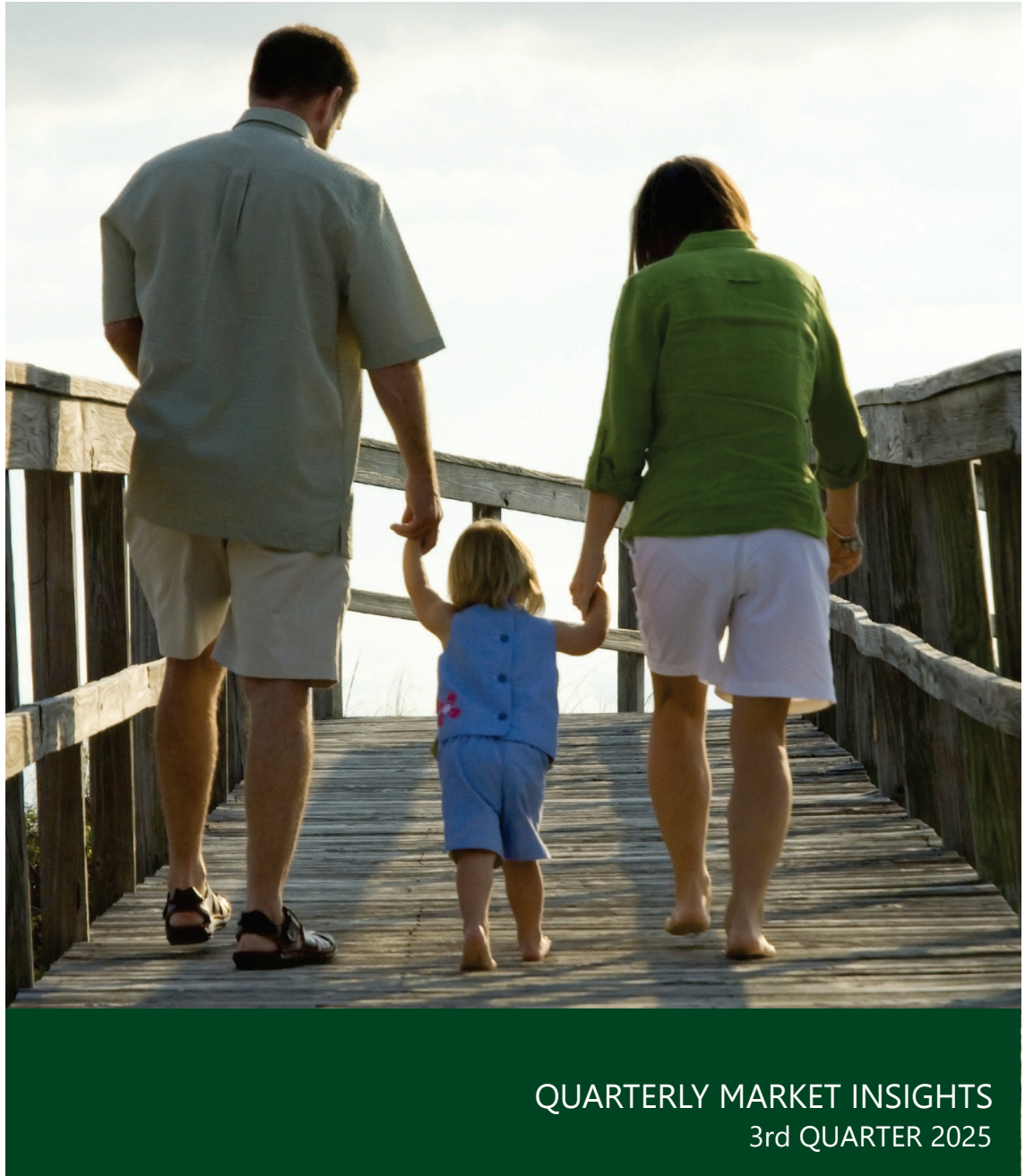




QUARTERLY MARKET INSIGHTS
3rd QUARTER 2025

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Third Quarter 2025

Quarterly Market Insights

Transition Phase

EXECUTIVE SUMMARY

- The labor market has the Fed's attention
- Shutdowns typically have a limited market impact
- Central banks have been the backbone of gold rally
- The AI investment boom has accelerated
- Megacap tech and small caps were 3Q25 winners

The third quarter of 2025 likely marked a turning point in both investor sentiment and global market dynamics. As the summer progressed, a growing number of market participants put peak tariff uncertainty in the rearview mirror and shifted their focus toward the resumption of Federal Reserve rate cuts and the stimulative provisions of the recently enacted One Big Beautiful Bill Act. With the noise surrounding tariff brinkmanship fading and fiscal support ramping up, optimism began to re-emerge across asset classes. The U.S. reached preliminary trade deals with Japan, Vietnam, Indonesia, and the Philippines, aimed at expanding supply chain cooperation and improving access to offshore markets for domestic exporters. Meanwhile, several rounds of constructive discussions between senior U.S. and Chinese officials suggested that both sides were committed to avoiding further escalation.

