

“A September To Remember”

Market Update with Robert Paolucci, CFP®
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September 2025



Today's Agenda

1. Markets
2. Economy & Policy
3. Everything Else

There's So Much To Talk About!

- | | | |
|---|--|---|
| 1. Fixed Income (Corporate Bonds, Municipal Bonds, Convertible Bonds) | 13. Canada Is A Mess | 23. Electricity Demand |
| 2. Cryptocurrencies | 14. India/China/Russia – Meeting of the Minds | 24. The Evolution of S&P 500 Sector Weights |
| 3. Stablecoins | 15. Russia/Ukraine Conflict | 25. Taylor Swift Got Engaged! |
| 4. Gold & Silver | 16. Israel/Hamas Conflict | 26. The “Taylor Swift Tax” |
| 5. Commodities | 17. State of the Consumer – Savings Rate, Spending Trends, Wages, Dry Powder, Leverage | 27. Labubus |
| 6. Small Beautiful Bill? | 18. State of Businesses – Cash on the Balance Sheet, Leverage, Regulatory Environment | 28. Weight Loss Pills |
| 7. U.S. Dollar | 19. M&A Activity | 29. Government Shutdown |
| 8. Foreign Currencies | 20. D.O.G.E. | 30. Government Jobs |
| 9. International Stocks – Europe Had Zero Earnings Growth | 21. The Path of Inflation | 31. Fed Independence |
| 10. Foreign Central Banks | 22. TSMC China Chip Sale Waiver Revoked | 32. Redistricting |
| 11. UK Debt Crisis & Immigration | | 33. Tax-Exempt Status of Munis |
| 12. France Near Early Elections | | |

PCE, CPI, PMI, PPI, JOLTs, GDP, GLP-1, AAA, BBB, M&A, ABCs, 123.....OMG!

