



# Q4 2025

# Quarterly Outlook

# Newsletter



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Uncertainty has always been the price of admission for investing. Yet for many, that price feels particularly steep today. Long-standing economic norms are being tested, political and geopolitical tensions are shifting, and inflation remains stubbornly elevated. Even as markets continue to show resilience, the breadth of possible outcomes has widened, leaving investors uneasy and unsure about the road ahead.

What history reminds us, however, is that risk is never absent. Markets constantly evolve, and while today's environment may feel especially fragile, enduring portfolios are not built in reaction to headlines. Rather, they are constructed through consistent discipline, thoughtful diversification, and the ability to look past short-term noise in pursuit of long-term opportunity.

## A Market on the Move

Since the lows reached in April, equity markets have staged an extraordinary rebound, with the S&P 500 surging more than 30% to reach new record highs. This momentum has been powered by several key factors: enthusiasm surrounding artificial intelligence, corporate earnings that continue to surprise on the upside, and a consumer base that, despite ongoing challenges, has managed to keep spending intact.

While such performance has fueled optimism and lifted equity valuations, it would be a mistake to interpret rising stock prices as evidence that risk has disappeared. Investor sentiment can shift quickly, and the same enthusiasm that supports today's rally could just as easily give way to caution tomorrow.

## The Illusion of Market Leadership

A defining feature of the current rally is its reliance on a remarkably narrow group of companies, most notably the Big Tech giants driving the artificial intelligence boom. Years of outsized gains have propelled the ten largest companies in the S&P 500 to command almost 40% of the index. Nearly all now boast valuations above \$1 trillion, and together they contributed an outsized 57% of the index's 14% return in the first nine months of 2025. Yet beneath this dominance lies a more complicated picture: only one—Broadcom—ranked

**Top 10 Stocks in S&P 500:  
Contribution to Year-to-Date Price Return**

Company	Market Cap	% Contribution	YTD Rank
Nvidia (NVDA)	\$4.5T	17.6%	51
Microsoft (MSFT)	\$3.9T	10.8%	112
Apple (AAPL)	\$3.8T	0.9%	298
Alphabet (GOOGL)	\$2.9T	4.9%	84
Amazon (AMZN)	\$2.3T	0.4%	311
Facebook (META)	\$1.8T	5.3%	103
Broadcom (AVGO)	\$1.6T	7.0%	39
Tesla (TSLA)	\$1.5T	1.7%	213
Berkshire Hathaway (BRK.B)	\$1.1T	1.3%	205
JPMorgan Chase (JPM)	\$867.4mm	3.4%	72
<b>TOTAL</b>		<b>57.0%</b>	

Source: Strategas Research Partners, Bloomberg

among the Top 50 performers this year, while most of the others failed to crack the Top 100.

There is no denying that large tech stocks are high-quality businesses, and their recent success has been largely justified. But they are far from the only game in town. Other sectors, including healthcare, industrials, and financials, continue to present compelling opportunities for long-term growth. Even utilities, long regarded as one of the market's dullest corners and representing just over 2% of the index, deserve renewed attention as they stand to play a critical role in supporting the infrastructure required for the AI buildout.

History consistently reminds us that market leadership does not remain in the same hands forever. Concentrating in a small set of stocks may feel rewarding while momentum runs in their favor, but it also heightens risk should sentiment shift. Maintaining diversification allows investors to participate in today's winners while ensuring they are also positioned to capture tomorrow's opportunities.

### Beyond Equities: Bonds and Alternatives

Equities dominate headlines, but bonds have quietly been a success story this year, posting returns of roughly 6% year-to-date. High quality fixed income remains a stabilizing force in balanced portfolios, offering reliable income and ballast during bouts of volatility. Shorter-term bonds (e.g., those maturing within five years) offer attractive yields while reducing the risk of price swings if long-term interest rates rise.

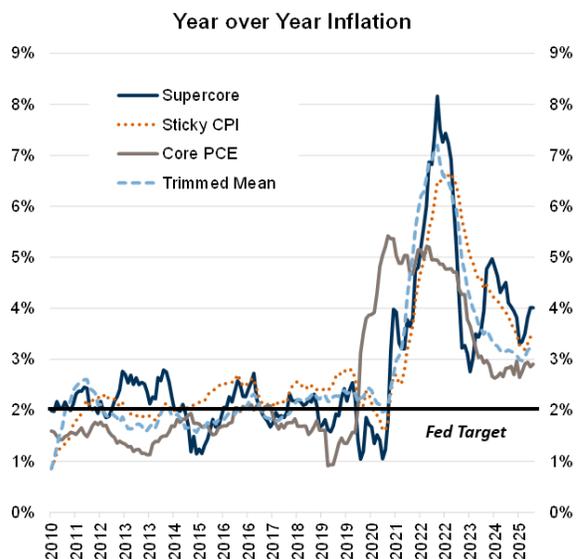
Municipal bonds, which faced pressure earlier in the year due to heavy issuance and questions about tax treatment, now present renewed opportunities—particularly for those in higher tax brackets.

