Market Outlook Report:
Navigating the Path to Year-End 2025

Synthesis of Goldman Sachs and BofA Research – October 24, 2025

DeFi University Research

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Executive Summary

- S&P 500 prints its **34th all-time high** in 2025; resilience remains the post-Liberation Day theme
- Sentiment is still cautious: set-up seen as **favorable risk/reward** into year-end
- Financial conditions are near the **most accommodative** in ~3 years (GSUSFCI)
- Corporate demand strong: **>$1T in buyback authorizations**; blackout ending supports Q4 execution
- Fed on track to **cut 25 bps on 10/29 and 12/10**; QT expected to end
- Digital assets gain institutional traction: **Bitcoin +19.5% YTD** ($113,687), corporate holdings reach **$117bn** as firms double down on crypto treasuries; Bitcoin miners pivot to **AI/HPC infrastructure** ($79bn market cap)
- **Implication:** Bias to upside as positioning is light, flows supportive, and bar for earnings is low

Sources: Goldman Sachs (Tony Pasquariello, John Flood, Rich Privorotsky, Peter Bartlett); Bank of America (Michael Hartnett); JPMorgan (Reginald Smith) - October 2025

Market Positioning: The Contrarian Setup

- Gross leverage high (**~219%**) vs net leverage low (**~51%, 30th percentile**) → elevated right-tail risk
- BofA indicators reset: Breadth Rule **89%** → **64%**; Flow Trading Rule **>1% AUM** → **0.2%**
- October washout in momentum/gold viewed as **positioning cleanse**, not a regime change
- Investors are **underexposed to new ATHs**; potential vacuum higher if catalysts clear
- Corporate Bitcoin adoption accelerates: Holdings surge to **$117bn**; major banks exploring **G7-pegged stablecoins**; SEC Chair Atkins charts **pro-innovation path** for crypto/tokenization regulation

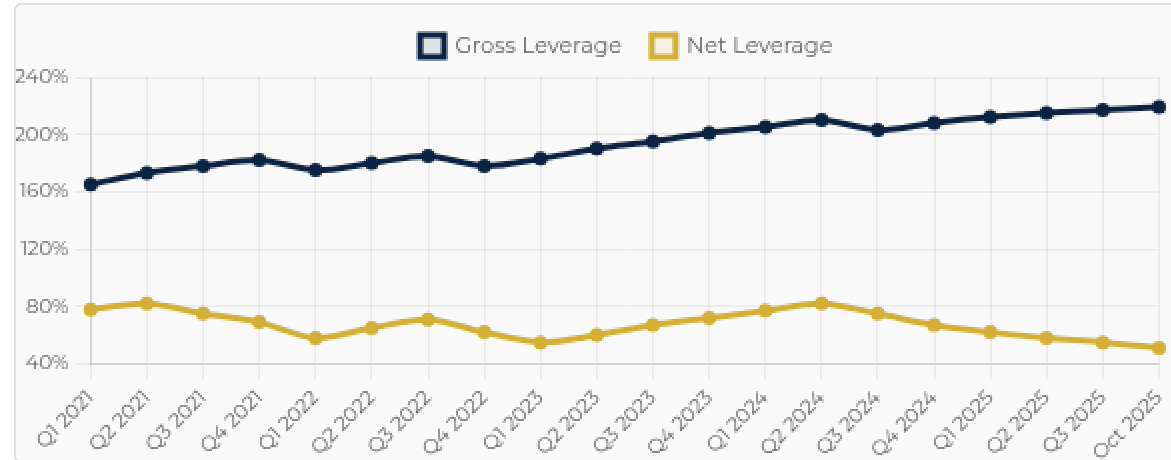

Chart A: Gross vs Net Leverage (5-year history)

Source: Goldman Sachs (Tony Pasquariello/John Flood)

