



Key Takeaways

>> On October 1st, the U.S. government shut down after bipartisan funding bills failed in the Senate, leading to nearly one million federal employees being furloughed. With negotiations stalled and little guidance on a timeline for a resolution, the shutdown is now the longest on record, though historically such events have not had lasting effects on economic growth.

>> The shutdown halted key economic data releases, including jobless claims and payroll reports, leaving the Fed and market participants with an incomplete picture of the U.S. economy. Despite having limited data, the Fed cut its benchmark rate by 0.25% to 3.75%–4.00% after its October meeting, citing a cooling labor market and moderating inflation.

>> Looking ahead, Fed Chair Powell emphasized that, despite market expectations, an additional rate cut in 2025 is not guaranteed, and, if limited data does not allow them to get a complete picture of the health of the economy, a more cautious approach for the remainder of the year may be appropriate.

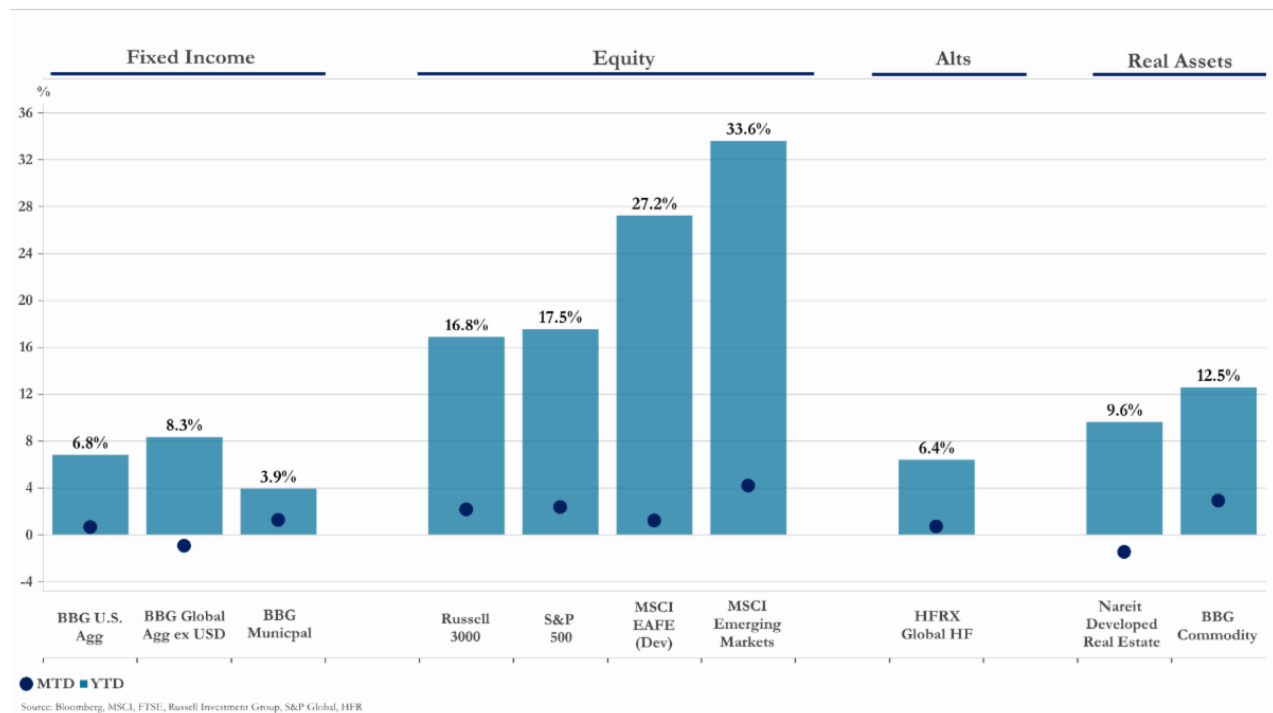
>> The U.S. dollar rebounded 1.7% in October, partially driven by the Fed's hawkish comments, while other major currencies like the euro, pound, and yen lagged. Despite the rally, the dollar remains down ~7% year-to-date after a challenging first half marked by fluid tariff policies and global volatility.

