PEAPACK PRIVATE

The Weekly
Economic & Market Recap

October 31, 2025

Monthly Recap

Equity markets extended their three-year bull run through October despite the ongoing government shutdown. With third-quarter earnings season well underway, 87% of companies have reported results, led by strength in the technology, financial, and industrial sectors. Robust corporate earnings continue to lift stock prices even as valuations remain elevated and corporate layoffs accelerate. Technology shares outperformed once again, driven by enthusiasm for artificial intelligence. Nvidia and Microsoft led the sector higher after strong earnings and renewed optimism in AI growth. OpenAI added momentum by announcing plans to purchase up to $300 billion of computing power from AMD over the next five years, reinforcing AI expectations. Despite limited access to fresh economic data due to the shutdown, the Federal Reserve proceeded with its expected 25-basis-point rate cut, lowering the federal funds rate to a range of 3.75%–4.00%. Meanwhile, gridlock in Washington persisted as the Senate failed to advance healthcare legislation, extending the shutdown into November and threatening government paychecks and SNAP benefits for roughly 42 million Americans. Inflation data offered relief. September’s Consumer Price Index (CPI) came in at 3.0%, cooler than anticipated and largely driven by easing shelter costs. On the trade front, activity accelerated. President Trump signed new rare earth mineral agreements with Malaysia and Cambodia and began framework negotiations with Thailand and Vietnam. Additionally, the U.S. and China agreed to a one-year trade truce in which China will delay rare earth export restrictions in exchange for the United States cutting fentanyl tariffs from 20% to 10%. These developments, alongside persistent geopolitical uncertainty, have helped keep gold prices elevated above $4,000 per ounce. Looking ahead, investors remain focused on the remainder of earnings season and the Fed’s policy direction. While corporate fundamentals remain solid, elevated valuations, political uncertainty, and slowing economic momentum may lead to heightened volatility as the year draws to a close.

Key Thought

The Federal Reserve’s October 25 basis-point rate cut to a 3.75–4.00% reflects a measured and balanced response to growing economic uncertainty and stubbornly high inflation. Chair Powell’s comments suggest the Fed is proceeding cautiously, mindful of two-sided risks and the limitations posed by incomplete data due to the government shutdown. Powell’s analogy of 'driving in a fog' underscores the challenge of making policy decisions without full visibility into key indicators like payrolls and inflation. The shutdown has delayed critical economic data, forcing reliance on partial metrics such as ADP employment figures. This opaqueness increases the risk of policy missteps, especially as anecdotal evidence points to rising layoffs in middle management and weakening hiring trends. The Fed’s decision to end Quantitative Tightening (QT) in December marks a significant shift in balance sheet strategy. Treasury proceeds will be reinvested in similar duration securities, while MBS runoff will be redirected into T-bills, shortening the average duration of Fed holdings. This pivot could influence market liquidity and duration risk, particularly in mortgage markets. Globally, the Fed’s cautious retracement—just 28.6% of its prior tightening—lags peers like Canada and the Eurozone, which have eased more aggressively. This divergence reflects persistent inflation concerns, particularly around tariff effects, but also raises questions about the Fed’s responsiveness to domestic economic softening. Equity markets face heightened vulnerability in this environment. Valuations remain at historically high multiples, leaving little margin for error should earnings disappoint, or macro conditions deteriorate. The Fed’s cautious stance may provide some support, but any signs of persistent inflation or labor market weakness could trigger volatility. Investors may need to recalibrate expectations, especially if rate cuts stall or liquidity tightens more than anticipated. Ultimately, the Fed’s December decision hinges on labor market resilience and inflation dynamics. If employment deteriorates further, the pressure to cut rates again may override hawkish resistance. Conversely, if inflation remains sticky and economic data improves, a pause could be justified. In either case, the Fed’s path forward remains fraught with complexity, shaped by incomplete data, political headwinds, and global monetary shifts.

