

October 1, 2025

[Name]  
[Address]  
[City], [State], [Zip]

Dear [Name]:

### MAJOR MARKET INDEXES

2025

	<u>3<sup>rd</sup> QTR</u>	<u>YTD 2025</u>
S&P 500 Index (TR)	+ 8.12%	+14.83%
Dow Jones Industrial Average (TR)	+ 5.67%	+10.47%
Nasdaq (Price only)	+11.24%	+17.34%
MSCI All Country World Index (Net, USD)	+ 7.62%	+18.44%
MSCI All Country World Index ex USA (Net, USD)	+ 6.89%	+26.02 %
Bloomberg U.S. Aggregate Bond Index (TR)	+ 2.03%	+ 6.13%
Bloomberg Muni Bond Index (TR)	+ 3.00%	+ 2.64%

Sources: *Stifel*. TR = Total Return, Net = Net Return, USD = U.S. Dollar

Unlike this year's first and second quarters in which U.S. equity markets were exceedingly turbulent, seemingly melting-down and up, largely in reaction to the Trump administration's on-one-day, off-the-next tariff fight with our nation's largest trading partners (i.e., the *Dow Jones Industrial Average (DJIA)* shed 3,910 points or -9.3% in the two trading days that followed President Trump's sweeping tariffs announcements on 4/2/2025), stocks grinded methodically and, almost uninterruptedly, higher in the third quarter, pushing all the *Major Market Indexes* to multiple, fresh all-time record highs.

Among the factors that have buoyed investor sentiment include:

- The surprising resilience of the U.S. economy with real *GDP* growing at an annualized rate of 3.8% in the second quarter after contracting -.5% in the first quarter. The latest estimate for 3<sup>rd</sup> quarter *GDP* from the *Atlanta Federal Reserve's GDPNow* model on 9/26/2025 was 3.9% (i.e., the first measure of 3<sup>rd</sup> quarter *GDP* will be released on 10/30/2025).
- Greater conviction that the *Federal Reserve (Fed)* will assume a more dovish posture. The *Fed* delivered its first interest-rate cut after a nine-month pause at its most recent meeting on 9/16 - 9/17/2025, lowering the federal-funds rate by a ¼% to a range of 4.0% - 4.25%, and signaled two additional ¼% cuts before year-end (i.e., the final two meetings for the year are scheduled for 10/28 - 10/29/2025 and 12/9 - 12/10/2025). Lower rates should serve as an economic tail wind.
- Renewed optimism over artificial intelligence (*AI*) – namely that *AI* investment will lead to a substantial boost in productivity across the economy.

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- Strong corporate earnings – robust tech sector *AI* investments coupled with healthy consumer spending and lower corporate taxes have helped drive profits.
- Reduced uncertainty – although trade agreements with several countries, including China, have yet to be reached, agreements with the United Kingdom, the European Union, Japan, South Korea, Indonesia, Vietnam, the Philippines, Cambodia and Thailand have bolstered business confidence. The same can be said for the extension of lower tax rates from the *2017 Tax and Jobs Act* that was set to expire at the end of this calendar year with the passage of the President's "*Big Beautiful Bill*".

While the gains in the equity markets have been most welcome, it is important to remember investor sentiment can easily flip. Among the factors that may unsettle investors are:

