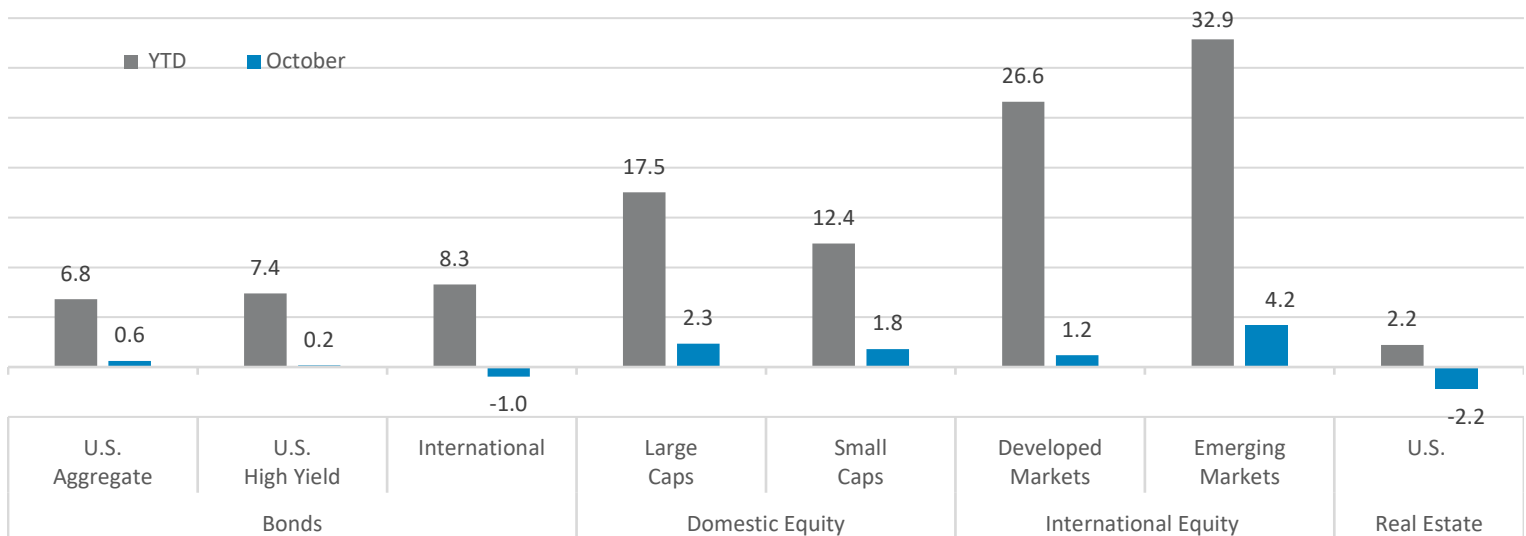# Prime Capital FINANCIAL

MONTH IN REVIEW
OCTOBER 2025

Quick Takes

- **Stocks Continue Higher.** U.S. stocks rose in October as earnings season kicked off with the S&P 500 rising 2.3%, the Nasdaq 100 rising 4.8%, and the Dow rising 2.6% on the month as earnings, continued AI deals, and a Fed rate cut overshadowed the government shutdown and trade tensions.

- **Inflation and Interest Rates.** The 10Y treasury yield was down in October ending the month at just under 4.1%. CPI inflation for September came in below expectations at 3.0% while PCE inflation was delayed because of the government shutdown.

- **Government Shutdown.** The U.S. government shutdown, which started in early October, has resulted in 750,000 furloughed federal employees, cutoffs in SNAP benefits, and delays in economic data releases. The CBO estimates that the shutdown has already cost the U.S. economy $18 billion.

- **Earnings Season.** 317 companies in the S&P 500 reported earnings for Q3. 64% of the companies reported above-consensus EPS, but the median stock posing a positive earnings surprise only outperformed the S&P 500 index by 32 bps on the day following their report versus 98 bps historically.

Asset Class Performance

Large caps outperformed small caps in October. While U.S. stocks outperformed other developed markets, emerging market equities outperformed domestic equities. Stocks and U.S. bonds generally rose in October while international bonds and real estate fell during the month.

Asset Class	YTD	October
U.S. Aggregate (Bonds)	6.8	0.6
U.S. High Yield (Bonds)	7.4	0.2
International (Bonds)	8.3	-1.0
Large Caps (Domestic Equity)	17.5	2.3
Small Caps (Domestic Equity)	12.4	1.8
Developed Markets (International Equity)	26.6	1.2
Emerging Markets (International Equity)	32.9	4.2
U.S. Real Estate	2.2	-2.2

Prime Capital FINANCIAL

October 2025

Markets & Macroeconomics

The Fed cuts rates and AI deals overshadow government shutdown.

ADP Private Nonfarm Payrolls
The private sector added 42K jobs in September.

