OCTOBER 2025

GASAWAY
INVESTMENT ADVISORS

MARKET NEWSLETTER

The latest news from Gasaway Investment Advisors

"Helping you navigate your financial course."

What's New

A Word from Jim Gasaway

Autumn is a beautiful time in Michigan. The leaves begin to change, the air feels crisp, and, most importantly, it means road construction season is winding down! There's nothing more frustrating than running into construction, especially when you're not expecting it or you're already running late. You inch forward, brake, accelerate to 30 mph thinking the worst is behind you, then grind to a halt again as time continues to pass.

This is what the market felt like in the first half of the year. Tariff announcements, inflation curling higher after it seemed that it was on track toward the 2%

target, and the Federal Reserve sticking to a 'higher for longer' stance on interest rates all acted as roadblocks, impeding the market's progress. In April, traffic came to a complete stop as Trump's reciprocal tariff announcements sent stocks sharply lower. However, once Trump announced a delay on these reciprocal tariffs the next week, it was like the construction cleared up overnight and it was nothing but open road ahead for the stock market; since that April low, the S&P 500 is up over 30% (figure 1). Looking ahead, we see more potential roadblocks, especially with stocks at all-time high prices and valuations. However, this year has been a good reminder of the importance of staying invested, no matter how bleak the short-term outlook is.

WHAT HAVE WE BEEN DOING IN THE PAST QUARTER?

- **Equities:** *"Quickly forgotten during times of distress, yet no less important to remember, is that lower prices are an ally to long-term returns."* - Allan Mecham
- After a panicked, tariff-driven selloff in Q2 saw the S&P 500 drop 14% in just four days, stocks have staged a historic rally fueled by solid corporate earnings growth, strong GDP growth, an increased likelihood of interest rate cuts, and the realization that tariffs may have a more limited economic impact than initially feared.
- During Q3, we remained relatively passive as this rally took place. We shifted a small amount of money from Large Caps to Small Caps and cash in July; we were relatively underweight Small Caps, and we saw potential outperformance given anticipated rate cuts, lagging performance versus Large Caps, and a favorable technical setup. We remain widely diversified across asset classes, sectors, and countries and own buffer ETFs in more conservative accounts. We continue to believe corporate profits will rise, the US and other economies will grow, and equity prices will rise in the long term despite inevitable volatility and disruptions in the short term.

Figure 1. Trading View – S&P 500 YTD returns as of 9/30/2025

- **Fixed Income:** Longer-term bond yields ended the quarter roughly where they began despite an interest rate cut in September. Our fixed income holdings remain diversified among Certificates of Deposit (CDs), intermediate-term bond funds, ultra-short-term bond funds, and municipal bond funds in non-qualified (taxable) accounts. In response to the increased likelihood of multiple interest rate cuts this year and next, we shifted more money from ultra-short-term bonds to intermediate-term bonds which will benefit more from rates dropping and bond prices rising.
- **Fixed Income Components Explained:** The CDs we buy are brokered; brokered CDs generally have higher interest rates than those you will find at local banks or credit unions, can be sold before maturity without penalty, and will include accrued interest if sold early. It is also good to remember that, although your statement may show an unrealized loss on your CDs, you will get the entire principal back plus the stated interest at the maturity date. Our intermediate-term bond funds own a basket of debt securities, mostly U.S. Treasuries, that mature in around 6 years. These funds offer an attractive yield (~4%) while being somewhat sensitive to interest rates – rates rising will cause the fund's price to drop, while rates falling will cause its price to rise. Ultra-short-term bond funds also offer a >4% yield but without the interest rate sensitivity, essentially acting as a money market fund. Municipal bonds generally have lower yields than other fixed income (although ours is still yielding >4%), but their interest is not taxable at the federal level (and not at the state and local level if you live in the issuing municipality).

We appreciate the trust that you have placed in us. We are diligently watching your investments and will continue to make adjustments as we see fit. If you have any questions, please reach out to us.

WITH JOYOUS TIMES, COMES SCAMS?

by: Chase Imberger, CFP®, ChFC®, CRPC™, Financial Advisor

As the holiday season approaches, many of us are looking forward to time with loved ones, seasonal travel, and end-of-year shopping. However, this time of year also brings a significant increase in fraudulent activity. Cybercriminals and scammers often take advantage of the holiday rush, targeting consumers and businesses with sophisticated scams. Awareness is your first line of defense. Below are several common scams to watch for, along with tips to protect yourself and others.

