

September 8, 2025

Weekly Viewpoint

S&P 500 Advances on Rate Cut Optimism Following Soft Labor Data

Performance for Week Ending 9.5.2025

The Dow Jones Industrial Average (Dow) finished down 0.3 percent, the Standard & Poor's 500 Index (S&P 500) added 0.3 percent, and the Nasdaq Composite Index (Nasdaq) finished up 1.1 percent. Sector breadth was mixed, with five S&P sector groups closing higher and six closing lower. The communication services sector (5.1 percent) was the best performer while energy (-3.5 percent) was the weakest.

Index*	Closing Price 9.5.2025	Percentage Change for Week Ending 9.5.2025	Year-to-Date Percentage Change Through 9.5.2025
Dow	45,400.86	-0.3%	6.7%
S&P 500	6481.50	0.3%	10.2%
Nasdaq	21,700.39	1.1%	12.4%

Market Observations: 9.1.2025–9.5.2025

The S&P 500 finished the holiday week modestly higher as investors weighed a batch of mixed economic data against the likelihood that the Federal Reserve (Fed) will resume its rate cutting cycle later this month. Stocks retreated on Friday following a weaker-than-expected payroll report that showed the labor market adding only 22,000 jobs in August, well below the 75,000 economists were expecting. Employment data is watched very closely by investors as it helps guide expectations around the outlook for income, spending, inflation, growth, and consumer sentiment. The weak payroll data, along with other employment metrics showing the labor market is cooling, likely sets the stage for a rate cut at next week's Fed meeting. Bloomberg's World Interest Rate Probability tool shows the odds of a 25 basis point cut have jumped to 109 percent, suggesting investors are starting to price in a higher chance that the Fed could cut by 50 basis points.

Fed Speak: Fed Governor Waller said the U.S. central bank should begin lowering interest rates this month and make multiple cuts in the coming months, adding that officials could debate the precise pace of reductions. St. Louis Fed President Musalem said interest rates are well positioned for the current economic environment, but acknowledged that risks to employment had increased, while the threat of higher inflation had somewhat diminished. In an essay, Atlanta Fed President Bostic repeated his view that one rate cut will likely be appropriate this year. New York Fed President Williams forecast that it will “become appropriate” to cut interest rates “over time,” without clarifying the timing or pace of such moves.

Beige Book: The release of the Fed’s Beige Book report showed U.S. economic activity saw “little or no change” across most of the country in recent weeks. Contacts reported flat-to-declining consumer spending because wages were not keeping up with rising prices, and every region saw price increases. Eleven districts described little or no net change in overall employment levels, while one district described a modest decline.

Q2 Earnings Review: With 496 members of the S&P 500 having reported, the second quarter earnings season has essentially come to an end. Overall, it was a solid quarter, with 81 percent of companies beating expectations. Aggregate earnings grew by 12.6 percent from a year ago, more than double what analysts were forecasting at the start of reporting season. At the sector level, communication services (45.0 percent), technology (22.8 percent), and financials (16.3 percent) led the pack in terms of year-over-year growth. Following the solid quarterly results, Bloomberg consensus estimates for the full year have been trending higher, with analysts now seeing 9.4 percent year-over-year growth. For 2026, growth is estimated at 13.3 percent.

Economic Roundup: A report from the Institute for Supply Management (ISM) showed economic activity in the services sector rose by more than expected in August. The Services Purchasing Managers' Index (PMI)—which tracks the economic conditions of companies across over 15 nonmanufacturing sectors—rose to 52 last month, higher than the reading of 51 expected by economists tracked by Bloomberg and the 50.1 in July. The services sector has now recorded expansion in 13 of the past 14 months. Meanwhile, ADP’s private payrolls report for August showed there were just 54,000 private sector jobs created last month, fewer than the 73,000 that were expected and down from the 106,000 jobs added to the private sector last month. Job openings hit 7.18 million in July, according to the latest Job Openings and Labor Turnover Survey (JOLTS) report from the Bureau of Labor Statistics. That figure was below the 7.38 million expected by economists tracked by Bloomberg as well as the 7.36 million jobs open in June. Layoffs totaled 1.81 million vs. the 1.64 million expected, roughly unchanged from June. The U.S. manufacturing sector continued its sluggish pace in August. Data from the Institute for Supply Management showed the ISM's manufacturing PMI came in at 48.7 last month, an increase from the reading of 48 seen in July but below estimates for a reading of 48.9, according to Bloomberg data. Readings of less than 50 on the index indicate a contraction in activity in the sector. This marked the sixth straight month of contraction in the U.S. manufacturing sector.

The Week Ahead: The focal point will be the consumer price index (CPI) report for August on Thursday, ahead of the next Fed rate decision on Sept. 17. According to Bloomberg, economists see a 0.3 percent month-over-over print for the headline gauge, up from 0.2 percent in July, and see core CPI—which excludes food and energy prices—also coming in at 0.3 percent (vs. 0.3 percent in July). On a year-over-year basis, headline inflation is expected to rise to 2.9 percent, while the core rate is forecasted at 3.1

percent. Ahead of the CPI data, producer prices will be reported on Wednesday. Investors are also expected to keep an eye on consumer inflation expectations as gauged by the University of Michigan consumer survey for September on Friday. It will be a quiet week for earnings, with just four members of the S&P 500 scheduled to release results, although amongst this group are tech giants Oracle and Adobe. The Fed's speaking calendar will be blank as Fed members entered the blackout period ahead of next week's Federal Open Market Committee meeting. It will be a busy week in the Treasury market, with the Treasury set to auction \$58 billion in 3-year notes on Tuesday, \$39 billion in 10-year notes on Wednesday, and \$22 billion in 30-year bonds on Thursday.

Definitions

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally defined as the leaders in their industry. It has been a widely followed indicator of the stock market since Oct. 1, 1928.

Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Nasdaq Composite Index is a broad-based capitalization-weighted index of stocks in all three Nasdaq tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of Feb. 5, 1971.

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