



## OCTOBER 2025 – MARKET REVIEW

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# AssetGrade Market Summary – October 2025

- **Emerging Markets:** International markets continue to perform well as emerging markets stood out as the best performing asset class year to date through September 30<sup>th</sup>.
- **Declining Dollar:** A somewhat weaker U.S. dollar and easing trade tensions helped international equities
- **Valuation Risk:** with markets up and many sectors richly priced, future returns may moderate; portfolio discipline remains important
- **Fixed income matters:** While yields are lower, bonds still serve as a ballast in a portfolio and may benefit if rates fall further
- **Labor-market softness:** job growth has cooled and some payroll revisions suggest weakening. This raises questions about growth momentum ahead
- **Weathering Volatility:** staying focused on long-term goals and disciplined diversification remains the best way to weather short-term volatility

# Asset class returns

Staying invested has paid off as equity, particularly international, outperformed cash



| 2010 - 2024  |              | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         | 2016         | 2017         | 2018         | 2019         | 2020         | 2021         | 2022         | 2023         | 2024         | YTD          |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Large Cap    | Small Cap    | REITs        | REITs        | REITs        | Small Cap    | REITs        | REITs        | Small Cap    | EM Equity    | Cash         | Large Cap    | Small Cap    | REITs        | Comdty.      | Large Cap    | Large Cap    | EM Equity    |
| 13.9%        | 20.6%        | 27.9%        | 8.3%         | 19.7%        | 38.8%        | 28.0%        | 2.8%         | 21.3%        | 37.8%        | 1.8%         | 31.5%        | 20.0%        | 41.3%        | 16.1%        | 26.3%        | 25.0%        | 28.2%        |
| Small Cap    | EM Equity    | Small Cap    | Fixed Income | High Yield   | Large Cap    | Large Cap    | Large Cap    | High Yield   | DM Equity    | Fixed Income | REITs        | EM Equity    | Large Cap    | Cash         | DM Equity    | Small Cap    | DM Equity    |
| 10.3%        | 17.9%        | 26.9%        | 7.8%         | 19.6%        | 32.4%        | 13.7%        | 1.4%         | 14.3%        | 25.6%        | 0.0%         | 28.7%        | 18.7%        | 28.7%        | 1.5%         | 18.9%        | 11.5%        | 25.7%        |
| REITs        | REITs        | EM Equity    | High Yield   | EM Equity    | DM Equity    | Fixed Income | Fixed Income | Large Cap    | Large Cap    | REITs        | Small Cap    | Large Cap    | Comdty.      | High Yield   | Small Cap    | Asset Alloc. | Large Cap    |
| 9.4%         | 16.8%        | 19.2%        | 3.1%         | 18.6%        | 23.3%        | 6.0%         | 0.5%         | 12.0%        | 21.8%        | -4.0%        | 25.5%        | 18.4%        | 27.1%        | -12.7%       | 16.9%        | 10.0%        | 14.8%        |
| Asset Alloc. | DM Equity    | Comdty.      | Large Cap    | DM Equity    | Asset Alloc. | Asset Alloc. | Cash         | Comdty.      | Small Cap    | High Yield   | DM Equity    | Asset Alloc. | Small Cap    | Fixed Income | Asset Alloc. | High Yield   | Asset Alloc. |
| 7.2%         | 16.5%        | 16.8%        | 2.1%         | 17.9%        | 14.9%        | 5.2%         | 0.0%         | 11.8%        | 14.6%        | -4.1%        | 22.7%        | 10.6%        | 14.8%        | -13.0%       | 14.1%        | 9.2%         | 12.9%        |
| High Yield   | Comdty.      | Large Cap    | Cash         | Small Cap    | High Yield   | Small Cap    | DM Equity    | EM Equity    | Asset Alloc. | Large Cap    | Asset Alloc. | DM Equity    | Asset Alloc. | Asset Alloc. | High Yield   | EM Equity    | Small Cap    |
| 5.9%         | 16.1%        | 15.1%        | 0.1%         | 16.3%        | 7.3%         | 4.9%         | -0.4%        | 11.6%        | 14.6%        | -4.4%        | 19.5%        | 8.3%         | 13.5%        | -13.9%       | 14.0%        | 8.1%         | 10.4%        |
| DM Equity    | Large Cap    | High Yield   | Asset Alloc. | Large Cap    | REITs        | Cash         | Asset Alloc. | REITs        | High Yield   | Asset Alloc. | EM Equity    | Fixed Income | DM Equity    | DM Equity    | REITs        | Comdty.      | High Yield   |
| 5.7%         | 15.1%        | 14.8%        | -0.7%        | 16.0%        | 2.9%         | 0.0%         | -2.0%        | 8.6%         | 10.4%        | -5.8%        | 18.9%        | 7.5%         | 11.8%        | -14.0%       | 11.4%        | 5.4%         | 9.6%         |
| EM Equity    | Asset Alloc. | Asset Alloc. | Small Cap    | Asset Alloc. | Cash         | High Yield   | High Yield   | Asset Alloc. | REITs        | Small Cap    | High Yield   | High Yield   | High Yield   | Large Cap    | EM Equity    | Cash         | Comdty.      |
| 3.4%         | 10.4%        | 13.3%        | -4.2%        | 12.2%        | 0.0%         | 0.0%         | -2.7%        | 8.3%         | 8.7%         | -11.0%       | 12.6%        | 7.0%         | 1.0%         | -18.1%       | 10.3%        | 5.3%         | 9.4%         |
| Fixed Income | High Yield   | DM Equity    | DM Equity    | Fixed Income | Fixed Income | EM Equity    | Small Cap    | Fixed Income | Fixed Income | Comdty.      | Fixed Income | Cash         | Cash         | EM Equity    | Fixed Income | REITs        | Fixed Income |
| 2.4%         | 9.4%         | 8.2%         | -11.7%       | 4.2%         | -2.0%        | -1.8%        | -4.4%        | 2.6%         | 3.5%         | -11.2%       | 8.7%         | 0.5%         | 0.0%         | -19.7%       | 5.5%         | 4.9%         | 6.1%         |
| Cash         | Fixed Income | Fixed Income | Comdty.      | Cash         | EM Equity    | DM Equity    | EM Equity    | DM Equity    | Comdty.      | DM Equity    | Comdty.      | Comdty.      | Fixed Income | Small Cap    | Cash         | DM Equity    | REITs        |
| 1.2%         | 4.7%         | 6.5%         | -13.3%       | 0.1%         | -2.3%        | -4.5%        | -14.6%       | 1.5%         | 1.7%         | -13.4%       | 7.7%         | -3.1%        | -1.5%        | -20.4%       | 5.1%         | 4.3%         | 4.5%         |
| Comdty.      | Cash         | Cash         | EM Equity    | Comdty.      | Comdty.      | Comdty.      | Comdty.      | Cash         | Cash         | EM Equity    | Cash         | REITs        | EM Equity    | REITs        | Comdty.      | Fixed Income | Cash         |
| -1.0%        | 0.9%         | 0.1%         | -18.2%       | -1.1%        | -9.5%        | -17.0%       | -24.7%       | 0.3%         | 0.8%         | -14.2%       | 2.2%         | -5.1%        | -2.2%        | -24.9%       | -7.9%        | 1.3%         | 3.2%         |

Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.

Large Cap: S&P 500, Small Cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg U.S. Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio is for illustrative purposes only and assumes annual rebalancing with the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg U.S. Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Annualized (Ann.) return and volatility (Vol.) represents the period from 12/31/2009 to 12/31/2024. Please see the disclosure page at the end for index definitions. All data represent total return for stated period. Past performance is no guarantee of future results.

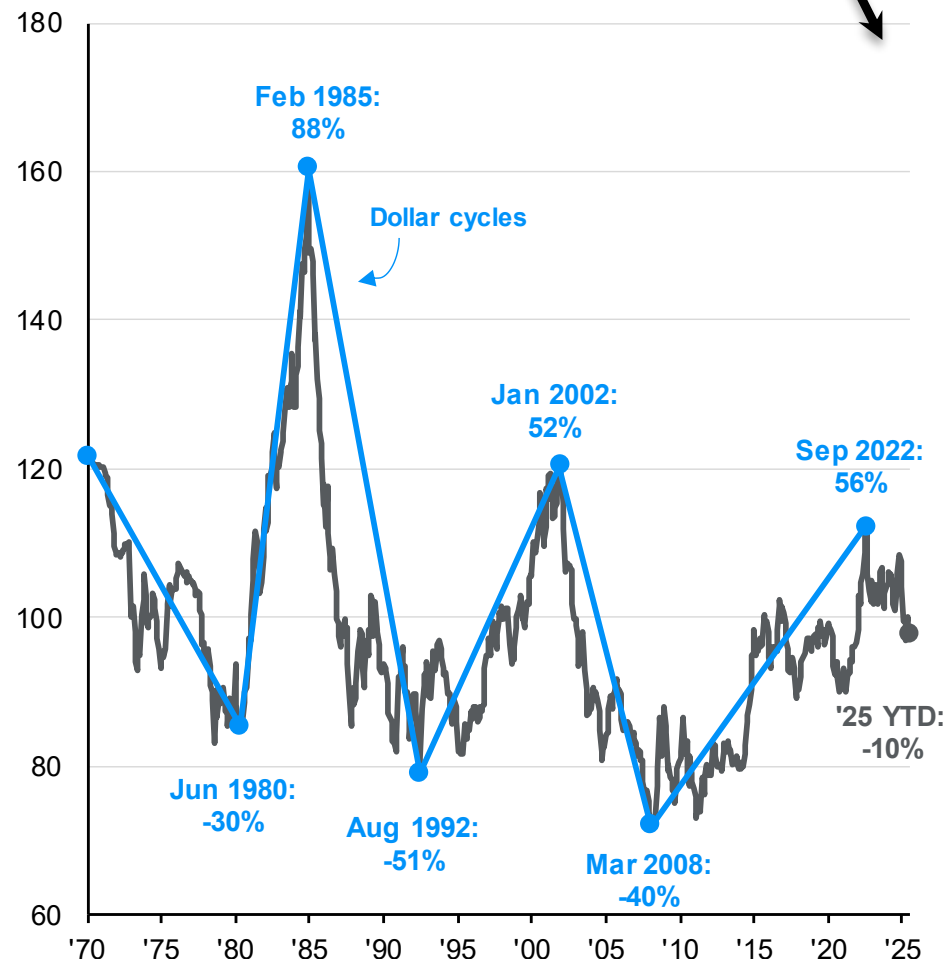
Guide to the Markets – U.S. Data are as of September 30, 2025.

