



Capital Markets Commentary – November 2025

At Graystone Charleston, we aren't glass-half-empty people except maybe between 9:30 AM and 4:00 PM on trading days. Seriously, we're a generally, upbeat and optimistic bunch in our private lives, but when it comes to markets, we can never seem to get comfortable. When markets are down, well, markets are down with the only silver lining being the opportunity to put money to work at increasingly compelling valuations. When markets are up, we tend to be anxiously casting about for a reason to correct, knowing full well that eventually, a correction is inevitable. The trick is to strike a judicious balance between offense and defense, and that's our goal.

But just how do we find that balance without engaging the folly of market timing? You may recall that former Fed Chair Alan Greenspan gave his cautionary "Irrational Exuberance" speech, referring to the dot-com boom, in December of 1996, but the bubble didn't burst until April of 2000. Chair Greenspan was right to be concerned, of course, but he was more than three years early. To have circled your financial wagons when he first raised the alarm would have led to missing out on the gains those years generated. So, when markets are climbing a wall of worry as they now are, how do we know when to pull up the drawbridge and seal the castle? The truth is we don't (and anybody who claims they do know is lying). We believe that establishing and adhering to a discipline that revolves around reasonable valuations and asset allocation is the strategy to address this conundrum. In a moment, we'll discuss the wall of worry (or worries) the market is climbing as well as our approach to managing, but first, let's look at the numbers for October.

Another month, another set of positive returns. At this point, it seems easier (or at least shorter) to note who was down versus who was up. The German DAX lost 1.7% and Hong Kong's Hang Seng gave back 3.4%. Every other major global bourse closed to the good. The NASDAQ lead domestic equities with a gain of 4.7% followed by the Dow which closed up 2.6% and the S&P

with a gain of 2.3%.ⁱ Yields on bonds, as measured by the US ten-year, once again did a mid-month U-turn. The ten-year closed September at a yield of 4.18%, then dropped as low as 3.94% before switching sides to close the month at a yield of 4.10%.ⁱⁱ

The phrase “climbing a wall of worry” has been an endemic Wall Street cliché since at least the 1950’s, although there seems to be no consensus as to who coined it. It simply refers to a market that continues to rise despite negative news and data. This in turn can prompt pundits to come up with any number of justifications for why markets might defy gravity. Usually these justifications can be summed up by another cliché - “This time its different.” Spoiler alert: It’s not ever different, but as Mr. Greenspan realized in the 90’s, it can sometimes take markets years to ultimately come to that conclusion. Before we get to the reasons why the market may be ignoring our worries, let’s briefly list what some of those worries are (buzz kill, we know, but bear with us...it gets better).

- Tariffs are just beginning to creep into inflation data. In his remarks following the Fed’s October meeting, Chair Jay Powell noted that the Fed expects the inflation bump from tariffs to be a one-time hit that they hope will resolve in the coming spring, although he added, *“But it is also possible that the inflationary effects could instead be more persistent, and that’s a risk to be managed. Our obligation is to ensure that a one-time increase in the price level does not become an ongoing inflation problem.”*ⁱⁱⁱ
- While we hear some chatter that Congress may actually be considering bi-partisan negotiations, the government remains closed for business. Although we opined just last month that shutdowns are generally non-events for markets, the longer it goes on, the less convinced we may be that there won’t be ramifications. The shutdown has yet to meaningfully weaken the dollar, but it still could, and a weak dollar can exacerbate inflation.
- There are beginning to be concerns over the proliferation of complex debt in the system. Two bankruptcies in the auto sector last month caught Wall Street and regional banks by surprise. Jamie Dimon, CEO of JP Morgan Chase, put it this way, *“My antenna goes up when things like that happen, and I probably shouldn’t say this, but when you see one cockroach, there are probably more. Everyone should be forewarned on this.”*^{iv} Yikes. Problems of this sort are difficult, if not impossible to predict. Even if no problem actually rears its ugly head, concerns over the possibility of a problem can cause investors to go on the defensive. Especially after the kind of positive run we’ve had recently, institutional investors may be more eager to reduce risk and seek to lock in gains.
- US debt to GDP is also agita inducing. No matter what the Fed does to lower rates on the short end, they may be helpless to influence longer rates. Recent commentary by Morgan Stanley’s Lisa Shalett notes that studies published by the Federal Reserve and others suggest that “Every extra point of debt to GDP adds roughly 14 bps to the 5-year Treasury rate. IMF researchers believe that increase to be 30 or 40 bps. Since just prior to the Great

Recession, US debt to GDP has nearly doubled (you read that right), so the implication is that in the absence of increased (or any) fiscal discipline, higher rates may be unavoidable.^v We've included a chart showing the exponential growth of debt to GDP at the end. Gird your loins.

