

Key Takeaways:

- Risk appetite remains elevated despite U.S. Government shutdown.
- Fed cuts rates by 25bps but path forward is unclear.
- Record highs for U.S. equity markets kept on rolling.
- Bond rally on Fed rate cuts.
- Gold prices top \$4,000/oz. before profit taking.

October Recap – Equity Markets Unfazed by Uncertainty

Equity markets continued to make repeated record highs in October despite the second longest Government shutdown in history. With little economic data to move markets, investors focused on another Fed rate cut and solid start to 3Q25 earnings season. Global equities, as tracked by the MSCI AC World Index, were higher for the seventh consecutive month. Bonds benefitted from the uncertainty around economic growth and ongoing trade tensions between the U.S. and China. In this Weekly Insights, we provide our recap of the month of October from an economic and asset class perspective.

- **Fed cuts rates in October, path forward still unclear:** The Federal Reserve voted 10-2 to cut interest rates by 25bps (3.75% - 4.00%). The two dissenters, Stephen Miran and Jeffrey Schmid, wanted a larger 50bps cut and no change, respectively. Chairman Powell stated at his press conference that the future of rate cuts is not a “foregone conclusion.”
- **Inflation still proving stubborn:** Headline inflation (CPI) is increasing 3% YoY. Shelter costs

continued to lead the increase but have been slowing as owners’ equivalent rent increased at the lowest rate since 2021.

- **Confidence levels remain low:** October consumer confidence as tracked by the Conference Board fell to the lowest level since April. Confidence in the economic outlook (e.g. expectations gauge) fell for the third consecutive month and to a four month low.
- **Government deficit improves modestly:** The U.S. budget deficit decreased ~2% (\$41 billion) YoY in 2025. Tariff collections of ~\$202 billion helped offset a record \$1.2 trillion in outlays for interest on the federal debt.

Global Equities – Record highs keep rolling: The MSCI AC World Index was higher for the seventh straight month, marking the longest winning streak since 2021.

- **U.S. record highs:** All major U.S. averages reached multiple record highs in October. The Nasdaq hit seven record highs, the S&P 500 and Dow Jones hit six, and the small-cap Russell 2000 hit five.

- **Emerging markets outperform:** The MSCI EM Index outperformed the MSCI EAFE Index by the most since September 2024. Taiwan and South Korean markets led the rally on U.S. trade deal optimism.

Fixed Income – Bonds higher: The Bloomberg Aggregate Index rose for the third consecutive month as Fed rate cuts boosted bonds.

- **EM debt leads:** Emerging market bonds (in USD) led the fixed income gains. A stronger dollar and strong risk appetite aided EM debt.
- **Municipal bonds continue rally:** Municipal bonds were higher for the third straight month as new issuance slowed.

Commodities – A mixed bag of performance: The Bloomberg Commodities Index was higher for the third consecutive month.

- **Gold:** Gold rose for the third consecutive month. However, prices also saw the first pullback (-9%) in five months.
- **Oil:** Crude oil prices dropped for the third consecutive month as supply builds.

Weekly Economic Recap –

Fed Cuts Rates but Path Forward Uncertain as Dissenters Grow

Consumer confidence fell in October for the third consecutive month to the lowest level since April (94.6), according to the Conference Board. The expectations gauge fell to the lowest since June. The share of consumers who said jobs were hard to get increased to 18.4%, slightly higher than the previous month.

Home prices as tracked by the S&P Cotality Case-Shiller Index modestly rose in August (+0.2% MoM). Home prices in Portland, LA and Phoenix dropped the most. Chicago was the only city to see price gains in August.

Pending home sales were flat in September, after reaching the highest level since March the previous month. Despite mortgage rates trending toward three-year lows, potential homebuyers remained on the sidelines amid labor market worries.

The Federal Reserve cut interest rates by 25bps last week (to a range of 3.75% - 4.00%). There were two dissenters at the meeting; Stephen Miran was in favor of a more aggressive 50 bps reduction, while Kansas City President Jeff Schmid was in favor of no change. In his post-meeting press conference, Chairman Powell made clear that cuts in December are “not a foregone conclusion” and “maybe this is where [the Fed] should wait at least a cycle.” The central bank will end the reduction of securities holdings beginning on December 1st and will roll maturing agency debt into T-Bills.

Key Takeaways:

- Consumer confidence falls to lowest level since April.
- Home prices increase modestly.
- Fed cuts rates by 25bps; future not a “forgone conclusion”.
- Mega-cap tech outperforms as “Mag 7” report earnings.
- Bond yields whipsawed by mixed Fed.
- Gold prices fall by most since August on Fed commentary.

Weekly Market Recap –

Global Equities Higher on U.S./China Trade Negotiations; Mega-Cap Tech Outperforms

Equities: The MSCI AC World Index was higher for the third straight week as investors weighed the Fed’s decision to lower interest rates and the positive developments from U.S./China trade negotiations. Within the U.S., mega-cap technology outperformed as the Nasdaq was higher for the third consecutive week. Investors analyzed mixed earnings results from “Magnificent 7” constituents. Nvidia became the first company with a \$5 trillion market cap on positive trade developments.

