Economic and Investment Newsletter October 2025

Current Market Commentary

On October 1st, the US government entered its first day of a shutdown because the Senate could not pass a spending bill to keep non-essential services running. The market has not shown much reaction yet; however, as payday for US service members approaches in less than ten days, Congress will be forced to address the deadlock. The last full shutdown of the US government was in 2013 and lasted eighteen days. Market returns were positive before, during, and after the shutdown in 2013. As the government becomes a smaller portion of US GDP, the market now appears to be more focused on trade and tariff policies, geopolitical and economic events, and technological developments such as AI, while political maneuvering lingers in the background.

Regarding AI, the technology sector's valuation might seem a bit frothy, but it is not a crash-and-burn scenario reminiscent of the Dot-Com bubble. The fact that AI is creating real-time intellectual property value by enhancing physical and human capital in both work and personal spaces is reflected in the technology sector's 23.71% Q2 return, after a challenging Q1 in 2025. BEA data on gross domestic product indicates that intellectual property products (including R&D, software, entertainment, and literary or artistic originals) saw a positive change of 15% in Q2 and an increase of 6.5% in Q1 of 2025. Meanwhile, the change in gross private domestic investment - including intellectual property products - was -13.8% in Q2 2025, driven by negative growth in non-residential structures and residential investments. The real estate sector maintained a -0.6% return in Q2 2025 and a year-over-year revenue growth of 7.2%, while the technology sector posted a 16% year-over-year revenue growth in Q2 2025.

Fintent Invest Strategy Outlook

Fintent Invest remains disciplined in building model portfolios in accordance with current geopolitical events, trade and fiscal policies, economic data, and sectoral growth in both the US and global economies. We continue to see volatility rises in the coming months with the Federal Reserve independence being threatened by current political environment along with uncertainties in the global geopolitical stage. While it is believed that the US government shutdown will be resolved in due time, the credibility of data produced by government agencies such as the BEA and BLS may suffer as a result.

Fintent Invest upholds an investment thesis focused on high-quality equities, such as large-cap stocks with a strong history of dividend payouts and reliable cash flow. Selectivity guides investment in the small- and mid-cap space, as inflation remains persistent and the unemployment rate of 4.3% is at its highest level since 2021. A more challenging financing environment may impact the short-term cash needs of small- and medium-sized companies as banks become more conservative in their lending practice. While much speculation suggests that the Federal Reserve will cut rates twice more before 2026, Fintent Invest does not agree with this consensus. The view is that the Federal Reserve will not implement another rate cut until it receives clarity from economic data regarding the effects of tariff-induced inflation and the impact of deportation policies on the labor market.

On the fixed income side, Fintent Invest continues to focus on medium- and longer-term investment-grade corporate and Treasury bonds. It is believed that the yield spread between investment-grade and non-investment-grade fixed income assets will inevitably widen, given the potential for a softening economy over the next 12 to 18 months.