The most notable domestic policy development came from the Federal Reserve. In his annual address at Jackson Hole on August 22, Chair Jerome Powell struck a distinctly dovish tone, acknowledging a softening labor market alongside signs of tariff-driven inflation pressures. He noted that "current conditions may warrant adjusting our policy stance," language widely interpreted as a signal of forthcoming rate relief. Less than a month later, on September 17, the Fed delivered its first rate cut in nine months. Markets largely dismissed questions about Fed independence sparked by the Trump administration's allegations of mortgage fraud against Governor Lisa Cook and the appointment of former White House economic adviser Stephen Miran as the Fed's seventh governor. Instead, the focus turned to the growing prospect of easier financial conditions heading into year-end.

The combination of easing monetary policy expectations and improved trade sentiment provided fertile ground for risk assets. U.S. equities delivered another quarter of robust gains, with the S&P 500 rising 8.1%, led by growth-oriented and cyclical sectors. The technology-heavy Nasdaq advanced 11.7%, while the small-cap Russell 2000 gained 11.5%, both buoyed by renewed enthusiasm for the AI investment boom (see Chart 1). Oracle (ORCL), Broadcom (AVGO), and Advanced Micro Devices (AMD) all issued strikingly robust order and revenue projections, fueling investor belief that the AI-driven capital spending cycle remains intact.

Corporate fundamentals strengthened further. During the second-quarter reporting season, S&P 500 companies delivered adjusted earnings per share growth of 10.8% year-over-year, well ahead of initial consensus forecasts of roughly 3%. Communication services, financials, and consumer discretionary sectors led the upside surprises, while defensive industries such as healthcare and consumer staples lagged. The index recorded 21 new all-time closing highs during the quarter, including a six-day streak in late July. Even minor pullbacks, such as the 2.4% decline following July's disappointing payroll report, proved short-lived as investors quickly refocused on easing monetary policy and resilient earnings growth.

In fixed income markets, U.S. Treasury yields moved lower across the curve, with a mild steepening bias. Lower front-end yields reflected growing confidence that the curtain had definitively closed on the Fed's tightening cycle. Meanwhile, longer-term yields remained supported by a combination of fiscal deficit concerns, persistently sticky inflation readings above the Fed's stated 2% target, and signs of resilient economic activity.

Economic data painted a picture of a U.S. economy regaining momentum after an early-year slowdown. Real GDP rebounded at a 3.5% annualized pace in the second quarter, reversing the 0.5% contraction in the first quarter. The recovery was driven by solid consumer spending and a sharp drop in imports, which added roughly five percentage points to overall growth as inventories normalized. With the diminishment of trade policy risk and the resumption of Fed rate cuts, investors entered

CHART 1
Nasdaq and Russell 2000 were 3Q25 Leaders



Third Quarter 2025 Quarterly Market Insights

the fourth quarter with renewed conviction that the U.S. expansion could extend well into 2026.

Labor Markets: Revisionist History

While an improved policy backdrop lifted market sentiment, the third quarter's economic narrative was complicated by a reassessment of labor market strength. What had appeared to be a resilient jobs backdrop earlier in the year was revealed to be shakier as a series of significant downward revisions called into question the durability of employment gains that had underpinned much of the expansion story.

The July nonfarm payrolls report, released on August 1, showed that net job gains for May and June were revised down by a combined 258,000. When added to the initial estimate of 73,000 jobs created in July, total employment growth over the three-month period amounted to just 106,000—marking the weakest stretch since 2020. The largest single source of the revision stemmed from a miscount in public-school (government) employment in June, which was overstated by roughly 110,000 positions.

Further evidence of labor market softening emerged in September when the Bureau of Labor Statistics issued its preliminary benchmark revision, cutting an additional 911,000 jobs from previously reported payroll growth for the 12-month period spanning April 2024 through March 2025—one of the largest annual adjustments in decades. The August employment report provided little relief. Nonfarm payrolls rose by a modest 22,000, well below the median estimate of 75,000. Healthcare and social assistance sectors

led job creation with respective gains of 31,000 and 16,000, but these advances were offset by declines of 15,000 in federal government employment, 12,000 in wholesale trade, and 15,000 in transportation equipment manufacturing, the latter tied to strike-related disruptions. Likely drivers of stalling labor force growth include discouraged younger workers, sharply reduced migration under the Trump administration, and Baby Boomer retirements. A smaller labor force could be an underappreciated driver of the unemployment rate holding between 4.2% and 4.3% in recent months despite clear signs of softer labor markets. Taken together, the revisions and weak recent job gains painted a picture of a labor market losing momentum more rapidly than previously understood. This realization likely reinforced the Federal Reserve's dovish August turn at Jackson Hole and its decision to begin easing policy in September.

