THE PRIVATE CLIENT GROUP

BALANCING LIFE & WEALTH

ECONOMIC & MARKET

INSIGHTS

An Executive Summary for November 2025

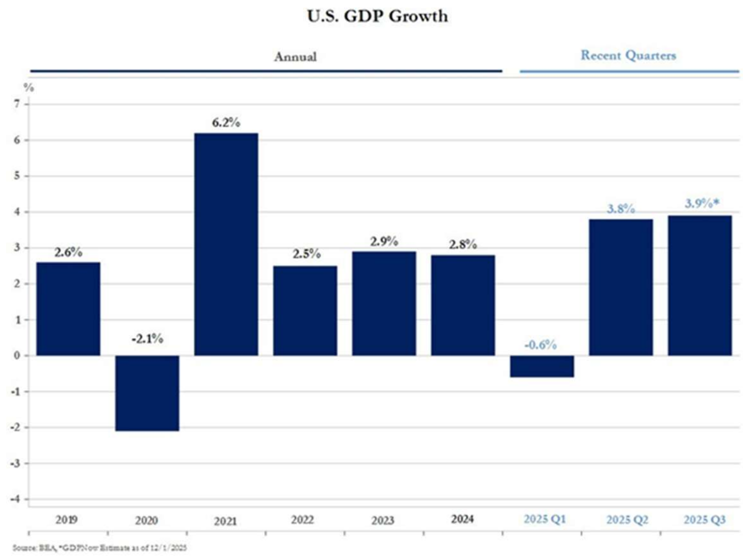
The U.S. economy remained resilient in Q3 2025, with robust consumer spending, solid business investment, and improving net exports aided by a weaker dollar driving the most recent GDPNow projection of 3.9% real U.S. GDP growth. Optimism is building for 2026, however, with tax cuts and other pro-growth regulatory changes included in President Trump's "One Big Beautiful Bill" expected to provide a significant tailwind for economic growth. According to the delayed report, core PCE inflation cooled slightly in September, rising 2.8% year-over-year, but continues to pressure household budgets as elevated living costs have led to more cautious consumer sentiment and softened plans for major purchases. According to ADP's payroll report, private employers shed 32,000 jobs in November, the most since early 2023, adding to concerns about pronounced weakening in the labor market. The report also showed wage growth cooled, with workers who changed jobs seeing the lowest average increase in pay since February 2021. With the unemployment rate sitting at 4.4%, the labor market has been a growing concern for the FOMC, who will need to make a decision on rates by the end of its December meeting (12/10) before the next Bureau of Labor Statistics jobs report, which includes the public sector and presents a more comprehensive picture of the labor market, is released on 12/16. Rate-cut expectations swung sharply in November, with the market implied probability of a 25bp cut sitting at ~30% mid-month before surging to ~86% by month-end, driven by the weak ADP payroll report, major Wall Street Banks reversing their forecasts, and dovish comments from some FOMC members. Business investment has shown signs of both expansion and caution, depending on the sector. AI-driven capital expenditures are accelerating, but overall investment has been tempered by higher borrowing costs and uncertainty around future demand as companies navigate shifting supply chains, tariffs, and evolving consumer preferences. Consumer confidence weakened sharply in November, with sentiment gauges falling to near-record lows, as high prices and shrinking incomes have made Americans more cautious, leading to slowing retail sales growth after several months of robust spending. U.S. equities saw heightened volatility but were supported by resilient earnings and hope for monetary policy easing in the near-term. The S&P 500 posted a modest gain in November, while the Russell 2000 outperformed late in the month on rising expectations for a Fed rate cut which could have an outsized impact on small cap companies with typically higher borrowing costs. International equities continue to lead U.S. stocks year-to-date, partly due to a weaker U.S. dollar, boosting returns for non-U.S. assets and a rotation away from highly concentrated U.S. benchmarks. Treasury yields declined across the curve in November, reflecting improved risk sentiment and expectations for potential Federal Reserve policy adjustments. Credit spreads tightened, indicating continued confidence in corporate credit quality and stable funding conditions for high-grade borrowers. After declining steadily for most of 2025, the U.S. dollar rebounded slightly in November as economic resilience and shifting rate expectations improved sentiment. The strength of the greenback remains a key variable influencing trade, corporate earnings, and capital flows, making its forward path a focal point for strategists and their outlook for 2026.

GDP Growth Expected to Slow in Q4

- As of the most recent GDPNow forecast, real U.S. GDP growth is expected to be 3.9% in Q3, driven by resilient consumer spending and improving net exports due to a weaker U.S. dollar.

- In Q4, however, several downside risks are leading to muted growth expectations, including lingering inflation and ongoing tariff disputes continuing to slow global demand. Treasury Secretary Scott Bessent also noted the 43-day government shutdown caused an estimated $11B permanent hit to the U.S. economy.

- The outlook for 2026, however, remains bright for many economists, as tax cuts and other pro-growth regulatory changes included in President Trumps "One Big Beautiful Bill" are expected to be significant tailwinds.

