



Hutchinson Financial Advisors, Inc.  
5243 Hickory Park Drive, Suite C  
Glen Allen, VA 23059

Main: 804.729.6420  
Fax: 804.729.6425

HutchinsonAdvisors.com

## 3<sup>rd</sup> Quarter Market and Economic Update

October 12, 2025

*"At the root of all financial bubbles is a good idea carried to excess." -Seth Klarman*

*"It is not that we have a brief length of time to live, but that we squander a great deal of that time." -Seneca*

I hope you had a wonderful summer and a good start to the fall. For those who may not know it, fall tends to be my favorite time of the year. Unfortunately, just as the fall was getting started, I suffered an avulsion fracture of my left distal fibula. In lay terms, I rolled my ankle, and a ligament pulled a fragment of bone off the main bone. Thus, I've been in a walking boot for the last 2 ½ weeks, with another 2 ½ to 3 weeks to go. There is no truth to the rumor that the two Susans had enough of me and caused the injury. Seriously, I consider myself lucky. It doesn't appear surgery will be needed and since it was the left ankle, I am able to drive without any problem. So, onward we shall go.

"Onward" seems to be the appropriate word to describe equity markets in the 3<sup>rd</sup> quarter. Despite all the financial and geopolitical challenges, equity markets just kept on chugging ahead. As we've discussed in previous letters, the enthusiasm for artificial intelligence ("AI") has been leading this cyclical bull market which began three years ago. AI is front and center in seemingly every business news story every day. It seems to me that companies around the globe are either building out their AI capabilities, trying to figure out how to use AI, or being left behind. It is this massive investment in AI from around the globe which continues to help equity markets move higher. In the 3<sup>rd</sup> quarter, every benchmark equity index was higher, led by Emerging Markets and the Nasdaq. Ten of eleven sectors were higher, with the only loser being consumer staples. Fixed income benchmarks also were positive in the 3<sup>rd</sup> quarter, but the top performing asset class was gold.

After three years of a cyclical bull market, led by technology, in general, and AI, in particular, I'm starting to see the word "bubble" tossed around by commentators. There certainly are a lot of similarities to the AI boom and the internet boom of the late 90's. A new technology which would revolutionize the world, seemingly more and more money being invested into this technology, and ever rising stock prices for the companies at the forefront of the boom. For those who may not recall, the internet bubble finally began to burst in March 2000. That marked the top of the secular bull market and the start of the secular bear market which lasted from that point until March 2009. Before anyone's blood pressure rises, I should point out some very important differences between the current setup and the internet bubble of the late 1990's. Most importantly, the companies leading the charge into AI today are some of the best managed, largest, and most profitable companies in history. That wasn't necessarily the case in the late 1990's. Many of the companies

from that period no longer exist, having gone bankrupt. Many of those still in existence are no longer leaders in their respective fields. Also, back in the late 1990's the Federal Reserve ("Fed") was increasing interest rates; meanwhile, the current Fed just cut rates in September, and I would expect at least one, if not two more rate cuts before year-end. Further, when Fed Chair Powell's term is up in May, President Trump will certainly replace him with someone who will cut rates even further. These two differences between our current environment and that which we faced in the late 1990's are incredibly important.

However, when I see news reports of tech company A investing into tech company B, so that tech company B can provide a service to tech company C, while C buys products from company A, the nature of the relationship does make me recall the circular financing that helped implode the tech bubble at the turn of the century. I think it is summed up best by Ed Elson who wrote recently, *"OpenAI is promising Oracle \$60 billion a year for compute it doesn't use, on infrastructure Oracle hasn't built, powered by energy it doesn't have, running on chips from Nvidia, which is investing \$100 billion into OpenAI."* Simple, right?

As I always say, my crystal ball is cracked and broken, so I cannot see the future. Coming into 2025, I expected a more difficult and volatile year. That proved to be the case through the first half of the year. Our objective indicators continue to show modest slowing in the global economy, but no signs of recession. Thus, the cyclical bull market in stocks should continue to receive the benefit of the doubt for now. That doesn't mean it will be smooth sailing in the last quarter of 2025; see last week's over 2% decline in the major equity indices. Instead of worrying about financial markets, I encourage you to focus on your long-term financial objectives and the things you can control. While you're at it, please spend some time with the people, places, and things that bring joy to your life. I'm trying to do better in that regard myself.