Source: Bloomberg, ADP

The government shutdown has reduced the availability of economic data including inflation data, payroll reports, and other data. Based on the ADP private payroll data, hiring by the U.S. private sector cut 32K jobs in September as leisure and hospitality, financial services, professional and other services shed jobs. Outside of services, natural resources/mining and construction cut a combined 9K positions while manufacturing added 2K jobs. While CPI inflation accelerated in September to 3.0% from 2.9%, the print still came in below economists' forecasts of 3.1% core and headline inflation. The acceleration was driven primarily by energy and medical goods prices accelerating month-over-month. Consumer sentiment was relatively unchanged month-over-month as the U. of Michigan Consumer Sentiment Index fell slightly from 54.5 to 53.8 and the Conf. Board Consumer Confidence Index rose from 93.4 to 94.6 during the month. Consumer's long-term inflation expectations increased month-over-month based on the U. of Michigan survey from 3.7% to 3.9%. In manufacturing, the ISM Manufacturing PMI came in at 49.1 for September, marking the seventh consecutive month of contracting in manufacturing activity in the U.S. based on the index. The Federal Reserve cut interest rates at rates by their expected 25 bps at their meeting on October 29. Fed Chairman Powell indicated at the press conference following the announcement of the decision that the economy seemed to be on firmer footing than expected based on data prior to the shutdown as consumers continued to spend and business investment remaining strong, but the housing market continued to remain weaker. Powell attributed the slowdown in job creation to a decline in immigration as well as a decline in labor force participation in addition to lower labor demand. He also attributed the higher inflation readings since the start of the year to tariffs. Despite concerns about the labor market and the government shutdown, stocks continued to rise in October and treasuries fell slightly as the 10Y and 2Y fell by 7 bps and 3 bps respectively. The dollar index also rose after an initial decline at the beginning of the month as major U.S. technology companies continued to announced cloud computing and chip purchase deals related to their AI buildouts. The S&P 500 ended the month at 6,480.

Bottom Line: The Fed continued to cut rates. Treasuries rose slightly and the dollar strengthened despite the government shutdown.

S&P 500 vs 10Y Treasury Yields YTD
Stocks continue to rise on earnings and lower rates
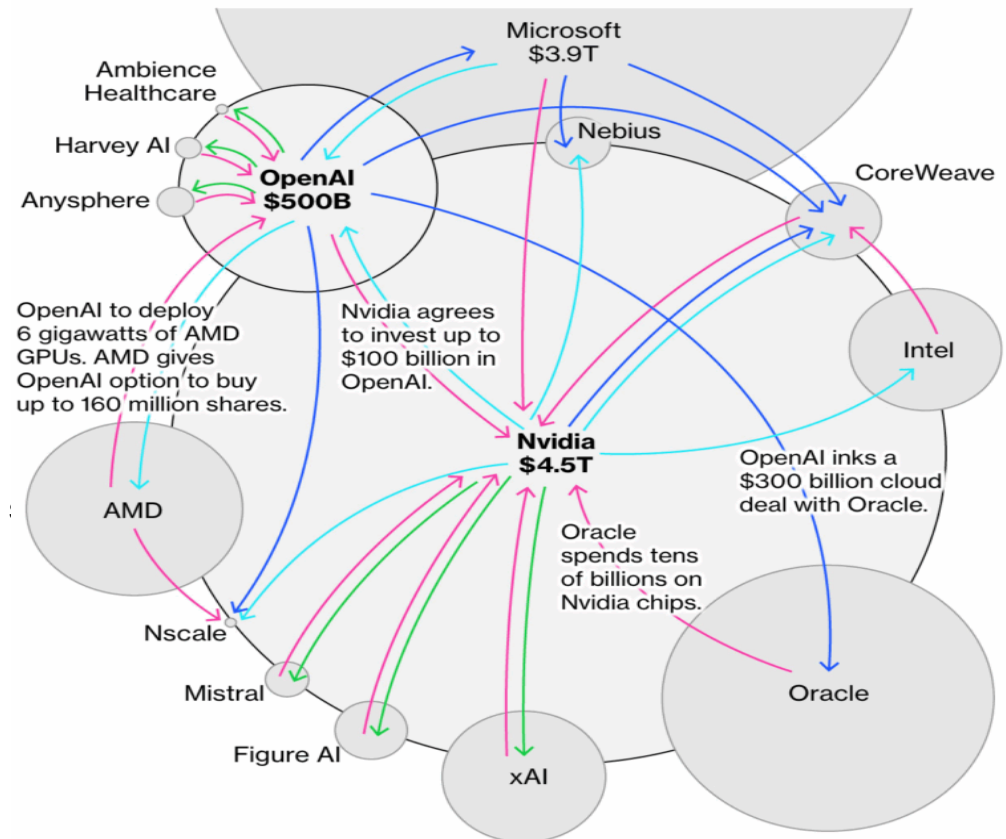

Source: Bloomberg

October 2025

What's Ahead

AI and circular financing among major U.S. technology companies.

