

Economic Update

A Closer Look at Q3 2025 Data

Released: October 2025



RIVERGLADES
A MULTIFAMILY OFFICE

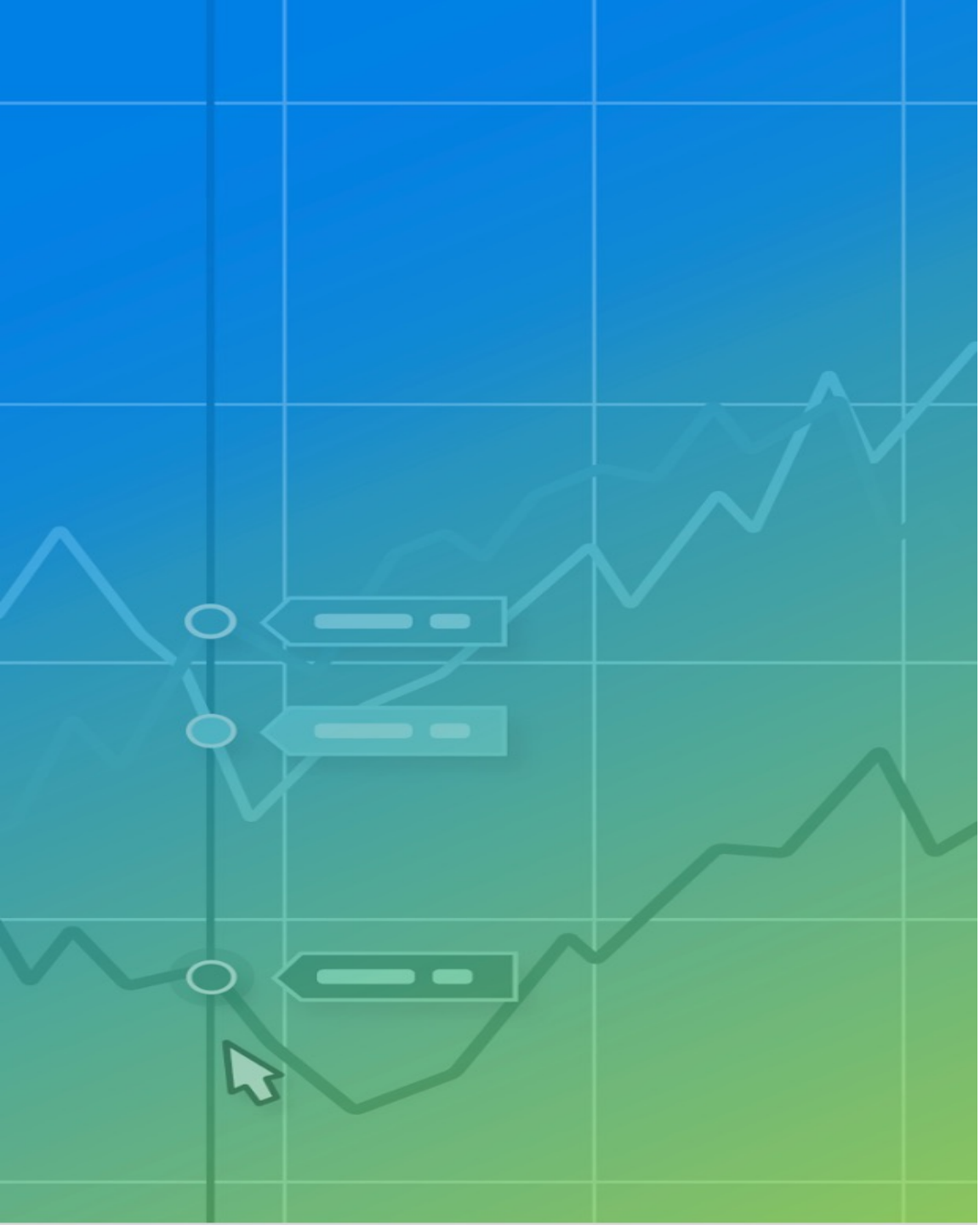


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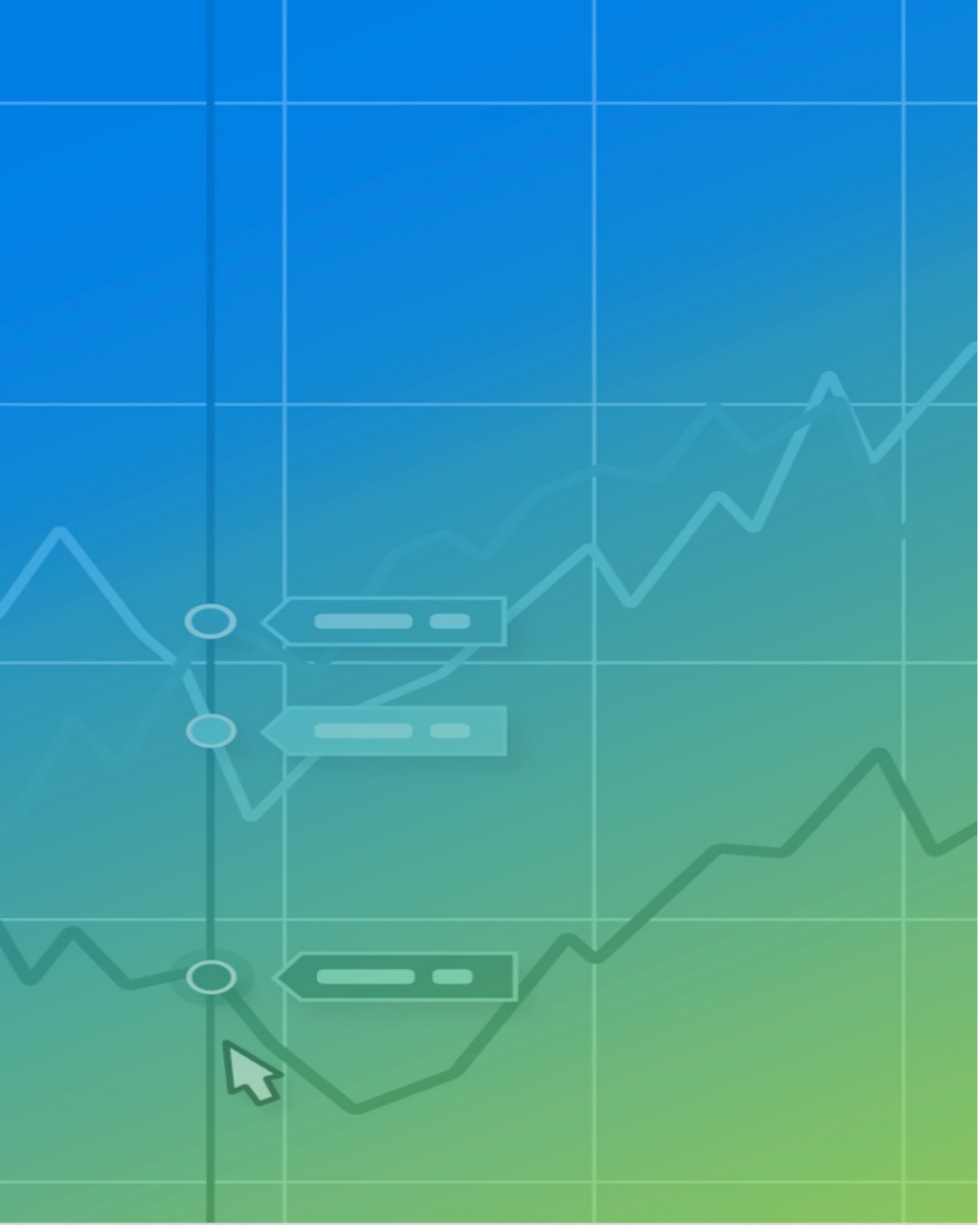
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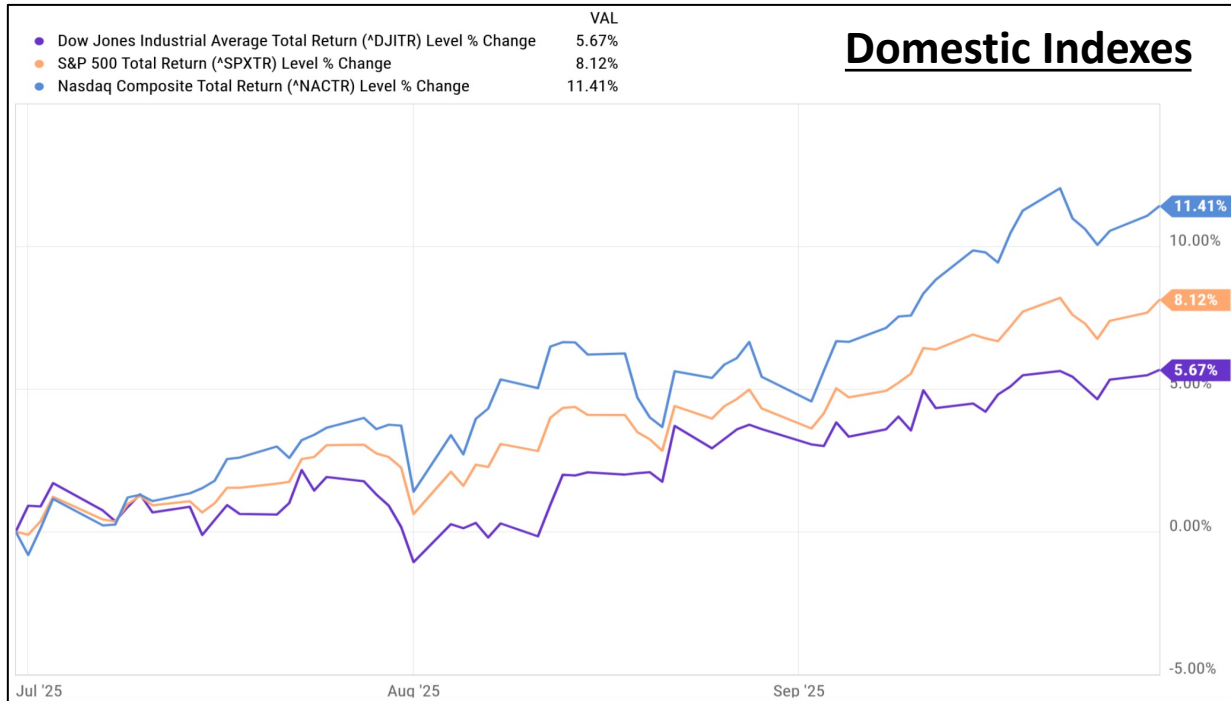


Market Data

Charts and Tables Highlighting the Performance of Stock Market Indicators and Asset Classes.



