Market Commentary

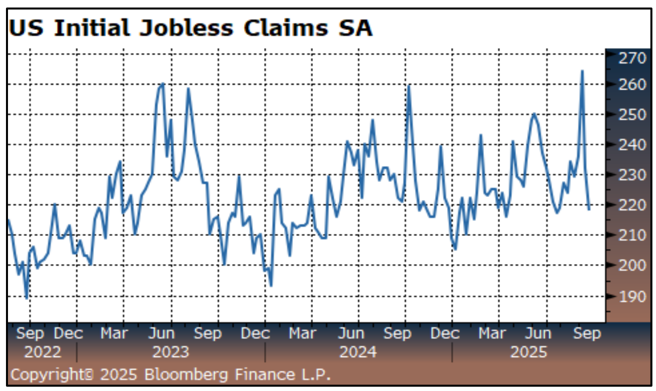
October 2025

Executive Summary:

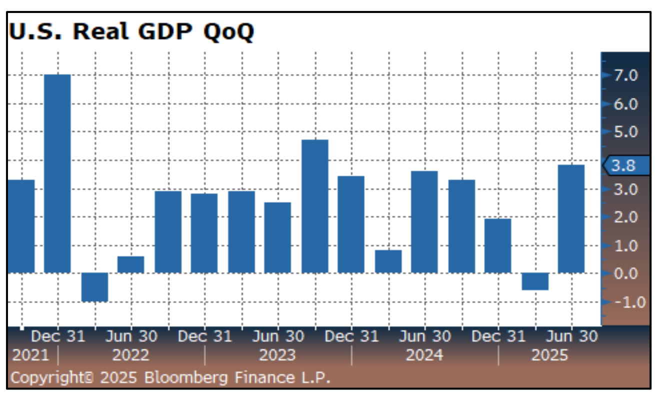
- The bull market in equities is intact! However, investors should expect bouts of volatility and muted returns in the months ahead.
- The U.S. economy is still going strong, and the odds of a recession remain low. We expect the Fed to continue cutting short-term rates, but the pace may be slower than anticipated.
- U.S. bonds are having their best year since 2020 as lower yields have lifted bond prices.

The bull market in equities remains intact! Once again, the S&P 500 has established new all-time-highs after posting its fifth consecutive month of positive returns, up 21% from the beginning of May and 35% from its lows in early April. The rally in stocks has been supported by resilient corporate fundamentals, persistently strong momentum in the AI sector, anticipated Fed rate cuts, and solid economic momentum. Like many analysts, we believe stocks can climb higher through year end and into 2026.

That said, we anticipate some choppiness in the next few months and are paying attention to possible downside risks that could alter the current trend. Lofty stock prices amid an upcoming earnings season, high valuations, and uncertainty about Fed policy could lead to a pullback. If nothing else, the market has become increasingly vulnerable to a rotation away from high-priced mega-cap tech stocks. Hang tight! A crash is unlikely, but the gains from stocks could be muted in the months ahead.



The health of the U.S. economy is a key contributor to stock and bond market returns. While a near-term recession is doubtful, rising unemployment and lower consumer confidence signal potential softness. Fed Chair Powell pointed out growing concerns about the labor market as why officials cut the federal funds rate for the first time this year. However, lower initial jobless claims seem to underscore how companies remain reticent to lay off workers. Real GDP grew in the second quarter at the fastest pace in nearly two years at 3.8%. Furthermore, U.S. personal spending rose at a solid clip in August for a third month, suggesting consumers continued to power the economy despite elevated prices.



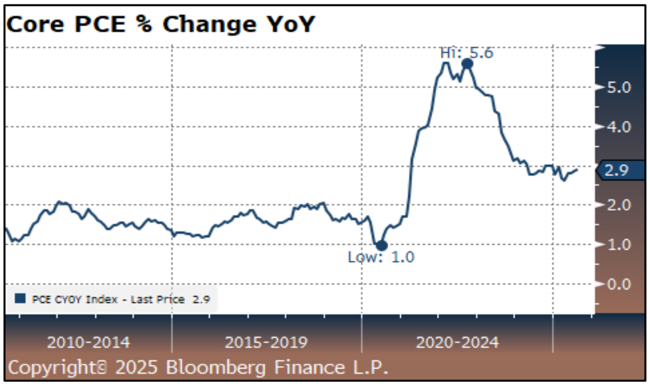
DIAMOND CAPITAL MANAGEMENT
A Division of The National Bank of Indianapolis

