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*Market Strategist*

# Weekly Relative Value

## WEEK OF NOVEMBER 24, 2025

# Putting Lipstick on a Pig!

***“The September jobs report showed a stronger-than-expected gain in jobs, with U.S. employers adding 119,000 non-farm payrolls, which was more than double the 50,000 forecasted by economists.” — The Wall Street Journal (WSJ)***

Finally, after the longest government shutdown ever, the Bureau of Labor Statistics (BLS) released some jobs data. Then again who really cares about September when we are ten days away from the beginning of December? Normally, September payrolls would not be what we are talking about right now, but it's the latest official number we have on our hands.



Source: Hedgeye

Non-farm payrolls surprised to the high side with a +119,000 increase, more than double the +51,000 consensus estimate and totally differing from the -29,000 reading in the ADP report for the month. However, there were a few hitches. First, the initial +22,000 uptick for August was revised down sharply to -4,000, and the two-month revision totaled -33,000. This steady diet of downward revisions continues unabated. In fact, the BLS has negative revisions for eight consecutive months and 26 out of the last 32 months.



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## THIS WEEK

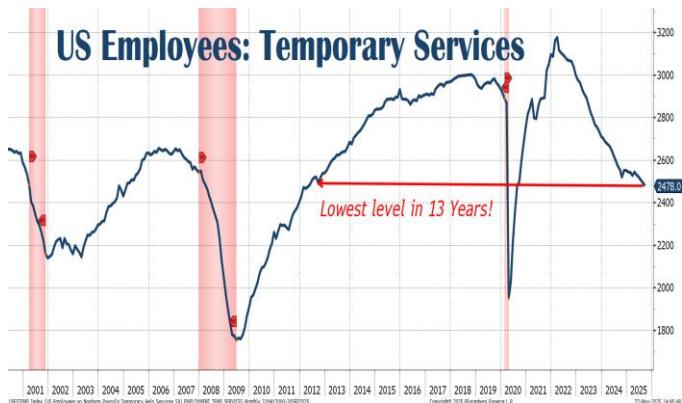
- STUCK IN THE MUD
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**SUBORDINATED DEBT: (Simplified)**

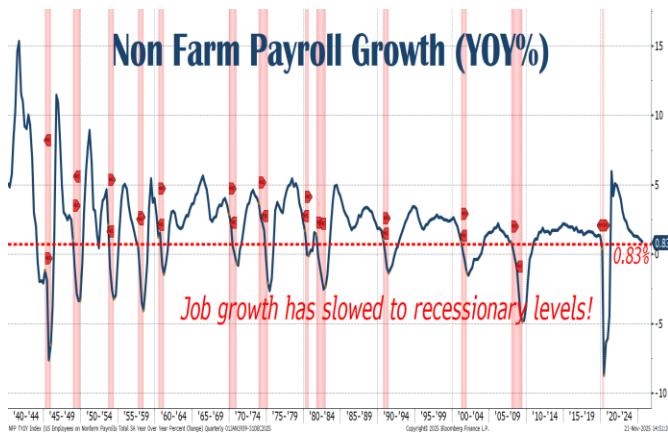
Partnership has its perks.  
Hand over the hard parts.

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Now ask yourself, what is a +119,000 job gain, anyway? It is less than a +0.1% uptick — barely a +0.9% annual rate. And that is what the *WSJ* describes as “strong.” Come on. It is also the fact that two sectors, health care/social assistance and leisure/hospitality, accounted for 90% of the headline increase. Come on. Add government to the number of contributors, and the rest of the economy lost -7,000. Temp agency employment, a bellwether leading indicator, sagged by -16,000 to the lowest level in 13 years (excluding the pandemic)! That’s a problem.

