



Monthly Market Commentary

October's Data Reveal a Complex Market Landscape

Markets Defy Economic Headwinds in October as Growth and AI Spending Sustain Momentum

October 2025 marked a period of remarkable resilience for U.S. equity markets, as major indices reached record highs despite persistent economic uncertainties. The S&P 500 closed the month at approximately 6,840, establishing its 34th record close of the year. Technology stocks, particularly those focused on artificial intelligence infrastructure, continued to lead market gains. The Federal Reserve delivered its second rate cut of the year, reducing the federal funds rate by 25 basis points to a range of 3.75%-4.00%.

Economic indicators painted a mixed picture. Consumer confidence declined modestly to 94.6, marking the third consecutive monthly decrease, while manufacturing surveys showed continued weakness across multiple Federal Reserve districts. Housing market activity remained subdued despite improving mortgage rates, with pending home sales declining 1.9% year-over-year. Third-quarter GDP growth estimates remained positive at approximately 2-4%, supported by resilient consumer spending and robust artificial intelligence-related capital expenditures.

Corporate earnings season exceeded expectations, with 83% of S&P 500 companies reporting earnings above analyst estimates. The forward 12-month P/E ratio stood at 22.9, above both the 5-year and 10-year averages, reflecting continued optimism about future earnings growth despite elevated valuations.

U.S. Equity Market Review

Broad Market Gains Underscore Confidence in Growth and Innovation

U.S. equity markets demonstrated exceptional strength throughout October, with all major indices posting gains and establishing new record highs. The technology-heavy NASDAQ Composite led the advance, benefiting from continued enthusiasm around artificial intelligence investments and strong earnings from major technology companies. Small-cap stocks, as measured by the Russell 2000, also participated in the rally, suggesting broadening market participation.

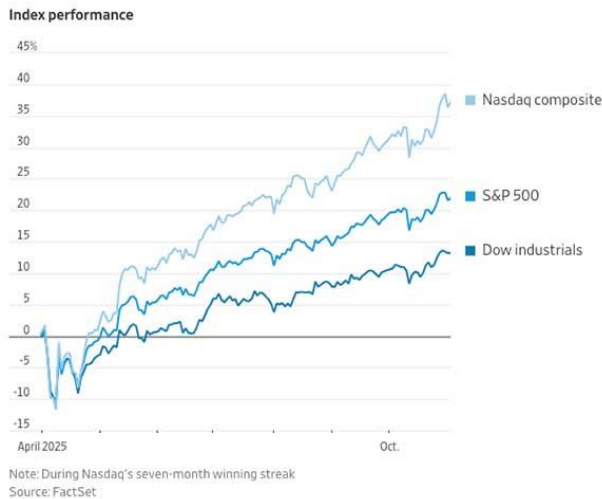
- The DJIA rose 2.5%;
- The S&P 500 gained 2.3%;
- NASDAQ climbed 4.26%; and
- The Russell 2000 added 1.52%.

Broad Market Gains Underscore Confidence in Growth and Innovation

Several factors contributed to October's market strength. The U.S.-China trade truce announced during the APEC summit in South Korea provided relief from escalating tensions that had weighed on markets earlier in the year. Federal Reserve Chair Jerome Powell's measured approach to additional rate cuts, combined with improving inflation metrics, supported risk asset valuations.

Technology stocks led gains, with NVIDIA approaching a historic \$5 trillion market capitalization milestone.

Market concentration remained notable, with the Information Technology sector (up 23.9% year-to-date) and Communication Services continuing to drive a disproportionate share of index gains. This concentration raised questions about market breadth and sustainability, as other sectors lagged significantly behind technology's performance.



Fed Policy and Inflation Data Support Positive Equity Valuations

Third-quarter GDP growth estimates ranged from 2.0% to 4.0% depending on methodology, with nowcasting models generally projecting stronger growth than consensus forecasts. Second-quarter GDP was revised upward to 3.8% (from 3.3%), driven by robust consumer spending and accelerating artificial intelligence-related business investment. The labor market showed signs of cooling, with job gains moderating and the unemployment rate holding steady around 4.3%.

