

MARKET UPDATE

Q3 2025

The third quarter of 2025 is characterized by continued strength in equity markets, moderating but resilient economic activity and a shift in the Federal Reserve policy toward interest rate cuts. Gross domestic product rebounded notably from lackluster opening quarter, while inflationary pressures showed signs of accelerating. Overall, the economy and the stock market tried to gauge the impact of the tariffs, which created volatility early in the quarter. However, agreements inked with many countries along with some extensions, together with the general resilience of the market, allowed equities to rebound sharply.

U.S. stocks enjoyed robust growth in the third quarter, with each of the major indexes reaching record highs, despite economic tariff policy uncertainty and lingering geopolitical risks. Each of the stock market indexes listed here closed higher in the third quarter compared to the previous three-month period, suggesting a broadening of market strength. The ongoing rally was concentrated in the information technology and communication services sectors, driven by AI and megacap tech stocks, however consumer staples closed the quarter in the red.

In what many believe was the most significant development of the quarter, the Federal Reserve cut the federal funds rate by 25 basis points in September, marking the first rate cut this year. Despite the rate cut, inflationary pressures remained a key concern. The Fed's preferred measure of inflation, the personal consumption expenditures (PCE) price index, increased on an annual basis through August, as did the Consumer Price Index (CPI). Both measures of inflation exceeded the Fed's 2.0%.

While inflation increased, the labor market slowed to a near standstill in the third quarter, which likely contributed to the Fed's decision to cut rates. Job growth slowed significantly, the unemployment rate moved higher, while the number of job openings fell to its lowest level since 2021. Corporate earnings reached new highs in the third quarter. The estimated 12-month earnings growth rate, per FactSet, is projected to be about 7.9%, which would mark the ninth consecutive quarter of earnings growth for S&P 500 companies. Eight of the 11 market sectors are projected to report year-over-year earnings growth, led by information technology, utilities, materials and financials. However, energy and consumer staples are predicted to show earnings declines.

The U.S. economy, as measured by gross domestic product, showed resilience accelerating at an annualized rate of 3.8%, following a 0.6% contraction in the previous quarter. The U.S. real estate market continued to be impacted by relatively high interest rates, low inventory and rising home prices. However, August showed home prices falling and inventory increasing. Mortgage interest rates declined, with Fannie Mae forecasting 30-year fixed mortgage rates to end 2025 and 2026 at 6.4% and 5.9%, respectively.

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Focus Financial

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Market/Index	Close 2024	As of Sept 30	Monthly Change	Quarterly Change	YTD Change
DJIA	42,544.22	46,397.89	1.87%	5.22%	9.06%
Nasdaq	19,310.79	22,660.01	5.61%	11.24%	17.34%
S&P 500	5,881.63	6,688.46	3.53%	7.79%	13.72%
Russell 2000	2,230.16	2,436.48	2.96%	12.02%	9.25%
Global Dow	4,863.01	5,917.39	3.15%	7.22%	21.68%
Fed. Funds	4.25%-4.50%	4.00%-4.25%	-25 bps	-25 bps	-25 bps
10-year Treasuries	4.57%	4.14%	-8 bps	-9 bps	-43 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.



HOW YOU CAN REDUCE THE SURGE IN TEXT SMS PHISHING

Text SMS phishing, or “**smishing**,” has exploded in 2025, exploiting the trust users place in text messages and infiltrating their mobile phones. Attackers are leveraging AI for more convincing lures, dark web tools for mass distribution and new tech like SMS blasters to evade carriers. According to recent reports, incidents have risen by up to 328% year-over-year, with average losses per attack hitting \$800 globally.

1. E-ZPASS TOLL SCAMS TARGET U.S. DRIVERS

In 2025, there was a massive smishing wave hitting U.S. residents, where scammers impersonate toll operators and victims receive urgent texts about unpaid fines with links to bogus sites that steal payment for fraud or laundering.

2. SMS BLASTS CREATE MASS SCAM TEXTS

Cybercriminals are using “SMS blasters” -- devices that mimic cell towers to blast up to 100,000 fraudulent texts per hour directly to nearby phones, bypassing carrier filters. These portable gadgets, enable hyper-local attacks like fake delivery alerts or bank fraud warnings. Per experts, wireless providers are powerless to block them, fueling a 22% rise in smishing incidents in Q3 2024 alone, with trends accelerating every month.

3. FAKE JOB OFFERS AND DATA LEAKS SCAMS

Since January 2025, users have reported a flood of fake job offer smishing texts, leading to malware downloads or credential theft. The broader trends include 76% of businesses faced smishing, a 328% jump, often exploiting leaked personal data and sometimes forcing closure, causing \$86 million+ annually in U.S. consumer losses.

