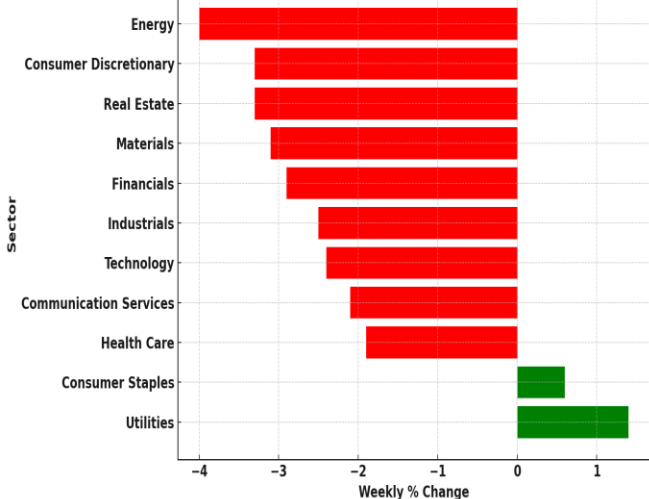


U.S. Sector Performance - Week Ending October 10, 2025



Market Recap: Sharp Reminder of Policy Risk

Markets stumbled last week as trade tensions resurfaced and reminded investors that geopolitics can quickly shift sentiment. After reaching new highs midweek, the **S&P 500 fell roughly 2.5%**, marking its **weakest stretch since May**. The decline was sparked by renewed **tariff threats against China**, which rattled risk assets and sent investors back toward safe havens. Energy led the pullback as oil prices slipped below \$60 a barrel, while technology, consumer discretionary, and industrials also saw meaningful weakness. In contrast, utilities and consumer staples held up well, reflecting a modest defensive rotation. **Gold surged past \$4,000** an ounce, and Treasury yields edged lower as investors sought stability amid the uncertainty.

Global Developments: Political Crosswinds and Policy Patience

Overseas, political shifts and central bank caution defined the week. Japan's new leadership outlined plans to stimulate growth through technology and defense spending, helping fuel optimism for corporate reform and shareholder returns. In Europe, ongoing political turnover in France briefly pressured markets before stabilizing. Meanwhile, the **U.S. government shutdown** extended into another week, delaying key data releases and clouding the near-term economic picture. Despite these disruptions, global central banks have largely signaled patience, suggesting that the next phase of monetary easing will depend on clearer data trends.

International Perspective: Corporate Reform Driving Opportunity

One of the more **constructive stories** abroad continues to be corporate reform in **Asia**. Japan's efforts to improve transparency and capital efficiency are reshaping corporate culture, with share buybacks and **cross-holding reductions** at record levels. Korea's value-up initiative has followed a similar path, spurring shareholder-friendly changes and improved returns. While these transitions take time, the direction of change remains positive and reinforces the case for selective exposure to international equities.

Investor Positioning: From Momentum to Discipline

After months of strong gains, last week's reversal served as a healthy reminder of the importance of **diversification** and **balance**. Investor positioning had become increasingly **concentrated** in high-growth sectors, but recent volatility highlights why maintaining exposure across styles, sectors, and regions matters. With valuations elevated and uncertainty around trade policy, a disciplined approach—grounded in **fundamentals** rather than headlines—should remain the focus heading into year-end.

CROSS-HOLDING REDUCTION

A cross-holding occurs when two or more companies own shares in each other, typically as part of a strategic alliance or to reinforce long-term partnerships. Cross-holding reduction happens when firms decide to sell or eliminate these mutual stakes, freeing up capital and improving transparency.



Earnings Expectations and Upgrades

As third-quarter earnings season begins, **optimism** is running higher than usual. Analysts have been revising estimates **upward** heading into this reporting cycle—a break from the trend of steady downgrades seen in recent quarters. Corporate guidance has also been notably positive, with nearly **half of S&P 500** companies issuing **upbeat forecasts**, the highest percentage in over **three years**.

Technology continues to lead the charge, with software and semiconductor firms driving the bulk of positive revisions thanks to resilient demand and margin strength. Financials and industrials are also expected to post solid results, helped by stronger loan growth and an improving capital markets backdrop. On the other hand, **energy and consumer staples could lag** as pricing pressure and normalization in commodity markets weigh on results. Overall, the S&P 500 is projected to show around **8% year-over-year earnings growth**—marking the **ninth straight quarter of expansion** and reinforcing the theme of steady, if uneven, corporate resilience.

The Week Ahead

This week marks the unofficial start of **third-quarter earnings season**, with major banks leading the way. Results from JPMorgan, Goldman Sachs, Citigroup, and Wells Fargo will offer early insight into credit conditions and loan demand. Economic data takes center stage midweek with the **Consumer Price Index**, followed by **Producer Prices** and **Retail Sales** later in the week. These updates will shape expectations for whether the Fed can stay patient—or if inflation trends warrant a quicker path toward easing.

—Scott Tremlett, CEO/Chief Investment Officer

J.P.Morgan

Goldman
Sachs

CPI
PPI
Retail Sales

WELLS
FARGO