

MARKET HIGHLIGHTS

- US equity markets recovered a good portion of the losses from the prior week as a good start to third quarter earnings season reminded investors of the inherent strength in the economy.
- Trade tensions continue to rise although investors remain rather confident the US and China can forge an agreement acceptable to both sides. As China knows it cannot win a tariff war with the US and other western economies as net exports are a much larger component of its GDP, it appears their plan is to remind competitors of its crucial role in the supply chain.
- Economic data again was sparse due to the government shutdown. But there were a couple of data points produced by non-government organizations that portray an economy that is slowing but still growing and apparently not falling into recession.
- Fed Chair Powell, at a speech delivered to the National Association of Business Economists, sees no real change in the outlook for employment and inflation since the September FOMC. The labor markets remain rather balanced as a low level of layoffs offsets a lower level of hiring in a labor market that has been affected by the more restrictive immigration policies.
- Towards the end of the week markets became a bit concerned about burgeoning loan losses that appear isolated but could be an awakening of long dormant corporate credit quality issues.

MARKET PERFORMANCE

ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	0.45%	7.23%
Municipal Bonds 1-10Y	0.22%	4.60%
U.S. High Yield	0.53%	6.90%
S&P 500	1.71%	14.47%
Russell 2500 (SMID cap)	2.16%	9.29%
MSCI EAFE (International)	0.68%	25.62%
MSCI Emerging Markets	-0.29%	29.05%
MSCI ACWI (Global)	1.21%	18.38%
Crude Oil (NYMEX WTI)	-3.77%	-20.62%
Gold LBMA PM	3.14%	61.92%
60/40 ACWI/Agg Portfolio	0.91%	13.92%

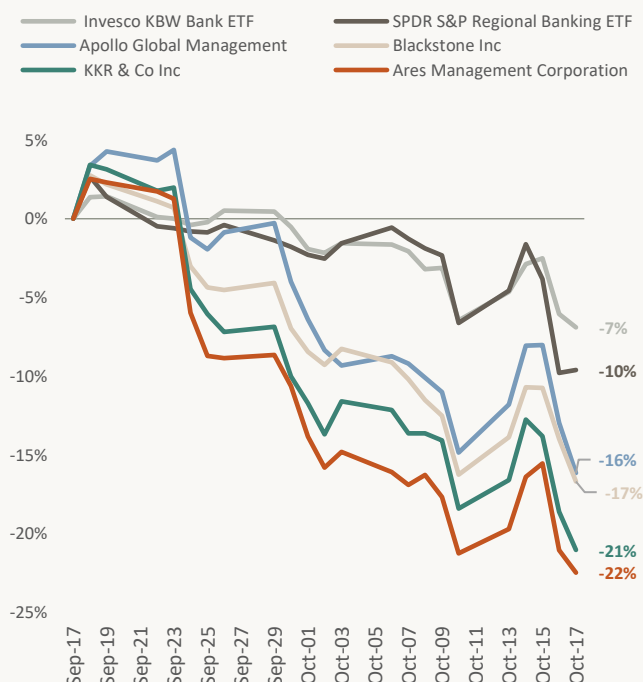
WHAT CAUGHT OUR EYES THIS WEEK

Investors Go Hunting for "Cockroaches"

A pair of auto-industry bankruptcies are causing reverberations in markets. First Brands, an auto parts company, succumbed to its debt load after revelations of sizable off-balance-sheet financing to go along with heavy borrowing from broadly syndicated loan markets. The other collapse came from Tricolor, an auto dealer and subprime lender who borrowed money from banks to make loans, then packaged those loans into asset-backed securities (ABS). In both cases, there are allegations of fraudulent obfuscation of collateral to expand access to short-term financing. Banks, hedge funds, syndicated loan investors, and ABS investors alike have been burned, and investors are now asking whether they represent a more systemic issue of loosening lending standards and haphazard due diligence.

As JPMorgan Chase CEO Jamie Dimon said when discussing his company's exposure to Tricolor: "When you see one cockroach, there are probably more." Most data we see on lending standards, debt loads, and delinquency rates suggests that we aren't dealing with an infestation, but markets are shooting first and asking questions later. Investors have been selling bank stocks on fears that their loan books might not be as strong as they seem and selling stocks of private market asset managers on the assumption that they too would be implicated if the proverbial tide rolls in on credit markets. As of now, we view this reaction as a classic extrapolation of the idiosyncratic to the systemic. Anxiety about lending standards is a reasonable fear, particularly when dealing with opaque privately held companies, but we don't see the First Brands and Tricolor stories as evidence that broader issues are beginning to materialize.

