MONTHLY MARKET REVIEW – October 2025

	Oct 2025	YTD	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities S&P 500	2.34%	17.52%	21.45%	22.68%	17.64%	14.64%
U.S. Small Cap Equities Russell 2000	1.81%	12.39%	14.41%	11.94%	11.50%	9.36%
Energy Infrastructure Equities Alerian U.S. Midstream	-5.73%	-2.69%	6.33%	19.51%	32.56%	10.90%
U.S. Real Estate Equities Dow Jones U.S. Select REIT	-1.33%	3.11%	0.13%	8.39%	9.73%	4.92%
Global Equities MSCI All Country World Index	2.24%	21.09%	22.64%	21.64%	14.61%	11.31%
Int'l Developed Equities MSCI EAFE	1.18%	26.61%	23.03%	20.06%	12.33%	7.48%
Emerging Market Equities MSCI Emerging Markets	4.18%	32.86%	27.91%	21.10%	7.46%	7.69%
U.S. Taxable Fixed Income Bloomberg U.S. Aggregate	0.62%	6.80%	6.16%	5.60%	-0.24%	1.90%
U.S. Tax-Exempt Fixed Income Bloomberg Municipal Aggregate	1.24%	3.91%	4.17%	5.46%	1.16%	2.42%
High Yield Fixed Income Bloomberg U.S. Corp High Yield	0.16%	7.39%	8.16%	10.20%	5.47%	5.90%
Floating Rate Loans Morningstar LSTA U.S. Loan	0.22%	4.86%	6.32%	9.57%	6.96%	5.52%
Collateralized Loan Obligations JP Morgan Collateralized Loan Index	0.36%	4.92%	6.16%	8.85%	5.67%	4.47%

- Returns pushed higher across the major asset categories in October, with Global Equities up 2.2% and the U.S. Investment Grade Bonds gaining 0.6%.
- Divisive trade negotiations between the U.S. and China at the beginning of the month triggered the largest single-day decline in U.S. equity markets since April 2 Liberation Day, but productive late-month negotiations propelled the S&P 500 Index to a new all-time high of 6,890.
- U.S. inflation surprised on the downside with little evidence of tariff passthrough. The muted inflation backdrop enabled the Fed to issue another 0.25% rate cut, moving the target rate to 3.75%-4.00%. The Fed indicated a December rate cut was not guaranteed, which markets interpreted to mean there could be a pause as the Fed assesses the impacts of its recent actions.
- Fixed income returns were positive across the board for the third consecutive month, led by U.S. investment grade bonds, with prices rising as yields declined.
    - The year-to-date U.S. government bond return increased by 80 basis points to 7.8% (10-year), while the spread between 2-year and 10-year U.S Treasuries narrowed slightly to 0.53%.
    - Bonds continued to offer an attractive positive real yield with the nominal 10-year U.S. Treasuries yielding 4.1%, exceeding inflation by 1.1%.

Sources: eVestment, JP Morgan, xe.com, Trading Economics, StatisticsCanada, Bloomberg, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, Bureau of Economic Analysis, Market Watch

Category	Comments
Growth	The U.S. economy grew 3.8% (annualized) in the second quarter: • Consumer spending increased 2.5%, while government spending decreased 0.1%. • Trade distortions concealed slowing momentum. • The U.S. housing market's residential fixed investment decreased 5.1%.
Profits	3Q25 Earnings (71% reporting) with tech & financials positive, health care & energy negative: Consensus year-over-year earnings growth of 8.8%; contributions: - Sales 6.6% - Margins 3.1% - Shares (1.0%)
Jobs	The September jobs report is delayed due to the U.S. government shutdown; • August jobs data showed a sharp slowdown in hiring. • The unemployment rate increased to 4.3%; wages rose 3.7% year-over-year.
Inflation	August Personal Consumption Expenditures Index (PCE) – September data delayed: • Headline PCE price index ***increased*** 0.3% m/m and ***increased*** to 2.7% y/y. • Core PCE price index ***increased*** 0.2% m/m and ***increased*** to 2.9%, y/y. • Tariff impacts have been muted, but core goods and service prices are increasing.
Interest Rates	The FOMC policy rate decreased by 0.25% in October to a range of 3.75%-4.00%: • An improvement in employment or a spike in inflation could pause the Fed. • FOMC year-end estimate of 3.60%; market expectation is higher at 3.75%.

