

Making Sense

Monthly Market Update



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What are we going to cover?

- Economic update: Federal Reserve policy | Inflation & labor market | Consumer spending
- Market update: Equity markets | Valuations | Fixed income

Economic & policy update

Labor market & inflation | Fed policy | Household spending

The economic narrative differs depending where you look

Tailwinds

- GDP growth: +3%
- Stock markets at all-time highs
- Resilient household demand and spending
- Bond yields are lower; spreads very tight
- Financial conditions extremely easy
- Federal Reserve is lowering interest rates
- Corporate capex surging on AI investment
- Corporate fundamentals appear strong

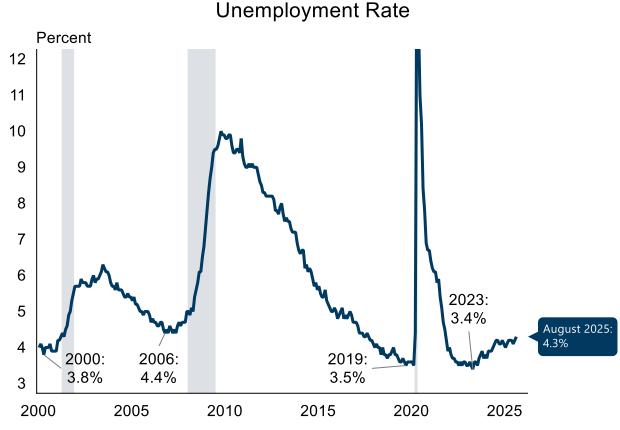
Headwinds

- Labor market has softened; hiring is weaker
- Inflation is running closer to 3% than 2%; tariffs may push prices higher still
- Trade and geopolitical uncertainties linger
- Household credit conditions are no longer pristine
- Government debt and deficits are elevated

Official labor data shed light on an economy from at least two months ago

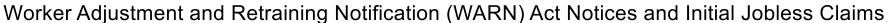


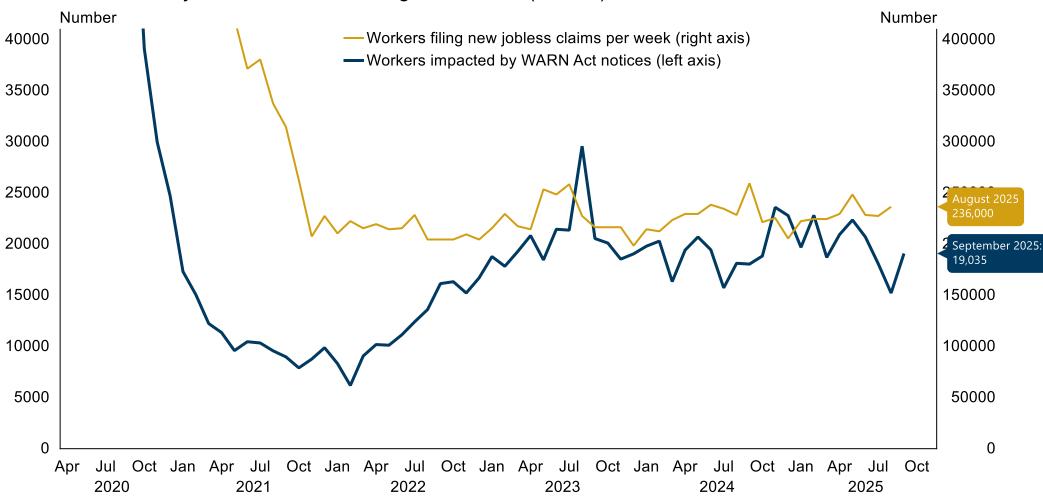
Source: U.S. Bureau of Labor Statistics (BLS), First Citizens Bank Data as of September 5, 2025



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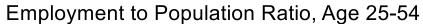
Layoffs may be increasing, but available data is not telling that story

