
BRIAN D. LOWDER, INC.

QUARTERLY NEWSLETTER

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FINANCIAL MARKET OVERVIEW

The third quarter of 2025 continued with the same advancing stock prices investors experienced during the second quarter. The second and third quarter U.S. stock performance (S&P 500 -- up 10.5% and 8.25%) were a complete reversal compared to the negative 5% performance during the first quarter of 2025.

We started this year with a new President and a new approach to tariffs – charging other countries with the same or higher tariffs that they imposed on products manufactured in the U.S. In the first quarter, stocks dropped and then made a complete reversal during the second and third quarters when the tariff negotiations were paused, extended, or news of a deal had been struck. Remember all of the dire predictions about sinking stock prices due to tariffs and the bombing conflict between Israel and Hamas followed by the U.S. taking out Iran’s nuclear facilities?

From April 8, 2025 through September 30th, the S&P 500 stock index has posted 28 record high days.

Large-company *growth* stocks - dominated by 30 AI and tech companies, are still leading the way in the

U.S. stock market performance, however large-company *value* stocks are now rising as well.

Mid-size company stocks were up modestly during the third quarter with *value* stocks performing better than *growth* stocks. Small-company *growth* stocks have had two consecutive quarters of 12% or greater returns. Both small and mid-size stocks are very close to their record highs reached in late November 2024.

The biggest positive changes in stock performance are International and Emerging Market (smaller international stocks) stocks. Both categories have benefited from a weaker US Dollar and deferred tariffs. The EAFE (Europe Australasia & Far East) Index was up 25.6% year-to-date while EEM (Emerging Markets) increased 28.90% year-to-date.

Gold (and Silver) prices have made the largest gains. Gold was up 19% during the first quarter, 5.8% in the second quarter and 16.6% during the third quarter – for a total of **46.8% in 2025**. Gold had the best 3rd quarter performance since 1986! Silver prices are up **61% in 2025**. We have included a deeper discussion on metal prices later in this newsletter. The primary takeaway is: Metal prices and stock values have an inverse relationship over 90% of the time. When both stocks and metal prices (Bitcoin as well) are making all-time highs at the same time, one of these opposing categories is “wrong”.

As we have mentioned in past newsletters, gold prices jump when: uncertainty is high, world conflict (wars) is rising, new tariffs, higher inflation, a weak U.S. dollar and/or when the world economies are in decline. Stocks perform well when confidence is rising, world conflict is low, the U.S. Dollar is strong, interest rates are declining, inflation is modest and the economy is growing. These well-above average returns for both metals and stocks over the past 9 months suggest that either stocks or metals (or both) are due for adjustment.

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Bitcoin continues to display extreme volatility - down - 11.76% during the first quarter then up 30.76% during the second quarter and up 6.2% during the third quarter.

Conversely, Real Estate Investment Trusts (REITS) had average performance – up 3.63% during the third quarter and 5.70% during the first nine months of 2025.

Fixed income investments had modest returns – up less than 1% during the third quarter and up 3%-6% so far in 2025. Currently 3-month Treasuries pay 4%, 2-year Treasuries pay 3.5% and 30-year maturity Treasuries pay 4.7%. Essentially, the yield curve is flat – normally investors are paid higher interest for longer maturity dates.

The following chart displays sample returns of various asset categories for the calendar year-to-date and during the third quarter of 2025:

<u>Year-To-Date</u> <u>2025</u>	<u>3rd Qtr.</u> <u>2025</u>	<u>Index Return</u> <u>(includes dividends reinvested)</u>
+ 9.06%	+ 5.22%	Dow Jones Industrial Average (^DJI)
+ 14.67%	+ 8.13%	Standard & Poor's 500 Index (^GSPC)
+ 14.29%	+ 8.27%	DJ U.S. Total Stock Market (VTI)
+ 16.99%	+ 10.42%	Large-company stock-Growth (IWF)
+ 11.43%	+ 5.29%	Large-company stock-Value (IWD)
+ 12.65%	+ 2.77%	Mid-Size Stocks – Growth (IWP)
+ 9.23%	+ 6.12%	Mid-Size Stocks – Value (IWS)
+ 11.62%	+ 12.09%	Small-company stock- Growth (IWO)
+ 9.04%	+ 4.45%	Small-company stock- Value (IWN)
+ 25.63%	+ 11.26%	International (EFA)
+ 28.90%	+ 10.68%	Emerging Markets (EEM)
+ 5.07%	+ 3.63%	Real Estate Investment Trusts (VNQ)

Fixed Income (includes appreciation)

+ 2.85%	+ 0.12%	Short-term U.S. Treasury (SHY)
+ 6.00%	+ 0.72%	Intermediate U.S. Treasury (IEF)

Alternative Investment Category

+ 46.81%	+ 16.61%	Gold (GLD)
+ 22.53%	+ 6.19%	Bitcoin (IBIT)

*All returns calculated using adjusted historical quotes from finance.yahoo.com

FINANCIAL MARKET OUTLOOK

Different asset classes continued to deliver above-average returns through the first three quarters of 2025. Oddly, asset categories that normally perform inversely to each other are now all trending up at the same time. Stocks were down - 4.83% during the first quarter, followed by a significant 10.58% increase during the second quarter and up another 8% during the third quarter. Stocks above-average performance and setting record highs this year occurred even though the economic outlook was confusing.

