The Week Ahead

October 29, 2025

Today: Economy slowing; stock market rising

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Disclaimer: I am not a certified financial analyst.

Any trading decisions you make are your responsibility

OLLI-GMU Investment Forum

Economic Commentary

No recession in sight yet

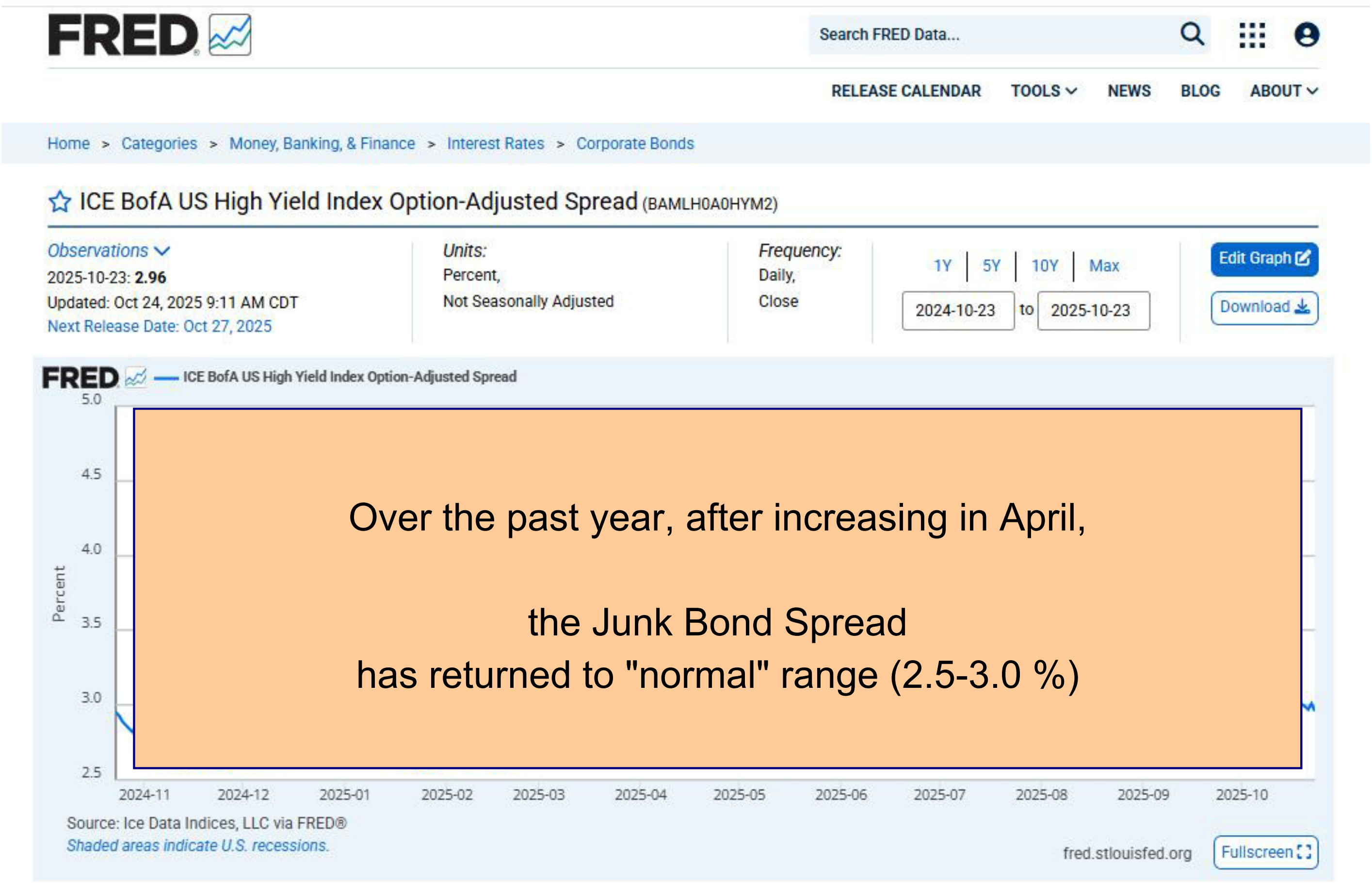
But a correction more likely

- Government shut down continues
  - ATC, food stamps are affected; military pay
  - Government economic data on hold
- Core inflation reported at 3%, steady (DoL)
- Speculative corporate loan default rate steady at 1.5%
- Average GDP estimate for Q3 = 2.3%
- Home sales up 1.5% in September & rising inventory (NAR)
  - Mortgage rates declining
  - Prices in South and West under pressure
- Consumer spending is strong driven by top 10%
- RV shipments up 4.4% in Sep; (RVIA)
- Cardboard shipments are slipping; see International Paper
- Crude oil price continues dropping: @ $58 bbl
- ISM Manufacturing Index @49.1, contracting for 7 months
  - 30K jobs lost YTD (CNBC)
  - Manufacturing investment down 2.5%, YTD (Bloomberg)
- However, GM, Ford, Caterpiller, IBM, Intel doing well