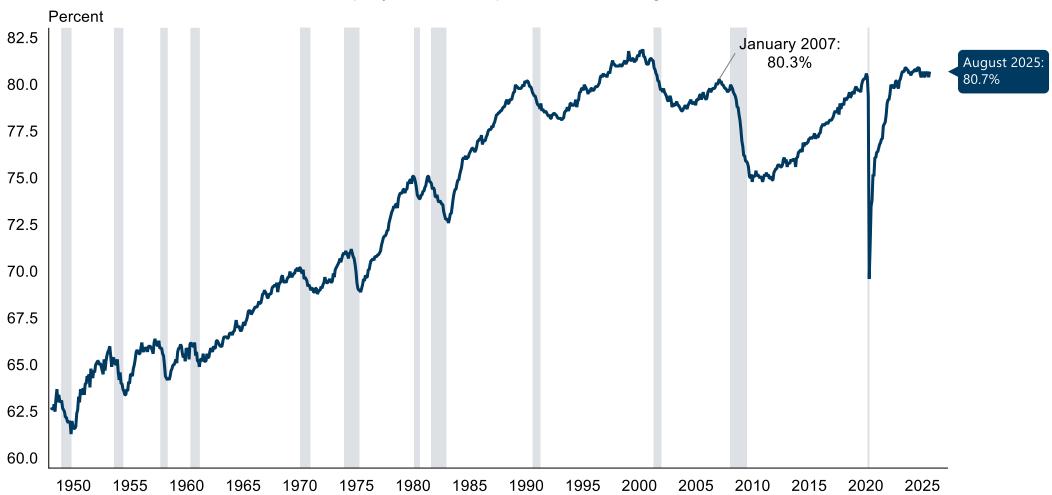




Source: openICPSR, U.S. Department of Labor, University of Michigan, First Citizens Bank Data as of October 17, 2025

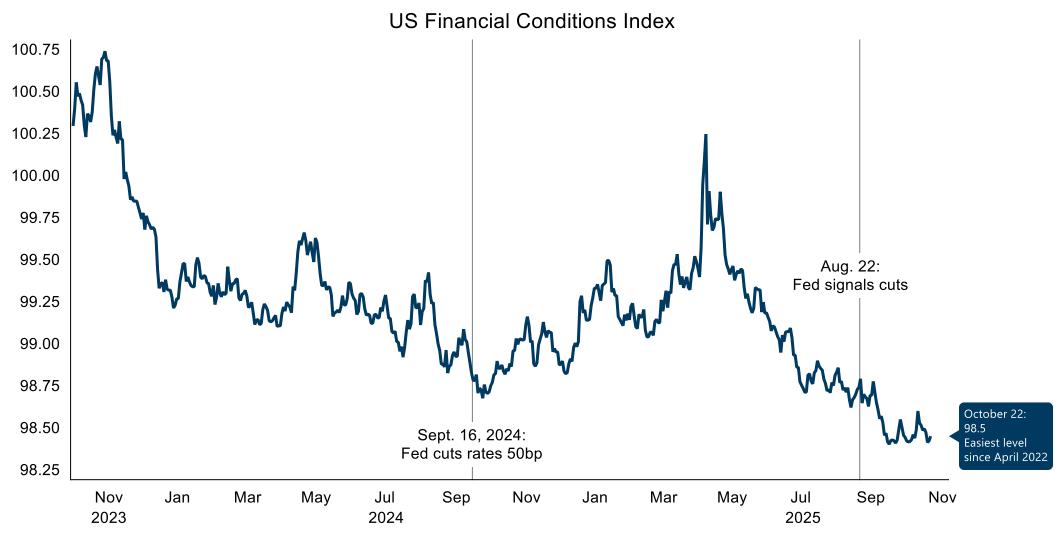
As the Fed moved to cut rates, few core-age adults were not working





Source: U.S. Bureau of Labor Statistics (BLS), First Citizens Bank Data as of September 5, 2025

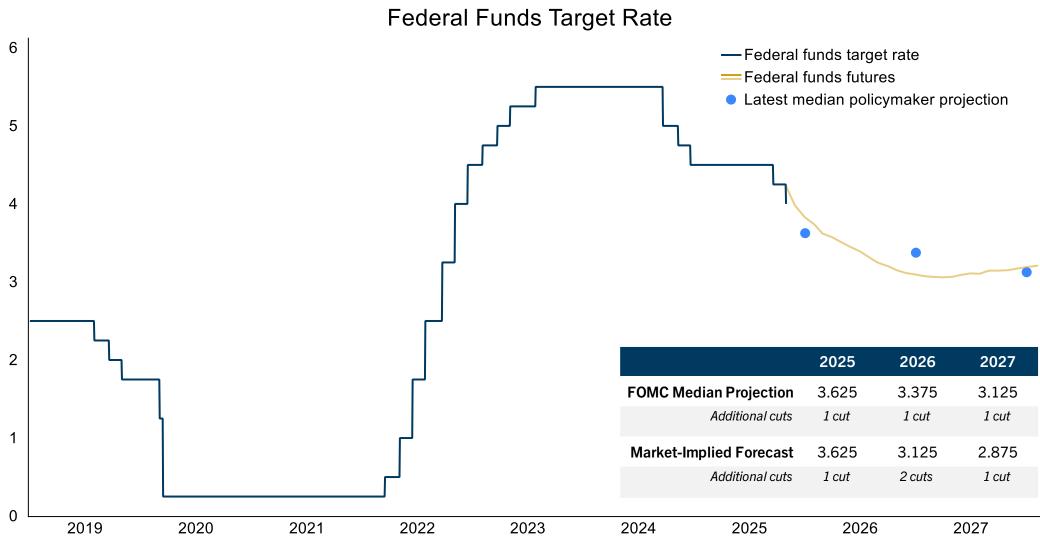
Easy financial conditions are likely delivering a positive growth impulse