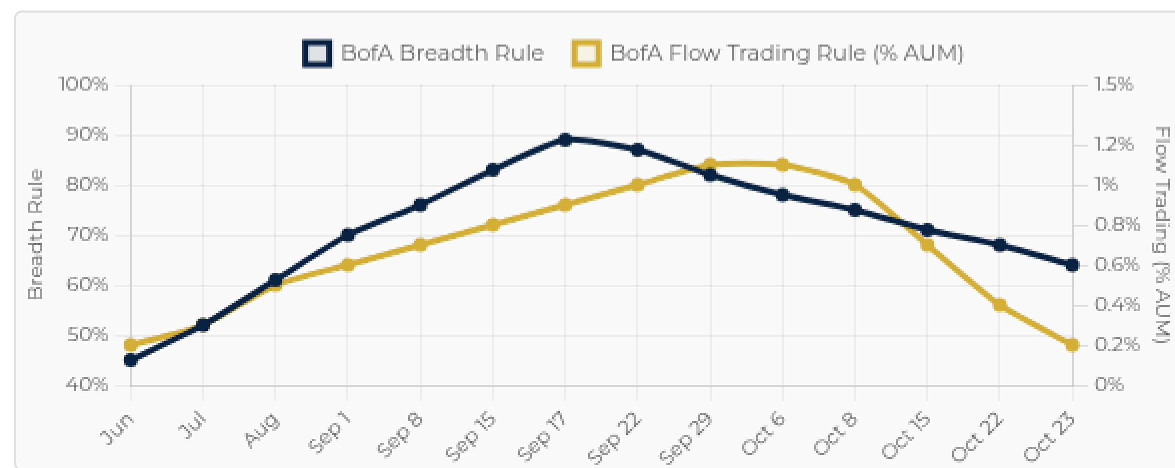

Chart B: BofA Sentiment Indicators (reset from extremes)

Source: BofA – The Flow Show (Oct 23, 2025)

Technical and Flow Dynamics

- **Financial conditions:** GSUSFCI near 3-year lows; 10y yields **-20 bps** since government shutdown began
- **Flow-of-funds:** Q4 buybacks historically strongest; retail participation at **~16% of SPX** (5-year high)
- **Liquidity:** M2 rising for **22 consecutive months** (+$94B monthly avg); money market assets **+10% YTD to $7.3T**
- **Volatility:** VIX and VVIX consolidating since early October; "beach ball" market resilience continues

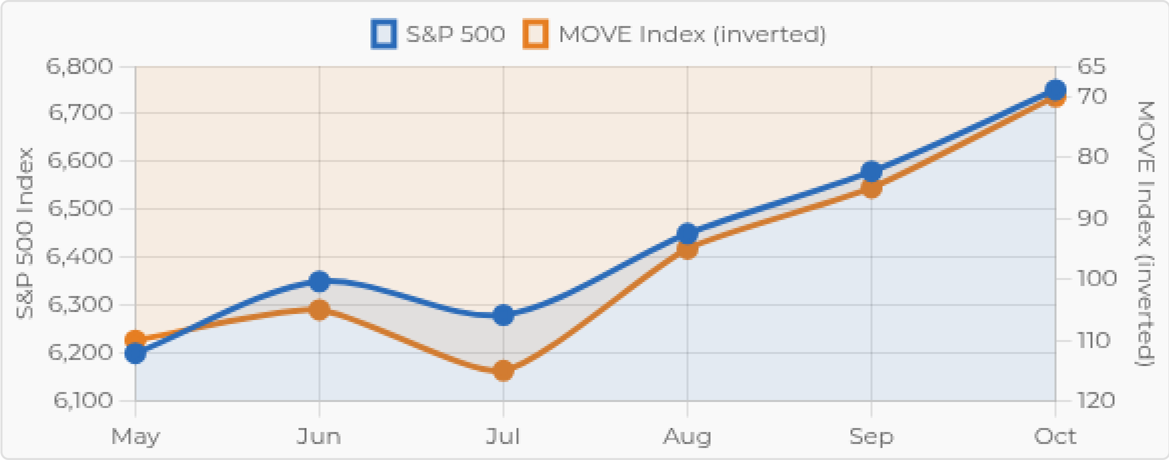

Chart A: SPX (blue) vs. MOVE (inv, orange) - Correlation

Source: Goldman Sachs, LSEG Workspace

Chart B: Retail Share of SPX (~16%) & Q4 Buyback Seasonality

Source: Goldman Sachs (John Flood, Rich Privorotsky)

Mega-Cap Tech Catalyst

- Positioning has **reset dramatically** into earnings prints; consensus expects just **~14% YoY EPS growth** vs **~30% pace** of prior four quarters
- Historical median quarterly surprise of **~8%** suggests actual growth could **exceed 20%** if pattern repeats
- Focus areas: advertising trends (Search/YouTube/META), public cloud trajectory (Azure/AWS/GCP), 2026 AI capex plans, monetization progress
- Stock specifics: **GOOGL** (most crowded at 9/10), **MSFT** (sideways 3mo; Azure focus), **META** (achievable bar), **AAPL** (services mix), **AMZN** (AWS re-acceleration potential)

