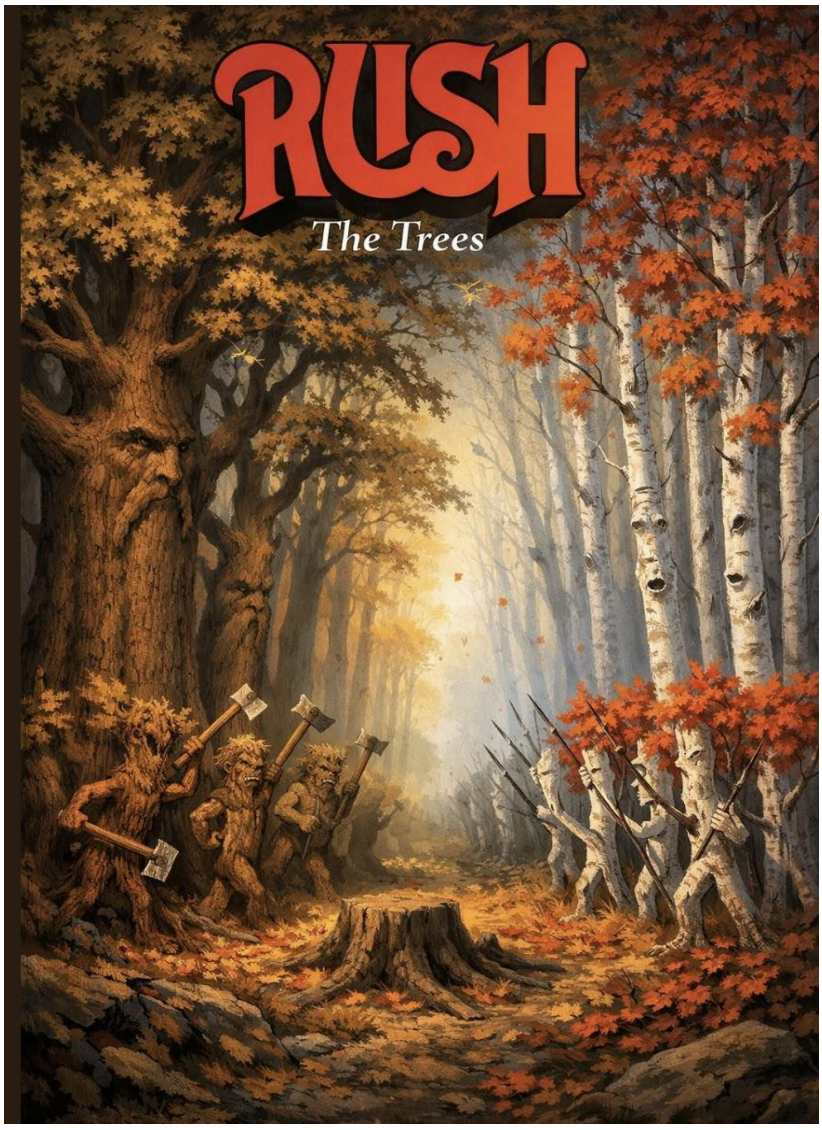
MEDALLION WEALTH MANAGEMENT

November 2026 Market Commentary

There is Unrest in the Forest



There is unrest in the Forest
There is trouble with the trees
For the Maples want more sunlight
And the Oaks ignore their pleas.

https://www.youtube.com/watch?v=JnC88xBPkkc&list=RDJnC88xBPkkc&start_radio=1

There is something about this 1978 Rush song, written by drummer Neil Peart as a rebuke to collectivism and socialism, that has always resonated with me. As Peart himself explained, “The song’s about a forest full of maple and oak trees. The maples begin to get uptight because the oaks are growing too big and tall and are taking all the sunlight away from them. So, they form a union and endeavor to get the oaks chopped down to a reasonable size.”

Peart was a fan of Ayn Rand, and believed that we are not all equal, that we have different talents, and that an attempt to stifle the talents of others leads to the destruction of the whole. It is a metaphoric tale about how people of lesser ability can band together and take down those who have it. To make all things equal the maples will achieve what they want: equality, fairness, by passing a “noble” law. The sarcasm of “noble” to make everyone equal by hatchet, axe and saw is clearly apparent. To gain equality, the maples will not / cannot raise themselves up to be oaks. So, they will bring the oaks down to their level through destruction.

Here we are, nearly fifty years later, watching this play out in real time throughout Europe. As the Steelers went to play the first NFL game in Paris last month, they were greeted with baguettes and protests. What began in France with school students protesting deteriorating schools and underfunding, quickly spread to labor unions and others demanding higher wages. In general, it is a protest against the high cost-of-living and the fact that wages and especially government subsidies are not keeping up.

