

NOVEMBER: MARKET VOLATILITY RETURNS KEY THEMES AND METRICS FOR 2026

Figure 1: 11/30/2025 Returns (source: FactSet)
Conditional formatting: green (high) to red (low) for each time period

Bonds	ETF	Month	YTD	1YR	vs. 52-wk	
					High	Low
US Aggregate Fixed Income	AGG	0.6%	7.5%	5.7%	-0.5%	5.3%
Investment Grade Corp Bonds	LQD	0.9%	8.7%	5.8%	-0.9%	8.1%
U.S. 20+ YR Treasuries	TLT	0.3%	7.1%	0.3%	-4.9%	8.3%
Muni Bonds	MUB	0.2%	3.5%	2.1%	-1.1%	7.1%
US High Yield	HYG	0.7%	8.1%	7.2%	-0.5%	7.9%
Non-US Corp Bonds	IBND	0.6%	14.9%	11.5%	-3.0%	15.2%
Emerging Markets Bond LC	EMLC	1.4%	17.2%	14.5%	-0.8%	11.6%
Global Equity						
ACWI Global Equity	ACWI	0.0%	21.3%	18.1%	-1.1%	39.7%
ACWI Global Equity ex US	ACWX	0.2%	29.3%	25.7%	-1.5%	35.7%
International Developed	EFA	0.7%	28.1%	24.3%	-1.6%	31.9%
Emerging Markets	IEMG	-1.7%	30.0%	27.8%	-3.4%	41.9%
Global Equity by Region						
United States	VTI	0.3%	17.1%	13.6%	-0.8%	42.3%
Europe	IEUR	1.5%	31.3%	27.5%	-1.2%	30.8%
Asia ex-Japan	AAXJ	-2.2%	29.3%	27.6%	-4.1%	44.0%
China	MCHI	-2.2%	34.0%	35.2%	-7.7%	42.3%
Japan	BBJP	-0.2%	25.1%	22.5%	-1.6%	40.1%
Latin America	ILF	5.9%	52.4%	43.2%	-0.3%	49.5%
US Equity						
US S&P 500	IVV	0.2%	17.8%	15.0%	-0.9%	41.9%
NASDAQ 100 QQQ	QQQ	-1.6%	21.6%	22.1%	-2.8%	53.9%
US Large Growth	IWF	-1.9%	19.0%	20.1%	-3.4%	54.4%
US Large Value	IWD	2.6%	14.9%	7.0%	-0.1%	28.7%
US Eqwt S&P 500	RSP	1.9%	10.7%	3.8%	-0.4%	27.4%
US Mid Cap	IJH	2.2%	7.4%	-0.3%	-2.3%	32.3%
US Small Cap	IJR	2.6%	6.0%	-2.6%	-5.2%	35.5%

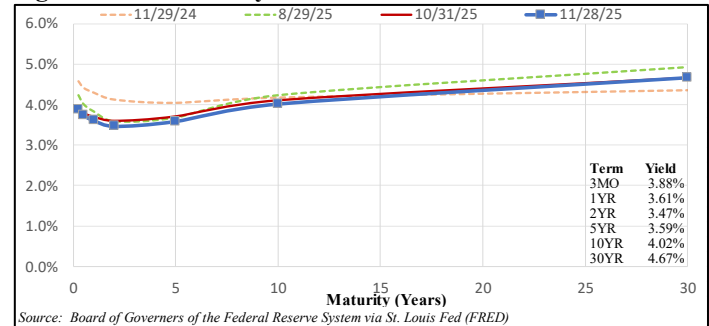
Bond returns were positive in November as interest rates ticked lower in anticipation of further Fed rate cuts. Stock returns were mixed, with smaller stocks rising (buoyed by lower interest rates), but large tech stocks moved lower. Performance highlights for November and year-to-date (YTD) include:

- **Bonds:** The US Aggregate index (AGG) rose 0.6% this month (+7.5% YTD). Long-term Treasuries (TLT), which are very sensitive to interest rates, rose 0.3% (+7.1% YTD). Corporate bonds (LQD) and high yield (HYG) outperformed. Non-US bonds have outperformed in 2025 on US dollar weakness.
- **Global equity:** ACWI was flat this month (+21.3% YTD).
- **US Equity:** The broad market (VTI) rose 0.3% (+17.1% YTD); the S&P 500 (IVV) gained 0.2% (+17.8% YTD). Small cap stocks (IJR) rose 2.6% this month (+6.0% YTD) on hopes for lower borrowing costs but have underperformed by a wide margin this year. The story of the month was the sharp reversal in the tech sector (XLK), which fell 4.8% in the wake of highly publicized concerns over accounting practices and lofty valuations, but the sector remains the strongest performer this year even after the pullback (+23.7% YTD).
- **Non-US Equity:** Stocks outside of the US continue to perform well, with non-US stocks (ACWX) rising 0.2% (+29.3% YTD). European stocks (IEUR) rose 1.5% (+31.3% YTD). Latin American stocks were particularly strong as Brazilian equities (EWZ) rose 7.8% (+52.0% YTD), possibly on hopes that the US Supreme Court might strike or curb escalating tariffs. Asian markets were marginally weaker as tech stocks in China, Taiwan, Korea and Japan mirrored US tech weakness.