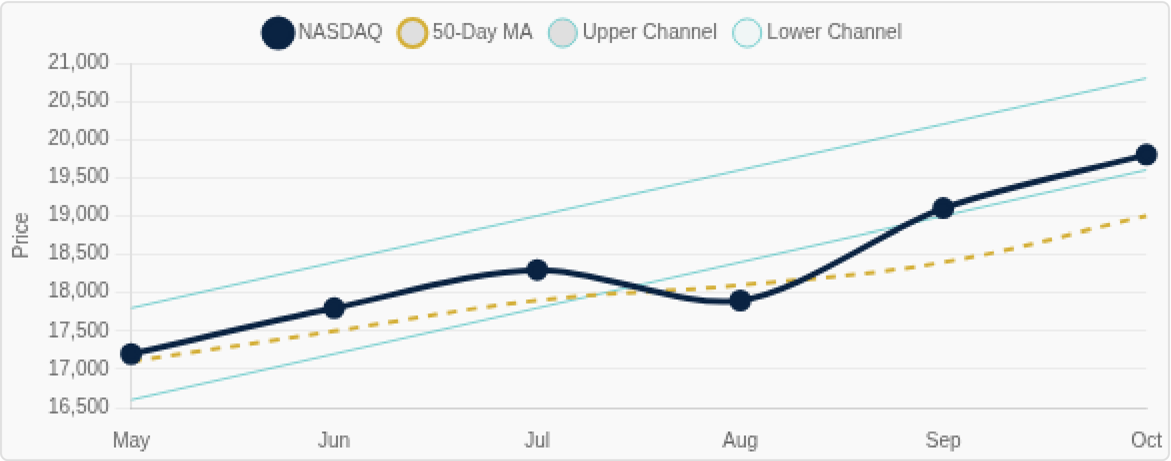

Chart A: NASDAQ - Consolidating, Breaking, Ripping Higher

Source: Goldman Sachs, LSEG Workspace

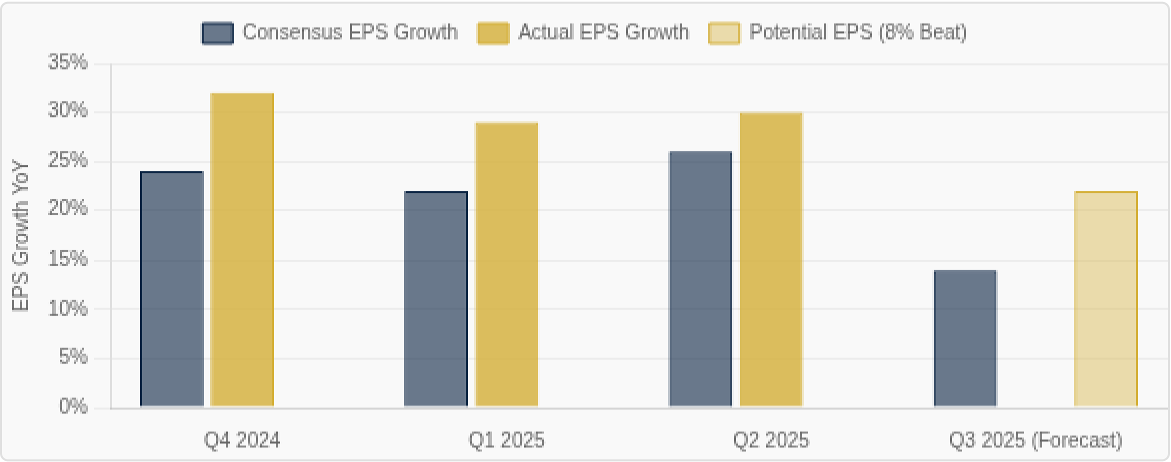

Chart B: MAG7 Consensus EPS Growth vs Historical Beat Pattern

Source: Goldman Sachs (John Flood) - Earnings Analysis Oct 2025

Sources: Goldman Sachs (John Flood, Tony Pasquariello, Peter Bartlett); LSEG Workspace - October 2025

Macro and Policy Backdrop

- Fed: **25 bp cuts** expected on Oct 29 and Dec 10; **QT likely ending** given liquidity conditions
- Global easing: **~312 cuts in past 24 months** vs US nominal GDP **+11%** → unusual easing into strength
- Inflation: Core CPI **~0.25% m/m**; temporary tariff pass-through → core PCE **>3% in Q4** before easing
- Labor: moderation largely **supply-driven**; unemployment seen **4.4–4.5%** into early 2026
- Crypto regulation: **SEC pro-innovation stance**; tokenization accelerates (**BlackRock**, Banque de France initiatives); stablecoin frameworks advancing; Singapore delays bank crypto rules to **2027**