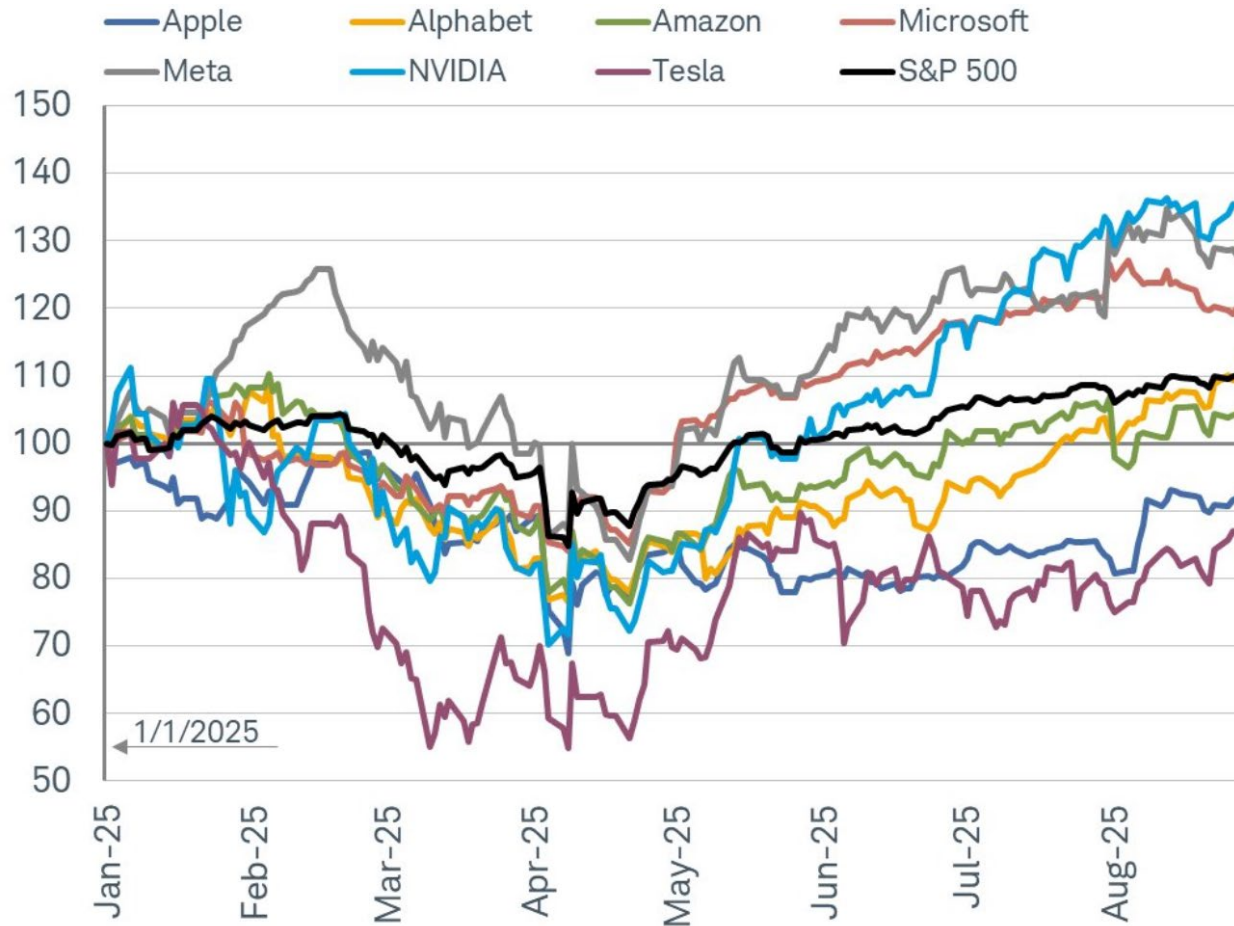
Performance Of Major Indices This Year

Major indexes and maximum drawdowns				
Index	YTD return	Index return since 4/8/25 low	Index maximum drawdown from YTD high	Average member maximum drawdown from YTD high
S&P 500	10%	30%	-19%	-25%
NASDAQ	12%	41%	-24%	-47%
Russell 2000	6%	34%	-24%	-38%
