



First Citizens Wealth™

# Making Sense

Quarterly Market Review – Q3 2025



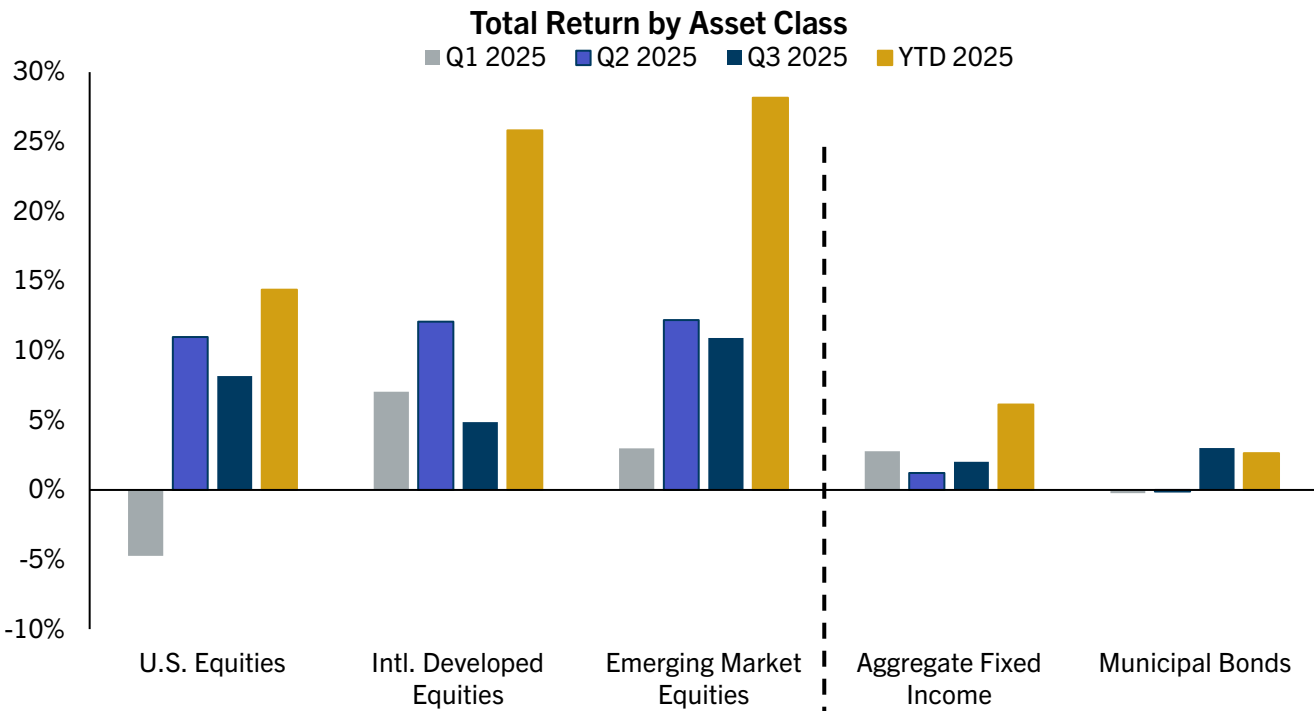
Global Markets

The third quarter was much steadier in global markets after a tumultuous first half of 2025. US tariffs had a more modest effect than feared, but also the US economy and corporate earnings have proven much stronger than expected.

International equities are significantly outperforming US indices year to date, but the gap has narrowed since Q1. After a second consecutive 10% or higher quarterly return, Emerging Market equities have roared to a 28% return as the best performing asset class this year.

Aggregate fixed income posted another positive quarterly return as expectations for interest-rate cuts pushed yields lower. Municipal bonds rebounded in Q3 to post their first quarterly gain this year.

Returns were solid across asset classes in Q3



Source: Bloomberg. Note: Chart data represents Russell 3000, MSCI EAFE, MSCI EM, Bloomberg Aggregate Bond, Bloomberg Municipal Bond. Data as of 9/30/2025.

# US Equity Performance

Small cap stocks returned over 12% in Q3 across the style spectrum, outperforming the mid and large cap indices. Growth stocks delivered strong returns in large and small cap, but returns were muted in mid cap after huge gains in Q2.

Year to date, US equities are delivering excellent returns. Large cap growth has dominated with +17.0% returns to date, but returns across the size and style spectrum have been impressive.

