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October Market Update

It's been an active month for the markets, with stock indexes hitting new highs and the U.S. economy indicating notable resilience. Recent government data shows robust gross domestic product (GDP) growth and steady consumer strength, even as headlines showed continued questions about inflation trends and Federal Reserve policy.

In September, the Fed delivered a widely anticipated interest rate cut, aiming to support growth while keeping an eye on price pressures. Wall Street is paying close attention — and so are we.

Today, we're breaking down the latest economic data, Fed actions, and what they could mean for your portfolio this fall. Our goal remains the same: to keep you informed and well-positioned as we navigate the months ahead.

Major U.S. Stock Indices

September saw U.S. stocks surge, with the S&P 500 reaching new all-time highs near 6,700. Small-cap and value stocks led the rebound, supported by lower rates and domestic growth, while technology, communications, and consumer discretionary drove sector gains.

Here's the tally for the month:

- The S&P 500 gained 3.53% ([TradingView.com](https://www.tradingview.com), 2025).
- The Nasdaq 100 jumped 5.40% ([TradingView.com](https://www.tradingview.com), 2025).
- The Dow Jones Industrial Average rose 1.87% ([TradingView.com](https://www.tradingview.com), 2025).

Growth & Consumer Spending

- U.S. GDP climbed to a 3.8% annual rate in Q2, marking the strongest expansion in nearly two years after being revised sharply higher. This momentum was fueled mostly by resilient consumers whose spending rose 0.6% in August, outpacing expectations and

driving gains across retail, travel, and durable goods — even amid higher tariffs and inflation in the mix ([CNN](#), 2025).

- Business investment is mixed. Housing-related spending fell 5.1% as residential fixed investment cooled, underscoring continued weakness in the sector. Meanwhile, corporate demand for equipment and services held steady, signaling a focus on productivity gains, even as broader capital expenditures stayed muted ([Reuters](#), 2025).
- Trade provided an added lift in Q2, as a sharp drop in imports narrowed the deficit and amplified the strength of domestic growth. The move reflected earlier inventory adjustments and lingering tariff effects, offering a buffer for the U.S. economy at a time of global uncertainty ([U.S. Bureau of Economic Analysis](#), 2025).
- Consumer spending may remain the linchpin for growth as housing and government outlays show signs of fading. For now, resilient households are keeping the recovery on track, but investors should watch for pressures that may challenge this momentum into year-end ([S&P Global](#), 2025).

Fed Policy Easing

- The Fed cut rates by 25 basis points in September, lowering the federal funds target to 4.00-4.25%. Policymakers debated a larger 50-basis-point cut, reflecting uncertainties about persistent inflation versus rising slack in the labor market ([Federal Reserve](#), 2025).
- The Fed's September economic projections raised growth estimates and signaled expectations for further cuts into late 2025 and early 2026, but policymakers stressed a "data-dependent" approach. The Federal Open Market Committee (FOMC) dot plot showed consensus for at least one more cut before year-end ([Yahoo Finance](#), 2025).
- Mortgage rates, just above 6%, are expected to edge lower through year-end, making home purchases and refinances more affordable and supporting stronger demand from both households and businesses as borrowing costs decline ([Realtor](#), 2025).
- Lower Fed rates are also expected to ease financing costs for businesses, particularly for operating loans and commercial real estate, freeing up capital for expansion and hiring. This more favorable credit environment is a timely boost for small firms and corporations planning major moves for 2026 ([Investopedia](#), 2025).

Labor Market & Inflation

- U.S. job growth slowed sharply in August, with only 22,000 jobs added, while unemployment held at 4.3%, a four-year high. Hiring remains concentrated in healthcare, and demand for senior roles continues to outpace that for junior positions ([CNBC](#), 2025).
- Inflation remains elevated at 2.9% year-over-year, with core prices up 3.1%. Wage gains of 3.7% are just keeping pace with rising costs, leaving many consumers feeling squeezed. In fact, through the second quarter of this year, the top 20% of earners accounted for roughly half of all spending ([CNN](#), 2025).
- Federal Reserve Chair Jerome Powell is walking a tightrope: the slowing labor market reduces pressure for aggressive inflation-fighting, but persistent price increases are still weighing on

household budgets and economic sentiment. Any significant shift in jobs or inflation data could spark further changes to monetary policy — or rattle investors in the months ahead ([ABC News](#), 2025).

Navigating the Markets

September ended with the U.S. economy demonstrating steady momentum despite ongoing inflation and interest rate headlines. Stock markets reached new highs, supported by strong consumer spending, optimism around Fed rate cuts, and sector rotation into technology and value stocks. A government shutdown loomed, however, on the eve of October, rattling stock markets on the first morning of the month.

While markets evolve rapidly, you don't have to navigate them on your own. Your Advisor is here to provide perspective, answer questions, and help you make informed decisions based on your financial priorities.

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