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MARKET UPDATE | Markets Hold Steady in the Dark

October proved a reminder of how fragile the policy and market narrative can become when fiscal turbulence (in this case, the federal shutdown) collides with monetary tightening. Many standard data releases were delayed or suspended, forcing both markets and central bankers to rely on fragmented signals. Nevertheless, the pieces we did see painted a picture of an economy gradually cooling, inflation persistent but not spiraling, and a labor market showing early signs of strain without a dramatic breakdown. Despite the lack of clarity and an uncertain outlook, markets leapt to new all-time highs during October, with the Dow Jones Industrial Average rising 2.6%, the S&P 500 gaining 2.3% and the NASDAQ soaring 4.7%. While international stocks continue to outperform U.S. stocks on the year, the MSCI EAFE only returned 1.2% during the month.

Market Return Indexes	Oct 2025	YTD 2025	2024
Dow Jones Industrial Average	2.6%	13.3%	15.0%
S&P 500	2.3%	17.5%	25.0%
NASDAQ (price change)	4.7%	22.9%	28.6%
MSCI Eur. Australasia Far East (EAFE)	1.2%	26.6%	3.8%
MSCI Emerging Markets	4.2%	32.9%	7.5%
Bloomberg High Yield	0.2%	7.4%	8.2%
Bloomberg U.S. Aggregate Bond	0.6%	6.8%	1.3%
Yield Data (Month End)	Oct 2025	Sept 2025	Aug 2025
U.S. 10-Year Treasury Yield	4.11%	4.16%	4.23%

Equities began October with constructive momentum supported by resilient earnings, especially in growth and technology names, but gradually ceded ground as volatility rose and macro opacity persisted. By month's end, major indices posted modest gains, buoyed by expectations of continued accommodation. In fixed income, yields mostly fell (with the steepest declines in

the short-term maturities) as markets priced in incremental cuts and credit spreads compressed modestly, reflecting ongoing demand for yield in a lower-growth, cautious environment.

Headline inflation for September rose by 0.3% month over month and registered about 3.0% year over year, modestly below consensus estimates of roughly 0.4% monthly and 3.1% annually. Core inflation (excluding food and energy) increased 0.2% for the month, also landing around 3.0% on a 12-month basis, somewhat softer than forecasts. The slight miss relative to expectations suggests that inflation pressures may be stabilizing, but risks to upside remain, especially from components such as shelter, tariffs and input cost pass-through. Because many CPI inputs were imputed due to data disruptions, however, confidence in the underlying trend is muted. September's Personal Consumption Expenditures (PCE), the Fed's preferred inflation gauge, was not released as scheduled, adding to the murky picture caused by unavailable data.



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On the labor front, the BLS's official employment data releases were also postponed, so analysts leaned on private payroll surveys and regional indicators. The Chicago Fed put the unemployment rate around 4.3%, and anecdotal signals point to slowing hiring, especially in more cyclical or technology-sensitive sectors. Wages still appear sticky, and in the Fed's Beige Book reports, many districts noted modest gains, increasing cost pressures and weakening hiring sentiment. Together, these signals suggest a labor market that is gradually softening, though not collapsing.

In recent weeks, a wave of high-profile layoffs across large corporations has sharpened concerns about the health of the labor market and whether structural change is accelerating the shift. Companies including Amazon (announcing tens of thousands of corporate and office cuts) and UPS (with reductions in both management and operations roles) have cited cost pressures, automation, AI restructuring and weaker demand as core drivers. In the media and entertainment sector, Paramount (post-merger restructuring) also announced significant downsizing. Many firms are citing tighter margins, the need to reallocate resources toward AI and efficiency improvements, and lower growth expectations in certain segments. These layoffs have ripple effects: for affected employees, severance and job searches become urgent; for prospective job seekers, competition could intensify in sectors trending toward contraction; and for the broader labor market, increased layoffs may foreshadow rising unemployment, weakening job tenure and downward pressure on wage growth. While not yet widespread enough to indicate mass disruption, these announced cuts increase downside risks to the Fed's soft-landing path. Some analysts argue that the Fed's awareness of this rising downside risk likely factored into the cumulative case for easing, especially given that the central bank has emphasized protecting labor market stability as part of its dual mandate.



