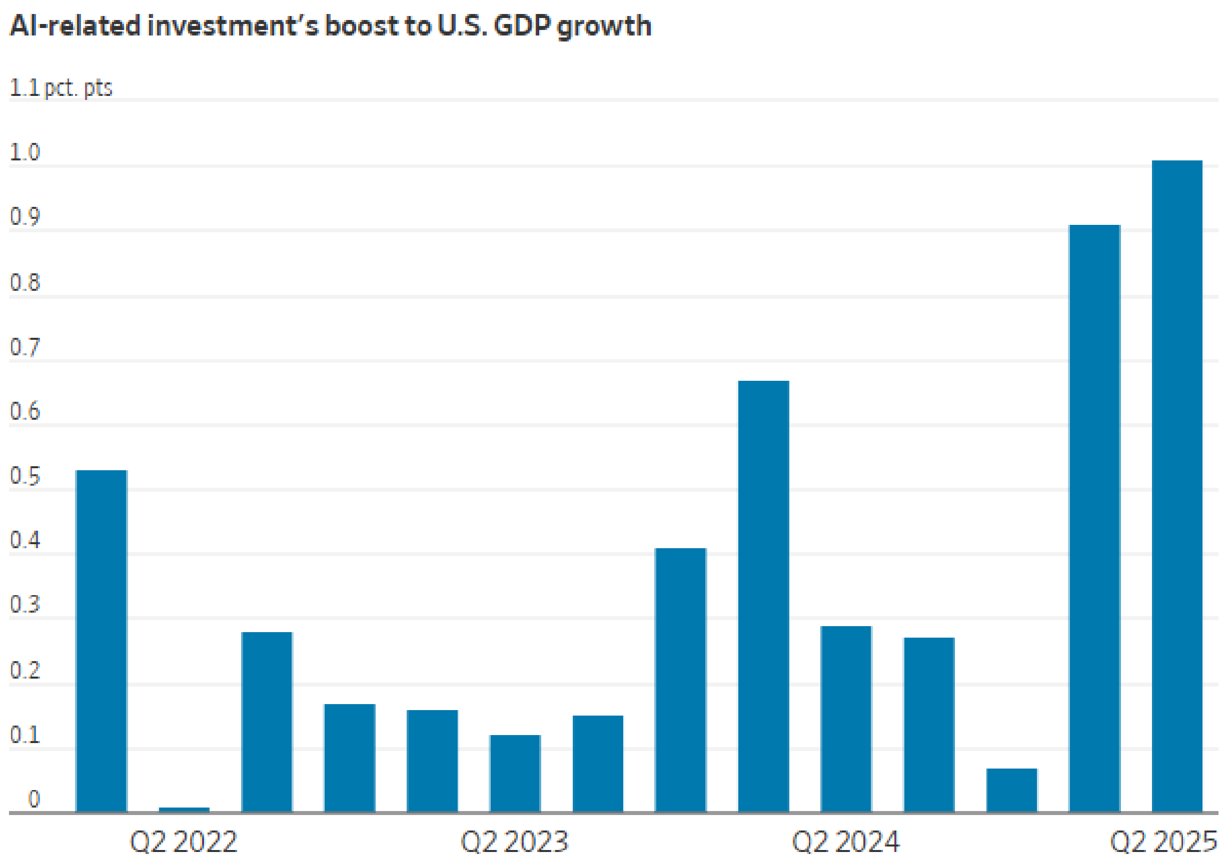
Exhibit 4: Although Initial Claims Remain Low, Other Layoff Indicators Have Risen



Source: Goldman Sachs Global Investment Research

Headline growth may obscure underlying fragility.

There is a case to be made that some growth forecasts may be overly optimistic. Barclays estimates AI-related capital spending added roughly 1 percentage point to U.S. GDP growth in the first half of 2025. While supportive for headline GDP, this is not necessarily indicative of broadly healthy, sustainable growth.