Powell's Risk Management Cut

In a widely anticipated move, the Federal Reserve lowered its policy rate by 25 basis points on September 17, bringing the target range to 4.00–4.25%. The only dissent came from newly appointed Governor Stephen Miran, who favored a deeper 50 bp reduction. The Summary of Economic Projections (SEP) signaled an additional 50 bps of easing by year-end and another 25 bp cut in 2026, though the unusually wide dispersion of “dot plot” projections underscored a muddled outlook among FOMC participants. While Miran's individual projections were not published, they are widely assumed to have been the lowest on the committee—consistent with his preference for 50 bp cuts in September, October, and December. Governors Bowman and Waller's decision not to dissent from the 25 bp move suggested a more cautious committee consensus, in line with Waller's prior remarks that “a cut larger than 25 basis points is not warranted in September.”

The policy statement's key addition — “downside risks to employment have risen”—was interpreted as dovish, especially with the removal of the word “solid” from its description of job gains. Inflation estimates were left unchanged at 3.1%, while GDP growth forecasts were raised modestly to 1.6% for 2025 and 1.8% for 2026. The decision to ease despite acknowledging that “inflation has moved up and remains somewhat elevated” reflected a recalibration of priorities toward labor market stabilization rather than driving core inflation down to 2% at all costs.

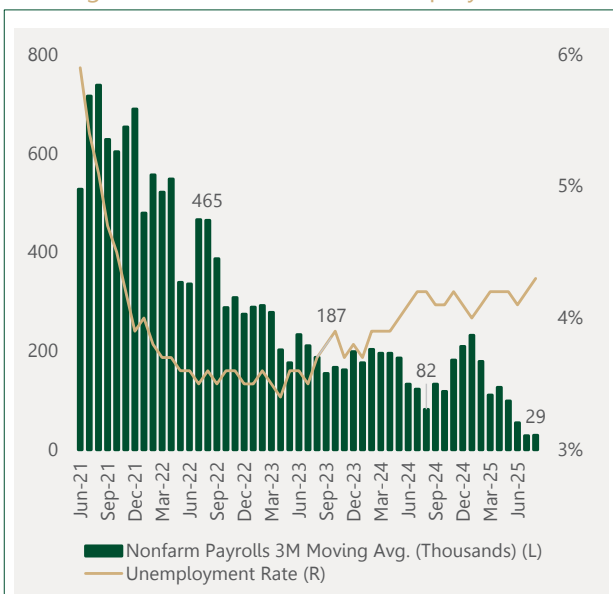
At his press conference, Chair Powell characterized the move as a “risk-management cut,” implying openness to fewer cuts ahead. He highlighted weaker job and GDP growth, the drag from a shrinking labor force, and a recent pickup in goods inflation largely tied to tariffs. While stopping short of labeling it a “mid-1990s-style pause,” Powell's tone suggested the Fed remains cautious—aware of rising labor-market risks but wary of overstimulating an economy still contending with tariff-related price pressures.

OBBBA and Tariffs

Beyond monetary policy, the quarter's other major development was the passage of the One Big Beautiful Bill Act (OBBBA),

CHART 2

Slowing Job Growth; Still-low Unemployment



Bureau of Labor Statistics. Data as of 8/31/25. Past performance does not guarantee future results.

Third Quarter 2025

Quarterly Market Insights

which narrowly cleared both chambers of Congress and was signed into law on July 4. The legislation faced notable Republican dissent and required Vice President JD Vance's tie-breaking vote in the Senate to pass. OBBBA's headline provisions include the permanent extension of the 2017 tax cuts, new deductions for tips and overtime pay, and a higher state and local tax (SALT) deduction cap of \$40,000. While these measures carry substantial long-term fiscal implications, the bill is decisively front-loaded in its economic impact. A significant share of the benefits is concentrated in the early years, designed to deliver an immediate boost to business investment and household disposable income. Importantly, the OBBBA postpones many spending cuts until 2027 but backdates most stimulus measures to January 1, 2025.

These include a higher standard deduction, enhanced child tax credits, the elimination—under certain conditions—of taxes on tips and overtime, the deductibility of auto loan interest on domestic vehicles, and a new \$6,000 deduction for senior citizens. For businesses, the law restores immediate expensing of research and development costs and accelerates depreciation on capital investments. Several tax reductions and spending increases are set to expire within a few years, magnifying their near-term stimulative effect while containing longer-term budgetary costs.

The OBBBA is projected to widen the federal deficit by roughly \$3 trillion over the next decade, driven by reduced tax revenues and higher spending on defense, immigration enforcement, and interest obligations. However, this estimate excludes the offsetting impact of the Trump administration's tariff regime, which is expected to generate approximately \$2.8 trillion in additional revenue over the same period. In theory, that revenue would nearly offset the fiscal drag of the OBBBA—though only if the current tariff structure remains intact (see Chart 3).