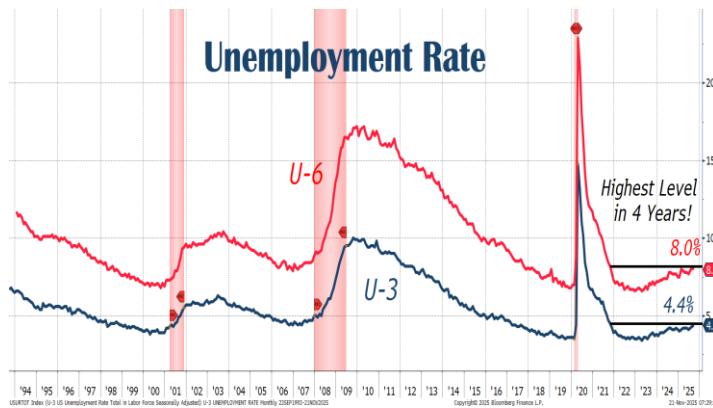


Smoothing out the monthly wiggles in the non-farm payroll data, replete with downward revision with practically every report, the year-over-year trend has wound all the way down to a microscopic +0.8% pace. A year ago, it was +1.3%. Two years ago, the trajectory was +1.8%. The pace was +3.9% three years earlier and was +4.2% four years ago. By what measure is +0.8% “strong”? In fact, not once, going all the way back to 1953, has the year-over-year trend in non-farm payrolls slow down to +0.8% without there being a recession.

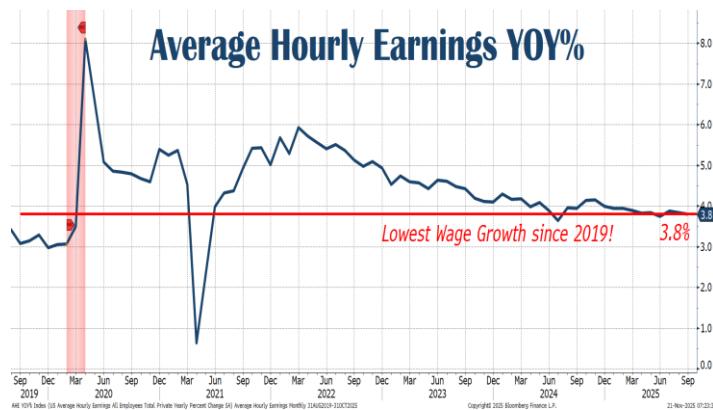


There's more. The payroll report was the beneficiary of a very generous seasonal adjustment factor. The non-seasonally adjusted number of +317,000 was -45% lower than the +575,000 average for the past decade, especially for the time of the year when summer ends and job creation always picks up. Adjusted for this seasonal smoothing and benchmarked on what has happened in past Septembers, I have news for you: payrolls actually fell by nearly -140,000. Maybe this is why the stock market has turned wobbly — as it may simply be a general reassessment of the economic landscape.

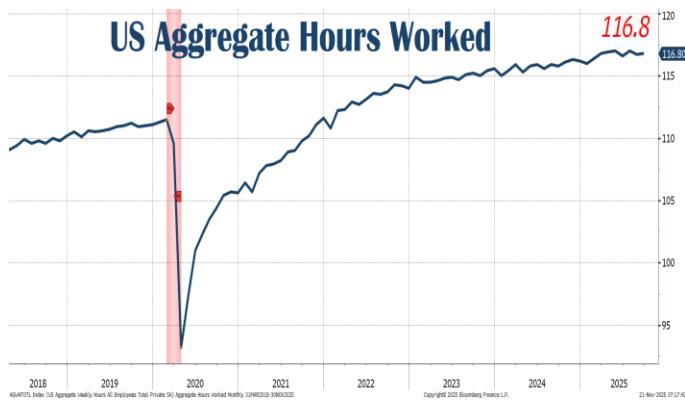
The unemployment rate also edged up to 4.4% (to the second decimal place, narrowly missing 4.5%) from 4.3% in August. Back in June it was 4.1%. The ranks of the unemployed increased +219,000 and have swelled by +588,000 in the past three months. This is the second-largest bulge in joblessness over a three-month span since June 2020. The broader measure of unemployment (U-6) inched higher to 8%. Both unemployment metrics are at four-year highs.



Average hourly earnings were tame at +0.2% month-over-month, and that was half the increase posted in August and below the consensus estimate of +0.3%.



Suffice it to say, if the cooling in the labor market was due to supply factors, as the Federal Open Market Committee (FOMC) hawks claim, we would not be seeing the jobless rate inch up and the wage number soften as it did.

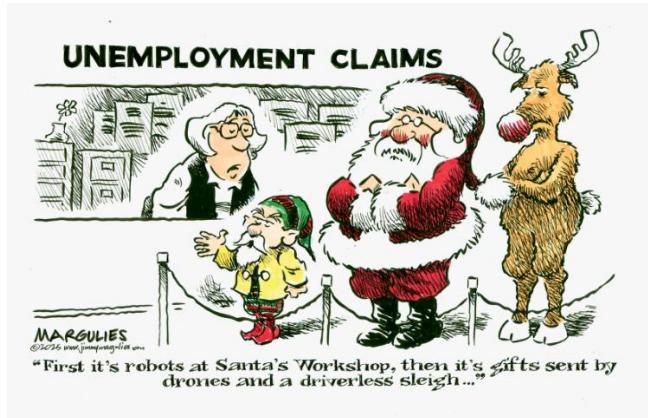


With the flat workweek, the index of aggregate hours worked only edged up by less than +0.1% month-over-month and it is lower now than in May and has been flat since March. As a reminder, aggregate hours worked are calculated by multiplying the number of employed people by the average hours worked per week and the number of weeks worked.

