

Q3

Quarterly Market Review

Third Quarter 2025

Quarterly Market Review

This report features world capital market performance and a timeline of events for the past quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

Overview:

Quarterly Market Commentary

Market Summary

World Stock Market Performance

US Stocks

International Developed Stocks

Emerging Markets Stocks

Country Returns

Real Estate Investment Trusts (REITs)

Commodities

Fixed Income

Global Fixed Income

Quarterly Market Commentary

Third Quarter 2025 – October 9, 2025

Investors finally got the interest rate cut they were waiting for last month, but comments from the Federal Reserve Chair have some of them scratching their heads. Let's see if we can make sense of these mixed signals.

Jerome Powell Sends Mixed Signals

The Fed reduced its target federal funds rate by 0.25% on September 17. Rate cuts tend to make equity investors optimistic: They figure lower interest rates may reduce borrowing costs, goosing economic activity and hopefully boosting corporate earnings and stock prices. This time around, investors may think the Fed cut helps validate the S&P 500's nearly 35% gain since it bottomed in early April.

A week after cutting rates, Fed Chair Jerome Powell uttered these words:

"By many measures...equity prices are fairly highly valued."

Powell's seemingly innocuous statement sounded like a loud needle scratch to some investors. Fed chairs don't often comment on stock prices, so that he chose this moment to highlight steep valuations raised questions.

Is Powell—an economist with more information than most—saying stocks are *too* highly valued? Are prices about to drop? Should you sell before it's too late?

On the surface, it's hard to quibble with Powell's take. The most common way to gauge the broad stock market's

valuation is to look at the price-to-earnings (P/E) ratio of the S&P 500. And it's high: As of September 26, the S&P 500's P/E was 20% above the average of the past 10 years.¹

But the topic deserves a little more context. Certain parts of the stock market are driving up the average, so it's probably more accurate to say that *some* equity prices appear fairly highly valued.

Tech stocks have risen on investor optimism about the potential for AI to drive future earnings. The tech sector had a P/E ratio over 30 as of October 1, compared to about 23 for the S&P 500 as a whole. By contrast, the energy, financials, health care, materials and utilities sectors all had P/Es in the teens.²

Should You Sell Pricey Stocks?

The short answer: on one knows. Everybody knows the investing adage "Buy low, sell high." So, it may be surprising to learn that selling out of stocks when their valuations look steep has just as often been a mistake. A study by LPL Financial comparing historical stock market valuation to returns over the next 12 months found "no relationship whatsoever."³

Fact is, pricey stocks can easily get pricier. Just ask another Fed Chair, Alan Greenspan. Almost 30 years ago, he famously described "irrational exuberance" in the stock market—and the S&P 500 surged more than 100% over the following four years.⁴

It's not that valuations are irrelevant. High valuations may dampen long-term returns.⁵ But you already have a mechanism in place to keep your investments aligned with your needs and goals over time, whether prices are high, low or in between. It's called rebalancing, which is only possible with a diversified asset allocation.

Run-ups in the prices of some investments can throw off your asset allocation—the percentage of your portfolio you have devoted to specific investment types. That's why we periodically rebalance your portfolio, resetting your allocations to your long-term targets. This process automatically reduces how much you have in assets that have gained the most and redirects those resources toward assets that have lagged.

If there's ever a news story that gives you pause, you can always reach out to us to help put it into perspective.

Regards,

Eric Hutchens



President & Chief Investment Officer
Allodium Investment Consultants

1. FactSet Earnings Insight, September 26, 2025. P/E based on forward earnings

2. Yardeni Research, October 2, 2025. P/Es based on forward earnings.

3. LPL Financial, "Valuations Aren't Great Timing Tools," March 6, 2024.

4. "Back in the '90s a Fed chief warned about 'irrational exuberance' in the markets. Stocks rose 105% over the next four years." Fortune, September 30, 2025

5. LSEG, "Do valuations correlate to long-term returns?" January 23, 2025

Quarterly Market Summary

Returns (USD), as of September 30, 2025

	Stocks				Bonds	
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Q3 2025	8.18%	5.33%	10.64%	4.22%	2.03%	0.49%
						
Since January 2001						
Average Quarterly Return	2.5%	1.8%	2.7%	2.2%	1.0%	0.9%
Best Quarter	22.0%	25.9%	34.7%	32.3%	6.8%	5.4%
	2020 Q2	2009 Q2	2009 Q2	2009 Q3	2023 Q4	2023 Q4
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-5.9%	-4.1%
	2008 Q4	2020 Q1	2008 Q4	2008 Q4	2022 Q1	2022 Q1

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2025 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2025, all rights reserved. Bloomberg data provided by Bloomberg.

