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800 SOUTH STREET, SUITE 160, WALTHAM, MA 02453 | 1.781.810.0800

Q3 2025 - Market Commentary[1]

- The U.S. Federal Reserve reduced interest rates by 0.25% in September as U.S. jobs data softened in recent months.
- The Fed raised its 2025 U.S. GDP forecast from 1.4% to 1.6% and increased its core PCE inflation forecast from 2.8% to 3.0%.
- Interest rate forecasts by Fed officials through year-end showed a wide range of outcomes, indicating a high level of uncertainty with the direction of both the U.S. economy and inflation.
- After double-digit returns during the second quarter rally, U.S. stocks generated additional strong gains during the third quarter.
- In addition to anticipated Fed interest rate cuts, strong corporate earnings and resilient consumer spending contributed to the positive momentum in U.S. equities.
- U.S. small cap stocks led global equity returns as expectations of Fed interest rate cuts provided a catalyst for small caps, which had lagged during the first half of the year.
- The Russell 2000 Index of small cap stocks gained +12.4% while the Russell 1000 Index of large/mid cap U.S. stocks gained +8.0%.
- Year to date, U.S. equities as measured by the Russell 3000 Index returned +14.4%.
- The MSCI ACWI Ex U.S. Index returned +6.9% for the third quarter.
- Emerging Markets equities had a second consecutive quarter of double-digit gains with the MSCI EM Index returning +10.6%.
- The 10-year U.S. Treasury bond yield declined from 4.23% to 4.16% during the third quarter.
- The Bloomberg Aggregate Bond Index returned +1.2% for the third quarter and +6.1% year to date.
- High yield bonds outperformed with a +2.5% quarterly gain and just over 7% year to date, while municipal bonds moved out of negative territory with a +3.0% return during the third quarter.
- Gold remained the best performing asset of 2025 with another very strong gain of +17% during the third quarter and an outsized +47% gain year to date. It is the highest yearly return for gold since 1979.
- In contrast, oil was down another 4% during the third quarter as concerns over weaker global economic growth and demand plus increased supplies have weighed on oil prices all year.
- Digital assets gained during the third quarter as a weaker U.S. dollar, continued corporate adoption of blockchain applications, and the passage of the GENIUS Act led to growing demand.
  Bitcoin gained +5% while Ethereum gained a staggering +70% during the third quarter.
- The Morningstar Global Balanced Index gained +5.0% during the third quarter and +13.2% year to date through 9/30/25.

Performance Table[1]

	3Q25		YTD		2024		2023		2022	
S&P 500 Index (U.S. large/mega cap stocks)	8.1%	↑↑	14.8%	↑↑↑	25.0%	↑↑↑	26.3%	↑↑↑↑	-18.1%	↓↓↓
Russell 2000 Index (U.S. small cap stocks)	12.4%	↑↑↑	10.4%	↑↑↑	11.5%	↑↑↑	16.9%	↑↑↑	-20.4%	↓↓↓
Russell 3000 Index (all U.S. stocks)	8.2%	↑↑	14.4%	↑↑↑	23.8%	↑↑↑	26.0%	↑↑↑↑	-19.2%	↓↓↓
MSCI EAFE Index (large cap developed markets int'l stocks)	4.8%	↑	25.1%	↑↑↑↑	3.8%	↑	18.2%	↑↑↑	-14.5%	↓↓↓
MSCI EM Index (emerging markets stocks)	10.6%	↑↑↑	27.5%	↑↑↑↑	7.5%	↑↑	9.8%	↑↑	-20.1%	↓↓↓
MSCI All Countries Ex U.S. Index (all non-U.S. stocks)	6.9%	↑↑	26.0%	↑↑↑↑	5.5%	↑↑	15.6%	↑↑↑	-16.0%	↓↓↓
MSCI All Countries World Index (all global stocks)	7.6%	↑↑	18.4%	↑↑↑	17.5%	↑↑↑	22.2%	↑↑↑	-18.4%	↓↓↓
Bloomberg Aggregate Bond Index (invt. grade bonds)	2.0%	↑	6.1%	↑↑	1.3%	↑	5.5%	↑↑	-13.0%	↓↓↓
Bloomberg High Yield Index (below invt. grade corp. bonds)	2.5%	↑	7.2%	↑↑	7.7%	↑↑	13.5%	↑↑↑	-12.2%	↓↓↓
Bloomberg Short-Term Treasury Index (cash)	1.1%	↑	3.3%	↑	5.3%	↑↑	5.1%	↑↑	1.0%	↑
Bloomberg Municipal Bond Index	3.0%	↑	2.6%	↑	1.2%	↑	6.4%	↑↑	-8.6%	↓↓
Gold	17.2%	↑↑↑	47.2%	↑↑↑↑	27.4%	↑↑↑↑	13.2%	↑↑↑	0.0%	↔
Oil (West Texas Intermediate Crude)	-3.8%	↓	-13.0%	↓↓↓	0.7%	↑	-11.4%	↓↓↓	6.7%	↑↑
Bitcoin	6.1%	↑↑	22.3%	↑↑↑	122.7%	↑↑↑↑↑	153.0%	↑↑↑↑↑	-64.0%	↓↓↓↓↓
Morningstar Global Balanced Index (60% stocks / 40% stocks)	5.0%	↑	13.2%	↑↑↑	7.6%	↑↑	10.7%	↑↑↑	-12.3%	↓↓↓

[1] *Data sourced from Barclays, Market Watch, MSCI, Russell, Standard & Poors, Wall Street Journal and Barrons.*

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