



Market Gauge

November 2025

GAUGE REMAINS POSITIVE

The Market Gauge remains positive in its latest edition, with no change since Fiscal Policy shifted to the “Favorable” side of the ledger in September as a nod to the expansionary policy provisions in the recent reconciliation bill. Sentiment remains Favorable, although we have inched closer to a tipping point there, while fundamental underpinnings like Corporate Earnings and Economic Growth sit on solid ground.

Two principal underpinnings—earnings and interest rates—remain broadly supportive of the market. U.S. rates, from the 10-year to ultra short-term yields, are lower, credit spreads remain tight, and earnings momentum is strong. Year-over-year earnings per share growth is running at a double-digit rate and estimate revisions have broadly accelerated upward.

At the same time, latent inflation concerns and supply chain pressures, cracks in the labor market, and the effects of the government shutdown have increased the odds of a 4Q25 economic soft patch. The Fed has shifted back into an easing framework, which seems to be in response to labor market weakness. The labor market is non-linear; once it weakens a little bit it can fall away quickly.

Mercifully, the lagged effects of easier monetary policy and looming fiscal stimulus from this summer’s tax bill are two tailwinds for the economy. Corporate fiscal year capex credits and spending incentives (more than \$100bn) along with consumer tax year refunds (more than \$500bn) are likely to fuel a 2026 surge in consumption.

On trade, President Trump and Xi Jinping secured a deal that for the most part prolongs the status quo, but includes a decrease in the fentanyl-related tariffs. The next catalyst on trade will be the Nov. 5 oral arguments at the Supreme Court on whether the Trump administration can use the International Emergency Economic Powers Act to impose tariffs. Even if the court rules against the administration, the White House has a back-up plan to reimpose tariffs through other means. The big question will be whether already-paid tariffs need to be rebated and if so, how.

FAVORABLE

COMMODITY PRICES	CORPORATE EARNINGS
ECONOMIC GROWTH	FISCAL POLICY
INFLATION	LIQUIDITY
MONETARY POLICY	TECHNICAL PICTURE
SENTIMENT	ADMINISTRATION
DEMOGRAPHICS	FISCAL HEALTH
GLOBAL TRADE	U.S. DOLLAR
VALUATION	WAR VS. PEACE

NEWLY FAVORABLE

NEWLY UNFAVORABLE

UNFAVORABLE



FAVORABLE or UNFAVORABLE?

This table shows the 16 factors we monitor to understand the current environment for U.S. stocks. Eight factors in each group represents a neutral market environment. Our latest count puts the Gauge at **Favorable, or +2** (the sum of **+9** and **-7**, as seen in the table above). Positives include a solid economic growth backdrop and strong earnings. Negatives include high valuations and trade uncertainty.

The Market Gauge is meant to be a snapshot of a moment in time, and not a predictive tool. See page two for more on our 16 building blocks, and what we look for to label each one “Favorable” or “Unfavorable.” This assessment is as of 10/31/2025.

BREAKDOWN OF THE GAUGE'S FAVORABLE AND UNFAVORABLE ELEMENTS

COMMODITY PRICES (*Do they reflect growth or contraction?*) Energy is still relatively cheap, in line with policy goals. Precious and base metals have performed well. Agriculture is generally weaker. While there's concern that rising commodity prices could reignite inflation, this does not seem to be the case today.

CORPORATE EARNINGS (*Are they growing or falling? Are margins expanding or contracting?*) Q2 profits exceeded initial estimates and boosted estimates for full-year profits. Q3 estimates are also solid. Margins have recovered and the market has tended not to get into too much trouble when margins are flat or rising.

ECONOMIC GROWTH (*Is the economy growing? Are leading indicators rising or falling?*) U.S. growth was choppy in 1H due to trade shocks. Tariff negotiations have been encouraging, indicating that the worst case does not need to come to pass. Geopolitical shocks are also a risk, but thus far have not been that impactful. 2026 has tailwinds from incentives in the recent tax bill, fed rate cuts, and possible deregulatory action.

FISCAL POLICY (*Is gov't policy market-friendly?*) September corporate tax data revealed that fiscal stimulus from OBBB is coming online. Corporate tax payments have been reduced by more than \$100bn in FY25, with another \$135bn expected in FY26. In addition, consumers will receive an incremental \$150bn of stimulus in the form of tax refunds. Hence, massive stimulus is coming, expected to amount to 0.9% of GDP in FY26.