Long-Term Market Summary

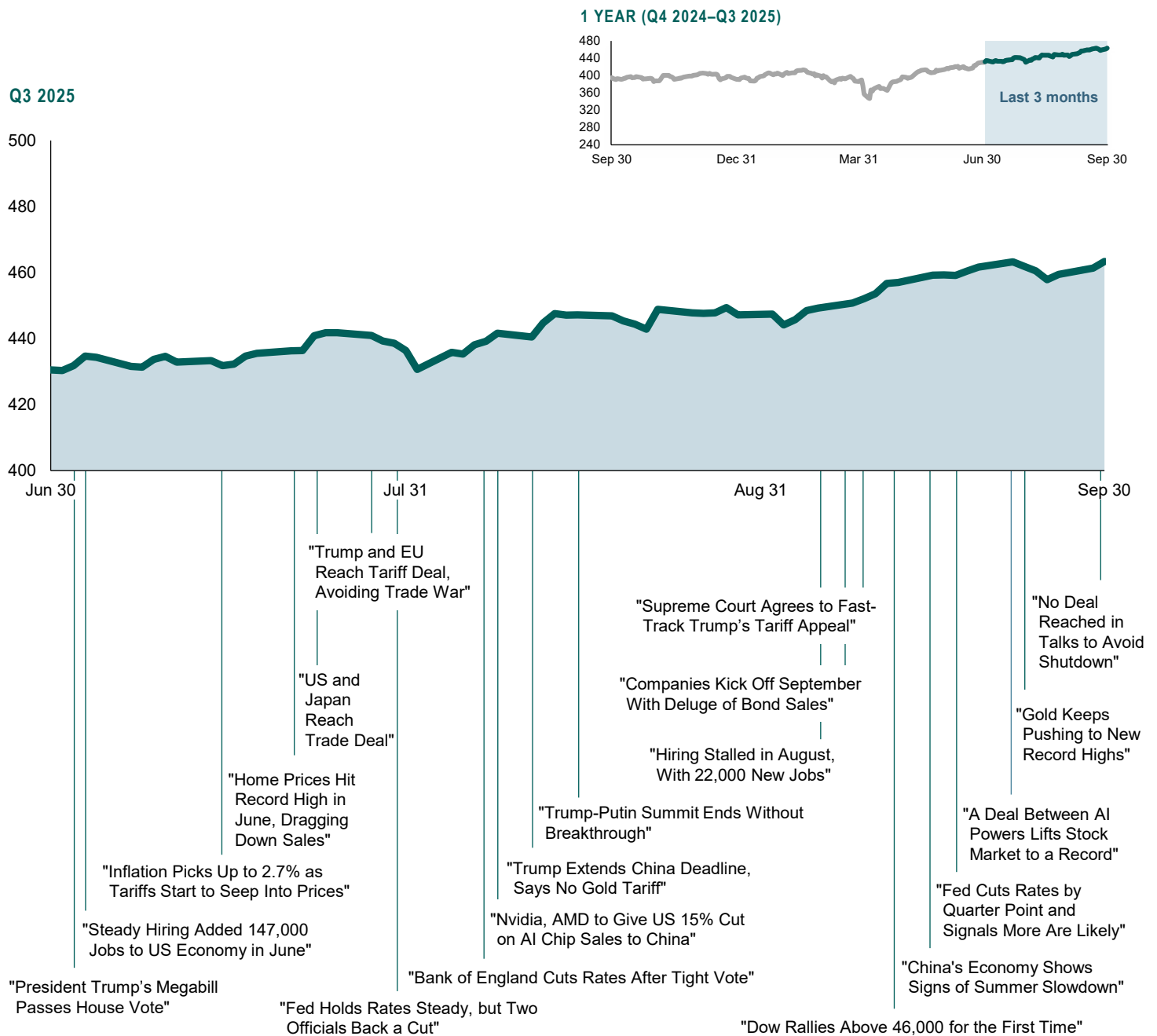
Returns (USD), as of September 30, 2025

	Stocks				Bonds	
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	17.41% 	16.03% 	17.32% 	-1.24% 	2.88% 	3.02% 
5 Years	15.74% 	11.60% 	7.02% 	6.58% 	-0.45% 	0.87% 
10 Years	14.71% 	8.41% 	7.99% 	4.37% 	1.84% 	2.58% 
15 Years	14.23% 	6.72% 	3.99% 	5.91% 	2.26% 	2.99% 
20 Years	10.75% 	5.63% 	6.11% 	4.40% 	3.23% 	3.42% 