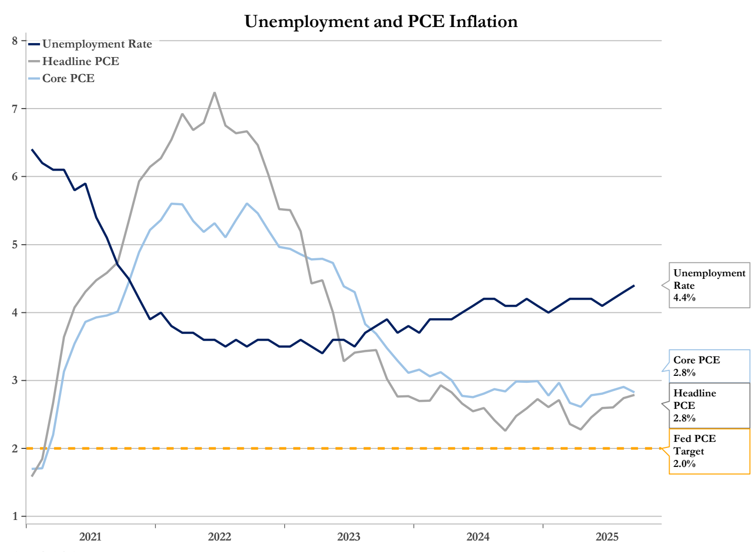


Labor Market Cools as Inflation Persists

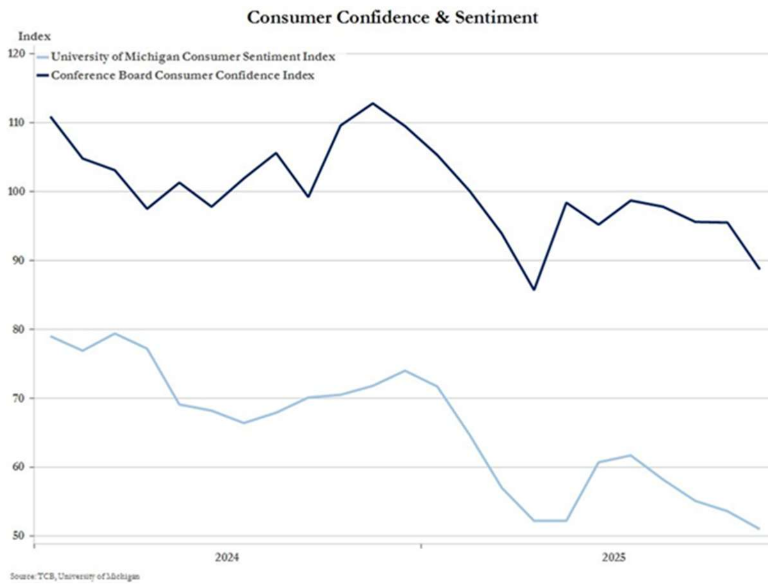
- The U.S. labor market and inflation landscape reflect the ongoing challenges posed by the recent government shutdown with the White House indicating that October employment and inflation data are "likely never" to be released.

- Unemployment ticked up to 4.4% in September but the figure will not be updated until the next Bureau of Labor Statistics report comes out on 12/16, though the ADP payroll report showed private employers shed 32,000 jobs in November, after adding 47,000 jobs in October.

- Core PCE inflation persists at 2.8% year-over-year, above the Fed's 2% target, but a weakening labor market may now be the dominant factor in the FOMC's December interest rate cut decision.



Consumer Confidence & Sentiment Falls



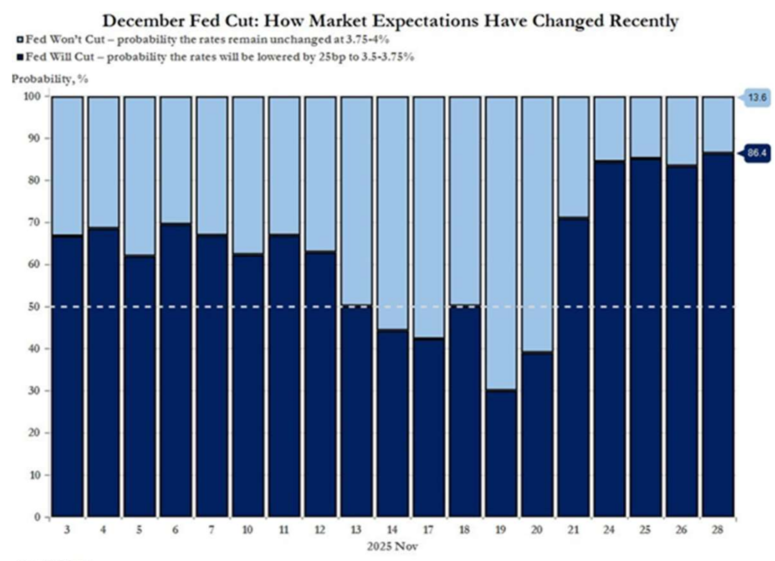
- Consumer confidence weakened sharply in November, with the Conference Board's gauge posting its biggest drop in seven months.