- According to the latest Atlanta Fed GDPNow estimate, real U.S. GDP growth for Q3 is tracking at 4.0%, but Q4 growth is expected to slow due to the shutdown, fading consumer spending, and lagged tariff effects. AI-related capital expenditures and wealth effects remain key drivers of growth, but risks are skewed to the downside if market sentiment shifts.
- During a late-October meeting, President Trump and Chinese President Xi agreed that China would pause sweeping controls on rare-earth materials and resume agricultural purchases in exchange for reduced tariffs, adding some near-term stability to relations between the world's two largest economies, though key issues like access to semiconductors and other technology remain unresolved and could lead to future tension.
- Despite narrowing market breadth, U.S. equities reached new record highs in October as the S&P 500 gained 2.3% and the Nasdaq advanced 4.7%, both led by the "Magnificent Seven" and other large-cap growth stocks. International Equities continue to outperform their U.S. counterparts year-to-date, with both emerging (4.2%) and developed (1.2%) markets posting strong results.
- In fixed income, Treasury yields dipped mid-month but then rebounded, with the 10-year

ending October at 4.11%, while credit spreads remained mostly stable and municipal bonds underperformed due to increased supply and fiscal uncertainties.

- Despite headlines over the last few weeks suggesting otherwise, the private credit market remains broadly stable as a couple of recent bankruptcy filings are being seen as idiosyncratic events tied to fraud and not reflective of the overall health of the asset class. Declining base rates should offer some relief to floating rate borrowers, but will also impact lenders' earnings, so distribution yields are likely to decline in 2026.
- With uncertainty likely to remain elevated until the government shutdown ends and potentially beyond, investors should focus on proper diversification and ensure their portfolios are in line with their level of risk tolerance and long-term financial goals.

