



Weekly Market Commentary

October 27, 2025



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Weekly Market Commentary – GRIP Report

Week Ending October 24, 2025

For the week ending October 24, 2025, markets navigated slowing growth and easing inflation, even as policy shifts took shape. Below we break down the landscape using the GRIP framework – **G**rowth, **R**isk Appetite, **I**nflation, and **P**olicy – to provide a clear snapshot for financial advisors and their clients.

Growth: Slowing Momentum

Growth signals continue to soften. The Conference Board’s U.S. Leading Economic Index (LEI) has been steadily declining, indicating headwinds for the economy. In fact, the LEI’s current level is **far below its long-term trend** – a detrended measure now sits more than **two standard deviations** under the historical growth path. Such an extreme low reading is rare and typically correlates with periods of pronounced economic weakness. In plain terms, **growth momentum has slowed significantly**, and the economy is running well below its “normal” trend pace.

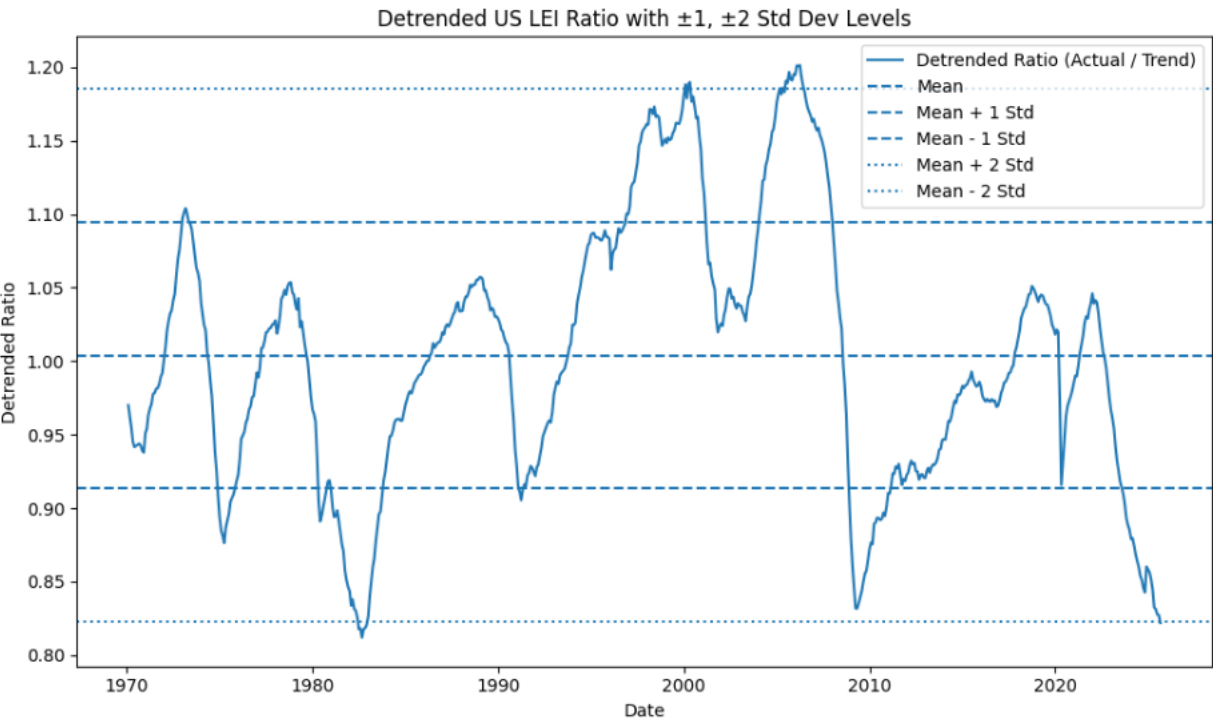


Chart Description: Conference Board Leading Economic Index versus exponential trend.



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Inflation: Cooling Off

Inflation is finally **easing**. Last week's Consumer Price Index (CPI) report came in **lower than expected**, reinforcing the downward trend in price pressures. Headline CPI for September rose only about **0.3%** on the month and **3.0% year-over-year**, a softer outcome than forecasters anticipated. This better-than-expected inflation reading is a welcome sign that the Federal Reserve's anti-inflation efforts are bearing fruit. Oil and gasoline prices suggest the trend lower may continue.

Risk Appetite: Neutral Sentiment

Investor risk sentiment remains **neutral**, as the market shows a mix of encouraging and cautionary signals. On one hand, **credit markets are holding up well** – high-yield bond spreads have narrowed over the past six months. (A narrowing spread is a positive sign, since **wider spreads** would imply rising credit stress.) This stability in high-yield debt suggests investors aren't fleeing riskier assets. On the other hand, **equity market breadth is weakening**. The Bullish Percent Index (BPI), which tracks the percentage of U.S. stocks in bullish technical patterns, has been trending downward. This means fewer stocks are participating in the rally, a development that tempers optimism. Taken together, the **mixed signals** – steady credit markets but faltering stock market breadth – leave overall risk appetite balanced rather than decisively “risk-on” or “risk-off.”



Policy: Starting to Loosen (But Still Tight)

Monetary policy is moving in the right direction for growth, but it's not in easy territory yet. The Federal Reserve has begun to **lower interest rates** this fall, and notably, a Fed governor last week called for as much as **100 basis points of additional rate cuts** over time to bring policy closer to a neutral stance. This highlights a growing consensus that the Fed will keep easing to support the economy. Even so, policy remains **restrictive for now** – the Fed's benchmark rate is still higher than the 2-year U.S. Treasury yield. (Typically, when the fed funds rate sits above the 2-year yield, it signals that monetary conditions are tight, and markets expect further rate reductions.) In short, the Fed is **pivoting toward looser policy**, but interest rates haven't fallen enough yet to declare financial conditions accommodative. The good news is that the trajectory is toward easing, which should gradually relieve pressure on the economy.

Outlook: The overall picture is cautiously encouraging. **Interest rates are falling**, inflation is **cooling**, and policy is **starting to loosen** after a period of tightness. Growth indicators may be weak now – with the LEI deeply in negative territory – but that leaves room for an upside surprise if conditions improve. The economy could very well **surprise to the upside in 2026** given how depressed leading indicators have been. This raises an important question as we look ahead: **If growth accelerates, does inflation come with it? Are we entering a “run it hot” regime?**

Sources: U.S. Bureau of Labor Statistics, Federal Reserve, The Conference Board, Reuters, Federal Reserve Economic Data (FRED), Janus Henderson Investors.



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