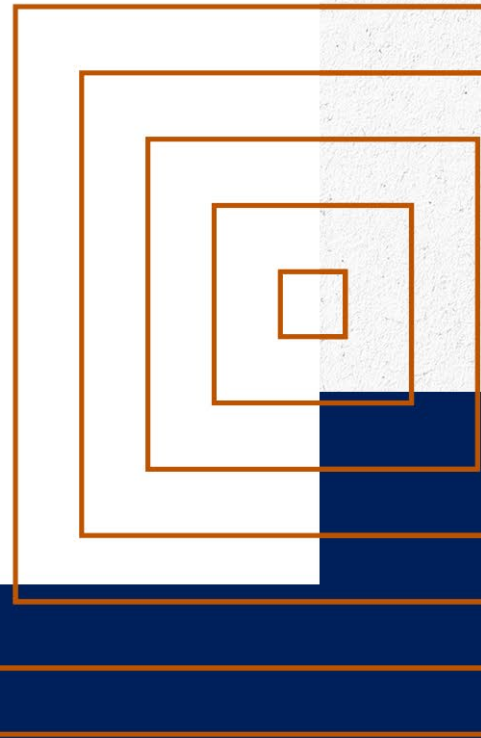


# Market Insight Quarterly

*Third Quarter 2025*

## News & Views from LPL Research

The economic forecasts set forth in the presentation may not develop as predicted. Please note: all return figures are as of September 30, 2025, unless otherwise stated. This information is not intended as authoritative guidance or tax or legal advice. You should consult with your attorney or tax advisor for guidance on your specific situation.



# Market Insight Quarterly

## Q3 2025 at a Glance

Sector	Q3 2025
Gross Domestic Product*	1.7%
S&P 500 Index	8.1%
Bloomberg U.S. Aggregate Bond Index	2.1%
Bloomberg Commodity Index	3.6%

Source: LPL Research, Bloomberg, 09/30/2025

\* Bloomberg consensus as of 09/30/2025

Figures for S&P 500 Index, Bloomberg U.S. Aggregate Bond Index, and Bloomberg Commodities Index are total returns from 06/30/2025 - 09/30/2025 (Q3)

All indexes are unmanaged and cannot be invested into directly. The returns do not reflect fees, sales charges, or expenses. The results don't reflect any particular investment.

Past performance is not indicative of future results.

## Equities Deliver Another Record Setting Quarter

U.S. equities extended year-to-date gains in the third quarter, logging fresh records along the way, with the S&P 500 posting an 8.1% advance, including dividends. The path of least resistance broadly remained up and to the right, with the growth-laden Nasdaq also delivering a strong 11.4% gain — scoring multiple all-time highs of its own — while the Dow Jones Industrial Average added 5.7% and closed the quarter at record levels. Artificial intelligence (AI) enthusiasm continued to drive gains across semiconductor and AI-adjacent names, although quarterly performance among Magnificent Seven names diverged. The Russell 3000, a gauge for total stock market performance, closed 8.2% in positive territory.

The Federal Reserve's (Fed) rate-cutting path was arguably the biggest macro-level theme last quarter, with expectations shifting from a shallower rate-cutting path to widespread forecasts for multiple cuts through year-end. After the July Fed meeting saw two dissents for the first time in decades, markets scrutinized weak labor market data and expectations for a 0.25% rate cut at the September meeting were ultimately fulfilled by Fed Chair Jerome Powell and Company.

Second quarter corporate earnings cruised past estimates, also acting as another tailwind for stocks. Earnings per share (EPS) growth for the S&P 500 arrived at 12.0%, more than doubling expectations at the start of the quarter, bringing the positive earnings growth streak up to eight consecutive quarters. Tariff headwinds on corporate America were a focal point of reports, with many companies flagging tariff pressures. However, mitigation measures were well received by investors.

Fresh trade updates out of Washington remained in focus, with multiple trade partners (including the European Union and Japan) announcing framework deals. Nonetheless, multiple countries faced unilateral tariffs enacted on August 1, while U.S.-China trade talks remained fluid amid an extended pause. Additional market chatter around the nation's capital over the last three months included the legal status of President Trump's tariffs and Fed independence jitters.