Source: Goldman Sachs, First Citizens Bank

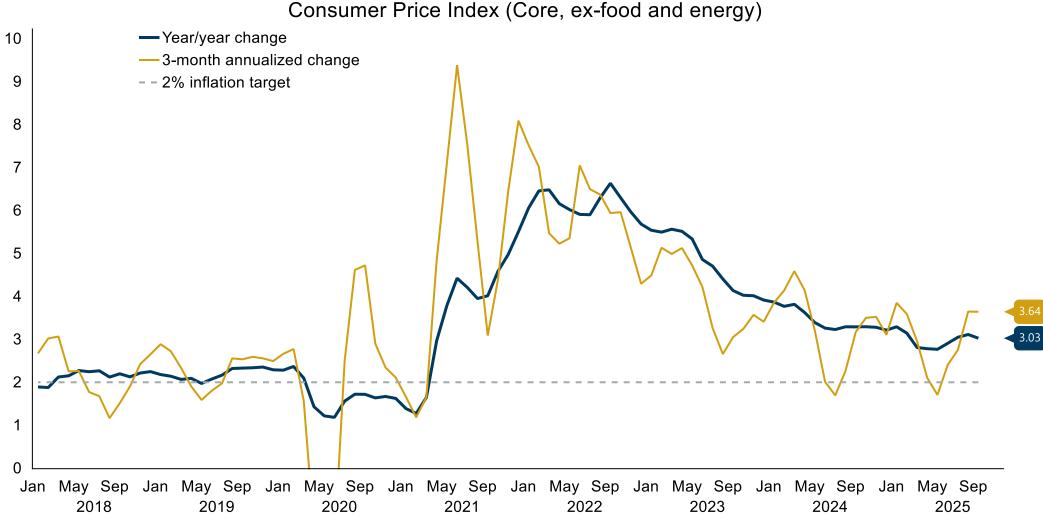
Data as of October 23, 2025

Markets expect the Fed to cut rates by another 1%



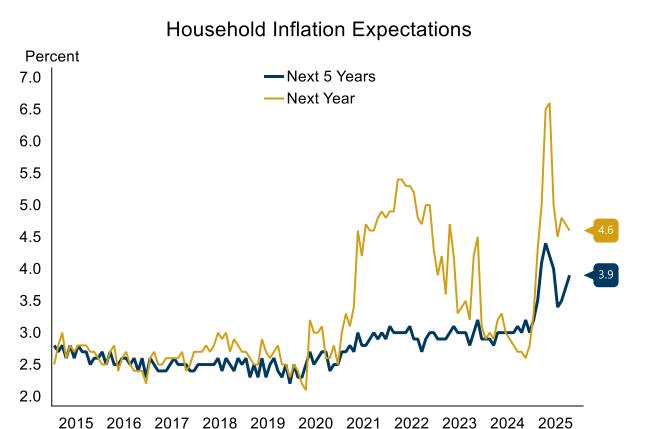
Source: Federal Reserve, Macrobond, First Citizens Bank

Inflation is running at a 3% pace

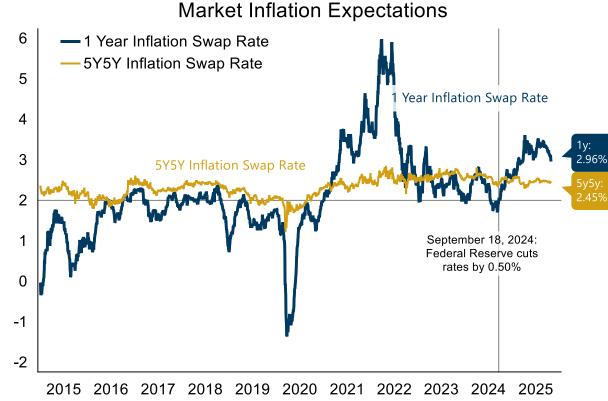


Source: U.S. Bureau of Labor Statistics (BLS), First Citizens Bank Data as of October 24, 2025

