

The Riverwood Wealth Management Group at Morgan Stanley

News and Views

November 2025

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Hi, Denison here. I hope this letter finds you well. At times, writing these updates feels a bit like déjà vu - the more things change, the more they stay the same. As I reflected on what to share this month, I looked back at my letter from July, and much of what was weighing on the markets then still applies today. "Experts" continue to make predictions about what's to come, though if the first half of the year is any indication, their track record remains mixed. Rather than reacting to every new forecast, our goal is to focus on what we can observe and control – sound investment decisions grounded in your individual plan and fundamentals, not headlines

In July the major themes shaping market sentiment were inflation, interest rates, and geopolitical tensions. Unsurprisingly, those remain the dominant topics today. Interest rates may be the least uncertain of the three, with most indicators suggesting the Federal Reserve could deliver two additional 25 basis point cuts in 2025. Inflation remains somewhat sticky, though it has not accelerated as many had feared earlier in the year amid tariff concerns. Progress is slow, but in the right direction. The government shutdown is the topic du jour for market pundits to pontificate about but historically has had limited lasting impact on the markets. On average, shutdowns have lasted only 8 days (at the time of writing we were past that) and the most recent shutdown in 2018 lasted for 35 days. We may be headed for that this time around. 86% of the time the S&P 500 has ended higher one year after a shutdown and during the shutdown in 2018, the S&P 500 rallied. So not necessarily a negative for markets. History reminds us that short-term political noise doesn't necessarily translate into negative market outcomes.

An old investment expression seems to be appropriate currently – *"The economy is not the market; the market is not the economy."* What is meant by that? Despite persistent concerns about growth, inflation, and global tensions, the stock market has remained resilient – having recently set an all-time high in October after recovering from the lows seen in April. As is often the case in such periods, "experts" are quick to predict a downturn or claim credit for calling the next move. Yet in hindsight, few ever circle back to assess how the "expert" forecasts held up...but I digress. Markets tend to move for one or two reasons: they become overvalued, or they experience a major external shock.

Let's take a moment to consider valuations. Few would argue the stock market looks "cheap" when indexes are hitting record highs. However, that's often a reflection of how earnings estimates – created by those same "experts" – have been set. Following the market's dip in April most analysts reduced their earnings forecasts for the market, and many have yet to change their tune. So, if earnings estimates remain low and the stock market continues to go up, what happens? The valuation of the stock market increases making it seem expensive. That is extremely simplified, but I am limited on space, and I don't want to put you to sleep if you have made it this far into the letter. Corporate earnings for the 3rd quarter have been beating to the upside and consensus estimates going forward have begun to climb. This helps support valuations, even as stock prices climb.

Today's leading companies are different than their 1999 counterparts. Today's leaders have better balance sheets, more cash flow, and more proven multi-decade business models. While markets may periodically stumble, we try to own what we think are high quality companies within a diverse portfolio. We own companies, not markets.

The chart on page 2 serves as a reminder: markets don't go up in a straight line. Periods of volatility are natural and often necessary, but over time, the market has shown remarkable resilience.

As always, thank you for your time and the confidence you have placed in us. Please call anytime.

"Working hard to earn your trust...and even harder to keep it"

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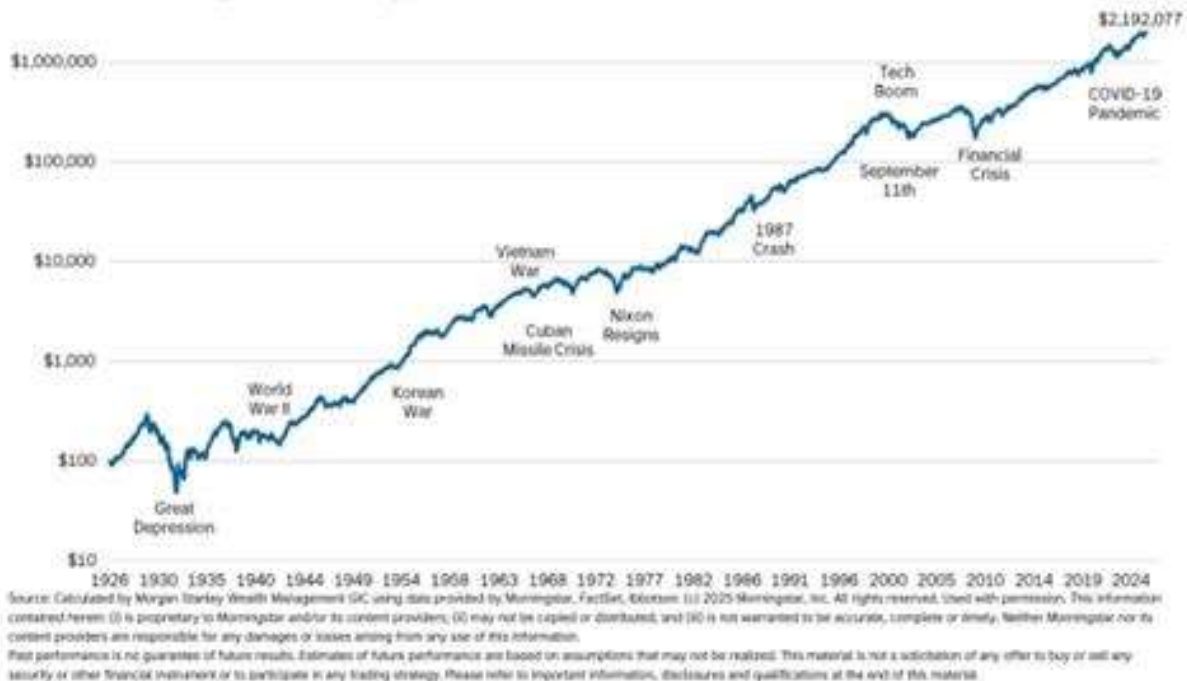
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Over the Long Term, S&P 500 Has Gained Despite the Headwinds from Headlines

S&P 500: GROWTH OF \$100 (LOG SCALE)

MONTHLY DATA: JANUARY 31, 1926 - SEPTEMBER 30, 2025



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The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization US stocks. **An investment cannot be made directly in a market index.**

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