How or why did we experience this advance in stock prices? The following factors are puzzling: the impact of a new President and political party, substantially higher reciprocal tariffs applied to foreign countries and the unknown impact on inflation, world peace in disarray including the bombing of nuclear facilities in Iran, the prices of gold and silver soaring to record highs this year while the U.S. Dollar has dropped 10%, Bitcoin up over 22% this year, wide disagreement over the direction of interest rates by the seven Federal Reserve Governors who decide whether to lower, maintain, or increase interest rates, a staggering (growing) federal deficit, and now a **government shutdown**.

The Federal Reserve Officials are clearly divided on the future direction of interest rates – which are a very important part of stock market rallies. The Fed officials publish a Summary of Economic Projections four times each year. Basically, the Report is an anonymous summary of Federal Open Market Committee (FOMC) members' estimates for economic growth, inflation, unemployment and the expected path of interest rates over the next three years and these estimates are plotted on a graph (dot plot). This summary dot-plot usually draws the most attention as it provides a look/forecast of where interest rates

may be going. When most of the FOMC members view the future similarly, the dot-plot has very little dispersion – meaning the dots plotted on the graph are concentrated in the same area with little differences (dispersion) on projected economic growth estimates, inflation, unemployment etc.

After the most recent mid-September Fed Governor meeting, this Summary Report was alarming because the dispersion (wide differences in estimates for inflation, growth, interest rates, inflation etc.) was large. For example, one FOMC member envisions one **interest rate increase** before year-end, six see *no change*, nine expect a half percentage point *decrease* and one member sees a full one percentage point *decrease!* This is a remarkably *wide range of opinion* about decisions to be made in the near future. Again, this is another variable of confusion where even Fed officials admit to a lack of confidence in their own forecasts. And all this just two weeks *before the federal government shutdown*.

There are so many topics and concerns swirling around at the same time. Clearly any one or combination of the above topics could have a material impact on our economy, with precious metal prices and the stock market in either direction. This confusing financial market performance and the future economic outlook will now be affected by even more topics and concerns compared to the first three quarters of this year.

In summary, the direction of our future economic and financial market conditions is simply unknown.

INVESTMENT OUTLOOK AND RECOMMENDATIONS

All of the above discussions, topics and lack of clarity will impact our outlook and the investment decisions

we make. Bottom line: There is no clarity in the near future and different asset classes that normally have an inverse relationship to each other are now moving in the same direction. Our advice is to not make significant changes in any direction at this time. New accounts or new deposits into existing accounts should be invested periodically over a period of 6-8 months rather than making 100% purchases on one particular date.

We are still taking a moderate/balanced approach to risk and return possibilities after increasing our clients' exposure to stocks during both the fourth quarter 2024 and again during the first six months in 2025.

We will continue to add *value stocks, dividend-paying stocks*, and especially *emerging markets/international stocks* to client portfolios during the next six months and we continue to prefer *short-term fixed income securities (CD's and Treasuries)* until the inflation, interest rate and tariff picture becomes clearer. *Emerging markets (mid-to-small international stocks)* look *very promising*.

We have identified several stock investments that we intend to add to client portfolios outlined on your blue recommendation sheets, but the timing of when to make additional stock purchases is still uncertain. If a Blue Recommendation Sheet is not included in any of your quarterly reports, then your current account holdings are adequate "as is".

BITCOIN, CRYPTO CURRENCY, AND DIGITAL ASSETS

If you are serious about investing in crypto currency or bitcoin, then we suggest you decide on

3 things BEFORE investing. One, what percentage of your total investment account value are you willing to invest? If you desire to invest a portion of your account (we call this the “explore” portion of an account) in aggressive positions such as precious metals, bitcoin, an individual AI stock, new initial public offerings (IPO), etc. then what amount (percentage of the total account value) is my limit? Example: 5% of the account value. Now you know your limit, and if you have already invested some of that 5% amount in something else within the “explore” category and you want to buy Bitcoin, then you need to sell a portion of what you already have in this explore category or reduce the amount you want to invest in Bitcoin. Understand the impact if you invested 5% of your account value in Bitcoin, and the price went up 100%, then your *total account value* will only be up by 5% (5% of the portfolio value times 100%). And if you lose it all (worthless), your total account value will be down only 5%. The larger the percentage of your account value invested in Bitcoin, the greater the impact on the total account performance. So, if you are just “playing” with some of your funds, define how much that will be.

Two, BEFORE making the purchase, how much of a ‘loss’ are you willing to absorb before selling and walking away? Define your downside risk (‘loss’). Be prepared and absolutely firm with your downside selling to limit the loss.

Three, BEFORE making purchase, how much of a gain are you willing and happy to take if the price goes up? 25%, 50%, 100%? After a set gain occurs, maybe sell enough to cover your initial investment and then let the profits run. Whatever your decision is, stick to it.

