

Furstenau Wealth Update October 20, 2025

The Markets

Emotions were running high in financial markets.

You may recall the week before last ended with the Standard & Poor's (S&P) 500 Index falling more than two percent after a flare-up in the trade war between the United States and China. It marked the end of the longest streak of trading days without a move of one percent or more since 2020, wrote Connor Smith of Barron's.

"On Monday, [stocks] bounced much of the way back after President Donald Trump said over the weekend, 'Don't worry about China.'" reported Teresa Rivas of Barron's. "As indexes climbed, Wall Street's fear gauge came back down from Friday's spike: The CBOE Volatility Index, or VIX, closed Monday at 19.03, down 12 [percent] on the day."

From there, it was a bumpy week. When investors worried, the VIX rose. When they calmed, the VIX fell. The VIX rose above 20 – the baseline for normal volatility in the market – and fell below 20 multiple times over five days. It topped out at 28 on Friday before finishing the week just above 20. Here are a few of the factors that affected investors last week:

- **Regional banks and bad credit.** The head of a large global bank "raised a red flag—he used the word 'cockroach'—about the bad credit that a handful of banks face. Bank stocks fell hard. The selloff came just after all of the big banks had posted solid earnings and confirmed that everything was under control, which underpins the case for buying the stocks," reported Jacob Sonenshine of Barron's.
- **An AI bubble.** There was uncertainty about the prospects for artificial intelligence (AI), too. "...a growing group of analysts and investors say that the numbers simply don't add up—that tech companies will never be able to generate the revenue necessary to recoup their spending, reported Christopher Beam of Bloomberg.
- **Tariffs and trade.** It was a contentious week for trade. On Friday, the administration expressed "optimism that talks with Chinese officials could yield an agreement to defuse the tariff spat between the world's two biggest economies," reported Rita Nazareth of Bloomberg. Markets celebrated.

Despite the tumult, major U.S. stock indexes finished the week higher. Yields on U.S. Treasuries ended the week near where they started.

Data as of 10/17/25	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	1.7%	13.3%	14.1%	21.9%	13.8%	12.6%
Dow Jones Global ex-U.S. Index	0.2	23.2	18.9	17.2	6.9	5.0
10-year Treasury Note (yield only)	4.0	N/A	4.1	4.0	0.8	2.0
Gold (per ounce)	6.3	61.8	57.1	36.4	17.3	13.7
Bloomberg Commodity Index	1.5	7.0	7.4	-2.3	7.5	1.8

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

THE STORIES THAT SHAPE THE ECONOMY. There is a branch of economic study called Narrative Economics. It's the brainchild of Nobel Prize-winning economist Robert Shiller who believes that viral stories (narratives) influence human behavior and move the economy.

Ernie Tedeschi, Director of Economics at the Budget Lab at Yale, talked about narratives in a Bloomberg opinion piece recently. He said three stories are influencing our perceptions about the economy and he believes these narratives should be treated with some skepticism.

Narrative #1: Artificial intelligence (AI) is behind the surge in U.S. economic growth. Tedeschi says AI may be getting too much credit. Investment in AI surged by 40 percent – to \$1.4 trillion – from 2021 to 2025. What people forget is that a lot of that investment came from outside the United States.

During the first half of this year, "AI-related commodities — software, information processing equipment and data centers — accounted for 1.3 percentage points of the 1.6% annualized real GDP growth...a staggering amount." However, once AI-related imports are subtracted, AI contributed 0.5 percentage points to GDP. AI still played a significant role in growth, but other factors are also having a sizeable effect.

Narrative #2: AI is weakening the labor market. There is a lot of talk about how AI is replacing, or will replace, workers. This idea should be taken with a grain of salt because, "The biggest increase in unemployment over the last two years is in occupations with both the highest and lowest exposure to AI." In other words, other factors are contributing to unemployment.

Narrative #3: Wealthy consumers are driving economic growth. Tedeschi said that it's possible the United States is in a K-shaped recovery where the wealthy are doing well, while people with less wealth are not. However, he cautioned that "reliable spending data, with the necessary detail to track different households and validate private data, is often lagged by years."

The Economist recently offered a new narrative that may influence our outlook: The stock market is responsible. Here's what they said:

"But does the stockmarket power the economy? At most points in time, it would be a ridiculous question. In recent months, though, the rise in American share prices has coincided with, and been fed by, a rush of popular enthusiasm for investing. And as people see the [markets] go up, they become more likely to spend. Now the answer to the question has important implications for the path of America's stockmarket boom and its economy."

It's something to think about.

Weekly Focus – Think About It

"Happiness is when what you think, what you say, and what you do are in harmony."

—Mahatma Gandhi, Spiritual and political leader

Best regards,

Ryan D. Furstenau

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- * The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- * The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- * International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- * The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
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