

# Market Conditions



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**Q 3 2025**

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**CAPITAL ADVISORS, LTD.**  
*financial counsel*

“You can’t predict. You can prepare.”

– Howard Marks, Co-Founder and Co-Chairman of Oaktree Capital Management



# STOCK MARKET: TRAILING RETURNS

Q3 2025

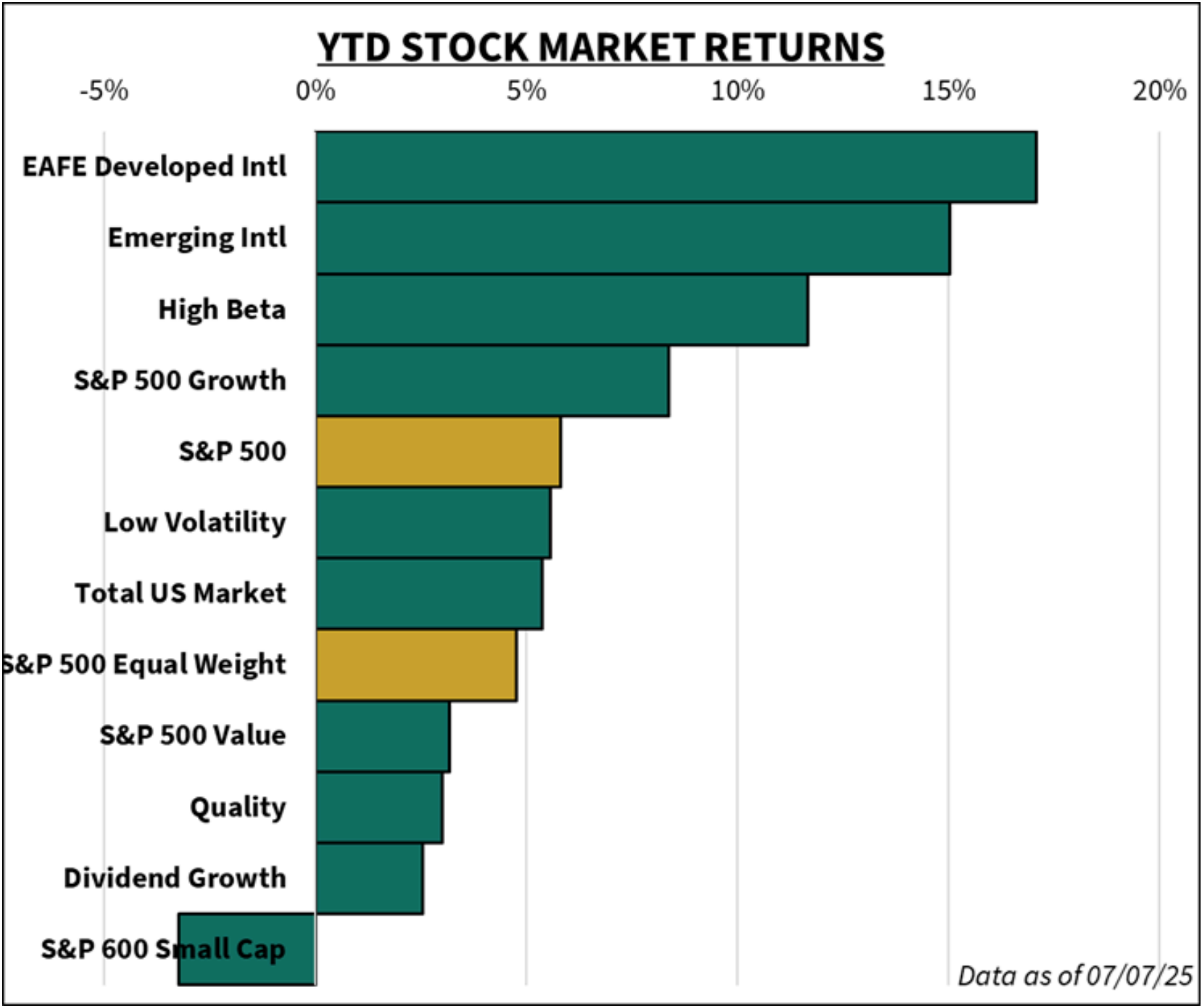
		Stock Market Returns: July 7, 2025				
		1 Yr	YTD	1 Mo	3 Mo	6 Mo
<b>S&amp;P 500</b>	<b>SPY</b>	<b>11.8%</b>	<b>5.8%</b>	<b>3.5%</b>	<b>23.0%</b>	<b>5.4%</b>
<b>S&amp;P 500 Equal Weight</b>	<b>RSP</b>	<b>12.2%</b>	<b>4.8%</b>	<b>2.7%</b>	<b>17.8%</b>	<b>4.5%</b>
Total US Market	VTI	12.2%	5.4%	3.5%	23.3%	4.8%
S&P 600 Small Cap	IJR	5.7%	-3.2%	3.6%	19.5%	-3.4%
S&P 500 Value	IVE	8.5%	3.2%	2.9%	15.0%	3.1%
S&P 500 Growth	IWW	14.9%	8.4%	4.3%	30.9%	7.4%
Quality	QUAL	5.8%	3.0%	1.7%	18.7%	2.7%
Dividend Growth	NOBL	6.9%	2.5%	1.4%	10.3%	3.4%
Low Volatility	USMV	11.4%	5.6%	0.0%	8.7%	6.0%
High Beta	SPHB	16.2%	11.7%	8.2%	43.1%	8.8%
EAFE Developed Intl	EFA	10.5%	17.1%	-1.4%	20.9%	16.0%
Emerging Intl	EEM	10.3%	15.0%	2.5%	23.1%	14.5%

Source: Koyfin



# STOCK MARKET: TRAILING RETURNS

Q3 2025



Source: Koyfin





# STOCK MARKET: RETURNS

Q3 2025

- Returns over the **last 12 months showed better breadth** with the S&P 500 Equal Weight return roughly equaling that of the S&P 500; however, **US Growth continued to trounce US Value, US Small, and US Quality**
- The trend of **US Growth outperformance accelerated YTD**; though to start the year **diversification offered some downside protection** as stocks sold off
- **International Stocks have also shown strength YTD** after years of lagging
- The S&P 500 outperformed the S&P 500 Equal Weight by ~ 12% per year in 2023 and 2024, which is the most dominant streak since 1998 and 1999; however, the next 7 years after that Equal Weight outperformed (Source: Charlie Biello)
- **From 1971 through 2024 the S&P 500 Equal Weight beat the S&P 500** by 1.5% annualized (median) in 77% of 10-year rolling periods and in 100% of 25-year rolling periods (Source: Capital Advisors, Ltd., MS Direct)



“Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves.”

