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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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***"The journey is the thing, not the destination."* Isabella Bird**

MARKETS

Macro Recap: Last week's economic data reflected a slowing labor market, moderating inflation, and continued pressure from higher interest rates. The September employment report showed the economy added just 29,000 jobs, well below expectations of 80,000-90,000, while job gains from the prior two months were revised downward by a combined 60,000 jobs. The unemployment rate edged up to 4.2% from 4.1% in August, suggesting labor market conditions continue to soften.

Economic growth, however, remained resilient. Second-quarter GDP was revised higher to an annualized 2.2% growth rate, up from the prior estimate of 1.5%, driven by stronger consumer spending and government expenditures.

Inflation data was also encouraging. The Fed's preferred inflation measure, the Personal Consumption Expenditures (PCE) Index, rose 3.4% year-over-year in August, below expectations of 3.7%. Core PCE, which excludes food and energy, increased 3.0%, down from 3.3% in July, providing further evidence that inflation pressures are gradually easing.

Despite the softer inflation data, interest rates remained elevated. The average 30-year fixed mortgage rate jumped to 7.28% from 7.03% the previous week, marking the largest weekly increase in four years. Higher borrowing costs continued to weigh on housing activity, with mortgage applications declining for the fourth consecutive week.

Equity Market Recap: Despite some weakness in the broader market, technology stocks continued to lead. The NASDAQ posted a small gain for the week, outperforming the other major indexes for the sixth consecutive week. The S&P 500 finished essentially flat to slightly lower, while the Dow Jones Industrial Average declined more than 1%.

September performance was also mixed across the major indexes. Strength in many of the large-cap technology names helped the NASDAQ gain 1.9% for the month. In contrast, the S&P 500 declined 0.5%, and the Dow fell 4.3%, snapping a five-month streak of gains. The divergence highlights how much market performance continues to be driven by a relatively small group of technology stocks, while other sectors have faced pressure from higher interest rates and slower economic growth expectations.

Fixed Income and Rates Recap: The bond market remained volatile as Treasury yields pushed to their highest levels in more than two decades before easing slightly by week's end. Short-term rates were relatively stable, with the 2-year Treasury finishing at 4.84%, while longer-term yields moved higher, with the 10-year Treasury ending at 5.28% and the 30-year Treasury at 5.63%.

The weaker-than-expected September employment report shifted expectations for Federal Reserve policy. Investors increased their bets that the Fed will leave rates unchanged at its next meeting. By the end of the week, futures markets were pricing in a 79% probability of no rate change and a 21% probability of a 25-basis-point hike, compared with a 64% probability of a rate increase just one week earlier.

Overall, slowing labor market data reduced expectations for additional Fed tightening, but long-term Treasury yields remained near multi-year highs, continuing to pressure bond prices and interest-rate-sensitive sectors of the economy.

INDICES

	Sep 28 Open	Oct 2 Close	Weekly Change	Dec 31 2025	YTD Change
DJIA	51,829	51,177	-1.3%	48,063	6.5%
S&P 500	7,743	7,723	-0.3%	6,846	12.8%
NASDAQ	27,069	27,191	0.5%	23,242	17.0%
Russell 2000	2,838	2,833	-0.2%	2,482	14.1%
KBW Bank Indx	175.6	170.7	-2.8%	164.0	4.1%
Bitcoin	$84,401	$85,896	1.8%	$87,648	-2.0%
Oil (WTI)	$92.41	$90.30	-2.3%	$57.42	57.3%
Gold	$4,285	$4,157	-3.0%	$4,319	-3.8%
Prime	7.00	7.00	0.00	6.75	0.25
Effective Fed Funds	3.88	3.88	0.00	3.64	0.24
3m Tbill	4.17	4.09	-0.08	3.63	0.46
2yr UST	4.85	4.82	-0.03	3.47	1.35
10yr UST	5.16	5.30	0.14	4.17	1.13
2-10yr UST Spread	31	47	17	69	-22
2y AAA Muni/2y UST	71.5%	70.4%	-1.0%	70.3%	0.2%
10y AAA Muni/10y UST	78.9%	75.3%	-3.6%	65.4%	9.8%
5yr Inflation Forecast	2.36	2.39	0.04	2.27	0.12

Week Ahead

- **Monday:** ISM non-manufacturing index
- **Tuesday:** Trade balance
- **Wednesday:** Release of FOMC minutes, Consumer credit
- **Thursday:** Wholesale inventories, Weekly unemployment
- **Friday:** U of M Consumer Sentiment

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