SoFi

Market Lookback
September 2025

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Macro

- The Federal Reserve lowered its benchmark interest rate by 25 basis points to a target range of 4%-4.25%.
- In their *Summary of Economic Projections*, Fed officials expected higher GDP growth, lower unemployment, and higher inflation.
- Against expectations for an increase of 75k jobs in August, only 22k were added. Additionally, the prior two months were revised *down* by 12k.
- After the prior month's surge, August PPI came in below expectations at -0.1% m/m. On the other hand, CPI came in a touch above estimates at 0.4% m/m.
- Second quarter GDP growth was revised up from 3.3% to 3.8%, driven by higher than initially reported consumer spending.
- The University of Michigan's consumer sentiment index fell to 55.1 in September, below consensus of 62.0, amid worsening perceptions of the job market and their personal financial situation.
- New home sales surged to an annualized 800k, significantly above consensus for 650k and the most since January 2022.
- Buoyed by lower interest rates, ETF flows, and ongoing central bank purchases, gold rose 11.1% to finish the month at an all-time high of $3,830. That was its best month since August 2011.

Equities

- Emerging market stocks rose 5.3%, powered by strong tech sector gains from Taiwan, South Korea, and China.
- The Magnificent Seven and a basket of AI-sensitive stocks also had a strong month, with both gaining 9.1%.
- Cyclical stocks beat defensives by 1.3 percentage points, the fifth straight month of outperformance.

Fixed Income

- Treasurys and Investment Grade corporate bonds have had three straight quarters of positive returns, the first such streak since 2020.
- Treasury volatility (i.e. the MOVE Index) continued its multi-month declines, now at its lowest level since early January 2022.

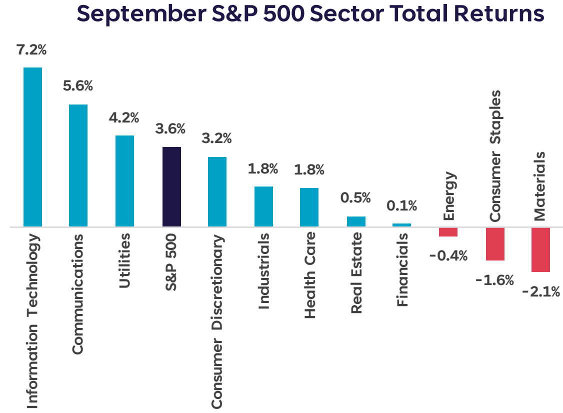
		Level	Month Return	QTD Return	YTD Return	1-Yr Return	3-Yr Return
Equities	S&P 500	6,688	3.6%	8.1%	14.8%	17.6%	94.9%
	Nasdaq	22,660	5.7%	11.4%	18.0%	25.5%	119.5%
	Dow Jones	46,398	2.0%	5.7%	10.5%	11.5%	71.2%
	Russell 1000 Value	2,005	1.5%	5.3%	11.6%	9.4%	59.9%
	Russell 1000 Growth	4,718	5.3%	10.5%	17.2%	25.5%	127.9%
	Russell 2000 Value	2,645	2.0%	12.6%	9.0%	7.9%	46.3%
	Russell 2000 Growth	1,634	4.2%	12.2%	11.6%	13.5%	58.8%
	MSCI EAFE	2,767	2.0%	4.9%	25.8%	15.7%	83.7%
	MSCI EM	1,346	7.2%	10.9%	28.2%	18.1%	67.5%

		Yield	Month Return	QTD Return	YTD Return	1-Yr Return	3-Yr Return
Fixed Income	US Treasurys	3.94%	0.8%	1.5%	5.4%	2.1%	11.1%
	US IG Corporates	4.81%	1.5%	2.6%	6.9%	3.6%	22.8%
	US HY Corporates	6.70%	0.8%	2.5%	7.2%	7.4%	37.1%

		Level	Month Return	QTD Return	YTD Return	1-Yr Return	3-Yr Return
Commodities	Oil ($/barrel)	$62	-2.6%	-4.2%	-13.0%	-8.5%	-21.5%
	Gold ($/oz)	$3,859	11.9%	16.8%	47.0%	46.5%	132.4%
	Copper ($/mt)	$10,226	4.1%	1.7%	18.2%	5.5%	33.1%

