

# Monthly Market Update

October 2025

## Highlights:

- Market attention in September centered on the Fed's quarter-point rate cut and prospects for more easing, overshadowing concerns about a possible government shutdown.
- The S&P 500 advanced 3.6% in September and 8.1% in Q3, with year-to-date gains reaching 14.8%. Both large and small indices hit record highs during the month.
- Smaller stocks surged on expectations of reduced borrowing costs. Technology and Communications sectors led the market advance, while defensive sectors Consumer Staples and Health Care lagged.
- Despite trade tensions, inflation concerns, and labor market weakness, markets rebounded quickly, with investors largely dismissing shutdown fears given strong performance during past episodes.

The forward-looking stock market had its eye on two main factors in September: the increasing likelihood of a government shutdown and the Federal Reserve's interest rate policy. The Federal Reserve piece proved to be the more compelling as the Fed cut rates by a quarter point on September 17, with a consensus that more cuts would be imminent. The S&P 500 Index rose 3.6% over the month, bringing the year-to-date return to 14.8%. It was also a strong third quarter, with the S&P up 8.1%. The month saw new all-time highs for both large and small indices.

The September focus on lower rates was particularly evident in smaller stocks, where low-to-no-profit firms surged, buoyed by the prospect of decreasing borrowing costs. Among larger stocks, it was the now familiar story of megacaps, with the Technology and Communication Service sectors leading the market advance. Conversely, traditionally defensive areas were weak with Consumer Staples and Health Care lagging the index return.

One of the most notable aspects of the stock market this year has been its advance in the face of considerable disruption from Washington. While tariff announcements and the ensuing fear of trade wars have roiled the market, we've witnessed quick rebounds. Investors have also seemed indifferent to a government shutdown, perhaps because stocks and bonds have performed well during past episodes. The market has also risen despite signs of persistent inflation and enough weakening in the labor market to shift Federal Reserve policy.

The market's reaction to the September rate cut is not really a response to any great impact a single quarter-point cut makes, but rather to the trend. We agree that more rate cuts are likely ahead, although the four anticipated through 2026 may prove to be overly aggressive. Still, the trend line for weakening employment, the driving force for future cuts, seems well established. Chairman Powell has made it clear that he sees tariff-induced inflation as a one-shot price boost and, as such, is willing to look past the current levels, which are well above the Fed's 2% target.

At month-end, we witnessed a different sort of market impact from Washington as President Trump and Pfizer announced TrumpRX, a plan to reduce consumer drug prices by providing consumers a more direct link to brand-name pharmaceuticals. While this project is still undergoing scrutiny, it immediately lifted the fortunes of many health care companies in a sector that has been the weakest in the S&P so far this year.

As we look ahead, we see positives in the resilience of consumer spending and corporate earnings. Fed rate cuts are a powerful force that could keep this three-year bull market on track for some time. On the other hand, the government shutdown, along with capricious policy announcements from the White House, demonstrates the potential for political complications. Add geopolitical risk and stretched stock valuation to remind us that risk management is most important at times when the market has seemed to cast it aside.



U.S. Equities (%)

	Sept	QTD	YTD	1 Year	3 Year	5 Year	10 Year
DJ Industrial Average	2.0	5.7	10.5	11.5	19.6	13.0	13.5
S&P 500	3.7	8.1	14.8	17.6	24.9	16.5	15.3
Russell 1000	3.5	8.0	14.6	17.7	24.6	16.0	15.0
Russell 1000 Value	1.5	5.3	11.7	9.4	17.0	13.9	10.7
Russell 1000 Growth	5.3	10.5	17.2	25.5	31.6	17.6	18.8
Russell Midcap	0.9	5.3	10.4	11.1	17.7	12.7	11.4
Russell 2000	3.1	12.4	10.4	10.8	15.2	11.6	9.8

U.S. Equity Characteristics - S&P 500

	Sept	2024
Price/Earnings Ratio (NTM)	22.9	21.6
Weighted Avg. Market Cap (\$B)	1,367.6	1,117.1
Dividend Yield (%)	1.2	1.3

International Equities (%)

	Sept	QTD	YTD	1 Year	3 Year	5 Year	10 Year
ACWI	3.6	7.6	18.4	17.3	23.1	13.5	11.9
ACWI ex USA	3.6	6.9	26.0	16.4	20.7	10.3	8.2
MSCI EAFE	1.9	4.8	25.1	15.0	21.7	11.2	8.2
Emerging Markets	7.2	10.6	27.5	17.3	18.2	7.0	8.0
China	9.8	20.7	41.6	30.8	19.5	0.4	6.8
Japan	2.4	8.0	20.7	16.4	21.2	9.0	8.2
Germany	-0.5	-1.1	32.9	25.3	30.9	10.4	8.1
United Kingdom	1.3	5.9	26.3	17.7	21.9	15.4	7.2
India	0.5	-7.6	-2.1	-13.2	10.3	13.1	9.1

Fixed Income (%)

