MONTHLY MARKET UPDATE

October 2025

Equities extended their advance through October with the S&P 500 gaining 2.3% on the month to bring its YTD return to 17.5%. Leadership once again came from large-cap technology and AI-oriented companies as evidenced by the Nasdaq rally of 4.7%. International developed markets were up 3.4% in local currency terms for the month but only 1.2% in USD terms thanks to an appreciating USD (+2%), bringing YTD results up to 26.6%. Emerging markets surged 4.2% with Korea and Taiwan benefiting from the global rally in the AI boom. In fixed income, interest rates stayed relatively flat in October with the 10-year note closing the month at 4.1%, down modestly from the 4.58% level beginning the year. Municipal bonds had a strong month with favorable supply/demand dynamics contributing to a 1.2% gain. Commodity prices were up in October driven largely by agricultural, industrial metals, and gold which posted a new record high. Energy prices, however, have remained relatively calm with oil and gas prices relatively flat on the year.

Investors have been in somewhat of a data vacuum growth-oriented economic releases due to the government shutdown which just set a new record for the longest duration on record. Data aside, seemingly positive economic momentum continued through October with continued signs of resilient personal consumption, robust business capital expenditures going toward AI infrastructure buildout, inflation rising but not beyond expectations, and business survey data improving given fading tariff uncertainty.

On the policy front, the Federal Reserve continued its measured easing campaign, cutting the federal-funds rate by 25 basis points to 3.75 – 4.00 percent and formally ending its balance-sheet runoff program to counter signs of waning liquidity in the banking system. Officials emphasized progress toward their inflation target while acknowledging the need to guard against labor-market deterioration. Trade policy remained an intermittent source of uncertainty as tariff implementation and court challenges progressed in tandem, including an active SCOTUS case examining executive authority under the International Emergency Economic Powers Act. Fiscal developments were limited following resolution of the late-September government shutdown, with spending patterns and deficits largely tracking prior projections. Globally, major central banks maintained a similar tone—ECB holding policy steady while the Bank of Japan signaled further steps toward normalization.

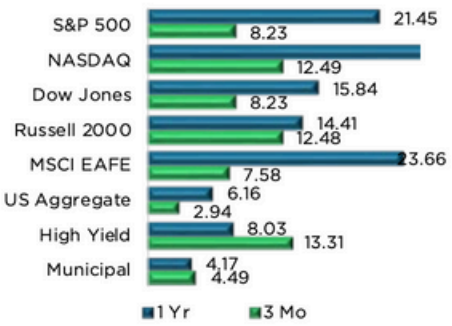
Taken together, October was another constructive month for risk assets with strong corporate fundamentals, a trifecta (monetary, fiscal, regulatory) of growth-oriented policy fronts, and consumer spending that keeps on ticking despite higher prices. Short-term risks are ever-present, currently including a slowing labor market, some early signs of credit stress, and a narrow AI-centric stock market, but through October, markets and the economy have proven highly resilient.

Quote of the Month

"Americans are getting stronger. Twenty years ago, it took two people to carry ten dollars' worth of groceries. Today, a five-year-old can do it."

- Henny Youngman

INDEX RETURNS (%)



CONSUMER METRICS

Levels	10/31/25	7/31/25	10/31/24
Fed Funds	3.86	4.33	4.83
10 Year Treasury	4.11	4.37	4.28
30 Year Mortgage	6.17	6.72	6.72
Gasoline	3.16	3.25	3.22
Used Cars and Trucks*	*185.32*	183.42	177.78

ECONOMIC TRENDS

Macro Metrics	10/31/25	7/31/25	10/31/24
US Real GDP	3.80	3.80	3.30
Core PCE	2.91	2.85	2.99
Unemployment Rate	4.30	4.20	4.10
Oil (WTI)	61.79	70.36	69.58
Gold	3,873.0	3,338.3	2,690.1
Dollar Index	99.6	100.0	103.86

Trailing Returns	1 Mo	3 Mo	1 Yr
Oil (WTI)	-2.25	-12.24	-11.25
S&P GSCI Gold Spot	3.18	19.35	45.36
Dollar Index	2.08	-0.16	-4.01

