



2025 Fall Newsletter

It's not every year that stocks begin strong, enter correction territory, plummet into a bear market, and then completely rebound and rally to new record highs—and we're just barely three-quarters of the way finished. Of course anyone keeping score will remember that this phenomenon just recently happened in 2020 due to the Covid flash crash & recovery...so twice in the past 150 years, [according to Morningstar](#). To say we are not quite sure how the year ends is an understatement.

The simplest explanation for the wild swings and uncertainty is that there are two narratives at odds in heated competition regarding the economy and markets. One story highlights a modern economic boom currently in motion and with legs fueled by full employment, stable inflation, easing monetary policy, lower taxes, deregulation, and colossal investments in AI, energy and national defense. A parallel story warns of labor market deterioration, present and future fiscal and monetary recklessness, trading woes, multiple catalysts for further inflation, U.S. skepticism abroad, and an AI bubble.

For now, investors are voting with their money on the first story, bidding stocks and other more esoteric assets like crypto currencies to new highs. What began as a Big Tech rally has given way to the equal-weight S&P 500 recently hitting a new high-water mark, illustrating that there is in fact a tide lifting most boats. Even the Russell 2000, which captures the smaller, less consistently profitable market segment, has barreled to new highs. At the same time, certain metrics last breached during the Dot Com bubble have been met or surpassed—[price to sales](#), [tech concentration](#), and [investments relative to earnings](#). Yikes!

While this year has no doubt created a heightened level of uncertainty, interacting with two opposing stories that both seem coherent and true is what investors do every day. It's usually when only one narrative dominates that we regret not sooner reconciling hard numbers with the stories that we tell ourselves: "This internet thing will bring endless abundance," or "home prices only go up," or "inflation could never be 9% again." Two opposing views make a healthy market, and certainly some froth today is being tamed by concerned market participants. Yet the balance by enough metrics shows stretched optimism (to put it nicely) outweighing prudence as we enter the final quarter of 2025.

Whether an inflection point in the cycle or not, this has been a wonderful year for portfolios and quite an opportunistic year to rebalance them, trimming winners, and positioning ourselves a little more conservatively. Enjoy the Fall festivities and we look forward to our continued partnership.

Wishing you all the best,

Josh