Oklahoma City, Oklahoma

WEEK OF SEPTEMBER 29, 2025

Market Navigator

U.S. equities pulled back after a multiweek rally, with late-week gains trimming losses as traders weighed resilient growth data against mixed Federal Reserve (Fed) signals and new tariff headlines. Treasuries weakened and the yield curve flattened on tepid auction demand and reduced bets for aggressive rate cuts. Credit spreads stayed tight despite rising geopolitical tensions.

Quick Hits

1. **Beyond the headlines:** Second-quarter growth surges, but tariff distortions cloud outlook.
2. **Report releases:** Durable goods orders rose in August, signaling solid business investment.
3. **Financial market data**: Profit-taking and tariff concerns tempered risk appetite as defensive stocks gained ahead of key economic updates.
4. **Looking ahead:** The focus this week shifts to consumer sentiment, manufacturing trends, and labor data.

Beyond the Headlines: Second-Quarter Growth Surges, but Tariff Distortions Cloud Outlook

The third estimate from the Bureau of Economic Analysis confirmed that U.S. real GDP expanded at a 3.8 percent annualized rate in the second quarter, rebounding sharply after a –0.6 percent contraction in the first quarter. Consumer spending made the largest positive contribution, and a decline in imports mechanically boosting GDP also played a significant role. Investment and exports were draggers, partially offsetting the gains.

Inflation for core personal consumption expenditures (PCE), which exclude food and energy, held around 2.5 percent, down from previous quarters but still above the Fed's 2 percent target. The deceleration was mixed: goods inflation cooled but services components remained more resilient. Headline PCE inflation rose about 2.1 percent.

Tariffs Complicate the Picture

Tariff-related dynamics complicate interpretation. Many firms brought imports forward into the first quarter to avoid higher tariffs, inflating quarterly import levels. That import surge reversed in the second quarter, causing a mechanical lift to GDP via import subtraction. In other words, part of second-quarter strength may reflect a trade timing effect and not pure demand growth. If trade tensions escalate or retaliatory measures follow, input costs and supply chains could become another source of inflation and drag.

For investment portfolios and clients, the data reinforces a cautiously positive backdrop—but not without risks. The stronger growth revision gives confidence in economic resilience, which should support exposure to cyclical, growth-oriented sectors. Given continued inflation stickiness and tariff uncertainty, however, strategies should favor companies with pricing power and risk mitigation attributes.

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Economic Backdrop Remains Volatile

From a fixed income perspective, the combination of solid growth and still-elevated core inflation may limit how aggressively the Fed can ease interest rates. Markets will watch closely to see whether the central bank leans into patience or pushes for more rate cuts. Intermediate-duration Treasuries could still benefit in a modest easing environment, but inflation surprises or renewed trade-induced cost pressures could make positioning more challenging.

Last quarter's performance underscores how volatile the economic backdrop remains. Although the rebound shows that the U.S. economy retains momentum, trade distortions, inflation resilience, and policy uncertainty temper the tailwinds. Portfolio construction should stay balanced.

Report Releases: September 22–26, 2025

S&P Global US Composite PMI
September (Tuesday)

The US Composite Purchasing Managers' Index fell more than expected to 53.6; services PMI fell to 53.9 from 54.5 and manufacturing PMI slipped to 52 from 53.

- Expected/prior month Global US Composite PMI: 53.9/54.6
- Actual Global US Composite PMI: 53.6

New Home Sales
August (Wednesday)

New home sales surprised, with gains exceeding 20 percent versus flat expectations. The 30-year fixed rate mortgage fell 25 basis points (bps) in August.

- Expected/prior month new home sales monthly change: 0.0%/–0.6%
- Actual new home sales monthly change: 20.5%

Durable Goods Orders
August (Thursday)

Headline and core durable goods orders were better than expected to start August, marking four consecutive months with rising core orders. That's a sign of steady business investment.

- Expected/prior durable goods orders monthly change: –0.3%/–2.7%
- Actual durable goods orders change: +2.9%
- Expected/prior core durable goods orders monthly change: +0.0%/+1.0%
- Actual core durable goods orders change: +0.4%

Existing Home Sales
August (Thursday)

The pace of existing home sales dropped last month due to high costs and limited inventory.

- Expected/prior month existing home sales monthly change: –1.5%/+2.0%
- Actual existing home sales monthly change: –0.2%

>> The Takeaway

- US Composite PMI eased to 53.6 in September as services and manufacturing activity slowed, missing expectations of 53.9 and signaling a softer expansion.
- August new home sales jumped 20.5 percent versus flat forecasts, helped by a 25 bps drop in 30-year mortgage rates to roughly 6.5 percent–6.75 percent.

Financial Market Data

Equity

Equities softened after a strong multiweek run, though late-week gains helped trim broader losses. Investors balanced upbeat economic signals with uncertainty over the policy outlook and shifting Fed rhetoric. Sector leadership rotated toward more defensive areas as traders grew cautious. Geopolitical tensions and renewed tariff headlines further encouraged selective profit-taking, prompting a temporary pause in risk appetite and a more measured approach to adding equity exposure as investors await upcoming economic releases and critical policy commentary.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	–0.30%	2.94%	14.03%	17.12%
Nasdaq Composite	–0.64%	4.85%	17.04%	24.49%
DJIA	–0.15%	1.67%	10.11%	11.54%
MSCI EAFE	–0.41%	0.84%	24.39%	14.08%
MSCI Emerging Markets	–1.12%	5.52%	26.19%	17.09%
Russell 2000	–0.58%	2.97%	10.22%	11.65%

Source: Bloomberg, as of September 26, 2025

Fixed Income

Treasuries weakened as the yield curve flattened, with tepid auction demand underscoring softer foreign participation. Investors pared expectations for multiple near-term rate cuts after solid housing data, firm capital goods orders, and a GDP revision signaled resilient growth. Divergent Fed commentary added uncertainty. Credit markets remained stable and spreads stayed tight despite renewed tariff headlines and rising geopolitical risks.

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.98%	5.90%	2.69%
U.S. Treasury	0.78%	5.12%	1.87%
U.S. Mortgages	1.19%	6.59%	3.16%
Municipal Bond	2.34%	2.52%	1.38%

Source: Bloomberg, as of September 26, 2025

>> The Takeaway

- After a multiweek run, equities eased as profit-taking and renewed tariff concerns tempered risk appetite. Defensive sectors saw relative strength ahead of key economic data and policy updates.
- Treasuries softened and the yield curve flattened as resilient growth data and mixed signals from the Fed led investors to trim expectations for near-term interest rate cuts.

Looking Ahead

The week ahead will offer fresh insight into consumer sentiment, manufacturing trends, and the labor market.

- The week kicks off Tuesday with September's **Conference Board Consumer Confidence Index** reading, which is expected to show a decline in household optimism.
- On Wednesday, we'll see the September **Institute for Supply Management (ISM) Manufacturing index**, with confidence expected to improve slightly but still signal contraction.
- The week wraps on Friday with two reports: **September jobs data** (economists anticipate a modest hiring gain of roughly 42,000 jobs) and the **ISM Services index** (expected to hold steady after surging in August).

A cattle farm in Oklahoma.

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