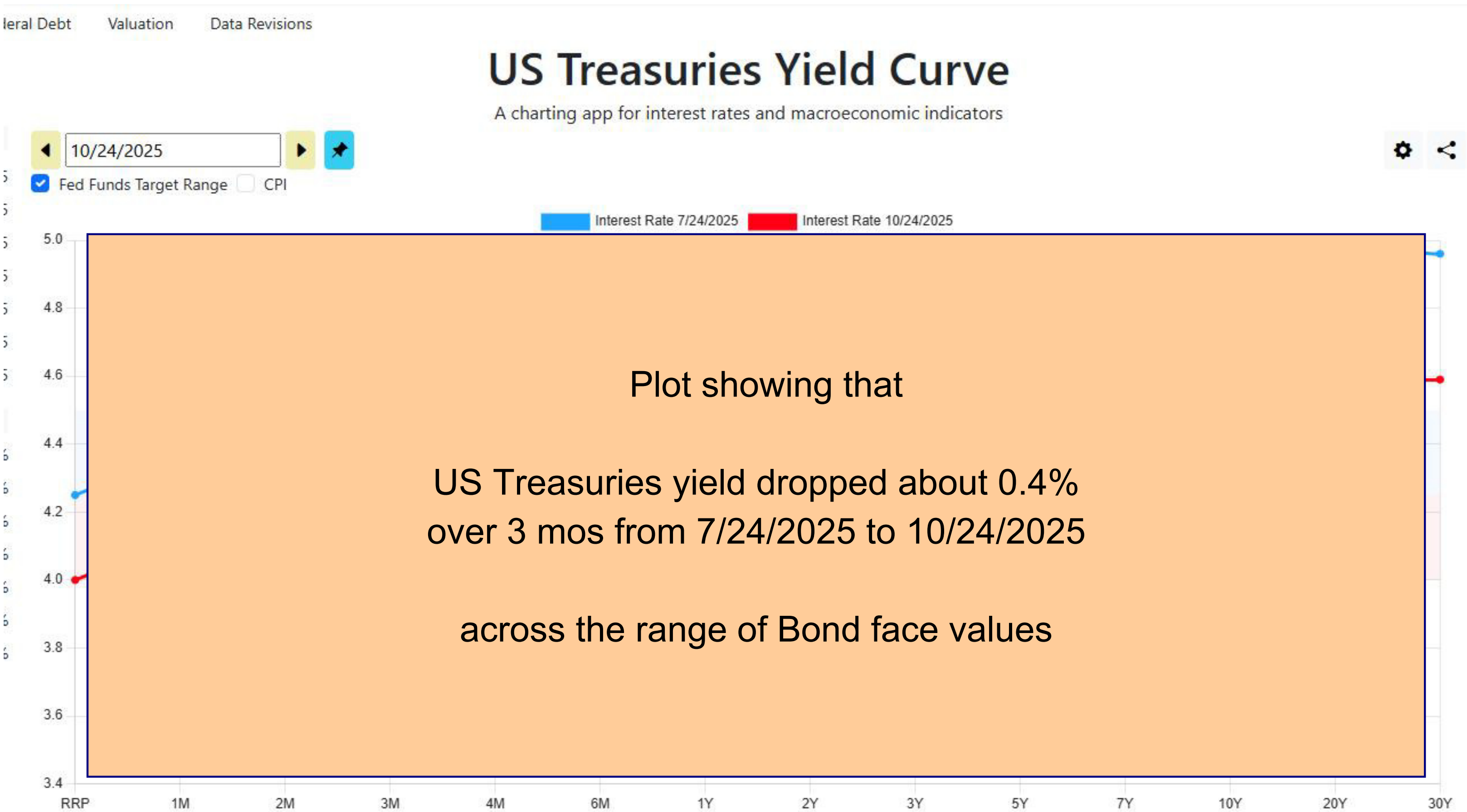
Market commentary

- Stock markets are at all-time highs
  - Powered by strong Q3 earnings, trade deals
  - 87% beating on revenue; 82% beating earnings (CNBC)
  - WSJ: "The Good Vibes are Back"
- 5 of 7 Mag 7 stocks will report earnings this week
- Gold hit $4380/oz. Up 50% YTD
  - Most analysts see gold rise continuing – China buys
- Bond yields declining
- Major banks reported record revenues and earnings
  - Bank of America reported excellent Q3
- VIX: 15.8, neutral
- CNN fear gauge: 38, fearful
- AAI investor sentiment: 37% bullish; 43% bearish
- Put-Call ratio: 0.65, fearful