– Peter Lynch, Manager of the Magellan Fund at Fidelity Investments



# MARKET CONDITIONS SUMMARY

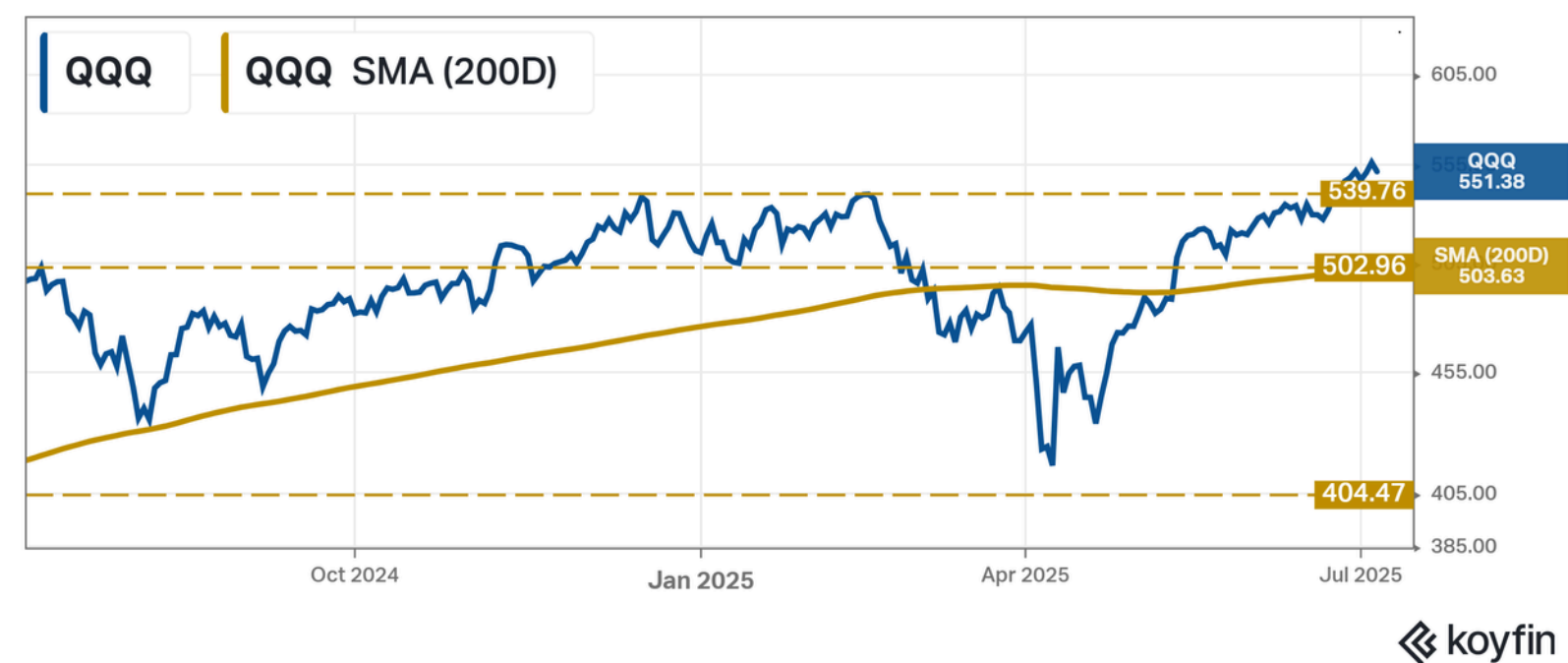
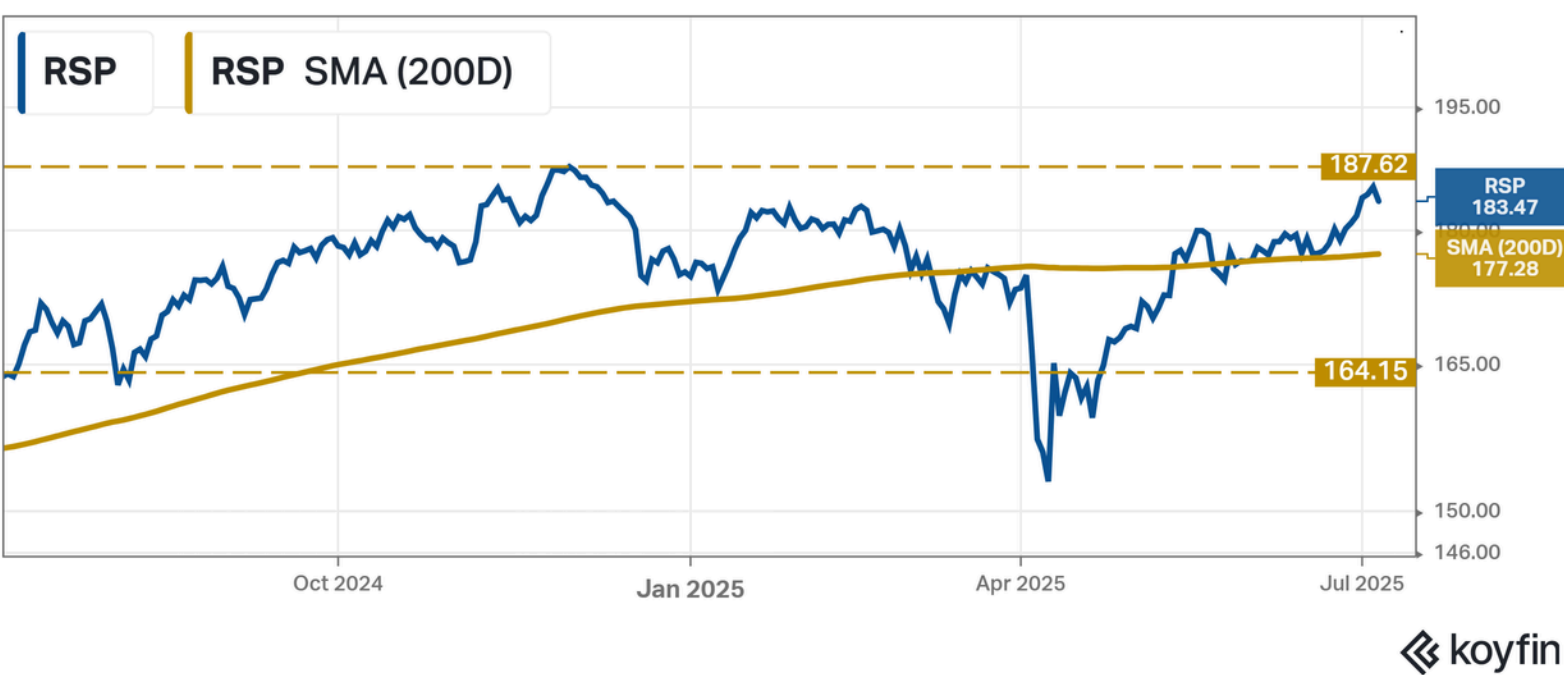
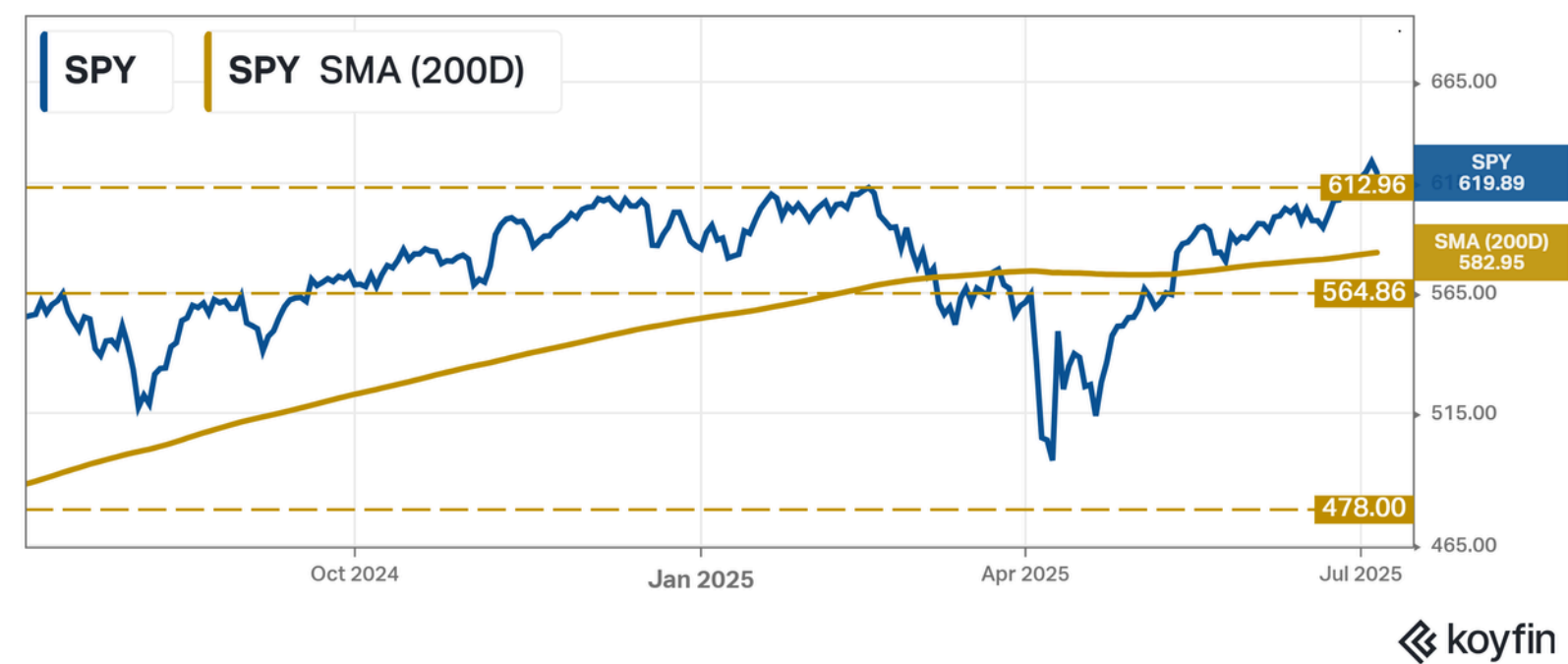
Q3 2025