# Small cap stocks outperformed in Q3

QTD US Equity Returns As of 09/30/2025			
	Value	Blend	Growth
Large	4.9%	8.7%	11.1%
Mid	6.2%	5.3%	2.8%
Small	12.6%	12.4%	12.2%

2025 YTD US Equity Returns As of 09/30/2025			
	Value	Blend	Growth
Large	12.8%	15.7%	17.0%
Mid	9.5%	10.4%	12.8%
Small	9.0%	10.4%	11.6%

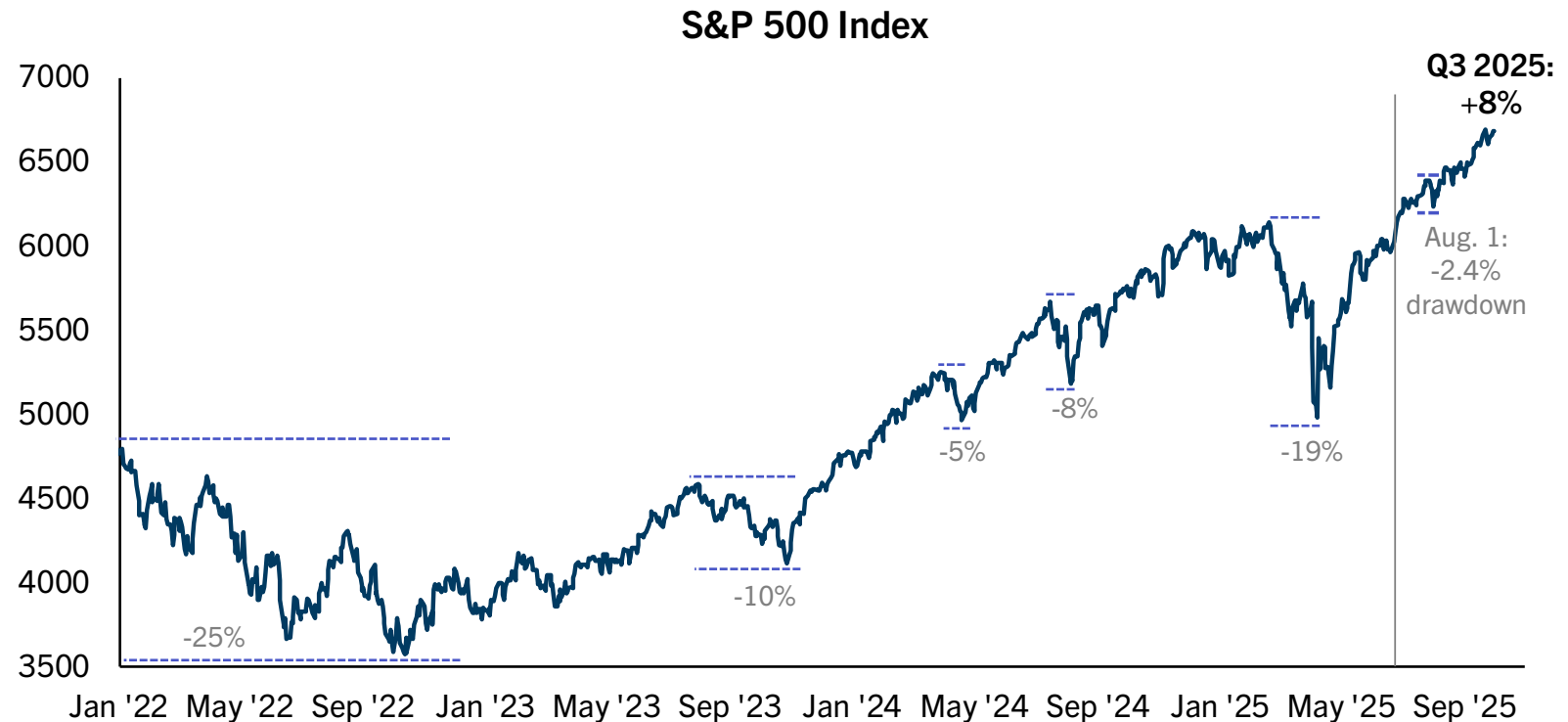
## US Equity Performance

The S&P 500 rose 8% in the third quarter, and the index has gained 14% this year even despite the sharp selloff in April. The index hit 23 all time highs in 64 trading days.

Since 2010, on average the S&P 500 has spent at least a day each quarter 10% below the all-time high. Since 1980 – a period including more bear markets – this is closer to a 15% drawdown. But in Q3 the worst selloff from peak was just 2.4%, in the 97th percentile of mildest quarters since 1980 and among the most benign periods for the index on record.

This remarkable quarterly performance following the extreme volatility in Q2 serves as a reminder to us of the danger of trying to time markets as well as the importance of staying invested for the long term.

