CWP PRIVATE WEALTH MANAGEMENT

10/27/2025

Portfolio Changes

Model Changes:

- Trimmed IWP 2%, ETHA 0.5%
- Added PPA 0.5%, XBI 0.25%
- Sold ITB 2.5%, KRE 3%

Drivers of Portfolio Changes

- Cut yield sensitivity due to concerns of some isolated credit issues and renewed tariff probability for China.
- Added some defensive exposure to offset some cyclical positions.
- Continue to maintain higher beta positions with asymmetry.
- Model Yield 2.2%
  - Bond Yield – 4.8%, Effective Duration 6.1

Current Economic Highlights

- Personal consumption 2.7% YoY vs 2.7% prior revised.
- Headline retail sales 5% YoY vs 4.1% prior revised.
- Retail Sales control group up 5.9% YoY vs 4.9% prior revised.
- Industrial production 0.9% YoY vs 1.3% prior revised.
- The unemployment rate was up to 4.3% vs 4.2% prior.
- Aggregate Hours worked 0.8% YoY vs 1.1% prior revised.
- Aggregate labor income 4.4% YoY vs 4.9% prior revised.
- Total employees on non-farm payrolls 0.9% YoY vs 1.0% prior.
- ISM manufacturing PMI up to 49.1 vs 48.7 prior.
- ISM Services PMI down to 50.0 vs 52.0 prior.
- Core PCE flat at 2.9% vs 2.9%, revised the previous month.
- Q2 2025 GDP 2.1% YoY vs 2.0% YoY in Q1 2025
  3.8% QoQ vs -0.5% QoQ in Q1 2025
- Personal Consumption Expenditures 2.5% (Q2 2025 annualized) vs 1.6% (Q1 2025 annualized)

Forecast

- With the government shutdown now approaching a month, we expect growth to decelerate by 30-40 basis points for the current period which will likely continue by approximately 10bps/week the longer it lasts. However, most of the lost growth is made up post the reopening. Inflation will likely decelerate slightly due to the slowdown in growth as well.
- Earnings growth should continue to accelerate more broadly as companies down the cap spectrum start to compare against depressed earnings over the last few years alongside tailwinds from rate cuts and OBBB going into the new year.
- Markets should continue to be in a risk on environment into early next year despite some bouts of volatility that may arise as markets may price in the slowdown from the shutdown when the data is released later this year around late November to early December. No resolution over the shutdown post December can derail the momentum in the market.

Highlighted economic data represents data that has not been reported due to the government shutdown and has not been updated from last month.