

WEEKLY ECONOMIC UPDATE SEPT. 22, 2025

Stocks posted solid gains last week, propelled by the Fed's decision to cut short-term interest rates.

The Standard & Poor's 500 Index rose 1.22 percent, while the Nasdaq Composite Index climbed 2.21 percent. The Dow Jones Industrial Average advanced 1.05 percent. By contrast, the MSCI EAFE Index, which tracks developed overseas stock markets, fell 0.27 percent.^{1,2}

Third Week of Gains for S&P, Nasdaq

Stocks advanced to start the week following the president's positive comments on trade talks with China. The news helped push the S&P 500 to close above 6600 for the first time.³

After the Fed announced on Wednesday that it was cutting short-term interest rates by a quarter percentage point, all three major averages fell before rising again in a choppy, mixed trading session.^{4,5}

After digesting the Fed decision, all three major averages posted solid gains on Thursday, paced by tech names. But small caps stole the day's headlines, with the Russell 2000 Index gaining more than 2 percent and hitting an intraday record high. Smaller companies tend to disproportionately benefit when the Fed lowers interest rates, given their greater reliance on outside funding than larger companies.⁶

The post-cut momentum continued into Friday; this was the second consecutive week of gains for the Dow Industrials, and the third straight week for the Nasdaq and S&P 500.⁷



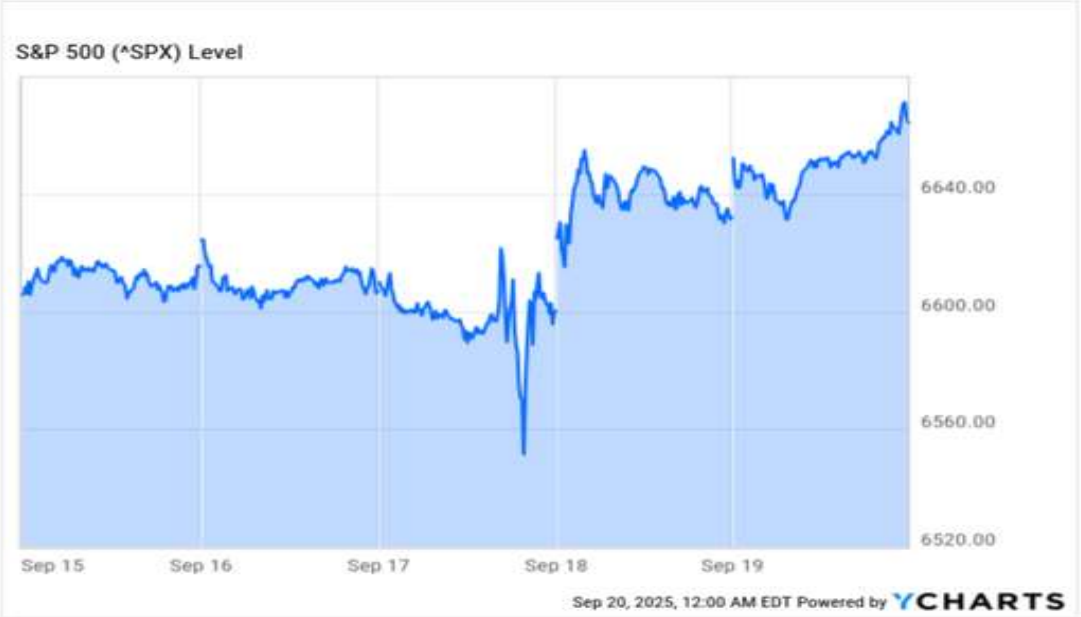
YCHARTS

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
Nasdaq Composite	3.97%	16.92%	28.72%	116.1%
Dow Jones Industrial Average	3.02%	9.87%	13.09%	83.90%
S&P 500	2.98%	13.83%	19.60%	115.3%
MSCI EAFE	1.21%	25.12%	18.37%	68.43%

S&P 500 Daily Close



10-Year Note Review

Indicator Name Date	Latest Value	1M Ago 3M Ago 1Y Ago	1M Change 3M Change 1Y Change
10 Year Treasury Rate 09/19/25	4.14%	4.30% 4.38% 3.73%	-3.72% ▼ -5.48% ▼ 10.99% ▲

Following the Fed

The Federal Reserve decision brought the Federal Funds Rate down to a 4-4.25 percent target range—its lowest level in three years.

While widely anticipated, the real news about the cut was in the finer points made by Fed Chair Jerome Powell in the post-meeting press conference. He said the move was essentially a “risk management” cut. This concept confused investors a bit, resulting in scattered markets.

Powell also said two more rate adjustments are “penciled in” for this year. He suggested another rate change could occur in 2026, followed by another in 2027.⁸

This Week: Key Economic Data

Monday: Fed Officials speak: John Williams (New York Fed President), Alberto Musalem (St. Louis Fed President), Stephen Miran (Fed governor), Beth Hammack (Cleveland Fed President), and Tom Barkin (Richmond Fed President).

Tuesday: PMI Composite. Fed Officials speak: Michelle Bowman (Vice Chair for Supervision), Raphael Bostic (Atlanta Fed President), and Jerome Powell (Fed Chair) speak.

