BULL & BEAR RESEARCH

Fall 2025 Market Insights Report

Issue VI

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Global Outlook

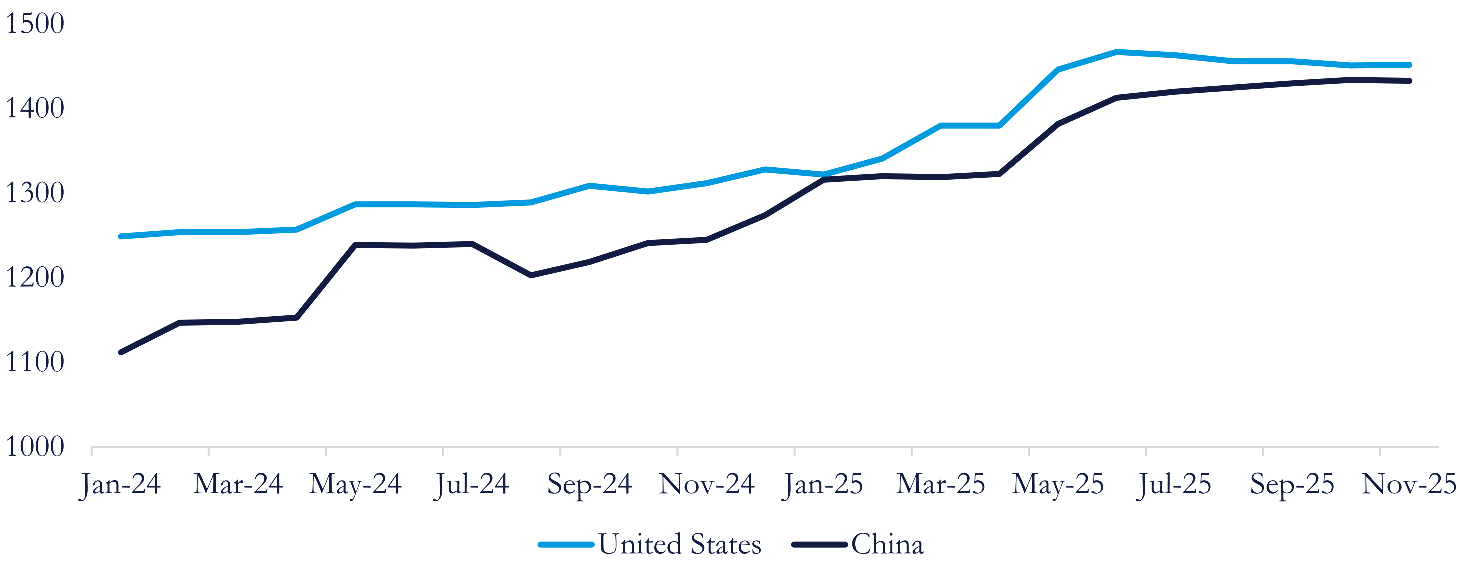
Metric	$ (USD)
S&P 500	$6,734.11 -0.05%
DJIA	$47,147.48 -0.65%
NASDAQ	$22,900.59 +0.13%
Russell 2000	$2,388.23 +0.22%
FTSE 100	$9,698.37 -1.11%
Nikkei 225	$50,376.53 -1.77%
WTI Crude	$59.95 +2.15%
10-yr Treasury	4.147%

China and the U.S. Race for AI Dominance

On November 10, 2025, The Wall Street Journal detailed how the U.S. and China have entered an "AI Cold War," with both countries viewing artificial intelligence as a core driver of economic power, national security and global influence. The U.S. currently leads in top-tier AI models, advanced chips and private capital, with American investors pouring about $104 billion into AI startups in the first half of 2025. But China has responded with a sweeping, state-led push to close the gap, betting that scale, coordination and "swarms" of domestic chips and data centers can counter America's technological edge.

China accelerated their AI campaign in 2024 in an effort to close the gap. Beijing eased tech regulations, expanded funding and opened access to subsidized computing through state-backed data centers, even using restricted U.S. chips acquired through secondary channels. The breakthrough came in early 2025, when startup DeepSeek released its R1 model, which nearly matched OpenAI's performance at a fraction of the cost. Premier Li Qiang and President Xi Jinping seized on the moment, rallying tech executives and triggering new investment commitments, including tens of billions of dollars from giants like Alibaba.