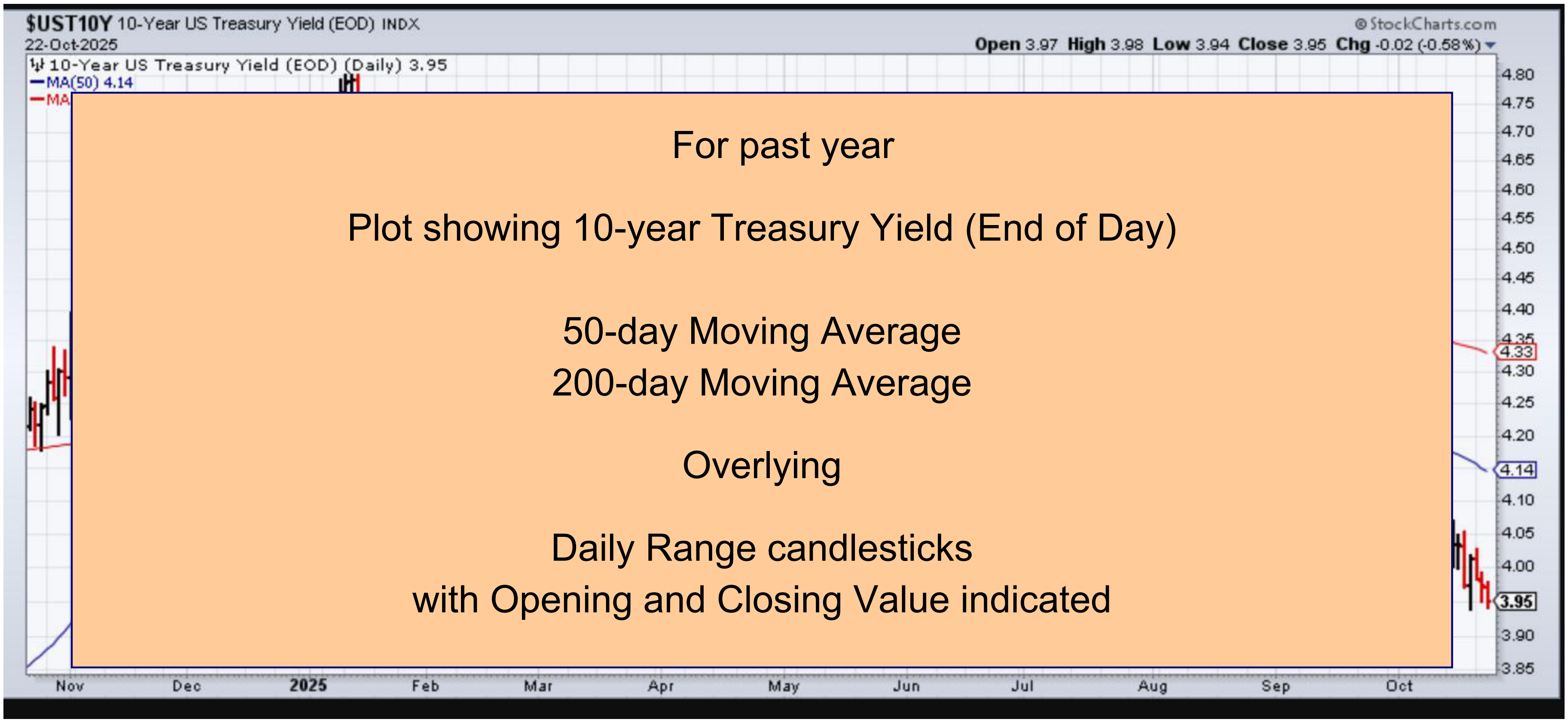
Junk bond spread at normal levels



Yield curve: July 25 to October 25



