

October 2025

Market Recap

Andrew Murphy, CFA
Co-Chief Investment Officer



At Winthrop Wealth, we follow a **Total Net Worth Approach** to wealth management that combines both comprehensive financial planning and investment management. The financial plan helps define cash flow needs, seeks to optimize account structures, considers tax mitigation strategies, and determines the appropriate asset allocation based on the client's willingness and ability to take risk. Based on the output of the financial plan, our investment management process designs a well-diversified portfolio constructed with a long-term methodology based on prudent risk management, asset allocation, and security selection. *For clients who receive both financial planning and investment advisory services under agreement. No strategy assures success or protects against loss. Investing involves risk, including loss of principle.*

US equities advanced again in October, gaining +2.3% to mark a sixth consecutive monthly increase - the longest winning streak since 2021. The S&P 500 is now higher by +17.5% year-to-date. After a near [bear market](#) in early April, the market is up over +38% from the low. The rally was primarily driven by progress on trade deals and easing tariff uncertainty, stronger-than-expected corporate earnings, sustained optimism around artificial intelligence, and the Fed's recent rate cuts. Market performance in recent months reinforces our belief in the importance of maintaining a disciplined long-term perspective. Please see our [Principles for Long-Term Investing](#).

- **Another Month, Another Record High:** The S&P 500 reached a new all-time closing high of 6,891 on October 28th, marking its 36th record close of 2025.
- **Signs of Froth Amid Bull Market:** The S&P 500 is higher by nearly +100% since the start of the latest bull market on 10/12/22. Despite this impressive rally, there are notable signs of froth, with increased speculation in recent months. These include the resurgence of meme stocks and Special Purpose Acquisition Companies (SPACs), stretched valuations, record option activity, outsized gains in unprofitable technology companies, elevated first-day IPO returns, and record-high margin debt.
- **AI Investment Surge Continues:** Capital expenditures by major technology companies continue to accelerate, with Microsoft, Google, Meta, and Amazon expected to spend over \$450 billion in 2026. Most of this investment is directed toward expanding data centers, cloud infrastructure, and computing power to support the rapid growth of artificial intelligence. According to JP Morgan, technology-sector capital spending - much of it tied to AI - has accounted for 35–45% of GDP growth over the past three quarters, suggesting that without this contribution, overall economic growth would be closer to 1%.
- **Earnings Upside:** According to FactSet, 64% of S&P 500 companies have reported Q3 2025 results, showing year-over-year earnings growth of +10.7%, above the expected +7.9% pace. Earnings are projected to rise +11% in 2025 and +14% in 2026.
- **Magnificent 7 Extend Market Leadership:** Earnings were generally better than expected among the Magnificent 7, with four of the six companies that reported posting upside surprises. Alphabet (+15.7%) and Amazon (+11.2%) led the group higher in October, supported by solid gains in Nvidia (+8.5%) and Apple (+6.2%), while Meta (-11.7%) underperformed. Overall, the group drove another month in which Growth (+3.6%) outperformed Value (+0.4%) and the broader market.
- **US and China Reach Framework Agreement:** President Trump met with Chinese President Xi Jinping at the APEC 2025 Summit, describing the discussion as "12 out of 10." The two leaders agreed to lower US tariffs on Chinese goods and delay China's planned rare-earth export restrictions, while Beijing pledged to resume purchases of US agricultural products and tighten controls on fentanyl-related exports. The arrangement is a positive step but remains a short-term framework, not a full trade deal.
- **Upcoming Catalysts:** TBD until the government reopens for business and economic data resumes.

Short-Term Outlook: While we are encouraged by the rebound to new all-time highs, our short-term outlook has turned more cautious given the remarkable nature of recent gains. On the positive side, corporate earnings remain solid with upward revisions, the worst-case tariff scenario has so far been avoided, and the Fed has resumed cutting interest rates. At the same time, there are clear signs of froth. During times when speculation is rampant, many investors are lulled into believing that markets will continue to rise indefinitely, prompting them to take on excessive risk. In our view, it is prudent to expect volatility to increase, stay disciplined through regular rebalancing to long-term targets, and use this environment to opportunistically raise cash for upcoming distributions or future goals.

