

Market Update

September 8, 2025
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This Week in the Markets...

The US stock market has shown resilience in 2025 following a significant correction in April, with major indices recovering to new highs by late August. However, the first week of September introduced some volatility, influenced by mixed economic data and anticipation of Federal Reserve actions.

Performance Over the Last Week (September 1-7, 2025)

The week began with a notable downturn on September 1, as investors engaged in profit-taking ahead of the Labor Day holiday and digested mixed economic signals. The DJIA closed down 249.07 points, or 0.55%, at 45,295.81, while the S&P 500 fell 0.69% to 6,415.54, and the Nasdaq Composite declined 0.82%. This pullback contributed to a broader risk-off sentiment, with higher bond yields drawing capital away from equities.

Trading resumed on September 2 after the holiday, with the S&P 500 opening at 6,401.51 and reaching a high of 6,416.54, though it ended the day slightly lower amid ongoing caution. On September 3, the index showed modest gains, closing around 6,453.67 after opening at 6,445.82. The momentum continued on September 4, with the S&P 500 climbing to a close near 6,502.54 from an open of 6,456.60, reflecting some rebound in investor confidence.

	0909/2024	01/01/2025	09/5/2025	12 MO ROR	YTD ROR
DOW	40,755	42,392	45,401	11.40%	6.71%
S&P 500	5,504	5,903	6,485	17.77%	10.205
NASDAQ	17,127	19,404	21,700	26.70%	12.37%

The week culminated on September 5 with the release of the August jobs report, which revealed slower-than-expected job growth of just 22,000 positions added and a rising unemployment rate. This data boosted expectations for a Federal Reserve rate cut, but markets closed slightly lower overall for the week, with the S&P 500 down approximately 0.5% from the prior Friday's close. The DJIA similarly ended the week down about 0.3% at around 45,287.73. By September 8 (the first trading day after the weekend), the S&P 500 had risen 0.20% to 6,494 points, indicating a tentative recovery.

In summary, the week was characterized by initial declines followed by partial rebounds, resulting in modest net losses for major indices. This performance aligns with September's historical tendency for negative returns, averaging -1.1% for the S&P 500 over decades.

Expectations for September

Analysts anticipate continued volatility in the coming weeks, tempered by potential positive catalysts from monetary policy. The Federal Reserve is widely expected to implement a rate cut at its September 17 meeting, with markets pricing in a 100% probability following the weak August jobs data. This could provide a boost to equities, particularly small-cap and value stocks, which have been outperforming and remain undervalued relative to large-caps. Overall, muted gains are projected for the broader market, building on the S&P 500's year-to-date increase of about 9.84% through August.

However, September's seasonal weakness—historically the worst month for US stocks—may cap upside potential, with the S&P 500 profitable only 50% of the time in this period. Key data releases, including inflation figures on September 10-11 and consumer sentiment reports, could sway sentiment; softer inflation might reinforce rate-cut bets and support a rally, while hotter numbers could trigger sell-offs. Blue-chip earnings from companies like those in the DJIA will also be in focus, potentially driving sector-specific movements.

Optimistic views suggest the small-cap rally could persist if rate cuts materialize, leading to 1-2% gains in the Russell 2000 and spillover to the S&P 500. Pessimistic scenarios point to overvaluation risks, with stocks at record highs and fears of a correction if economic data disappoints further.



Factors that we are watching:

Several factors could influence market performance in the near term:

- **Federal Reserve Rate Decisions:** A anticipated 25-50 basis point cut on September 17 could bolster equities by lowering borrowing costs, but any hawkish surprises might exacerbate declines.
- **Economic Data Releases:** Upcoming inflation (CPI/PPI on September 10-11), retail sales, and further labor metrics will be critical. Weak jobs continuation could heighten recession fears, while resilient consumer spending might stabilize markets.
- **Valuation and Overpricing Concerns:** US stocks are at historically elevated levels, with the S&P 500's price-to-earnings ratio signaling potential for a pullback if earnings disappoint.
- **Geopolitical and Policy Risks:** Lingering effects from the 2025 tariff policies that triggered the April crash could resurface, alongside global bond auctions in the US, Japan, and Germany testing investor appetite. Emerging market slowdowns and currency fluctuations may also spill over.
- **Seasonal and Technical Factors:** September's poor historical track record, combined with profit-taking after August's gains (S&P 500 up 1.91%), could lead to increased volatility.

**U.S. Treasury
Bond Yields**

as of 09/05/2025

US1MO	4.20%
US3MO	4.02
US6MO	3.87
US1Y	3.64
US2Y	3.50
US3Y	3.47
US5Y	3.57
US10Y	4.07
US30Y	4.75

Conclusion

The US stock market experienced a slightly negative week ending September 7, 2025, marked by initial sell-offs and partial recoveries amid economic uncertainty. Looking ahead to September 9-22, expectations lean toward cautious optimism driven by a likely Fed rate cut, though historical seasonality and high valuations pose downside risks. We will monitor key data releases closely, as they could determine whether the month defies its reputation for weakness.

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