### **Small Caps Outperform While Setting First Record in Nearly Four Years**

After closing the second quarter below the year-to-date flatline, U.S. small cap stocks rallied in the third quarter to reverse losses on the year and outpace their large cap counterparts. The Russell 2000 small cap index added 12.4%, including dividends, topping the Russell 1000 large cap index's 8.0% advance by nearly 4.5% as investors turned to the asset class as a likely beneficiary of the resumption of Fed easing. Last quarter also marked the best quarter for the Russell 2000 in almost two years, led by communication services and materials names, with the index logging its first record high since November 2021 in September. Looking forward, in our view, large caps continue to display superior earnings power and may outperform as the economy cools.

### **Growth Names Extended Outperformance**

Growth stocks built on second quarter outperformance in the third quarter as the Russell 1000 Growth Index gained 10.5%, nearly doubling the 5.3% total return of the Russell 1000 Value Index. The AI secular growth theme remained top of mind over the last three months, with optimism around the evolution of AI technology becoming a key part of the market narrative. As a result, the communication services, technology, and materials industry groups outperformed the broader Russell 1000 Growth Index. While sentiment around the space remains positive, scrutiny around “circularity” within the AI ecosystem bubbled up under the surface in response to NVIDIA's (NVDA) \$100 billion investment in OpenAI for data centers announced in late September.

Big tech stocks broadly gained ground, although markets noted some dispersion among Magnificent Seven names, with Tesla (TSLA) and NVDA delivering strong quarterly returns, while shares of Meta (META) and Amazon (AMZN) closed flat. In corporate news, Broadcom (AVGO) and Oracle (ORCL) both announced robust AI-related plans, propelling shares higher.

### **Emerging Markets Kept Its Edge, Developed Rally Cooled**

International and emerging markets (EM) maintained year-to-date outperformance over their domestic peers, while developed international gains slowed. The MSCI EM Index rallied 10.9% in dollars during the quarter, besting the S&P 500's 8.1% return, while the MSCI EAFE Index for developed markets lagged with a 4.9% gain.

EM equities maintained their edge over developed markets, broadly powered by AI tailwinds. South Korea and Taiwan were among standouts, lifted by upbeat AI takeaways from the U.S. earnings season and a positive AI supply chain outlook, while China was lifted by enthusiasm around homegrown technology. At the macro level, the extension of the U.S.-China tariff pause aided sentiment, while continued U.S. dollar weakness also benefited EM. Momentum in developed markets slowed as the European Central Bank (ECB) signaled its rate-cutting cycle may be complete, while political turmoil in France fueled a wave of volatility and quarterly underperformance. Japanese stocks were a bright spot, garnering support from the U.S.-Japan trade deal, tech optimism, and a weaker yen.

### **Treasuries Log Three Straight Quarterly Gains**

Core bond prices gained 2% last quarter, proxied by the Bloomberg U.S. Aggregate Index, notching its third consecutive quarterly gain. Treasury yields faced downside pressure as Fed rate cut bets firmed following several soft labor market indicators, leading the central bank to resume its rate-cutting cycle at the September meeting. Treasury auctions also remained in focus, with a string of weak auctions in August fueling jitters around lackluster demand and investor willingness to finance deficit spending. However, September auctions drew strong demand — most notably for 10-year notes — helping alleviate demand concerns.

After outperforming the broader corporate credit market last quarter, the most credit sensitive sector of the bond market — high-yield corporate bonds — continued to gain ground over the last three months. However, corporate bonds matched their pace, and then some. Based on the Bloomberg High-Yield Index, the sector gained 2.5%, falling just short of the Bloomberg Corporate Bond Index's 2.7% advance during the third quarter. Domestic bond sectors broadly ended higher, while foreign bonds lagged.

### Metals Surged and Crude Oil Stalled

The Bloomberg Commodities Index shrugged off mid-quarter weakness to add 3.7% over the last three months. West Texas Intermediate (WTI) crude oil failed to gain traction, ending just 0.5% above the flatline, as oil prices continued to face downward pressure from OPEC+ production increases and oversupply concerns as non-OPEC+ members continued hiking output — briefly pushing prices below \$57 per barrel. Nonetheless, crude losses were capped, broadly due to additional sanctions on Russian oil imports.

