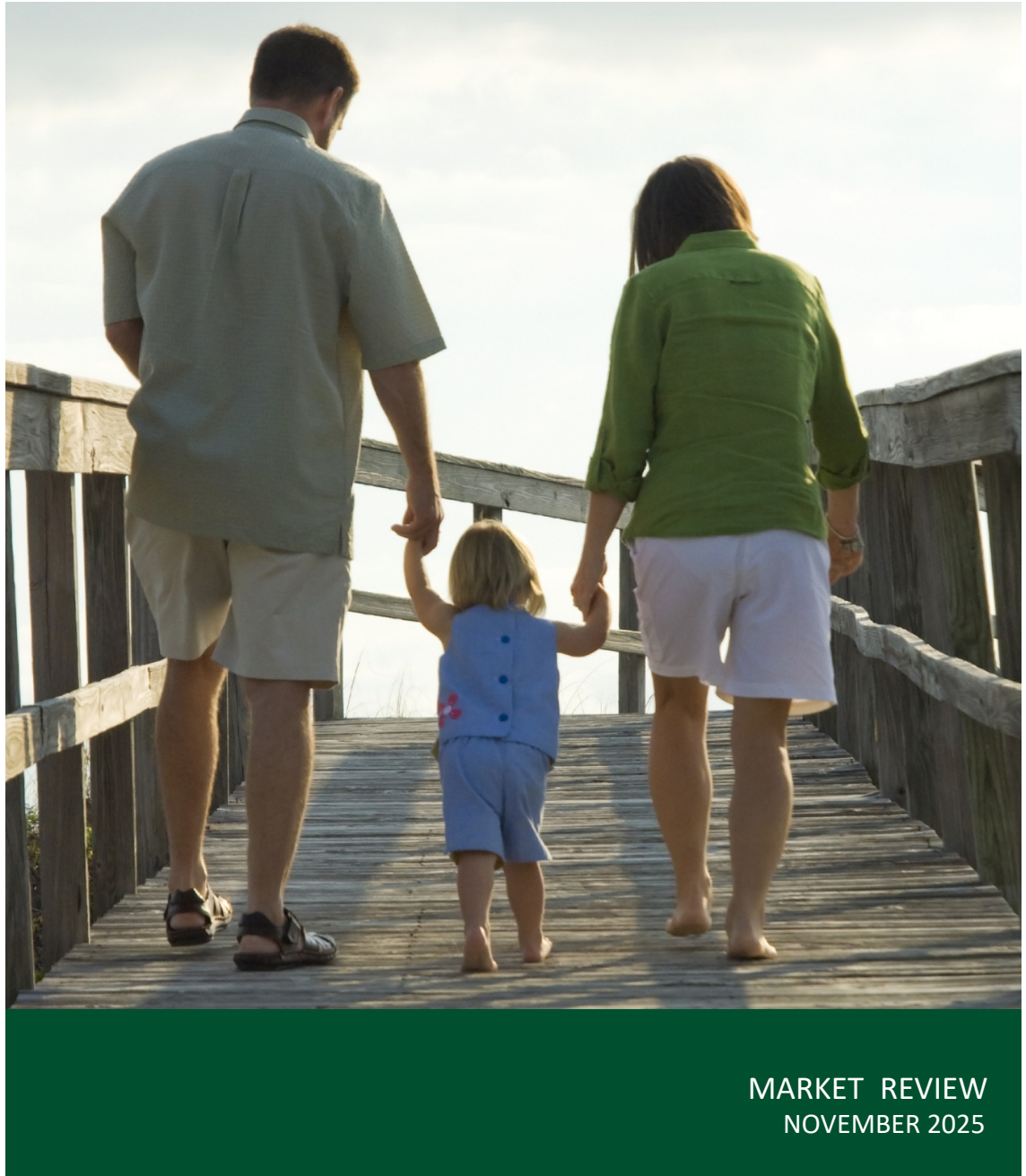


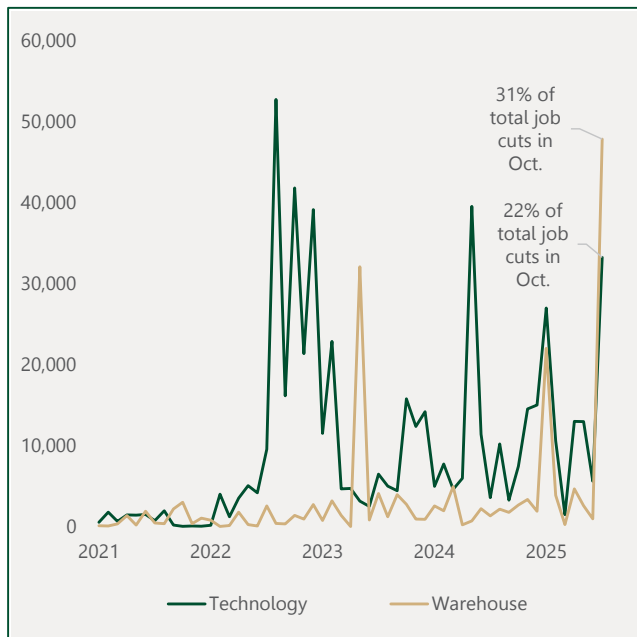


MARKET REVIEW
NOVEMBER 2025

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The Double-Edged Sword of AI Productivity Technology and Warehouse Announced Job Cuts



