

Market Commentary 10/30/25

An Oxford Harriman & Company Market Commentary

Oxford Harriman Offices

Astoria, New York
 Boston, Massachusetts
 Buffalo, New York
 Chagrin Falls, Ohio
 Cleveland, Ohio
 Detroit, Michigan
 Fairfield, New Jersey
 Kingston, New York
 Lorain, Ohio
 Madison, Wisconsin
 Mentor, Ohio
 Newport News, Virginia
 Park Avenue, New York
 Rhinebeck, New York
 Sarasota, Florida
 Saratoga County, New York
 Short Hills, New Jersey
 St. Joseph, Michigan
 Syracuse, New York
 Westlake, Ohio
 White Plains, New York
 Woodcliff Lake, New Jersey
 Wyomissing, Pennsylvania

oxfordharriman.com

Markets Rise, Consumers Hesitate Diverging Sentiments in a Mixed Economic Landscape

Recent data reinforces a growing divergence between consumer optimism toward financial markets and their caution toward the broader economy. Surveys show that nearly 60% of consumers expect the stock market to climb over the next year, even as the University of Michigan's Consumer Expectations Index hovers near its lowest levels since the pandemic and the 2008 financial crisis.

Historically, these measures have moved in tandem; when consumers feel good about their economic prospects, they tend to feel confident about markets. The current gap, however, suggests a deeper disconnect between financial markets and real economic sentiment.

Market Momentum Remains Strong

Equities continue to demonstrate resilience. The S&P 500 has reached over 20 record highs since late May, propelled by solid corporate earnings and continuous enthusiasm surrounding artificial intelligence. Capital investment in AI infrastructure, spanning data centers, semiconductors, and cloud services, has become a significant driver of both productivity expectations and earnings growth. Additionally, a more stable geopolitical environment and easing trade tensions have calmed investor nerves.

The Federal Reserve's September rate cut also bolstered investor sentiment. The move signaled confidence that inflation is largely contained while providing reassurance that policymakers are ready to support growth if needed. This "soft landing" narrative, where inflation cools without a sharp economic downturn, has strengthened belief in a sustainable expansion, helping to push valuations higher even as fundamentals normalize.

Households Feel the Strain Beneath the Surface

Despite gains in investment portfolios, many households remain financially strained. Housing affordability is near a multi-decade low, with mortgage rates above 6.5% and limited housing supply keeping prices elevated.

Inflation has slowed, but remains sticky in key categories such as food, healthcare, and rent, which continue to rise faster than wages for many workers.

The labor market, while still historically strong, has cooled noticeably. Job creation has slowed, openings have declined, and unemployment has ticked higher. Wage growth, once fueled by post-pandemic competition for talent, is moderating. For households, that translates into uncertainty about future income, even as investment assets grow.

Why the Gap Matters

The widening gulf between market optimism and economic pessimism matters because the U.S. consumer remains the backbone of growth, accounting for roughly 70% of GDP. If consumer sentiment fails to improve, spending momentum could falter, particularly on discretionary goods and services. This dynamic could become self-reinforcing: weaker spending could slow earnings growth, eventually dampening the very market optimism that has buoyed investors.

The contrast between Wall Street and Main Street is sharpening. Markets are forward-looking and are pricing in innovation, easing policy, and resilient corporate profits. Consumers, however, are feeling the weight of high costs, constrained affordability, and uneven job security.

Bridging this gap will likely depend on whether the Federal Reserve's policy pivot, continued AI-driven investment, and a stabilizing inflation trajectory can translate into tangible improvements in household balance sheets.

Until then, the U.S. economy sits in a curious equilibrium: confidence at the trading desk, caution at the kitchen table.

Wage growth, once fueled by post-pandemic competition for talent, is moderating. For households, that translates into uncertainty about future income, even as investment assets grow.

Markets are forward-looking and are pricing in innovation, easing policy, and resilient corporate profits. Consumers, however, are feeling the weight of high costs, constrained affordability, and uneven job security.

Have a good week,

Dennis P. Barba, Jr.
CEO & Managing Partner

Michael P. Finkelstein, CFA
Partner

Robert Frenkel, CFP®
Chief Investment Officer

oxfordharriman.com

S&P 500 Index is a capitalization-weighted index calculated on a total return basis with dividends reinvested. The index includes 500 widely held U.S. market industrial, utility, transportation and financial companies. PM-04272027-8542291.1.1