October 2025

DeMarche Dashboard

A Flash Report on Markets and the Economy

Data and Commentary for the Period Ended 10/31/2025

Global Overview

Global markets advanced in October as investors responded positively to signs of moderating inflation and a more accommodative tone from major central banks. The Federal Reserve's 25-basis-point rate cut and the European Central Bank's continued policy pause reinforced expectations that monetary tightening cycles may be nearing an end. Easing price pressures in the euro area and resilient U.S. labor data supported the soft-landing narrative, while solid corporate earnings further lifted risk sentiment. In Asia, Japan's equity market surged amid strong corporate results and stable policy from the Bank of Japan, and emerging markets benefited from improving trade prospects and renewed optimism in technology sectors. Overall, declining sovereign yields and the prospect of easier liquidity conditions provided a supportive backdrop for both equities and fixed income globally.

U.S. Markets & Economy

An extended government shutdown set the tone for October, halting several federal data releases and adding a layer of uncertainty for both investors and consumers. The impasse stemmed from congressional disagreements over federal spending levels, budget priorities, and health insurance subsidies for Affordable Care Act (ACA) policies, which prevented the passage of new funding legislation at the start of the fiscal year. Despite the disruption, U.S. equities posted gains during the month, with the S&P 500 rising 2.3%, led by continued outperformance in large-cap technology and further support from the healthcare, consumer discretionary, utilities, and communication services sectors. Consumer Confidence declined to 94.6 from an upwardly revised 95.6 in September, as households grew more cautious about future job and income prospects amid persistent inflation pressures and policy uncertainty related to the shutdown. ISM Manufacturing PMI decreased from 49.1 to 48.7, marking an eighth consecutive month of contraction as tariff implications continued to weigh on pricing, new orders, and supplier delivery performance. The unemployment rate held steady at 4.3%, while initial jobless claims ticked up slightly from 218,000 to 219,000, indicating continued labor market resilience. However, signs of cooling in other areas of the economy and moderating inflation pressures prompted the Federal Reserve to lower the federal funds rate by 25 basis points at its October meeting. As a result, optimism surrounding the rate cut and stronger-than-expected third-quarter earnings supported a broad rebound in equities. Growth indices led the way, with the Russell 1000 Growth and Russell 2000 Growth posting returns of 3.6% and 3.2%, respectively. Value and core benchmarks also advanced, as the Russell 1000, Russell 1000 Value, Russell 2000, and Russell 2000 Value returned 2.2%, 0.4%, 1.8%, and 0.3%, respectively.

Domestic fixed income markets posted positive returns in October, supported by a modest decline in Treasury yields following the Federal Reserve's rate cut. Short-term yields fell the most, with the three-month Treasury down 13 basis points, while intermediate and long maturities declined to a lesser extent. Credit conditions were slightly weaker, as spreads widened modestly. High-yield spreads increased from 280 to 294 basis points, and investment-grade corporate spreads moved from 76 to 80 basis points. Despite the widening, total returns were positive across most sectors, with the Bloomberg U.S. Long Government/Credit Index leading at 0.9%. The Bloomberg U.S. Aggregate and Bloomberg U.S. Government/Credit indexes each returned 0.6%, while the ICE BofA U.S. High Yield Index advanced 0.2%.