For example: if there are 100 employees who on average work 40 hours per week for 50 weeks, the aggregate hours worked would be:  $100 \times 40 \times 50 = 200,000$  hours. This is key because it is the proxy for all labor market input into the

economy. If the Atlanta Fed is right on its +4.2% real gross domestic product (GDP) growth estimate, then we are into one heck of a productivity boom.

All in, the message is that the labor market is still cooling off with the upside September surprise blunted by the downward revisions and slack is building gradually with the 4.4% unemployment rate at a four-year high. The lack of upward wage pressure should at least alleviate any concern of inflation emanating from the jobs space.



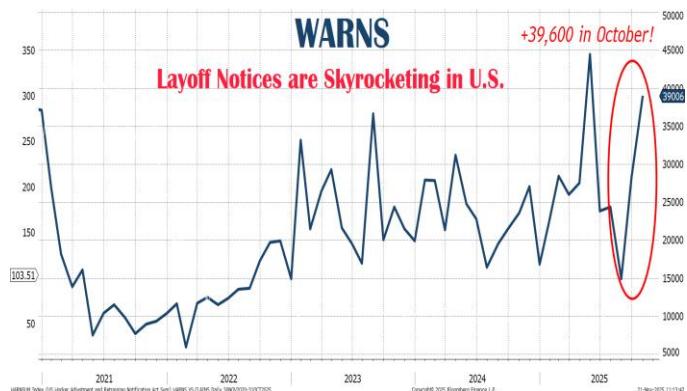
Source: Hedgeye

Initial jobless claims were also released for the week of November 15, which edged back down to 220,000 from 227,000. However, the backlog of continuing claims hooked up (for the week of November 8) to 1.974 million. The second number is important because if the out-migration was truly a factor behind the labor market softness, companies would be absorbing this pool of unemployed labor — clearly that is not happening.



Finally, in the labor markets, layoff notices are **SURGING** at a **RECESSION** pace. The Worker Adjustment and Retraining Notification (WARN) Act requires employers with 100 or more employees to provide at least 60 days' advance written notice before a qualified plant closing or a mass layoff. This notice must be given to affected employees as well as state and local government officials. The purpose is to give workers and their families time to prepare for job loss and seek new employment or training.

In October, 39,006 Americans were given advance layoff notices — this is the second highest numbers we've seen since the **2020 CRISIS**. The numbers are up +160% in two months. Such elevated WARN notices have rarely been seen outside of U.S. recessions.



Back to the alleged “strong” employment report. One in twenty Americans are now working at more than one job, a number we saw in the darkest periods of the 2001 and 2008-2009 recessions.



**Bottom line:** To begin with, why would anyone believe these reports? Every 2025 jobs report has been revised down with June and August now negative. The “strong” labor market narrative is falling apart month by month.

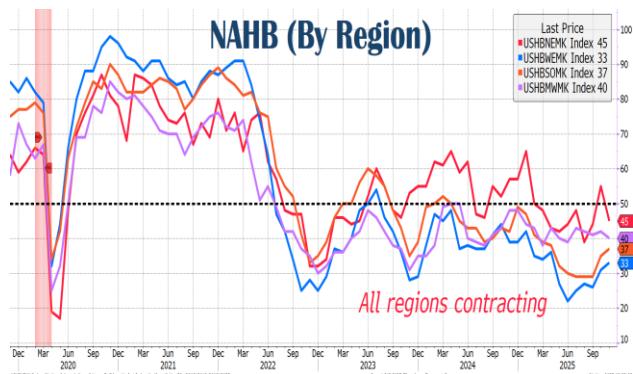
There is a whole lot of lipstick on this pig. Surely, the folks at the *WSJ* could have come up with a more accurate adjective than “strong.”