Dow Jones	7%	21%	-16%	-23%

% of S&P 500 members outperforming S&P 500 Index over the past:						
1m	2m	3m	4m	5m	6m	1y
46%	35%	29%	28%	30%	30%	22%

Source: Charles Schwab, Bloomberg, as of 08/26/2025

Performance Of The Magnificent Seven



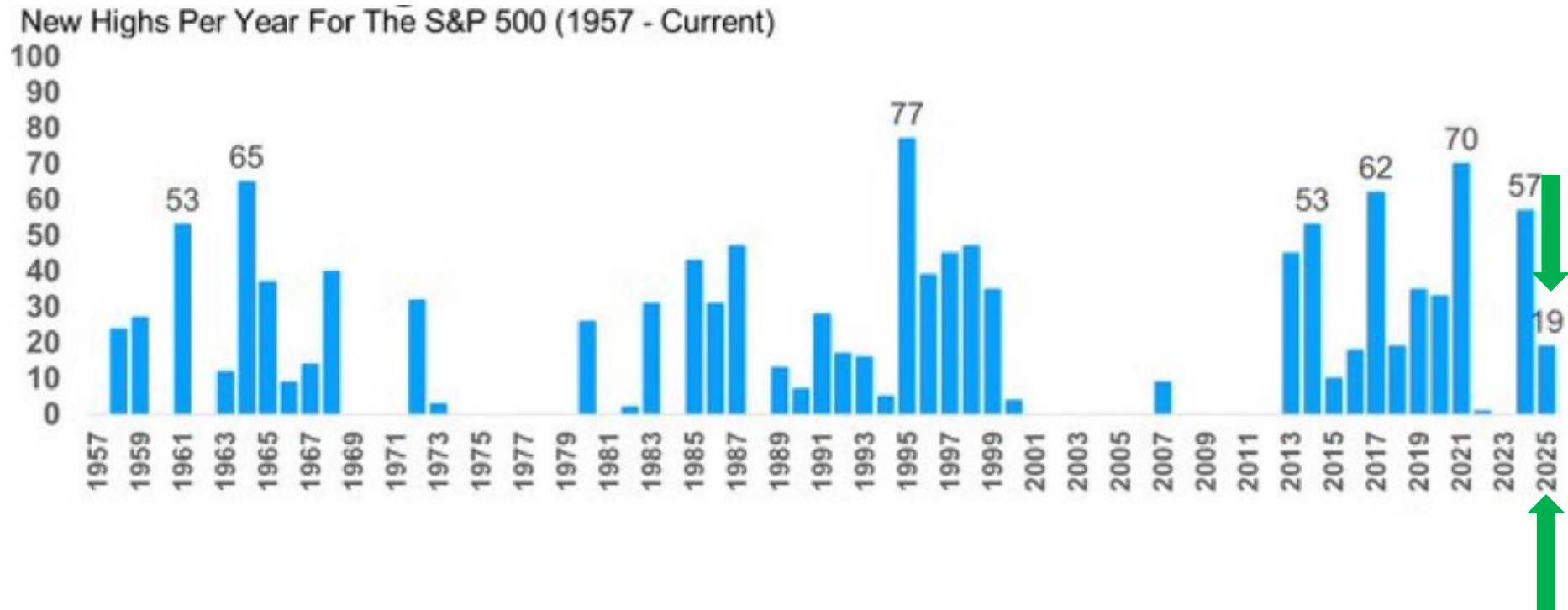
Source: Charles Schwab, Bloomberg, as of 08/29/2025