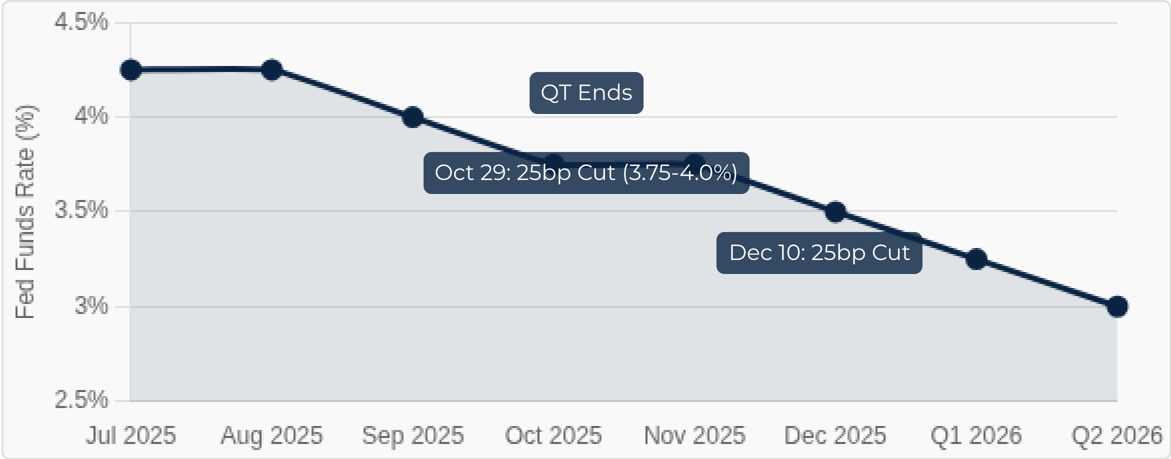

Chart A: Fed policy path (cuts + QT end timeline)

Source: Bank of America US Economic Weekly (Oct 24, 2025)

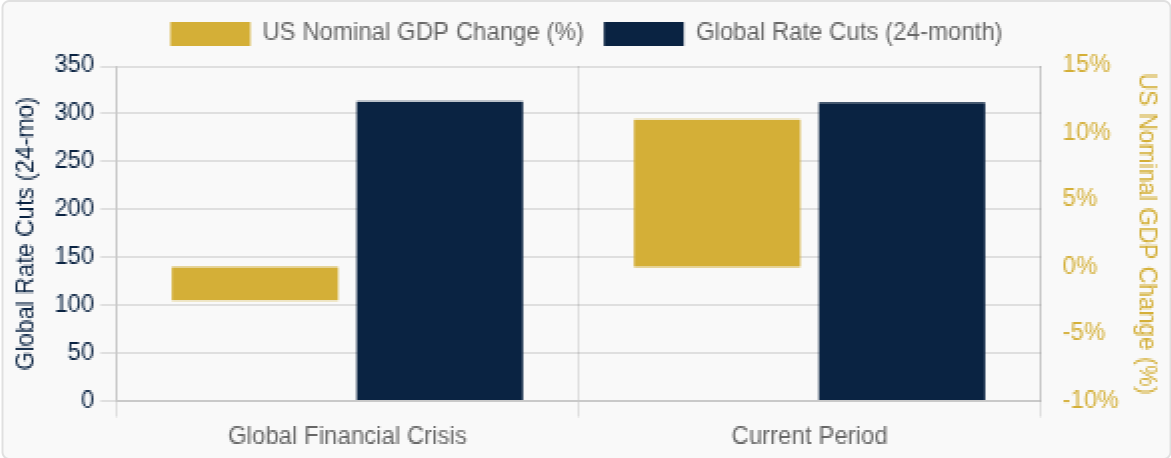

Chart B: Global rate cuts vs US nominal GDP growth

Source: Bank of America (Michael Hartnett) - The Flow Show

Cross-Asset Performance YTD

Dispersion across asset classes remains extreme in 2025, with precious metals significantly outperforming all other categories. Despite market volatility, both equities and fixed income have delivered strong positive returns.

- **Gold's extraordinary run** (+56.2%) exceeds the combined returns of stocks and bitcoin
- Despite **cautious sentiment**, equities have delivered nearly 20% returns alongside robust credit performance
- **US Dollar weakness** (-8.8%) and **oil declines** (-13.8%) stand in stark contrast to financial assets
- Rare positive environment across both stocks and bonds as **Fed easing cycle** supports multiple asset classes simultaneously

> **Bitcoin correlation dynamics:** 3-month realized correlation shows BTC increasingly tracking SPX and NDX, while diverging from Gold—suggesting crypto's evolution as a risk-on asset rather than safe haven. This correlation shift supports the thesis that digital assets are becoming integrated into broader risk asset portfolios.