USER SCORE FOR EACH COUNTRY'S BEST GENERATIVE AI MODEL



Global Currencies Strengthen as Weak U.S. Labor Data Pressures the Dollar

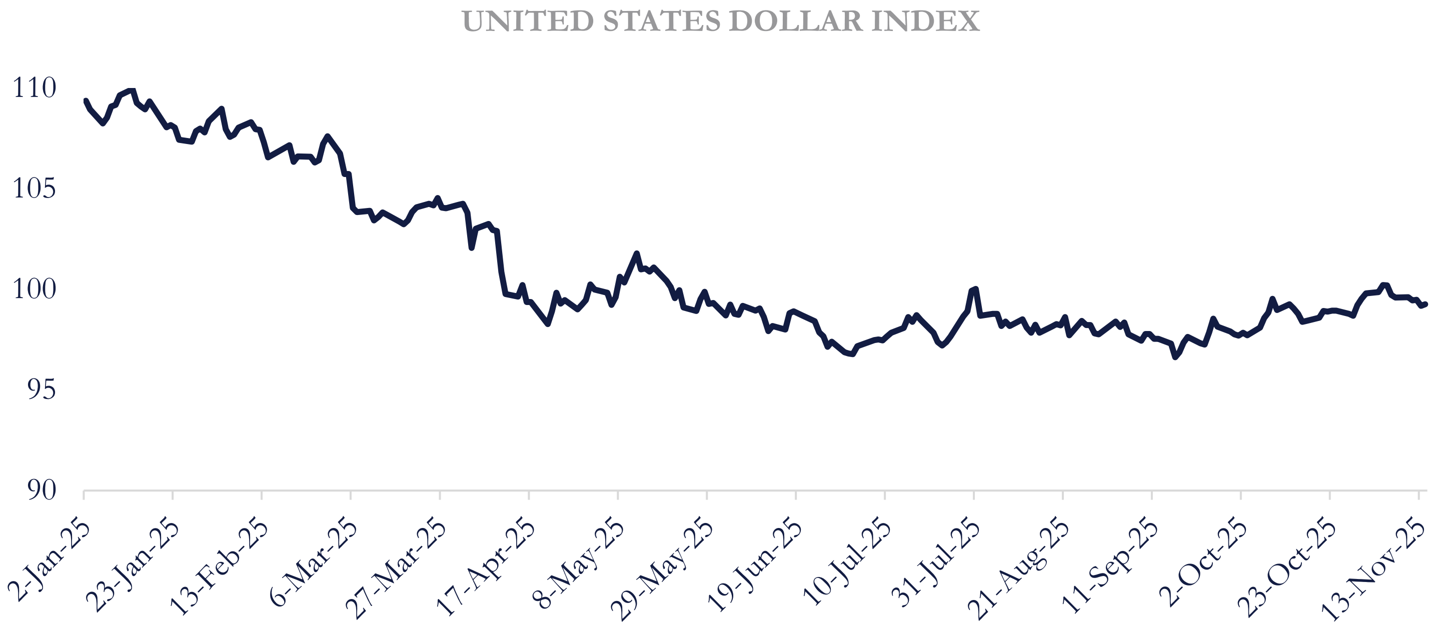
On November 11, 2025, the U.S. dollar fell against a broad range of global currencies after new ADP data signaled a cooling American labor market. The report showed private employers shed an estimated 11,250 jobs each week through October 25, a figure that reinforced concerns that hiring momentum slowed during the government-shutdown data blackout. The WSJ Dollar Index slipped 0.2% as traders moved toward foreign currencies ahead of delayed official economic releases.

Sources: Wall Street Journal, Chatbot Arena

The dollar weakened most notably against the Swiss franc, euro and Japanese yen, with the franc gaining 0.6% on the day. Several Asian currencies also rose as investors positioned for a softer U.S. interest-rate outlook. The weaker labor data signals an increase in the likelihood of Fed rate cuts, reducing the yield advantage that has supported the dollar for much of the year.

Currency strategists noted that a growing share of global reserves is moving into smaller G-10 and emerging-market currencies, suggesting investors are reducing concentrated exposure to the dollar.

Overall, the combination of deteriorating U.S. labor indicators, delayed economic data and expectations for monetary easing pushed global currencies higher. With markets awaiting the release of postponed inflation and jobs reports once the shutdown ends, traders expect the dollar to remain under pressure in the near term while foreign currencies hold onto recent gains.



UK Unemployment Hits Decade High, Sparking Rate Cut Expectations

In late September, the UK unemployment rose to 5%, marking the highest level in a decade, outside the pandemic period. Since then, labor market conditions have continued to deteriorate. On November 11^{th,} The Office for National Statistics reported that payroll employment has fallen by 180,000 following Chancellor Rachel Reeves' announcement of a higher tax on employers. Over the last three months, the wage growth rate decreased from 4.8% to 4.6. These weak labor market data sparked a rally in gilts, with traders now betting on the Bank of England cutting rates in December.

