

## Key Takeaways:

- All major asset classes finish higher in 3Q25.
- Fed cuts rates by 25bps; Weighs downside risks to labor market over stubborn inflation.
- Global equities rally for a second straight quarter.
- Municipal bonds higher for the first time since 4Q24.
- Commodities supported by rally in Softs and Gold.

## 3Q25 Review – Broad Based Win for Investors

Investors shrugged off the economic uncertainty, stubborn inflation, ongoing tariff negotiations and rising geopolitical risks in 3Q25. Equities, bonds and commodities all delivered solid results for investors. The Fed's first rate cut this year helped global equities (i.e. MSCI AC World Index) end the quarter at a fresh new record high. Bond investors were aided by falling yields (prices higher) as central bank officials suggested two more rate cuts this year. In addition, the Bloomberg Commodity Index rose as falling yields and economic uncertainty drove gold prices to new highs. This week, we offer a review of 3Q25 from an economic and asset class perspective.

- **Fed cuts interest rates:** The Federal Reserve cut interest rates by 25bps (to 4.00% - 4.25%) in September. The committee highlighted that the downside risks to employment outweighed stubborn inflationary trends.
- **Inflation proving stubborn:** Headline consumer prices (CPI) and the Fed's preferred inflation gauge, PCE Core, are increasing at an annualized pace of 2.9%. Both are above the Fed's 2% target.

- **Labor market weaker:** The U.S. added 911K fewer jobs in the prior year than originally reported according to the Bureau of Labor Statistics annual revisions.
- **Consumer mixed:** Consumer sentiment fell in 3Q amid concerns over the labor market and inflation. However, spending continued to surprise to the upside.
- **Housing still struggling:** Mortgage rates dropping to a year to date low did little to spur the housing market. Home sales were mixed and builder sentiment is weak.

**Global Equities – Small-caps take center stage:** The MSCI AC World Index made a fresh record high over rate cut hopes and trade negotiations.

- **Small caps lead U.S. rally:** The Russell 2000 Index was the best performing U.S. average. Small-caps outperformed large-caps by the most since 3Q24.
- **Emerging markets outperform:** The MSCI EM Index outperformed the MSCI EAFE Index by the most since 1Q16. China equities led performance on trade optimism.

### **Fixed Income – Rate cut optimism:**

The Bloomberg Aggregate Index was higher for the third consecutive quarter with all major sectors higher.

- **Municipals rebound:** Municipal bonds posted their first positive quarter this year. Rate cuts and lower supply aided the sector.
- **Emerging market bonds rise:** Emerging market bonds (in USD) rallied on Fed rate cuts and the first rally in the U.S. Dollar this year.

### **Commodities – Gold keeps**

**climbing:** The Bloomberg Commodity Index was higher for the second time this year led by gold.

- **Gold at record highs:** Gold prices notched 35 record highs this year, 15 of them coming during 3Q25.
- **Softs higher:** Coffee prices were higher by the most since 4Q23 amid weather factors in Brazil.
- **Energy falls:** Energy prices were dragged lower by supply increases.
- **U.S. Dollar finds support:** The U.S. Dollar Index rose for the first time in 2025 despite Fed rate cuts.

## Weekly Economic Recap –

### Consumer Confidence Continues to Decline

Home price gains in the U.S. slowed for a sixth consecutive month in July according to the S&P Cotality Case-Shiller Index. The 20-city composite index fell for the fifth consecutive month. Of the 20 cities monitored, 15 of them declined for the month. The price drops were largest in San Francisco, Seattle and Phoenix.

Consumer confidence, as tracked by the Conference Board, fell to a five-month low in September (94.2). The present conditions gauge fell to the lowest level since September 2024. Consumers are cautious on job prospects, as the jobs plentiful component fell to the lowest level since February 2021.

Job openings as tracked by the JOLTS report were little changed in August. Available positions increased marginally to 7.23 million, from 7.21 million in July. The hiring rate fell to the lowest level since June 2024 (3.2%) and the quits rate (i.e., those who leave their jobs voluntarily) fell to the lowest level since December 2024 (1.9%).

Manufacturing activity in the U.S. remained in contraction territory for the seventh straight month (a reading below 50) according to the ISM Manufacturing Index. The new orders gauge fell into contraction territory, a month after its first expansion since January. The prices paid gauge fell for the third straight month, the longest stretch since 2022.

Activity in the services sector dipped in September according to the ISM Services Index and is dangerously close to contraction territory (a level below 50). New orders led the weakness while employment continues to contract. The prices paid component jumped which suggests inflation is still a concern.

## Key Takeaways:

- Home prices moderating.
- Consumer confidence falls.
- Labor market offers mixed signals.
- Global equities unaffected by U.S. government shutdown.
- Bond yields fall as investors weigh economic data.
- Copper prices surge on global supply disruptions.