Long-term Investment Philosophy: Our long-term outlook remains optimistic for investors with both a comprehensive financial plan and investment process. Markets have historically increased over time despite frequent drawdowns as successful corporations have figured out ways to generate profits through advances in innovation and productivity. To capitalize on the [power of compounding](#), we believe in the benefits of staying **D**isciplined, **O**ppportunistic, and **D**iversified, while striving to **M**itigate fees, taxes, and expenses. In our opinion, adhering to a structured process and executing on all these components should help keep our clients on track toward pursuing their long-term objectives. *Historically, equity markets have recovered from recessions and downturns. Past performance is no guarantee of future returns. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.*

Fixed Income Markets

Interest Rates

Treasury yields mostly declined across the curve in October amid heightened uncertainty surrounding the government shutdown and another Fed rate cut.

- **Short-Term Treasury Yields:** The Federal Reserve influences short-term interest rates by setting the Federal Funds rate.
 - Month-end levels: 3-Month: 3.80% (-0.1%), 6-Month: 3.80% (-0%), 12-Month: 3.68% (+0.1%).
 - According to Bloomberg, market pricing indicates about three additional 0.25% rate cuts over the next year, so short-term yields should decline further in the coming months.
 - Investing in short-term Treasuries with 4%-5% yields was a great strategy over the past few years, but we believe that opportunity has passed, and investors now face reinvestment risk with lower rates at maturity. We suggest using short-term Treasuries to fund anticipated liabilities, and to invest any excess cash in longer maturities or in a diversified portfolio. *Investing involves risk including loss of principal. No strategy assures success or protects against loss.*
- **Long-Term Treasury Yields:** The market determines long-term yields based on supply dynamics and investor demand, which vary with expectations of future inflation and economic growth.
 - Month-end levels: 10-Year: 4.08% (-0.1%), 20-Year: 4.63% (-0.1%), 30-Year: 4.65% (-0.1%).
 - As a reminder, mortgage rates are more closely correlated with the 10-Year Treasury yield than with the Federal Funds rate. Investors should not assume mortgage rates will fall simply because the Fed is cutting. In late 2024, the Fed lowered rates by 1.0%, yet the 10-Year yield rose +1.1% and mortgage rates climbed +0.8% as markets priced in higher inflation and growth.
 - The latest CBO projection estimates the federal budget deficit will reach \$1.9 trillion in 2025. While the [One Big Beautiful Bill Act \(OBBA\)](#) is expected to increase borrowing over the medium term, higher tariff revenues may partially offset the cost. In our opinion, reducing the deficit and slowing the growth of [federal debt](#) would help stabilize long-term interest rates.

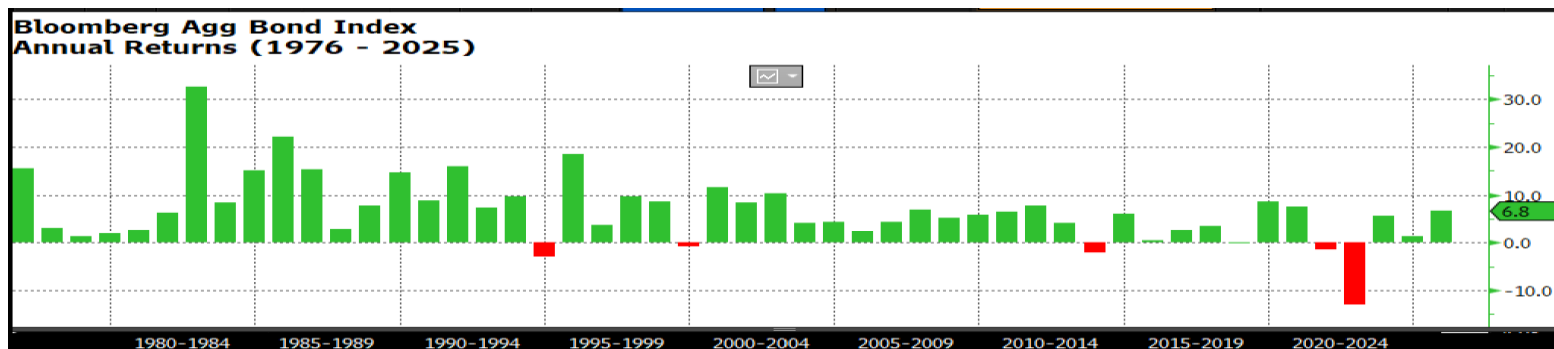
Intermediate-Term Bonds

The Bloomberg US Aggregate Bond index (Agg), which acts as a proxy for the intermediate-term investment-grade bond market, increased by +0.6% due to the decline in the 10-Year Treasury yield. Bond prices move inversely to interest rates and credit spreads. The Agg is now higher by +6.8% in 2025. Please see our [Bond Primer](#).