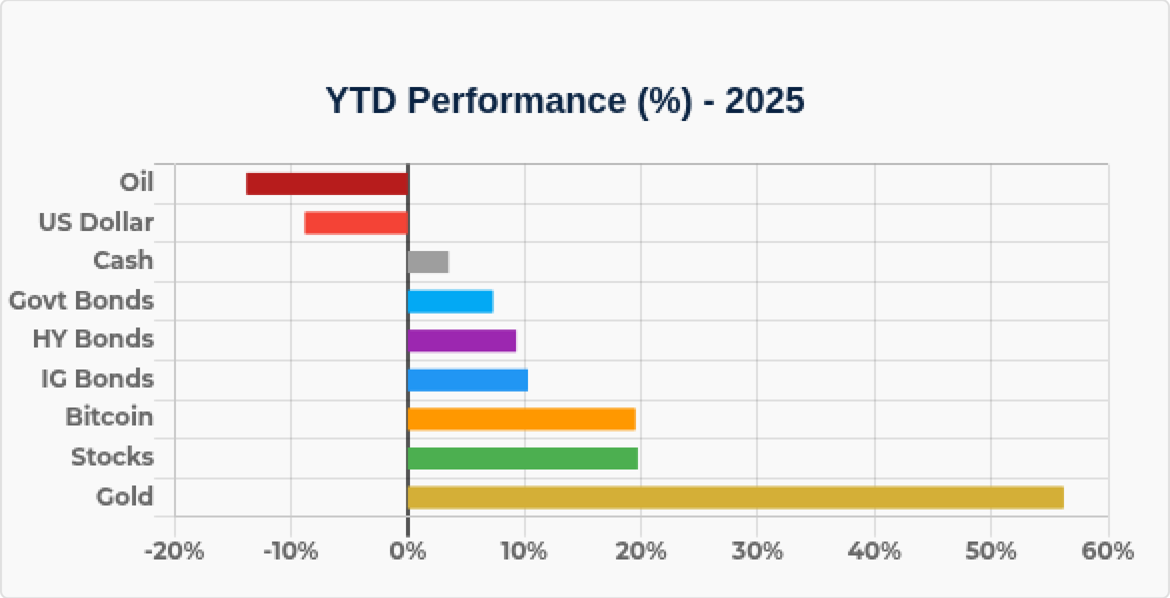

Chart A: YTD Performance Across Asset Classes (2025)

Source: Bank of America (Michael Hartnett) - The Flow Show (Oct 23, 2025)

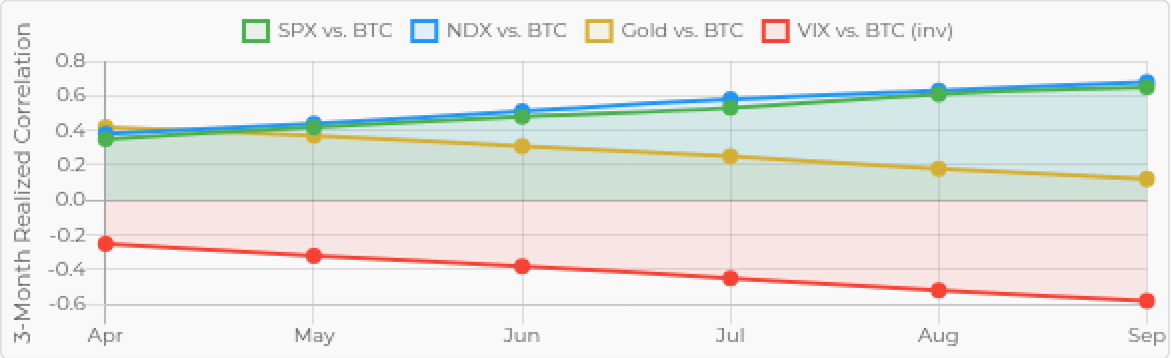

Chart B: Bitcoin 3-Month Realized Correlation

Source: Goldman Sachs Digital Assets - Market Correlation Analysis

Sector and Regional Dynamics

- **Tech/Semis:** AIQ and SOX breaking out of consolidation; prior breakout episodes have historically led to dynamic upside moves
- **Data center & memory:** Renewed bid post-INTC results; supporting semiconductor capex supply chain
- **Retail at extremes:** ~16% of SPX (5-year high); underpinned by strong household and corporate demand flows
- **Regional dynamics:** China plenum viewed as non-event; Trump-Xi APEC meeting presents dip-buying catalyst for EM; UK retail beat supporting FTSE/MCX strength