Price Trends	Bull	Major US indices are now in an uptrend with US Large Cap indices at or around their all-time highs; historically a rally of this magnitude and duration after a ~ 20% drawdown has indicated the bottom is in
Earnings	Bull	The degree of the rally in stock prices is roughly inline with forward earnings estimates with solid absolute earnings growth estimates and forward earnings estimates trending up
Monetary Policy	Bull	The market continues to price in a more “dovish” Fed with ~ 2.0 cuts priced in for 2025, which likely corresponds with the stronger forward earnings estimates
Economic Data	Neutral -	Recession risk appears to be low with leading indicators neutral and while the last quarter has seen some weakening, the longer-term trend is positive and credit spreads indicate little stress



# STOCK MARKET: PRICE TREND

Q3 2025



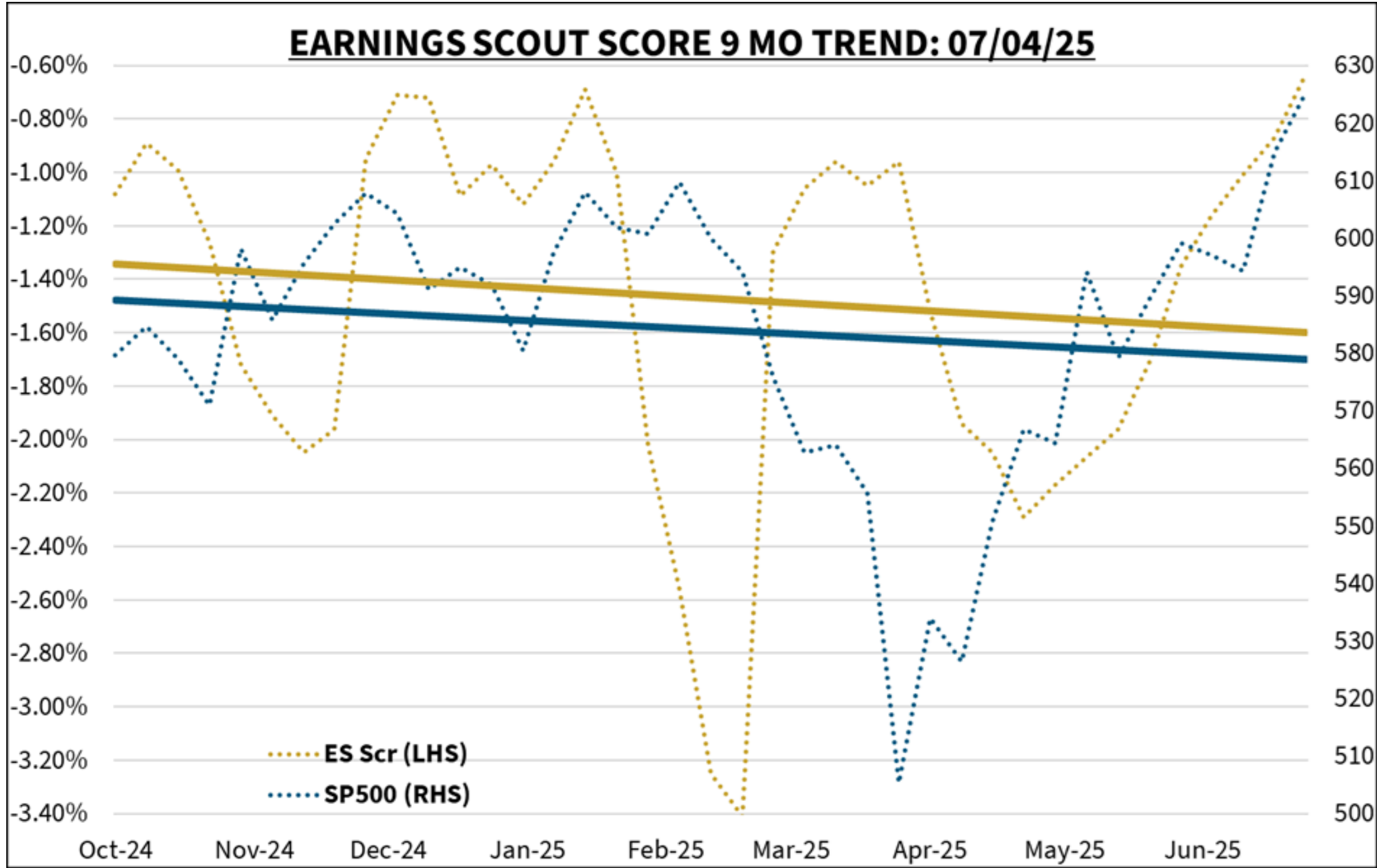
SPY = SPDR S&P 500 | RSP = Invesco S&P 500 Equal Weight | QQQ = Invesco QQQ Trust | IJR = iShares Core S&P Small-Cap || SMA (200D) = 200 Day Standard Moving Avg || Dash Lines = Key Price Levels





# STOCK MARKET: EARNINGS

Q3 2025



Operating Earnings: 06/30/25			
2024	2025	2026	
\$233	\$255	\$295	
9.3%	9.4%	15.7%	

