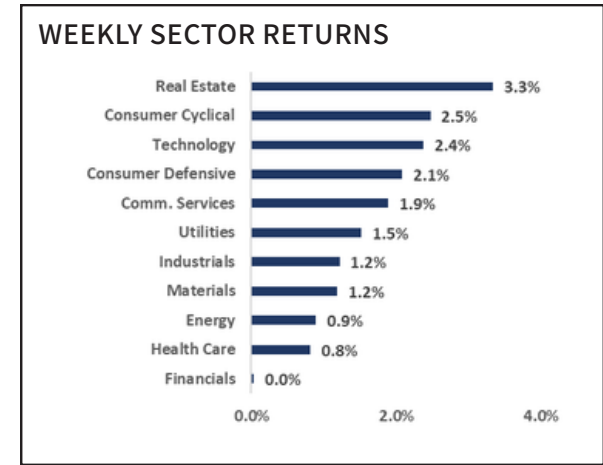
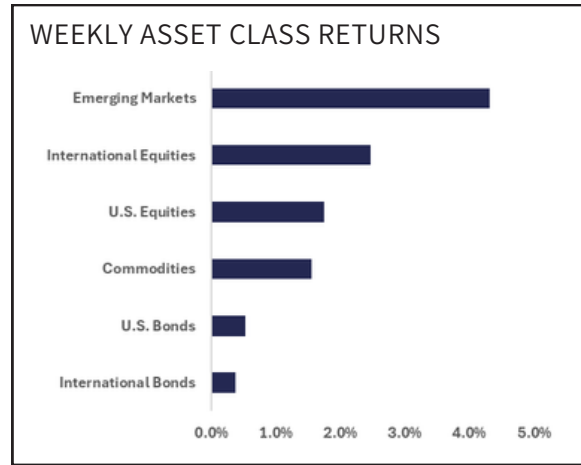


Weekly Market Narrative

WEEK ENDING October 17, 2025

Volatility surged this week amid fears of an AI bubble and concerns about credit issues at certain regional banks and private lenders. Nonetheless, markets ended the week on a positive note as strong bank earnings alleviated worries about an economic slowdown. International markets outperformed, led by emerging markets, while falling yields boosted bonds, real estate, and cyclical sectors. Financials, however, underperformed due to credit-specific concerns noted.



NARRATIVE OVERVIEW

Equity market volatility rose to the highest levels since the April “liberation day” episodic selloff as concerns about the quality of private credit emerged following bankruptcy announcements from First Brands and Tricolor. These worries were further worsened when regional banks Zions and Western Alliance reported credit exposure related to fraudulent activity. While these individual events triggered a sharp sell-off among regional banks, which fell nearly 4% and weighed down the financials sector, the overall bank index increased by over 1% due to strong Q3 earnings from several of the nation's largest banks, and also eased broader macroeconomic concerns and limited contagion risks. To be sure, earnings took on greater relevance due to the government shutdown and the lack of official data. Still, several surveys were released that provide perspectives on the economy.

