WEEKLY ECONOMIC UPDATE OCT. 27, 2025

Stocks rose last week thanks to a full slate of upbeat third-quarter corporate results and mild inflation data, which helped soften concerns over trade tensions with China.

The Standard & Poor's 500 Index gained 1.92 percent, while the Nasdaq Composite Index rose 2.31 percent. The Dow Jones Industrial Average advanced 2.20 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, rose 1.24 percent.[1,2]

S&P, Dow Set New Highs on Friday

Stocks rose out of the gate as optimism returned to markets. Strength in the tech sector—and whispers of an imminent end to the government shutdown—pushed all three market averages higher.[3]

But the strong start turned mixed as some pressure on megacap tech stocks pulled down the Nasdaq. But while tech stocks regrouped, attention shifted to the Dow Industrials, which hit a record intraday high of 47,000 and a record close.[4]

Sentiment soured midweek as weaker-than-expected earnings results from two megacap tech companies dragged down technology names. Markets came under further pressure following news that the administration was considering restrictions on U.S.-made software exported to China. The S&P, Dow, and Nasdaq all closed lower on Wednesday.[5]

But the mood brightened Thursday as more megacap tech companies announced strong Q3 results, and as the White House confirmed a scheduled meeting with China.

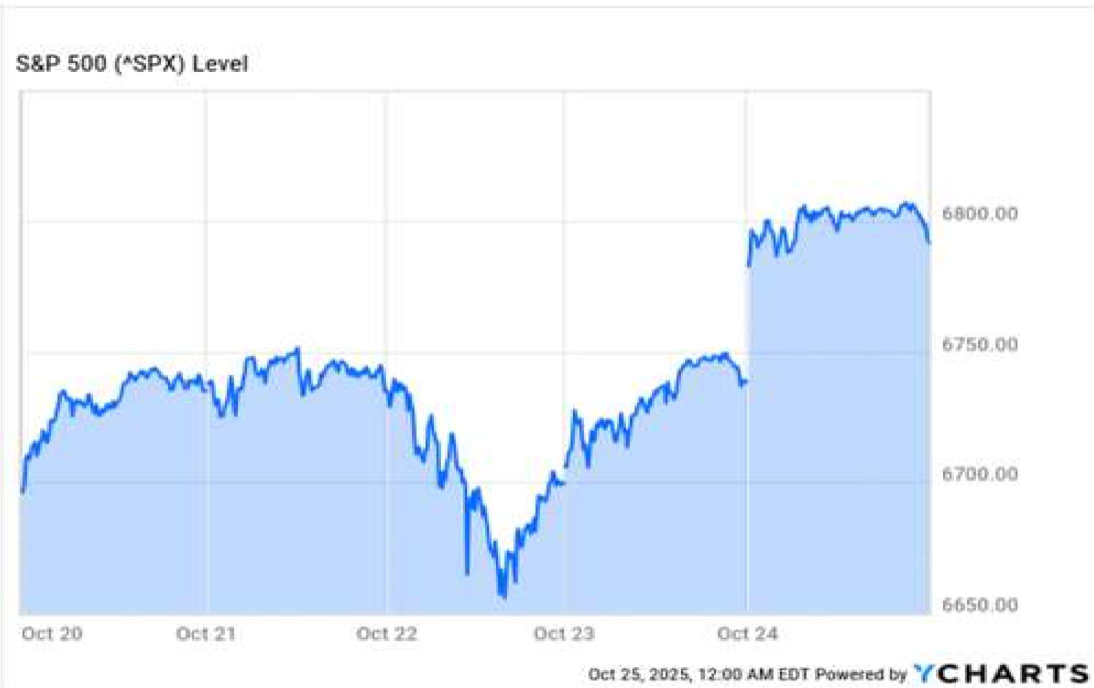
News on Friday that inflation rose more slowly than expected boosted all three averages. The S&P 500 and Dow Industrials hit all-time intraday and closing highs.[6]

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
MSCI EAFE	1.67%	27.44%	22.90%	73.54%
Nasdaq Composite	1.65%	19.41%	26.37%	106.2%
S&P 500	1.30%	15.76%	17.74%	109.5%
Dow Jones Industrial Average	1.02%	11.35%	11.80%	81.74%

S&P 500 Daily Close



10-Year Note Review

Indicator Name Date	Latest Value	1M Ago 3M Ago 1Y Ago	1M Change 3M Change 1Y Change
10 Year Treasury Rate 10/24/25	4.02%	4.16% 4.43% 4.21%	-3.37% -9.26% -4.51%

Inflation Eases

The Consumer Price Index report, delayed due to the government shutdown, showed prices rose by 3.0 percent in September on an annualized basis, slightly cooler than the 3.1 percent forecast.

