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BARRON'S

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INTERNATIONAL ROUNDTABLE

Brighter Days for Europe

European markets are rising as spending surges and profits grow. Our panelists pick 12 stocks that could shine. **PAGE 16**



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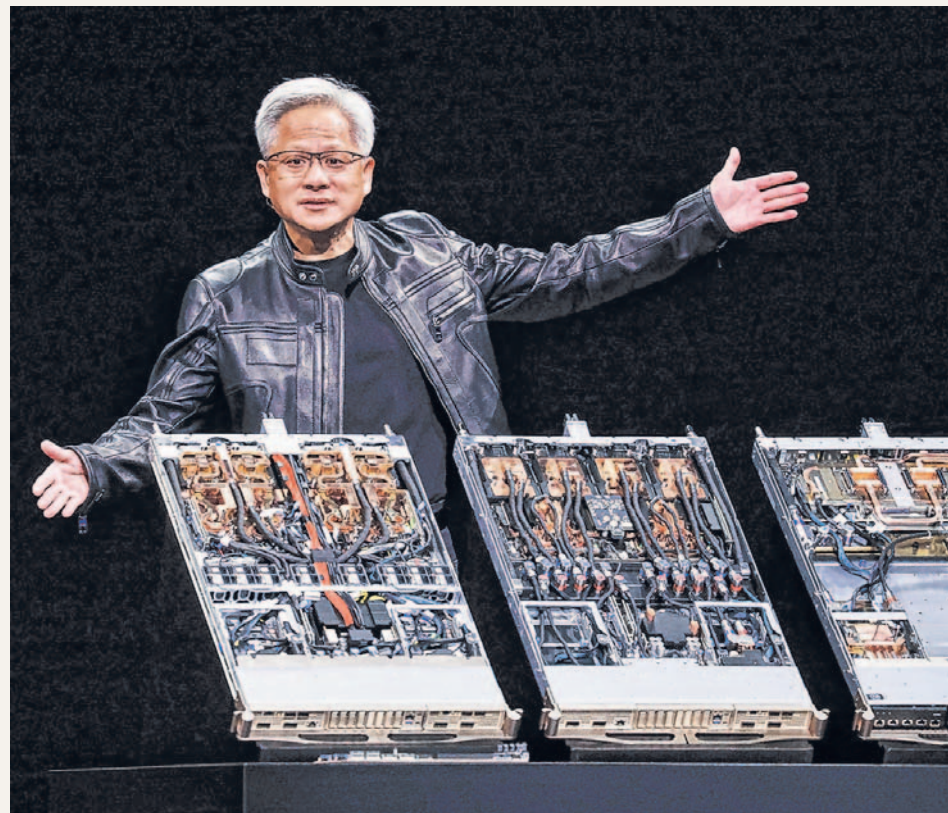
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UP & DOWN WALL STREET

"It feels like guys are terrified that they are going to give the year away and have taken down exposure hard," said one Wall Street trader.

The Bull's Wild Ride: What We Have Here Is A Worrywart Market

It was a curiously unsettled week on Wall Street as investors spent the first few days either fretting or selling as they waited for the mother of all bellwethers, **Nvidia**, to report earnings on Wednesday night, and for the September jobs report—not a typo, it was delayed by the government shutdown—on Thursday.

Once the news had dropped by Thursday morning, buyers rushed in, giving the all-clear sign, it seemed, after Nvidia's boffo earnings and a robust job report. But fear soon enough took hold, and just like that, as Sarah Jessica Parker might say, the market rolled over.

Then, on Friday, the market took solace in New York Federal Reserve President John Williams being down with a December interest-rate cut.

Still, the causes for the agita are pretty clear. As mind-blowing as Nvidia's P&L is, it wasn't enough to dispel the concerns that surround the artificial-intelligence trade: fundamentally, too much money being spent—up to \$7 trillion of borrowing alone, estimates J.P. Morgan—and not enough return. And as for the jobs report, it wasn't quite as rosy as it seemed.

To be more precise, the underlying fear that had the S&P 500 index spiraling down since its late-October peak didn't seem to be ameliorated by Nvidia reporting record earnings and CEO Jensen Huang assuring investors that there was no AI bubble and that business was booming, even accelerating. And though the U.S. economy added 119,000 jobs in September versus an expected 50,000, that strong growth



BY ANDY
SERWER

could be fodder for interest-rate bears at the Fed, who are against a December rate cut. Meanwhile, the rest of the report read hinky, in that unemployment ticked up to 4.4%, the highest rate in nearly four years, and payrolls were revised downward for July and August.

It all goes to show that traders will find news to fit their mood. So, what we've got here is a failure to be bullish. Instead, we have a worrywart market.

This even applies to Nvidia, which, as *Barron's* Tae Kim writes, is hard to believe, given the numbers the world's most valuable company (some \$4.5 trillion) posted. "Nvidia blew out revenues and earnings, showing they can execute even with sky-high expectations," says Brian Casey, CEO of asset manager Westwood Holdings Group

in Dallas. "Nearly 90% of total sales came from data centers, showing their dominance as the backbone of AI infrastructure. Guidance for the fourth quarter at \$65 billion revenue suggests that the ongoing buildout of the AI infrastructure is not just growing; it is accelerating at a breakneck pace. Gross margins of 75% speak to their pricing discipline at a time that sales are surging. Just a spectacular moment in the history of technology."

And yet fear is just around the corner.

"It feels like guys are terrified that they are going to give the year away and have taken down exposure hard," a Wall Street trader we'll call Big Cat wrote to me. "My instinct is we have a bumpy ride through Thanksgiving weekend and then we get a little Santa rally, but that might be wishful thinking. Crypto guys have been shelled, but no one likes or cares about them. Gonna be an interesting last six weeks of the year."

Leaving aside the catty, ad hominem attacks on our crypto friends (who truly have been shellacked, with Bitcoin now down 30% from its record high on Oct. 6), it's probably healthy to remain wary. The S&P 500, after all, has slipped only 5% from its all-time high of 6890 on Oct. 28. Consider, too, that the eight biggest stocks

(all of them techies)—**Alphabet, Apple, Amazon.com, Broadcom, Meta Platforms, Microsoft, Nvidia, and Tesla**—now account for nearly 40% of the index's valuation (with No. 1 Nvidia at 8%).

Is there any way to justify those relative valuations?

"AI is in a rational bubble," says Allianz Chief Economic Advisor Mohamed El-Erian, whom I spoke with recently as part of our *At Barron's* interview series. "It makes sense to overinvest in it, to overspend on it, because the payoff is enormous." But, he says, there will be a small number of winners: Be wary of "companies that simply put an AI label on what they do and suddenly attract investment that's going to end up in tears."

El-Erian says that AI has pulled up the stock market in two ways—and it can unwind it, too. "One is indexes," he says. "The bigger that the technology names get in the indexes, the more the indexes react, the more they attract money into it. The second one has to do with 'risk compression.' When things start going up, you look for those that haven't gone up yet, foreign stocks, the [small-cap] Russell [2000] index. In credit, you go all the way up the high-yield curve. So, AI has pulled everybody up with them. Some names don't deserve the valuations they have right now. Others do."

To that point, note there is some dispersion among the AI names. A new study by Bank of America shows subgroups of AI stocks moving independently to a degree. (Asian-Pacific AI infrastructure stocks held up well over the past month, while U.S. AI infrastructure underperformed.)

Adam Grossman, global equity chief investment officer of RiverFront Investment Group, says that AI opportunities extend beyond Nvidia and Microsoft, including network security companies like **Palo Alto Networks, CrowdStrike, Fortinet, and Zscaler**, which are "crucial as AI proliferates," as well as businesses involved in building, powering, and cooling data centers like **Caterpillar, Eaton, and GE Verona**.

What about the other 492 stocks in the S&P 500 besides the Exuberant

Allianz Chief Economic Advisor Mohamed El-Erian on the U.S. economy: "We've thrown absolutely everything at it, including a government shut-down, and yet [it] doesn't skip a beat."



Eight mentioned above? Plenty of them are undervalued, says Westwood's Casey, who also points to Eaton, as well as **Knife River**, which produces construction materials like asphalt and builds roads; **Packaging Corp. of America**, which makes corrugated packaging; and electrical components producer **Hubbell**. He acknowledges that they have been painfully underperforming. But Casey is resolute: "When the times get tough, people generally look to find quality." That day may be coming soon.

As of now, though, AI is to the rest of the market what Marcia was to Jan on *The Brady Bunch*. ("Marcia! Marcia Marcia!") All we hear about these days is how pervasive AI is. And it's true to a degree.

Even the slow-burn fall from grace of Larry Summers, the besieged Harvard professor (and, lest we forget, a former president of Harvard, U.S. Treasury secretary, and director of the National Economic Council), thanks to revelations in the newly released Epstein files—tawdry on any number of levels—contains an element of AI-itis. Note that this past week Summers had to step down from the board of OpenAI, to which he had been appointed two years earlier as the grown-up in the room to stabilize the mega-start-up and restore CEO Sam Altman after the company went sideways and the previous board fired Altman. (Summers didn't return a request for comment.)

It appears that AI, even with this market uncertainty, has grown up a bit more than Summers has.

Sure, AI is having a big impact, but in the broader U.S. economy, other factors still hold sway. "We've thrown absolutely everything at it, including a government shutdown, and yet [it] doesn't skip a beat," El-Erian says. "If you had told me at the beginning of the year, with all the shocks we're going to get, we would deliver 3.8% growth in the second quarter, I would say, 'Well, maybe one quarter.' I suspect we did 3% in the third quarter, so it's an incredibly resilient economy, and it speaks to the entrepreneurship and the dynamism of the private sector."

When I asked El-Erian about the Fed, I was gratified to hear him address one of my pet peeves: the dim-bulb types who proudly declare themselves to be data-dependent, full stop.

"Think of how absurd that statement is," El-Erian says, relating it specifically to the Fed. "Monetary policy acts with long and variable lags. That's what we've learned. Data captures the past. So, you're telling me that I'm setting policy for some outcome in the future based on data of the past. Unless I complement that with some strategic view

of where we're going, I am going to be continuously late. And I think that we've seen the Fed continuously late. They were so late in responding to the inflation surge of 2021, it is a miracle that we didn't fall into recession. I remember Chair [Jerome] Powell in August 2022 warning about pain. I remember Bloomberg going with a headline that said '100% probability of recession in 2020,' and that didn't happen."

It's like driving while looking in the rearview, I say to him. "Correct," he replies. "On a curvy road."

El-Erian has long been critical of the Fed sticking with a 2% target for inflation. I asked him if he was going to get a T-shirt that says, "Change the Dang Rate!"

"I'm not going to do that, because that would be a waste of money, because this Fed will not change it," he says, pointing out that this is the fifth year of exceeding the 2% target and that the Fed has said it would exceed that for at least another two years. "I don't believe 2% is the right target for an economy that's going through such fundamental structural change. I think that the equilibrium inflation rate for this economy is 2.5% to 3%, and we're seeing the inflation rate come around there."

So, what should investors look for? El-Erian says the macro is fluid because we are in a world of geoeconomics. "For a very long time, economics was driving the bus," he says. "Now, economics is lucky to be in the back seat. Decisions are being made according to national security, geopolitics, and domestic politics. What investors have to realize is that economic outcomes will have less to do with economic logic and commercial logic. For example, if the administration decides to take ownership in a company, suddenly this company has a lot more partners and its competitors are worse off."

All of this is squarely on El-Erian's radar these days. After a five-year stint as president of Queens' College of Cambridge University in England, he is now happily ensconced in Connecticut, that much closer to his beloved New York Jets, as well as Wall Street and the world's biggest economy. Not that El-Erian was particularly removed anyway, as the former CEO of Pimco and head of Harvard Management was very much on top of all things economic and football (U.S. and British) during his time in the United Kingdom.

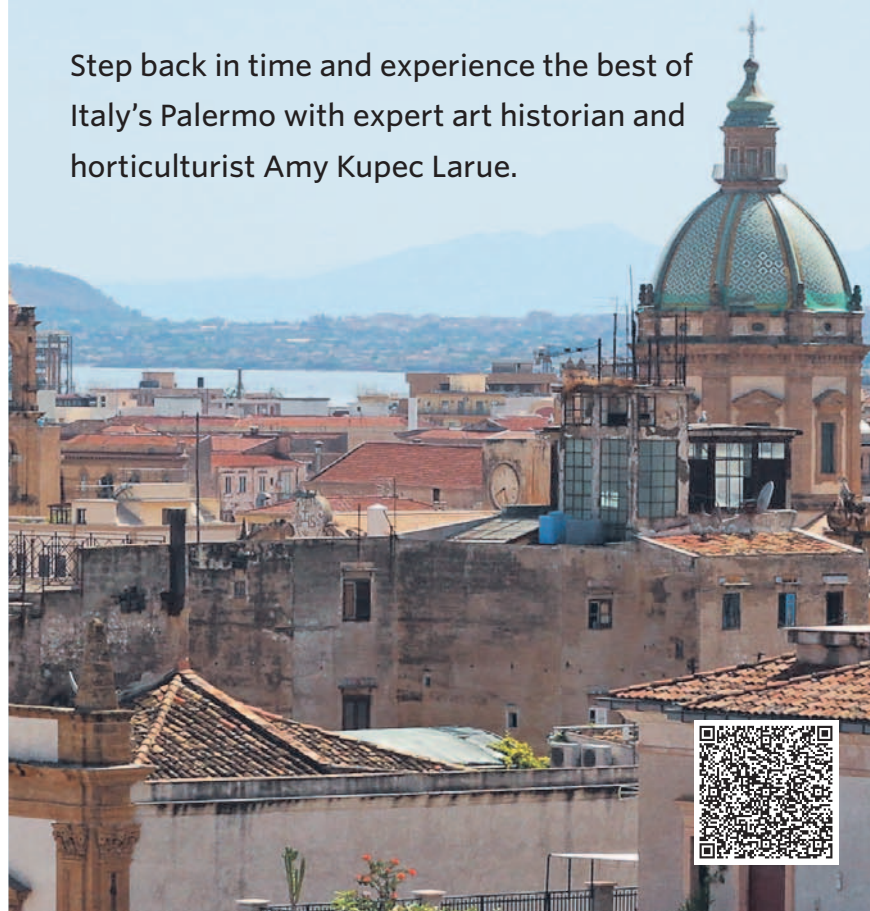
Speaking of football, how could a logical economist like El-Erian root for the hapless Jets, who have the worst record in the NFL over the past decade? "I fell in love with the Jets in 1969, so it's loyalty," he says. "The more interesting question is, why do I hope? I need a psychiatrist for that." **B**

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Sicilian Splendor: Palazzos & Gardens Of Palermo

Renowned for its Greek temples, its Baroque cities and its dazzling multicultural churches, Sicily appeals to history and architecture connoisseurs who want to better understand its rich heritage.

Step back in time and experience the best of Italy's Palermo with expert art historian and horticulturist Amy Kupec Larue.



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STREETWISE

After years of stunning stock gains, splits and no dividend increases, **Nvidia's payment is a penny per share per quarter, with a yield of 0.0002%.**

Behold Nvidia's Penny Dividend. Is It Telling Us Something?

Nvidia's quarterly report answered the question absolutely no one was asking. It was right there on page one, next to the part where sales of artificial-intelligence chips blew past estimates by billions of dollars. Nvidia, we also learned, will leave its dividend unchanged.

I'll pause here for general gasping and shrieking, and murmurs of, "Wait, there's a dividend?"

There is. In fact, Nvidia used to be a decent yielder, and November used to be payment-raising time. After years of stunning stock price gains, splits, and no dividend raises, the payment is a penny a share per quarter, for a yield of 0.0002%, the lowest in the S&P 500. Not that shareholders are complaining—they've made 24,000% in a decade.

Why am I calling attention to a penny? Because Nvidia's dividend tells a broader stock market story. Companies have skimmed on dividends amid an epic bull run for stock prices, leaving the S&P 500's yield of just 1.1% looking like finance's vestigial tailbone—an evolutionary holdover without a clear purpose. This has happened once before, and it didn't end gently for investors.

Dividends are meant to be more than an important part of total returns. The payments tend to hold up much better than paper earnings during market crashes, giving savers income to ride out recessions and layoffs, and a means of reinvesting at lower prices.



BY JACK HOUGH

Let me explain, and at the risk of coming across like a guy building an ark in the desert, offer options for adding dividends at a time of relative scarcity. I'll have to bounce around a little, but don't worry: I'll try to keep it to the past 425 years.

January 1999: Nvidia goes public during a swelling dot-com stock bubble. Dividends are out of fashion. Easy price gains have left investors content to watch companies reinvest their capital into building out the internet economy. The S&P 500's yield will soon bottom out around 1.1%, and payments will fall below one-third of earnings, versus an average over the past century of more than one-half. When the bubble pops, the S&P 500 will lose nearly half its value, and the Nasdaq Composite, more than three-quarters. It will take the Nasdaq, which doesn't include dividends, 15 years to get back to its 2000 peak.

November 2012: Nvidia reports quarterly earnings. There is no mention of AI, only videogaming, plus a side hustle in supercomputing, and an effort to grow in mobile devices. Re-

sults are decent, and there is a rising cash balance, but the stock price is wallowing at less than half its 2007 high. Dividends are cool again, so the company launches one chunky enough to put its yield at 2.4%. The stock gains 8%.

March 1602: Trading companies merge to create Vereenigde Oostindische Compagnie, also known as Dutch East India Company. Joint stock companies that came before it raised fresh capital for each trading voyage, and split the winnings at the dock. Dutch East pioneered dividends, allowing some capital to be retained and recycled. Perpetual stock needed a venue for trading, so the first exchange was created, in Amsterdam. In other words, dividends gave birth to the stock market, not the other way around. Modern accounting and investor trust have reduced dividends to a sideshow, but they used to be the whole point.

November 2019: For the first time since launching its dividend, Nvidia doesn't give shareholders a November raise. Its stock price has been rocketing higher for years on a growing realization that the highly parallel computing used to draw videogame pixels is a good fit for AI, too. The earnings call is filled with mentions of AI and hyperscale data centers. Dividends don't come up.

By now it's fair to ask: Who cares? Nvidia has spent massively on stock buybacks—although not enough to meaningfully reduce its share count. More importantly, the S&P 500 has returned 278% over the past decade,

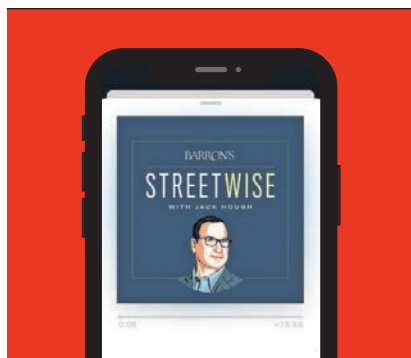
beating the S&P 500 Dividend Aristocrats, a subset of companies with many years of raising payments, by more than 100 points. But that is partly to do with recent valuation bloat. The S&P 500 has plumped up to 25 times projected earnings from 19 times three years ago. If you invested in the Aristocrats index at inception just over 20 years ago, and checked three years ago, you would have made 402%, and beaten the S&P 500 by 80 points.

That's no anomaly. From 1973 through the end of last year, companies that grew or initiated dividends returned an average of 10.2% a year, versus 4.3% for nonpayers and negative returns for dividend cutters and quitters, according to data compiled by Hartford Funds. Since 1960, dividends have contributed 85% of the S&P 500's total returns, such is the long-term power of compounding. The intermediate-term power isn't bad, either; dividends have kicked in 34% of total returns during the average decade since 1940. And during big downturns since 1975, dividend payers lost only 14.4% on average, versus 19.9% for the S&P 500, and 28.2% for nonpayers.

S&P 500 dividends as a percentage of earnings are about to breach the dot-com bubble low. Investors looking to buck the trend can complement their index funds with something like the **ProShares S&P 500 Dividend Aristocrats** exchange-traded fund, which yields 2.2% and costs 0.35% a year. Better yet, there's the **Schwab US Dividend Equity ETF**, which screens for sustainable yield using a more rigorous approach. It yields 3.8% and costs 0.06%, with a portfolio price/earnings ratio of 16.7.

I'm not predicting a market crash. Wait: I'm definitely predicting one. I just don't know whether it will be next week or many years from now. When it happens, expect investors to grow more demanding on dividends. Wall Street estimates that Nvidia will generate over \$93 billion in free cash this year, and \$151 billion next year, after around \$5.5 billion in yearly capital spending. Its dividend costs about \$1 billion. Maybe it's time for a raise. **B**

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In a weekly podcast by Barron's, columnist Jack Hough looks at the companies, people, and trends you should be watching. This is Wall Street like you've never heard before. Subscribe to Barron's Streetwise on Spotify, Apple Podcasts, or your favorite listening app.