Wednesday: New Home Sales. San Francisco Fed President Mary Daly speaks.

Thursday: Fed Officials speak: Austan Goolsbee (Chicago Fed President), John Williams, Michelle Bowman, Michael Barr (Fed governor), Lorie Logan (Dallas Fed President), and Mary Daly. Gross Domestic Product (GDP)—third estimate. Durable Goods. Weekly Jobless Claims. Trade Balance in Goods. Fed Balance Sheet. Retail & Wholesale Inventories. Existing Home Sales.

Friday: Personal Consumption and Expenditures (PCE) Index. Consumer Sentiment. Tom Barkin and Michelle Bowman speak.

Quote of the Week



"Real knowledge is to know the extent of one's ignorance."

– Confucius

Of Note



Over the past several years we've watched the S&P 500's performance become increasingly tethered to a handful of Mega-cap technology companies. Most broad market indices are market-capitalization weighted, so when a few enormous firms surge – as they have during this ongoing Artificial Intelligence boom – they pull the entire index higher.

Over the past three years the market cap weighted S&P 500 (SPY) has returned roughly 70.9%, while the equal-weight S&P 500 (EQL) returned 49.4%. This sprawling gap underscores how much investors have been rewarded for crowding into the largest names.

The S&P 500, by many measures, is now as concentrated as ever, meaning investors are effectively betting on a subset of

eight (ish) businesses. This subset of companies, once relatively independent, are now all competing in AI, concentrating risk.

History shows that the companies that lead the market up tend to lead the market down. In the most recent three periods of concentration, it was:

1. Tech bubble in 2000 with Software and Internet Infrastructure
2. In 2008, it was Financials and Energy and
3. Now we again have Tech and AI related companies making up a significant part of the index

And when leadership changes (as it has throughout time), the downfall may be exacerbated by the fact that these leaders are now so concentrated in a single theme.

The leaders driving the market up have also led it on the way down during recent pullbacks. During the broad market correction in 2022, the equal-weight S&P 500 fell a tolerable 10.6% while the traditional, market-cap weighted index slumped 18.2%. In other words, spreading exposure evenly across sectors cut the drawdown almost in half. The 2022 selloff was one of the few prolonged downturns since the pandemic and highlighted how diversification can help protect investors when the biggest stocks stumble, even when bonds themselves offered little help.

A similar pattern played out in the early months of 2025. As tariffs and macro concerns sparked volatility, the S&P 500 fell 15% from the beginning of the year while an equal-weight sector basket fell just 10%. Both foreign stocks and bonds had positive returns in the first quarter. Foreign stocks and bonds, long beleaguered diversifiers, also significantly outperformed. The weak relative performers were a near perfect inverse of

those that led it on the way up.

Although the market has since rebounded and investors seemingly believe that tariffs will have little economic impact, these sell-offs are proof that diversification can work when markets are stressed.

History has shown that index concentration is a function of enduring bull markets such as what we have observed for much of the last 15 years or more. It has also shown that investors can pay a hefty penalty for concentration when those bull markets stall out, showcasing the true value of diversification. When the largest stocks falter, they tend to drag market cap indices with them, while the average stock, sector or foreign market can still deliver positive or relatively stronger returns, helping to smooth the ride for investors. Markets rarely move in a straight line, and regimes dominated by a small group of winners eventually give way to periods where breadth matters again.

Given how long these trends have persisted, the defensive value of a rules-based, diversified approach is higher than ever. Investors are looking to capture upside when the market's offering it and reduce exposure when markets weaken. Strategies that attempt to achieve these are increasingly using option strategies, including structured notes and options-based income ETFs.

Now is the time to reconsider whether your portfolio is diversified enough to withstand a shift in market leadership. Markets driven by a small group of stocks can deliver impressive returns – until they don't.⁹

Footnotes and Sources

1. WSJ.com, September 19, 2025
2. Investing.com, September 19, 2025
3. CNBC.com, September 15, 2025

4. WSJ.com, September 16, 2025
5. WSJ.com, September 17, 2025
6. CNBC.com, September 18, 2025
7. CNBC.com, September 19, 2025
8. CNBC.com, September 17, 2025
9. advisorperspectives.com/commentaries/2025/09/09/when-8-stocks-drive-market-what-happens-when-fall?topic=alternative-investments

Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost.

The forecasts or forward-looking statements are based on assumptions, may not materialize, and are subject to revision without notice.

The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results.

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. The Nasdaq Composite is an index of the common stocks and similar securities listed on the Nasdaq stock market and considered a broad indicator of the performance of stocks of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

Please consult your financial professional for additional information.

This content is developed from sources believed to be providing accurate information. The information in this material is not intended as tax or legal advice. Please consult legal or tax professionals for specific information regarding your individual situation. This material was developed and produced by FMG Suite to provide information on a topic that may be of interest. FMG is not affiliated with the named representative, financial professional, Registered Investment Advisor, Broker-Dealer, nor state- or SEC-registered investment advisory firm. The opinions expressed and material provided are for general information, and they should not be considered a solicitation for the purchase or sale of any security.

Copyright 2025 FMG Suite.