

Market Perspectives

October 2025



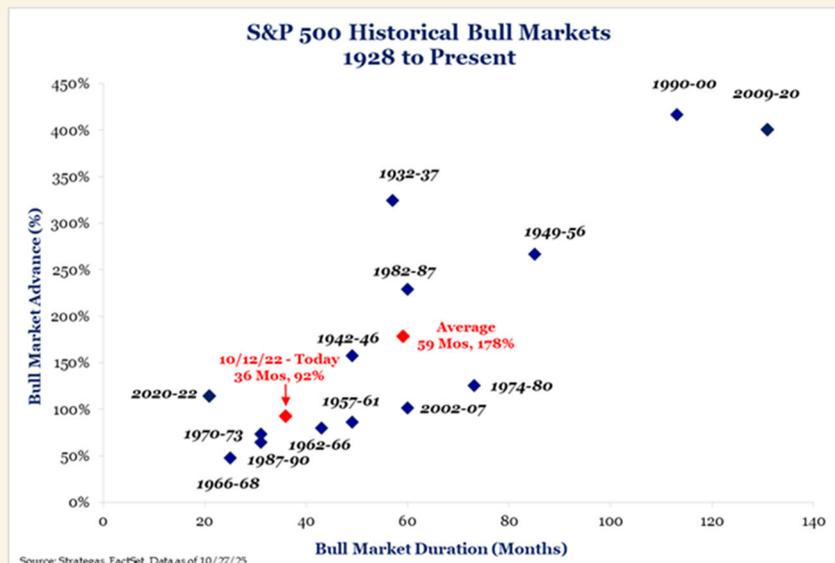
Equity markets continue powerful multi-month rally as Fed rate cuts and strong corporate earnings fuel gains

Index	MTD	QTD	YTD	2024	2023	2022
S&P 500	2.34	2.34	17.52	25.02	26.29	-18.11
Dow Jones Industrial Average	2.59	2.59	13.34	14.99	16.18	-6.86
Russell 2000	1.81	1.81	12.39	11.54	16.93	-20.44
NASDAQ Composite	4.72	4.72	23.50	29.57	44.64	-32.61
Europe, Australia, & Far East (EAFE)	1.19	1.19	27.21	4.35	18.85	-14.05
MSCI Emerging Markets	4.19	4.19	33.59	8.05	10.27	-19.78
Bloomberg Barclays U.S. Aggregate Bond	0.62	0.62	6.80	1.25	5.53	-13.04

As of 10.31.2025; Returns in percent

FINANCIAL MARKET PERFORMANCE

US equities demonstrated significant resilience as they continued to push higher in October. The S&P 500 and Russell 2000 each posted their sixth straight monthly gains, while the Nasdaq Composite rose for the seventh straight month. The S&P 500 gained 2.3%, the Russell 2000 gained 1.8%, and the Nasdaq Composite jumped 4.7%. Gains were concentrated in larger cap names, (e.g. the Mag 7) as the equal-weight S&P 500 trailed the market cap weighted index by 3.2%. Big tech was mostly higher with Alphabet +15.7% and Amazon +11.2%. Notably, the S&P has now risen more than 37% since the tariff-induced low in April, while the path of least resistance, at least through year end, seems to continue to be higher. In fact, as far as bull markets are concerned, the current one is below average in terms of duration and magnitude (see below).



Despite a 2% rise in the US Dollar, foreign equities also performed well during the month, as the MSCI EAFE index rallied 2.3%, and the MSCI Emerging Markets index gained 4.2%. Improving US/China trade relations combined with positive investor sentiment propelled these markets higher.

Interest rates dipped early in the month in anticipation of a Fed rate cut, then rose into month end, as expectations for future rate cuts fell slightly. Specifically, the 10-year Treasury yield dipped to 3.9% at one point but ended the month roughly unchanged at 4.09%. The Bloomberg US Aggregate Bond index gained 0.6%, though, as bond prices benefitted from falling credit spreads. Gold was up 3.1% for the month but dropped nearly 10% from its intramonth highs while on way to its fourth-straight monthly gain, while Bitcoin futures were down 4.1%. WTI crude was down 2.4%, its third-straight monthly decline on continued fears of oversupply.