Shutdown Standoff

While trade policy, expectations of Fed rate cuts, and fiscal stimulus dominated headlines through the summer, political tensions resurfaced late in the quarter as budget negotiations in Congress broke down, leading to a partial federal government shutdown. Historically, such episodes tend to be brief and have limited economic or market impact. Since 1976, there have been 21 shutdowns, most lasting less than a week, with an average duration of just eight days. Market performance during shutdowns has typically been resilient. The S&P 500 has posted an average return of +0.3% during these periods, rising in 12 of the 21 instances. Even the longest shutdown on record—from December 22, 2018, to January 25, 2019—coincided with a 10.4% gain for the index.

Essential government functions almost always continue during funding lapses. Air traffic control, border security, Social Security, Medicare, and military operations remain fully operational, while non-essential services such as national

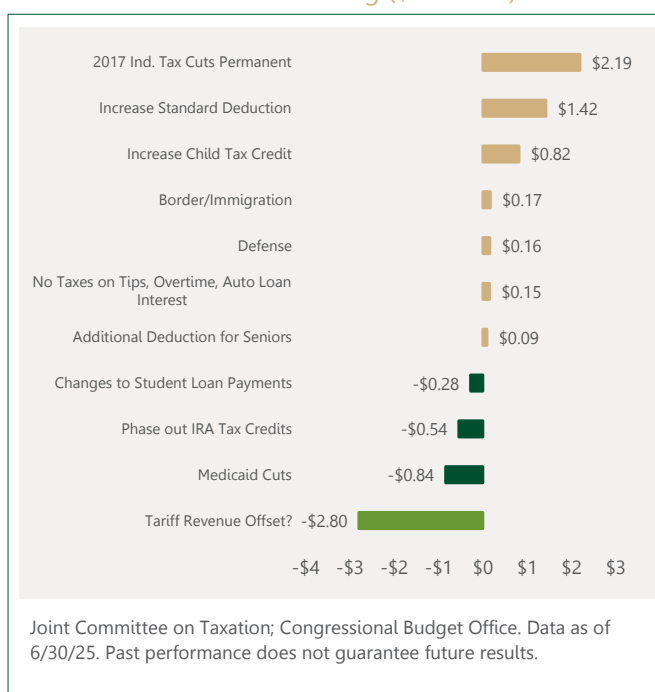
parks, NASA projects, and civil court cases are temporarily suspended. Although government spending accounts for roughly 17% of U.S. GDP, only about 3% is considered non-essential. With federal employment near record lows as a share of the total workforce, the direct drag on economic output is expected to be modest. While shutdowns can briefly elevate policy uncertainty and weigh on sentiment, financial markets have historically looked past them quickly, with volatility subsiding and equities rebounding once a resolution is reached.

Gold, Central Banks, and Debasement

Against a backdrop of expanding fiscal deficits and political gridlock, investor attention has increasingly turned toward hard assets as a hedge against perceived monetary and fiscal excess. Gold, in particular, has been on a blistering rally—surging more than 50% in the first nine months of 2025 and surpassing \$4,000 per ounce in September. This follows an impressive 27% gain in 2024, edging past the S&P 500's 25% return over the same period. Many observers attribute gold's strength to growing concerns that the Federal Reserve and other major central banks will ultimately need to monetize government debt to sustain record deficit spending. In this scenario, policymakers would "debase" fiat currencies—creating new money to finance fiscal shortfalls—thereby eroding their long-term purchasing power. With gold's supply growth averaging barely 1% annually and its 5,000-year reputation as a store of value intact, the metal has reasserted itself as a favored hedge against monetary instability.

While debasement concerns have been a trendy discussion in the financial media, a more tangible driver of gold's strength has been the steady accumulation of gold by central banks and

CHART 3
OBBBA and Tariff Revenue Plug (\$ Trillions)



Third Quarter 2025 Quarterly Market Insights

sovereign wealth funds seeking to diversify reserves away from the U.S. dollar. Global central bank purchases have exceeded 1,000 tons annually for three consecutive years. This is twice the pre-2022 pace and has pushed gold's share of official foreign exchange reserves to roughly 20%. That now exceeds the euro's 16% share and trails only the dollar at 46%, according to the European Central Bank.

This diversification trend gained momentum after the G7's 2022 decision to freeze \$280 billion in Russian foreign assets following the invasion of Ukraine, prompting many emerging markets to favor assets immune to Western sanctions. Gold can be stored domestically, offering protection from potential asset seizures, and emerging-market central banks—whose holdings remain below 20% of reserves compared to over 70% for G7 nations—appear intent on closing that gap.

U.S. Growth Prospects

The surge in gold prices and the corresponding diversification of central bank reserves suggest a broader unease about the trajectory of the U.S. economy and fiscal policy direction from Washington. Yet, despite these long-term concerns, near-term data continue to point to a surprisingly resilient U.S. expansion through the third quarter.

After a sluggish start to the year, real GDP rebounded at a 3.5% annualized pace in the second quarter, reversing the 0.5% contraction in the first. The recovery was driven by solid consumer spending and a sharp decline in imports, which contributed roughly five percentage points to overall growth as inventories normalized. With trade activity stabilizing, inflation easing, and monetary conditions set to loosen further, investors entered the fourth quarter with renewed conviction that the expansion could extend well into 2026.