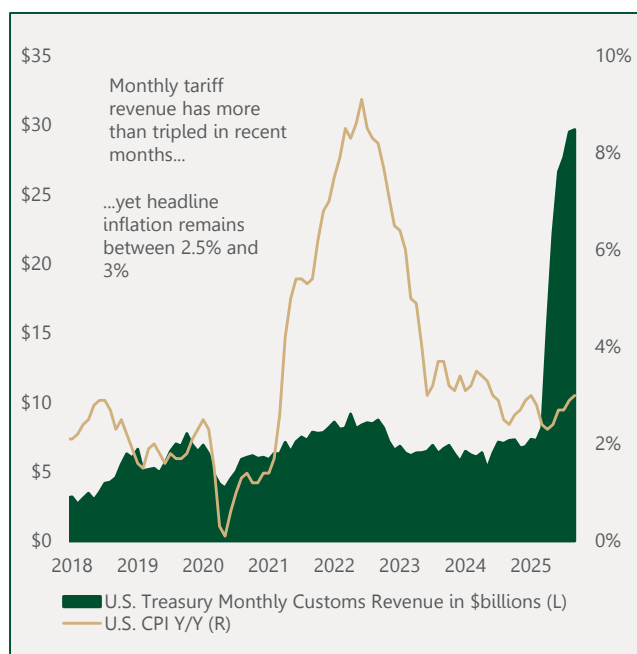
Source: Challenger, Gray & Christmas. Past Performance does not guarantee future results.

The warehousing (47,878) and technology (33,281) sectors accounted for a combined 81,159 job cut announcements in October, according to data from outplacement firm Challenger, Gray & Christmas. Together, they represented more than half of the 153,074 job cuts announced by US employers last month, the highest monthly total since March.

The report attributed the surge to a mix of AI-driven restructuring, softening consumer demand, and rising operating costs. Technology firms are trimming staff as automation and generative-AI tools increase productivity, allowing similar output with smaller workforces. Warehouse and logistics companies, meanwhile, are adjusting to weaker goods demand and higher costs after years of pandemic-era expansion.

Recent announcements highlight the scale of these shifts: Amazon (AMZN) plans to eliminate roughly 14,000 corporate roles, while United Parcel Service (UPS) is cutting about 34,000 jobs as it leans on automation and AI to streamline operations. Together, these moves underscore how efficiency gains are reshaping labor needs in both industries.

Tariff Megaphone, Inflation Whisper Monthly U.S. Tariff Revenue and Y/Y CPI



Source: U.S. Treasury; U.S. Census Bureau. Past Performance does not guarantee future results.

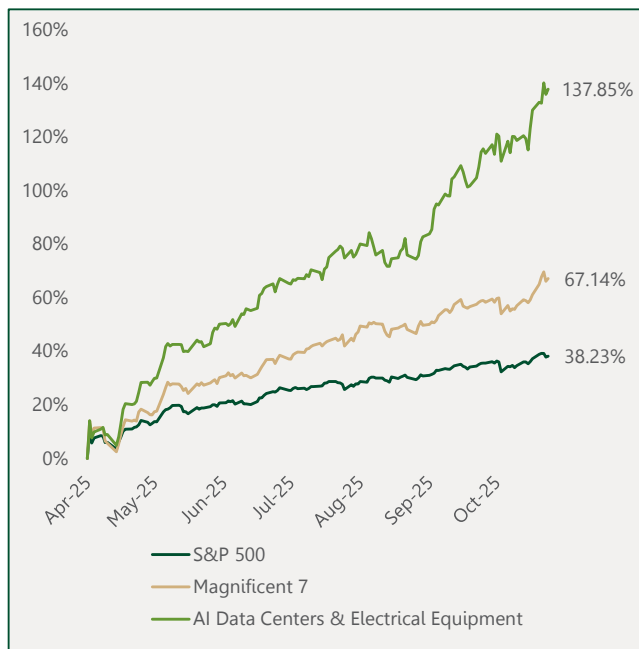
In recent months, U.S. Treasury monthly customs (tariffs) receipts have surged, more than tripling to over \$30 billion per month in conjunction with a surge in the U.S. effective tariff rate to an 80-year high near 15%.