Households and markets both see inflation staying elevated this year



Source: University of Michigan, First Citizens Bank Data as of October 24, 2025



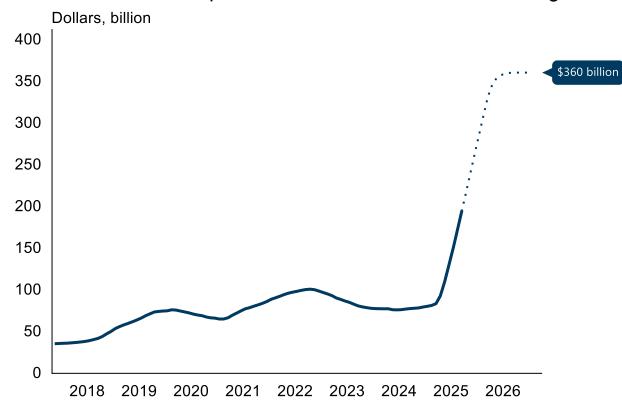
Source: Bloomberg

Note: The 5Y5Y swap rate is the implied inflation rate in years 6-10 from today.

Data as of 10/28/2025

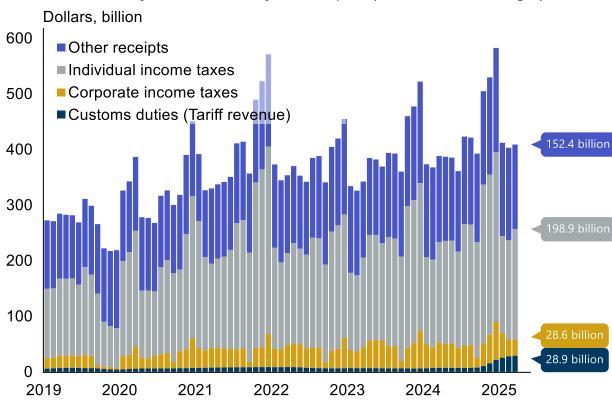
The US now collects as much in tariff revenue as in corporate income taxes

US Customs Receipts: Tariff Revenue, 12-Month Rolling Sum



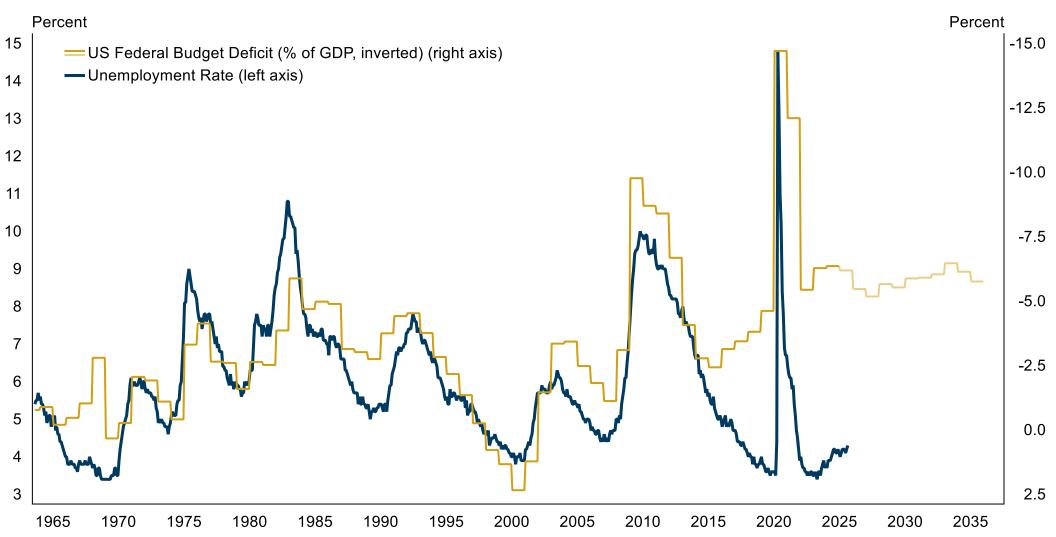
Source: U.S. Department of Treasury, First Citizens Bank Data as of October 16, 2025

