



# LEIGH BALDWIN & CO.

## Third Time is a Charm

As we head full steam into the fourth quarter of 2025, we are celebrating the third birthday of the current Bull Market, which began in October of 2022. It has been an impressive rally, with the S&P 500 gaining about 85% over these 36 months. The new highs in the major averages have been a part of our daily conversations recently, which eventually leads to concern as to whether the good times can continue to roll. There is even a persistent question of whether we are in a "bubble" or not. So, what is an investor to think? Here are two cases to consider...

**Bullish Case.** Bulls may point to the fact that the average bull market lasts about 4 1/2 years, giving legs to this rally as momentum is in their favor. The Fed has become accommodative, lowering interest rates twice and leaving an open door for more to come, which is like cat nip to Wall Street investors. Earnings have been solid and better than expected, but with some clouds forming around future projections. The AI buildout is incredibly powerful, combining hundreds of billions of Capex spending with the potential for real productivity gains. Seasonally, the fourth quarter has historically been a positive period for stocks and higher tax refunds could stimulate the economy in the first quarter of 2026.

**Bearish Case.** Stock valuations are getting extended, primarily in the large cap tech arena, whose issues have dominated the overall index returns over the last three years. AI spending, for example MSFT, GOOG, and META alone, are committed to spending \$80 billion per quarter on the build-out, needs to be monitored as to whether it is still coming from cash flow or are firms beginning to take on higher levels of corporate debt. And what is the level of cross dealing, as the large tech firms buy and make deals with each other. With respect to interest rates, long-term rates are staying stubbornly higher, and inflation continues to also remain stubbornly higher, with both indicators beginning to really curtail consumer purchasing power.

Finally, government shutdowns, aggressive new tariff policies, and political divides are creating a sense of unease for business leaders trying to make investments for the future.

Given this backdrop, we continue to recommend that clients and their money managers review and build portfolios that can weather periods of volatility and provide the returns and income expected during each market cycle. While we cannot predict short term swings in the markets, we can focus on these three things...manage the risk of the portfolio through diversification, selection, and income, manage the costs, and to also, maybe most importantly, manage the financial plan. Here's to a great, dare I say it, holiday season and to healthy and prosperous years to come.

112 Albany Street  
Cazenovia, New York 13035  
315-655-2964, 315-655-9138 fax  
[leigh@leighbaldwin.com](mailto:leigh@leighbaldwin.com)

Member: SIPC & FINRA