

## Market Commentary 10<sup>th</sup> of November 2025

October turned out to be a positive month for investors, as both stock markets and government bonds delivered notable gains, a rare and encouraging combination. The month began on shaky ground due to renewed US-China trade tensions unsettling global markets. Yet, a last-minute trade agreement completely changed the tone sparking a rally in stocks.

US equities led the global advance, with the S&P 500 rising 2.27%. U.S technology companies continued to attract heavy investment, and solid corporate earnings supported the optimism. Over 80% of firms exceeded profit forecasts. Japan's market surged by 16.64% following the election of the country's first female prime minister, whose pro-growth agenda weakened the yen and lifted exporters. In the UK, the FTSE 100 Index advanced 3.92%, supported by firm commodity prices and overseas revenues. The Eurostoxx 50 gained 2.39% for the month. The European Central Bank kept its deposit rate frozen at 2% despite inflation easing to a comfortable 2.1%.

The biggest surprise came from UK government bonds, which rallied sharply ending the month up 2.90%, after the Bank of England governor hinted at further rate cuts. This pushed bond prices higher as investors began pricing in lower interest rates through 2026. In the US, the Federal Reserve's expected rate cut was followed by mixed messages on future policy moves, leaving markets uncertain. Overall, the Global Aggregate Bond Index was flat for the month.

Precious metals continued their stellar performance with gold climbing another 3.73% and silver another 4.38%. On the other hand, oil prices retreated by 2.23% despite ongoing supply worries.

The dollar, as measured by DXY Index rose by 2.08% by the end of the month as divisions in the Federal Reserve raised doubt about the prospect of another rate cut this year. Bitcoin fell by 4.55%.

By the close of October, markets stood at an interesting inflection point. US stocks hovered near record highs, suggesting much optimism is already reflected in prices. Still, the market's ability to endure geopolitical tensions, shifting central bank guidance, and a busy earnings season demonstrates underlying resilience. Investing in high-quality companies with strong financial foundations can offer valuable protection during market downturns. These businesses are often the ones that bounce back stronger when markets recover. Additionally, market declines can create opportunities to buy such solid companies at more attractive prices, setting the stage for stronger long-term returns.

### More AI Bubble Talk

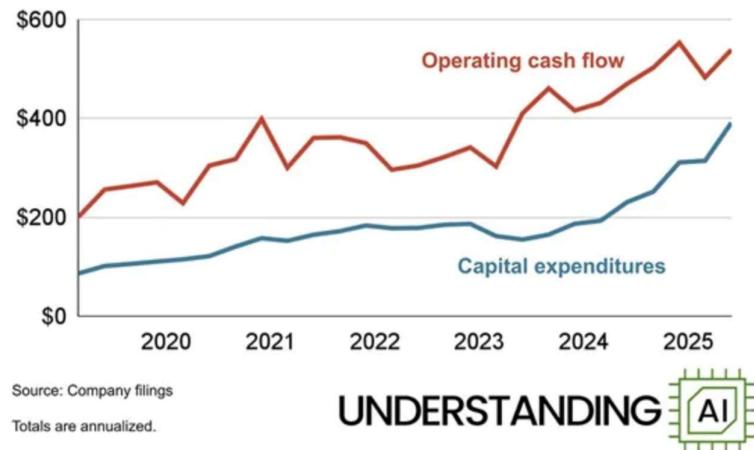
Not a day goes by without more news of the AI bubble coming crashing down soon. The biggest gripe is that the hyperscalers are spending far too much on investing in data centers and that it is reminiscent of the dotcom bubble spending on infrastructure. That is, they will never get a return on their investment and the market will eventually reflect that with big falls.



We are not so sure. To start with, the likes of Microsoft, Amazon and Alphabet had very strong earnings growth in Q3, and their forward projections were positive. As for their spending, the chart below says a lot.

### Big tech cash flow is still bigger than capex

Google, Amazon, Meta, Microsoft, Oracle (billions of 2025 dollars)



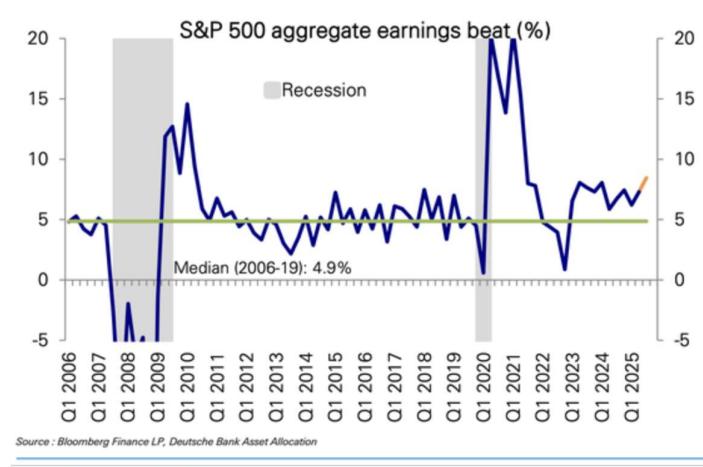
UNDERSTANDING 

Source: Timothy B. Lee

As you can see, big tech has the cash flow to justify their capex.

