

Q3  
2025

## MARKET COMMENTARY

As of third quarter end (09/30/2025), the S&P 500 is up roughly 13% year-to-date — a strong rebound after being down more than 15% in April following tariff-related news and pressure (*source: S&P Global, Reuters*). Most other major asset classes have also posted positive returns on the year, fueling a broad sense of optimism for investors and Wall Street. Even with the ongoing political noise, including a government shutdown, market momentum seems to remain resilient. Our view is positive but measured – we believe in tempered expectations heading into the new year. Here are some key areas we are paying close attention to:

**Inflation:** The Consumer Price Index (CPI) rose 2.9% year-over-year through August, with core inflation (excluding food and energy) slightly higher at 3.1% (*source: U.S. Bureau of Labor Statistics*). These levels are much lower than the record highs of 2021-2022, but still above the Federal Reserve's 2% target.

**Interest Rates:** The Fed's ongoing effort to bring inflation down has kept interest rates at restrictive levels. While this helps slow inflation over time, it puts pressure on borrowing costs for consumers and businesses. Higher rates have started to cool demand, temper job growth and weigh on sectors sensitive to credit conditions, such as housing and durable goods. This is a balancing act for policymakers – and will remain a major storyline heading into 2026.

**Employment & Job Growth:** Job creation has slowed modestly, and corporate earnings guidance has turned more cautious as companies adjust to a slower growth environment. This combination could pressure profit margins and consumer activity, though the administration has emphasized that job creation remains a top priority.

**Valuations:** While equity performance has been strong, valuations for many U.S. Growth stocks may be stretched. This could lead to short-term volatility, particularly during earnings season (mid- to late-October). With that said, the current environment may create opportunities in other areas – including value stocks, bonds, and select commodities – that can help balance portfolios amid uncertainty.

The last three years have provided investors with quite a run on the equity side of the portfolio – in fact, since the October market bottom in 2022, the S&P 500 has gained nearly 90% through September 30th, 2025 (*Source: Reuters*). Still, we recognize that markets move in cycles. Therefore, we remain committed to maintaining a disciplined, diversified approach that keeps portfolios aligned with long-term goals. The months ahead may present an opportunity to protect gains, reassess risk tolerance, and make strategic portfolio adjustments as needed. As always, we will watch evolving market conditions closely and provide thoughtful guidance when appropriate.



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S&P 500 Index is a capitalization-weighted index calculated on a total return basis with dividends reinvested. The index includes 500 widely held U.S. market industrial, utility, transportation, and financial companies.

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