Inflation metrics showed mixed signals. Headline CPI inflation moderated to approximately 2.7% year-over-year, while core inflation remained elevated at 2.9%. The Federal Reserve's preferred measure, core PCE inflation, tracked at approximately 2.4%, remaining above the central bank's 2.0% target. Tariff-related price pressures continued to impact certain categories, though the overall inflationary impulse appeared contained.

Global Market Overview

Emerging Markets Outperform as Dollar Weakens and Trade Relations Improve

International equity markets demonstrated solid performance in October, with emerging markets notably outperforming developed markets. The MSCI EAFE Index gained approximately 1.3% for the month, bringing year-to-date returns to 27.2%. Emerging markets, as measured by the MSCI Emerging Markets Index, advanced 1.9% for the month with year-to-date gains of 29.7%, benefiting from U.S. dollar weakness and improving trade relations.



Regional divergences reflected varied economic conditions and policy trajectories. Asian markets benefited from the U.S.-China trade truce and continued technology sector strength. European markets faced headwinds from economic uncertainty and fiscal challenges in several key economies. The relative underperformance of developed international markets compared to U.S. equities persisted, reflecting superior U.S. earnings growth and technology sector leadership.

Gold and Commodities Reflect Shifting Investor Priorities and Policy Risks

Commodity markets showed mixed performance during October. Gold continued its remarkable ascent, surpassing \$4,000 per ounce for the first time in history, driven by central bank purchases and safe-haven demand amid geopolitical uncertainties. Oil prices experienced volatility but generally trended higher on supply concerns and recovering demand expectations.

Natural gas prices maintained elevated levels, supporting energy sector performance in certain regions.

The surge in gold prices reflected a structural shift in central bank reserve management, with emerging market central banks, particularly China, Russia, and Turkey, significantly increasing their gold holdings. Gold's share of global reserves climbed to approximately 18% in 2024, representing a notable departure from recent decades' allocation patterns.

S&P 500 Sector Analysis

Sector performance in October reinforced the market's technology-led rally while revealing significant dispersion across industry groups. The Information Technology sector maintained its leadership position with year-to-date gains of 23.9%, substantially outpacing the broader index. Communication Services also performed strongly, benefiting from robust digital advertising trends and cloud infrastructure demand.

Leading Sectors (Year-to-Date):

- Information Technology (+23.9%) - Driven by artificial intelligence investments and strong semiconductor demand
- Communication Services (+18%+) - Benefited from digital advertising recovery and cloud growth
- Industrials (+16.5%) - Supported by infrastructure spending and defense investments
- Utilities - Showed strong performance amid defensive positioning

Lagging Sectors:

- Energy - Faced headwinds from earlier-year commodity price weakness
- Consumer Staples - Underperformed amid defensive sector rotation
- Healthcare - Experienced volatility related to policy uncertainty

The pronounced sector dispersion highlighted a split market dynamic, where a relatively narrow group of high-performing sectors and companies propelled overall index gains while significant portions of the market struggled to keep pace. This concentration raised sustainability questions, though strong earnings fundamentals provided support for elevated valuations in leading sectors.

Below is a breakdown of estimated sector returns for October, illustrating both leadership changes and the breadth of market participation:

Sector Performance	Oct-25	YTD
S&P 500 Health Care Sector	-0.09%	4.69%
S&P 500 Information Technology Sector	-0.32%	29.30%
S&P 500 Industrials Sector	0.22%	17.57%
S&P 500 Materials Sector	-0.86%	2.23%
S&P 500 Real Estate Sector	0.05%	0.66%
S&P 500 Consumer Staples Sector	-0.48%	-0.58%
S&P 500 Utilities Sector	-0.77%	17.45%
S&P 500 Financials Sector	0.18%	8.21%
S&P 500 Communication Services Sector	-0.31%	25.85%
S&P 500 Consumer Discretionary Sector	4.08%	7.21%
S&P 500 Energy Sector	0.64%	3.04%

Source: [S&P Dow Jones Indices](#)

U.S. Economic and Earnings Summary
Earnings Strength Reinforces Investor Confidence in U.S. Corporates

Economic growth in the third quarter demonstrated resilience despite mounting headwinds. GDP growth estimates for Q3 2025 ranged from 2.0% to 4.0%, with real-time nowcasting models from the Atlanta Fed and New York Fed projecting growth near the upper end of this range.

Consumer spending, which accounts for approximately 70% of GDP, remained the primary growth driver, though its pace moderated from earlier quarters.