The rising unemployment data represents a setback for the government ahead of the November 26th Budget, where Chancellor Reeves is expected to raise taxes to fill an estimated £30 billion fiscal hole. Business organizations said the slow hiring reflected businesses' fears of further tax rises, even as the government's move to tighten workers' rights makes hiring riskier. Jane Gratton of the British Chambers of Commerce said employers are "being squeezed by sky-high employment costs" with consequences now becoming visible. The Bank of England held rates at 4% in a knife-edge vote last week but signaled a cut could come as soon as December if price pressures continue to ease. Governor Andrew Bailey highlighted concerns that wage growth, while slowing, might plateau at too high a level, and pointed to risks of higher job losses. The Bank of England expects unemployment to peak just above 5% in the second quarter of 2026, though many economists argue that raising income tax would be less damaging to the economy than further increases penalizing employment.

Sources: Wall Street Journal, Yahoo Finance, Financial Times

Burger King China Strikes $350M Joint Venture with CPE Growth

Beijing-based private equity firm CPE and parent company Restaurant Brands International (RBI) have reached a joint venture deal wherein CPE will spend $350 million to acquire an 83% share in Burger King China. RBI will continue to hold a board seat and a 17% ownership stake.

The collaboration aims for quick growth in China: within five years, the firms want to quadruple Burger King's current restaurant network to about 2,500 sites, and within ten years, they hope to reach 4,000+ outlets. The money will go into developing additional stores, creating innovative menus, improving marketing, and streamlining operations to better suit Chinese preferences.

The agreement is part of RBI's larger plan to use local partnerships, franchises, and joint venture expansion to move towards an asset-light model. The move comes amid softening consumer demand in China's fast-food sector and stiff competition from domestic and international brands. With CPE's deep local expertise and consumer-tech backing, the new joint venture is designed to accelerate execution and local relevance.

America This Week

Senate Passes Spending Bill to End Record-Long Government Shutdown

On November 11, 2025, the Senate approved a bipartisan spending package to end what became the longest government shutdown in U.S. history at 43 days. The legislation passed with a 60-40 vote, as eight moderate Democrats crossed party lines to join Republicans in advancing the bill. The measure extends federal funding through January 30, 2026, with full-year budgets through September 2026 for the Supplemental Nutrition Assistance Program (SNAP), programs for women, infants and children (WIC), the Department of Veterans Affairs, and Congress itself.

The shutdown began when Senate Democratic Leader Chuck Schumer and House Democratic Leader Hakeem Jeffries showed a united front, refusing to fund the government without extending enhanced Affordable Care Act health care subsidies. Their base had urged stronger resistance after criticism of earlier compromises with Republicans. However, the Trump administration and congressional Republicans gambled that enough Democrats would be unable to withstand the pressure as 42 million SNAP recipients and over 3 million federal workers faced mounting hardship.

The bill ultimately passed without the health care extensions Democrats had demanded. The eight moderate senators who broke with their party Sunday night explained they could no longer justify the suffering inflicted on federal workers and vulnerable Americans, particularly as it became clear President Trump and Republican leadership had no intention of negotiating. The deal includes critical language guaranteeing the reversal of federal layoffs ordered during the shutdown and provides funding for increased security for members of Congress, executive branch officials, judges, and Supreme Court justices following the assassination of conservative activist Charlie Kirk.

With funding only secured until January 30, another shutdown remains possible depending on several factors: what lessons Democrats draw from this episode, whether progressive anger subsides, and whether movement occurs on health care subsidies. Without a guaranteed vote on extending ACA subsidies and no clear path to securing the moderate Republican support needed for passage, tens of millions of Americans face the prospect of significantly higher health insurance premiums when enhanced subsidies expire.

Democrats accomplished at least one strategic goal through the shutdown: elevating health care as a central issue. If Republicans block subsidy extensions and premiums rise, Democrats believe voters will hold the GOP responsible heading into the midterm elections. Combined with their recent victories in November off-year elections centered on affordability, Democrats see potential political advantage despite frustrating their progressive base by ultimately agreeing to reopen the government without their key demand.