Stock Market Performance



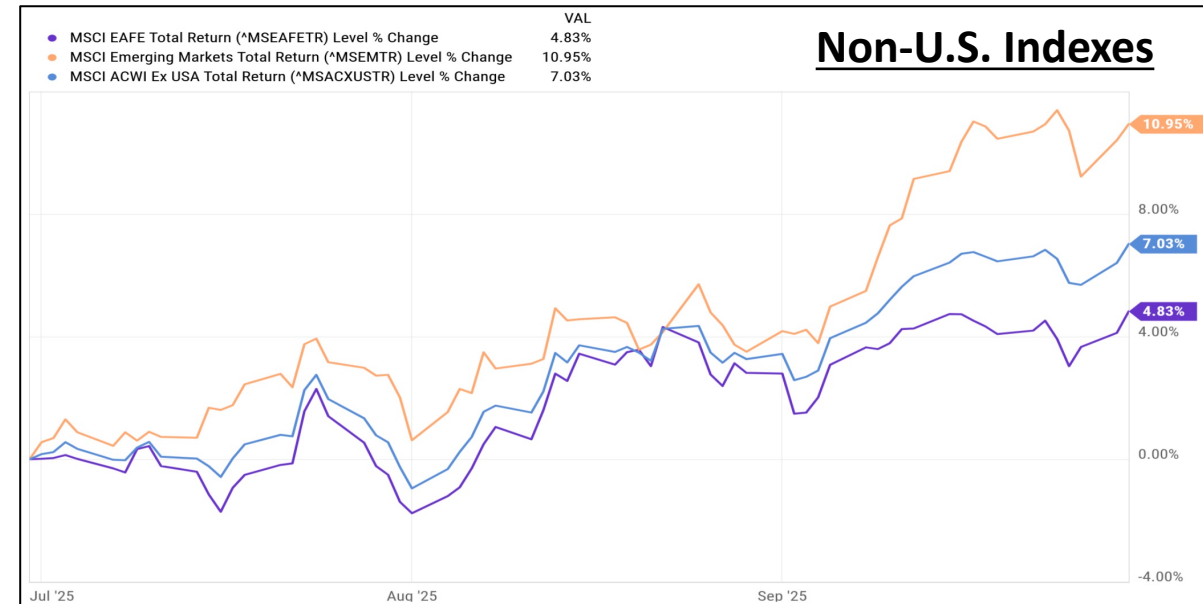
Outside the U.S., performance remained strong with both the developed and emerging markets adding to what was an unexpectedly strong first half of the year. The developed international markets were up 4.8% and the emerging markets index jumped 11.0%.

The Non-U.S. equity markets benefited from AI enthusiasm as well, but notably there was an easing of trade/tariff concerns during the quarter. This especially benefitted the emerging markets as demonstrated by the stronger relative performance. Developed markets saw region-specific headwinds including politics, weaker growth, and currency effects as the U.S. Dollar stabilized.

During the third quarter the U.S. equity markets continued their strong moves higher. The Nasdaq climbed 11.4%, the S&P 500 gained 8.1%, and the Dow Jones Industrial Average added 5.7%.

The markets had a notably bullish feel as AI technology and the related infrastructure boom ignited investor optimism as seemingly deal after deal and investment after investment was announced. The Federal Reserve added to the optimism firming up their plans to continue rate cuts in subsequent meetings. Finally, market breadth began to expand with small and mid-cap stocks outpacing the larger indexes.

Source: YCharts, 10/24/25





U.S. Sector Performance

Sensitive Sectors	Q3 2025 Return
Communication Services Select Sector SPDR® ETF	9.45%
Energy Select Sector SPDR® ETF	6.24%
Industrial Select Sector SPDR® ETF	4.98%
Technology Select SPDR® ETF	11.45%

Defensive Sectors	Q3 2025 Return
Consumer Staples Select Sector SPDR® ETF	-2.54%
Health Care Select Sector SPDR® ETF	3.72%
Utilities Select Sector SPDR® ETF	7.51%

Cyclical Sectors	Q3 2025 Return
Consumer Discretionary Select SPDR® ETF	10.46%
Financial Select Sector SPDR® ETF	3.20%
Materials Select Sector SPDR® ETF	2.55%
Real Estate Select Sector SPDR® ETF	2.49%

During the third quarter, while the overall S&P 500 index posted an 8.1% gain, the performance by sector ranged from 11.5% to -2.5%.

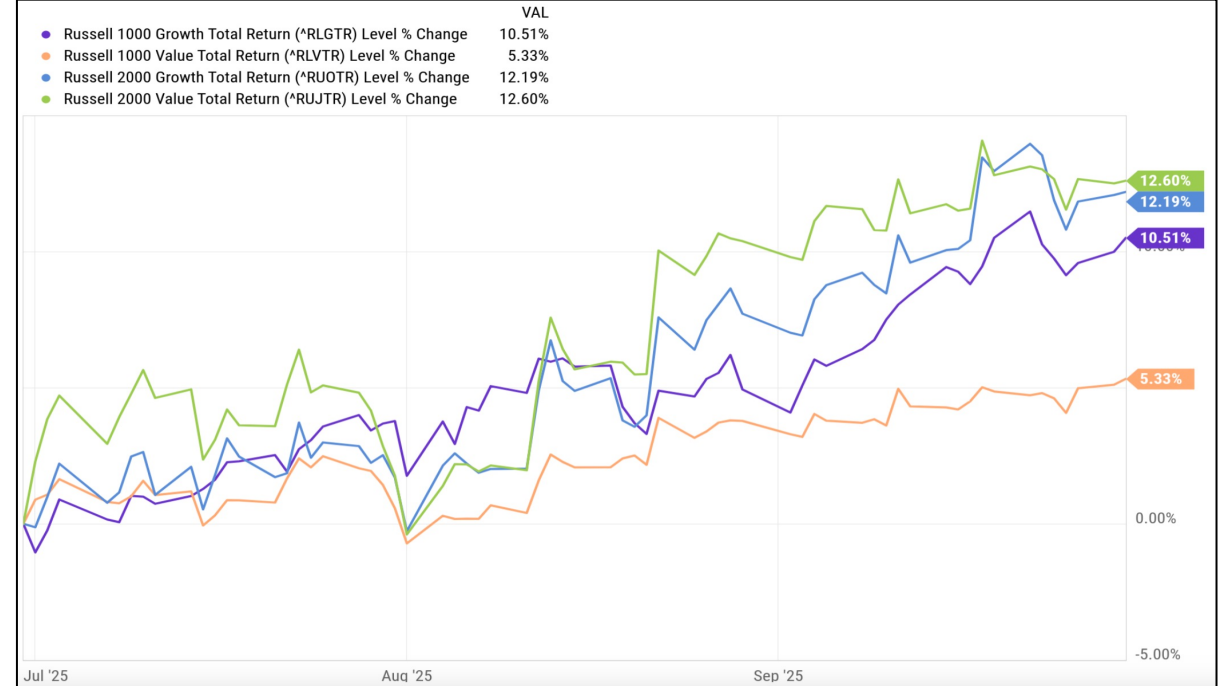
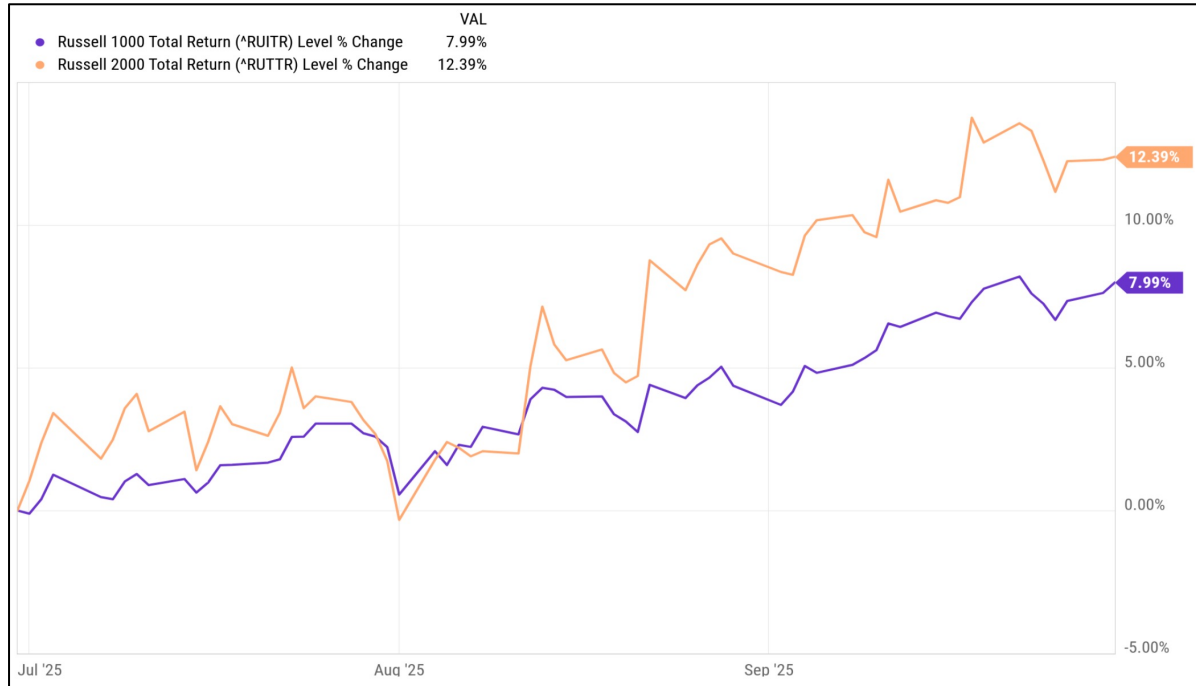
The S&P 500's move higher during the quarter was led by Technology again (11.5%), Consumer Discretionary (10.5%) and Communication Services (9.5%). While Consumer Staples (-2.5%), Real Estate (2.5%), and Materials (2.6%) weighed on returns.