Nvidia Earnings – Growing Without China

Theme	Key Commentary
Revenue Guidance	Q3 FY2026 forecast at \$54B ±2% , expected to set another record.
China Exposure	No chips sold to China in Q2 due to U.S. export restrictions; guidance excludes China revenue.
Potential Upside	If H20 sales resume, could add \$2–5B revenue; Nvidia agreed to share 15% of those sales with the U.S. government.
Product Roadmap	Strong demand highlighted for the new Blackwell Ultra chip powering AI systems.
AI Infrastructure	CEO emphasized continued global AI buildout , with hyperscalers and enterprises driving demand.
Margins Outlook	Gross margin expected to remain pressured by geopolitical risks and higher costs.
Capital Returns	Additional \$60B share buyback program authorized.

Source: Charles Schwab, Bloomberg, as of 08/29/2025

All-Time Highs Continue To Climb



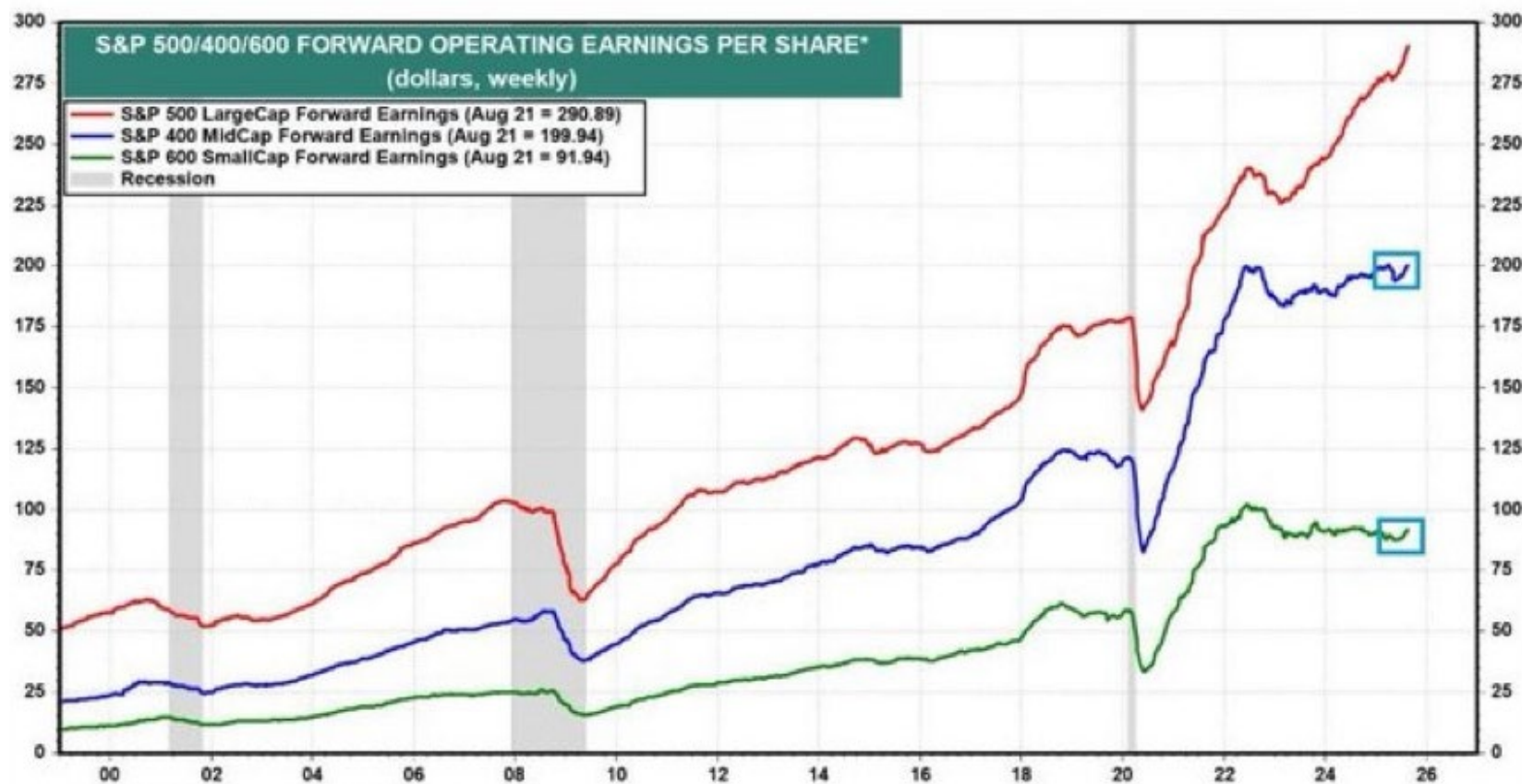
September.....Stinks

S&P 500 Monthly Rank (1950 - 2024)

Month	S&P 500 Monthly Rank			
	Since 1950	Past 10 Years	Past 20 Years	Post-Election Year
January	6	7	10	8
February	11	9	8	12
March	5	8	4	7
April	2	4	3	2
May	8	6	7	4
June	9	5	11	9
July	4	2	1	1
August	10	10	9	11
September	12	12	12	10
October	7	3	5	5
November	1	1	2	3
December	3	11	6	6