COMMON HOLIDAY SCAMS AND HOW TO AVOID THEM

1. Phishing Emails & Fake Shipping Notifications

Scammers often send fake emails or text messages that appear to come from major delivery services (e.g., USPS, UPS, FedEx), claiming a package is delayed or needs confirmation. These messages typically include malicious links or attachments.

Tip: Do not click on unsolicited links. Always verify shipping information through the official website or app of the delivery provider.

2. Fraudulent Online Retailers & Fake Deals

During peak shopping periods, fraudulent websites and social media ads offer heavily discounted prices on high-demand products. Once payment is made, the product never arrives, or a counterfeit version is delivered.

Tip: Shop only from trusted retailers. Check for verified customer reviews and secure website indicators (https:// and a padlock icon).

3. Gift Card Scams

Scammers may impersonate colleagues, managers, or friends, often through email or text, asking you to purchase gift cards and share the codes.

Tip: Treat all unsolicited requests for gift cards as suspicious. Confirm the legitimacy of any request through a known, trusted communication channel.

4. Charity Scams

Fraudulent charities often emerge during the holidays, using emotional appeals to solicit donations.

Tip: Verify the legitimacy of any organization before donating.

5. Travel Scams

Fake travel websites and discounted travel packages may offer appealing holiday deals, but they often lead to stolen payment information or nonexistent reservations.

Tip: Book travel directly through reputable platforms or known travel agents. Be wary of offers that appear unusually low-priced.

While the holidays are a time for celebration and connection, they're also a critical time to remain vigilant. By staying informed and exercising caution, you can help ensure a safe, secure, and enjoyable season for yourself and your community. Wishing you a happy, and scam-free, holiday season.

MARKET ANALYSIS

by: Ethan Thies, ChFC®, Investment Analyst

MONTHLY HIGHLIGHTS

July:

The stock market, measured by the S&P 500 index, rose 2.2% in July after a volatile second quarter.[1] The unemployment rate rose slightly to 4.2%.[2] Inflation, measured by the Consumer Price Index (CPI), rose 2.7% from last July.[3]

August:

The S&P 500 rose 2.0% in August.[1] The unemployment rate bumped up slightly again to 4.2%.[2] Inflation came in at 2.9% from last August.[3]

September:

The market rose 3.7% in September, ending the quarter with a slow and steady 8.1% increase.[1] Due to the government shutdown, the jobs report and inflation data have been delayed.[2] The Federal Reserve executed the first interest rate cut of the year, bringing the federal funds rate to a level of 4.00%-4.25%.[4]

THE ECONOMY

GDP Growth, Tariffs & a Government Shutdown

Since the economic impact of tariffs has remained fairly limited for the average consumer thus far, investors and economists have focused more on current economic data, like Gross Domestic Product (GDP). In Q1, GDP growth turned negative for the first time since 2022, mostly due to negative net exports as companies front-loaded imports ahead of expected tariff increases (Figure 1). However, consumer spending, which makes up

What does the future of the economy look like?

approximately 70% of GDP, remained positive. In Q2, strong net exports drove GDP growth of 3.8%, above the long-term average, supported again by strong consumer spending (Figure 2). Early estimates suggest that Q3 GDP growth will also be over 3%.[5]

While tariff headlines have diminished, sizable tariffs have been in effect for months now. The 10% baseline "reciprocal tariff" remains on all countries with tariffs on American goods, unless they have reached a deal or the Trump administration has imposed a higher rate than 10%. Several key trading partners have rates above the 10%, including Canada (35%), Mexico (25%), India/Brazil (50%), and China (30% with 100% threatened to start in November). Notable deals have been struck with Japan and the EU which include 15% tariffs on most goods and significant investments into the United States. Further tariffs on specific products like steel, aluminum, and automobiles also remain in effect.[6]

More recently, the federal government entered its first shutdown since 2018 and the fourth this century. A prolonged shutdown would likely weigh on GDP and could further weaken confidence in Washington as the national debt continues to rise and foreign trade tensions persist. However, these shutdowns historically have little lasting negative impact on stocks; the S&P 500's average performance six months after a shutdown is 7.5% (Figure 3).[7]