As of mid-October, the median real-time projection of third-quarter U.S. GDP tracking estimates from the Federal Reserve Banks of Atlanta, New York, and St. Louis pointed to an annualized growth rate near 2%. That pace, while slower than the prior quarter, still reflects a fundamentally durable economy—one supported by healthy labor income, improving real wages, and the lingering effects of fiscal stimulus measures enacted earlier in the year.

AI Investment Boom

U.S. economic resilience in 2025 owes much to an unprecedented wave of investment in artificial intelligence (AI) infrastructure. What began as a technology story has evolved into a macroeconomic force, fueling capital spending, productivity gains, and new business formation across multiple sectors. Capital expenditures by the Big Five hyperscalers (Microsoft, Alphabet, Meta, Amazon, and Oracle) showed no sign of slowing through the third quarter. Since the so-called "DeepSeek moment" in January, these firms have accelerated investment plans, highlighted by the proposed \$500 billion Stargate project led by OpenAI

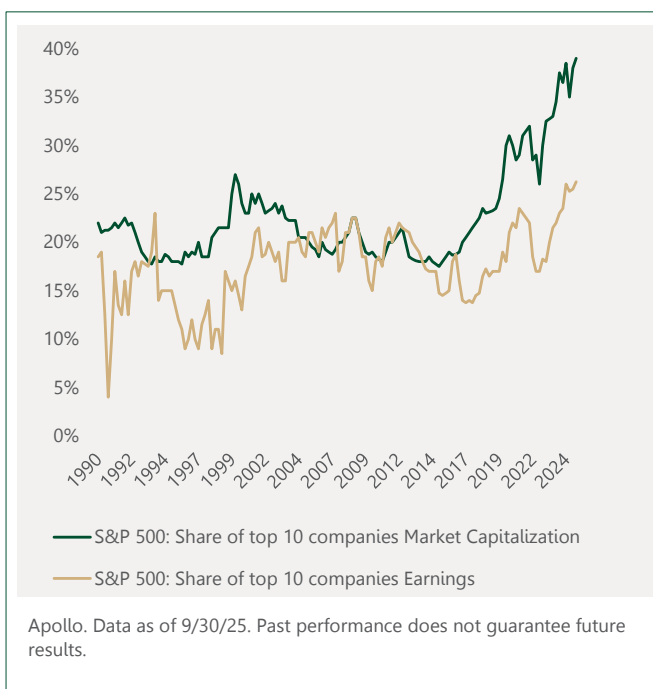
and SoftBank. Collectively, hyperscaler CapEx is expected to rise 42% in 2025 to over \$350 billion, driving an estimated 50% revenue increase for Nvidia, according to consensus forecasts. This surge reflects both the ongoing race toward Artificial General Intelligence and the explosive growth in inferencing workloads as AI applications proliferate.

Advances in efficiency and declining compute costs have triggered a dramatic rise in data processed by large language models. Alphabet recently reported a fiftyfold year-over-year increase in tokens processed, while Nvidia's CEO Jensen Huang noted that reasoning models now require twenty times more data and 150 times more compute cycles than earlier systems. The results are evident in these cloud giants' most recent earnings and guidance: Microsoft's Azure revenue rose 33% year-over-year, Google Cloud gained 30% with operating margins improving from 9% to 18%, Amazon Web Services grew 17% with record 40% margins. Finally, Oracle guided for over 40% cloud revenue growth in fiscal 2026 and 100% growth in their Remaining Performance Obligations (an indication of future revenue), which now stand at \$270 billion.

AI-related capital formation has become a critical growth driver at a time when consumer spending has softened. Data-center construction is up nearly 70% since late 2023 and now accounts for 5.6% of nonresidential building activity, with forecasts to triple by 2026. While the long-term opportunity in AI infrastructure remains compelling, investors should maintain diversified exposure given the sector's rapid pace and high concentration of risk.