As noted, sector level performance dispersion continued in Q3. Some of this is attributable to mean reversion following the sector's strong or weak second quarter performance reversing as tariff situation became clearer. Other aspects were directly related to industry specific factors, for example Consumer Staples were experiencing lowered earnings and margins due to inflation and tariffs moving up input costs.

Periods of higher sector dispersion allow for active management to play a larger role in portfolio performance. While quick sector swings from quarter to quarter are often difficult to capitalize on, the intermediate and longer trends should provide opportunities for investors focused on strategically over- or under-weighting their exposure to certain sectors.



Large Cap vs. Small Cap, Growth vs. Value



Source: YCharts, 10/24/25

In the past RiverGlades has shared a preference for avoiding the growth/value distinction. Instead favoring a tactical sector level allocation or embracing the broader indexes. However, monitoring the trends between value and growth can be informative and worth checking on from time to time. As captured in the chart above left, Large Cap stocks represented by the Russell 1000 Index, trailed Small Cap stocks represented by the Russell 2000 index by over 4% in the third quarter. The chart to the above right, breaks down the Russell 1000 and Russell 2000 by growth and value. Growth continued to lead the market last quarter. However, it should be noted that Small Cap value did slightly outpace Small Cap growth.

Over the past 5 years, Large Cap Growth has outperformed Large Cap Value by over 33% and over the past 10 years Large Cap Growth has outperformed Large Cap Value by over 285% on an absolute basis looking at cumulative total return basis.



Asset Class Performance

Key ETF Performance (% Total Return)

US Related

ETF	Description	Q3	YTD
SPY	S&P 500	8.12	14.66
DIA	Dow 30	5.64	10.27
QQQ	Nasdaq 100	8.96	17.87
IJH	S&P Midcap 400	5.57	5.69
RSP	S&P 500 Equalweight	4.83	9.68
IWB	Russell 1000	7.92	14.35
IWM	Russell 2000	12.45	10.36
IWV	Russell 3000	8.23	14.25

IVW	S&P 500 Growth	9.77	19.31
IJK	Midcap 400 Growth	5.58	5.96
IJT	Smallcap 600 Growth	6.60	5.21
IVE	S&P 500 Value	6.13	9.54
IJJ	Midcap 400 Value	5.43	5.10
IJS	Smallcap 600 Value	11.67	3.12
DVY	DJ Dividend	7.95	11.10
QQQE	Nasdaq 100 EW	3.51	13.60

FXB	British Pound	-1.47	9.48
FXE	Euro	-0.20	14.22
FXJ	Yen	-2.71	6.12
IBIT	Bitcoin	6.19	22.53

XLY	Cons Disc	10.46	7.51
XLP	Cons Stap	-2.54	1.60
XLE	Energy	6.24	6.88
XLF	Financials	3.20	12.61
XLV	Health Care	3.72	2.50
XLI	Industrials	4.98	18.24
XLB	Materials	2.55	8.06
XLRE	Real Estate	2.49	5.97
XLK	Technology	11.45	21.78
XLC	Comm Services	9.45	23.35
XLU	Utilities	7.51	17.61
SMH	Semis	17.03	34.76

Past performance is no guarantee of future results.

Global

ETF	Description	Q3	YTD
EWA	Australia	2.58	14.88
ARGT	Argentina	-17.67	-15.55
EWZ	Brazil	7.45	40.22
EWG	Canada	9.42	26.27
MCHI	China	19.51	41.89
EWQ	France	2.64	25.20
EWG	Germany	-1.65	32.93
EWI	Hong Kong	8.51	32.11
INDA	India	-6.50	-1.10
EWI	Italy	7.91	46.94
EWJ	Japan	6.99	20.50
EWV	Mexico	12.63	48.32
EWU	Spain	12.42	61.19
EIS	Israel	5.71	30.91
EWU	UK	5.66	26.34

EFA	EAFE	4.45	25.62
EEM	Emerging Mkts	10.70	28.91
IOO	Global 100	11.32	19.91
VT	All World	7.59	18.66
CWI	All World ex US	6.92	26.75

DBC	Commodities	3.30	5.38
DBA	Agric. Commod.	2.33	0.64
USO	Oil	0.88	-2.38
UNG	Nat. Gas	-14.46	-22.25
GLD	Gold	16.61	46.81
SLV	Silver	29.14	60.92

SHY	1-3 Yr Treasuries	1.08	3.84
IEF	7-10 Yr Treasuries	1.70	7.03
TLT	20+ Yr Treasuries	2.42	5.34
AGG	Aggregate Bond	2.06	6.19
BND	Total Bond Market	2.00	6.13
TIP	T.I.P.S.	2.05	6.85

This visual shows various asset classes, sectors, and country-level indexes equity performance during the third quarter and year-to-date as of 9/30/2025.

Looking at this data a few things stand out: 1) International stock indexes have posted significantly stronger returns year-to-date than the domestic indexes, 2) Gold and Silver continue to shine, and 3) bonds continue to perform as interest rates have declined.

With the MSCI EAFE index up over 25% and Emerging Market index up over 28% this year, non-U.S. stocks are on pace for their best absolute and relative performance in years. This shouldn't be a complete surprise as both have trailed the S&P 500 significantly over the past 10 years. Looking back to 9/30/2015, the cumulative total returns for the S&P 500 is 315%, compared to the EAFE's 130% and Emerging Markets' 124%.

The question remains, is this a short-term swing or is this a significant reversal in capital flows? RiverGlades continues to believe that over the longer term, the U.S. markets represent a more attractive investment option but that investors should be moving towards an allocation of non-U.S. stocks inline with the overall global market allocation of around 2/3 U.S. and 1/3 non-U.S.