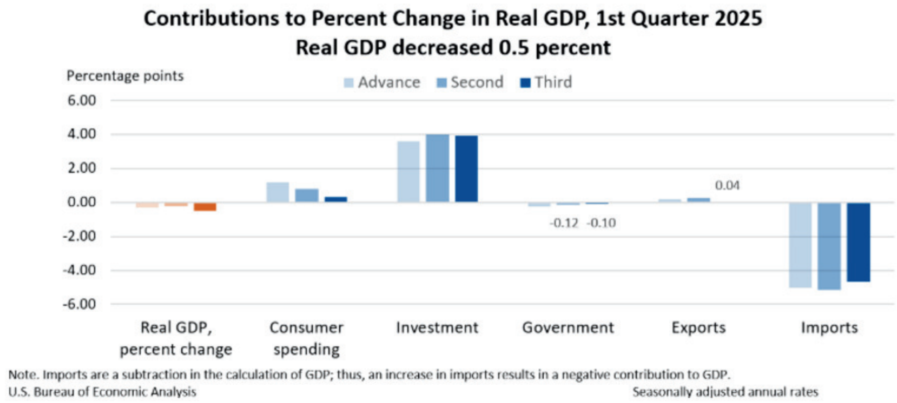

Figure 1. BEA – Q1 2025 GDP by contributing component

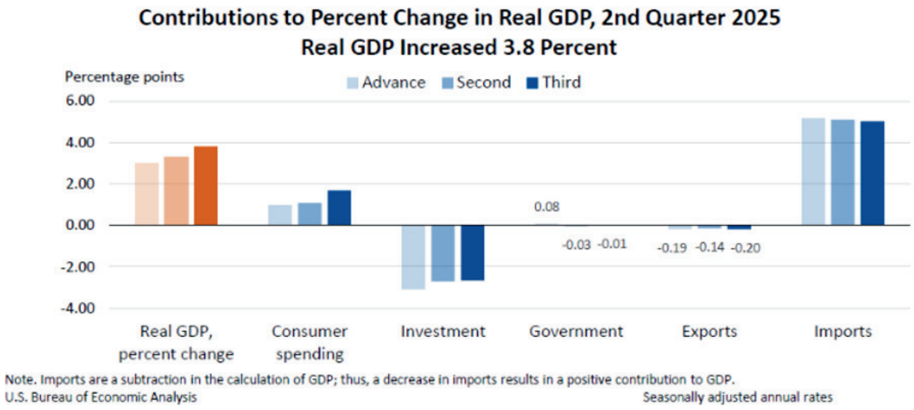

Figure 2. BEA – Q2 2025 GDP by contributing component

Shutdowns Add Drama, But Historically Stocks Don't Really Care

S&P 500 Performance During And After Government Shutdowns

Start of Shutdown	Reopen Date	Length (Days)	S&P 500 Return	S&P 500 12 Months After End	President	Senate	House
9/30/1976	10/11/1976	11	-3.5%	-6.6%	Ford	Democrat	Democrat
9/30/1977	10/13/1977	13	-2.5%	12.0%	Carter	Democrat	Democrat
10/31/1977	11/9/1977	9	0.4%	1.5%	Carter	Democrat	Democrat
11/30/1977	12/9/1977	9	-1.0%	3.2%	Carter	Democrat	Democrat
9/30/1978	10/18/1978	18	-2.0%	3.1%	Carter	Democrat	Democrat
9/30/1979	10/12/1979	12	-4.4%	24.7%	Carter	Democrat	Democrat
5/1/1980	5/1/1980	1	-0.8%	25.8%	Carter	Democrat	Democrat
11/20/1981	11/23/1981	3	0.7%	9.3%	Reagan	Republican	Democrat
9/30/1982	10/2/1982	2	0.3%	36.2%	Reagan	Republican	Democrat
12/17/1982	12/21/1982	4	2.4%	18.0%	Reagan	Republican	Democrat
11/10/1983	11/14/1983	4	1.6%	-0.4%	Reagan	Republican	Democrat
9/30/1984	10/3/1984	3	-2.2%	13.5%	Reagan	Republican	Democrat
10/3/1984	10/5/1984	2	-0.6%	12.6%	Reagan	Republican	Democrat
10/16/1986	10/18/1986	2	0.0%	18.4%	Reagan	Republican	Democrat
12/18/1987	12/20/1987	2	2.5%	11.9%	Reagan	Democrat	Democrat
10/5/1990	10/9/1990	4	-2.1%	23.2%	G.H. W. Bush	Democrat	Democrat
11/13/1995	11/19/1995	6	1.2%	22.8%	Clinton	Republican	Republican
12/15/1995	1/6/1996	22	0.0%	21.3%	Clinton	Republican	Republican
10/1/2013	10/17/2013	16	3.1%	8.9%	Obama	Democrat	Republican
1/19/2018	1/22/2018	2	0.8%	-7.1%	Trump	Republican	Republican
2/9/2018	2/9/2018	1	1.5%	3.4%	Trump	Republican	Republican
12/21/2018	1/25/2019	34	10.3%	23.7%	Trump	Republican	Republican
	Average	8.2	0.3%	12.7%			
	Median	4.0	0.1%	12.3%			
	% Higher		54.5%	86.4%			