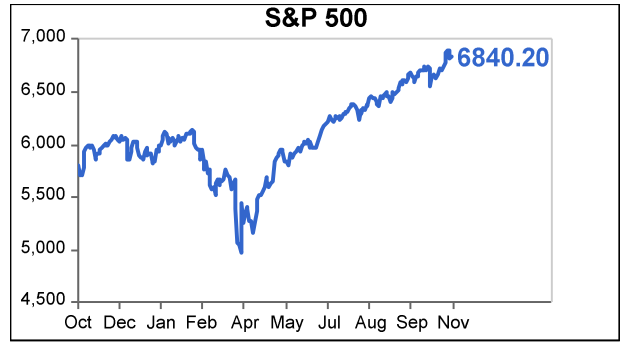
Stocks	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJII-USA	47,562.87	355.75	0.75	1.77	11.80	13.89
S&P 500	6,840.20	48.51	0.71	1.44	16.30	19.89
NASDAQ	23,724.96	520.09	2.24	0.88	22.86	31.11
S&P MidCap 400	3,246.26	-52.32	-1.59	2.37	4.02	4.79
EAFE	94.49	-0.55	-0.58	3.13	24.97	19.28
Emerging Markets	68.27	0.23	0.34	2.78	30.74	22.74

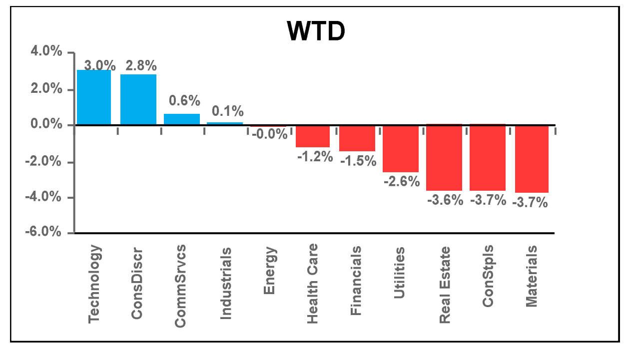
Treasuries	Current Yield	12/31/24 Yield
1 - Year	3.69	4.15
2 - Year	3.59	4.24
5 - Year	3.70	4.38
10 - Year	4.09	4.57
30 - Year	4.66	4.78

FOREX	Price	Wk % Change
EUR/USD	1.15	-0.56
USD/JPY	154.06	0.74
GBP/USD	1.31	-1.16
USD/CAD	1.40	0.35

Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	848.70	-32.29	(3.7%)	(2.6%)	(2.6%)	(0.6%)
Health Care	1,680.03	-21.02	(1.2%)	3.5%	3.5%	4.7%
CommServices	429.97	2.44	0.6%	1.7%	1.7%	25.8%
Eco Sensitive						
Consumer Disc	1,963.14	52.98	2.8%	2.4%	2.4%	7.2%
Energy	674.74	-0.02	(0.0%)	(1.2%)	(1.2%)	3.0%
Industrials	1,311.71	1.05	0.1%	0.4%	0.4%	17.6%
Info Tech	5,960.13	172.42	3.0%	6.2%	6.2%	29.3%
Materials	541.60	-20.90	(3.7%)	(5.1%)	(5.1%)	2.2%
Interest Rate Sensitive						
Financials	870.44	-13.11	(1.5%)	(2.9%)	(2.9%)	8.2%
Utilities	452.13	-11.88	(2.6%)	2.0%	2.0%	17.5%
REIT	254.45	-9.62	(3.6%)	(2.2%)	(2.2%)	0.1%

COMING UP NEXT WEEK		Consensus	Prior
11/03 ISM Manufacturing SA	(Oct)	49.6	49.1
11/05 ADP Employment Survey SA	(Oct)	35.0K	-32.0K
11/05 ISM Services PMI SA	(Oct)	50.9	50.0
11/06 Initial Claims SA	(11/01)	229.0K	219.0K R
11/06 Unit Labor Costs SAAR Q/Q (Preliminary)	(Q3)	0.80%	1.0%
11/06 Productivity SAAR Q/Q (Preliminary)	(Q3)	4.0%	3.3%
11/07 Nonfarm Payrolls SA	(Oct)	-37.5K	-
11/07 Private Nonfarm Payrolls	(Oct)	37.5K	-
11/07 Unemployment Rate	(Oct)	4.3%	-
11/07 Michigan Sentiment NSA (Preliminary)	(Nov)	54.3	53.6





Russell Style Return

WTD	Value	Blend	Growth
Large	-0.84%	0.58%	1.76%
Medium	-1.56%	-1.48%	-1.37%
Small	-2.41%	-1.28%	-0.29%

YTD	Value	Blend	Growth
Large	11.96%	16.92%	21.28%
Medium	8.12%	9.34%	12.34%
Small	9.24%	12.31%	15.33%

Source: FactSet

For more information about our solutions: http://peapackprivate.com