After some challenging periods over the last few years, we are pleased to see solid returns from intermediate-term bonds. All else equal, we still expect intermediate-term bonds to provide both ballast and positive returns as yields either stabilize or decline. Bonds did provide ballast during the recent bout of market volatility earlier this year, gaining +1% while the equity market declined by nearly -19%. We'll also highlight that bonds performed well in a relatively stable rate environment: over the past three years, the 10-Year Treasury yield has been essentially flat, while the Agg delivered a +17.8% total return (+5.6% annualized).

In our opinion, intermediate-term bonds remain an attractive investment opportunity, as the yield to maturity on the US Aggregate Bond Index ended the month at 4.3%. Yield to maturity is defined as the estimated annualized rate of return an investor can expect on a bond if purchased today and held to maturity, assuming the issuer makes all their interest and principal payments (i.e., no defaults).

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.



Source: Bloomberg.

Monetary Policy

Although some important federal government data have been delayed due to the shutdown, the public- and private-sector data that have remained available suggest that the outlook for employment and inflation has not changed much since our meeting in September. Conditions in the labor market appear to be gradually cooling, and inflation remains somewhat elevated.

- Fed Chair Jerome Powell, FOMC Press Conference (October 2025)

At their October 2025 meeting, the FOMC lowered the top end of the federal funds rate by 0.25% to 4.00%. In total, the Fed has reduced rates by 0.5% this year and by 1.5% since September 2024. Chair Powell acknowledged that both elements of the Fed's dual mandate - price stability and maximum employment - have shown signs of weakening. Nevertheless, even with several key economic reports delayed by the ongoing government shutdown, the Fed chose to cut rates further to help stabilize and support a softening labor market. The Fed also announced they will stop shrinking the size of their \$6.6 trillion balance sheet by reinvesting coupon payments or maturities from existing holdings, aiming to maintain liquidity and stability in short-term markets.

At the FOMC press conference, Chair Powell surprised markets by stating that "a further reduction in the policy rate at the December meeting is not a foregone conclusion—far from it. Policy is not on a preset course." Before the meeting, Bloomberg market pricing indicated a near 100% chance of a rate cut at the December 10th meeting. Interest rates moved higher from their monthly lows following Powell's remarks, and market-implied odds of a cut fell to around 65%. From here, investors will be watching incoming labor and inflation data closely, as the Fed has made clear that future policy decisions will depend on whether recent signs of softer employment persist.

US Economy

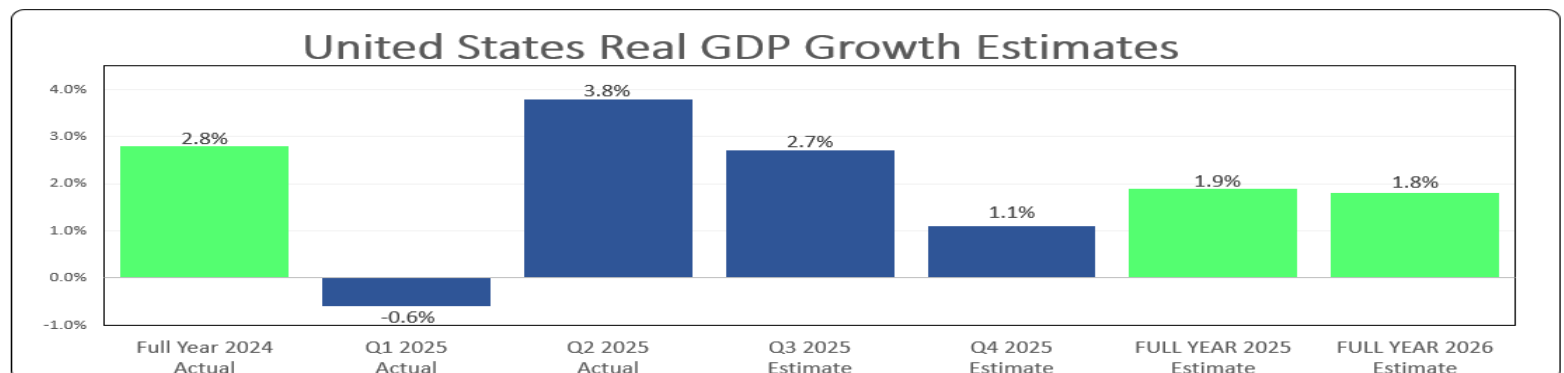
"I don't like shutdowns, I think it's just a bad idea."

