Wilmington, Delaware

WEEK OF NOVEMBER 10, 2025

Market Navigator

U.S. equities declined after three consecutive weeks of gains. The sell-off was led by weakness from big technology firms. AI spending and the returns companies could earn on that investment continued to come under scrutiny. ADP reported employment gains for October, but consumer confidence continued to deteriorate on concerns about the government shutdown.

Quick Hits

1. **Beyond the headlines:** Index concentration cuts both ways.

2. **Report releases:** Economic reports continued to show a mixed bag.

3. **Financial market data:** Equity markets declined on weakness from big technology stocks. Treasuries were firmer on weakening consumer sentiment.

4. **Looking ahead:** We expect weekly state-level jobless claims and several speeches from Federal Reserve (Fed) members.

Beyond the Headlines: Index Concentration Cuts Both Ways

The top 10 companies in the S&P 500 account for almost 40 percent of the index, an all-time high. (The so-called Magnificent Seven, including two different share classes of Alphabet, are included.) Broadcom and Berkshire Hathaway round out the top 10. The technology sector makes up more than 35 percent of the S&P 500. For better or worse, these stocks and this sector are perceived to be the market by many because they drive the daily moves of the S&P 500. Over the past few years, investors have benefited from this concentration; Magnificent Seven companies were the only area of the market that showed earnings growth, and the appreciation of these stocks drove markets higher. The same effect can occur on the way down, however.

Tough Week for Tech Sector

Against that backdrop, the technology-heavy Nasdaq Composite declined more than 3 percent. In its worst week since April, the technology sector dipped more than 4 percent. Continued scrutiny about AI spending and the ability for the companies doing so to earn a return continued to weigh on this part of the market. In turn, weakness in the technology sector caused the S&P 500 to decline 1.63 percent.

Those headline declines led many news reports over the weekend. Despite the importance of technology to the U.S. economy and the markets, other areas that make up a balanced portfolio can be influenced by factors that have

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nothing to do with technology spending. Last week, the equally weighted S&P 500 (an index that gives each of the 500 stocks the same weight, as opposed to the traditional market capitalization index that favors bigger companies) was basically flat, declining just 0.19 percent. In fact, 7 of the 11 GICS sectors had positive returns, led by energy, health care, real estate, and financials.

Strong Earnings Growth

In large part, this was driven by strong earnings growth from reporting companies. Eighty-two percent of S&P 500 companies that have reported earnings so far have beat analyst expectations. Third-quarter earnings growth is expected to be 13.1 percent. Just one week ago, the expectation was that third-quarter earnings growth would be 10.7 percent, which illustrates just how strong the reports were. At the end of September, however, that number was just 7.9 percent. This will mark four consecutive quarters with double-digit earnings growth. In addition, it isn't narrow earnings growth, as we have seen in recent years. This quarter, 8 of 11 sectors have reported earnings above analyst expectations. That is a testament to the resilience of corporate America in the face of several economic headwinds over the past year.

Diversification fell out of favor when a small group of companies driven by the same theme were providing the bulk of the market returns; however, that hasn't necessarily been the case at various points this year. We expect this trend to continue and that broad earnings growth will be supportive of the broad market over the intermediate term.
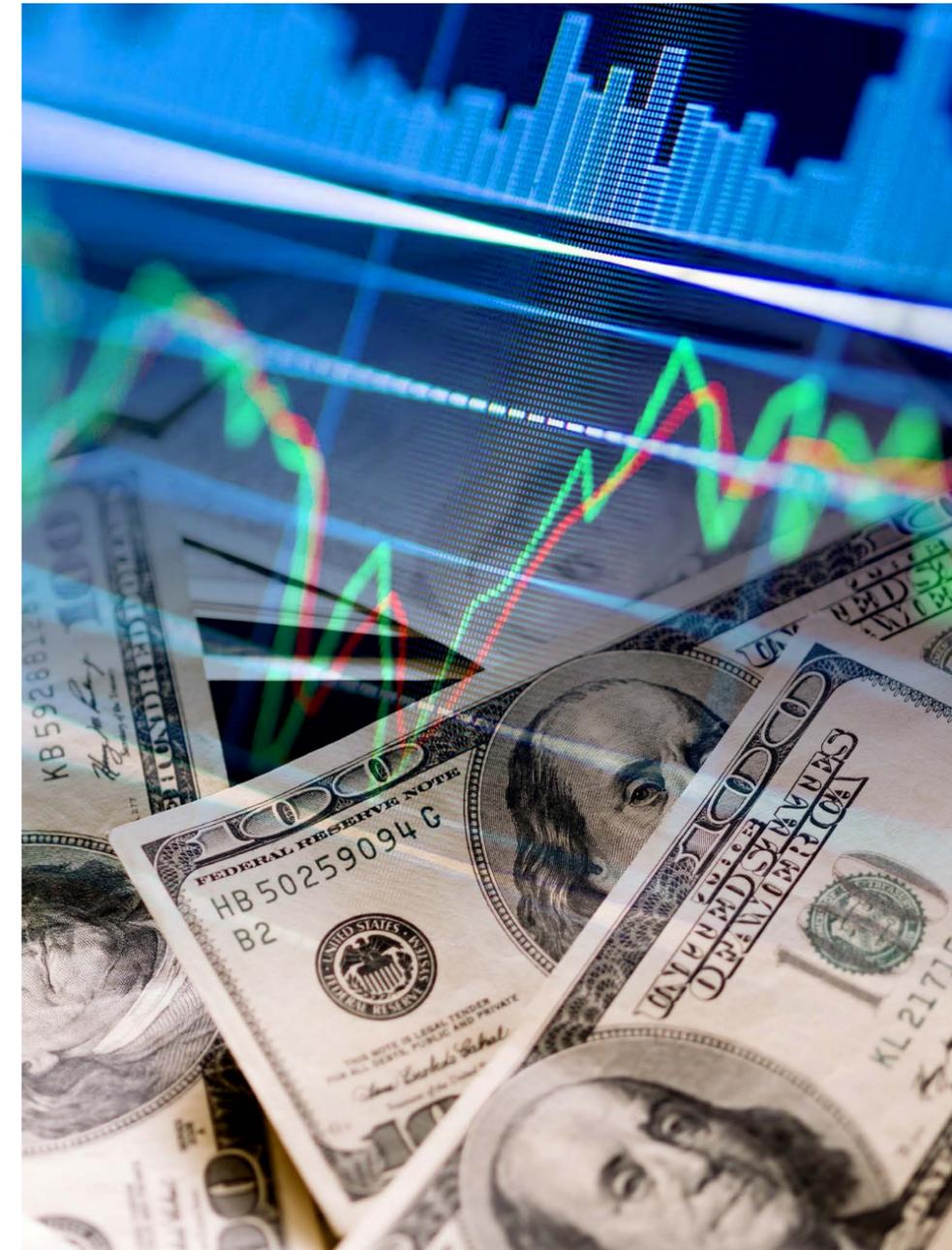
Report Releases: November 3–7, 2025

