



## ARGUS ECONOMIC COMMENTARY

September 22, 2025

### Stocks at New Highs as Fed Cuts Rates

The U.S. Federal Reserve, tasked with the dual mandate of optimizing employment while keeping inflation in check, cut the fed funds rate in September 2025 for the first time in nine months. Assessing the delicate balance act between jobs growth and pricing pressures, the Fed appears to have determined that the balance of risks had shifted away from rising prices and toward weakness in the employment economy. The latest CPI data signaled that inflation remains elevated. But the latest monthly nonfarm payrolls report, along with BLS revisions to most of 2024 and early 2025 data, signal real weakness in the employment situation.

Ahead of the September FOMC meeting, the stock market reached new all-time highs. Investors are betting that the Fed is prepared to cut rates not once but several times in the final months of 2025 and perhaps early in 2026. Lower rates are expected to stimulate an economy that shows signs of fatigue in some areas. Equally, investors with “market memory” know that the stock market tends to rise in periods in which the Fed is cutting rates.

#### Stubborn Inflation

With calendar 2Q25 earning season mainly in the books, investors in the second week of September turned their attention to two inflation reports. One surprised to the upside, in a positive for pipeline prices. The other showed the stubborn persistence of inflation more than three years since it first escaped the genie’s bottle.

The two data series were reported consecutively on 9/10/25 and 9/11/25. The August Producer Price Index (PPI), which monitors costs at the wholesale level in the U.S. economy, declined by 0.1% on a month-over-month basis from July. The core PPI, which measures wholesale prices excluding foods, energy and trade services, rose 0.3% in

August. That was down from a 0.6% gain in July and below expectations for a 0.4% bump.

This volatile PPI series, which spiked 0.7% in July, was expected to rise 0.3% in August, according to the consensus of economists. The monthly PPI has been negative two other times during 2025, in March and April, but prior to August had been trending higher. The August decline showed a 0.2% pullback in services, which was driven by a 1.7% monthly decline in final demand trade services.

On an annual basis, the PPI rose 2.6% from August 2024 to August 2025, down from a 3.1% annual increase as of July. The annual change in PPI less foods, energy and trade services was up 2.8% on an annual basis and was the only metric to increase (from an annual change of 2.7% as of July).

The August Consumer Price Index (CPI) reminded investors that inflation remains a problem. The August CPI rose 0.4% from July, up from a 0.2% gain in July and representing the biggest monthly increase in the all-items index since January. Economists had been looking for a 0.3% increase. Key contributors to higher consumer prices in August included higher food and energy costs. Service costs less energy, which have rising faster than goods costs, moderated to 0.3% growth, helped by a decline in medical service costs.

The annual change in CPI was 2.9% for August, in line with expectations. The core CPI, which excludes food and energy, rose 0.3% month over month and 2.9% year over year; both were as expected. On an annual basis, all goods prices less food and fuel rose more moderately than services costs for shelter, transportation and medical services.

The CPI report coincided with worrisome news from the jobs economy. The number of Americans filing initial applications for unemployment benefits jumped 27,000 to

*(continued on next page)*

---

## ECONOMIC & MARKET COMMENTARY (CONT.)

---

263,000 for the week ended 9/6/25, according to the Labor Department. Of greater concern was the annual revision to prior-months nonfarm payrolls, published on 9/9/25.

On a preliminary basis, the Bureau of Labor Statistics' national benchmark revisions to total nonfarm employment for the period from March 2024 through March 2025 showed 911,000 fewer jobs created than previously reported. That included 880,000 fewer private sector jobs and 31,000 fewer government jobs. The revision removed 95,000 manufacturing jobs from the yearlong span, and showed big drops in leisure and hospitality, professional business services, and wholesale and retail trade. Warehousing and utilities employment were the only areas to show net upward revisions. The final benchmark revisions will be released early in 2026.

Investors sent stocks moderately higher on 9/10/25 following the PPI report and more sharply higher on 9/11/25 after CPI and weekly jobless claims, reckoning that the inflation and claims reports in aggregate gave the Fed the all clear it needed to cut the fed funds rate. The broad consensus appeared to be that the employment situation almost compelled that Fed to cut rates, but that still-high CPI inflation would likely limit the cut to 25 basis points (bps) -- not the "jumbo" 50 bps cut that investors had been hoping.

