NOVEMBER MARKET UPDATE

A FEAST OF RETURNS OR JUST THE TURKEY?

CARVING NOVEMBER STORYLINES

As of
November 30th, 2025

From AI Frenzy to Macro-Driven Reassessment: Markets Regroup as Inflation and Policy Risk Take Center Stage.

At the start of November, markets still carried momentum from a strong 2025, including AI and tech-driven gains. But as macroeconomic uncertainty regained center stage, investors began rotating away from high-valuation growth names toward more stable, value-oriented, and income-generating equity and bond positions. By month's end, renewed hopes for a December rate cut helped stabilize markets, but under the surface lies a deeper shift: sentiment was no longer shaped by a narrow "AI-only" lens, instead by broader macro risks and policy expectations.

The Big Picture

Market participants continue to adjust expectations around the Federal Reserve's policy path. While consensus currently anticipates a cumulative 90 basis point reduction in the Fed Funds rate by December 2026, markets are pricing significantly lower rates than the Fed's own dot-plot projections.

This divergence reflects the ongoing debate between mixed economic data on one hand and persistent inflation pressures on the other. Nonfarm payrolls continued to trend upward through September, signaling resilience, yet the unemployment rate has inched higher to 4.40% compared to 4.00% at the beginning of this year. This combination presents a challenge for the Fed's dual mandate, as strong payrolls can justify tighter policy while a rising unemployment rate may argue for caution. With the government now reopened, we will get the next Nonfarm payrolls and unemployment data sets on December 16th for the month of November. Current surveys suggest Nonfarm payrolls increase 40k from September and unemployment to remain at 4.40%.

Inflation Remains Stubborn

The CPI year-over-year reading continued its upward move, ending September at 3%, well above the Fed's 2.5% target. PCE trends show similar patterns: some moderation through mid-year, but recent readings remain above long-run objectives.

With the government shutdown, the inflation picture since September is unknown and complicates the case for easing. Markets remain alert to the risk that higher-than-expected inflation could either delay or reduce the number of rate cuts next year.

What the Economic Data is Telling Us

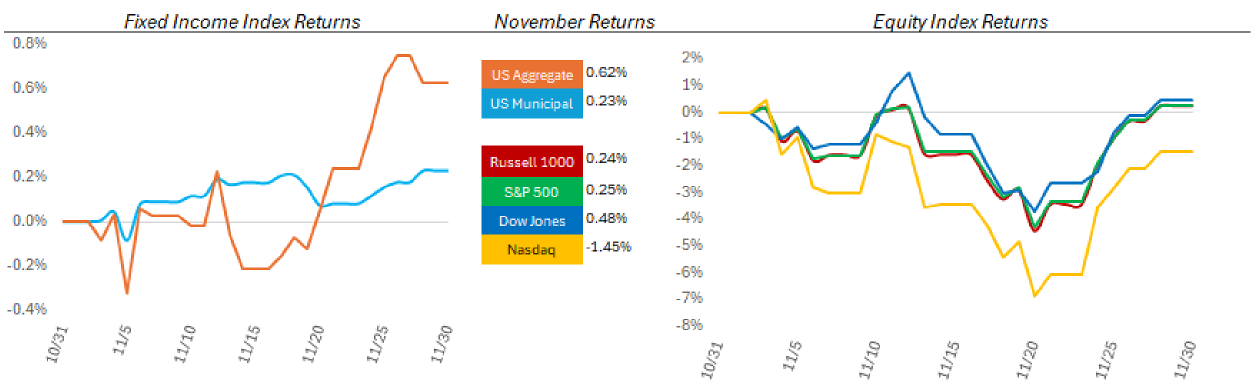
Inflation is improving, but still above the Fed's target

The direction is encouraging, but it may take time before inflation returns to target. This is a major reason the Fed remains cautious. The next policy meeting is scheduled for December 10th. Current expectations call for short-term rates to drift toward 3.00% by year end 2026, which would be a meaningful shift from today's levels. ***(See Chart Book)***

Employment remains strong, with early signs of cooling
Nonfarm payrolls continue to rise, which indicates that companies are still hiring. However, the unemployment rate has nudged up slightly to 4.40% compared to 4.00% starting the year.
(See Chart Book)
This combination of strong hiring and slightly higher unemployment highlights the Fed's delicate balance of supporting job growth without allowing the economy to overheat or inflation to accelerate.