Sources: Wall Street Journal

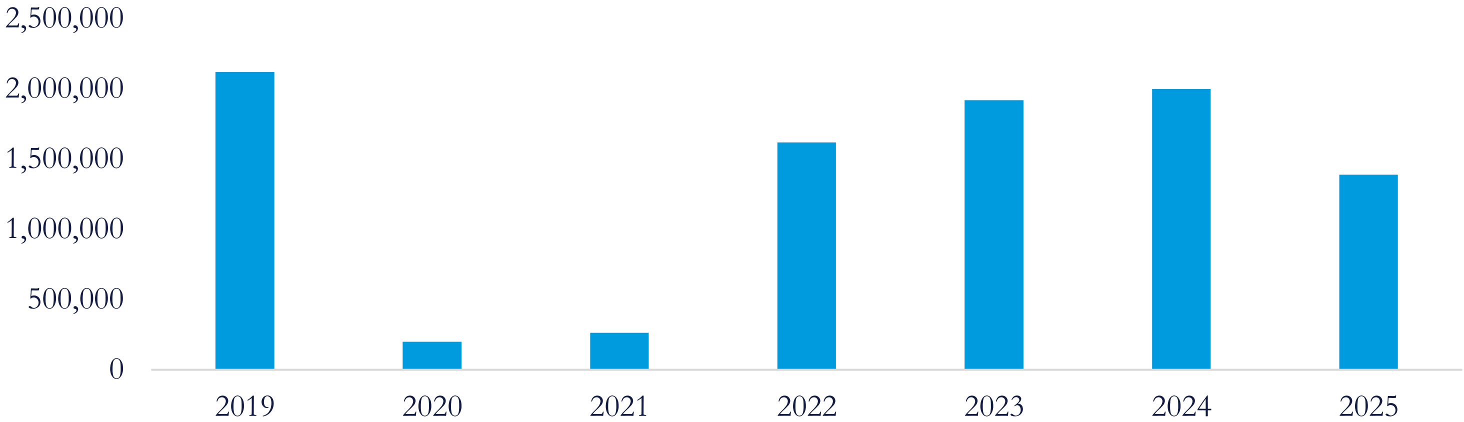
BBR I

U.S. Tourism Loses $5.7 Billion as Canadian Travel Boycott Persists

Canadian travel to the United States continues to decline, with the U.S. Travel Association estimating a $5.7 billion loss in international tourism spending in 2025 compared to last year. The association largely attributes the loss to fewer Canadian visitors. This trend has persisted since President Donald Trump returned to office in January after he sparked a trade war through aggressive tariff policies. October data showed return trips among Canadians traveling to the U.S. dropped 24% for air travel and 30% for land travel. This represents an issue, as Canadians marked the largest group of international tourists to the U.S., accounting for 28% of international visitors in 2024.

The tourism decline threatens thousands of jobs across U.S. border states, as reduced hotel occupancy impacts labor demand, tax collections, and municipal finances in tourism-dependent regions. An Angus Reid poll of Canadians conducted in late October found that 70% would feel uncomfortable travelling to the U.S. due to a desire to stand up for Canada, concerns about the American political climate, and increased border security. In response, several U.S. tourism groups near the Canadian border have tried to launch campaigns to incentivize Canadians. For example, Discover Kalispell, a tourism company in Montana, has offered discounts amid a 39% decline in Canadian credit card spending in the area this year. While the U.S. Travel Association predicts international tourism will rebound in 2026, driven by the FIFA World Cup and the country's 250th anniversary celebrations, there is no guarantee Canadians will return until U.S.-Canada relations improve.

CANADIAN RESIDENT RETURN TRIPS FROM THE U.S. BY AUTOMOBILE



Note: October 2019 to 2025

Macro Highlights

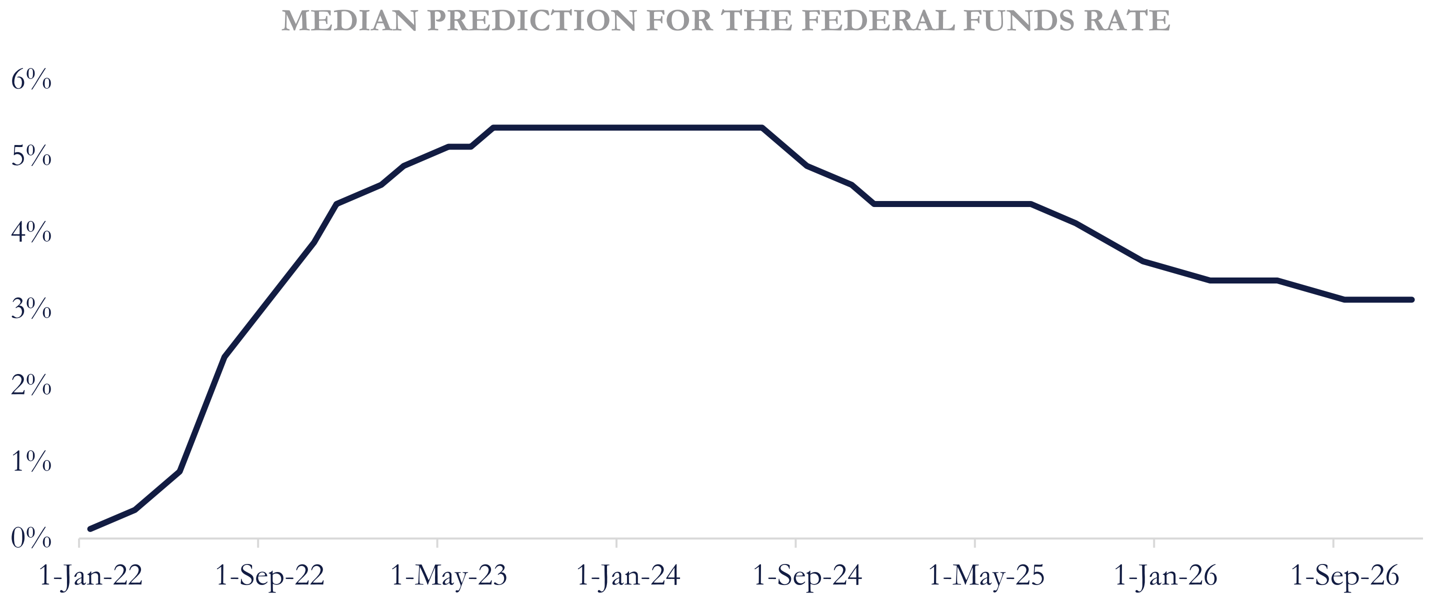
The Fed Is Increasingly Torn Over a December Rate Cut