Asset Class Performance as of 10/31/2025



Economy



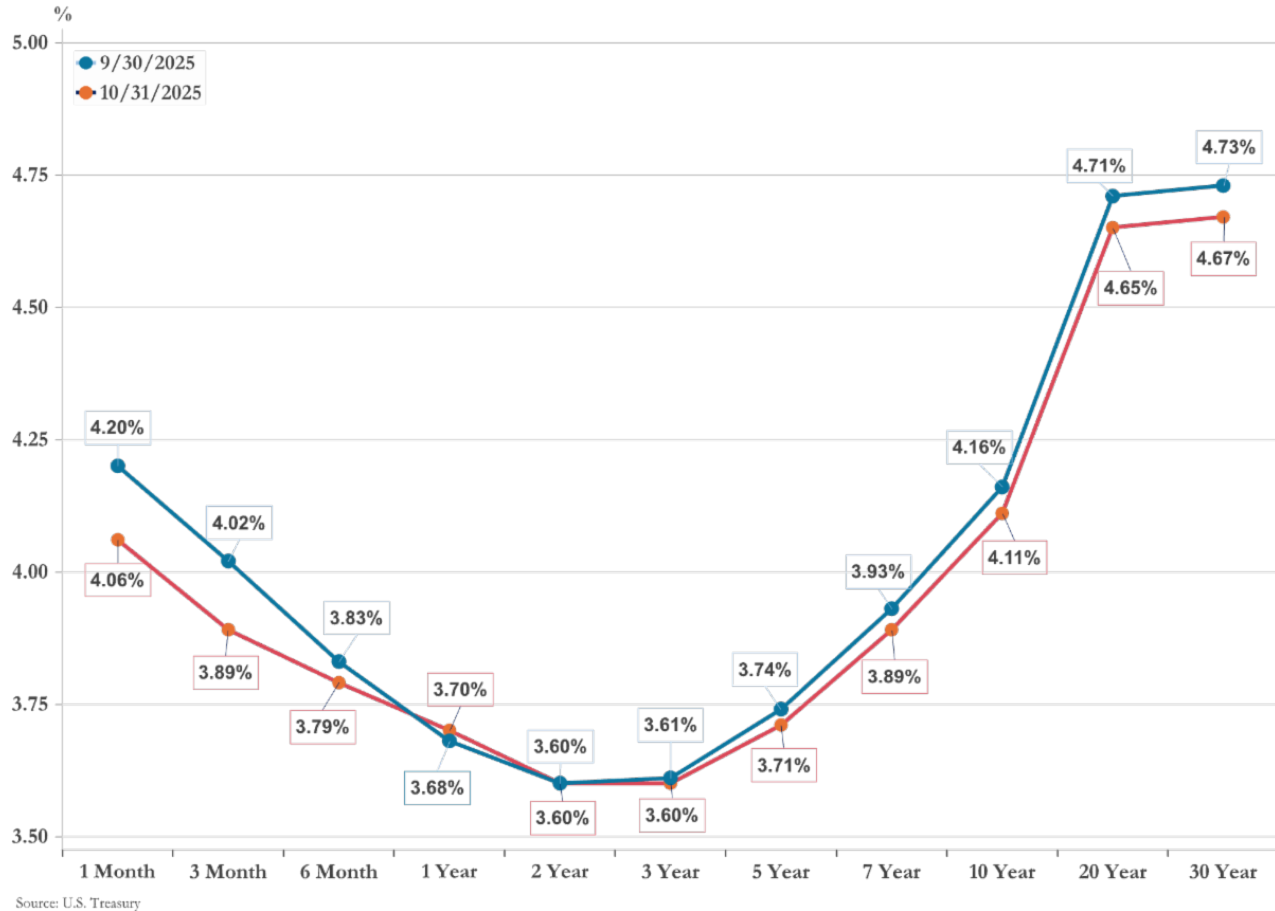
Fed Cuts Rates, Additional Cuts in Flux

- After its October meeting, the FOMC lowered its benchmark rate by 25 basis points to 3.75–4.00%, citing progress on inflation and signs of slowing economic activity, including a cooling labor market.
- Short-term yields dropped sharply while longer maturities fell modestly, leaving the curve slightly steeper. This reflects expectations for easier policy ahead but continued caution on

long-term growth prospects.

- Lower rates boosted risk appetite, with equities and credit markets rallying as borrowing costs eased and financing conditions improved.
- Futures suggest at least two more reductions by mid-2026, though Fed Chair Powell insists that the FOMC will remain data dependent and additional cuts are not yet a forgone conclusion.

U.S. Yield Curve



U.S. Dollar Rebounds in October

- After a steep decline earlier in 2025, the U.S. dollar rebounded in recent months as economic resilience and shifting rate expectations improved sentiment.
- Stronger U.S. growth data, easing recession fears, and a narrowing rate differential versus global peers helped reverse bearish positioning entering the month.
- The dollar's rebound pressured major currencies like the euro and yen, while emerging-market currencies faced renewed volatility amid shifting capital flows.
- Continued dollar strength hinges on sustained economic momentum and Fed policy, while signs of slowing growth could reignite weakness.

U.S. Dollar Index (DXY)



Consumer Confidence Falls

- U.S. consumer confidence declined again in October, marking its third consecutive monthly drop, and now sits at its lowest level since April.
- Sentiment toward employment weakened materially, reflecting slowing job growth and heightened concerns about labor market stability.
- Consumers also continue to grapple with elevated living costs and have become less optimistic about future income gains. Inflation, though moderating, continues to pressure household budgets and erode purchasing power.
- Plans for major purchases such as homes and durable goods softened, signaling caution amid still-high borrowing costs and economic uncertainty.



