



QUARTER ENDING SEPTEMBER 30, 2025

Market Navigator

Markets continued their upward climb in September, with U.S. stocks reaching new record highs despite the month's historically weak reputation. Falling interest rates and stronger-than-expected earnings helped fuel the rally, while economic data showed steady growth. Although some risks remain, the overall tone was optimistic heading into the final quarter of the year.

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Beyond the Headlines: Stocks Hit New Highs as Rally Extends into Fifth Month

September was another positive month for markets, as U.S. stocks gained on the back of continued growth and falling interest rates. The S&P 500 gained 3.65 percent for the month and 8.12 percent for the quarter. The Dow Jones Industrial Average returned 2.00 percent in September and 5.67 percent for the quarter. The Nasdaq Composite led the way with a strong 5.68 percent gain for the month, capping off a 11.41 percent rise in the third quarter.

The S&P 500, Dow, and Nasdaq all set record highs during the month, which was especially impressive given that September has historically been the worst month for investors. This now marks five straight months with positive returns for U.S. stocks, highlighting the strength of the current rally.

Fundamental factors were supportive of markets during the month. Second-quarter earnings season wrapped in September, and results came in better than expected. On average, companies in the S&P 500 saw earnings grow by 10.8 percent in the quarter, which was well above analysts' estimates of 2.8 percent. Over the long run, fundamentals drive market performance, so this was an encouraging result for investors. Technical factors were supportive as well, as all three major U.S. indices spent the entire month well above their respective 200-day moving averages.

The story was similar for international stocks as well, with both developed and emerging markets gaining for the month. The MSCI EAFE Index gained 1.91 percent in September and 4.77 percent for the quarter. The MSCI Emerging Markets Index was up 7.18 in September and 10.95 percent for the quarter.

Even bonds were up, as falling interest rates supported all asset classes. The Bloomberg Aggregate Bond Index gained a solid 1.09 percent for the month, capping off a 2.03 percent gain for the quarter. High-yield bonds also participated in the ongoing rally as the Bloomberg U.S. High-Yield Corporate Bond Index was up 0.82 percent in September and 2.54 percent for the quarter.

**Bloomberg
Aggregate Bond Index**

 **2.03%**
In the third quarter

**Bloomberg U.S. Corporate
High-Yield Index**

 **2.54%**
In the third quarter

Federal Reserve and Interest Rates: Fed Resumes Rate Cuts, Supporting Stocks and Bonds

Interest rates fell in September as the Federal Reserve resumed cutting rates at its mid-month meeting. This 25-basis-point rate cut was widely anticipated by investors and economists and signaled a new phase in the Fed's attempts to normalize monetary policy. As seen in Figure 1, this marks the first rate cut in nearly a year following a series of rate cuts to end 2024.

Going forward, markets expect to see one or two more rate cuts by the end of the year. In general, falling interest rates tend to support stock and bond prices, so any further cuts would likely be celebrated by investors.