## STUCK IN THE MUD

*“We continue to see demand-side weakness as a softening labor market and stretched consumer finances are contributing to a difficult sales environment.” — The Chief Economist of the National Association of Home Builders (NAHB)*

The NAHB homebuilder sentiment index came in at 38 in November. Being a diffusion index, anything below 50 represents a contraction in activity. As shown below, homebuilders have not been in expansion territory since April 2024.

Regionally, the index sagged in the Northeast and Midwest but edged higher in both the South and the West. Nevertheless, every region in the country is south of the 50 cut-off number by a wide margin.



The one input that correlates the most with future housing sales activity is the one that is by far the softest — “prospective buyer traffic” is at 26 (this was at 32 a year ago).



Meanwhile, the just-released existing home sales report for October remained extremely depressed at a 4.10 million annualized unit rate. For some perspective, this is the same level as it was in October 2008 at the peak of the housing recession and a month after Lehman collapsed. It is more than -20% below the worst month of the 2001 recession and is light years away from the 2021 cycle high of 6.6 million units.



The homeowner affordability ratio is still ridiculously low to the tune of -20% against the five-decade historical norm. It is also more than -40% below the level that typifies a solid demand environment.

There are three ways to resolve this: an income boom (not likely), much lower interest rates and/or more home

price deflation. Until the mean-reversion process is finished, the market for residential real estate is likely to remain stuck in the mud.

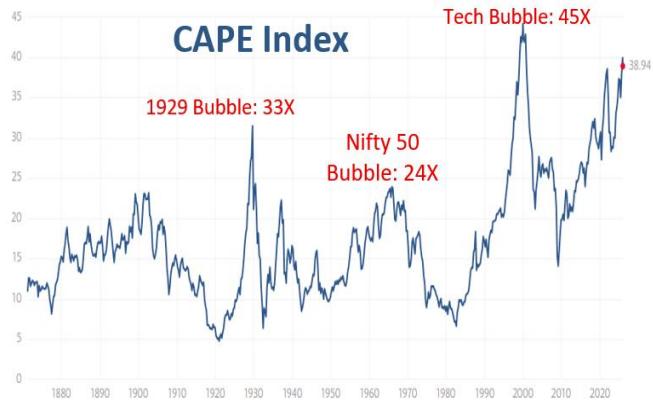


The good news is that the backlog of unsold single-family homes, at 4.3 months' supply, is near the high end of the range for the past decade. Likewise, condo inventory at 6.0 months is at the highest level in a decade.

The supply/demand equation should begin to exert downward pressure on housing prices as we move forward. That is because overall demand for existing homes is ~2% while supply has been rising by ~12% over the past year. When inventory growth exceeds demand growth by a factor of more than six times, downward pressure on the residential market is sure to follow. When it comes to inflation watching, the FOMC hawks are missing a very important source of deflation that is in its infancy stage.

## THE MADNESS OF CROWDS

The CAPE multiple has expanded to 38.9x, which exceeds every prior bubble peak in the past century outside of the unprecedented Tech mania in the late 1990s and early 2000s. This compares to the 1929 bubble peak of 33x, the Nifty Fifty peak in the late 1960s of 24x and the 1987 pre-crash peak of 18x. The average bubble peak in this valuation metric is 26x. Today the CAPE index is pressing 40x.



The surge in valuations has coincided with investor sentiment indices soaring off the charts. Herd mentality! An overwhelming consensus! When markets are priced for perfection, disappointment always follows because the world is not perfect.

Despite the valuations, everyone, from Wall Street to the media to academia, say “things are different this time.” Indeed, there is no doubt that AI is different, just as the railways, the transistors, the microchips and the Internet were different. What isn’t different is investor behavior, and as author Charles Mackay would put it, *“the madness of crowds.”*

While valuations reach stratospheric levels, margin debt exploded to a fresh record-high of \$1.2 trillion — practically doubling in the past five years. Over the past 12 months, stock market leverage has swelled by +45% compared to the +13% increase in the market cap. Along with valuations, excessive leverage always and everywhere is the hallmark of an asset price bubble. Chasing nickels in front of the steamroller is never a very prudent strategy.

To be clear, nobody ever said you can’t make money in a bubble. But the key takeaway is that this bull market is long in the tooth and subject to major disappointment for many.