REVIEW & PREVIEW

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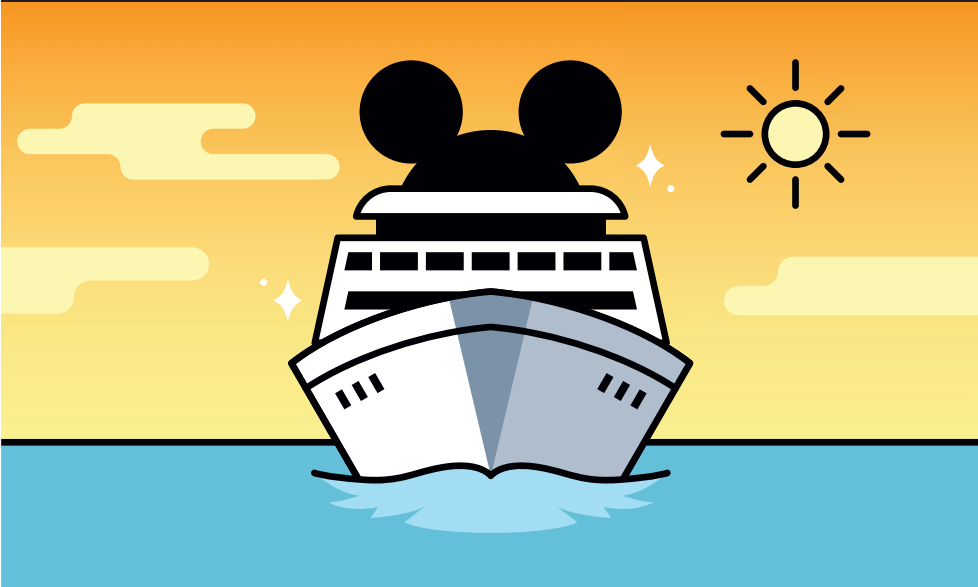
Dow Industrials: - 902.07

727.79

Dow Global Index: - 18.23



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Disney's Sea Adventure

Walt Disney is known for film franchises, television, and theme parks. Now, Mickey is betting big on cruise ships.

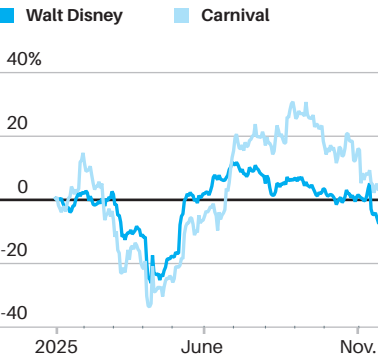
Disney bolstered its fleet with the *Treasure* last year, launched the *Destiny* this past week, and expects its largest ship, the *Adventure*, in March. “Aside from the streaming business, a focal point for Disney investors over the next year is the cruise-line business,” wrote Seaport Research’s David Joyce this past week. The new ships, he said, could add over \$2.8 billion of revenue and over \$500 million of operating income for Disney next year. He rates Disney a Buy with a \$130 price target. The stock closed at \$104.26 on Friday, down 6.4% for 2025.

Cruising isn’t cheap. Disney noted on its fourth-quarter earnings call that fiscal-year capital expenditure increased to \$8 billion from \$5.4 billion, mostly due to fleet expansion. “We’ve made big investments in cruise, and we’re expecting cruise to be a meaningful contributor to growth of experiences...particularly in the second half as we get past the launch costs,” said CFO Hugh Johnston.

This growth counters concerns about theme park demand. Competition is up, particularly after **Com-cast** opened Universal’s *Epic Universe* in Orlando this year. And inflation persists. Disney said on its earnings call that park demand “basically came in line with our expectations,” while cruise demand was “very, very strong, despite the fact we’ve added as much capacity as we have.” — **Angela Palumbo**

Water Sports

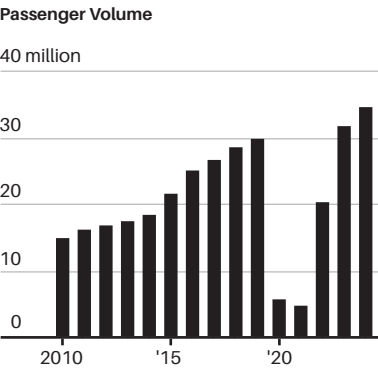
The stock of media conglomerate **Walt Disney** has suffered this year. Cruise line **Carnival** held up until recently.



Source: FactSet

Mostly Fair Winds

The global cruise-line industry has been steadily growing, except for the pandemic years.



Source: Cruise Lines International Association

LAST WEEK

Markets: Investors awaited **Nvidia** earnings as the week began. Bitcoin fell below \$90,000 for the first time in seven months, and stocks sold off. On Tuesday, Nvidia shed 2.8% ahead of its Wednesday earnings call. Nvidia earnings then blew past expectations, CEO Jensen Huang dismissed bubble talk, and delayed September jobs data beat expectations. Stocks promptly sank. On the week, the Dow industrials lost 1.9%; the S&P 500, 2%; and the Nasdaq Composite 2.7%.

Companies: **Walt Disney** ended its standoff with YouTube after 15 days. Bankrupt opioid maker **Purdue Pharma** reached a \$7.5 billion settlement requiring its former owners, the Sackler family, to pay up to \$6.5 billion to victims. Purdue will transfer most of its assets to a new company, **Knoa Pharma**. Elon Musk’s xAI is in talks to raise \$15 billion, for a \$230 billion valuation. A U.S. District judge said **Meta Platforms’** acquisitions of Instagram and WhatsApp didn’t stifle social-media competition.

Deals: **Merck** said it was acquiring **Cidara Therapeutics** for \$9.2 billion, and **Johnson & Johnson** is buying **Halda Therapeutics** for \$3.1 billion... **Akzo Nobel** and **Axalta Coating Systems** agreed to merge, forming a \$17 billion-in-revenue paint company... **Palo Alto Networks** is paying \$3.4 billion for **Chronosphere**... **Warner Bros. Discovery** received bids from **Paramount Skydance**, **Comcast**, and **Netflix**... **Abbot Laboratories** is buying **Exact Sciences**, owner of **Cologuard**, for \$21 billion.

THE NUMBERS

\$13.5T

Current value of U.S. mortgages debt, some 44% of GDP, down 30 percentage points since 2007-09.

14.1%

The U.S. office vacancy rate, near a record high. Of the 12 largest markets, five are at 25-year highs.

\$8T

The amount of foreign-exchange reserves of 11 Asian monetary authorities, up some \$400 billion this year.

51

November reading of the University of Michigan consumer sentiment survey, remaining at a near-record low.

THIS WEEK

Monday 11/24

A strong third-quarter earnings season winds down with a light calendar in a shortened trading week. Roughly 95% of S&P 500 index companies have reported results, with more than 80% of them having beaten earnings-per-share estimates and about 75% surpassing sales expectations. **Agilent Technologies** and **Zoom Communications** announce results on Monday, while **Analog Devices**, **Autodesk**, **Dell Technologies**, **HP Inc.**, **Workday**, and **Zscaler** follow suit on Tuesday. **Deere** holds a conference call to discuss earnings on Wednesday.

Tuesday 11/25

Even though the federal government has reopened, there are still delays in reporting economic data on schedule as older data are reported first. The Bureau of Labor Statistics won’t release another jobs report or consumer price index before the Federal Open Market Committee’s Dec. 9-10 monetary-policy meeting.

The Census Bureau reports retail sales data for September. In August, retail sales rose 0.6% month over month to \$732 billion.

Thursday 11/27

Equity and fixed-income markets are closed in observance of the Thanksgiving holiday.

TECH TRADER

Nvidia trades at just 26 times forward earnings estimates. AMD and Broadcom, the AI competition, trade at 37 and 41, respectively.

Nvidia's Growth Is Picking Up. You Call That a Bubble?

Nvidia delivered the goods once again. The volatile stock reaction is almost beside the point. Amid fears about the sustainability of

the artificial-intelligence buildout, Nvidia reiterated that its growth fundamentals are real, generating the numbers to prove it. More important, the results offer clues that the AI spending cycle has a way to go.

On the topic atop everyone's minds, Nvidia CEO Jensen Huang was defiant. "There's been a lot of talk about an AI bubble," he said on the call. "From our vantage point, we see something very different."

Nvidia's revenue for the October quarter was up 62% year over year to \$57 billion, handily ahead of expectations for \$54.9 billion. Nvidia's data-center business, primarily driven by AI chip demand, grew even faster, up 66% from last year to \$51.2 billion.

Guidance was also robust. For the current quarter ending in January, Nvidia gave a revenue forecast range with a midpoint of \$65 billion, well ahead of analysts' consensus of \$62.2 billion. During the company's earnings call, Nvidia Chief Financial Officer Colette Kress said the guidance doesn't assume any revenue from China, making the outlook even more impressive.

Nvidia, to its credit, is well aware of the doubts surrounding the AI trade. It addressed the concerns point by point on its earnings call Wednesday night, highlighted by Huang's bubble pushback. Kress took on the argument



BY TAE KIM

that some of Nvidia's customers are inflating profits by spreading out depreciation costs over a long period—a claim that *Big Short* hero Michael Burry amplified earlier this month.

Burry, who predicted the 2008-09 financial crisis, said that Big Tech firms are understating depreciation by extending the useful lives of AI hardware to six years, when they have previously depreciated the costs of networking and computing hardware over three to four years.

The longer cycle could inflate profits in the near term, he said. But Kress offered real data to indicate that AI hardware is different, deserving of its six-year useful life.

"A100 GPUs we shipped six years ago are still running at full utilization today," she said on the earnings call.

As to whether demand is slowing, Huang said: "Blackwell sales are off the charts, and cloud GPUs are sold out."

Nvidia shares rallied immediately following the results, but gave up the gains amid a general market selloff during Thursday's trading session.

The stock fell 3.2% Thursday; it's still up 35% for the year.

Day-to-day and week-to-week volatility is difficult to explain. During Nvidia's 10X rally over the past three years, the stock has often sold off after earnings. This latest move could be profit-taking. Macro worries tied to Federal Reserve policy and the falling likelihood of a rate cut aren't helping matters for Nvidia stock.

Frankly, I don't know why the stock fell after such an impressive quarterly report. I do know that following these results, Nvidia is more attractive and inexpensive relative to its growth prospects. The stock trades at just 26 times forward earnings estimates. **Advanced Micro Devices** and **Broadcom**, Nvidia's main competitors in AI chips, trade at 37 times and 41 times, respectively.

There are two positive signals about Nvidia—and the AI trade more broadly—that might be getting lost amid the stock reaction.

For the first time in nearly two years, Nvidia's revenue growth accelerated, suggesting the current AI server product cycle is robust and has at least several quarters to go.

The chip maker is still poised to benefit from the largest product cycle in its history, the 72 GPU rack servers, called NVL72. Those systems, which have only just started shipping in volume, likely explain the sales acceleration that Nvidia is seeing.

Each system costs millions of dollars and incorporates 72 GPUs linked together inside one server rack, up from eight GPUs in the previous model. Customers are eager to purchase the NVL72 servers because

they're far more powerful for AI workloads.

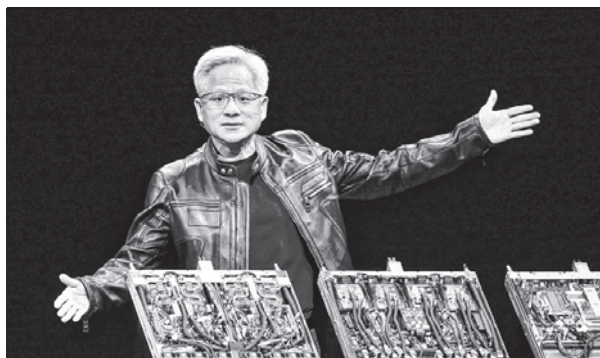
Secondly, Nvidia's networking revenue segment surged 162% year over year. That's an important sign for future demand. An AI GPU cloud executive recently told Bernstein that Nvidia's networking products are often purchased four to six months in advance of data-center buildouts.

Huang remains AI's biggest champion. As the tech industry's longest-serving CEO, he has seen every technology transformation since the PC. He says Nvidia is now benefiting from three simultaneous computing shifts, changes that go beyond any one quarter of results.

The first is the move from CPUs to GPUs for tasks like data processing. The second is AI systems replacing traditional machine-learning workloads for content recommendation and ad targeting. Finally, there is the newest wave of agentic AI applications, including the coding assistant from the start-up Cursor and the legal assistant from Harvey. Huang calls them both the "next frontier" of computing.

"As you consider infrastructure investments, consider these three fundamental dynamics. Each will contribute to infrastructure growth in the coming years," he said.

Of course, at some point the cyclical chip industry will add too much capacity and fundamentals will deteriorate for Nvidia. It may be years away, but I will be vigilant in looking for signs. With Nvidia's revenue accelerating amid rising AI demand, that negative scenario isn't here now, at least not yet. **B**



There's been a lot of talk about an AI bubble," Nvidia CEO Jensen Huang said on the company's earnings call. "From our vantage point, we see something very different."

Strategy Stock Is Scary. Its Preferred Is Worth a Look.

Shares of the “crypto treasury” company have lost more than half of their value over the past year. Here’s where the opportunity lies.

BY ANDREW BARY

Bitcoin is backsliding, and that’s bad news for **Strategy** stock. But it may be an opportunity for investors willing to bet on the company’s preferred securities.

Since its early October peak, Bitcoin has fallen about 30%, to \$85,000, one of its sharpest selloffs in recent years. The decline has been caused by a combination of the stock market’s pullback, the liquidation of leveraged crypto positions, and sales of Bitcoin exchange-traded funds.

While the decline has been uncomfortable for Bitcoin “HODLers,” it has been particularly painful for the company formerly known as MicroStrategy. The term HODL originally resulted from a typo involving the word “holder” from a crypto enthusiast. Fans of the asset class have since embraced it as meaning “hold on for dear life.”

Strategy’s strategy has been to sell common stock, preferred, and debt to buy Bitcoin. It has accumulated \$55 billion worth of Bitcoin, about 3% of 20 million Bitcoins now outstanding.

Strategy’s common stock has slumped more than 50%, to \$171, since late July, leaving it way below its high of \$543 set a year ago. The company, which once commanded a large premium, is now valued at close to net asset value. Strategy has about \$8 billion of convertible debt outstanding. The convertibles are more appealing than the risky common stock.

For investors comfortable with the risks, the best bets are Strategy preferred issues. Preferred stock is a senior form of equity long popular with individuals for its high fixed dividend rates similar to a bond, and favored by issuers, who can miss a dividend without triggering a default. Strategy has

issued some \$8 billion of preferred this year in five separate issues. Like most preferred, the Strategy issues are perpetual, meaning they don’t need to be paid back. The four U.S. preferred issues are actively traded on the Nasdaq and known by their tickers and nicknames: **STRC**, known as Stretch; **STRD**, dubbed Stride; **STRF**, as in Strife; and **STRK**, or Strike.

The Strategy preferreds have been hit in the recent selloff. Their yields are up one to two percentage points over the past six weeks. (The common has no dividend.) The result is that Strategy preferreds now carry dividend yields of 10% to 15%, some of the highest yields in the \$300 billion preferred stock market. By contrast, preferreds issued by big banks like **JPMorgan Chase**, **Wells Fargo**, and **Bank of America** yield about 6%.

While *Barron’s* was bearish on Strategy common stock a year ago at double the current price, the preferreds actually look like a good deal for investors comfortable with crypto risk. Capital Group, the big Los Angeles-based money manager, is a believer, holding over \$1 billion of preferreds. So is Bill Miller, whose **Miller Income** fund holds the highest-yielding Strategy preferred, **STRD**, now around 15%. “Saylor has figured out a way to create debt and preferred structures that appeal to different investors’ risk/reward” tolerances, Miller says, referring to Michael Saylor, Strategy’s chairman and controlling shareholder.

The risk is certainly there. S&P Global Ratings gave the company a low-junk B-minus credit rating, indicating concern about its debt. It didn’t rate the preferred issues, but they probably would have received an even lower rating. S&P cited Strategy’s “narrow business focus, high Bitcoin concentration, and low U.S. dollar liquidity” as risks.

The company needs to make about \$700 million annually in preferred dividend payments and has minimal income to do so. Strategy’s smallish software business operates at close to break-even, and the Bitcoin holdings yield nothing.

Investor Peter Schiff, one of Strategy’s biggest detractors, tweeted recently that the company’s business model “relied on income-oriented funds buying ‘high-yield’ preferred shares. But those yields will never actually be paid. Once fund managers realize this, they’ll dump the preferreds, and Strategy won’t be able to issue any more, setting off a death spiral.”

This critique seems unfair. While the company has been paying the preferred dividends using proceeds from equity sales and has been reluctant to sell any of its Bitcoin, there’s no reason it can’t. With \$55 billion in Bitcoin, Strategy could make preferred dividends for years and pay off its \$8 billion of convertible debt if needed. CEO Phong Le said as much on the company’s third-quarter earnings conference call. “We could sell high-basis Bitcoin to cover our dividend needs on our preferred stock,” he said. In a tweet this past Thursday, Strategy

said that “at current Bitcoin levels, we have 71 years of dividend coverage assuming the price stays flat.” Le and other Strategy insiders have bought several of the preferred issues.

A risk is a collapse in Bitcoin prices, but even then Strategy might be able to make preferred dividend payments. It’s in Strategy’s interest to pay preferred dividends even if it has to sell Bitcoin so that it can retain access to what has become an important funding source. The preferreds also have tax benefits for their holders due to Strategy’s lack of conventional profits. The dividends are considered a return of capital, meaning that taxes are deferred until the investor sells the securities.

The four Strategy preferred issues have different features. The largest deal, the \$3 billion variable-rate Stretch, now trades around \$93, below its face value of \$100, and yields 11%. Strategy’s goal is for the Stretch issue to trade close to \$100, and it adjusts the monthly dividend rate to get there.

Strike has an 8% dividend rate and trades at a steep discount to face value at 75 cents on the dollar, for a current yield of 11%. It’s convertible into a tenth of a share of Strategy equity—an option that is now way out of the money but has some value.

Strife, which carries a 10% dividend rate, trades around \$94 and yields 10.5%. It’s the most secure preferred because the dividend increases if a payment is missed. The most junior—and riskiest—preferred is Stride, which has a 10% rate and trades around \$67 for a yield of almost 15%. Stride is the only one of the four that is noncumulative, meaning that the issuer doesn’t need to make up for missed dividends.

Bitcoin isn’t for everyone—nor are Strategy’s preferreds. But for investors comfortable with crypto, the Strategy securities offer a high-yield play with a lot of assets behind them.

In fact, they may even be worth HODLing. **B**

Michael Saylor, chairman and co-founder of MicroStrategy, has created “debt and preferred structures that appeal to different investors’ risk/reward,” says one income pro.



Strategic Investment

Strategy’s preferred securities are the preferred way to play the company.

Preferred Ticker (type)	Recent Price*	Current Yield	Amount Outstanding (billion)	Dividend
STRC (Variable-rate)	92.59	11.3%	\$3.0	Cumulative
STRF 10% (Senior)	93.84	10.5	1.3	Cumulative
STRK 8% (Convertible)	75.56	10.7	1.4	Cumulative
STRD 10% (Junior)	66.58	14.9	1.3	Non-cumulative

Note: *Percentage of face value of \$100

Sources: Bloomberg, company reports



Tiny Stocks From Asia Are Flooding the U.S.

Dozens of small companies incorporated abroad have appeared on the Nasdaq stock exchange in recent years. Why you should steer clear.

BY NATE WOLF

On July 28, Chinese health-care company **Pheton Holdings** closed at a record \$30.96 a share, giving it a market capitalization of more than \$200 million. With less than half a million dollars in annual sales, no profits, and no significant news, the stock had jumped nearly 700% since its initial public offering in September 2024.

Then it all came tumbling down. Shares plummeted 95% on July 29, then another 33% the next day. They have traded below \$1 since August and are now at risk of being delisted.

Pheton's demise isn't an isolated incident. Dozens of small companies incorporated in Caribbean tax havens and operating in China, Hong Kong, and Southeast Asia have flooded onto

the Nasdaq stock exchange over the past few years. Some appear to have been relentlessly touted by unofficial and pseudonymous investor groups, according to documents and chat logs reviewed by *Barron's*.

While exchanges and regulators have taken steps to thwart potential market manipulation attached to such stocks, new companies continue to list. Anyone playing in the already volatile small-cap arena should be on alert to avoid getting burned.

As of mid-October, 490 companies based in China or Hong Kong have listed on the New York Stock Exchange or Nasdaq since 2001, according to data compiled by Jay Ritter, a finance professor at the University of Florida. Around 29% of those listings have come since 2023, with 2025 already setting a record for volume.

The pace has picked up for penny stocks, in particular. From 2001 to

2022, about 6% of the offerings tracked by Ritter raised less than \$10 million. Since 2023, more than three-quarters have been below this threshold. These are tiny companies—hot pot restaurants, event planners, obscure consulting firms. Dozens of IPOs from Indonesia, Singapore, and elsewhere in Southeast Asia have joined them.

Several dozen listers have doubled or even tripled their share prices on their first trading days, says Angelo Bochanis, a researcher at Renaissance Capital. A handful, like Pheton, have surged afterward.

"These sharp surges are often short-lived," Bochanis warns.

Of the 20 largest single-day percentage declines on the NYSE or Nasdaq in 2025, eight have been foreign companies that went public in 2023 or later, according to Dow Jones Market Data. Two others first listed in 2022.

Institutional investors avoid these stocks, Ritter says. But retail investors are sometimes lured in by social-media groups promising hefty short-term returns.

One WhatsApp group claiming to be affiliated with a Seattle-area investment advisor repeatedly touted Pheton in the months leading up to its decline, according to chat logs reviewed by *Barron's*. One unattributed presentation shared in the group claimed that **Gilead Sciences**, the drugmaker, would purchase a 30% stake in Pheton and take two board seats. "Invest in health, for a life of wealth," the presentation said.

At the end of 2024, Pheton, which develops a type of radiotherapy used in treating cancer patients, reported only 10 full-time employees and \$448,196 in annual revenue. It hasn't turned a profit since 2022.