As high expectations around artificial intelligence's ability to grow technology earnings and the broader economy have driven large and mega-cap technology shares higher, some commentators have raised concerns about the nature of various financing deals between the companies dominating the headlines. In late July, cloud services provider Oracle and OpenAI announced a deal under which Oracle agreed to invest in buildout of its AI infrastructure to give OpenAI access to 2 million chips owned by Oracle for a total of 4.5 gigawatts of compute. In late September, OpenAI and Nvidia announced an agreement under which Nvidia would invest up to $100 billion in OpenAI and OpenAI would buy 10 gigawatts of AI accelerators from Nvidia. Two days after its deal with Nvidia, neocloud firm, CoreWeave, announced that it was expanding its partnership with OpenAI to provide an additional $6.5 billion of data center capacity bringing their total commitment to the startup to $22.4 billion. Neocloud companies like CoreWeave, Nebius, Nscale, and others buy leading-edge chips to put into their own data centers and then rent out access to this compute to companies or organizations that need the capacity. CoreWeave also has an existing relationship with Microsoft, who was historically its largest customer. In early October, OpenAI announced a deal with AMD to buy six gigawatts of chips. Under this deal, OpenAI would also be able to purchase up to 160 million shares of AMD stock for $0.01 per share if the share price reached certain milestones. Less than a week later, OpenAI and Broadcom announced a deal for OpenAI to buy and deploy 10 gigawatts of Broadcom chips and networking equipment starting in the second half of 2026. This was followed by OpenAI signing a multi-year deal with Microsoft for $250 billion of cloud services. From the end of September through the end of October, Nvidia's share price rose over 8%, Broadcom's shares have risen

AI Companies Have Started to Support Each Other Financially
These deals seem to artificially inflate demand in some cases

Source: Bloomberg

over 12%, and AMD's share price rose a whopping 58%. In the same time frame, the S&P 500 had rose just over 2% and technology stocks had risen just over 6%. Investor concerns have risen in recent weeks around OpenAI's ability to meet these large financial commitments. OpenAI's most recent financing deals, which included investments from Amazon and SoftBank valued the startup at $500 billion and its annual revenue is reportedly around $13 billion. OpenAI CEO Sam Altman recently indicated that the company will reach $100B in revenue by 2027. The company previously indicated that it plans to go public in 2027, although the company's CFO Sarah Friar indicated more recently that the company is not yet working toward an IPO. All of this has raised concerns from investors and analysts around major U.S.