Investors expect a 25-basis point rate cut in December
Current implied probability of a rate cut on December 10th sits at 94% with expectations of the Fed Funds effective rate moving from 3.89% to 3.49% by mid-March 2026 (a 40-basis point reduction).
(See Chart Book)

Market Performance in November



Source: Bloomberg LP, Calculations by ANB&T - Trust & Wealth Management

Stock market indexes benefited from:

- Mixed earnings but with broad positive surprises, with 63% of Russell 1000 companies reporting higher than expected sales and 75% reporting stronger than expected earnings.
- Renewed hope for a December rate cut

The broad positive surprises provided underlying support for valuations heading into the final month of the year.

Bond market indexes benefited from:

- Investors seeking high quality bonds
- Interest rates drifting lower
- Risk premium spreads remaining little to unchanged month over month

Volatility remained somewhat elevated but supportive of total returns as yields drifted lower.

What We Are Watching and How We Are Positioning

Several Themes Guiding Market Behavior:

- Path of inflation heading into 2026
- Strength of labor markets versus rising unemployment
- Federal Reserve policy direction and 2026 Fed Chair nomination
- Fiscal overhang and the impact on long-term rates

We continue to emphasize:

- **Quality U.S. equities** as the core of long-term appreciation
- **Government and Investment-grade credit** for stability and dependable income
- **Strategic global allocations** to diversify against domestic concentration
- **Liquid alternatives** for risk management and non-correlated return drivers

Despite mixed performance in November, economic resilience, moderating inflation, and constructive earnings trends continue to support the long-term outlook. Markets remain sensitive to policy expectations, but a disciplined and diversified investment approach remains the most effective path through an uncertain environment.

Our investment approach balances opportunity with discipline. We seek to blend value and growth investments across stocks and seek relative value in the bond market. As we approach year end, occasional volatility is likely – yet these periods can create opportunities to capture relative value and attractive yields, rebalancing portfolios at favorable levels. Even with strong earnings and easing interest rates, the government shutdown has delayed the distribution of important data. This has created some uncertainty in the markets, but we believe a disciplined and diversified investment approach is well positioned for the path ahead.

Thank you for your continued trust in American National Bank & Trust for your financial needs.

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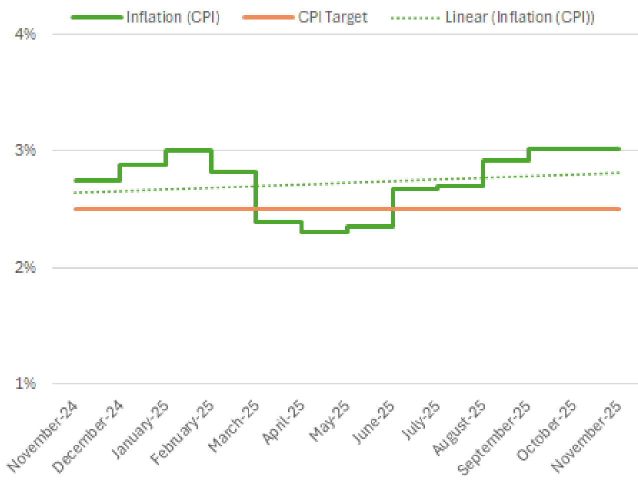
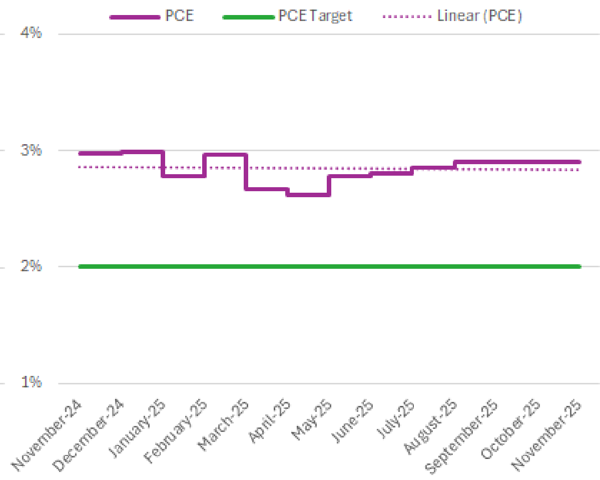
Chart Book