Despite this historic increase in tariff revenue, U.S. headline inflation has remained contained, holding between 2.5% and 3% on a year-over-year basis. The muted inflation response has surprised many market participants and suggests that higher import costs have not yet flowed through broadly to consumer prices. This is likely due to some combination of moderating demand, resilient supply chains, companies deciding to eat the additional tariff-related costs, or offsetting price declines elsewhere.

Meanwhile, on November 5, most U.S. Supreme Court justices voiced skepticism about the constitutionality of the Trump administration's reciprocal tariffs under the International Emergency Economic Powers Act. If the Court strikes them down, the administration is expected to seek alternative mechanisms for implementing wide-ranging bilateral tariffs.

AI Stocks Lead Market Rally

Return Since April 8th Low



Source: Bloomberg. Past Performance does not guarantee future results.

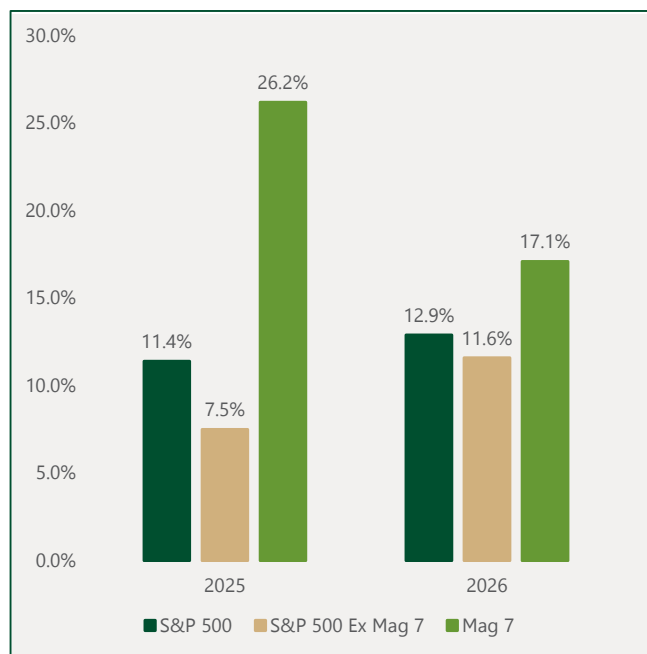
U.S. equities extended their rally in October, with the S&P 500 gaining 2.3% and now up 38.2% since its early April low. The index overcame a mid-month dip to log a sixth consecutive monthly gain, supported by strong third quarter earnings, a second Fed rate cut this year, and improving sentiment around U.S.–China trade relations.

Early month volatility reflected renewed U.S.–China trade tensions after President Trump proposed additional tariffs in response to China’s restrictions on rare earth mineral exports, a key input for technology production. The announcement triggered the S&P 500’s sharpest single-day decline since April. However, late-month negotiations helped stabilize markets as both nations reached an agreement delaying new U.S. tariffs and easing China’s export curbs, while allowing limited access for Chinese firms to U.S. technology.

Sector leadership remained concentrated in technology, which rose 6.2% in the month, nearly double the next best sector. The Magnificent Seven have now surged roughly 67% from their spring lows, while the Goldman Sachs AI Data Center & Electrical Equipment Index has climbed nearly 138%, underscoring investor focus on AI infrastructure themes.

Expanding Market Breadth

Expanding Profit Growth Breadth



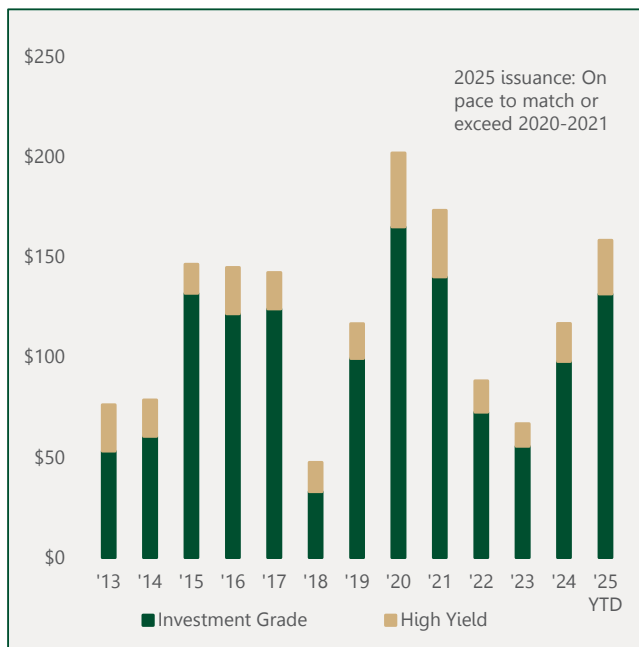
Source: Bloomberg. Past Performance does not guarantee future results.