The relentless promotion contin-

ued until Pheton's collapse on July 29, which one of the WhatsApp group's leaders blamed on "significant short selling pressure." Earlier that day, markets analyst Edwin Dorsey published a report warning that Pheton was likely "being manipulated by overseas stock manipulation groups and is at risk of a near-term, severe stock collapse."

A Pheton spokesperson told *Barron's* the company "was not aware of and didn't authorize any promotional activities on platforms such as WhatsApp or elsewhere." It became aware of those groups after the selloff, the spokesperson added. The company said it had never had a relationship with Gilead. And Gilead itself told *Barron's* it hasn't disclosed any business relationship with Pheton.

In a separate WhatsApp chat reviewed by *Barron's*, advisors spent the second half of September recommending a microcap from Singapore called Smart Digital Group. They said the stock, which listed on the Nasdaq in May at \$4 a share, would rise to between \$45 and \$55 within a couple of months.

That didn't happen. Smart Digital shares closed at \$13.61 on Sept. 25 before plummeting 86% the following day. These WhatsApp promoters similarly blamed the carnage on "malicious short sellers."

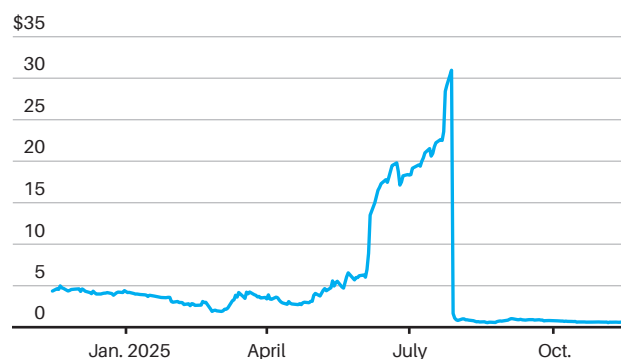
The Securities and Exchange Commission suspended trading on Smart Digital shortly thereafter due to "potential manipulation." The company said in a regulatory filing that it received a request for information from Nasdaq and that it "has not participated in any price manipulation activity and will fully cooperate with both the SEC and Nasdaq." Smart Digital didn't respond to *Barron's* requests for further comment.

Regulators and exchanges have taken steps to address this phenomenon. The SEC set up a task force in September to crack down on securities-law violations related to foreign-based companies. It can also suspend trading, which it has done for a handful of Asia-based penny IPOs this year alone.

Nasdaq, meanwhile, submitted a proposal to the SEC on Sept. 4 to expedite its delisting process, set a \$25 million minimum offering threshold for companies principally operating in China, and introduce a \$15 million public float requirement for all new listings.

The Anatomy of a Collapse

Pheton Holdings plummeted in late July



Source: FactSet

The SEC has yet to approve the rules—a process that can take months even when the federal government hasn't been shut down. Nasdaq declined to comment, and the SEC didn't respond to *Barron's* interview requests.

Meanwhile, overseas penny stocks continue to list on Nasdaq. A company called Platinum Analytics Cayman, for instance, surged out of the gates after listing on Sept. 22. Less than two weeks later, the SEC suspended trading because of suspected promotion on social media designed to inflate the share price. The company said it hadn't participated in any price manipulation.

Plenty of IPOs around the world will turn out to be decent investments. Most are trustworthy enterprises, even if they are riskier than your average S&P 500 constituent. Investors can watch for a few warning signs, though.

First, these companies often float a small portion of their already small number of outstanding shares. Pheton offered 17%, and some offer 15% or less. Even without manipulation, small floats can cause outsize volatility and leave investors vulnerable to big sales by major stockholders.

Second, watch for corporate structures that make tracking various shareholders and transactions more difficult. Many of the most befuddling stocks reviewed by *Barron's* are holding companies incorporated in the Cayman Islands or the British Virgin Islands with investors or subsidiaries that are also Caribbean holding companies.

In its prospectus, the Cayman-based Pheton says it controls a British Virgin Islands-based company, which controls a Hong Kong-based company, which controls a Chinese holding company, which in turn controls an operating business in Beijing developing the cancer treatments. That setup can make sense for a large multinational, but it is unusual for a company with 10 employees.

This information, which might steer investors away from the market's riskiest assets, is available in the prospectuses companies file with the SEC. But the allure of a post-IPO surge or the hype on social media can sometimes distract from proper due diligence.

Hundreds of foreign penny stocks without much substance behind them have found a home on U.S. markets in recent years. Plenty more are on the way. Few deserve a place in your portfolio. **B**

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LPGA Hall of Fame Member
Olympic Gold Medalist



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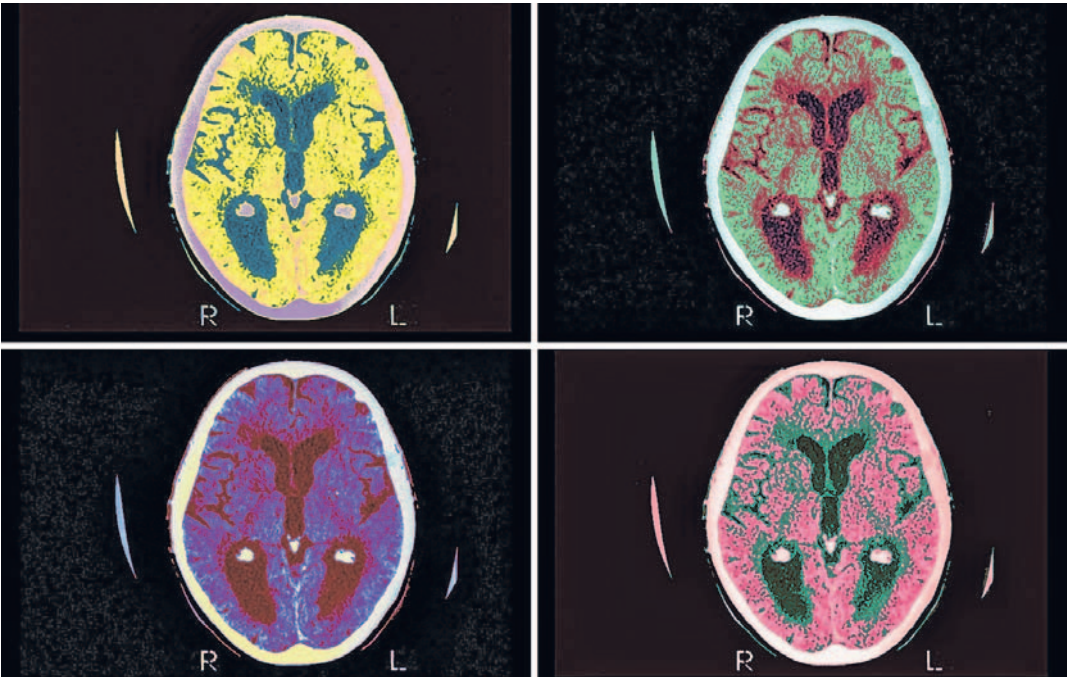
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Bristol Myers Squibb Stock Is Too Cheap to Ignore

The drugmaker trades at seven times earnings, with multiple growth drivers.



A brain scan of an Alzheimer's patient.

BY DAN VICTOR

For Big Pharma, the triumph of developing a new lifesaving blockbuster drug that generates billions in revenue is inevitably followed by the reality that drug patents have an expiration date. Competition from generics entering the market can quickly erode demand and roll back years of success. It's a challenge that **Bristol Myers Squibb** is navigating in real time as it faces a sharp drop in sales of Revlimid, a leading treatment for multiple myeloma that lost patent protection in 2022. Other flagship products approaching their loss of exclusivity in 2028 include Eliquis, a blood thinner, and the intravenous formulation of the cancer immunotherapy Opdivo. These uncertainties over the company's

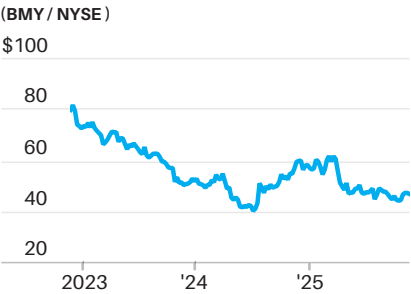
growth engine have weighed on the stock, which dropped 40% over the past three years. Recent setbacks, including failed clinical trials for experimental drugs and disappointing attempts to expand indications in some existing products, haven't helped. Still, any notions that the Princeton, N.J.-based company is on life support are almost certainly exaggerated. Its new generation of therapeutics supports a more positive long-term outlook. Investors today have the opportunity to buy this beaten-down innovator that appears fundamentally undervalued. Trading at just 7.5 times earnings, and with a hefty 5.4% dividend yield, shares of Bristol are a good bet. A major 2024 restructuring, targeting \$3.5 billion in cost savings by 2027, is starting to bear fruit. The company recently reported its third-quarter financials, highlighted by a 3% year-

over-year increase in revenue, a figure that beat expectations, and a record \$6.3 billion in operating cash flow. The result was particularly impressive considering that sales of Revlimid fell 59% in the quarter. The company's strength lies in its diversification, with its portfolio of more than 30 products and an extensive pipeline across hematology, oncology, cardiology, immunology, and neuroscience. Growth products now represent a majority of the business, accounting for 57% of total sales and \$6.9 billion in revenue in the third quarter. That's an increase of 18% year over year, more than offsetting a 12% decline from the legacy portfolio. Management's strategy is two-fold: Maximize legacy drug profit while aggressively accelerating new therapeutics adoption. The company aims to convert 30% to 40% of its Opdivo business ahead of the loss of exclusivity to a new patent-protected subcutaneous formulation known as Opdivo Quantig, which introduces several patient-centric enhancements. With Eliquis, Bristol plans to offer deep discounts in a direct-to-patient program to preserve sales volume even as generics arrive. In terms of new growth drivers, Bristol's Breyanzi has emerged as its newest oncology blockbuster, crossing \$1 billion in annualized sales this year and a 60% revenue increase in the third quarter. The early success of its antipsychotic Cobenfy is also promising. The treatment has been approved to treat schizophrenia and is being tested for Alzheimer's. Unlike traditional antipsychotics that block dopamine receptors, Cobenfy targets separate proteins to indirectly modulate dopamine system hyperactivation, a groundbreaking mechanism that avoids some seri-

ous side effects and the dreaded black box warning of increased mortality common in existing treatments. The total addressable market for schizophrenia treatments is estimated at \$17 billion by 2031. Cobenfy has already delivered \$105 million in revenue thus far in 2025, with a rapidly rising number of prescriptions as physicians transition patients. Piper Sandler analyst David Amsellem has a constructive view. "There is more upside potential associated with favorable data than downside risk associated with negative results in light of the magnitude of the opportunity," he wrote in a recent note. At the same time, Amsellem argues that the market's narrative about Bristol should cover more than any single therapeutic. A handful of Phase 3 readouts from smaller "under the radar" products like admilparant and mezigdomide are pending for 2026. Piper Sandler maintains an Overweight rating on the stock with a price target of \$62, implying 34% upside from a recent price of \$46.25. Key risks include management's ability to execute its growth strategy or a negative regulatory surprise. Either of these could force an outlook reassessment. The bullish investment case is simple. Expectations are low, with a sense that the most pessimistic scenarios are more than priced in. According to Wall Street estimates, the company is expected to achieve adjusted earnings per share of \$6.50 this year, a level that is seen declining modestly from 2026 to 2028, given the shifting portfolio profile. Earlier this year, CEO Christopher Boerner set a goal for the company to "exit the decade as one of the sector's fastest-growing companies," promising to bring 10 new medicines to the market by 2030. The kicker: Bristol's forward price/earnings ratio of 7.5 stands out as a bargain next to pharmaceutical peers like **AbbVie**, **Amgen**, **Merck**, **Pfizer**, and **Sanofi**, which trade with an average earnings multiple of 12.5. In essence, Bristol is discounted to the point where investors are essentially paying for the growth portfolio, while getting the legacy products as a bonus. Shares of Bristol also offer a compelling dividend yield, well above the industry average of less than 4% for major drugmakers. A solid and underleveraged balance sheet provides confidence that the payout is sustainable, making it an attractive income idea. **B**

Bristol Myers Squibb

Pharmaceuticals developer



Note: E=estimate

52-Week Change	-21.4%
Market Value	\$93.2 B
2026E P/E	7.6
Dividend Yield	5.4%

Sources: Bloomberg, FactSet

INTERNATIONAL ROUNDTABLE

Europe Beckons: 12 Stocks To Ride the Revival

•

More spending, higher interest rates, and fresh innovation are putting European markets back on investors' map. Our international roundtable sizes up the winners.

•

BY RESHMA KAPADIA

Non-U.S. stocks are enjoying the strongest rally in 30 years, attracting even those U.S. investors who usually have little interest in overseas markets. The good news: It isn't too late to get on board, especially in Europe, where stocks are responding to slow but meaningful

policy shifts that should boost corporate earnings next year.

The MSCI Europe index is up 27% year to date in U.S. dollar terms, beating a 12% gain in the S&P 500 index and ending a long period of underperformance. European stocks averaged a total annual return of 6.8% in the past 15 years, less than half the return of the S&P 500.

Barron's recently convened a group

Matt Burdett, manager of the **Thornburg International Equity** and **Thornburg Investment Income Builder** funds, **Thornburg Investment Management**

of Europe-focused investment experts to size up the outlook for European markets after this year's historic run. These pros see more gains in 2026, fueled by the normalization of interest rates, which will help financials; increased spending, especially on defense; and homegrown artificial-intelligence innovation, which is spurring demand for semiconductors and electricity to power the Continent's data

centers. What's more, they highlight 12 stocks that stand to benefit from these trends.

Our panel, which met at *Barron's* offices in New York, includes Matt Burdett, director of equities at Thornburg Investment Management and manager of the **Thornburg International Equity** and **Thornburg Investment Income Builder** funds; Osman Ali, manager of the **Goldman**



Sachs International Equity Insights fund and global co-head of quantitative investment strategies for Goldman Sachs Asset Management; Julian McManus, who manages the **Janus Henderson Global Select** and **Janus Henderson Overseas** funds; and Davide Oneglia, senior economist at GlobalData TS Lombard.

An edited version of the conversation follows.

Barron's: European stocks are having a good year. What is driving the rally, and what accounts for the change in investors' attitude?

Davide Oneglia: For a long time, Europe has been stuck in a lull. The economy had a shallow recovery from the double-dip recession of 2008-09, followed by the European debt crisis. Monetary policy was very loose and couldn't revive the economy—and fiscal policy was stuck in austerity [mode].

Now, we are emerging into a different environment: The monetary and fiscal policy mix is much more normal. Germany is pledging to spend seriously, providing a tailwind for investment. There is also a recovery in consumption because wage growth is much higher than prepandemic levels and labor markets are tighter. Finally, we have emerged from a period of extremely low interest rates, letting investors get decent returns. Equity valuations haven't adjusted to this shift yet.

Osman Ali: The European market hasn't performed as well as the U.S. market [in the past decade] in part because of portfolio construction: The European market is 25% financials. Sixty percent is some combination of financials, healthcare, and industrials. About 35% of the U.S. market is tech, compared with 8% of the European market.

With the tech renaissance in the past 10 years, it has been easy to look at the U.S. market and say it's a great place to invest. But if you take the Magnificent Seven stocks [**Alphabet**, **Amazon.com**, **Apple**, **Meta Platforms**, **Microsoft**, **Nvidia**, and **Tesla**] out of the S&P 500, it has gained less than Europe over the past five years. There have always been ways to make money in Europe, and that's particularly true now, as the sectors that make up the majority of the European market are well positioned.

Why are they well positioned for gains?

Matt Burdett: Europe had negative

interest rates after the financial crisis, which crushed earnings for financials, the largest sector in the index. Now, the rate environment is much more normal, as discussed.

European banks are seeing some of the best earnings revisions. People forgot that when you have normal policy rates, you can make money on deposits and in lending. There is a valuation argument [for the market], but also an earnings argument.

Julian McManus: If Europe is to grow and be self-sufficient, the banking system must be part of the solution to accommodate the changes needed in Germany—and across Europe.

Capital has been built up as a result of overregulation. After the financial crisis, the European Central Bank not only stipulated higher capital requirements for banks but also required them to pay 10% of their earnings every year into a rainy-day fund. Tier 1 capital ratios now are sitting around 15%, higher than they need to be.

It is estimated that for every 1% cut to capital requirements, there could be 100 billion euros [\$116 billion] of credit growth in Europe. This is going to be powerful for the broader economy, but also for European banks. There is still a lot of earnings acceleration ahead. It has been only partly reflected in bank shares.

What is driving Europe's push toward greater self-reliance?

Oneglia: A more adversarial U.S. administration has left European policymakers with a sense that they are alone to fend for themselves. Also, China is rising as a major industrial rival to the core of [Europe's] manufacturing sector, where Germany dominated and is now trying to play catch-up. Add the overlay of the Russian invasion of Ukraine, which is wreaking havoc with the European energy-supply balance, and there has been a realization that Europe is punching below its weight.

The European economy is big, but it needs to be integrated further to leverage its size. For example, there is a lot of research and development in Europe, and smart entrepreneurs. But to get the funding and scale to prove a concept, they need to come to the U.S., which is a single market, instead of 20 different governmental authorities. [European] politicians are addressing these issues, including finding a simplified way for companies to incorporate. There is a bigger push toward integrated capital markets.

Which banks could benefit from these shifts?

McManus: **Banco Bilbao Vizcaya Argentaria**, or BBVA, in Spain and Austria-based **Erste Group Bank**, which is exposed to Central and Eastern Europe, are both seeing robust loan growth. If their capital requirements are reduced, loan growth can accelerate further.

These banks are trading at single-digit price/earnings multiples and just above book value. That's higher than not so long ago. But before the financial crisis, they were generating a 15% to 20% return on equity and trading at two times book. With earnings acceleration, more capital generation, and still-depressed valuations, there is a long way to go.

Burdett: **BNP Paribas** is more of a value play. There has been some news around litigation risks in the U.S. [related to services the bank provided in Sudan through its Swiss subsidiary. The Swiss government has said the claims have no legal basis.] That forced a recent selloff in the stock.

But BNP is a big, incumbent Euro-

pean bank with operations across Europe. If you think about Europe's push for self-reliance in the coming years, deeper capital markets are going to be a part of that. BNP should be able to take advantage of that, and it isn't reflected in earnings [estimates].

How far along is the push to lower banks' capital requirements?

McManus: It is being discussed at policymaking levels right now. But it isn't just capital requirements that could be relaxed. Merger-and-acquisition activity is on the rise across European banks and banking unions, and regulation could be eased on several fronts to spur growth.

Oneglia: Having deeper capital markets with a more developed pension sector can help finance some of Europe's policy priorities, such as infrastructure, without impairing national budgets. The problem: Europe is slow. Until you see it happening materially, it is hard for the market to price it. But my conviction is high because there is no alternative, including politically.

Davide Oneglia, senior economist at GlobalData TS Lombard



Defense companies have done well amid this self-reliance push. Is there more upside in European defense stocks?

McManus: We are still constructive on **BAE Systems**, formerly British Aerospace. The platforms they are on and the programs they are involved in aren't just short term, or related to helping Ukraine. These are programs that will be growing for 20 to 25 years. Historically, investors viewed BAE as a 2% grower. Now, it's growing by more like high-single digits, with improving margins, and the stock still doesn't fully reflect that.

Ali: We have been overweight aerospace and defense for three-plus years, leading up to the Russian invasion of Ukraine. We were at a conviction level of three or four out of 10, playing that through **Kongsberg Gruppen** in Norway, **Thales** in France, and **Rheinmetall** in Germany. That is one of the things about Europe: Each country has its own play on a theme, providing a diversified set of stocks so you don't have to bet on just one or two.

Our conviction level rose to a six or seven last year because of chatter [signals] in our quantitative investment models, and data from supply chains that indicated more demand for defense products from the U.S., even before Europe's stepped-up armament plans. We bought shares of **Safran**, the French aerospace and defense company; **Leonardo** in Italy; and picks-and-shovels companies that supply the industry.

Our conviction has since come down to a five, given valuations and how much the stocks ran up, but we don't see this theme as something to step back from.

What do valuations look like in the aerospace and defense sector?

Burdett: We are sellers rather than buyers at this point. We have owned Rheinmetall but reduced that stake over time. A lot of the [increased spending by Germany] has been reflected in the valuation.

Ali: The entire sector is trading at a premium to its own history, and the stocks are up 40% to 50% this year. But in Europe, we put a 20% weight on relative valuation and a 60% weight on whether a stock is exposed to some underlying theme.

The tendency for valuations to pull you back in Europe [via a selloff in the shares] is far less than in Japan, where you have to be a lot more careful about

valuations. The culture is different, with more of a collective mind-set in Japan, and things there tend to revert to the mean. In the U.S., it's the opposite: No one seems to care about valuations. Europe is somewhere in the middle. Themes are more important in Europe.

How significant is Europe's planned shift in spending?

Oneglia: Just the physical and green infrastructure planned by the German government is a bit more than 1% of gross domestic product over the next 12 years. The Marshall Plan, by comparison, was 1% of gross domestic product a year. And this doesn't include the money that could go toward defense, theoretically about 3% of GDP a year. It's a lot of money.

The real question for markets is the timing of this stimulus. Everyone has bought into the idea that this is going to happen. [German Chancellor] Friedrich Merz's career essentially depends on this plan. Germany has changed the rules for its own fiscal debt brake, a big step.