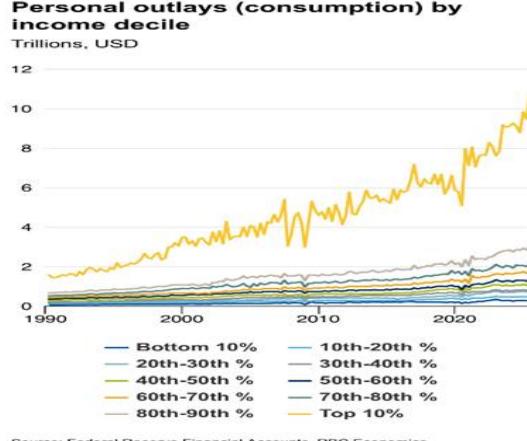
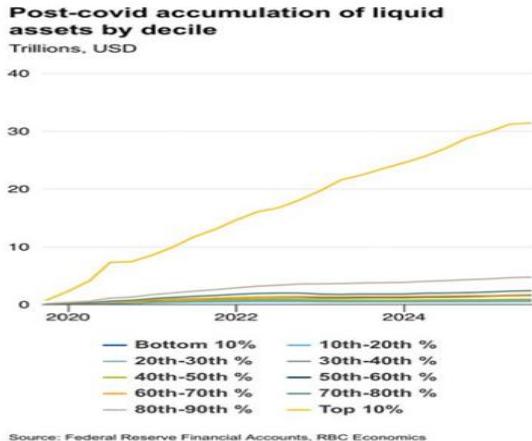
## A CORRECTION WOULD HURT!

The top 20% of households are sitting on 87% of all equities directly and indirectly through retirement accounts, 401ks... all of it.

As shown in the graphs below, the top 10% have reaped most of the asset appreciation since the pandemic. Not only that but the top 10% are responsible for 50% of consumer spending in this country and a whopping 35% of U.S. GDP.

Here's what makes this dangerous: when the market corrects, it's going to absolutely gut the consumption capacity of the people who spend money in this economy. A 20-30% pullback in equities wipes out trillions in paper wealth for the top 20% and these are the people funding discretionary spending, eating out, traveling and buying stuff. They're not going to take that hit and keep spending like nothing happened. They'll pull back hard and that spending destruction cascades through the entire system.

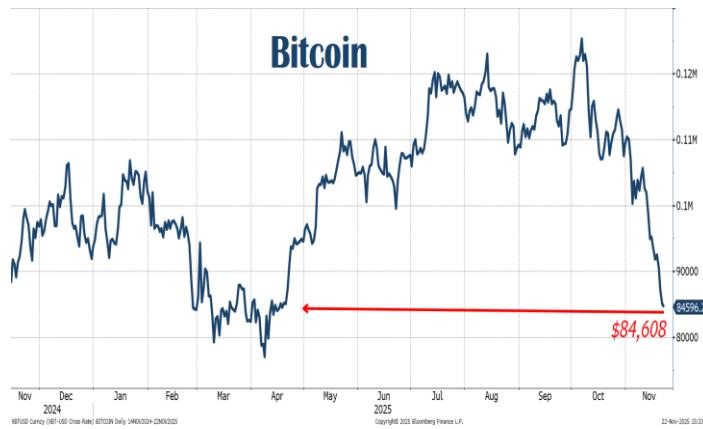
This is why the Fed basically can't let markets tank. They're not protecting the system for the average person; they're protecting it because the average person doesn't own enough equities to matter anyway. They're protecting it for the wealthy because if the wealthy stop spending, demand collapses and then we're looking at a real recession, not just some technical bear market. The economy has become structurally dependent on asset prices staying inflated for a tiny slice of people.



This wealth and income concentration makes the economy fundamentally more fragile. It sounds counterintuitive but a crash hits harder when all the purchasing power is concentrated among people who can afford to cut back immediately. It's not like the 1950s-1980s when the middle class owned meaningful equity and bore the distributed cost of corrections. Now, it's all concentrated so the shock is more acute, more immediate and more devastating to aggregate demand when it hits.

## ELEVATOR DOWN

Speaking of corrections, for the first time in seven months, Bitcoin, long the poster child for the risk-on trade, has sliced below the \$90,000 mark, which extended its dramatic decline from the \$126,000 peak just six weeks ago. The April low was \$74,400, and options traders have that level in their sight right now.



Let's tally up the damage. Bitcoin is now down by -31% from the October peak, and -10% for the year. Coinbase has sunk by nearly -40% in just the past month alone. Shares of Robinhood Markets, the poster child of frenetic retail investor trading, have lost around a quarter of their value this month. Palantir has lost roughly -23%.

The liquidation keeps piling up, but this is what happens in a bear market — elevator down. So much for the digital asset revolution. The recent reversal has been spectacular, with more than \$1 trillion having been wiped off the cryptocurrency market in the past six weeks.