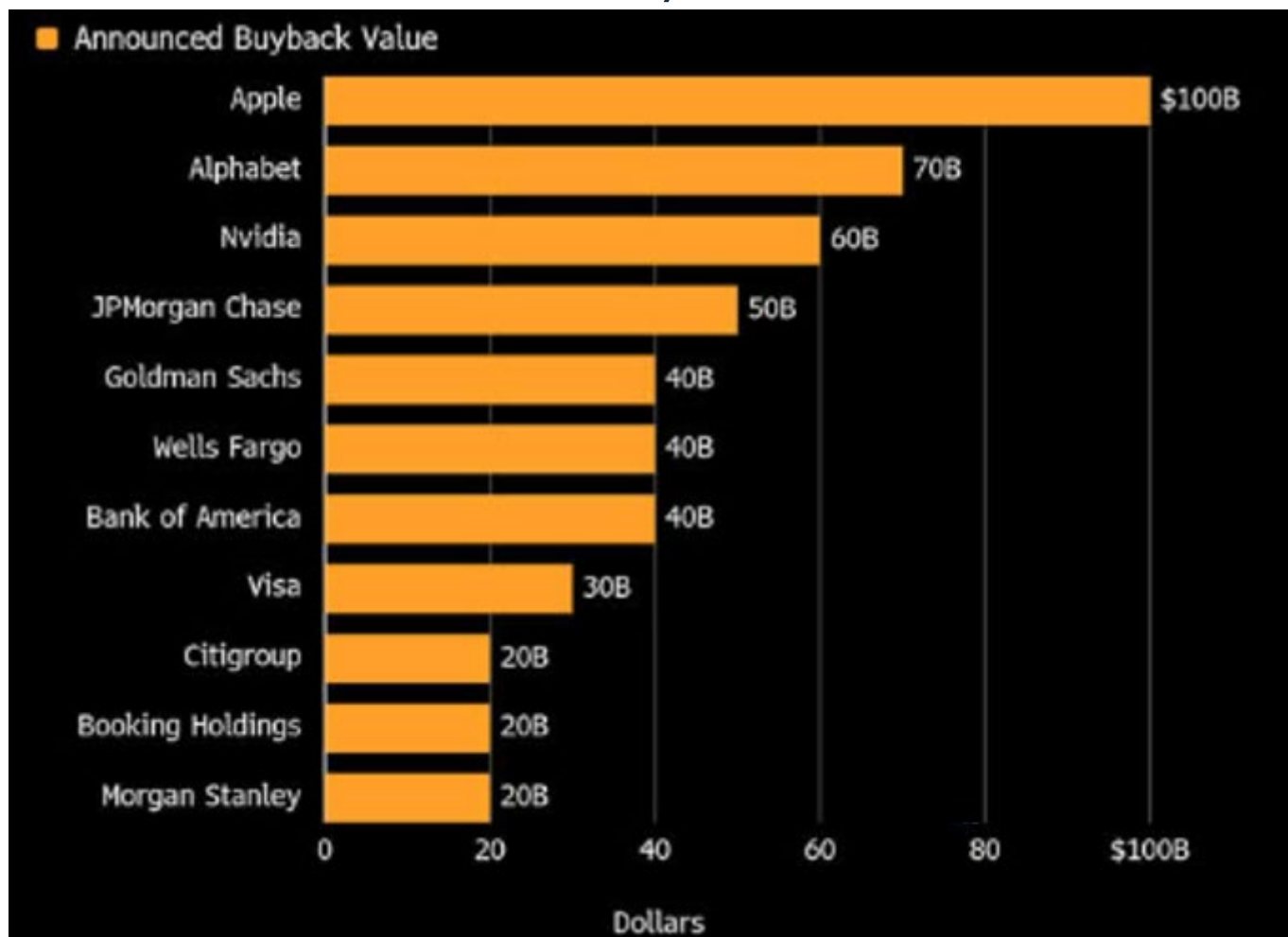
Source: Carson Investment Research, FactSet, Ryan Detrick, as of 08/29/2025

Earnings Expanding Beyond Large Cap Stocks



Source: LSEG Datastream, Yardeni Research, as of 08/21/2025

Lots Of Cash = Lots Of Stock Buybacks



Source: Bloomberg, as of 08/31/2025

How Markets React To Rate Cuts After A Pause

Stocks and bonds have historically performed well when the Federal Reserve resumes cutting interest rates after pausing.

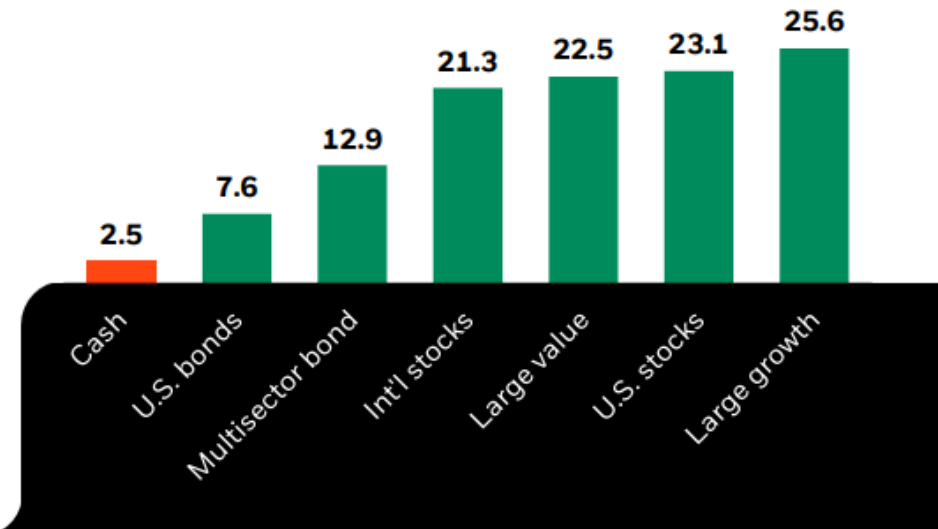
Historically, Fed rate cut pauses don't last long