## The S&P 500 had a remarkably benign quarter



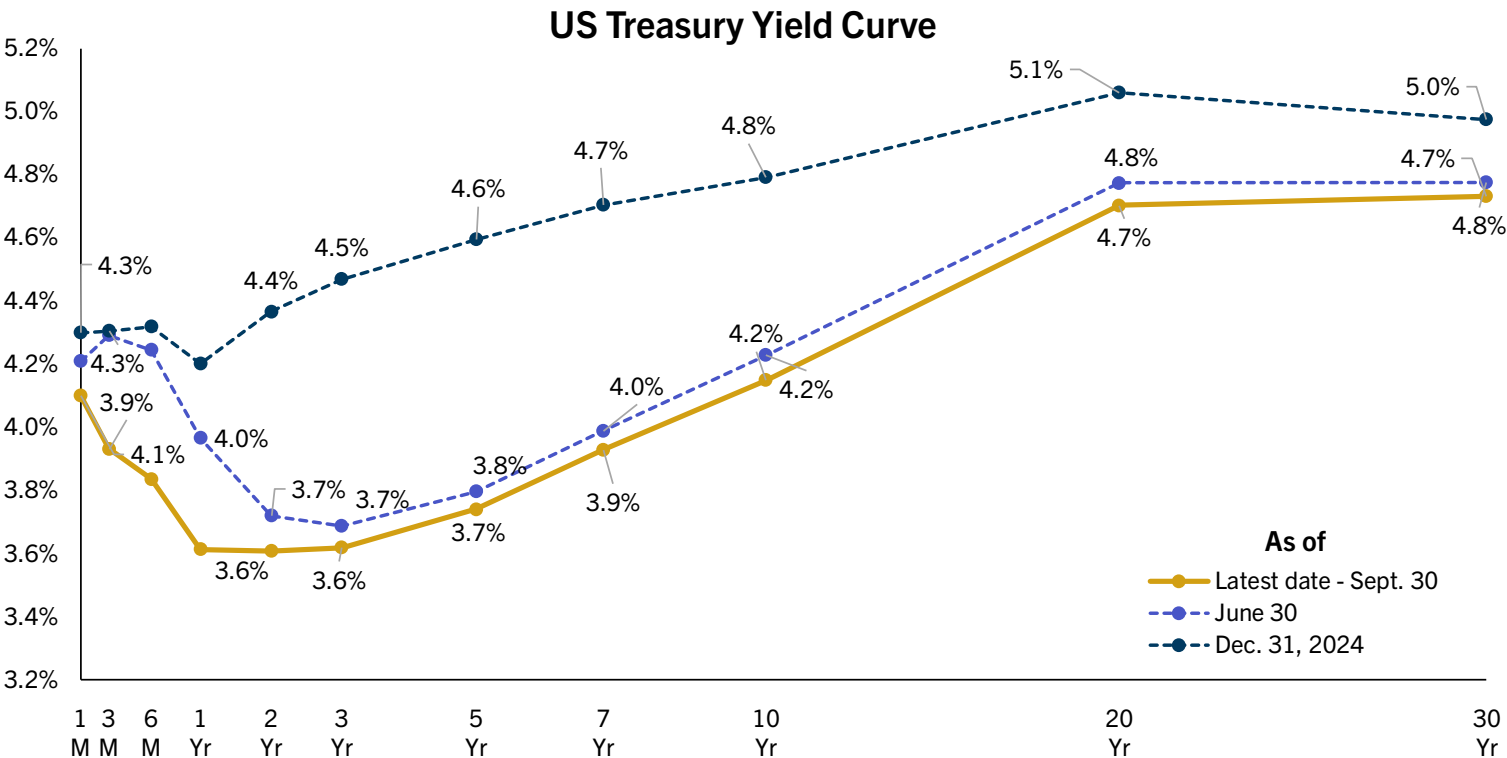
Fixed Income

In the third quarter, investors were focused on the outlook for interest-rate cuts from the Federal Reserve. By September, markets had priced three quarter-point rate cuts, driving down Treasury yields within the 1-year duration.

Over the summer, Fed policymakers pivoted to emphasize the risks of a softening labor market over the risks of above-target inflation. As a result, markets have taken the Fed’s projection for additional rate cuts at face value, even though the economy has proven resilient.

Rate cuts directly affect the short end of the yield curve, but there is no rule that longer-term yields must follow them lower. In fact, when the Federal Reserve cut interest rates a year ago, the 10-year Treasury yield moved significantly higher in subsequent months.

