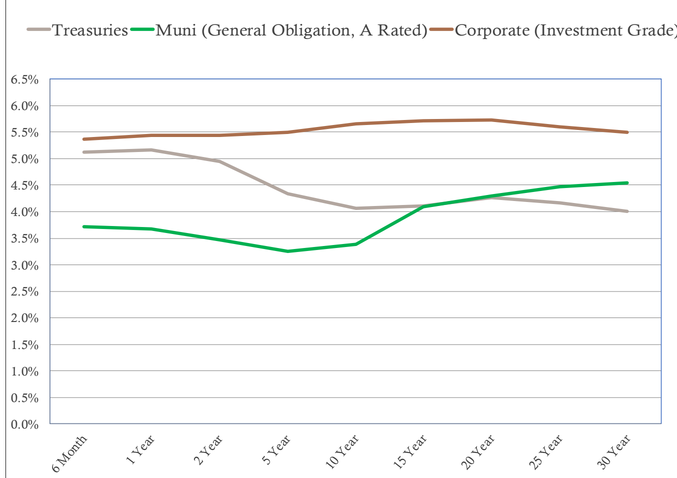
September 19, 2025

This week, the Federal Reserve lowered interest rates by 25 bps. The median fund's rate forecast for the end of 2025 was 3.625%. In other words, officials anticipate a total of two more rate cuts in the final two FOMC meetings this year. New Fed Governor Stephen Miran was the only dissenter, advocating for an even larger 50-bp cut. They didn't waste any time admitting they are in a tough position. Both employment and inflation are moving in the wrong direction, leaving the FOMC caught between two mandates. According to the Statement of Economic Projections (SEP), the FOMC is willing to allow the economy to run hot next year to prevent the employment situation from worsening. Compared to the last SEP from June, the committee now expects 2026 GDP growth and inflation to be slightly higher, yet it forecasts the federal funds rate to be lower at the end of that year.

History shows that U.S. stocks generally post positive returns right after initial rate cuts and over the following 12 to 24 months. Since 1982, the S&P 500 has posted positive returns in the 12 months after such rate cuts in eight of the last 10 cycles, with an average gain of nearly 11%. Of course, stock-market performance has varied widely around these turning points — from a loss of 23.9% in 2007 to a gain of 36.2% in 1982. This variation is mainly because the macroeconomic environment greatly influences how effective monetary easing is in supporting growth and maintaining corporate earnings.

It's widely hoped that easing will lead to lower long-term interest rates for homebuyers, the government, and other borrowers. However, historically, changes in the Fed's benchmark rate targets haven't correlated with shifts in home-borrowing costs. If the Fed acts as the market expects, mortgage rates won't fall significantly. That doesn't mean the Fed has no power. It can buy mortgage bonds as part of QE. In 2022, the Fed announced it would reduce its mortgage-bond holdings. The Fed could reverse that decision and maintain its holdings of agency mortgage-backed securities, or MBS, which could support mortgage-bond prices and possibly lower mortgage rates. Watch for guidance about the Fed's balance sheet composition for clues on borrowing costs. Have a great weekend!

As of 09/19/25		Total Returns				
Equity Markets	**Closing**	**1 Week**	**1 Mo**	**3 Mo**	**6 Mo**	**1 Year**
Dow Jones	46315.27	1.1%	3.4%	9.9%	12.0%	13.1%
S&P500	6664.36	1.2%	4.1%	11.2%	18.9%	19.6%
NASDAQ	22631.48	2.2%	6.3%	15.2%	28.8%	28.8%
Styles	**Closing**	**1 Week**	**1 Mo**	**3 Mo**	**6 Mo**	**1 Year**
Large Cap (Russell)		1.3%	4.3%	11.3%	19.1%	19.9%
Small Cap (Russell)		2.3%	7.8%	17.2%	21.2%	13.4%
Value (Russell)		0.7%	2.8%	8.3%	10.0%	11.1%
Growth (Russell)		1.9%	6.0%	14.6%	27.9%	27.6%
International (MSCI)		0.1%	0.8%	6.6%	12.3%	18.5%
Emerging Markets (MSCI)		1.6%	6.1%	13.8%	19.8%	27.2%
Currency/Commodities	**Closing**	**1 Week**	**1 Mo**	**3 Mo**	**6 Mo**	**1 Year**
US Dollar Index	97.64	0.1%	-0.6%	-1.3%	-5.6%	-3.0%
Gold	3705.80	0.8%	10.6%	7.3%	18.2%	36.9%
Bitcoin	115,282	-0.5%	1.5%	10.5%	35.0%	82.9%
Natural Gas	2.888	-1.1%	1.7%	-29.3%	-38.3%	-10.3%
Oil	62.68	0.0%	1.5%	-10.9%	-3.6%	-7.4%



		Historical Readings				
Economic Data	**Last**	**Trend**	**1 Mo**	**3 Mo**	**6 Mo**	**1 Year**
Unemployment %	4.3%	-	4.2%	4.2%	4.1%	4.2%
Jobless Claims	231	+	224	246	223	222
GDP Q/Q Annualized	3.3%	+	N/A	-0.5%	2.4%	3.0%
Headline CPI Y/Y	2.9%	+	2.7%	2.4%	2.8%	2.5%
Core CPI Y/Y	3.1%	~	3.1%	2.8%	3.1%	3.2%
FHFA Price Index Y/Y	2.6%	-	2.9%	4.0%	4.9%	5.4%
Existing Home Sales Y/Y	0.8%	+	0.0%	-2.0%	2.3%	-2.5%
NAHB Homebuilder Index	32	~	32	32	39	41
Retail Sales Y/Y	5.0%	+	4.1%	3.4%	3.9%	1.8%
Consumer Confidence	97.4	-	98.7	98.4	100.1	105.6
ISM Manufacturing Index	48.7	+	48	48.5	50.3	47.5

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