

Where We Stand

John Stoltzfus, Chief Investment Strategist at Oppenheimer Asset Management, explains his top-down view of markets, the economy and asset allocation.

Third Quarter 2025

Current View



Economic Growth

The U.S. economy showed resilience through September of 2025 despite a still relatively restrictive policy stance by the Federal Reserve. Growth in the June quarter reached 3.8%, and strong retail sales data suggest that growth in the September quarter could also top 3%. Although employment growth has slowed, there appears to be little recession risk on the near-term horizon.



Equities

Despite its 18.9% decline between Feb. 19 and April 8, the S&P500 rallied to new, all-time highs in late September. Uncertainty about tariff policy and relatively high valuations present a potential challenge to the outlook for the equity market over the remaining months of 2025 as investors await quarterly earnings results and guidance.



Fixed Income

The U.S. 10-year bond yield fluctuated within a range of 4% to 4.8% over the first nine months of 2025. While we favor equities over fixed income, we continue to find bonds to be complementary to equities and other asset classes within diversified portfolios.



Inflation

A long period of tight monetary policy has blunted the trajectory of inflation. Though the inflation rate has come down since 2024 it remains stubbornly above the Fed's 2% target rate.



Employment

Job postings have remained resilient as some employers look to maintain headcount even as they step back from employee warehousing as the economy shows some signs of slowing and AI usage increases.



Oil

Resilient economic growth in the U.S. as well as some acceleration abroad kept prices in a range between \$55 and \$80 per barrel through the end of September even as OPEC+ eased its policy to restrain production. Geopolitical and trade policy risks have contributed to price volatility.



Currencies

On a trade-weighted basis the U.S. dollar index fell 9.9% from its peak in mid-January through the end of September, 2025. This decline in the dollar enhances US competitiveness in global trade. Geopolitical tensions have led to occasional short-term dollar rallies on "flight to quality" trades, lending some resilience to the dollar.



Monetary Policy

Even as inflation remained above target, the Fed eased its monetary policy stance in late 2024 and most recently in September 2025 to support jobs growth. Stickiness in inflation and uncertainty over tariff policy kept the Fed on hold over the first half of 2025. That said recession risk appears mitigated by resilience in employment and corporate earnings.



Public Policy

As the second Trump Administration moves to extend tax cuts and enact import tariffs the change in public policy adds a level of uncertainty to economic growth and the financial markets.



International Markets

Developed international and emerging equities outperformed US equity markets over the three quarters of 2025. The potential for a further weakening in the dollar could provide tailwinds for foreign assets held by US investors.



Positive  Neutral  Negative 

Keys to Allocation



1

Core-Satellite Approach

We advocate combining individual securities and actively managed portfolios around a core of other broadly diversified and strategically allocated investments.

2

Broad Market-Cap Exposure

We favor exposure across large-, mid-, and small-cap equities when making stock- and sector-specific allocations as global markets remain prone to frequent rotation and rebalancing.

3

Knowing What You Own

Understanding how different investments interact with each other and how they behave in certain market environments is helpful for investors in achieving their long-term investment goals.

Sector Views

Sector	Rating	Sector	Rating
Technology	Outperform	Consumer Staples	Perform
Rationale: Products vital to business and consumers are poised to deliver greater efficiencies and convenience from innovation. Tariff policy presents near term risks.		Rationale: This defensive sector remains attractive given resilient consumer demand and M&A opportunities. Although valuations remain full, opportunities may arise in market downdrafts.	
Financials	Perform	Energy	Underperform
Rationale: Potential reduction in regulation stateside offers opportunity. Sector should benefit if the Fed continues to cut rates.		Rationale: Energy prices are likely to be challenged by excess capacity and potential increases in production.	
Health Care	Underperform	Utilities	Perform
Rationale: Regulation and litigation risks persist. AI offers the potential to streamline the process of research and developments in pharmaceutical products, biotechnology and diagnostic tools.		Rationale: Normalization of interest rates create opportunity with the sector's bond proxy risk lessening. Increased demand for electricity and prospects for grid improvement support the sector longer term.	
Consumer Discretionary	Outperform	Real Estate	Underperform
Rationale: Leisure, hospitality, and entertainment spending remains supportive. Valuations create prospects for M&A.		Rationale: Pressure on commercial RE valuations in major U.S. cities remains a drag but whets appetite of distressed asset buyers for repurposing.	
Industrials	Outperform	Materials	Perform
Rationale: Aerospace, infrastructure, robotics, agriculture, energy, and defense equipment needs drive demand for products.		Rationale: This sector is likely to benefit as domestic and international infrastructure needs are addressed.	
		Communications	Perform
		Rationale: Exposure to tech-driven segments (AI, 5G, search, advertising and streaming) provides opportunity.	

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