Monthly US Treasury Receipts (3-month average)



Source: U.S. Department of Treasury, First Citizens Bank Data as of October 16, 2025

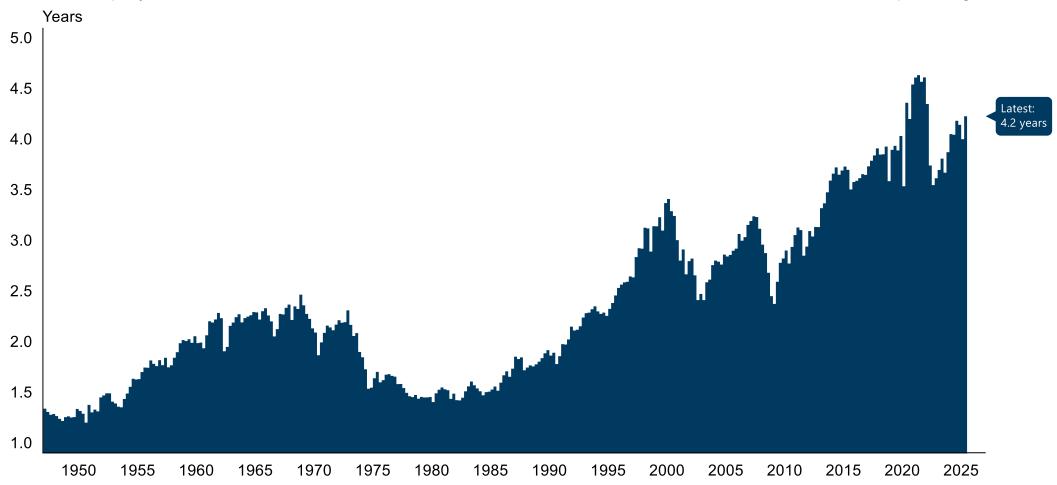
The government has run persistent deficits with the economy strong



Source: U.S. Bureau of Labor Statistics (BLS), U.S. Congressional Budget Office (CBO), Federal Reserve, First Citizens Bank Data as of October 28, 2025

Households invested in stocks have never been wealthier

Equity, Mutual Fund, and Pension Entitlement Wealth Relative to Annual Consumer Spending

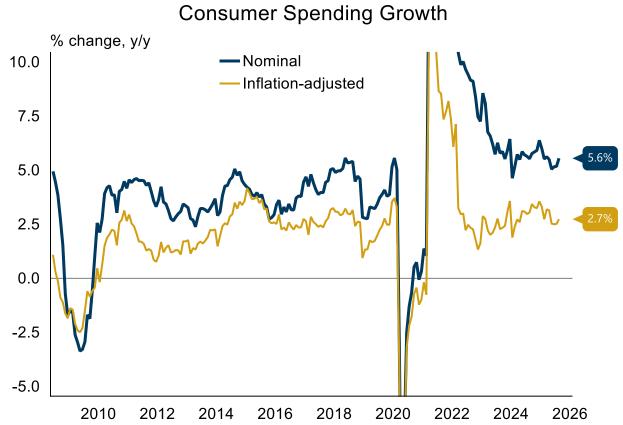


Source: Federal Reserve, U.S. Bureau of Economic Analysis (BEA), First Citizens Bank

Data as of September 26, 2025

Note: "Stock market wealth" is an aggregation including corporate equities, mututal funds, and pension entitlements.

Consumer spending growth continues to moderate but remains healthy



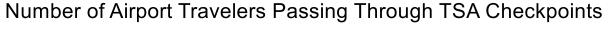
Source: U.S. Bureau of Economic Analysis (BEA), First Citizens Bank Data through August 2025