One-Month Price Return



Please see important disclosures and other key information on page 4.

OUR CURRENT OUTLOOK

- > **The U.S. economy is resilient**, but labor markets are showing signs of slowing that could impact consumer spending in the back half of this year.
- > **Uncertainty works both ways.** Companies appear hesitant to embark on new projects but equally hesitant to lay off workers. Recent tariff announcements should help clear some of this confusion.
- > **Our current expectations of a recession in the next 12 months are moderately low.**
- > The One Big Beautiful Bill Act can **offset some of the negative impacts of tariffs on consumers and businesses.**
- > **The Federal Reserve is still looking to cut interest rates.** We expect two cuts this year, starting in September.
- > **We expect S&P 500 profits to grow at mid-single-digits in 2025** and re-accelerate to low double digits by 2026.
- > **AI capital spending, driven by the hyperscalers, should continue to boost the U.S. economy**, fueling productivity gains and infrastructure growth.

IN CASE YOU MISSED IT

INSIGHTS

[“Turning Equity Compensation into a Strategic Asset”](#)

[“Financial Pitfalls for Anglo-American Couples”](#)

[“Fourth Quarter 2025 Economic and Market Outlook”](#)

WEBINARS

[“Recording: Tax Optimization and Thoughtful Wealth Planning for Liquidity Events”](#)

SOCIAL MEDIA

[Certy Partners LinkedIn Page](#)

EQUITIES

S&P 500 Index Level



12M Forward Price to Earnings Ratios



S&P 500 SECTOR	1-WEEK	YTD
Comm. Services	3.6%	24.8%
Real Estate	3.5%	6.0%
Information Technology	2.1%	22.8%
Consumer Staples	2.0%	5.8%
Consumer Discretionary	1.9%	2.9%
Utilities	1.5%	23.5%
Industrials	1.2%	16.4%
Materials	1.1%	7.2%
Energy	1.0%	3.4%
Health Care	0.8%	5.6%
Financials	0.0%	9.2%

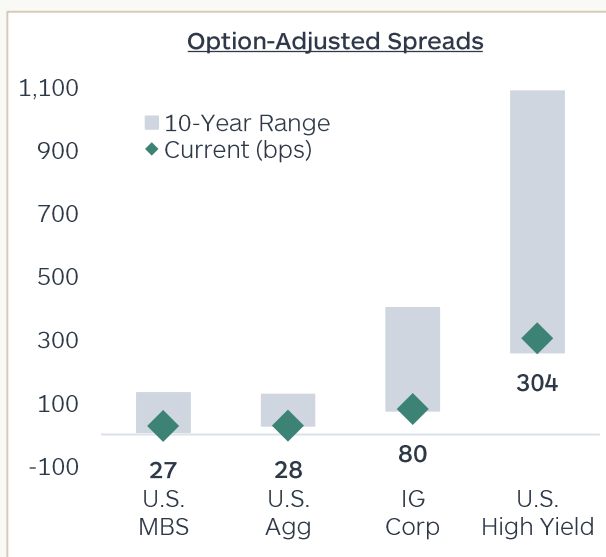
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What's On Our Minds

October 20, 2025

FIXED INCOME

KEY INTEREST RATES	10/17/25	Δ YTD
Municipal Bonds 1-10Y	2.94%	-0.42%
3M T-Bill	3.92%	-0.39%
10Y Treasury Yield	4.00%	-0.57%
Effective Federal Funds Rate	4.11%	-0.22%
U.S. Aggregate	4.23%	-0.67%
30Y Mortgage Rate	6.33%	-0.95%
Prime Rate	7.25%	-0.25%
U.S. High Yield	7.11%	-0.54%