France is certainly not alone, the demonstrations have spread to Germany, Italy, Spain and Portugal. Europe is experiencing a unified wave of economic anxiety. Younger generations feel squeezed out by high prices and deteriorating public infrastructure, while workers are striking because wages simply cannot keep up with inflation. Governments across the continent are struggling to balance their fiscal deficits without triggering further public fury.

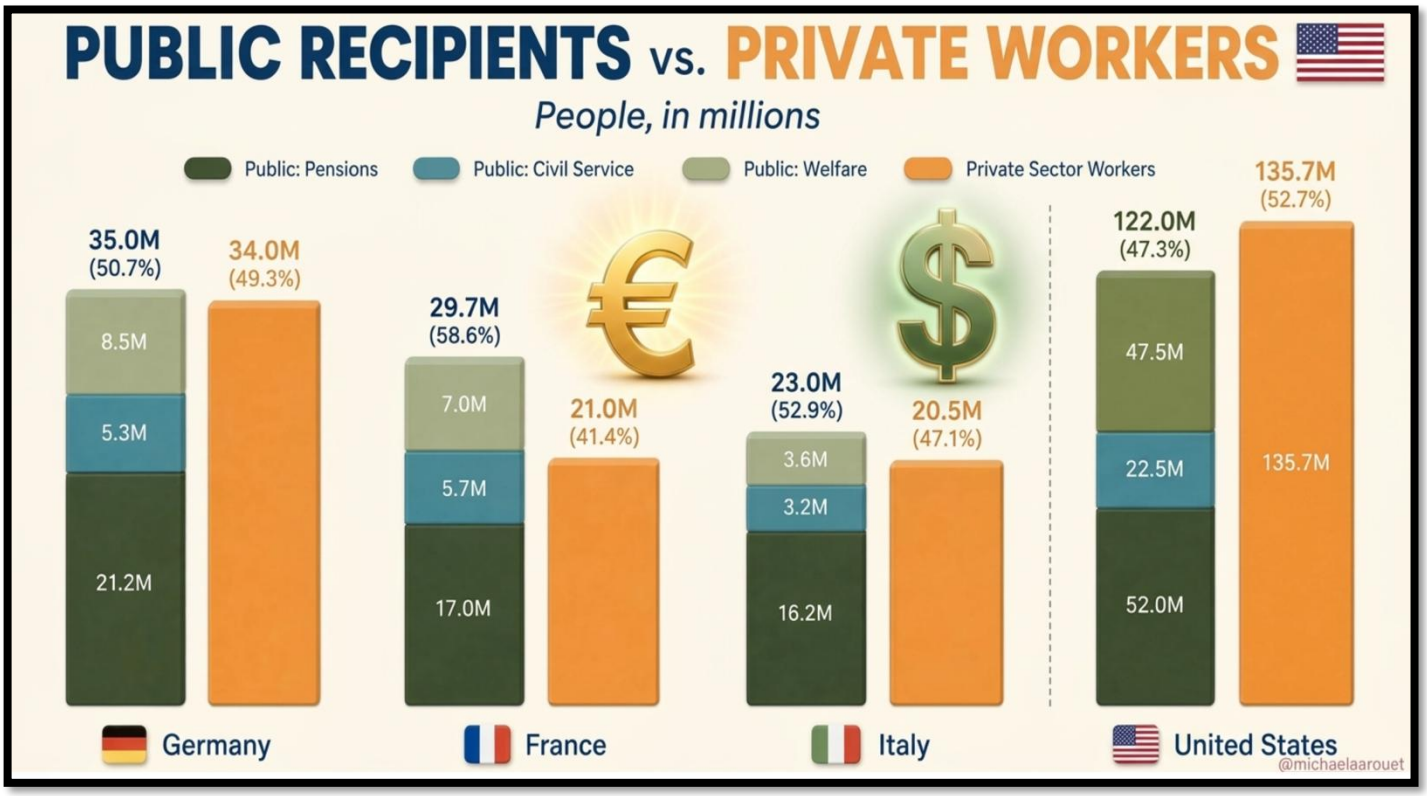
Economics is often considered a “Soft Science” because it tries to measure human behavior which cannot be perfectly controlled, measured, or predicted in a laboratory setting. **But just because it is a “soft” science doesn’t mean that the laws of mathematics no longer apply.**

In most societies today you have workers and non-workers. The non-workers are mostly the young, the old, and those unable/unwilling to find work. The workers pay taxes to the government to take care of the non-workers, if the government doesn’t collect enough taxes to pay for everything they’ve promised they borrow.

This system tends to work as long as you have more than enough workers paying taxes to take care of the non-workers. Where the wheels start to fall off is when the non-workers outnumber the workers. This is exactly what is happening in Europe. The number of people receiving public aid now outnumbers the number of people who work. Or as former British Prime Minister Margaret Thatcher

so eloquently stated, **“The problem with socialism is that you eventually run out of other people’s money.”** It’s simple math.