## Weekly Market Recap –

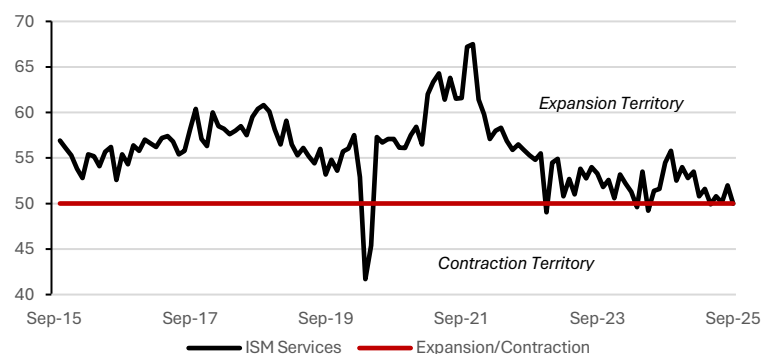
### Global Equities Shake Off Concerns of U.S. Government Shutdown

**Equities:** The MSCI AC World Index was higher for the fourth time in the last five weeks as investors were unfazed by the U.S. government shutdown, which began last Thursday. All major U.S. equity averages were higher with growth outperforming value. Small-caps outperformed large-caps as investors weighed the Fed's likelihood to cut rates further this year. European stocks, as tracked by the Stoxx 600 Index, rallied to record highs driven by technology stocks and the prospect for Fed rate cuts.

**Fixed Income:** The Bloomberg Aggregate Index was higher for the first time in three weeks as investors weighed economic data, which drove bond yields lower (bond prices higher). All sectors generated positive returns. Municipals were higher for the fifth time in six weeks supported by light new issuance and strong demand.

**Commodities/FX:** The Bloomberg Commodity Index was higher for the second straight week. Copper prices were higher by the most since February amid global supply concerns after a mudslide hit the world's second-largest copper mine in Indonesia. Gold prices were higher for the seventh straight week amid concerns over the economic impact of a longer-than-expected U.S. government shutdown.

### Services Sector Approaching Contraction



Footnotes: Data is as of September 2025.

Data Source: FactSet Research Systems, Verden Capital Advisors.

## Markets Fall on Cautious Fed Commentary

U.S. Equities		Current	1WK	1MO	3MO	1YR	YTD	International Equities		Current	1WK	1MO	3MO	1YR	YTD
	Dow Jones Industrial Average	46,758	1.1%	3.4%	4.7%	13.2%	11.3%		MSCI AC World (USD)	993	1.7%	4.9%	7.5%	19.6%	19.5%
	S&P 500	6,716	1.1%	4.3%	7.3%	19.3%	15.3%		MSCI EAFE (USD)	2,810	2.7%	4.9%	6.3%	19.1%	27.1%
	Russell 1000 Growth	4,731	1.1%	5.5%	9.8%	27.5%	17.6%		MSCI Europe ex UK (USD)	3,156	3.5%	5.5%	4.7%	20.2%	30.8%
	Russell 1000 Value	2,018	1.0%	2.7%	4.3%	11.1%	12.4%		MSCI Japan (USD)	4,666	0.8%	4.9%	9.9%	17.7%	21.0%
	Russell 2500	4,263	1.4%	3.7%	7.3%	13.5%	10.9%		MSCI UK (USD)	1,517	2.8%	3.6%	7.3%	21.6%	28.5%
	Russell 2000	2,476	1.8%	5.5%	10.5%	15.1%	12.2%		MSCI EM (USD)	1,374	3.7%	8.6%	11.5%	19.5%	30.2%
	Nasdaq	22,781	1.3%	6.0%	10.8%	28.0%	18.6%		MSCI Asia ex Japan (USD)	900	4.2%	8.7%	12.2%	19.1%	30.0%
Fixed Income		Current Yield	1WK	1MO	3MO	1YR	YTD	Commodities		Current	1WK	1MO	3MO	1YR	YTD
	U.S. Aggregate	4.3%	0.5%	1.2%	2.7%	3.4%	6.4%		Bloomberg Commodity Index	263	0.3%	2.2%	3.0%	7.5%	10.2%
	U.S. Govt/Credit	4.2%	0.4%	1.2%	2.6%	3.2%	6.1%		Crude Oil (USD/bbl)	\$61.5	-3.0%	-0.3%	-5.5%	-12.9%	-10.2%
	U.S. 10 Year Treasury	4.1%	0.6%	1.2%	3.0%	2.2%	7.3%		Gold (\$/oz)	\$3,886.5	2.7%	9.7%	17.9%	48.3%	49.9%
	U.S. TIPS (1-10YR)	3.9%	0.1%	0.0%	2.2%	5.3%	7.1%		Copper	\$510.9	2.8%	12.2%	-1.3%	10.0%	24.9%
	U.S. High Yield	6.7%	0.2%	1.0%	2.4%	7.6%	7.3%		Wheat	\$515.3	-0.4%	-0.4%	-10.5%	-21.3%	-13.6%
	EM Bonds (USD)	6.0%	0.2%	1.5%	3.5%	7.3%	8.9%		U.S. Dollar	98	0.4%	0.5%	1.1%	-4.1%	-9.4%
	Municipal Bonds	3.6%	0.3%	2.5%	3.2%	1.3%	2.9%		VIX Index	16.7	8.9%	1.8%	1.6%	-18.7%	-4.0%

Footnotes: Data is as of October 3, 2025.

Source: Bloomberg Finance LP, Verdenance Capital Advisors.

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