Monthly Mosaic | October 3, 2025

Perspective

We are now three days into a government shutdown and the markets ease ahead with trepidation as investors assess the duration and magnitude of the potential impact of a long-term shutdown on the economy. This is the 22nd shutdown in the last 50 years and there has been no clear correlation between shutdowns and market returns. In 2018, we saw 2 short-term shutdowns with stop-gap resolutions leading up to a third shutdown in December which ended as the longest shutdown on record at 35 days. Through September, all indices remain strong with both the Nasdaq and Emerging Markets exhibiting leadership during the month with returns of 5.7% and 7.2% respectively. The S&P avoided the downturn that has become common in September, posting a 3.6% return for the month.

The impact of the government shutdown is but one consideration we consider moving into the end of the year. The impact of policy shifts is beginning to be reflected in economic data. Rate cuts from last year resulting in a lower interest rate environment today combined with the tax policy shifts from the "One Big Beautiful Bill Act" (OBBBA) passed by Congress, have resulted in an increase in investment by corporations. Q3 Real GDP growth is projected to be around 3%, showing a growing economy. The labor market has shown a bit of weakness as of late and may experience more pressure as we close out 2025. The federal job cuts initiated by DOGE will begin to be reflected in the October jobs report as the first round of those cuts will be effective as of September 30th. With further pressure from furloughs related to the government shutdown and the second wave of federal employee cuts slated for December 31st, we do anticipate softness in the labor market and a slowdown in consumer spending moving into the end of the year. Yet, the market is looking beyond the impact from fiscal and monetary policy and more interested in the growth opportunities associated with the growth in AI.

The major hyperscalers have ramped up investment in data centers of over $350 billion in 2025. This trend is expected to continue with almost $7 trillion to be invested in data center infrastructure by 2030 and about 40% of that investment to be within the U.S. In fact, the contribution of capital investment to GDP in these data centers has more than offset any slowdown in consumer spending resulting from a softer jobs market and will be a significant contributor to GDP growth moving forward.

While the outlook for the U.S. markets remains favorable in consideration of expected rate cuts later this year, stimulus related to OBBBA, and ongoing capital investment in data centers, the international markets remain appealing as well. The spread between U.S. bonds and foreign sovereign debt continues to tighten which will put downward pressure on the U.S. dollar. Improving currency exchange combined with improving earnings growth in both developed and emerging economies would provide a strong tailwind for international stocks. Diversification has been the winner through 2025 and will continue to be important as we close out the year. Yet there are markets with slowing growth and an active investment approach to identifying opportunities will be imperative. That active approach will also be key in rebalancing portfolios in a tax efficient manner after three years of strong market returns. As we move into the end of the year, please reach out to your advisor if you have unique considerations or if your goals have shifted.

Monthly Recap

- The Russia – Ukraine war dominated headlines as President Trump attempted to broker a meeting between Putin & Zelenskyy. As Russia failed to agree to a ceasefire, President Trump pressured countries buying Russian oil with sanctions.

- The Bureau of Labor Statistics announced that job growth for the period of April 2024 and March 2025 was revised downward by a staggering -911,000, setting the stage for the Fed rate cuts in the September FOMC meeting.

- The Fed cut interest rates by 0.25% in their September meeting. A survey of members showed 10 members expecting two more rate cuts in 2025, 8 members expecting one more rate cut and 1 member expecting no more cuts with the markets pricing in 1.8 rate cuts in 2025.

- Budget debates between Republicans and Democrats are heated up, as the September 30th deadline approached with Republicans looking to a clean resolution to temporarily extend funding, while Democrats are trying to get extensions for Affordable Care Act provisions set to expire.

Markets

	Total Return as of: 9/30/2025		
Market Indices	MTD %	YTD %	1-Year %
S&P 500 Index	3.64%	14.81%	17.56%
NASDAQ Composite	5.68%	17.96%	25.46%
Russell 2000 Index	3.11%	10.38%	10.74%
MSCI EAFE Index	1.91%	25.14%	14.99%
MSCI Emerging Markets	7.15%	27.53%	17.32%
BBG US Aggregate Bond	1.09%	6.13%	2.88%
WTI Crude Oil	-2.56%	-13.04%	-8.51%
Gold	11.92%	47.04%	46.47%

Interest Rates

	Close 9/30	Prior Month	Year Ago
Fed Funds Target	4.25%	4.50%	5.00%
6-Month US Treasury	3.84%	3.97%	4.41%
2-Year US Treasury	3.61%	3.62%	3.64%
10-Year US Treasury	4.15%	4.23%	3.78%

The Month Ahead

OCT 3RD
Bureau of Labor Statistics - Jobs Report

OCT 15TH
Consumer Price Index Report

OCT 17TH
U.S. Census Bureau - Housing Starts

OCT 20TH
Conference Board - Leading Indicators

OCT 28TH
FOMC Rate Decision

OCT 30TH
Bureau of Economic Analysis - PCE Price Index & Q3 GDP

Questions?

Your Wealth Management team is here to answer.

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