International Markets & Economy

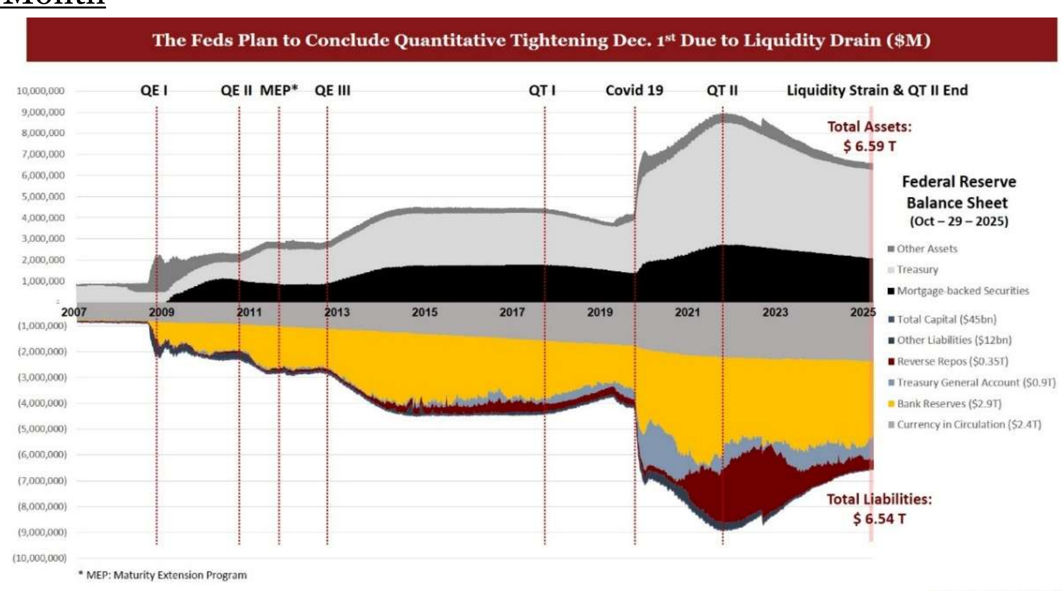
Thanks to smaller increases in food and manufactured goods prices, euro area inflation eased to 2.1% in October from 2.2% in September, giving the European Central Bank little incentive to adjust rates. Third quarter euro area GDP grew 0.2%, marking a slightly faster pace of expansion. In Germany, manufacturing orders rose 1.1% in September, reversing a 0.4% decline in August following the government's stimulus measures, while the composite PMI improved to 53.9

from 52.0. In contrast, France's composite PMI fell to 47.7 from 48.1, signaling continued contraction. The Bank of Japan held its policy rate steady at 0.5%, with Governor Ueda emphasizing the need for more information on upcoming wage negotiations and global trade uncertainties before considering policy adjustments. New Prime Minister Takaichi underscored the importance of inflation supported by wage growth, suggesting a higher bar for future rate hikes. The BOJ projects core consumer inflation to reach 2.7% in the fiscal year ending March 2026, followed by 1.8% and 2.0% in subsequent years, with GDP growth forecast at 0.7%. In China, authorities eased export restrictions on rare earth minerals after President Xi's meeting with President Trump in South Korea, though foreign purchases will still require licenses under a more opaque system. The two leaders agreed to lower tariffs on fentanyl-related Chinese goods to 10% from 20% in exchange for China's pledge to curb fentanyl precursor exports, reducing the average tariff rate on Chinese goods to 47% from 57%. China also committed to large U.S. soybean purchases and a one-year suspension of reciprocal port fees, offering some relief to U.S. exporters, although fundamental trade tensions over industrial policy and technology remain unresolved. The MSCI EAFE Index rose 1.2% in October, supported largely by gains in Japan, while the MSCI Emerging Markets Index advanced 4.2%, driven by strong AI momentum and easing tariff concerns in South Korea.

In the News

At its October meeting, the Federal Reserve cut the policy rate by 25 basis points and announced it would conclude quantitative tightening by reinvesting agency security proceeds into Treasury bills starting December 1. While officials noted that reserve balances remain above an ample level, signs of stress emerged in short term funding markets. Elevated repo rates, including the effective federal funds rate and the secured overnight financing rate, indicated that participants were paying more to obtain liquidity, and usage of the Standing Repo Facility reached a record 50.4 billion dollars on October 31, the highest since its introduction in 2021. The Federal Reserve's overnight reverse repo balance declined to 2.4 billion dollars in October, far below its pandemic era peak of 2.5 trillion dollars, suggesting less excess cash available to park at the Fed. Liquidity was further constrained by increased Treasury bill issuance, attractive short term yields drawing capital from the market, and a 226 billion dollar rise in the Treasury General Account balance during the shutdown, which delayed certain government payments to the private sector. Since the start of balance sheet reduction in early 2022, the Federal Reserve's securities holdings have declined by 2.2 trillion dollars to 6.3 trillion, bringing total assets down from 35 percent to 21 percent of GDP. The conclusion of quantitative tightening is expected to relieve some pressure in money markets and reduce volatility across asset classes, though an eventual return of excess liquidity could revive inflation expectations over time.