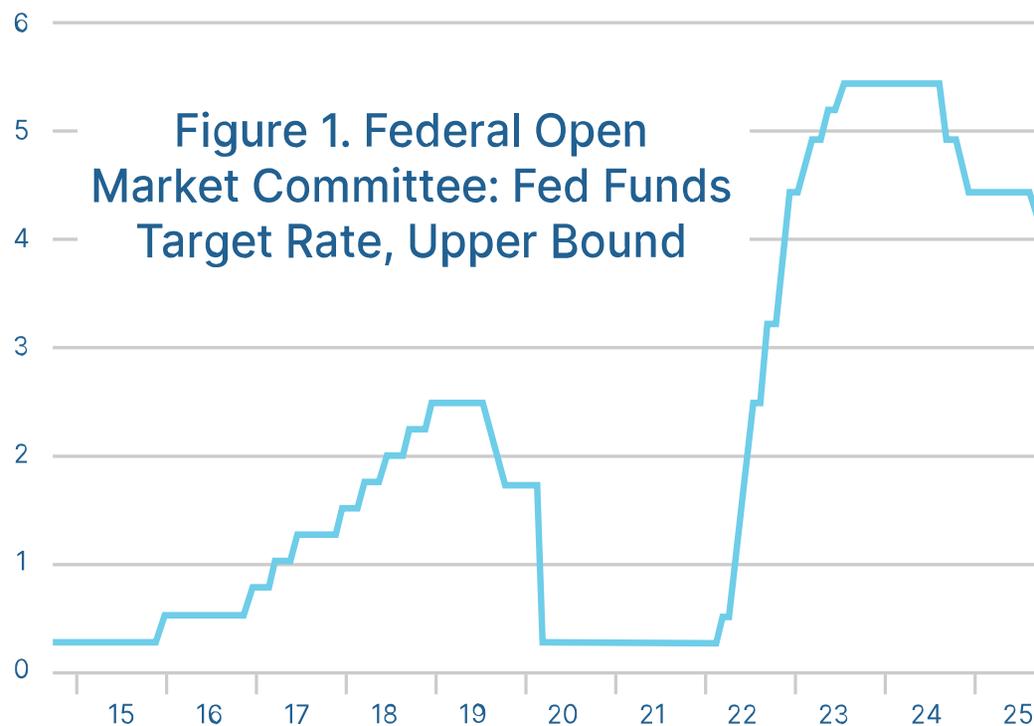


Figure 1. Federal Open Market Committee: Fed Funds Target Rate, Upper Bound

Source: Federal Reserve Bank/Haver, September 2014–present.

Report Releases: GDP Revised Higher; Job Growth Slows Sharply

The economic updates released during the month were also broadly positive, with some caveats. Second-quarter GDP growth was revised up from earlier estimates of 3.3 percent to 3.8 percent, driven by increased personal consumption growth. Consumer spending drives the bulk of economic activity in the country, so this upward revision was a good sign for the state of the overall economy. We also saw positive reports for retail sales as well as personal income and spending growth during the month.

With that being said, there are some areas of the economy that warrant further attention. First and foremost is the labor market, as we've seen a notable

slowdown in hiring over the past few months. The August job report showed that just 22,000 jobs were added during the month, and downward revisions to prior months further lowered overall employment levels. While still low on a historical basis, the unemployment rate in August ticked up to its highest level since late 2021.

We've also seen signs that inflation may be set to pick up further, as consumer inflation came in hot in August. While still well below levels seen in 2021 and 2022, inflation remains above the Fed's 2 percent target and is trending in the wrong direction. This will be another important area to keep an eye on going forward.



