Market Crash Indicators Newsletter

November 2025 Edition

⚠ EXECUTIVE SUMMARY

Seven critical indicators remain in red-flag territory as November 2025 closes. Market volatility surged 96% year-over-year to 26.42, while Warren Buffett's Berkshire Hathaway holds a staggering $382 billion cash fortress—more than the Federal Reserve. The Shiller CAPE ratio hovers near 40 (matching dot-com bubble extremes), and the Buffett Indicator exceeds 215%, signaling extreme overvaluation.

Key Takeaway: Current conditions mirror late 2007—optimism masking stress while sophisticated investors brace for dislocation.

Seven Red Flags At A Glance

- **Shiller CAPE at 39-40:** Third-highest reading in 145 years (only 1999-2000 dot-com peak higher)
- **Buffett Indicator at 213-217%:** Nearly double the overvaluation threshold
- **VIX Spike to 26.42:** 96% increase from year-ago levels (13.50 → 26.42)
- **Berkshire's $382B Cash:** 12th consecutive quarter of net selling, zero buybacks
- **Yield Curve:** 11 months post-uninversion, within historical recession danger window
- **Market Breadth Deterioration:** Magnificent Seven = 31% of S&P 500, narrow leadership cracking
- **Insider Selling Elevated:** 3-4:1 ratios persist above warning thresholds

Valuation Metrics At Extreme Levels

Shiller CAPE Ratio: 39-40

The Shiller CAPE ratio closed November at 39.34-40.01, representing the third-highest reading in 145 years of data. Only the 1999-2000 dot-com peak (44.19) and brief 2021-2022 periods exceeded current levels.

NPR's analysis noted the CAPE "is almost as high as it was in November 1999, just before the dot-com bubble burst," with analysts comparing current AI-driven euphoria to late-1990s internet mania.

Long-term implications: Robert Shiller's forecasting model predicts approximately 1.8% annual nominal returns over the next decade—negative real returns after inflation. Academic research demonstrates CAPE readings above 30 have historically preceded 10-year returns of 3-5% or less.

Buffett Indicator: 213-217%

The Buffett Indicator (total market cap to GDP ratio) stands at 213-217%, approximately 70-90% above Warren Buffett's historical "reasonable range" of 75-90% and nearly double the 120% overvaluation threshold.

This represents approximately 1.77 standard deviations above the historical trendline—clearly in "OVERVALUED" territory. Total U.S. market capitalization exceeds $65 trillion against GDP of approximately $29-30 trillion.

Bottom line: The combination of CAPE near 40 and Buffett Indicator above 215% has never occurred simultaneously in U.S. market history.

Volatility Awakens: VIX Surges

The VIX closed November 20, 2025 at 26.42, up dramatically from 13.50 in November 2024—a 96% year-over-year increase. This represents a fundamental shift from 2024's dangerous complacency to elevated fear and uncertainty.

VIX readings above 20 indicate heightened market stress, while levels above 25 signal significant investor anxiety. The current 26.42 reading sits at the threshold where historical market corrections often accelerate.

November catalysts: Government shutdown concerns, AI stock valuation concerns, weak consumer sentiment data, and technical breadth deterioration. Reports noted "US Equity Indexes Drop as Volatility Jumps in Broad-Based Sell-Off" on November 17th.

Key insight: Elevated VIX signals heightened probability of rapid price swings. The pattern—extended low volatility (2024) followed by sharp spikes (November 2025)—typically precedes either market stabilization or acceleration into correction territory.

Buffett's Unprecedented $382 Billion Fortress

Warren Buffett's cash position speaks louder than words: Berkshire Hathaway reported $381.6-382 billion in cash and Treasury bills for Q3 2025—the highest in company history and likely exceeding $390 billion by month-end.

Metric	Current	Year Ago
Cash Position	$382B	$167B
Q3 Net Selling	$6.1B	(12th consecutive quarter)
Buybacks	$0	(5th straight quarter)

Notable: Buffett now holds more Treasury bills than the Federal Reserve itself. Multiple analysts observed: "There can be only one reason for this: he's worried that the stock market is way overbought and too expensive."

Portfolio moves: Continued reductions in Apple (down ~40% since early 2024) and Bank of America (cut ~40% over 18 months). If Buffett won't buy his own underperforming shares, the signal speaks volumes about broader market valuations.

Yield Curve: In The Danger Window

Current status: The 10-year minus 3-month Treasury spread stands at 0.21% (positive since December 13, 2024), ending the longest inversion in U.S. history at 784-793 days.

Why this matters: Historical patterns show recessions typically occur 6-18 months AFTER yield curve uninversion, not during the inversion. Since the curve normalized December 13, 2024, the critical window extends from June 2025 through June 2026.

November 2025 sits squarely in the historical danger zone (11 months post-uninversion).

Contradictory signals: High-yield credit spreads remain compressed around 260-280 basis points (near 17-year lows), suggesting minimal default risk. This divergence historically resolves toward yield curve accuracy when both finally align.

Market Concentration Reaches 1970s Extremes

Dangerous concentration: The "Magnificent Seven" tech stocks (Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, Tesla) comprise approximately 31% of S&P 500 market capitalization. Only 19-28% of stocks outperformed the S&P 500 in 2024.

November's shift: Headlines on November 17th read "US Equity Indexes Drop as Volatility Jumps in Broad-Based Sell-Off." The "broad-based" descriptor indicates leadership stocks joined the decline—a bearish shift from 2024's pattern where Mag Seven strength masked weakness.

Reversal risk: Extreme concentration creates fragility. If leadership rotates or technology valuations compress, the narrow foundation supporting indices could crack rapidly.

2007 Parallels Strengthen

November 2025 increasingly resembles late 2007—the final months of denial before recognition of systemic problems. In 2007, markets set new highs through October before volatility surged while the economy appeared superficially healthy.

2007 Pattern	2025 Parallel
VIX averaged 13-15 mid-2007, spiked to 30+ by year-end	VIX averaged 13.50 Nov 2024, now at 26.42 Nov 2025
Curve normalized mid-2007, recession began Dec 2007 (6 months)	Curve normalized Dec 2024, Nov 2025 = 11 months
Buffett built cash through 2006-2007	$382B cash, 12 quarters net selling
2007 CAPE ~27, Buffett Indicator ~105%	**CAPE 39-40, Buffett Indicator 215% (FAR WORSE)**

Critical difference: Current valuations exceed 2007 by enormous margins, suggesting greater downside risk. The 2007-2009 bear market saw the S&P 500 fall 57% peak-to-trough.

The Bottom Line

November 2025 marks a pivotal transition from extreme complacency (VIX 13.50 in 2024) to elevated anxiety (VIX 26.42), while core warning signals persist at generational extremes.

WHAT MAKES THIS DANGEROUS

- Valuations at CAPE 39-40 and Buffett Indicator 215% exceed all historical precedents except 1999-2000 dot-com peak
- Berkshire's $382B cash and 12 quarters of net selling = strongest defensive positioning in company history
- Yield curve puts us in statistical heart of recession danger window (11 months post-uninversion)
- November's VIX spike broke 2024's complacency—potential regime change
- Market concentration at 1970s extremes creates fragility if leadership rotates

As Warren Buffett famously advised: ***"Be fearful when others are greedy."*** *November 2025's data suggests the Oracle of Omaha is positioning for that exact philosophy.*

The December 2025 - June 2026 window deserves intense monitoring. The combination of extreme valuations, record defensive positioning by sophisticated investors, post-yield-curve timing, and November's volatility awakening creates conditions where catalysts could trigger rapid repricing.