

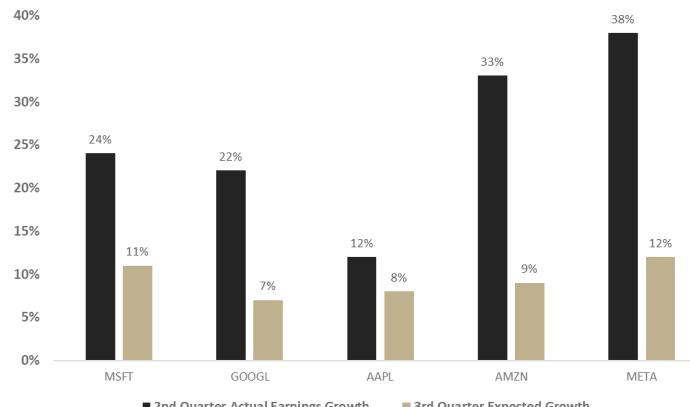
# The Big Earnings Week Is Here

The U.S. Q3 earnings season has begun on a constructive note, easing the proverbial wall of worry that had formed around tariffs, geopolitics, and inflation. Results reported so far indicate that earnings growth is largely keeping pace with last quarter, dispelling some of the conservatism embedded in earlier estimates. Better margins, resilient consumer spending, and sustained enthusiasm surrounding artificial intelligence (AI) continue to bolster investor sentiment. While early signs of improvement are emerging across several non-technology sectors, the market will still look to the technology mega caps to deliver meaningful performance to justify elevated valuations.

This week will be pivotal, with five major mega-cap companies—Alphabet, Apple, Meta, Microsoft, and Amazon—set to report. Investors will be focused on whether these firms can demonstrate tangible returns on their substantial AI investments. Strong recent momentum and premium valuations suggest the market is leaning optimistic heading into the results, but that also means the margin for error is narrow. Delivering convincing financial performance and credible AI monetization pathways will be key to sustaining sentiment.

The bar is not high in terms of earnings expectations. Prior quarter growth far outpaced what is expected of them in the Q3 report. However, a mere earnings and sales beat may not suffice. Market participants will read the tea leaves through management commentary on forward guidance, monetization of AI spending, and strategies to beat disruptive and fast-emerging competition. Paring continued strong execution with a credible roadmap for sustained value creation will be key to maintaining investor confidence.

## Earnings Growth: Actual (Q2) & Expectations (Q3)



Source: Bloomberg

## Economy

### Last Week

*U.S. Government Data Releases Are Affected by Shutdown*

- Existing Home Sales (Sept.): 4.06 mln seasonally adjusted annual run rate, +1.5% from month prior.
- Consumer Price Index (Sept.): 0.3% HL / 0.2% Core (MoM) 3.0% HL / 3.0% Core (YoY)
- U of Mich Sentiment (Oct. F): 53.6 vs. 55.0 one month prior

### This Week

*- Conf. Board Consumer Confidence (Oct.): 10/28*

- FOMC Rate Decision: 10/29
- GDP (Q3): 10/30
- Personal Income, Spending, PCE Inflation (Sept.): 10/31

## Equities

### Returns (%)

Index	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	6891	2.32	3.09	18.36	19.84	22.60	17.50
Russell 1000 Growth	4925	3.57	4.42	22.41	28.31	30.55	18.82
Russell 1000 Value	2027	0.46	1.18	12.96	10.41	13.41	14.38
FTSE High Dividend Yield*	514	0.67	0.64	13.44	12.84	13.27	15.74
S&P Small and Mid Cap	18266	0.33	0.85	6.18	6.01	11.19	12.81
MSCI EAFE	2830	0.87	2.33	28.77	23.31	21.27	13.17
MSCI EM	1403	1.39	4.26	33.63	26.67	21.78	7.60

### Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD							
				IT	Comm. Serv.	Utilities	Industrials	Financials	Materials	HealthCare	Cons. Discr.
S&P 500	22.7	15.5	1.2	40							
Russell 1000 Growth	30.7	18.0	0.5								
Russell 1000 Value	17.0	13.5	2.0								
FTSE High Dividend Yield*	13.3	13.0	3.9								
S&P Small and Mid Cap	15.2	15.4	1.8								
MSCI EAFE	15.5	13.5	2.9								
MSCI EM	13.6	11.2	2.4								

\* Bloomberg U.S Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

## Fixed Income

### Returns (%)

Index	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.21	0.06	1.38	7.60	6.93	5.71	-0.10
U.S. Int. Gov/Credit	3.84	-0.03	0.83	6.58	6.45	5.53	1.01
U.S. Corporates	4.68	0.15	1.43	8.41	7.64	7.84	0.64
High Yield	6.62	0.43	0.51	7.76	8.38	10.15	5.53
Municipals (1-10)	2.96	0.08	0.54	4.69	4.78	4.54	1.35

### Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	3.49	3.45	3.61	4.24	4.18	4.42	0.15
10-yr Treasury	3.98	3.95	4.15	4.57	4.30	4.02	0.82
30-yr Treasury	4.54	4.53	4.73	4.78	4.50	4.15	1.60
SOFR	4.31	4.21	4.24	4.49	4.81	3.05	0.09
6-mo. CD rate	3.81	3.81	3.94	4.33	4.53	4.95	0.23
Prime Rate	7.25	7.25	7.25	7.50	8.00	6.25	3.25
30-yr fixed mortgage	6.29	6.34	6.36	7.28	7.23	7.14	3.01

Data as of 5:40 AM ET, October 29, 2025. Returns through October 28, 2025.