# Dollar drivers

U.S. dollar (USD) has fallen 10% year to date, Fed easing and policy uncertainty has weighed on the USD

## The U.S. dollar

DXY Index, level



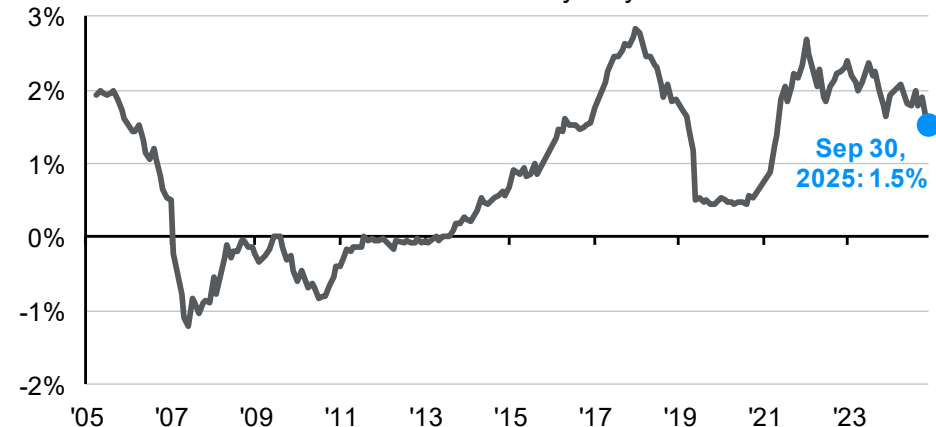
## The U.S. trade balance

Current account balance, % of GDP



## Developed markets interest rate differentials

Difference between U.S. and international 2-year yields\*



Source: Bloomberg, FactSet, J.P. Morgan Asset Management; (Left) ICE; (Top right) BEA; (Bottom right) BIS.

Currencies in the DXY Index are: British pound, Canadian dollar, euro, Japanese yen, Swedish krona and Swiss franc. \*Interest rate differential is the difference between the 2-year U.S. Treasury yield and a basket of the 2-year yields of each major trading partner (Australia, Canada, eurozone, Japan, Sweden, Switzerland and UK). Weights in the basket are calculated using the 2-year average of total government bonds outstanding in each region.