3 months or more between Fed rate cuts (1/1/1990 - 7/31/2025)

Dates between Fed rate cuts	Length of pause
7/13/90 - 10/29/90	3.5 months
12/20/91 - 4/9/92	3.5 months
7/6/95 - 12/19/95	5 months
11/6/02 - 6/25/03	7 months
4/30/08 - 10/18/08	6.5 months
10/31/19 - 3/3/20	4 months
12/18/24 - ?	?

Stocks and bonds have done well when Fed cuts resume

1 year average forward returns after Fed began to cut rates again (1/1/1990 - 7/31/2025)



Source: BlackRock, Morningstar, St. Louis Federal Reserve, as of 07/31/2025

The Jackson Hole Pivot

“Overall, while the labor market appears to be in balance, it is a curious kind of balance that results from a marked slowing in both the supply of and demand for workers. This unusual situation suggests that downside risks to employment are rising. And if those risks materialize, they can do so quickly in the form of sharply higher layoffs and rising unemployment.” – Jerome Powell, Jackson Hole 08/22/2025

Economic Conditions	Inflation has eased significantly from post-pandemic highs but remains above 2% target; labor market still strong but showing softening in hiring and participation.
Balance of Risks	Concern shifting from inflation toward labor market weakness; risks of slowing job growth now weigh more heavily in policy discussions.
Policy Outlook	Conditions <i>may warrant</i> a rate cut soon, but no immediate move announced; Fed remains data-dependent and cautious.
Monetary Policy Framework	Fed completed its 5-year review; updated longer-run goals released; retiring 2020’s “Flexible Average Inflation Targeting” (FAIT) model.
Strategy Shift	Moving toward a more preemptive, responsive approach —acting earlier when risks to price stability or employment emerge, instead of waiting for overshoots.
Inflation Risks	New tariffs may put upward pressure on prices, but Fed sees them as potentially transitory; will continue monitoring.

Source: The Federal Reserve, as of 08/22/2025

Jackson Hole Pivot – Expect Changes In The September Outlook

From June Meeting:

Percent

Variable	Median ¹			
	2025	2026	2027	Longer run
Change in real GDP	1.4	1.6	1.8	1.8
March projection	1.7	1.8	1.8	1.8
Unemployment rate	4.5	4.5	4.4	4.2
March projection	4.4	4.3	4.3	4.2
PCE inflation	3.0	2.4	2.1	2.0
March projection	2.7	2.2	2.0	2.0
Core PCE inflation ⁴	3.1	2.4	2.1	
March projection	2.8	2.2	2.0	
Memo: Projected appropriate policy path				
Federal funds rate	3.9	3.6	3.4	3.0
March projection	3.9	3.4	3.1	3.0

From Powell's Jackson Hole Speech:

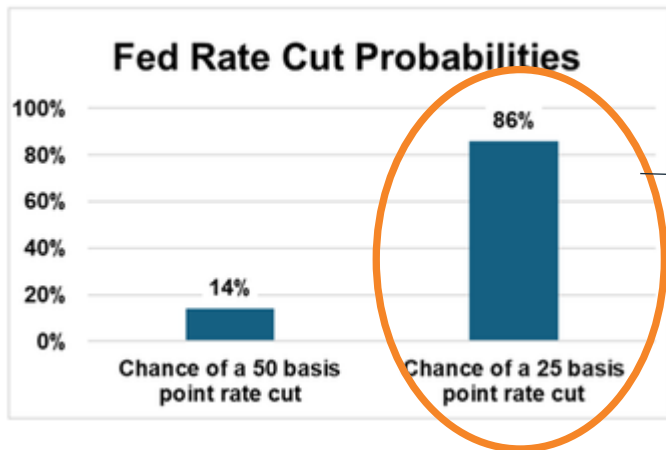
- “GDP growth has slowed notably in the first half of this year to a pace of 1.2%”
- “This unusual situation suggests that downside risks to employment are rising. And if those risks materialize, they can do so quickly in the form of sharply higher layoffs and rising unemployment.”
- “The effects of tariffs on consumer prices are now clearly visible...A reasonable base case is that the effects will be relatively short lived.”
- “With policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance.”