- Jamie Dimon, Chairman and Chief Executive Officer, JP Morgan Chase (October 2025)

At the end of the month, the federal government remained shut down after Congress failed to pass budget legislation for the new fiscal year. A shutdown occurs when lawmakers do not approve the appropriations bills required to fund government operations, resulting in the temporary closure of non-essential agencies and furloughs for portions of the federal workforce. According to the Committee for a Responsible Federal Budget, there have been five shutdowns lasting more than one day - 1995, 1996, 2013, 2018-19, and now 2025.

Due to the ongoing shutdown, the release of key economic data has been delayed. Several agencies - including the Bureau of Labor Statistics (BLS), the Census Bureau, the Bureau of Economic Analysis, and the Treasury Department - have announced that they will postpone scheduled reports until funding is restored. Notably, the BLS made an exception by publishing the CPI Inflation report to meet the statutory deadline for calculating Social Security cost-of-living adjustments.

The lack of critical data has complicated efforts to assess the current state of the economy. As noted at the end of the third quarter, growth has been losing momentum, weighed down by tariff-related uncertainty and rising inflation pressures. Although capital spending tied to artificial intelligence continues to provide a meaningful tailwind, activity outside the technology sector has softened. Looking ahead, while the wealth effect may continue to support spending as long as markets remain elevated, persistent weakness in job creation, rising cost burdens, and a prolonged shutdown present meaningful risks to the broader economy.



Source: Bloomberg.

OCTOBER 2025 MARKET RETURNS

US Equity												
Index	October	2025	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
S&P 500	2.34%	17.50%	25.00%	26.26%	-18.12%	28.68%	18.39%	21.42%	22.63%	17.61%	14.61%	11.18%
Russell 3000	2.14%	16.83%	23.80%	25.93%	-19.22%	25.64%	20.88%	20.79%	21.71%	16.71%	14.06%	10.95%
Dow Jones Industrial Average	2.59%	13.34%	14.99%	16.18%	-6.86%	20.95%	9.72%	15.84%	15.46%	14.61%	12.84%	10.48%
Nasdaq	4.72%	23.53%	29.60%	44.70%	-32.51%	22.21%	45.06%	32.04%	30.25%	17.71%	17.85%	14.02%
S&P 400	-0.47%	5.26%	13.89%	16.39%	-13.12%	24.73%	13.65%	6.35%	11.81%	12.97%	10.13%	9.60%
Russell 2000	1.81%	12.38%	11.52%	16.88%	-20.46%	14.78%	19.93%	14.40%	11.89%	11.46%	9.33%	8.38%
Russell 1000 Growth	3.63%	21.49%	33.35%	42.67%	-29.14%	27.59%	38.49%	30.51%	30.65%	19.22%	18.26%	13.58%
Russell 1000 Value	0.44%	12.13%	14.35%	11.42%	-7.56%	25.12%	2.78%	11.11%	13.34%	14.24%	9.94%	8.32%
International Equity												
MSCI Index	October	2025	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
EAFE	1.18%	26.61%	3.82%	18.24%	-14.45%	11.26%	7.82%	23.03%	20.04%	12.32%	7.48%	5.75%
Europe	0.59%	34.31%	2.64%	22.94%	-17.86%	13.54%	7.89%	29.95%	24.08%	14.66%	8.01%	5.66%
Japan	3.39%	24.80%	8.31%	20.32%	-16.65%	1.71%	14.48%	25.18%	21.36%	10.06%	7.56%	4.87%
China	-3.82%	36.22%	19.42%	-11.20%	-21.93%	-21.72%	29.49%	33.68%	25.36%	-1.39%	5.43%	8.54%
Emerging Markets	4.18%	32.86%	7.50%	9.83%	-20.09%	-2.54%	18.31%	27.91%	21.08%	7.45%	7.68%	6.68%
All Country World (ACWI)	2.24%	21.09%	17.49%	22.20%	-18.36%	18.54%	16.25%	22.64%	21.61%	14.60%	11.30%	8.45%
ACWI ex US	2.02%	28.57%	5.53%	15.62%	-16.00%	7.82%	10.65%	24.93%	20.27%	11.18%	7.66%	5.90%
US Fixed Income												
Bloomberg Index	October	2025	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
Aggregate	0.62%	6.80%	1.25%	5.53%	-13.01%	-1.54%	7.51%	6.16%	5.60%	-0.24%	1.90%	3.30%
Treasury Bills	0.36%	3.62%	5.32%	5.14%	1.52%	0.04%	0.54%	4.44%	4.92%	3.11%	2.11%	1.67%
Corporates	0.38%	7.29%	2.13%	8.52%	-15.76%	-1.04%	9.89%	6.62%	7.57%	0.46%	3.12%	4.33%
Securitized MBS/ABS/CMBS	0.83%	7.59%	1.45%	5.08%	-11.67%	-1.04%	4.18%	7.29%	5.89%	0.13%	1.57%	
High Yield	0.16%	7.39%	8.19%	13.45%	-11.19%	5.28%	7.11%	8.16%	10.19%	5.47%	5.89%	6.75%
Munis	1.24%	3.91%	1.05%	6.40%	-8.53%	1.52%	5.21%	4.17%	5.45%	1.16%	2.42%	3.57%
US Equity Sectors												
Index	October	2025	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
Technology	6.23%	29.93%	36.61%	57.84%	-28.19%	34.53%	43.89%	37.55%	39.58%	26.09%	24.68%	17.06%
Real Estate	-2.63%	3.40%	5.23%	12.35%	-26.13%	46.20%	-2.17%	-1.59%	7.53%	7.46%	6.27%	
Industrials	0.47%	18.81%	17.30%	18.08%	-5.51%	21.10%	11.05%	17.53%	19.83%	17.17%	12.78%	10.37%
Energy	-1.13%	5.83%	5.72%	-1.42%	65.47%	54.39%	-33.68%	2.44%	2.70%	30.35%	6.85%	6.14%
Consumer Discretionary	2.37%	7.80%	30.14%	42.30%	-37.03%	24.43%	33.30%	25.10%	21.38%	11.72%	13.01%	12.28%
Communication Services	1.86%	26.82%	40.23%	55.80%	-39.89%	21.57%	23.61%	35.44%	39.70%	17.98%	13.52%	10.50%
Consumer Staples	-2.32%	1.48%	14.87%	0.52%	-0.62%	18.63%	10.75%	1.01%	6.59%	8.61%	8.08%	9.49%
Utilities	2.10%	20.17%	23.43%	-7.08%	1.56%	17.67%	0.48%	14.72%	13.61%	10.80%	10.98%	9.23%
Materials	-5.04%	3.80%	-0.04%	12.55%	-12.28%	27.28%	20.73%	-5.81%	7.21%	8.50%	8.85%	8.23%
Financials	-2.84%	9.51%	30.50%	12.10%	-10.57%	34.87%	-1.76%	14.17%	17.54%	19.12%	12.53%	5.99%
Health Care	3.58%	6.29%	2.58%	2.06%	-1.95%	26.13%	13.45%	-0.03%	4.58%	9.06%	9.22%	10.11%
Calendar Year Returns								Annualized Returns				