Would I have hoped to see faster improvements? Yes, but we are still in the phase of a reasonable delay. Our expectation is to see more movement in the first quarter of 2026. The German government just approved a list of measures to cut red tape that should hasten deployment.

While Germany may be spending more, Chinese consumers are spending less as their economy struggles and China's property downturn lingers. What does that mean for the European luxury companies that cater to Chinese shoppers?

Ali: There is a time to be overweight and a time to be underweight luxury companies such as **LVMH Moët Hennessy Louis Vuitton** and **Richemont**, usually with a six- to nine-month cadence. We time our positions in and out based on data beyond the themes or sentiment we pick up from our quant models. Right now, some of our signals indicate that sentiment improved since June but remains at a level lower than what we have seen as necessary for financial results to follow.

There are news reports that LVMH and Richemont are noticing increased demand, but we aren't seeing it yet, so we aren't leaning into it too heavily. Rather, we are opting to reduce risk to these types of companies.



Osman Ali, manager of the Goldman Sachs International Equity Insights fund and global co-head of quantitative investment strategies, Goldman Sachs Asset Management

McManus: While Chinese luxury sales are still slightly down for the year, they are down much less than the declines seen earlier in the year. That improvement is being reflected in stocks such as LVMH, which we own. You also have to keep an eye on the property market, which is a big store of wealth. While prices are still declining, they are declining less than before.

Burdett: During the Covid-19 pandemic, China went through lockdowns on a scale that most people here wouldn't comprehend. Also, the

trade war has been ramping up. The Chinese Communist Party has tried to boost consumption to a larger share of the economy, but animal spirits are in a box. There are signs that things are becoming incrementally less bad. There is a lot of pent-up demand among Chinese consumers, and European luxury brands are still sought after.

Chinese companies are increasingly going global. What does that mean for European multinationals?
McManus: There are going to be Chi-

12 Ways to Play Europe's Rebound

European markets are performing well this year, and the stage is set for further share-price gains, backed by growth in corporate profits.

Matt Burdett

Manager, Thornburg International Equity and the Thornburg Investment Income Builder funds

Company / Ticker	Recent Price	12-Month Change	Market Value (billion)	2026E P/E	Dividend Yield
BNP Paribas / BNP.France	€66.69	10.4%	\$86.2	6.0	11.1%
Roche Holding / ROG.Switzerland	CHF306.70	21.0	311.9	14.9	3.1
Enel / ENEL.Italy	€9.00	34.4	106.0	12.7	5.2
Orange / ORA.France	13.96	41.7	43.0	11.3	5.5

Julian McManus

Manager, Janus Henderson Global Select and Janus Henderson Overseas funds

Company / Ticker	Recent Price	12-Month Change	Market Value (billion)	2026E P/E	Dividend Yield
Banco Bilbao Vizcaya Argentaria / BBVA.Spain	€17.60	86.7%	\$117.4	9.2	4.1%
Erste Group Bank / EBS.Austria	88.05	64.6	41.8	9.5	3.4
BAE Systems / BA.UK	£18.05	39.3	71.2	21.5	2.0
LVMH Moët Hennessy Louis Vuitton / MC.France	€611.30	3.9	352.2	25.4	2.1
ASML Holding / ASML.Netherlands	865.60	37.5	388.9	33.0	0.8

Osman Ali

Manager, Goldman Sachs International Equity Insights fund

Company / Ticker	Recent Price	12-Month Change	Market Value (billion)	2026E P/E	Dividend Yield
Safran / SAF.France	€299.20	37.1%	\$146.7	28.3	1.0%
Leonardo / LDO.Italy	50.16	101.6	33.6	21.9	1.1
Infineon Technologies / IFX.Germany	33.04	10.9	50.0	20.5*	1.1

Note: E=estimate. * Estimate for fiscal year ending in September 2026.

BARRON'S

The U.S. market has become synonymous with Big Tech. What AI-related opportunities do you see in Europe?

Ali: Lithography is an important part of creating semiconductors, and there is only one company, Netherlands-based **ASML Holding**, that does it. In Germany, we own a collection of companies that contribute to the semi ecosystem, such as **Infineon Technologies**.

Tech has been the most volatile theme in Europe amid the questions about the amount of capital spending going into sought-after chips. The concerns were most elevated earlier this year and still exist, but the AI theme is almost becoming too big to fail. The amount of effort and energy going into standing up data centers has given the AI theme a life of its own.

McManus: All roads lead through semiconductors and the companies that do things no one else can do, which isn't reflected in the valuations of companies such as ASML.

We value ASML using a combination of price/earnings multiple and discounted-cash-flow analysis, based on earnings per share for 2027 and

beyond, because that is when the semiconductor industry will move to process nodes that will become increasingly lithography-intensive. That is a plus for ASML, whose EUV [extreme ultraviolet] lithography tools are highly profitable. One way to think about upside is that a price/earnings ratio of 30 times on 2027 earnings per share of €34 would yield a price of €1,020, or 15% higher than today—and growth is likely to accelerate further over the next decade.

It will be interesting to see if restrictions [on U.S. tech exports to China] get relaxed because China has the upper hand in trade negotiations and leverage with [its dominance of critical minerals] and rare earths. No matter what Treasury Secretary Scott Bessent says, it's going to take longer than one or two years [for the U.S. and allies] to build out a rare earths supply chain.

The U.S. has restricted the sale of certain ASML technology to China. How has that affected the company?
McManus: Last year, ASML had to cut its outlook for Chinese orders in half [because of the restrictions].

nese champions you want to own or keep an eye on—like CATL [**Contemporary Ampere Technology**] and **BYD**. German auto makers have a problem on their hands from Chinese competition.

Burdett: The Chinese innovation engine has been dramatic in a historical sense. In autos and electric vehicles they are a leader, even though we can't buy Chinese cars here. That is a problem for the established auto makers [in Europe].

But think about biotechs. I used to be a chemist, and half the people in my lab 20 years ago were from China. There is a lot of innovation coming out of China. The drug industry has done a better job of embracing and integrating the Chinese research-and-development engine with collaborations. There aren't only victims of Chinese innovation—there are also beneficiaries. Developing new drugs is hard; you need lots of shots on goal.

Do any European pharma benefit specifically from collaborations with Chinese companies?

Burdett: Not specifically, but I like **Roche Holding**. There was some excitement about the stock when the company bought some diabetes and

obesity assets. It has since burned out. Now, Roche is trading for less than 13 times next year's forward earnings.

Roche is unique among pharma companies in that it has a diagnostics business, which can inform the drug side of its business. It recently came out with a blood test for Alzheimer's and has an Alzheimer's drug, trontinemab, in Phase 3 trials, with data expected in 2028. Alzheimer's used to be the gold mine of the drug industry before obesity treatments. You aren't paying for the Alzheimer's opportunity in the stock at this kind of valuation.

McManus: European pharma has a lot of value and underappreciated drug pipelines. What is keeping people on the sidelines is policy uncertainty. The Trump administration has taken an unconventional approach in using tariff threats and other measures to try to cut the Gordian knot of high drug prices and excessive healthcare expenses. Companies are striking deals one-on-one with the U.S. As that provides clarity, [the opportunities] become more interesting.

Julian McManus, manager of the Janus Henderson Global Select and Janus Henderson Overseas funds, Janus Henderson



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What nontech beneficiaries of the AI theme look interesting to you?

Burdett: The hyperscalers are going to spend \$550 billion to \$600 billion a year on the data-center buildout, compared with \$100 billion two or three years ago. McKinsey estimates that the incremental power needed for data centers over the next five years will be 126 gigawatts. By comparison, French utility EDF [Electricité de France] has 56 nuclear reactors that power about 75% to 80% of all French power, or 62 gigawatts—less than half that needed for AI and non-AI data centers.

This gets at the demand for power at a time when Europe has already been on an energy transition [toward renewables]. Utilities are our second-largest overweight. The energy transition results in more volatility in power prices. An integrated utility can make money from volatility because it has customers, generation assets, and distribution to move the power to where it's needed.

We own Italy's **Enel**, which trades for less than 13 times earnings. U.S. utilities trade for about 22 times. Enel has been trying to be more efficient and is buying back shares, while most U.S. utilities issue shares to fund operations.

Ali: Shareholder yield in Europe is 5%, much higher than in other markets. The aggregate demand for power over the next 10 years from all the data-center contracts on which hyperscalers are bidding is almost equivalent to the current power demand in all of the European Union.

Some of that has to be discounted, since everyone is bidding for multiple contracts and all of them won't be approved. But European power demand is rising after having fallen for the past few years, and that's a positive for utilities. Plus, because of climate change, there is more demand for air conditioning in Europe. And that's a positive for utilities.

Burdett: We also own French telecom **Orange**, which trades at about six times enterprise value to Ebitda [earnings before interest, taxes, depreciation, and amortization]. The fourth telecom operator in the industry is struggling, so the other three—including Orange—have made an offer to buy the assets. We could get a quasi-consolidation in the market, which would help the competitive dynamic and lead to a better revenue pool.

Telecoms have been a graveyard for many years, mainly because of regulatory pressure. But as you think about self-reliance, digitalization, and the AI push, you need good networks to monetize all of that. Plus, Orange is going to buy out its Spanish joint venture, consolidating its Spanish business, which is also improving. You're going to get a growing cash-flow stream over time in a market that is getting better.

What other positive catalysts are there for the broader European market?

Ali: European investors don't own European equities as much as U.S. investors own U.S. equities. Less than 60% of European equities are owned locally, compared with more than 80% in the U.S. When we talk about European markets rising on the back of investment flows, it is largely foreign flows.

There is a conversation with asset managers in Europe and an effort to convince them to move clients' capital out of bonds. The culture is one of risk aversion. Imagine the catalyst for European equities if Europeans adopt home bias.

Oneglia: There have been reports that the Germans, who tend to be risk-averse, are coming to the German stock market in greater numbers than previously.

One of the drivers [for foreign stocks] in the first part of the year was the view that erratic policy and some self-inflicted [tariff] damage in the U.S. could result in dollar weakness. The dollar sold off at the same time as the stock market as people tried to hedge themselves against the dollar risk they had piled up. There is a sense that the breakdown in correlation—declines in both the market and the dollar—was a one-off event.

We see a growing chance that people are interested in hedging against dollar risk. Because of the erosion of market institutions in the U.S., erratic policy, and the potential for inflation, we may see the dollar go lower, from a historically high level, over the next couple of years. That is another reason for diversification. This isn't to say that people should divest from the U.S., but rather, where are you going to allocate the marginal dollar? We are skeptical of the view that there are no alternatives to the U.S.

Thanks, all. **B**

Europe Faces The Wrath Of Bond 'Vigilantes'

The U.K. faces a crunch moment as it readies a budget for Nov. 26. France, Germany, and the U.S. face similar stresses.

BY GEORGE GLOVER

Bond markets have the leaders of Europe's biggest economies running scared. The U.K. government is set to unveil its annual budget on Nov. 26. It's aiming to build economic credibility and curb borrowing costs so it can ward off activist investors using the bond market to influence government policy. France and Germany are facing a similar challenge amid rising yields and mounting deficits. The U.S. isn't immune from the pressure, either.

The bond vigilantes—to borrow a term economist Ed Yardeni used to describe the activist fixed-income investors who tried to rein in inflation in the 1980s—have European governments in a bind already.

In the U.K., lawmakers are still trying to banish the memory of Prime Minister Liz Truss' ill-fated September 2022 mini-budget, which drove up gilt yields and sent the pound plummeting. In response to the crisis, a tabloid newspaper started livestreaming a video of an unrefrigerated head of lettuce to see if it could outlast Truss' premiership. The leaf vegetable won when she stepped down after just 49 days in office.

Since winning power in a landslide last summer, Prime Minister Keir Starmer and his finance minister Rachel Reeves have made balancing the books a priority. The Office for Budget Responsibility, an independent watchdog that keeps an eye on economic



U.K. finance minister Rachel Reeves and Prime Minister Keir Starmer may shelve tax hikes. Investors wouldn't be happy.

policy and the public finances, has estimated a deficit of 137.3 billion pounds (\$180.6 billion) for the fiscal year that ended in March, which equates to 4.8% of national income. Government debt is running at just over 100% of gross domestic product, up from just under 38% at the start of the 21st century, according to data from the International Monetary Fund.

Starmer and Reeves initially tried to plug the fiscal hole with cuts in social programs earlier this year, but an internal rebellion forced them to water down those plans. The government then laid the ground to raise the basic rate of income tax for the first time in 50 years, which would have broken a promise from its 2024 general election manifesto. But it now seems to have rowed back on that idea, too.

Voters aren't happy. Starmer's Labour Party has fallen more than 10 percentage points behind Reform U.K., a right-wing party formed in 2018, in some opinion polls. But there isn't an obvious alternative to letting the market dictate fiscal policy. Truss tried to shake up the system with unfunded tax cuts, and look how that went.

"This is a center-left government, so they're not willing to knife spending....The Truss episode has highlighted that the government doesn't have the option to ignore the financial markets," George Buckley, chief U.K. and euro area economist for the Japanese investment bank Nomura, tells *Barron's*.

"Yields rising would only make the

situation worse," he adds, noting that a public-finance watchdog has forecast that a 1% rise in 10-year gilt yields would drive up the government's annual interest payments by about £10 billion. Yields have climbed by nearly a quarter of a point since Starmer became Prime Minister in July 2024.

This isn't just a problem for the U.K. It could be a growing issue across the Atlantic. President Donald Trump noted that the bond market reaction had been "very tricky" when he said he would scale back some tariffs in late April.

Trump's signature tax bill, approved in July, is expected to add trillions of dollars to the deficit over the next decade. That risk is pushing up

borrowing costs for both the government and ordinary Americans.

Elsewhere in Europe, three French governments have collapsed over the past 18 months due to budgetary disputes, with lawmakers failing to pass austerity measures that aim to reduce the deficit.

Government borrowing costs have been rising all the while. In September, the yield on the French 10-year government bond topped its Italian counterpart for the first time since 2008. That would have been unthinkable in the early 2010s, when several southern European countries struggled to pay their way, sparking a euro area debt crisis.

Germany is part of the trend, too. With Russia still at war in Ukraine and the White House wavering on how far it will go to help Kyiv, Chancellor Friedrich Merz has pledged to ramp up military spending. The country's stability council said in October it expects the debt-to-GDP ratio to hit 80% in 2029, up from 62.5% last year. The ratio has only ever topped 80% once before, in 2010, according to the IMF.

European stocks are flying high despite all this, as investors look to pivot from the U.S. to shield their portfolios from tariff turbulence. London's FTSE 100 and Frankfurt's DAX have both jumped about 17% this year, meaning they're topping the S&P 500. Political instability has weighed on Paris's CAC 40, but it's still up 8.5% in 2025.

Investors can see that the centrist parties in power in Western Europe are trying to address the threat from the bond vigilante, even if that leaves them open to criticism from both the left and the right.

In the U.K., the government's best option on Nov. 26 may be to rein in spending and put up tax. However, it now looks like it will do neither as Reeves avoids unpopular decisions to protect her political future.

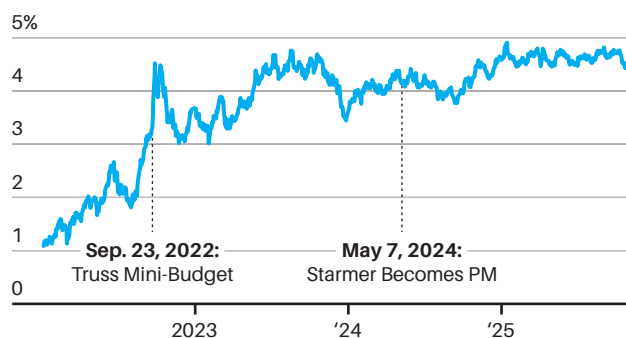
The bond vigilantes won't like that. The market sees the finance minister as a "safe pair of hands," but she could reassure investors by going further, says Buckley. "The larger the fiscal headroom that the chancellor chooses to build in, the more markets will be comfortable," he adds.

While the budget is unlikely to bring about a repeat of Truss' disastrous financial statement, traders in the U.K. and U.S. should still be wary.

The specter of the bond market—and the ghost of the lettuce—are still haunting European politics. **B**

U.K. Government Bond Yields Have Surged Since 2022

U.K. 10-year gilt



Source: FactSet

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AI Can't Be Your Doctor. But It Could Make You a Better Patient.

Artificial intelligence is better at suggesting a medical diagnosis than Google or WebMD, but it still doesn't beat an office visit.

BY NEAL TEMPLIN

When it comes to the world of medicine, artificial intelligence could create more-informed patients—or more-obsessed patients.

The internet has long been one of the first places anyone suffering from a mysterious medical issue turns to for information. AI can provide an even more personalized approach to finding a diagnosis. If used properly, it can make you a better patient.

Suppose you have a lump on your neck. You ask ChatGPT what it could be and send it a picture. The AI will give you a long list of possible diagnoses, starting with common causes like swollen lymph nodes or a cold, to less common causes like thyroid nodules, to rarer but extremely worrisome causes like lymphoma or metastatic cancer.

This is similar to what a physician would do if you went in for an office visit. The doctor would first look for the most common cause of neck lumps before considering more serious possibilities.

Suppose instead that you ask ChatGPT for the worst thing the lump on your neck could be. It responds: "While many neck lumps are benign, especially if they're soft, movable, and painless, it's also important to understand what the most serious possibilities are so you can act accordingly." It then lists five different cancers that can cause lumps on the neck.

A person seeing this might go into the doctor's office and demand to be

tested for cancer, which doesn't make sense until you have ruled out more common causes, says Dr. Eric Boose, a family-medicine specialist who is also the associate chief medical information officer at the Cleveland Clinic.

"AI is only as good as the information given," Boose says. "If you only gave part of the story, and you didn't know to give the rest of the story, AI might go in a different direction."

For years, some patients have been Googling their symptoms on the internet and then marching into the doctor's office with printouts of possible illnesses. It isn't an efficient way of finding out what is wrong with you.

"[Patients] would come in with a medical journal article, but they didn't understand what it said," says Dr. Lee Schwamm, a neurologist who is chief digital health officer at the Yale School of Medicine. AI has the potential to help by explaining medical issues in clear, simple language, Schwamm says. "If you say, 'AI, explain to me at a sixth-grade reading level what this CAT scan [computed tomography scan] means,' it immediately translates all the medical gobbledygook into clear language."

Schwamm goes on: "I really think this is the tool that's going to help patients to be more engaged in their treatment."

Indeed, AI's value to patients begins before they even see the doctor, says Dr. Paul Lukac, a pediatrician and chief AI officer at UCLA Medicine. They can use ChatGPT to refine the things they are going to tell the doctor and to come up with good questions.

"It's great for organizing and summarizing," he says. "It can really help you think things through before you see people in the office."

Suppose you are going in to see a doctor about your high blood pressure. Want to prepare better? Ask ChatGPT to adopt the persona of a cardiologist and feed you questions for a patient with high blood pressure.

A recent query came back with the following:

1. When were you first diagnosed with high blood pressure?
2. Has your blood pressure ever been recorded at extremely high levels (e.g., >180/120 mmHg)?
3. Do you have a family history of hypertension, heart disease, or stroke?
4. Do you have other medical conditions—such as diabetes, kidney disease, or high cholesterol?
5. Do you smoke, consume alcohol regularly, or use recreational drugs (e.g., cocaine, amphetamines)?
6. Are you currently experiencing any symptoms—such as headaches, vision changes, chest pain, shortness of breath, or dizziness?

Your next step might be to once again ask ChatGPT to adopt the persona of a cardiologist, and this time

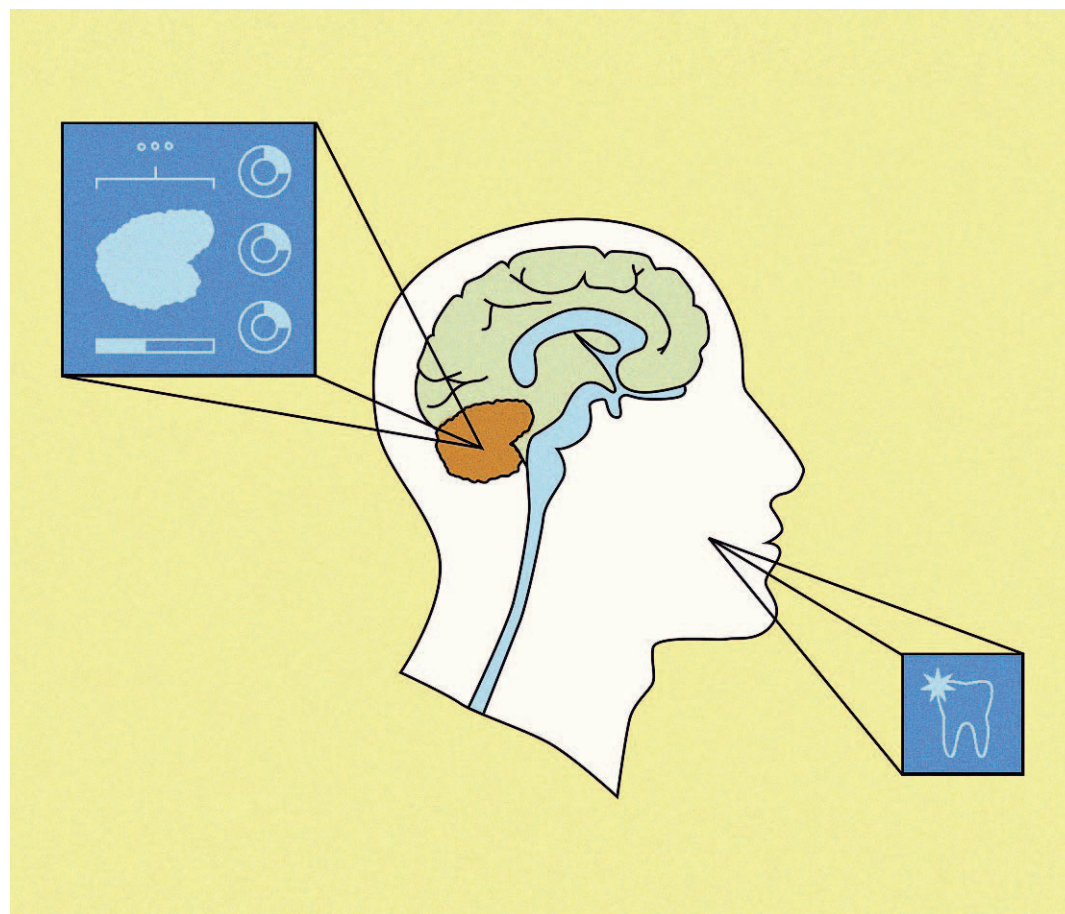
give you treatments for high blood pressure. Now it tells you to follow the Dietary Approaches to Stop Hypertension, or DASH, diet, to exercise regularly, to lose weight, to stop smoking, to limit your drinking, and so on.