Source: The Federal Reserve, as of 08/22/2025

Resuming The Cutting Cycle – Rate Cuts Back On For 2025

The market expects 2-3 rate cuts by the end of this year

September 11th, 2024



September 2nd, 2025

MEETING DATE	350-375	375-400	400-425	425-450
9/17/2025	0.0%	0.0%	89.7%	10.3%
10/29/2025	0.0%	46.0%	49.0%	5.0%
12/10/2025	36.7%	48.4%	13.9%	1.0%

September 2024 – December 2024

3 Meetings, 4 Cuts Total

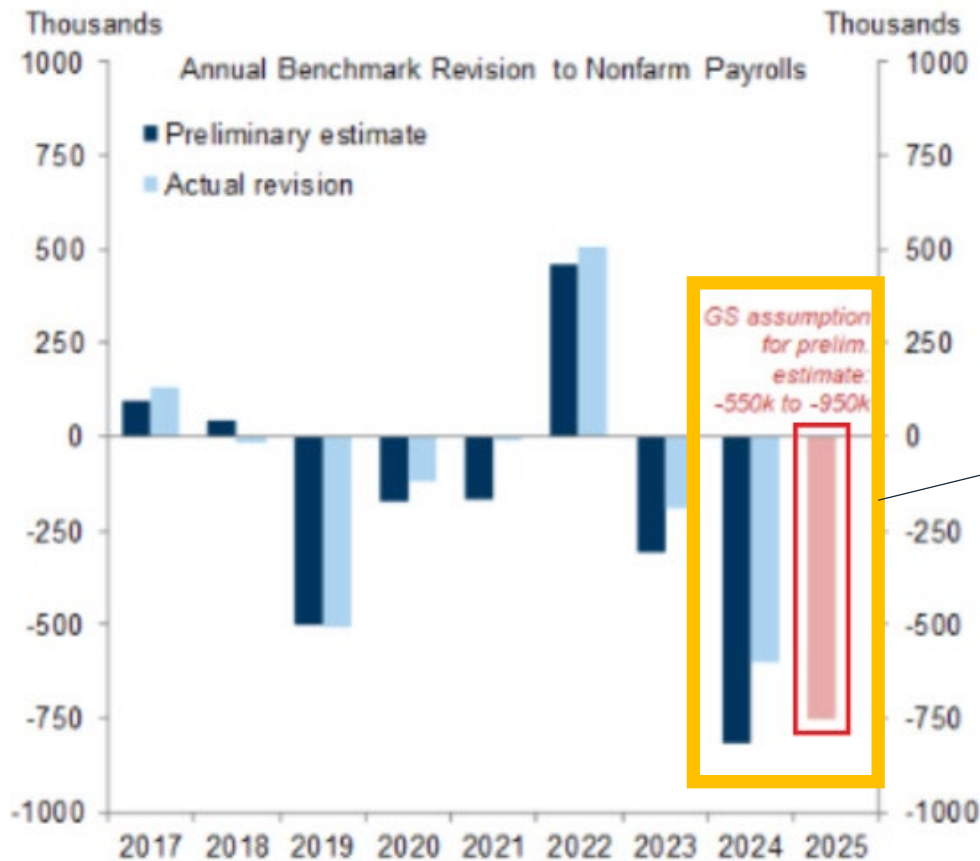
September 2025 – December 2025

3 Meetings, ? Cuts Total

Source: CME, FedWatch Tool, as of 09/02/2025

Jobs Benchmark Revision – Mind The Cliff!