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preferred no change and another who advocated for a larger cut, highlighting internal tension between those prioritizing inflation risks and those more concerned about a deteriorating labor tone. Some investors expressed surprise at the Fed's more reserved forward guidance, interpreting it as a warning that further easing is not guaranteed. Powell also flagged potential limitations of rate cuts in the current environment: he suggested parts of the labor market softening may reflect supply-side factors (e.g., declining participation or immigration) rather than pure demand weakness, meaning that lower rates may not fully counteract the downside pressures. Powell said the Fed will need to proceed carefully until it has a clearer view of the economy, noting "if you're driving in the fog, you slow down." This nuanced positioning increases the burden on upcoming economic releases and reinforces the idea that December policy remains highly contingent.

Looking ahead, the resumption of full, reliable economic data is paramount. The return of official CPI, PCE, payrolls, retail sales and industrial production numbers will test whether inflation is indeed decelerating and whether the labor market is cooling in a sustainable way. A softer but orderly decline in inflation and wages could validate further easing, but upside surprises in price pressures or renewed resiliency in hiring may force a pause. The December Fed meeting now hinges on those data flows, and investors must treat it as a live decision rather than a foregone cut. Meanwhile, watch for announcements from corporate earnings calls, layoff trends, sector rotation and leading indicators (PMIs, purchasing managers, consumer spending). Given the rising risks and policy uncertainty, prudent investors should emphasize flexibility, quality exposure and guardrails in position sizing as 2025 transitions into a more discreet and data-driven phase.

Against this backdrop, the Federal Open Market Committee met October 28–29 and delivered a 25-basis point cut to bring the target range to 3.75%–4.00%. While expected by markets, the meeting exposed deeper divisions within the Committee and surprised some observers with the cautious tone of Chair Powell. The Fed acknowledged "uncertainty about the economic outlook remains elevated," and announced that balance sheet runoff would end as of December 1. But Powell emphasized several times that a December rate cut is "far from" settled, noting that "there were strongly different views today" and that policy action will depend on evolving data. Dissenters included one member who

LEGAL UPDATE | Opening Doors to Alternative Investment Options in Defined Contribution Plans



On August 7, 2025, an executive order titled “Democratizing Access to Alternative Assets for 401(k) Investors” directed federal agencies to review and revise the regulatory framework that has historically limited access to alternative investments options in defined contribution plans. The executive order articulated a policy that “every American preparing for retirement should have access to funds that include investments in alternative assets when the relevant plan fiduciary determines that such access provides an appropriate opportunity for plan participants and beneficiaries to enhance the net risk-adjusted returns on their retirement assets.”

What are “alternative assets”? The order defines alternative assets as:

- **Private market investments**, including direct and indirect interests in equity, debt, or other financial instruments that are not traded on public exchanges, including those where the managers of such investments, if applicable, seek to take an active role in the management of such companies
- **Direct and indirect interests in real estate**, including debt instruments secured by direct or indirect interests in real estate
- **Holdings in actively managed investment vehicles** that are investing in digital assets
- **Direct and indirect investments in commodities**
- **Direct and indirect interests in projects financing infrastructure development**
- **Lifetime income investment strategies** including longevity risk-sharing pools

When it comes to the decision of including alternative assets in a defined contribution plan investment portfolio, this is a marked shift in direction from the prior administration and in contradiction of the prior guidance provided by the Department of Labor (“DOL”). Historically, the DOL has expressed caution regarding such investments.

In addition to defining what is included in the term alternative assets, the executive order directs that within 180 days of the executive order the Secretary of Labor (“Secretary”):

- Reexamine the DOL's past and present guidance on a fiduciary's duties in connection with making alternative asset investments available in employee benefit plans under ERISA
- Clarify the DOL's position on alternative assets and the

appropriate fiduciary process associated with offering asset allocation funds containing investments in alternative assets

- Propose rules, regulations or guidance, potentially including “appropriately calibrated safe harbors”

Not only does this executive order call for a broadening in investment options available to the millions of people invested in defined contribution retirement plans, but there is also mention of the need to promulgate rules and guidance to reduce legal uncertainty regarding plan administrator decisions. The aim being to discourage ERISA litigation tactics that constrain a fiduciary's ability to exercise sound judgment when selecting investment opportunities to plan participants. Historically, in a large part due to the concerns of possible litigation, defined contribution plans have avoided including alternative assets in their portfolio.



