

WEEKLY INSIGHT

October 31, 2025

Equities Rally as CPI Comes in Better Than Expected

Key Takeaways

- FOMC lowers the Federal Funds by a quarter point.
- CPI comes in better than expected.
- Equities post strong gains on the week.

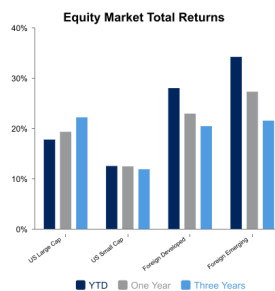
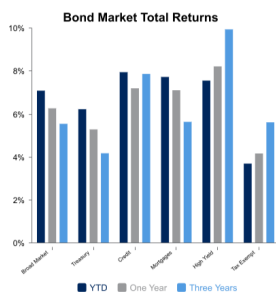
Equities gained 2.9% on the week as the momentum trade rebounded strongly. The NASDAQ was up 5.4% as AI names maintained their leadership. The Russell 2000 was the laggard as were foreign equities. The NASDAQ is up more than 8% since the 3.5% drop mid-month when a couple regional banks disclosed exposure to a troubled loan. Core bonds were down 0.5% as interest rates popped up following the October Federal Open Market Committee (FOMC) meeting.

The government shutdown continues to prevent most economic releases. The Consumer Price Index (CPI) data was released due to statutory requirements. Once again, there continues to be a hedging mindset going into these given the data dependency of the FOMC. When this is the case, there is an upside push in equity prices when the data comes in-line or better than expected. The data was better than expected with Core CPI up 0.2% versus the previous month. The annual change ticked down to 3.0%.

The skepticism seems to finally be transitioning a bit toward complacency. More commentary is highlighting the idea that nothing appears to be able to stop this rally. A lot of comments focus on the broadening of the rally, but this may be backward looking. This week triggered the first instance since March when more than 2.2% of issues on the New York Stock Exchange (NYSE) were both at 52-week highs and 52-week lows. This is a sign of a market out of gear. Getting two of these occurrences in a 36-day window usually happens before a sizeable correction in the markets. Of course, there are false signals in the timeseries, but most corrections see the market get out of gear first.

FOMC Reduces the Federal Funds Rate to 4.0%

The Federal Reserve lowered the Federal Funds rate by a quarter-percentage point this week. The key line was Jerome Powell commenting that a December rate cut is not a done deal, far from it. Equities dipped, but as the questions came in it became likely that other committee members took this view, but not the Chair himself. Equities erased lost ground to finish up on the day. Powell was able to dent expectations for a cut, and the market didn't go down. Therefore, a less than fully priced in cut in December can now be a catalyst for a jump in equity prices.



Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper b	4.00	5.00	3.25
3-Month T-Bill	3.87	4.58	4.05
10-Year Treasury	4.08	4.30	4.01
30-Year Treasury	4.83	4.50	4.14
10-Year Corporate AA	4.79	5.08	4.48
10-Year High Yield Corp.	6.10	6.50	7.08
Commodity Prices (\$)	Current	12M Ago	3YR Ago
Gold (\$/oz.)	3,930	2,788	1,848
Oil (WTI, \$/barrel)	60.48	68.61	87.90
Currencies	Current	12M Ago	3YR Ago
USD (Dollar Index Spot)	99.22	103.99	110.75
USD/EUR	0.86	0.92	1.00
USD/JPY	152.73	153.42	147.60

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