Chart of the Month



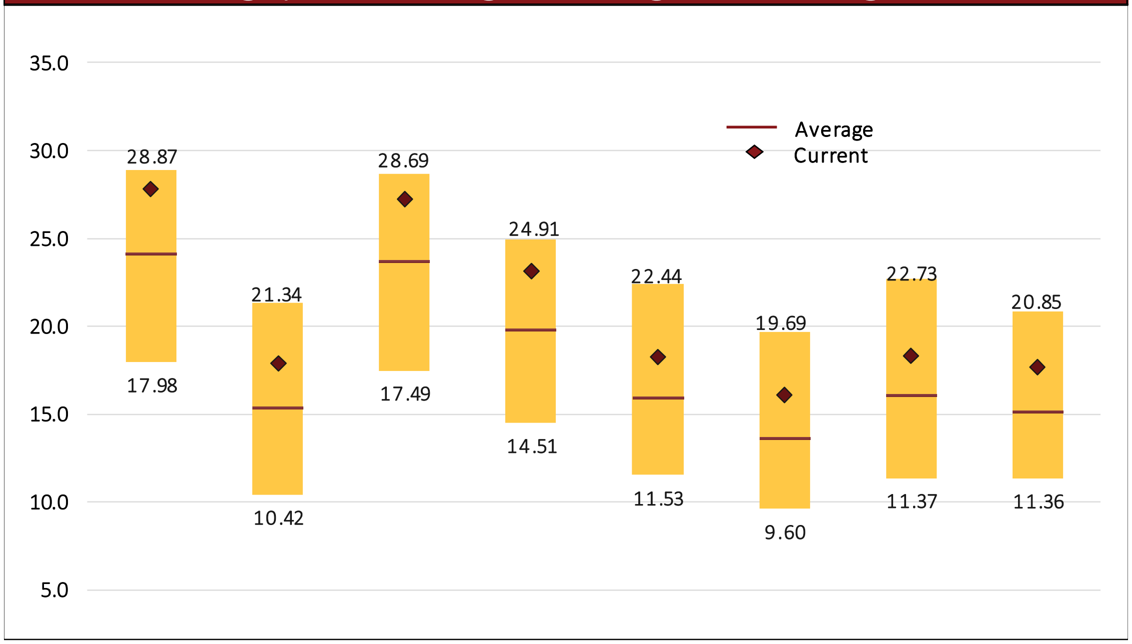
Capital Markets Overview

		TRAILING			ANNUALIZED			
		1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr
Broad Market	MSCI World NR USD	2.00	8.03	19.78	22.02	21.69	15.58	11.79
	Bloomberg US Agg Bond TR USD	0.62	2.94	6.80	6.16	5.60	(0.24)	1.90
	Russell 3000 TR USD	2.14	8.11	16.85	20.81	21.76	16.74	14.08
	DJ Industrial Average TR USD	2.59	8.23	13.34	15.84	15.48	14.61	12.85
	NASDAQ Composite PR USD	4.70	12.32	22.86	31.11	29.25	16.81	16.72
	MSCI EAFE NR USD	1.18	7.51	26.61	23.03	20.06	12.33	7.48
	FTSE Treasury Bill 3 Mon USD	0.36	1.09	3.71	4.53	5.02	3.17	2.16
	Bloomberg Commodity TR USD	2.89	7.13	12.54	14.15	3.06	11.86	4.31
Domestic Equities	S&P 500 TR USD	2.34	8.23	17.52	21.45	22.68	17.64	14.64
	S&P MidCap 400 TR	(0.47)	3.38	5.27	6.38	11.86	13.02	10.17
	S&P SmallCap 600 TR USD	(0.88)	7.17	3.33	5.51	8.20	12.17	9.28
	Russell 1000 TR USD	2.16	7.92	17.07	21.14	22.34	17.05	14.39
	Russell 1000 Growth TR USD	3.63	10.36	21.50	30.52	30.69	19.24	18.28
	Russell 1000 Value TR USD	0.44	5.19	12.15	11.15	13.39	14.28	9.97
	Russell Mid Cap TR USD	(0.83)	2.55	9.51	10.79	14.09	12.33	10.63
	Russell Mid Cap Growth TR USD	(0.28)	0.45	12.52	19.59	19.67	11.17	12.65
	Russell Mid Cap Value TR USD	(1.00)	3.26	8.40	7.86	11.71	13.23	9.20
	Russell 2000 TR USD	1.81	12.48	12.39	14.41	11.94	11.50	9.36
	Russell 2000 Growth TR USD	3.24	13.88	15.27	18.81	14.42	8.94	9.65
	Russell 2000 Value TR USD	0.25	10.93	9.32	9.87	9.25	13.85	8.66
International Equities	MSCI ACWI Ex USA NR USD	2.02	9.36	28.57	24.93	20.30	11.18	7.67
	MSCI EAFE NR USD	1.18	7.51	26.61	23.03	20.06	12.33	7.48