CHART 4

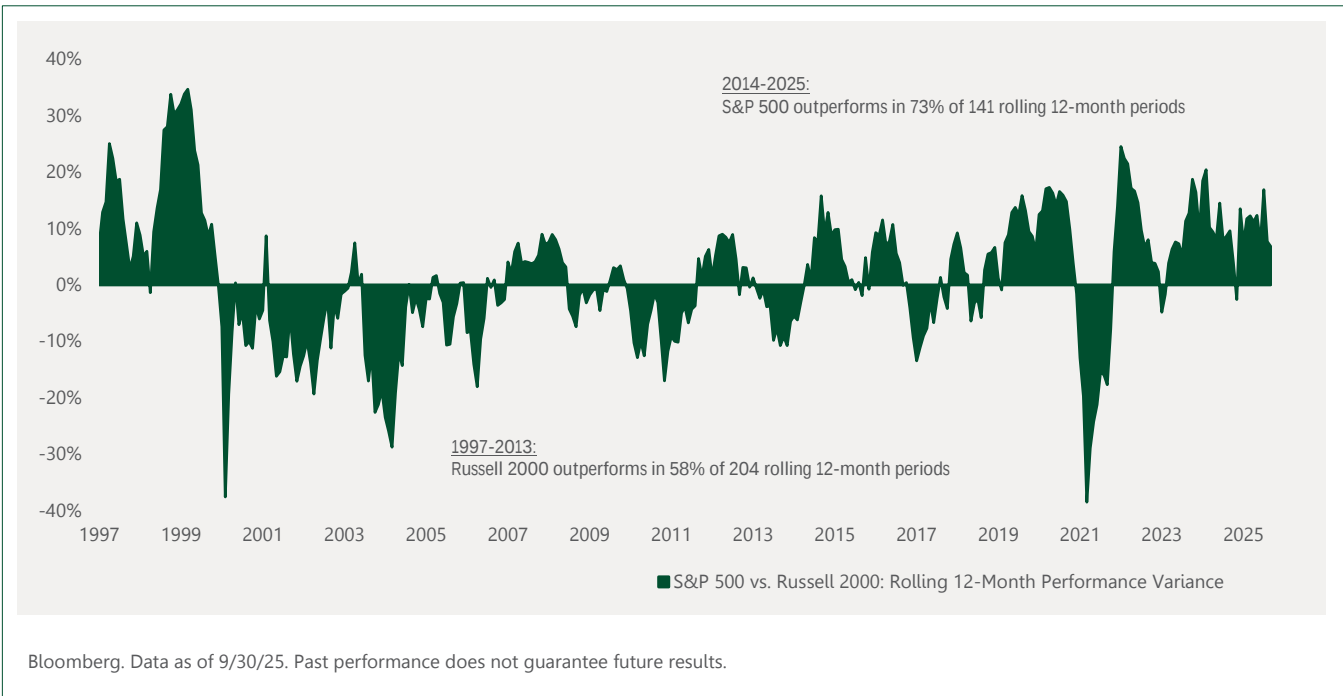
The Concentration of Market Value and Profits



Third Quarter 2025

Quarterly Market Insights

CHART 5
Small Caps Have Mostly Struggled Since 2014



Market Concentration

The extraordinary scale of AI-related investment has not only reshaped corporate capital spending but also amplified the dominance of a small group of technology giants within U.S. equity markets. As capital, earnings, and investor enthusiasm concentrate around the AI ecosystem, market leadership has become increasingly narrow. This has reinforced the dominance of a handful of mega-cap technology companies often referred to as the “Magnificent Seven”—Apple, Microsoft, Alphabet, Amazon, Meta, Nvidia, and Tesla. Together, these firms now account for more than one-third of the S&P 500’s total market capitalization, up from less than 20% just three years ago. Their collective market value has expanded by nearly \$10 trillion since the start of 2024, outpacing the rest of the index by a wide margin. Chart 4 depicts this increased concentration both in terms of market capitalization and profits.

This unprecedented concentration reflects both genuine earnings strength and investor conviction that these companies are best positioned to capture the productivity windfall from generative AI. Nvidia’s projected 50% revenue growth in 2025, combined with accelerating cloud and data-center profits at Microsoft, Alphabet, and Amazon, has drawn an enormous share of incremental global equity flows. As a result, passive investment vehicles tied to market-cap-weighted benchmarks have become increasingly top-heavy, further reinforcing the dominance of these same firms. Market leadership concentration can be justified for extended

periods during eras of technological disruption. Yet, it also introduces structural risks. Index-level valuations have become disproportionately sensitive to a narrow subset of companies, leaving the broader market more vulnerable to earnings disappointments, regulatory actions, or sentiment shifts in the technology sector.

Industrial Policy: Blast from the Past

The same forces concentrating equity leadership in a handful of mega-caps are intersecting with a more muscular U.S. government posture toward a handful of “strategic” industries. This industrial policy is channeling public capital and policy support into semiconductors, critical minerals, and defense supply chains. After years of relying primarily on tax incentives and regulation, the Trump administration increasingly directed federal balance-sheet resources to priority sectors in the third quarter. The approach—reminiscent of mid-20th-century industrial policy—combines direct equity stakes, long-dated offtake agreements, procurement guarantees, and targeted tariffs to re-anchor production domestically and reduce reliance on supply chains centered around China and Taiwan.

On July 10, the Department of Defense announced a \$400 million purchase of newly issued preferred stock from MP Materials (MP) to expand rare-earth separation at Mountain Pass, CA, and to launch a U.S. magnetics plant. The goal: secure defense-grade permanent magnets used across aviation, missiles, and advanced electronics, and lessen import dependence in a chokepoint segment of the value chain. Five days later, on July 15, Apple revealed a \$500 million offtake agreement with MP tied to a new Texas facility tailored to Apple’s manufacturing needs.