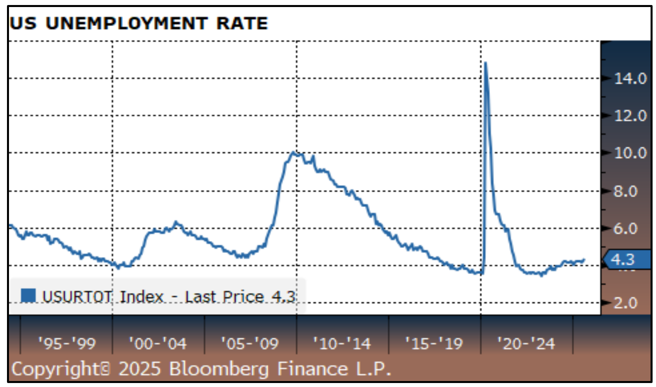
Market Commentary

October 2025

THE NATIONAL BANK of INDIANAPOLIS

The U.S. bond market is having its best year since 2020. Yields across the curve are lower on a year-to-date basis, and while this has limited the opportunity for investors to (re)invest cash at higher coupons, it has boosted bond prices. YTD total returns for bond indices are above average with capital appreciation contributing a large part of the investment gains.





SECTORS	2024	YTD	EQUITY INDICES	2024	YTD	COMM. & CURRENCIES	LAST CLOSE	YTD
S&P 500 COMM SVC	40.23%	23.53%	S&P 500 INDEX	25.00%	15.21%	WTI CRUDE FUTURE Nov25	62.37	-9.49%
S&P 500 CONS DISCRET IDX	30.14%	6.03%	DOW JONES INDUS. AVG	14.99%	10.58%	BRENT CRUDE FUTR Dec25	66.03	-8.70%
S&P 500 CONS STAPLES IDX	14.87%	3.66%	NASDAQ COMPOSITE	29.60%	18.46%	NATURAL GAS FUTR Nov25	3.30	-11.34%
S&P 500 ENERGY INDEX	5.72%	6.99%	S&P 400 MIDCAP INDEX	13.89%	6.10%	LME COPPER 3MO ($)	10,268.50	17.11%
S&P 500 FINANCIALS INDEX	30.50%	11.67%	RUSSELL 1000 GROWTH INDX	33.35%	17.88%	Gold Spot $/Oz	3,887.62	47.88%
S&P 500 HEALTH CARE IDX	2.58%	5.70%	RUSSELL 1000 VALUE INDEX	14.35%	11.75%	Silver Spot $/Oz	47.24	63.11%
S&P 500 INDUSTRIALS IDX	17.30%	17.87%	RUSSELL MIDCAP RT INDEX	15.34%	10.32%	Euro Spot	1.17	12.63%
S&P 500 INFO TECH INDEX	36.61%	23.18%	RUSSELL 2000 INDEX	11.52%	10.67%	British Pound Spot	1.35	7.37%
S&P 500 MATERIALS INDEX	-0.04%	8.08%	MSCI ACWI ex US	5.53%	26.02%	Japanese Yen Spot	147.08	6.59%
S&P 500 REAL ESTATE IDX	5.23%	6.16%	MSCI EAFE	4.44%	25.84%	DOLLAR INDEX SPOT	97.78	-9.90%
S&P 500 UTILITIES INDEX	23.43%	18.82%	MSCI EM	7.99%	28.17%			

Source: Bloomberg As of: 10/1/2025

	Total Return							
Bloomberg Barclays Bond Indices	**2023**	**2024**	**YTD**	**Effective Duration**	**Avg. Maturity**	**Yield-to-Worst**	**Key Rates**	
U.S. Aggregate	5.53%	1.25%	6.13%	6.05	8.26	4.37%	Effective Fed Funds	4.09%
Intermediate	5.24%	3.00%	5.70%	3.83	4.29	3.97%	2-yr Treasury	3.54%
Global Agg ex USD	5.72%	-4.22%	9.36%	6.83	8.34	2.73%	10-yr Treasury	4.10%
Inv Grade Corporate	8.52%	2.13%	6.88%	7.00	10.46	4.81%	10-yr German Bund	2.71%
U.S. Corporate High Yield	13.45%	8.19%	7.22%	3.15	4.77	6.70%	Prime Rate	7.25%
Tax Exempt							30 Year Fixed Mortgage	6.36%
Muni 1-10 Yr Blend (1-12)	4.61%	0.91%	4.12%	4.07	6.31	2.97%		

Source: Bloomberg As of: 10/1/2025