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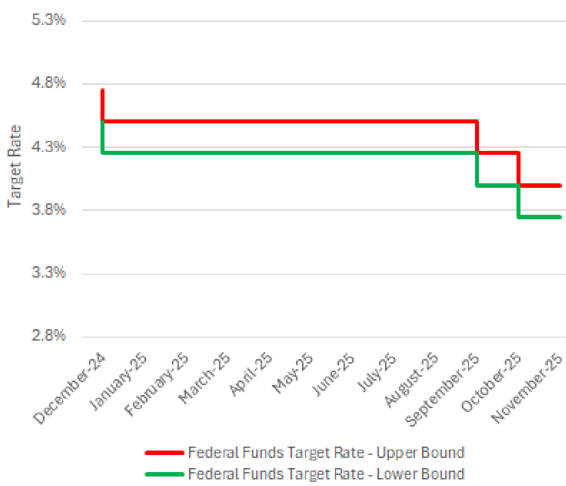

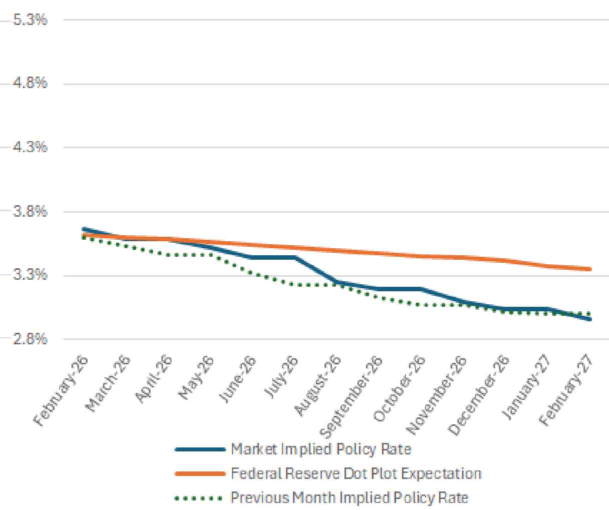

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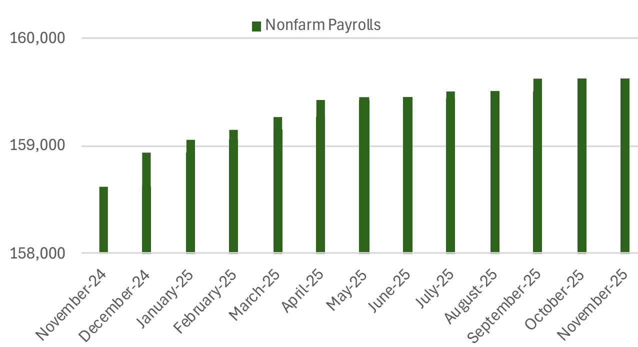

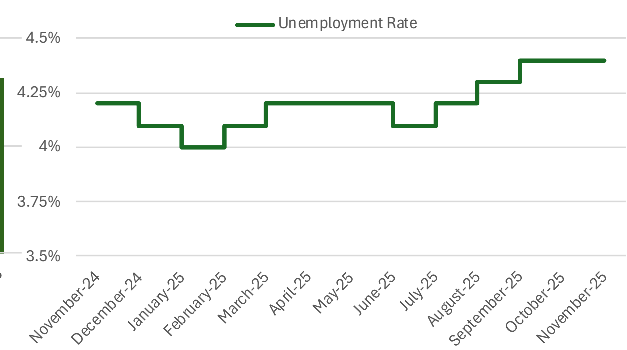

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