Q1 25	Q2 25 (3%)	Q3 25	Q4 25
N/A	6.3%	12.7%	12.9%

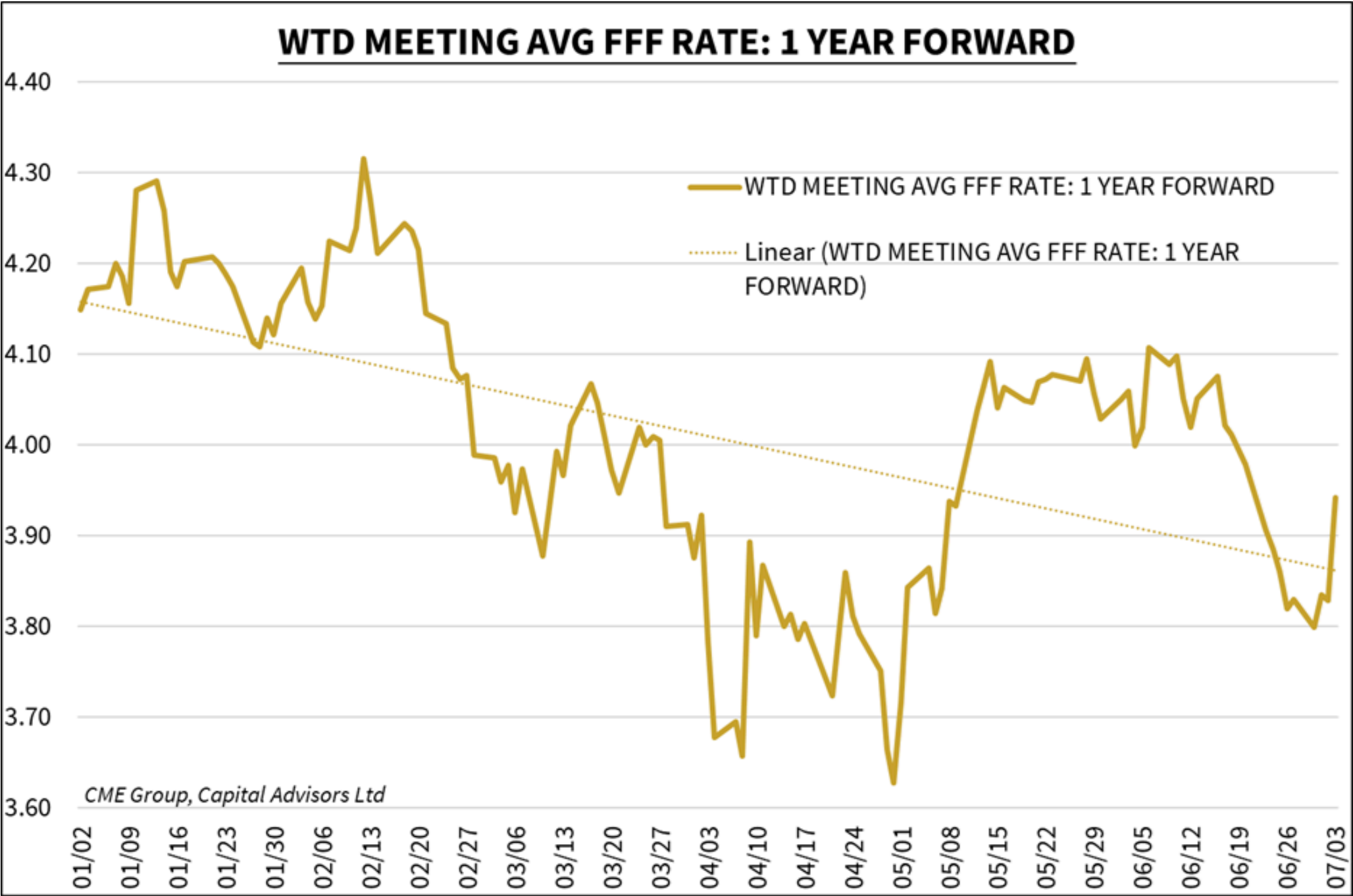
NTMP/E	
06/30/25	23.2
03/31/25	N/A
12/31/24	25.9

Chart Source: Earnings Scout, Yahoo! Finance, Capital Advisors Ltd.; Solid Lines = 9 Month Trend Line | Operating Earnings Source: S&P Global, Capital Advisors, Ltd.



# MONETARY POLICY

Q3 2025



Fed Funds Rate	4.25%	07/07/25
Fed Balance Sheet	6.7T	07/02/25

Fed Meeting	Forecast		Prior FFF Forecast	
	FFF Rt	Hike Ct	1 Mo	3 Mo
Jul-25	4.23	-0.06	4.20	3.96
Oct-25	3.91	-1.34	3.79	3.76
Dec-25	3.74	-2.04	3.59	3.68
Jul-26	3.20	-4.18	3.04	N/A

Chart Source: CME Group, Capital Advisors, Ltd. | Data Table Source: FRED, CME Group || FFF = Fed Funds Futures Rate



# ECONOMIC DATA SUMMARY

Q3 2025

Recession Indicators		
Metric	Value	Date
Sahm Rule Recession	0.17	Jun-25
Recession Probability	2%	May-25

Net Reading	Ext Low
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Leading Indicators			
Metric	YoY%	3 Mo %	Date
Jobless Claims	1.8%	8.2%	06/28/25
Housing Starts	-4.6%	-15.7%	May-25
Baa Spread = 1.7%	9%	-2%	07/02/25
Financial Conditions*	-0.5	-0.4	06/27/25
WTI Crude = \$67	-19.8%	11.1%	07/07/25
S&P GSCI Commodity	-6.6%	7.4%	07/07/25

Net Reading	Neutral	Neutral	Rec Risk
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Source: FRED; WTI Crude and S&P GSCI Commodity per Koykin | \* Indicates absolute value and NOT % change

Key Economic Data			
Metric	YoY%	3 Mo %	Date
Industrial Production	0.6%	-0.4%	May-25
Capital Goods	3.8%	0.5%	May-25
Retail Sales	0.9%	0.3%	May-25
Personal Consumption	0.9%	0.3%	May-25
Unemployment Rate*	4.1%	4.2%	Jun-25

Net Reading	Neutral	Neutral	Neutral
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Home Prices	2.7%	1.8%	Apr-25
30 Yr Mortgage*	6.7%	6.8%	07/03/25
Core CPI*	2.8%	1.7%	May-25
5 Yr BE Inflation*	2.4%	2.5%	07/03/25
10 Yr 3 Mo Yield Curve*	-0.07	-0.05	07/03/25
10 Yr 2 Yr Yield Curve*	0.47	0.55	07/03/25

Real GDP Fed Forecasts		
2025	2026	2027
1.4%	1.7%	1.9%



“The single greatest edge an investor can have is a long-term orientation.”

– Seth Klarman, CEO and Portfolio Manager of Baupost Group





# INTEREST RATES

Q3 2025

Interest Rates: July 7, 2025					
	1 Mo	2 Yr	5 Yr	10 Yr	30 Yr
US Treasury	4.30%	3.90%	3.96%	4.39%	4.92%
US TIPS	N/A	N/A	1.53%	2.01%	2.62%
US TIPS Spread	N/A	N/A	2.43%	2.38%	2.30%
AAA Municipals	N/A	2.56%	2.67%	3.21%	4.56%
Tax Effect Yld (37%)	N/A	4.06%	4.24%	5.10%	7.24%
Tax Effect Yld (24%)	N/A	3.37%	3.51%	4.22%	6.00%
Germany	-0.53%	1.84%	2.15%	2.60%	3.12%
UK	N/A	3.82%	4.01%	4.59%	5.40%
Japan	0.46%	0.73%	0.97%	1.44%	2.97%
	1 Mo	1-3 Yr	3-5 Yr	7-10 Yr	15 Yr+
Corporate Inv Grd	N/A	4.52%	4.67%	5.20%	5.83%

## Corporate Spreads

	Effect Yld
AAA	4.81%
AA	4.75%
A	4.96%
BBB	5.26%
High Yield	6.78%

	Div Yld
S&P 500	1.16%

Source: Koyfin, Bloomberg (Municipals)