Gold's second quarter breather briefly spilled over into the third quarter before bullion resumed its surge to post a 16.8% quarterly rally. Gold was driven above \$3,800/ounce broadly on the back of expectations for additional Fed easing, as the non-yielding yellow metal historically benefits from lower rate environments. Silver stole the spotlight within the metals complex, printing a 29.2% gain, while U.S. traded copper shed 5.7% after erasing its tariff premium on major exceptions to U.S. levies. Soft commodities rose and grains declined.

*All commodities performance is based on Bloomberg commodity indexes.*

## A Look Ahead

**Economy.** The economic landscape remains dynamic and complex, although some of the economic fog has lifted. Looking ahead, investors should consider the following:

- **Trade Effects.** Delayed effects of trade policy will likely weigh on the economy in the second half, but potentially less than expected. Consumers have taken tariff pressures in stride, and pressure will abate over the coming months. Plus, businesses have mitigated tariff-related margin pressure well.
- **Complexity Remains, Additional Cuts Likely.** The Fed remains challenged with sticky inflation above target levels amid a cooling labor market — plus, leadership changes are around the corner. Nonetheless, we expect lower fed funds rates in the coming quarters as the soft labor market will eventually weaken inflation pressures.
- **Choppy Waters in the Labor Market.** Labor market data arriving softer than originally reported last quarter and helped pave the way for the Fed to resume its rate-cutting cycle. While risks remain, the job market should remain stable enough to skirt recession as long as businesses remain in “low hire-low fire” mode.
- **Non-Recessionary Environment.** Core inflation has shown signs of normalcy. The consumer appears to be on solid footing, and potentially lower rates could help the housing market bottom. Risk assets historically perform well in non-recessionary rate-cutting cycles.

**Stocks.** Big tech names have powered the stock market rally off early April lows. Concerns around elevated valuations, trade, and economic growth linger, and more episodes of market volatility should be expected. Looking ahead, investors should consider the following:

- **Path of Least Resistance.** Policy concerns have eased, and the Fed has resumed cutting rates. The path of least resistance remains higher; however, potential tariff pressures and elevated valuations should not be ignored.

- **Earnings Will Remain a Key Factor.** Second quarter earnings cruised past estimates, albeit over a relatively low bar. Earnings will be key for stocks to continue their meaningful move higher through year-end, as many companies have flagged tariff pressures and mitigation methods. AI capex scrutiny also could be a focal point.
- **Valuations Reflect Substantial Optimism.** The potential for meaningful multiple expansion is likely limited, in our view, as recent valuations reflect a lot of positive news. Bouts of volatility remain on the table, but potential pullbacks are likely to be shallow and bought.
- **Bullish Scenario Still Alive.** On the other hand, the S&P 500 has held an unprecedented sharp and swift “v-shaped” recovery since April, notching multiple all-time highs last quarter. History suggests gains in the second year of Fed easing are healthy, though past performance does not guarantee future results and unusual headwinds linger.

**Bonds.** The bond market remains caught in a tug of war. Through the end of 2025, bond markets may continue to deal with the competing narrative of economic data and deficit spending. Looking ahead, consider the following:

- **A Range-Bound Yield Environment.** Ten-year yields are expected to remain rangebound through year-end. The risks for yields are roughly equal, with potential upside from fiscal deficits and Treasury supply, while downside risks include potential economic data weakening and aggressive Fed easing.
- **Stay Focused on Quality.** While price appreciation for fixed income is likely to be limited, high-quality bonds remain valuable for portfolio protection and potential gains in times of cooling economic growth.
- **Balance Yield and Risk.** Considering the uncertainty surrounding future interest rate movements, benchmark-level exposure to bonds with longer maturities and a higher degree of sensitivity to interest rates is preferred. Intermediate term maturities for five years or less are favored in the current environment.

Please note: All return figures are as of September 30, 2025, unless otherwise stated.

Past performance is not indicative of future results. The economic forecasts set forth in the presentation may not develop as predicted.

U.S. Treasuries may be considered “safe haven” investments but do carry some degree of risk including interest rate, credit, and market risk. They are guaranteed by the U.S. 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.