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World Stock Market Performance

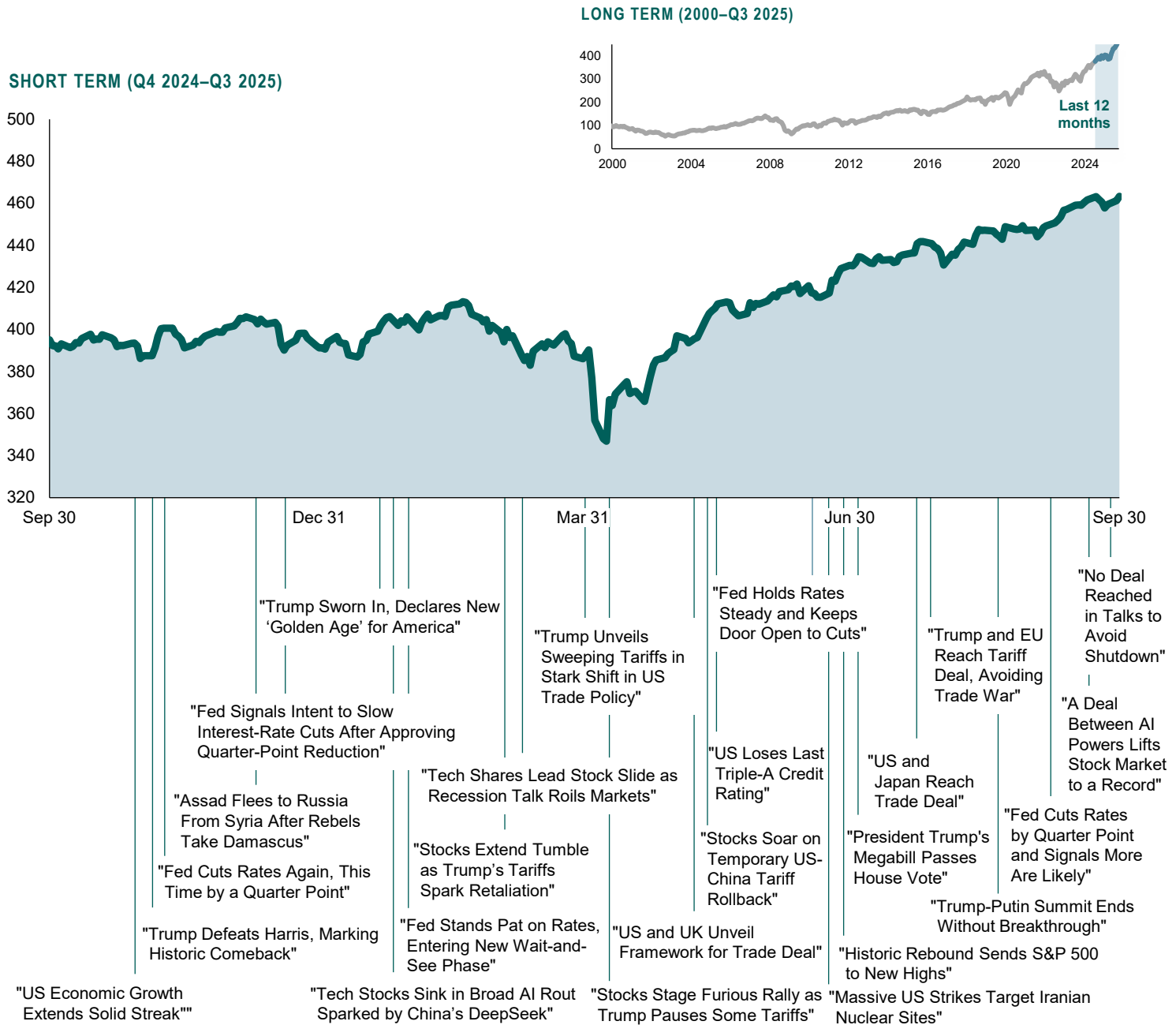
MSCI All Country World Index with selected headlines from Q3 2025