At a minimum, the loss of spending power from the slump in the crypto arena is going to cause an impairment in the flow of new money to come into the equity market. To emphasize, we are now at the stage where many crypto holders are underwater on their purchases (because crypto is often held in margin accounts, the need to liquidate to cover their losses ends up pushing the price down even further).

So, what has happened to the Trump Administration's pledge to make America the world's "Bitcoin superpower?"

## SUPER SIZE ME!

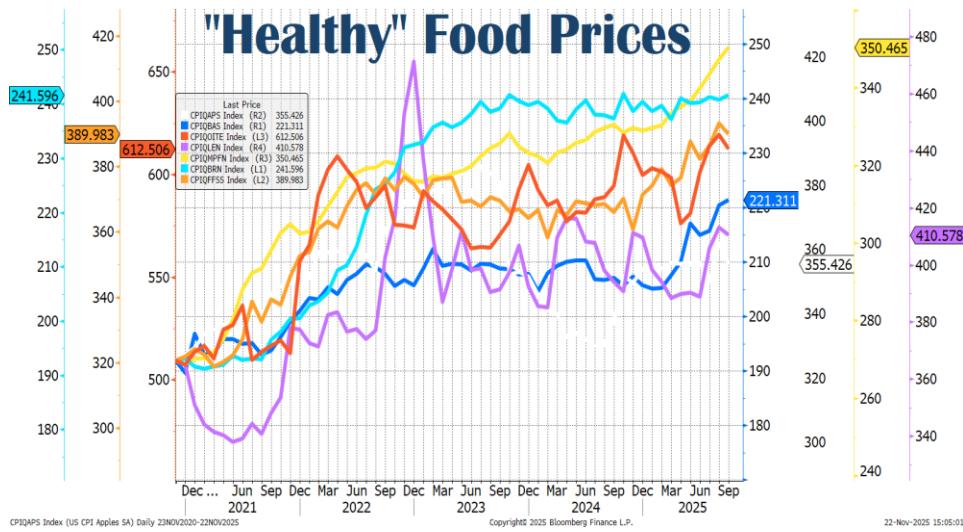
*"I want to give a very special thanks to McDonald's for slashing prices for your most popular items, bringing back Extra Value Meals ... affordable should be our word, not theirs." — President Donald Trump, November 17, 2025*

I realize we live in a very contentious political environment, but I truly hope that no one of either political stripe will disagree with me of how sad it is when the President links "affordability" to the worst food possible for your health.

If you have not visited Mickey Ds in a while, the Extra Value Meal is a Big Mac with large fries and a Coke.

- Calories: 1,360, ~ 70% of the daily intake for a normal person.
- Fat: 58 grams — more than 90% of the recommended daily limit.
- Sodium: 1,360 milligrams, or 90% of what an adult should be consuming daily.

What about healthy foods like fruit, two percent or skim milk, whole wheat bread, fresh fish/seafood, vegetables, etc.? The graph below tells the story.



**Bottom line:** Why buy the "inflationary" healthy stuff when the junk food is going down in price, right?

So, go ahead, buy this cheaper Extra Value Meal and then see if you can afford the medical expenses after your coronary.

## POLICY UPHEAVAL

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*“The biggest thing is that this is occurring right now during the craziest time of the year, the most important time of year, which is holiday.”*

*“When Canada did this, it took them three years.”*

— Austin Jensen, Senior Executive Vice-President of Public Affairs of Retail Industry Leaders Association (RILA), whose members include Walmart, Target and TJX.

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Last week, I highlighted Trump’s Administration’s promotion of a 50-year mortgage. Over the life of the term, interest payments will end up being double what they would be under the traditional 30-year maturity (slower principal repayment leaves borrowers more leveraged for longer). Not to mention the demographics — this is not 1980 when the median age of the population was 30, but rather it is 40 today meaning that a precious few will end up outliving this new 50-year mortgage.

Meanwhile, the latest move by the White House to upset the apple cart by removing the penny out of circulation is going to aggravate the weakness in the U.S. retail sector. Have a look at “[\*\*Penny Pinch Leaves US Stores Short-Changed\*\*](#)” in the *Financial Times*.

Next comes the looming Supreme Court decision on the legality of the Trump tariffs. If the Supreme Court rules in line with the lower court findings, look for a heightened period of uncertainty. On one hand, the bulls may claim this would be akin to a tax cut. On the other hand, what does this mean for all the trade “deals” and the “boom” in foreign investment into the U.S.? Chaos beckons if the Supreme Court rules against the President.

