Your Weekly Investment
Insights

November 10, 2025

Key **Takeaways:**

- Labor market cracks appear in the tech sector.
- Demand for labor is stagnating.
- Rising number of companies report AI and "technological update" as primary reason for layoffs.
- Mega-cap tech companies announce layoffs at an aggressive pace.
- "AI-Washing" might be taking place; we suspect cost-cutting amid economic weakness.

Alarm Bells Growing Louder in the AI Space

Labor market concerns have started to emerge in the technology space and have been a key driver of recent market volatility. Amid the ongoing U.S. Government shutdown, now officially the longest in history (41 days), investors have turned to alternative data sets for clues on the labor market. These reports are showing a broad-based decline in demand for labor, particularly in the tech industry. This week, we analyze labor trends (especially in the tech sector) and offer our outlook.

- **Weak demand for tech labor:** Without official employment data being released by the Bureau of Labor Statistics, we have monitored the Indeed Job Postings Index. Last week, the Index fell to its lowest level since December 2020. Software development job postings have registered 34 monthly losses in the 44 months since their February 2022 peak.

- **Challenger tech layoffs surge:** According to layoff data from Challenger, Gray & Christmas, companies have been cutting jobs at the fastest annualized pace since 2020. The tech sector has recorded ~141K total layoffs in 2025, surpassing 2024 layoffs for the sector (134K). A total of ~69K jobs have been cut by companies citing AI or a "technological update" as their rationale.

- **Mega-cap tech cutting jobs:** Mega-cap tech companies have announced heavy job cuts this earnings season with many citing increased usage of AI as a key driver. Amazon reported the largest aggregate job cuts in the history of the company (~30K), ~14K coming from tech-specific areas. Meta laid off ~600 employees from AI-related businesses as competition for computing power had been growing among teams within the company. Microsoft has laid off 15K employees so far this year.

- **Are companies "AI-Washing?"** "AI-Washing" refers to a process in which companies blame the adoption of AI for layoffs. Companies anticipate investors will be more optimistic about increased efficiency, rather than looking at job cuts as a negative. While this may be evident, we think it is also a cost-cutting campaign from overhiring post-COVID and broad economic weakness.

The Bottom Line:

We understand that the headlines about layoffs may spur anxiety as we navigate through what the evolution of AI means for American workers. However, the recent weakness in the labor market can not be solely blamed on AI. There are other contributory factors. There was massive overhiring in the aftermath of the pandemic. At one point there were two jobs postings for every one unemployed American. It has taken three years to bring this closer to an equilibrium (now ~1:1). The weakness in tech jobs has a lot to do with old tech vs. new tech. Old tech jobs that focus on areas like IT and software services are seeing job losses.[1] While those innovative tech jobs linked to AI are growing. We are also seeing changes to the labor force with the crackdown of illegal immigration marked by the number of unemployed native born Americans rising less than those that are foreign born. This can have negative and positive effects on labor market data. Lastly, the economy is slowing which is reducing the demand for workers.

Megan Horneman | Chief Investment Officer
mhorneman@verdence.com

Key Takeaways:

- Manufacturing activity remains in contraction territory.
- Job postings fall to lowest level since February 2021.
- Job cuts top 1 million year to date, the most since 2020.
- Mega-cap tech leads U.S. equity declines.
- Bond yields whipsawed by uncertainty.
- Natural gas outperforms as colder weather begins.

Weekly Economic Recap –

Labor Market Cracks Getting Larger

The ISM Manufacturing Index remained in contraction territory (a level below 50) for the eighth consecutive month in October. The weakness was driven by production, inventories and a drop in the prices paid component. In fact, the prices paid gauge fell to the lowest level since January.

The ISM Services Index expanded in October at the fastest pace since December 2024.. The new orders component jumped to a one-year high and business activity rose back into expansion territory (a reading above 50). However, inflation pressures persisted, as the prices paid index rose to a three-year high.

Private companies added jobs in October for the first time since July (+42K). The services sector registered 32K net job gains, but job losses were seen in information services (-17K) and professional and business services (-15K). Small companies (1-49 employees) reported the most net jobs lost (-10K).

Job postings fell to their lowest level since February 2021 according to Indeed's monthly Job Postings Index. The index, which began tracking job postings in February 2020, showed job postings in software development hover near their lowest index reading since the COVID pandemic.

According to the firm Challenger, Gray & Christmas, U.S. companies announced the most job cuts for any October since 2003 (153K). In total, companies have cut ~1.1 million workers this year, the most since 2020. The technology sector registered the highest level of layoffs (~33K), nearly six-times the level from the previous report.