Third Quarter 2025

Quarterly Market Insights

Semiconductors were an even higher-profile target. On August 22, the U.S. government unveiled plans to acquire nearly a 10% stake in Intel (INTC) through an \$8.9 billion equity investment funded under the CHIPS and Science Act/Secure Enclave programs. While structured as a passive holding, the move signaled a decisive shift from grants and credits toward direct ownership in a national-champion foundry capable of producing leading-edge nodes onshore. Follow-on private capital quickly aligned: SoftBank disclosed a \$2 billion investment in Intel within days, and on September 18, NVIDIA announced a \$5 billion strategic commitment—further evidence that federal anchors can catalyze large-scale private co-investment.

The administration also flagged potential expansion of this model. On August 26, Commerce Secretary Howard Lutnick said the White House is evaluating equity or quasi-equity investments in major defense primes—specifically citing Lockheed Martin (LMT)—to accelerate domestic-focused production of general munitions, hypersonic missiles, and space systems.

Small Cap Spark

On September 18, the Russell 2000 Index closed at 2,467.70 to make its first all-time high since November 25, 2024. Its 10-month struggle to reclaim that peak reflected investors' skepticism about a sharp pickup in economic growth. Smaller companies' more cyclical, rate-sensitive business models have struggled for several years compared to their larger peers in an environment of elevated interest rates and policy uncertainty. Regional banks, industrial firms, and biotechnology companies have an outsized influence on most U.S. small cap indices. As seen in Chart 5, the Russell 2000 has underperformed the S&P 500 in 73% of the 141 rolling 12-month periods from January 2014 through September 2025.

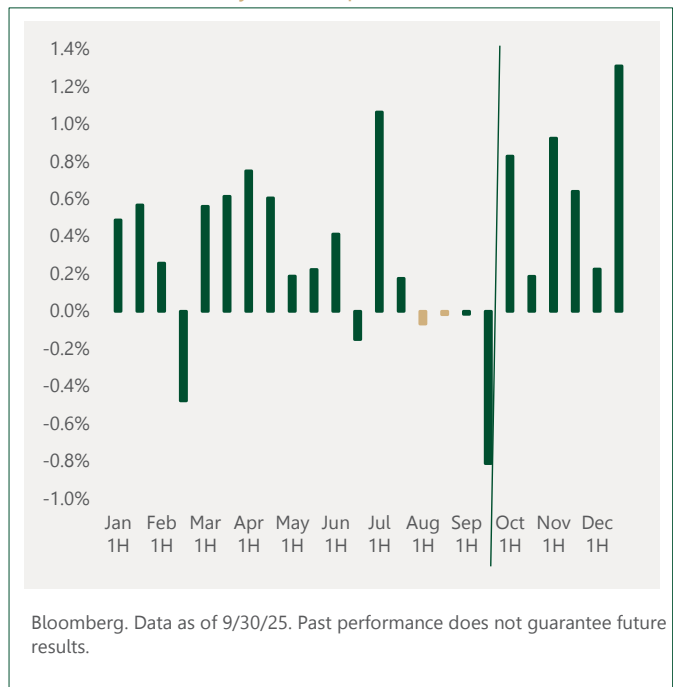
The recent spark in small cap returns is likely driven by several factors. First, expectations for lower interest rates provided a tailwind as smaller companies tend to carry more variable-rate debt than their larger counterparts, making them more sensitive to interest rate changes. Second, several policy support items contained in the OBBBA also helped. The bill permanently restored U.S. businesses' ability to deduct 100% of the cost of qualified property, such as machinery and equipment, in the first year it was placed in service. It also unlocked 100% immediate deduction of domestic research and experimental (R&E) expenses, reversing previous amortization rules. Lastly, smaller companies are finally enjoying improving earnings expectations following a multi-year period in which profits were suppressed. This shift, partly driven by the easing interest rate environment, seems to have given investors more confidence in the asset class's potential for growth.

Outlook

Markets enter the final quarter of 2025 with renewed optimism but lingering crosscurrents. A recalibration of Fed

CHART 6

S&P 500 Seasonality Perks Up in 4Q



policy toward easing, combined with fiscal stimulus from the OBBBA, has improved the policy backdrop even as labor market data reveal a slower trend beneath the surface. Tariff-related price pressures may continue to generate short-term noise in inflation readings, but we view these as one-time adjustments rather than the onset of a sustained inflation cycle. The recent acceleration in capital markets activity underscores improving confidence in the policy and earnings environment. After several years of deferred issuance and consolidation, IPO and M&A pipelines are reopening in force, supported by easing credit conditions, strong equity valuations, and a regulatory posture more conducive to domestic investment and business formation. This trend should reinforce liquidity and risk appetite into year-end.