Business investment showed bifurcated trends. Artificial intelligence-related capital expenditures continued at an accelerated pace, with intellectual property investments posting the strongest growth since the late-1990s technology boom. However, traditional business investment categories showed more subdued activity as companies navigated policy uncertainty and elevated borrowing costs.

Trade dynamics remained volatile, with import patterns influenced by tariff-related purchasing decisions. Net exports made a positive contribution to Q2 GDP growth following import surges in the prior quarter, though the sustainability of this contribution remained uncertain given evolving trade policy.

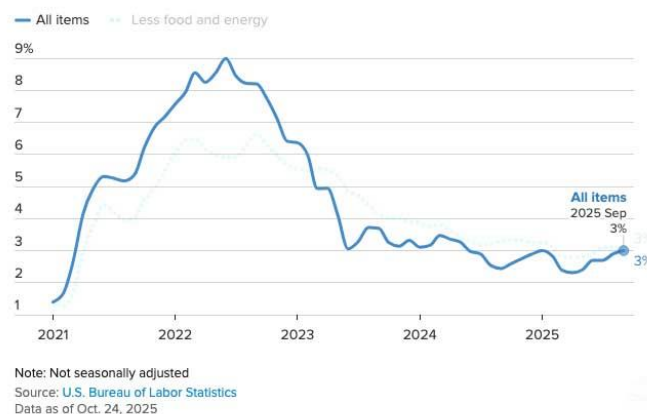
Inflation Moderates but Remains Above Fed's Long-Term Target

Inflation pressures showed signs of moderation but remained above the Federal Reserve's target. Core Consumer Price Index inflation held at 2.9% year-over-year, while headline CPI moderated to approximately 2.7%. Monthly core CPI inflation averaged 0.2% in the second and third quarters, representing a deceleration from earlier in the year.

Housing-related inflation remained sticky, with shelter costs continuing to contribute significantly to overall price pressures. Non-housing core services inflation slowed from earlier peaks, reflecting normalization in categories such as auto insurance and airfares. Energy prices showed volatility but generally trended higher, contributing to headline inflation persistence.

U.S. consumer price index

Year-over-year percent change | Jan. 2021–Sept. 2025



The Federal Reserve's preferred inflation measure, core PCE, tracked at approximately 2.4% year-over-year, remaining above the 2.0% target but showing gradual convergence. Policymakers expressed confidence in the inflation trajectory while acknowledging the need for continued vigilance, particularly regarding tariff-related price pressures.

Corporate Earnings Performance

Third-quarter earnings season exceeded expectations, reinforcing the bullish market sentiment. Through October 31, 64% of S&P 500 companies had reported results, with 83% beating earnings per share estimates. This beat rate exceeded both the 5-year average of 78% and the 10-year average of 75%, and if maintained, would mark the highest quarterly beat rate since Q2 2021.

Companies reported aggregate earnings 5.3% above estimates, though this magnitude trailed historical averages. Revenue surprises proved even more impressive, with 79% of companies exceeding revenue estimates and aggregate revenues coming in 2.2% above expectations, surpassing both 5-year and 10-year averages.

Year-over-year earnings growth for Q3 2025 tracked at approximately 9.9% for the full index, or 10.7% excluding the Energy sector. Information Technology, Financials, and Healthcare sectors led earnings growth, while Energy reported the steepest declines due to lower commodity prices earlier in the year.

Forward earnings growth projections remained robust, with analysts forecasting Q4 2025 growth of 7.6%, followed by 11.8% in Q1 2026 and 12.8% in Q2 2026.

Valuation metrics reflected optimistic expectations. The forward 12-month P/E ratio stood at 22.9, exceeding both the 5-year average of 19.9 and the 10-year average of 18.6. While elevated, these valuations found support in strong earnings fundamentals and expectations for continued profit growth, particularly in technology-related sectors.