technology names about the circular nature of the financing and purchase deals that OpenAI has agreed to. Most recently, more of the large cloud companies who have entered these deals have announced rounds of debt financing and bond sales. JP Morgan and MUFG announced that they are leading a $38 billion debt deal to finance Oracle's data center construction related to their deal with OpenAI and SoftBank launched a $2.9B bond sale to finance its own AI and data center investments.
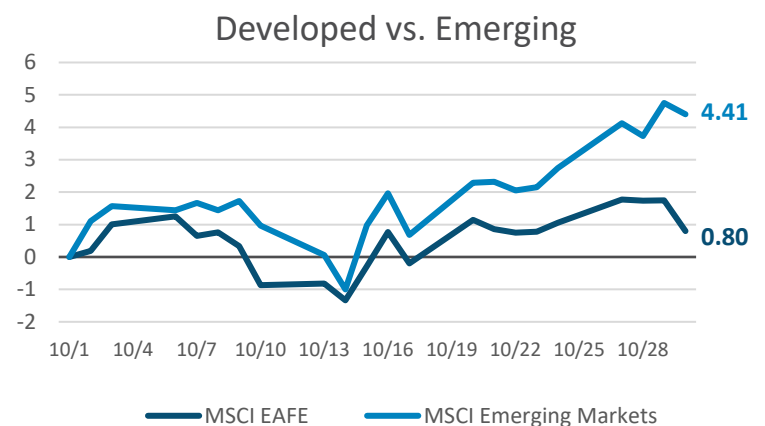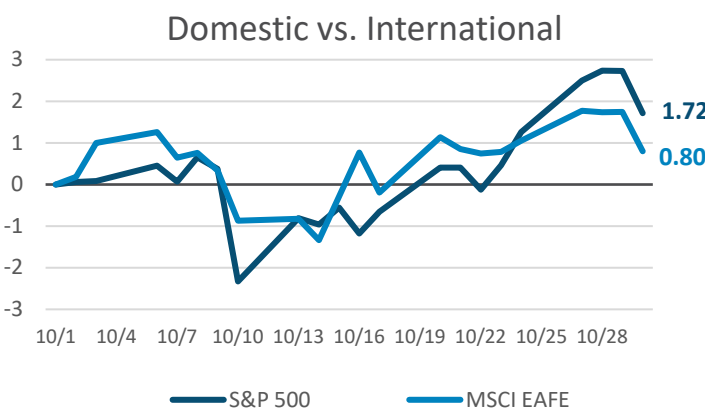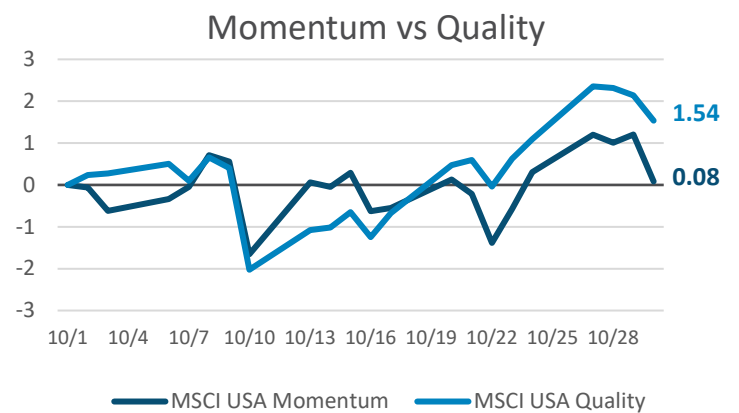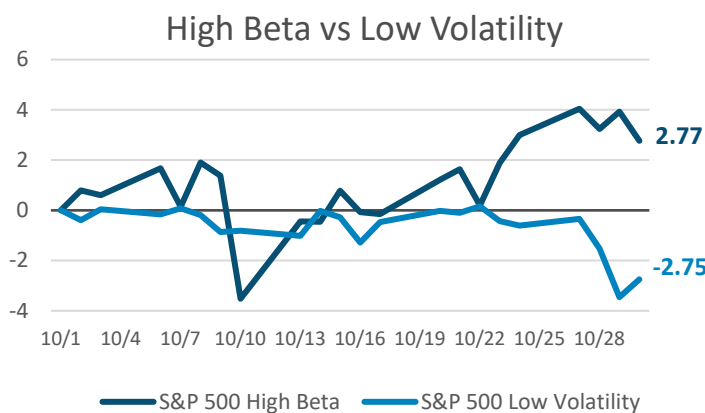
Bottom Line: Despite the optimism around the AI trade remaining high and mega-cap technology companies remaining highly profitable, some concerns have arisen around the circular nature of financing deals between key players.

October 2025
Equity Themes
What Worked, What Didn't

- **Large Outperformed Small while Growth Outperformed Value.** Market participants moved more into large caps and growth stocks in October as investors added risk into earnings season.

- **High Beta and Quality Outperformed.** High beta outperformed low volatility and quality outperformed momentum in October as investors sought higher risk on rate cuts and earnings.

- **Domestic Over International, Emerging Over Developed.** Domestic equities outperformed international stocks in October while emerging markets outperformed developed markets during the month.

Large vs Small

Russell 1000 — 1.47
Russell 2000 — 1.00

Growth vs Value

Russell 3000 Growth — 2.53
Russell 3000 Value — -0.07

High Beta vs Low Volatility

S&P 500 High Beta — 2.77
S&P 500 Low Volatility — -2.75

Momentum vs Quality

MSCI USA Momentum — 0.08
MSCI USA Quality — 1.54

Domestic vs. International

S&P 500 — 1.72
MSCI EAFE — 0.80

Developed vs. Emerging

MSCI EAFE — 0.80
MSCI Emerging Markets — 4.41
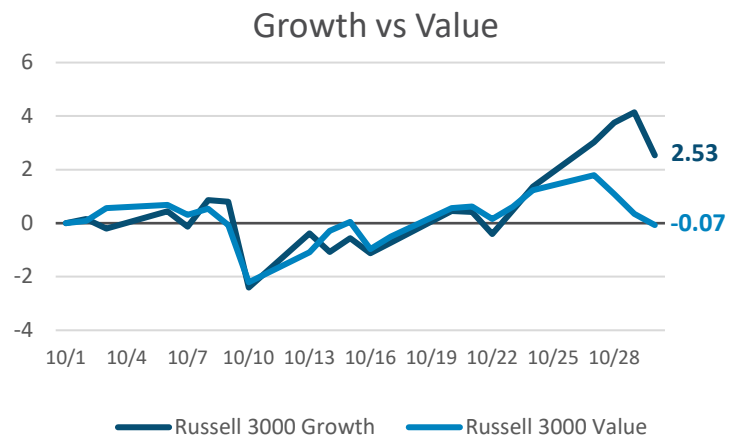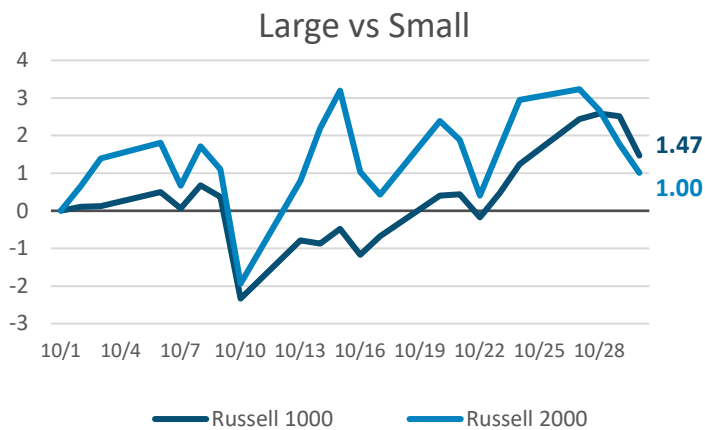
Source: Bloomberg.