INFLATION (*Is it rising or falling? Is it near the Fed's target?*) The good news is that the first U.S. inflation wave appears to be over. History indicates a second wave could happen, but the time between waves 1 and 2 can be years. We're still in the lull, but tariffs will continue to affect pricing in future months if nothing changes.

LIQUIDITY (*What do money growth, real rates, credit spreads, and financial conditions look like?*) Credit spreads remain tight. The economy has been able to absorb higher real interest rates so far. Policy has helped avoid a crisis. Thus far, despite some high profile bankruptcies, 2025 has not seen a systemic credit event.

MONETARY POLICY (*Are interest rates accommodative or restrictive?*) U.S. monetary policy is slowly pivoting to neutral (from restrictive). The Fed remains in a rate cut cycle, but a December rate cut is not a sure thing.

SENTIMENT (*Are investors optimistic or pessimistic? Pessimism is a positive.*) Equity flows + options remain on the hotter side and recent investor survey data has perked up. Sentiment is in our "red zone" for considering a change to Unfavorable (but we're not there yet).

TECHNICAL PICTURE (*What does price action tell us? What do market breadth, trend, and momentum look like?*) Equity trends are positive across the globe and our sector rankings generally skew towards risk-seeking. The backdrop isn't perfect though, we're mindful of some deterioration from within the Financials (private asset managers, regional banks) and "new high" data is going on nearly 120 trading days without a meaningful expansion. It's not enough to derail the bull case, but is one of a few items on our radar as Q4 progresses.

What impacts market health the most?

Important

Administration
Demographics
Fiscal Health
Global Trade

More Important

Commodity Prices
Fiscal Policy
Inflation
Monetary Policy
Technical Picture
US Dollar

Most Important

Corporate Earnings
Economic Growth
Liquidity
Sentiment
Valuation
War vs. Peace

(ranking of categories is based on Strategas analysis and opinion)

ADMINISTRATION (*Is the White House "market-friendly"?*) Trump's aggressive tariff regime led to financial market turmoil in 1H. Tariffs were subsequently reduced and delayed to provide time for the OBBBA to be enacted, but \$375bn in tariffs remain in place and tariff uncertainty lingers. There is also a risk that higher tariffs hit the consumer in 2H before fiscal aid is distributed in 2026 to sterilize its impact.

DEMOGRAPHICS (*Are population trends growth-positive or -negative?*) An aging population is a headwind for U.S. labor supply, creating pressure on the Fed via higher wages. Aging demographics also fuels investor preference for income over capital gains.

FISCAL HEALTH (*Is the deficit growing or shrinking? Is federal spending in line with economic growth?*) While the deficit is down from a year ago due to California back taxes and tariff revenue, U.S. debt-servicing cost remains elevated at more than 18% of tax revenues. This complicates the plumbing of the financial system and will likely require Treasury to increase the amount of T-bills to finance the deficit.

GLOBAL TRADE (*Are attitudes more "free trade" or more "protectionist"?*) President Trump spent October in Asia finalizing trade deals with Malaysia and Cambodia as well as creating framework deals with Vietnam and Thailand. All of these countries are currently subject to 19-20% tariff rates given their proximity to China and the likelihood that China will transship goods to the U.S. via these countries. The agreements include provisions targeting China as Trump looks to create alignment with other countries to build global leverage on China.

U.S. DOLLAR (*Is it strengthening or weakening vs. other currencies?*) Global investors appear to have lost some appetite for the dollar. Even if that reverses, any flight to quality is likely to be a headwind for U.S. exporters and emerging market economies.

VALUATION (*Are stocks expensive or cheap vs. historical averages?*) Currently, the market trades at 28.4x trailing 12-month earnings, above the long-term average of 16x since 1950. On a forward-looking basis, the S&P's 25.6x earnings again exceeds the historical average.

WAR vs. PEACE (*Are tensions inhibiting global economic growth?*) Despite a ceasefire agreement in Gaza, geopolitical tensions remain. To put pressure on Russia, the Trump Administration has sanctioned Russian oil companies and is pushing other countries to stop their purchases of Russian oil, which supports Russia's war effort. Trump's tariff regime has also raised tensions between the U.S. and other countries; A U.S.-China trade deal could help loosen some of these geopolitical tensions but won't end them completely.

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