Shearwater Creek Investment Matters

Market Update: November 2025

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This month has been the bumpiest one we've seen since tariffs were first announced back in April. The A.I. trade — which has been a major driver of market gains — is now facing tougher scrutiny. Investors are questioning whether growth can keep up, and comparisons to past market bubbles have sparked a noticeable pullback in stocks.

The Federal Reserve is still the center of attention. Recent remarks from Fed officials, including John Williams of the New York Fed, have pushed expectations for a December rate cut higher. But inside the Fed, there's still some caution. Inflation is cooling, but so is the labor market, and the delayed data from earlier in the fall is still creating a "data vacuum," which means markets are reacting more to tone and comments than to firm numbers.

On the economic side, the signals are mixed. Growth looks steady but modest — the Conference Board now expects about 1.8% growth for 2025, with a slow-down likely. Manufacturing has softened to a four-month low due to higher costs and rising inventories, while services continue to hold up better. Consumers are still spending, and earnings have been solid, but we're starting to see some stress, especially among lower-income households and in more vulnerable industries. Meanwhile, the earlier government shutdown and ongoing trade and tariff questions are still lingering in the background.

Corporate earnings, especially from large tech companies, have been stronger than expected again. That said, many executives sounded more cautious this quarter — focusing on managing costs rather than chasing aggressive growth. It's a sign that the easy part of the cycle may be behind us.

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Looking Ahead

As we head toward year-end and into early next year, here are the main themes likely to shape markets:

1. Fed policy and tone

A December rate cut is mostly priced in. What matters now is how the Fed communicates the path ahead. A confident shift toward easing could support markets; hesitation could add to volatility.

2. Incoming data

As delayed economic reports continue to come out, we'll get a clearer read on jobs, inflation, and spending. A smooth set of data supports the "soft landing" narrative; weaker numbers could revive concerns about slowing growth.

3. Market breadth and valuations

A small group of large tech stocks has done most of the heavy lifting this year. For markets to push meaningfully higher, we'd like to see broader participation. With valuations now elevated, surprises — good or bad — may have a bigger impact.

4. Policy and geopolitical risks

Tariffs, trade tensions, fiscal decisions, and broader political noise are all potential swing factors. With fundamentals holding up, markets may be more sensitive than usual to any surprise in these areas.

The Bottom Line

November reinforced that the environment is still constructive, but not in a "everything just goes up" kind of way. We anticipate the markets will take a more careful, selective approach in identifying which companies are genuinely positioned to win AI. The U.S. economy remains resilient, inflation is improving, and the Fed seems ready to become more supportive. But slower growth, patchy data, narrow leadership in the market, and high valuations all add complexity.

If the Fed follows through and the data stays on track, we could see further gains heading into year-end. But this is also a moment for balance — staying positioned for opportunity while being mindful of risks.

As always, we are here if you'd like to review your portfolio, prepare for year-end decisions, or talk through any of these topics in more detail.


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