

September 22, 2025

Weekly Viewpoint

Stocks Finish Higher on Fed Policy Shift

Performance for Week Ending 9.19.2025

The Dow Jones Industrial Average (Dow) finished up 1.1 percent, the Standard & Poor's 500 Index (S&P 500) added 1.2 percent, and the Nasdaq Composite Index (Nasdaq) finished up 2.2 percent. Sector breadth was mixed with five of the S&P sector groups closing higher and six closing lower. The communication services sector (+3.4 percent) was the best performer while real estate (-1.4 percent) was the weakest.

Index*	Closing Price 9.19.2025	Percentage Change for Week Ending 9.19.2025	Year-to-Date Percentage Change Through 9.19.2025
Dow	46315.27	1.1%	8.9%
S&P 500	6664.36	1.2%	13.3%
Nasdaq	22631.48	2.2%	17.2%

Market Observations: 9.15.2025–9.19.2025

The S&P 500 ended last week at a new all-time high after the Federal Reserve cut its benchmark lending rate by a quarter percent and signaled two more cuts are likely by year-end. The combination of looser monetary policy, solid earnings growth, and a resilient economy creates an attractive backdrop for risk assets, particularly those sensitive to domestic growth and interest rates. Notably, the small-cap Russell 2000 Index hit a new all-time high last week, it's first since 2021.

FOMC Meeting Highlights: As expected, the Federal Reserve lowered its interest rate target by 25 basis points to a range of 4.00 percent to 4.25 percent at the conclusion of last week's Federal Open Market Committee (FOMC) gathering—the first rate cut since December. Few changes were made to the post-meeting statement, though the FOMC did alter language to indicate that “job gains have slowed, and the unemployment rate has edged up, but remains low” versus prior language saying that labor market conditions “remain solid.” The committee also noted in considering their dual mandate that inflation has “moved up,” but judged that “downside risks to employment have risen,” indicating that the health of the job market weighed more heavily in its deliberations this meeting.

The so-call “dot-plot” contained in the updated Summary of Economic Projects (SEP) showed the year-end median forecast for the fed funds rate at 3.625 percent (indicating two additional cuts in addition to last week’s move), down from a prior view of 3.875 percent. In terms of the economic outlook for 2025, the Fed is now targeting real GDP growth of 1.6 percent, up from 1.4 percent forecast in the June SEP. For 2026, the growth forecast rose to 1.8 percent versus 1.6 percent previously. Finally, the Fed left its inflation outlook for 2025—as measured by the core Personal Consumption Expenditures Price Index (PCE)—largely unchanged from its June forecast at 3.1 percent, with its expectations moving slightly higher for 2026 (+20 basis points).

Economic Roundup: Retail sales in August rose 0.6 percent from the prior month, more than the 0.2 percent expected and the latest sign that U.S. consumers remain resilient in the face of a labor market showing signs of stress. On the labor front, the number of Americans filing new applications for unemployment benefits declined last week, reversing the prior week’s jump. Initial claims for state unemployment benefits fell 33,000 to a seasonally adjusted 231,000 for the week ended September 13. Claims in the prior week had jumped to 264,000, a level last seen in October 2021. Elsewhere, the Philadelphia Fed Manufacturing Index, a measure of the manufacturing industry’s health, rebounded to 23.2 in September from minus 0.3 in August, beating analysts’ forecast of 1.7 as polled by Bloomberg. In anticipation of Fed rate cuts mortgage rates have moved lower and ignited a jump in refinancing. The 30-year fixed mortgage rate averaged 6.26 percent for the week ending September 18, down from 6.35 percent the previous week, according to data released today by Freddie Mac. This marked the fourth-straight week of declines.

The Week Ahead: The focus of this week’s data calendar will be on the August PCE print on Friday. The core PCE—the Fed’s preferred measure of inflation—is forecast to rise by 0.2 percent, down from 0.3 percent in July. Other notable indicators include durable goods orders and the advanced trade balance on Thursday, as well as existing (Tuesday) and new home sales (Wednesday). It will be another quiet week for earnings, with just six members of the S&P 500 scheduled to release results, including retailer Costco and tech firm Micron Technology. Finally, it will be a busy week for Fed speakers with 17 speeches schedule including Fed Chair Powell on Tuesday.

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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