Alternatives also merit attention. While not suitable for every investor, these strategies can offer additional yield or excess return opportunities for those with the right horizon and risk tolerance. Alternatives bring unique risks and less liquidity, but when thoughtfully allocated, they can add meaningful diversification and downside protection to one's portfolio.

### The Fed's Tightrope Walk

Looking ahead to the fourth quarter, the Federal Reserve remains at the center of the narrative. Policymakers are delicately balancing their dual mandate, which tasks them with maintaining stable prices while supporting full employment. Following a 25-basis-point rate cut in September, the path forward remains highly debated within the Fed.

Although inflation data have come in better than many feared earlier this year, there is reason for caution. Companies that stocked up on inventory ahead of tariffs temporarily insulated themselves from higher costs, but



Source: Bureau of Labor Statistics. As of 7/2025

questions linger about what happens when those inventories run out. Should restocking occur at higher prices, inflationary pressures could reemerge rather than fade.

The labor market adds another layer of complexity. Layoffs are not surging, but demand for new hires has clearly softened, creating what might be described as a “no hire, no fire” environment. Job seekers are encountering fewer opportunities, even as companies hesitate to cut staff.

This backdrop complicates monetary policy. Moving too aggressively risks unmooring inflation expectations, while standing still could put further strain on the labor market. Fed Chair Jerome Powell has been clear: there is no risk-free path. With political pressure mounting, including speculation about Powell’s successor when his term ends next May, the Fed’s independence and credibility are likely to remain top of mind in the months ahead.



### Economic Resilience and Consumer Health

Despite policy uncertainty, consumer spending has remained remarkably resilient, helping to support growth and ease recession concerns. Still, vulnerabilities are emerging. Persistent inflation and a cooling job market are pressuring households, while rising delinquency rates suggest that some families are stretching their finances to sustain consumption. Should these trends deepen, consumer confidence could wane, undermining one of the economy’s most important pillars.

On the corporate side, earnings have thus far held up better than many expected, with companies demonstrating adaptability in managing costs and navigating uncertainty.

Fiscal policy has also provided support, offering a cushion when confidence might otherwise falter. Yet, earnings resilience is not guaranteed. Margins could come under pressure from higher input costs, leaving corporate results more vulnerable in the months ahead.

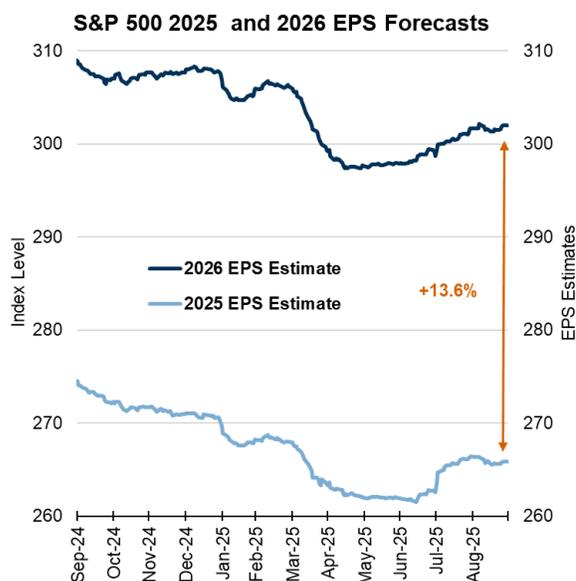
### Staying the Course

The past several months have underscored just how quickly conditions can shift. From steep declines in April to record-setting highs by late summer, the pendulum of investor sentiment has swung sharply in a short period of time. Through it all, it remains clear that uncertainty and risk are always present, but so too are the benefits of diversification and disciplined investing.

Excitement around artificial intelligence, strong corporate earnings and steady (if fragile) consumer spending all provide reasons for optimism. At the same time, stubborn inflation, an uneven labor market, and a Federal Reserve under pressure remind us that challenges remain.

For investors, the best course of action is the one that has stood the test of time: sticking with diversification, managing risks prudently, and maintaining a long-term perspective. Chasing market trends or allowing fear to dictate decisions often proves costly. By staying disciplined, investors can navigate periods of volatility while remaining positioned to take advantage of opportunities as they arise.

Should you have any questions about how your portfolio is positioned or how ongoing developments may affect your financial goals, please do not hesitate to reach out to your financial advisor. And as always, tune in to our [Weekly Market Update](#) for timely insights on market movements and what they mean for you.



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Or if you would like to discuss further, contact us today. We'd love to help!



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