October 2025
Bond Themes
What Worked, What Didn't

- **Long Duration Outperformed while Investment Grade Beat High Yield.** Long duration treasuries performed better in October outperforming short duration. Investment grade outperformed high yield during the month.

- **Duration Tops Credit while Treasuries Beat TIPS.** In October, duration outperformed credit while treasuries outperformed TIPS as inflation came in below forecasts.

- **Munis Beat Taxable and Domestic Outperforms International.** Municipal bonds outperformed taxable bonds, while domestic bonds outperformed their international peers in October.

Short Duration vs Long Duration

1.28
0.30

BlbgBrcl US Short Treasury — BlbgBrcl US Long Treasury
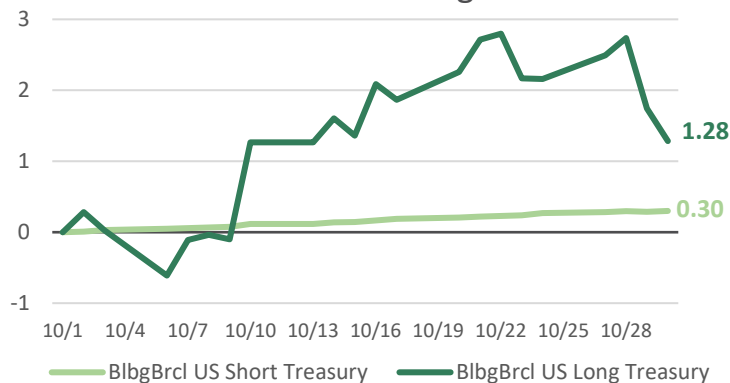
Investment Grade vs High Yield

0.35
0.14

BlbgBrcl Corporate IG — BlbgBrcl High Yield 2% Cap

Credit vs Duration

1.28
0.23

S&P/LSTA Leveraged Loan — BlbgBrcl US Long Treasury
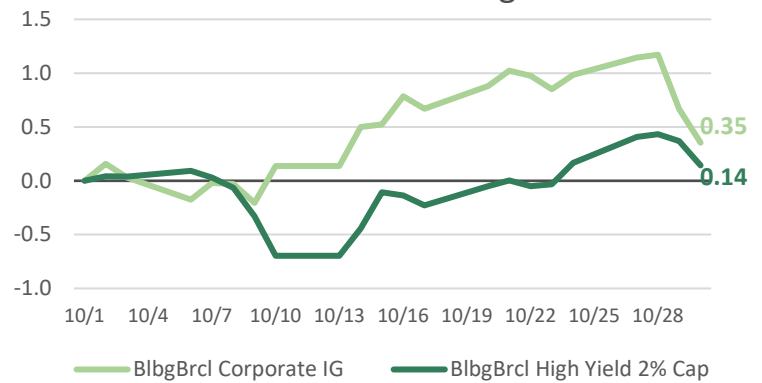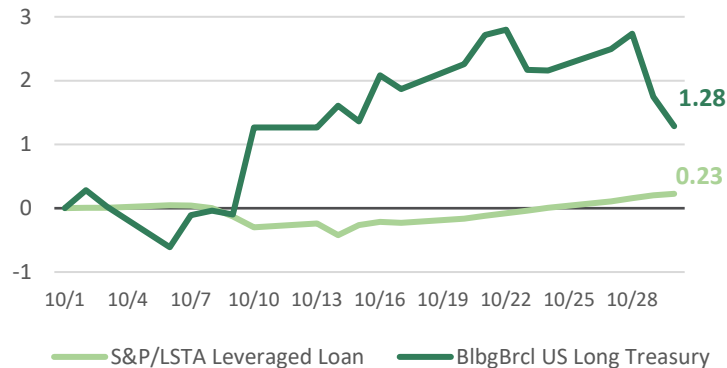
Treasury vs Treasury Inflation

