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WEALTH MANAGEMENT

Market Commentary | October 3, 2025

Weekly Market Recap

Markets ended the week higher, extending September's momentum despite lingering macro uncertainties. The S&P 500 rose nearly +2% to another all-time high, led by gains in health care, technology, and utilities, while energy and financials lagged. Small caps maintained their leadership and outperformed large caps, with the Equal Weight and Growth factors both modestly outperforming. International equities outpaced U.S. markets as the dollar softened, with emerging markets ahead of developed. In fixed income, Treasuries rallied on weaker labor data, with longer maturities outperforming as interest rates fell. Corporate bonds also trade higher, with investment grade outperforming high yield. Commodities diverged as crude oil fell to its lowest since early May, while gold extended its record-setting rally.

Key Takeaways

1. **Federal Government Shuts Down for First Time Since 2018**
   The federal government officially shut down this week after lawmakers failed to pass a funding resolution, the first since 2018. Here are the relevant statistics around prior shutdowns. While most shutdowns lasted less than 5 days before the 1990s, the past three major ones lasted 21, 16, and 35 days. From a market perspective, shutdowns have historically been a nonevent. Why it matters: The market initially brushed off the news, but prolonged gridlock could weigh on investor confidence.

2. **Labor Market Data Remains Weak**
   ADP private payrolls fell by -32,000 in September, the weakest since early 2023. While the number of job openings rose, the quit rate fell to the lowest since December, indicating workers feel less confident about their job prospects. Why it matters: The latest labor data supports the narrative of a gradually cooling economy, giving the Fed more room to cut rates even as overall growth remains strong.

3. **Manufacturing Data Remained Sluggish in September**
   Multiple regional and national surveys signaled contraction, with respondent commentary highlighting deteriorating demand and weak new orders. Manufacturing continues to act as a drag on growth, and until new orders and production recover, the sector is unlikely to contribute to economic growth. Why it matters: Persistent weakness in the sector reinforces the narrative of a two-speed economy, where services remain resilient while goods-producing industries struggle.

4. **Tariffs Back in the Headlines**
   Tariff rhetoric resurfaced this past week, with the administration pushing new levies on pharmaceuticals, heavy-duty trucks, and housing products. Officials indicated they would pursue alternative legal avenues to maintain their policy stance if existing tariffs face court challenges. Why it matters: Trade uncertainty continues to linger, but it hasn't hurt investor sentiment.

5. **Deals Signal Continued AI-Capex Spending**
   AI infrastructure spending remains in the headlines, with multiple deals and partnerships announced this week. CoreWeave announced a $14 billion agreement with Meta to provide computing power, while several Asian semiconductor firms signed contracts to supply chips for OpenAI's Stargate data center. Why it matters: These deals reinforce expectations that big tech companies will continue to drive capex spending across the AI supply chain in the coming years.

6. **Financial Sector Underperforms Due to Credit Concerns**
   The financial sector lagged the market this week, with banks and asset managers underperforming amid concerns over credit quality, market liquidity, and declining fee income. There's been an uptick in bankruptcies recently, and while the cases are idiosyncratic, they've raised concerns about growing stress and leverage in corporate credit. Why it matters: Financials remain a key area to watch. If rate pressures persist and credit stress intensifies, the sector could signal broader cracks in the financial system.

7. **September Equity Market Strength Defies Seasonal Trends**
   Equities closed September on a strong note, with the S&P 500 gaining +3.5% and posting its fifth consecutive monthly gain. The September gain defies what is typically a seasonally weak time of year. The rally was driven by Fed easing, resilient consumer demand, and AI enthusiasm, despite softer labor data. Why it matters: The strength heading into Q4 highlights how rate-cut expectations and the AI narrative continue to overpower seasonal headwinds.