

CAPTRUST Market Update October 2025

Mike Vogelzang: Have you ever pedaled a bike up a long incline, to the top of a mountain, say? After a grueling, sweaty, huff-n-puff, you crest and head downhill – and your world changes.

First, you catch your breath and your heart rate comes down. Then gravity kicks in – and suddenly, you're flying. The wind in your face, the blurred scenery, the world rushes by – with almost no effort.

This downhill rush is a lot like what investors are feeling in the markets today.

The U.S. economy is strong - resilient and powerful. Job growth may have slowed, but companies aren't firing many folks. As a result, employment is stable. Lower income households, of course, feel the pressure of high prices, but overall U.S. consumer spending remains strong – a major driver of economic growth.

Corporate profitability has also surpassed expectations. This year companies grew revenue and profits despite tariff threats, and these profits give companies the confidence **and** the cash to continue reinvesting in the future. For example, the largest tech companies – the Mag-7 – fund their massive capital spending – the build out for AI– from the strongest cash flows we've ever seen.

So for now, economic growth looks sustainable, and the road ahead all-clear for a smooth downhill coast.

And then, we had the curious Federal Reserve decision in September to cut interest rates. Unusual for sure, given the strong economic fundamentals. We believe political and market pressures mostly drove the decision, rather than an economy truly in need of a tune up. Regardless, the cuts were widely celebrated by the markets and investors.

Lower rates and the expectation for more cuts on the horizon have eased the brakes even further, and accelerated the pace of market gains. The third quarter saw global equity prices climb almost 8 percent, reaching new all-time highs.

That's a total of almost \$9 TRILLION of new wealth created for investors, in just three months.

And finally, as we head into year-end, there's another tailwind building, in the form of tax relief. The fiscal package passed this summer is far more than an extension of previous tax cuts. There are tax incentives for business investment in R&D, domestic production, and a whole range of benefits for households. The idea of larger refunds and paychecks down the road should give consumers the confidence to spend a bit more freely this holiday season.

Put it all together, and investors are enjoying a thrill-ride. This market momentum is exciting — but it's also exactly what should keep investors on alert. Because when you're racing ahead on smooth pavement, it can be tempting to take your hands off the handlebars, just for a bit. After all, what could go wrong?

Anyone who's flown down a mountain on a bike knows that the higher your speed, the lower your margin of error. Even a small wobble can become unrecoverable at high speeds.

Likewise, after three years of strong returns, stock prices reflect the strong environment. Expectations are extremely high and rising further. Assets are priced nearly to perfection, in a world, as we know, that's far from perfect.

This means that even small bumps — a geopolitical flare-up, disappointing inflation or jobs data... Even signs that the hundreds of billions of dollars of AI investments that companies have made aren't paying off fast enough. These are all things that could rattle markets.

So, what should investors do?

Exactly what every experienced cyclist does on a downhill stretch: keep your balance, hands on the bars, eyes forward, and don't oversteer.

Remember, your goal is not to get to the bottom of the hill first. It's to stay upright no matter the conditions — whether potholes, blind curves, or cars pulling into your path — and a hundred other surprises.

Obstacles will present themselves in this economy, no doubt. It's how you react that determines whether you stay on the bike or end up in the ditch.

For most investors, that means staying close to your long-term target allocation. Don't chase what's been working lately. Rebalance if needed, stay diversified, and let time — not market timing — do the work.

So, by all means, enjoy the ride — but keep both hands on the handlebars. Your future self — and your portfolio — will be grateful.

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