CLARUS ASSET MANAGEMENT

Market Watch

October 27, 2025

Primary Market Drivers

Earnings & Economic Data

Welcome to the biggest earnings week of the season! 177 S&P 500 companies will be reporting this week, which represents 35.4% of the index itself. Big tech will be the main event, with Google (GOOGL 10/29), Microsoft (MSFT 10/29), Meta (META 10/29), Apple (AAPL 10/30), and Amazon (AMZN 10/30) on tap. Expect these announcements to be the primary focus this week. Other notable releases include UnitedHealth Group (UNH 10/28), Visa (V 10/28), Caterpillar (CAT 10/29), Boeing (BA 10/29), Starbucks (SBUX 10/29), AbbVie (ABBV 10/31), Chevron (CVX 10/31), and Exxon Mobil (XOM 10/31), among many others. On the economic data front, CPI was a surprise release last Friday (amidst the ongoing government shutdown) and came in below expectations (+0.3% vs +0.4%). We will see September Core PCE on 10/31 as well, giving us an updated picture on inflation.

Fed Policy

The Fed will release its policy decision this Wednesday (10/29). Odds for a 25bps rate cut remain at near certain levels for both Wednesday's decision (96.7%) and December 10th's decision (95.8%). With a softening labor market and cool inflation readings, there should be no surprises to close out 2025 barring something unforseen. As always, we will be watching Powell's press conference and any updates to the dot plot, but for once we expect little drama surrounding this month's Fed meeting.

Tariff Policy

Despite the recent tension between the US and China regarding trade, the two sides agreed to a new framework deal on the sidelines of the ASEAN-US Summit in Kuala Lumpur on Sunday evening. The agreed upon framework assuages all recent concerns. The US will pause or eliminate new tariffs while China delays its rare earth export restrictions for at least one year. China will increase its purchases of US soybeans and agricultural goods to narrow the trade deficit, while the US will gain greater access to Chinese rare earths. Xi and Trump are expected to hammer out the final details, but the announcement represents significant de escalation and eases global market pressures. Futures soared higher on news of the new deal, and it appears this round of tariff drama has come to a close.

All referenced market information, statistics, and economic data were gathered from StreetAccount, a paid subscription data service provided by FactSet Research Systems Inc.

Market Returns 10/14/2025

Category	*Ticker*	*YTD%*
Domestic Equity		
S&P 500	SPY	16.57%
Dow Jones	DIA	12.33%
Large-Cap Growth	QQQ	21.16%
Large-Cap Value	IVE	11.32%
Mid Caps	MDY	6.67%
Small Caps	IWM	13.77%
International Equity		
Developed Intl	EFA	27.87%
Emerging Markets	EEM	33.01%
Fixed Income		
Core Bonds	AGG	7.48%
Corporate Bonds	LQD	9.13%
High Yield Bonds	HYG	7.63%
ST Treasuries	IEI	6.75%
LT Treasuries	TLT	8.19%
International Bonds	BNDX	3.45%

Performance data and stock chart were gathered from eSignal, a paid market screening application provided by Intercontinental Exchange, Inc.

Current Environment Summary

What's Working	What's Not	What's Next
Inflation Subdued	Tariff Policy Uncertainty	**Earnings: MSFT, META, AAPL, AMZN, GOOGL**
Strong Earnings Growth	Stubborn Elevated Interest Rates	**More Earnings: UNH, V, CAT, BA, XOM**
AI & Tech Revolution Bull Market	Uncertain Labor Market	**177 S&P 500 Companies Report (35.4%)**
Trade & Global Investment Deals	Prolonged Government Shutdown	**Fed Policy Decision (10/29)**
Resilient Consumer		**September Core PCE (10/31)**
Fed Easing		Reaction to new US / China trade deal

Portfolio Manager Commentary

Ken Hartley, CFA

You can tell that a dog has been mistreated when you try and pet it and the animal moves its head, almost cowering. Many investors are starting to feel that way as the markets continue their climb to new 52-week, if not all-time highs. As Don talks about in his commentary (below), maybe the headwinds have subsided, and the US (and maybe global) economy may be catching a tail wind.

The US government posted a budget surplus for the month of September, welcome news. A closer look below the surface tells a story of accounting gimmicks and expense deferral that will need to be dealt with in the coming months. Remember, September 30 is the end of the fiscal year for the US government. Like an individual that is trying to reduce the amount of taxes paid in a year, the government is doing the opposite. By pushing expenses into October, the September budget runs a surplus, but at some point, the expenses will need to be accounted for. This may lead to additional debt issuance. Watch the bond market for an appetite for more supply.

The US and China have agreed to a “framework” for a trade agreement that could avert the November 1st tariff deadlines. China agrees to ease restrictions on rare earth metals and to buy additional soybeans from US farmers. While on the surface this seems like a positive development, China has a history of falling short on their promise to import things from global trading partners. A year from now, if China is sticking to their promises, the global economies can focus on growth.

With the government shutdown there has been very little (if any) economic information coming from the related agencies. The CPI was released on Friday and showed a slight cooling and a drop in future expectations. This gives the Fed some breathing room to cut this month and in December. Look to Fed Chair Powell’s testimony for clues on what the wizards of monetary policy are considering.

Trust is hard earned and easily lost. The market seems to be sensing clearer sailing ahead. What a pleasure it would be if we can jettison some of the concerns that have haunted the markets for 2025 and focus on growth prospects and increased economic prosperity.

Don Moenning

It’s nearly November, and I remain as bullish as ever as we enter the home stretch. 2025 has thrown a lot of headwinds at this market – the tariff saga, stubborn elevated yields, a slow Fed, geopolitical instability, high valuations, market concentration, international economic weakness, housing market fatigue, etc. Despite all of this, it’s been quite easy to remain glass-is-half-full with such a strong earnings backdrop.

With the biggest earnings week of the season on tap (35.4% of the S&P 500 is reporting), it’s time for big tech to shine and remind everyone that this bull market is, first and foremost, fundamentally driven. This week is all about Microsoft, Meta, Google, Apple, and Amazon. I do not expect to be disappointed. I expect capex to remain astronomical, AI and cloud services growth to remain robust, and outlook and guidance to continue to surpass expectations. What I said last quarter remains true this quarter as well – I’m looking to big tech earnings to reinforce the demand stability of the AI supercycle.

So, no doubt this week will be importan. But as we enter the final months of the year, I’m looking around it’s not just earnings that are keeping me glass-is-half-full. The headwinds are fading (and fast) just as seasonality turns positive.

The Fed may have been dragging its feet for most of the year, but now we find ourselves on the cusp of a second consecutive rate cut with a third in December a near certainty. The new US / China agreement has assuaged recent concerns over global market instability and major supply chain issues (so long as it gets done). 10 year yields are sitting right at 4%, threatening to break below any day now. Mortgage activity is recovering a bit following a general downtrend since the beginning of the year. Inflation remains cool, the labor market is softening but still strong, and consumer spending is stable. Finally, seasonality turns extremely positive soon.

Generally speaking, it's hard not to like the setup for November and December. If earnings can deliver once again, expect Santa Claus early.

Portfolios are subject to change at any time and are under the sole discretion of Clarus Wealth Advisors, LLC.