### **The Magnificent 7 Becomes the Terrific 10**

Calendar 2Q25 earnings season was a success, and it unofficially ended with a bang. Two late reporters, Broadcom and Oracle, reported solid quarterly results and issued strong AI-fueled guidance. Broadcom posted 20%-plus growth in sales and 35%-plus growth in adjusted EPS for its fiscal 3Q25. The company signed a \$10 billion deal, reportedly with OpenAI, to provide custom XPUs (AI accelerators). The XPU market with this customer and other hyperscalers opens up a \$60-\$90 billion market opportunity for Broadcom by the end of calendar 2027.

While investors had a highly positive view of Broadcom's results and outlook, Oracle absolutely stunned the market. ORCL shares roared ahead by 36% on 9/10/25, adding over \$250 billion in market cap and enriching founder Larry Ellison by over \$100 billion in a single day. The company reported that it closed its fiscal 2026 first quarter with \$455 billion in remaining performance obligations (RPOs), compared with expectations that RPOs would end the quarter in the \$180 billion range. RPOs are considered

a reliable indicator of revenue to be recognized over future periods. Oracle now expects its cloud infrastructure business to generate revenue of \$18 billion in fiscal 2026, rising to \$32 billion, \$73 billion, \$114 billion and \$144 billion in the subsequent four years.

Following the Broadcom and Oracle reports, word on the Street was that the Magnificent 7 -- Apple, Amazon, Alphabet, Meta Platforms, Microsoft, Nvidia, and Tesla -- had expanded to include Broadcom, Oracle, and Taiwan Semiconductor Manufacturing in a newly formed Terrific 10. The new designation coincided with a strong return of the AI trade within a market that had at least partly rotated to cyclical, rate-sensitive, and defensive areas.

### **Conclusion**

As of market close on September 12, 2025, the Nasdaq Composite was up 14.7% year-to-date on a capital-appreciation basis. The S&P 500 was up 11.9%, while the DJIA was up 7.7%. At opposite ends of the spectrum, the Russell 2000, weighted to small- and mid-caps, was up 7.5%, while the SOX semiconductor index was up 19.4%.

At the sector level, the AI trade has pushed growth sectors into clear leadership in 2025. Communication Services was the leading sector as of 9/12/25, with a 21.2% gain. This reflects YTD appreciation of 27.2% for Alphabet and 29.0% for Meta Platforms, the sector's two largest components. In second place is Information Technology, up 18.3%. Among AI leaders, that includes gains of 21.0% for Microsoft, 32.4% for Nvidia, 55.2% for Broadcom, and 75.3% for Oracle.

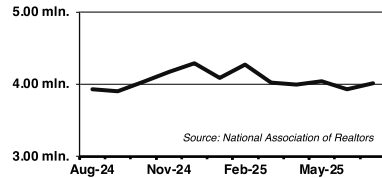
In 2024, these two sectors were also out in front, clustered with a range of equally strong sectors including Financial, Consumer Discretionary, and Utilities. In 2025, the two leaders are joined by Materials, Financial, and Utilities, all up in mid-teen percentages. Consumer Discretionary is up about 6%, held back by the 4% year-to-date gain for top component stock Amazon. No sector is negative for the year, and even Energy and Consumer Staples at the bottom of the leaderboard have posted 2%-3% gains.

Historically, September had been a weak stock month, but the historical record has been turned on its head in a year of unprecedented policy changes. What is most often true is that markets that carry solid double-digit gains across the first nine months of the year tend to deliver strong and above-average full-year gains.

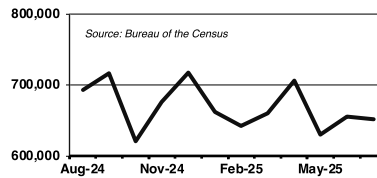
Jim Kelleher, CFA,  
Director of Research

# ECONOMIC TRADING CALENDAR

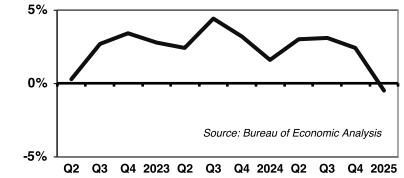
Release: **Existing Home Sales**  
 Date: 9/23/2025  
 Month: August  
 Previous Report: 4.01 mln.  
 Argus Estimate: 4.10 mln.  
 Street Estimate: 3.98 mln.