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months



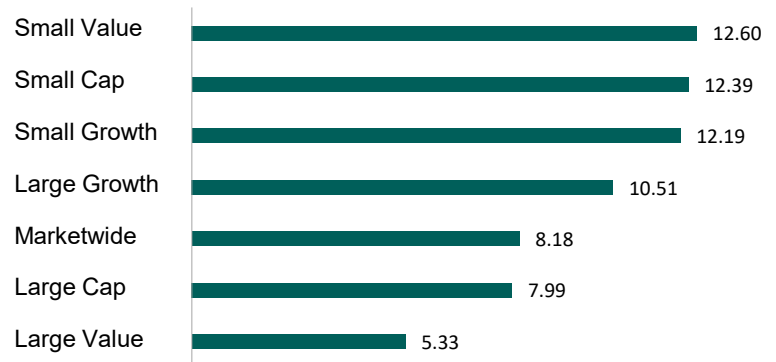
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US Stocks

Returns (USD), 3rd Quarter 2025

- The US equity market posted positive returns for the quarter and outperformed non-US developed markets but underperformed emerging markets.
- Value underperformed growth.
- Small caps outperformed large caps.
- REIT indices underperformed equity market indices.

Ranked Returns (%)



Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED					
			1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Small Value	12.60	9.04	7.88	13.56	14.59	9.23	9.54	7.27
Small Cap	12.39	10.39	10.76	15.21	11.56	9.77	10.42	8.14
Small Growth	12.19	11.65	13.56	16.68	8.41	9.91	11.01	8.78
Large Growth	10.51	17.24	25.53	31.61	17.58	18.83	17.36	13.33
Marketwide	8.18	14.40	17.41	24.12	15.74	14.71	14.23	10.75
Large Cap	7.99	14.60	17.75	24.64	15.99	15.04	14.49	10.92
Large Value	5.33	11.65	9.44	16.96	13.88	10.72	11.24	8.19

World Market Capitalization



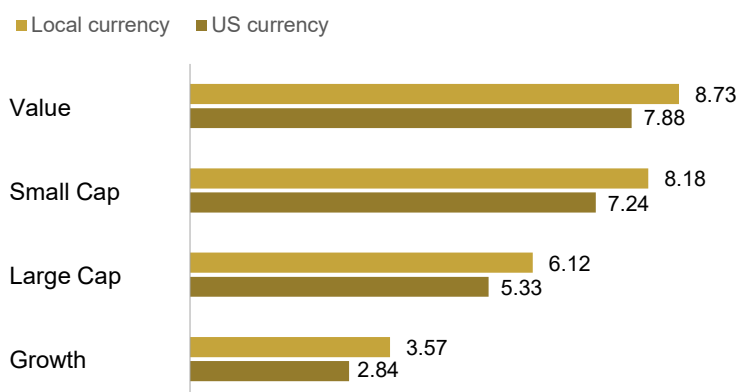
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International Developed Stocks

Returns (USD), 3rd Quarter 2025

- Developed markets outside of the US posted positive returns for the quarter and underperformed both US and emerging markets.
- Value outperformed growth.
- Small caps outperformed large caps.

Ranked Returns (%)



Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED					
			1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Value	7.88	31.51	22.90	25.20	16.20	8.54	6.52	5.28
Small Cap	7.24	29.54	19.35	19.98	9.24	8.29	7.43	6.24
Large Cap	5.33	25.34	16.03	21.60	11.60	8.41	6.72	5.63
Growth	2.84	19.32	9.41	18.08	6.96	8.02	6.73	5.81

World Market Capitalization



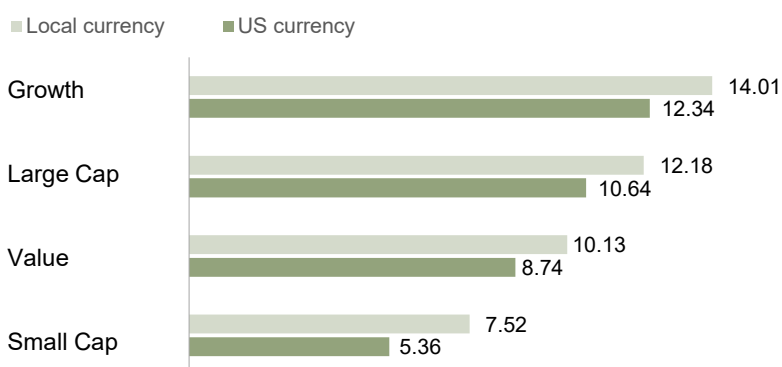
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Emerging Markets Stocks

Returns (USD), 3rd Quarter 2025

- Emerging markets posted positive returns for the quarter and outperformed both US and non-US developed markets.
- Value underperformed growth.
- Small caps underperformed large caps.

Ranked Returns (%)



Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED					
			1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Growth	12.34	30.00	21.01	18.50	4.31	8.69	4.96	6.50
Large Cap	10.64	27.53	17.32	18.21	7.02	7.99	3.99	6.11
Value	8.74	24.79	13.30	17.81	9.90	7.14	2.90	5.62
Small Cap	5.36	16.67	8.28	17.91	12.51	8.48	4.72	7.60

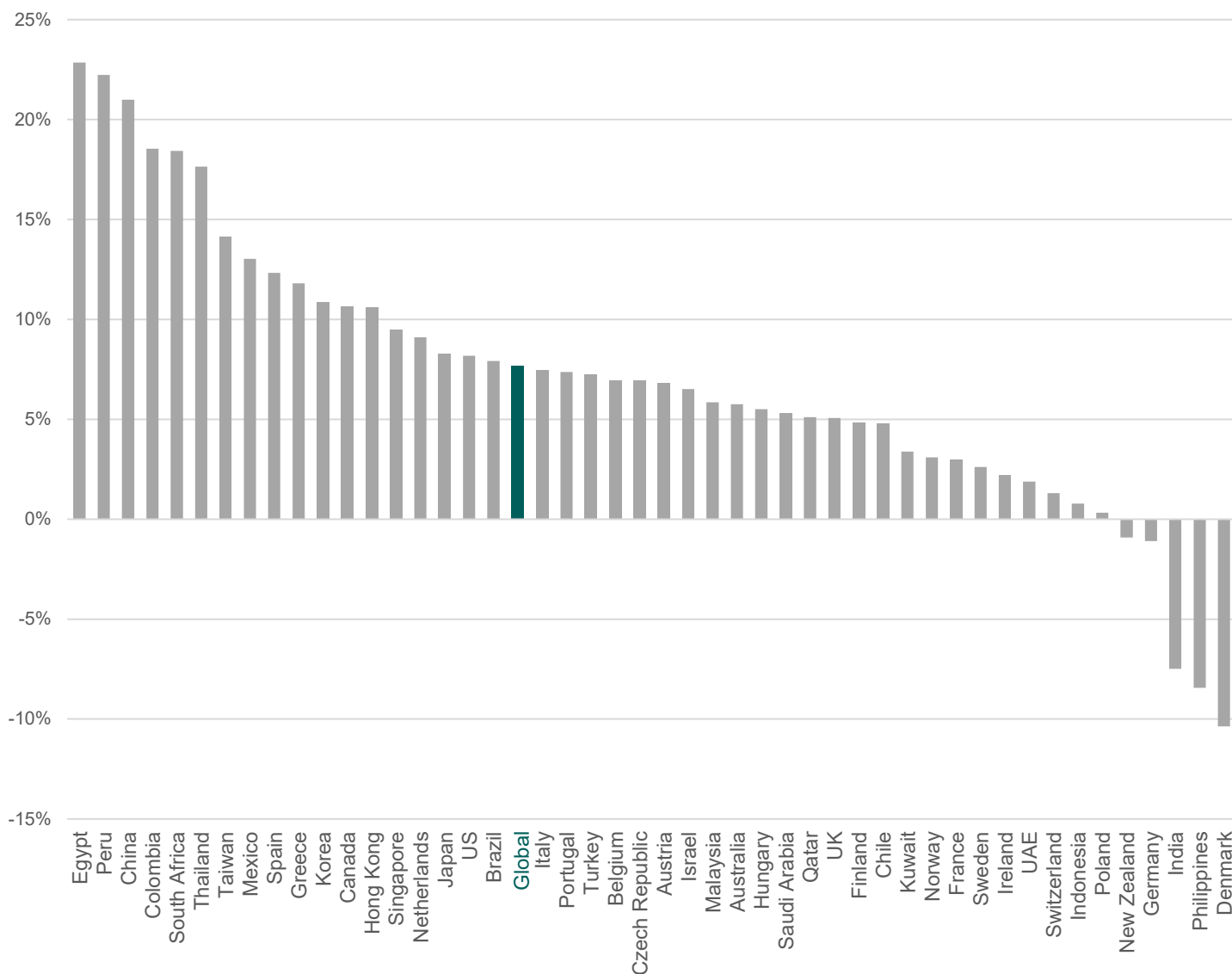
World Market Capitalization



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Country Returns

Returns (USD), 3rd Quarter 2025



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Real Estate Investment Trusts (REITs)

Returns (USD), 3rd Quarter 2025

- US real estate investment trusts outperformed non-US REITs during the quarter.

Ranked Returns (%)



Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED					
			1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
US REITS	5.09	4.50	-1.70	10.48	9.45	5.65	7.83	6.17
Global ex US REITS	3.62	22.42	3.61	9.89	3.65	2.65	3.97	2.88

Total Value of REIT Stocks



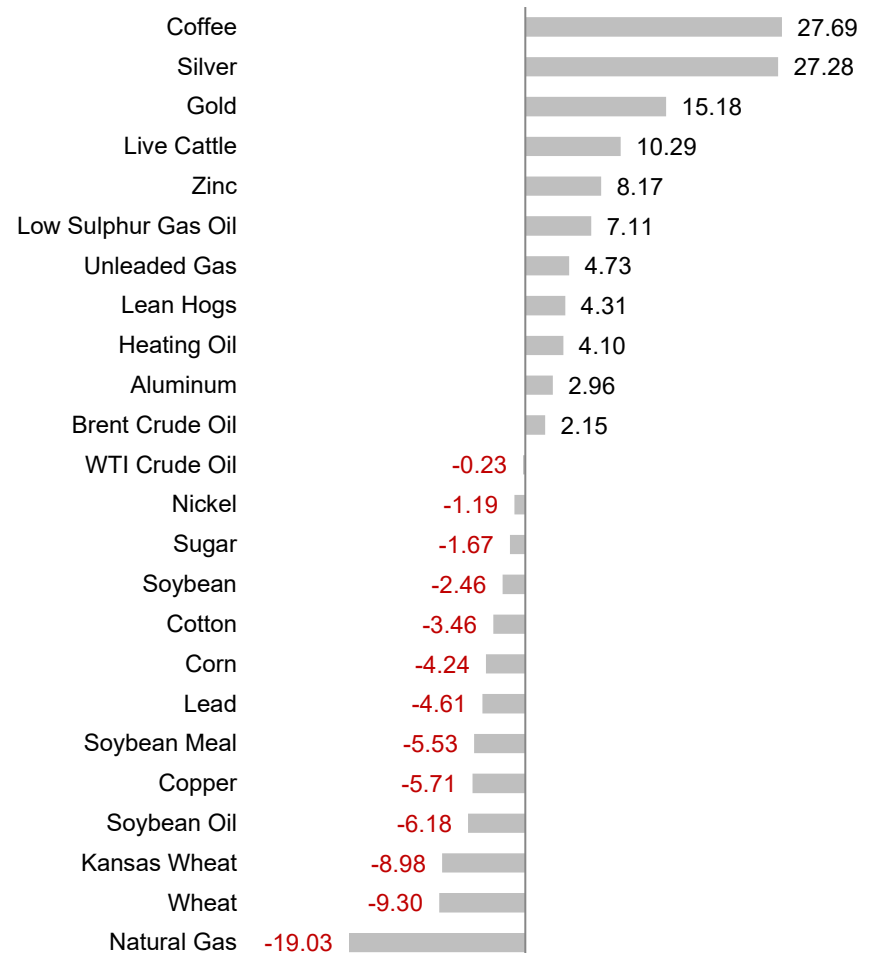
Commodities

Returns (USD), 3rd Quarter 2025

The Bloomberg Commodity Total Return Index returned +3.65% for the third quarter of 2025.

Coffee and Silver were the best performers, returning +27.69% and +27.28% during the quarter, respectively. Natural Gas and Wheat were the worst performers, returning -19.03% and -9.30% during the quarter, respectively.

Ranked Returns (%)



Periodic Returns (%)

QTR	YTD	ANNUALIZED					
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
3.65	9.38	8.88	2.76	11.53	3.96	-0.51	-0.97

Fixed Income

Returns (USD), 3rd Quarter 2025

During the quarter, interest rates decreased within the US Treasury market.

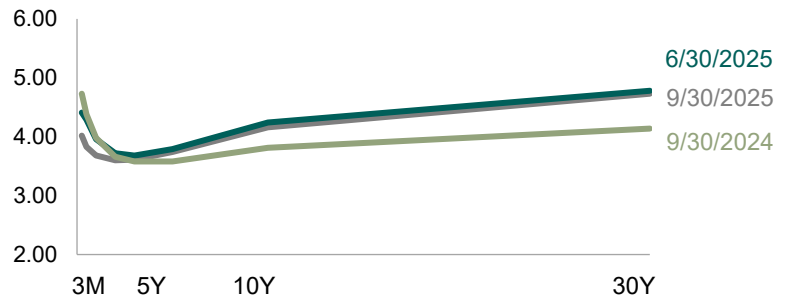
On the short end of the yield curve, the 1-Month US Treasury Bill yield decreased 8 basis points (bps) to 4.20%, while the 1-Year US Treasury Bill yield decreased 28 bps to 3.68%. The yield on the 2-Year US Treasury Note decreased 12 bps to 3.60%.

The yield on the 5-Year US Treasury Note decreased 5 bps to 3.74%. The yield on the 10-Year US Treasury Note decreased 8 bps to 4.16%. The yield on the 30-Year US Treasury Bond decreased 5 bps to 4.73%.

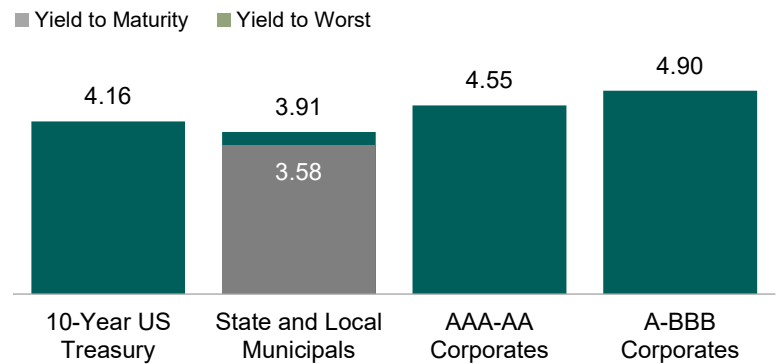
In terms of total returns, short-term US treasury bonds returned +1.17% while intermediate-term US treasury bonds returned +1.26%. Short-term corporate bonds returned +1.62% and intermediate-term corporate bonds returned +2.04%.¹

The total returns for short- and intermediate-term municipal bonds were +1.53% and +2.77%, respectively. Within the municipal fixed income market, general obligation bonds returned +2.96% while revenue bonds returned +3.03%.²

US Treasury Yield Curve (%)



Bond Yields Across Issuers (%)



Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED					
			1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Bloomberg Municipal Bond Index	3.00	2.64	1.39	4.74	0.86	2.34	2.94	3.48
Bloomberg U.S. High Yield Corporate Bond Index	2.54	7.22	7.41	11.09	5.55	6.17	6.16	6.71
Bloomberg U.S. Government Bond Index Long	2.49	5.65	-3.44	0.46	-7.73	-0.09	1.96	3.36
Bloomberg U.S. TIPS Index	2.10	6.87	3.79	4.88	1.42	3.01	2.85	3.51
Bloomberg U.S. Aggregate Bond Index	2.03	6.13	2.88	4.93	-0.45	1.84	2.26	3.23
ICE BofA 1-Year US Treasury Note Index	1.14	3.13	3.85	4.46	2.28	1.91	1.38	1.90
ICE BofA US 3-Month Treasury Bill Index	1.08	3.17	4.38	4.77	2.98	2.08	1.41	1.71
FTSE World Government Bond Index 1-5 Years (hedged to USD)	1.01	4.01	4.17	4.72	1.62	1.96	1.81	2.47
FTSE World Government Bond Index 1-5 Years	0.63	7.71	4.07	5.47	0.14	1.07	0.19	1.71

1. Bloomberg US Treasury and US Corporate Bond Indices

2. Bloomberg Municipal Bond Index

One basis point (bps) equals 0.01%. **Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds, and the Yield to Worst are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated.