	Sept	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Government Bond	0.8	1.5	5.4	2.1	3.6	-1.3	1.2
Municipal	2.3	3.0	2.6	1.4	4.7	0.9	2.3
U.S. Aggregate Bond	1.1	2.0	6.1	2.9	4.9	-0.4	1.8
Investment Grade Corporate	1.4	2.6	6.9	3.6	6.9	0.3	3.0
High Yield	0.8	2.5	7.2	7.4	11.1	5.5	6.2



U.S. Equity Sectors - S&P 500 (%)

	Sept	QTD	YTD	Weight
Communication Services	5.6	12.0	24.5	10.1
Consumer Discretionary	3.2	9.5	5.3	10.5
Consumer Staples	-1.6	-2.4	3.9	4.9
Energy	-0.4	6.2	7.0	2.9
Financials	0.1	3.2	12.8	13.5
Health Care	1.8	3.8	2.6	8.9
Industrials	1.9	5.0	18.4	8.3
Information Technology	7.2	13.2	22.3	37.8
Materials	-2.1	3.1	9.3	1.8
Real Estate	0.5	2.6	6.2	1.9
Utilities	4.2	7.6	17.7	2.4

Key Asset Prices

	Sept	2024
EUR/USD	1.17	1.04
USD/CAD	1.39	1.44
USD/JPY	147.97	157.37
GBP/USD	1.34	1.25
Bitcoin (\$)	114,056.1	93,429.2
Gold (\$/oz)	3,862.0	2,608.0
Crude Oil (WTI) (\$/bbl)	62.4	72.4

U.S. Treasury Yields (%)

	Sept	2024
3-Month	4.0	4.4
6-Month	3.8	4.2
2-Year	3.6	4.3
5-Year	3.7	4.4
10-Year	4.2	4.6
30-Year	4.7	4.8

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The Dow Jones Industrial Average® (The Dow®), is a price-weighted measure of 30 US blue-chip companies. The index covers all industries except transportation and utilities.

The S&P 500® Index is a large cap market index which measures the performance of a representative sample of 500 leading companies in leading industries in the US.

The S&P Midcap 400 is designed to measure the performance of 400 mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment.

The Russell 1000® Index measures the performance of the 1,000 largest companies in the Russell 3000® Index, which represents approximately 89% of the total market capitalization of the Russell 3000 Index.

The Russell 1000® Growth Index is designed to track those securities within the broader Russell 1000 Index that FTSE Russell has determined exhibit growth characteristics.

The Russell 1000® Value Index is designed to track those securities within the broader Russell 1000 Index that FTSE Russell has determined exhibit value characteristics.

Russell 2000® Index is a small cap market index which measures the performance of the smallest 2,000 companies in the Russell 3000® Index.

The Russell Midcap® Index is a mid cap market index which measures the performance of the mid cap segment of the US equity universe.

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The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets countries (excluding the US) and 23 Emerging Markets countries. With 1,843 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

The MSCI EAFE (Europe, Australasia & Far East) Index is a free-float adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada.

Emerging Markets - MSCI Emerging Market Index captures large and mid cap representation across 24 Emerging Markets (EM) countries. With 1,138 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

China - MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs).

Japan - MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market.

Germany - MSCI Germany Index is designed to measure the performance of the large and mid cap segments of the German market.

United Kingdom - MSCI United Kingdom Index is designed to measure the performance of the large and mid cap segments of the UK market.

India - MSCI India Index is designed to measure the performance of the large and mid cap segments of the Indian market.

Government Bond - Bloomberg US Government Index measures the performance of the US Treasury and US Agency Indices, including Treasuries and US agency debentures. It is a component of the US Government/Credit Index and the US Aggregate Index.

Municipal - Bloomberg US Municipal Index covers the USD-denominated long-term tax exempt bond market.



The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

**US Aggregate Bond - Bloomberg US Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, USD-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage backed securities, asset-backed securities and corporate securities, with maturities greater than one year.

**Investment Grade Corporate - Bloomberg US Credit Index** measures the investment grade, USD-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

**High Yield - Bloomberg US Corporate High Yield Bond Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Bloomberg EM country definition, are excluded.

**Weighted Avg. Market Cap:** measures the size of the companies in which the portfolio invests. Market capitalization is calculated by multiplying the number of a company's shares outstanding by its price per share.

**Price-to-Earnings (P/E) Ratio:** measures how expensive a stock is. It is calculated by the weighted average of a stock's current price divided by the company's earnings per share of stock in a portfolio.

**Dividend Yield:** the portfolio's weighted average of the underlying portfolio holdings and not the yield of the portfolio.

**Bond Spread** is the difference between yields on differing debt instruments of varying maturities, credit ratings, and risk, calculated by deducting the yield of one instrument from another.

A basis point is one hundredth of a percent.

**Yield Curve:** a line that plots yields (interest rates) of bonds having equal credit quality but differing maturity dates. The slope of the yield curve gives an idea of future interest rate changes and economic activity. There are three main types of yield curve shapes: normal (upward-sloping curve), inverted (downward-sloping curve), and flat.

The federal funds rate is the target interest rate range set by the Federal Open Market Committee (FOMC) for banks to lend or borrow excess reserves overnight. It influences monetary and financial conditions, short-term interest rates, and the stock market.

**Duration** is a measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates. Duration measures how long it takes, in years, for an investor to be repaid the bond's price by the bond's total cash flows.

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