This news paved the way for the Fed to stick with its penciled-in rate cut at its two-day meeting, which ends on October 29.

In addition to the upbeat inflation news, Q3 corporate earnings–one of the key drivers of stock prices–have been beating expectations 80% of the time as of Friday.[7]

This Week: Key Economic Data

Monday: Durable Goods.

Tuesday: Case-Shiller Home Price Index. Consumer Confidence.

Wednesday: Trade Balance in Goods. Retail & Wholesale Inventories. Pending Home Sales. Federal Open Market Committee meeting, Day 2. Fed Interest Rate Decision. Fed Chair Press Conference.

Thursday: Gross Domestic Product (GDP). Weekly Jobless Claims. Fed Official Michelle Bowman speaks.

Friday: Personal Consumption & Expenditures (PCE) Index. Dallas Fed President Logan, Cleveland Fed President Hammack, and Atlantic Fed President Bostic speak.

"When you let me take, I'm grateful. When you let me give, I'm blessed"

– Leonard Nimoy

Of Note

Over the past several years we've watched the S&P 500's performance become increasingly tethered to a handful of Mega-cap technology companies. Most broad market indices are market-capitalization weighted, so when a few enormous firms surge – as they have during this ongoing Artificial Intelligence boom – they pull the entire index higher.

Over the past three years the market cap weighted S&P 500 (SPY) has returned roughly 70.9%, while the equal-weight S&P 500 (EQL) returned 49.4%. This sprawling gap underscores how much investors have been rewarded for crowding into the largest names.

The S&P 500, by many measures, is now as concentrated as ever, meaning investors are effectively betting on a subset of eight (ish) businesses. This subset of companies, once relatively independent, are now all competing in AI, concentrating risk.

History shows that the companies that lead the market up tend to lead the market down. In the most recent three periods of concentration, it was:

1. Tech bubble in 2000 with Software and Internet Infrastructure
2. In 2008, it was Financials and Energy and

3. Now we again have Tech and AI related companies making up a significant part of the index

And when leadership changes (as it has throughout time), the downfall may be exacerbated by the fact that these leaders are now so concentrated in a single theme.

The leaders driving the market up have also led it on the way down during recent pullbacks. During the broad market correction in 2022, the equal-weight S&P 500 fell a tolerable 10.6% while the traditional, market-cap weighted index slumped 18.2%. In other words, spreading exposure evenly across sectors cut the drawdown almost in half. The 2022 selloff was one of the few prolonged downturns since the pandemic and highlighted how diversification can help protect investors when the biggest stocks stumble, even when bonds themselves offered little help.

A similar pattern played out in the early months of 2025. As tariffs and macro concerns sparked volatility, the S&P 500 fell 15% from the beginning of the year while an equal-weight sector basket fell just 10%. Both foreign stocks and bonds had positive returns in the first quarter. Foreign stocks and bonds, long beleaguered diversifiers, also significantly outperformed. The weak relative performers were a near perfect inverse of those that led it on the way up.

Although the market has since rebounded and investors seemingly believe that tariffs will have little economic impact, these sell-offs are proof that diversification can work when markets are stressed.

History has shown that index concentration is a function of enduring bull markets such as what we have observed for much of the last 15 years or more. It has also shown that investors can pay a hefty penalty for concentration when those bull markets stall out, showcasing the true value of diversification. When the largest stocks falter, they tend to drag market cap indices with them, while the average stock, sector or alternative markets can still deliver positive or relatively stronger returns, helping to smooth the ride for investors. Markets rarely move in a straight line, and regimes dominated by a small group of winners eventually give way to periods where breadth matters again.

Now may be the time to reconsider whether your portfolio is diversified sufficiently to withstand a shift in market leadership. Markets driven by a small group of stocks can deliver impressive returns – until they don't. With valuations elevated and macro risks rising, a defensive, diversified approach isn't just prudent; it may be essential.[8]

Footnotes and Sources

1. WSJ.com, October 24, 2025
2. Investing.com, October 24, 2025
3. CNBC.com, October 20, 2025
4. CNBC.com, October 21, 2025
5. CNBC.com, October 22, 2025
6. WSJ.com, October 24, 2025
7. WSJ.com, October 24, 2025
8. advisorperspectives.com/commentaries/2025/09/09/when-8-stocks-drive-market-what-happens-when-fall?topic=alternative-investments

Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost.

The forecasts or forward-looking statements are based on assumptions, may not materialize, and are subject to revision without notice.
The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results.

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. The Nasdaq Composite is an index of the common stocks and similar securities listed on the Nasdaq stock market and considered a broad indicator of the performance of stocks of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

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Please consult your financial professional for additional information.