Interest Rates and the Economy

Treasury yields moved slightly lower in November as several Federal Reserve (Fed) officials indicated willingness to continue cutting interest rates, including the possibility of another 0.25% cut in their December meeting. The Fed is still “flying blind” as the government shutdown delayed collection and reporting of employment and inflation data, and it will be several months before the data fog clears. Investors expect further cuts over the next year as the Fed moves toward a terminal rate around 3.00%. The yield curve (Figure 2) plots the interest rates for various US Treasury maturities. US 10-year Treasuries now yield 4.02%.

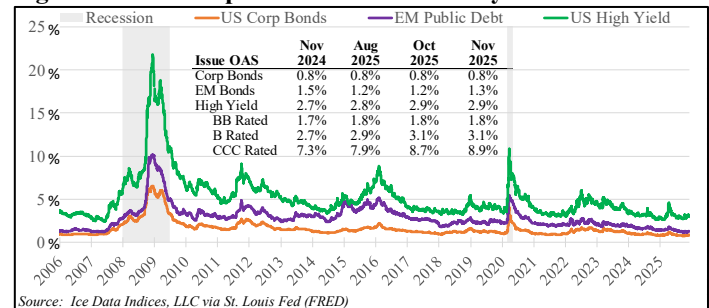
Figure 2: US Treasury Yield Curve



For bonds other than US Treasuries, we track the option-adjusted spread (OAS) between their yields and Treasuries of comparable maturities (Figure 3). Low or narrowing spreads signal optimism; high or widening spreads signal fear. Spreads widened marginally this month but are historically low; bond investors are optimistic.

- Investment grade corporate bond spreads were steady at +0.8% and have been relatively stable over the past year.
- High yield (non-investment grade) spreads widened to +2.9% but have stabilized after the “Liberation Day” spike in April. Spreads of the riskiest bonds (rated CCC & below) widened to +8.9% and are well above the +7.3% spreads one year ago.
- Emerging market spreads widened to +1.3% but are down from +1.5% a year ago; investors still see low risk in EM debt.

Figure 3: Credit Spreads vs. U.S. Treasury Yields

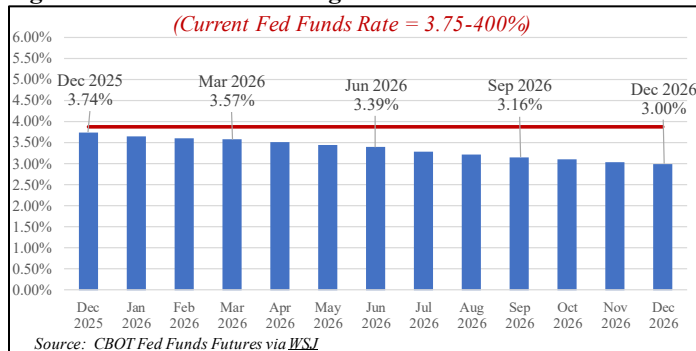


Key Data and Themes for 2026

Despite lingering uncertainty around tariffs, trade, inflation, employment, and stretched equity valuations (especially in the technology sector), US and global markets have remained remarkably resilient. As the year winds down and we look forward to 2026, we discuss several themes and metrics that should drive markets.

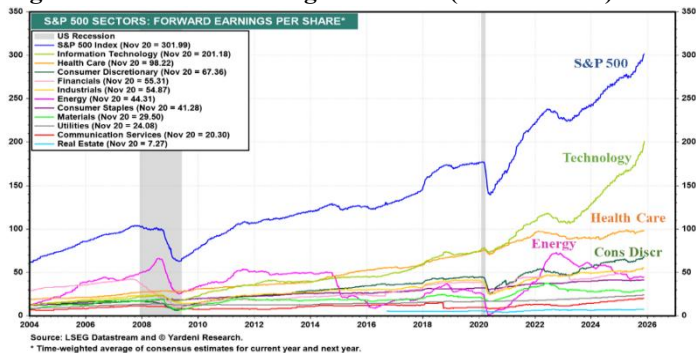
Interest Rates: The Federal Reserve (Fed) held rates steady for most of this year due to uncertainty around the impact of the new administration’s tariffs on inflation. Amid signs of softness in the labor market (fewer job openings, muted employment gains), the Fed cut rates in each of their last two meetings. Where rates go from here is complicated by the conflict in the Fed’s dual mandate (rising inflation, weakening employment) and is further complicated by a lack of current data on both fronts due to reporting delays during the government shutdown. Markets are currently pricing in an 80% chance of another Fed rate cut in December and intermittent cuts over the next year as they move toward a terminal rate of approximately 3% (Figure 4).