Third Quarter Performance Overview

Tech Topped the Sector Leaderboard on Continued AI Enthusiasm

S&P 500 sector performance, ranked by third quarter returns\*

Sector	Q3 2025
Technology	13.2%
Communication Services	12.0%
Consumer Discretionary	9.5%
S&P 500	8.1%
Utilities	7.6%
Energy	6.2%
Industrials	4.9%
Healthcare	3.8%
Financials	3.2%
Materials	3.1%
Real Estate	2.6%
Consumer Staples	-2.4%

Small Caps Bounce as Fed Resumes Rate-Cutting Cycle

Domestic and international asset class performance, ranked by third quarter returns\*

Asset Class	Q3 2025
Small Value	12.6%
Small Growth	12.2%
Large Growth	10.5%
Emerging Markets	10.4%
Russell 3000	8.2%
S&P 500	8.1%
Mid Value	6.2%
Large Value	5.3%
Large Foreign	4.2%
Mid Growth	2.8%

Preferreds Rebounded in Q3 While Foreign Bonds Struggled to Gain Traction

Bond market performance, ranked by third quarter returns\*

Sector	Q3 2025
Preferred Stocks	7.7%
EM Debt	3.5%
Munis	2.9%
Investment-Grade Corporates	2.7%
High-Yield Corporates	2.5%
MBS	2.5%
TIPS	2.1%
Bloomberg U.S. Agg	2.1%
Bank Loans	1.7%
High-Yield Munis	1.6%
U.S. Treasuries	1.5%
Foreign Bonds (Hedged)	0.2%
Foreign Bonds (Unhedged)	-1.0%

\*Source: LPL Research, Bloomberg 09/30/2025

All data as of 09/30/2025. All indexes are unmanaged and cannot be invested into directly. All indexes are unmanaged and cannot be invested into directly. The returns do not reflect fees, sales charges, or expenses. The results don't reflect any particular investment. Past performance is no guarantee of future results. The sectors are represented by the 11 S&P 500 Global Industry Classification Standard (GICS) indexes. Asset class returns are represented by the returns of indexes and are not ranked on an annual total return basis. It is not possible to invest directly in an index.

Bond Market Asset Class Indexes: Foreign Bonds (hedged) – Citigroup Non-U.S. World Government Bond Index Hedged for Currency; Preferred Securities – Merrill Lynch Preferred Stock Hybrid Securities Index; Treasury – Bloomberg U.S. Treasury Index; Mortgage-Backed Securities – Bloomberg U.S. MBS Index; Investment-Grade Corporate – Bloomberg U.S. Corporate Bond Index; Municipal – Bloomberg Municipal Bond Index; Municipal High-Yield – Bloomberg Municipal High Yield Index; TIPS – Bloomberg Treasury Inflation-Protected Securities Index; Bank Loans – Bloomberg U.S. High Yield Loan Index; High-Yield – Bloomberg U.S. Corporate High Yield Index; Emerging Market Debt – Bloomberg Emerging Markets USD Aggregate Total Return Index Unhedged; Foreign Bonds (unhedged) – Citigroup Non-U.S. World Government Bond Index (unhedged).

## Important Disclosures

Investing involves risks including possible loss of principal. No investment strategy or risk management technique can guarantee return or eliminate risk in all market environments.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual security. To determine which investment(s) may be appropriate for you, consult your financial professional prior to investing. The economic forecasts set forth in this material may not develop as predicted. All performance referenced is historical and is no guarantee of future results.

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Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments, and exports less imports that occur within a defined territory.

Yield is the income return on an investment. This refers to the interest or dividends received from a security and are usually expressed annually as a percentage based on the investment's cost its current market value or its face value.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share is generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio.

Small cap is a term used to classify companies with a relatively small market capitalization. The definition of small cap can vary, but it is generally a company with a market capitalization of between \$300 million and \$2 billion. The prices of small cap stocks are generally more volatile than large cap stocks.

The S&P 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 Bloomberg Global Aggregate Index measures the performance of global investment grade debt. The index includes treasury, corporate, and securitized fixed-rate bonds. Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal and potential illiquidity of the investment in a falling market. 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. 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 Russell 1000 Index consists of the 1,000 largest securities in the Russell 3000 Index, which represents approximately 90% of the total market capitalization of the Russell 3000 Index. It is a large-cap, market-oriented index and is highly correlated with the S&P 500 Index. 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 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.

Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets as well as weather, geopolitical events, and regulatory developments. The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

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Tracking #807931 | #807934 (Exp. 10/26)