

Market Update

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This Week in the Markets...

This week, global markets are poised for significant activity, driven by a mix of economic data releases and geopolitical developments. The S&P 500 and Dow Jones Industrial Average have shown upward momentum, reflecting optimism around potential trade agreements between the U.S. and China. Asian markets, including Japan's Nikkei, have also reached new highs, buoyed by positive trade sentiment and expectations of easing tensions.

Economic Events

Key economic events this week include the Federal Reserve's interest rate decision, with a 25-basis-point cut widely anticipated. This decision comes amid a backdrop of softer inflation data and a weakening labor market, which have increased expectations for monetary easing. The Bank of Canada and the European Central Bank are also set to announce their monetary policy decisions, with the former expected to cut rates by 25 basis points.

Trade and Geopolitical Developments

The ongoing trade negotiations between the U.S. and China are at the forefront of market attention. Recent discussions have been positive, with both sides reportedly reaching a preliminary consensus on several key issues. This has led to a rally in global stocks and a retreat in safe-haven assets like gold. The potential for a formal agreement later this week is boosting investor confidence and driving market gains.

| | 10/24/2024 | 01/01/2025 | 10/24/2025 | 12 MO ROR | YTD ROR |
|--------------------|------------|------------|------------|-----------|---------|
| DOW | 42,374.36 | 42,392 | 47,221.00 | 12.09% | 10.7% |
| S&P 500 | 4,186.77 | 5,903 | 6,791.69 | 17.6% | 15.47% |
| NASDAQ | 13,186.76 | 19,404 | 23,204.87 | 19.6% | 20.2% |

Monetary Policy Expectations

Central banks around the world are under pressure to balance inflation control with economic support. The Federal Reserve's expected rate cut is part of a broader trend of monetary easing, as policymakers respond to slowing growth and persistent trade uncertainties. The Bank of Japan is likely to maintain its current policy stance, while the European Central Bank is expected to hold rates steady, focusing instead on forward guidance and economic forecasts.

On the balance sheet front, the Fed appears to be nearing the end of its quantitative tightening program. Chair Powell recently indicated that reserve levels may soon be sufficient, suggesting QT could conclude as early as the October meeting, though December remains the more likely time for an official announcement, according to Wells Fargo analysts. Traders will be closely watching Powell's comments for any hints about the policy outlook. While no major changes are expected in the post-meeting statement, Powell is likely to reiterate that policy is moving closer to neutral as the Fed continues balancing the trade-off between controlling inflation and supporting employment.

Investment Sentiments

Investor sentiment is cautiously optimistic, with a focus on the outcomes of the U.S.-China trade talks and central bank meetings. The potential for reduced tariffs and improved trade relations is seen as a catalyst for further market gains. However, underlying geopolitical tensions and economic uncertainties remain, prompting investors to remain vigilant and diversified in their strategies.

The consensus for U.S. consumer confidence is 93.9, slightly below the prior reading of 94.2. Confidence continues to weaken amid challenging economic conditions, and the ongoing U.S. government shutdown is further weighing on sentiment. In addition, continued softening in the labor market is adding to the downward pressure on consumer outlook.

U.S. Treasury Bond Yields

as of 10/27/2025

| | |
|-------|-------|
| US1MO | 4.11% |
| US3MO | 3.84 |
| US6MO | 3.78 |
| US1Y | 3.63 |
| US2Y | 3.52 |
| US3Y | 3.53 |
| US5Y | 3.66 |
| US10Y | 4.02 |
| US30Y | 4.60 |

References:

<https://www.cnn.com/2025/10/27/investing/us-stock-market-rally>

<https://www.investopedia.com/5-things-to-know-before-the-stock-market-opens-october-27-2025-11837323>

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