Source: **Bespoke Investment Group**, *The Bespoke Report*, 10/3/25



Asset Class Performance – By Quarter

9/30/2025 Qtr Return	6/30/2025 Qtr Return	3/31/2025 Qtr Return	12/31/2024 Qtr Return	9/30/2024 Qtr Return	6/30/2024 Qtr Return	3/31/2024 Qtr Return	12/31/2023 Qtr Return	9/30/2023 Qtr Return	6/30/2023 Qtr Return	3/31/2023 Qtr Return	12/31/2022 Qtr Return	9/30/2022 Qtr Return	6/30/2022 Qtr Return	3/31/2022 Qtr Return
US Small 12.4%	US Growth 17.8%	World exUSA 6.3%	US Growth 7.1%	US Real Estate 17.1%	US Growth 8.3%	US Growth 11.4%	US Real Estate 18.0%	Commodities 16.0%	US Growth 12.8%	US Growth 14.4%	World exUSA 16.3%	US Small -2.2%	Commodities 2.0%	Commodities 33.1%
Emerging Markets 10.9%	World exUSA 12.3%	Commodities 4.9%	Commodities 3.8%	US Value 9.4%	Emerging Markets 5.1%	S&P 500 10.6%	US Growth 14.2%	Emerging Markets -2.8%	S&P 500 8.7%	World exUSA 8.2%	US Value 12.4%	Muni Bonds -3.5%	Muni Bonds -2.9%	US Value -0.7%
US Growth 10.5%	Emerging Markets 12.2%	US Real Estate 3.5%	S&P 500 2.4%	US Small 9.3%	S&P 500 4.3%	Commodities 10.4%	US Small 14.0%	US Treasuries -3.1%	US Small 5.2%	S&P 500 7.5%	Emerging Markets 9.8%	US Growth -3.6%	US Treasuries -3.8%	S&P 500 -4.6%
S&P 500 8.1%	S&P 500 10.9%	Emerging Markets 3.0%	US Small 0.3%	Emerging Markets 8.9%	Commodities 0.7%	US Value 9.0%	S&P 500 11.7%	US Growth -3.1%	US Value 4.1%	Emerging Markets 4.0%	S&P 500 7.6%	US Treasuries -4.3%	Aggregate Bonds -4.7%	World exUSA -4.7%
World exUSA 5.4%	US Small 8.5%	US Treasuries 2.9%	Muni Bonds -1.2%	World exUSA 7.8%	US Treasuries 0.1%	World exUSA 5.7%	World exUSA 10.6%	US Value -3.2%	World exUSA 3.3%	US Treasuries 3.0%	US Small 6.2%	Aggregate Bonds -4.8%	Emerging Markets -11.3%	US Treasuries -5.6%
US Value 5.3%	US Value 3.8%	Aggregate Bonds 2.8%	US Value -2.0%	S&P 500 5.9%	Aggregate Bonds 0.1%	US Small 5.2%	US Value 9.5%	Aggregate Bonds -3.2%	US Real Estate 2.4%	Aggregate Bonds 3.0%	US Real Estate 4.4%	S&P 500 -4.9%	US Value -12.2%	Aggregate Bonds -5.9%
Commodities 4.1%	Aggregate Bonds 1.2%	US Value 2.1%	Aggregate Bonds -3.1%	Aggregate Bonds 5.2%	Muni Bonds 0.0%	Emerging Markets 2.4%	Emerging Markets 7.9%	S&P 500 -3.3%	Emerging Markets 1.0%	Muni Bonds 2.8%	Muni Bonds 4.1%	US Value -5.6%	World exUSA -14.4%	Muni Bonds -6.2%
US Real Estate 3.1%	US Treasuries 0.8%	Muni Bonds -0.2%	US Treasuries -3.1%	US Treasuries 4.7%	World exUSA -0.4%	Muni Bonds -0.4%	Muni Bonds 7.9%	Muni Bonds -3.9%	Muni Bonds -0.1%	US Small 2.7%	Commodities 3.4%	World exUSA -9.1%	US Real Estate -14.5%	US Real Estate -6.5%
Muni Bonds 3.0%	Muni Bonds -0.1%	S&P 500 -4.3%	World exUSA -7.4%	US Growth 3.2%	US Real Estate -1.7%	Aggregate Bonds -0.8%	Aggregate Bonds 6.8%	World exUSA -4.0%	Aggregate Bonds -0.8%	US Real Estate 1.6%	US Growth 2.2%	Commodities -10.3%	S&P 500 -16.1%	Emerging Markets -6.9%
Aggregate Bonds 2.0%	US Real Estate -0.4%	US Small -9.5%	US Real Estate -7.8%	Muni Bonds 2.7%	US Value -2.2%	US Treasuries -1.0%	US Treasuries 5.7%	US Small -5.1%	US Treasuries -1.4%	US Value 1.0%	Aggregate Bonds 1.9%	US Real Estate -10.4%	US Small -17.2%	US Small -7.5%
US Treasuries 1.5%	Commodities -2.8%	US Growth -10.0%	Emerging Markets -7.8%	Commodities -5.3%	US Small -3.3%	US Real Estate -1.2%	Commodities -10.7%	US Real Estate -8.6%	Commodities -2.7%	Commodities -4.9%	US Treasuries 0.7%	Emerging Markets -11.4%	US Growth -20.9%	US Growth -9.0%

Past performance is no guarantee of future results. You cannot invest directly in an index.

*Data as of 9/30/2025

This visual shows historical annual asset class performance for the last 15 quarters.

Looking at the returns you can see some continuity of performance for some asset classes, but there is not enough consistency to be of any predictive value. The market environment or themes that were unfolding during these periods explain the performance but identifying the exact start and finish of these movements remains difficult, if not impossible.

However, over longer periods of time, the relationship between risk and return becomes more apparent.

Finding the proper asset mix is key to constructing the right portfolio for each investor. From there, RiverGlades seeks to adjust allocations at the margin based on the market environment and prevailing investment themes.

Source: YCharts, 10/3/25



Bonds & Interest Rates

Collection of Data Summarizing Moves
in the Fixed Income Markets.

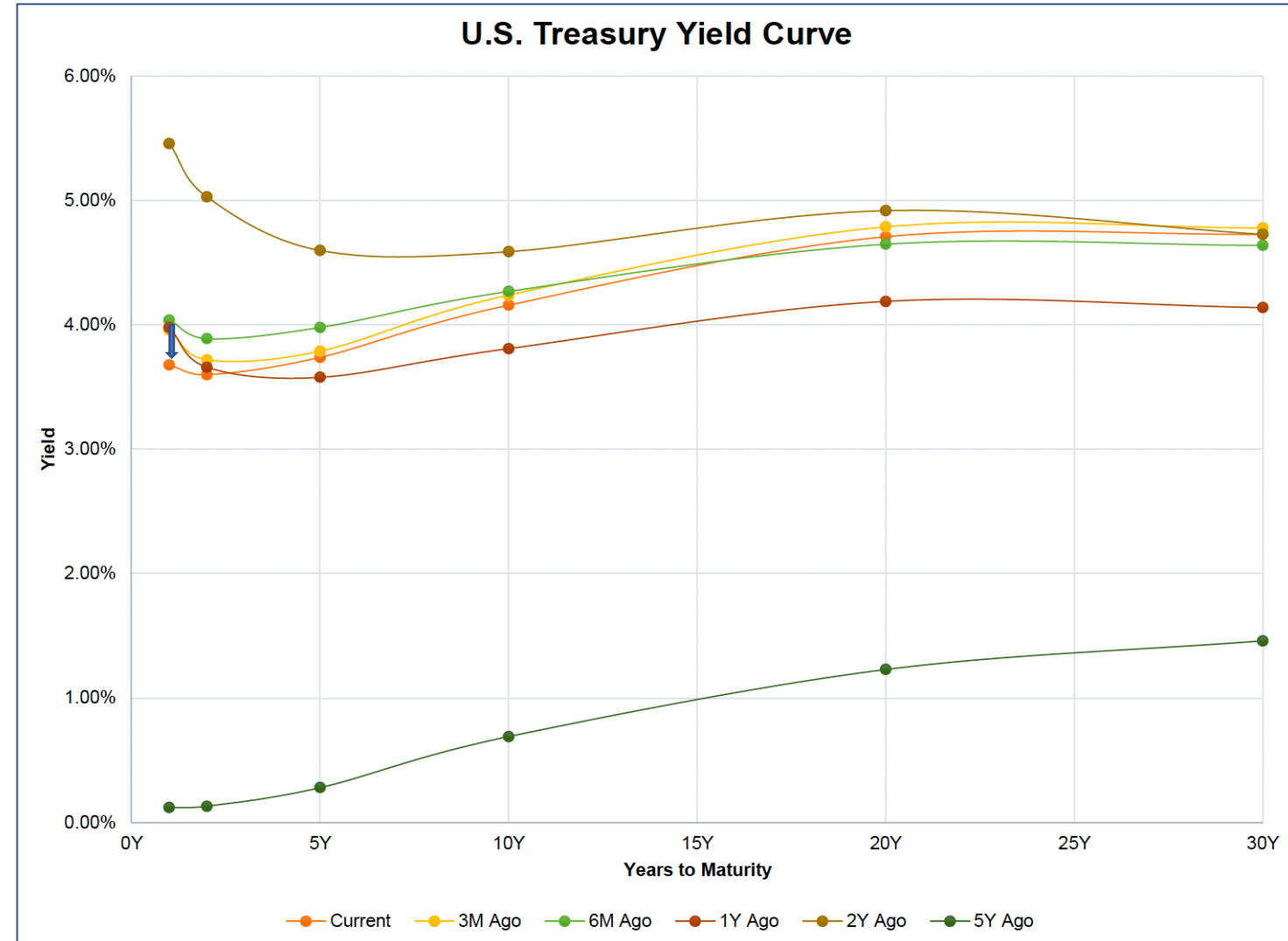


Interest Rates

Duration	Rate	QoQ Δ
1-Month	4.20%	▼ 8 bps
3-Month	4.02%	▼ 39 bps
6-Month	3.83%	▼ 46 bps
1-Year	3.68%	▼ 28 bps
2-Year	3.60%	▼ 12 bps
3-Year	3.61%	▼ 7 bps
5-Year	3.74%	▼ 5 bps
10-Year	4.16%	▼ 8 bps
20-Year	4.71%	▼ 8 bps
30-Year	4.73%	▼ 5 bps

During the third quarter the yield curve dropped at the short end in anticipation of several upcoming rate cuts while longer term rates declined much less.

A steepening yield curve is generally viewed as a “healthy” indicator. One would expect that the longer the time-period the higher the rate of interest should be earned.

