TALKING POINTS

Data through September 2025

Climate

In a widely anticipated decision, the Federal Reserve ("Fed") reduced its target policy rate by 25 basis points (bps) in September, lowering the federal funds target rate (upper bound) from 4.50% to 4.25%. In contrast to its vote in July, just one of the members dissented, arguing for a 50 bps cut instead. Bad news regarding payroll data played a key role in the outcome of the Fed's meeting. In September, preliminary revisions from the Bureau of Labor Statistics revealed a downward adjustment of 911,000 to payroll growth for the 12-month period from April 2024 to March 2025. While revisions to payroll data are not unusual, the magnitude of this restatement was. If preliminary results hold, it will mark the largest downward revision to payrolls since 2009 and will be tied for the second largest negative revision in the past 47 years. While payroll adjustments may have the Fed spooked heading into October, it is also watching consumer prices closely. Inflation, as measured by the trailing 12-month rate of change in the consumer price index (CPI), remains stubbornly elevated. Case in point, the CPI stood at 2.9% in August 2025, up from 2.3% in April 2025. August's observation pushes the metric even further from the Fed's stated target of 2.0% and sets the CPI above its 25-year monthly average of 2.6%. Despite inflation's uptick, markets appears to be discounting for further rate reductions in the fourth quarter. On 9/30/25, the federal funds rate futures market was priced for an implied policy rate of 3.66% by year's end.

Stock Market

The S&P 500 Index ("Index") closed at 6,688.46 on 9/30/25, representing a price-only increase of 34.23% from its most recent low of 4,982.77 on 4/8/25, according to data from Bloomberg. The S&P MidCap 400 and S&P SmallCap 600 Indices remain 3.74% and 6.17%, respectively, below their all-time highs which were set on 11/25/24. The Index posted a total return of 3.64% in September 2025. Eight of the 11 major sectors that comprise the Index registered positive total returns for the month. The top-performer was Information Technology, up 7.25%, while Materials had the worst showing, declining by 2.08%. As revealed in the table to the right, estimates for the Index's 2025 earnings per share (EPS) declined slightly from 268.57 in August to 267.68 in September. A similar trend occurred with the Index's 2026 estimated EPS, which declined from 303.83 in August to 303.76 in September. The price performance of U.S. equities continues to entice international investors. Data from the U.S. Federal Reserve Board revealed that foreign investors purchased a record $290.7 billion of U.S. equities in Q2'25, bringing total foreign holdings of U.S. equities to nearly $18 trillion, according to Bloomberg. Equities now comprise 32% of foreign allocations to U.S. assets, breaking the record which was last set in 1968. Notably, stock buybacks declined considerably in Q2'25. Data from S&P Dow Jones Indices revealed that buyback announcements among the companies that comprise the Index totaled just $234.6 billion in Q2'25, a decline of 20.1% from the record $293.5 billion executed in Q1'25. Ongoing concern regarding the impact of tariffs and economic policy were cited as key drivers behind declining buybacks during the quarter. Dividend payments have increased steadily this year, with dividend distributions totaling a record $653.9 billion over the trailing 12-months ending in June 2025.

Bond Market

The yield on the benchmark 10-year T-note stood at 4.15% at the close of trading on 9/30/25, up 37 bps from its 3.78% close on 9/30/24, according to data from Bloomberg. The 4.15% yield stood 151 bps above its 2.64% average for the 10-year period ended September 2025 and 84 bps below its most recent high of 4.99% set on 10/19/23. The yield on the 2-year T-note stood at 3.61% on 9/30/25, down just 3 bps from when it stood at 3.64% on 9/30/24. As many investors are likely aware, bond yields (especially short-term bonds) are sensitive to changes in the federal funds target rate and yields and prices generally move in opposite directions. As revealed in the "Bloomberg Fixed Income Indices" section to the right, fixed income securities have thrived as interest rates have fallen. That said, concerns are mounting regarding the value of total global debt outstanding as well as the share of public vs. private debt. The International Monetary Fund reported that total global debt stood at $251 trillion, or just above 235% of global gross domestic product (GDP), in 2024. Private debt accounted for $151.8 trillion of that total, equal to 143% of global GDP, its lowest level since 2015. For comparison, public debt increased to nearly 93% of GDP. Demand for fixed income remains strong. In the U.S. for example, the Department of the Treasury reported that foreign holdings of U.S. Treasuries stood at a record $9.13 trillion in June, up from $8.53 trillion in January 2025. Additionally, the value of all outstanding U.S. fixed income securities increased by 5.5% year-over-year (y-o-y) to a total of $47.8 trillion in Q2'25.