Source: Carson Investment Research, FactSet 03/07/2025
@ryandetrick

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Figure 3. Kiplinger – Government Shutdowns and Stocks

Interest Rates

To fight inflation, the Federal Reserve began raising interest rates in March of 2022. This worked to an extent, but prices have continued to rise above the Fed's 2% target for over 4.5 years now (Figure 4). In September 2024, the Fed began to cut rates from a range of 5.25%-5.50%, citing progress on inflation and signs of a softening labor market. This was followed by two more cuts in November and December, totaling 1% for the year. The first cut of 2025 came in September, bringing the federal funds rate to a range of 4.00%-4.25%. Chairman Jerome Powell described this as a 'risk management cut' as the economy and labor markets remain relatively stable, while the 'dot plot' revealed that the Fed expects two further cuts this year.[8] These cuts have pushed shorter-term rates lower, but longer-term yields, like the 10-year Treasury and 30-year mortgage, have declined less as investors continue to price in high inflation and strong economic growth in the future.

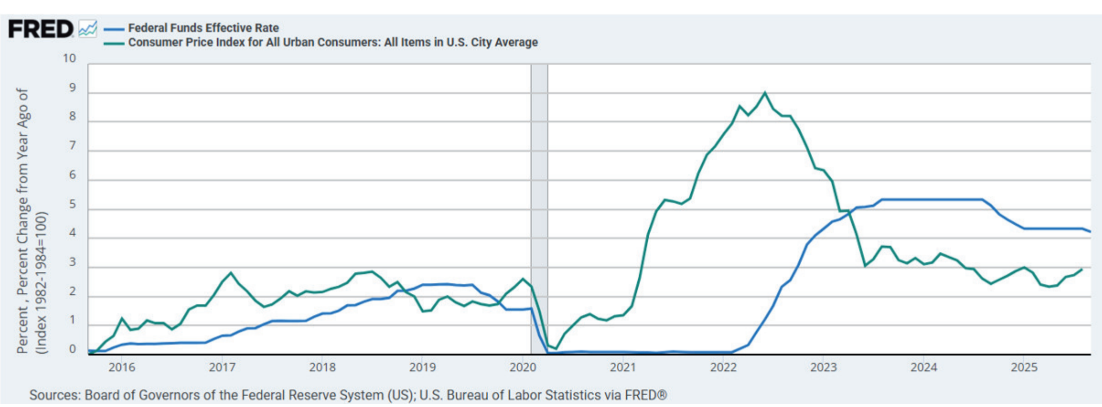


Figure 4. FRED – CPI (green) and the Federal Funds Rate (blue) past 10 years

Inflation

As shown above, prices have been rising well above the Federal Reserve's 2% target since April 2021. This is true of both major measures of inflation: the Consumer Price Index (CPI) and the Personal Consumption Expenditures (PCE) index. The Fed looks at PCE to inform their decision-making as it gives a broader view of consumer spending and can be updated more accurately than CPI; however, CPI is more commonly cited as it is released earlier and generally tells the same story as PCE (Figure 5). The large divergence between the two indices in 2022 was largely driven by housing prices, which carry a much higher weighting in CPI and rose rapidly that year (Figure 6).[9]

Looking ahead, the Federal Reserve and consumers are watching for potential tariff-driven inflation, though little has shown up so far. Consistent cooling in housing prices will be essential to drive inflation meaningfully lower. Lower inflation should also help longer-term rates (including mortgage rates) to fall, as lower inflation makes fixed income investments more attractive, driving bond prices up and yields down.