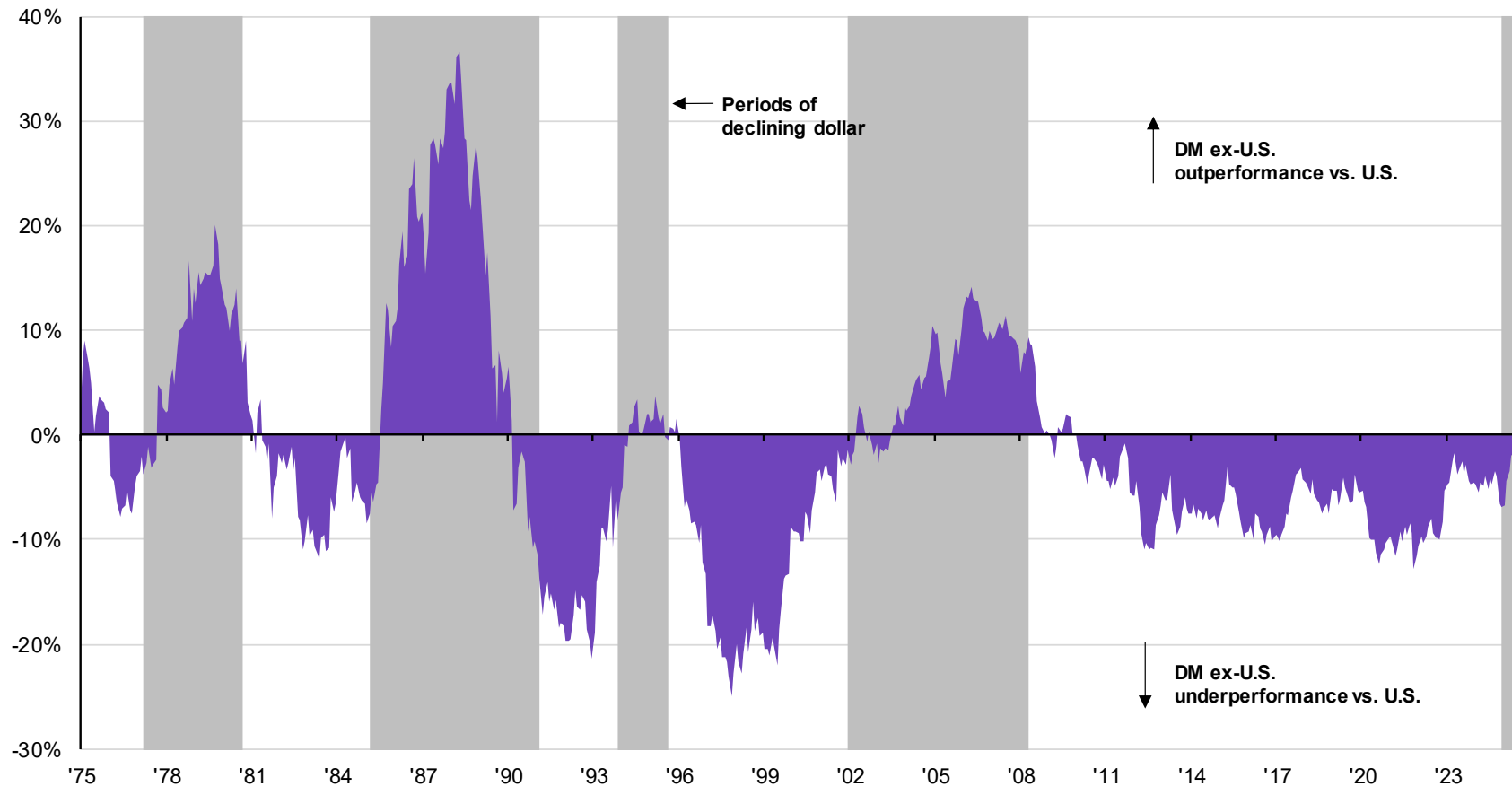
Guide to the Markets – U.S. Data are as of September 30, 2025.

# International developed equities and the U.S. dollar

A falling USD and global investors renewed confidence overseas has fueled international returns

## Cycles of DM ex-U.S. outperformance and USD

International developed out/underperformance vs. U.S., MSCI EAFE, MSCI USA, DXY Index, total return, rolling 3-year ann.



Source: FactSet, MSCI, J.P. Morgan Asset Management. Past performance is not a reliable indicator of current and future results. MSCI EAFE Index: A benchmark tracking large- and mid-cap stocks in developed markets across Europe, Australasia, and the Far East, excluding the U.S. and Canada. *Guide to the Markets – U.S.* Data are as of September 30, 2025.

# S&P 500 index at inflection points

U.S. equity market valuations remain elevated and the S&P 500 is at an all time high