Corporate earnings momentum remains solid, driven by AI-led capital spending, industrial policy tailwinds, and recovering small-cap performance. Gold's powerful rally and continued foreign demand for hard assets highlight concerns about fiscal sustainability, yet they have not derailed broader investor sentiment toward equities. We expect near-term volatility around fiscal negotiations and Fed communication, but the medium-term setup remains constructive. As seen in Chart 6, the fourth quarter has historically provided some of the strongest stock market returns over the last 80 years. Easier monetary policy, improving earnings visibility, and renewed capital formation suggest a supportive environment for risk assets as the expansion looks set to extend into 2026. Barring a policy misstep or external shock, the U.S. economy appears poised for a transition from a period of uncertainty toward a more durable, investment-led phase of growth.

ECONOMIC FACTORS	CURRENT OUTLOOK
U.S. GDP Growth	The domestic economy is likely to experience a patch of soft growth in 2H25 before reaccelerating in 2026.
Federal Funds Rate	We expect the Fed to reduce its policy rate by 50-100 basis points over the next 6-9 months beginning with another 25-bps cut on October 29.
Inflation	An effective average U.S. tariff rate around 15% will likely cause a temporary uptick of Y/Y consumer inflation toward 3.5%.
Employment	We expect lackluster payroll growth over the next 6 months due mostly to lower rates of hiring rather than widespread layoffs.
Consumer Confidence	Consumer sentiment likely bottomed in late April and could improve steadily as the effects of OBBBA-related stimulus impacts the economy.
Oil Price	WTI crude oil prices between \$65-\$70/barrel are likely a sweet spot for U.S. energy producer profitability and consumer sentiment.
Housing	We expect a pickup in home market activity if the average 30-year mortgage rate pushes below 6%.
International Economies	Fiscal stimulus in Germany and China, along with corporate reform in Japan should continue to be international bright spots in 2H25.

	MINIMUM	NEUTRAL	MAXIMUM	CURRENT OUTLOOK
FIXED INCOME				
Core Bonds				In April we reduced credit exposure in portfolios by redeeming high yield bond positions and reallocating to Treasuries. We do not think high yield bond valuations appropriately compensate investors for their embedded risk in the current environment. High yield credit spreads remain tight compared to historical ranges despite recent widening. High yield issuers could face a more challenging market heading into 2026 as a wave of 2021 issuance will need to be financed.
TIPS				We prefer to hold short to intermediate-term US government bonds and investment-grade corporate bonds. We expect this posture will benefit from a continued steepening of the yield curve (when the gap between short rates and long rates expands). Shorter duration exposure also limits potential volatility related to periodic flareups about the U.S. budget deficit.
Non-Investment Grade				
International				
				High quality bonds are likely to play a key role in dampening the volatility of diversified portfolios in the second half of 2025 and beyond due to 1) significant coupon income and 2) price appreciation potential in the event of another "growth scare" similar to what we saw in the summer of 2024.

	MINIMUM	NEUTRAL	MAXIMUM	CURRENT OUTLOOK
EQUITIES				
Large Cap				We think target equity weightings should be retained in portfolios following the powerful 6-month post-Liberation Day rally. Policy risk has diminished with recent trade deals and the passage of the tax-and-spending bill, yet valuations are full compared to history. We would consider increasing equity allocations in the event of a 5%-10% correction if economic fundamentals do not show imminent signs of deterioration.
Mid Cap				
Small Cap				
Developed International				Profit growth will likely have to perform the heavy lifting for further index-level gains in coming months and quarters. We think the S&P 500 can achieve earnings growth around 10% in 2026 due to a combination of AI investment, financial sector deregulation, and technology-driven productivity gains.
Emerging Markets				
				We think it makes sense to keep equity allocations focused on areas of the market that exhibit quality characteristics in terms of leverage, earnings volatility, and return on capital. Small cap, value style, and international stocks could become more appealing if we see signs of a durable cyclical reacceleration in the global economy accompanied by lower interest rates and subdued inflation.

	MINIMUM		NEUTRAL		MAXIMUM		CURRENT OUTLOOK
ALTERNATIVES*							
	CAP PRES	IWSG	BAL	GWSI	GROWTH		
Gold						Most portfolios should maintain a moderate allocation to gold given our assessment that the economic, policy, and geopolitical backdrops remain well suited for the precious metal. The resumption of Fed rate cuts, elevated developed-nation government deficits, and the desire of global central banks to diversify their U.S. dollar reserves should enable gold to improve the risk-adjusted returns of portfolios in coming quarters. Our alternatives allocations, as seen in the table to the left, are designed to decrease the overall risk profile of our five investment objective-based portfolios. (CAP PRES, IWSG, BAL, GWSI, and GROWTH.)	
Hedged Equity							
Arbitrage							

The above minimum/neutral/maximum recommendations represent RCB Bank Trust & Wealth Management's current positions relative to our Strategic Asset Allocation ranges. Views expressed have a 6-12 month horizon and are those of the RCB Bank Trust & Wealth Management.

*Cap Pres: Capital preservation; IWSG: Income with some growth; Bal: Balanced; GWSI: Growth with some income

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