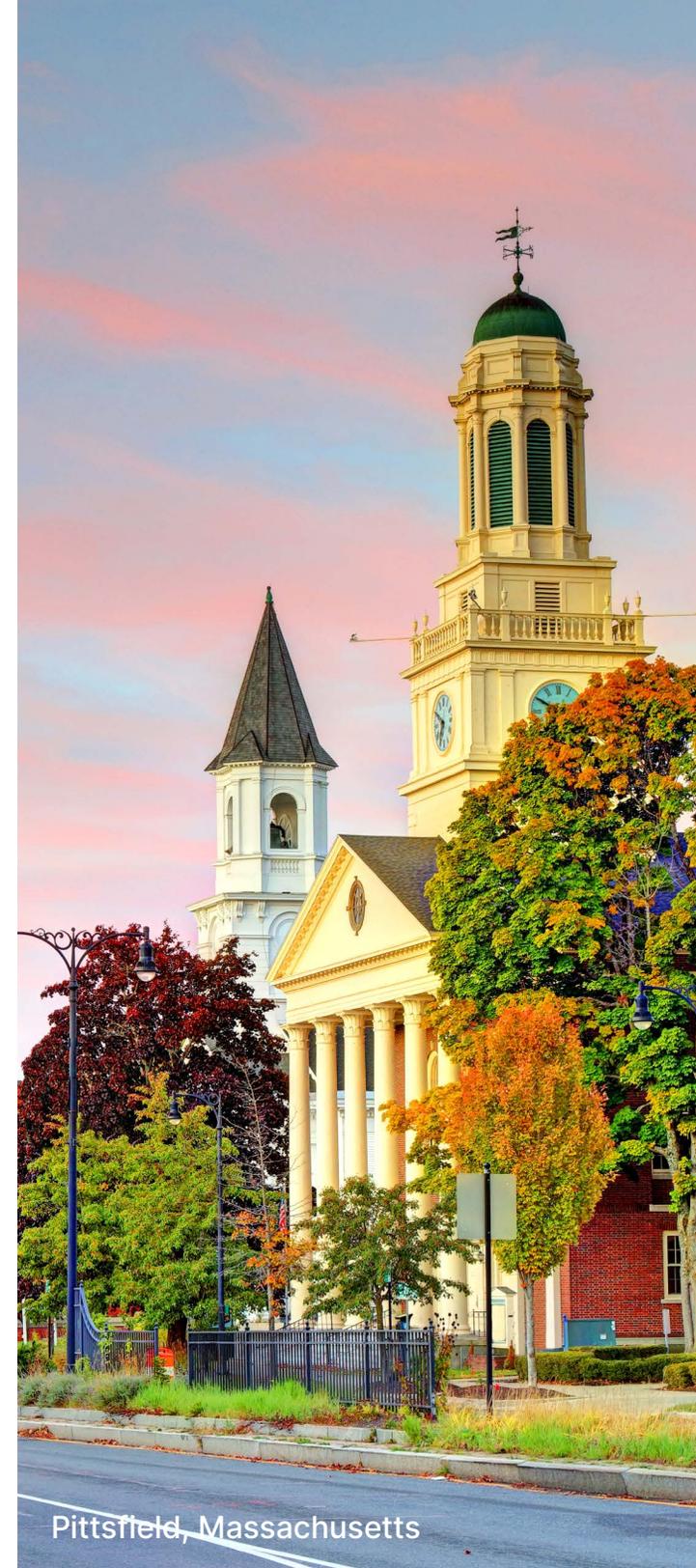
North Adams, Massachusetts

Looking Ahead: Political Gridlock and Global Tensions Could Test Market Resilience

Aside from the weakening job market and concerns surrounding inflation, there are other risks that investors should keep in mind. Domestically, political uncertainty has risen recently due to the impasse in Congress over spending negotiations. While a resolution to the current stalemate is expected, the timing is still up for debate, which could lead to further policy uncertainty from Washington. Foreign geopolitical risks remain as well, as seen by the ongoing conflicts in Ukraine and the Middle East.

On the whole, we remain in a pretty good place as we head into the fourth quarter. Market fundamentals and performance have remained healthy throughout the year despite high levels of uncertainty and shifting risks. While there are some areas to monitor, especially on the jobs and inflation fronts, the economic backdrop largely remains supportive, and the most likely path forward is for continued economic growth and market appreciation.

As always, a well-diversified portfolio remains the best path forward for most investors. If concerns remain, however, you should speak to your financial advisor to go over your financial plans.



Pittsfield, Massachusetts



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Certain sections of this commentary contain forward-looking statements based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Past performance is not indicative of future results. Diversification does not assure a profit or protect against loss in declining markets. All indices are unmanaged and investors cannot invest directly into an index. The Dow Jones Industrial Average is a price-weighted average of 30 actively traded blue-chip stocks. The S&P 500 Index is a broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units,

and convertible debentures. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. It excludes closed markets and those shares in otherwise free markets that are not purchasable by foreigners. The Bloomberg Aggregate Bond Index is an unmanaged market value-weighted index representing securities that are SEC-registered, taxable, and dollar-denominated. It covers the U.S. investment-grade fixed-rate bond market, with index components for a combination of the Bloomberg government and corporate securities, mortgage-backed pass-through securities, and asset-backed securities. The Bloomberg U.S. Corporate High Yield Index covers the USD-denominated, non-investment-grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba¹/BB⁺/BB⁺ or below. One basis point (bp) is equal to 1/100th of 1 percent, or 0.01 percent.



Armstrong, Fleming & Moore
1800 M Street Northwest, Suite 1010-S | Washington, DC 20036
202.887.8135 | 202.887.0050 fax | www.afmfa.com

Authored by Chris Fasciano, chief market strategist, and Sam Millette, director, fixed income, at Commonwealth Financial Network®.

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