Quantitative Asset Management, LLC
Investment & Advisory Services

Oct 15, 2025

Quarter Ending September 30, 2025

Quarterly Performance	Q3 Index	YTD	Close
Dow Jones Industrial Average	5.67%	10.47%	46,397.89
NASDAQ Composite Price	11.24%	16.99%	22,660.01
Standard & Poor's Averages	8.2%	14.30%	6,688.46

Q3 2025 Market Summary

U.S. equities surged to record highs in Q3 2025, led by optimism over artificial intelligence (AI), easing trade tensions, and the Federal Reserve's first rate cut in nine months. The S&P 500 rose 8.2%, extending its rebound from the spring tariff-driven selloff, and the Nasdaq 100 and small-cap stocks also reached new highs, signaling broader participation in the rally.

The Federal Reserve made headlines during the quarter. The Fed cut rates by 25 basis points in September, marking the expected start of an easing cycle. The decision reflected slowing job growth, a softening labor market, and persistent inflation near 3–4%.

Trade and geopolitical developments also affected the quarter. Markets rebounded after the "Liberation Day" tariff scare, as new trade deals with the EU, UK, and Japan calmed fears. Talks with China resumed, reducing global trade risk. Despite geopolitical and political uncertainties—including a U.S. government shutdown—markets remained resilient.

AI-driven earnings strength from Microsoft, Meta, and peers validated the multi-year investment themes. AI stocks accounted for 75% of S&P returns, 80% of earnings growth, and 90% of capex growth since late 2022.

Valuation metrics hit historical extremes, with the Buffett Indicator around 217% of GDP (compared to 150% at the dot-com peak) and the CAPE Ratio in the mid-30s, levels seen only in 1929 and 2000. Market breadth remains narrow: roughly 10 stocks drove two-thirds of the S&P's gain (5 stocks made up nearly 50% of the move). Alternatively, about 40% of S&P stocks are still down for the year. Record buybacks exceeding $1 trillion further supported stock prices.

GDP showed resilience, but signs of moderation emerged by late summer. Unemployment rose to 4.3% as job growth slowed and revisions turned negative. Inflation remained sticky and re-accelerated toward 3–4%, partly due to tariff pass-throughs. Consumer spending held steady but showed early signs of strain.

Quantitative Asset Management, LLC
Investment & Advisory Services

Trader optimism rebounded, according to the Schwab Q3 Survey, though concerns over valuation and inflation persisted. The “soft landing” narrative—slower growth without recession—dominated outlooks. Despite volatility and a 20–30% drawdown in the spring, markets continued to climb the “wall of worries.”

Looking towards Q4 2025, markets face a delicate balance between optimism and overheating risk. Key focus areas include upcoming earnings and forward guidance amid lingering tariff effects, consumer resilience as real incomes soften, and the Federal Reserve’s policy path. AI investment remains a multi-year growth driver, but stretched valuations pose correction risks. The base case remains moderate growth and easing inflation leading to a soft landing, though downside risks persist if jobs or consumer spending weaken sharply.

Have a great Fall and please reach out to us with any questions.

Jeffrey L. Farni, Sr. John C. Farni