Markets

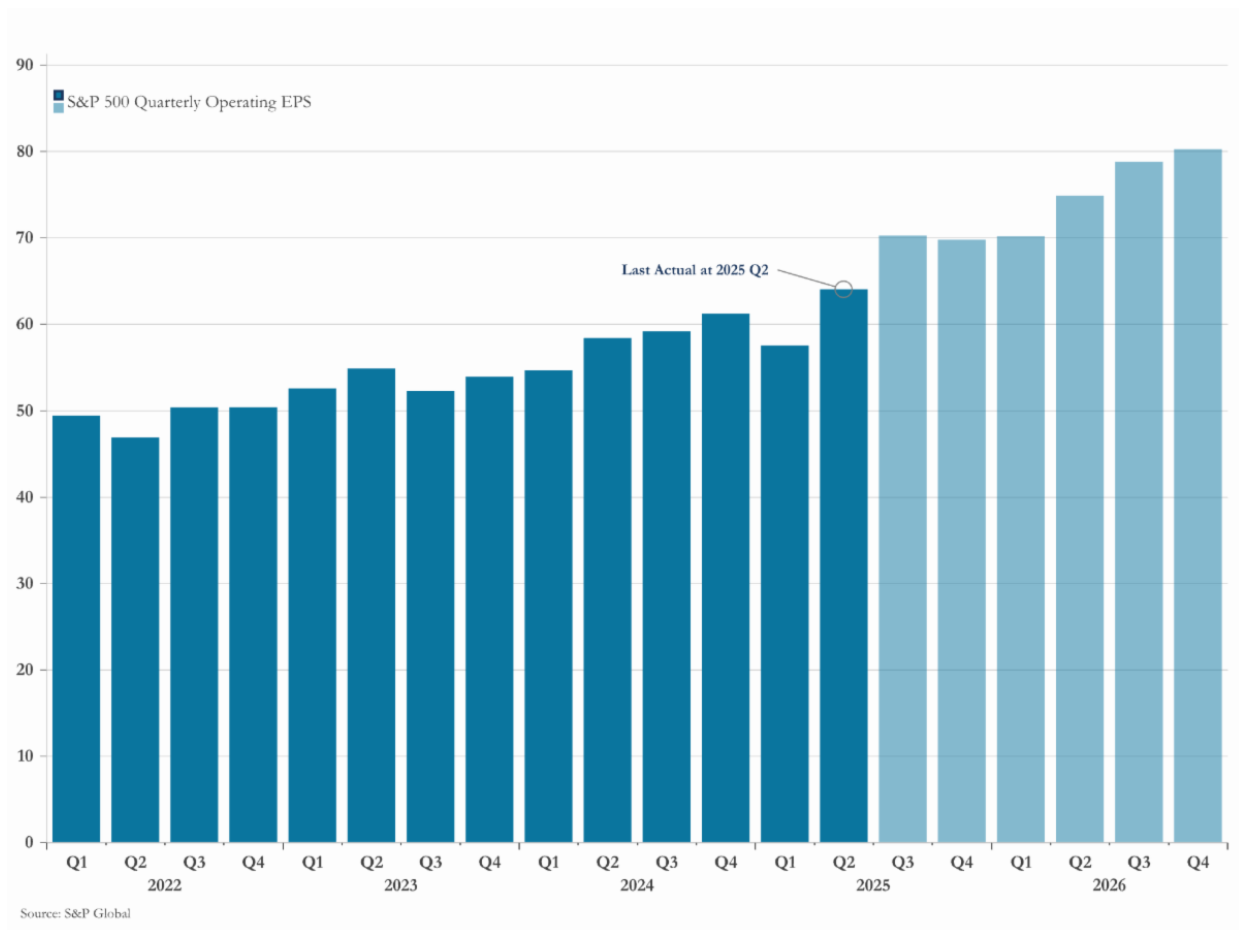


Strong Q3 Earnings Despite Headwinds

- In the face of macroeconomic headwinds, corporate America delivered robust Q3 earnings. To date, the S&P 500 has posted a 10.7% year-over-year earnings growth, with 83% of companies beating expectations.
- U.S. companies appear to be mostly unscathed by tariffs so far, protecting their margins through a combination of front-loading imports earlier in the year, price increases, and cost cuts.
- Financials showed the biggest improvement from Q2 due to upside surprises from firms like JPMorgan, Goldman Sachs, and Capital One, while big tech continues to impress.

