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Trade Winds

OCTOBER 2025

ECONOMIC & CAPITAL MARKET OVERVIEW

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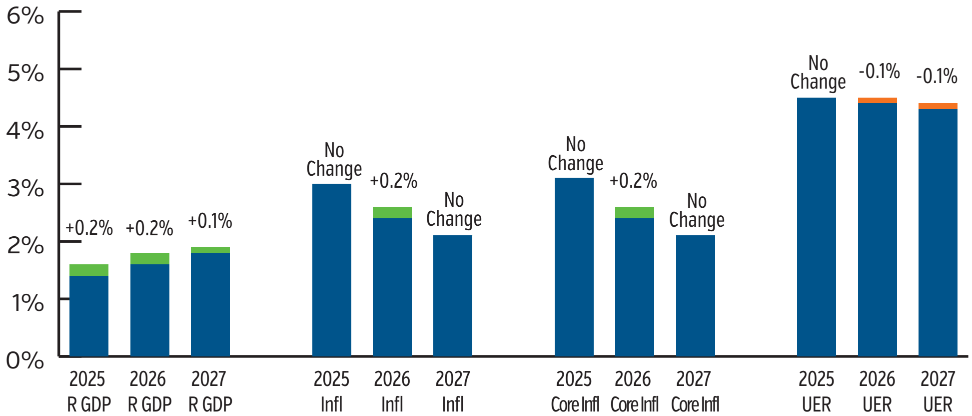
Monthly Economic Highlights

SEPTEMBER OVERVIEW

At its September meeting, the Fed lowered its benchmark rate range by 25 basis points to 4.00-4.25%. It marked the first move since December 2024. With the employment outlook weakening, Powell stated "the balance of risks has shifted." Although inflation remains a concern and leaves their dual mandate "in tension," the Fed, which has no "risk-free path," believes that "downside risks to employment have risen," lending support to the committee's ultimate decision to reduce their benchmark rate range. The move was accompanied by the release of the most recent Summary of Economic Projections, which showed real GDP growing slightly from previous estimates, while unemployment projections remained level to slightly lower and core inflation estimates also tracked a slower course on the way to the Fed's ultimate target of 2.0%. While policy is not on a "pre-set path," and remains data dependent, median estimates from the SEP highlight further action, with estimates for the Fed's benchmark rate showing another 50 basis points of easing by year end, followed by an additional 25 basis points in 2026 and again in 2027.

Exhibit 1. Fed Projections: FOMC Economic Projections and Change



Source: FRB, Haver, NEAM

Labor market indicators in September were weaker, with nonfarm payrolls released at the beginning of September adding to the labor market's softening narrative. With just +22K payrolls added, the three-month average dropped to +29K. For the month, private service sector gains, led by weaker but still positive healthcare additions, masked declines in many other sectors and further highlighted the healthcare's sector dominance of job gains to date while private goods and government jobs fell. Additional pressure emerged when the BLS's Quarterly Census of Employment and Wages (QCEW) showed that non-farm employment

