



Aptus October 2025 3-Pointers Highlights

Market Overview

October marked another strong month for risk assets as markets climbed despite constant macro noise. Large-cap U.S. equities led the advance, fueled by standout earnings from the “Magnificent 7.” The S&P 500 gained another 2%+ in October, bringing year-to-date returns near 18%, while the NASDAQ has advanced almost 24%. Beneath the surface, breadth remains narrow, with smaller and more cyclical names lagging. Fiscal spending, resilient earnings, and a Fed pivot toward easier conditions continue to support risk appetite. For now, the combination of liquidity and profitability remains powerful, even as valuations stretch.

Fiscal Impulse Extending the Cycle

Fiscal stimulus remains a key driver of this market’s resilience. The “One Big Beautiful Bill” continues to inject capital into corporate balance sheets, with the next wave expected to reach consumers through early 2026. Deficits near 6% of GDP have become the new normal, helping sustain nominal growth around 5% while keeping liquidity conditions loose. Even potential tariff refunds could add a tailwind to corporate cash flows. The result is an unusually stimulative backdrop, where both fiscal and monetary levers are leaning toward accommodation despite solid growth.

Fed Policy: Easing into Growth

The Fed delivered another rate cut in October, bringing the policy range to roughly 3.75–4.00%. The market continues to price in additional easing, even as Chair Powell’s “driving through fog” comment left December uncertain. A potential end to balance-sheet runoff could add further liquidity if the Fed slows or halts quantitative tightening. Meanwhile, Treasury issuance remains concentrated in short-term bills, keeping longer yields stable near 4%. With deficits high and real yields still negative relative to nominal GDP growth, investors remain incentivized to look beyond bonds for real return.

Earnings Season: Concentration and Quality

Earnings results reinforced the divide between market leaders and the rest. Mega-cap technology firms once again delivered exceptional operating leverage and margin expansion, even as expectations have moderated. The broader S&P 493 struggled to keep

pace, with many mid-cap and quality names weighed down by tariff costs and slower growth. Still, aggregate revenue growth near 6% and healthy margins in the tech and communication sectors point to durable profitability. The market's preference for scale, efficiency, and balance-sheet strength continues to define leadership.

Bubble Talk or Productivity Boom?

The debate around whether AI-driven spending represents a bubble remains lively. While valuations are elevated, the investment looks tangible and productive. History shows that not all booms end in busts, as the dot-com era laid the groundwork for decades of technological progress. The current AI buildout appears similarly “productive,” driving structural improvements in efficiency and margins across industries. Even if enthusiasm cools, the underlying productivity trend supports a higher baseline for corporate profitability.

Looking Ahead

The setup into year-end remains constructive. Fiscal tailwinds, easier monetary policy, and strong corporate balance sheets point toward continued growth, even if leadership stays concentrated. Market skepticism around “too much optimism” may itself provide fuel, as sentiment remains far from euphoric. Guardrails still matter, but October reinforced a clear message: the cycle is being extended, not exhausted.

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