- The profit outlook is also bright for 2026, with many EPS estimates being revised higher after strong Q3 guidance.

S&P 500 Earnings Per Share (EPS)



Global Equities Trend Higher

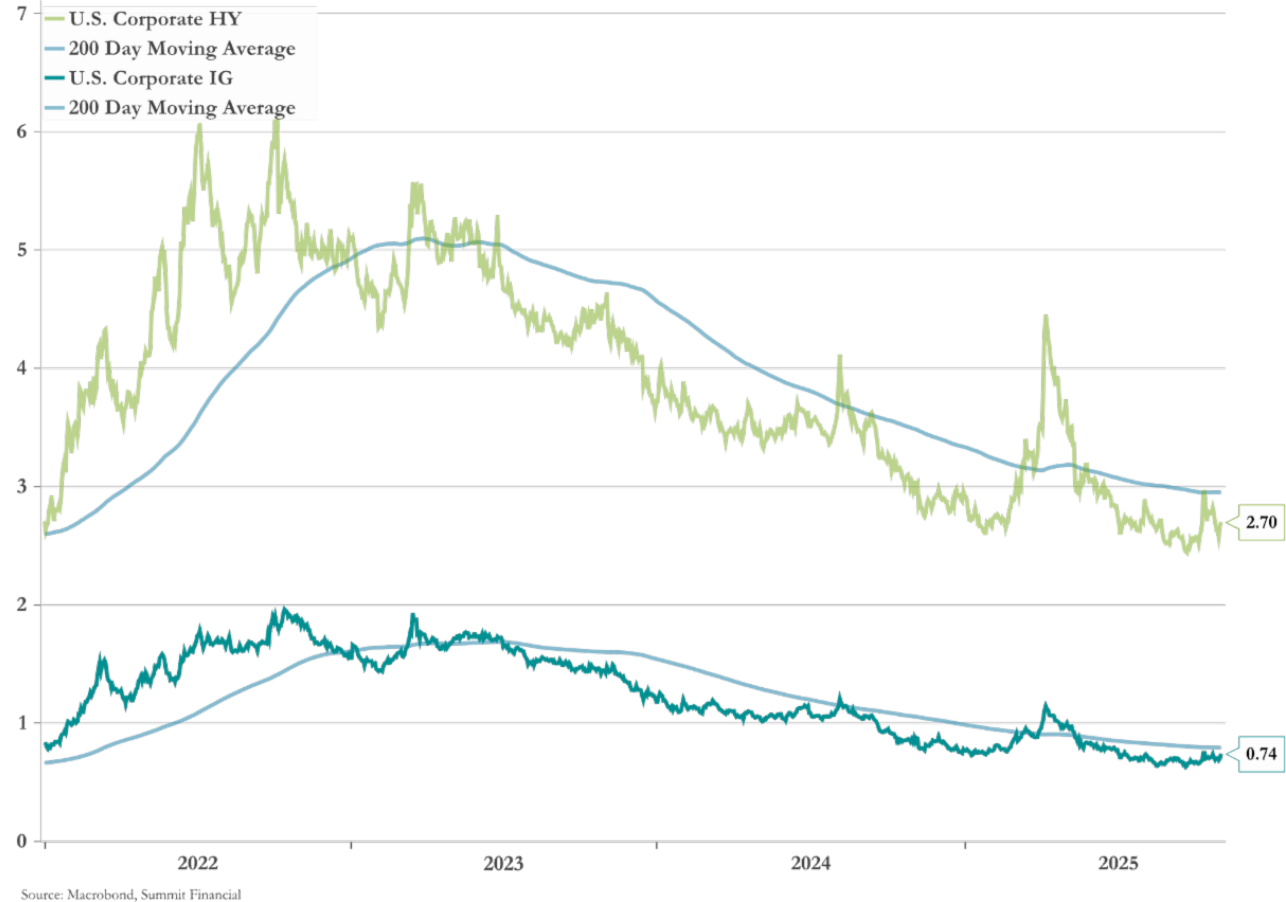
- Despite seasonal headwinds, global equity markets posted another strong month in October, with recent trade agreements (ex. China) and U.S. interest rate cuts fueling optimism for global growth and improving risk appetite.
- Although they are having a very strong year by historical standards, U.S. large-cap stocks still trail international benchmarks on a year-to-date basis, partially driven by a weaker U.S. dollar.
- The Russell 2000 continues to underperform, as economic uncertainty and uneven earnings trends offset the potential benefits of lower interest rates.
- Elevated U.S. valuations and concentrated leadership in mega-cap growth stocks pose challenges for equity investors heading into year-end, and any earnings misses could result in a sharp repricing of U.S. benchmarks.