US 10-year Treasury bond yield below 4%



For past year

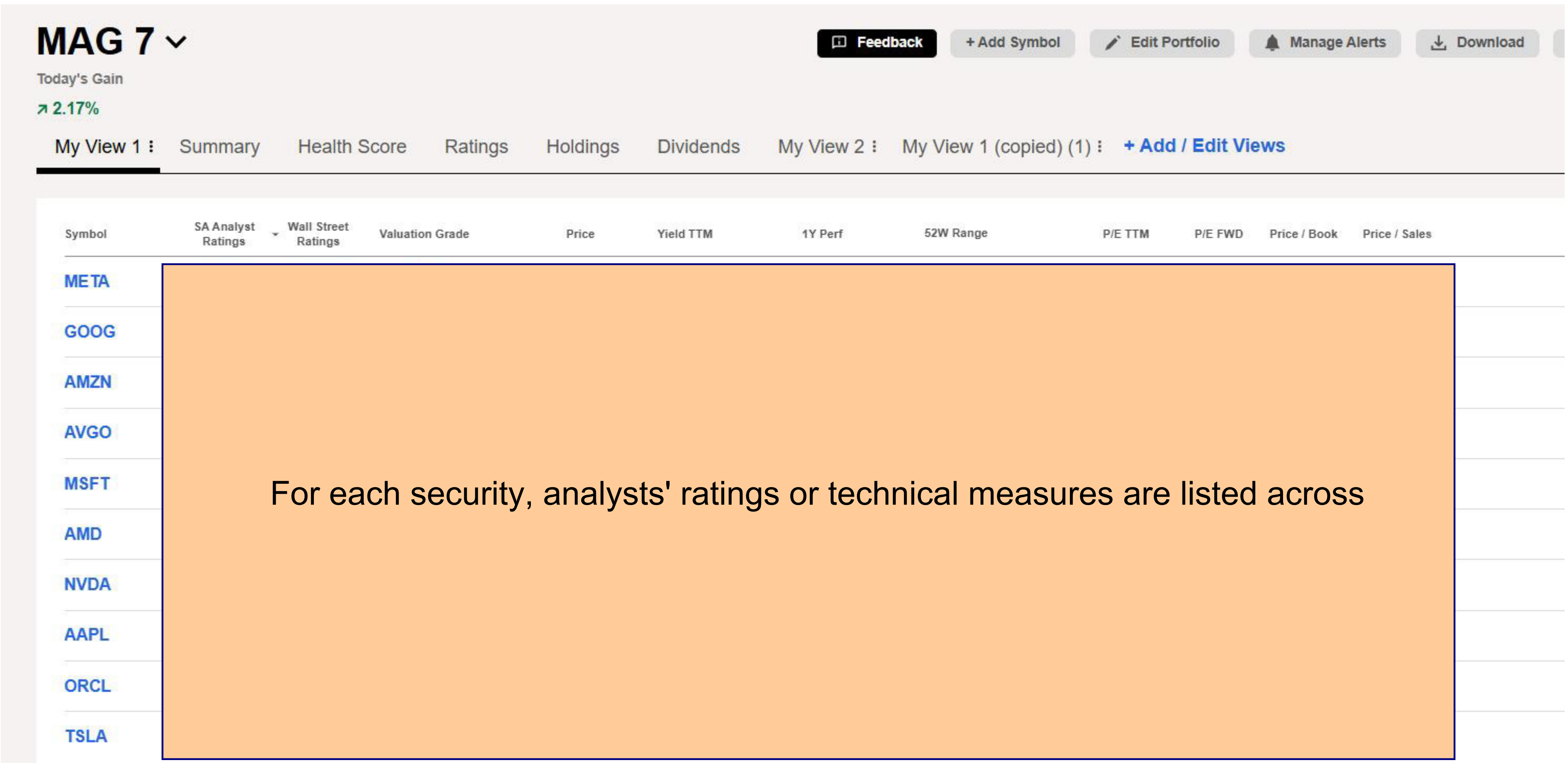
Plot showing 10-year Treasury Yield (End of Day)

