Weekly commentary

BlackRock

November 17, 2025

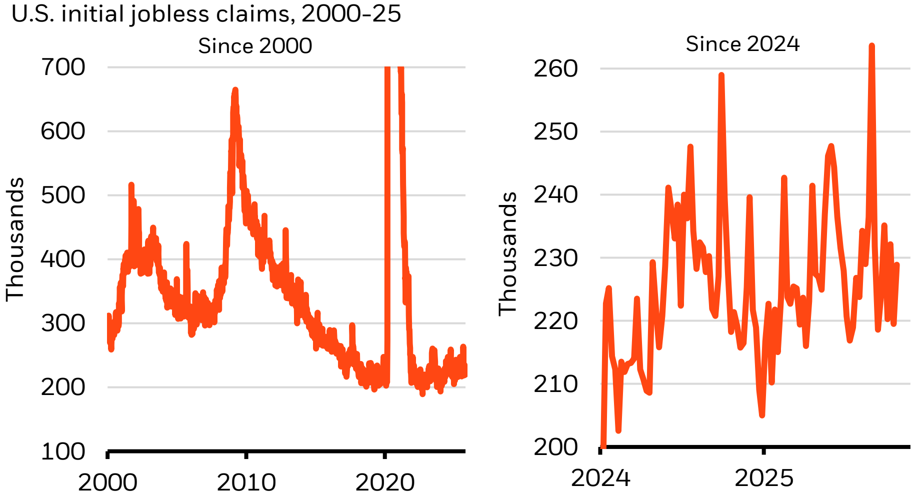
At last, key U.S. economic data return

- The reopening of the U.S. government will allow the release of backlogged economic data, especially jobs data, helping us take stock of our pro-risk view.
- U.S. tech stocks finished flat after a rocky week, briefly coming under pressure from concerns over debt financing the AI buildout. U.S. bond yields climbed.
- We eye the new schedule of U.S. data releases as the government reopens, starting with the September payrolls report scheduled for Thursday.

The end of the longest U.S. government shutdown in history allows the release of backlogged economic data. Central to our current risk-on stance is a cooling labor market giving the Federal Reserve room to cut rates. Alternative datasets suggest the labor market is still in a “no hiring, no firing” stasis – and we look for the resumption of U.S. payroll releases to confirm that backdrop. Our pro-risk stance is tilted toward U.S. stocks and AI – making Nvidia’s earnings this week a key input.

Cooling labor market

U.S. initial jobless claims, 2000-25



Source: BlackRock Investment Institute, U.S. Department of Labor, U.S. state claims reports with data from and compiled by Haver Analytics, November 2025. Note: The lines show the total of all the initial jobless claims across U.S. states. For the period during the U.S. government shutdown the data reflect aggregation of state-level data by Haver Analytics and assumes no change in claims since Sept. 20 claims number for the Virgin Islands.

Solid U.S. corporate earnings and expected Federal Reserve policy rate cuts have buoyed equities during the past two months, even amid no economic data and brief pullbacks. Alternative data, including state-level jobless claims, suggest that the U.S. labor market is cooling but not deteriorating – reflecting a “no hiring, no firing” stasis that supports the Fed’s ability to keep cutting rates. See the chart. Private payrolls data from ADP showed recent job gains are soft but still positive. ADP’s reading is a less reliable indicator on its own - but can still serve as a rough signal of broader trends. The reopened U.S. federal government will release the September jobs report on Thursday, but some of the October data may not arrive at all – making it the first missing month in seven decades.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If there is no October CPI release, the next inflation update is unlikely to arrive until mid-December. We may see October establishment survey results, used to determine payroll changes, but not the household survey that shapes the unemployment rate. The October jobs report – if released - will likely show a sharp drop in payrolls due to deferred government layoffs from earlier this year. That may dominate the headlines, but we think the Fed has factored that in and will stay focused on a risk management approach to a cooling labor market - keeping a December rate cut in play. Markets are pricing in roughly a 40% chance of a quarter-point cut next month, down from a near certainty before last month's Fed meeting.

