

Marketline November 2025

Stocks

November brought a shift in the stock market's tone. Technology stocks declined while many other sectors rose. In terms of index prices, the Nasdaq fell 1.5%, while the Dow increased 0.3%. The S&P 500 – heavily biased to tech itself - was flat. Foreign stocks behaved well, reflecting the fact that over in the US, technology dictates how our markets move, while overseas index representation is concentrated in different industries: Toronto's exchange rose a hefty 3.6%, and Mexico's Bolsa was up 1.5%. In Europe, the FTSE was exactly flat.

The nervous pattern of returns in the US stems from speculation surrounding the Fed's upcoming interest rate announcement, which is imminent. We've argued in the past that the obsession over the Fed's rate maneuvers is wearing thin and may be misplaced. We're going to repeat ourselves this month (see below). There are larger influences afoot, also vested in the Fed. And yet! ...Interest rates matter, and the notion that the Fed may dish up a "hawkish cut" – ie, Powell will reduce rates but say that the next time around, he may not – is worrying investors.

Beneath the headline index numbers, November did bring improvement in that all-important metric – breadth. As a reminder, breadth measures participation in stock market moves. If seven out of five hundred stocks rise, and the other 493 sit around twiddling their proverbial thumbs, that's not considered a great market. Through the last six months up to late November, only 17% of stocks in the S&P 500 had performed better than the S&P itself. That means about 85 stocks did very well, while 415 lagged. But in the last month, 36% of the S&P's constituents have outperformed the index. That's why we saw tech fall while the Dow rose.

Though the news was good on the breadth front, we can't necessarily look forward to more of the same. The last decade has been absolutely dominated by American technology stocks, and with new products involving AI in the offing, along with the maturation of older industry trends, we're probably in for a reversal back to tech dominance soon. The market will look good, but only a few sectors will carry the day.

Bonds (Sorry, this is esoteric):

Last month, we gave a nod to the Fed's 25 bps cut in rates, but mentioned, "...with two dissensions on the panel... one member wanted no cut, and the other wanted 50 bps." Let's talk about dissension. Most folks don't pay that much attention to the Fed – I certainly don't, and by that I mean I'm not reading the minutes of the meetings, nor even media reports on the minutes of the meetings. However, it's become apparent even to me that dissension at the Fed is increasing. More and more, some Fed-allied person is speaking at some economic club in some headline city about whether said person thinks the Fed should hike, sit pat, or decrease rates. Votes of actual committee members are no longer unanimous. And not that anyone has noticed, but when the Fed started its *rate-cutting* cycle in September 2024, the long bond was priced at about 4.1%. It is now 4.8%. The ten-year was priced at 3.7%. It is now 4.2%. Is this the market thumbing its nose at the Fed?

Mostly, yes. Through this whole rate-cutting charade and all the jawboning, interest rates in every but the shortest maturities have gone up, not down. The Fed has ceded control of most of the interest rate curve. Oh yes, smarter economists than me will argue that it's not the Fed's fault – we're in a period of fiscal dominance, which means that it's Congress and budget profligacy that's dominating our economy at the moment.

But I believe that's true, while another thing is also true: Where the Fed has wandered off the reservation is in its overactive use of its balance sheet. During the Great Recession – when foreclosures wracked the real estate sector – the Fed bought bonds hand over fist. This was controversial, and it still is – because they never stopped. We call this Quantitative Easing (QE), and it's become a fixture in our economy. Constant reversion to bond-buying has caused the Fed's balance sheet to balloon to trillions. It has obscured risk by warping prices, bailed out any number of marginal economic players, and boosted inflation. This is your economy on drugs – namely, the Fed's constant interference in day-to-day market activity. Long term, QE widens income gaps and papers over inefficiencies. Anyone who favors free markets should be progressively more appalled as the years tick by.

Marketline Monthly is produced by [Cascade Investment Advisors, Inc.](#) We specialize in value investing for individuals. We apply our approach across markets, looking for low-priced securities that offer above-average potential. We use imagination and hard work to bring performance and personal service to our clients. Phone 971-381-0426 (Michelle); our website is www.cascadeinvestors.com. A full list of securities we invest in is available on request; mention of specific securities is not investment advice; such investments may or may not be profitable. Index returns quoted are price only.