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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

October 6, 2025

"Everything should be made as simple as possible, but not simpler." Albert Einstein

MARKETS

Macro Recap: A U.S. government shutdown commenced Wednesday after lawmakers failed to agree on extending funding. This led to a suspension of key government functions, including the release of critical economic data relied upon by investors and Federal Reserve policymakers. Notably, the Bureau of Labor Statistics did not issue its monthly jobs report on Friday, leaving a significant data gap.

This shutdown differs from previous ones in that the debt ceiling is not involved, eliminating the risk of a default. Consequently, the market impact is less severe than in past shutdown scenarios.

With official economic data disrupted, investors increasingly turned to private-sector indicators for insight. September's ADP Employment Change reported a decline of 32,000 private-sector jobs, slightly better than the 40,000 jobs consensus. Job openings rose to 7.227 million in August, while housing market indicators remained weak.

In the commodities space, Bitcoin surged during the initial days of the shutdown, trading above $122,000 by Friday, its highest level since mid-August and an 11% gain for the week. Gold extended its rally to a seventh consecutive week, with futures hitting a record high above $3,900 per ounce, up nearly 3%.

Meanwhile, concerns over a potential global oil oversupply weighed on crude prices, pushing U.S. crude down to around $61 per barrel by Friday afternoon, a four-month low and a 7% decline for the week. In contrast, oil prices hovered near $75 per barrel as recently as mid-June.

Equity Recap: The three major U.S. stock indexes gained over 1% last week, recovering from a modest retreat the week before. The S&P 500 experienced steady, incremental daily gains of up to 0.4%, gradually pushing its record highs even further.

September capped off the third quarter with solid monthly gains across the board. The S&P 500 rose 3.5% for the month and finished the quarter up 7.8%. The NASDAQ led the pack in September with a strong 5.6% advance, while the Dow Jones added 1.9%.

In the shadow of the ongoing government shutdown, market volatility ticked up slightly. The Cboe Volatility Index (VIX) closed Friday near 16.7, rising from 15.3 the previous week. Still, this modest increase keeps the VIX far below its year-to-date peak of 52.3 recorded on April 8, reflecting continued investor resilience despite political uncertainties.

Bond/Rate Recap: U.S. Treasury yields showed little movement last week. The 10-year yield began at 4.15% and edged up slightly to close at 4.16% on Friday. Meanwhile, the 2-year Treasury yield dipped 4 basis points, falling from 3.63% to 3.59%.

INDICES

	Sep 29 Open	Oct 3 Close	Weekly Change	Dec 31 2024	YTD Change
DJIA	46,247	46,758	1.1%	42,544	9.9%
S&P 500	6,644	6,716	1.1%	5,882	14.2%
NASDAQ	22,484	22,781	1.3%	19,311	18.0%
Russell 2000	2,434	2,476	1.7%	2,230	11.0%
KBW Bank Indx	154.2	150.8	-2.2%	127.5	18.3%
Bitcoin	$112,175	$124,608	11.1%	$93,714	33.0%
Oil (WTI)	$64.43	$61.47	-4.6%	$71.72	-14.3%
Gold	$3,817	$3,935	3.1%	$2,625	49.9%
Prime	7.25	7.25	0.00	7.50	-0.25
Effective Fed Funds	4.09	4.09	0.00	4.33	-0.24
3m Tbill	3.94	3.95	0.01	4.31	-0.36
2yr UST	3.63	3.59	-0.04	4.24	-0.65
10yr UST	4.15	4.16	0.01	4.57	-0.41
2-10yr UST Spread	52	56	5	33	24
2y AAA Muni/10y UST	60.2%	63.6%	3.4%	66.5%	-2.9%
10y AAA Muni/10y UST	70.2%	70.4%	0.2%	68.4%	2.0%
5yr Inflation Forecast	2.46	2.43	-0.04	2.42	0.01

Week Ahead

- **Monday:** No major reports
- **Tuesday:** Trade balance, Consumer credit
- **Wednesday:** Release of Sept FOMC minutes
- **Thursday:** Wholesale inv., Weekly unemployment
- **Friday:** Federal budget, UofM Consumer sentiment

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