# INTEREST RATES

Q3 2025

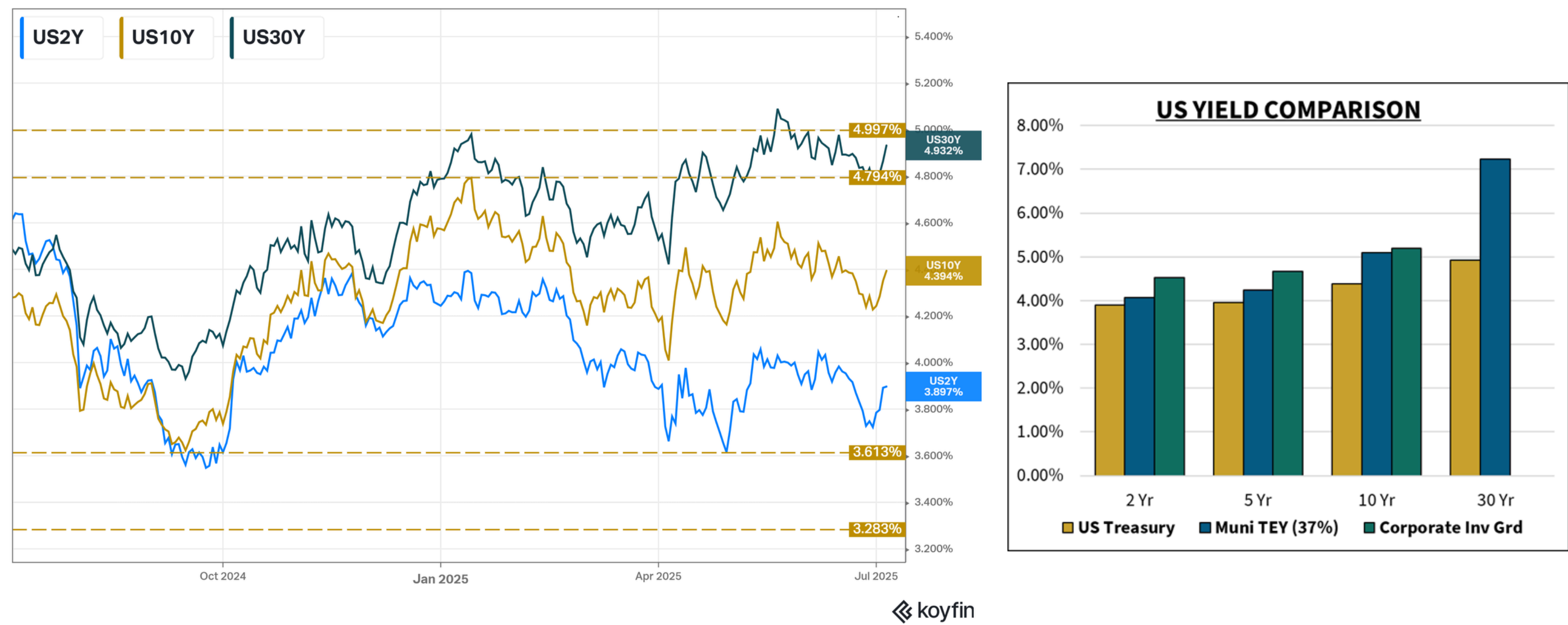
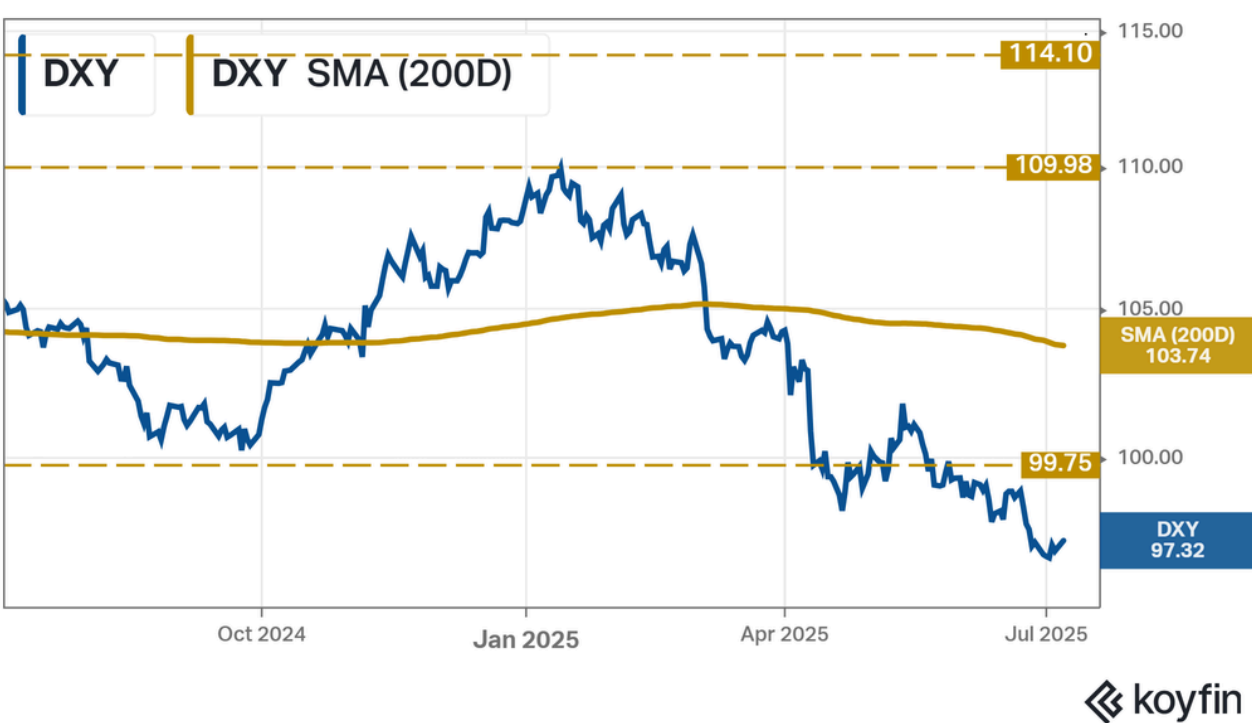
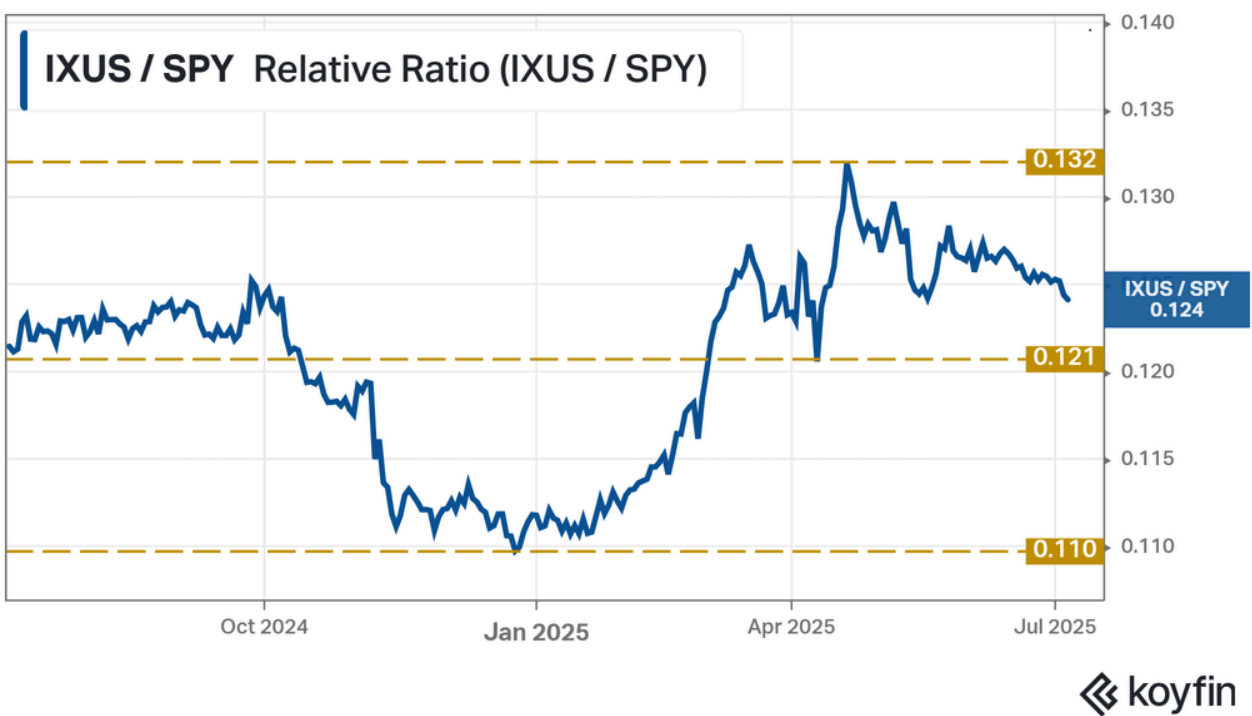
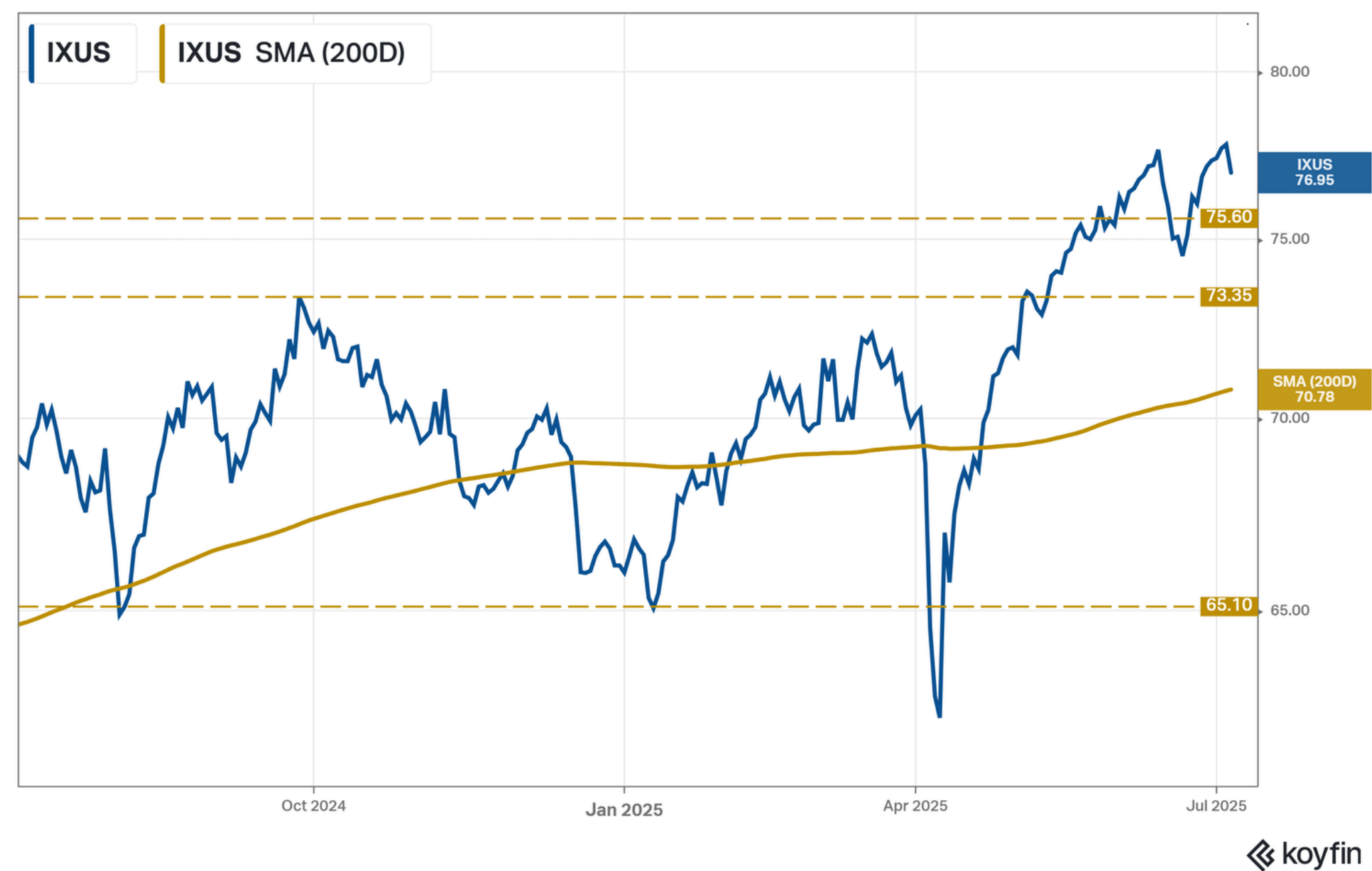


