

Buying the Blind Spot

Chasing the post-shutdown rally, hedging the China tax, and the bifurcation of crypto

- U.S. equities had a powerful rally despite the absence of critical GDP and inflation data, with Russell 2000 surging 5.5% as investors interpreted a drop in jobless claims to 216,000 as the final green light for a December rate cut.
- Renewed risk appetite is driving capital into Emerging Markets on signs of Chinese stabilization, though the rally is tested by persistent FX headwinds and structural fragility in market plumbing.
- While Visa and PayPal operationalize stablecoin settlement rails to capture billions in flow, Circle Internet Group faces an immediate technical test on December 2 as its IPO lock-up expiration floods the market with approximately 157 million shares.

A Broadening Rally Amidst a Data Void

U.S. equities rallied in a holiday-shortened week, driven by stronger expectations of a December rate cut despite a critical absence of official economic data following the recent government shutdown. The S&P advanced 3.7% to close at 6,489, while the Nasdaq Composite surged 4.9% to 23,366; critically, the rally broadened significantly as the small-cap Russell 2000 outperformed major benchmarks with a 5.5% gain to close at 2,500. This shift toward higher-beta names occurred even as the Bureau of Economic Analysis cancelled the Q3 GDP Advance Estimate and delayed October inflation data, forcing investors to rely almost exclusively on Initial Jobless Claims, which fell to a seven-month low of 216,000. With the CME FedWatch Tool now indicating an 83% probability of a rate cut in December, valuations are expanding in a blind spot, suggesting the current momentum is a liquidity-driven relief rally rather than a fundamental breakout validated by earnings.

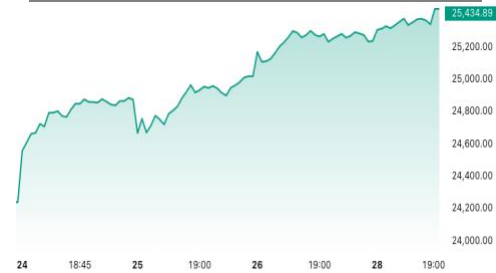
Global Macro: Stabilization and Structural Fragility

The risk-on bid is expanding globally. China's Manufacturing PMI hitting 49.2 triggered the largest EM equity inflow since July (\$3.34 billion), interpreted as the clear evidence that Beijing's stimulus is catching. This is lighting up demand-sensitive pockets like commodities and luxury, but FX remains a pinch point. USD/CNY hovering at 7.07 creates a translation drag for U.S. multinationals, forcing corporate treasurers into aggressive hedging that could weigh on Q4 margins. Market plumbing also looks unstable after the Nov. 28 CME outage froze the futures tape, stripping liquidity and forcing desks to de-risk into the void.

Sector Watch: The "Regulated Rails" Divergence

The digital asset sector is undergoing a structural bifurcation where capital is rotating from speculative tokens into regulated settlement layers, creating distinct winners and losers based on compliance and utility. The immediate tactical focus is Circle Internet Group (CRCL), which faces a definitive market structure event on Tuesday, December 2, 2025, when its IPO lock-up expires and releases approximately 157 million shares, nearly 80% of the float, into a market where securities lending utilization already exceeds 83%. While Circle grapples with this mechanical supply shock at a premium 103x P/E valuation, established fintech giants are successfully commercializing the technology; Visa (V) has expanded its partnership with Aquanow to settle an annualized \$2.5 billion in volume across the CEMEA region, while PayPal (PYPL) has expanded its yield-generating PYUSD stablecoin to the Tron and Avalanche networks via LayerZero. Concurrently, Coinbase (COIN) is consolidating the retail interface by acquiring the Solana-based trading platform Vector to bolster its new Base App, whereas offshore giant Tether is aggressively hedging regulatory risk by announcing the launch of a compliant "USAT" token and diversifying reserves into gold royalties.

Chart 1. NASDAQ 100 Index



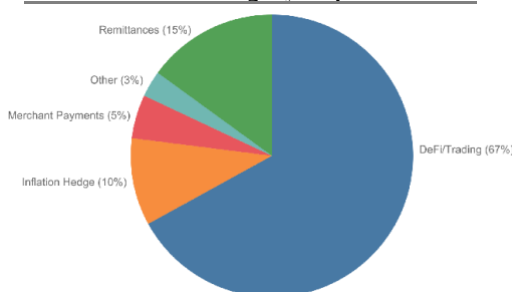
Source: Trading View

Chart 2. Fund Flows: EM Equities and Bonds



Source: LSEG

Chart 3. Stablecoin Usage by Purpose



Source: Chainalysis, Fireblocks, (2024-2025)

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