Market Commentary 11/12/25

An Oxford Harriman & Company Market Commentary

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Equities Extend Gains as Fed Cuts Rates Amid Government Shutdown

U.S. equities advanced in October, with the S&P 500 Index rising 2.3%, extending its year-to-date gain to 17.5%. Large Cap Growth stocks outperformed, gaining 3.6%, while Large Cap Value added just 0.4%. Major U.S. indices, including the S&P 500, Dow Jones, Nasdaq 100, and Russell 2000, all marked their sixth consecutive month of gains, with several setting new record highs.

Sector Performance: Tech Drives Market Leadership

Technology stocks led the market rally, with the Nasdaq 100 climbing 4.8%, buoyed by continued enthusiasm for artificial intelligence and strong third-quarter results from major tech firms. Health Care and Consumer Discretionary sectors also outperformed the broader index, while the remaining eight S&P sectors lagged, with five sectors finishing the month in negative territory.

Fixed Income: Yields Fall Despite Volatility

The bond market posted modest gains as Treasury yields ended the month lower after notable intra-month swings. The U.S. Aggregate Bond Index returned 0.6%, while corporate bonds underperformed. Investment-grade bonds rose 0.4%, and high-yield credit added 0.2%, reflecting a cautious tone amid lingering credit quality concerns.

International Markets: Diverging Performance

International equities delivered mixed results. Developed Markets rose 1.2%, lagging the S&P 500, while Emerging Markets outperformed, gaining 4.2%, helped by strength in Asia and improved risk sentiment as U.S.-China trade tensions cooled toward the month-end.

Federal Reserve Cuts Rates as Government Shutdown Drags On

The government shutdown, which began on October 1, remained unresolved at month-end and now represents the second-longest in U.S. history. The impasse over spending and health care subsidies has disrupted federal operations and strained household finances for federal employees. While markets initially shrugged off the political gridlock, the prolonged shutdown has begun to raise concerns about its economic impact, particularly on consumer sentiment and business confidence.

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Complicating matters, the shutdown has halted the release of key economic data, forcing the Federal Reserve to act without full visibility into the economy's condition. Despite the data blackout, the Fed cut interest rates by 0.25% in October, marking its second consecutive rate cut. Chair Jerome Powell cited softening labor market conditions as the main driver, signaling a shift in focus from inflation, which remains above the 2% target, to employment risks.

Markets currently price in another potential 0.25% cut in December, though Powell cautioned that further easing is "not a foregone conclusion."

Stocks Near Record Highs Despite Credit and Trade Concerns

Equities finished October near all-time highs, overcoming mid-month turbulence tied to credit and trade headlines. Early in the month, several regional banks disclosed losses linked to commercial real estate fraud, rekindling fears about credit quality just weeks after two high-profile auto sector bankruptcies. However, reassurance from credit rating agencies that the issues were isolated helped stabilize sentiment.

Later in the month, U.S.–China trade tensions resurfaced, sparking volatility ahead of a key Trump–Xi summit. China's decision to expand export restrictions on rare earth minerals prompted threats from the White House of 100% tariffs on all Chinese imports. This rhetoric rattled markets, but by month-end, both sides signaled willingness to negotiate. The summit, held in late October, produced limited but constructive agreements, calming near-term trade anxieties.

Market Outlook: Cautious Optimism into Year-End

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Market sentiment remains cautiously optimistic as we move through the fourth quarter. We believe the Fed's rate cuts, strong earnings, and persistent enthusiasm around AI-driven productivity gains are supporting risk appetite. Historically, November and December have been strong months for stocks, and investors are hopeful that this trend will continue.

However, risks remain. Valuations remain elevated, AI-related capital spending faces growing scrutiny, and job growth has cooled. Chair Powell's recent comments pushing back against expectations for a December cut tempered some of the rally's momentum. Yet, in our opinion, with inflation gradually easing and the Fed showing flexibility, investors retain constructive expectations for a year-end rally, even as attention begins to turn toward 2026 economic prospects.

Please contact us with any questions,

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S&P 500 Index is a capitalization-weighted index calculated on a total return basis with dividends reinvested. The index includes 500 widely held U.S. market industrial, utility, transportation and financial companies.

Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.