Yields moved modestly lower in Q3



## Fixed Income

Yields remain attractive despite recent interest-rate cuts. Q3 saw less volatility in fixed income compared to past quarters, and the 10-year Treasury yielded 4.15% yesterday, just 8 basis points lower than on June 30.

Yields are below their peaks over the last couple of years, but we still see attractive opportunities for fixed income investors.

## Yield levels remain attractive

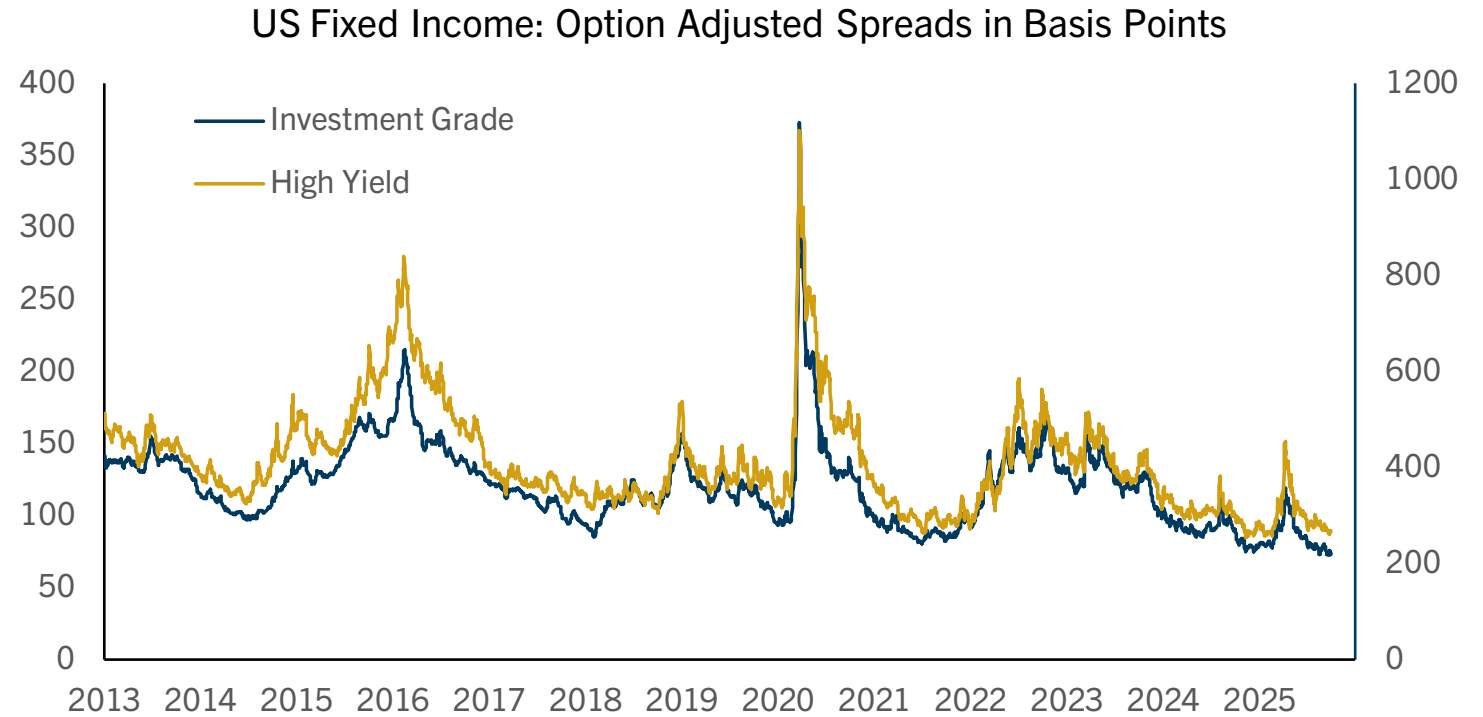
US Fixed Income Indices	
	Yield-to-Worst
Index	As of 9/30/2025
2-Year Treasury	3.6%
10-Year Treasury	4.2%
Aggregate Bond	4.4%
Intermediate Government/Credit	4.0%
Municipal Bond	3.7%
Investment Grade Corporate Bond	4.8%
High Yield Corporate Bond	6.7%

## Fixed Income

Credit spreads for investment grade and high yield corporate bonds have continued to narrow and are at or near historic levels of tightness.

Credit spreads are a good proxy for perceived risk, and fixed income markets are not currently pricing an imminent dislocation. We would expect to see a widening of spreads before any severe economic downturn.

## Corporate credit spreads tightened even further



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