

Capital Markets Snapshot

Courtesy of the Davis Financial Group

Week ending October 3, 2025

Beginning October 1, the U.S. government entered a shutdown, halting nonessential operations and delaying key economic data releases (including jobs and inflation reports). Leading up to this, economic growth has bounced back strongly from the negative Q1 result, driven by resilient consumer spending and record investments in artificial intelligence. The labor market has showed some signs of softening, with hiring slowing and Number of unemployed workers exceeding the number of open positions for the first time since 2021. Though, layoffs remain limited outside the government sector. The Federal Reserve recently resumed interest rate cuts and expectations are for another cut in October, in response to weaker labor indicators and continuing its latest decision-making amid data uncertainty. Equity markets remained resilient, with the S&P 500 reaching fresh all-time highs. AI innovation and the prospect of lower rates are fueling recent market strength, while historical precedent suggests shutdowns have minimal long-term impact on equities. Alternative assets like Bitcoin and gold rallied, while oil prices fell sharply due to oversupply concerns. Volatility ticked up modestly, but remained well below year-to-date highs, and earnings expectations for the upcoming season remained robust.

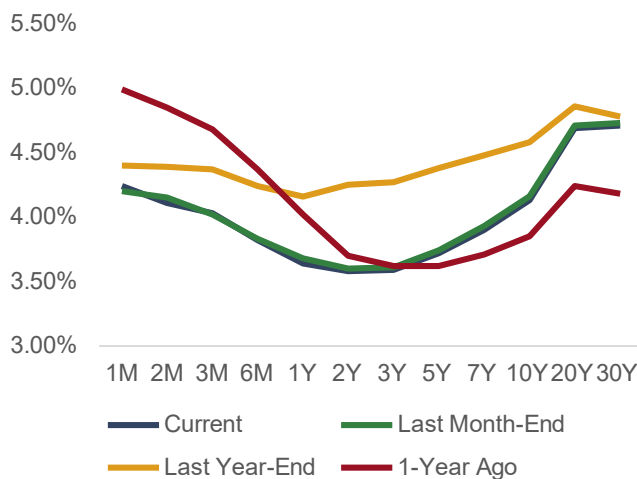
Fixed Income Markets Overview

- Treasury yields declined across the curve, with 2-year, 10-year, and 30-year yields all lower compared to the previous week. The yield curve steepened slightly, with short-term rates falling more than long-term rates.
- The government shutdown and weak ADP employment data contributed to lower yields and increased expectations for Fed rate cuts. The shutdown's impact on government data releases leaves investors relying on private indicators.
- Market expectations for Fed rate cuts in 2025 increased, with probabilities for cuts in October and December rising notably. The Fed's dot plot projects two 25-basis point cuts in 2025 and one more in 2026.
- The 30-year fixed-rate mortgage increased again and ended the week at 6.34%, below its 52-week average of 6.71%. The last few months have seen mortgage rates trend lower, which has led to a reported increase in pending home sales.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
Short	1-3 Year Govt/Credit	0.2%	4.3%	4.7%	1.8%
	Core Plus				
	Intermediate Govt/Credit	0.3%	5.9%	5.0%	0.8%
	International Aggregate	0.6%	8.0%	5.2%	-1.5%
	US Aggregate	0.5%	6.4%	4.7%	-0.4%
	US Treasury	0.4%	5.5%	3.4%	-1.3%
	US TIPS	0.2%	6.9%	4.5%	1.4%
	US Corporate	0.6%	7.2%	6.8%	0.4%
	US Corporate High Yield	0.2%	7.3%	10.9%	5.5%
Other	Emerging Markets Aggregate	0.2%	8.9%	10.3%	2.0%
Muni	US Municipals	0.3%	2.9%	4.7%	0.9%
	US Municipals High Yield	0.1%	1.3%	6.7%	2.9%

Source: Bloomberg as of October 3, 2025

U.S. Treasury Yield Curve



Source: Bloomberg and U.S. Treasury as of October 3, 2025

Interest Rates (%)