There are other encouraging signs amid the gloom and doom we read every day. Below are various positives:

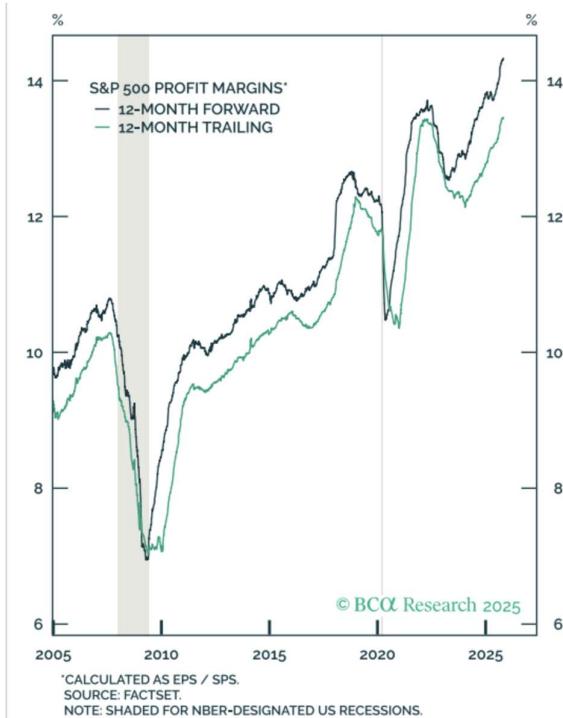
1. Earnings beats are considerably above normal. For Q3, “beats” are about 8%, which is considerably above the median of 4.9% of the last 20 years.





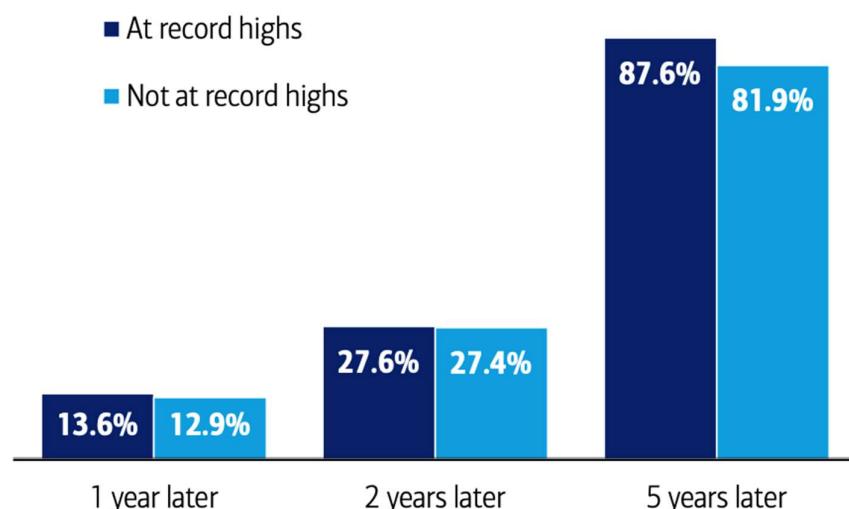
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2. Profit margins continue to rise and are at their highest in 20 years. This shows that productivity is rising and CEOs are disciplined.



3. It is a myth that one should not buy at market highs. See below.

S&P 500 average total returns after buying at highs vs. all other periods



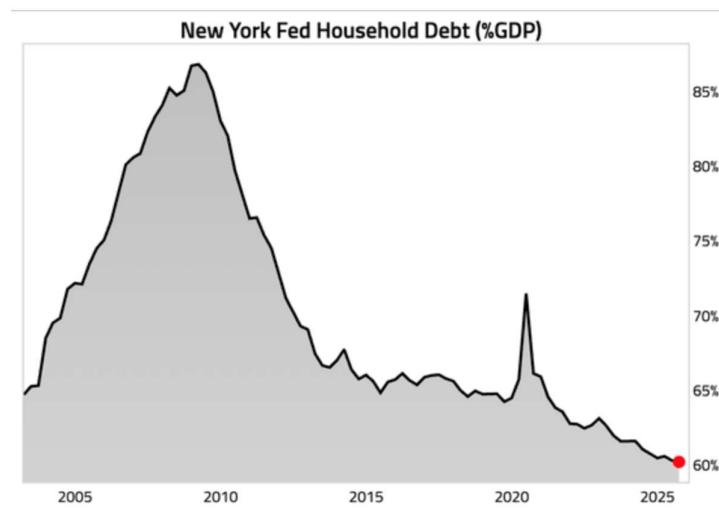
**Source:** BofA Research Investment Committee, Global Financial Data; monthly data 1975-2025.  
BofA GLOBAL RESEARCH



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- 4. US household debt is at the lowest vs GDP in a very long time. This means more disposable income for households.

As a percentage of GDP, US household debt declined further.



With the financial media fixated mostly on what can go wrong, it's good to highlight some positives. And even if we get a correction, we will view it as a healthy sign, as markets need to exhale too. We still see the glass half full...

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