**Represents level indexed to 100.*

CARTOON OF THE MONTH

Source: Hedgeye

PERIODIC TABLE OF INVESTMENTS — SEPTEMBER 30, 2025

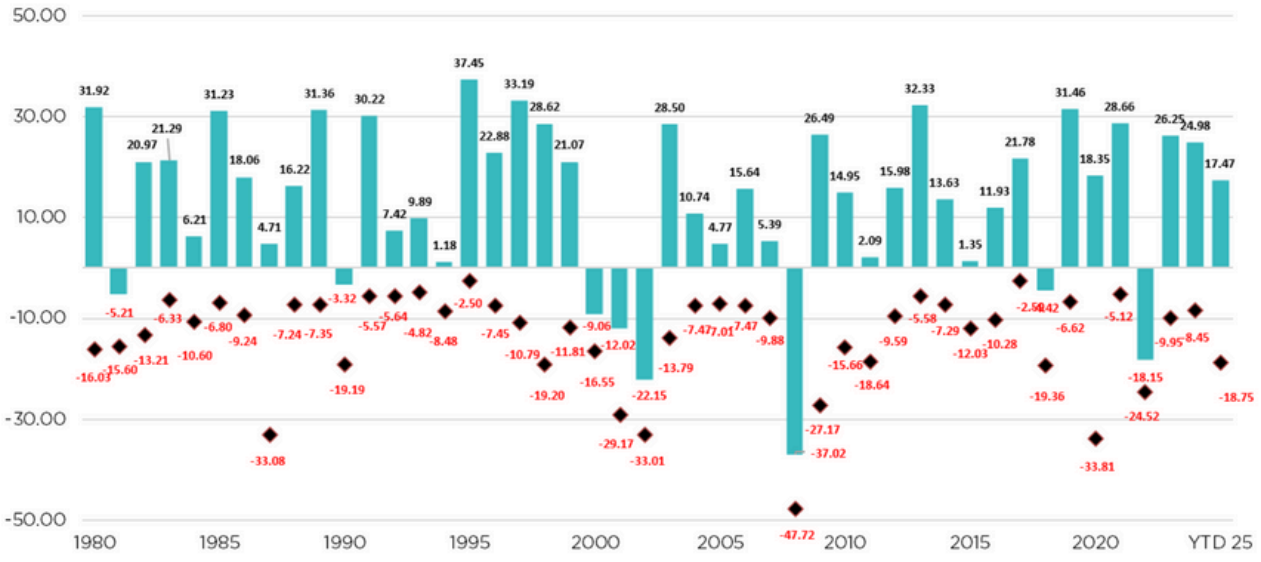
Color Coded Key	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD
Alerian MLP	31.8	4.2	21.3	37.8	0.3	31.5	20.0	46.2	30.9	26.6	25.0	33.6
Bloomberg US Agg Bond	13.7	1.4	18.3	25.6	0.0	27.3	18.7	40.2	16.1	26.3	24.4	27.2
Bloomberg US Treasury US TIPS	6.0	1.3	17.5	24.6	-0.8	25.8	18.4	28.7	-1.3	22.8	18.0	21.5
Bloomberg Commodity	4.9	0.5	12.0	21.8	-1.3	25.5	16.8	27.1	-11.2	18.9	11.5	17.5
Markit iBoxx USD Levged Loan	4.8	-0.4	11.8	14.6	-1.8	22.7	11.0	19.0	-11.8	16.9	9.1	12.4
FTSE WGBI	4.8	-1.0	11.6	10.3	-2.3	18.9	10.8	14.8	-13.0	16.1	8.8	12.5
FTSE WGBI NonUSD	4.7	-1.4	10.1	8.2	-2.5	14.4	10.1	11.8	-14.0	13.5	8.2	8.0
ICE BofA US High Yield	3.6	-1.8	9.9	7.5	-4.4	13.1	8.3	6.0	-15.3	13.0	8.1	10.4
Bloomberg EM USD Aggregate	2.5	-3.6	8.5	7.5	-4.8	8.7	7.5	5.4	-18.0	10.3	6.6	7.1
MSCI ACWI	1.4	-4.4	7.2	4.2	-8.9	8.4	6.5	5.1	-18.1	9.1	5.4	7.3
MSCI EAFE	-0.5	-4.6	4.7	3.5	-11.0	7.9	6.2	-1.5	-18.3	5.8	4.3	7.2
MSCI EM	-1.8	-5.5	2.6	3.3	-11.2	7.7	2.3	-1.7	-19.7	5.5	1.8	6.8
Russell 2000	-2.7	-14.6	1.8	3.0	-12.4	6.6	-3.1	-2.2	-20.4	5.2	1.3	5.0
S&P 500	-4.5	-24.7	1.6	1.7	-13.4	5.9	-7.9	-7.0	-22.1	3.9	-2.9	2.8
Wilshire US REIT	-17.0	-32.6	1.5	-6.5	-14.2	5.3	-28.7	-9.7	-26.8	-7.9	-5.3	4.2