50-day Moving Average
200-day Moving Average

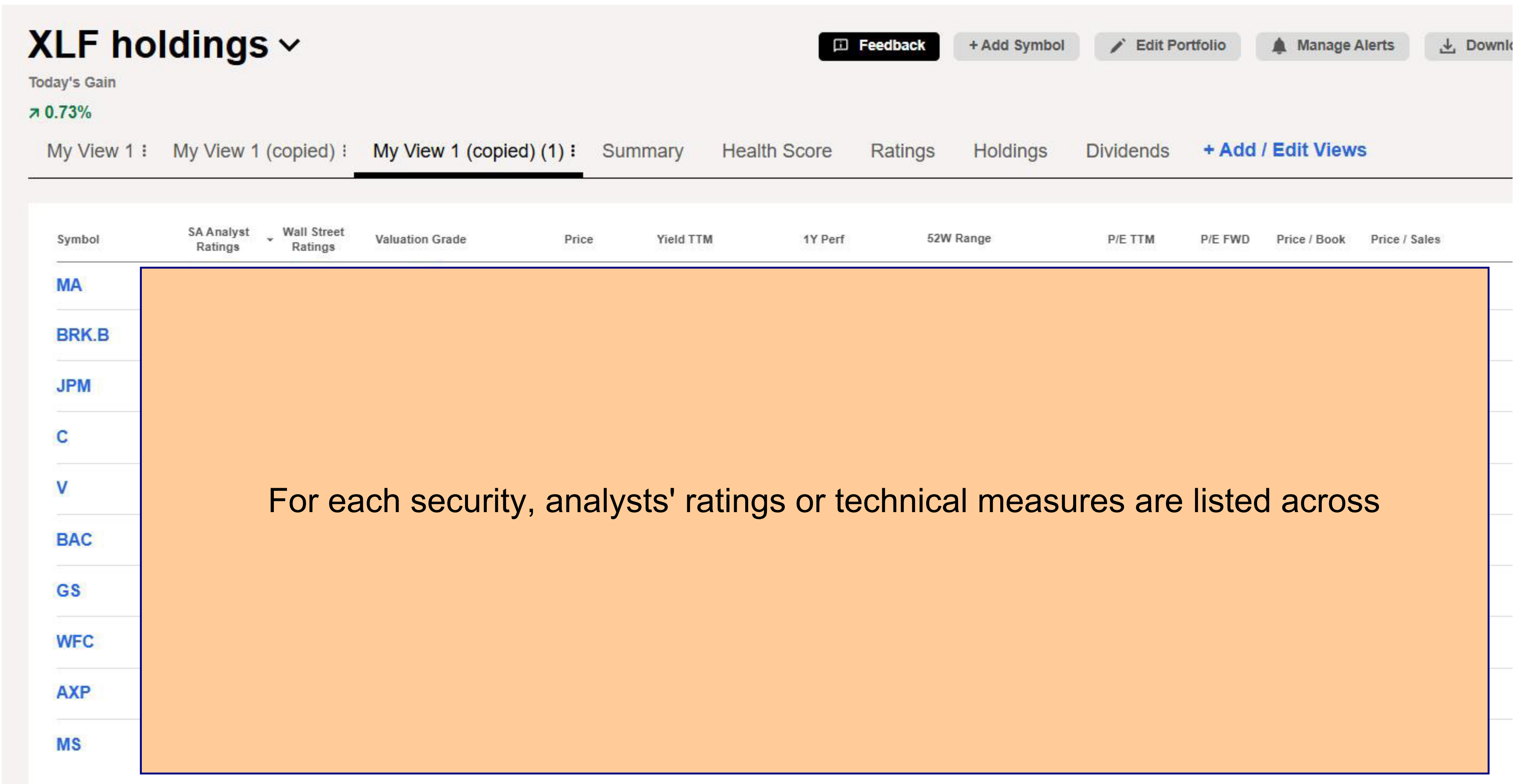
Overlying

Daily Range candlesticks
with Opening and Closing Value indicated

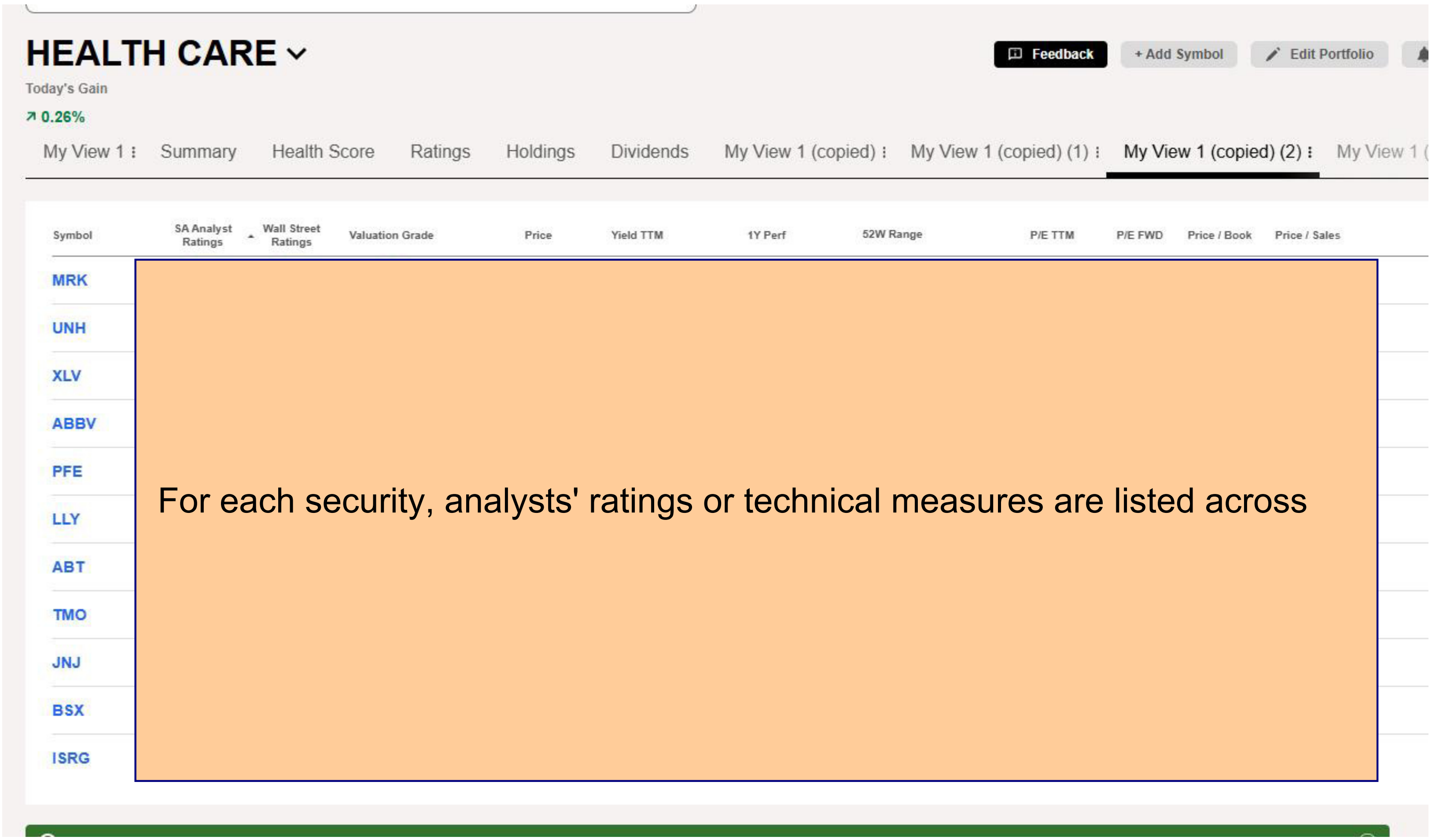
MAG 7 + others update



XLF - Finance SPDR Holdings



XLV – Health Care SPDR Holdings



AI effects thus far (BofA study)