Our current pro-risk stance is based on the Fed cutting rates and the AI theme. We stay nimble and watch key signposts including this week's quarterly results and forecasts from Nvidia – the AI bellwether company producing GPUs is key to the AI buildout. Mega cap tech "hyperscalers" upped their AI capital spending plans in Q3 earnings – and are now issuing debt to fund these plans. We see the AI theme evolving as it becomes more capital heavy. Even as AI stocks have wobbled in recent weeks on worries about market froth and the debt financing, we think this is a necessary step in the AI buildout. The dominant AI names reported strong Q3 earnings and forecasts. That earnings strength has broadened, even as "magnificent seven" earnings, excluding Nvidia, jumped 27% in the third quarter, double expectations, according to LSEG Datastream data. The rest of the S&P 500 saw earnings surge to 14%, well above expectations for 8% at the start of the quarter.

We see a growing divergence between the U.S. and Europe in earnings. European earnings have also beat with a 6% gain compared with expectations for a flat outcome – but for the full year European earnings have contracted. Lagging earnings have kept us neutral on European stocks, and we've only seen more signs of soft growth for the region as structural constraints, such as low productivity, persist. We prefer select European sectors such as financials and industrials.

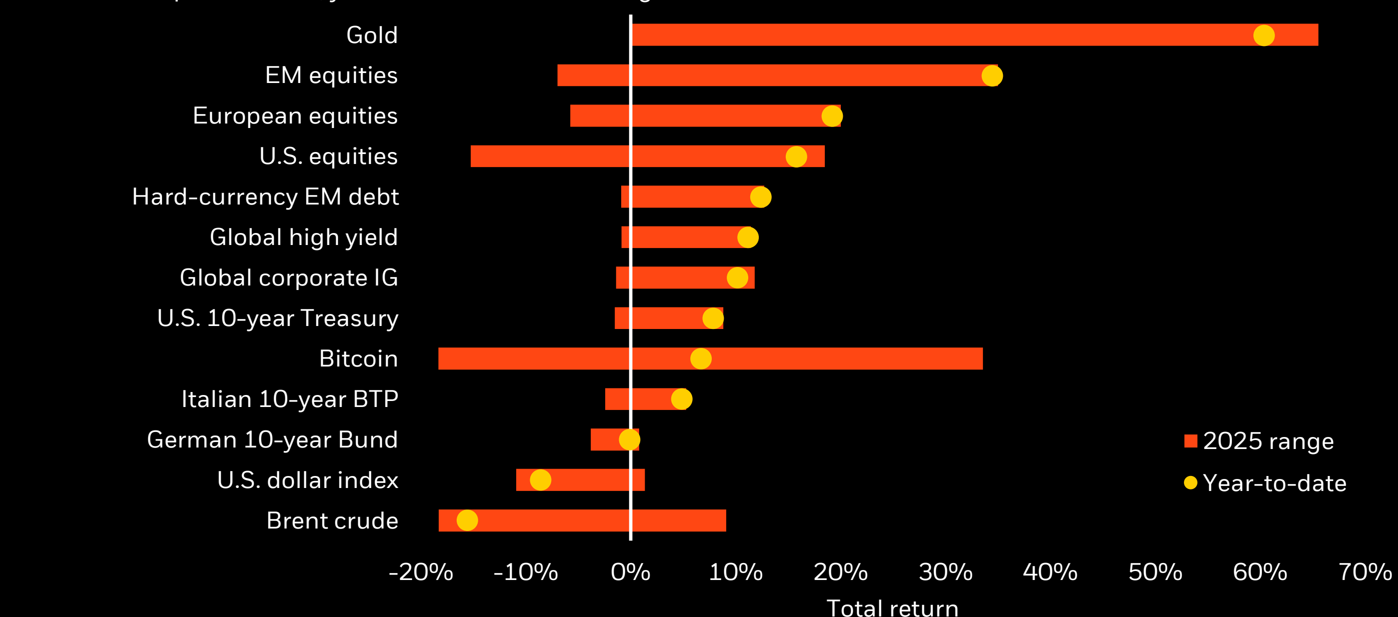
Bottom line: The reopening of the federal government provides key macro data we've been lacking. We're looking for confirmation of a soft labor market allowing the Fed to cut rates, which underpins our pro-risk stance.