CANADA:

- The U.S. dollar index (DXY) ***increased*** 2.1% in October (see chart below). The U.S. dollar ***weakened*** *2.7%* (YTD) against the Canadian dollar to end the month with an exchange rate of **1.40**.

- The Bank of Canada's policy interest rate ***decreased*** by 0.25% to 2.25% at the October meeting.
- Inflation ***increased***, with the **CPI** higher by 0.2% to end the month at 1.9%.
  - ***Core CPI***, referred to as "CPI-trim," ***increased*** by 0.1% to end the month at 3.1%.
  - Canada announced a CAD $50 billion local infrastructure fund to finance housing, transportation, and heath care projects.
  - The fiscal stimulus plans are intended to transform the Canadian economy with the long-term focus of relying less on the United States.

Sources: eVestment, JP Morgan, xe.com, Trading Economics, StatisticsCanada, Bloomberg, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, Bureau of Economic Analysis, Market Watch

OIL:

- **The price of crude oil was $60.98 per barrel (WTI).**
- Oil prices **decreased** $1.39 per barrel, or 2.2%, in October.
- Crude prices fell in October amid concerns about global oversupply. OPEC+ announced a plan to pause output increases in early 2026, which led to higher prices at month-end. Tighter U.S. sanctions on Russia are expected to extend the supply risk.
- **Oil is forecasted to trade between $50 and $65 per barrel over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2025	$65.81	$78.71	$57.13	-14%
2024	$75.83	$87.01	$66.37	1%
2023	$77.64	$93.84	$66.74	-11%
2022	$94.53	$123.70	$71.59	7%
2021	$68.17	$84.65	$47.62	55%
2020	$39.68	$63.27	$11.26	-21%
2019	$56.99	$66.24	$46.31	35%
2018	$65.23	$77.41	$44.48	-25%
2017	$50.80	$60.46	$42.48	12%
2016	$43.29	$54.01	$26.19	45%
2015	$48.66	$61.36	$34.55	-31%
2014	$93.17	$107.95	$53.45	-46%

COPPER:

- **The price of copper was $5.09 USD per pound.**
- Copper prices **increased** $0.23 per pound, or 4.8%, in October.
- Copper reached a three-month high at the end of October amid weak demand signals and a stronger U.S. dollar. In the U.S., copper futures have remained sharply higher amid a series of negative supply shocks and lower year-to-date output.
- **Copper is forecasted to trade between $4.85 and $5.15 per pound over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2025	$4.78	$5.82	$4.03	26%
2024	$4.23	$5.10	$3.68	3%
2023	$3.86	$4.28	$3.57	2%
2022	$4.00	$4.94	$3.23	-14%
2021	$4.24	$4.76	$3.52	27%
2020	$2.80	$3.63	$2.10	26%
2019	$2.72	$2.97	$2.53	6%
2018	$2.93	$3.30	$2.56	-20%
2017	$2.81	$3.30	$2.49	32%
2016	$2.20	$2.69	$1.94	17%
2015	$2.49	$2.94	$2.02	-25%
2014	$3.11	$3.38	$2.83	-17%

ALUMINUM:

- **The price of aluminum was $2,892 USD per tonne.**
- Aluminum prices **increased** $210.60 per tonne, or 7.9%, in October.
- Aluminum set a new record high in October against a backdrop of tight supply. This was attributable to China's announcement of lowering output to prevent overcapacity; an initiative aimed to curb deflation.
- **Aluminum is forecasted to trade between $2,750 USD/tonne and $2,950 over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2025	$2,597	$2,900	$2,340	13%
2024	$2,458	$2,768	$2,159	7%
2023	$2,288	$2,662	$2,122	0%
2022	$2,711	$3,966	$2,103	-15%
2021	$2,486	$3,198	$1,954	42%
2020	$1,732	$2,068	$1,427	9%
2019	$1,811	$1,936	$1,706	-2%
2018	$2,115	$2,556	$1,817	-19%
2017	$1,979	$2,272	$1,686	34%
2016	$1,610	$1,784	$1,450	12%
2015	$1,679	$1,978	$1,436	-18%
2014	$1,984	$2,107	$1,840	0%