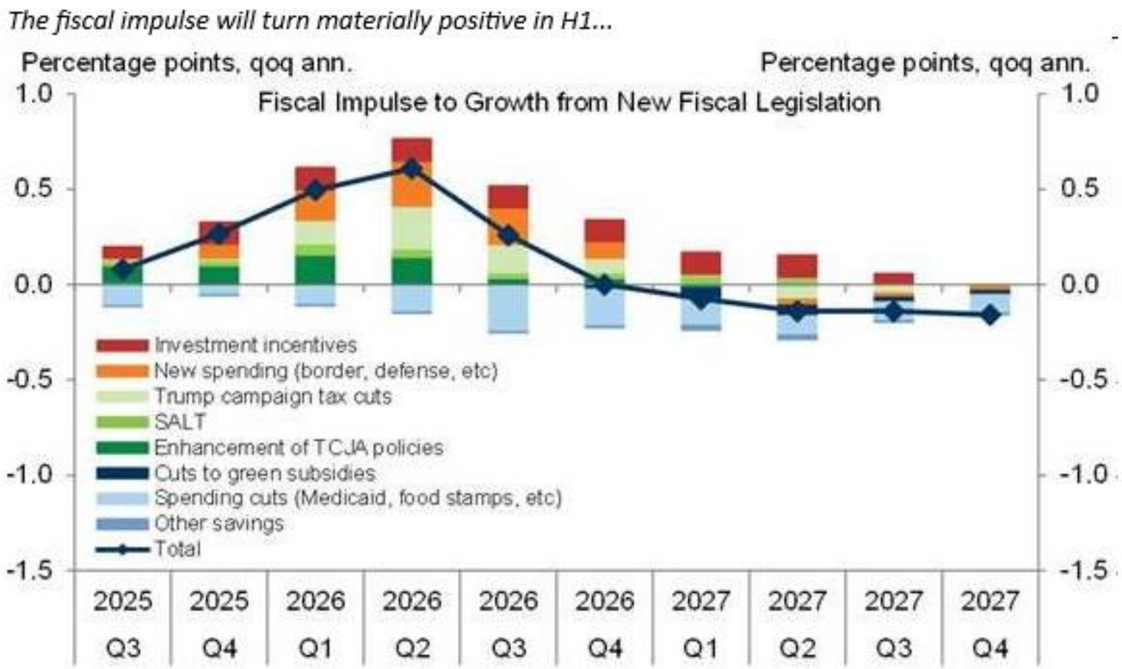
Note: Seasonally adjusted annual rate. AI-related investment includes software, computers and peripherals and data centers.
Source: Barclays

The ratio of leading to coincident economic indicators has fallen sharply, and several high-frequency indicators are fading. Taken together, these signals suggest the U.S. economy may be more fragile than headline GDP numbers alone would indicate.

Fiscal stimulus in 2026 adds another support.

What current data may not yet fully reflect is the expected fiscal boost from President Trump's "Big Beautiful Bill" in 2026. Apollo estimates that the BBB could add 0.9% to GDP next year, with Goldman Sachs expecting a meaningfully positive impact in the first half.

Goldman sees both fiscal and monetary policy as stimulative in 2026, which would be supportive for risk assets if realized.