Market backdrop

The tech-heavy Nasdaq hovered near the flatline, as did the S&P 500. Tech stocks tied to the AI theme slid sharply on Thursday on concerns about the debt financing of the AI buildout before bouncing back Friday. We see this debt-financed stage of the AI buildout as a necessary step – and don't think last week's stock retreat was due to trimmed Fed rate cut expectations. U.S. 10-year Treasury yields edged up to near 4.15%, while two-year yields climbed to near 3.60%.

Assets in review

Selected asset performance, year-to-date return and range



Past performance is not a reliable indicator of current or future results. Indexes are unmanaged and do not account for fees. It is not possible to invest directly in an index.

Sources: BlackRock Investment Institute, with data from LSEG Datastream as of November 13, 2025. Notes: The two ends of the bars show the lowest and highest returns at any point year to date, and the dots represent current year-to-date returns. Emerging market (EM), high yield and global corporate investment grade (IG) returns are denominated in U.S. dollars, and the rest in local currencies. Indexes or prices used are: spot Brent crude, ICE U.S. Dollar Index (DXY), spot gold, spot bitcoin, MSCI Emerging Markets Index, MSCI Europe Index, LSEG Datastream 10-year benchmark government bond index (U.S., Germany and Italy), Bloomberg Global High Yield Index, J.P. Morgan EMBI Index, Bloomberg Global Corporate Index and MSCI USA Index.

Week ahead

Nov. 19	UK CPI	**Nov. 21**	Global Nov. flash PMIs
Nov. 20	U.S. Sept. payrolls; Japan Oct. CPI; UK Oct. CPI		

All eyes are on the U.S. September payrolls report scheduled for Thursday. We're watching for updates from the Bureau of Labor Statistics and other agencies on when - or if - they will release more economic data delayed by the shutdown. The UK October CPI will also be in focus, particularly after the Bank of England voted to hold interest rates steady by just a one-vote margin this month.

Big calls

Our highest conviction views on six- to 12-month (tactical) and over five-year (strategic) horizons, November 2025

Tactical	Reasons
U.S. equities	A softening labor market gives the Fed space to cut, helping ease political tensions from higher interest rates. We think rate cuts amid a notable slowing of activity without recession should support U.S. stocks and the AI theme.
Using FX to enhance income	FX hedging is now a source of income, especially when hedging euro area bonds back into U.S. dollars. For example, 10-year government bonds in France or Spain offer more income when currency hedged than U.S. investment grade credit, with yields above 5%.
Seeking alpha sources	We identify sources of risk taking to be more deliberate in earning alpha. These include the potential impact of regulatory changes on corporate earnings, spotting crowded positions where markets could snap back and opportunities to provide liquidity during periods of stress.
Strategic	**Reasons**
Infrastructure equity and private credit	We see opportunities in infrastructure equity due to attractive relative valuations and mega forces. We think private credit will earn lending share as banks retreat – and at attractive returns.
Fixed income granularity	We are overweight short-term inflation-linked bonds as U.S. tariffs could push up inflation. Within nominal bonds, we favor developed market (DM) government bonds outside the U.S. over global investment grade credit, given tight spreads.
Equity granularity	We favor emerging over developed markets yet get selective in both. Emerging markets (EM) at the cross current of mega forces – like India – offer opportunities. In DM, we like Japan as the return of inflation and corporate reforms brighten the outlook.

Note: Views are from a U.S. dollar perspective, November 2025. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any particular funds, strategy or security.

Tracking five mega forces

Mega forces are big, structural changes that affect investing now – and far in the future. As key drivers of the new regime of greater macroeconomic and market volatility, they change the long-term growth and inflation outlook and are poised to create big shifts in profitability across economies and sectors. This creates major opportunities – and risks – for investors. See our web hub for our research and related content on each mega force.