On the previous page, I mentioned the secular top of March 2000, and how it coincided with the internet bubble bursting. It is certainly accurate to say that equity markets are overvalued at the present time. The S&P 500 is trading at valuation levels reached at or near prior secular peaks. However, as is often pointed out by market commentators, valuations are a terrible timing tool. A bubble is typically accompanied by psychological excess, in which no price is too high to pay for an asset. I don't get the sense that we've reached that stage of excess yet, so I think it's premature to say that we're in a bubble. However, risk happens fast in today's world dominated by computer algorithmic trading, so we will continue to be vigilant in obeying our objective indicators. Thus, while the current high market valuations warrant our attention for any sort of secular shift, there's insufficient evidence to suggest that the current secular bull market, which began in March 2009, is in danger of ending.

In my previous letter, I wrote that I've been trying to come to grips with the rapid changes brought on by artificial intelligence (AI) and how it may impact each one of us. A quote from Amazon CEO, Andy Jassy, about his expectation that AI will allow him to reduce his entire corporate workforce certainly opened my eyes. That doesn't sound good for employees, does it? On the other hand, a quote from Sundar Pichai, the CEO of Google, suggested that AI's primary role is to enhance human potential, not just about replacing human beings in the workplace. Well, coming to grips with how technology impacts us also includes how we use it here at HFA. I'm always quick to admit that I am not a tech savvy person, but we've been looking into how best to enhance HFA using technology.

HFA has experienced significant growth over the past decade, but especially over the last 4-5 years. With that growth has come some growing pains. Unfortunately, I've had to spend far too much time dealing with things like cybersecurity, tech stacks, and compliance over the last couple of years. Frankly, those things I do not enjoy. In evaluating how we can be better and more efficient, I've decided to make some material changes to drive efficiency throughout all elements of the wealth management services we provide. While you'll be hearing more about this in the very near future, it is safe to say that being more efficient will allow me to spend even more time focusing on the needs and goals of you and your family. That makes me happy!

I hope you and yours are healthy and enjoying a wonderful start to fall. Please let us know if there is anything we can do for you. We're always here to help. From all of us at HFA, thank you for your trust, confidence, and loyalty. It is a joy and a privilege to work with you and your family.

Best wishes,

*Harvey E. Hutchinson IV*

President

Clients and employees of HFA are long the common stock of Amazon (AMZN), Alphabet, the parent company of Google (GOOGL), Nvidia (NVDA), and Oracle (ORCL)..

Hutchinson Financial Advisors, Inc. ("HFA") is an SEC registered investment adviser. Registration does not imply any level of skill or training. Additional information about us is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching our firm name, Hutchinson Financial Advisors, Inc.

Securities offered through World Equity Group, Inc ("WEG"); member FINRA and SIPC, a Registered Investment Adviser. Hutchinson Financial Advisors, Inc. ("HFA") is not affiliated with or owned or controlled by World Equity Group, Inc. ("WEG").

The opinions in this letter are those of the author as of October 12, 2025, and do not necessarily represent the opinions of World Equity Group (WEG) or its officers and employees. All opinions expressed are subject to change without notice. HFA makes no representations or warranties as to the accuracy, timeliness, suitability, completeness, or relevance of the any information presented. There is no guarantee that the current market will yield the same results as in the past. This material has been prepared or distributed solely for informational purposes, is not personalized advice, and is not a solicitation or an offer to buy or sell any security or instrument or to participate in any trading or investment strategy.

Forecasts or forward-looking statements are based on assumptions, may not materialize, and are subject to revision without notice.

The data and analysis contained herein are provided "as is" and without warranty of any kind, either expressed or implied.

Any market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

Sources of information used in preparing this letter may include the following: Ned Davis Research, Barron's, the Wall Street Journal, Wespath, Ray Dalio, The Credit Strategist substack page, and Howard Marks (Oaktree Capital).