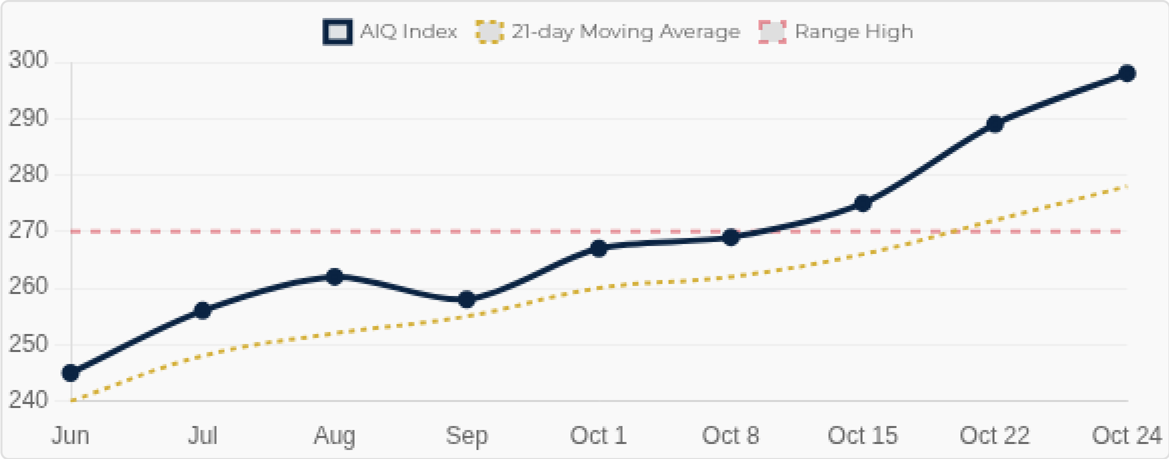

Chart A: AIQ breaking above range highs

Source: Goldman Sachs (Peter Bartlett), LSEG Workspace

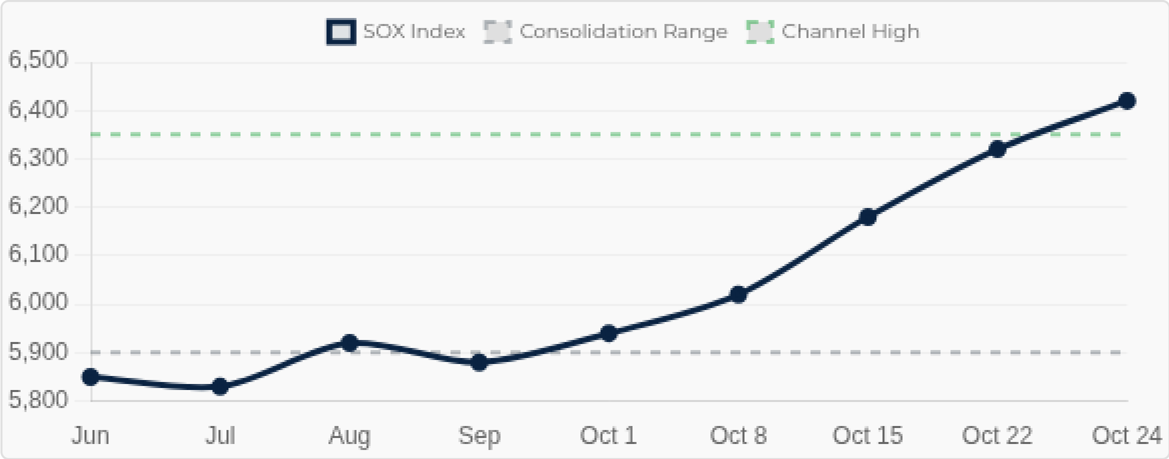

Chart B: SOX breakout above consolidation

Source: Goldman Sachs (Peter Bartlett), LSEG Workspace

Digital Assets & Bitcoin Mining

- Bitcoin market position: **$113,687** price (Oct 26, 2025), **+19.5% YTD**, **61.4%** crypto market dominance
- Ethereum at **$4,073** (Oct 26, 2025); Corporate treasuries adoption surging with **$117bn** in Bitcoin holdings
- Mining sector evolution: **14 U.S.-listed miners reached $79bn** combined market cap (**+$23bn since Sept, >2x from Aug**)
- **HPC/AI infrastructure pivot:** Miners diversifying beyond mining (Cipher/Fluidstack deal, IREN's GPU fleet expansion)
- Valuation metrics: Miners trade at **record 3.5x** proportional share of 4-year block reward vs **1.65x historical avg**
- Network dynamics: U.S.-listed miners now account for **~38% of global hashrate**, up from prior periods

