

Markets Fall Flat

Nov 2025

Markets were effectively flat in November as investors seemed to weigh recent developments in several areas, including the ongoing global trade upheaval, monetary policy and geopolitical developments which are making things interesting in Asia. As measured by the MSCI ACWI ex USA Index, the global market was just negative, falling -0.03% in USD terms. Regionally, the Asia and Pacific region had the biggest negative impact on the broad market's return, outweighing positive contributions from European and North American stocks.

On the trade front, there were several noteworthy developments in the month: Switzerland seems to be nearing a deal with the US to lower tariffs from 39% – the highest rate on a developed country – to 15%. President Trump's administration announced deals with Argentina, Ecuador, Guatemala and El Salvador and also lowered tariffs on a spate of food imports, including orange, tomatoes, bananas, cocoa, coffee, tea, beef, some spices and fertilizers – moves ostensibly aimed at lowering US food prices. In another sign the trade shake-up is having varied global impacts, Canada announced it would seek to divert some 10% of its lumber exports to countries other than the US – including the UK, EU and Middle East – as the US's tariffs (35% plus an additional 10% added in September) seemingly begin to bite. Meanwhile, India's economy grew a robust 8.2% year over year in the third quarter – despite the country's failure thus far to finalize a trade deal with the US. However, analysts have cautioned such a growth rate will be hard to sustain, particularly if the US's tariffs remain in place.

There were also some developments in the raw materials industry worth watching: the EU announced plans to restrict exports of aluminum scrap, which is currently being sold to the US and Asia for higher prices. US smelters have increased their imports of scrap, which are currently not subject to tariffs, as opposed to importing aluminum, which faces a 50% tariff. The EU is also planning to stockpile rare earths minerals as the US and China continue sparring over access to the critical raw materials which go into various defense and clean technologies. Meanwhile, the US military, in conjunction with MP Materials, a rare earths group, is partnering with Saudi Arabia's state mining company to build a rare earths processing facility there, which will process minerals sourced from Saudi Arabia and other regions.

On the monetary policy front, the Federal Reserve seems conflicted as to whether it will cut rates at its December meeting – a reversal from just last month, when many considered it nearly certain the Fed would cut another 25 basis points at the year's final meeting. The hawks, advocating a pause, cite inflation data which remain relatively robust, while the doves, favoring another cut, point to a softening labor market. Complicating the picture is the fact that the recent government shutdown slowed data releases, making it harder than usual to discern the economy's true state. Nevertheless, jobs data released later in November showed that while the US added 119,000 jobs in September, the unemployment rate reached its highest level in four years. Elsewhere, the Bank of England held rates in November but, given recently falling inflation, is expected to cut rates in December. The European Central Bank, which held rates at its latest meeting as October ended, is conversely expected to hold rates in December.