Source: Bloomberg.

DISCLOSURES

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The S&P Midcap 400 Stock Index is an unmanaged index generally representative of the market for the stocks of mid-sized US companies.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 3000 Growth Index is an unmanaged index comprised of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000 Value Index measures the performance of those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

The prices of small cap stocks and mid cap stocks are generally more volatile than large cap stocks. The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

The MSCI EAFE Index consists of the following developed country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.

The MSCI EM (Emerging Markets) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of the Americas, Europe, the Middle East, Africa and Asia. The MSCI EM Index consists of the following emerging market country indices: Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Greece, Hungary, Poland, Qatar, Russia, South Africa, Turkey, United Arab Emirates, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, and Thailand.

The MSCI US Broad Market Index captures broad US equity coverage. The index includes 3,204 constituents across large, mid, small and micro capitalizations, representing about 99% of the US equity universe.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

The Barclays Capital US Corporate High Yield Bond index is an index representative of the universe of fixed-rate, non-investment grade debt.

The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

DISCLOSURES

The Bloomberg Barclays US Treasury Bills 1-3 Month Index is designed to measure the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than or equal to 1 month and less than 3 months. The Index includes all publicly issued zero coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and at least 1 month, are rated investment grade, and have \$300 million or more of outstanding face value.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

Government bonds and Treasury bills are guaranteed by the US government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value.

Municipal bonds are subject to availability and change in price. They are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply.

High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

The market value of corporate bonds will fluctuate, and if the bond is sold prior to maturity, the investor's yield may differ from the advertised yield.

Asset allocation does not ensure a profit or protect against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio.