OpenArc CORPORATE ADVISORY

Market Brief

MACRO

Growth: Private payrolls rose by +42,000 in October, according to ADP, with gains concentrated in education, health care, and trade/transportation/utilities. Losses persisted in professional services, information, and leisure/hospitality, signaling uneven hiring. Meanwhile, Challenger, Gray, and Christmas reported the worst October for layoffs in 22 years, with announced cuts up +175% year-over-year, driven by technology, retail, and government sectors. Job postings fell to their lowest level since early 2021, according to Indeed, underscoring mounting labor market stress.

Inflation: Official CPI and PCE data for October were not released due to the federal shutdown. However, Cleveland Fed Nowcast estimates show headline CPI near 2.96% year-over-year and core CPI around 2.99% and show PCE inflation near 2.7%, keeping price pressures above target. Numerator data indicated modest month over-month gains, driven by persistent shelter and services costs, while goods inflation eased slightly. Food prices were mixed, and energy remained subdued, signaling sticky inflation despite softer categories.

Monetary Policy: The Federal Reserve cut rates by 25 bps for the second straight month, lowering the funds rate to 3.75–4.00%. Chair Powell signaled caution on further easing in December, citing limited access to economic data during the government shutdown. Markets ended October pricing just over a 50% chance of another cut. The Fed's Summary of Economic Projections in September pointed to two more cuts in 2025 – including October's – and only one in 2026, reinforcing a gradual approach to policy adjustments amid uncertainty.

MARKET

Equities: U.S. equities extended their winning streak in October, with the S&P 500 nearing record highs and the Nasdaq continuing its multi-month surge. Technology led gains (+6.68%) as AI-driven optimism fueled Big Tech, while Utilities benefited from data-center power demand. Growth outpaced Value, with Large Cap Growth up +3.37% for the month and +23.33% YTD. Sector performance was mixed – Healthcare and Consumer Discretionary advanced, while Financials and Materials lagged. Strong earnings and a Fed rate cut supported sentiment, though Powell's caution on future cuts tempered late-month enthusiasm.

Bonds: Investment-grade bonds posted steady gains in October, with the Bloomberg US Agg Bond Index up +0.62%, lifting its YTD return to +6.80%. Municipals outperformed, generating +1.24% – their strongest October in over two decades – bringing YTD gains to +3.91%. High yield bonds were more mixed, generating -0.06% during the month. While Treasury yields ended near 4.1% after Fed-driven volatility, lower rates through the month supported positive returns across most fixed income sectors. Over the past 12 months, bonds have quietly delivered mid-single-digit gains.

Currencies: After months of weakness, the U.S. dollar stabilized in October as Fed rate-cut expectations eased and global policy gaps narrowed. A prolonged U.S. government shutdown added uncertainty, but shifting sentiment helped the greenback regain footing.

Commodities: Gold ended October 2025 up +3.56%, hitting a record $4,382 before correcting into the end of the month. Year-to-date gains exceed +52%, driven by safe-haven demand, inflation concerns, and geopolitical tensions. Central banks continued to buy precipitously in Q3, helping drive prices higher, while a Fed rate cut and dollar weakness added momentum. Despite a late pullback, sentiment remained bullish as gold consolidated after historic highs.

CIO SNAPSHOT

We maintain a tactical risk-on stance in our asset allocation, reflecting our confidence in the current market's return potential. We remain overweight equities, and recently increased exposure to U.S. markets funded from International Developed, as we believe robust U.S. earnings growth continues to underpin domestic equity performance. Within equities, we are responsibly bullish on the AI supercycle, with targeted allocations to technology and power infrastructure, and are optimistic on financials and defense, supported by lighter regulation and elevated fiscal spending, respectively. In fixed income, we hold a neutral position in duration to manage rate sensitivity, while emphasizing higher-yielding opportunities that deliver compelling

▲ Overweight
— Neutral
▼ Underweight

	Asset Class	CIO View
	Equities	
Regions	US Large Cap	▲
Regions	US Small Cap	▼
Regions	Developed International Equities	▼
Regions	EM Equities	—
Factors	Growth	▲
Factors	Quality	▲
Factors	Value	▼
Sectors	Industrials	▲
Sectors	Technology	▲
Sectors	Financials	▲
	Fixed Income	
Factors	Credit	▲
Factors	Duration	—

Source: Dynasty Financial Partners, Bloomberg, Goldman Sachs Research, 451 Research, YCharts, as of 10/31/2025

US Related

ETF	Description	October	YTD
SPY	S&P 500	2.38%	17.40%
DIA	Dow Jones Ind	2.61%	13.15%
QQQ	Nasdaq 100	4.78%	23.52%
IJH	S&P Midcap 400	-0.51%	5.16%
RSP	S&P 500 Eq Weight	-0.93%	8.67%
QQQE	Nasdaq 100 Eq Weight	2.06%	15.94%
IWB	Russell 1000	2.25%	16.92%
IWM	Russell 2000	1.76%	12.31%
IWV	Russell 3000	2.15%	16.70%

Factors

ETF	Description	October	YTD
IVW	Russell Growth	3.37%	23.33%
IVE	Russell Value	1.10%	10.75%
IJK	Midcap 400 Growth	0.22%	6.19%
IJJ	Midcap 400 Value	-1.46%	3.57%
IJT	Smallcap 600 Growth	-1.32%	3.82%
IJS	Smallcap 600 Value	-0.35%	2.76%
DVY	DJ Dividend	-2.06%	8.81%
MTUM	Momentum	-0.87%	23.72%
USMV	Low Volatility	-2.06%	6.09%
SIZE	Size	-0.12%	9.33%
QUAL	Quality	0.93%	10.99%

Global

ETF	Description	October	YTD
EWA	Australia	-0.85%	13.92%
EWZ	Brazil	0.55%	41.05%
EWC	Canada	0.38%	26.75%
MCHI	China	-3.46%	37.00%
EWQ	France	0.80%	26.22%
EWG	Germany	-2.11%	30.13%
EWH	Hong Kong	-0.05%	32.09%
INDA	India	3.67%	2.53%
EWI	Italy	-0.27%	46.58%
EWJ	Japan	4.04%	25.37%
EWW	Mexico	-2.46%	44.66%
EIDO	Indonesia	4.16%	1.56%
EWP	Spain	1.35%	63.41%
EIS	Israel	2.14%	33.77%
EWU	UK	1.67%	28.45%
EFA	EAFE	1.20%	27.14%
EEM	Emerging Mkts	3.56%	33.51%
IOO	Global 100	5.04%	25.96%
VT	All World	2.02%	21.06%
CWI	All World ex US	1.80%	29.05%

Sectors

ETF	Description	October	YTD
XLY	Cons Disc	0.12%	7.66%
XLP	Cons Stap	-2.67%	-1.11%
XLE	Energy	-1.35%	5.42%
XLF	Financials	-2.78%	9.48%
XLV	Health Care	3.65%	6.25%
XLI	Industrials	0.54%	18.89%
XLB	Materials	-4.41%	3.31%
XLRE	Real Estate	-2.92%	2.90%
XLK	Technology	6.68%	29.92%
XLC	Comm Services	-3.01%	19.65%
XLU	Utilities	2.17%	20.18%
SMH	Semis	11.23%	49.90%

Currencies

ETF	Description	October	YTD
FXB	British Pound	-2.13%	7.15%
FXE	Euro	-1.79%	12.18%
FXY	Yen	-4.10%	1.77%
DXY	Dollar	1.98%	-8.08%

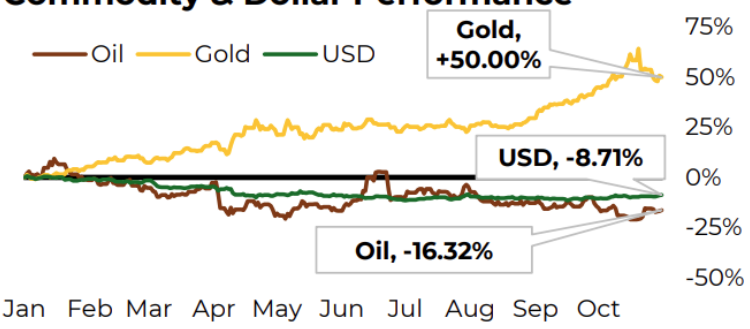
Fixed Income

ETF	Description	October	YTD
SHY	1-3 Yr Treasuries	0.33%	4.19%
IEI	3-7 Yr Treasuries	0.49%	6.35%
IEF	7-10 Yr Treasuries	0.71%	7.80%
TLH	10-20 Yr Treasuries	1.16%	7.57%
TLT	20+ Yr Treasuries	1.38%	6.80%
AGG	Aggregate Bond	0.62%	6.85%
TIP	T.I.P.S.	0.32%	7.20%
JNK	High Yield	-0.06%	7.23%
MBB	Mortgage-Backed	0.78%	7.60%
LQD	IG Corporate	0.15%	7.69%
MUB	Muni Bond	1.20%	3.32%

Commodities

ETF	Description	October	YTD
DBC	Commodities	1.55%	7.02%
DBA	Agric Commod.	-1.46%	-0.83%
USO	Oil	-1.61%	-3.96%
UNG	Nat. Gas	1.38%	-21.18%
GLD	Gold	3.56%	52.03%
SLV	Silver	3.87%	67.15%

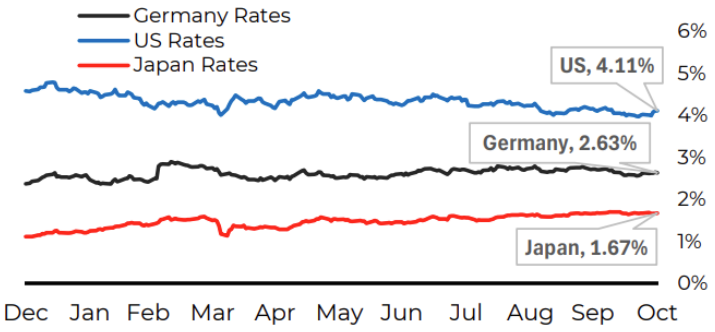
Commodity & Dollar Performance



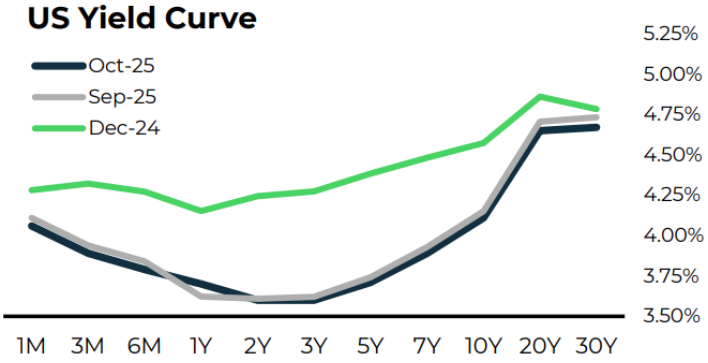
MUNICIPAL BONDS SHINE IN OCTOBER AMID SUPPLY TAPER

Municipal bonds rallied strongly in October, led by the long end of the curve. The Bloomberg 20-year Muni Index gained +2.18% this month and is now up nearly +7% over the past three months. More broadly, the BBG Municipal Index was up +1.24% during the month, outpacing the Agg's +0.62% increase. The rally reflects tapering supply and persistent demand, with inflows in 12 of the last 14 weeks

10 Year Bond Yields



US Yield Curve



Economic Data

	Prior Release Date	Prior Estimate	Prior Actual	Next Release Date	Upcoming Forecast Estimate
Effective Federal Funds Rate	9/17/2025	400-425 bps	400-425 bps	10/29/2025	375-400 bps
US Total Nonfarm Payrolls	9/5/2025	75,000	22,000	11/20/2025	58,000
US Unemployment Rate	9/5/2025	4.3%	4.3%	11/20/2025	4.3%
Core PCE Index YoY%	9/26/2025	2.9%	2.9%	11/26/2025	-
US CPI YoY%	9/11/2025	2.9%	2.9%	12/10/2025	-
US Real GDP QoQ%	9/25/2025	3.3%	3.8%	11/26/2025	-

Source: Dynasty Financial Partners, Bloomberg, Goldman Sachs Research, 451 Research, YCharts, as of 10/31/2025

2025 Q4 Tactical Asset Allocation Guide

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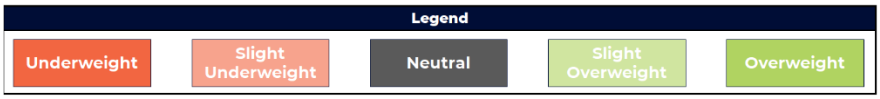


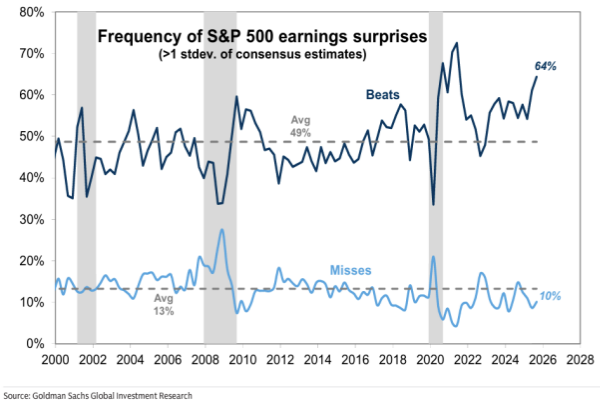
	Asset Class	View	Commentary
Equities	US Large Cap		Public company count has halved over the last two decades, concentrating quality in large caps. These firms benefit from diversified revenue streams and stronger balance sheets, positioning them to weather slowing growth better than smaller, cyclical peers.
	US Small Cap		Despite historical optimism during rate-cut cycles, small caps have underperformed when recessions are avoided—averaging +6% vs. +12% for large caps. Current leverage, weaker pricing power, and lower quality fundamentals suggest limited upside unless cuts accelerate and growth rebounds sharply.
	Developed International		Europe's fiscal push on defense and infrastructure and ECB flexibility to ease are positives. However, earnings delivery remains weak. Until growth materializes, we favor regions where valuations align with earnings momentum.
	Emerging Markets		Neutral stance persists as growth and earnings remain uneven. China's pivot to domestic consumption is structural but challenged by trade frictions. Upside depends on policy support and stabilization in global demand.
Factors	Growth		AI-driven demand continues to underpin growth stocks, supported by robust margins, free cash flow, and capex. In addition, adoption is starting to accelerate. While valuations are elevated, earnings delivery remains strong.
	Value		Value has lagged as growth dominates performance, fueled by AI and tech capex. Without a clear catalyst—such as a sharp rate-driven rotation – we maintain an underweight bias.
	Quality		Late-cycle dynamics favor companies with strong balance sheets and resilient cash flows. Quality remains a defensive hedge in our portfolios if credit conditions tighten and earnings dispersion widens.
Sectors	Technology		Tech earnings and profitability outpace the market, driven by structural AI demand and strong balance sheets. Despite trade tensions, secular growth trends remain intact.
	Financials		Easing regulation, steeper yield curve, and improving capital markets activity support financials. IPO and M&A pipelines are strengthening, adding cyclical upside. We are watching for credit quality deterioration if growth slows.
	Industrials		AI-driven power demand and infrastructure upgrades create tailwinds for industrials. Execution risk lies in cost inflation and project delays. Accelerated grid modernization funding is adding fuel to the fire.
Fixed Income	Duration		Two cuts priced in, but sticky inflation and fiscal stress limit downside for yields. We prefer favoring the front end of the yield curve as we expect curve steepening to continue.
	Credit		Elevated yields and stable fundamentals make credit attractive. IG spreads remain tight and HY offers carry but limited upside. We are comfortbale with the income from credit and like select structured credit assets.

Source: Dynasty Financial Partners, Bloomberg, Goldman Sachs Research, 451 Research, YCharts, as of 10/31/2025

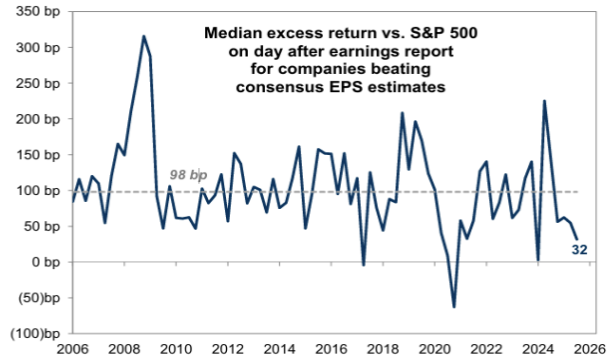
CIO Spotlight: Q3 Earnings Update & Early Takeaways