## S&P 500 Price Index



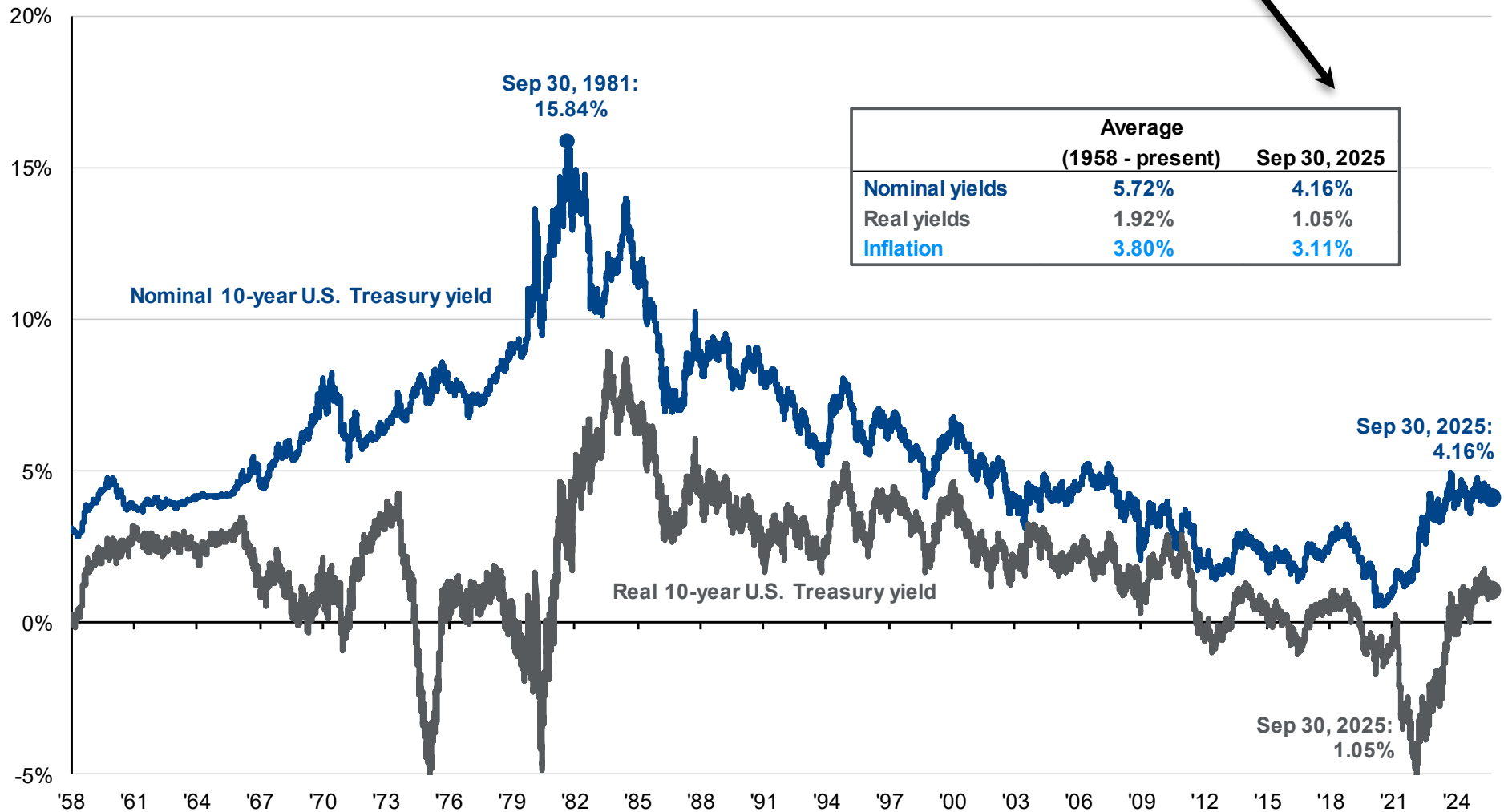
Source: FactSet, Federal Reserve, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management.

Dividend yield is calculated as consensus analyst estimates of dividends in the next 12 months, provided by FactSet, divided by the most recent S&P 500 index price. Forward P/E ratio is the most recent S&P 500 index price divided by consensus estimates for earnings in the next 12 months, provided by IBES since January 1997 and FactSet since January 2022. Returns are cumulative and do not include the reinvestment of dividends. Past performance is no guarantee of future results. Guide to the Markets – U.S. Data are as of September 30, 2025.

# Interest rates and inflation

Real yields (nominal yield minus inflation) are an investor's true bond return after inflation. Current real yields are below the historical average.

Nominal and real U.S. 10-year Treasury yields



Source: BLS, FactSet, Federal Reserve, J.P. Morgan Asset Management.

Real 10-year Treasury yields are calculated as the daily Treasury yield less y/y core CPI inflation for that month. For the current month, we use the prior month's core CPI figures until the latest data are available.

