Third Quarter 2025 Market Review

The S&P 500 has seen more than $10 trillion added to its market capitalization in just the past few months. Thousands of cash investors fled to stocks, seeking higher returns. Calm swept the capital markets as long-term stock investors stayed the course and were rewarded for their emotional discipline.

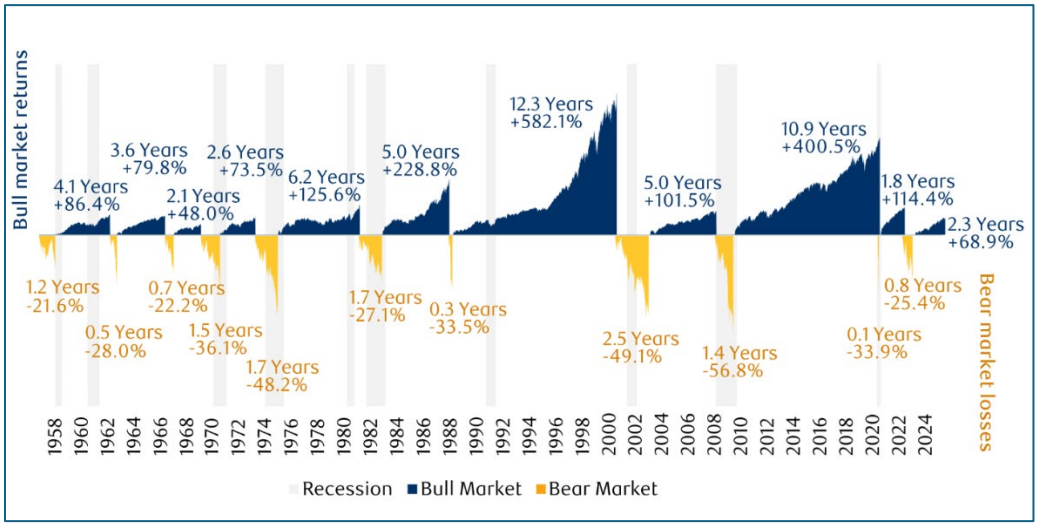
How many news reports about the stock market have you read like that recently? If you answered "none" then join the club. (We made up the one above.) The thought of finding a report like that in the financial press actually evokes a sensible chuckle, doesn't it? It's hard to even imagine a story like that in the headlines.

The reason is because good news is, well, *boring*. When things are calm, we go about our lives, focusing on the day-to-day mundane stuff. We may give the daily stock report a glance as it scrolls through our news feed, but we rarely click on it.

But when some event occurs that sends stocks into a tailspin, the media drama machine springs to life. Stories fill the headlines about how stocks have "shed trillions in market value" and investors are "fleeing to safe havens like cash and gold." Fear grips the market; clicks abound and ad revenues soar.

This starts the emotional rollercoaster for many investors, who pile into stocks when the environment feels safe and bail out when things feel scary. This is investing at the extremes, and it's the reason so many investors have a negative experience with stock investing.

This reality is that stock investing (at least successful stock investing) is generally a much more mundane experience than the media would have us believe. Consider this chart, which shows both the length and extent of bull and bear markets over the past 70 years:



Source: RBC GAM, Bloomberg

While occasionally extreme, bear markets have historically been much shorter in duration than most bull markets, which can sometimes run more than a decade. Major market declines are akin to wildfires that burn through the market when distortions occur, such as the bursting of the dot-com bubble in 2000 and the collapse of the subprime mortgage industry in 2008.

On the other side of these major downturns, stocks have historically had a strong rebound that comes quickly and unexpectedly. After that, equilibrium returns to the market and long periods of relative calm typically ensue.

When the calmer times come in the market cycle, it's important to remember such times are the rule, not the exception. They may not be dramatic or good fodder for headlines, but they are the days that stocks slowly and inexorably deliver their equity premiums to investors.

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Weight Watchers, the iconic American health and wellness giant, filed for bankruptcy in May.

Of itself, the bankruptcy filing isn't particularly notable. Big companies go bankrupt every year for a wide variety of reasons. But Weight Watchers' tale of woe is interesting from an investment perspective because it underscores just how risky it is to be a stock picker in today's volatile market.

After floundering for much of the 2000s, Weight Watchers received a massive shot in the arm in 2015 when Oprah Winfrey announced that she had acquired a 10% stake in the company and joined its board of directors. Weight Watchers' stock took off following the announcement, soaring to more than $100 a share by 2018.

But in May 2021, the FDA announced the approval of the weight loss drugs Ozempic and Wegovy. Suddenly, Americans had a choice between counting points or taking a prescription to lose weight. Unsurprisingly, millions have opted for the latter.

From that point on, Weight Watchers' stock price went into a tailspin, culminating in its bankruptcy filing in May. It was a rapid decline for a once well-regarded company.

Weight Watchers' fate is a cautionary tale for investors. External developments can, and do, have major negative implications for individual stocks. In just the past 25 years we've seen the implosion of the dot-com bubble, 9/11, the 2008 financial crisis, the Covid pandemic and the tariff impositions create major disruptions in the stock market. Each of these events blindsided otherwise stable, well-run companies. Many didn't survive.

At the same time, new companies emerge and take advantage of new technologies to become major players in just a few years, or even months. Who these players are and when they emerge, though, is anyone's guess.

Good luck trying to guess the future winners and losers in this fast-paced, unpredictable economic environment. That's why it makes much more sense to own the broad market through diversified funds instead of piling into individual stocks.

It's akin to investing in the football team (market) instead of just the individual players (stocks). Overall the pieces may come and go, but the franchise continues on.

The bottom line: Be the owner of the franchise, not the players.