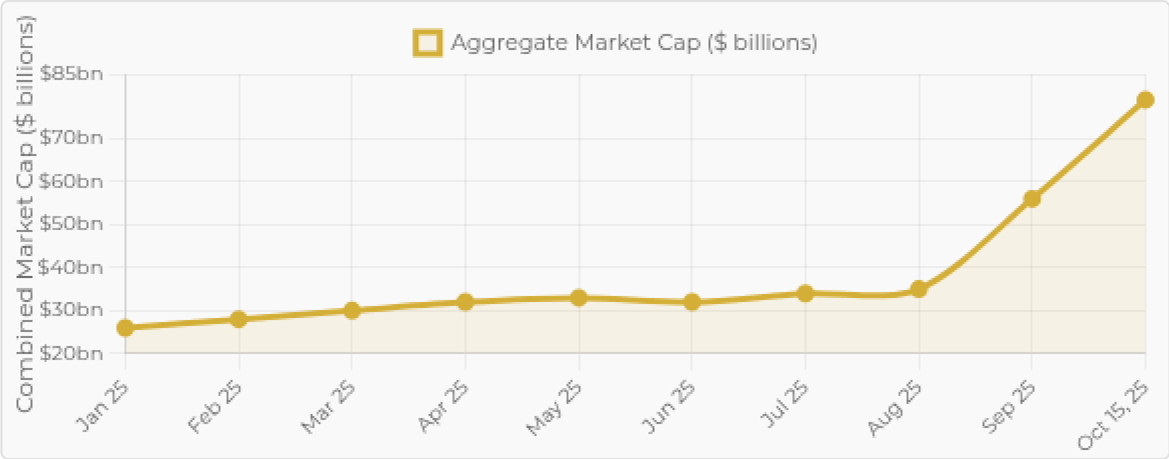

Chart A: U.S.-Listed Bitcoin Miner Market Cap Growth (2025)

Source: JPMorgan (Reginald Smith) - Bitcoin Mining Report (Oct 16, 2025)

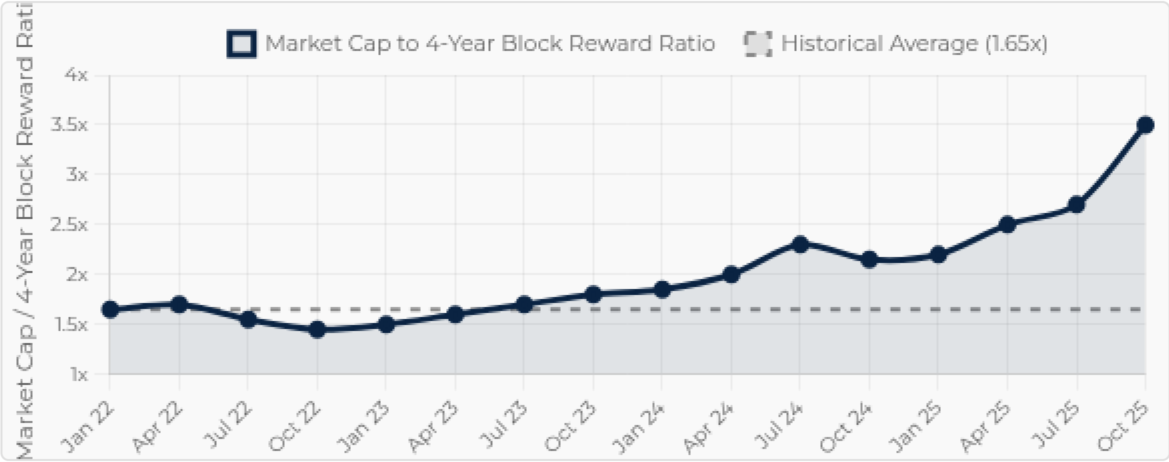

Chart B: Miner Valuation Decoupling from Block Reward

Source: JPMorgan (Reginald Smith) - Valuation Analysis

Key Risks and Scenarios

- **Earnings:** MAG7 foot faults derail momentum; watch ads/cloud/capex signals
- **Policy:** Fed pause or hawkish pivot if inflation persistence surprises
- **Geopolitics:** US–China escalation ahead of APEC; headline risk high
- **Labor:** Faster deterioration could shift from supply- to demand-driven weakness
- **Positioning:** Wrong-way move could trigger de-grossing
- **Macro data:** Extended shutdown/data blackout increases uncertainty