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Global Fixed Income

Yield curves (USD), 3rd Quarter 2025

Except for Canada, interest rates increased in the global developed markets for the quarter.

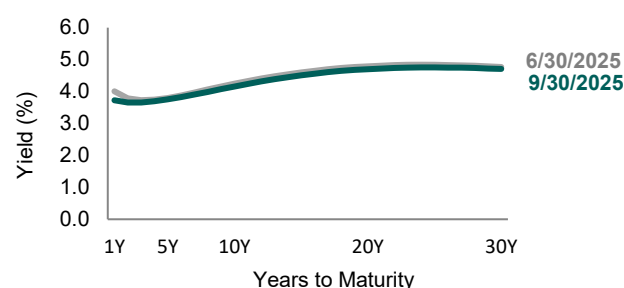
Realized term premiums were mixed across global developed markets. Outside the US, longer-term bonds generally underperformed shorter-term bonds during the quarter.

In Canada, short- to intermediate-term interest rates decreased, and long-term interest rates increased. The short-term maturity segment of the yield curve was generally flat but steepened in the three- to five-year maturity segment in Canada, Germany, UK and Australia.

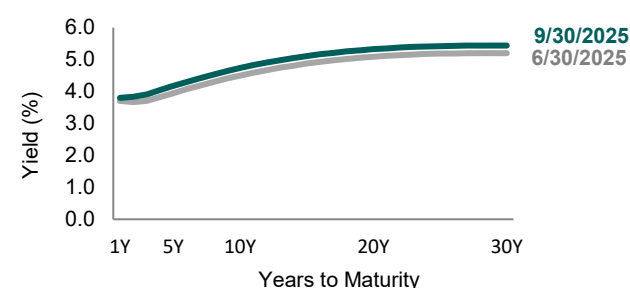
Changes in Yields (bps) Since 06/30/2025

	1Y	5Y	10Y	20Y	30Y
US	-28.4	-4.7	-8.6	-9.0	-5.7
UK	9.3	22.5	23.5	23.6	23.6
Germany	14.1	13.2	9.3	16.9	17.9
Japan	21.3	26.2	22.4	22.7	22.7
Canada	-15.4	-11.2	-8.0	1.8	5.6
Australia	27.1	22.8	16.1	14.2	11.3

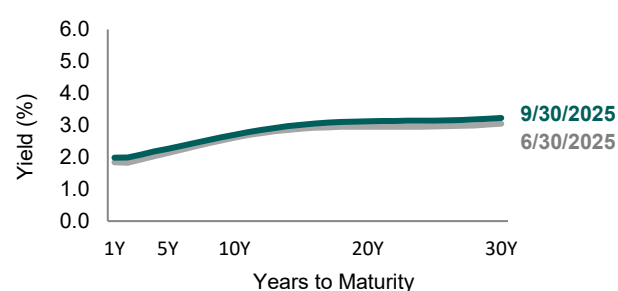
US



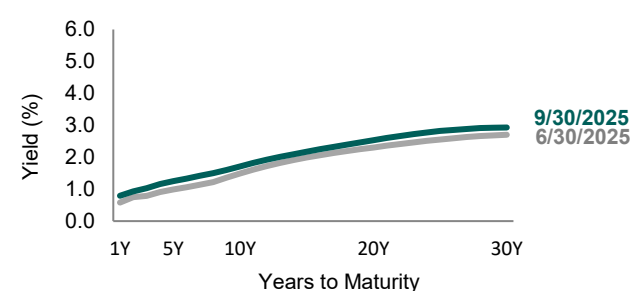
UK



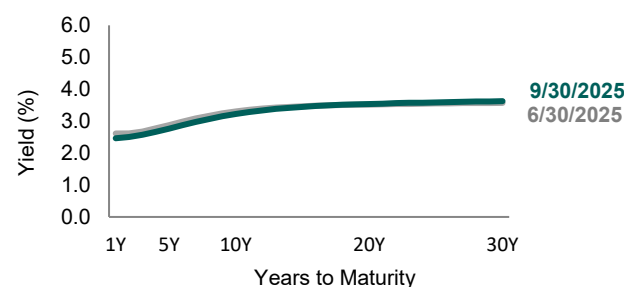
Germany



Japan



Canada



Australia