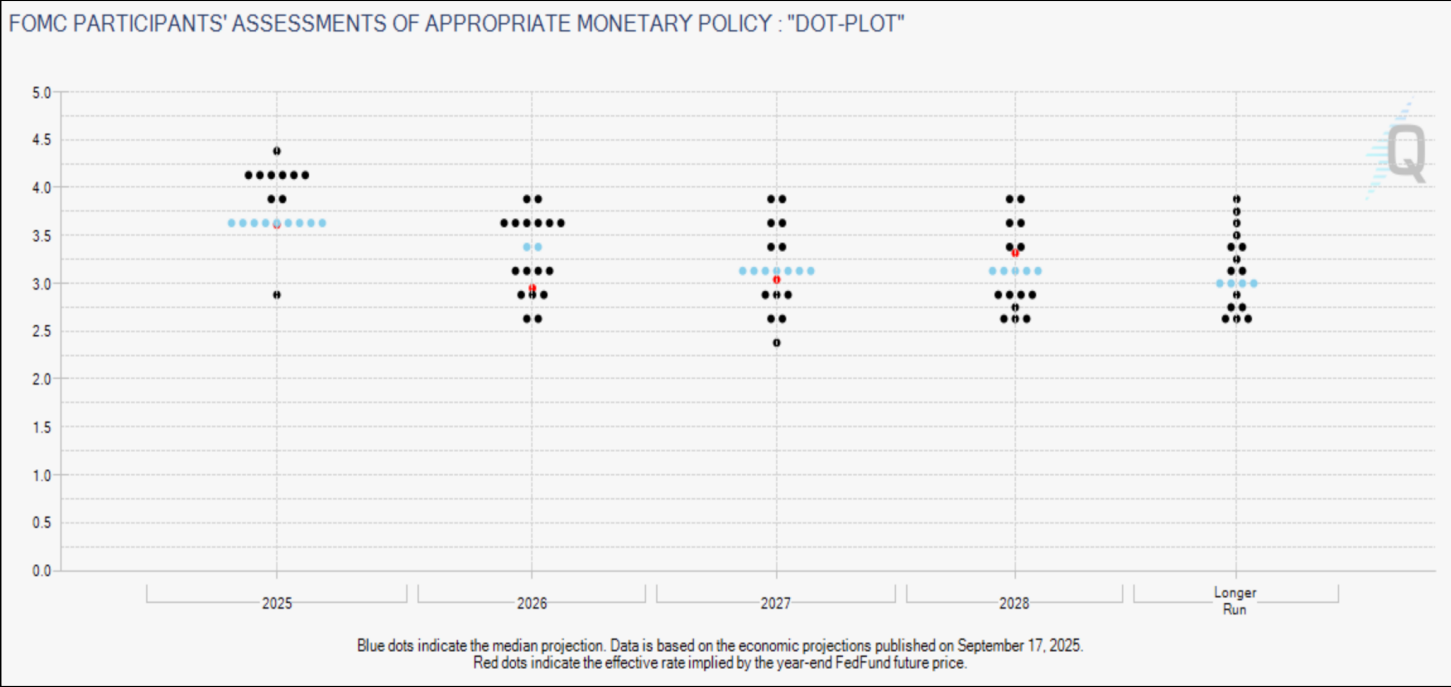


Source: YCharts, 10/3/25



Where Are Interest Rates Headed?

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES									
MEETING DATE	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425
10/29/2025					0.0%	0.0%	0.0%	0.0%	97.8%	2.2%
12/10/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	93.0%	6.9%	0.1%
1/28/2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	47.4%	49.1%	3.4%	0.1%
3/18/2026	0.0%	0.0%	0.0%	0.0%	0.0%	21.4%	48.2%	28.5%	1.9%	0.0%
4/29/2026	0.0%	0.0%	0.0%	0.0%	4.9%	27.5%	43.7%	22.4%	1.5%	0.0%
6/17/2026	0.0%	0.0%	0.0%	2.6%	17.1%	36.3%	32.2%	11.1%	0.7%	0.0%
7/29/2026	0.0%	0.0%	0.8%	7.0%	22.8%	35.0%	25.9%	8.0%	0.5%	0.0%
9/16/2026	0.0%	0.3%	2.9%	12.5%	27.1%	31.9%	19.7%	5.4%	0.3%	0.0%
10/28/2026	0.0%	0.7%	4.3%	14.6%	27.8%	30.1%	17.6%	4.7%	0.3%	0.0%
12/9/2026	0.1%	1.2%	5.9%	16.6%	28.1%	28.2%	15.6%	4.0%	0.2%	0.0%
1/27/2027	0.2%	1.5%	6.5%	17.2%	28.1%	27.5%	15.0%	3.8%	0.2%	0.0%
3/17/2027	0.2%	1.5%	6.4%	17.0%	27.9%	27.5%	15.3%	4.0%	0.3%	0.0%
4/28/2027	0.2%	1.6%	6.7%	17.4%	27.9%	27.1%	14.9%	3.9%	0.3%	0.0%
6/9/2027	0.2%	1.6%	6.7%	17.3%	27.8%	27.1%	14.9%	3.9%	0.3%	0.0%
7/28/2027	0.2%	1.4%	5.8%	15.4%	26.0%	27.2%	17.1%	5.9%	0.9%	0.1%
9/15/2027	0.2%	1.4%	5.8%	15.4%	26.0%	27.2%	17.1%	5.9%	0.9%	0.1%



Source: CME Group; Fed Watch Tool, 10/27/25

Over the past few quarters RiverGlades has highlighted that the markets have been flip-flopping on whether multiple rate cuts were coming in 2025. As of now, the markets continue to price in 2 additional rate cuts before year-end. RiverGlades has remained consistent in the opinion that multiple rate cuts were unnecessary and unlikely. However, it appears that with inflation remaining muted, a slight weakness in unemployment numbers, and a level of uncertainty around various economic data points the Fed feels comfortable moving forward with cuts.

The predictions of a recession that rang out earlier this year have fallen silent as 2025 enters the home stretch. RiverGlades continues to believe the economy remains “ok” and that there will not be a recession in the next 12 months. Last quarter RiverGlades noted that “to the contrary, if anything, the firm believes we are likely to witness a surprise to the upside.” This has certainly been the case in the stock market, but does that reflect the strength of the underlying U.S. economy...?



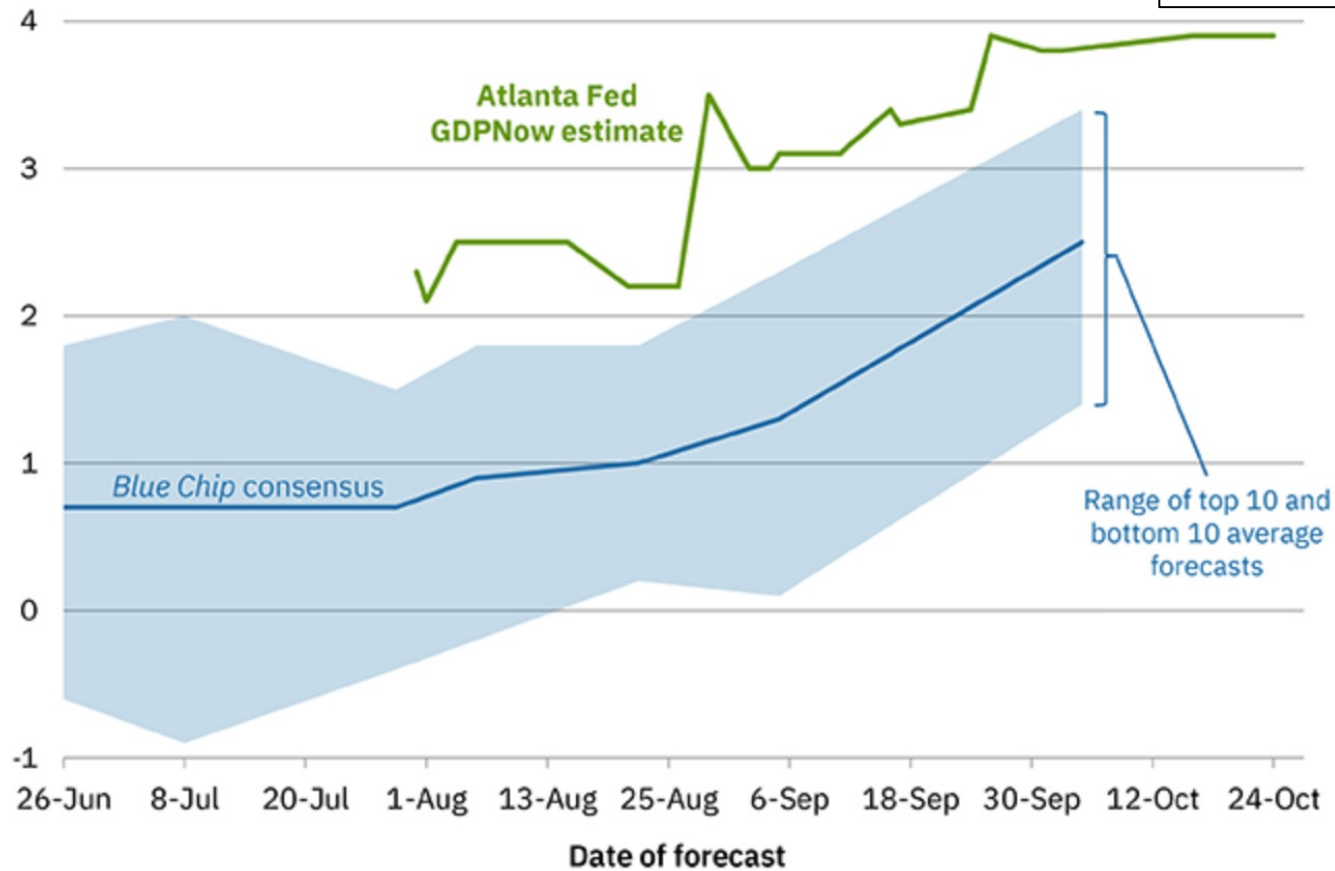
Macro Economic Data

Leading and Lagging Economic Data and Trends from Key Economic Reports Published Recently.



