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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

September 15, 2025

"If you have to ask what jazz is, you'll never know." Louis Armstrong "Satchmo"

MARKETS

Macro Recap: Markets responded positively as the Federal Reserve delivered its first interest rate cut since late 2024, lowering the benchmark rate by 25 basis points in an 11-1 vote. The move was widely anticipated and reinforced expectations for continued easing, with futures markets pricing in a 92% probability of two additional cuts by year-end.

Consumer strength remained evident as U.S. retail sales rose 0.6% in August, beating consensus estimates and matching July's solid performance. This resilience came despite ongoing labor market softness and persistent inflationary pressures.

The Fed's rate cut also began to influence the housing market. The average 30-year fixed mortgage rate declined for the fourth consecutive week, settling at 6.26%, down from 6.35% the prior week. This marks a notable retreat from the 7.04% peak seen in January, offering some relief to prospective homebuyers.

On the production front, Industrial Production for August edged up 0.1%, slightly above expectations, signaling steady momentum in manufacturing and consumer activity. However, housing data was mixed: Housing Starts fell 8.5%, and Building Permits declined 3.7%, reflecting affordability challenges and cautious builder sentiment.

Labor market data showed modest improvement, with Initial Jobless Claims dropping to 231,000, better than the expected 245,000, suggesting some underlying stability despite broader economic headwinds.

Equity Recap: U.S. stock indexes experienced a brief midweek dip but rallied to close the week on a strong note. The NASDAQ led the charge, gaining over 2%, while the S&P 500 and Dow Jones each posted gains of more than 1%. These advances pushed all three indexes to new record highs, marking the sixth positive week out of the last seven for the S&P 500, a testament to continued investor confidence and market momentum.

Bond/Rate Recap: Despite the Fed's midweek rate cut, U.S. Treasury yields edged higher, with longer-duration bonds seeing the most pronounced increases. The 10-year Treasury yield closed at approximately 4.13% on Friday, up from 4.06% the previous week. This upward move suggests that investors may be recalibrating expectations around future rate policy and inflation dynamics.

Week Ahead: Markets are awaiting Friday's release of the latest inflation data, which will reveal whether the recent trend of gradually rising prices extended into August. The previous report showed core Personal Consumption Expenditures (PCE) inflation climbing to an annual rate of 2.9% in July, the highest reading in five months, raising questions about the persistence of underlying price pressures.

INDICES

	Sep 15 Open	Sep 19 Close	Weekly Change	Dec 31 2024	YTD Change
DJIA	45,834	46,315	1.0%	42,544	8.9%
S&P 500	6,584	6,664	1.2%	5,882	13.3%
NASDAQ	22,141	22,631	2.2%	19,311	17.2%
Russell 2000	2,397	2,449	2.2%	2,230	9.8%
KBW Bank Indx	151.4	154.6	2.1%	127.5	21.3%
Bitcoin	$115,593	$115,988	0.3%	$93,714	23.8%
Oil (WTI)	$62.69	$62.68	0.0%	$71.72	-12.6%
Gold	$3,643	$3,685	1.2%	$2,625	40.4%
Prime	7.50	7.25	-0.25	7.50	-0.25
Effective Fed Funds	4.33	4.08	-0.25	4.33	-0.25
3m Tbill	4.02	3.96	-0.06	4.31	-0.35
2yr UST	3.56	3.57	0.02	4.24	-0.67
10yr UST	4.06	4.13	0.06	4.57	-0.44
2-10yr UST Spread	50	55	5	33	23
2y AAA Muni/10y UST	56.8%	56.6%	-0.1%	66.5%	-9.8%
10y AAA Muni/10y UST	70.7%	69.1%	-1.6%	68.4%	0.7%
5yr Inflation Forecast	2.45	2.47	0.01	2.42	0.05

Week Ahead

- **Monday:** No major reports
- **Tuesday:** No major reports
- **Wednesday:** New home sales
- **Thursday:** 2nd Q GDP, Durable goods, Existing home sales
- **Friday:** PCE, U of M consumer sentiment

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