Market Update

OCTOBER 2025

"Dancing in September…Never Was a Cloudy Day" – Earth, Wind & Fire

	Sept 2025*	YTD 2025*
S&P 500	3.7%	14.8%
Russell 2000	3.0%	10.4%
MSCI World, Ex-US	2.2%	27.9%
Bloomberg AGG Bond	1.1%	6.1%

*Source FactSet Data Research

September has earned a reputation for being the markets' bad boy, historically closing the quarter in the red more often than not. This year bucked the trend and in lieu of kicking off Fall with a fall, U.S. markets posted returns that would make even the most seasoned bears second guess hibernation.

Equities led the charge. The NASDAQ composite surged 5.47% for the month, thanks in large part to another wave of AI-fueled deal announcements, while the S&P 500 climbed 3.65% - its strongest September in 15 years. Encouragingly, small caps joined in the fun with the Russell 2000 up 3%.

Bond markets breathed a sigh of relief with Treasury yields falling 25–30bps across the curve as the Fed pivot gained credibility. Further, the Bloomberg U.S. Aggregate Bond Index posted a 1.1% gain. Corporate spreads remain tight, supported by solid earnings and broad-based balance sheet discipline.

September's rally underscores a market narrative building throughout the year: the economy is cooling but not collapsing. Moderating growth, solid corporate earnings, and softer inflation prints give the Fed room to cut. This creates a sweet spot for risk assets—at least for the time being.

Regarding easing cycles and their impact on markets, the cumulative amount of easing and where in the cycle the easing ends are the key variables to watch (i.e. recession or not.)

Returns: 6M pre, and +1M, +6M & +12M following Fed comments

	S&P 500 Returns			
Fed warning date	-6M	1M	6M	12M
5-Dec-96	11.3%	0.5%	14.0%	27.2%
10-May-13	20.7%	0.6%	8.2%	15.0%
15-Jul-14	7.3%	-1.3%	2.7%	5.2%
6-May-15	2.0%	0.8%	0.4%	0.5%
27-Jun-17	8.1%	2.4%	10.7%	15.0%
16-Dec-20	18.2%	2.5%	14.5%	22.6%
28-Apr-21	24.2%	0.4%	8.8%	5.0%
24-Sep-25	17.8%	-	-	-
Avg	13.7%	0.8%	8.5%	12.9%
Min	2.0%	-1.3%	0.4%	0.5%
Max	24.2%	2.5%	14.5%	27.2%

Source: JPMorgan

Valuations remain stretched and domestic indices are largely concentrated – the approximately 30-odd AI related stocks represent ~43% of the S&P 500. With the Government shutdown in effect, plus ongoing geopolitical risks, few would be shocked to see gravity pull markets back from recent highs.

At Seacoast Wealth, we continue to focus on fundamentals and process as we select businesses across the gamut of industries. For example, Seacoast Wealth portfolio holdings in financial and industrial stocks significantly outperformed the market in September. Moreover, our typical equity portfolio has a more rational weighting in AI-related companies of 24%, providing solid upside potential without the outsized risks inherent in the index.

As always, we appreciate the opportunity to work with you, and if you have any questions, please do not hesitate to reach out to your Seacoast Wealth Management Associate.