

September 15, 2025

Weekly Viewpoint

Cooling Inflation and Fed Optimism Fuel Market Rally

Performance for Week Ending 9.12.2025

The Dow Jones Industrial Average (Dow) finished up 1.0 percent, the Standard & Poor's 500 Index (S&P 500) added 1.6 percent, and the Nasdaq Composite Index (Nasdaq) finished up 2.0 percent. Sector breadth was positive with ten of the 11 S&P sector groups closing higher. The technology sector (+3.1 percent) paced the gains followed by utilities (+2.4 percent) and energy (+1.5 percent).

Index*	Closing Price 9.12.2025	Percentage Change for Week Ending 9.12.2025	Year-to-Date Percentage Change Through 9.12.2025
Dow	4584.22	1.0%	7.7%
S&P 500	6584.29	1.6%	12.0%
Nasdaq	22141.10	2.0%	14.74%

Market Observations: 9.8.2025–9.12.2025

The S&P 500 finished the week higher—its fifth gain over the past six weeks—after softer labor market data and in-line inflation readings opened the door for the Federal Reserve (Fed) to restart rate cuts at this week's meeting. Technology and utilities led the gains, driven by a revival in AI stocks after cloud-computing giant Oracle posted an upbeat forecast, which in turn, sparked a rally in AI-linked semiconductors and the utilities companies that power data centers. The market rally has started to broaden out beyond the technology sector with the financials, communication services, materials, and consumer discretionary sectors all hitting year-to-date highs in recent weeks.

Economic Roundup: On the inflation front, the data from the Bureau of Labor Statistics showed that the Consumer Price Index (CPI) increased 2.9 percent year-over-year in August, up from July's 2.7 percent increase but on par with expectations. Month over month, prices rose 0.4 percent, above July's 0.2 percent increase and economists' forecast of 0.3 percent. Core inflation, which strips out volatile food and energy, rose 3.1 percent year over year, unchanged from July and in line with estimates. Meanwhile, wholesale

inflation unexpectedly declined in August: the producer price index (PPI) declined 0.1 percent on a monthly basis in August and came in at to 2.6 percent on an annual basis, well below expectations for a 3.3 percent increase. On the labor front, initial jobless claims for the week ending September 6 rose 27,000 to 263,000—the highest level in nearly four years and above economists' expectations—underscoring continued weakness in the job market. Lastly, mortgage rates fell by 15 basis points this week, to their lowest point in almost a year, as Fed watchers are now certain a short-term rate cut is in the offing, Freddie Mac reported. The 30-year fixed rate mortgage was at 6.35 percent on September 11, down from 6.5 percent one week ago.

The Week Ahead: All eyes will be on the Federal Open Market Committee (FOMC) meeting on Tuesday and Wednesday, when the Fed is expected to reduce rates by 25 basis points (bps). The central bank is also likely to signal that more reductions are likely to follow this year. The median dot of the updated Summary of Economic Projections is expected to show 75 bps of total reductions for 2025, 25 bps more than in June. This path would leave the fed funds rate at 3.5-3.75 percent by year-end. Turning to the data calendar, the focus will be on the latest economic activity indicators due Tuesday, with retail sales in the spotlight as a health check on the U.S. consumer after weak labor market data. Housing data including starts and permits are due Wednesday. It will be another quiet week for earnings, with just five members of the S&P 500 scheduled to release results, with the focus on results from FedEx and homebuilder Lennar. Outside of the FOMC meeting, the Fed's speaking calendar will be quiet with no members scheduled to speak.

Definitions

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally defined as the leaders in their industry. It has been a widely followed indicator of the stock market since Oct. 1, 1928.

Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Nasdaq Composite Index is a broad-based capitalization-weighted index of stocks in all three Nasdaq tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of Feb. 5, 1971.

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