## MARKET OUTLOOK AND PORTFOLIO STRATEGY

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*“I still see room for a further adjustment in the near term to the target range for the federal-funds rate to move the stance of policy closer to the range of neutral.”* — John Williams, NY Fed President and a top Powell lieutenant

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Right now, the economy seems OK on the surface. GDP growth has been running north of 3% for the last two quarters. Much of this growth has been attributed to the massive spending on AI infrastructure.

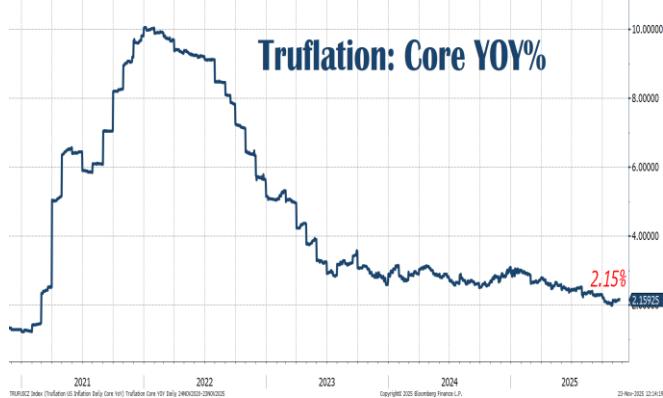
That said, there are pockets of weakness beneath the AI veneer in the U.S. economy that are becoming increasingly evident — whether it be waning discretionary spending from the consumer, residential housing weakness, commercial real estate, trucking /shipping or the ongoing manufacturing recession.

The must-read goes to this *New York Times* article, “[\*\*The A.I. Boom Is Driving the Economy. What Happens if It Falters?\*\*](#)”

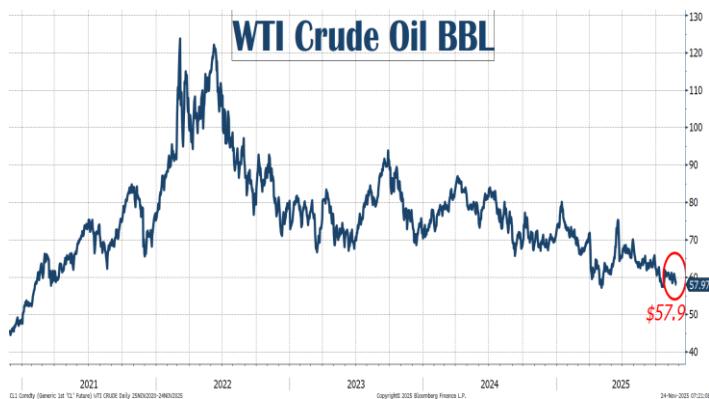
Here’s the tagline: “*A windfall, for companies that build data centers and their suppliers is overshadowing weakness in other industries.*”

In the labor market, conditions are cooling while companies remain reluctant to hire. Major employers in industries like homebuilding and restaurants are looking shaky. They offer ominous signs about the direction of the overall economy.

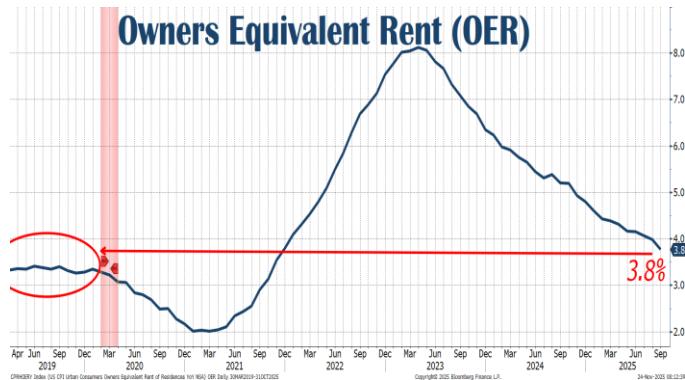
On the Inflation front, the Fed hawks are concerned that inflation will remain unacceptably high. Making matters worse is that the BLS will not be reporting the latest Consumer Price Index (CPI) data until after the FOMC meeting in December. However, the most recent TRUFLATION data shows inflation remaining very tame at 2.15% year over year. As I have highlighted in the past, this “real time” and comprehensive index is arguably a better metric for measuring inflation than the BLS, CPI or Personal Consumption Expenditures (PCE) data.