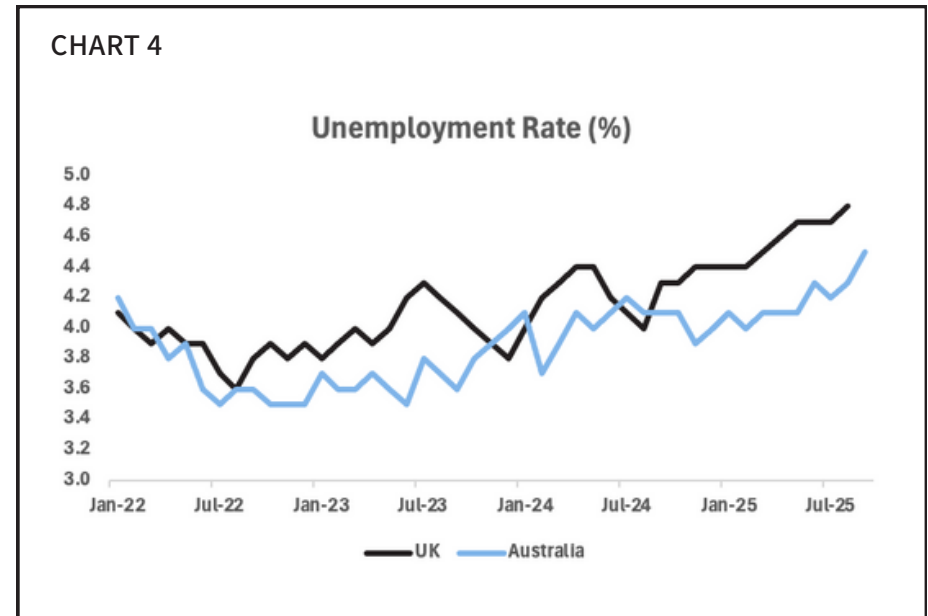
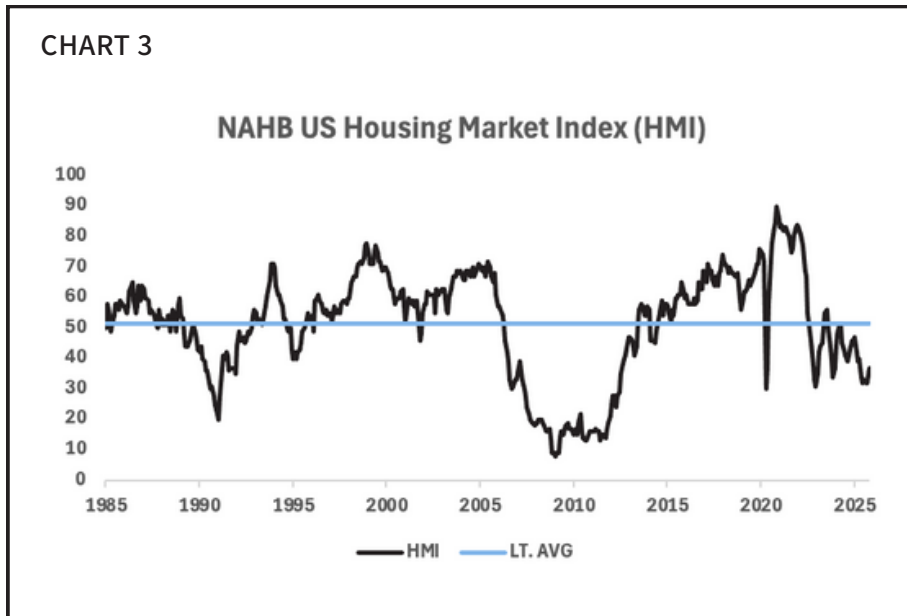
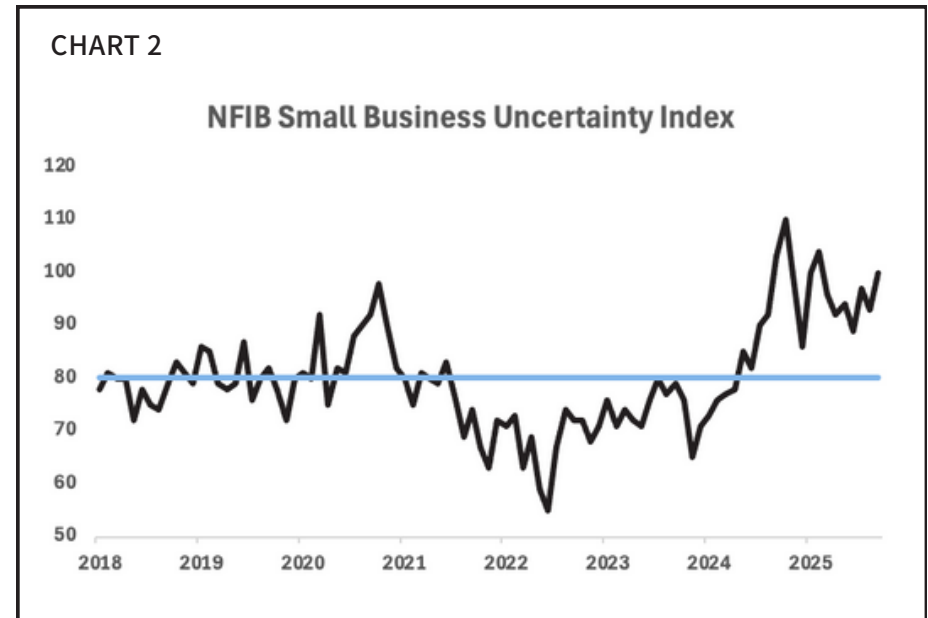
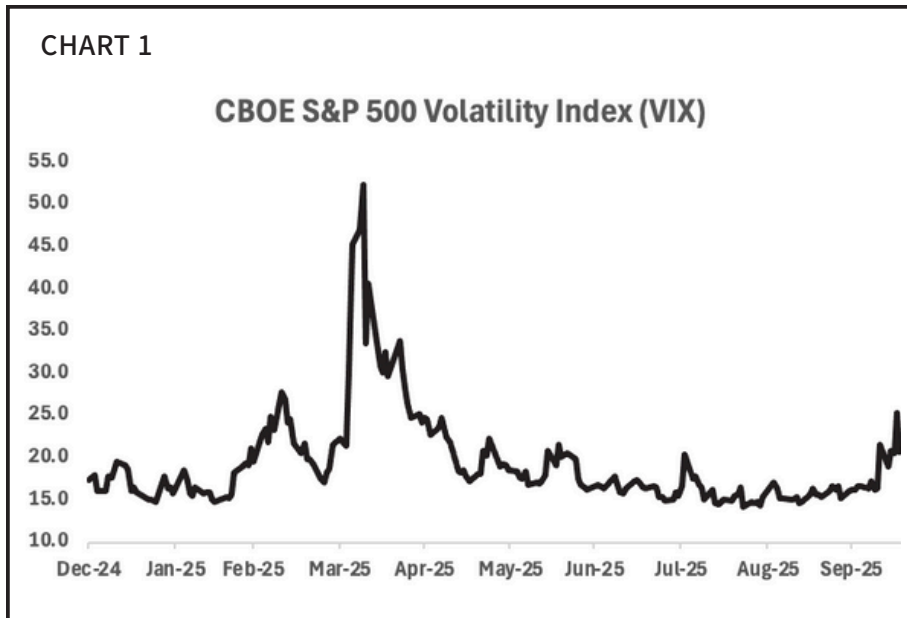
The NFIB Small Business Optimism Index declined for the first time in three months, dropping from 100.8 to 98.8. Small businesses are reporting increased uncertainty, likely due to tariff and trade issues affecting supply chains and rising inflation.