	MSCI EAFE Growth NR USD	1.60	7.08	20.44	16.69	16.81	7.84	7.24
	MSCI EAFE Value NR USD	0.76	7.93	32.93	29.55	23.38	16.79	7.47
	MSCI Japan NR USD	3.39	13.28	24.80	25.18	21.38	10.06	7.57
	MSCI AC Asia Ex Japan NR USD	4.50	12.85	32.52	28.36	23.08	6.79	8.14
	MSCI Europe NR USD	0.74	6.27	28.44	23.19	20.41	13.66	7.47
	MSCI United Kingdom NR USD	1.68	6.74	28.39	26.59	20.23	16.95	6.60
	MSCI EAFE Small Cap NR USD	(0.81)	5.43	27.35	24.50	17.69	9.06	7.20
	MSCI EM NR USD	4.18	13.06	32.86	27.91	21.10	7.46	7.69
Fixed Income	Bloomberg US Govt/Credit TR USD	0.55	2.70	6.51	5.75	5.50	(0.38)	2.05
	Bloomberg US Govt/Credit Interm TR USD	0.43	2.08	6.16	6.15	5.48	0.94	2.15
	Bloomberg US Govt/Credit Long TR USD	0.93	4.62	7.63	4.54	5.63	(4.09)	1.94
	ICE BofA US High Yield TR USD	0.20	2.19	7.27	8.03	10.01	5.48	5.81
	VettaFi US High Yield USD	0.19	2.19	7.10	7.93	9.82	5.54	5.75
	Morningstar LSTA US LL TR USD	0.22	1.11	4.86	6.32	9.57	6.96	5.52
	FTSE WGBI NonUSD USD	(0.91)	1.10	8.01	4.79	4.79	(4.45)	(0.35)
	Bloomberg Gbl Agg Ex USD TR USD	(0.97)	0.98	8.30	5.22	5.46	(2.82)	0.35
REITs	FTSE Nareit All REITs TR	(2.20)	1.46	2.18	(2.60)	6.14	7.02	5.66
	Wilshire US REIT TR USD	(1.60)	3.90	2.81	0.13	9.18	9.60	5.72

USD - US dollar priced index **TR** - Total Return **PR** - Price Return **LCL** - Local Currency Priced Index **NR** - Return includes reinvested net dividends

Source: Morningstar

Current Trailing P/E vs. Trailing 5-Year High, Low Average



	S&P 500	Russell 2000	Russell 1000	MSCI AC World	MSCI EAFE	MSCI EM	MSCI Europe	MSCI AC Asia Pac
High Month	Mar-21	Mar-21	Mar-21	Mar-21	Mar-21	Jan-21	Mar-21	Jan-21
Low Month	Sep-22	Sep-22	Sep-22	Sep-22	Sep-22	Oct-22	Sep-22	Sep-22

