2 Gray Beards Week 150 Summary

Date: November 15, 2025

Market Overview

The week ending November 15 was relatively quiet with minimal net price changes despite intraday volatility. The government shutdown ended, setting up a significant data release week ahead.

Key Upcoming Events

- **October unemployment report** - Thursday release (though market reaction expected to be muted)
- **SCOTUS decision on tariffs** - Potentially within 1-4 weeks (current odds: 25% chance tariffs ruled legal)
- **NVIDIA earnings** - Critical market signal expected
- **First government jobs data** - After shutdown period

Market Dynamics

Technology Sector

- Profit-taking in tech ahead of NVIDIA earnings
- Mag Seven earnings were excellent, but stock prices largely unchanged post-earnings
- Market rotating from tech into more defensive positions

- Meta down 18-19% from highs
- Bitcoin down 30% from highs
- Oracle rallied from $240 to $350, now back to $225

Federal Reserve Outlook

- Fed speakers prepared markets for potential December pause
- Odds of December rate cut now 50/50 (down from higher probability)
- Without new data, Fed unlikely to change current policy
- Market needs very low CPI to support rate cut case

De-leveraging Trend

- Bitcoin down 8.5%, making new lows
- Gold showing surprising strength
- Overall de-risking as investors were "over their skis"
- Many stocks significantly down from recent highs

Major Structural Concerns

Debt Supply Outlook (2026 and Beyond)

The analysts identified massive debt issuance needs:

1. **AI Infrastructure Investment**: $1.5-2 trillion annually
2. **Federal Government Deficit**: $2 trillion annually
3. **Foreign Investment Commitments**: ~$7 trillion over 5 years
4. UAE, Qatar, Japan, Saudi Arabia, South Korea, Switzerland
5. These nations making investment promises to avoid tariffs
6. Example: Swiss committed $200 billion, may sell Treasuries to fund

Total Estimated: Over $10 trillion in government deficits alone over next 5 years, plus $7 trillion in foreign commitments, plus $1 trillion+ annually for AI

Market Implications

Bond Market:
- Continued upward pressure on interest rates expected
- Supply will be "frightening" headwind for bond prices
- Yield curve slightly steepened last week
- Corporate spreads vulnerable to rising yields (though credit quality remains solid)

Equity Market:
- High multiples face pressure from rising rates
- Growth expectations already priced in for NVIDIA and hyperscalers
- Question: Can equities generate significant returns when bond yields are rising?
- **Their view: No, they can't**

Beta Portfolio Strategy

Given the challenging outlook:
- Stay as short duration as possible
- Accept small losses that are covered by carry/coupon income
- Wait for yield curve steepening before extending duration
- Minimize exposure to long-end vulnerability
- Consider rebalancing gold and Bitcoin positions

Key Questions for Near Term

1. **How will market react to NVIDIA earnings?**
2. Earnings expected to be fantastic
3. Jensen Huang likely to project incredible growth numbers
4. But will multiples expand or contract?
5. Historical pattern: recent earnings haven't sustained rallies

6. Leaning toward negative reaction, but uncertain
7. **SCOTUS Tariff Decision Impact**
8. Expected to be negative for bonds
9. If administration gets tariff power and inflation remains concern, may ease tariffs (reading the room on voter sentiment about prices)
10. **Will December Fed pause materialize?**
11. Now 50/50 odds
12. Could drop to 25% without supportive CPI data

Investment Outlook

Next 2-4 Weeks

- Bonds likely to suffer due to:
- SCOTUS decision
- Massive supply market needs to digest
- Fed pause uncertainty
- Equities face headwinds:
- Rising bond yields
- Already high valuations
- Possible post-NVIDIA earnings dip could present buying opportunity, but not yet

Conclusion

The market faces a period of digestion and rebalancing. The massive debt issuance pipeline creates structural headwinds for both bonds and equities. Portfolio strategy should focus on capital preservation and positioning for opportunities that may emerge after near-term volatility, particularly around NVIDIA earnings and the SCOTUS decision.

The NVIDIA earnings reaction will likely signal market direction through year-end.

This summary is based on a conversation between Nick and Andy analyzing market conditions and portfolio strategy.