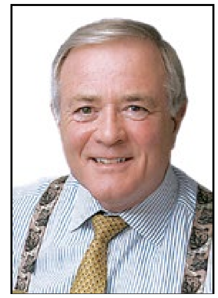
DJC
THE DAILY JOURNAL OF COMMERCE, PORTLAND, OREGON


William Rutherford

Driving through data fog: markets shrug off blind spots

Published November 7, 2025

Never mind that the government couldn't tell us whether we had jobs or inflation. The stock market powered straight through October's data fog. The S&P 500 rose 2.3 percent for the month, the Nasdaq gained 4.7 percent, and the Dow added 2.5 percent, extending multi-month winning streaks for all three indices. Here's the kicker: they did it while the U.S. Bureau of Labor Statistics posted a notice saying updates had stopped. Meanwhile, Treasury desks dusted off a rarely used TIPS fallback procedure in case the Consumer Price Index couldn't be published on time — a reminder that markets sometimes must fly by instruments that have not been calibrated in years.

With the federal government shut down since Oct. 1, the U.S. Bureau of Economic Analysis, the BLS and the Census Bureau curtailed most releases, leaving investors to triangulate the economy with private indicators and stale prints. The October jobs report that normally drops the first Friday of the month could not be found. The CPI release got pushed back a week, and there were genuine concerns it might not be published at all if the shutdown persisted. For the first time in memory, the Federal Reserve had to make a rate decision essentially flying blind.

Against this backdrop of uncertainty, the Fed cut rates by 25 basis points to a range of 3.75-4 percent on Oct. 29, although Chair Jerome Powell made it crystal clear that another cut in December "isn't a foregone conclusion; far from it." As he said during the press conference: "What do you do if you're driving in the fog? You slow down." The vote itself tells you something about the lack of consensus: Stephen Miran wanted a bigger cut while Jeff Schmid wanted no cut at all. That's what happens when you're making monetary policy without your speedometer. The Fed also announced it would conclude its balance sheet runoff on Dec. 1, and again purchase maturing Treasurys, effectively halting quantitative tightening. Long yields hovered near 4 percent for much of October before wobbling after Powell's cautious tone. The market hates uncertainty, but it hates the wrong certainty even more.

While Washington couldn't count jobs, Big Tech kept counting money. The earnings parade was something to behold, with Amazon's report serving as the month's exclamation point. The stock soared nearly 10 percent after the company reported 20 percent year-over-year growth in Amazon Web Services revenues. Amazon said it would spend $125 billion on AI infrastructure this year and maybe more next year. Major tech providers are rapidly monetizing new computing capacity as quickly as possible. The unmet demand for computing power to operate AI models suggests that current capital expenditure investments by these companies are likely to be sound.

The tech giants' numbers are staggering. Alphabet, Meta, Microsoft and Amazon by the end of 2026 collectively expect to spend over $490 billion on AI and infrastructure investments. To put that in perspective, that's equivalent to the GDP of Singapore, an Asian economic powerhouse, and more than the GDPs of Greece, Portugal and New Zealand combined. These companies are building the digital infrastructure for a complete transformation of how the world functions, and investors are buying the story wholesale.

Nvidia, riding this wave of unprecedented investment, on Oct. 29 became the first company to close above a $5 trillion market cap. The AI infrastructure boom isn't slowing down; if anything, it's accelerating. And it is solidly U.S.-based, although China is nipping at our heels.

Not everything in October was sunshine and semiconductor sales. Jamie Dimon offered a memorable warning after JPMorgan Chase took a $170 million hit from subprime auto lender Tricolor's bankruptcy: "I probably shouldn't say this, but when you see one cockroach, there are probably more." First Brands, a privately owned auto parts supplier, filed for Chapter 11 with as much as $2.3 billion in loans outstanding. These do not appear to be systemic risks yet, but as Dimon noted, "We've had a credit bull market since 2010. These are early signs there might be some excess out there." Private credit has grown from a cottage industry to a $2 trillion market, and nobody really knows what's lurking in those portfolios.

One of October's quieter stories was the improvement in market breadth. The equal weight S&P 500 outperformed the cap weighted index for stretches of the month. Cyclicals joined the party, regional banks found their footing despite credit concerns, and the Russell 2000 showed signs of life. When participation broadens, rallies tend to have staying power. This rotation from the narrow leadership that defined much of the year could be healthy, assuming it reflects genuine economic strength rather than just position shuffling. Yet the Magnificent Seven stocks still drive the market, as they represented over 37 percent of the S&P 500's market cap at the end of October.

The market's ability to advance through October's uncertainty is impressive but not unprecedented. Markets are forward-looking machines, and right now they're looking past the shutdown, past the data drought, and toward an AI-powered future that Big Tech insists will transform everything.

For the long-term investor, October reinforced several timeless principles. Stay diversified across broad U.S. equities, rather than crowding into a handful of winners. October's breadth improvement is healthy, but don't chase last month's winners. The Russell 2000 might be stirring, but small caps remain vulnerable if credit tightens. Focus on quality companies with strong balance sheets, recurring revenues, and robust cash flow generation. When you can't see the road ahead, you want businesses with proven models and experienced management teams. Consider maintaining a balance between growth-oriented holdings that can benefit from technological transformation and companies with proven steady returns through market cycles.

Most importantly, avoid opacity in your investments. If you don't understand how a company makes money or how leveraged it is, pass. First Brands had "off balance sheet financing." Tricolor made subprime auto loans. Neither ended well. In times like these, business model clarity and balance sheet transparency matter more than growth projections or AI promises. Look for companies generating free cash flow today, not just promises of profitability tomorrow.

October proved the market can climb in the dark, but that doesn't mean you should close your eyes. The data will return, the fog will lift, and those who stayed fully invested in quality equities will be glad they did. History shows that time in the market beats timing the market, and October was just another reminder that the market can surprisingly rise, even when conditions seem uncertain. In a world where one company can be worth $5 trillion, while the government can't count jobs, the old rules still apply: stay invested in equities, diversify broadly across sectors and market caps, focus on quality businesses with strong cash flows, and keep your lights on to watch for the occasional pothole. After all, sometimes the best visibility comes not from having all the data but from having the discipline to stick to proven principles when the data disappears.

William Rutherford is the founder and portfolio manager of Portland-based Rutherford Investment Management. Contact him at 888-755-6546 or wrutherford@rutherfordinvestment.com. *Information herein is from sources believed to be reliable, but accuracy and completeness cannot be guaranteed. Investment involves risk and may result in losses.*