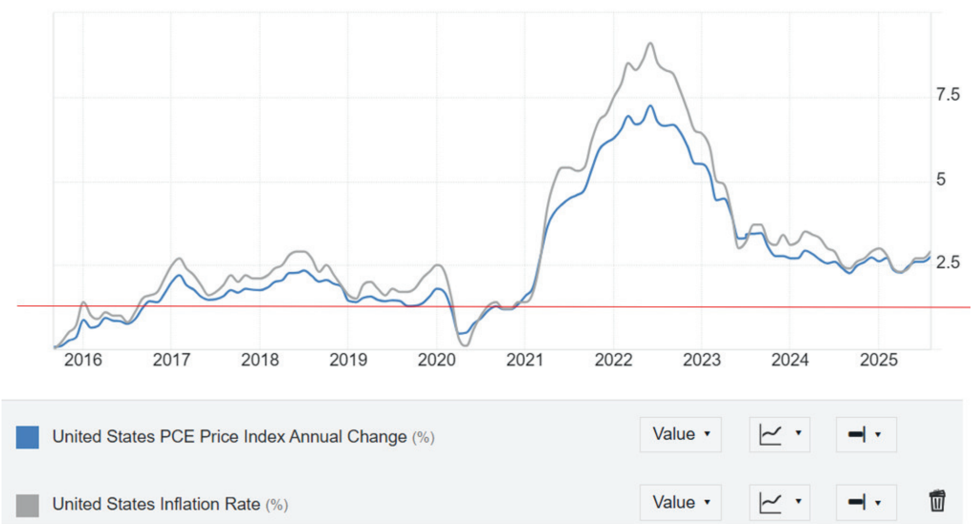
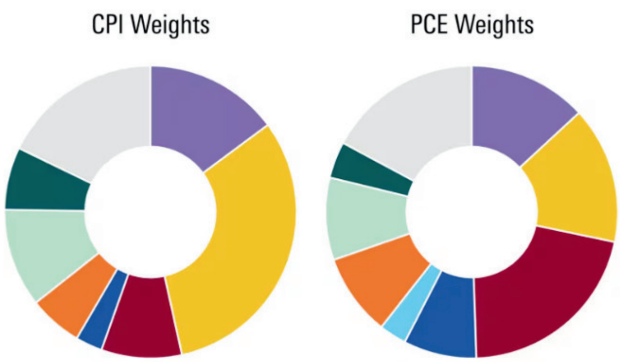


Figure 5. Trading Economics – CPI (gray) vs PCE (blue)



Category	CPI	% PCE
Food	15	13
Housing	32	15
Healthcare	9	21
Financial	3	8
Nonprofits	0	3
Recreation	6	9
Transporation	11	9
Energy	7	4
Other	18	17

Figure 6. Morningstar – CPI vs PCE Components

Labor Market

Alongside easing inflation from its 2022 peak, gradual slowing in the labor market was a key driver of the Federal Reserve's decision to begin cutting interest rates. Two trends help illustrate this shift: the rising unemployment rate and the growing ratio of unemployed people to job openings (Figure 7). The unemployment rate began to rise steadily in mid-2023 from a low of 3.4%, though it remains well below its long-term average of 5.7%. At the same time, job openings have steadily declined from 2022 highs, pushing the ratio of unemployment to job openings above 1.[2] Although these metrics have not reached alarming levels by any means, the Federal Reserve is not hoping to see any continuation in these trends, and therefore preemptively began to cut rates.

THE STOCK MARKET

A broad, steady rally

After a volatile start to the year, particularly in April which saw some of the largest single-day gains and losses in history, stocks have climbed steadily higher. The rally has been broad; Tech, the S&P 500, small caps (Russell 2000), international stocks, and more all participated in this impressive recovery, rising between 32%-44% from the April 8 bottom (Figure 8). While this has pushed the S&P 500's price-to-earnings ratio close to record highs, other metrics like the percentage of stocks trading above their 50-day moving average remain healthy.[10,11] Once again, investors seem to be driven more by current data like better-than-expected earnings rather than the worries around what trade wars and tariffs could bring.

The downturn in April had all the usual hallmarks: doomsday predictions, panic around the future of the market and economy, and decisions driven more by emotion than reason or process. In hindsight, this period serves as a valuable reminder, especially for long-term investors, of the importance of staying invested and refraining from emotional decisions during downturns. While rebounds as steep and sudden as this are rare, expecting the unexpected is often your best bet with the stock market.

