

MARKET RECAP

HIGHER HIGHS

As the party keeps going, how important are all-time highs?

KEY OBSERVATIONS

- **Better than expected earnings data:** The third quarter (Q3) is on track to deliver a fourth straight quarter of double-digit earnings growth.
- **Another rate cut:** The Fed's October rate cut added momentum to already strong 2025 performance. The 0.25% cut was expected, but the tone surprised. Hawkish dissent and Powell's remarks shifted sentiment. Futures markets dropped from a 94% chance of a December cut to 69% post-meeting.
- **Strong economic data:** Supportive macroeconomic conditions have propelled markets to new all-time highs.

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The rally continued in October, fueled by persistent optimism about artificial intelligence, ongoing rate cuts from the Federal Reserve and robust third-quarter earnings. As of October 31st, 64% of S&P 500 companies had reported earnings, with blended earnings growth at 10.7%, according to FactSet. If the quarter closes above 10%, it will mark the fourth consecutive quarter of double-digit earnings growth.

ASSET CLASS	INDEX	OCTOBER	YTD
Global Equity	MSCI ACWI All Cap Index	2.02%	20.71%
US Large Cap	S&P 500 Index	2.34%	17.52%
US Mid Cap	Russell Mid Cap Index	-0.83%	9.51%
US Small Cap	Russell Small Cap Index	1.81%	12.39%
Us Real Estate	FTSE NAREIT REITs Index	-2.21%	2.21%
Non-US Large Cap	MSCI EAFE Index	1.18%	26.61%
Non-US Small Cap	MSCI EAFE SC Index	-0.81%	27.35%
Emerging Markets	MSCI EM Index	4.18%	32.86%
Cash Equivalent	US 90 Day T-Bills	0.33%	3.54%
US Bonds	Bloomberg Agg. Index	0.62%	6.80%
US Municipal Bonds	Bloomberg Muni Index	1.24%	3.91%
US High Yield Bonds	Bloomberg HY Bond Index	0.16%	7.39%

Source: Morningstar as of October 30, 2025

RECAP cont.

U.S. equities moved higher, with the S&P 500 gaining 2.3%. Technology stocks led the advance, propelled by robust earnings and sustained enthusiasm for AI. This powerful tailwind aided in growth stocks outperforming value stocks during the month. Small caps rose 1.8%, though their pace moderated after a strong third quarter.

Overseas, developed markets posted modest gains, constrained by sluggish growth in Europe and Japan. Emerging markets outperformed, buoyed by China's targeted stimulus and a temporary easing of U.S.-China trade tensions. South Korea stood out, adding to its nearly 100% year-to-date gain. Investor excitement around Samsung Electronics, the country's largest publicly traded company, played a key role in driving returns.

Bond markets rallied as yields declined, reflecting continued central bank easing. Although the 0.25% rate cut was widely anticipated, hawkish dissent and Chairman Powell's remarks on the balance of risks caught investors off guard. Futures markets, which had priced in a 94% probability of a December cut before the meeting, dropped to 67% after.

LOOKING AHEAD

Financial media loves a milestone. "S&P Hits Record High!", "Dow Tops 47,000!". These headlines grab attention, but they rarely offer insight. Price alone is just a number that tells us what something costs, but not what it is worth. And historically, new highs in price alone have shown little predictive power. They're psychological markers, not reliable signals. The path forward will remain largely data-dependent which could prove uniquely challenging as many of the agencies responsible for producing the data have halted some efforts during the government shutdown. Additional headwinds to global markets include the lingering impacts of global trade tensions, potential policy missteps by central banks and ongoing geopolitical tensions. Against that backdrop, a healthy dose of cautious optimism is warranted while looking beyond the headline-driven noise to allocate capital.