The Federal Reserve is increasingly divided over whether to cut interest rates at its December meeting, reflecting one of the most significant internal splits of Jerome Powell's tenure. The disagreement centers around what poses the bigger threat to the economy: inflation that remains above the Fed's 2% target or a labor market that has slowed sharply in recent months. The divide has been worsened by the recent government shutdown, which halted the release of key economic data and forced officials to rely on private surveys and anecdotal evidence.

Doves argue that weakening job growth and softer demand justify further cuts, noting that payroll gains fell from 168,000 earlier this year to just 29,000 on average over the summer. Hawks counter that inflation pressures remain too persistent, especially with underlying inflation measures picking up before the shutdown. They also worry that businesses will pass through more tariff-related costs next year, keeping price pressures elevated.

Sources: Canadian Broadcasting Corporation, Wall Street Journal

The debate has made the December cut uncertain. Some officials see December and January as interchangeable, suggesting the timing may ultimately depend on incoming data. With growth slowing and inflation still elevated, policymakers remain divided making the Fed's next decision far from certain.



Note: According to the latest Reuters poll

Record Earnings Meet a Skeptical Market

U.S. companies are posting some of their strongest quarterly earnings in years, but investors aren't reacting with the usual enthusiasm. Roughly 80% of S&P 500 firms that have reported have beaten analysts' expectations, the highest share since 2021. Yet the index has risen only about 1% since earnings season began.

Part of the disconnect reflects how high investor expectations have become. After months of steady market gains and new record highs, investors entered earnings season already expecting strong numbers. As a result, even companies that delivered solid beats saw muted reactions, with the median outperformer topping the benchmark by only 0.3%.

Concerns about overstretched valuations also weigh on sentiment. Many large technology companies, especially the biggest winners of the AI boom, are now trading at multiples of 50 or even 100 times their projected earnings. Overall, markets appear to be entering a consolidation phase rather than responding to earnings with the enthusiasm seen earlier in the year. Strong results are no longer enough; investors want clearer proof that high valuations and ambitious AI spending plans will pay off.

Holiday Seasonal Jobs Market Cools Sharply in 2025

Due to economic uncertainties, retailers and service-sector companies are cutting back on hiring, making the U.S. holiday-season employment market one of the lowest in years. Indeed, Hiring Lab reports that job posts pertaining to retail, hospitality, and food service fell 16% in October compared to the same month last year, indicating a limited need for seasonal labor.

In the meanwhile, the National Retail Federation predicts that Christmas hiring will be between 265,000 and 365,000, a sharp decrease from 442,000 in 2024 and the lowest number since the Great Recession. On the other hand, job-search activity for holiday positions has increased by almost 27% year over year due to interest in seasonal labor, indicating a growing imbalance between supply and demand.

Sources: Wall Street Journal, Reuters

Employers attribute the pull-back to weak consumer sentiment, inflationary pressures, trade risks and increasing use of automation and existing staff rather than mass new hires. The slack in seasonal hiring offers a window into broader labor market caution. Even as headline unemployment remains low, it suggests that firms are positioning conservatively ahead of what could be a flat or uneven holiday spending cycle.

Industry News

Airlines Clash With FAA Over Flight Cuts Amid 41-Day Shutdown

Days before the Trump administration's flight-reduction order took effect, several airline chiefs pressed federal officials to explain the data behind the move. During a call on November 5th with FAA Administrator Bryan Bedford, executives questioned whether safety concerns truly warranted cutting 10% of domestic flights across 40 major airports. Bedford rejected requests for flexibility, calling the measure non-negotiable and essential to maintaining air-traffic safety during the 41-day government shutdown, the longest in U.S. history.

This made the disruption worse in an already stretched aviation network. Since the start of the shutdown, carriers have canceled thousands of flights. Trade group Airlines for America estimates that more than 5 million passengers have been affected. With staffing at air-traffic facilities falling due to a lack of funding, Bedford and Transportation Secretary Sean Duffy argued the cuts would ease pressure on exhausted controllers. Weather delays and system bottlenecks also affected the strain, and smaller regional airlines absorbed most of the losses.