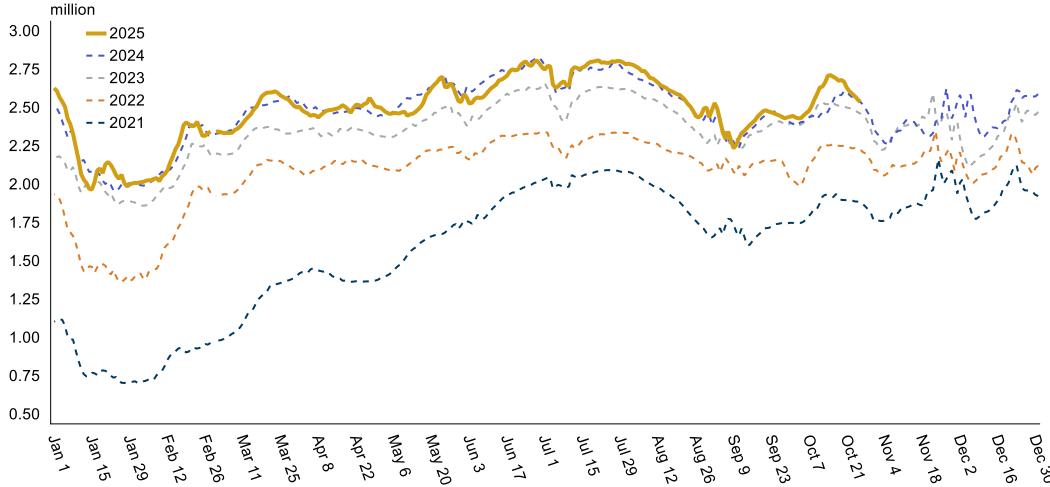
Consumer Spending Growth by Category 15.0 — Total PCE spending growth Contribution from services 12.5 Contribution from durable goods ■ Contribution from nondurable goods 10.0 7.5 5.0 2.5 -2.5 May Sep May Sep Jan May Sep May Sep Jan 2022 2023 2024 2025

Source: Bloomberg, First Citizens Bank

Data as of August 2025

The number of airline travelers has tracked with last year at record levels



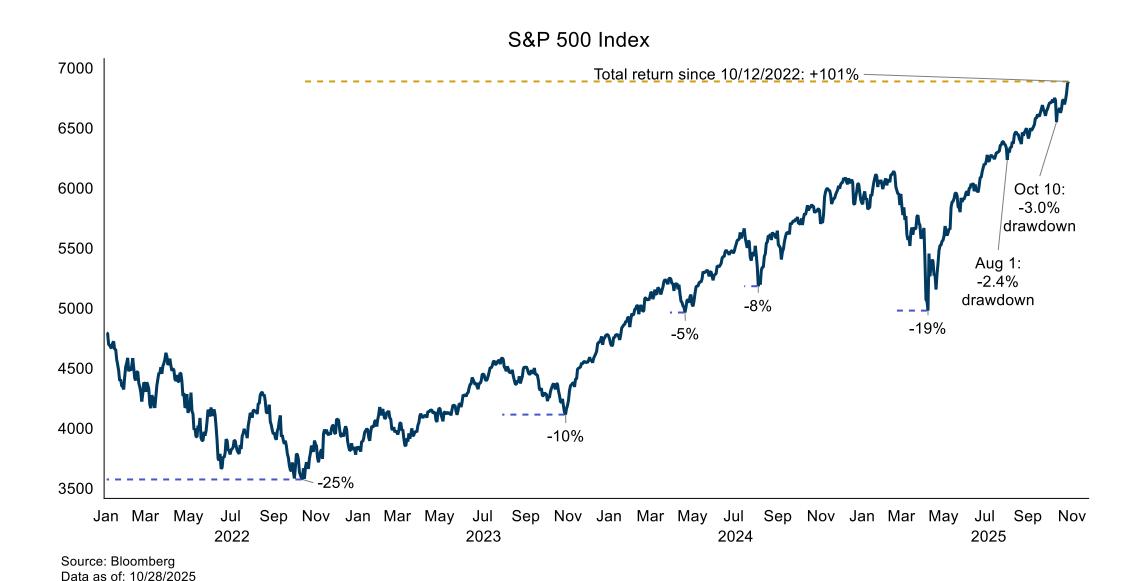


Source: U.S. Department of Homeland Security, First Citizens Bank Data as of October 27, 2025

