SCHLINDWEIN ASSOCIATES
INVESTMENT COUNSEL

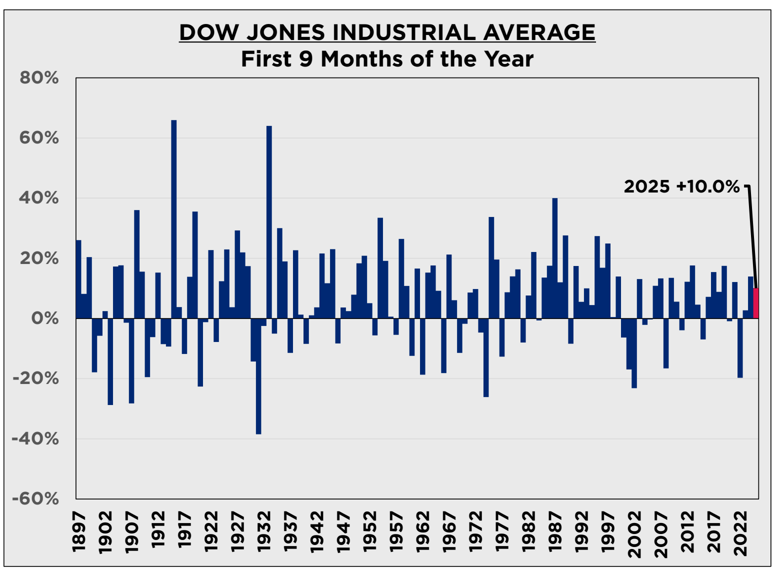
Market update

October 3, 2025

Stock markets continued their upward trend through September, bringing to +14.4% the year-to-date gain for the broad U.S. market. Foreign stocks gave no ground with an impressive year-to-date return of +26.6%. Within the U.S. market, large cap technology again exerted dominance over all other sectors. Perhaps as indicators of slowing economic activity, three sectors sold off in September – energy, materials and consumer staples. Among foreign sectors, emerging market stocks far outperformed developed market stocks. Bond markets responded favorably to the Federal Reserve's first cut in its policy rate for 2025.

	September	Y-T-D
• U.S. Taxable Bonds	+1.1%	+6.1%
• U.S. Stocks	+3.5%	+14.4%
• Foreign Stocks	+3.6%	+26.6%

Investors are coming to grips with signs of softening labor markets despite a robust economy and inflation remaining elevated above policy targets. From the Federal Reserve's announcement on September 17, *"Uncertainty about the economic outlook remains elevated. The Committee is attentive to the risks to both sides of its dual mandate and judges that downside risks to employment have risen. In support of its goals and in light of the shift in the balance of risks, the Committee decided to lower the target range for the federal funds rate."* A strong consensus among forecasters expects the Fed will lower its policy rate at least once more in 2025.



As shown in the chart here, the Dow Jones Industrial Average ("DJIA") returned +10.0% in the first nine months of 2025. Historically, the DJIA has posted a gain 66% of all YTD periods to September 30. The average of these historical returns has been +7.0%, putting the 2025 outcome in favorable light. At the same time, and showing the potential impact when only 30 stocks are measured, as is the case with the DJIA, other measures of U.S. stock returns were even more favorable. The Wilshire index of 5,000 U.S. stocks posted a YTD return of +14.4% as shown in the table above. The historical fourth-quarter return for the DJIA has been +3.6%. There is no assurance that such an outcome will repeat in 2025, but this potential plus the YTD reality through September 30 suggest a favorable return to investors for the full year.