Disclosures:

Sources: eVestment, JP Morgan, xe.com, Trading Economics, StatisticsCanada, Bloomberg, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, Bureau of Economic Analysis, Market Watch

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MARKET UPDATE

October 31, 2025

By Thomas Grugan, Director & Senior Investment Strategist

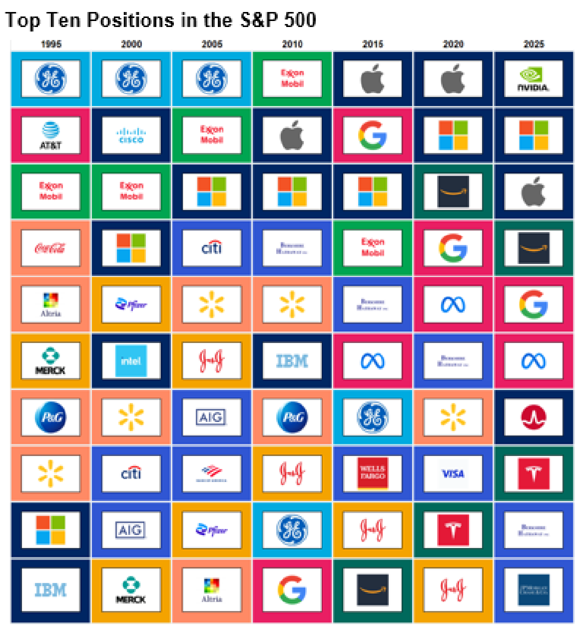
High Level Summary

October was another positive month for investors. Global equity markets moved higher by 2.2% and U.S. fixed income results were muted, but positive, across investment grade, high yield bonds, and loans. In the U.S., favorable initial earnings results and a 0.25% interest rate cut pushed the S&P 500 Index to a new all-time high of 6,890 on October 28th.

The U.S. equity market remained highly concentrated with the top 10 companies in the S&P 500 representing nearly 42% of the Index, and more than 50% of the performance attributable to Mag-7 stocks. These overvalued companies gained 25% through October 31st, with the rest of the Index gaining just 12%. We have noted in prior letters how this level of concentration is abnormal, and that even great companies do not stay great forever. However, we remain cautiously optimistic about the trajectory of the U.S. stock market as the components of S&P 500 EPS growth remain well balanced: revenue (+5.2%), profit margin (+6.0%) and share count (-0.8%). The 10.5% total EPS growth in 2025 remains well above the long-term average of 7.3% (2001-2024).

In Figure 1 below we show the composition of the top 10 companies in the S&P 500 Index compared to historical weightings going back to 1985. We advocate caution regarding high allocations to mega-cap tech stocks and advise maintaining a more balanced allocation to U.S. stocks, with a bias toward quality companies.

Top 10 S&P 500 Companies by Market Cap **Figure 1**



Source: JP Morgan

U.S. Government Shutdown

As U.S. markets push ever higher, we have considered potential risks that could lead to corrections or bear market conditions. One of the key headlines in October was the scope and duration of the U.S. government shutdown, and the potential implications for equity and fixed income markets.

The current shutdown is the longest in U.S. history at over 40 days. As of this writing, the Senate has passed a measure to end the shutdown. The legislation now moves to the House for a final vote and then to President Trump, who has indicated he will sign it.

The shutdown has primarily impacted individuals, with little to no direct effects reported by businesses or impacts to the market at large.

Travel has been directly impacted, as many of the "non-essential" workers are engaged in the airline industry, including air traffic controllers. The IRS has also furloughed nearly half its staff, resulting in delays in taxpayer services, while hundreds of thousands of lower income families have been deprived of income support.