Gross Domestic Product (GDP) – GDPNow

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q3
Quarterly percent change (SAAR)



Estimate:
3.9%

To evaluate how the U.S. economy is doing at any given time, RiverGlades will reviews numerous data points and economic indicators. One not previously included in this presentation is produced by the Federal Reserve Bank of Atlanta and is called GDPNow. They describe this forecast data point as follows:

"The GDPNow forecast is constructed by aggregating statistical model forecasts of 13 subcomponents that comprise GDP... As more monthly source data becomes available, the GDPNow forecast for a particular quarter evolves and generally becomes more accurate. That said, the forecasting error can still be substantial just prior to the "advance" GDP estimate release. It is important to emphasize that the Atlanta Fed GDPNow forecast is a model projection not subject to judgmental adjustments. It is not an official forecast of the Federal Reserve Bank of Atlanta, its president, the Federal Reserve System, or the FOMC."

The Atlanta Fed is clear, this number is not always correct, however it offers an estimate, and the trend can be tracked throughout the quarter. Also of value is comparing the estimate to the Blue Chip consensus and range. **3.9% GDP growth last quarter would certainly be a strong number and perhaps the fact that the Blue Chip Consensus number has been trending higher indicates 3.9% might not be too far off.**

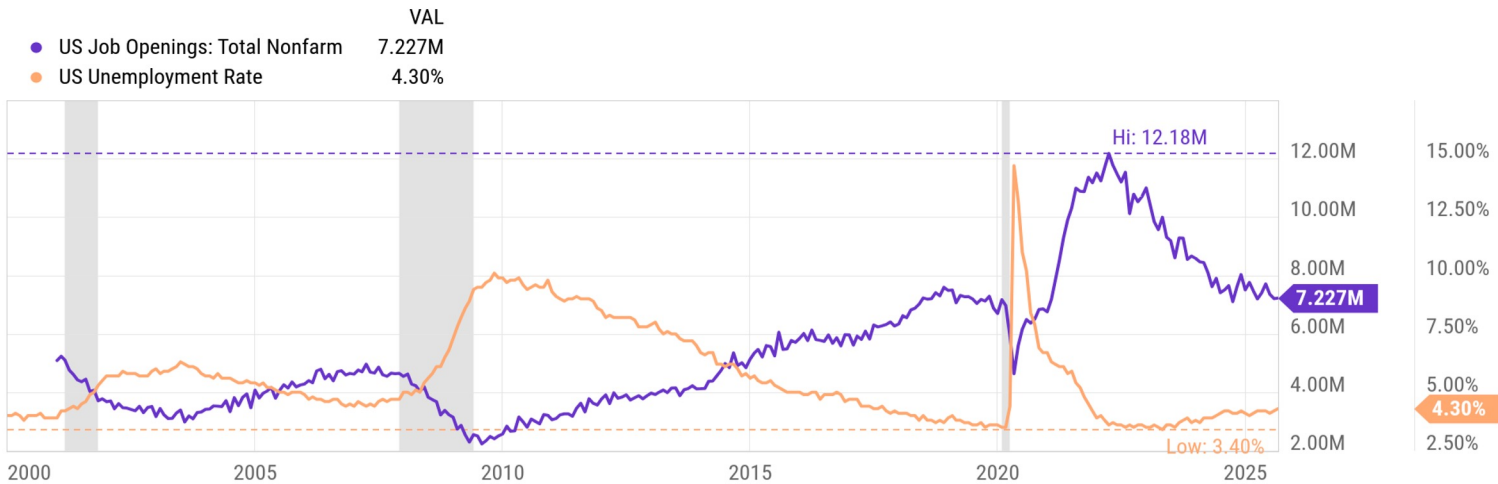
Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Source: Federal Reserve Bank of Atlanta, GDPNow, 10/27/25



Unemployment and Labor Force Participation



Date Range: 12/31/1999 - 08/31/2025

Gray = US Recessions

Oct 23, 2025, 2:09 PM EDT Powered by **YCHARTS**

The chart shows the history of U.S Job Openings and the U.S. Unemployment Rate that typically track in a loosely inverse relationship.

It appears that unemployment has settled at around 4% over the past couple years and remains at that level, while the number of job openings has come down.

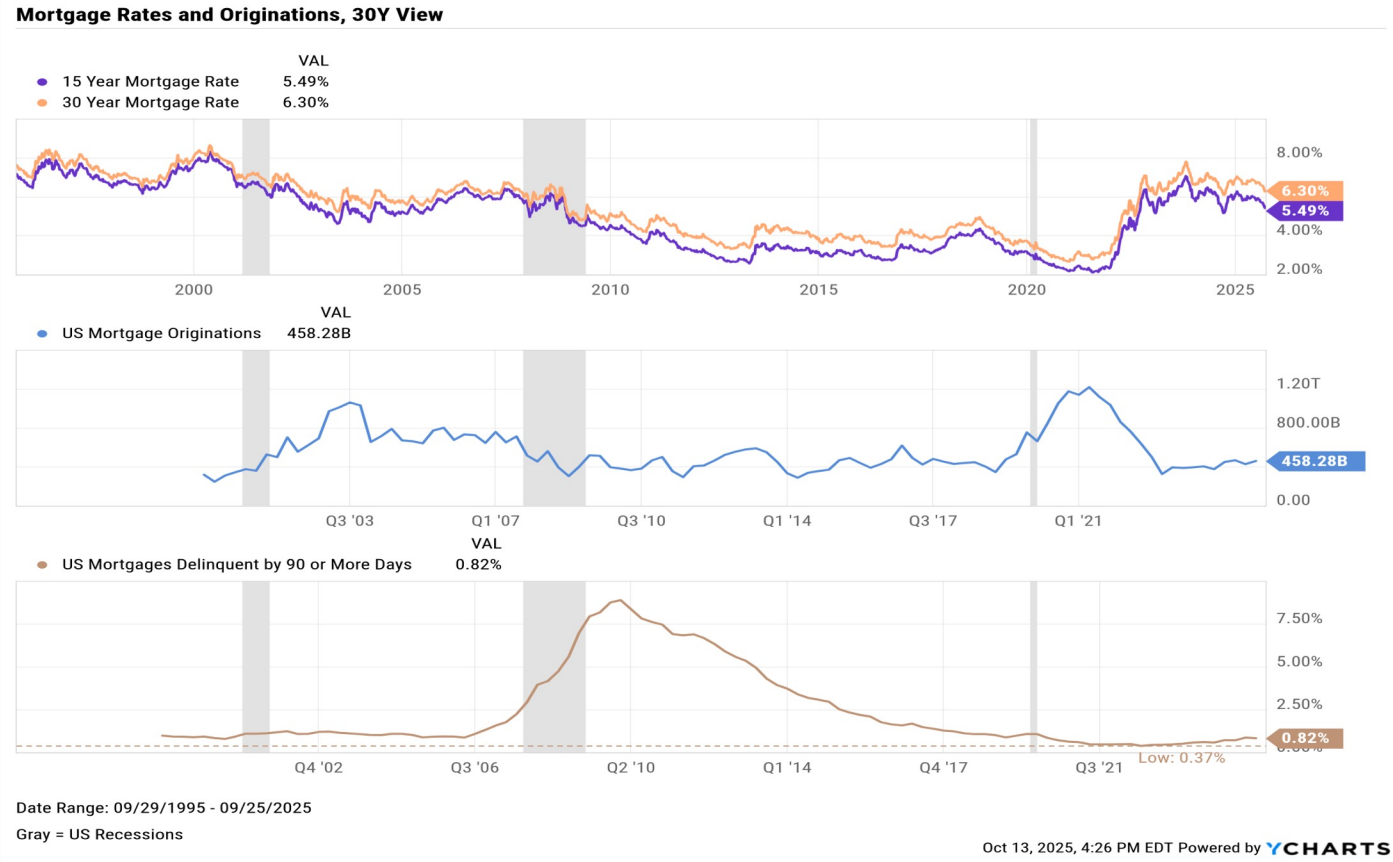
Since May 2024, the unemployment number has hovered in a narrow bank of 4.0%-4.2% and inched up to 4.3% in August.

Recently however there seems to be signs that the labor market is cooling. In August the job growth number was only 22,000. This was lower than the 75,000 estimated and the revised higher 79,000 the previous month.

This data appears to be one reason the Fed is likely to resume cutting rates in the near future.



Housing Indicators



Mortgage rates began to trend lower during the third quarter following the Fed's indication that rate cuts are likely to continue in the coming months. 30-year mortgages fell from around 6.75% in July to 6.25% in September.

Despite the decline in mortgage rates, housing affordability across the nation remains challenging. As demonstrated by almost half of housing markets experiencing a decline in affordability from the previous quarter.

As is often the case with real estate, the variance between markets can be quite notable. This appears to be the case with the Naples/SWFL market where home prices continue to slide lower.