Market update

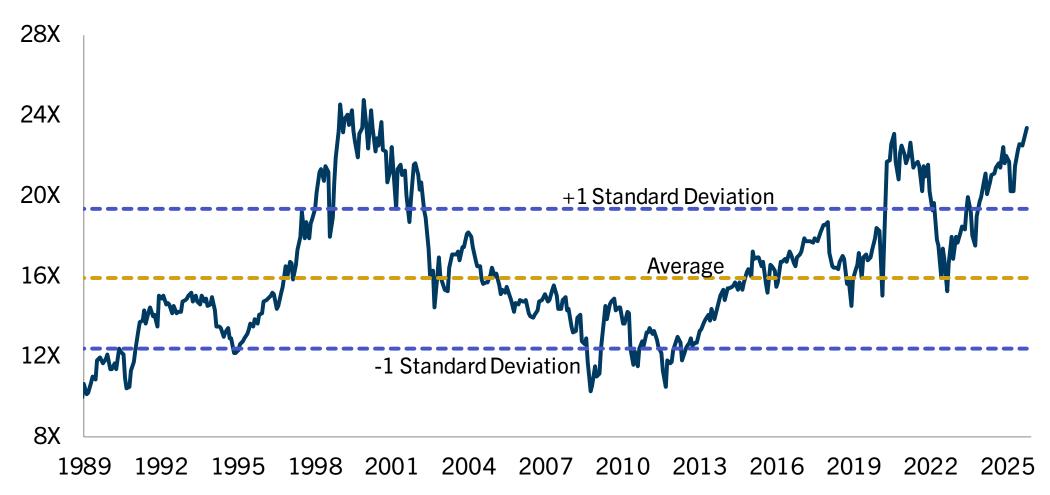
Equity markets | Valuations | Fixed income

Stock-market gains have been uninterrupted in the second half of 2025



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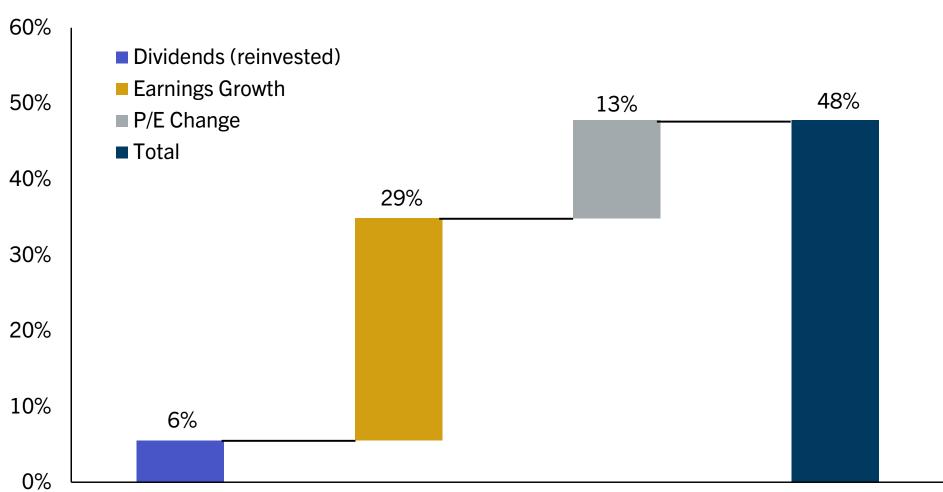




Source: Strategas. Data as 9/30/2025.

Earnings – not valuation – have been the main driver of total return

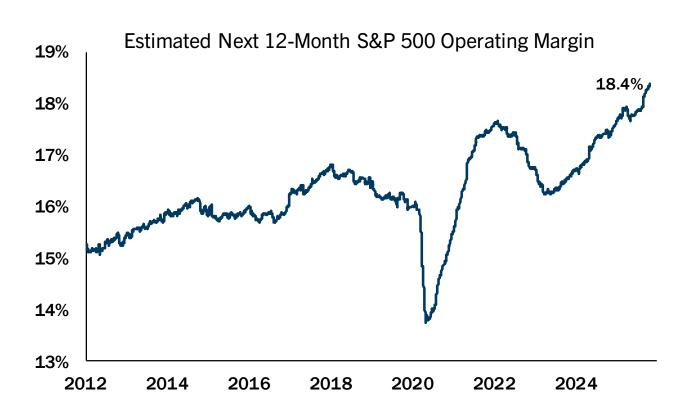




Corporate earnings

- CY 2025 estimated growth is 11.0%
 Q3 2025 estimated growth is 9.2%
- CY 2026 estimated growth is 13.9%

Average growth since 1950 is 7.6%



Source: FactSet, Bloomberg. Data as of 10/28/2025.