Credit Spreads Remain Narrow

- Despite recent bankruptcies making headlines, both public and private credit markets remained resilient as the defaults are being viewed as idiosyncratic events tied to fraud and not systemic weakness.
- Credit managers are being selective, focusing on sectors with defensive characteristics as investors anticipate stable spreads and moderate issuance into year-end.
- Investment-grade spreads hovered near historic lows at roughly 74 bps, while high-yield spreads tightened back to ~270 bps after a brief widening mid-month.
- This persistent tightness signals investor confidence and suggests that markets do not currently expect widespread credit distress.

Credit Spreads



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Definitions

BBG U.S. Agg

Bloomberg U.S. Aggregate Bond Index

The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS, and CMBS (agency and non-agency).

BBG Global Agg ex USD

Bloomberg Global Aggregate Index

The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers.

BBG Municipal

Bloomberg Municipal Bond Index

The Bloomberg Municipal Bond Index covers the U.S. dollar-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.

Russell 3000

Russell 3000 Index

The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. It is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are included.

Russell 2000

Russell 2000 Index

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

S&P 500

S&P 500 Index

The S&P 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity, and industry group representation. Included are the stocks of eleven different sectors.

MSCI EAFE (Dev)

MSCI EAFE Index

The MSCI EAFE Index (Europe, Australasia, Far East) captures large- and mid-cap representation across developed markets countries around the world, excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Emerging Markets

MSCI Emerging Markets Index

The MSCI Emerging Markets Index captures large- and mid-cap representation across emerging markets countries across the world. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

HFRX Global HF

HFRX Global Hedge Fund Index

The HFRX Global Hedge Fund Index is comprised of funds representing the overall hedge fund universe. Constituent funds include but are not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event-driven, macro, merger arbitrage, and relative value arbitrage. The underlying strategies are asset-weighted based on the distribution of assets in the hedge fund industry.

Nareit Developed Real Estate

FTSE EPRA/NAREIT Developed Index

The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITS worldwide. Index constituents are free float-adjusted, subject to liquidity, size, and revenue screening for inclusion.

BBG Commodity

Bloomberg Commodity Index

The Bloomberg Commodity Index reflects commodity futures price movements and is calculated on an excess return basis. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production, and weight-caps are applied at the commodity, sector, and group level for diversification. The roll period typically occurs from the 6th-10th business day based on the roll schedule.

Consumer Confidence Index

Conference Board Consumer Confidence Index

The Consumer Confidence Index is a measure based on a survey administered by The Conference Board that reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitude, buying intentions, vacation plans, and consumer expectations for inflation, stock prices, and interest rates.

U.S. Dollar Index (DXY)

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The U.S. Dollar Index (DXY) is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies.

DJIA

Dow Jones Industrial Average

The Dow Jones Industrial Average (DJIA), commonly known as "The Dow", is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.

ISM Manufacturing Index

ISM Manufacturing Index

The ISM Manufacturing Index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of executives covering all North American Industry Classification System's businesses in the manufacturing sector.

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