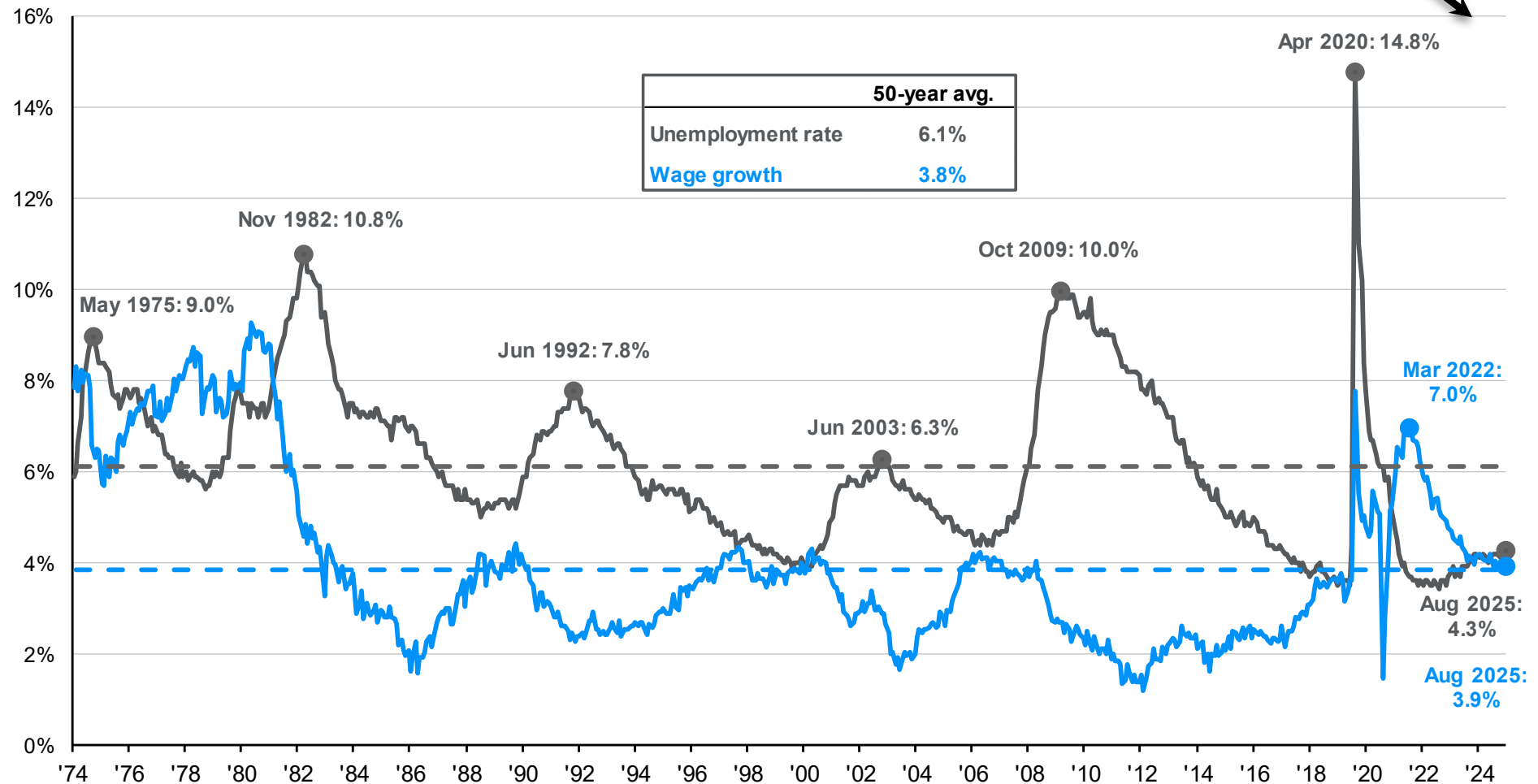
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# Unemployment and wages

The labor market has slowed down recently as unemployment ticks up and wage growth falls

## Civilian unemployment rate and year-over-year wage growth

Private production and non-supervisory workers, seasonally adjusted, percent



Source: BLS, FactSet, J.P. Morgan Asset Management.

Private production and non-supervisory jobs represent just over 80% of total private nonfarm jobs.