Takeaway

Economic indicators related to the Fed's dual mandate were mixed in September. On one hand, the Fed reduced its target policy rate amidst concerns of a slowing labor market. On the other, inflation ticked up to 2.9% in August, 0.3 percentage points above its 25-year monthly average of 2.6%. Where Fed policy goes from here remains to be seen, but current expectations point to lower rates by year's end. If investors are feeling any apprehension about the future, equity markets don't appear to reflect it. As we see it, one reason for investor's continued risk appetite could be related to surging net worth. Data from the Federal Reserve revealed that the combined net worth of U.S. households and nonprofit organizations increased to a record $176.3 trillion in Q2'25, up from $169.2 trillion in the prior quarter. Equities and real estate accounted for the lion's share of the increase, adding $5.5 trillion and $1.2 trillion, respectively, to household net worth during the quarter. Income is on the rise as well. In a September report, the U.S. Census Bureau revealed that real median household income increased by 1.3% to $83,730 in 2024. The increase caused a contraction in the poverty rate, which declined by 0.4 percentage points y-o-y to 10.6% in 2024.

Open-End Net Fund Flows ($)	8/25	7/25	YTD (Aug)
Equity	-74.0B	-367.1B	-795.4B
Taxable Bond	15.9B	33.0B	30.0B
Municipal Bond	0.5B	3.9B	8.6B
Hybrid	-6.5B	-5.6B	-68.0B
Taxable Money Market	108.6B	54.6B	229.4B

Key Interest Rates/Yields	9/30/25	8/29/25	9/30/24
Federal Funds Target Rate	4.25%	4.50%	5.00%
2-Year T-Note	3.61%	3.62%	3.64%
5-Year T-Note	3.74%	3.70%	3.56%
10-Year T-Note	4.15%	4.23%	3.78%
Bond Buyer 40	4.65%	5.05%	4.22%

Commodities/U.S. Dollar	9/25	YTD	12 Mo.
U.S. Dollar Index (DXY)	0.00%	-9.87%	-2.98%
FTSE/CC CRB Excess Ret.	-0.58%	1.31%	5.50%
Crude Oil/WTI (per Barrel)	-2.56%	-13.04%	-8.51%
Natural Gas (per million BTUs)	10.21%	-9.08%	13.00%
Gold Bullion (Ounce)	11.92%	47.04%	46.47%

S&P 500 Full-Year Earnings Estimates	2025	2026
9/30/25	267.68	303.76
8/29/25	268.57	303.83
12/31/24	274.13	311.08

Total Return Performance

U.S. Stock Indices	9/25	YTD	12 Mo.
S&P 500	3.64%	14.81%	17.56%
DJIA	2.00%	10.47%	11.50%
Nasdaq 100	5.47%	18.10%	23.93%
S&P MidCap 400	0.46%	5.75%	6.10%
Russell 2000	3.11%	10.38%	10.74%
Russell 3000	3.44%	14.38%	17.38%

U.S. Styles/Market Caps	9/25	YTD	12 Mo.
S&P 500 Growth	5.28%	19.50%	26.85%
S&P 500 Value	1.76%	9.68%	6.74%
S&P MidCap 400 Growth	0.99%	6.09%	5.24%
S&P MidCap 400 Value	-0.21%	5.30%	6.90%
Russell 2000 Growth	4.15%	11.64%	13.54%
Russell 2000 Value	2.01%	9.04%	7.87%

Foreign Stock Indices (USD)	9/25	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	2.13%	25.34%	16.03%
MSCI Emerging Markets NET	7.15%	27.53%	17.32%
MSCI Europe NET	1.98%	27.50%	15.08%
MSCI BRIC NET	6.44%	24.84%	12.20%
MSCI EM Latin America NET	6.55%	43.08%	20.41%
Nikkei 225	5.22%	21.90%	16.94%

Bloomberg Fixed Income Indices	9/25	YTD	12 Mo.
U.S. Treasury: Intermediate	0.29%	5.29%	3.50%
GNMA 30 Year	1.00%	6.40%	3.38%
Municipal Bond (22+)	4.05%	0.31%	-1.34%
U.S. Aggregate	1.09%	6.13%	2.88%
Intermediate Corporate	0.72%	6.58%	5.08%
U.S. Corporate High Yield	0.82%	7.22%	7.41%
Global Aggregate	0.65%	7.91%	2.40%
EM Hard Currency Aggregate	1.06%	9.74%	7.43%

Sources: Bloomberg, FactSet, and Investment Company Institute

Past performance is no guarantee of future results. Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index. There can be no assurance past trends will continue or estimates will be realized.

