MONTHLY MARKET RECAP

October 6, 2025

Index	Asset Class	2025		2024
		Sep.	YTD	
Equity Indexes		**Total Returns**		
NASDAQ 100	Mega Cap U.S. Growth Equity	5.5%	18.1%	25.9%
S&P 500	Large Cap U.S. Equity	3.7	14.8	25.0
S&P 400	Mid Cap U.S. Equity	0.5	5.8	13.9
S&P 600	Small Cap U.S. Equity	1.0	4.2	8.7
MSCI All Country World	Global Equity	3.7	18.9	18.0
MSCI All Country World (Ex U.S.)	International Equity	3.6	26.6	6.1
MSCI Europe, Asia & Far East (EAFE)	International Developed Market Equity	2.0	25.7	4.4
MSCI Emerging Markets (EM)	International Emerging Market Equity	7.2	28.2	8.1
Fixed Income Indexes				
Bloomberg U.S. Aggregate Bond	U.S. Investment Grade Bond	1.1	6.1	1.3
S&P National AMT-Free Municipal Bond	U.S. Investment Grade Muni Bond	2.4	2.2	1.3
S&P Municipal Bond High Yield	U.S. Muni Bonds (Below Investment Grade)	3.0	1.7	6.7
Bloomberg U.S. Corp. High Yield	U.S. Corp Bonds (Below Investment Grade)	0.8	7.2	8.2
Index Blends: Stock/Bond				
80%/20%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		3.2	16.3	14.5
60%/40%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		2.6	13.7	11.1
40%/60%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		2.1	11.2	7.7
20%/80%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		1.6	8.7	4.5
Data as of 9/30/2025. Source: Morningstar, and blended benchmark returns are based on monthly rebalancing.				

Please see important disclosures at end of this report.

Overview & Economy

"The Good, the Bad and the Ugly." This title of the epic and campy 1966 Western can serve well as a format to present the topics of this ***Market Recap***. Admittedly, … *bad and ugly* are not adjectives typically used to describe financial considerations, but *'the strong, the weakening, and the dysfunctional'* just doesn't present the same zip – nor would it evoke the memorable whistle led theme song.[1]

"The Good…

Overall, global equity markets continued to gravitate higher in September, with most major indexes establishing a succession of new all-time highs. Still left far behind on a relative basis, however, have been the U.S. Small and Mid Cap indexes. Bond indexes also logged a decent month, led by municipal bonds which recouped some of their recent underperformance. More detail on market performances are offered in later sections.

… the Bad…

The buoyant investment markets may be underestimating increasing economic risks. The most recent economic data releases conveyed both an uptick in inflation and a tenuous labor market. August CPI was reported at an annual rate of 2.9%, up two-tenths from July, with core CPI (i.e., ex-food and energy) steady at 3.1%. CPI has been trending gradually higher since its YTD low logged in April. Regarding jobs, while the unemployment rate has held steady at near cycle lows, hiring has slowed to levels not seen since 2009.[2] Fed Chair Powell attributed "the downside risk to employment" as the primary factor supporting the cut in the Fed Funds rate announced on September 18, noting that "the recent pace of job creation appears to be running below the 'breakeven' rate needed to hold the unemployment rate constant."[3]

… and the Ugly."

Certainly not pretty is the fact that U.S. government shutdowns have become commonplace. Including the current and ongoing shutdown, there have now been 14 since 1980 involving funding gaps where government operations were significantly affected and government employees were furloughed. Most of these shutdowns lasted just a couple days; the three longest lasted 21 days (1995/1996 under President Clinton over a budget conflict), 16 days (2013 under President Obama regarding a dispute on the Affordable Care Act), and 35 days (2018/2019 under President Trump over his demand for federal funds for a Mexico border wall). Investment markets have consistently looked through previous government shutdowns as temporary events that aren't really meaningful to economic and corporate profit trends.

The issues underlying this shutdown appear to be broader and reflect distrust by leading Democrats related to the White House ignoring previous congressional appropriations and recent governance through a slew of executive orders and narrowly passed Republican partisan legislations. Given the significant political divisions, it is hard to imagine cooperation and compromise, nor a reasonably quick resolution. The impact of a government shutdown has been referred to like a vise – gentle at first with pressure building over time. Certainly the tenuous balance of U.S. labor market could be tipped by the estimated 750,000 federal employees already furloughed -- and particularly if President Trump follows through with his threat to implement permanent federal employee cuts during the shutdown.[4]

Relatedly, it is important to highlight that due to the current shutdown, governmental statistical agencies (like the Bureau of Labor Statistics) have had to suspend operations. As a result, we received no BLS monthly payroll data last Friday for the month of September, and until the government shutdown ends we will also miss weekly unemployment claims data, and the monthly inflation data (next scheduled for October 15 and 31, for the CPI and PCE respectively). The self-described "data dependent" Federal Reserve will be flying blind as it considers its next steps for monetary policy – except for its own data and analysis. The Fed does not receive any special access to government economic data that is not available to the general public during a government shutdown.

Equity Markets

Equity markets exhibited a distinct mega tech leadership in September, denoted by the strength of the NASDAQ 100 and also the MSCI Emerging Markets index. Last month's gain for the MSCI EM index was primarily fueled by a sharp gain in the MSCI China index (+9.5%) which comprises 30.3% of the MSCI EM index. In September, U.S. Small and Mid Caps continued to lag sharply, and on a YTD basis International EM and International Developed stocks remain solidly ahead.

Fixed Income Markets

All the bond indexes we track showed positive total returns in September, but the leadership this time was municipals over taxable bonds. As we have previously written, in our view muni bond's came to discount excessive concerns regarding the potential impact of Federal funding cuts for states. It was affirming to see last month's relative improvement for muni's, and we would expect some additional catch-up over coming months.

Reference(s):

1) YouTube, "The Good, The Bad and The Ugly" (Main Theme Song), by Ennio Morricone – *Link*
2) CNBC Article, "Report shows hiring at lowest since 2009…," October 2, 2025 – *Link*
3) Board of Governors of the Federal Reserve System, Speech by Chair Jerome H. Powell, Transcript & Video, At the Greater Providence Chamber of Commerce 2025 Economic Outlook Luncheon, September 23, 2025 – *Link*
4) Bloomberg Article, "Trump Eyes Firing Thousands of Federal Workers Over Shutdown," October 2, 2025 – *Link*

Traverse Private Wealth is a registered investment advisor in the State of Pennsylvania. This publication is reprinted with permission from Genesia Investments LLC, an SEC registered investment adviser. Genesia Investments LLC and Traverse are unaffiliated entities. This publication is in no way a solicitation or offer to sell securities or investment advisory services. Statistical information, quotes, charts, references to articles or any other quoted statement or statements regarding market or other financial information is obtained from sources which we believe reliable, but we do not warrant or guarantee the timeliness or accuracy of this information.

Reference to market index information is included for illustrative purposes only, as it is not possible to directly invest in an index. Indexes are unmanaged, hypothetical vehicles that serve as market indicators. Index total return performance data reflects the assumptions of the reinvestment of interest and dividends but does not include the deduction of fees or transaction costs which otherwise reduce performance of an actual portfolio. The blended indexes are shown for informational purposes only and are not representative of any particular investment or plan.

All domestic and international rights are reserved. No part of this newsletter including text, graphics, et al, may be reproduced, copied or edited in any format, electronic, print, et al, without written consent from Genesia Investments LLC. Neither Rafael A. Villagran, the author of this report, nor Genesia Investments LLC provide legal or tax advice. Readers are advised to consult their investment advisor, attorney, or tax professional before making any investment decisions.