0.41
0.04

BlbgBrcl US Treasury — BlbgBrcl UST Inflation (TIPS)

Taxable vs. Municipal

1.10
0.45

BlbgBrcl US Aggregate — BlbgBrcl Municipal Bond

Domestic vs. International

0.45
-0.96

BlbgBrcl US Aggregate — BlbgBrcl Global Agg ex-USD
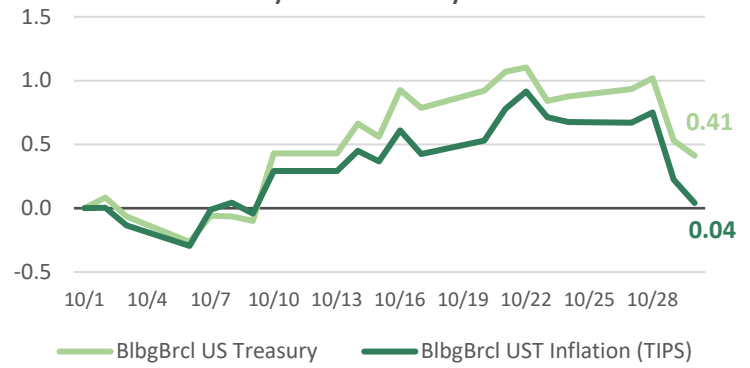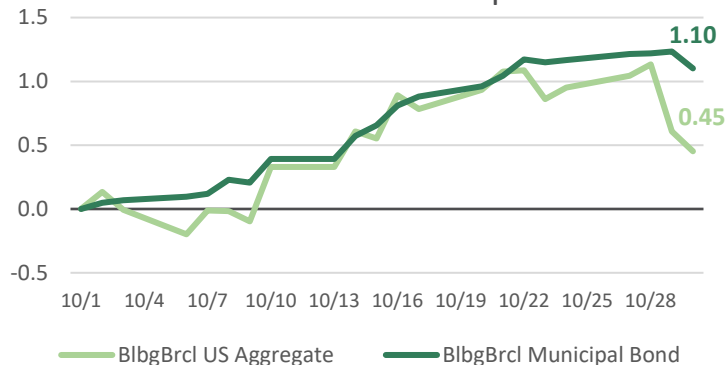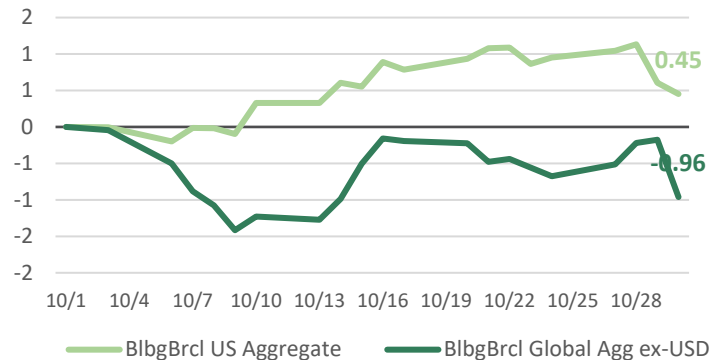
Source: Bloomberg.

October 2025
Asset Class Performance

The Importance of Diversification. From period to period there is no certainty what investment will be the best, or worst, performer. Diversification mitigates the risk of relying on any single investment and offers a host of long-term benefits, such as less portfolio volatility, improved risk-adjusted returns, and more effective compounding.