Investment Implications and Tactics

- **Overweight megacap tech laggards** (MSFT, META, AMZN); buy dips into prints
- **Semiconductors:** buy pullbacks to 21D/50D on SOX/AIQ; data center capex tailwind
- **Options:** QQQ Mar 2026 675-735 call spread ~$8.25 (max ~7.3x payout) for asymmetric upside
- **Gold:** maintain as macro hedge (boom/AI bubble/USD debasement) but avoid chasing
- **Bitcoin/Crypto:** Tactical position in Bitcoin ($113,687, +19.5% YTD) as institutional adoption accelerates; focus on crypto miners with HPC/AI pivot (IREN, Cipher Mining, MARA); monitor corporate treasury adoption trend ($117bn holdings)
- **Tokenization theme:** Exposure to traditional finance embracing blockchain rails; BlackRock's tokenization push, stablecoin infrastructure buildout, and regulatory clarity creating opportunities
- **EM:** buy dips into Trump-Xi APEC; confirm breakout if MXEF >1400 sustains

Sources: Goldman Sachs (John Flood, Tony Pasquariello, Peter Bartlett); Bank of America (Michael Hartnett); JPMorgan (Reginald Smith) - October 2025

Conclusion: Path to S&P 7,000

- Next logical target implies **~3-4% upside** from latest all-time high
- With **light net exposure**, strong corporate/retail demand, and accommodative financial conditions, **upside surprises more likely** than downside disappointments

Key Conditions for S&P 7,000:

1. **MAG7 delivering >20% EPS growth** vs consensus expectations of only 14%
2. **Fed cutting rates** on October 29th and December 10th as expected
3. **Q4 buyback surge** materializing as corporate blackout windows end
4. **Favorable seasonality** playing out through year-end
5. **No major policy errors** or geopolitical shocks

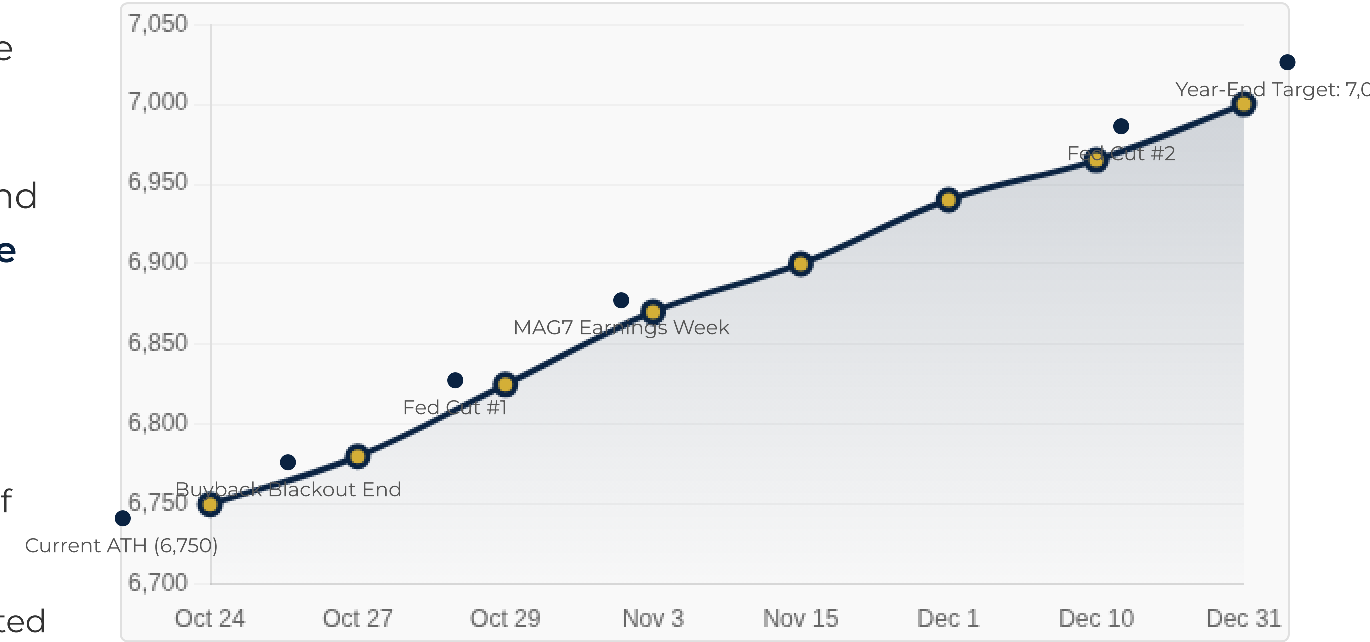

Chart: S&P 500 with projected path to 7,000 by year-end 2025

Source: Goldman Sachs (John Flood) - Another ATH and Still More to Come (Oct 24, 2025)

The Paradox of 2025's Market

34 all-time highs achieved while sentiment remains cautious and positioning defensive. This divergence may be the market's greatest strength heading into year-end.

"The wall of worry remains—but it's that very wall that continues to fuel the climb."

Analysis based on research from Goldman Sachs, Bank of America, and JPMorgan - October 2025