



## ARGUS ECONOMIC COMMENTARY

September 29, 2025

### Valuation Concerns Moderate

The U.S. Federal Reserve met expectations when it cut the fed funds rate by 25 basis points at its mid-September meeting. The Fed hinted at two additional rate cuts by year-end, while simultaneously calling the September cut a “risk management” action. Economic data is scarce as September winds down, and the earnings calendar is light. In the absence of any clear drivers, the U.S. stock market keeps grinding out new highs.

Earnings performance year to date has been good, and earnings expectations are moderately positive. Those factors have kept valuations from soaring to excessive levels. Stocks are not cheap, but do not appear overvalued.

Barring a market collapse in the final trading days of the month, the S&P 500 is preparing to exit September up in double-digit percentages through the first nine months of the year. That usually portends a stronger-than-normal final quarter and full-year capital appreciation that is far above average.

#### September Shakes its Bad Reputation

September has earned a bad stock-market reputation. Over the 1980-2024 period, the S&P 500 has averaged a decline of 1.01%. That is by far the worst performance for any month of the year. The other two weak months are at least fractionally positive, with average gains of 0.03% for August and 0.32% for June.

September is also the only month in which the S&P 500 has been down more often than it has been up, with only a 49% “win” rate; most months have been positive at a mid-60% rate since 1980. September has had some winners, including mid-single-digit gains in 1995-1998 and 9% in 2010. But it has also featured some real collapses, including declines of 11% in 2002, 14% in 2008, and 9% as recently as 2022.

This year, September is belying its bad reputation. As of the close on 9/19/25, the S&P 500 was up 3.2% for the month to date. The market is digesting the administration’s latest policy announcement related to the proposed \$100,000 fee for H-1B visa applications. Yet the share prices of many companies perceived as most exposed to this policy are continuing higher. Many of the most impacted companies are part of the AI trade and are far out in front of the broad market for the year to date.

#### Third-Quarter Update

September is wrapping up a quarter in which the market rotated back to leadership from growth sectors. For 3Q25 to date as of 9/19/25, the best sector has been Information Technology, up 12.1%. Consumer Discretionary has bounced back by 11% for the quarter to date, while Communication Services is up 10%.

Every sector but one (Consumer Staples) is positive in 3Q25. However, only the three growth-sector leaders are doing better than the S&P 500, which is up 7.4% for the third quarter. Sectors lagging the broad market but outperforming peers include Materials, up 6.5% for the quarter, and Financial, up 5.1%. They are trailed by (in descending order) Energy, Utilities, Healthcare, Industrial, and Real Estate.

On a granular basis, the AI trade continues to drive overall stock-market returns. According to Argus technical strategist Mark Arbeter, CMT, nine stocks -- the Mag 7 plus Taiwan Semiconductor and Broadcom -- have market caps of over \$1 trillion. Eight of the nine (TSM is foreign-domiciled) make up 35% of S&P 500 market capitalization. The 13% gain in the index for the year to date is somewhat misleading

*(continued on next page)*

---

## ECONOMIC & MARKET COMMENTARY (CONT.)

---

or at least imbalanced, as the Mag 7 stocks are up about 40% whereas the equal-weighted S&P 500 is up about 6%.

While measures of stock performance are immediately available, two key indicators of the quarter -- calendar earnings and GDP -- will not begin to become available until late in October. According to the Atlanta Fed's GDPNow forecast, gross domestic product is on path to increase at a 3.3% annual rate in the third quarter of 2025. Argus' Director of Economic Research is Chris Graja, CFA, and he is looking for growth in the 2% range for the quarter, which is close to the Bloomberg consensus.

The third quarter is regarded as providing the first "clean" measure of GDP growth in 2025, given that quarters one and two were distorted by inventory accumulation and other pre-positioning ahead of the implementation of tariffs. Given that overall tariffs are not fully settled, however, we may not get a "fully clean" read on GDP for any quarter in 2025.