Figure 2

FUNDING ENDED	FUNDING RESTORED	DURATION (IN DAYS)	PRESIDENT
Sept. 30, 2025	**TBD**	35	**Trump**
Dec. 21, 2018	Jan. 25, 2019	34	Trump
Jan. 19, 2018	Jan. 22, 2018	2	Trump
Sept. 30, 2013	Oct. 17, 2013	16	Obama
Dec. 15, 1995	Jan. 6, 1996	21	Clinton
Nov. 13, 1995	Nov. 19, 1995	5	Clinton
Oct. 5, 1990	Oct. 9, 1990	3	G.H.W. Bush
Dec. 18, 1987	Dec. 20, 1987	1	Reagan
Oct. 16, 1986	Oct. 18, 1986	1	Reagan
Oct. 3, 1984	Oct. 5, 1984	1	Reagan
Sept. 30, 1984	Oct. 3, 1984	2	Reagan
Nov. 10, 1983	Nov. 14, 1983	3	Reagan
Dec. 17, 1982	Dec. 21, 1982	3	Reagan
Sept. 30, 1982	Oct. 2, 1982	1	Reagan
Nov. 20, 1981	Nov. 23, 1981	2	Reagan
Sept. 30, 1979	Oct. 12, 1979	11	Carter
Sept. 30, 1978	Oct. 18, 1978	17	Carter
Nov. 30, 1977	Dec. 9, 1977	8	Carter
Oct. 31, 1977	Nov. 9, 1977	8	Carter
Sept. 30, 1977	Oct. 13, 1977	12	Carter
Sept. 30, 1976	Oct. 11, 1976	10	Ford

Source: NPR

Historically, the economic damage from U.S. government shutdowns has been fleeting, with minimal impact to the world's largest economy. But according to Alec Phillips, chief political economist at Goldman Sachs, the current situation appears more dire, stating that "the current shutdown looks likely to have the greatest economic impact of any shutdown on record."

Even as the shutdown looks to end soon, it will likely depress U.S. real gross domestic product (GDP), with Goldman Sachs projecting a 1.15% contraction during the fourth quarter. This is further supported by the nonpartisan Congressional Budget Office (CBO), which estimates real GDP compression of 1-2%, or more, depending on the duration.

For historical context, the second longest shutdown in 2018-2019 (35 days), was only a partial shutdown, affecting approximately 10% of government spending. The current shutdown, by comparison, has derailed 100% of appropriations.

The situation is even dimmer from the viewpoint of Dr. David Kelly, chief global strategist at JP Morgan Asset Management, who commented that "the economy was already going to slow down, and this just made it worse." Dr. Kelly offered a range of factors contributing to lower U.S. growth, including historically high tariffs, lower immigration, a depleted U.S. workforce, and the return of student loan payments.

The good news is that most of the shutdown-induced damage is expected to quickly unwind after the government reopens. Goldman Sachs expects the shutdown to "more than reverse" in the first quarter of 2026, with consensus expectation that GDP will recover 1.3%, with first quarter GDP estimated at a healthy 3.1% as record tax refunds should be distributed through the 2026 tax season.

Evaluating the historical record of U.S stock market returns during, and in the 12-month period following, the reopening of the government may be cause for optimism. U.S. stocks have produced positive returns during shutdown periods 55% of the time, while returns in the 12-month period after reopening have shown gains 86% of the time (Figure 3). These results imply that investors tend to prioritize long-term macroeconomic factors over short-term government standoffs.

