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Equities

The S&P 1500 Index closed at an all-time high on October 1, 2025. It has gained 35.1% off the low on April 8th of this year, when investors priced in a worst-case scenario for the proposed tariffs. The ascent has not been straight up; there have been setbacks along the way. It's also worth noting that this index has gained 619.3% off the pandemic crash low of March 23, 2020.

The gains of the last five-plus years and the last five months seem sensible to us, as corporate earnings have also grown. A survey of analysts who forecast earnings, company by company, shows expectations for continued earnings growth over the next couple of years. At these levels, we do not see the broad market as overpriced, and we do not see the behaviors that would often accompany a market peak.

The segments of the market getting the most attention lately are artificial intelligence related. There are companies in those segments that are overpriced, in our opinion, but we can still find value, and therefore own some semiconductors and technology software, storage, and hardware.

Bonds

While the stock market was recovering and advancing off the pandemic low of March 2023, the yield on the 10-year Treasury note rose from less than 1% to above 4%. Today it stands right where it was three years ago, in October 2022, at slightly above 4%. That sideways move with various ups and downs makes sense to us, with trailing one-year inflation generally in the 2.5% to 2.9% range over the last year.

Summary

We are still comfortable owning stocks based on value and projected earnings growth. Stocks just seem to be climbing the proverbial "wall of worry."

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The unmanaged Standard & Poor's Composite 1500 (S&P 1500) Index is a broad-based capitalization-weighted index comprising 1,500 stocks of Large-cap, Mid-cap, and Small-cap U.S. companies.

The 10-year yield is the benchmark 10-year yield to maturity reflected by the current issue 10 year U.S. Treasury note.

Sources: Bloomberg

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