Date	10/3/2025	9/30/2025	12/31/2024	10/3/2024
Federal Funds Rate	4.24%	4.20%	4.40%	4.99%
3 Month Treasury	4.03%	4.02%	4.37%	4.68%
6 Month Treasury	3.82%	3.83%	4.24%	4.37%
2 Year Treasury	3.58%	3.60%	4.25%	3.70%
5 Year Treasury	3.72%	3.74%	4.38%	3.62%
10 Year Treasury	4.13%	4.16%	4.58%	3.85%
30 Year Treasury	4.71%	4.73%	4.78%	4.18%
US Aggregate	4.34%	4.37%	4.91%	4.28%
US Corporate	4.78%	4.81%	5.33%	4.76%
US Corporate High Yield	6.68%	6.70%	7.49%	7.06%
US Municipal	3.64%	3.66%	3.74%	3.28%
US Municipal High Yield	5.70%	5.69%	5.52%	5.16%

Spreads Over 10-Year US Treasuries

Date	10/3/2025	9/30/2025	12/31/2024	10/3/2024
30 Year Treasury	0.58%	0.57%	0.20%	0.33%
US Aggregate	0.21%	0.21%	0.33%	0.43%
US Corporate	0.65%	0.65%	0.75%	0.91%
US Corporate High Yield	2.55%	2.54%	2.91%	3.21%
US Municipal	-0.49%	-0.50%	-0.84%	-0.57%
US Municipal High Yield	1.57%	1.53%	0.94%	1.31%

Source: Bloomberg and U.S. Treasury as of October 3, 2025

Equity Markets Overview

- The S&P 500, Nasdaq, and Dow Jones all posted over 1% weekly gains, with the S&P 500 hitting new all-time highs.
- AI innovation and infrastructure buildout continued to drive market leadership, especially in semiconductor stocks.
- The prospect of lower Treasury yields has helped support of rate-sensitive sectors, including consumer discretionary, small- and mid-cap equities, and emerging markets.
- Despite the shutdown, historical data suggests minimal long-term impact on equity performance. Markets tend to look through disruptions related to shutdowns and have quickly recovered any lost ground.
- Profit margins remain near record highs, supporting expectations for continued Q3 earnings growth.
- Volatility increased modestly but remained well below recent peaks. The shutdown could increase short-term volatility depending on its length and uncertainty stemming from halted data reporting.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
All-Cap	S&P 1500	1.1%	14.6%	23.2%	16.4%
Large-Cap	S&P 500	1.1%	15.3%	24.1%	16.7%
	S&P 500 Growth	1.1%	19.8%	28.1%	17.1%
	S&P 500 Value	1.2%	10.4%	18.7%	15.4%
Mid-Cap	S&P Midcap 400	0.7%	6.6%	15.0%	13.3%
	S&P Midcap 400 Growth	0.4%	6.7%	15.3%	10.7%
	S&P Midcap 400 Value	1.0%	6.6%	14.6%	15.9%
Small-Cap	S&P Smallcap 600	1.4%	5.4%	12.3%	12.6%
	S&P Smallcap 600 Growth	0.8%	5.9%	12.3%	10.9%
	S&P Smallcap 600 Value	1.9%	4.8%	12.0%	14.2%
Int'l.	MSCI ACWI ex-USA	3.0%	28.2%	21.0%	10.6%
	MSCI EM	3.7%	30.2%	19.0%	7.5%

Source: Bloomberg as of October 3, 2025

Alternative Markets Overview

- Bitcoin surged, trading above \$122,000, and up over 12% last week, reaching its highest price level since mid-August.
- Stablecoin inflows jumped 324% quarter-over-quarter, with Tether's USDT leading the way. Ethereum-based stablecoin adoption reached a new high, with 750,000 unique weekly users.
- Gold prices climbed for the seventh consecutive week, hitting record highs near \$3,900 per ounce.
- Oil prices fell sharply, just over a 7% decline for the week, reaching the lowest level since late May due to oversupply concern.

Name	1W	YTD	3Y (Ann.)	5Y (Ann.)
S&P GSCI	-2.6%	5.4%	3.6%	18.3%
Gold	2.6%	48.0%	31.9%	15.4%
FTSE All Equity NAREIT	0.6%	4.5%	7.7%	6.2%
Bitcoin	12.4%	31.4%	84.5%	63.2%
Ethereum	12.4%	35.4%	50.8%	67.4%

Source: Bloomberg as of October 3, 2025



Upcoming Week

- Notable earnings reports for this week include Delta Air Lines and Pepsico, both reporting on Thursday.
- The government shutdown can be expected to impact government data reporting, which means we could expect delayed reporting on US Trade Balance, Consumer Credit, FOMC Minutes, Wholesale Inventories, Weekly Unemployment Claims, and the Federal Budget.