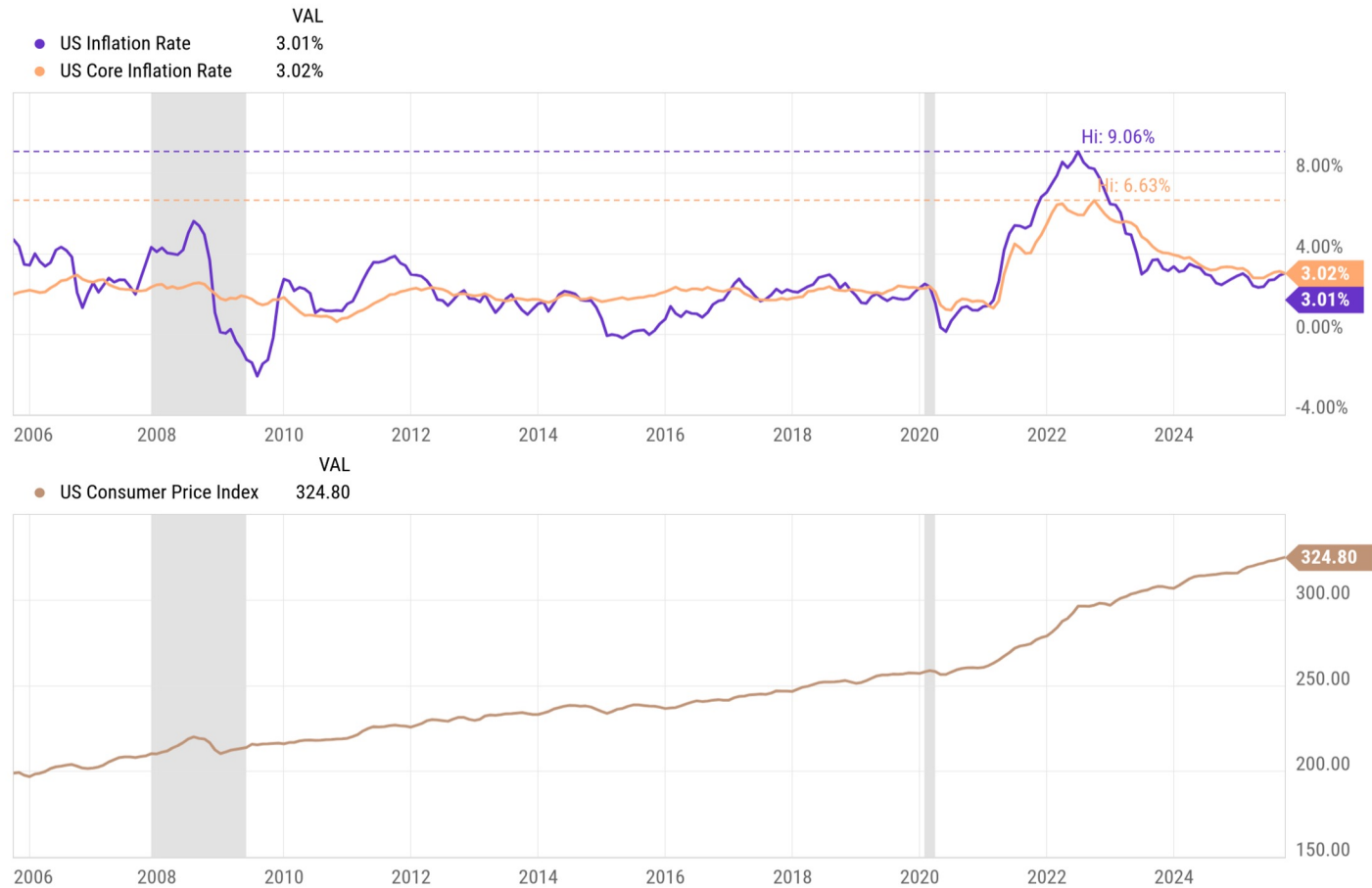
RiverGlades outlook is for the housing market to continue normalizing as the uncertainty around the Trump administration's policies fade, interest rates decline, and the economy remains strong.

Housing Indicator Review										
Overall	Indicator Name	Latest Period	Frequency	Value	1 Mo. Ago		3 Mo. Ago		1 Yr. Ago	
					1 Mo. Ago	% Change	3 Mo. Ago	% Change	1 Yr. Ago	% Change
▼	Case-Shiller Home Price Index: National	7/31/2025	monthly	326.4	327	▼ -0.06%	328	▼ -0.56%	321	▲ 1.66%
▼	US Housing Starts	8/31/2025	monthly	1,307	1,429	▼ -8.54%	1,282	▲ 1.95%	1,391	▼ -6.04%
▼	US Building Permits	8/31/2025	monthly	1,330	1,362	▼ -2.35%	1,394	▼ -4.59%	1,476	▼ -9.89%
▲	US New Single Family Houses Sold	8/31/2025	monthly	800	664	▲ 20.48%	627	▲ 27.59%	693	▲ 15.44%
▲	US Pending Home Sales Index	8/31/2025	monthly	75	72	▲ 4.04%	73	▲ 2.89%	72	▲ 3.75%
▼	30 Year Mortgage Rate	9/30/2025	weekly	6.30%	6.56%	▼ -3.96%	6.77%	▼ -6.94%	6.08%	▲ 3.62%
▼	US Households	6/30/2025	monthly	132,598	132,650	▼ -0.04%	132,024	▲ 0.43%	131,528	▲ 0.81%



Inflation

Inflation and CPI



Date Range: 09/30/2005 - 09/30/2025

Gray = US Recessions

Oct 24, 2025, 11:14 AM EDT Powered by **YCHARTS**

The U.S. inflation rate (CPI) and Core CPI, which excludes food and energy prices, both rose to 3.0% at the end of the third quarter from 2.7% last quarter.

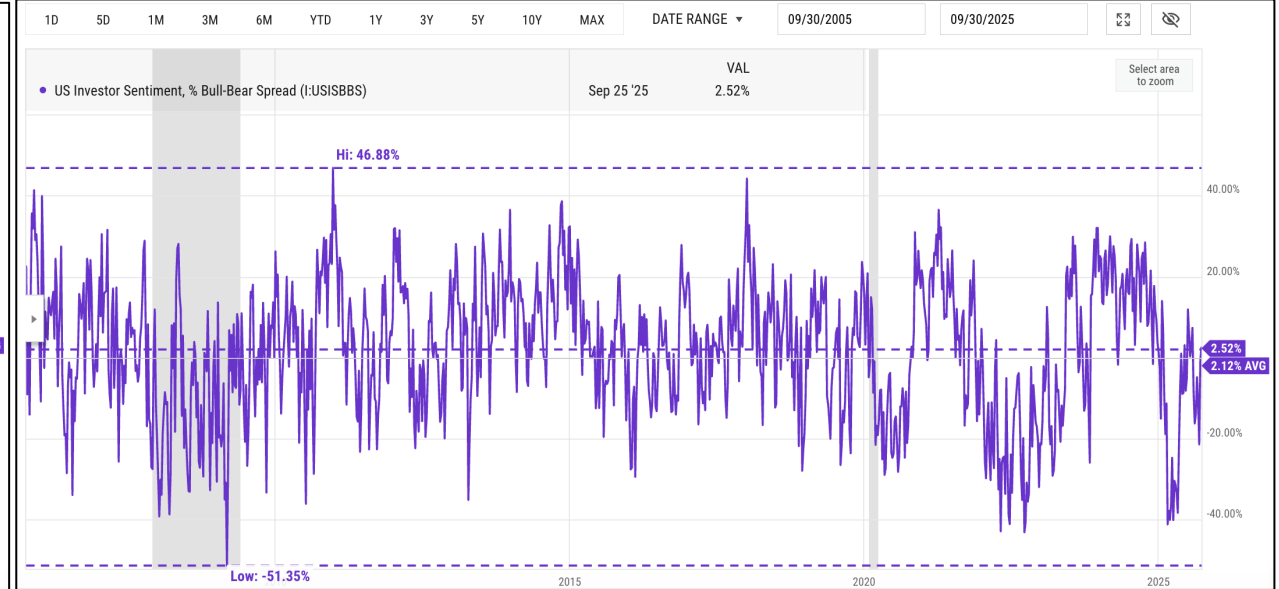
So far the announcement and initial implementation of tariffs hasn't led to a large spike in prices, but as mentioned last quarter, many believe that it will eventually. Their reasoning is that it takes several months for the tariffs to work through the system ultimately causing companies to implement higher pricing. This could be the cause of the slight trend higher in CPI.

RiverGlades' thesis is that any increases will be absorbed in different industries across the exporter, importer, and consumers resulting in a small upward push to prices. However, the funds raised from the tariffs will improve the Federal budget situation easing upward pressure on interest rates, while the overall growth of the economy will enable wages to keep up with or exceed the increase in prices.

However, it works out, RiverGlades' expectation is that rates will remain higher for longer and inflation will not increase notably from the 3% range, unless the Fed goes too far in cutting too quickly.