Source: Morningstar; Data as of 10/31/2025

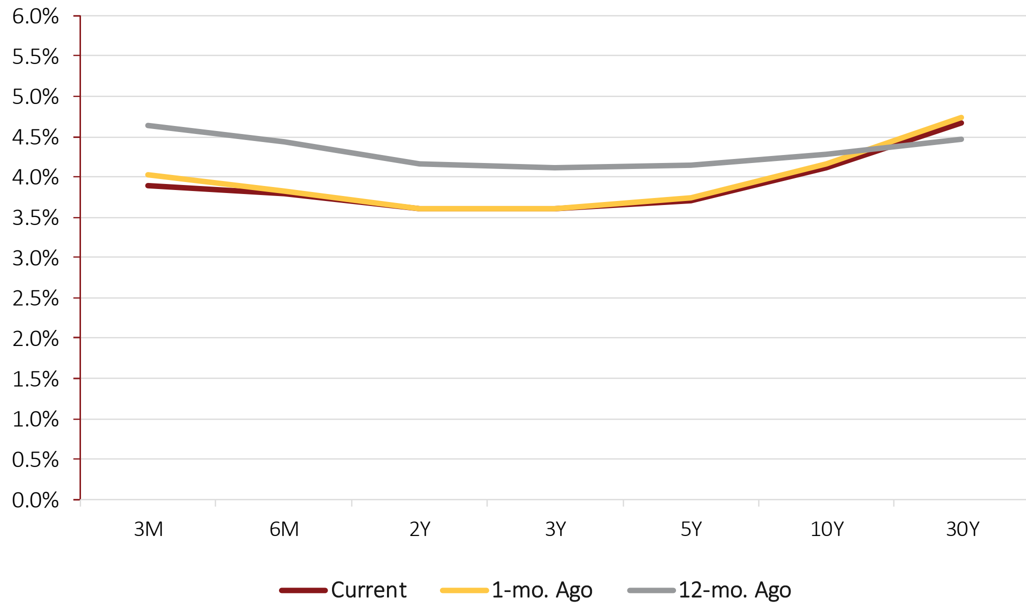
Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates[3] *per US $*		Inflation[2]
	Latest[1]	2025[1]	2026[1]	*(Most recently available)*	*Sovereign Bonds, 10 Year*	Current	1 Year Ago	*(Most recently available)*
United States	3.80	1.57	1.53	4.30	4.12	-	-	3.00
China	1.10	4.75	4.34	5.20	1.76	7.12	7.12	1.00
Japan	0.50	0.74	0.43	2.60	1.66	154.05	152.35	2.90
United Kingdom	0.30	1.33	1.05	4.80	4.44	1.31	1.29	3.50
Euro Area	0.20	1.00	1.20	6.30	3.09	1.15	1.09	2.40
Germany	0.00	0.39	1.25	6.30	2.65	1.15	1.09	2.80
France	0.50	0.64	0.94	7.50	3.43	1.15	1.09	1.30
Italy	0.00	0.64	0.68	6.10	3.39	1.15	1.09	2.00
Canada	-0.40	1.04	1.07	7.10	3.14	1.40	1.39	2.80
India	1.70	6.28	6.38	5.20	6.53	88.37	84.01	4.95
Mexico	-0.30	0.45	1.05	3.00	8.66	18.55	20.03	4.28
Brazil	0.40	2.05	1.64	5.60	13.79	5.39	5.79	5.12

Sources: (Most recently available data) St. Louis Federal Reserve, The Wall Street Journal, OECD, Trading Economics