- Hotter inflation upending the *Fed's* more accommodative monetary policy. Since April's year-over-year *Consumer Price Index (CPI)* reading of 2.31%, monthly *CPI* has drifted progressively higher and further away from the *Fed's* 2% target (i.e., May, June, July and August readings were 2.35%, 2.67%, 2.70% and 2.92%, respectively).
- The U.S. labor market has been weakening with non-farm payrolls increasing a total of 107,000 from May through August (i.e., an average gain of about 27,000 jobs a month). Moreover, the *Bureau of Labor Statistics* recently reported that 911,000 fewer jobs were created in the 12-month period between April 2024 and March 2025. While payroll revisions are routine this one was notably large, trimming job creation from what the surveys had showed by more than half. Additionally, job openings declined steeply from 12.1 million in March of 2022 to 7.2 million this past July. A weak labor market typically portends a slowdown in consumer spending, a headwind to economic growth as consumer spending represents nearly 68% of our nation's *GDP*.
- Future revenues/returns on the massive *AI* infrastructure spending that is taking place will be much less than expected.
- Uncertainty ahead of the forthcoming *Supreme Court* decision on the constitutionality of tariffs, namely that President Trump overstepped his authority by invoking the *International Emergency Economic Powers Act, 1977* thereby jeopardizing the trade agreements that have been recently negotiated, including a possible mandated refund of tariffs that have been collected.
- Geopolitical events disrupting economic activity. Top of mind remain Russia's unrelenting war on Ukraine, the potential escalation of the Israel-Hamas war into a wider conflict engulfing the Middle East, as well as, China's continued warlike overtures toward Taiwan resulting in a military altercation or conflict.

Global and international equity markets, as measured by the *MSCI ACWI* and *MSCI ACWI ex USA Indices*, also managed to post solid gains in the second quarter. *YTD* returns continue to compare favorably to those in the U.S. as many central banks around the world have been more aggressive in cutting interest rates in support of their economies (i.e., central bank policy rates in Canada, South Korea, Sweden, Australia and the EU presently stand at 2.5%, 2.5%, 1.75%, 3.6% and 2.15%, respectfully). A weaker U.S.

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\$ has also served as a tailwind to returns (i.e., when the U.S. dollar is weakening foreign assets and earnings are worth more in dollar terms).

With our equity markets closing the 3<sup>rd</sup> quarter near all-time-record highs, investors appear to be viewing the perennial “glass of water” as “half full” ‘vs.’ “half empty”. Weighing on today’s positive investor sentiment will be the health and strength of the economy which, as I write this, will be impacted by the federal government shutdown that commenced today as the *House* and *Senate* were unable to reach a spending deal that would keep our government funded. The last shutdown occurred on December 22, 2018 and lasted 35 days.

Please let me know if you have any questions. All the very best!

Best regards,

John A. Gogolak  
Senior Vice President/Investments

*Sources: Morningstar, U.S. Bureau of Economic Analysis, The World Bank, Trading Economics, The Wall Street Journal, USA Today and CNBC.*

*S&P 500 Index: Standard and Poor's 500 Index covers 500 industrial, utility, transportation, and financial companies of the U.S. markets (mostly NYSE issues).*

*Dow Jones Industrial Average: Covers 30 major industrial companies traded on the New York Stock Exchange (NYSE). It is a price-weighted arithmetic average, with the divisor adjusted for stock splits. The index is calculated on both a price change and a total return basis.*

*NASDAQ Composite: This composite index covers approximately 4,500 stocks traded over the counter. It represents many small company stocks but is heavily influenced by about 100 of the largest stocks listed on the NASDAQ. It is a value-weighted index calculated on price change only and does not include income.*

*The MSCI All Country World Index is a free float-adjusted, market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets.*

*The MSCI All Country World ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the U.S.) and 25 Emerging Markets (EM) countries.*

*The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), and ABS and CMBS (agency and nonagency).*

*The Bloomberg Municipal Bond Index measures the performance of the Bloomberg U.S. Municipal bond market, which covers the USD-denominated Long-Term tax-exempt bond market with four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.*

*Indices are unmanaged and are not available for direct investment. Past performance is no guarantee of future results, and no one can predict the markets with any certainty. Index returns include the reinvestment of dividends, except where noted, but do not include adjustments for brokerage, custodian, and advisory fees. There are no guarantees that the objectives of the strategies mentioned above will be met.*

*There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries.*

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*Income from particular municipal bond issues may or may not be subject to state and alternative minimum taxes. Capital gains tax may apply if sold prior to maturity. Due to their narrow focus, sector-based investments typically exhibit greater volatility.*