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December Market Update

Hope you had a great Thanksgiving weekend! Last month looked calm on the surface, but proved more nuanced. U.S. markets spent most of November near record highs before losing momentum as AI enthusiasm met earnings reality, Fed officials tempered rate-cut expectations, and a government shutdown left investors with less economic data than usual.

The month crystallized around three themes. First, the evolving macroeconomic backdrop presented challenges, with labor market data gaps and mixed inflation signals. Second, the government shutdown and Fed messaging reshaped rate expectations. Finally, dominant AI players, housing trends, and broader sector rotation (the movement of stock market investment from one industry to another) defined the year-end investment landscape.

Major U.S. Stock Indices

November's mixed performance reflected shifting Fed rate-cut expectations and sharp rotations in AI and mega-cap tech (tech companies with market valuations over \$200 billion). Renewed hopes for easier Fed policy fueled late-month rebounds, though [profit-taking](#) in stretched tech leaders capped overall gains.

- The S&P 500 [edged up](#) 0.13%.
- The Nasdaq 100 [declined](#) 1.64%.
- The Dow Jones Industrial Average [gained](#) 0.32%.

Macro Backdrop & Policy

- November's macro story was defined by what didn't happen: government data. The 43-day federal shutdown erased October's Consumer Price Index (CPI) entirely and pushed the payrolls report into December, leaving investors and the Federal Reserve navigating in fog with no clarity on near-term inflation or labor momentum.
- In that vacuum, Fed voices set the tone. Vice Chair Philip Jefferson [argued](#) the October rate cut nudged policy closer to neutral.

In contrast, Governor Christopher Waller [backed](#) another quarter-point cut in December, insisting inflation is gliding toward 2%, the labor market is cooling, and he wasn't worried about a snapback.

- But the late-October Federal Open Market Committee (FOMC) minutes revealed a central bank split down the middle. Several officials felt the October cut overshot, and many wanted rates on hold through 2025 unless growth weakens. With September inflation still running around 3% and core inflation (which removes volatile food and energy) stuck near 0.3% month-over-month, price pressures remain stubborn enough to keep hawks uneasy and doves pressing their case.

Labor Market & Inflation

- With October's household survey never collected, markets head into December flying blind on the unemployment rate during the shutdown. The Bureau of Labor Statistics (BLS) will deliver a combined October and November payroll print and a refreshed unemployment rate in mid-December — a report that now looms large for the December FOMC meeting.
- On inflation risks, Fed officials flagged competing forces. AI-driven investment is giving productivity a lift, but shifting policies on tariffs and immigration threaten to tighten labor and goods markets. The push and pull leaves the inflation outlook muddier heading into year-end.
- Cleveland Fed President Loretta Mester sharpened this [cautionary tone](#) on November 6th, warning that while Gross Domestic Product (GDP) and unemployment hover near long-run norms, inflation has edged higher again. With policy rates now a half-point lower than in August, she argued the Fed's stance is less restrictive and may exert "less downward pressure" on inflation.

Housing Market

- Existing-home sales held at a 4.1 million annual pace in October, with the median price at \$415,200, up modestly year-over-year. Inventory remained [tight at 4.4](#) months of supply, while U.S Federal Housing data showed national prices [up 2.2%](#) year-over-year in Q3 before stalling in September.
- Importantly, the rise in home prices this year masks sharp regional divergence: gains in Connecticut and New Jersey offset declines in Florida and D.C., while softness spreads beyond isolated markets. Sellers are capitulating as October saw a surge in delistings and record price cuts.
- Forecasts point to gradual recovery through 2026, but the current reality is extended listings, thinner volume, and buyers back in the driver's seat.
- Note that the typical U.S. homebuyer is nearing retirement, with the median age hitting 59, while first-time buyers now average a record 40 years old. High prices, elevated mortgage rates, and thin inventory are locking out younger households, while favoring older, equity-rich repeat buyers.

The Path Forward

November's mixed signals offer important guideposts. The Fed is easing, but divided views and noisy data make aggressive bets premature. Meanwhile, AI and mega-cap tech continue driving profits, though recent volatility underscores the need for selectivity. With data disruptions elevating the value of regular economic metrics, the Fed's rate decision on December 10th and AI companies' progress updates will serve as critical economic checkpoints.

The environment calls for balance: staying diversified, managing risk thoughtfully, and focusing on the long-term. As always, your advisor is here if you have any questions or concerns as the end of the year approaches.

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