Figure 4: US Fed Funds Target Rate Forecast



Corporate Profits: Earnings forecasts for US equities have continued to rise but are increasingly concentrated in the tech sector (Figure 5). Investors are concerned about lofty valuations and the sustainability of that growth, highlighted in several high-profile analysts’ comments recently. For the market to continue to rise, aggressive AI spending must drive significant earnings growth well into the future. Growth contributions from other sectors would help. For now, the US stock market is a “one trick pony”, entirely dependent on AI spending and a few huge tech stocks.

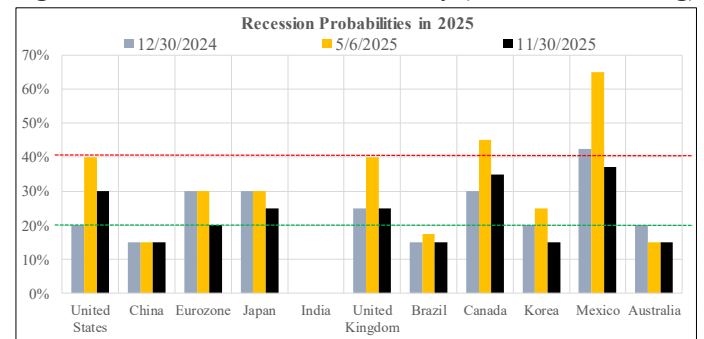
Figure 5: S&P 500 Earnings Forecasts (Yardeni.com)



Recession Probabilities: The biggest threat to earnings growth and, therefore, the stock market, is recession. Figure 6 plots the evolution of recession risks for the largest global economies, which together account for nearly 80% of global economic activity (GDP). We began 2025 with muted recession risks (gray bars), but the “Liberation Day” tariff announcements caused global

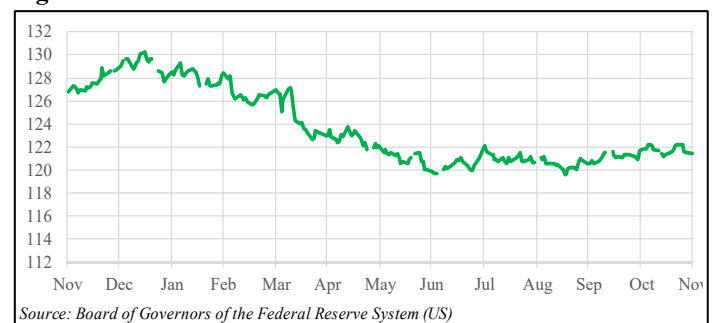
risks to spike in April-May (yellow bars). Subsequent tariff reductions improved the outlook, but uncertainty remains high. Current recession risks (black bars) are low (<20% probability) to moderate (20-40% probability), with Asia Pacific economies posing the lowest risks (India, Korea, China and Australia).

Figure 6: Global Recession Probability (Source: Bloomberg)



Dollar: The weakening dollar (Figure 7) has been a driving factor in the resurgence of non-US asset returns in 2025. US stocks have notched new all-time highs this year (+17% YTD), but returns outside of the US have been even better (+29.3% YTD). The same is true for the outperformance of non-US bonds, which have posted double-digit returns versus 7% for US bonds. Further dollar weakness is likely due to falling interest rates and the US administration’s tariff and trade policies and preference for a weaker dollar (which helps increase demand for US exports).

Figure 7: US Dollar Index



Bottom Line

Stocks posted mixed returns in November but have remained resilient so far in 2025. After years of underperformance, non-US asset returns have surged this year in a welcome development for proponents of portfolio diversification. As we look toward 2026, we are focused on several key themes and metrics:

- **Interest Rates:** Investors expect the Fed to gradually cut rates toward a terminal rate of 3.00%; lower rates can boost economic growth and disproportionately benefit smaller stocks.
- **Profits:** Earnings growth, the key driver of stock returns, has been concentrated in the Tech sector; we hope to see growth broaden to other sectors as AI productivity gains are realized.
- **Recession Risks:** After spiking in the wake of the “Liberation Day” tariff announcements, global recession risks have moderated, but uncertainty remains high; we are always only one tweet away from seismic market moves in either direction.
- **US Dollar:** Dollar weakness greatly benefited non-US investments this year; while we do not expect significant further declines, continued dollar weakness is likely given falling interest rates and the US administration trade and manufacturing goals.



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