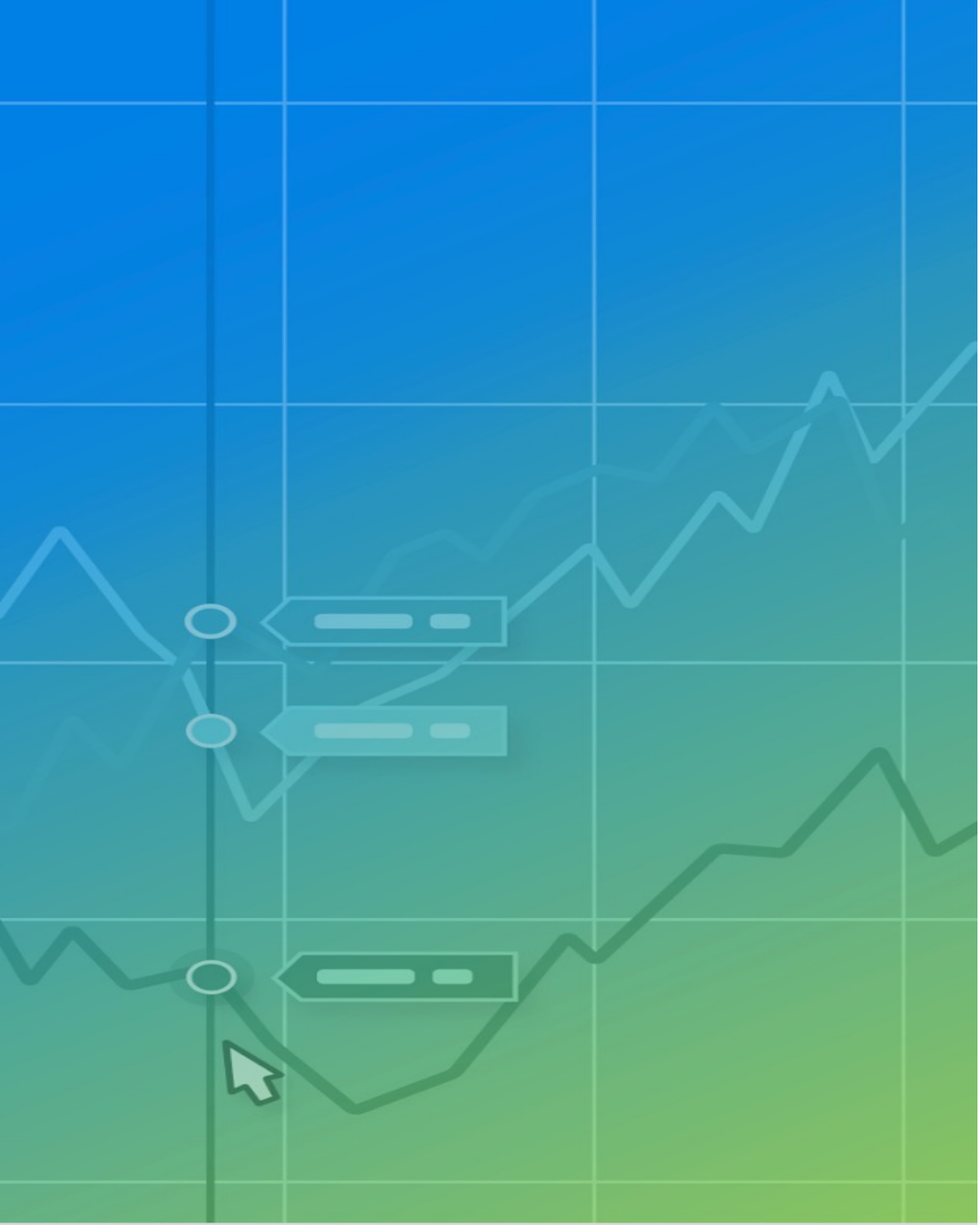
Investor & Consumer Sentiment



Consumer sentiment had been trending higher since the tariff announcements earlier this year, but slipped during the third quarter. Current levels are above the July 2022 low and far below the 20-year average of around 80. As noted in earlier commentary, the direction consumer sentiment is swinging is often more indicative of changes in consumer spending than the absolute level measured. This data point warrants monitoring over the coming weeks and months.

As indicated by the Bull-Bear Spread in the chart to the right, investor sentiment has rebounded since the April lows but has fluctuated around the 20-year average more recently. This measure often serves as a contrary indicator when it is closer to levels near highs or lows.

Despite what consumer and investor sentiment has been showing, the investment markets continue to price in “good times” in the future as valuations expand and market gains continue.



Summary & Outlook

Summary of Where RiverGlades Believes the Markets are Positioned Today and Where They Might Go In The Near Future.



Where Do Things Go From Here?

Pros

1. Bull Market
2. ChatGPT vs. Netscape
3. AI Boom
4. Analogues – One Year
5. Buy the Dip, Intraday Strength
6. Healthy Margins
7. Healthy Leverage
8. Don't Fight the Fed
9. Lower at the Long End
10. Strong Consumer
11. Neutral Sentiment
12. Still Exceptional
13. Early Days for IPOs
14. Seasonality

Cons

1. Overbought
2. Weak Breadth
3. Risk Appetite
4. Froth
5. AI Overbuild
6. Mega-Caps, Mega-Risks
7. Valuations
8. Falling Jobs
9. Weak ISMs
10. Inflation Risk
11. Tariff Tax
12. Housing Hurts
13. Pain in Privates
14. Tight Credit Spreads

A recent report from the well-respected *Bespoke Investment Group* (www.bespokepremium.com) summarized their take on the current “Pros and Cons” for the stock market going forward. Many of these have been touched on in this presentation, but RiverGlades is always available to elaborate or answer questions.

The Pros and Cons appear to be evenly split. While an argument can be made for both sides, it also becomes important to take into consideration the time over which these factors are anticipated to unfold and the weighting each situation warrants in your analysis.

As highlighted in this summary presentation, RiverGlades continues to believe the underlying fundamentals are “ok” and that the markets are likely to trend higher over the next 12-18 months. However, given the speed at which the markets have moved higher and the amount of “good news” already priced into the markets, a pullback of some size might be expected between now and year-end.

Source: **Bespoke Investment Group**,
The Bespoke Report, October 3, 2025



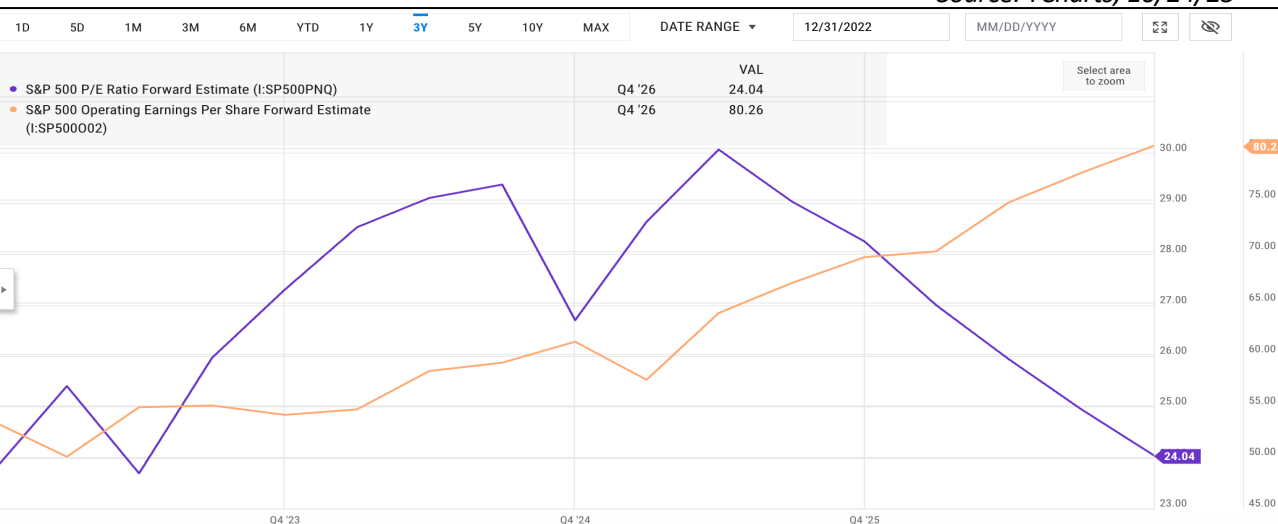
Where Do Things Go From Here? cont.



Source: YCharts, 10/24/25

The chart to the top left shows the S&P 500 Shiller CAPE Ratio over the past 30 years. Yale Professor Robert Shiller created this variation of the traditional P/E Ratio to account for the cyclicity of earnings. Rather than simply taking the trailing year's earnings as is done with the traditional P/E, the CAPE Ratio averages the past 10 years earnings and adjusts for inflation. This provides a longer-term lens through which valuation can be analyzed.

The bottom chart, shows the forward P/E ratio at around 24 down from 28 at the end of last quarter. Future earnings are expected to continuing growing, but estimates have a fair amount of uncertainty baked into them. RiverGlades' outlook remains relatively constructive all things considered.



Source: YCharts, 10/24/25

As noted last quarter, non-U.S. stocks have picked up after a decade of underperforming the S&P 500. During this time, the global equity index saw the U.S. to Non-U.S. ratio shift from roughly 50/50 to close to 70/30. RiverGlades has favored U.S. over non-U.S. during this period and continues to do so. However, investors should evaluate their non-U.S. exposure to confirm they have the appropriate level of diversification as earnings growth around the world appears to be picking up momentum.

Short of knowing how things will play out this year, the best approach is to focus on what we do know, while keeping an eye on the situation as things unfold. From where we sit it appears the markets will continue to climb the metaphorical "wall of worry!"

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