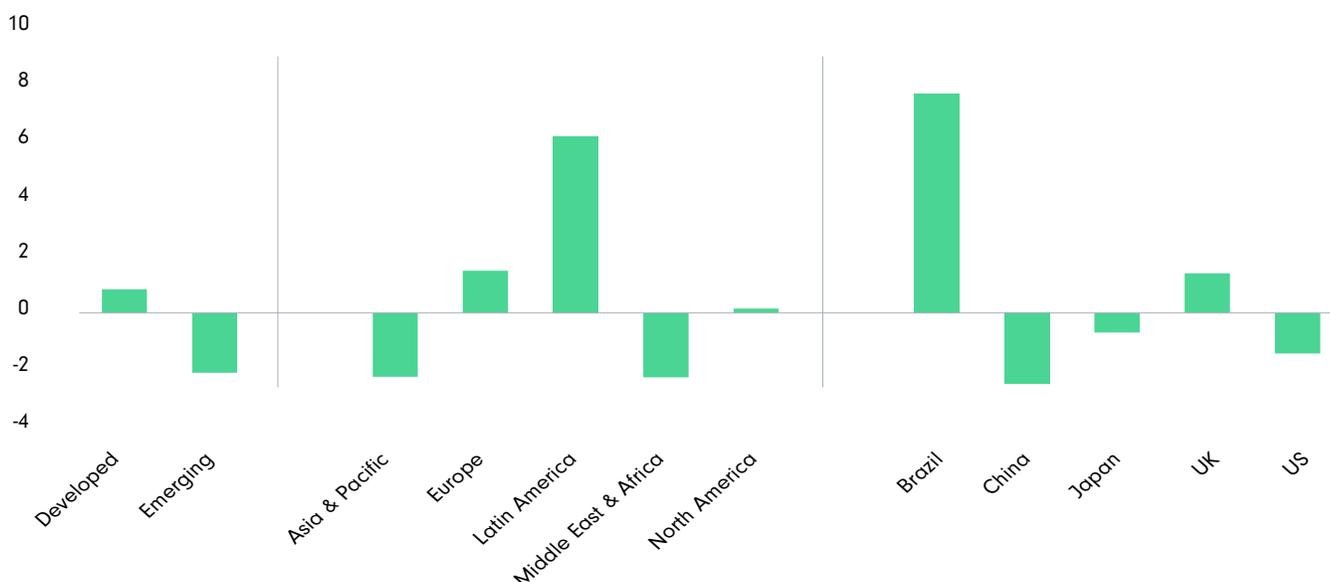
On the geopolitical front, Japan and China exchanged sharp words in November following the election of new Japanese Prime Minister Sanae Takaichi, who is a China hawk and recently commented that Tokyo might consider military involvement if China attacked Taiwan. China snapped back quickly via social media, saying it would "decisively crush any schemes to interfere with or obstruct China's reunification efforts." Analysts are pointing to recent developments in the countries' respective relations with the US as emboldening to both – Japan feeling stronger in the wake of a successful visit with President Trump, and China likewise bolstered by a recent trade deal with the US.

In the middle of it all and despite rising regional tensions, Taiwan’s economy grew 8.2% year over year in Q3 amid red-hot demand for artificial intelligence, which is boosting its semiconductor chip and electronics exports. Despite growing concerns about the possibility of an AI-related bubble, demand for AI-related infrastructure remains robust.

Regionally, markets were mixed in November, with the biggest positive contribution from European stocks (+1%), which was bolstered by Switzerland’s outsized gain (+4%) against the backdrop of its trade progress with the US. Latin American markets also gained nicely (+6%), led by Brazil (+8%), which also likely benefited from the US’s decision to cut food-related tariffs. North American markets were effectively flat, as technology companies in the US faced growing concerns about the possibility of an AI-related bubble.

Asia & Pacific markets were the biggest detractors from overall index returns, falling -2% and led down by Korea (-8%) and Taiwan (-5%), whose markets likely also faced AI-related investor concerns. China’s market also fell, -3%, as rhetoric with Japan escalated. And in the Middle East, which declined -2%, the biggest detractor was Saudi Arabia (-8%).

Exhibit 1 – November Returns for Major Markets (%)



Source: FactSet, as of 30 November 2025.

From a sector perspective, financials (+2%) were the biggest positive contributor. Health care (+5%) and materials (+4%) were also in the black. Conversely, technology (-6%), industrials (-2%) and communication services (-5%) were the biggest detractors from the index’s return.

Unsurprisingly, the trade fallout continues, and it is rippling into various industries and into geopolitical conversations in new – and perhaps some unexpected – ways. Meanwhile, the market seems to have finally taken a breather from its recent AI-related fever. Though such a pause isn’t entirely unanticipated, its timing was certainly near-impossible to predict – which is precisely why we prefer to take a longer-term view of markets, examining individual companies on a bottom-up basis and rigorously assessing their growth outlooks over the next three to five years relative to the current valuation. We believe investors willing to do such analysis are likelier to generate attractive long-term investment results relative to those attempting to read the nearer-term tea leaves. As such, we will maintain our adherence to this approach and do our best to accurately discern what’s newsworthy and what’s likelier to be a flash in the proverbial pan.

MSCI ACWI ex USA Index measures the performance of large- and mid-cap stocks in developed (excluding the US) and emerging markets. The indexes are unmanaged, market capitalization weighted, include net reinvested dividends, do not reflect fees or expenses (which would lower the return) and are not available for direct investment. Index data source: MSCI, Inc. See diamond-hill.com/disclosures for a full copy of the disclaimer.

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