Fixed Income: The Bloomberg Aggregate Index was lower as bond yields rose after the hawkish commentary from Chairman Powell following the Fed meeting. Most sectors of fixed income were lower, with the exception of EM debt (USD) and floating rate instruments.

Commodities/FX: The Bloomberg Commodity Index was flat last week. Gold prices were lower for the second straight week, and by the most since August, as investors repriced Fed rate cut expectations after hawkish comments from Chairman Powell. Natural gas prices climbed by the most since May as weather begins to turn colder in the U.S.

Home Price Growth Continues to Trend Lower



Footnotes: Data is as of August 2025.

Data Source: FactSet Research Systems, Verdenca Capital Advisors.

Market Rallies on Fed Rate Cuts

| | | U.S. Equities | | | | | | | International Equities | | | | | | |
|---------------|------------------------------|---------------|-------|------|-------|-------|-------|------------------------|---------------------------|-----------|-------|------|-------|--------|--------|
| | | Current | 1WK | 1MO | 3MO | 1YR | YTD | | Current | 1WK | 1MO | 3MO | 1YR | YTD | |
| U.S. Equities | Dow Jones Industrial Average | 47,563 | 0.8% | 2.6% | 8.2% | 15.8% | 13.3% | International Equities | MSCI AC World (USD) | 1,006 | 0.5% | 2.2% | 8.6% | 22.6% | 21.1% |
| | S&P 500 | 6,840 | 0.7% | 2.3% | 8.2% | 21.4% | 17.5% | | MSCI EAFE (USD) | 2,798 | -0.5% | 1.2% | 7.5% | 23.0% | 26.6% |
| | Russell 1000 Growth | 4,888 | 1.8% | 3.6% | 10.4% | 30.5% | 21.5% | | MSCI Europe ex UK (USD) | 3,097 | -1.6% | 0.5% | 6.1% | 22.2% | 28.5% |
| | Russell 1000 Value | 2,012 | -0.8% | 0.4% | 5.2% | 11.1% | 12.1% | | MSCI Japan (USD) | 4,814 | 1.1% | 2.2% | 11.7% | 23.7% | 23.3% |
| | Russell 2500 | 4,235 | -1.5% | 0.7% | 7.7% | 11.9% | 10.2% | | MSCI UK (USD) | 1,515 | -0.4% | 1.7% | 6.7% | 26.6% | 28.4% |
| | Russell 2000 | 2,479 | -1.3% | 1.8% | 12.5% | 14.4% | 12.4% | | MSCI EM (USD) | 1,402 | 0.9% | 4.2% | 13.1% | 27.9% | 32.9% |
| | Nasdaq | 23,725 | 2.3% | 4.7% | 12.5% | 32.0% | 23.5% | | MSCI Asia ex Japan (USD) | 917 | 1.0% | 4.5% | 12.8% | 28.4% | 32.5% |
| | | Fixed Income | | | | | | | Commodities | | | | | | |
| | | Current Yield | 1WK | 1MO | 3MO | 1YR | YTD | | Current | 1WK | 1MO | 3MO | 1YR | YTD | |
| Fixed Income | U.S. Aggregate | 4.3% | -0.6% | 0.6% | 2.9% | 6.2% | 6.8% | Commodities | Bloomberg Commodity Index | 269 | 0.0% | 2.9% | 7.1% | 14.2% | 12.5% |
| | U.S. Govt/Credit | 4.2% | -0.6% | 0.6% | 2.7% | 5.8% | 6.5% | | Crude Oil (USD/bbl) | \$61.0 | -0.6% | 0.1% | -6.4% | -8.5% | -10.8% |
| | U.S. 10 Year Treasury | 4.1% | -0.7% | 0.8% | 3.3% | 6.1% | 7.9% | | Gold (\$/oz) | \$4,002.9 | 0.9% | 3.4% | 19.4% | 46.8% | 53.1% |
| | U.S. TIPS (1-10YR) | 3.9% | -0.4% | 0.2% | 1.8% | 6.8% | 7.3% | | Copper | \$508.9 | -1.2% | 0.0% | 15.2% | 16.9% | 26.9% |
| | U.S. High Yield | 6.8% | -0.1% | 0.2% | 2.2% | 8.2% | 7.4% | | Wheat | \$534.0 | 2.9% | 5.0% | 0.7% | -14.6% | -9.6% |
| | EM Bonds (USD) | 5.8% | 0.6% | 1.7% | 4.2% | 10.3% | 10.4% | | U.S. Dollar | 100 | 1.2% | 2.3% | 0.8% | -4.2% | -7.9% |
| | Municipal Bonds | 3.6% | -0.1% | 1.2% | 4.5% | 4.2% | 3.9% | | VIX Index | 17.4 | 6.5% | 7.1% | 4.3% | -24.7% | 0.5% |

Footnotes: Data is as of October 31, 2025.

Source: Bloomberg Finance LP, Verdenca Capital Advisors.

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