In the future, AI is likely to be more involved in medicine. It may remove some mundane jobs from doctors, such as note-taking, and allow them to spend more time with patients.

Wearable devices are starting to produce reams of information on patients on everything from blood pressure to heart arrhythmias to blood sugar levels. AI could eventually monitor all this, and alert you and your doctor whenever it sees worrisome developments.

None of this makes AI a substitute for a doctor. Unlike your doctor, AI isn't actually seeing and examining you—or talking to you. While AI is designed to have a conversation with you, it is largely presenting information that it finds on the internet and elsewhere. On top of that, AI makes mistakes and doesn't always acknowledge when it doesn't know something.

"We're always going to need doctors to put some of this stuff into context," Yale's Schwamm says. **B**



FUNDS

These ETFs Tout Safety. There’s a Steep Cost.

BY IAN SALISBURY

The stock market is starting to look rocky. It seems like a perfect opportunity to play defense with exchange-traded funds that promise to smooth volatility. Investors should be wary, however. While these ETFs can help you sleep at night, they come with a lofty long-term price.

While 2025 has been a great year for stocks, the market has recently hit a rough patch. The S&P 500 index fell 1% Monday, logging its third consecutive decline. It is now more than 3% below its late-October record, and investors have begun to voice doubts about artificial intelligence, which has driven returns all year. The tech-heavy Nasdaq Composite is more than 7% off its high.

The situation seems to call for investments that can smooth the market’s ups and downs, like low-volatility stocks or funds that sell call options to generate income. The **iShares MSCI USA Minimum Volatility Factor** ETF (ticker: USMV) owns defensive stocks that tend to hold up well in down markets, such as healthcare and utilities. The **JPMorgan Equity Premium Income** ETF (JEPI) sells call options, which allow it to earn extra income that can then be used to cushion moderate stock price declines. And First Trust’s **FT Vest Laddered Buffer** ETF (BUFR) is a fund of ETFs that relies on put options to offer investors limited upside stock exposure, while shielding them from the first 10% of potential market price declines.

Funds that follow these strategies have proved increasingly popular. The \$41 billion JPMorgan ETF is the largest active ETF by assets. Buffer ETFs have been one of the fastest-growing corners of the fund industry in the past five years, according to Morningstar.

All three ETFs have “betas” well below the broad market. USMV has a beta of just 0.52, while the JEPI’s beta is 0.65,

and the BUFR’s is 0.63. (An investment with a beta of 0.52 would theoretically fall 5.2% when the market is down 10%.)

What’s not to like? In the long run, investors often pay handsomely for this security. While the S&P 500 has posted average annual returns of 15% over the past five years, none of these three funds has returned more than 10% a year on average.

Nevertheless, the funds are working as advertised. JPMorgan Equity Premium Income’s summary prospectus states that the fund’s goal is “to seek current income while maintaining prospects for capital appreciation”—pointedly not promising to keep pace with the S&P 500.

The iShares MSCI USA Minimum Volatility Factor ETF’s website says it aims to “seek risk-reduction at the core of your portfolio, with fewer swings—up or down—than the market.” First Trust says its fund, whose mechanics are complicated, aims to match the price return of a popular S&P 500-tracking ETF “up to a predetermined upside cap.”

Still, investors with strong stomachs could do better by leaning into the market’s volatility, or better yet, ignoring it altogether.

“Emotional investors tend to sell when the market is going down and buy when the market is going up,” wrote Bespoke Investment Group in a recent note. “They should do the opposite.”

To drive the point home, Bespoke looked at daily market returns of the **SPDR S&P 500** ETF (SPY) going back to its launch in 1993. A theoretical investor who owned the ETF only on days following a market down day would have earned a cumulative return of 851%. A similar investor who owned the index fund only following up days would have seen a return of only 44%.

The best returns of all went to investors who simply bought the index at the start and held it for the full period. They would be up 1,274%. **B**

Scoreboard: Bubble Fears

U.S. and China stocks fell this past week ending on Thursday as tech sold-off on AI worries. The S&P 500 was down 2.95% and China funds off 5.55%. Biotech funds rose 1.19% on M&A activity.

	One Week	Year-to-Date
U.S. STOCK FUNDS	- 3.13%	6.06%
TOP SECTOR / Health/Biotechnology Funds	1.19	17.99
BOTTOM SECTOR / China Region Funds	- 5.55	28.74
S&P 500	- 2.95	11.17
U.S. BOND FUNDS	0.02	6.16
Bloomberg Barclays AGG Bond	0.11	6.77

The Week's Top 25

Fund Investment	Objective	One Week	Year-to-Date
Eventide Hlthcare & LSI / ETIHX	Health/Biotech	5.49%	46.7%
Franklin Str BD A / FBDIX	Health/Biotech	4.39%	45.2%
Alger Health Sci A / AHSAX	Health/Biotech	4.27	6.1
Lord Abbett Health C A / LHCAX	Health/Biotech	3.26	17.4
Morg Stan I Vital Pfl / MSVDX	Health/Biotech	2.87	11.0
Fidelity Adv Biotech A / FBTAX	Health/Biotech	2.68	39.3
Baron Health Care Inst / BHCHX	Health/Biotech	2.20	11.2
AlphaCentric LS & HC I / LYFIX	Health/Biotech	1.70	23.4
Fidelity Sel Bio Tech / FBIOX	Health/Biotech	1.60	31.3
PGIM Jenn Health Sci Z / PHSZX	Health/Biotech	1.60	16.6
Columbia MMDA Strat I / CDAZX	Alt Multi-Strategy	1.53	17.1
Matthews Asia India Inv / MINDX	India Region	1.12	3.3
Alger Sm Cap Foc Z / AGOZX	Small-Cap Growth	1.05	1.5
Baron Asset Fund Rtl / BARAX	Mid-Cap Growth	0.99	- 0.6
Baron India Inst / BINDX	India Region	0.94	4.6
Allspring Alt R Pm R6 / WRPRX	Alt Long/Short Eq	0.93	4.9
Invesco SP MLP A+ A / MLPLX	Energy MLP Funds	0.87	2.1
Deer Park Tot Rtn Cr I / DPFNX	Multi-Sector Inc	0.87	7.4
Invesco SP MLP In A / MLPDX	Energy MLP Funds	0.85	6.7
Saratoga Hlth & Bio I / SBHIX	Health/Biotech	0.69	17.0
MF&Var Rtl Spcl S I Inst / RFXIX	US Mortgage	0.67	5.3
Goldman MLP En Infr P / GMNPX	Energy MLP Funds	0.66	3.0
Eaton Vance Gr India A / ETGIX	India Region	0.63	- 0.8
JPMorgan Res Mk Neu I / JMNSX	Equity Mkt Neutral	0.62	3.4
Fidelity SAI AR PS / FRPCX	Abs Return	0.62	- 5.5

The Week's Bottom 10

Fund Investment	Objective	One Week	Year-to-Date
CNR US Core Equity N / CNRWX	Large-Cap Core	- 90.46	- 89.2
ProFunds Btcn PF Inv / BTCFX	Alt Currency Strat	- 11.87%	- 12.3%
Vest Bitcoin SMV Inv / BTCLX	Alt Mgd Futures	- 11.65	- 14.4
Ave Maria Growth Focused / AVEAX	Multi-Cap Core	- 11.10	0.5
ProFunds Ethr PF Inv / ETHFX	Alt Currency Strat	- 10.61	NA
Kinetics SO & CR Inst / LSHUX	GL Sm/Mid-Cap	- 9.88	- 17.4
Kinetics Paradigm NL / WWNPX	Mid-Cap Growth	- 9.77	- 13.3
Kinetics Internet NL / WWWFX	Science & Tech	- 9.73	- 8.7
Jacob Internet Fund Inv / JAMFX	Science & Tech	- 9.54	4.2
Firsthand Tech Opptys / TEFQX	Science & Tech	- 9.24	19.3

The Largest 25

Fund Investment	Assets (billions)	Objective	3-Year* Return	1-Week Return	YTD Return
Fidelity SA US Tot Stk / FCTDX	\$194.3	Multi-Cap Core	19.3%	- 2.82%	12.0%
American Funds Gro A / AGTHX	\$174.7	Large-Cap Growth	24.1%	- 3.06%	13.5%
Fidelity Contrafund / FCNTX	163.1	Large-Cap Core	27.9	- 3.06	13.9
PIMCO Income Inst / PIMIX	130.2	Multi-Sector Inc	8.4	- 0.06	9.9
American Funds Bal A / ABALX	123.4	Mix Tgt All Gro	14.0	- 1.56	13.7
Vanguard Tgt Ret2035 Inv / VTTHX	118.0	Mixed-Asset Target 2035	13.5	- 2.27	13.1
Vanguard Tgt Ret2030 Inv / VTHRX	107.9	Mix-Asst Targ 2030	12.5	- 2.05	12.3
Vanguard Tgt Ret2040 Inv / VFORX	107.7	Mixed-Asset Target 2040	14.5	- 2.56	13.8
Vanguard Tgt Ret2045 Inv / VTIVX	107.5	Mixed-Asset Target 2045	15.4	- 2.80	14.6
Vanguard Wellington Adm / VWENX	107.5	Mix Tgt All Gro	13.9	- 1.75	12.8
American Funds ICA A / AIVSX	106.7	Large-Cap Core	22.6	- 2.56	15.4
American Funds Wash A / AWSHX	94.7	Large-Cap Value	16.0	- 1.94	12.2
Vanguard Tgt Ret2050 Inv / VFIFX	94.4	Mix-Asst Targ 2050	16.2	- 3.07	15.4
Fidelity SA US Total Stk / FSAKX	86.8	Multi-Cap Core	0	- 2.93	10.8
Fidelity SA Core Inc / FIWGX	86.7	General Bond	5.2	0.07	7.3
American Funds Flnv A / ANCFX	86.6	Large-Cap Core	21.3	- 2.81	17.0
American Funds Inc A / AMECX	81.6	Mix Tgt All Mod	10.9	- 1.81	13.4
JPMorgan LgCp Gro R6 / JLGMX	81.3	Large-Cap Growth	24.2	- 3.17	10.2
Dodge & Cox Income I / DODIX	80.5	Core Bond	6.0	0.08	7.9
Vanguard Tgt Ret2025 Inv / VTTVX	77.0	Mixed-Asset Target 2025	11.3	- 1.70	11.3
Fidelity Blue Chip Gr / FBGRX	73.5	Large-Cap Growth	30.9	- 3.46	11.8
Fidelity Gro Company / FDGRX	73.1	Large-Cap Growth	29.9	- 3.58	16.8
Vanguard PRIMECAP Adm / VPMAX	69.5	Large-Cap Core	19.6	- 3.67	20.3
American Funds NPer A / ANWPX	69.5	Global Large-Cap Growth	17.8	- 3.51	15.1
Dodge & Cox Stck I / DODGX	68.4	Multi-Cap Value	12.4	- 3.40	6.7

*Annualized 11/16/2022 to 11/20/2025. Through Thursday.

Source: Lipper

THE ECONOMY

"Western politicians in particular should quiver with fear as Japan turns off the liquidity tap that has in effect suppressed Western bond yields."

Japanese Policy Holds The Key to Global Markets, Not the Fed

The course for global stock and bond markets hinges on decisions to be made by major central banks. But it may not be the one that investors are obsessing over.

Expectations about the Federal Reserve's next policy meeting oscillated sharply this past week, with a quarter-point cut in the federal-funds target rate once again being the odds-on bet. But attention also should also be paid to Japanese monetary and fiscal actions.

In the U.S., the September employment data, long delayed by the federal government's record 43-day shutdown but released on Thursday, revealed a 119,000 jump in nonfarm payrolls that month, far above economists' guesses. That was tempered by a downward revision to the prior two months' tally totaling 33,000, which put August's total into negative territory.

The headline unemployment rate ticked up 0.1 percentage point, to 4.4% in September, but that reflected more people entering the labor force, a good thing. Conversely, the so-called underemployment rate (U6 to stats nerds), which reflects part-timers who want a full-time gig and folks who would look for a job if they thought they could find one, dropped a tenth, to 8%.

For the Fed, the lack of government numbers supposedly engulfed policymakers in a statistical fog. But an array of other indicators show the economy continuing to chug along, albeit with the labor market in its low-hire, low-fire mode. The Atlanta Fed's GDPNow



BY RANDALL W. FORSYTH

shows the economy tracking at a robust 4.2% rate of expansion in the current quarter.

Nevertheless, the probability of a quarter-point reduction in the current fed-funds target range of 3.75% to 4% at the Dec. 9-10 Federal Open Market Committee meeting jumped up to more than 70% Friday, according to the CME FedWatch site, nearly double that of a week earlier.

That followed comments from New York Fed President John Williams, who said he saw "room for further adjustment in the near term" for the funds rate to move closer to neutral. His views tipped the balance for two reasons.

As New York Fed head, he is vice chair of the FOMC, has a permanent vote on the committee, and tends to have the most sway after the chair of

the Fed Board of Governors, Jerome Powell, who also chairs the FOMC. Moreover, Williams' vote makes four certain votes for a cut, along with Fed governors Christopher Waller and Stephen Miran, and Michelle Bowman, vice chair for supervision. Just three more votes would be needed for a bare seven-vote majority on the 12-member FOMC.

Kansas City Fed President Jeffrey Schmid dissented from the October cut in favor of no change, while Boston Fed President Susan Collins said last week that continued slight restraint was appropriate. Chicago Fed President Austan Goolsbee added that he was uneasy about "front-loading" rate cuts.

The FOMC won't have fresh employment reports before its next confab. Release of the November data, with some October numbers folded in, is delayed until Dec. 16. The panel will have the October Job Openings and Labor Turnover Survey, or Jolts, on the first day of its deliberations, Dec. 9, and the ADP report on private employment on Dec. 3. Plus, there are weekly jobless claims numbers (which remain historically low).

But the Fed isn't the only factor affecting liquidity conditions. In particular, what happens in Japan doesn't stay in Japan. As Société Générale strategist Albert

Edwards writes: "The world's financial markets had long gorged themselves on Japan's multidecade era of ultralow interest rates and super-sized [quantitative easing]. Western politicians in particular should quiver with fear as Japan turns off the liquidity tap that has in effect suppressed Western bond yields below levels that their bloated fiscal deficits justify."

That may be happening. The clearest sign of such a twist of the liquidity tap in Tokyo would be action to halt the slide in the yen's exchange rate, which hit 158 to the dollar Thursday. That matched its early-2025 low and was close to the perceived line in the sand for Japanese authorities at 160.

To review, intervention would involve selling dollars, which means the Bank of Japan unloading some of its holdings of U.S. Treasury securities. This, in effect, would tighten dollar liquidity and reverse the process of injecting funds into the global system that Edwards describes.

The weakness of the yen has been accompanied by a sharp rise in long-term Japanese government bond yields. Both have reflected the ultra-expansionary policies under Japan's new prime minister, Sanae Takaichi, who favors easy Bank of Japan monetary policy to support a big budget deficit. JGB yields have jumped as a result. For domestic investors, such as big life insurance companies, U.S. Treasuries now yield less than JGBs after deducting the cost of hedging exchange-rate fluctuations. So, they no longer have an incentive to send funds abroad.

The profligate policies have also provoked a slide in the yen, to which U.S. Treasury Secretary Scott Bessent objected in September. And it hurts Japanese consumers having to pay higher prices for imports. So, Japanese Finance Minister Satsuki Katayama Friday took the unusual step of warning of possible intervention, which stabilized the yen for now.

To repeat, possible Japanese intervention would reverse the flow of liquidity into global markets that Edwards pinpoints. It should be watched as closely as the prospects for the next Fed move. **B**



New York Federal Reserve Bank President John Williams said he saw "room for further adjustment in the near term" for the federal-funds rate to move closer to neutral, and—voilà!—the futures market suddenly priced in odds of more than 70% that the Fed will cut interest rates in December.

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INCOME INVESTING

15 Dividend Stocks for a Payout-Hating Market

BY AL ROOT

Over the past 100 years, dividends have been a critical part of the stock market's total return. Not so much anymore.

The S&P 500 index's dividend yield, at about 1.2%, is near 50-year lows, while the **Vanguard High Yield Dividend** exchange-traded fund, which includes some 580 stocks yielding an average of 3.9%, has trailed the index by about four percentage points over the past year and 16 percentage points over the past five.

Trivariate Research founder Adam Parker puts the performance in historical perspective: Nonpayers have beaten dividend stocks by some 40 percentage points over the past two years, the worst such performance in 25 years, save the two years ended in 2010 and 2021.

The reason isn't hard to suss out. Nonpayers or low payers, including the Magnificent Seven tech stocks, have come to dominate the market, while sectors with traditionally reasonable payouts, such as healthcare and staples, have lagged behind.

There is good news for investors seeking income, however. Dividend fundamentals are solid. Almost 70% of payers have increased dividends over the past year, and only 5% have cut them. That's in line with historical averages, suggesting little economic stress on payers.

What's more, S&P 500 dividends are on pace to grow 5% in 2025. "Dividend fundamentals remain robust, supported by low-double digit percentage earnings growth expected this year and next, healthy corporate balance sheets, expansionary fiscal and easing monetary policy, and elevated buyback activity," says J.P. Morgan strategist Brian Kaplan.

Still, it hasn't translated into market-beating stock performance. Parker recommends a different approach than piling into high-yielders. Instead, investors should look for companies with low payout ratios and the ability to raise dividends via earnings

growth, a sign that they have ample net income to pay out more to shareholders.

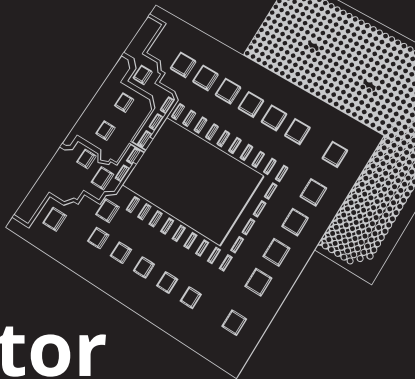
S&P 500 companies have paid out about \$720 billion in dividends over the past 12 months, almost 40% of reported net income, according to Bloomberg. The index is expected to grow earnings by about 12% in 2025 and another 13% in 2026. So, to meet Parker's criteria, companies with a penchant for increasing payouts need to pay less than 40% of net income as dividends and have market-like expected earnings growth.

He identified 15 stocks that fit the bill, including gold miner **AngloGold Ashanti**, life-insurance provider **F&G Annuities & Life**, student-loan provider **Nelnet**, industrial and healthcare technology provider **Roper Technologies**, drug distributor **Cencora**, movie house **Cine-mark Holdings**, gas transporter **Navigator Holdings**, bank **Capital One Financial**, regional bank **Western Alliance Bancorp**, defense systems integrator **Leidos Holdings**, utility **Vistra**, data storage company **Western Digital**, workwear provider **UniFirst**, financial-services company **UMB Financial**, and liquefied-natural-gas producer **Cheniere Energy**.

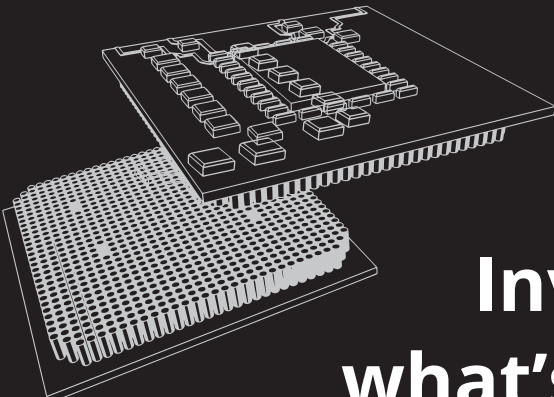
Those stocks have all grown or initiated dividends over the past 12 months and pay out less than 30% of net income on average. They are also expected to grow earnings at an average of 20%-plus in 2026, leaving more room for dividend growth.

On the downside, they yield an average of 1.5%, which is better than the S&P 500 but worse than the 2.4% average yield for dividend payers in the index. Parker's list has one other advantage, though: valuation. The 15 stocks trade for an average of just 14 times estimated 2026 earnings, a big discount to the 20 times ratio for dividend payers in the S&P 500.