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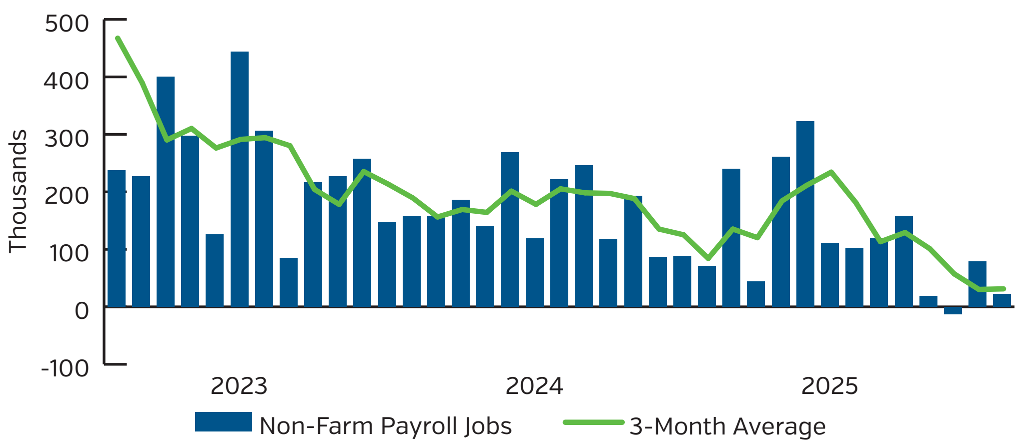
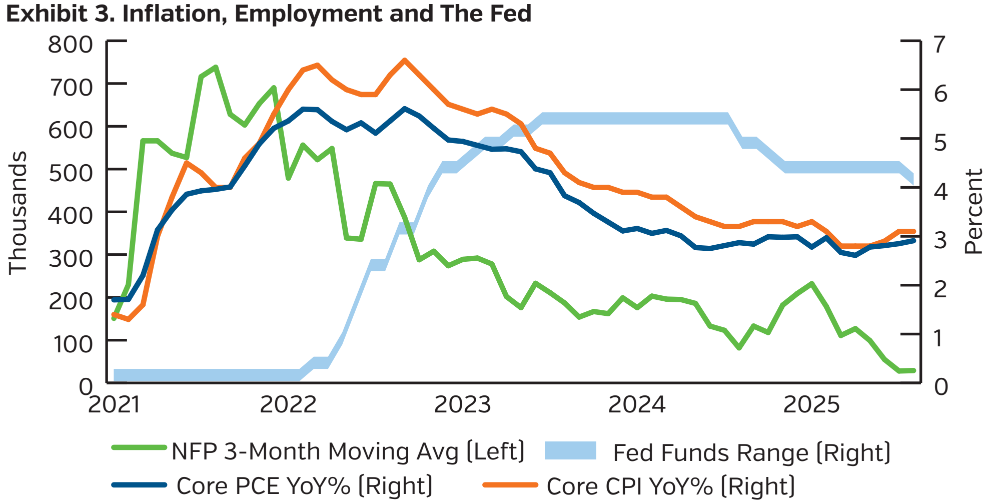
figures for the year through March 2025 were -910K lower than previously reported. Elsewhere, unemployment ticked up to 4.3%, as labor force gains outpaced increases in household employment and other measures of underemployment are also rising. JOLTS data showed job opening rates remain level, hire rates and layoffs edging down and less people are quitting their jobs, while the Fed's Beige Book highlighted that most districts saw an increase in people seeking jobs. Wage gains, which previously favored those who switched jobs, now sit close to those who stay in their positions. The University of Michigan's Consumer Sentiment survey tracked lower, with concerns over future employment weighing on consumers' minds and higher prices still a factor, while the Conference Board's consumer confidence measure also fell. Despite lower sentiment readings and growing angst relative to the labor market however, consumption indicators continue to hold up.

Exhibit 2. Employment: Non-Farm Payroll Trends



Source: BLS, Haver, NEAM

Exhibit 3. Inflation, Employment and The Fed



Source: BLS, BEA, FRB, Haver, NEAM

To this point, retail sales grew at both the headline and core levels. Additionally, Q2 revised GDP showed consumption coming in higher than previously estimated, with a bump in personal consumption to 2.5% from a previously estimated 1.6%, while personal incomes and real personal spending both rose +0.4% for the month of August. Regarding investment, industrial production crawled higher, increasing +0.1% for the month. A reversal in both the manufacturing (+0.2%), led by motor vehicle production, and mining sectors (+0.9%) were enough to outweigh a second consecutive drop in the utilities sector (-2.0%). The Fed's Beige Book reported that the manufacturing sector continues to deal with trade uncertainty, rising costs and the outlook for the economy overall, with mixed activity and hiring patterns across the districts, while regional PMIs were varied again and continue to share similar themes.

With the Fed and the market watching closely, headline CPI came in at +0.4%, or 2.9% relative to the comparable period last year. Increases in both food (+0.5%) and energy (+0.7%), pushed prices higher at the headline level, while core level price increases stayed level at +0.3% (+3.1% year-over-year). Core goods prices continued their march further into positive territory, increasing +0.3%. Gains in new and used vehicles and apparel led the sector overall, despite being weighed to the downside by education and communications, and medicinal drugs. On the core services side, the pace of price gains increased to +0.4%. Increases in owners' equivalent rent and lodging away from home drove the increase in shelter prices, which together with higher airline fares led core service price increases overall, while declines in medical care services and recreation services buffered the gains. Elsewhere, core PCE increased +0.2%, which equated to a 2.9% increase for the year. With inflation still above target but not yet accelerating to the degree necessary to offset the Fed's growing concerns for the labor market, the Fed felt justified to tilt their focus back towards their employment mandate and further reduce their benchmark rate.

CAPITAL MARKET IMPLICATIONS

With the labor market weakening, and the Fed skewing more towards its employment mandate despite persistent above target inflation, the Fed reduced its benchmark rate in September. Treasury yields fell in the front and back end of the curve, while positive corporate earnings and the prospect for lower rates helped equities climb over the month.