Chart Sources: Koyfin, Bloomberg (Municipals) | US Treasury Rates (Left) US2Y= 2 Year Treasury, US10Y= 10 Year Treasury, US30Y= 30 Year Treasury | Yield Comparison (Right): Muni TEY= Municipal Bond Tax Effective Yield at 37% Tax Rate; Corporate Investment Grade Maturities - 2 Yr = 1-3 Yr, 5 Yr = 3.5 Yr, 10 Yr = 7-10 Yr, 30 Yr = 15 Yr+



# INTERNATIONAL STOCKS

Q3 2025



IXUS = iShares Core MSCI Total International Stock | SPDR S&P 500 | DXY = US Dollar Index || SMA (200D) = 200 Day Standard Moving Avg || Dash Lines = Key Price Levels

Please see important disclosures, definitions, and sources at the back of this report.



“The stock market is a device to transfer money from the impatient to the patient.”

– Warren Buffett, Chairman and CEO of Berkshire Hathaway





# HISTORICAL REAL MARKET RETURNS

Q3 2025

Historical Total REAL Market Returns: Jan-1900 to Dec-2024									
		1 Year	3 Year	5 Year	10 Year	15 Year	20 Year	25 Year	30 Year
S&P 500	Average	8.7%	7.1%	6.9%	6.7%	6.5%	6.6%	6.8%	6.8%
	Minimum	-63.3%	-37.2%	-12.8%	-5.9%	-2.2%	-0.2%	1.7%	1.6%
	Maximum	183.6%	40.3%	34.8%	20.2%	15.6%	13.8%	12.8%	11.7%
	% Positive	68%	75%	77%	86%	94%	100%	100%	100%
	% > 4.0%	60%	63%	61%	68%	68%	74%	89%	97%
Cash	Average	0.4%	0.3%	0.3%	0.1%	0.1%	0.2%	0.3%	0.4%
	Minimum	-16.1%	-9.1%	-6.3%	-5.3%	-4.0%	-3.2%	-2.5%	-1.9%
	Maximum	13.4%	11.8%	8.9%	4.7%	3.1%	3.0%	2.3%	2.0%
	% Positive	58%	54%	53%	54%	61%	65%	66%	63%
	% > 4.0%	11%	10%	9%	1%	0%	0%	0%	0%
Intermediate US Treasury	Average	1.9%	1.7%	1.8%	1.8%	1.9%	1.9%	2.0%	1.9%
	Minimum	-22.9%	-13.7%	-10.8%	-5.3%	-3.5%	-2.5%	-1.8%	-1.5%
	Maximum	40.5%	19.0%	18.6%	10.9%	8.9%	8.3%	7.0%	6.8%
	% Positive	61%	67%	65%	66%	69%	72%	76%	76%
	% > 4.0%	35%	31%	30%	29%	27%	23%	20%	15%