- The expectations index tumbled 8.6 points to 63.2, while the present situation index slipped to 126.9, a decline of 4.3 points, reflecting consumers' increasing concern about labor market stability and inflation pressures.

- The reading missed consensus estimates and followed a University of Michigan survey showing sentiment near record lows, with personal finance views at their worst since 2009 amid high prices and shrinking incomes.

- The decline in optimism was also reflected in retail sales growth, which slowed meaningfully after several months of robust spending.

Rate Cut Expectations Shift Rapidly



- Expectations for a December rate cut were highly volatile in November. With the government shutdown limiting the Fed's access to critical data ahead of its December meeting, traders believed mid-month that the FOMC would remain cautious, pricing in only a ~30% chance of a 25bp cut.

- Expectations for a cut then surged in late November after major Wall Street banks like JPMorgan and Goldman Sachs reversed their forecasts.

- The dramatic pivot was fueled by the delayed September jobs report showing unemployment ticking up to a 4-year high of 4.4%, as well as increasingly dovish signals from some Federal Reserve officials, reinforcing the view that policy could ease sooner than previously anticipated.

Equities Positive Despite Volatility

- The S&P 500 posted a modest gain in November amid volatility driven by Federal Reserve policy uncertainty and a lack of economic data. This marks seven straight months of positive returns for the index following the April selloff driven by President Trump's announcement of reciprocal tariffs.

- The Russell 2000 surged late and outperformed for the month, supported by rising expectations for a Fed rate cut, as lower rates typically favor smaller firms that can be more sensitive to borrowing costs.

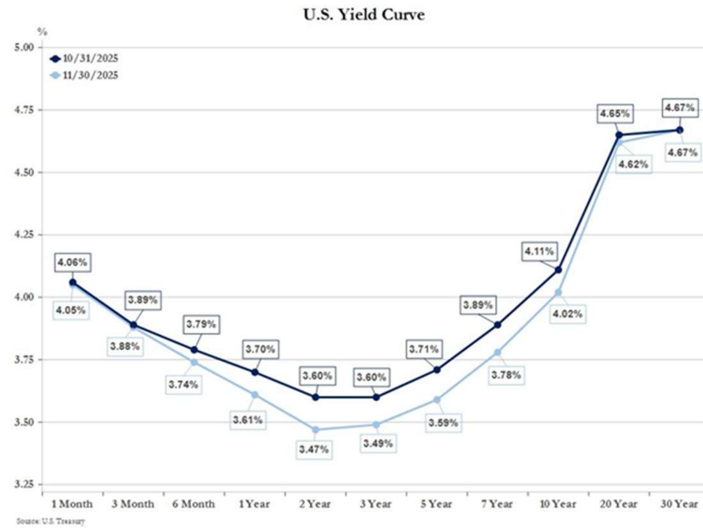
- International equities continue to lead year-to-date, benefiting from a weaker U.S. Dollar and attractive valuations which helped prompt a rotation away from highly concentrated U.S. benchmarks, marking a notable shift from recent U.S. equity market dominance.

Fixed Income

- Treasury yields declined across the curve in November, with the 10-year declining from 4.11% to 4.02% and the 2-year dropping from 3.60% to 3.47%, reflecting improved risk sentiment and expectations for potential Federal Reserve policy adjustments.

- U.S. investment grade credit spreads tightened by 1.5 basis points, moving from 52.6 to 51.1, indicating continued confidence in corporate credit quality and stable funding conditions for high-grade borrowers.

- High yield credit spreads experienced more substantial tightening, falling from 282.6 to 264.8, driven by improved risk appetite and the ongoing search for yield in a lower rate environment.



The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS, and CMBS (agency and non- agency). The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers. The Bloomberg Municipal Bond Index covers the U.S. dollar-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. It is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are included. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The S&P 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity, and industry group representation. Included are the stocks of eleven different sectors. The MSCI EAFE Index (Europe, Australasia, Far East) captures large- and mid-cap representation across developed markets countries around the world, excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI Emerging Markets Index captures large- and mid-cap representation across emerging markets countries across the world. The index covers approximately 85% of the free float-adjusted market capitalization in each country. The HFRX Global Hedge Fund Index is comprised of funds representing the overall hedge fund universe. Constituent funds include but are not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event-driven, macro, merger arbitrage, and relative value arbitrage. The underlying strategies are asset-weighted based on the distribution of assets in the hedge fund industry. The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITS worldwide. Index constituents are free float-adjusted, subject to liquidity, size, and revenue screening for inclusion. The Bloomberg Commodity Index reflects commodity futures price movements and is calculated on an excess return basis. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production, and weight-caps are applied at the commodity, sector, and group level for diversification. The roll period typically occurs from the 6th-10th business day based on the roll schedule. The Consumer Confidence Index reports how consumers feel about the current situation of the economy and about where they feel it is headed. Conducted by the Conference Board, the survey consists of five questions about the present situation and three questions about their expectations for the economy in the future. It provides insight into how they spend and save, which helps businesses and economic leaders track inflation and output. The U.S. Dollar Index (DXY) is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow", is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.

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