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD
S&P 500 Communication Services	30.2	10.1	27.4	38.8	6.5	50.3	43.9	54.6	65.7	57.8	40.2	26.8
S&P 500 Sec/Consumer Discretionary	29.0	6.9	23.5	23.8	4.1	32.7	33.3	46.2	1.6	55.8	36.6	29.9
S&P 500 Sec/Consumer Staples	25.3	6.6	22.8	23.0	0.8	32.1	23.6	35.0	-0.6	42.4	30.6	18.9
S&P 500 Sec/Energy	20.1	5.9	18.9	22.2	-0.3	31.5	20.7	34.5	-2.0	26.3	30.1	20.2
S&P 500 Sec/Financials	16.0	4.7	16.7	22.1	-2.2	29.4	18.4	28.7	-5.5	18.1	25.0	17.5
S&P 500 Sec/Health Care	15.2	3.4	16.3	21.8	-4.4	29.0	13.4	27.3	-10.5	12.5	23.4	9.6
S&P 500 Sec/Industrials	13.7	1.4	13.8	21.0	-8.4	27.9	11.1	26.1	-12.3	12.4	17.5	3.8
S&P 500 Sec/Information Technology	9.8	-1.5	12.0	13.5	-12.5	27.6	10.7	24.4	-18.1	12.1	14.9	5.8
S&P 500 Sec/Materials	9.7	-2.5	6.0	12.1	-13.0	26.3	0.5	21.6	-26.1	2.1	5.7	3.4
S&P 500 Sec/Real Estate	6.9	-4.8	5.4	10.8	-13.3	24.6	-1.7	21.1	-28.2	0.5	5.2	7.8
S&P 500 Sec/Utilities	3.0	-8.4	3.4	-1.0	-14.7	20.8	-2.2	18.6	-37.0	-1.3	2.6	1.5
S&P 500	-7.8	-21.1	-2.7	-1.3	-18.1	11.8	-33.7	17.7	-39.9	-7.1	0.0	6.3

MARKET TIMING DOESN'T WORK

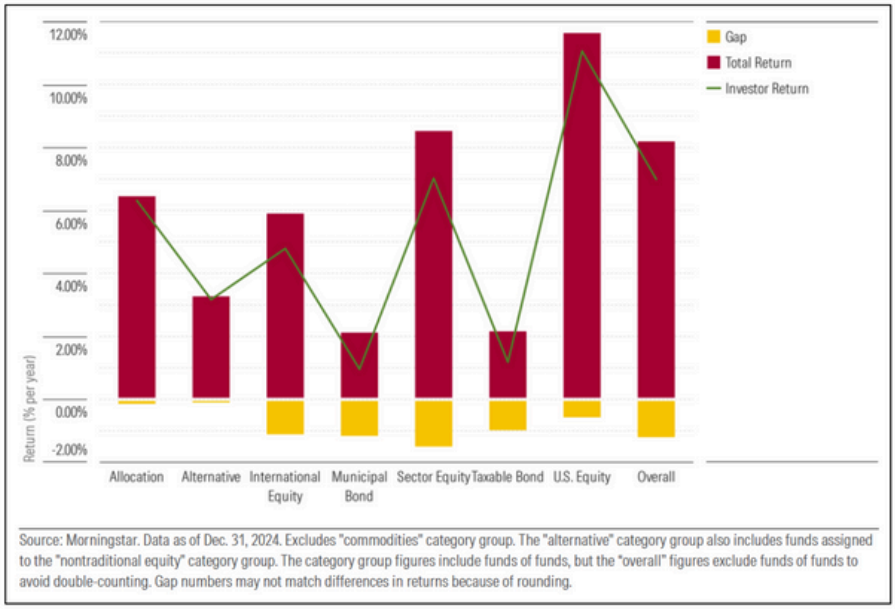
Intra-year S&P 500 Drawdowns with Annual Returns

Market volatility is normal and can be difficult to time. History shows that staying the course has been a successful investing strategy.



Source: Morningstar Direct, Standard & Poor's. Uses Total Return with daily closing prices.

