Q3 2025

LADENBURG
AN OSAIC COMPANY

MARKET VIEW QUARTERLY

Philip Blancato | PRESIDENT AND CEO OF LADENBURG ASSET MANAGEMENT AND CHIEF MARKET STRATEGIST, OSAIC

The U.S. economy remained resilient in the third quarter of 2025 despite several headwinds. The period began with optimism as the government extended trade tariff negotiations, delaying additional import taxes beyond the original July 9 deadline. Although a 10% import levy remained, postponing further tariffs helped calm investors. Markets responded positively, supported by solid consumer spending and steady personal income growth. Economic momentum continued, with second-quarter GDP revised up to 3.8%, signaling stronger activity. Third quarter GDP is expected to come in at 3.9%, which would mark a second straight quarter above the 2% average as economic growth continues. In September, the Federal Reserve cut interest rates for the first time this year, lowering the federal funds rate to 4.00–4.25% to cushion a labor market showing early signs of slowing. Geopolitical tensions in the Middle East flared briefly but eased without disrupting oil markets, keeping energy prices relatively stable. Despite global uncertainty and shifting policy signals, U.S. equities held firm, buoyed by improved trade conditions and steady investor sentiment. Overall, the quarter highlighted an economy that remains steady and adaptable in the face of evolving risks.

DOMESTIC EQUITIES[1]

U.S. equities extended their momentum in the third quarter as risk-on assets continued to be rewarded. The S&P 500 gained 8.12% in the third quarter and notched its strongest September since 2010 and reached several new all-time highs, though the rally left large-cap valuations looking stretched. Early strength in equity markets came from progress on trade negotiations and reduced uncertainty for businesses and consumers. Corporate earnings beat expectations and consumer spending stayed resilient, easing concerns about tariffs and recession risk. Late in the quarter, the Federal Reserve's rate cut reinforced the supportive backdrop, fueling markets to run another leg higher. The rally was broad-based, with 10 of 11 S&P 500 sectors posting gains. Technology and Communication Services led as enthusiasm around artificial intelligence continued to lift large-cap growth. Importantly, market leadership broadened, with small-cap stocks joining the advance; small caps outperformed large caps by 4.40%, supported by lower interest rate expectations and more attractive valuations.

INTERNATIONAL EQUITIES[1]

Developed international markets, measured by the MSCI EAFE Index, rose 4.77% in the third quarter, trailing U.S. equities after leading earlier in the year. A stable U.S. dollar, softer earnings momentum, and rising geopolitical tensions in Europe weighed on returns. Earlier tailwinds — stronger foreign currencies and expanding valuations — faded as the quarter progressed, limiting upside. By contrast, emerging markets outperformed, returning 10.64% for the quarter. Gains were driven by China and other Asian markets, supported by robust consumer demand, optimism around global Artificial Intelligence ("AI") adoption, and improving earnings expectations. While U.S. stocks outpaced developed markets in the third quarter, fiscal policy changes in Europe and expected earnings growth in 2026 keep international markets attractive for diversification and long-term return potential.

FIXED INCOME[1]

Fixed income markets performed well over the last three months, with the Bloomberg Aggregate Bond Index advancing 2.03% through Q3 (up 6.13% for the year), supported by expectations that the Federal Reserve ("the Fed") would resume rate cuts, a move confirmed at the September meeting. The Fed lowered the federal funds rate by 0.25% to 4.00-4.25%, and Chair Powell indicated the Committee now views rising unemployment as a more pressing risk than renewed inflation, with the average Fed official still anticipating two additional quarter-point cuts this year. Bond market conditions improved as rates fell, and the economy remained on solid footing. Softer labor data, including a major downward revision to the number of jobs added to the economy, reinforced expectations for a lower interest rate path, easing price swings. The 10-year treasury has rebounded to 4.15% from its April low of 3.99%, but remains below January's high of 4.79%. The additional return that investors demand for investing in riskier bonds has fallen to the lowest levels since 2021, a positive sign for the economy, as solid earnings and healthy corporate balance sheets point towards companies remaining able to pay their debts. Overall, this was a strong quarter for fixed income, and absolute yields remain near the highest levels in almost two decades – the outlook for bonds is bright..