Meanwhile, West Texas Intermediate (WTI) finished down -4.0% for the week to \$57.0 per barrel. As shown below, crude oil is at a four-year low. This doesn't look very inflationary to me.



With regards to the Fed, everyone talks about how the inflation rate is above target. But guess what? The unemployment rate is also above target. Quite the conundrum, but we know there is very little chance of inflation being sustained without the help from a vibrant labor market. Besides the fact that at the post-meeting press scrum in late October, Powell told us that after netting out the Trump tariffs, core inflation is now running at 2.3%-2.4%. It is on track to 2.0% now that the dominant rental-OER trends are in deceleration mode. What the Fed hawks are looking at is truly anyone's guess.



The Fed is entering a quiet period where officials can't speak but John Williams (New York) cast his vote early (last Friday) and clearly favors a December rate cut. As such, the hawks should be silent for now. Looking at the list of FOMC voters, it now looks like the doves are going to have enough votes on December 10. This is one reason equities bounced back last week. The Treasury market should also be a beneficiary of a Fed move that is still not nearly priced in.

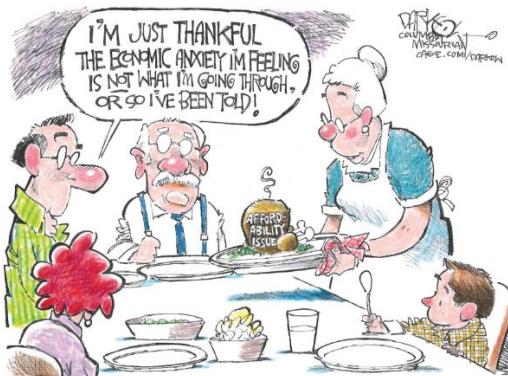
As for the here and now (due to the Thanksgiving holiday), the major U.S. data releases are scheduled for Monday, Tuesday and Wednesday. While some may still be delayed, the highlights of the week are the Producer Price Index (PPI), Preliminary Durable Goods Orders and the Fed's Beige Book. Together, these will provide a major update of the U.S. economy.

**The Beige Book will be more important than usual, given how Jay Powell paid lip service to it in the latest post-meeting press conference.**

**Bottom line:** I remain firmly in the bond bullish camp, and I expect the Fed to continue to lower rates towards neutral in the coming months. As such, any weakness in Treasuries provides an attractive entry point to invest excess cash reserves. As always, the most prudent approach is to build a risk-appropriate ladder strategy. Strategically, the short to intermediate part of the yield curve is most attractive.

## HAPPY THANKSGIVING!

Wishing everyone a very happy Thanksgiving with family and friends!



Source: Hedgeye

## WHY SUBSCRIBE TO THE WRV?

There is a lot of noise in the financial world and social media about the markets and the economy. I do what I always do, block out the noise, rhetoric and bullish biases (that point to the rewards without discussing the risks) that dominate Wall Street research and, most of all, try to keep investors out of trouble. This constant analysis goes through the noise, debunks misleading headlines and makes deep dives into the financial markets and economic reality. Call me a "permabear" if you will, but I see myself more as the car mechanic who fixes your brake lights and makes sure your side-view mirrors are okay. Risks should never be ignored, and I focus on identifying them. It's what makes the *Weekly Relative Value (WRV)* unique in the marketplace. By subscribing, you will always be up to date with the most relevant economic and market trends, and most importantly, you will be aware of the key risks. To receive future issues of WRV in your inbox, subscribe [here](#).

## MORE INFORMATION

For more information about credit union investment strategy, portfolio allocation and security selection, please contact the author at [tom.slefinger@alloyacorp.org](mailto:tom.slefinger@alloyacorp.org) or (630) 276-2753.

As Alloyd's Market Strategist, **Tom Slefinger** leverages nearly 40 years of investment strategy expertise to deliver insightful commentary on the economy and market events to optimize balance sheet performance at the credit union level. With thousands of subscribers, Tom's daily and weekly publications are widely read amongst credit union executives.

Prior to becoming the corporate's Market Strategist, Tom served as the Senior Vice President of Institutional Fixed Income Sales at Alloyd Investment Services, a division of Alloyd Solutions, LLC. In this role, Tom developed and managed operations associated with institutional fixed income sales in addition to developing investment portfolio strategies, identifying appropriate sectors and securities, and optimizing portfolio performance at the credit union level.

Tom holds a B.S. in business administration from the University of Maine. In addition, he holds a Series 7 and 63 through ISI.

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