4. GOVERNMENT AND TRAFFIC TICKET RUSES

Phishing texts mimicking government agencies—like warnings of license suspension for unpaid traffic tickets or IRS refunds—have spiked, often from foreign numbers. NordVPN’s August report notes a 250% rise in such smishing globally, with 91% of cyberattacks starting via phishing.

5. AI-ENHANCED SMISHING AND BUSINESS IMPACTS

Cyvent’s 2025 analysis warns of AI-crafted texts that mimic human tones, paired with QR codes “quishing” for stealthy malware delivery. Businesses are hit hardest: 96% reported phishing attempts last year, with smishing causing data breaches and loyalty erosion. SMS click rates are 4-7x higher than email, 8.9-14.5% vs. email 2%.

TRENDS AND STATS DRIVING THE INCREASE

- Volume Explosion: 2025 data shows 250-328% global growth, with 3.5 billion daily spam texts
- Timing: Remote work has caused 80% more threats; AI personalization and SMS blasters make attacks cheaper and harder to filter
- Human Factor: Only 18-34% of people (across all ages) recognize smishing

HOW TO PROTECT YOURSELF

1. Never click links or share codes—verify via apps or calls
2. Enable two factor authentication with your financial services and credit card companies
3. To block the sender:
 - Tap their phone number at the top
 - Tap “info” and scroll down, tap “block caller”
 - Confirm “block contact”
 - Go back and tap “done”
 - Tap “report junk”(Note different cell phone providers may have different menus)

Smishing’s shift has gone from niche to epidemic with many people receiving more than 10 fraudulent smishing texts per week. Stay vigilant and report what you see to help curb the rising tide of SMS smishing.

NEW SENIOR DEDUCTION AVAILABLE AS PART OF OBBBA

Beginning in 2025, seniors can take advantage of a new \$6,000 tax deduction that may help you cover rising costs by potentially allowing more of your income to remain untaxed. The deduction, part of the One Big Beautiful Bill Act (OBBBA) enacted in July 2025, will be available through 2028.

ELIGIBILITY RULES

Taxpayers aged 65 or older by the end of the tax year and have a modified adjusted gross income (MAGI) of less than \$75,000 may claim the \$6,000 above-the-line deduction; the deduction gradually phases out for single filers with a MAGI between \$75,000 and \$175,000 and is eliminated for single filers with a MAGI of \$175,000 or more. Married taxpayers aged 65 or older with a combined MAGI of less than \$150,000 and filing a joint tax return can both claim the deduction for a total of \$12,000. The deduction for joint filers begins to phase out at \$150,000 and is eliminated when their MAGI is over \$250,000.

CLAIMING THE DEDUCTION

The deduction can be stacked on top of the standard deduction. For 2025, the standard deduction amount is \$15,750 for a single individual and \$31,500 for married couples filing jointly. Additionally, individuals aged 65 and older get an additional “bump” in their standard deduction in the form of an extra \$2,000 deduction (\$1,600 per qualifying individual if married filing jointly). Combined this means that in 2025 an

eligible individual can deduct up to \$23,750 (\$6,000 + \$15,750 + \$2,000) while qualified married couples may deduct up to \$46,700 (\$12,000 + \$31,500 + \$3,200). It is an above-the-line deduction, available to taxpayers who itemize and to those who do not itemize. The deduction phases out at a 6% rate of income exceeding the income thresholds.

SOCIAL SECURITY IMPACT

Although this deduction reduces taxable income, it does not change how Social Security benefits are taxed. Benefits remain taxable if the taxpayer’s adjusted gross income, tax-exempt interest income, and half of the taxpayer’s Social Security income exceed \$25,000 (single) or \$32,000 (married filing jointly).

In addition, there were major changes in estate, gift and goods and services taxes that we will cover with you as part of our annual review meetings.

Filing Status	Full deduction available if MAGI below:	Deduction fully phased out once MAGI exceeds:
Married Filing Jointly	\$150,000	\$250,000
All Other Filing Statuses	\$75,000	\$175,000



EYE ON THE QUARTER AHEAD

October begins the last quarter of the year and brings with it plenty of important, potentially-market-moving, information. The jobs report for September is out at the beginning of the month. The employment sector has slowed considerably over the past several months. The first estimate of gross domestic product for the third quarter is out at the end of the month. The economy grew at about 3.3% in the second quarter. The Federal Open Market Committee meets at the end of the month for the second to the last time in 2025. The Committee decided to reduce interest rates in September and indicated that there is a likelihood for at least one more rate reduction before the end of the year.

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LAYTON TEAM NEWS AND EVENTS



We are excited to share that Lauren Jagerson got married on September 13th to James Brauer. Their wedding took place in Minnesota and was a wonderful celebration surrounded by family, friends, and colleagues.

Lauren is grateful for the kind wishes she has received and

is looking forward to this new chapter of life together.

In the coming weeks, you may notice Lauren's new name – **Lauren Brauer** – reflected in future communications and materials.



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