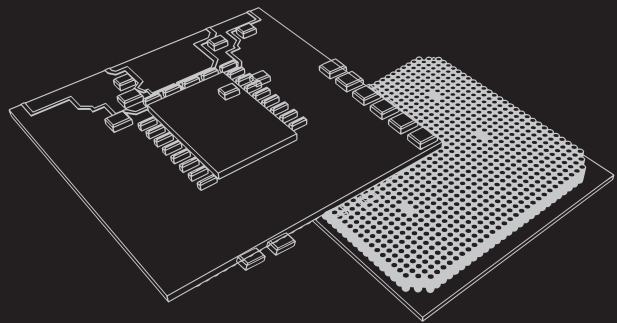
Dividends may never return to being the go-to place to get stock returns—"Maybe, eventually," says Parker—but you don't have to wait for them to be popular again to make them work in your portfolio. **B**



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MARKET WEEK

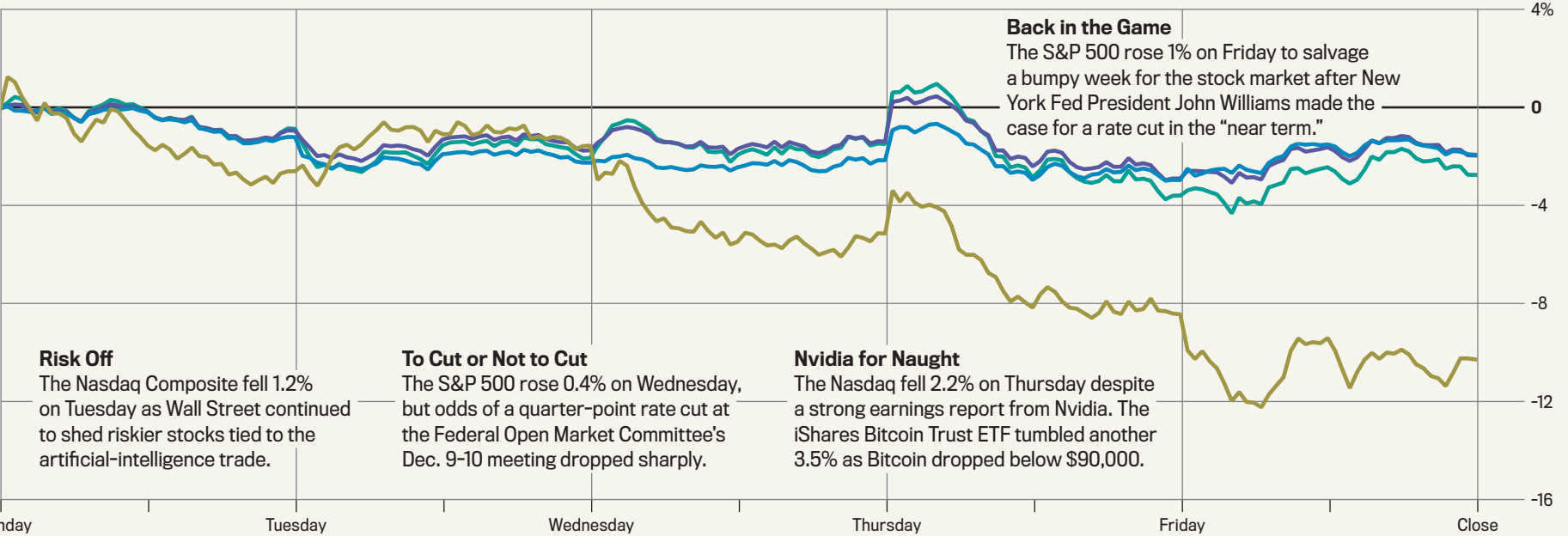


November 17 through November 21, 2025

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MARKET PERFORMANCE DASHBOARD

Dow Jones Industrials 46,245.41 52-wk: +4.40% YTD: +8.70% Wkly: -1.91%	S&P 500 6602.99 52-wk: +10.62% YTD: +12.26% Wkly: -1.95%	Nasdaq Composite 22,273.08 52-wk: +17.20% YTD: +15.34% Wkly: -2.74%	iShares Bitcoin Trust ETF \$47.97 52-wk: -15.08% YTD: -9.58% Wkly: -10.30%
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THE TRADER

Welcome To the 'Violently Flat' Stock Market

Something's clearly happening here for the stock market. Unfortunately, what it is ain't exactly clear. This past week was a rough one. The Dow Jones Industrial Average declined 1.9%, while the S&P 500 index fell 2% and the Nasdaq Composite dropped 2.7%. Most worrisome for investors was that the losses came despite a plethora of "good" news that should have sent stocks high.

Thursday was the fulcrum. Nvidia's earnings and guidance were solid—some might even say spectacular—and initially, the stock and the market rose. The case for buying got a further boost by a delayed September jobs



BY JACOB SONENSHINE

report that was weak enough to restore hope in a Federal Reserve interest-rate cut despite beating estimates. In early trading that day, the market had even managed to turn positive for the week, and the bull market looked set to continue.

And then the selling started. There was no explicit explanation, though there were plenty of opinions. Bitcoin, which has fallen 32% from its October record high, was a supposed culprit. So was the fact that Nvidia's solid numbers only reinforced concerns about artificial-intelligence spending, rather than alleviating them. Heck, it could simply be that investors wanted to sell the news, creating a situation with more motivated sellers than buyers.

So, the market is waiting for the

next shoe to drop—as well it should be. The S&P 500 has already sliced through its 50-day moving average, and its Thursday low of 6521.92 was just below the low of 6552.51 on Oct. 10, when President Donald Trump threatened additional tariffs. If the index meaningfully distances itself from that level to the downside, more losses could be in store.

And still, none of that means the market is necessarily doomed for the next few months. Friday, for instance, saw nearly 80% of S&P 500 constituents rising, despite the index coming under pressure due to selling in high-valuation AI plays like **Oracle**, **Vistra**, **AppLovin**, **Advanced Micro Devices**, and **Palantir Technologies**.

What's more, with third-quarter

earnings mostly over, the good news has probably been sold—and investors might start looking to buy again, especially if AI’s big spenders keep spending. “The spending boom is not likely to be over until one of the big cloud companies says, ‘Enough is enough,’ and we’re not seeing that yet,” says Tavis McCourt, equity strategist at Raymond James. “There will come a day where that happens. It feels early.”

That doesn’t mean the rest of 2025 will be easy. The last two months of the year are seasonally strong, so it’s disconcerting to see the S&P 500 headed for its worst November since 2008 and the Cboe Volatility index, or VIX, hit 26, its highest reading since April. That means the battle between the dip-buying bulls and the rip-selling bears is likely to continue for a while, at least until something comes along to change the narrative.

“The setup into year end is tricky,” writes 22V Research’s Dennis DeBusschere. “There’s no strong case to buy aggressively, but it’s also not a clear shorting environment. Markets will remain ‘violently flat,’ with sharp moves but no real direction.”

The stock market is living on the edge—and it may stay there for the rest of the year.

Favor the Cash Returners

Oracle and other Big Tech stocks have been getting hit amid concerns about the gobs of money they are spending on AI. Less profligate alternatives should benefit.

The Nasdaq Composite has dropped 6.1% in November, led by losses in large-cap tech names like **Meta Platforms**, **Tesla**, Oracle, **Microsoft**, and Palantir Technologies, as well as AI chip makers like Nvidia and Advanced Micro Devices. And the selloff all comes down to cash. Will AI be profitable enough for the hyperscalers to get a return on all of the money they’re spending—Meta, Oracle, Microsoft, **Alphabet**, and **Amazon.com** will make a combined \$500 billion of capital investments next year, according to FactSet—and will they keep buying chips to

run their data centers?

If half a trillion dollars sounds like a large number, it’s because it is. The spending is driving up the costs of depreciation and interest expenses—the costs for Alphabet and Meta to borrow have risen 0.1 and 0.15 percentage point, respectively, while Oracle’s costs have risen nearly half a percentage point—as these companies are now borrowing money to finance the investments.

So much for asset-light—and that’s reducing the return on equity, or net income as a percentage of total net assets, for the big spenders. Analysts now expect ROE for Oracle, Meta, Amazon, Microsoft, and Alphabet to drop a few percentage points over the next couple of years, something the market is starting to reflect in its valuations.

The easiest way for valuations to shift is for investors to sell. Since the end of October, companies returning relatively large amounts of cash to shareholders through dividends and buybacks have seen their stocks outperform ones returning less cash, says 22V Research’s DeBusschere, a sign they are reallocating to companies that aren’t overinvesting. These companies are less volatile and provide a more certain return.

“The underlying theme is a rotation into industries that return a lot of cash,” he writes.

DeBusschere’s list of such stocks include household names such as **General Motors**, **Ford Motor**, **GE Aerospace**, Tommy Hilfiger owner **PVH**, **Macy’s**, **American Eagle Outfitters**, **General Mills**, **Interactive Brokers Group**, **Invesco**, **Truist Financial**, **Comcast**, **Pfizer**, and **United Parcel Service**.

American Eagle, which has gained 9% since the Nasdaq peaked in October, checks all of the boxes. The company has returned \$276 million in dividends and buybacks this year. Its capital investments are low—just about \$90 million—and management plans to continue to pay down its \$77 million in net debt, which annual profits easily cover.

Vital Signs

	Friday's Close	Week's Change	Week's % Chg.
DJ Industrials	46245.41	-902.07	-1.91
DJ Transportation	16013.90	-58.66	-0.36
DJ Utilities	1106.73	-6.88	-0.62
DJ 65 Stocks	14376.17	-206.95	-1.42
DJ US Market	1602.03	-32.52	-1.99
NYSE Comp.	21176.98	-293.27	-1.37
NYSE Amer Comp.	7142.20	-147.63	-2.03
S&P 500	6602.99	-131.12	-1.95
S&P MidCap	3183.40	-21.61	-0.67
S&P SmallCap	1407.83	-15.55	-1.09
Nasdaq	22273.08	-627.51	-2.74
Value Line (arith.)	11707.58	-107.54	-0.91
Russell 2000	2369.59	-18.64	-0.78
DJ US TSM Float	65046.12	-1287.67	-1.94

	Friday's Close	Week's Change	Week's % Chg.
Barron's Future Focus	1259.90	-29.19	-2.26
Barron's Next 50	3946.58	-152.22	-3.71
Barron's 400	1346.40	-12.85	-0.95
	Last Week	Week Earlier	
NYSE Advances	921	1,265	
Declines	1,911	1,558	
Unchanged	32	44	
New Highs	115	286	
New Lows	282	170	
Av Daily Vol (mil)	5,382.3	5,231.9	
Dollar (Finex spot index)	100.17	99.30	
T-Bond (CBT nearby futures)	117-07	116-16	
Crude Oil (NYM light sweet crude)	58.06	60.09	
Inflation KR-CRB (Futures Price Index)	295.58	302.35	
Gold (CMX nearby futures)	4076.70	4087.60	



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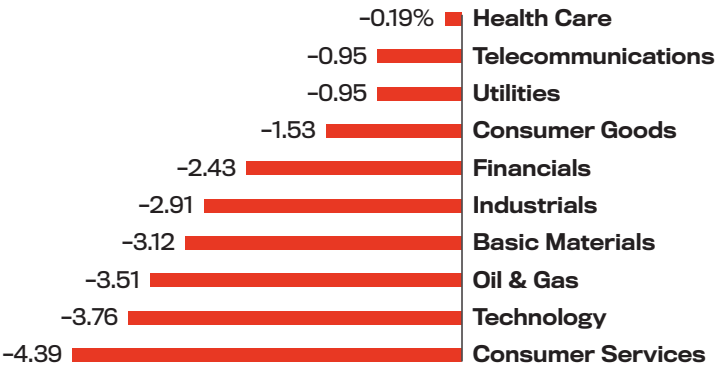


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Industry Action

Performance of the Dow Jones U.S. Industrials, ranked by weekly percent change.*



Source: S&P Dow Jones Indices

Growth should pick up—analysts are expecting 2% same-store-sales growth in 2026, up from the 0.7% expected this year—which should help lift profit margins and drive earnings higher.

It's a reminder: It isn't how much money you have, but how you use it that matters.

Buy Dell on the Dip

Dell Technologies stock has had an AI problem—but concerns seem overblown. Its earnings report this coming week should give it a chance to show that it still has the goods.

Shares of Dell have slumped 26%, to \$122, since we recommended the shares on Oct. 8. It was bad timing. The stock had already enjoyed a long rally, having recently peaked at \$164, and any wrinkle to the growth story was bound to knock it down.

The wrinkle: higher costs. Morgan Stanley even downgraded the stock on Nov. 16 because of rising memory chip prices. **Micron Technology**, which makes many of those chips, has seen analysts lift memory chip price estimates over the past few months, according to FactSet. Higher costs would pressure Dell's gross profit margins, ultimately hitting earnings.

Dell's gross margin estimates for the third quarter, due to be released on Nov. 25, have barely changed in the past few months, meaning that the company could miss margin forecasts. Making matters worse, the bottom fell out of the AI trade.

The good news is that Dell has a dynamic and growing business. With much of the margin headwind reflected in the stock, it's time to re-up on some shares.

For starters, the damage from rising memory chip prices may not be all that bad. Competitor **Lenovo Group** reported this past Wednesday, and memory pricing didn't appear to hurt its earnings, according to Evercore ISI analyst Amit Darya-

nani. "Lenovo remains confident margins will not be affected by higher memory prices in the foreseeable future," he writes.

That's good news for Dell. The company is expected to report a profit of \$2.49 a share on sales of \$27.3 billion, and those numbers should be beatable. Dell has topped earnings estimates 18 times over the past 20 quarters, and sales estimates 16 times.

That trend should easily continue, given Nvidia's larger-than-anticipated data-center chip sales, with many of those chips ending up in data centers using Dell's servers—a business that constitutes close to a fifth of sales and is its fastest-growing. Dell could make up any margin headwinds with greater sales.

"We see Dell benefiting as Blackwell [Nvidia's chip] ramps direct liquid cooling and air-cooled servers," writes Mizuho Securities analyst Vijay Rakesh. "We do see near-term headwinds from lower initial AI server margins, but we highlight offsets."

Investors will also be looking at Dell's outlook, but that should offer few surprises, given that the company held an analyst day in October, when it said it expects sales to grow 8% annually through 2030. That growth will be led by the Infrastructure Solutions Group, which reflects AI server sales, while its Client Services Group, mostly personal computers, is expected to grow at a 2.5% clip, but could grow faster if AI spurs customers to upgrade.

This, Dell says, could push earnings per share up 15% annually, given its share-repurchase plans.

With the stock now trading at just over 11 times 12-month forward earnings, down from a peak of over 15 times this year, it looks cheap. If the AI selling stops, there's no reason it couldn't return to its previous peak, which would take it to \$164—up 34%.

The ride down has been painful, but Dell still presents an opportunity to profit. **B**

INTERNATIONAL TRADER

Give India's IPO Frenzy Time to Cool Down

BY CRAIG MELLOW

Forget **Nvidia** or **Alibaba Group Holding**, for a moment. What about education tech pioneer **PhysicsWallah**, whose shares jumped by a third after an initial public offering this week; **Billionbrains Garage Ventures**, parent of online brokerage Groww, up by half since coming to market Nov. 12; or services marketplace Urban Company, which has gained 40% from a mid-September debut?

If you don't know those names, you are probably not among the Indian retail investors pouring \$3 billion a month into their Systematic Investment Plans, and hunting for big kills with flashy new-economy profiles. "With 80% of retail money going into small and mid-cap mutual funds, every investment banker with a pulse is IPOing," says Saurabh Mukherjea, chief investment officer at Marcellus Investment Managers in Mumbai.

That doesn't mean a South Asian reprise of failures like Pets.com and Global Crossing is under way. While the global start-ups of yesteryear spend zillions chasing artificial intelligence supremacy, India still has valuable niches to fill in first-generation e-commerce, and a government that has laid the groundwork with spanking new national payments and identification systems.

"I've never seen anything as compelling as the Indian internet for companies to buy and hold," says Kevin Carter, founder of EMQQ Global, which operates the **India Internet** exchange-traded fund. "Almost every part of the economy is ripe for consolidation."

Bigger transactions are likely in the pipeline. Carter expects Flipkart, India's answer to **Amazon.com** (though it is actually controlled by **Walmart**) and payments power PhonePe to IPO early-ish next year. **Reliance Industries** oligarch Mukesh Ambani has hinted that its giant internet subsidiary, Jio Platforms, might join the party.

Non-Indian investors are still waiting for some smoke to clear. "A company like Urban is a fascinating business that doesn't make any money yet," says Rob Brewis, head of emerging markets at Aubrey Capital Management. "We'll take another look when we are pretty sure we can measure profitability."

The Indian internet movie ran once before, and the second act was ugly. Two dozen start-ups came to market in 2020-21, then cratered by three-quarters to troughs in 2023-24, Carter says. Some survivors among these "fallen angels" have bounced by multiples since then, earning tidy profits for more patient investors.

Aubrey owns **Eternal**, parent company of food delivery dynamo Zomato, and **FSN E-Commerce Ventures**, parent of beauty products site Nykaa. Bargain bin pickups for Venkat Pasupuleti, portfolio co-manager for India at Dalton Investments, include **One97 Communications**, the holding for Paytm, and CarTrade Tech.

Valuations look more sober in 2025, Pasupuleti says, as asset managers on the receiving end of the SIPs are guiding the market rather than individuals buying directly. "The top four mutual funds control 80% of the flows," he notes. "They are the price setters now."

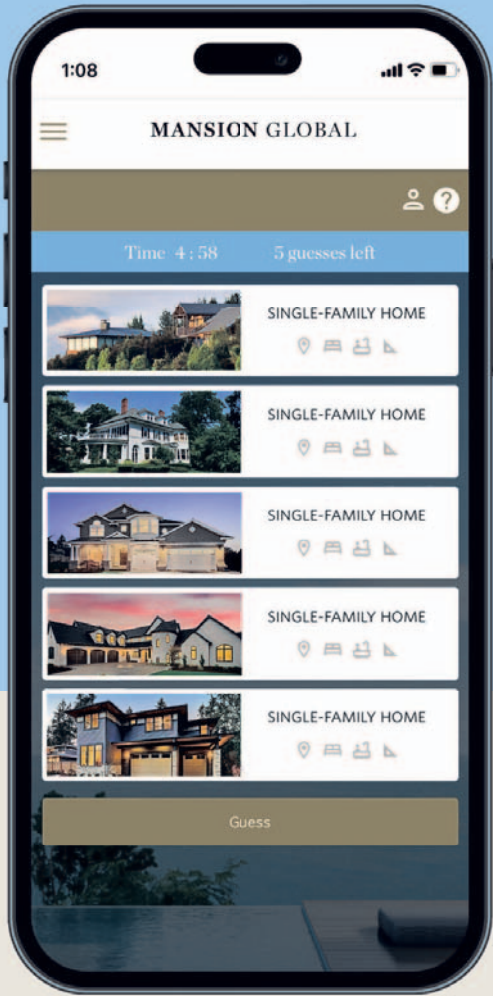
Some new issuers are taking less from public markets than they were supposed to be worth privately. Payments manager **Pine Labs** lately came to market at a \$3 billion valuation, a 40% cut from its last private round. That hasn't dimmed the ardor of rich Indian families for pre-IPO investment yet, Pasupuleti says. "Everybody is throwing names around: I have this company, I have that company," he recounts. "The pipeline is crazy."

For Mukherjea, the lesson is to buy blue chip Indian names that domestic newbies find boring and global investors have sidelined to chase AI stocks elsewhere. "Very few people are interested in buying large-cap quality now," he says. "You're seeing the cheapest valuations in a decade." **B**

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THE STRIKING PRICE

Will the Fed Cut Rates or Won't It? How to Prepare.

BY STEVEN M. SEARS

Mark your calendars for Dec. 10, 2 p.m. EST. That's when the Federal Reserve's interest-rate-setting committee will issue a statement that will tell the world whether members voted to lower rates or not.

The news will reverberate through global financial markets and help determine if America's 2025 equity trading year ends with the resumption of a powerful rally or if souring sentiment solidifies into something problematic. Fed Chair Jerome Powell's postmeeting news conference will also be closely watched.

Until recently, most investors expected a rate cut due to job market weakness. But some Fed members have recently expressed a reluctance to lower rates.

Their comments have rattled investors who are questioning the stock market's extraordinary performance. Many benchmark indexes are still bobbing around record highs, and that has many investors concerned about high stock valuations. Still, the Fed's governors must occasionally behave as if they are independent of the financial market's desires.

Worrying about rate cuts seems histrionic, and arguably irrelevant, since corporate earnings are strong. But the market mob needs to fret about something when it isn't speculating on event-driven trading off earnings reports or economic data. The current Fed obsession fulfills that need, as earnings season will soon end, and many investors are debating if the artificial-intelligence trade is a bubble.

Though the long-term trend of the stock market is always higher, volatility defines the path. It's important to identify moments that could cause stocks to move more vigorously than normal. Investors must then decide whether to trade the event.

Anyone who is concerned that Dec. 10 could be unusually volatile can pre-position for bullish or bearish fireworks with options on the small-cap **iShares Russell**

2000 exchange-traded fund (ticker: IWM). The ETF is a proxy for America's economy, as its constituents primarily derive revenue from domestic sources. The S&P 500 index, by contrast, is dominated by large companies with international revenue.