Q3 Earnings – Key Trends So Far

As of October 31st, 63% of S&P 500 companies (69% of market cap) have reported Q3 results. This season stands out for an unprecedented frequency of earnings "beats" – 64% of companies exceeded EPS estimates by more than one standard deviation, a rate only surpassed during the COVID reopening in the past 25 years. However, despite strong results, investors have largely not rewarded earnings beats, with the median outperforming stock gaining just +32 bps post-report, well below the historical average of +98 bps of outperformance following an earnings beat.

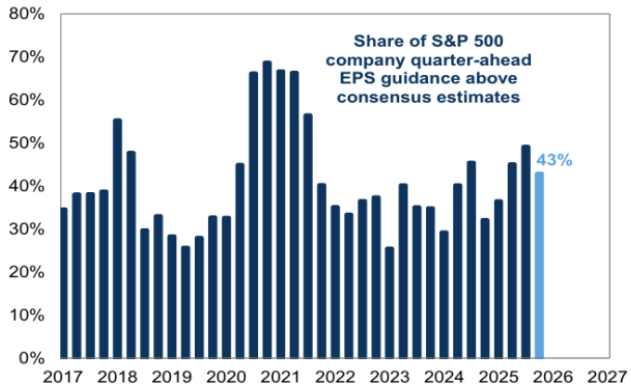


Source: Goldman Sachs Global Investment Research

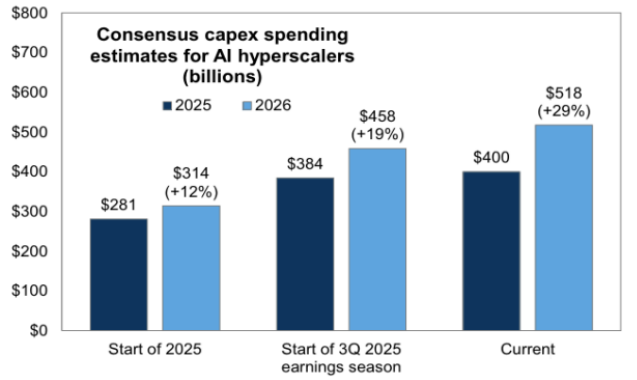


Source: Goldman Sachs Global Investment Research

S&P 500 EPS growth is tracking at 8% y/y, a deceleration from Q2's 11%, and a smaller EPS beat than during the last few quarters. That said, earnings have been of higher quality, with beats driven by both sales and margins. In addition, company guidance and analyst revisions remain solid, with 43% of firms guiding Q4 EPS above consensus and 2026 EPS estimates revised higher, suggesting corporates remain optimistic about the near-term outlook.



Source: FactSet, Goldman Sachs Global Investment Research



Source: FactSet, Goldman Sachs Global Investment Research

Mega-cap AI hyper scalers continue to surprise with capex, now expected to rise 29% in 2026. Labor efficiency is a growing focus, with 17 S&P 500 firms announcing layoffs since September, though AI's impact on jobs remains limited. Bank lending and credit cycle risks are under scrutiny, but analysts see recent losses as idiosyncratic, not systemic.

Bottom Line

Q3 earnings season has delivered robust beats and cautious optimism, but market rewards remain muted amid macro uncertainty. While companies are demonstrating resilience through margin management and upbeat guidance, investors are weighing persistent risks – slowing EPS growth, labor market challenges, and credit cycle concerns. The surge in AI-driven capex and focus on productivity signal ongoing transformation, especially among mega-cap tech. As we look ahead, sustained profit growth will depend on navigating macro volatility, capitalizing on innovation, and maintaining operational discipline. Sector leadership, especially in technology and AI, remains a key driver, but selectivity and risk management are increasingly critical for portfolio performance.

Source: Dynasty Financial Partners, Bloomberg, Goldman Sachs Research, 451 Research, YCharts, as of 10/31/2025

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Source: Dynasty Financial Partners, Bloomberg, Goldman Sachs Research, 451 Research, YCharts, as of 10/31/2025