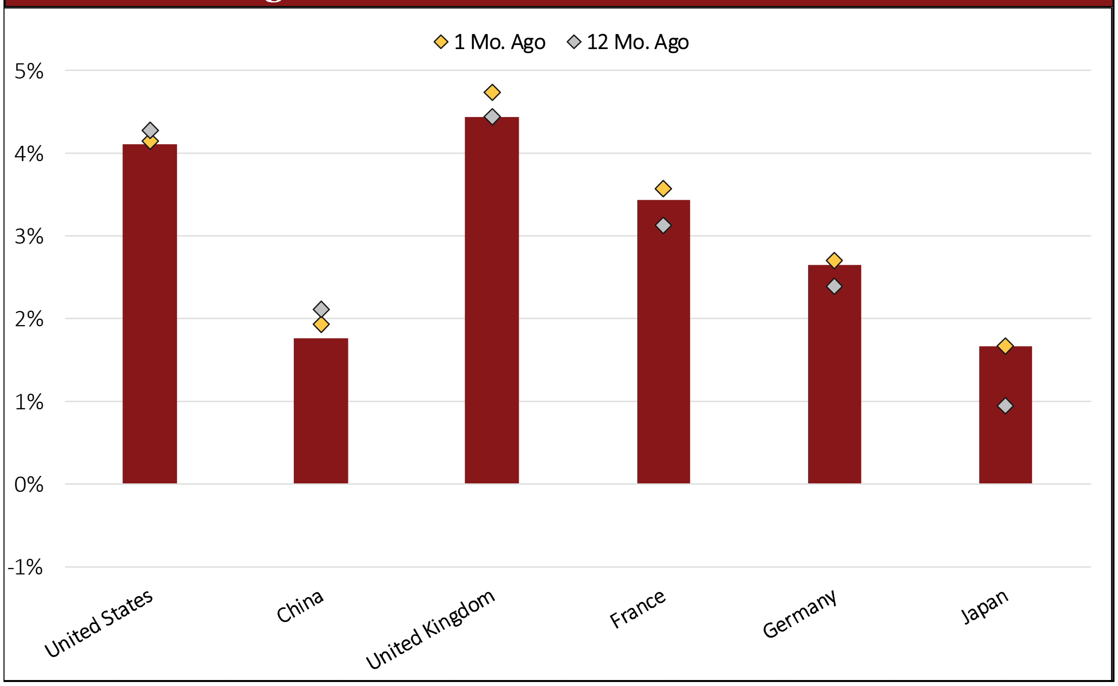
1. Latest GDP is seasonally adjusted annualized rate. 2025 & 2026 is forecasted data from OECD
2. In terms of Core CPI
3. Euro Area and U.K. exchange rates quoted in market standard format (USD/Non-USD currency)
4. Germany, France, and Italy currency exchange rates are taken at the Euro Area exchange rates