Investing the “explore” portion of your account is completely different than buying stocks, mutual funds, ETF’s, real estate, Treasuries, etc. in pursuit

of long-term above-average returns. With real estate, you own a physical property that you can live in or rent. With traditional stocks, you own a piece of the company that either manufactures a product or provides a service and you can monitor the progress (phones, gasoline, clothing, solar panels, health products etc.). Gold, silver and precious metals are physical products. Precious metals, artwork, vintage wine, U.S. Dollar, rare automobiles etc. are physical. Crypto currencies are not – no physical product or service.

The emotional “me too” rush for crypto is mostly psychological. A common reason I am hearing to invest in crypto is Trump supports crypto currencies and Bitcoin and encourages traditional financial institutions to become more involved in digital assets. Of course he does, as well as watches, hats, real estate and anything that has an opportunity for an increase in value. Wealthy people (athletes, investment firms, traders, etc.) know the primary opportunity for gain (in anything) is getting in early and before the masses follow. The same perspective applies to the initial public offerings (IPO) of stock. Everyone knows the hype is heavy and the price of most IPO’s advance the most in the first days and months of going public.

Will the world switch to using crypto currencies rather than a country’s currency as a form of payment? Maybe. A growing group of followers believe a crypto transition is inevitable and Americans should benefit. It is certainly mechanically possible – we already have actual currencies, debit cards, credit cards, Apple cards and other “wallets” on our cell phones. So, mechanically we could develop and use crypto as a payment method. But these other examples above are based on the dollar (for U.S. residents). Your bank or money market account has a certain dollar balance, and regardless of whether or not the U.S. Dollar is trading up or down in the financial markets (the U.S. Dollar is down 10% year-to-date), you still have that dollar amount in

the bank account. Can you imagine using a form of payment on an account that changes in value daily? As long as it is going up you could.

The point is, bitcoin and crypto currency are here and will continue to grow in popularity, but that doesn't mean it's a safe or consistent asset to own and it is not a long-term buy and hold investment like stocks, bonds, real estate etc. are. You have to have a plan in place before buying otherwise you will most likely make an emotional decision that is too late.

MAJOR INCOME TAX CHANGES

The so-called "Big Beautiful Tax Bill" was passed in summer. There are many changes, but two items are discussed below: Depreciation on business assets and Social Security Income.

The idea of allowing SS benefits to be completely tax-free did not pass, however, a NEW temporary **deduction** for tax years 2025-2028 was enacted and will reduce or eliminate **federal tax liability** on SS benefits for many lower-and-middle-income seniors. The rules for when benefits are taxed *based on taxable income* remain in place.

Whether or not any portion of your SS benefits are taxed depends on your "combined income" – which is defined as gross income, plus any nontaxable interest and HALF of your SS benefits.

Whether you will have to pay federal income tax on your Social Security benefits depends on your combined income:

- **If you file as an individual:**
 - Up to \$25,000: No tax
 - \$25,000–\$34,000: Up to 50% of your benefits may be taxed.
 - More than \$34,000: Up to 85% of your benefits may be taxed.

- **If you file a joint return:**
 - Up to \$32,000: No tax
 - \$32,000–\$44,000: Up to 50% of your benefits may be taxed.
 - More than \$44,000: Up to 85% of your benefits may be taxed.

The first major change is the new senior deduction for 2025-2028. In July 2025, the "One Big Beautiful Bill Act" created a new, temporary "Senior Deduction" to reduce the tax burden for many retirees.

- **For individuals aged 65 and older**, the deduction is up to \$6,000.
- **For couples filing jointly**, the deduction is up to \$12,000 (\$6,000 per person).
- **The deduction begins to phase out** for single filers with an adjusted gross income (AGI) over \$75,000 and for couples filing jointly with an AGI over \$150,000.

The second major income tax change is bonus depreciation on business assets. Prior to 2023, businesses could deduct the *full cost* of qualifying business assets with useful lives of 20 years or less (cars, laptops, printers etc.) and then it was changed to an 80% deduction of the cost in 2023, 60% in 2024 in the first year rather than deducting an equal portion of the cost (20%) over say 5 years etc. Now, for assets purchased and put into service after January 19, 2025, the first-year depreciation is 100% of the cost. For example, you can deduct the full cost of a business vehicle in the first year rather than an equal 20% of the cost in each year over five years helps to reduce reported income and taxes.

Lastly, please be advised that the \$7,500 tax credit for the purchase of a NEW ELECTRIC VEHICLE and \$4,000 for a used EV has expired as of September 30, 2025.

ANNOUNCEMENTS

We have successfully moved our office to a new location directly across the parking lot. Please note the change of address for personal visits/meetings and regular mail: **12760 High Bluff Drive, Suite 370 San Diego, CA. 92130. Our phone number has not changed: 858 794-6800.**

Our newest team member, Tayler Foster is getting married on November 8, 2025 to Adam Brown! Congratulations Tayler!

Contact Us

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Best Regards,



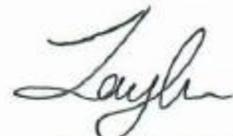
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