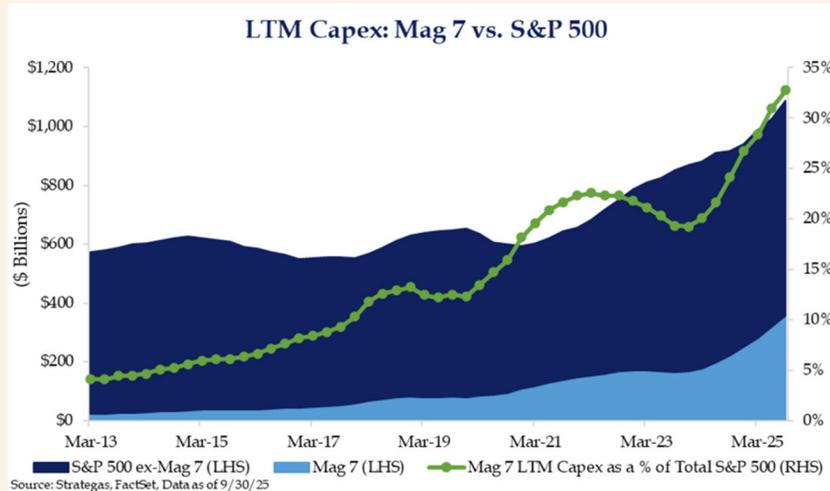
PERFORMANCE DRIVERS

Upside this month was supported by several developments. De-escalatory U.S.-China trade headlines lifted sentiment, with the Trump-Xi meeting yielding a 10% tariff reduction. The AI-driven tech rally also contributed, fueled by new partnerships and deal activity, while Big Tech 3Q earnings were mixed but kept the AI growth narrative intact. Fed easing expectations added support as the Fed delivered a widely expected 25 bp cut, though expectations for future cuts were tempered a bit.

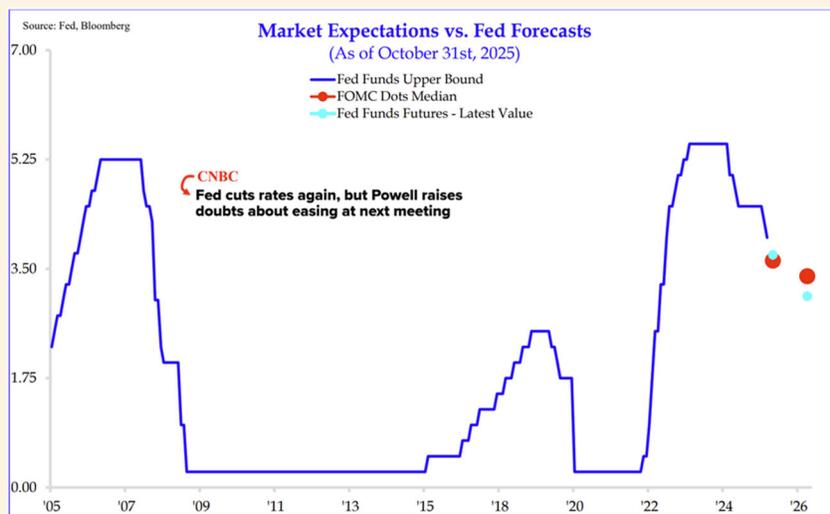
Robust corporate earnings growth was also a factor in the markets' rally. Through 10/31/25, 3rd quarter earnings for the S&P 500 jumped to +10.7% vs. an expectation for a gain of 7.9% when the earnings season began. Strong earnings this year have led to an increase in earnings expectations for 2026, which are now estimated to grow at a healthy 14%.