Figure 3

Start of Shutdown	Reopen Date	Length (Days)	S&P 500 Return	S&P 500 12 Months After End	President	Senate	House
9/30/1976	10/11/1976	11	-3.5%	-6.6%	Ford	Democrat	Democrat
9/30/1977	10/13/1977	13	-2.5%	12.0%	Carter	Democrat	Democrat
10/31/1977	11/9/1977	9	0.4%	1.5%	Carter	Democrat	Democrat
11/30/1977	12/9/1977	9	-1.0%	3.2%	Carter	Democrat	Democrat
9/30/1978	10/18/1978	18	-2.0%	3.1%	Carter	Democrat	Democrat
9/30/1979	10/12/1979	12	-4.4%	24.7%	Carter	Democrat	Democrat
5/1/1980	5/1/1980	1	-0.8%	25.8%	Carter	Democrat	Democrat
11/20/1981	11/23/1981	3	0.7%	9.3%	Reagan	Republican	Democrat
9/30/1982	10/2/1982	2	0.3%	36.2%	Reagan	Republican	Democrat
12/17/1982	12/21/1982	4	2.4%	18.0%	Reagan	Republican	Democrat
11/10/1983	11/14/1983	4	1.6%	-0.4%	Reagan	Republican	Democrat
9/30/1984	10/3/1984	3	-2.2%	13.5%	Reagan	Republican	Democrat
10/3/1984	10/5/1984	2	-0.6%	12.6%	Reagan	Republican	Democrat
10/16/1986	10/18/1986	2	0.0%	18.4%	Reagan	Republican	Democrat
12/18/1987	12/20/1987	2	2.5%	11.9%	Reagan	Democrat	Democrat
10/5/1990	10/9/1990	4	-2.1%	23.2%	G.H. W. Bush	Democrat	Democrat
11/13/1995	11/19/1995	6	1.2%	22.8%	Clinton	Republican	Republican
12/15/1995	1/6/1996	22	0.0%	21.3%	Clinton	Republican	Republican
10/1/2013	10/17/2013	16	3.1%	8.9%	Obama	Democrat	Republican
1/19/2018	1/22/2018	2	0.8%	-7.1%	Trump	Republican	Republican
2/9/2018	2/9/2018	1	1.5%	3.4%	Trump	Republican	Republican
12/21/2018	1/25/2019	34	10.3%	23.7%	Trump	Republican	Republican
	Average	8.2	0.3%	12.7%			
	Median	4.0	0.1%	12.3%			
	% Higher		54.5%	86.4%			

Source: Carson Investment Research, FactSet

While we are concerned about concentration and price risk in U.S. large-cap growth stocks, fundamentals still appear supportive for additional equity gains. We are also encouraged by the historical resilience of the U.S. equity markets. We also see minimal risk to the U.S. bond market posed by the shutdown as the U.S. Treasury department can quickly ramp up debt issuance.

Tactical Positioning

We continue to advocate caution about market concentration and overvaluation of many large-cap U.S. growth stocks. We continue to emphasize implementing a balanced approach to U.S. equity management, with the recommendation to focus on higher quality businesses with strong balance sheets.

Adding stabilizing portfolio diversifiers, like middle-market private equity, high quality private credit, and real assets like infrastructure, has helped to protect portfolios in past cycles.

Public fixed income may offer some value to investors, as fixed income returns are typically positive when interest rates decline, but we expect fixed income returns to be driven by income with limited total return up-side.

Overall Position	UW	N	OW	Change	Notes
Equity		●	●		Neutral or Overweight
Fixed Income & Credit		●			
Alternatives			●		
Cash		●			
U.S. Equity		●	●		Neutral or Overweight
Value		●			Balanced; Growth and Value
Growth		●			
Size			●		Overweight Large Cap
▪ Quality			●		
▪ Momentum		●			Gained through Large Cap
International Equity	●	●		Δ	Underweight or Neutral
Private Equity			●		
Duration	●				Barbell; Buyer on 10-Year over 4.8%
IG Fixed Income (AGG)		●			
▪ USD	●				
▪ Global			●		
High Yield Credit		●			Short Duration; Buyer on Spread Widening
Private Credit		●			Up in Quality
Public Real Estate (REITS)	●				
Private Core Real Estate			●		
Infrastructure		●	●		
Transportation			●		
Hedge Funds			●		

Sources: eVestment, Morgan Stanley, JP Morgan, NPR, Kiplinger, Goldman Sachs, Bloomberg, Federal Reserve Board, Carson Investment Research, FactSet, Congressional Budget Office

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