



September 26, 2025

## Monthly Recap

Historically, September has been a weaker month for U.S. equities, with the S&P 500 averaging a -1.1% decline since 1928. Seasonal volatility and increased post-summer trading activity often contribute to the increased market instability. However, this September defied expectations, with both the S&P 500 and Nasdaq reaching new all-time highs, supported by a stronger than expected macroeconomic backdrop. Month-to-date performance for the S&P 500, Dow, and Nasdaq show gains of +2.84%, +1.54%, and +4.79%, respectively. The Producer Price Index (PPI) declined by 0.1% in August, below the consensus forecast of a 0.3% increase. Meanwhile, the Consumer Price Index (CPI) rose 0.3% month-over-month, in line with expectations. Both figures support a muted tariff impact narrative compared to prior expectations of inflation reaccelerating at a faster rate. Retail sales surprised to the upside, increasing 0.6% in August versus the expected 0.3%, underscoring consumer resilience. During the September 17<sup>th</sup> meeting, the Federal Reserve lowered the federal funds rate by 25 basis points to a range of 4.00%–4.25%. Fed Chair Powell and other FOMC members commented on the risks to both sides of its dual mandate, but the FOMC's attention has shifted from price stability to the downside risks of employment in recent weeks. This week, initial jobless claims fell by 14,000 to 218,000, beating expectations of 235,000. Continuing claims came in at 1.926 million, slightly below estimates but elevated year-over-year highlighting longer durations of unemployment. The average duration rose to 24.5 weeks in August. Overall, September's data painted a picture of resilient consumer demand, moderate inflation pressures, and a Fed increasingly attentive to employment dynamics.

## Key Thought

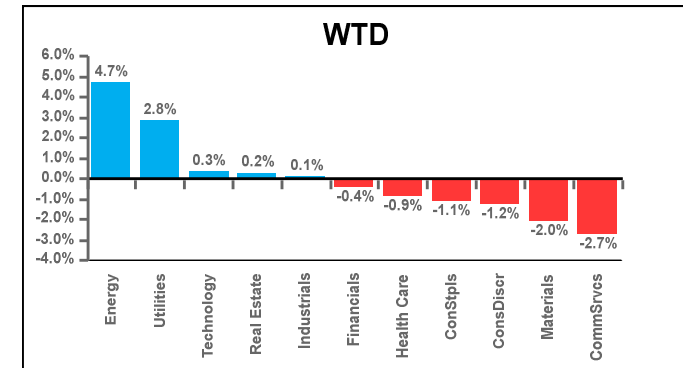
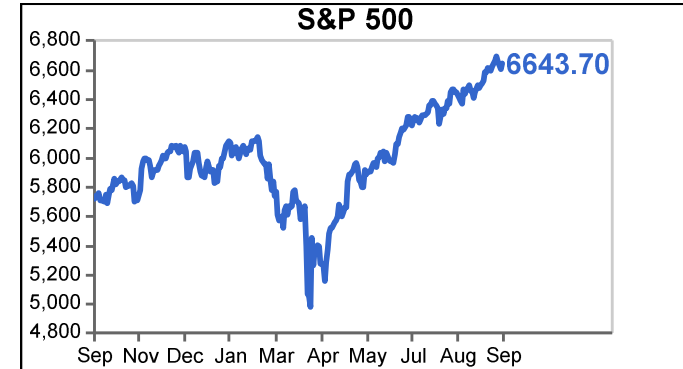
The Federal Open Markets Committee (FOMC) resumed its rate cutting cycle on Wednesday, September 17<sup>th</sup> when it announced the decision to lower the Federal Funds rate by 25 basis points to the 4-4.25% level. The cut suggests the Fed is now less concerned about the impact of tariffs on inflation and more concerned about the employment situation. Of interest was a particular dot on the Fed's dot plot, the quarterly chart which depicts FOMC members' anonymous projections for the federal funds target rate over the next few years. The dot, currently 125bp below the current fed funds rate in the 2025 plot, was conjectured to belong to Governor Stephen Miran, the sole dissent who favored a 50-basis point reduction rather than a 25-basis point cut. A subtle shift in market expectations has emerged since last Wednesday, as evidenced by the projected number of cuts through December 2026. Investors and analysts are now seeing a gradual drift lower in the total number of cuts expected. Markets were pricing in roughly 4.5 cuts just after the meeting, a number that has since dropped to about 3.8, suggesting mounting uncertainty around the path for further easing. Relatedly, financial markets have drifted lower over the past week and appear to have lost some momentum. Yields rose over the course of the past week and a half while equities consolidated gains post their recent strong rally, trading flat prior to Friday morning's release of August's Personal Consumption Expenditures (PCE) data. Core PCE inflation increased by +0.2% month-over-month and annualized PCE rose by +2.9%. Both figures were in-line with consensus and suggest a neutral inflation picture, noting that additional tariff implementation could put upward pressure on prices.