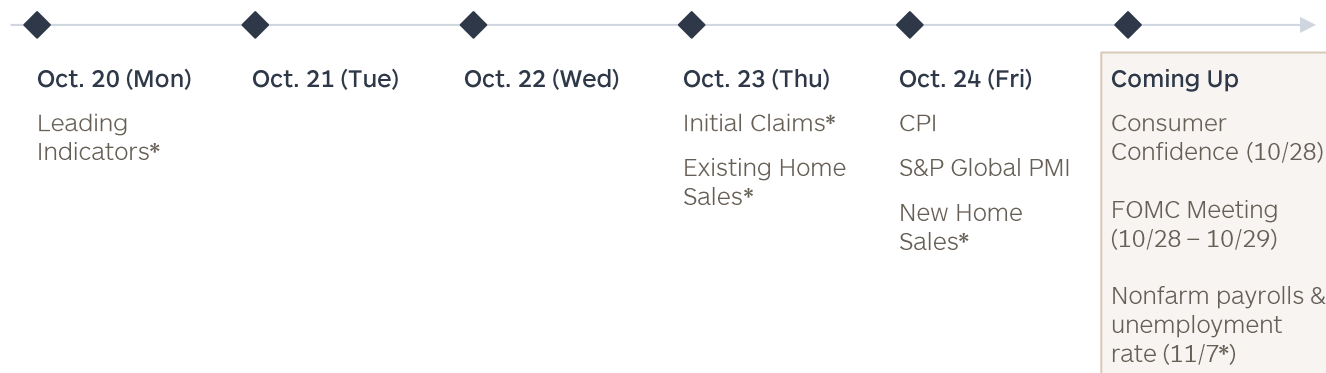
COMMODITIES, CURRENCIES, CRYPTO

Asset Class	10/17/2025
Crude Oil	\$57.50
Gold	\$4,224.75
U.S. Dollar Index	\$98.43
Bitcoin	\$106,675.00

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THE WEEK AHEAD

*Delayed Due to Government Shutdown



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What's On Our Minds

October 20, 2025

ABBREVIATIONS: Agg: Aggregate. EM: Emerging Markets. SOFR: Secured Overnight Financing Rate. MBS: Mortgage-backed securities. IG: Investment Grade.

CHART OF THE WEEK: Cerity Partners, FactSet as of 10/17/2025.

MARKET PERFORMANCE: All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 10/17/25. Underlying indices are in descending order: Bloomberg US Aggregate provided by Bloomberg Capital; Bloomberg Municipal Bond 10 Yr provided by Bloomberg Capital; ICE BofA US High Yield Index provided by Bloomberg Capital; S&P 500; provided by: Standard & Poor's. Index; Russell 2500; provided by: Russell Investments; MSCI Europe, Australasia, and the Far East (EAFE) provided by MSCI net official pricing; MSCI EM provided by MSCI net official pricing; MSCI All Country World Index (ACWI) provided by MSCI net official pricing; Crude Oil (WTI) provided by CME; LBMA Gold Price PM provided by FactSet. The 60/40 ACWI/Agg Portfolio (60% ACWI / 40% AGG) is not a recommendation and is provided for reference purposes only.

EQUITIES: Top Left-hand Chart, S&P 500 Index Level as of 10/17/25 and provided by Standard & Poor's. Bottom Left-hand Chart, Forward Price to Earnings Ratios refers to the price-to-earnings ratio for the forward 12 months, which is a valuation measure applied to respective broad equity indices as of 10/17/25. Large Cap data is proxied with the S&P 500 and provided by FactSet. SMID data is proxied by the Russell 2500 and provided by FactSet. Developed International data is proxied with the MSCI EAFE and provided by FactSet. Emerging Markets data is proxied by the MSCI EM and provided by FactSet. S&P 500 Sector performance table, Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends. 1-Week and Year-to-Date (YTD) returns are as of 10/17/25.

FIXED INCOME: Top Table, Effective Federal Funds Rate provided by FactSet. Composite Municipal Bond Yield provided by FactSet. Bloomberg US Aggregate provided by FactSet. 3-Month Treasury Bill rate provided by FactSet. 10-Year Treasury Yield provided by FactSet. 30-Year Mortgage Rate provided by FactSet. ICE BofA US High Yield Index provided by FactSet. Prime Rate provided by FactSet. Bottom Table, Option Adjusted Spreads as of 10/17/25. Bloomberg US Aggregate Securitized – MBS, Bloomberg US Aggregate, ICE BofA US Corporate, ICE BofA US High Yield data provided by Bloomberg Capital.

COMMODITIES, CURRENCIES, CRYPTO: WTI NYMEX Crude Oil provided by FactSet. Gold is proxied with the LBMA Gold PM and provided by FactSet. Bitcoin is proxied by the Bitcoin (CME) Continuous index and provided by FactSet. U.S Dollar prices are proxied with the U.S. Dollar Index and provided by FactSet.

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