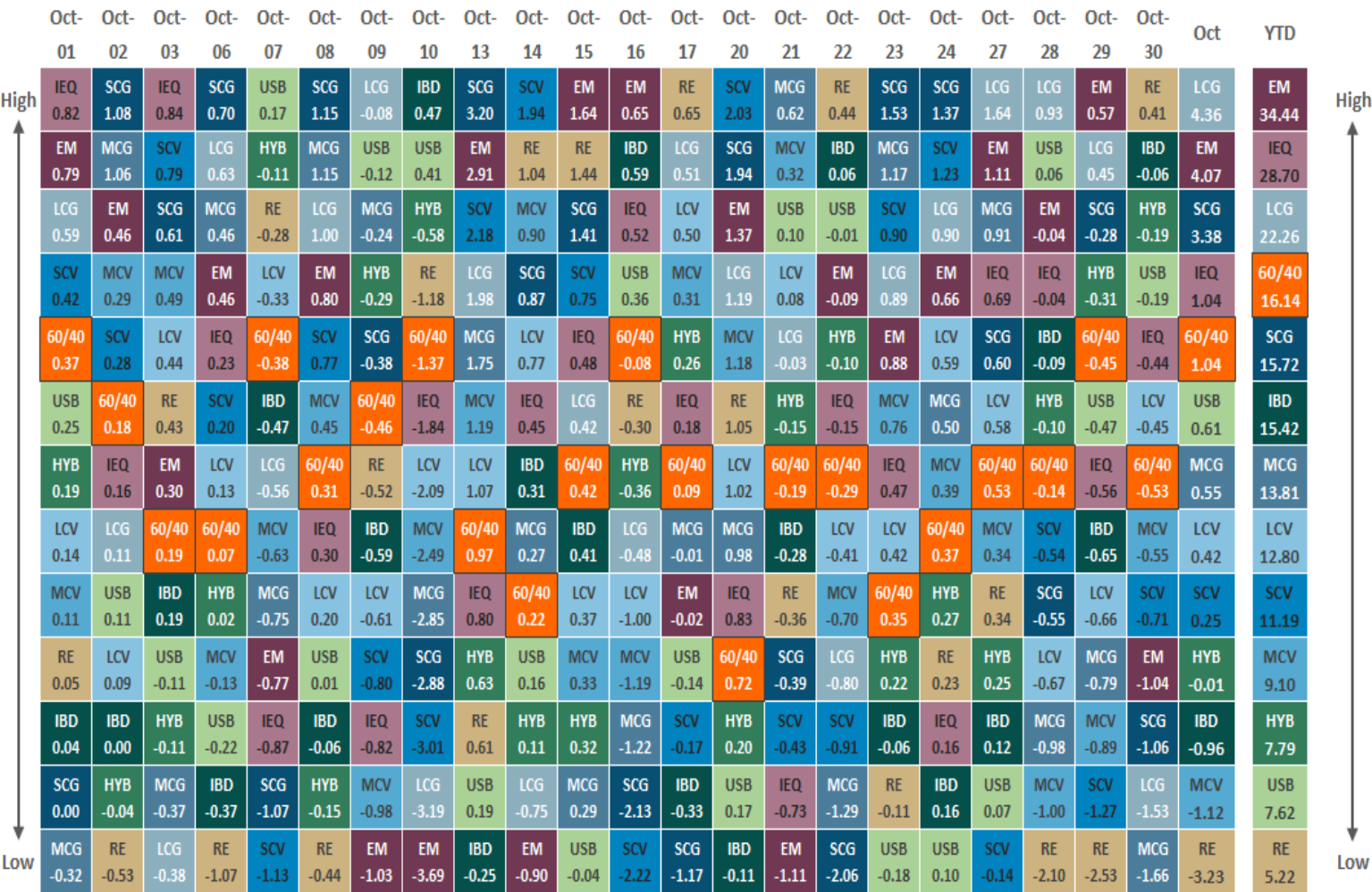|	Oct-01	Oct-02	Oct-03	Oct-06	Oct-07	Oct-08	Oct-09	Oct-10	Oct-13	Oct-14	Oct-15	Oct-16	Oct-17	Oct-20	Oct-21	Oct-22	Oct-23	Oct-24	Oct-27	Oct-28	Oct-29	Oct-30	Oct	YTD
High	IEQ 0.82	SCG 1.08	IEQ 0.84	SCG 0.70	USB 0.17	SCG 1.15	LCG -0.08	IBD 0.47	SCG 3.20	SCV 1.94	EM 1.64	EM 0.65	RE 0.65	SCV 2.03	MCG 0.62	RE 0.44	SCG 1.53	SCG 1.37	LCG 1.64	LCG 0.93	EM 0.57	RE 0.41	LCG 4.36	EM 34.44
	EM 0.79	MCG 1.06	SCV 0.79	LCG 0.63	HYB -0.11	MCG 1.15	USB -0.12	USB 0.41	EM 2.91	RE 1.04	RE 1.44	IBD 0.59	LCG 0.51	SCG 1.94	MCV 0.32	IBD 0.06	MCG 1.17	SCV 1.23	EM 1.11	USB 0.06	LCG 0.45	IBD -0.06	EM 4.07	IEQ 28.70
	LCG 0.59	EM 0.46	SCG 0.61	MCG 0.46	RE -0.28	LCG 1.00	MCG -0.24	HYB -0.58	SCV 2.18	MCV 0.90	SCG 1.41	IEQ 0.52	LCV 0.50	EM 1.37	USB 0.10	USB -0.01	SCV 0.90	LCG 0.90	MCG 0.91	EM -0.04	SCG -0.28	HYB -0.19	SCG 3.38	LCG 22.26
	SCV 0.42	MCV 0.29	MCV 0.49	EM 0.46	LCV -0.33	EM 0.80	HYB -0.29	RE -1.18	LCG 1.98	SCG 0.87	SCV 0.75	USB 0.36	MCV 0.31	LCG 1.19	LCV 0.08	EM -0.09	LCG 0.89	EM 0.66	IEQ 0.69	IEQ -0.04	HYB -0.31	USB -0.19	IEQ 1.04	60/40 16.14
	60/40 0.37	SCV 0.28	LCV 0.44	IEQ 0.23	60/40 -0.38	SCV 0.77	SCG -0.38	60/40 -1.37	MCG 1.75	LCV 0.77	IEQ 0.48	60/40 -0.08	HYB 0.26	MCV 1.18	LCG -0.03	HYB -0.10	EM 0.88	LCV 0.59	SCG 0.60	IBD -0.09	60/40 -0.45	IEQ -0.44	60/40 1.04	SCG 15.72
	USB 0.25	60/40 0.18	RE 0.43	SCV 0.20	IBD -0.47	MCV 0.45	60/40 -0.46	IEQ -1.84	MCV 1.19	IEQ 0.45	LCG 0.42	RE -0.30	IEQ 0.18	RE 1.05	HYB -0.15	IEQ -0.15	MCV 0.76	MCG 0.50	LCV 0.58	HYB -0.10	USB -0.47	LCV -0.45	USB 0.61	IBD 15.42
	HYB 0.19	IEQ 0.16	EM 0.30	LCV 0.13	LCG -0.56	60/40 0.31	RE -0.52	LCV -2.09	LCV 1.07	IBD 0.31	60/40 0.42	HYB -0.36	60/40 0.09	LCV 1.02	60/40 -0.19	60/40 -0.29	IEQ 0.47	MCV 0.39	60/40 0.53	60/40 -0.14	IEQ -0.56	60/40 -0.53	MCG 0.55	MCG 13.81