With the iShares Russell 2000 at \$235.60, consider "strangling" the ETF by buying the December \$224 put option that expires on Dec. 12 and the December \$245 call option that expires the same day. The strategy costs about \$4.09, and it is profitable if IWM sharply reacts to the Fed's rate news. With the ETF at \$215, the put is worth \$9. At \$255, the call is worth \$10.

The risk is that IWM trades in a tighter range than anticipated. If the ETF fails to move beyond the put and call strike prices, the trade is unprofitable. Only consider this strategy if you think the market might make a sharp move. The IWM call option is currently pricing an upside move of about 1.5%, and the put option is currently pricing a downside move of about 1.88%.

During the past 52 weeks, the ETF has ranged from \$171.73 to \$252.77.

The small-cap trade is our third consecutive fear trade. We have previously suggested that long-term investors take advantage of short-term market weakness by selling puts on blue-chip stocks that they want to own. That strategy is our preferred method for monetizing fear.

We have also focused on hedging the **S&P 500 SPDR** ETF (SPY) to insulate stock portfolios. The IWM trade is intended to put investors at the epicenter of a potential market paroxysm that coincides with a rarely discussed critical seasonal sentiment shift.

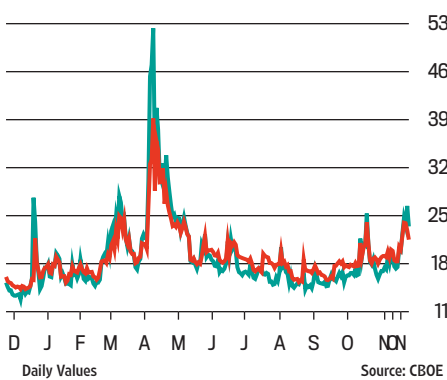
To wit, November tends to be a risk-averse month on Wall Street as employees start focusing on annual bonuses that represent the bulk of their annual compensation. Few sane people are willing to gamble a year's worth of pay when there is little time left in the trading year to salvage a bad decision—and that will probably increase the tension around Dec. 10. **B**

Worry about interest-rate cuts seems histrionic, since corporate earnings are strong. But the market mob needs to fret about something.

Equity Options

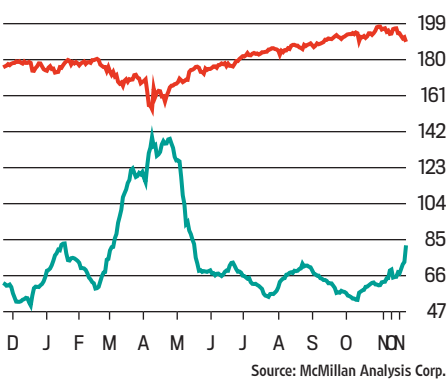
CBOE Volatility Index

VIX Close VIX Futures



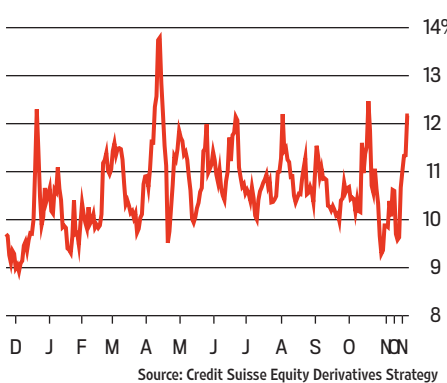
The Equity-Only Put-Call Ratio

Put-Call Ratio S&P 500 Index



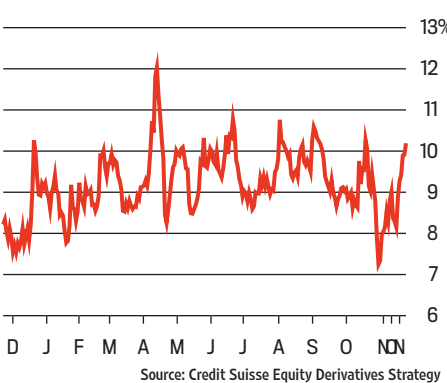
SPX Skew

Implied volatility %



NDX Skew

Implied volatility %



Skew indicates whether the options market expects a stock-market advance or decline. It measures the difference between the implied volatility of puts and calls that are 10% out of the money and expire in three months. Higher readings are bearish.

Week's Most Active

Company	Symbol	Tot Vol	Calls	Puts	Avg Tot Vol	IV %ile	Ratio
Olema Pharmaceuticals	OLMA	42609	12298	30311	656	90	65.0
Repare Therapeutics	RPTX	30143	29996	147	556	97	54.2
Agios Pharmaceuticals	AGIO	68549	28238	40311	2224	91	30.8
La-Z-Boy	LZB	4080	1960	2120	148	46	27.6
SEMrush	SEMR	17264	11247	6017	716	93	24.1
Amentum	AMTM	51973	46989	4984	2244	58	23.2
Vera Bradley	VRA	7846	7340	506	376	98	20.9
Annexon	ANNX	9826	9633	193	632	47	15.5
Westlake	WLK	7516	1419	6097	600	97	12.5
Czdiz	CDZI	83610	80436	3174	7028	76	11.9
Kingsoft Cloud	KC	62600	33580	29020	5260	0	11.9
EXACT Sciences	EXAS	44872	35450	9422	3900	0	11.5
Savara	SVRA	6540	6535	5	568	92	11.5
Global-e Online	GLBE	15864	14000	1864	1392	44	11.4
ConEd	ED	23869	22500	1369	2160	85	11.1
PACS	PACS	63362	44156	19206	6200	51	10.2
Milrose Properties	MRP	8680	6731	1949	864	79	10.0
Prudential Financial	PRU	52584	41795	10789	5416	85	9.7
Vanda Pharmaceuticals	VNDA	14734	14394	340	1680	99	8.8
Lennar	LEN	160537	148122	12415	19024	87	8.4

This table of the most active options this week, as compared to average weekly activity – not just raw volume. The idea is that the unusually heavy trading in these options might be a predictor of corporate activity – takeovers, earnings surprises, earnings pre-announcements, biotech FDA hearings or drug trial result announcements, and so forth. Dividend arbitrage has been eliminated. In short, this list attempts to identify where heavy speculation is taking place. These options are likely to be expensive in comparison to their usual pricing levels. Furthermore, many of these situations may be rumor-driven. Most rumors do not prove to be true, so one should be aware of these increased risks if trading in these names

INSIDE SCOOP

David Tepper's Appaloosa Goes Bargain Hunting

BY ANDREW BARY

Investor David Tepper's Appaloosa Management made some contrarian investments in the third quarter, buying stock in out-of-favor **Whirlpool**, **Goodyear Tire**, and **American Airlines Group**, according to a filing with the Securities and Exchange Commission. Tepper, a billionaire who owns the NFL's Carolina Panthers, is one of the most closely watched investors on Wall Street. Appaloosa's disclosed equity portfolio totals about \$7 billion. Appaloosa has scored with a series of investments in Chinese stocks this year, and bought 5.2 million shares of Whirlpool in the third quarter, bringing its total holdings in the appliance maker to 5.5 million shares. Whirlpool stock has rallied since the news of the Appaloosa purchase,

gaining over 5% to around \$70. The shares are still down almost 40% so far this year. Appaloosa also initiated a holding of 9.25 million shares in American Airlines, whose stock recently traded around \$12. The firm purchased 4.3 million shares of tire maker Goodyear in the period, holding 5.1 million shares on Sept. 30. Goodyear stock trades around \$7 and is down 40% over the past two years. Appaloosa also closed a position of eight million shares of **Intel** in the third quarter and sold 2.2 million shares of **UnitedHealth Group**, bringing its holding down to some 200,000 shares. Chinese e-commerce and cloud giant **Alibaba Group Holding**, the largest Appaloosa holding, stands at 6.45 million shares and is now worth \$1 billion after sales of about 600,000 shares in the third quarter. **B**

Tepper, one of Wall Street's most closely watched investors, bought battered shares of Whirlpool and Goodyear, and sold Intel.

PayPal Stock Has Fallen 14% Since Earnings. 3 Executives Sold Shares.

Shares of **PayPal Holdings** have tumbled this year as the company contends with lofty expectations. In the weeks following its latest earnings report, several executives sold the stock. A filing with the SEC on Oct. 31 shows Chris Natali, PayPal's chief accounting officer, selling 1,374 shares for \$69.13 apiece, or a total of nearly \$95,000, the day prior. Following the sale, Natali owned no other shares directly, according to the filing. Just days later, on Nov. 3, Suzan Kereere, the fintech's president of global markets, made two transac-

tions, according to a separate securities filing. Kereere sold 10,000 shares for an average price of \$68.85 each, followed by another sale of 2,500 shares for \$68.96 each, or a total of \$860,900. The sales brought Kereere's direct holdings to 30,983 company shares, valued at \$1.9 million based on Nov. 14's closing price of \$62.81. Another filing shows that Aaron Webster, PayPal's global chief risk officer, made three sales on Nov. 10, which came to a total of 9,282 shares of company stock for around \$615,309. Webster's direct holdings after the sale came to 35,699 shares, which were valued at more than \$2.2 million as of Nov 14. PayPal declined to comment on the transactions. Shares of the fintech have slumped 26% this year. **—Mackenzie Tatananni**

Activist Filings

Novavax (NVAX)
Shah Capital Management raised its stake in the biotechnology company to 13,461,780 shares. Shah Capital Management did so through the purchase of 1,650,000 Novavax shares from Oct. 16 through Nov. 10 at per share prices ranging from \$7.16 to \$8.59. On Nov. 12, Shah issued an open letter to Novavax's board of directors, reiterating its frustrations with the company's weaker-than-expected Nuvaxovid Rollout, lack of proactive mind-set, high-cost structure, and misleading dilution data. Shah further emphasized its belief that "Novavax shareholders will be better served under the umbrella of a larger, competent pharma company." Following the latest purchases, Shah Capital Management owns an 8.3% stake in Novavax's outstanding stock. Shares of Novavax have lost approximately 26% of their value since the beginning of this year.

Original Filings

UniFirst (UNF)
River Road Asset Management filed an initial 13D regarding its stake in the workplace clothing provider, shifting to the stance of an activist investor from previous disclosures in a passive 13G. River Road reported that it purchased 98,131 UniFirst shares from Sept. 15 through Nov. 12 at per share prices ranging from \$150.14 to \$172.03, then sold 5,447 shares from Oct. 10 through Nov. 12 at \$149.72 to \$168.44. Following those purchases, River Road owns 881,303 UniFirst shares, or 4.9% of those outstanding. Shares of UniFirst have lost approximately 6.2% of their value since the beginning of this year.

Increases in Holdings

Resideo Technologies (REZI)
Clayton, Dubilier & Rice increased its stake in the home technology company to 33,478,322 shares. The private-equity firm purchased 1,689,758 Resideo shares from Nov. 10 through Nov. 13 at per share prices ranging from \$30.27 to \$32.51. Following the latest purchases, CD&R owns 19.9% of Resideo Technologies' outstanding stock, bringing CD&R right up to the 19.9% "standstill" cap that the firm has agreed to. Shares of Resideo have gained roughly 27.8% in value since the beginning of this year.

Decreases in Holdings

Tango Therapeutics (TNGX)
Third Rock Ventures IV lowered its stake in the biotechnology company to 9,374,574 shares. Third Rock Ventures did so through the sale of 5,352,942 Tango Therapeutics shares from Sept. 16 through Nov. 12 at per share prices ranging from \$7.04 to \$10.15. Following the latest sales, Third Rock Ventures owns a 7% stake in Tango Therapeutics' outstanding stock. Shares of Tango Therapeutics have surged to gain approximately 164.7% in value since the beginning of this year.

These disclosures are from 13Ds filed with the Securities and Exchange Commission. 13Ds are filed within 10 days of an entity's attaining more than 5% in any class of a company's securities. Subsequent changes in holdings or intentions must be reported in amended filings. This material is from Nov. 13 through Nov. 19, 2025. Source: **VerityData (verityplatform.com)**

RESEARCH REPORTS

How Analysts Size Up Companies

These reports, excerpted and edited by *Barron's*, were issued recently by investment and research firms. The reports are a sampling of analysts' thinking; they should not be considered the views or recommendations of *Barron's*. Some of the reports' issuers have provided, or hope to provide, investment-banking or other services to the companies being analyzed.

Lowe's Cos. • LOW-NYSE

Outperform • \$219.57 on Nov. 19
by Mizuho

Lowe's shares are seeing a relief rally, as third-quarter results cleared a very low bar, following weak results out of **Home Depot**. Lowe's comps slightly outperformed its larger peer, with that occurring only once in the prior eight quarters. A few highlights: 1) Guidance changes are consistent with the low end of initial fiscal-year 2025 expectations, with margin pressure from two acquisitions layering in; 2) Average ticket expanding by 3.4% could indicate that Lowe's is taking more price than Home Depot's 1.8% gain reported recently; 3) Agentic technology and the Mylow agent are seeing early traction with about a million prompts per month and helping drive much higher conversion (two times versus normal) for do-it-yourself customers. While management did point to a more cautious consumer and still-uncertain timing around the eventual housing inflection, we look favorably upon third-quarter results and November-to-date comps being positive. Resetting estimates and price target to \$272.

Rocket Cos. • RKT-NYSE

Buy • \$17.17 on Nov. 19
by BTIG Research & Strategy

We think Rocket Cos. stock offers the highest-quality alignment between origination and servicing. There may be somewhat limited near-term earnings accretion from the merger with Mr. Cooper, but we think it supports an earnings profile that makes Rocket's earnings and valuation less binary with respect to interest-rate volatility, and the operational scale supports a lower cost of capital and more stable leverage versus its competitors. Average daily traffic in the stock has more than doubled since the Mr. Cooper deal closed on Oct. 1. We think the boost in trading liquidity has created an even more fertile battleground between technology, media, and telecommunications investors, who see it as an inexpensive substitute versus some tech/software stories, and financial institution group investors, who are bullish on most of

the fundamental components, but grapple a bit more with the valuation. We're still at 60 cents earnings per share next year with rough sensitivity to get up near 80 cents with mortgage rates down 50 basis points from here, and assuming stable margins around 2.75%. There's upside near \$1/share if gross margins get back above 3.25%, which is still far from the pandemic highs of 4.5% when the stock went public. Price target: \$25.

OneMain Holdings • OMF-NYSE

Neutral • \$57.32 on Nov. 19
by Seaport Research Partners

We are reducing our 2025 EPS estimate from \$6.72 to \$6.62 and our 2026 estimate from \$8 to \$7.75 on the expectation that credit improvement will occur at a more gradual pace than we originally incorporated into our model. First, we had forecast that the Consumer and Insurance charge-off rate would decline about 35 basis points to 7.25% in 2026, which we now believe was a bit too optimistic. We have adjusted our 2026 charge-off rate expectation into the 7.35% to 7.4% range. Second, our higher charge-off rate forecast implicitly increases the provision for loan losses. We have assumed that the reserve rate will decline slightly in 2026, but less so relative to our prior estimate. All other variables including yield, originations, portfolio growth, and expense ratios remain the same.

IBM • IBM-NYSE

Outperform • \$290.86 on Nov. 19
by Evercore ISI

We met with IBM CEO Arvind Krishna and Global Head of Investor Relations Olympia Mc Nerney recently; discussions centered around the company's strategy, management's thoughts on the broader macro backdrop, enterprise AI vision, mergers-and-acquisitions philosophy, productivity initiatives, and Quantum compute opportunity among other trending topics. Our conversations reinforced our view of IBM as a macro-resistant hybrid information-technology/AI leader that is well positioned to benefit from several tailwinds, includ-

Insider Transactions

Purchases

Company	Symbol	Insiders	Shares	\$ Val (000's)
Biohaven	BHVN	3	1,083,666	8,145
Acv Auctions	ACVA	3	1,012,979	5,744
Billiontoone	BLLN	6	52,966	5,298
Upstart	UPST	1	100,000	3,923
Primo Brands	PRMB	2	182,559	2,887
Vivani Medical	VANI	1	1,737,764	2,425
Greif	GEF.B	3	35,293	2,343
Intuitive Machines	LUNR	1	241,080	2,190
Freshworks	FRSH	1	171,615	1,994
Marriott Vacations Worldwide	VAC	5	42,500	1,966
Progynty	PGNY	1	79,500	1,931
Maravai Lifesciences	MRVI	1	466,771	1,512
Alumis	ALMS	1	276,179	1,450
Ftai Aviation	FTAI	3	9,289	1,432
Mach Natural Resources	MNR	2	87,978	1,055
Lineage	LINE	1	30,000	1,012
Sonos	SONO	1	62,325	1,008
Resolute Holdings Management	RHLD	1	5,939	1,001
Transmedics	TMDX	1	8,775	1,000
Accelerant	ARX	1	74,110	999

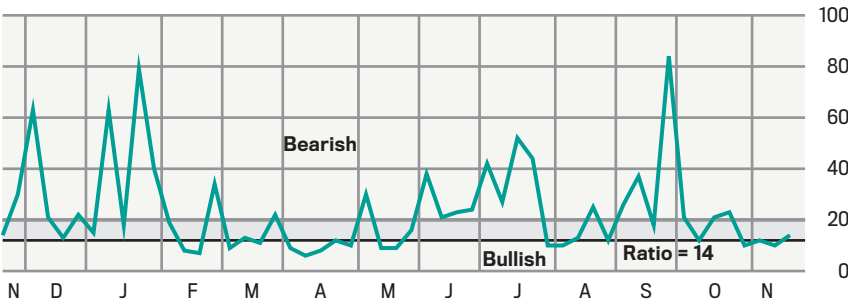
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Sales

Company	Symbol	Insiders	Shares	\$ Val (000's)
Robinhood Markets	HOOD	3	760,768	94,216
Cisco Systems	CSCO	4	936,372	72,963
Amphenol	APH	1	298,076	42,697
Roivant Sciences	ROIV	1	1,854,603	37,939
Macom Technology Solutions	MTSI	3	221,000	36,745
Vertex Pharmaceuticals	VRTX	2	75,792	33,379
Coinbase Global	COIN	1	100,000	31,088
Datadog	DDOG	3	162,582	30,410
D-Wave Quantum	QDTS	3	1,095,253	29,983
Airbnb	ABNB	1	236,000	28,475
Insmid	INSM	4	146,226	28,394
Circle Internet	CRCL	3	327,198	27,590
Astera Labs	ALAB	3	185,538	26,846
Coreweave	CRWV	1	281,250	24,630
Vistra	VST	3	136,210	23,731
Taboola.Com	TBLA	1	6,387,648	23,443
Grindr	GRND	4	1,548,426	22,609
Karman	KRMN	4	341,000	21,540
Hyatt Hotels	H	1	130,000	20,389
Liberty Media	FWONK	1	190,127	19,524

An insider is any officer, director or owner of 10% or more of a class of a company's securities. In most cases, an insider must report any trade to the SEC within two business days. The tables highlight companies that filed with the SEC through last Wednesday. The tables do not include pension-plan or employee stock-option activity, trades by beneficial owners of 10% or more, trades under \$2 per share or trades under 100 shares. The "Purchases" column includes only open-market and private purchases; the "Sales" column includes only open-market and private sales, and excludes trades preceded by option exercise in the 12 months prior to the reported event. Source: LSEG Data and Analytics

Insider Transactions Ratio



Ratio of Insiders Sales to Buys. Readings under 12:1 are Bullish. Those over 20:1 are Bearish. The total top 20 sales and buys are 676,590,255 and 49,315,858 respectively; Source: LSEG Data and Analytics

ing enterprise AI adoption, focus on productivity initiatives, prioritization of data sovereignty, and Quantum differentiation....Net/net: We see multiple vectors for growth over the medium term. Maintain \$315 price target.

McDonald's • MCD-NYSE

Hold • \$304.59 on Nov. 18
by Stifel

McDonald's is working to improve its menu architecture, with a particular focus on value at every tier and lower core menu pricing for combo meals in an effort to improve value perception among consumers. While we believe that resetting the value proposition is necessary to stimulate transaction growth, particularly in a challenging consumer environment, we would like to see more evidence that the company's investments can lead to

sustained transaction growth amid fierce quick-service-restaurant competition from both generalist and specialist brands. Our Hold rating reflects our view that the valuation is fair. Price target: \$315.

Dolby Laboratories • DLB-NYSE

Buy • \$64.96 on Nov. 18
by Rosenblatt

Despite a difficult macro, Dolby delivered a solid fiscal fourth quarter and guided full-year revenue and EPS consistent with expectations. Along the way, Atmos and Vision continue to scale, and the company discussed a potential new avenue for total-addressable-market expansion around streaming. We continue to like the long-term story and believe that Dolby is a good value here for long-term-focused investors. Price target: \$85.