Lifts US GDP and productivity, but job effects are limited

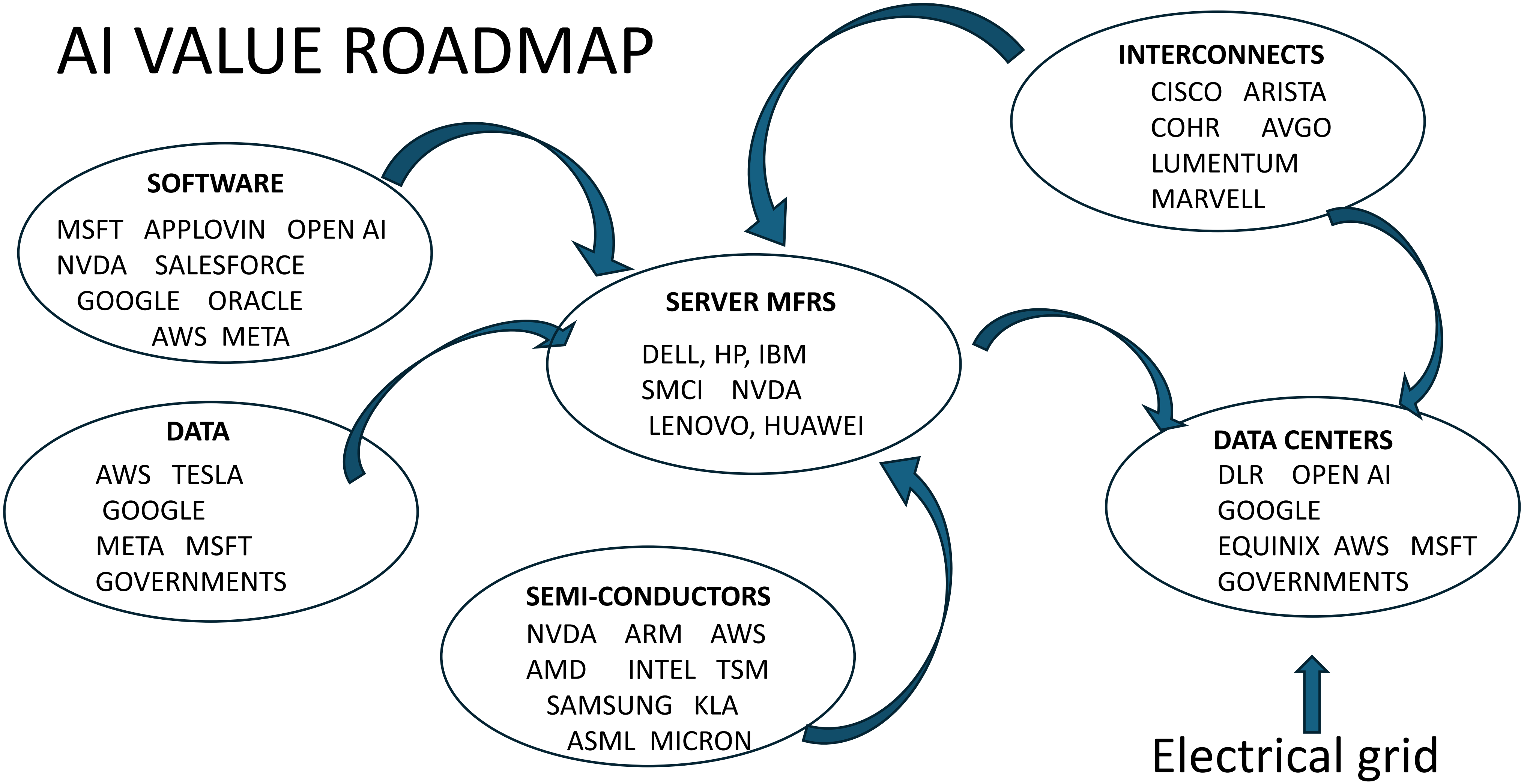
- AI capital expenditures contributed 1.1% to GDP in Q1 and 1.3% in Q2
  - Includes investments in software, computing and data centers
- AI-driven productivity tools are spreading out to small businesses
- Consumers are seeing rapidly increasing electricity bills
- Few job losses caused by AI
- White collar jobs are increasing along with AI tool adoption
- BLS projects 18% increase in software development jobs, 2023-2033 and 17% increase in financial advisory service jobs
  - Less-skilled white collar jobs will be challenged by AI tools
- Conclusion: AI is primarily affecting productivity rather than jobs for now