MARKET TIMING DOESN'T WORK



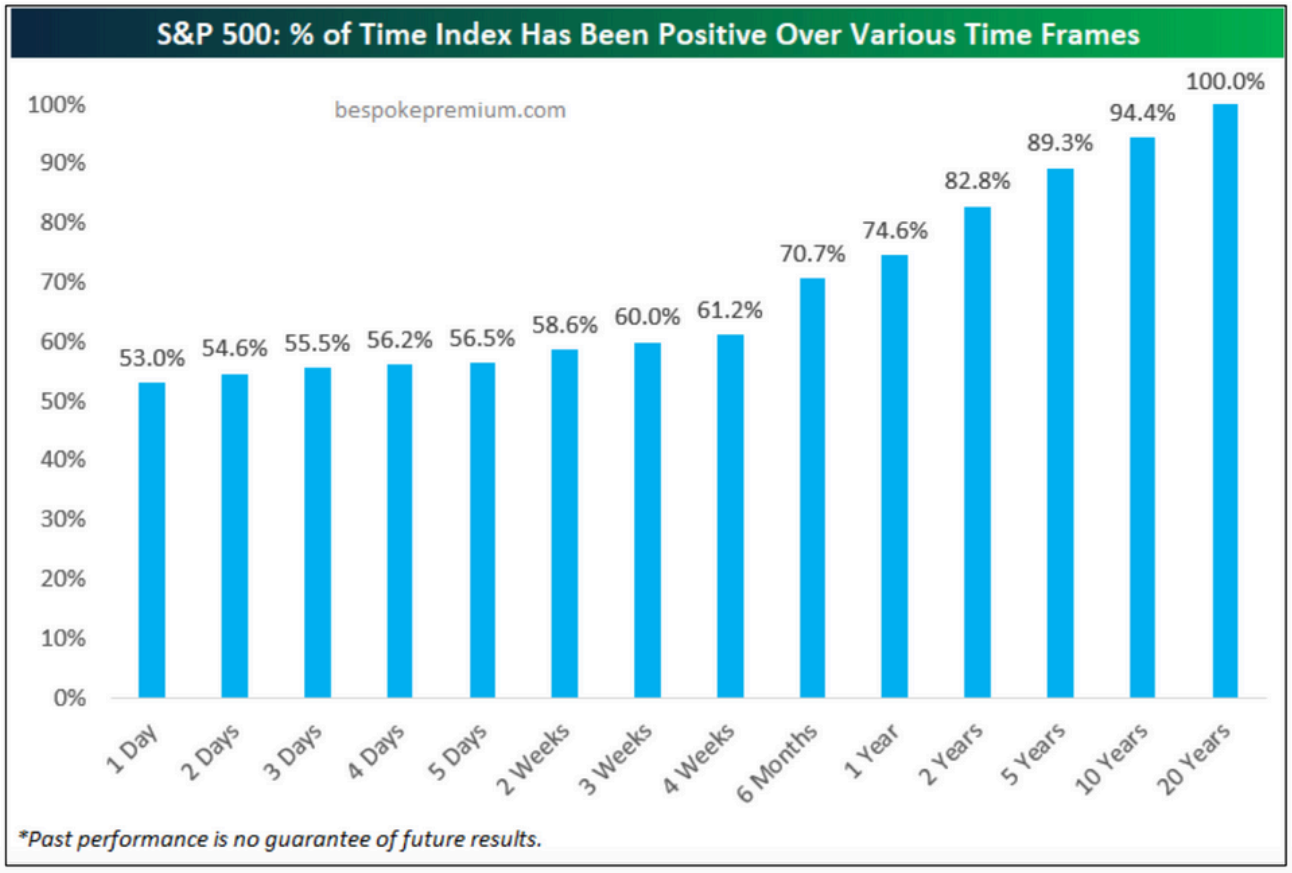
Source: Morningstar. Data as of Dec. 31, 2024. Excludes "commodities" category group. The "alternative" category group also includes funds assigned to the "nontraditional equity" category group. The category group figures include funds of funds, but the "overall" figures exclude funds of funds to avoid double-counting. Gap numbers may not match differences in returns because of rounding.

Exhibit 4 Annual Investor Return Gaps by US Category Group (10 Years Ended Dec. 31, 2024)

US Category Group	Investor Return	Total Return	Gap
Allocation	6.3%	6.5%	-0.1%
Alternative	3.2%	3.3%	-0.1%
International Equity	4.8%	5.9%	-1.1%
Municipal Bond	1.0%	2.1%	-1.2%
Sector Equity	7.0%	8.5%	-1.5%
Taxable Bond	1.2%	2.2%	-1.0%
US Equity	11.1%	11.6%	-0.6%
Overall	**7.0%**	**8.2%**	**-1.2%**

Source: Morningstar

MARKET TIMING DOESN'T WORK



Source: Bespoke

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