HIGH/LOW SNAPSHOT

Data through September 2025

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	6693.75	9/22/2025	1829.08	2/11/2016	6688.46	-0.08%	14.81%	1.17%
S&P 500 Growth	4907.52	9/22/2025	1035.44	2/11/2016	4870.89	-0.75%	19.50%	0.58%
S&P 500 Value	2038.00	9/30/2025	788.67	2/11/2016	2038.00	0.00%	9.68%	1.87%
S&P MidCap 400	3390.26	11/25/2024	1218.55	3/23/2020	3263.62	-3.74%	5.75%	1.45%
S&P MidCap 400 Growth	1610.10	11/25/2024	574.06	2/11/2016	1555.89	-3.37%	6.09%	0.85%
S&P MidCap 400 Value	1083.78	11/25/2024	373.28	3/23/2020	1039.03	-4.13%	5.30%	2.11%
S&P 100	3344.90	9/22/2025	820.61	2/11/2016	3331.74	-0.39%	16.30%	1.03%
DJIA	46397.89	9/30/2025	15660.18	2/11/2016	46397.89	0.00%	10.47%	1.59%
Nasdaq 100	24761.07	9/22/2025	3947.80	2/9/2016	24679.99	-0.33%	18.10%	0.65%
Russell 2000	2467.70	9/18/2025	953.72	2/11/2016	2436.48	-1.26%	10.38%	1.34%
Russell 2000 Growth	1709.62	2/9/2021	573.10	2/11/2016	1634.08	-4.42%	11.64%	0.56%
Russell 2000 Value	2715.42	11/25/2024	1067.63	3/23/2020	2645.48	-2.58%	9.04%	2.19%
Russell 3000	3812.54	9/22/2025	1067.34	2/11/2016	3803.09	-0.25%	14.38%	1.18%
MSCI World Net (ex U.S.) (USD)	10327.27	9/30/2025	4189.62	2/11/2016	10327.27	0.00%	25.34%	2.87%
MSCI Emerging Markets Net (USD)	734.90	9/24/2025	296.25	1/21/2016	731.90	-0.41%	27.53%	2.37%
Bovespa/Brazil (USD)	29488.46	1/2/2020	9077.09	1/21/2016	27496.95	-6.75%	41.55%	5.91%
RTS/Russia (USD)	1919.58	10/25/2021	628.41	1/20/2016	N/A	N/A	N/A	N/A
S&P BSE 500/India (USD)	461.76	9/26/2024	129.66	3/23/2020	401.97	-12.95%	-1.22%	1.17%
Shanghai Composite/China (USD)	578.15	12/13/2021	358.39	10/18/2018	545.23	-5.69%	21.50%	2.37%
KOSPI/South Korea (USD)	2.93	6/16/2021	1.16	3/19/2020	2.44	-16.82%	52.04%	1.74%
Hang Seng (USD)	4241.01	1/26/2018	1871.10	10/31/2022	3451.47	-18.62%	37.95%	2.92%
MSCI Euro (USD)	2102.67	9/30/2025	865.50	3/18/2020	2102.67	0.00%	32.98%	2.90%
S&P 500 Consumer Discretionary	1959.72	12/17/2024	543.54	2/11/2016	1917.97	-2.13%	5.30%	0.62%
S&P 500 Consumer Staples	923.91	3/3/2025	484.82	10/1/2015	871.10	-5.72%	3.89%	2.51%
S&P 500 Energy	749.39	4/5/2024	179.94	3/18/2020	682.82	-8.88%	7.04%	3.38%
S&P 500 Utilities	443.18	9/30/2025	210.39	12/11/2015	443.18	0.00%	17.69%	2.73%
S&P 500 Financials	900.91	9/29/2025	264.89	2/11/2016	896.86	-0.45%	12.70%	1.39%
S&P 500 Banks	585.01	9/26/2025	180.19	2/11/2016	579.87	-0.88%	25.48%	2.20%
FTSE NAREIT All Equity REITs	980.08	12/31/2021	483.48	3/23/2020	776.89	-20.73%	4.51%	4.00%
S&P 500 Health Care	1829.71	8/30/2024	732.99	2/11/2016	1623.95	-11.25%	2.61%	1.82%
S&P 500 Pharmaceuticals	1216.04	8/30/2024	549.29	2/11/2016	1053.64	-13.35%	2.84%	2.61%
NYSE Arca Biotechnology	6319.77	2/8/2021	2642.53	2/11/2016	6237.60	-1.30%	8.76%	0.22%
S&P 500 Information Technology	5616.26	9/22/2025	636.18	2/9/2016	5612.00	-0.08%	22.31%	0.51%
Philadelphia Semiconductor	6369.82	9/30/2025	559.18	2/11/2016	6369.82	0.00%	28.80%	0.71%
S&P 500 Communication Services	438.54	9/19/2025	130.86	12/24/2018	422.60	-3.63%	24.51%	0.73%
S&P 500 Industrials	1311.04	7/25/2025	412.06	3/23/2020	1306.11	-0.38%	18.25%	1.45%
S&P 500 Materials	616.97	10/18/2024	234.97	1/25/2016	570.71	-7.50%	9.32%	1.91%
Philadelphia Gold & Silver	297.11	9/30/2025	38.84	1/19/2016	297.11	0.00%	118.92%	0.86%
FTSE/CC CRB Excess Return	329.59	6/9/2022	106.29	4/21/2020	300.60	-8.80%	1.31%	N/A
ICE BofA Perpetual Preferred	341.89	9/17/2025	215.28	2/11/2016	338.97	-0.85%	5.45%	6.25%
ICE BofA U.S. High Yield Constrained	610.29	9/23/2025	313.74	2/11/2016	609.08	-0.20%	7.06%	7.06%

Source: Bloomberg

Past performance is no guarantee of future results. Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.