The graphic below shows how the number of people receiving public aid exceeds the number of workers in several key European countries. We’ve also included the United States for comparison purposes, and while the U.S. hasn’t flipped negative yet, we are getting close.



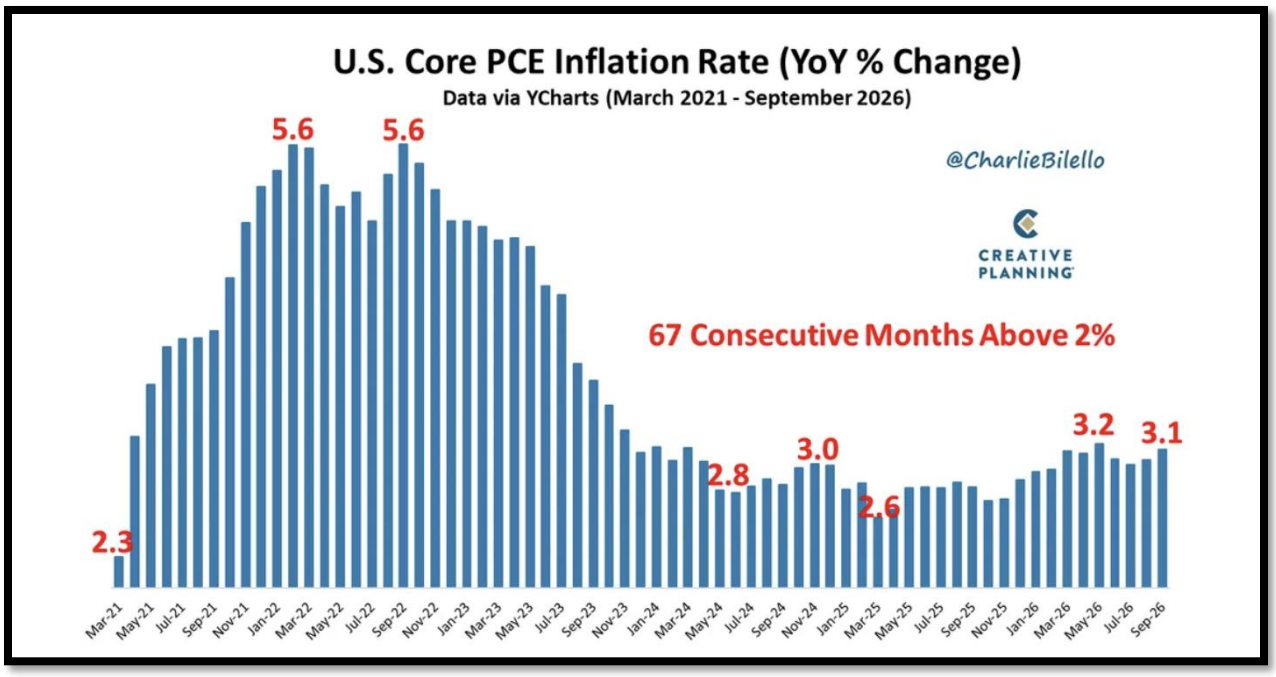
The funniest thing about the European protests is that they aren’t protesting for a smaller government and more economic freedom, they actually want the government to give them more. We have a spending problem and the only way to fix it is for you to spend more. It’s like an alcoholic trying to sober up by getting the liquor store to give them free booze.

Ludwig von Mises of the Austrian School of Economics stated, “A state becomes almost unreformable when the majority of the population is financially or structurally dependent on the state (state employees, civil servants, recipients of subsidies, grants, or transfer payments, etc.). As soon as those who net benefit from or are supported by the state outnumber those who do not, the system blocks reforms, since the majority votes out of self-interest for the preservation or expansion of state services."