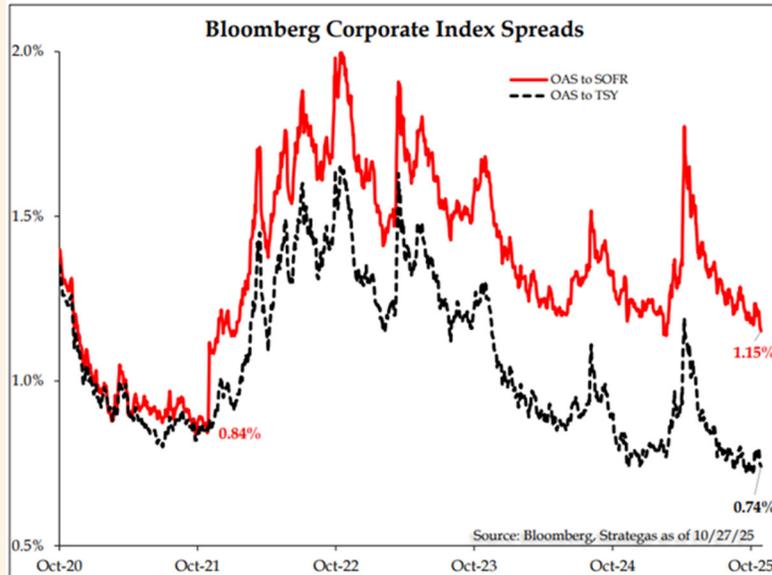
In addition, fears of stalling Mag 7 capital spending (Capex) were abated as these companies confirmed continued strong capital spending on AI related investments during their 3rd quarter earnings calls. In fact, the Capex of just the Mag 7 now accounts for 33% of all S&P 500 companies.



As expected, the Fed cut rates by 25 bp at its October meeting and announced it will end quantitative tightening on December 1st (equivalent to another 25 bp cut). The decision was not unanimous, which led to Chairman Powell's press conference having a hawkish tone, emphasizing that a December cut is "far from a foregone conclusion" due to limited visibility on economic data and acknowledged "strongly differing" views among policymakers. Following his remarks, market odds for a 25 bp December cut fell from 90% to 60%. However, the Fed and the markets both expect rates to continue falling through the end of next year (see below).



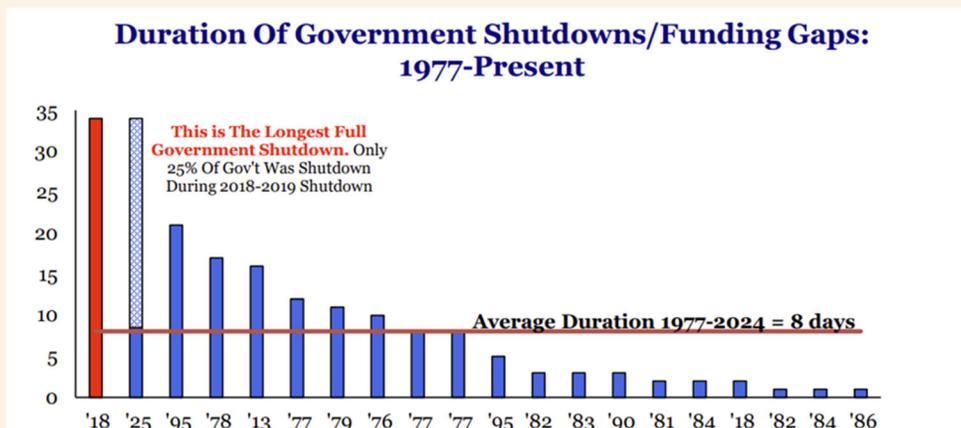
Finally, the corporate bond market remains very healthy and is signaling a strong near-term economy as credit spreads continue to tighten and remain well below long-term averages.



THE BEARISH NARRATIVE

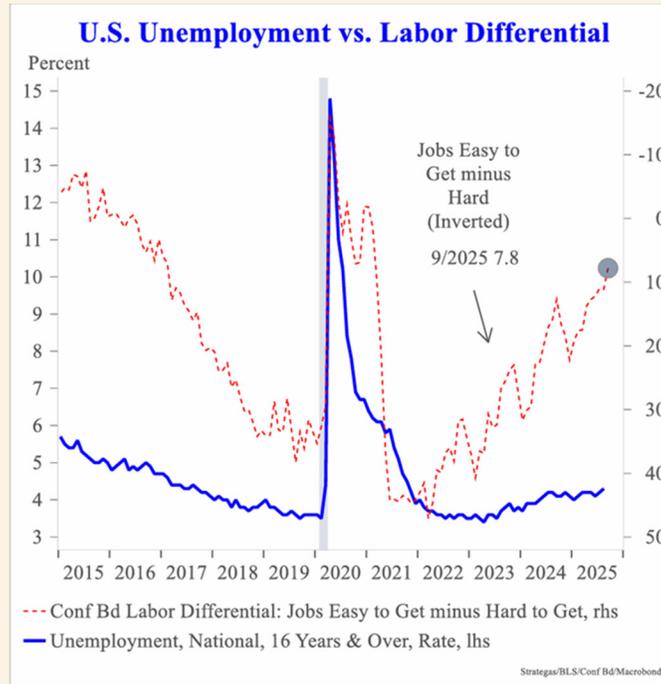
Bearish factors include extended government shutdown risks, potential for more volatile trade headlines, labor market concerns, cautious consumer spending signals, and the likelihood of higher for longer interest rates and sticky, or even rising, inflation.

