CLARUS WEALTH ADVISORS

Market Watch

September 15, 2025

Primary Market Drivers

Earnings & Economic Data

Last week's inflation data did not offer any significant negative surprises. PPI came in significantly lower than expected, suggesting last month's hot report was not the beginning of a trend. CPI was slightly above expectations m/m but in line y/y. The market reaction was favorable and helped solidify expectations for the first rate cut of 2025 at this week's Fed meeting. The economic calendar for the week is busy. We will see the following data: Import & Export Prices (9/16), Retail Sales (9/16), Industrial Production & Capacity Utilization (9/16), Business Inventories (9/16), NAHB Housing Market Index (9/16), Building Permits & Housing Starts (9/17), Philadelphia Fed Index (9/18), and Leading Economic Indicators (9/16). Expect attention paid to Retail Sales as we continue to keep an eye on the state of the consumer, as well as the housing market data following last week's significant dip in mortgage rates. The next earnings season begins on October 14th. Until then, there are a handful of significant announcements (MU 9/23, COST 9/25, NKE 9/30) but earnings will take a back seat to data, the Fed, and tariff policy.

Fed Policy

Rate cut odds for this week's Fed policy decision (Wednesday, 9/17) reamin in "certainty" territory following last week's inflation data. According to CME's FedWatch Tool, the market is placing odds of a 25bps cut at 93.4% and odds of a 50bps cut at 6.4%. With a rate cut on the way and favorable market action leading up to the decision, the attention now shifts to assessing how bond and mortgage yields react, as well as if traders will attempt to "sell the news" during September's negative seasonality. We will be monitoring the statement as well as the dot plot update, though don't expect a ton of surprises on Wednesday.

Tariff Policy

The Supreme Court has agreed to hear the reciprocal tariff case, setting the stage for a determination on whether or not the Trump administration's global tariffs are legal. Arguments in the case are expected to be heard first week of November. In the meantime, outside of some chatter urging other nations to pressure Russia with tariffs, there has not been anything of note recently regarding tariff policy. Finally, stellar tech earnings and significant guidance raises from Broadcom (AVGO) and Oracle (ORCL) as well as anticipation of Fed rate cuts have led equities to new all-time highs and traders are bucking recent negative September seasonality despite sustained volatility in individual names.

All referenced market information, statistics, and economic data were gathered from StreetAccount, a paid subscription data service provided by FactSet Research Systems Inc.

Market Returns 9/12/2025

Category	*Ticker*	*YTD%*
Domestic Equity		
S&P 500	SPY	12.84%
Dow Jones	DIA	8.91%
Large-Cap Growth	QQQ	15.05%
Large-Cap Value	IVE	7.72%
Mid Caps	MDY	6.05%
Small Caps	IWM	8.41%
International Equity		
Developed Intl	EFA	25.11%
Emerging Markets	EEM	26.16%
Fixed Income		
Core Bonds	AGG	6.50%
Corporate Bonds	LQD	8.05%
High Yield Bonds	HYG	6.97%
ST Treasuries	IEI	6.12%
LT Treasuries	TLT	6.03%
International Bonds	BNDX	2.46%

Performance data and stock chart were gathered from eSignal, a paid market screening application provided by Intercontinental Exchange, Inc.

Current Environment Summary

What's Working	What's Not	What's Next
Inflation Subdued	Tariff Policy Uncertainty Remains	**Fed Policy Decision (9/17)**
Strong Earnings Growth	Stubborn Elevated Interest Rates	August Retail Sales (9/16)
AI & Tech Revolution Bull Market	Negative Seasonality	10-yr yields approaching 52-wk lows
Consumers Still Spending	Uncertain Labor Market	Earnings season over, tariff talk quiet
Trade & Global Investment Deals		

Portfolio Manager Commentary

Ken Hartley, CFA

An investor would probably think the market is getting ahead of itself. What, with pending decisions on tariffs, a member of the Federal Reserve Board being fired (case pending), stubborn inflation and rising unemployment – why is the S&P 500 trading above 6,600? The answer may be a combination of supposedly uncorrelated events that are propelling the "wealth effect" to new highs.

Interest rates are falling around the world but for different reasons. Depending on the country or continent you live in, falling rates are signaling slightly different things. In China, the Central Bank is flooding the economy with money in a desperate attempt to get consumers to buy ANYTHING. This is being done to hopefully get consumers to forget their property values that are in some case down 80% or more from where they were purchased. In the EU, the European Central Bank is cutting rates in hopes that the economies of France, Germany and Italy can begin to grow enough to turn back rising deficits that are causing the EURO to depreciate. Even in Japan, the interest rates on long dated securities are rising, causing a steep yield curve and creating an economy of "stagflation light".

But never fear! The US Federal Reserve may be cutting rates this week. Market participants are convinced of a ¼ point cut on Wednesday and possibly two similar cuts later this year. With the market moving positively this month (September is usually negative), maybe the market is hoping for something bigger this week? Depending on what the Federal Reserve Chief says in the post rate-cut press conference, things could get a little volatile.

The market is a discounting mechanism, assessing the future and pricing things daily. Some would say by the minute. One thing is certain; the market will have no patience for expectations that are not met with reality. Always check the punch bowl and understand what your risks are.

Without being political, I need to say something about what happened in Utah last week. We need to return to a place where people can agree to disagree. Many great things have come from constructive dialogue. Violence of this type has no place in a civilized society. Honest and patient discussion will serve all of us better.

Don Moenning

Wednesday's Fed meeting will undoubtedly usher in the first rate cut of 2025. Market participants are expecting a 25bps cut with near certain odds, so little drama is expected surrounding the announcement. What will be closely watched is the update to the Fed's dot plot. With the recent slight uptick in inflation, expectations are for a hawkish shift and just two 25bps rate cuts from current levels (including the one expected on Wednesday) in 2025 and three 25bps cuts in 2026. However, participants have shown some divergence of opinion recently with a few participants calling for three cuts in 2025. Wednesday's update will no doubt be what moves the market, despite speculation that it might be a "sell the news" scenario regarding the rate cut itself. I'll be paying closest attention to the dot plot this week.

Meanwhile, equities have bucked recent September weakness following recent smash earnings from Broadcom (AVGO) and fantastic guidance from Oracle (ORCL). Traders really tried hitting "pause" on the tech trade in August and early September, using only seasonality as the excuse despite an extremely strong earnings season and rosy guidances across the board. They've since given up after AVGO and ORCL reminded the market that tech earnings expansion is historically significant and the runway is seemingly indefinite. Major indices, including the S&P 500 and the Nasdaq are trending at all-time highs ahead of Wednesday's Fed announcement. Earnings season is over until mid-October (though we do get to see results from Micron (MU 9/23) coming up somewhat soon), so it will be interesting to see if traders continue to push tech and the broader market higher in the meantime.

Finally, bond yields are falling and 30-yr mortgages experienced their largest single day decline of the year on Friday. This won't change any of the backwards-looking housing market data on tap this week, but could spur some increased mortgage demand and underpin prices in the weeks to come. 10-year yields continue to retreat back towards their 52-week lows (3.62% on 9/14/24) and closed Friday at 4.0%. A further decline below 4% could be taken as something of a bullish milestone for equities (especially for small-caps), so it's something to watch this week as well.