BARRONS.COM/DAT

[illegible]

BARRONS.COM/DATA

[illegible]

DATA				MUTUAL FUNDS				DATA PROVIDED BY LIPPER				BARRONS.COM/DATA							
	NAV	YTD %Ret.	3-Yr. %Ret.		NAV	YTD %Ret.	3-Yr. %Ret.		NAV	YTD %Ret.	3-Yr. %Ret.		NAV	YTD %Ret.	3-Yr. %Ret.				
USSusdxn	29.63	-0.51	14.2	78.1	FF2035A	16.06	-0.24	14.4	46.7	GrStrtn	72.02	-2.19	8.5	61.0	GISSmCoA	9.56	-0.10	1.4	21.9
Fidelity Adv Focus A:					FF2040 n	13.16	-0.24	16.8	57.9	GwthDiscovery	67.06	-2.10	10.6	90.8	GrowthA	31.03	-0.54	18.5	50.5
HthCarA	63.92	1.09	14.9	26.7	FF2040A	18.37	-0.34	16.1	54.3	HlghInc	8.06	-0.01	7.9	30.9	WorldA	19.18	-0.51	15.5	76.5
Fidelity Advisor:					FF2045 n	15.52	-0.32	17.8	60.9	IntBdn	10.40	0.03	6.6	16.9	FrankTemp/Temp:Adv:				
EqtyDvlnCfndCIA	30.38	0.01	NS	NS	FF2050 n	15.74	-0.32	17.8	61.1	IntEqRn	14.23	-0.38	25.0	58.1	GISSmCoA	7.07	-0.09	15.3	11.3
DvdGrwthFndCIA	41.22	-0.69	NS	NS	FidAdvFree2030Rn	12.63	-0.15	13.5	42.1	IntlCapApp K6	18.23	-0.61	13.2	53.3	GISSmCoA	9.56	-0.10	1.4	21.9
	9.94	NA	NS	NS	FidAdvFree2035 n	13.40	-0.19	14.3	48.3	IntlDisc	57.51	-1.99	20.0	52.6	GrowthA	31.03	-0.54	18.5	50.5
FidAdBlncdFnd	31.74	-0.32	11.7	NS	FidAdvFree2040 n	14.24	-0.26	16.0	56.0	IntlGrRet n	22.46	-0.61	12.6	41.5	WorldA	19.18	-0.51	15.5	76.5
FidAdBlncdFnd	31.71	-0.32	11.2	NS	FidFree2065	15.31	-0.32	18.0	62.3	IntlScOpps n	23.16	-0.23	18.3	44.1	FrankTemp/Temp:Adv:				
FidAdBlncdFnd	31.75	-0.32	12.0	NS	FrdmBlncdFndK6	12.35	-0.12	13.1	39.4	IntlSmCap n	36.45	-0.74	19.2	47.1	GISSmCoA	7.07	-0.09	15.3	11.3
FidAdBlncdFnd	31.77	-0.32	12.3	NS	Free2055 n	18.24	-0.38	17.8	61.0	IntlVal n	13.44	-0.42	33.6	74.0	GISSmCoA	9.56	-0.10	1.4	21.9
FidAdBlncdFnd	31.77	-0.31	12.2	NS	Free2060InstPrem	21.11	-0.43	16.7	58.8	IntMun	10.26	-0.01	4.6	13.2	GISSmCoA	7.07	-0.09	15.3	11.3
FreeBmd2020K	16.06	-0.23	14.7	48.2	Free2060Investor	21.10	-0.44	16.6	58.5	InvGB n	7.34	0.03	7.3	16.7	GISSmCoA	9.56	-0.10	1.4	21.9
MultiAstIn Retain	15.28	-0.22	12.1	37.0	Freedom2015K6	12.43	-0.07	11.1	31.8	InvGrBd	10.24	0.04	7.7	18.2	GISSmCoA	7.07	-0.09	15.3	11.3
SemiconductorsA	108.37	-6.26	32.0	21.1	Freedom2015K6	12.37	-0.07	11.3	32.5	LargeCap n	61.26	-3.97	20.2	83.4	GISSmCoA	9.56	-0.10	1.4	21.9
SrsAdvIntlCapApp	36.06	-1.20	13.1	52.7	Freedom2020K6	15.75	-0.13	12.3	36.2	LCapCRldx n	36.30	NA	NA	NA	GISSmCoA	7.07	-0.09	15.3	11.3
StragInc	12.07	-0.01	7.8	25.9	Freedom2020K6	15.68	-0.12	12.5	37.0	LevCoSt n	42.82	-1.20	14.2	75.8	GISSmCoA	9.56	-0.10	1.4	21.9
TotBdFCIZ	9.71	0.04	7.5	19.0	Freedom2025K6	15.10	-0.15	13.5	40.1	LmtMtmMunlncn	10.60	0.00	4.1	11.6	GISSmCoA	7.07	-0.09	15.3	11.3
Fidelity Advisor A:					Freedom2025K6	15.05	-0.16	13.6	40.9	LowP n	40.41	-0.43	9.3	34.5	GISSmCoA	9.56	-0.10	1.4	21.9
GrwthIncFnd	66.13	-1.39	NS	NS	Freedom2030K6	19.59	-0.23	14.1	43.8	LowPrStkK	40.36	-0.43	9.4	34.8	GISSmCoA	7.07	-0.09	15.3	11.3
AdvMdcPPIIA	23.44	-0.09	5.4	39.1	Freedom2030K6	19.51	-0.23	14.3	44.5	LowPrStkK6	15.15	-0.16	9.3	35.7	GISSmCoA	9.56	-0.10	1.4	21.9
AdvStrDivlnA	18.10	-0.11	10.4	32.3	Freedom2035K6	17.61	-0.25	15.1	50.1	LtdTmBdFnd	11.65	0.03	6.1	19.3	GISSmCoA	7.07	-0.09	15.3	11.3
Biotech	38.62	-0.94	41.9	70.4	Freedom2035K6	17.56	-0.25	15.3	51.0	Magellan n	15.20	-0.40	7.6	74.6	GISSmCoA	9.56	-0.10	1.4	21.9
EqGrA p/r	21.68	-0.68	9.8	88.3	Freedom2040K6	13.16	-0.23	16.9	58.3	Magin n	15.20	-0.40	7.5	74.2	GISSmCoA	7.07	-0.09	15.3	11.3
FD2030A	15.56	-0.19	13.5	40.8	Freedom2040K6	13.11	-0.24	17.1	59.2	MAMun n	11.48	0.00	3.8	12.1	GISSmCoA	9.56	-0.10	1.4	21.9
FltRateA	9.12	-0.01	4.3	27.2	Freedom2045K6	15.48	-0.32	17.8	61.4	Manager40 n	47.07	-0.12	10.7	32.6	GISSmCoA	7.07	-0.09	15.3	11.3
GrOppA	204.59	-7.18	14.9	121.7	Freedom2045K6	15.44	-0.32	18.0	62.3	Manager60 n	17.51	-0.24	13.0	41.7	GISSmCoA	9.56	-0.10	1.4	21.9
IntCapPA	33.40	-1.12	12.8	51.6	Freedom2050K6	15.70	-0.33	17.8	61.4	McpVln	30.79	-0.03	6.1	45.1	GISSmCoA	7.07	-0.09	15.3	11.3
LgeCapA	53.66	-0.44	19.4	81.2	Freedom2050K6	15.69	-0.33	18.0	62.3	MegaCpStk n	29.90	-0.70	19.7	86.2	GISSmCoA	9.56	-0.10	1.4	21.9
NwlnsghtA	46.99	-1.07	14.7	106.2	Freedom2055K6	18.19	-0.38	17.8	61.4	MidCap n	44.33	-0.57	6.3	61.4	GISSmCoA	7.07	-0.09	15.3	11.3
SmllCapA	29.71	-0.22	8.3	39.5	Freedom2055K6	18.18	-0.38	18.0	62.3	Munilnc n	12.33	-0.01	3.9	14.5	GISSmCoA	9.56	-0.10	1.4	21.9
StkSelLMC	44.24	-0.28	5.6	37.0	Freedom2060 n	16.75	-0.35	17.7	60.9	NASDAQ n	283.91	-7.91	16.0	107.0	GISSmCoA	7.07	-0.09	15.3	11.3
StrlnA	11.89	-0.01	7.4	24.8	Idx2015InsPre	15.57	-0.08	10.2	30.5	Idx2015InsPre	15.57	-0.08	10.2	30.5	GISSmCoA	9.56	-0.10	1.4	21.9
TotalBdA	9.72	0.03	7.0	17.6	Idx2020InsPre	14.71	-0.13	11.3	30.5	Idx2020InsPre	14.71	-0.13	11.3	30.5	GISSmCoA	7.07	-0.09	15.3	11.3
Fidelity Advisor C:					Idx2025InsPre	20.70	-0.20	12.5	38.6	Idx2025InsPre	20.70	-0.20	12.5	38.6	GISSmCoA	9.56	-0.10	1.4	21.9
GrOppC	161.71	-5.70	14.2	116.7	Idx2035InsPre	22.69	-0.27	13.1	42.1	Idx2035InsPre	22.69	-0.27	13.1	42.1	GISSmCoA	7.07	-0.09	15.3	11.3
Fidelity Advisor Fund:					Idx2035InsPre	26.47	-0.37	14.0	48.0	Idx2035InsPre	26.47	-0.37	14.0	48.0	GISSmCoA	9.56	-0.10	1.4	21.9
EqGrCIZ	26.17	-0.82	10.1	90.4	Idx2040InsPre	28.40	-0.51	15.7	55.7	Idx2040InsPre	28.40	-0.51	15.7	55.7	GISSmCoA	7.07	-0.09	15.3	11.3
InterDiscZ	57.19	-1.97	20.1	53.0	Idx2045InsPre	30.21	-0.62	16.7	58.7	Idx2045InsPre	30.21	-0.62	16.7	58.7	GISSmCoA	9.56	-0.10	1.4	21.9
IntlGrwZ	22.42	-0.61	12.7	41.9	Idx2050InsPre	30.27	-0.62	16.7	58.7	Idx2050InsPre	30.27	-0.62	16.7	58.7	GISSmCoA	7.07	-0.09	15.3	11.3
MegaCapStockZ	27.00	-0.69	19.9	86.9	Idx2055InsPre	24.91	-0.52	16.7	58.7	Idx2055InsPre	24.91	-0.52	16.7	58.7	GISSmCoA	9.56	-0.10	1.4	21.9
Semiconductors	118.29	-6.83	32.3	21.3	Idx2055Investor	24.89	-0.52	16.6	58.5	Idx2055Investor	24.89	-0.52	16.6	58.5	GISSmCoA	7.07	-0.09	15.3	11.3
fedadvcons	10.08	0.01	4.2	NS	Idx2060 Premier	17.40	-0.14	11.4	35.0	Idx2060 Premier	17.40	-0.14	11.4	35.0	GISSmCoA	9.56	-0.10	1.4	21.9
Fidelity Advisor I:					Idx2065 Premier	20.69	-0.21	12.5	38.7	Idx2065 Premier	20.69	-0.21	12.5	38.7	GISSmCoA	7.07	-0.09	15.3	11.3
Biotech	42.51	1.03	42.3	71.7	Idx2030 Premier	22.69	-0.26	13.1	42.2	Idx2030 Premier	22.69	-0.26	13.1	42.2	GISSmCoA	9.56	-0.10	1.4	21.9
ConvincMuniln	10.06	0.00	2.8	10.5	Idx2035 Premier	26.48	-0.37	14.0	48.0	Idx2035 Premier	26.48	-0.37	14.0	48.0	GISSmCoA	7.07	-0.09	15.3	11.3
EqGrI	25.69	-0.80	10.1	89.7	Idx2040 Premier	28.39	-0.51	15.7	55.8	Idx2040 Premier	28.39	-0.51	15.7	55.8	GISSmCoA	9.56	-0.10	1.4	21.9
FAEmgMktI	40.62	-1.26	31.8	63.8	Idx2045 Premier	30.21	-0.62	16.7	58.7	Idx2045 Premier	30.								

OTHER VOICES

It's good for the soul to find bright economic spots amid a world that is shifting on its very foundations.

A Hater's Guide to What Trump Has Gotten Right

This column is sure to spoil my Thanksgiving, as my family's holiday table convenes a small sampling of President Donald Trump's most rabid critics. But if you try to make sense of the global economy for a living, as I do, you know good analysis and debate require identifying what looks promising amid all that may be disastrous.

While the president's supporters will claim that a stock market still near record highs is the best proof that he is doing a great job, I would argue that the boom in artificial-intelligence investment has masked the scars of his most destructive economic policies. The tariffs are distortive, the tax cuts have blown a fresh hole in the budget, and the attacks on courts, regulators, and universities inflict long-term damage on what really makes the U.S. great.

Still, there are promising pro-growth policies that the folks eating my turkey should acknowledge—before they banish me from the table.

European defense. There will be costs to shattering the trust of our longtime allies, yet none of Trump's predecessors managed to get European governments to pay their fair share of defense costs. Russian President Vladimir Putin's warmongering played a role, of course. But Trump's tough love was critical in getting North Atlantic Treaty Organization member countries to finally commit to spending 5% of their an-

BY CHRISTOPHER SMART
The writer is a managing partner of the Arbroath Group, an investment strategy consultancy, and was a senior economic policy advisor in the Obama administration.

nual gross domestic product on defense by 2032. It even forced Germany to abandon its beloved debt brake.

Canadian competition. Trump's inexplicable tariffs and hostility toward Canada unintentionally forced Prime Minister Mark Carney to eliminate many of the internal trade barriers among provinces. The chaotic trade relations with the U.S. have darkened Canadian growth forecasts, but it's hard to imagine

these long-overdue structural reforms without the shock from Washington.

Expensing capital expenditure. Making permanent the practice of expensing capex all at once offers businesses a meaningful incentive to invest in their own growth. An attractive accounting article in the One Big Beautiful Bill Act won't change the world, and government revenue may take a hit from this tax change in 2026. But it should deliver lasting improvement in productivity and pay for itself through expanded production, profits, and jobs.

Deregulation. Everyone hates regulation—until a plane crashes or an oil slick washes ashore. Trump's rollback of environmental regulation and green tax credits feels especially shortsighted. But a brief conversation with anyone who runs a small business reveals how fast the layers of local, state, and federal rules add up. Simplifying regulation allows them more time to focus on building their business.

Stablecoins. Trump's family has financial stakes in crypto businesses, which should raise eyebrows at how the administration is championing the nascent industry. Still, the passage of the Genius Act, backed with Trump's strong support, set forth a framework for the issuance of dollar-linked stablecoins. It put the U.S. at the center of the digital currency system that seems likely to transform how money moves around the world.

Supply diversification. The Biden administration should be recognized for starting the push to bring semiconductor production to the U.S. But Trump should be credited with expanding that effort. Companies like **Taiwan Semiconductor Manufacturing** and **Micron Technology** are investing hundreds of billions of dollars in U.S. semiconductor production. Meanwhile, the administration's frameworks to develop rare earth production and supply chains in Japan, Australia, Ukraine, and Kazakhstan look promising.

Saudi Arabia. The only thing more incendiary than bringing up

Trump at Thanksgiving is mentioning the Middle East. Hard as it may be to look past misdeeds in Riyadh or Jerusalem, the region's people, including the beleaguered Palestinians, will be richer and more secure if Trump continues to help deliver stability. And if he can get Saudi Arabia to finally recognize Israel, vast investment pools will be connected with world-class innovation.

East Asian Security. Trump's recommitment last month to support Japanese and Korean defense with weapons and technology are welcome counterweights to the uneven trade terms he has forced on these allies. Their tariff resentments may come back to haunt Washington someday. But right now, both countries have agreed to increase their military spending. That should help underpin regional commerce and security in the shadow of China.

Border control. The administration's often violent approach to deporting undocumented immigrants looks cruel and self-destructive. It also undermines economic growth. But if—and it is a big if—Congress manages real immigration reform in a few years, Trump may deserve some credit for intensifying political pressure around the issue.

Argentina bailout. Tossing a lifeline to embattled President Javier Milei before Argentina's midterm election in October looked like the financial equivalent of a Hail Mary football pass. But it seems to have paid off both politically and financially. Milei's right-wing party won a plurality of the vote, and Treasury Secretary Scott Bessent said the U.S. has already made a profit off the \$20 billion swap line it offered Milei. There's a long road ahead for debt- and inflation-ridden Argentina, but Bessent called the right play. For now, Argentina is the better for it.

I'll admit: Some of these are a stretch. But it's good for the soul to find bright economic spots amid a world that is shifting on its very foundations. If any of these resonate with you, please remember that I may be looking for a Thanksgiving dinner invitation next year. **B**



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RETIREMENT

Shock Absorbers to Protect Your Portfolio

BY ELIZABETH O'BRIEN

Nvidia's strong earnings report may have soothed fears about a bubble in artificial-intelligence stocks. But the market still seems to be turning skittish, with volatility creeping back up and stocks faltering in the home stretch of the year.

For retirees, it's a good idea to have shock absorbers in your portfolio and make sure you aren't too reliant on one hot stock or sector.

The poster child for AI is Nvidia, of course, and the chip maker's third-quarter earnings report indicated that demand for its chips is still quite healthy. But Nvidia now constitutes nearly 8% of the S&P 500, and it's carrying much of the market. Of the index's \$6.8 trillion increase in value this year, \$1.7 trillion is from Nvidia alone, per Dow Jones Market Data.

As Thursday's sharp pullback showed, that makes the S&P 500 vulnerable to a pullback if the AI trade loses steam.

Given the big run in tech, many investors may have too much exposure to the sector for a long-term balanced portfolio.

Consider trimming your tech position and rotating into small- and mid-cap stocks, says Paul Stanley, chief investment officer of Granite Bay Wealth Management in Portsmouth, N.H. "There's no time like the present to reduce your exposure to volatility," he says.

Mid-caps have lagged behind the overall market for the past few years and now offer more attractive valuations. What's more, many are domestically oriented industrial and financial companies that don't have as much exposure to tariffs. Small-caps tend to do well when interest rates decline because they borrow more than their larger counterparts.

Also, look at your overall mix. There's no one answer to the right mix of stocks and bonds in retirement, but the classic 60/40 stock and bond portfolio is a good place to start. A recent study from the

Deutsche Bank Research Institute found that a portfolio consisting of 60% equities and 40% bonds has historically provided the lowest probability of a nominal loss, with a 0.1% chance of negative 25-year returns, lower even than Treasury bills.

Many retirees may still feel burned by the downturn in both stocks and bonds in 2022, one of the worst years in history for the 60/40 split. But 2022 was likely an anomaly caused by the Federal Reserve's steep interest-rate hikes to combat inflation. Bonds are faring better now and seem to be back in their traditional portfolio role as ballast. The **iShares Core U.S. Aggregate Bond** exchange-traded fund is up around 7% this year on a total-return basis and should continue to perform well if the Fed cuts rates (since bond prices and yields move inversely).

For a one-stop shop, consider **Vanguard Balanced Index**, a low-cost index fund tracking the U.S. stock and bond markets with a roughly 60/40 split.

If your portfolio mix isn't where it should be, consider selling some winners and using the proceeds to buy assets that haven't done as well or posted losses.

Stanley favors rebalancing on a regular schedule versus on a reactive basis in response to market moves. Whether you rebalance quarterly, semiannually, or annually, year end is a good time to do it.

Investors who are subject to required minimum distributions, or RMDs, can use them to rebalance their portfolios. Investors age 73 and over can consider taking their RMD from an overweighted part of a tax-deferred portfolio and, if they don't need the money to live on, investing the proceeds in a taxable account in an asset class they are underweight in.

Don't forget about cash. A rule of thumb for retirees: Keep a cash cushion of up to two years' worth of living expenses, after accounting for other income sources. That will help ensure that you don't have to sell stocks when they're down just to pay the bills. **B**

MAILBAG

Greg Abel's To-Do List at Berkshire

To the Editor:

Aside from buying a whole lot more Berkshire Hathaway stock himself, CEO-designate Greg Abel should stay the course ("Berkshire Without Buffett: What's Next for the Company and the Stock," Cover Story, Nov. 13). Do no harm, and don't try to reinvent the wheel. Once the market corrects from its manic overvaluation and speculative artificial-intelligence fever, Berkshire's performance will outshine once again, just as it did after the dot-com face plant.

Richard Goldstein
On Barrons.com

Worsening Disparities

To the Editor:

Concierge medicine is just an example of further wasteful spending in medicine that does nothing but increase the cost of medicine for everyone and worsens disparities ("Concierge Medicine Is Booming. Should You Join the VIP Club?" Nov. 12). Ordering additional testing because it "feels right" without any good evidence of improving care leads to further testing and increased costs because all of that further testing is being paid by the insurers or the government—hence everyone. It leaves a much smaller pool of primary-care physicians seeing a much smaller panel of high-net-worth individuals. This result leaves—once again—the younger population, the poor, and the working class without the same level of access and a higher cost of care.

Dr. Louis J. Papa
Rochester, N.Y.

Spiking Volatility

To the Editor:

We all know that millions of people are going to lose their jobs over the next two

to three years because of artificial intelligence ("AI Anxiety Reaches Fever Pitch in the Stock Market. Why It's Still Not Time to Worry," Tech Trader, Nov. 13). Conversely, businesses will see unusually large earnings increases the first few years, which will goose the stock market. At the same time, government jobs numbers will show job losses, and investors will be rightfully confused. Volatility will spike like never before.

Shepard Fargotstein
On Barrons.com

Rethinking 60/40

To the Editor:

Whether it's fixed income here or abroad, it's still subject to the deleterious effect of profligate fiscal policy worldwide, intermediate and long rates reacting negatively to misguided Federal Reserve policy, and tariffs/embargoes that create inflation ("6 Global Balanced Funds That Make Sense for This Market," Funds, Nov. 12). The traditional 60/40 asset mix is clearly outmoded in today's investing environment. Instead, consider a 50/25/25 mix of growth stocks, high-yield value stocks with increasing dividends, and gold miners/bullion, which has a better chance of preserving capital, providing growth, and generating a rising income stream.

Mike Meehan
Bradenton, Fla.

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PRESIDENT, PATEK PHILIPPE



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