Now what?

- No recession in sight; correction odds rising
- Two Fed interest rate cuts are expected through 2025
- US economy remains very resilient but is slowly losing steam under the weight of tariff uncertainty, high interest rates
- AI investment, interest rate cuts, trade deals and numerous IPOs are masking some deeper problems
- Labor market is clearly weakening – data missing
- Consumer spending is strong and reasonably confident
- Stock market is very expensive right and very fragile
- Bond market is exhibiting a resurgence – refuge?
- Tariff effects minimal and sector-dependent

- **"The Little Book of Common Sense Investing" by John Bogle** - This is perfect for retirees. Bogle, founder of Vanguard, makes a compelling case for low-cost index funds and explains why most people shouldn't try to pick individual stocks. It's short, clear, and evidence-based.
- **"A Random Walk Down Wall Street" by Burton Malkiel** - Provides excellent context on market efficiency and why passive investing often beats active stock picking. Helps you understand what works and what doesn't.
- **If You Want to Evaluate Individual Investments:**
- **"The Intelligent Investor" by Benjamin Graham** - The classic on value investing. Graham's focus on "margin of safety" and conservative evaluation is particularly suitable for retirees who can't afford major losses. The commentary by Jason Zweig updates examples for modern readers.
- **"One Up On Wall Street" by Peter Lynch** - More accessible than Graham, Lynch explains how to evaluate companies using common sense and what you already know. Good for understanding business fundamentals without heavy math.
- **Practical and Balanced:**
- **"The Bogleheads' Guide to Investing" by Taylor Larimore et al.** - Practical, straightforward advice on building a diversified portfolio with minimal fees. Very beginner-friendly with a focus on simplicity.
- **"The Four Pillars of Investing" by William Bernstein** - Covers theory, history, psychology, and business of investing. Helps you understand both evaluation and your own behavioral biases.
- For someone retired, I'd especially emphasize starting with Bogle's book. At this life stage, preserving capital and generating steady income is typically more important than trying to beat the market.

AI VALUE ROADMAP



By 2030, AI alone is projected to contribute more than $15 trillion to the global economy. (SIA)

10 Rules for Investors

Rules 1-10:

https://en.wikipedia.org/wiki/Market_Rules_to_Remember

- Rule #11: The Investment Forum is not a 12-step program for stock market junkies