		Level	Prior Month	Prior Quarter	Prior Year	1-Yr Ago	3-Yr Ago
Currencies	EUR ($/€)	$1.17	$1.17	$1.18	$1.04	$1.11	$0.98
	JPY (¥/$)	¥148	¥147	¥144	¥157	¥144	¥145
	GBP ($/£)	$1.34	$1.35	$1.37	$1.25	$1.34	$1.12

September S&P 500 Sector Total Returns



Political Pressure

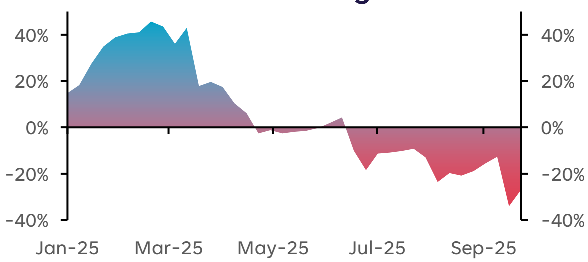
It took a while, but the moment many investors were waiting for finally arrived. The Federal Reserve lowered interest rates for the first time since December, aiming to guard against the risk of further deterioration in the labor market.

The Fed cut its benchmark 25 basis points as political pressure to lower borrowing costs posed the biggest test of the Fed's independence since the 1970s: First, President Trump attempted to remove Fed Governor Lisa Cook, triggering a legal battle that's still going on. Then Stephen Miran, who had advised the president as chair of the Council of Economic Advisors, was confirmed to the Board of Governors and pushed for a more aggressive 50 basis point rate cut. (He also indicated he preferred to lower the benchmark interest rate by an additional 125 basis points through the end of the year — 50 basis points *more* than any other Fed official.)

While Fed Chair Jerome Powell's focus on maximum employment and price stability has kept the central bank grounded throughout the turmoil, investors have taken note of the political clouds.

Of course, there isn't any one definitive way to measure the impact of political risk on asset prices, but there are hints. For instance, though speculative positioning in dollar futures (DXY) has gotten more bearish throughout the year, there was a decisive increase in bearishness over the summer and in the lead up to the meeting.

Speculative US Dollar Future Positioning



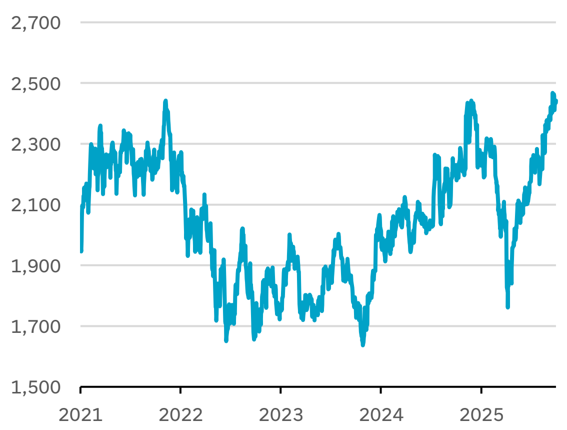
Source: SoFi, CFTC, Bloomberg

A New Goldilocks?

Political concerns notwithstanding, the first rate cut in nearly a year was a powerful catalyst for financial markets, igniting a broad-based rally across multiple asset classes. Investors have embraced a "bad news is good news" dynamic, where weakening labor data was viewed as a positive for asset prices because it solidifies the case for further rate cuts. At least for now, other drivers of further rate cuts could include declining consumer demand or shrinking profit margins.

One of the most significant developments was the breakout in small-capitalization stocks. The Russell 2000 index surged to a new all-time high for the first time since November 2021 amid renewed investor confidence in the more cyclical parts of the U.S. economy. (Smaller companies tend to be seen as more sensitive to borrowing costs.)

Russell 2000



Source: SoFi, Bloomberg

Sectors levered to the AI trade also had another strong month, and gold prices climbed to new record highs, surpassing $3,800/oz. While both are thought to benefit from lower interest rates, the month's political turmoil also likely boosted the precious metal's appeal as a safe-haven hedge against institutional instability and inflation.