Consumer and Retail Data

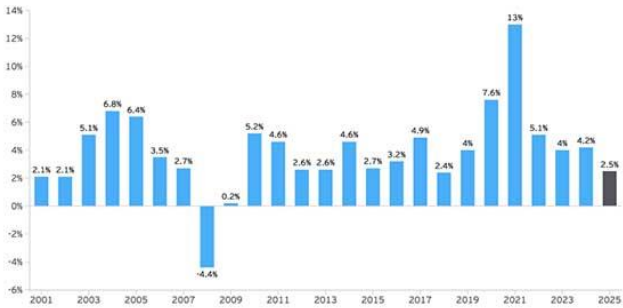
Cautious Consumers Signal Potential Headwinds for Holiday Spending

Consumer confidence declined for the third consecutive month in October, with the Conference Board Consumer Confidence Index falling 1.0 point to 94.6, the lowest level since April 2025. This reading remained well below the year-ago level of 109.5 and marked the ninth consecutive month below 100, a threshold often associated with economic uncertainty.

The index's components revealed divergent trends. The Present Situation Index, measuring current business and labor market conditions, gained 1.8 points to 129.3, suggesting consumers viewed current economic conditions relatively favorably. However, the Expectations Index, based on short-term outlooks for income, business, and labor conditions, declined 2.9 points to 71.5. Notably, the Expectations Index has remained below 80 since February 2025, a threshold that historically signals recession risks within the following year.

Consumer attitudes reflected concerns about the job market and future economic prospects. The share of consumers expecting more jobs to be available in six months declined to 15.8% from 16.6% in September. Additionally, the percentage of consumers believing the economy was already in recession increased for the third consecutive month, despite the absence of an official recession declaration.

Year-over-year percent change in US holiday retail sales¹
2001-2025F



¹ Holiday sales are November and December retail sales excluding autos, gas and restaurant services
Source: Census Bureau, EY-Parthenon

Spending Plans and Holiday Outlook

Consumer spending intentions painted a cautious picture for the upcoming holiday season.

Preliminary data suggested holiday spending would decline compared to the previous year, with consumers expecting to spend 3.9% less on gifts and 12% less on non-gift items in nominal terms. When asked about factors driving spending decisions, consumers most frequently cited promotions and maximizing value, suggesting heightened price sensitivity.

Purchasing plans showed mixed signals across categories. Plans to buy new or used cars increased in October, driven primarily by used vehicle interest. Home purchase plans weakened modestly for the month, though the broader six-month trend remained positive, potentially reflecting improving mortgage affordability. Big-ticket appliance and electronics purchase plans showed little overall change but exhibited significant variation across specific product categories.

Consumers indicated that tariff-related price increases could influence their purchasing behavior, with many stating they would likely buy fewer goods if import prices rose due to tariffs. Most holiday purchases were expected to occur between October and year-end, with November projected to see the largest share of planned spending.

Housing Market Indicators

Housing market activity remained subdued in October despite improving mortgage rates. Pending home sales, a leading indicator of housing activity, declined 1.9% year-over-year, returning to negative territory after a flat September reading. Contract signings in September held steady at 74.8 after climbing to the highest level since March, suggesting buyers remained cautious despite more favorable financing conditions.

The median list price for homes in October reached \$424,200, up 0.4% year-over-year but down 0.2% from September. Days on market increased to 63 days, five days longer than the prior year, marking the 19th consecutive month of year-over-year increases in time-to-sell. However, this pace remained close to pre-pandemic norms, suggesting a return to more balanced market conditions.

Inventory levels showed modest growth, with active listings increasing 46.1% since October 2022 but remaining 13.2% below typical 2017-2019 levels. Price reductions became more common, with 20.2% of listings featuring price cuts, up 1.6 percentage points from the prior year. Regional variations persisted, with the West and South seeing stronger inventory gains than the Northeast and Midwest.

Mortgage rates declined to approximately 6.19% for 30-year fixed-rate loans, the lowest level of 2025, providing some affordability relief for prospective buyers. However, the combination of elevated home prices and lingering economic uncertainty kept many potential buyers on the sidelines, limiting transaction volume despite improving financing conditions.

Manufacturing and Industry Indicators

Manufacturers Navigate Demand Softness and Policy Uncertainty

Regional Federal Reserve manufacturing surveys indicated continued weakness in factory activity during October, though some indices showed modest improvement from September's levels.

The Fifth District survey from the Federal Reserve Bank of Richmond saw its composite manufacturing index rise to -4 in October from -17 in September, representing a notable sequential improvement while remaining in contractionary territory.