Interestingly, while small businesses expect earnings to remain healthy, the uncertain policy and inflation environment have made them cautious. This caution results in less business conviction, which is concerning since about half of U.S. jobs are provided by small businesses and may contribute to weakening labor demand. While small businesses are cautious, home builders showed slightly more optimism. The NAHB US Housing Market Index rose by five points to 37, driven by broad improvements in prospective buyer activity, as well as present and expected sales conditions. The recent drop in 30-year mortgage rates is supporting sentiment; however, the index remains well below its long-term average of 51, highlighting the ongoing challenges facing prospective buyers.

In a speech this week, Federal Reserve Chairman Powell indicated that his outlook hasn't changed much and suggested further interest rate cuts are possible. The most notable update was the indication that the Fed's quantitative tightening (QT) program, the passive reduction of Treasury and mortgage holdings, may be ending soon to ensure the proper functioning of the lending market. The end of QT would be positive for liquidity, and, along with potential rate cuts, should generally support economic conditions.

However, the situation is currently complicated by the government shutdown. Consensus estimates put the economic cost of the shutdown at around 0.1 to 0.2 percentage points per week. Typically, activity lost during a shutdown is temporary, as furloughed government workers receive back pay and operations resume. However, the longer the shutdown continues, the more frictional activity is lost and the more damaging its cumulative effects become.

Internationally, the UK labor market cooled more than expected in August, as the economy added fewer jobs than anticipated and the unemployment rate rose to 4.8% from 4.7%, increasing the likelihood of a BoE rate cut. Similarly, Australia's employment growth was weaker than forecast, with the unemployment rate jumping to 4.5% from 4.3%, prompting expectations that the RBA will continue to ease policy to support its slowing economy. Meanwhile, Chinese trade data exceeded expectations, with exports rising 8.3% year-over-year. Although exports to the US slowed considerably, they increased in other regions, such as ASEAN nations (+15.6% y/y) and the EU (+14.2% y/y).