The US Government shutdown delayed most of the employment and inflation data this month, with no resolution in sight heading into November, but the economic spillover has been limited so far. Pressure is mounting in Washington to reopen the government, with the expiration of SNAP (i.e., food stamps) benefits on November 1st adding pressure for a quick resolution. Notably, this has now become the longest full government shutdown in history, well exceeding the average duration of 8 days, while the current belief is that it will not end until 11/16.

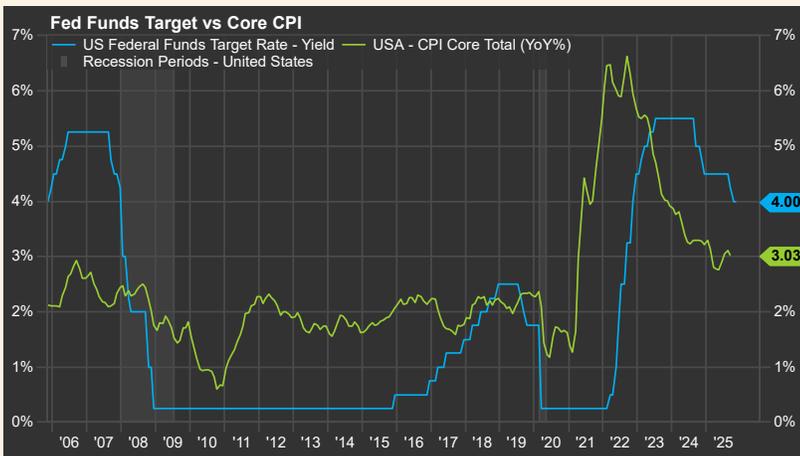


Source: Strategas As of 11.1.25

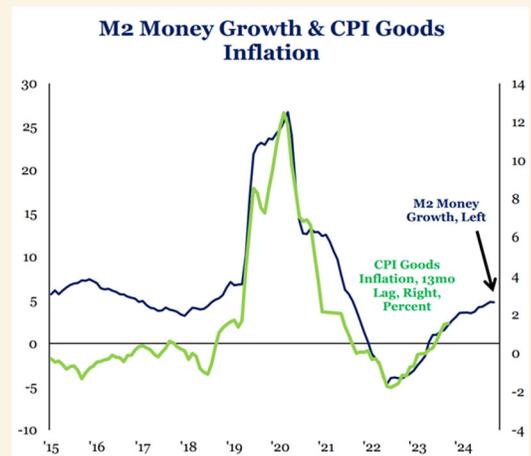
Despite still low unemployment numbers and strong wage growth, there are signs the labor market is weakening. Specifically, jobs are now much harder to come by than they have been over the past few years (see below). We are keeping an eye on whether layoff announcements begin to pick up, which would be a meaningful warning sign for the economy.



Despite the positive trend in inflation, core CPI has stalled out in the 3% range (well above the Fed's target of 2%), potentially hindering the market's expectation for more near-term Fed Fund rate cuts. In addition, rising money supply could push inflation higher (as seen below), and the Fed isn't likely to move the Fed Funds rate below Core CPI (in fact, many think the Fed will maintain the rate at 1% above Core CPI). So, the potential does exist for higher inflation and higher interest rates than investors expect, which could result in more volatility in financial markets.



Source: FactSet As of 11.1.25



Source: Strategas As of 11.1.25

WHAT TO EXPECT & INVESTMENT PORTFOLIO IMPLICATIONS

It has so far been an excellent year for many investors, as stock and bond markets both here and abroad have produced meaningful gains. The trend continues to be favorable as we move through the 4th quarter, given strong corporate earnings growth, the possibility of even lower Fed Fund rate by year end, and positive seasonality (Q4 is historically the best quarter for the S&P 500 with an average gain of 2.9% since 1928). However, we still believe that the best strategy for long-term investors is a healthy mix of stocks & bonds, US & foreign investments, as well as publicly traded and private investments.

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