Glossary and Disclosures

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S&P 1500 Index combines three leading indices, the S&P 500, the S&P Midcap 400, and the S&P Smallcap 600, to cover approximately 90% of U.S. equity market capitalization.

S&P 500 Index includes approximately 500 leading companies that covers approximately 80% of available U.S. equity market capitalization.

S&P 500 Growth Index is a stock index that represents the fastest-growing companies in the S&P 500 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P 500 Value Index is a stock index that represents the companies in the S&P 500 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Midcap 400 Index is distinct from the large-cap S&P 500 and designed to measure the performance of 400 U.S. mid-sized companies, which have differing liquidity and growth potential than large and small cap companies.

S&P Midcap 400 Growth Index is a stock index that represents the fastest-growing companies in the S&P Midcap 400 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Midcap 400 Value Index is a stock index that represents the companies in the S&P Midcap 400 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Smallcap 600 Index measures the performance of 600 small-sized U.S. companies to reflect the small-cap segment of the U.S. equity market, which is typically known for less liquidity than large cap stocks.

S&P Smallcap 600 Growth Index is a stock index that represents the fastest-growing companies in the S&P Smallcap 600 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Smallcap 600 Value Index is a stock index that represents the companies in the S&P Smallcap 600 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

MSCI ACWI ex-US Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries.

MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries.

S&P GSCI is broad-based and production weighted to represent the global commodity market beta. The index is designed to be investable by including the most liquid commodity futures.

S&P GSCI Gold a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold future.

FTSE All Equity NAREIT Index contains all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria.

Bitcoin USD Spot Exchange Rate measures the last price of 1 Bitcoin in USD.

Bloomberg Galaxy Bitcoin Index is designed to measure the performance of a single bitcoin traded in USD.

Ethereum USD Spot Exchange Rate measure the last price of 1 Ethereum in USD.

Bloomberg Galaxy Ethereum Index is designed to measure the performance of a single Ethereum traded in USD.

Bloomberg Barclays 1-3 Year Govt/Credit Index is the 1-3 Yr. component of the U.S. Government/Credit index, which includes securities in the Government, which includes treasuries and agencies debt securities, and Credit Indices, which includes publicly issued U.S. corporate and foreign debt that meet specified maturity, liquidity, and quality requirements.

Bloomberg Intermediate US Government/Credit Bond Index is a broad-based flagship benchmark that measures the non-securitized component of the US Aggregate Index with less than 10 years to maturity; this includes investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities

Bloomberg Barclays Global Aggregate Bond Index provides a broad-based measure of the global investment-grade fixed income markets, with three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices.

Bloomberg Barclays U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

Bloomberg Barclays U.S. Treasury Aggregate Bond Index is the U.S. Treasury component of the U.S. Government index and represents public obligations of the U.S. Treasury with a remaining maturity of one year or more.

Bloomberg US TIPS Index consists of Inflation-Protection securities issued by the U.S. Treasury.

Bloomberg Barclays US Corporate Bond Index is the Corporate component of the U.S. Credit index and represents publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements.

Bloomberg Barclays U.S. Corporate High Yield Index covers the universe of fixed rate, non-investment grade debt.

Bloomberg Barclays Emerging Markets Bond Index is broad-based with country eligibility and classification as an Emerging Market being rules-based and reviewed on an annual basis using World Bank income group and International Monetary Fund (IMF) country classifications.

Bloomberg Barclays U.S. Municipal Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market.

Bloomberg Barclays US High Yield Municipal Index is an unmanaged index of noninvestment-grade municipal debt securities, which provides a representation of the performance of US high-yield tax-exempt bonds.

Federal Funds Rate is the interest rate at which depository institutions trade federal funds (balances held at Federal Reserve Banks) with each other overnight.

U.S. Treasury Securities are issued by the federal government and are considered to be among the safest investments you can make, because all Treasury securities are backed by the "full faith and credit" of the U.S. government.

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