Recent dollar weakness garners investor attention



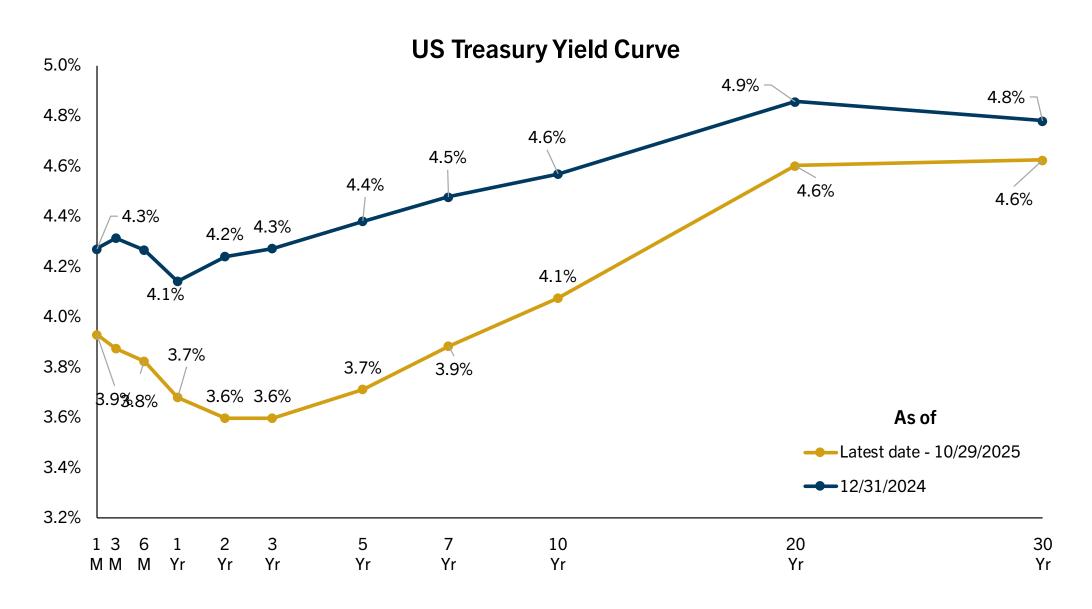
S&P 500 price target

Next Twelve-Month S&P 500 Price Target

	Next Twelve Months Price Level	Percent Change from 10/28/25
Bear	4,900	-28.9%
Base	6,800	-1.3%
Bull	7,450	8.1%

Source: Bloomberg, FactSet, First Citizens Wealth

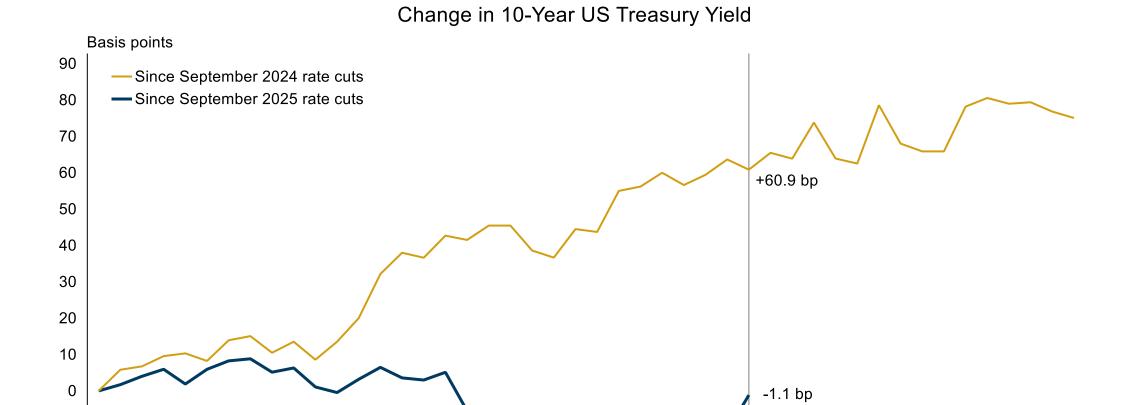
The Treasury yield curve has continued to steepen



Source: Bloomberg

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Treasury yields have moved lower since the Fed's rate cut, unlike last year



1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

Days since first rate cut

Source: Bloomberg Data as of: 10/30/2025

-10

-20

Fixed income is still offering attractive yield relative to post-GFC cycle

US Fixed Income Indices		
	Yield-to-Worst	
Index	As of 10/29/2025	
2-Year Treasury	3.6%	
10-Year Treasury	4.1%	
Aggregate Bond	4.3%	
Intermediate Government/Credit	3.9%	
Municipal Bond	3.5%	
Investment Grade Corporate Bond	4.8%	
High Yield Corporate Bond	6.7%	

Source: Bloomberg. First Citizens Wealth



Making Sense

In Brief | A look at the week ahead in under two minutes every Monday morning

Q&As | Monthly conversations covering 2-3 of the top questions we're hearing from clients

Market updates | Monthly interactive discussions with in-depth analysis of markets and the economy

Written commentary | Often coinciding with market or economic events



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Making Sense



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