Weekly Market Recap –

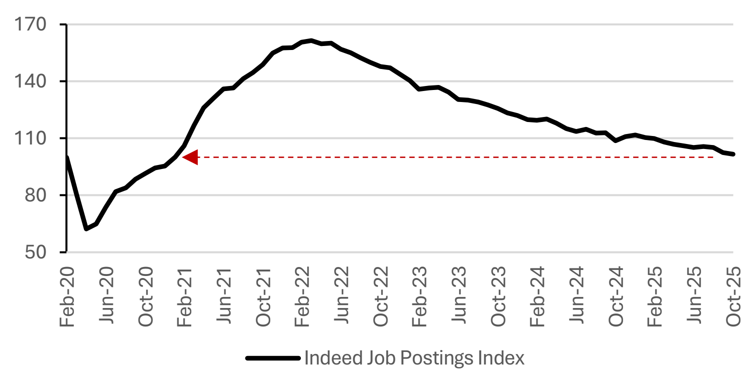
Global Equities Fall Amid Fresh AI Valuation Concerns

Equities: The MSCI AC World Index was lower for the first time in four weeks. Concerns emerged regarding elevated valuations for mega-cap AI names. In addition, the ongoing U.S. Government shutdown weighed on consumer sentiment. Within the U.S., all major indices finished the week lower. The tech-heavy Nasdaq posted its worst weekly performance since April's "Liberation Day" induced sell-off. The Russell 1000 Growth Index underperformed its value counterpart by the most since February (~290bps).

Fixed Income: The Bloomberg Aggregate Index was flat for the week as bond yields were whipsawed by the U.S. Government shutdown and weaker-than-expected economic data. Municipal bonds generated a positive return for the fifth time in six weeks. The risk-off sentiment led to negative returns for high yield bonds, specifically.

Commodities/FX: The Bloomberg Commodity Index was marginally higher for the third time in four weeks. Natural gas prices were higher for the third straight week as colder temperatures begin to hit the U.S. Gold prices were higher for the first time in three weeks as safe-haven demand increased.

Demand for Labor at Lowest Level Since Feb '21



Footnotes: Data is as of October 2025.
Data Source: Hiring Lab, Indeed, Verdence Capital Advisors.

Megan Horneman | Chief Investment Officer
mhorneman@verdence.com

[1]: https://www.sfchronicle.com/tech/article/tech-sector-job-losses-march-20267066.php?utm_source=chatgpt.com
[2]: https://insight.factset.com/highest-forward-12-month-p/e-ratio-for-the-sp-500-in-more-than-5-years?utm_source=Direct&utm_medium=Email&utm_campaign=FO-11-04-2025&utm_content=httpsinsightfactsetcomhighestforward12monthperatioforthesp500inmorethan5years

Disclaimer:

 The indexes presented are unmanaged portfolios of specified securities and do not reflect any initial or ongoing expenses nor can it be invested in directly. An investment's portfolio may differ significantly from the securities in the index.

This material was prepared by Verdence Capital Advisors, LLC ("VCA" or "we", "our", "us"). VCA believes the information and data in this document were obtained from sources considered reliable and correct and cannot guarantee either their accuracy or completeness. VCA has not independently verified third-party sourced information and data. Any projections, outlooks or assumptions should not be construed to be indicative of the actual events which will occur. These projections, market outlooks or estimates are subject to change without notice. This material is being provided for informational purposes only and is not intended to provide, and should not be relied upon for, investment, accounting, legal, or tax advice. Past performance is not a guarantee of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product or any non-investment related content, made reference to directly or indirectly in these materials will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. You should not assume that any discussion or information contained in this report serves as the receipt of, or as a substitute for, personalized investment advice from VCA. Alternative investments are designed only for sophisticated investors who are able to bear the risk of the loss of their entire investment. Investing in alternative investments should be viewed as illiquid and generally not readily marketable or transferable. Investors should be prepared to bear the financial risks of investing in an alternative investment for an indefinite period of time. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. All indexes are unmanaged, and you cannot invest directly in an index. Index returns do not include fees or expenses. Sector Watch Use of this website is intended for U.S. residents only. Any recommendation, opinion or advice regarding securities or markets contained in such material does not reflect the views of Verdence Capital, and Verdence Capital does not verify any information included in such material. Verdence Capital assumes no responsibility for any fact, recommendation, opinion, or advice contained in any such research material and expressly disclaims any responsibility for any decisions or for the suitability of any security or transaction based on it. Any decisions you may make to buy, sell, or hold a security based on this research will be entirely your own and not in any way deemed to be endorsed or influenced by or attributed to Verdence Capital. It is understood that, without exception, any order based on such research that is placed for execution is and will be treated as an UNRECOMMENDED AND UNSOLICITED ORDER. Further, Verdence Capital assumes no responsibility for the accuracy, completeness, or timeliness of any such research or for updating such research, which is subject to change without notice at any time. Verdence Capital does not provide tax, or legal advice. Under no circumstance is the information contained within this research to be used or considered as an offer to sell or a solicitation of an offer to buy any particular investment/security. Fixed income securities are subject to increased loss of principal during periods of rising interest rates. Fixed income investments are subject to various other risks including changes in credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors. Lower rated securities are subject to greater credit risk, default risk, and liquidity risk. Commodity-related products, including futures, carry a high level of risk and are not suitable for all investors. Commodity-related products may be extremely volatile, illiquid and can be significantly affected by underlying commodity prices, world events, import controls, worldwide competition, government regulations, and economic conditions, regardless of the length of time shares are held. Data is provided for information purposes only and is not intended for trading purposes. Verdence Capital shall not be liable for any errors or delay in the content, or for any action taken in reliance on any content.

Megan Horneman | Chief Investment Officer
mhorneman@verdence.com