Equities	1 Week	QTD	YTD	1 Year	3 Year	P/E	P/B	Div Yield
U.S. Large Cap	1.74%	-0.27%	14.35%	15.47%	88.76%	34.8	11.9	1.1%
U.S. Small Cap	2.36%	0.60%	11.03%	8.82%	47.04%	28.5	5.1	1.0%
U.S. LC Growth	1.67%	-0.28%	16.67%	23.18%	122.85%	42.5	17.5	0.4%
U.S. LC Value	1.70%	-0.37%	11.01%	6.94%	52.82%	25.8	4.7	1.7%
International	2.46%	1.22%	27.15%	19.74%	78.94%	24.0	4.4	2.7%
Emerging Markets	4.31%	1.46%	30.79%	22.33%	66.17%	22.6	4.5	2.2%
Technology 100	2.45%	0.59%	18.57%	23.59%	128.50%	40.5	14.3	0.5%

Fixed Income	1 Week	QTD	YTD	1 Year	Yield
U.S. Bonds	0.53%	1.04%	7.29%	5.54%	3.8%
U.S. High Yield	0.94%	-0.07%	7.39%	7.75%	6.8%
U.S. Muni Bonds	0.53%	1.15%	3.26%	2.78%	3.1%
Int'l Agg. Bonds	0.37%	0.90%	3.55%	3.98%	4.1%
EM Local Bond	0.99%	0.55%	14.18%	10.21%	5.3%

Key Rates	10/17/2025	10/10/2025	9/30/2025	12/31/2024	10/17/2024
2 Year Treasury Rate	3.46%	3.52%	3.60%	4.25%	3.96%
10 Year Treasury Rate	4.02%	4.05%	4.16%	4.58%	4.09%
30 Year Treasury Rate	4.60%	4.63%	4.73%	4.78%	4.39%
30 Year Mortgage Rate	6.27%	6.30%	6.30%	6.85%	6.44%
Federal Funds Effective Rate	4.11%	4.10%	4.09%	4.33%	4.83%

Commodities/Alternatives	Level	1 Week	3 Month	YTD	1 Year
Gold Index	388.99	5.38%	26.46%	60.65%	56.45%
Copper Price	751.61	0.86%	9.74%	21.62%	11.85%
US Dollar Index	98.54	-0.32%	0.05%	-9.16%	-5.07%
Bitcoin	108,076.73	-11.19%	-8.99%	16.68%	59.76%
Global REIT	25.62	3.31%	3.60%	6.88%	-2.66%
Global Infrastructure	70.65	1.70%	5.70%	19.40%	12.96%
Bloomberg Commodities Index	263.93	1.54%	2.17%	10.61%	12.12%

THE WEEK AHEAD

10.20.2025 - 10.24.2025

MONDAY	N/A
TUESDAY	Fed Waller Speech
WEDNESDAY	Mortgage Applications
THURSDAY	Weekly Jobless Claims
FRIDAY	Inflation (Sept.)

Source: YCharts, TradingView, St. Louis Federal Reserve Economic Data (FRED), Statista, LSEG, Trident Strategic Partners.

Performance note: Performance associated with the Narrative Overview is based on the following: S&P 500 Index for US stocks, MSCI ACWI Ex-USA for global ex-US, Bloomberg US Aggregate Index for US bonds, Bloomberg Global Aggregate for global bonds, and Bloomberg Commodity Index for commodities. Sectors are based on respective SPDR ETFs. Performance for the asset classes shown in the Weekly Market Diary was proxied by the following: U.S. Large Cap (SPY ETF), U.S. Small Cap (IWM ETF), U.S. Growth (IWF ETF), U.S. Value (IWD ETF), International (EFA ETF), Emerging Markets (EEM ETF), Technology 100 (QQQ ETF), U.S. Bonds (AGG ETF), U.S. High Yield (USHY ETF), Municipal (MUB ETF), International Bonds (IAGG ETF), Emerging Markets Bond (EBND ETF), Gold Index (GLD ETF), Copper Index (S&P GSCI Copper Index), Global REIT (REET ETF), and Global Infrastructure (GII ETF).

Disclosure:

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