Within the Richmond survey, all three component indices increased. The shipments index jumped notably to 4 from -20, moving into expansion territory. New orders improved to -6 from -15, though remaining negative. Employment rose to -10 from -15, showing modest improvement. Forward-looking indicators presented a mixed picture, with the future local business conditions index declining to -5 from -1, suggesting continued caution among manufacturers.

The Texas Manufacturing Outlook Survey from the Dallas Fed showed persistent weakness, with the general business activity index registering -8.7 in September, down from -1.8 in August.

Production and new orders remained under pressure, though the decline represented ongoing challenges in the manufacturing sector rather than sudden deterioration.

Price pressures in manufacturing showed some moderation in October. The Richmond survey reported notable decreases in the average growth rates of both prices paid and prices received. However, earlier months had shown elevated price growth, particularly in categories affected by tariff policies and supply chain adjustments.

Employment and Production Trends

Manufacturing employment indicators reflected cautious business sentiment. The Richmond survey's employment index, while improving to -10 from -15, remained in contraction territory. The future employment index held nearly unchanged at 2, suggesting manufacturers anticipated limited hiring in the near term.

Production indicators showed mixed signals across regions and survey components. The Richmond survey's shipments index turning positive represented a bright spot, potentially indicating inventory adjustments or temporary demand improvements.

However, new orders remaining negative suggested challenges in sustaining production growth without further demand recovery.

These regional manufacturing surveys, while not comprehensive measures of national manufacturing activity, provided early signals about sector trends. The persistent weakness across multiple districts suggested manufacturing headwinds from elevated interest rates, policy uncertainty, and moderate end-demand, though the sector had not experienced sharp deterioration.

Data Sources and Methodology

This commentary relies on data from multiple authoritative sources to provide comprehensive market and economic analysis. Index performance data is sourced from S&P Dow Jones Indices, NASDAQ, and Russell Investments. Economic indicators, including GDP, inflation, and employment metrics, are derived from the U.S. Bureau of Economic Analysis and Bureau of Labor Statistics.

Corporate earnings data and estimates are provided by FactSet Research Systems and LSEG (formerly Refinitiv). International market performance data comes from MSCI Inc. Regional manufacturing survey data is sourced from the respective Federal Reserve Banks, including Richmond, Dallas, Philadelphia, New York, and Kansas City.

Consumer sentiment data is provided by The Conference Board. Housing market statistics are sourced from the National Association of Realtors and Realtor.com. Federal Reserve policy information comes from official Federal Open Market Committee statements and meeting materials.

Key Data Sources

- Bureau of Economic Analysis - GDP and national income data
- Bureau of Labor Statistics - Employment, inflation, and consumer price data
- FactSet Research Systems - Corporate earnings analysis and estimates
- LSEG (Refinitiv) I/B/E/S - Earnings estimates and analyst consensus data
- MSCI Inc. - International and emerging market indices
- S&P Dow Jones Indices - U.S. equity index data and sector performance
- The Conference Board - Consumer confidence surveys
- National Association of Realtors - Housing market statistics
- Federal Reserve Banks - Regional manufacturing surveys and economic data
- Federal Reserve Board - Monetary policy statements and economic projections

Sources: [bea.gov](https://www.bea.gov/); [bls.gov](https://www.bls.gov/); [dallasfed.org](https://www.dallasfed.org/); [richmondfed.org](https://www.richmondfed.org/); [nar.realtor](https://www.nar.realtor/); [factset.com](https://www.factset.com/); [msci.com](https://www.msci.com/); [spglobal.com](https://www.spglobal.com/); [nasdaq.com](https://www.nasdaq.com/); [wsj.com](https://www.wsj.com/); [conference-board.com](https://www.conference-board.com/); [tradingeconomics.com](https://www.tradingeconomics.com/);

This material is published and distributed by Financial Media Exchange for informational and educational purposes only. It is not intended as investment advice or a recommendation to buy or sell any security.

Investing involves risk, including the potential loss of principal. Past performance is not indicative of future results. Investment returns and principal value will fluctuate, and you may have a gain or loss when you sell your investment. Current performance may be higher or lower than the performance data quoted.

The information presented is believed to be reliable but is not guaranteed. You should consult your own financial professional before making any investment decisions.

This content complies with SEC and FINRA guidelines for educational communications and does not promote any specific products or strategies.