Defined contribution plans have avoided including alternative assets in their portfolio largely due to concerns of possible litigation.

In recent years there has been a notable increase in litigation challenging the prudence of fiduciary decisions. A fair amount of the litigation has been able to surpass a motion to dismiss without regard as to whether the plan administrator acted with the applicable standard in making the decision. In an effort to curb this litigation, at least as far as it concerns available investments, the executive order welcomes the Secretary to establish “appropriate calibrated safe harbors.” While the introduction of a safe harbor could be a welcome shift to help some of the concerns regarding litigation, it will not alleviate all participant claims.

It should be noted that the introduction of a safe harbor would not alleviate a plan fiduciary of their duty to act prudently when making decisions on behalf of a plan. Under ERISA, fiduciaries are held to high standards when making decisions regarding plan assets and with the recent changes in deference provided to agencies, merely following regulatory guidance may not be a defense to a breach of fiduciary duty claim. This concern is also heightened by the idea that these alternative investment options inherently open the door to higher risk investments, investment options with notably higher fees, investments with liquidity concerns, and valuation concerns.

One potential strategy to reduce liability regarding these alternative assets would be to include them under the protection already afforded under Section 404(c) of ERISA which allows participants to self-direct the investments of their own funds. Section 404(c) of ERISA allows fiduciaries to avoid liability "for any loss, or by reason of any breach, which results from such participant's exercise of control." However, the option of providing self-directed investment accounts comes with its own laundry list of requirements that must be met.



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That being said, the executive order has not changed anything yet. There is no requirement that every participant has access to alternative investments. The introduction of alternate investments does not remove the core fiduciary duties under ERISA sections 404 and 408 and plan sponsors must still evaluate whether such assets are appropriate for their participant population and plan structure. Finally, nothing in the executive order calls for the elimination of fiduciary responsibility (i.e., monitoring, disclosure, liquidity management, fee evaluation, valuation controls, etc.).

As with most regulatory changes, the development of the addition of alternative assets will take time and the administrative challenges resulting from such a change remain to be seen. We will continue to monitor developments and provide guidance as the regulatory landscape evolves.

What happens now? It is clear that the desire of the current administration is to permit alternative investment options in defined contribution plans. The DOL has been called to reevaluate their policy, to clarify their positioning on the availability of alternative investments in defined contribution plans, and design a path toward plans being more inclusive of investment options. In response, the DOL has already rescinded some of their prior guidance which chilled the introduction of alternative investments into defined contribution plans. Additionally, this desire for more direction could open doors for more "safe harbor" like guidance relating to plan fiduciary decisions.

Retirement Resources for You

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An index is a measure of value changes in a representative grouping of stocks, bonds, or other securities. Indexes are used primarily for comparative performance measurement and as a gauge of movements in financial markets. You can not invest directly in an index and, for comparative purposes; they do not reflect the effect of the various fees inherent in actual investment vehicles.

The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.

The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.

The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.

Gross Domestic Product (GDP) is the market value of the goods and services produced by labor and property in the U.S. It is comprised of consumer and government purchases, net exports of goods and services, and private domestic investments. The Commerce Department releases figures for GDP on a quarterly basis. Inflation adjusted GDP (or real GDP) is used to measure growth of the U.S. economy.

The MSCI Europe and Australasia, Far East Equity Index (EAFE) is a market capitalization weighted unmanaged index developed by Morgan Stanley Capital International to measure approximately 1,100 securities in 21 major overseas stock markets. It is a commonly used measure for foreign stock market performance.

The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.

The Barclays Capital U.S. Corporate High Yield Index covers the U.S. Dollar denominated, non-investment grade, fixed income, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's Fitch, and S&P is Ba1/BB+/BB+ or below.

The MSCI Emerging Markets Index (EM) is a free-float-adjusted market-capitalization index developed by Morgan Stanley Capital International. It is designed to measure the equity market performance of 26 emerging market countries.

The 10 Year Treasury Yield is the interest rate the U.S. government pays to borrow money for a 10-year period. In addition to influencing how much the government pays to borrow over this time-frame, the 10-year Treasury Yields also determines how much investors earn by investing in this debt and it is a good indicator of investor sentiment.

The higher the yield, the better the economic outlook.

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