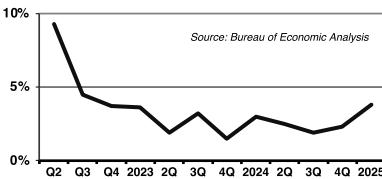
Release: **New Home Sales**  
 Date: 9/24/2025  
 Month: August  
 Previous Report: 652000  
 Argus Estimate: 640000  
 Street Estimate: 658000



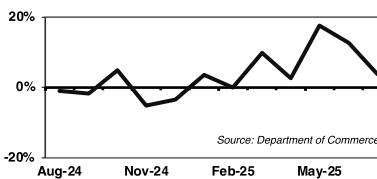
Release: **GDP Annualized QoQ**  
 Date: 9/25/2025  
 Month: 2Q  
 Previous Report: 3.3%  
 Argus Estimate: 3.3%  
 Street Estimate: 3.3%



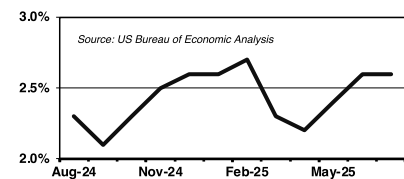
Release: **GDP Price Index**  
 Date: 9/25/2025  
 Month: 2Q  
 Previous Report: 2.0%  
 Argus Estimate: 2.0%  
 Street Estimate: NA



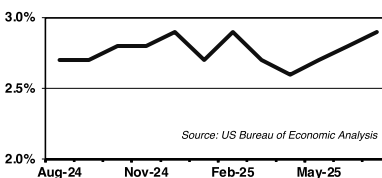
Release: **Durable Goods Orders**  
 Date: 9/25/2025  
 Month: August  
 Previous Report: 3.7%  
 Argus Estimate: -4.0%  
 Street Estimate: NA



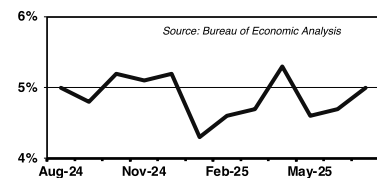
Release: **PCE Deflator**  
 Date: 9/26/2025  
 Month: August  
 Previous Report: 2.6%  
 Argus Estimate: 2.8%  
 Street Estimate: 2.7%



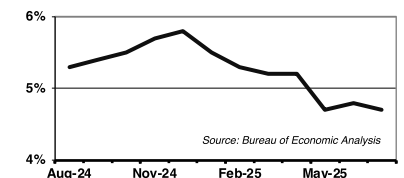
Release: **PCE Core Deflator**  
 Date: 9/26/2025  
 Month: August  
 Previous Report: 2.9%  
 Argus Estimate: 3.0%  
 Street Estimate: 2.9%



Release: **Personal Income**  
 Date: 9/26/2025  
 Month: August  
 Previous Report: 5.0%  
 Argus Estimate: 5.1%  
 Street Estimate: NA



Release: **Personal Spending**  
 Date: 9/26/2025  
 Month: August  
 Previous Report: 4.7%  
 Argus Estimate: 4.8%  
 Street Estimate: NA



*Previous Week's Releases and Next Week's Releases on next page.*

## ECONOMIC TRADING CALENDAR (CONT.)

### Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
16-Sep	Retail Sales	August	4.1%	4.4%	NA	5.0%
	Retail Sales ex-autos	August	3.9%	4.1%	NA	4.9%
	Industrial Production	August	1.3%	1.0%	NA	0.9%
	Capacity Utilization	August	77.4%	77.4%	77.4%	77.4%
	Business Inventories	July	1.6%	1.4%	NA	1.5%
	Import Price Index	August	-0.6%	-0.2%	NA	0.0%
17-Sep	Housing Starts	August	1,428K	1,250K	1,375K	NA
18-Sep	Leading Index	August	-0.1%	-0.2%	-0.1%	NA

### Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
30-Sep	Consumer Confidence	September	97.4%	NA	NA	NA
1-Oct	ISM Manufacturing	September	48.7	NA	NA	NA
	ISM New Orders	September	51.4	NA	NA	NA
	Construction Spending	August	-2.8%	NA	NA	NA
2-Oct	Factory Orders	August	1.6%	NA	NA	NA
3-Oct	Nonfarm Payrolls	September	22K	NA	NA	NA
	Unemployment Rate	September	4.3%	NA	NA	NA
	Average Weekly Hours	September	34.2	NA	NA	NA
	Average Hourly Earnings	September	3.7%	NA	NA	NA
	ISM Services Index	September	52.0	NA	NA	NA

## Disclaimer

---

Argus Research Co. (ARC) is an independent investment research provider whose parent company, Argus Investors' Counsel, Inc. (AIC), is registered with the U.S. Securities and Exchange Commission. Argus Investors' Counsel is a subsidiary of The Argus Research Group, Inc. Neither The Argus Research Group nor any affiliate is a member of the FINRA or the SIPC. Argus Research is not a registered broker dealer and does not have investment banking operations. The Argus trademark, service mark and logo are the intellectual property of The Argus Research Group, Inc. The information contained in this research report is produced and copyrighted by Argus Research Co., and any unauthorized use, duplication, redistribution or disclosure is prohibited by law and can result in prosecution. The content of this report may be derived from Argus research reports, notes, or analyses. The opinions and information contained herein have been obtained or derived from sources believed to be reliable, but Argus makes no representation as to their timeliness, accuracy or completeness or for their fitness for any particular purpose. In addition, this content is not prepared subject to Canadian disclosure requirements. This report is not an offer to sell or a solicitation of an offer to buy any security. The information and material presented in this report are for general information only and do not specifically address individual investment objectives, financial situations or the particular needs of any specific person who may receive this report. Investing in any security or investment strategies discussed may not be suitable for you and it is recommended that you consult an independent investment advisor. Nothing in this report constitutes individual investment, legal or tax advice. Argus may issue or may have issued other reports that are inconsistent with or may reach different conclusions than those represented in this report, and all opinions are reflective of judgments made on the original date of publication. Argus is under no obligation to ensure that other reports are brought to the attention of any recipient of this report. Argus shall accept no liability for any loss arising from the use of this report, nor shall Argus treat all recipients of this report as customers simply by virtue of their receipt of this material. Investments involve risk and an investor may incur either profits or losses. Past performance should not be taken as an indication or guarantee of future performance. Argus has provided independent research since 1934. Argus officers, employees, agents and/or affiliates may have positions in stocks discussed in this report. No Argus officers, employees, agents and/or affiliates may serve as officers or directors of covered companies, or may own more than one percent of a covered company's stock. Argus Investors' Counsel (AIC), a portfolio management business based in New York, NY, is a customer of Argus Research Co. (ARC), also based in New York. Argus Investors' Counsel pays Argus Research Co. for research used in the management of the AIC core equity strategy and model portfolio and UIT products, and has the same access to Argus Research Co. reports as other customers. However, clients and prospective clients should note that Argus Investors' Counsel and Argus Research Co., as units of The Argus Research Group, have certain employees in common, including those with both research and portfolio management responsibilities, and that Argus Research Co. employees participate in the management and marketing of the AIC core equity strategy and UIT and model portfolio products. Recipients of the Research reports in Singapore should contact the Intermediary of the Research Reports in respect to any matters arising from, or in connection with, the analysis of the report. Where the recipient is not an accredited, expert or institutional investor as defined by the Securities and Futures Act, the Intermediary accepts legal responsibility for the contents of Research Reports in respect of such recipient in accordance with applicable law. When reports are distributed by Intermediaries in Singapore, the Intermediary, and not Argus Research, is solely responsible for ensuring that the recipients of the Research Reports understand the information contained in the Research Reports and that such information is suitable based on the customer's profile and investment objectives.