The S&P 500’s third-quarter earnings season is shaping up as one of the strongest in recent years. With roughly 80% of companies reported, earnings are tracking 14.5% higher year-over-year, the fastest pace in almost four years and nearly double the 7.4% preseason analyst forecast. Excluding the Magnificent Seven’s outlier results, earnings growth remains robust at 10.8%, well ahead of the 5.3% forecast. All sectors except industrials exceeded expectations, led by over 20% growth in technology and financials.

Looking ahead, analysts anticipate continued momentum, with four of the next five quarters projected to deliver double-digit growth. Forecasts indicate that earnings strength will broaden beyond mega-cap technology, as S&P 500 ex Mag Seven growth is expected to accelerate to 11.6% in 2026 from 7.5% this year. Cyclical sectors are expected to see the sharpest improvement with double-digit growth for energy, industrials, and materials. Meanwhile, Mag Seven earnings growth is forecast to moderate to 17.1% from this year’s 26.2%.

Third-quarter revenue growth of 8.3% is the fastest expansion in three years. Technology and health care led top-line gains with increases of 15.8% and 10.2%, respectively, while energy remained the only sector in decline. The S&P 500’s operating margin rose to 15.8% from 15.3% a year earlier, though it fell short of the 16.3% analyst forecast.

AI Buildout-Focused Debt Deals Pick Up Technology Sector Bond Issuance (\$billions)



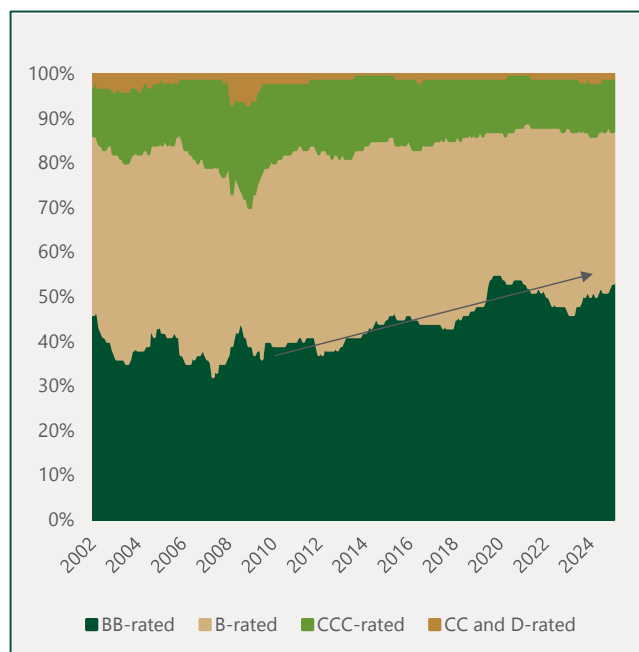
Source: Bloomberg. Past Performance does not guarantee future results.

US technology companies are issuing debt at a record pace in 2025, putting the sector on track to match or surpass the massive issuance seen during the 2020–2021 boom. According to Bloomberg, U.S. tech firms have raised roughly \$158 billion in public bond markets so far this year—about 35% more than in all of 2024.

A majority of debt issuance is related to funding capital-intensive AI infrastructure. Oracle, Alphabet, Apple, and Broadcom have led recent large offerings. In late September, Oracle sold nearly \$26 billion of debt to finance data center expansion for AI clients like OpenAI.

Investor demand has been strong, with credit spreads near 27-year lows as buyers seek exposure to the AI build-out. While some analysts warn of parallels to the dot-com era, most issuers maintain strong balance sheets, suggesting that the sector's borrowing remains sustainable even as investment ambitions soar.

Improved Quality in the High Yield Bond Market Credit Rating Composition



Source: Bloomberg. Past Performance does not guarantee future results.

Since the Global Financial Crisis, the U.S. high yield bond market has experienced a notable shift toward higher quality. As shown in the chart, a growing share of outstanding bonds are now rated BB—the highest sub-investment-grade category—while the portion rated CCC and below has steadily declined. This structural improvement reflects the market's evolution from a risk-heavy segment into one anchored by more resilient issuers and stronger investor safeguards.

The transformation has been driven largely by an exodus of weaker borrowers to the private credit and leveraged loan markets. These less-regulated venues offer greater flexibility and looser covenants, attracting companies with higher risk profiles. In contrast, the public high yield bond market has become home to stronger sub-investment-grade issuers that value its transparency, established investor base, and more stable financing terms.

Fundamentally, today's high yield companies are larger, more profitable, and less leveraged than in past cycles. Their improved balance sheets have enhanced financial flexibility, helping the market withstand recent credit stress, including recent defaults by TriColor and First Brands, without significant contagion or a broad widening in spreads.