Alaska Air Group CEO Ben Minicucci was among the most vocal in seeking the FAA's safety data. Executives accepted the reductions reluctantly, aware that controller shortages and a spate of near misses earlier in the year had already elevated risk. However, the lack of detailed safety metrics has drawn criticism, with some calling the move politically motivated to hasten a funding deal in Congress.

Supporters counter that the policy demonstrated proper risk management. NTSB Chair Jennifer Homendy praised the decision as an example of "safety management, the very foundation of our aviation system." Airlines for America echoed that safety remains the "shared top priority."

Toyota Opens $13.9 Billion Battery Plant, Confirms $10B in Additional U.S. Investment

On November 12th, Toyota began production at its new $13.9 billion battery plant in North Carolina with plans to invest an additional $10 billion in the U.S. over the next five years. The facility, which is Toyota's first in-house battery plant outside Japan, was announced back in December 2021 as part of the Biden administration's push to bring battery production for hybrids and electric vehicles back onshore. Toyota Motor North America CEO Tetsuo Ogawa called it a "pivotal moment" for the company. The announcement came after President Donald Trump stated that Toyota would invest $10 billion in the U.S. However, details as to how it would be spent remain unclear.

The investment timing works in Toyota's favor, as electric vehicle demand has weakened while hybrid sales continue to surge. Toyota dominates the U.S. hybrid market with 51% market share through the third quarter of 2025, with overall U.S. sales climbing 9.9% to over 1.3 million vehicles. The battery plant positions Toyota to meet growing hybrid demand while the automotive industry navigates shifting regulations on EVs and Trump's tariffs on vehicles and parts.

Oil Prices Tick Higher as Shutdown Progress Supports Sentiment

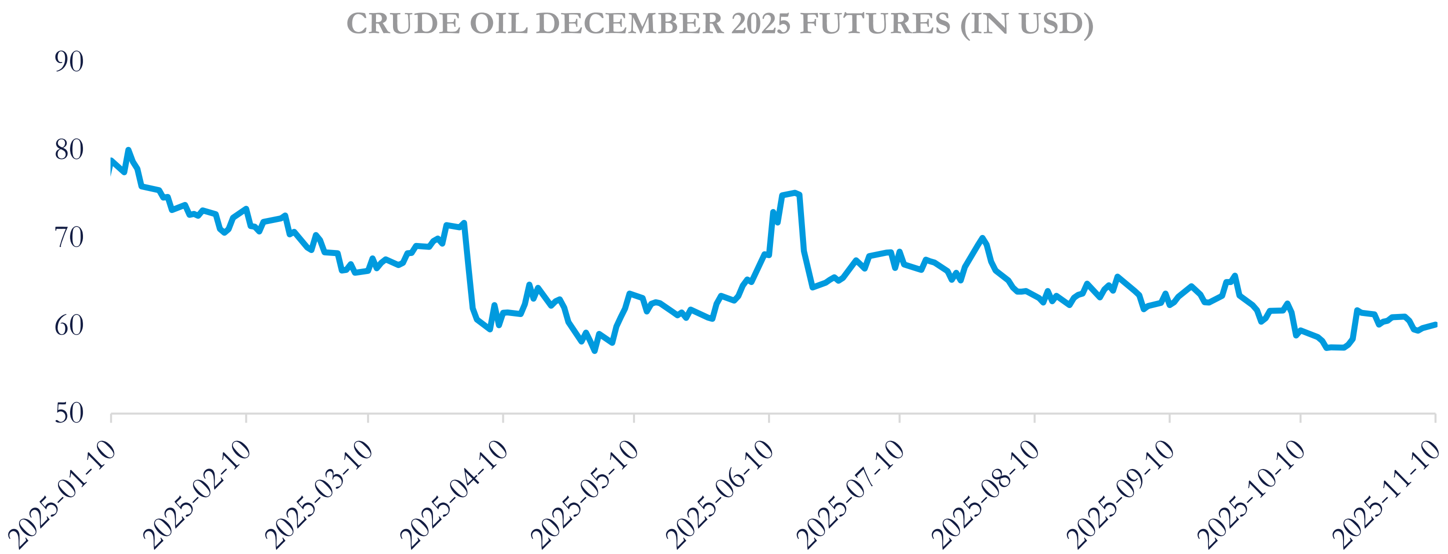
On November 10, 2025, oil prices inched higher as signs of progress toward ending the U.S. government shutdown improved risk appetite across markets. West Texas Intermediate settled 0.6% higher at $60.13 a barrel, while Brent rose 0.7% to $64.06. The uptick reflected a mix of tighter product supplies and easing concerns that the shutdown would significantly weaken demand.