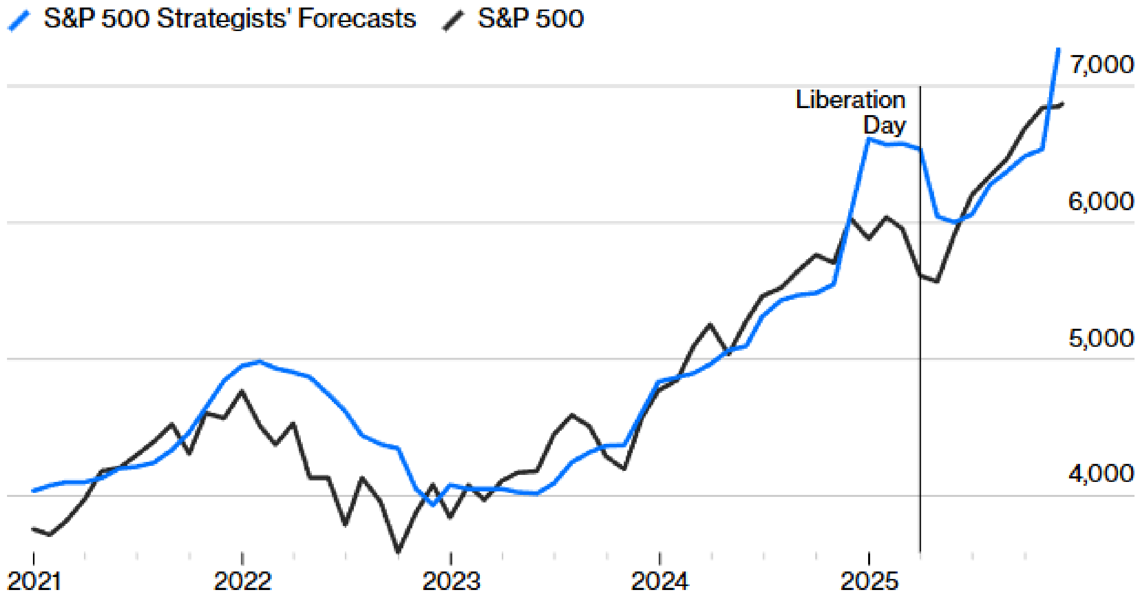
Source: Goldman Sachs

2026 outlook: cautious optimism with important conditions.

"Cautiously optimistic" is a fair way to characterize the outlook for risk assets in 2026. As of early December, the average year-end 2026 target for the S&P 500 among Wall Street strategists implies a gain of about 6%. That average masks a wide range of views, with some forecasts as high as 8,000 and rising.

