

November 29, 2025

CJ's Weekly Market Memo

The Economy

We're looking at something of a puzzle right now. The Atlanta Fed's Q3 GDP estimate came in at a solid 3.9%, suggesting the economy still has real legs under it. That's the good news. The more complicated picture emerges when you dig into the labor market. Challenger reported over 150,000 job cuts in October, and while initial claims for the week ended November 22 fell to a better-than-expected 216,000, there's an unmistakable softening trend underneath. The Conference Board's consumer confidence dropped to its second-worst level in five years—only April's reading during the trade war worries was lower. Prices, inflation, trade, and tariffs continue to weigh on consumers across all income and political groups. What really caught my attention last week was John Williams, the NY Fed President, signaling room for "further adjustment in the near term" on interest rates. His comments about increased downside risks to employment and lessened upside risks to inflation were clearly coordinated—you don't get that kind of statement from a member of the Fed's leadership troika without Powell's blessing. The market certainly took it that way, with December rate cut odds jumping from below 30% to over 80% in a matter of days. Williams essentially told us the Fed leadership still sees policy as modestly restrictive and wants to move closer to neutral, labor market concerns notwithstanding. The dovish turn from Williams, followed by Waller and Daley citing labor concerns, stands in sharp contrast to the hawkish voices from Dallas Fed President Logan and Boston Fed President Collins. That internal disagreement tells me the Fed itself isn't entirely sure what's coming next, which adds another layer of uncertainty to an already uncertain environment.

Current Market Technical Conditions

Here's where things get interesting. We're in a particularly unusual situation of what I'd call "exhaustion"—where both bulls and bears seem unable to sustain strong conviction. The CNN Fear and Greed Index has been registering extreme fear levels, hitting readings around 13-14 in late November. At the same time, the AAII sentiment survey shows bearish sentiment at 42.7% with bullish readings stuck around 32%, well below the historical average of 37.5%. When you've got fear gauges screaming and individual investors this skeptical, yet the market refuses to crater, something's brewing. The S&P 500 only managed to move nine points higher through most of the month despite considerable volatility underneath. We saw rotation out of the Mag 7 and momentum stocks generally, with money flowing into healthcare (up over 9% for November) and other unloved sectors. This rotation, combined with the nearly 5% drawdown we experienced mid-month, cleaned

out a lot of the speculative excess. Deutsche Bank noted equity positioning moved underweight for the first time since July. What really demonstrates the explosiveness of this unusual exhaustion situation was last week's rally. The Williams comments acted as a catalyst, and the market responded with four straight days of gains. (Last week was a four day week.) This reminds me of early April through mid-June 1993, when the market gained an unexpected 1.65% after an extended period of quiet exhaustion on both sides. The market was coiled tight, sentiment was terrible, and when the catalyst came, it moved fast. Adding to the technical picture: IBD's trading indicator had its followers 100% out of the market when the week began, then 40-60% back in by Wednesday night. That's a violent swing in a short period, reflecting just how quickly conditions can shift when positioning is this light and sentiment this negative.

Prognostication for the Rest of the Year and Early 2026

I remain constructive on the AI boom, largely because I still see tremendous negative sentiment toward it. The scrutiny around hyperscaler capex, concerns about ROI, worries about vendor financing circularity, and China competition fears—all of this tells me we're nowhere near peak euphoria. More importantly, we haven't seen the wave of AI-related IPOs that would signal a top. When this technology cycle matures enough that every AI company and its cousin is going public to grab retail money, that's when I'll get worried. We're not there yet. The fundamental narrative remains largely intact despite the November volatility. Q3 earnings season delivered roughly 13.5% growth against expectations of 7.9%, with an 83% beat rate well above the five-year average of 78%. Nvidia alone beat revenue by \$2 billion and guided Q4 nearly \$3 billion above consensus. Retail earnings generally supported the consumer resilience theme, even if there were pockets of weakness. The macro backdrop is solid, and we're heading into a period of near-term fiscal impulse. For the rest of 2025 and into early 2026, I'm watching three things closely: First, whether the Fed delivers that December cut. Second, whether this rotation out of momentum and into broader market participation continues—that would be healthy. Third, whether the labor market deterioration accelerates or stabilizes. The technical setup favors the bulls here. Sentiment is terrible, positioning is light, and we just saw how explosively the market can move when given a reason. The seasonal tailwinds remain in play. But I'm not getting carried away. This market has demonstrated it can turn on a dime, and the disagreement within the Fed tells me policy uncertainty isn't going away. This brings me to the three trading rules from Marty Zweig that have served me well through multiple cycles: Don't fight the Fed. The trend is your friend. And most importantly, never let your opinion of what should happen influence or bias your investment and trading decisions. Right now, the Fed is turning dovish again, the trend has reasserted itself after a healthy pullback, and I'm following what the market is telling me rather than what I think it should do. The unusual

exhaustion we're seeing typically resolves with strong moves—usually to the upside. The ingredients are there: terrible sentiment, light positioning, solid fundamentals, and a Fed that's signaling support. I'm staying engaged but watching those internal divergences carefully.

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