Cambridge Advisors inc.
Investment Managers

ECONOMIC UPDATE — NOVEMBER 2025

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The broad markets extended their recent winning streak. The S&P 500 advanced further, bolstered by strong corporate earnings and a favorable macro backdrop. Meanwhile growth in the tech-heavy space captured much market enthusiasm. With interest-rate expectations easing and trade tensions showing signs of softening, investor confidence gained incrementally.

Key themes shaping the market

- **AI and corporate capital spending**: A meaningful driver of the rally has been the surge in capital expenditures by large technology firms, particularly those focusing on AI infrastructure, which is feeding both optimism and valuations.
- **Interest-rate dynamics**: The market is increasingly forecasting further policy-relief from the Federal Reserve, though with some caution given inflation and employment data remain in play.
- **Geopolitical and data-risks**: The ongoing U.S. federal government shutdown has complicated the release of key economic data, creating greater "macro-fog" for investors.

Risks on the horizon

- Valuations are elevated, and some analysts believe warning signals (though not alarms) are flashing for the broad market.
- Should inflation re-accelerate or the Fed signal a more hawkish path, risk assets could face headwinds.
- External shocks (geopolitical, trade, credit) are always possible. The current era of high innovation doesn't preclude corrections.
- For older investors especially, sequence-of-returns risk remains a key concern: large declines early in retirement can have outsized impact.

Key Takeaways

- Recognize risks still exist amid optimism and rebalance to your risk tolerance if you have become overweight in equities due to strong stock performance.
- Fixed income, money markets, buffer ETFs and premium income funds can help reduce risks.
- Diversification is prudent.

As always, if you'd like a deeper dive into your personal portfolio's alignment or a review of income-planning for the years ahead, we'd be happy to assist.

Key Statistics

Consumer Price Index (2nd Qtr)	3.0%
Core PCE Deflator (August)	2.9%
Unemployment Rate (August)	4.3%
10-Year US Treasury Yield (10/31)	4.10%
Fed Funds Rate (10/31)	3.75% – 4.25%

Index Returns

	Oct.	YTD
S&P 500	2.34%	17.52%
MSCI EAFE	1.18%	26.61%
Russell 2000	1.81%	12.39%
US Agg Bond	0.62%	6.80%

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