Sources: Wall Street Journal, Bloomberg, CNBC

Crude futures had traded in a narrow range earlier in the day, with investors balancing shutdown developments against expectations of a looser global crude market. Jet fuel demand remained a focus, as a prolonged shutdown could have curtailed travel activity, but improving prospects for a deal helped stabilize sentiment.

Equity analysts also highlighted company-specific developments in the energy sector. Berenberg said Equinor remains exposed to weak European gas prices heading into 2026 and cut its price target due to softer trading conditions, even as shares edged higher.

In Australia, AGL Energy advanced after the utility reduced its stake in Tilt Renewables. Analysts said the move should lower leverage and support its asset-recycling strategy, helping strengthen its balance sheet into fiscal 2026.



Burry Went Short on Artificial Intelligence

Michael Burry, best known for predicting the 2008 financial crisis, is now raising concerns about how major AI and cloud companies are reporting their profits. His main argument is that some of the largest hyperscalers may be boosting earnings by understating depreciation costs. These companies are buying enormous amounts of Nvidia chips and servers to support AI growth, but Burry says they are assuming these assets will last far longer than is realistic. Since depreciation is spread over the expected life of the equipment, extending that life on paper lowers annual expenses and makes profits look stronger.

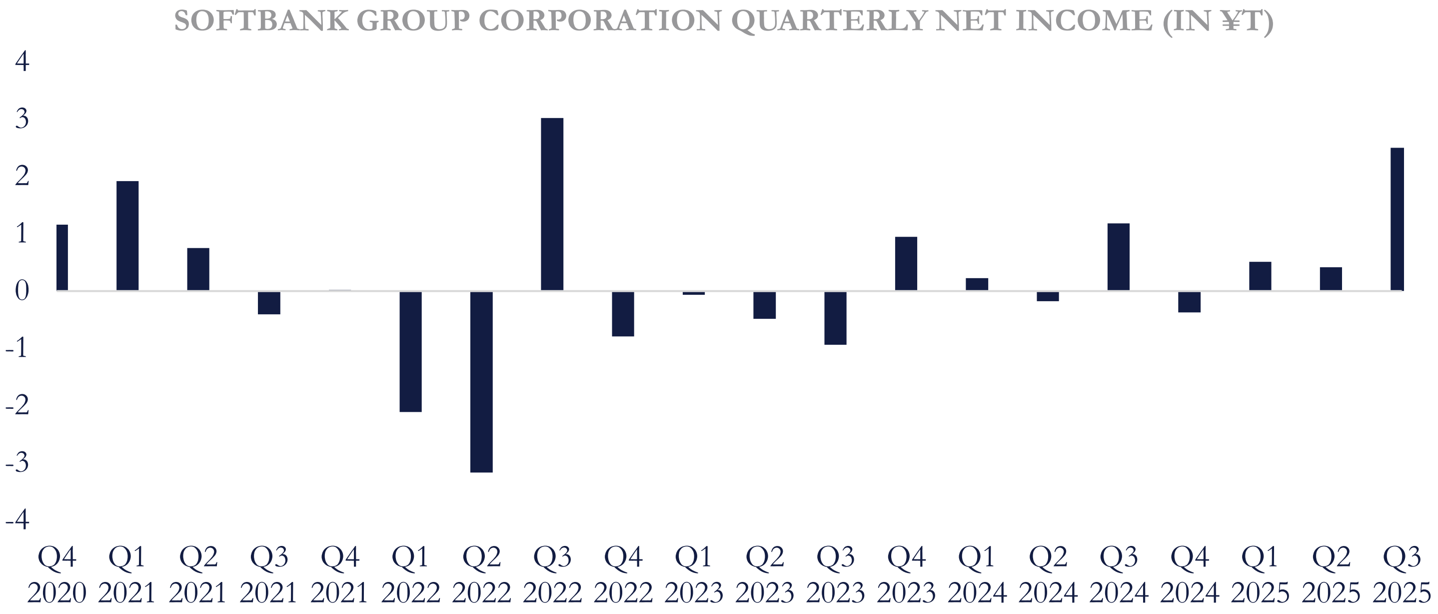
Burry estimates that from 2026 through 2028, this practice could understate depreciation by roughly $176 billion across the industry. Companies like Oracle and Meta could see their earnings overstated by more than 20% if his estimates are correct. While depreciation estimates always involve some judgment, Burry argues that the current assumptions ignore the fast turnover of AI hardware, which tends to become obsolete within just a few years. Burry has placed large put option positions against several AI-related companies, signaling that he expects the market to reassess the sustainability of current earnings.

SoftBank Offloads $5.8 B Nvidia Stake to Fund AI Expansion

SoftBank Group Corp. has announced a liquidation of its entire equity in Nvidia Corp [NYSE: NVDA], worth more than $5.8 billion. This comes from Softbank founder Masayoshi Son's effort to clear up cash in order to pay for other artificial intelligence investments, such as OpenAI and Oracle Corp.'s stargate data centers, as well as onshore robot manufacturing plants.