U.S. Treasury Yield Curves



Source: Federal Reserve Bank; Data as of 10/31/2025

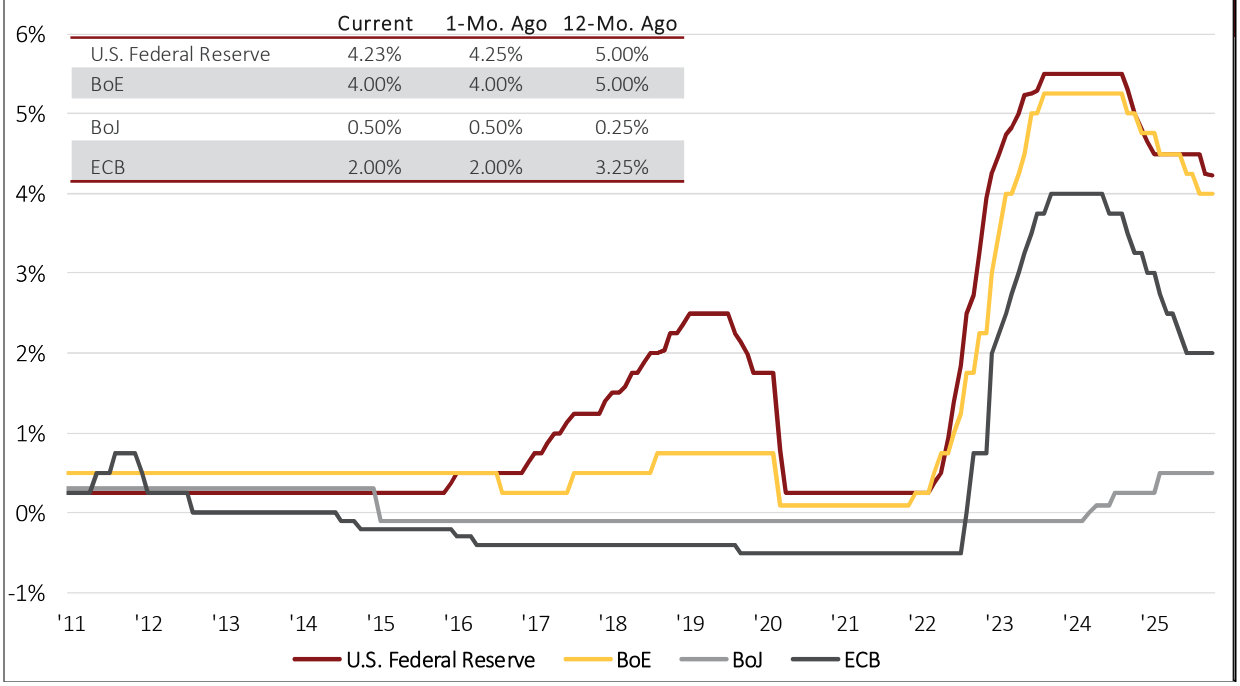
10-Year Sovereign Yields



Source: Trading Economics; Data as of 10/31/2025

Central Bank Policy Rates

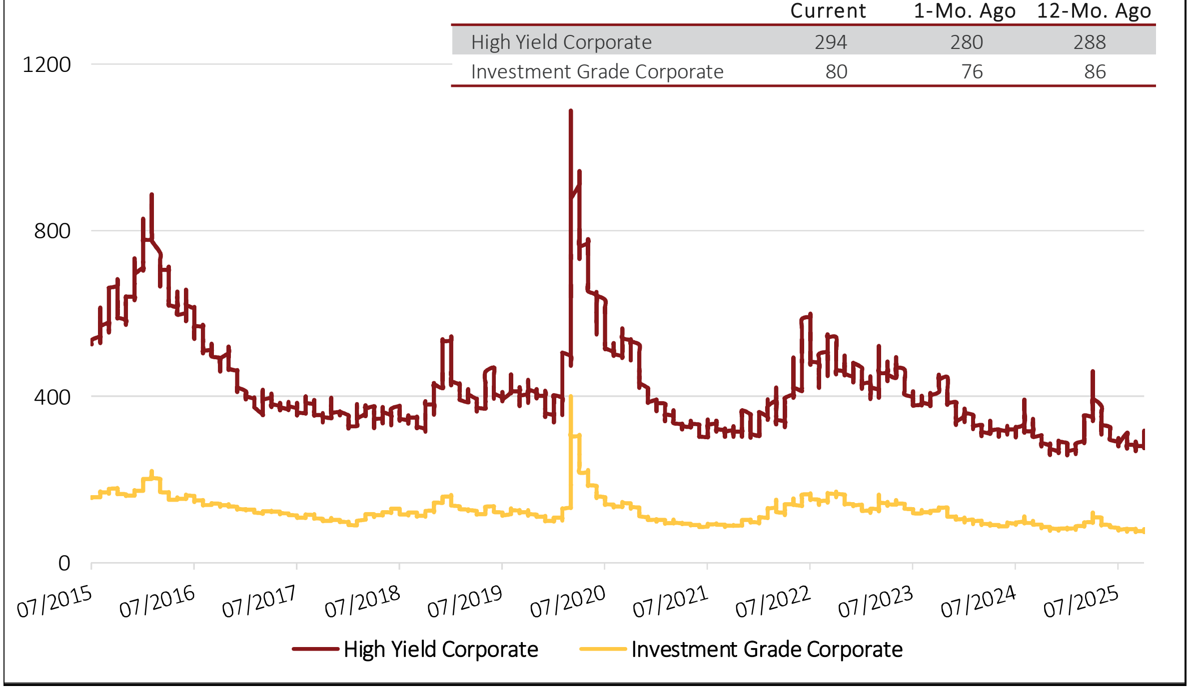
	Current	1-Mo. Ago	12-Mo. Ago
U.S. Federal Reserve	4.23%	4.25%	5.00%
BoE	4.00%	4.00%	5.00%
BoJ	0.50%	0.50%	0.25%
ECB	2.00%	2.00%	3.25%



Source: Federal Reserve Bank, Bank of England, European Central Bank, Trading Economics; Data as of 10/01/2025

Corporate Bond Average Spread (basis points)

	Current	1-Mo. Ago	12-Mo. Ago
High Yield Corporate	294	280	288
Investment Grade Corporate	80	76	86



Source: Federal Reserve Bank, Bank of America; Data as of 10/31/2025