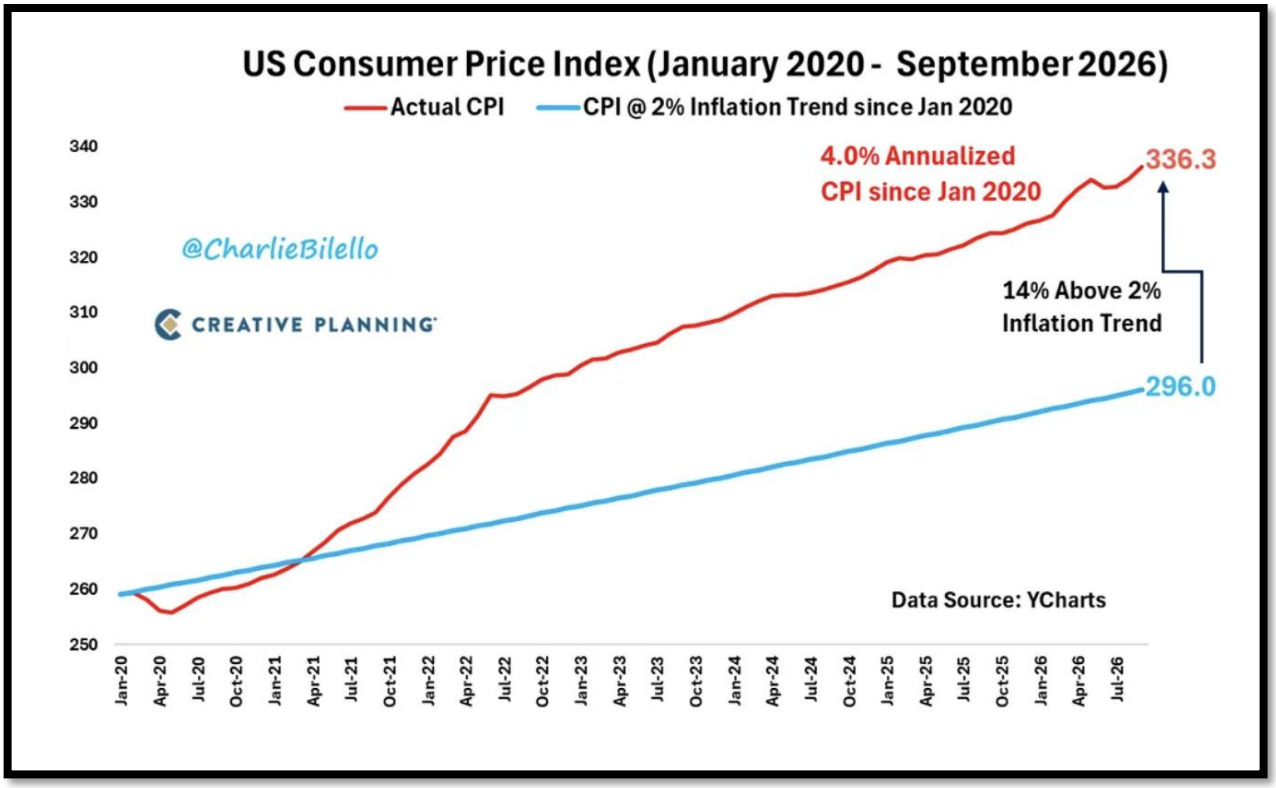
<u>The Mid-Term Elections</u>:

We haven't gone full-socialist yet here in the U.S., but we are certainly heading down that path. We had an election on November 3, and the Democrats and Democratic Socialists were swept into power by a big blue wave. The people have spoken.

Like the citizens of Europe, U.S. citizens are sick and tired of the ever-increasing cost of living and the fact that their wages and/or benefits are not keeping up. The Fed has a stated task of price stability, and they've defined that as 2% annual inflation. **We have now had 67 consecutive months of inflation at or above 2%.**



Joe Biden was voted out of office because Donald Trump promised to get inflation under control. He failed, and now we'll have a new group of politicians in charge. The problem with this new group is that they are not considering spending cuts, they are instead looking for more OPM (Other Peoples Money). They are seeking to increase the size of the government, increase taxes and slow economic development.



There are really only two ways to get off this slippery slope to economic ruin, cut spending (especially runaway social programs) or increase economic growth so that spending becomes a smaller part of the pie. Unfortunately, the new party in charge has made it very clear that they plan on putting a hard pause, at least temporarily, on the biggest economic growth engine since the railroads, artificial intelligence development.

It is not a shock that any company related to AI development has seen their stock fall as much as 25-30% in a matter of days. At one point on Wednesday, November 5 the S&P 500 was down 4%. A 4% decline in one day is so rare it has only happened 45 times in the last 30 years. So out of about 7,500 trading days, forty-five 4% daily declines happened only 0.6% of the time. And about 30 of those declines were clustered during the Great Financial Crisis and Covid, leaving 15 very, very rare events.

A big winner from Tuesday's election is Fed Chair Kevin Warsh. He no longer has to worry about President Trump berating him for raising interest rates in order to slow inflation. The people have spoken, they want lower inflation, so expect several rate increases in the near future.

In summary: Europe is in a world of hurt; socialism is eating these once great countries. The United States is not there yet, though we have taken another step in that direction. For now, we will fight inflation with higher rates and slower economic growth. This is generally not a very good environment for equities, hence the sharp sell-off. Bonds yielding 5-7% are appearing as pretty attractive alternatives.

There is trouble in the forest
And the creatures all have fled
As the maples scream, "Oppression"
And the oaks just shake their heads

As always, be careful out there.

Chris Wiles, CFA



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