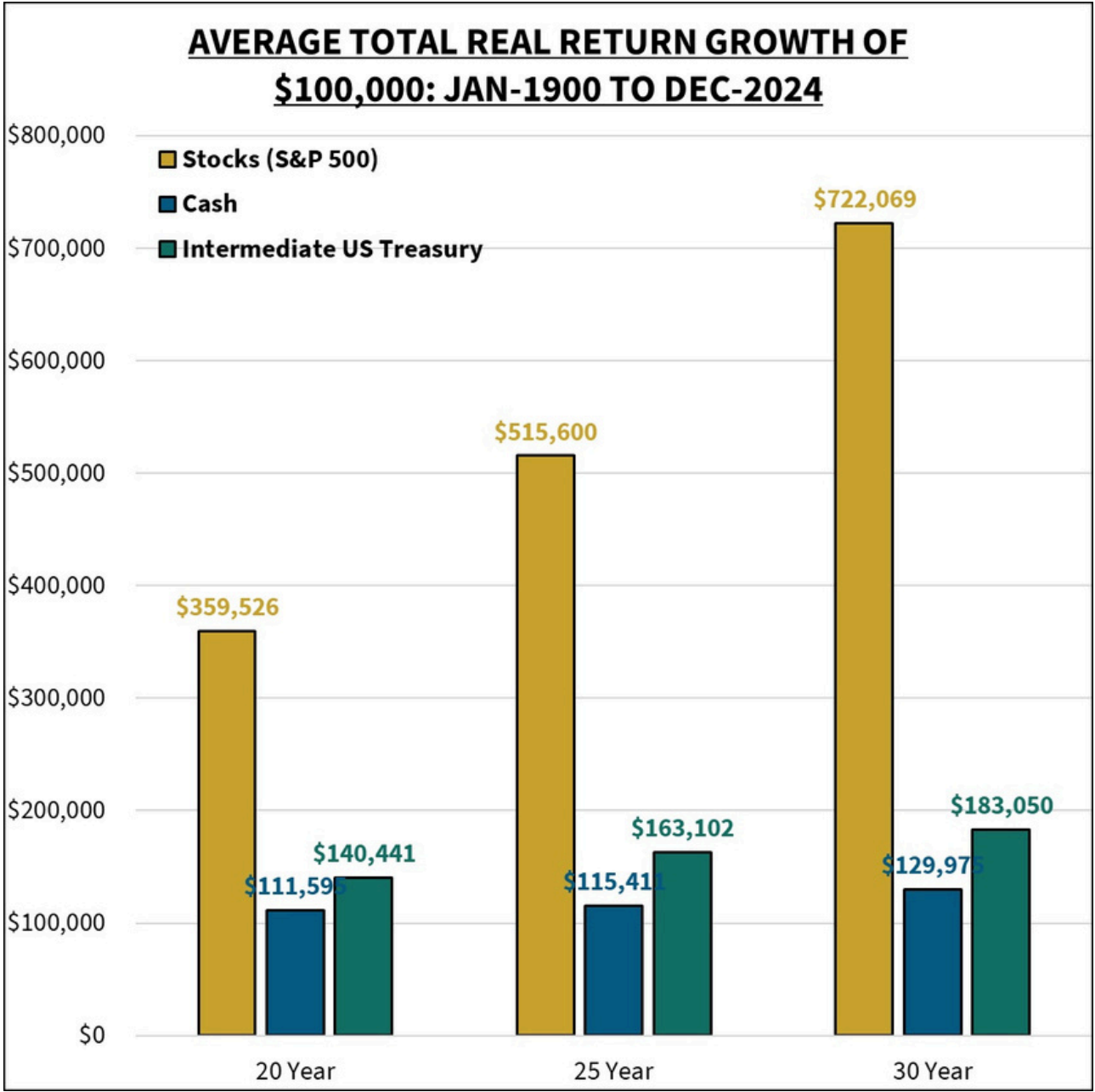
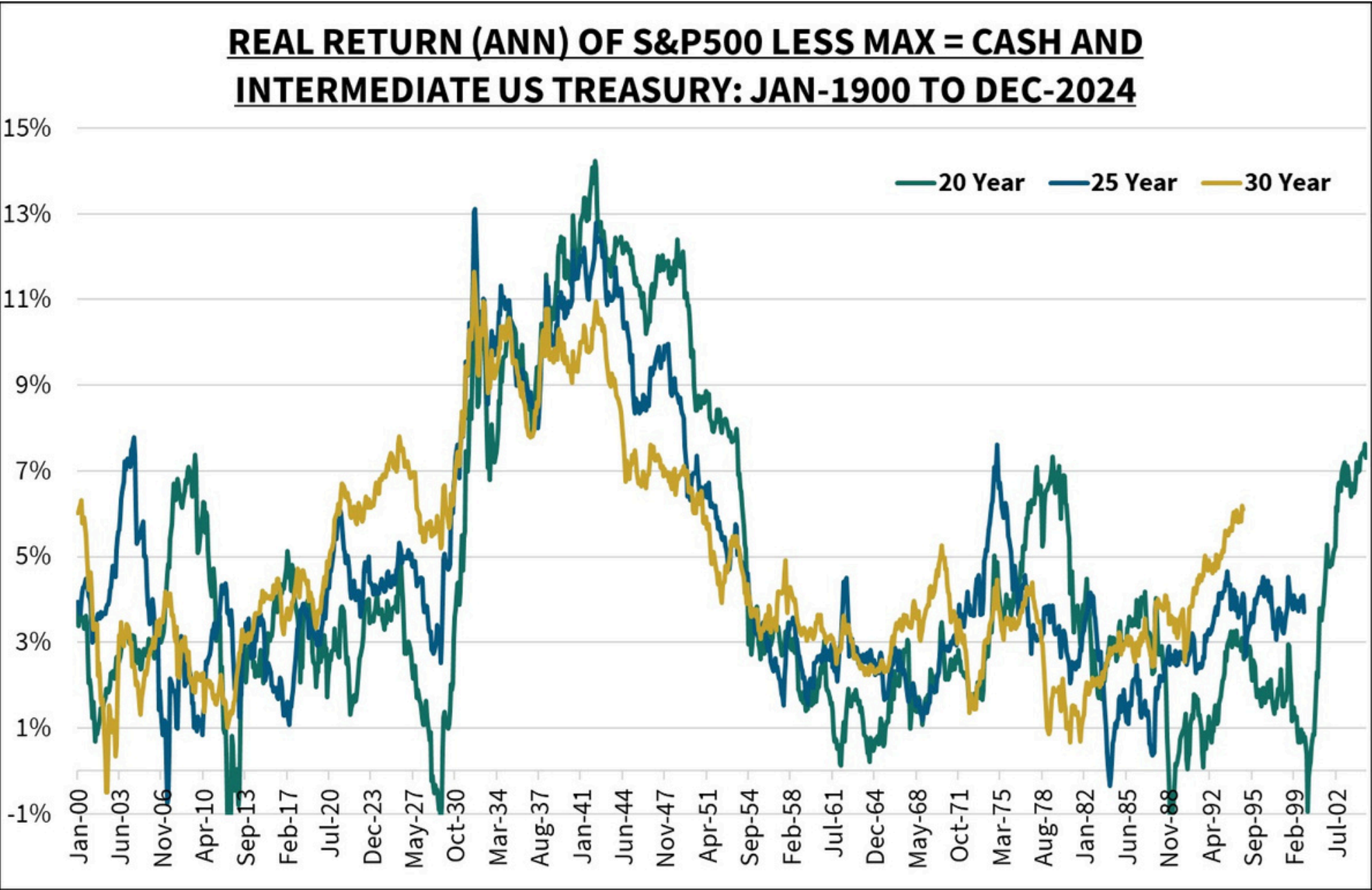
Sources: S&P 500 = Robert Shiller, Yahoo! Finance | Intermediate US Treasury (IA SBBI US Govt) = Robert Shiller and MS Direct | Cash (30 Day Treasury) = MS Direct | Calculations = Capital Advisors Ltd.  
Real Returns: investment returns that have been adjusted for inflation, reflecting the actual purchasing power of the gains and normalized into today's dollars





# HISTORICAL REAL MARKET RETURNS

Q3 2025



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Real Returns: investment returns that have been adjusted for inflation, reflecting the actual purchasing power of the gains and normalized into today's dollars



“Time is your friend; impulse is your enemy. Take advantage of compound interest and don’t be captivated by the siren song of the market.”

– John C. Bogle, Founder and CEO of The Vanguard Group



# DISCLOSURES, DEFINITIONS, SOURCES

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There are some risks associated with investing in the stock markets: 1) Systematic risk - also known as market risk, this is the potential for the entire market to decline; 2) Unsystematic risk - the risk that any one stock may go down in value, independent of the stock market as a whole. This also incorporates business risk and event risk; and 3) Opportunity risk and liquidity risk.

U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuate with market conditions. If not held to maturity, they could be worth more or less than the original amount paid. Treasury securities carry interest rate risk, (as interest rates rise, treasury prices usually fall, and vice versa), inflation risk, and liquidity risk.





# DISCLOSURES, DEFINITIONS, SOURCES

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## Index Definitions (Proxy ETF):

S&P 500 (SPY): The index measures the performance of 500 widely held stocks in the US equity market. Standard and Poor's chooses member companies for the index based on market size, liquidity and industry group representation. It is market capitalization-weighted.