Softbank equity sank by more than 10% on November 12th in the Tokyo exchange, while NVDA dropped by 3.9% in the United States. The firm is now trying to become a leading player in the Artificial Intelligence space by leveraging its equity in OpenAI and Ampere Computing LLC, a U.S. chip designing firm. Meanwhile, executives at SoftBank have been avoiding questions about a potential AI investment bubble, explaining that the sale of NVDA was for financing and not an assessment of the market. Chief Financial Officer Yoshimitsu Goto announced that he "can't say if we're in an AI bubble or not". Softbank reported a net income of 2.5 trillion JPY ($16.2 billion) in Q2, largely due to its NVDA holdings. Analysts predicted an average of 418.2 billion JPY, or $2.71 billion.

Softbank is now on track to have its largest yearly profit since 2020.



M&A Environment

SBB Liquidates $3.4 Billion of its Real Estate Portfolio to Public Property Invest ASA

On November 11th, the Swedish real estate group SBB (Samhällsbyggnadsbolaget Norden AB) reached an agreement with PPI (Public Property Invest ASA) to offload a portfolio of elderly care homes. The deal, worth $3.4 billion, will allow SBB to use roughly $1.6 billion of the deal proceeds to repay bond issues and loans, as the landlord faced with Swedish property crisis just two years ago.

PPI, based in Oslo, Norway, announced on the 11th its plans to buy a portfolio of more than 700 properties via cash and a bridge loan. The Norwegian firm will also award SBB with 446.9 million new shares of itself at 23 kroner (roughly $2.43). This deal is the "culmination of strategy" that Chief Executive, Leiv Synnes, has employed to split SBB into three separate companies that will operate their own community, education, and residential portfolios.

According to PPI, this transaction "creates the largest listed social infrastructure real estate company in Europe". This portfolio will grow to 53 billion NOK, or roughly $5.26 billion, and is distributed across 841 properties. 50% of PPI's real estate assets are now concentrated in elderly care and healthcare. The Norwegian firm is up 45% after going public last year, when it spun off from SBB originally. PPI is now planning to return to Sweden to become a primary listed firm on the Nasdaq Stockholm Exchange but will keep a secondary spot on Euronext Oslo.

Sources: Bloomberg

KKR & Co. Sells Novaria Group to Arcline Investment Management for $2.2 Billion

KKR, the U.S. private-equity firm, has struck a deal to sell its aerospace and defense-supplier platform Novaria Group to Arcline Investment Management for $2.2 billion in cash. Novaria, founded in 2011 and based in Fort Worth, Texas, provides precision-components and specialty manufacturing to more than 3,000 clients including major aircraft makers.

Under KKR's ownership (since 2020), Novaria completed 13 add-on acquisitions and more than tripled in size. The sale to Arcline, a firm with over $20 billion AUM that focuses on industrial suppliers, signals strong growth in the aerospace/defense supply chain space.

The timing of this deal is notable as aerospace and defense deal-making has picked up on the back of rising aircraft, high commercial demand post-pandemic, and increased geopolitical security budgets. For KKR, the exit highlights a successful growth-and-build play, cashing out a platform that matured during its hold-period. For the market overall, this deal shows that even amidst macro uncertainty and higher interest rates, M&As remain active in sectors specifically backed by structural tailwinds.

Trade of the Week

Dhilan Vyas – Long PJM Interconnection Futures

The rise of artificial intelligence is reshaping electricity markets. At the center of this shift is a simple economic reality: demand has surged, while supply has barely moved. Hyperscalers like OpenAI and Microsoft have rapidly built AI data centers across the country, facilities that consume as much electricity as a small city. This explosive growth has pushed electricity demand to levels the U.S. grid was not built to handle.

On the supply side, capacity cannot adjust quickly. Building a new nuclear, coal, or gas plant takes anywhere from five to ten years, and renewables are unreliable as stand-alone sources. Wind output is inconsistent, and solar production is limited to daylight hours. In other words, supply remains relatively fixed in the short run. And when demand rises sharply while supply stays stagnant, basic economics tells us the market will be pushed out of equilibrium.

This imbalance first appeared in capacity prices. Auction data showed that PJM Interconnection, a U.S. power grid operator, saw auction prices surge from $28.92 per MW-day in 2023/2024 to a record $329.17 per MW-day in 2026/2027, marking an 11x increase. These pressures have now reached consumers as well: household electricity bills have been rising faster than inflation, increasing 5% to 7% year-over-year since the summer. And with AI expansion accelerating, these trends are unlikely to reverse anytime soon.

Going long PJM futures allows investors to benefit directly from this supply-demand mismatch. As long as demand continues climbing and new supply remains years away, futures prices are likely to trend upward, making this one of the clearest macro-opportunities in today's energy markets.