

Basis Points | November 10, 2025

Solid, not seamless

1. Less perfect

US equity markets have been slightly choppy but the S&P 500 index still hasn't sold off by more than 3% from all-time highs since June.ⁱ We remain cautiously optimistic for several reasons. 1) S&P 500 earnings grew 13% year-over-year in the third quarter, and over 80% of companies beat analyst expectations.ⁱⁱ 2) We think the tick up in volatility and the modest move lower in the price following decent earnings is more understandable given today's stretched valuations. 3) There appears to be decent momentum in the economy with forecasters expecting real GDP growth of around 3-4% last quarter. 4) Financial conditions indices – composite measures of equity and bond prices, the dollar, and credit spreads – appear easy, and this relatively accommodative stance is likely supporting GDP growth. 5) Choppy markets don't necessarily bother us: we think the last 5-month stretch of nearly uninterrupted gains – not volatility – is the exception.

2. High expectations

All that said, we acknowledge the elevated valuations embedded in today's equity markets – particularly in mega cap tech – and we also see a lot of good news already accounted for in today's prices. In these conditions, markets might react more swiftly – and strongly – to bad news compared to recent quarters, especially as many investors may already be looking to take risk off the table anyway with markets up ~15% year-to-date despite the 19% selloff earlier in the year.

3. Still spending

Earlier this year, we were attuned to a slowdown in inflation-adjusted spending, particularly for households in the lower part of the income distribution who we think experienced little to no growth in real spending after the post-pandemic income and savings boom dissipated. The latest data suggest Americans are likely spending at a faster rate compared to several months ago, even after adjusting for elevated rates of inflation. That said, pockets of softness are showing up among certain cohorts. We think wealth effects – households spending a modest fraction of their new gains in stock and home-equity assets – are likely an important factor in supporting household spending. This connection between asset prices and the real economy concerns us a bit because any decline in risk assets could leave consumer spending exposed. But we don't think this tells the whole story. While we acknowledge the recent increase in reported layoffs, a near-record share of Americans in their core working years are employed, a remarkable feat considering the economic history of the last few decades. We think this pattern of solid employment, income, and spending can occur for longer, and we hope it will, even if conditions aren't as favorable for many households as they were in recent years.

CONTACT

Blake Taylor | VP, Market and Economic Research Analyst
blake.taylor@firstcitizens.com
919-716-7964

Phillip Neuhart | SVP, Senior Director of Market and Economic Research
phillip.neuhart@firstcitizens.com
919-716-2403

Brent Ciliano, CFA | SVP, Chief Investment Officer
brent.ciliano@firstcitizens.com
919-716-2650

ⁱ Daily close data

ⁱⁱ Source: FactSet

4. No story to tell

In his last [press conference](#), Federal Reserve Chair Jerome Powell said “there’s just no story” in the recent data that support the narrative of a rapidly deteriorating labor market. Granted, this was before an announcement last week from a private-sector data aggregator that job cuts in October surged. Recent data – or a lack thereof – complicate the ability for investors, analysts, and policymakers to present a [persuasive narrative](#) for the economy and outlook. A consequence of the longest government shutdown in history is a halt in timely, official economic statistics: the latest official employment report goes only through August, and the postponement of this week’s CPI inflation report complicates the Fed’s ability to evaluate the risks to inflation as they consider cutting interest rates further.

5. Different rates, different traits

Longer-term interest rates depend on a multitude of factors, only one of which is whether the Federal Reserve is cutting its overnight policy rate. Since the Fed lowered interest rates in September, the 10-year Treasury yield is little changed at around 4%. Mortgage rates have moved a bit lower, now approaching three-year lows. Corporate bond spreads – the risk premium investors demand to hold non-government debt – have leveled off after a months-long steady decline. Investors have tempered their expectations for a rate cut at the December Federal Reserve meeting, but markets are still priced for a total of three more quarter-point cuts between now and the end of next year.



[Sign up](#) to receive regular market & economic updates straight to your inbox.

FIRSTCITIZENS.COM/WEALTH

The views expressed are those of the author(s) at the time of writing and are subject to change without notice. First Citizens does not assume any liability for losses that may result from the information in this piece.

This material is for informational purposes only and is not intended to be an offer, specific investment strategy, recommendation, or solicitation to purchase or sell any security or insurance product, and should not be construed as legal, tax or accounting advice. Please consult with your legal or tax advisor regarding the particular facts and circumstances of your situation prior to making any financial decision. While we believe that the information presented is from reliable sources, we do not represent, warrant, or guarantee that it is accurate or complete.

Your investments in securities and insurance products and services are not insured by the FDIC or any other federal government agency and may lose value. They are not deposits or other obligations of, or guaranteed by any bank or bank affiliate and are subject to investment risks, including possible loss of the principal amounts invested.

About the Entities, Brands and Services Offered

First Citizens Wealth™ (FCW) is a marketing brand of First Citizens BancShares, Inc., a bank holding company. The following affiliates of First Citizens BancShares are the entities through which FCW products are offered. Brokerage products and services are offered through First Citizens Investor Services, Inc. (“FCIS”), a registered broker-dealer, Member [FINRA](#) and [SIPC](#). Advisory services are offered through FCIS, First Citizens Asset Management, Inc. and SVB Wealth LLC, all SEC registered investment advisers. Certain brokerage and advisory products and services may not be available from all Investment Professionals, Insurance products and insurance are offered through FCIS, a licensed insurance agency. Banking, lending, trust products and services, and certain insurance products and services are offered by First-Citizens Bank & Trust Company, Member [FDIC](#), and an Equal Housing Lender and SVB, a division of First-Citizens Bank & Trust Company. 

For more information about FCIS, FCAM or SVBW and its Investment Professionals click here: <https://www.firstcitizens.com/wealth/disclosures>

©2025 First-Citizens Bank & Trust Company. All rights reserved. Silicon Valley Bank, a division of First-Citizens Bank & Trust Company. Member FDIC., First Citizens Wealth is a trademark of First Citizens BancShares, Inc.