A few weeks before the money-center banks kick off the 3Q25 earning season, the various EPS estimate-compiling companies (Bloomberg, FactSet, and Refinitiv) are generally looking for annual EPS growth in mid- to high-single-digit percentages. That is better than expectations heading into the 2Q25 EPS season, when the outlook was for low- to mid-single-digit growth. Still, EPS compilations based on consensus routinely underestimate EPS growth by several percentage points, given consensus reliance on conservative (if not downright misleading) company guidance. Argus is modeling high-single-digit to low-double-digit EPS growth for 3Q25 earnings, which would be in line with 10% average EPS growth for the past six quarters.

### Conclusion

As of market close on September 19, 2025, the Nasdaq Composite was up 17.2%, the S&P 500 was up 13.3%, and the Dow Jones Industrial Average was up 8.9%. Within the S&P 500, three sectors are doing better than the market

overall. Two are the traditional growth leaders: Communication Services is up 23.3% and Information Technology is up 21.8% as of 9/19/25. Consumer Discretionary, however, is in the middle of the pack, given weak net performance across the first half. In third place and ahead of the market is the Financial sector, with a 14.9% gain. Utilities, which outperformed in 2024, are just behind the S&P 500 with an 11.7% gain as of 9/19/25.

Historical performance has limited value as a forecasting tool; consider the 2025 September stock market compared with a "normal" September. That said, seasoned investors are well aware of the market's calendar tendencies. That can shape trading behavior in the absence of superseding events or policies.

The S&P 500 has delivered annual capital appreciation averaging 10.6% for all years from 1980 through 2024. Almost half of that gain is derived in the final three months of the year. For all years from 1980 through 2024, the S&P 500 has delivered average capital appreciation of about 5.7% in the January-through-September period and about 4.8% in the October-through-December period.

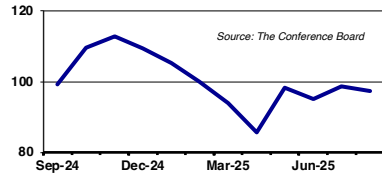
In 18 of those 45 years, the S&P 500 has been up in double-digit percentages as of the close of September. Average nine-month capital appreciation for those 18 years is extremely strong at 18.3%, or more than three-times the overall 1980-2024 nine-month average. At that point, for years in which the market is moving like a freight train, any remaining bears know they need to capitulate or get steamrolled.

Wrapping it all up, for all years from 1980 to 2024 in which the S&P 500 was up in double-digits at the nine-month mark, total full-year capital appreciation averaged 22.1%, or slightly more than double the 10.6% average for all years in that span. Much can happen between now and year-end. However, it is reasonable to assume that the market will at least sustain its current low-double-digit gain accumulated in the year to date. In addition, with the AI trade back in vogue, it is not unreasonable to assume additional capital gains as the year winds down.

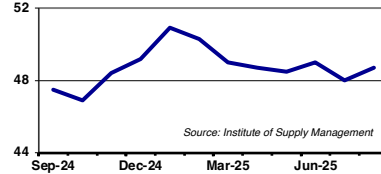
Jim Kelleher, CFA,  
Director of Research

# ECONOMIC TRADING CALENDAR

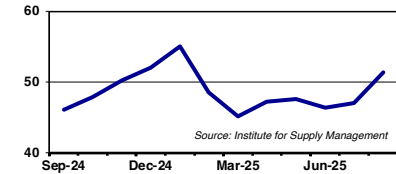
Release: **Consumer Confidence**  
 Date: 9/30/2025  
 Month: September  
 Previous Report: 97.4  
 Argus Estimate: 98.0  
 Street Estimate: 95.8



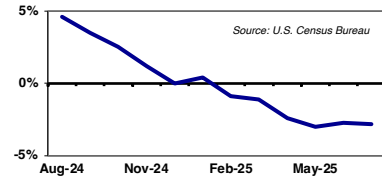
Release: **ISM Manufacturing**  
 Date: 10/1/2025  
 Month: September  
 Previous Report: 48.7  
 Argus Estimate: 49.0  
 Street Estimate: 49.3



