

10/17/2025

Subject: Market Volatility

To Our Clients, Family and Friends,

As the leaves begin to turn and the crispness of autumn settles in, we reflect on a year that has been anything but predictable—yet surprisingly rewarding for disciplined investors. Despite headlines dominated by trade tensions, political gridlock, and consumer pessimism, markets have delivered robust returns. The S&P 500 is up over 13% year-to-date, with technology and communication services leading the charge.

Market Update: Resilience Amid Uncertainty

This year has seen its share of drama—from “Tariff Trauma” to renewed China trade tensions, and even a government shutdown. Yet markets have remained resilient. September marked the sixth consecutive month of equity gains, and Q3 was the strongest quarter for technology stocks in five years.

Some commentators have raised concerns about a pending market bubble. While comparisons to 1999 are tempting, we see many differences in the underlying dynamics of the current landscape. Unlike the dot-com era, today’s technology leaders are generating real earnings. The “AI boom” is likely to continue driving tangible productivity gains across many industries for several years to come. In other words, we see a long runway for future growth.

Positioning and Perspective

Back in April, when markets dipped sharply following tariff announcements, we were buyers. More recently, as valuations stretched, we’ve been rebalancing portfolios toward long-term targets. We remain constructive on AI related technologies and equity markets overall but do recognize the need for prudence as valuations in some areas have become elevated.

Encouragingly, the market rally is broadening, and small-cap stocks and industrials have begun to participate—signaling healthier market breadth. Unemployment remains low at 4.1%, and while inflation remains above The Federal Reserve’s (“The Fed’s”) 2% target level, it is not at alarming levels. The Fed has already cut interest rates once this year and is expected to do so again in October and December, potentially bringing the federal funds rate below 4%.

Globally, money market fund balances currently exceed \$7 trillion, a staggering figure that reflects both caution and opportunity. As short-term yields continue to compress, this capital is increasingly likely to seek more productive homes. We are actively reviewing cash balances across portfolios and will continue to strategically reallocate into fixed income instruments and select equity opportunities.

Global Trade: Negotiation, Not Collapse

The latest China trade tiff—including threats of 100% tariffs and rare earth export restrictions—has recently rattled markets, but we view this as part of a broader negotiation. Both economies are deeply intertwined, and history suggests that cooler heads will prevail. As always, we remain focused on fundamentals and long-term opportunity rather than short-term noise.

Planning Spotlight: Philanthropy and the OBBBA

Starting in 2026, the One Big Beautiful Bill Act (OBBBA) will significantly alter the landscape for charitable giving. Key changes include:

- A 0.5% AGI floor for itemized deductions.
- A 35% cap on the value of deductions for high earners.
- A new above-the-line deduction of up to \$2,000 for married couples.
- No carryforward for deductions limited solely by the AGI floor.

Now is a great time to review your charitable giving strategies for this year in an effort to maximize tax efficiency. We would be happy to speak

Team Update

We're thrilled to share that Mike Knuff and his wife Lili welcomed their third child, Luke, in late July. Mom, baby boy, and the whole family are doing well—and even catching a bit of sleep!

In other team news, earlier this year, Edita Mertira completed two of the major world marathons in Tokyo and Boston. She will be running again in the New York City Marathon in November. Go get 'em Edita!

Final Thoughts

Markets will always fluctuate, often in response to the unexpected. Our role is to remain vigilant, opportunistic, and grounded in each client's long-term strategy. As always, we want to hear from you – your questions, concerns, and life updates...we're here to guide you through every season.

Warm regards,
The Prentis Wealth Management Group

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