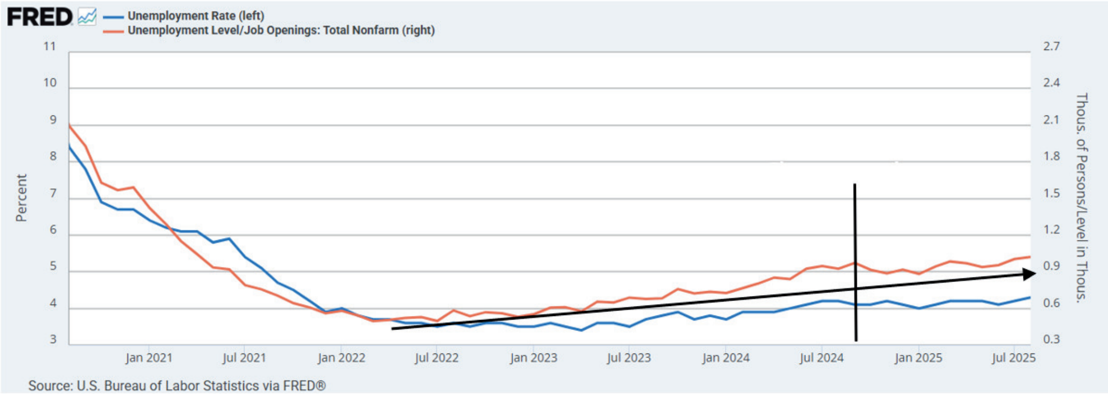


Figure 7. FRED - Unemployment rate and Unemployment/Job Openings past 10 years

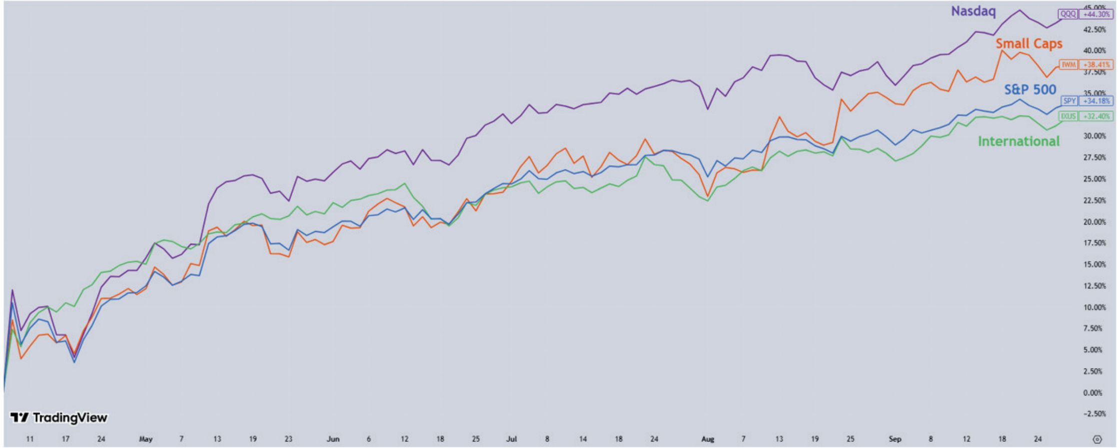


Figure 8. Trading View – S&P 500, Russell 2000, IXUS 1-Year Performance from 4/08/2025 to 09/30/2025

If this volatility caused you to question your current allocation or risk tolerance, it may be time to reassess. Aligning your portfolio with your emotional comfort level without compromising your goals is key.

OUR OUTLOOK & CONCLUSION

At the end of Q2, we wrote that we were cautiously optimistic for stocks, assuming continued progress on trade deals and minimal new tariff increases. Thankfully, tariffs headlines were limited after April; that along with strong earnings growth gave stocks room to move slowly and steadily higher from May to September.

Looking forward, we will continue to watch inflation, the labor market, and how the Federal Reserve responds to both. Inflation is still rapidly eroding purchasing power, and while the labor market is historically strong, it is showing consistent signs of weakening. As we saw with President Trump's threat of 100% tariffs on China in October, these announcements still have the potential to send markets lower, and the ongoing tariffs could add to inflationary pressures and supply chain issues. The ongoing government shutdown is not a major concern to us yet, but the longer it drags on the more it will restrain GDP growth and other economic measures. Q3 earnings growth is expected to come in at 8%, with reports beginning in mid-October.[12] We continue to expect shorter-term yields (and the money markets and CDs tied to them) to trend lower as the Fed cuts rates, while longer-term yields will likely remain more volatile and driven by economic factors rather than Fed policy alone.

We greatly appreciate the trust you have placed in us. We will continue to watch the stock and bond markets, global factors, corporate earnings, inflation, interest rates, tariffs, and the overall economy in order to manage and invest your money prudently. As always, feel free to reach out to us with any questions, comments, or concerns about your investments or the markets in general.

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