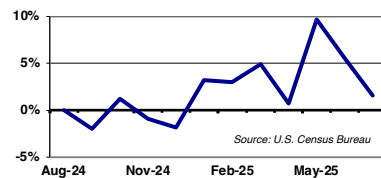
Release: **ISM New Orders**  
 Date: 10/1/2025  
 Month: September  
 Previous Report: 51.4  
 Argus Estimate: 51.0  
 Street Estimate: NA



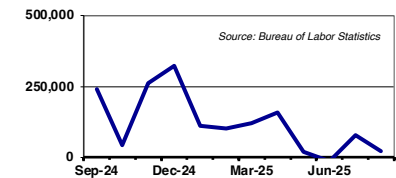
Release: **Construction Spending**  
 Date: 10/1/2025  
 Month: August  
 Previous Report: -2.8%  
 Argus Estimate: -3.0%  
 Street Estimate: NA



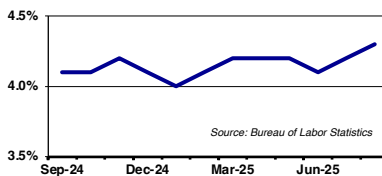
Release: **Factory Orders**  
 Date: 10/2/2025  
 Month: August  
 Previous Report: 1.6%  
 Argus Estimate: 1.4%  
 Street Estimate: NA



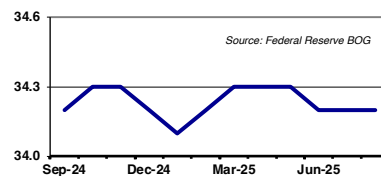
Release: **Nonfarm Payrolls**  
 Date: 10/3/2025  
 Month: September  
 Previous Report: 22000  
 Argus Estimate: 56000  
 Street Estimate: 42000



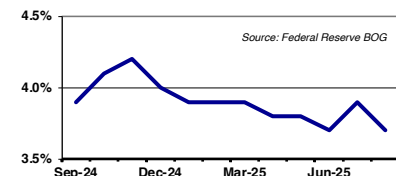
Release: **Unemployment Rate**  
 Date: 10/3/2025  
 Month: September  
 Previous Report: 4.3%  
 Argus Estimate: 4.3%  
 Street Estimate: 4.3%



Release: **Average Weekly Hours**  
 Date: 10/3/2025  
 Month: September  
 Previous Report: 34.2  
 Argus Estimate: 34.2  
 Street Estimate: 34.2

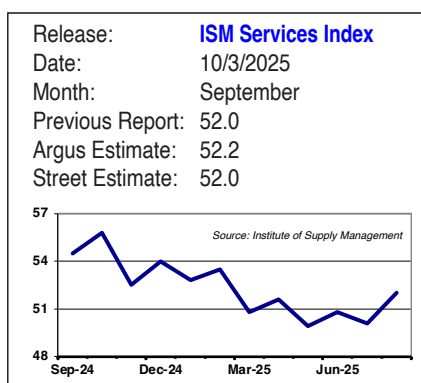


Release: **Average Hourly Earnings**  
 Date: 10/3/2025  
 Month: September  
 Previous Report: 3.7%  
 Argus Estimate: 3.7%  
 Street Estimate: NA



*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
24-Sep	New Home Sales	August	652K	640K	658K	NA
25-Sep	GDP Annualized QoQ	2Q "3rd est."	3.3%	3.3%	3.3%	NA
	GDP Price Index	2Q "3rd est."	2.0%	2.0%	2.0%	NA
	Durable Goods Orders	August	3.7%	-4.0%	NA	NA
	Existing Home Sales	August	4.01 Mln.	4.10 Mln.	3.98 Mln.	NA
26-Sep	PCE Deflator	August	2.6%	2.8%	2.7%	NA
	PCE Core Deflator	August	2.9%	3.0%	2.9%	NA
	Personal Income	August	5.0%	5.1%	NA	NA
	Personal Spending	August	4.7%	4.8%	NA	NA

### Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
7-Oct	Trade Balance	August	-\$78.3 Bln.	NA	NA	NA
	Total Vehicle Sales	September	16.07 Mln.	NA	NA	NA
9-Oct	Wholesale Inventories	August	1.3%	NA	NA	NA
10-Oct	U. Michigan Sentiment	October	55.4	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.