1. **Demographic divergence:** The world is split between aging advanced economies and younger emerging markets – with different implications.
2. **Digital disruption and artificial intelligence (AI):** Technologies are transforming how we live and work.
3. **Geopolitical fragmentation and economic competition:** Globalization is being rewired as the world splits into competing blocs.
4. **Future of finance:** A fast-evolving financial architecture is changing how households and companies use cash, borrow, transact and seek returns.
5. **Transition to a low-carbon economy:** The transition is set to spur a massive capital reallocation as energy systems are rewired.

Granular views

Six- to 12-month tactical views on selected assets vs. broad global asset classes by level of conviction, November 2025

We have lengthened our tactical investment horizon back to six to 12 months. The table below reflects this and, importantly, leaves aside the opportunity for alpha, or the potential to generate above-benchmark returns – especially at a time of heightened volatility.

Underweight **Neutral** **Overweight** ● Previous view

	Asset	View	Commentary
Equities	**Developed markets**		
	United States	+1	We are overweight. Policy-driven volatility and supply-side constraints are pressuring growth, but we see AI supporting corporate earnings. U.S. valuations are backed by stronger earnings and profitability relative to other developed markets.
	Europe	Neutral	We are neutral. Greater unity and a pro-growth agenda across Europe could boost activity, yet we are watching how the bloc tackles its structural challenges before turning more optimistic. We note opportunities in financials and industries tied to defense and infrastructure spending.
	UK	Neutral	We are neutral. Political stability could improve investor sentiment. Yet an increase in the corporate tax burden could hurt profit margins near term.
	Japan	+1	We are overweight given the return of inflation and shareholder-friendly corporate reforms. We prefer unhedged exposures as the yen has tended to strengthen during bouts of market stress.
	Emerging markets	Neutral	We are neutral. Valuations and domestic policy are supportive. Yet geopolitical tensions and concerns about global growth keep us sidelined for now.
	China	Neutral	We are neutral. Trade policy uncertainty keeps us cautious, and policy stimulus is still limited. We still see structural challenges to China's growth, including an aging population.
Fixed Income	Short U.S. Treasuries	Neutral	We are neutral. We view short-term Treasuries as akin to cash in our tactical views and we remove this overweight to turn neutral long-term Treasuries.
	Long U.S. Treasuries	Neutral	We are neutral. Yields could fall further as a softening labor market gives the Fed space to cut without its independence being called into question – even if the pressures pushing up yields persist.
	Global inflation-linked bonds	Neutral	We are neutral. We see higher medium-term inflation, but cooling inflation and growth may matter more near term.
	Euro area govt bonds	Neutral	We are neutral. Yields are attractive, and term premium has risen closer to our expectations relative to U.S. Treasuries. Peripheral bond yields have converged closer to core yields.
	UK gilts	Neutral	We are neutral. Gilt yields are off their highs, but we expect more market attention on long-term yields through the government's November budget, given the difficulty it has had implementing spending cuts.
	Japanese govt bonds	-1	We are underweight. We see room for yields to rise further on Bank of Japan rate hikes and a higher global term premium.
	China govt bonds	Neutral	We are neutral. Bonds are supported by looser policy. Yet we find yields more attractive in short-term DM paper.
	U.S. agency MBS	+1	We are overweight. We find income in agency MBS compelling and prefer them to U.S. Treasuries for high-quality fixed income exposure.
	Short-term IG credit	+1	We are overweight. Short-term bonds better compensate for interest rate risk.
	Long-term IG credit	-1	We are underweight. Spreads are tight, so we prefer taking risk in equities. We favor Europe over the U.S.
	Global high yield	Neutral	We are neutral. Spreads are tight, but corporate fundamentals are solid. The total income makes it more attractive than IG.
	Asia credit	Neutral	We are neutral. We don't find valuations compelling enough to turn more positive.
	Emerging hard currency	-1	We are underweight. Spreads to U.S. Treasuries are near historical averages. Trade uncertainty has eased, but we find local currency EM debt more attractive.
	Emerging local currency	Neutral	We are neutral. Debt levels for many EMs have improved, and currencies have held up against trade uncertainty. We prefer countries with higher real interest rates.

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