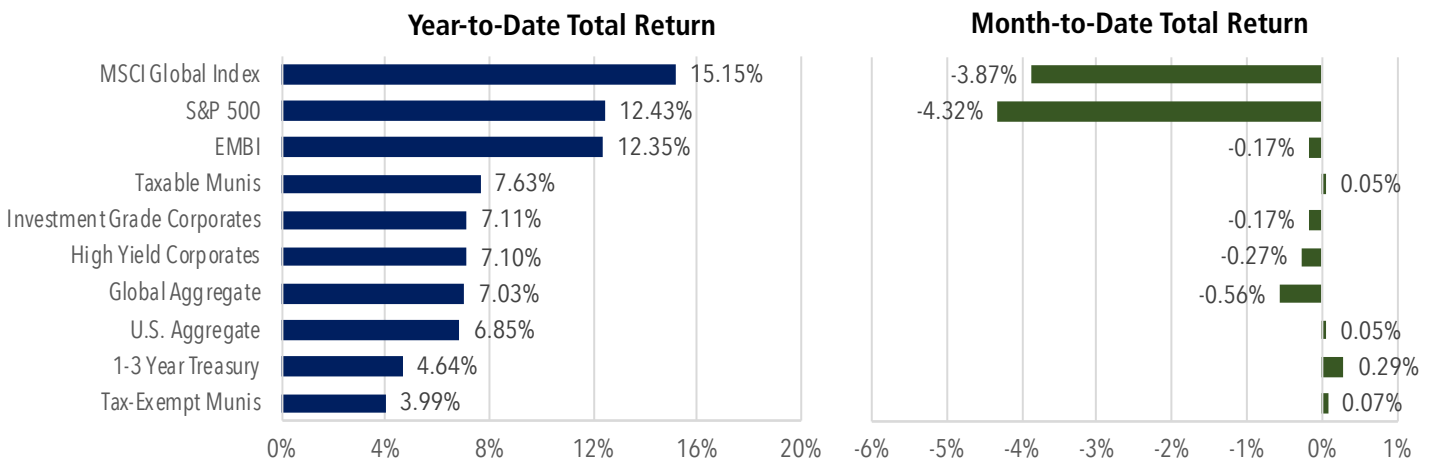
Week Ending: **November 21, 2025**

Round Trip

Economic Overview:

As the Earth nears completion of its annual lap around the sun, inflation expectations have also nearly round-tripped. For most of the year, policymakers and investors have been concerned about a tariff-driven reacceleration of inflation. While we have repeatedly pushed back, citing cooling housing and non-housing service prices offsetting one-time increases in tariff-affected goods prices, it sometimes feels as if these arguments fall on deaf ears. However, over the past month, 1-year forward inflation expectations have dropped significantly—by half a percentage point, from 3.1% to 2.6%. The FOMC's last two rate cuts have been driven by a shift in risk balance—from inflation to a weakening labor market—as payroll growth slowed. We believe that the recent decline in inflation expectations since the last meeting reduces the upside risks to inflation. As such, cracks in the labor market continue to support our view that the Fed ought to keep cutting.

Total Returns by Asset Class



Source: Bloomberg

Highlights of the Week:

High Yield: It's the season for gratitude, and high yield managers nationwide are thankful for sustained earnings strength in the high yield bond market. As we near the end of Q3 earnings season, beats have far outpaced misses by nearly 3 to 1, putting the asset class on a strong footing into year-end.

Corporates: Despite increased volatility, issuance remains steady with $133 billion priced so far, a November record. There appear to be some digestion issues—deal performance was mixed, and corporate spreads widened by seven basis points (bps) this month to an option-adjusted spread of 84 bps.

Equities: The U.S. equity market posted negative returns this week, driven by concerns about elevated valuations, a mixed macroeconomic backdrop, and ongoing uncertainty about the timing of Fed rate cuts. Sector performance was mostly down, with technology, consumer discretionary, and energy leading declines, while communications, health care, and consumer staples were the top performers.

Securitized Products: Asset-backed security primary activity is reaching record levels, with $344 billion priced year-to-date, up 9% from the same period in 2024. New issuance spans various commercial and consumer sectors, including prime and nonprime auto, equipment, whole business, and digital infrastructure. Over the past week, secondary spreads have widened mainly at the top of the capital stack as the market digests the existing overwhelming volume and prepares for the expected volume of new issues in 2026.