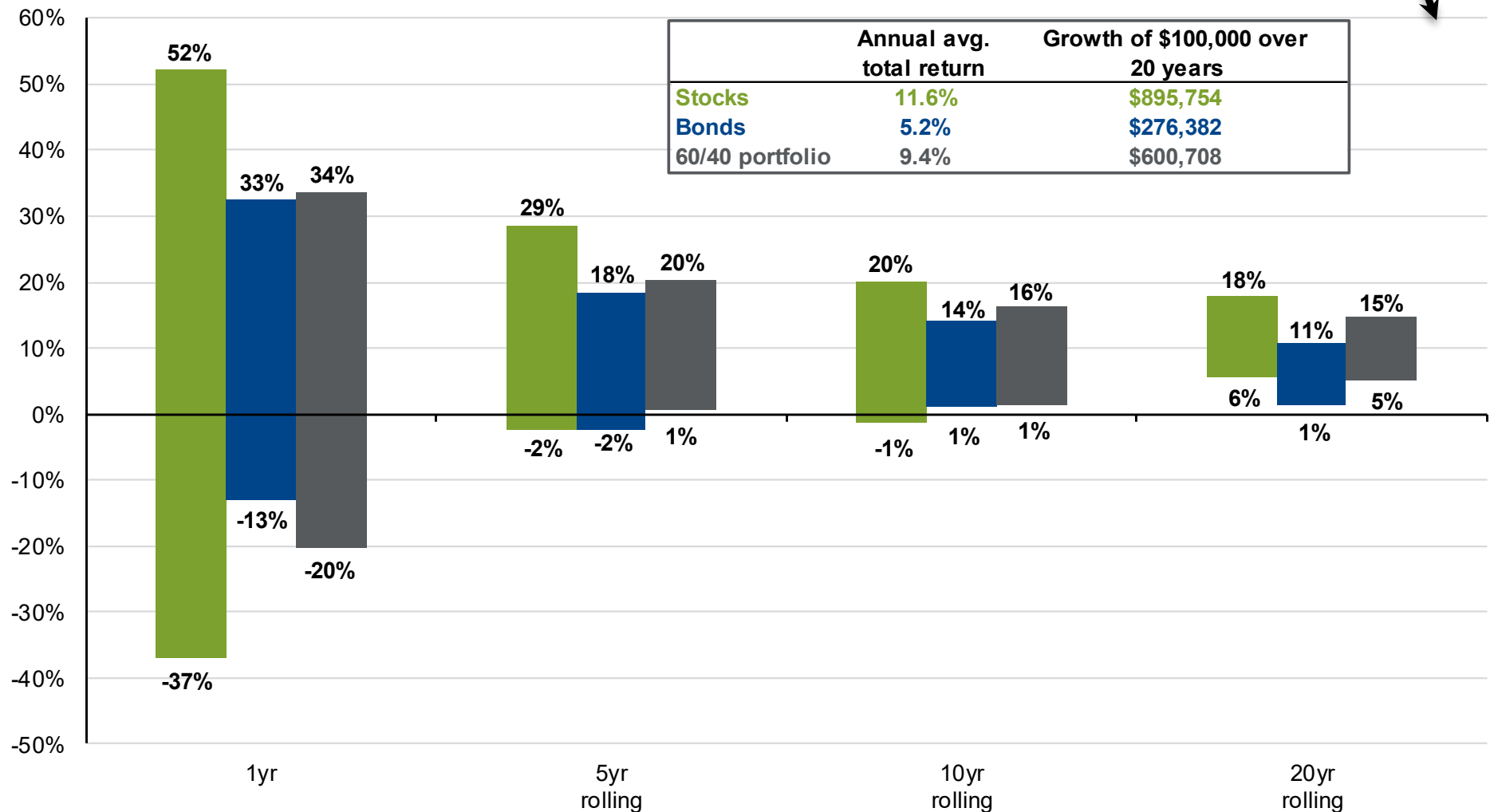
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# Time, diversification and the volatility of returns

A long-term approach helps investors weather volatility and benefit from growth

## Range of stock, bond and blended total returns

Annual total returns, 1950 - 2024



Source: Bloomberg, FactSet, Federal Reserve, Standard & Poor's, Strategas/Ibbotson, J.P. Morgan Asset Management.  
Returns shown are based on calendar year returns from 1950 to 2024. Stocks: S&P 500; Bonds: Strategas/Ibbotson for periods prior to 1976 and the Bloomberg U.S. Aggregate thereafter. Growth of \$100,000 is based on annual average total returns from 1950 to 2024.  
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# Appendix

## Disclosures

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**All indexes are unmanaged, and an individual cannot invest directly in an index. Index returns do not include fees or expenses.**

### *Equities:*

The **Dow Jones Industrial Average** is a price-weighted average of 30 actively traded blue-chip U.S. stocks.

The **MSCI ACWI (All Country World Index)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

The **MSCI EAFE Index (Europe, Australasia, Far East)** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe.

The **MSCI Pacific Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the Pacific region.

The **Russell 1000 Index®** measures the performance of the 1,000 largest companies in the Russell 3000.

The **Russell 1000 Growth Index®** measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index®** measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index®** measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The **Russell 2000 Growth Index®** measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 2000 Value Index®** measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 3000 Index®** measures the performance of the 3,000 largest U.S. companies based on total market capitalization.

The **Russell Midcap Index®** measures the performance of the 800 smallest companies in the Russell 1000 Index.