Exhibit 4. U.S. Historical Yield Curves

	Dec 2021	Dec 2022	Dec 2023	Dec 2024	Sept 2025
Fed Funds Range	0.00-0.25%	4.25-4.50%	5.25-5.50%	4.25-4.50%	4.00-4.25%
2-Year	0.73%	4.43%	4.25%	4.24%	3.61%
5-Year	1.26%	4.00%	3.85%	4.38%	3.74%
10-Year	1.51%	3.87%	3.88%	4.57%	4.15%
30-Year	1.90%	3.96%	4.03%	4.78%	4.73%

Source: Bloomberg, NEAM

Capital Markets

FIXED INCOME RETURNS

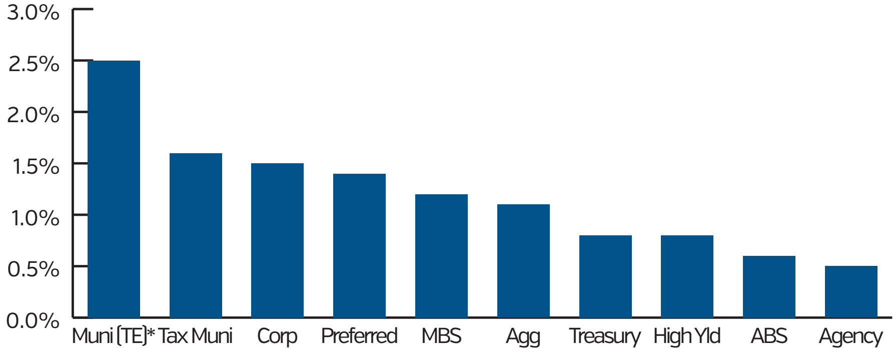
Despite upwardly revised growth data and above target inflation, the Fed reduced its benchmark rate range over the month as employment indicators weakened. For the most part, Treasury yields fell across the curve, while credit spreads edged tighter.

Exhibit 5. Fixed Income Returns

	September	3-Month	YTD
Bloomberg Barclays U.S. Aggregate	1.09%	2.03%	6.13%
Blended ICE/ BofAML Preferred Stock	1.44%	4.01%	5.11%
ICE BofA US Taxable Muni - Broad	1.59%	2.73%	6.53%
ICE BofA Municipals Master (taxable equiv)	2.54%	3.28%	3.04%
Bloomberg Barclays U.S. MBS (fixed rate)	1.22%	2.43%	6.76%
Bloomberg Barclays U.S. ABS	0.55%	1.64%	4.62%
Bloomberg Barclays U.S. Agency	0.49%	1.39%	4.88%
Bloomberg Barclays U.S. Treasury	0.85%	1.51%	5.36%
Bloomberg Barclays U.S. Corporates	1.50%	2.60%	6.88%
Bloomberg Barclays High Yield	0.82%	2.54%	7.22%

Source: Barclays, Bloomberg, NEAM

Exhibit 6. Domestic Fixed Income Sector: Month-to-Date Total Returns (9/30/25)



** Taxable Equivalent*
Source: Bloomberg, Barclays, ICE BofAML, NEAM

EQUITY TOTAL RETURNS

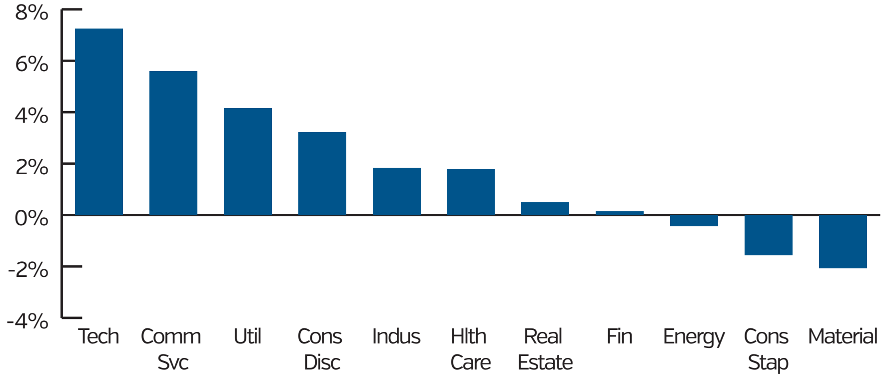
With the Fed lowering rates, expectations for further cuts, and continued stronger than expected earnings, equities climbed over the month. The S&P, Dow and Nasdaq all finished the month with gains.

Exhibit 7. Equity Total Returns

	September	3-Month	YTD
S&P 500	3.64%	8.11%	14.81%
NASDAQ	5.68%	11.43%	17.96%

Source: Bloomberg, NEAM

Exhibit 8. Domestic Equity Returns: Month-to-Date Total Returns (9/30/25)



Source: Bloomberg, NEAM

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