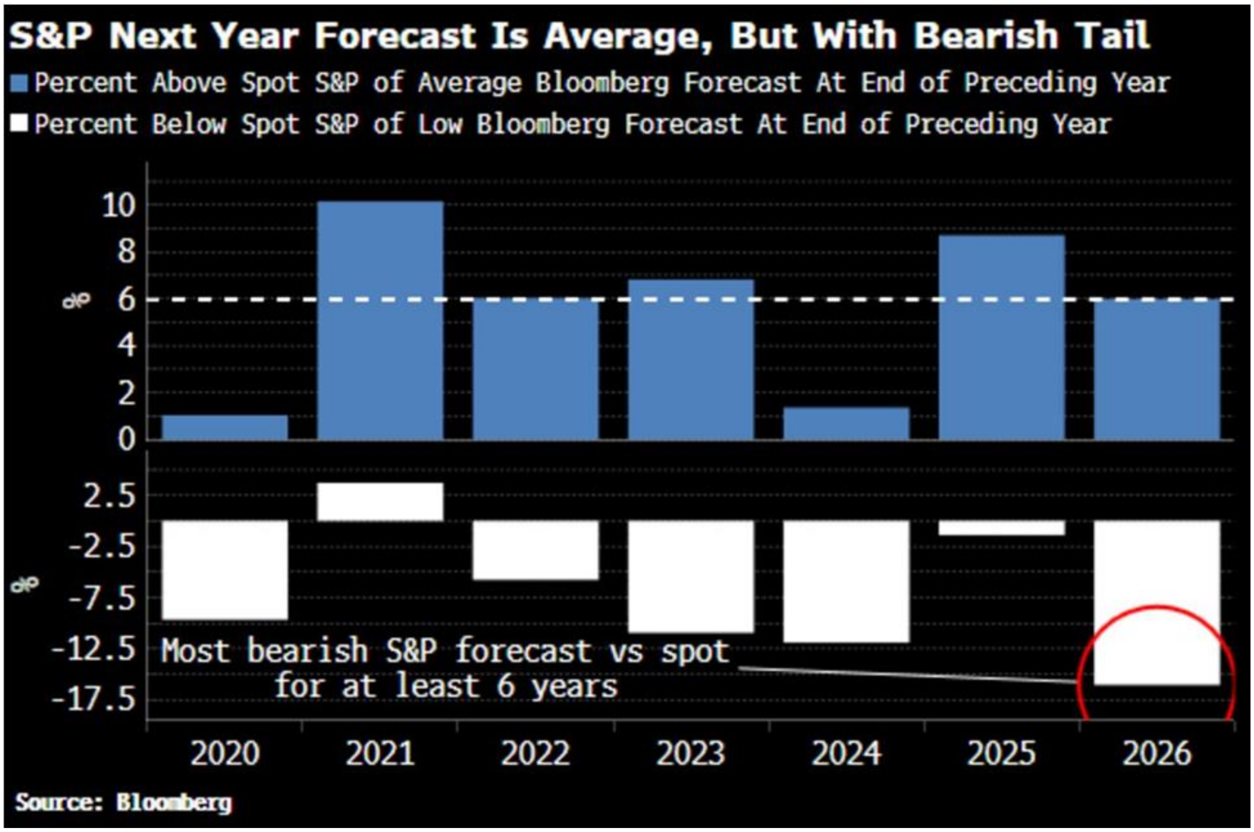
Onward and Upward

Strategists, after their Liberation Day scare, are cautiously optimistic



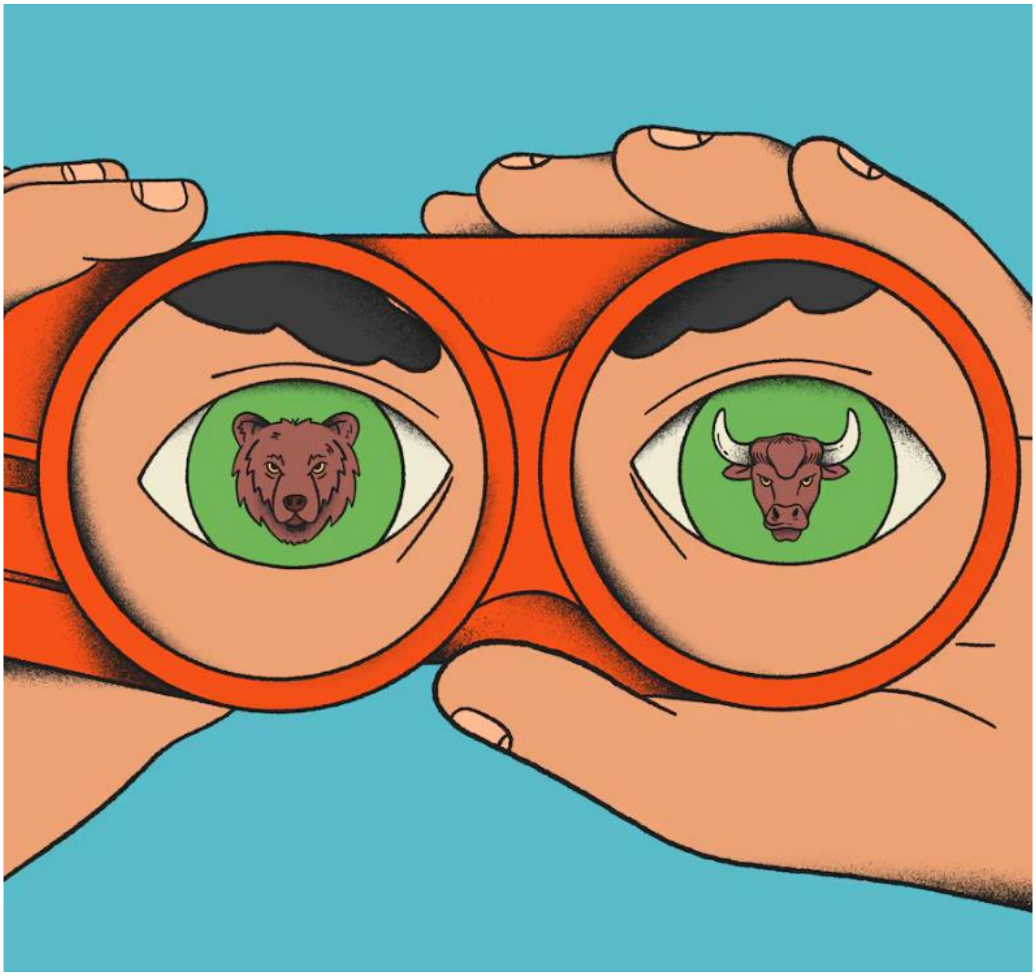
Source: Bloomberg

There are also meaningful bearish voices. Bloomberg's Simon White notes that negative tail-risk forecasts are at their highest level in at least six years. Even so, most professional investors remain positioned for risk. A recent Bloomberg survey of 39 investment managers found only three expressing a "risk off" view.



It is not hard to see why. While there are numerous risks, including inflation, policy missteps, uneven growth and labour market pressure, a combination of stimulative fiscal and monetary policy, along with ongoing AI-related investment, supports the case for the current bull market to continue. Even if AI leadership fades, the groundwork appears to be in place for the rally to broaden across sectors and market caps.

That said, the supports under this market resemble a three-legged stool: accommodative policy, resilient earnings and continued enthusiasm for AI and productivity growth. Remove one or two of those legs and the structure becomes much less stable. The market may be able to absorb a rotation away from AI and technology leadership. A more hawkish Fed that validates what the data and the average American are signalling on inflation and labour, however, would be a more challenging backdrop for risk assets.



Source: Globe & Mail