S&P 500 Equal Weight (RSP): The equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

Total US Market (VTI): Vanguard Total Stock Market Index Fund is designed to provide investors with exposure to the entire U.S. equity market, including small-, mid-, and large-cap growth and value stocks. The fund’s key attributes are its low costs, broad diversification, and the potential for tax efficiency. Investors looking for a low-cost way to gain broad exposure to the U.S. stock market who are willing to accept the volatility that comes with stock market investing may wish to consider this fund as either a core equity holding or your only domestic stock fund.

S&P 600 Small Cap (IJR): Seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

S&P 500 Value (IVE): S&P Style Indices divide the complete market capitalization of each parent index into growth and value segments. Constituents are drawn from the S&P 500 and measure value stocks using three factors: the ratios of book value, earnings, and sales to price.

S&P 500 Growth (IJR): Measure growth stocks using three factors: sales growth, the ratio of earnings change to price, and momentum.

Quality (QUAL): The iShares MSCI USA Quality Factor ETF seeks to track the investment results of an index composed of U.S. large- and mid-capitalization stocks with quality characteristics as identified through certain fundamental metrics.

Dividend Growth (VIG): The Vanguard Dividend Appreciation ETF seeks to track the performance of the S&P U.S. Dividend Growers Index. Large-cap equity, emphasizing stocks with a record of growing their dividends year over year.

Low Volatility (USMV): The MSCI USA Min Vol Factor ETF seeks to track the investment results of an index composed of U.S. equities that, in the aggregate, have lower volatility characteristics relative to the broader U.S. equity market.

High Beta (SPHB): Invesco S&P 500® High Beta ETF (Fund) is based on the S&P 500® High Beta Index (Index). The Fund will invest at least 90% of its total assets in the securities that comprise the Index. The Index is compiled, maintained and calculated by Standard & Poor's and consists of the 100 stocks from the S&P 500® Index with the highest sensitivity to market movements, or beta, over the past 12 months. Beta is a measure of relative risk and is the rate of change of a security's price.

EAFE Developed Intl (EFA): MSCI EAFE index measures the performance of the large and mid-cap segments of developed markets, excluding the US & Canada equity securities. It is a free float-adjusted market-capitalization weighted.

Emerging International (EEM): MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries. With 845 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Nasdaq-100 Index (QQQ): The 100 largest non-financial companies listed on the Nasdaq. The fund and the index are rebalanced quarterly and reconstituted annually.

iShares Core MSCI Total International Stock ETF (IXUS): Seeks to track the investment results of an index composed of large-, mid- and small-capitalization non-U.S. equities.

ICE US Dollar Index (DXY): Benchmark for the value of the US dollar relative to other currencies.

SMA (200D): The average closing price over the last 200 days.

Relative Ratio: Details how one investments (IXUS) is performing relative to another (SPY).

**Investors cannot invest directly in an index.**

Fed Funds Rate and Balance Sheet via FRED (Economic Data per the St. Louis Fed).

FFF = Fed Funds Futures Market. Data per CME Group and Capital Advisors, Ltd. calculations

Earnings Scout Score data per Earnings Scout. The Earnings Score measures the rate of change of forward earnings estimates. For simplicity, in the report we may refer to the score as “forward earnings estimates” or a variation of that.



# DISCLOSURES, DEFINITIONS, SOURCES

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**Economic Data per FRED unless noted below. Notes and definitions:**

Sahm Rule Recession: A way for the Federal Reserve to determine if the economy has entered a recession - when the three-month moving average of the national unemployment rate (U3) rises by 0.50 percentage points or more relative to the minimum of the three-month averages from the previous 12 months, the economy is in recession.

Recession Probability = Smoothed U.S. Recession Probabilities: dynamic-factor markov-switching model applied to four monthly coincident variables: non-farm payroll employment, the index of industrial production, real personal income excluding transfer payments, and real manufacturing and trade sales.

Jobless Claims: 4-Week Moving Average of Initial Jobless Claims; Seasonally Adjusted

Housing Starts: New privately owned homes that began construction in a given month

Baa Spread: Moody's Seasoned Baa Corporate Bond Yield Relative to Yield on 10-Year Treasury Constant Maturity

Financial Conditions = Chicago Fed National Financial Conditions Index: comprehensive weekly update on U.S. financial conditions in money markets, debt and equity markets and the traditional and "shadow" banking systems. Positive values of the NFCI indicate financial conditions that are tighter than average, while negative values indicate financial conditions that are looser than average.

WTI Crude: Data per Koyfin.

S&P GSCI Commodity: Composite index of commodity sector returns representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities.

Industrial Production:

Capital Goods: Manufacturers' New Orders: Nondefense Capital Goods Excluding Aircraft

Retail Sales: Advance Real Retail and Food Services Sales

Personal Consumption: Real Personal Consumption Expenditures

Unemployment Rate: Represents the number of unemployed as a percentage of the labor force

Home Prices: S&P/Case-Shiller U.S. National Home Price Index

30 Yr Mortgage: 30-Year Fixed Rate Mortgage Average in the United States

Core CPI: Consumer Price Index for All Urban Consumers - All Items Less Food and Energy in U.S. City Average

5 Yr BE Inflation = 5 Year Breakeven Inflation Rate: expected inflation derived from 5-Year Treasury Constant Maturity Securities and 5-Year Treasury Inflation-Indexed Constant Maturity Securities; implies what market participants expect inflation to be in the next 5 years, on average.

Yield Curve: Long Interest Rate (e.g. 10 Year Treasury Yield) - Short Rate (e.g. 2 Year Treasury Yield)

Fed Real GDP Proj = Fed Real GDP Projection: FOMC Summary of Economic Projections for the Growth Rate of Real Gross Domestic Product (Midpoint)

YoY = Year over Year: % change over the last year

3 Mo %: % change over the last 3 months

Net Reading: Capital Advisors, Ltd. assessment of the economic data

**Interest Rate data per Koyfin unless noted. Notes and definitions:**

US Treasury: United States Treasury Bills and Bonds

US TIPS: Treasury Inflation-Protected Securities (TIPS) are a type of Treasury security issued by the U.S. government and indexed to inflation

US TIPS Spread: The difference in the yields between U.S. treasury bonds and Treasury Inflation-Protected Securities (TIPS) and is a useful measure of the market's expectation of future Consumer Price Index (CPI) inflation

AAA Municipals: BVAL Muni Benchmark; a municipal bond is a debt security issued by a state, municipality, or county

Tax Effect Yld = Tax Effective Yield: Pretax yield that must be received on a taxable security to provide the holder the same after-tax yield as that earned on a municipal security; tax rate use listed in parentheses

Corporate Inv Grd = Corporate Bond Investment Grade: ICE BofA US Corporate Index Effective Yield, which tracks the performance of US dollar denominated investment grade rated corporate debt publicly issued in the US domestic market.

AAA, AA, A, BBB = ICE BofA AA US Corporate Index Effective Yield by credit rating

High Yield = ICE BofA US High Yield Index Effective Yield

S&P 500: Dividend yield (current indicated rate)



# DISCLOSURES, DEFINITIONS, SOURCES

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**Historical Real Market Returns:**

REAL Market Returns: Index return after inflation. Normalizes returns into today's dollars.

S&P 500: REAL Total Return Index data per Robert Shiller, Yahoo! Finance.

Intermediate US Treasury: Total Return Index data per Robert Shiller and FRED. Index is an estimation based on the change in 10 Year Yields and the starting 10 Year Yield. IA BBI US IT Govt TR USD Index measures the performance of a single issue of outstanding U.S. Treasury note with a maturity term of around 5.5 years; total return index per Morningstar Direct.

30 Day Treasury: Total Return Index data per Morningstar Direct. IA SBBI US 30 Day TBill Index measures the performance of a single issue of outstanding Treasury Bill which matures.