	LCV 0.14	LCG 0.11	60/40 0.19	60/40 0.07	MCV -0.63	IEQ 0.30	IBD -0.59	MCV -2.49	60/40 0.97	MCG 0.27	IBD 0.41	LCG -0.48	MCG -0.01	MCG 0.98	IBD -0.28	LCV -0.41	LCV 0.42	60/40 0.37	MCV 0.34	SCV -0.54	IBD -0.65	MCV -0.55	LCV 0.42	LCV 12.80
	MCV 0.11	USB 0.11	IBD 0.19	HYB 0.02	MCG -0.75	LCV 0.20	LCV -0.61	MCG -2.85	IEQ 0.80	60/40 0.22	LCV 0.37	LCV -1.00	EM -0.02	IEQ 0.83	RE -0.36	MCV -0.70	60/40 0.35	HYB 0.27	RE 0.34	LCV -0.55	LCV -0.66	SCV -0.71	SCV 0.25	SCV 11.19
	RE 0.05	LCV 0.09	USB -0.11	MCV -0.13	EM -0.77	USB 0.01	SCV -0.80	SCG -2.88	HYB 0.63	USB 0.16	MCV 0.33	MCV -1.19	USB -0.14	60/40 0.72	SCG -0.39	LCG -0.80	HYB 0.22	RE 0.23	HYB 0.25	LCV -0.67	MCG -0.79	EM -1.04	HYB -0.01	MCV 9.10
	IBD 0.04	IBD 0.00	HYB -0.11	USB -0.22	IEQ -0.87	IBD -0.06	IEQ -0.82	SCV -3.01	RE 0.61	HYB 0.11	HYB 0.32	MCG -1.22	SCV -0.17	HYB 0.20	SCV -0.43	SCV -0.91	IBD -0.06	IEQ 0.16	IBD 0.12	MCG -0.98	MCV -0.89	SCG -1.06	IBD -0.96	HYB 7.79
	SCG 0.00	HYB -0.04	MCG -0.37	IBD -0.37	SCG -1.07	HYB -0.15	MCV -0.98	LCG -3.19	USB 0.19	LCG -0.75	MCG 0.29	SCV -2.13	USB -0.33	USB 0.17	IEQ -0.73	MCG -1.29	RE -0.11	IBD 0.16	USB 0.07	MCV -1.00	SCV -1.27	LCG -1.53	MCV -1.12	USB 7.62
Low	MCG -0.32	RE -0.53	LCG -0.38	RE -1.07	SCV -1.13	RE -0.44	EM -1.03	EM -3.69	IBD -0.25	EM -0.90	USB -0.04	SCG -2.22	SCG -1.17	IBD -0.11	EM -1.11	SCG -2.06	USB -0.18	USB 0.10	SCV -0.14	RE -2.10	RE -2.53	MCG -1.66	RE -3.23	RE 5.22

Legend

60/40 Allocation (60/40)	**Large Growth (LCG)**	**Mid Growth (MCG)**
	Large Value (LCV)	**Mid Value (MCV)**
Small Growth (SCG)	**Intl Equity (IEQ)**	**U.S. Bonds (USB)**
Small Value (SCV)	**Emg Markets (EM)**	**High Yield Bond (HYB)**
Intl Bonds (IBD)	**Real Estate (RE)**	