REAL ESTATE[1]

The U.S. housing market remains sluggish, with the median existing home price near $428,500 and sales constrained by affordability challenges and a lack of supply. Existing homeowners are staying put because they have locked in low mortgage rates, with nearly 80% of outstanding mortgages locked in below 5%. Builders have used discounts and mortgage incentives to support new home sales, creating short-term activity but not a lasting turnaround. Price growth has slowed and stabilized, and while gradually lower mortgage rates could aid a slow, uneven recovery, a return to the frenzied pace of recent years appears unlikely.

CONCLUSION

Markets advanced to new highs in Q3 2025, recovering quickly from early-summer weakness. The S&P 500 and Nasdaq set record levels, fueled by strong earnings and AI-driven enthusiasm. While trade tensions remain a factor, investor focus has shifted to how tariffs could impact growth, inflation, and federal revenue. Domestically, mixed data — especially signs of a cooling labor market — have drawn attention, but both stocks and bonds remain supported by strong performance and a more accommodative Fed. The fourth quarter also tends to be the strongest for the stock market, averaging roughly +6% since 1990, representing roughly half the annualized return.[2] As shown earlier this year, staying invested and diversified remains one of the most effective ways to navigate market volatility and pursue long-term goals.

Economic Definitions

Unemployment rate: The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Existing Home Sales: This concept tracks the sales of previously owned homes during the reference period. Total existing home sales include single-family homes, townhomes, condominiums and co-ops. All sales are based on closings from Multiple Listing Services. Foreclosed homes are only counted in the inventory if the bank is working with a realtor. Foreclosed homes that sell via auction (or other closings outside of the Multiple Listing Services) are not included.

University of Michigan Consumer Sentiment Index: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

DISCLOSURES

The statements provided herein are based solely on the opinions of the Ladenburg Thalmann Asset Management (Ladenburg) Research Team and are being provided for general information purposes only. Neither the information nor any opinion expressed constitutes an offer or a solicitation to buy or sell any securities or other financial instruments. Any opinions provided herein should not be relied upon for investment decisions.

Certain information may be based on information received from sources the Ladenburg Research Team considers reliable; however, the accuracy and completeness of such information cannot be guaranteed. Certain statements contained herein may constitute "projections," "forecasts" and other "forward-looking statements" which do not reflect actual results and are based primarily upon applying retroactively a hypothetical set of assumptions to certain historical financial information. Any opinions, projections, forecasts and forward-looking statements presented herein reflect the judgment of the Ladenburg Research Team only as of the date of this document and are subject to change without notice. Ladenburg has no obligation to provide updates or changes to these opinions, projections, forecasts and forward-looking statements. Ladenburg is not soliciting or recommending any action based on any information in this document.

Investing involves risk, including the potential loss of principal. No investment strategy can guarantee a profit or protect again loss. In general, the bond market is volatile; bond prices rise when interest rates fall and vice versa. This effect is usually pronounced for longer-term securities. Any fixed-income security sold or redeemed prior to maturity may be subject to a substantial gain or loss. Vehicles that invest in lower-rated debt securities (commonly referred to as junk bonds or high-yield bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. International investing involves special risks not present with U.S. investments due to factors such as increased volatility, currency fluctuation, and differences in auditing and other financial standards. These risks can be accentuated in emerging markets.

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

Ladenburg is a SEC Registered Investment Adviser under the Investment Advisers Act. Registration does not imply a certain level of skill or training. Ladenburg provides investment advisory services and may serve as a sub-adviser for accounts managed by third-party advisers or may be included in advisory platforms sponsored or administered by affiliates or third parties. Ladenburg does not provide tax or legal advice. Please consult your tax advisor or attorney. For additional information, please see the Program Disclosure Brochure or ADV Part II for full details, which are available upon request or please visit https://adviserinfo.sec.gov/firm/summary/108604

1 Data Obtained From Bloomberg Terminal as of 9.30.2025

2 Chart of the Day: Q4 Strength