Institute for Supply Management (ISM) Manufacturing Index
October (Wednesday

Manufacturing activity slowed more than expected as new orders and hiring continued to contract.
- Expected/prior month ISM Manufacturing index: 49.5/49.1
- Actual ISM Manufacturing index: 48.7

ADP Employment Report
October (Wednesday)

Roughly 42,000 private jobs were added last month, slightly better than the 30,000 that were anticipated.
- Expected/prior month private jobs added: +30,000/–29,000
- Actual private jobs added: +42,000

ISM Services Index
October (Wednesday)

Service sector activity rebounded, supported by a rise in new orders during the month.
- Expected/prior month ISM Services index: 50.8/50
- Actual ISM Services index: 52.4

University of Michigan Consumer Sentiment Survey
November (Friday)

Consumer sentiment continued to erode on concerns about the economic impact of a prolonged government shutdown.
- Expected/prior month University of Michigan consumer sentiment survey: 53.0/53.6
- Actual University of Michigan consumer sentiment survey: 50.3

>> The Takeaway

- ISM surveys showed that manufacturing continued to deteriorate while services rebounded.

- The ADP report showed an improvement in employment last month, with the 42,000 new jobs created exceeding expectations. (Without government employment data to confirm the trend, it appears that the job market continues to be sluggish but is not yet contracting.)

- Consumer confidence continued to deteriorate. The University of Michigan consumer sentiment survey was close to its all-time low from June 2022.

Financial Market Data

Equity

The Nasdaq led markets lower after three consecutive weeks of gains, with all major indices declining. Big technology was the worst performing part of the market. The equal-weight S&P 500 was basically flat, showing underlying strength. AI scrutiny caused weakness in technology, including semiconductors and software. Strength was seen in banks, energy, health care, financials, consumer staples, and utilities.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	−1.61%	−1.61%	15.61%	14.10%
Nasdaq Composite	−3.03%	−3.03%	19.78%	20.23%
DJIA	−1.21%	−1.21%	11.97%	9.30%
MSCI EAFE	−0.76%	−0.76%	26.38%	21.69%
MSCI Emerging Markets	−1.39%	−1.39%	31.70%	24.50%
Russell 2000	−1.86%	−1.86%	10.29%	3.48%

Source: Bloomberg, as of November 7, 2025

Fixed Income

Treasuries were mostly firmer as the yield curve steepened slightly. Weakening consumer confidence drove sentiment in the Treasury market. Other parts of the bond market were flat or down.

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.42%	6.82%	6.04%
U.S. Treasury	0.51%	6.08%	5.47%
U.S. Mortgages	0.68%	7.88%	6.97%
Municipal Bond	1.07%	4.01%	4.46%

Source: Bloomberg, as of November 7, 2025

>> The Takeaway

- Equities declined after three consecutive weeks of gains. Technology led the market lower on continued AI scrutiny. The equal-weight S&P 500 was virtually flat, indicating strength outside the technology sector.

- Treasuries were firmer as yields dropped slightly. Investors reacted to non-government data that showed the potential for economic weakness, particularly in layoffs and consumer sentiment, as the government shutdown continued.

Looking Ahead

This week is anticipated to be light because of the government shutdown. The focus will be on speeches from several Fed officials throughout the week as well as state-level jobless claims.

- Assuming economic data from the government remains on hold, it will be a quiet week for macro reports. On Wednesday, we expect state-level jobless claims to be reported.

- Third-quarter earnings will wind down, with key reports from Applied Materials, Cisco, Occidental Petroleum, and Tyson Foods.

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