Stocks	Wk		Div	YTD	12 Mos
	Close	Net Change			
DJII-USA	46,247.29	-67.98	-0.15	1.82	8.70
S&P 500	6,643.70	-20.66	-0.31	1.47	12.96
NASDAQ	22,484.07	-147.41	-0.65	0.93	16.43
S&P MidCap 400	3,267.79	-16.54	-0.50	2.34	4.71
EAFE	92.63	-0.37	-0.40	3.21	22.51
Emerging Markets	65.19	-0.49	-0.75	2.88	24.84

Treasuries	Current Yield	12/31/24		FOREX	Price	Wk % Change
		Yield				
1 - Year	3.66	4.15		EUR/USD	1.17	-0.38
2 - Year	3.64	4.24		USD/JPY	149.51	1.04
5 - Year	3.77	4.38		GBP/USD	1.34	-0.51
10 - Year	4.18	4.57		USD/CAD	1.39	1.16
30 - Year	4.75	4.78				

Sector - Large Cap	Wk		WTD	MTD	QTD	YTD
	Close	Net Change				
<b>Defensive</b>						
Staples	867.75	-9.59	(1.1%)	(2.2%)	(3.3%)	1.7%
Health Care	1,580.59	-13.86	(0.9%)	(1.1%)	0.5%	(1.5%)
CommServices	426.53	-12.01	(2.7%)	6.5%	12.9%	24.8%
<b>Eco Sensitive</b>						
Consumer Disc	1,918.05	-23.65	(1.2%)	3.1%	9.4%	4.7%
Energy	703.64	31.42	4.7%	2.5%	8.5%	7.5%
Industrials	1,291.77	1.11	0.1%	0.6%	3.4%	15.8%
Info Tech	5,537.00	16.98	0.3%	5.8%	11.5%	20.1%
Materials	565.17	-11.65	(2.0%)	(3.3%)	1.6%	6.7%
<b>Interest Rate Sensitive</b>						
Financials	896.65	-3.41	(0.4%)	0.0%	2.8%	11.5%
Utilities	440.94	12.11	2.8%	3.4%	6.3%	14.5%
REIT	256.40	0.59	0.2%	(1.3%)	(0.3%)	0.8%

COMING UP NEXT WEEK			Consensus	Prior
09/30	Chicago PMI SA	(Sep)	43.5	41.5
09/30	Consumer Confidence	(Sep)	75.0K	38.0K
09/30	JOLTS Job Openings	(Aug)	7,100K	7,181K
10/01	ADP Employment Survey SA	(Sep)	47.5K	54.0K
10/01	S&P Global PMI Manufacturing SA (Final)	(Sep)	52.0	52.0
10/01	ISM Manufacturing SA	(Sep)	49.3	48.7
10/02	Initial Claims SA	(9/27)	225.0K	218.0K
10/02	Durable Orders SA M/M (Final)	(Aug)	-	2.9%
10/03	Nonfarm Payrolls SA	(Sep)	45.0K	22.0K
10/03	Private Nonfarm Payrolls	(Sep)	75.0K	38.0K
10/03	Unemployment Rate	(Sep)	4.3%	4.3%
10/03	S&P Global PMI Services SA (Final)	(Sep)	53.8	53.9
10/03	ISM Services PMI SA	(Sep)	51.8	52.0



## Russell Style Return

WTD	Value	Blend	Growth	YTD	Value	Blend	Growth
Large	0.10%	-0.34%	-0.81%	Large	11.09%	13.75%	16.10%
Medium	0.12%	-0.24%	-1.47%	Medium	8.62%	9.80%	12.75%
Small	-0.14%	-0.67%	-1.00%	Small	8.95%	10.08%	11.32%

Source: FactSet