The **Russell Midcap Growth Index®** measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index.

The **Russell Midcap Value Index®** measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index.

The **S&P 500 Index** is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The

**S&P 500 Index** focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.

## Disclosures

### Fixed income:

The **Bloomberg Barclays 1-3 Month U.S. Treasury Bill Index** includes all publicly issued zero-coupon US Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have \$250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non-convertible.

The **Bloomberg Barclays Global High Yield Index** is a multi-currency flagship measure of the global high yield debt market. The index represents the union of the US High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices. The high yield and emerging markets sub-components are mutually exclusive. Until January 1, 2011, the index also included CMBS high yield securities.

The **Bloomberg Barclays Municipal Index** consists of a broad selection of investment-grade general obligation and revenue bonds of maturities ranging from one year to 30 years. It is an unmanaged index representative of the tax-exempt bond market.

The **Bloomberg Barclays US Dollar Floating Rate Note (FRN) Index** provides a measure of the U.S. dollar-denominated floating rate note market.

The **Bloomberg Barclays US Corporate Investment Grade Index** is an unmanaged index consisting of publicly issued US Corporate and specified foreign debentures and secured notes that are rated investment grade (Baa3/BBB or higher) by at least two ratings agencies, have at least one year to final maturity and have at least \$250 million par amount outstanding. To qualify, bonds must be SEC-registered.

The **Bloomberg Barclays US High Yield Index** covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included.

The **Bloomberg Barclays US Mortgage Backed Securities Index** is an unmanaged index that measures the performance of investment grade fixed-rate mortgage backed pass-through securities of GNMA, FNMA and FHLMC.

The **Bloomberg Barclays US TIPS Index** consists of Inflation-Protection securities issued by the U.S. Treasury.

The **J.P. Morgan Emerging Market Bond Global Index (EMBI)** includes U.S. dollar-denominated Brady bonds, Eurobonds, traded loans and local market debt instruments issued by sovereign and quasi-sovereign entities.

The **J.P. Morgan Domestic High Yield Index** is designed to mirror the investable universe of the U.S. dollar domestic high yield corporate debt market.

The **J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified (CEMBI Broad Diversified)** is an expansion of the **J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI)**. The CEMBI is a market capitalization weighted index consisting of U.S. dollar-denominated emerging market corporate bonds.

The **J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBI Global Diversified)** tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds. The index limits the exposure of some of the larger countries.

The **J.P. Morgan GBI EM Global Diversified** tracks the performance of local currency debt issued by emerging market governments, whose debt is accessible by most of the international investor base.

**Other asset classes:** The **Alerian MLP Index** is a composite of the 50 most prominent energy Master Limited Partnerships (MLPs) that provides investors with an unbiased, comprehensive benchmark for the asset class. The **Bloomberg Commodity Index** and related sub-indices are composed of futures contracts on physical commodities and represents twenty two separate commodities traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc. The **Cambridge Associates U.S. Global Buyout and Growth Index®** is based on data compiled from 1,768 global (U.S. & ex – U.S.) buyout and growth equity funds, including fully liquidated partnerships, formed between 1986 and 2013. The **CS/Tremont Hedge Fund Index** is compiled by Credit Suisse Tremont Index, LLC. It is an asset-weighted hedge fund index and includes only funds, as opposed to separate accounts. The Index uses the Credit Suisse/Tremont database, which tracks over 4500 funds, and consists only of funds with a minimum of US\$50 million under management, a 12-month track record, and audited financial statements. It is calculated and rebalanced on a monthly basis, and shown net of all performance fees and expenses. It is the exclusive property of Credit Suisse Tremont Index, LLC. The **HFRI Monthly Indices (HFRI)** are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. The HFRI are broken down into 4 main strategies, each with multiple sub strategies. All single-manager HFRI Index constituents are included in the HFRI Fund Weighted Composite, which accounts for over 2200 funds listed on the internal HFR Database. The **NAREIT EQUITY REIT Index** is designed to provide the most comprehensive assessment of overall industry performance and includes all tax-qualified real estate investment trusts (REITs) that are listed on the NYSE, the American Stock Exchange or the NASDAQ National Market List. The **NFIODCE**, short for NCREIF Fund Index - Open End Diversified Core Equity, is an index of investment returns reporting on both a historical and current basis the results of 33 open-end commingled funds pursuing a core investment strategy, some of which have performance histories dating back to the 1970s. The NFIODCE Index is capitalization-weighted and is reported gross of fees. Measurement is time-weighted.

The **U.S. Treasury Index** is a component of the U.S. Government index.

Past performance cannot guarantee future results.

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