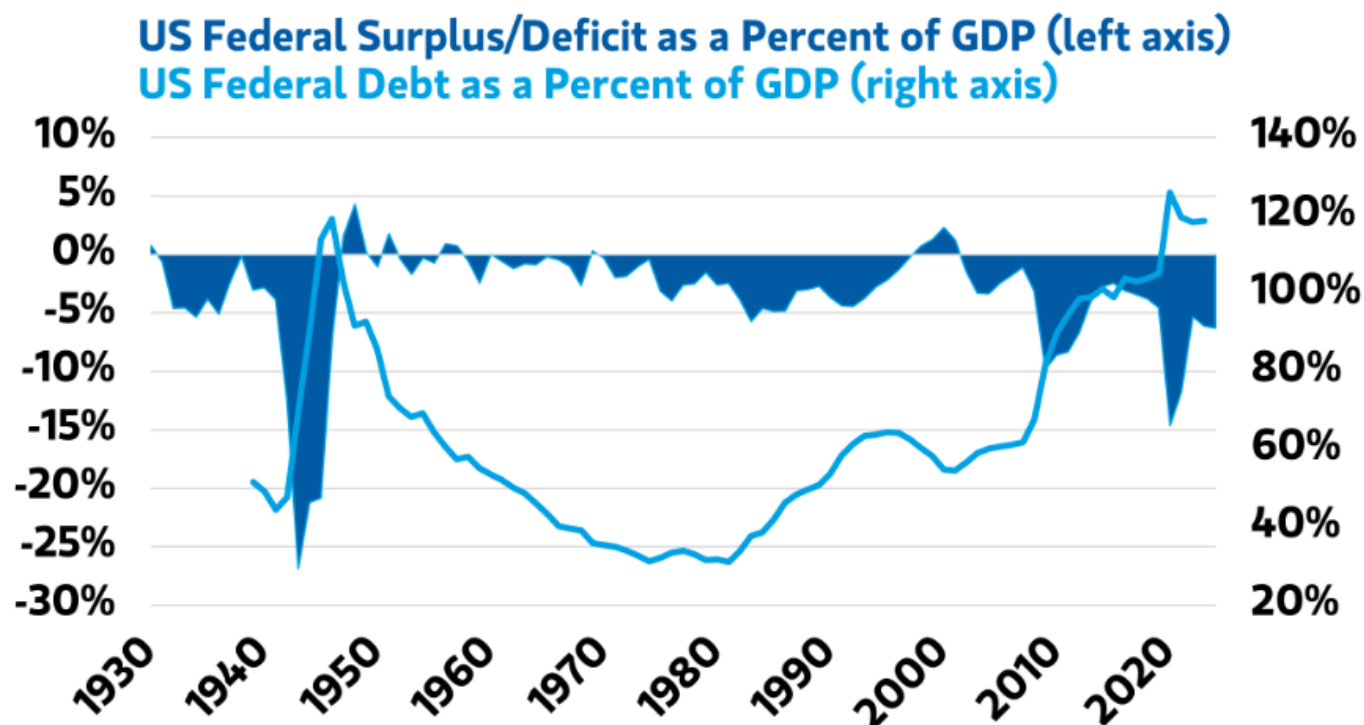
- And then there's that valuation issue we've been discussing for these many months. We won't belabor it here other than to point out again that stocks aren't cheap.

That's not an exhaustive list of worries, but probably as much as most people can take without eyeballing sharp objects, but here's the flipside. All those *potential* worries come at a time when the Fed is in cut mode, corporate earnings have been on the whole, robust, corporate tax rates are falling, and deregulation has the potential to free banks to engage in more lending. And it's not just financials which might benefit from deregulation. Conventional energy, pharma, healthcare, industrials and more stand to reap the rewards. Furthermore, the consumer is still spending (how, we do not know).

Another plus: While it will be many months, if not years, before we know if the Fed is today making good calls or bad calls, we feel reasonably confident that this Fed will be clear and transparent in its communications with investors. The aforementioned Alan Greenspan is quoted as once saying, "*What I've learned at the Federal reserve is a new language which is called 'Fed-speak.'* You soon learn to mumble with great incoherence."^{vi} It is entirely possible that bad communication from the Fed could be worse than a monetary policy misstep. Whether you're a fan of Powell or not, he does not mumble incoherently.

In any case, these positives could bode very well for 2026, but caution is still warranted. We could see significant performance dispersion between companies which are highly leveraged and non-profitable versus the otherwise dull-as-dirt cohort of large cap companies which are profitable and have exhibited a long track record of prudent balance sheet management. Pay special attention to diversification and note that owning an index fund does not necessarily mean you're adequately diversified. If you're at all concerned about the risk profile of your portfolio then it's entirely possible that you need to dial it back. We can help.

As always, should you have any specific questions or concerns, we hope you won't hesitate to call. We'll look forward to hearing from you.



Source: US Office of Management and Budget, Federal Reserve Bank of St. Louis, Morgan Stanley Wealth Management GIO as of Dec. 31, 2024

ⁱ Source: Morgan Stanley Wealth Management GIO, Bloomberg, FactSet

ⁱⁱ Source: Bloomberg

ⁱⁱⁱ Source: Federal Reserve Board Transcript of Chair Powell's Press Conference October 29, 2025

<https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20251029.pdf>

^{iv} Source: JP Morgan Chase earnings call October 14, 2025 as reported by Bloomberg

<https://www.bloomberg.com/opinion/articles/2025-10-17/jamie-dimon-s-cockroaches-keep-appearing-in-risk-for-markets>

^v Source: Global Investment Committee, October 27, 2025, "A New Inflationary Regime?" [Global Investment Committee Special Report: A New Inflationary Regime?](#)

^{vi} Source: The Washington Post, January 23, 1991

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The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization US stocks. An investment cannot be made directly in a market index.

Dow Jones Industrial Average (DJIA). A price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry.

Euro STOXX 50 Index: Provides a blue-chip representation of super-sector leaders in the Eurozone.

NIKKEI 225 Index: This price-weighted index is comprised of Japan's top 225 blue-chip companies on the Tokyo Stock Exchange.

Hang Seng Hong Kong: The Hang Seng Index is a free-float capitalization-weighted index of a selection of companies from the Stock Exchange of Hong Kong.

DAX Index: This index represents 30 of the largest and most liquid German Companies that trade on the Frankfurt Exchange.

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