The Bureau of Labor Statistics releases their initial benchmark revision on September 9th



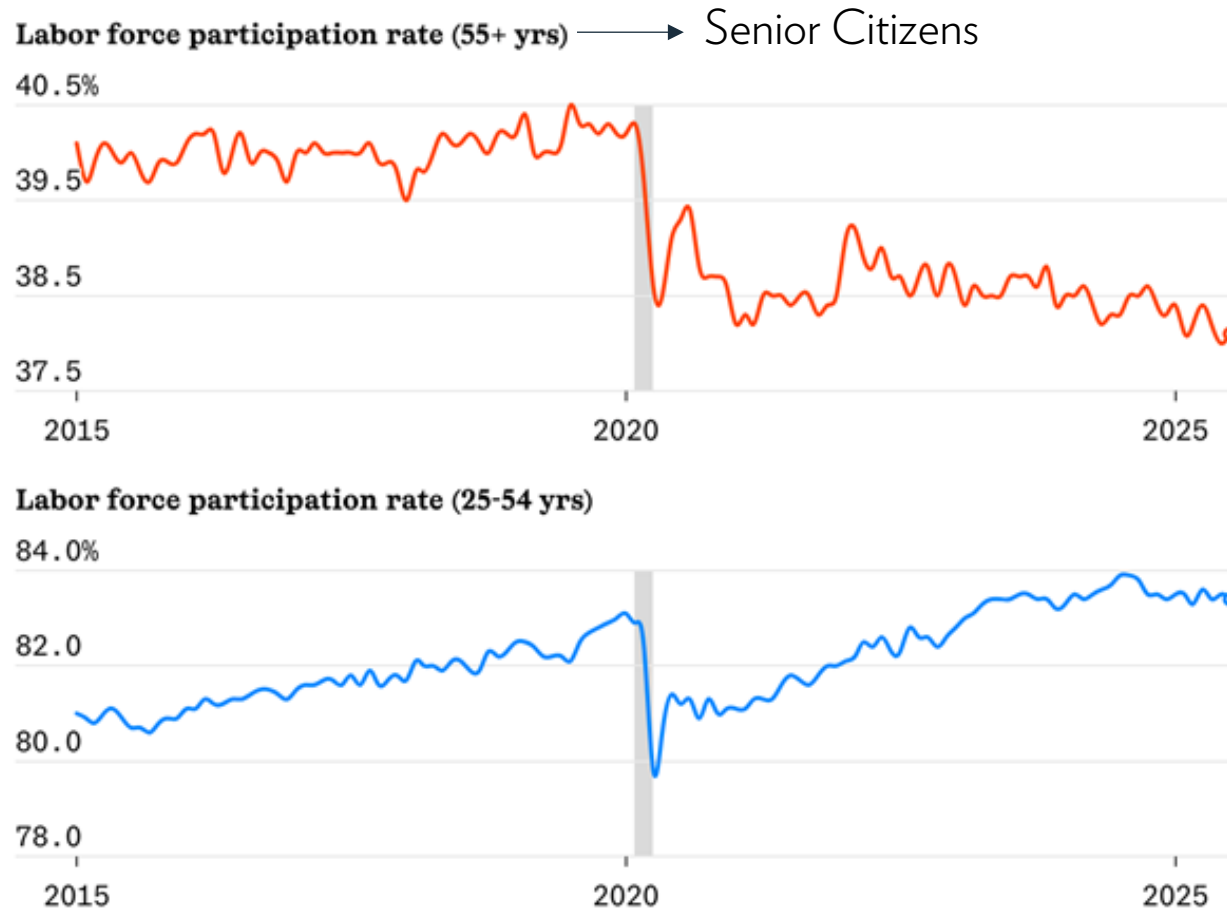
2024 Revision: -589,000

2025 Estimate: -550,000
to -950,000

That equates to 45,000
to 80,000 less jobs per
month.

Source: Department of Labor, Goldman Sachs Global Investment Research, as of 08/19/2025

Succession Plan



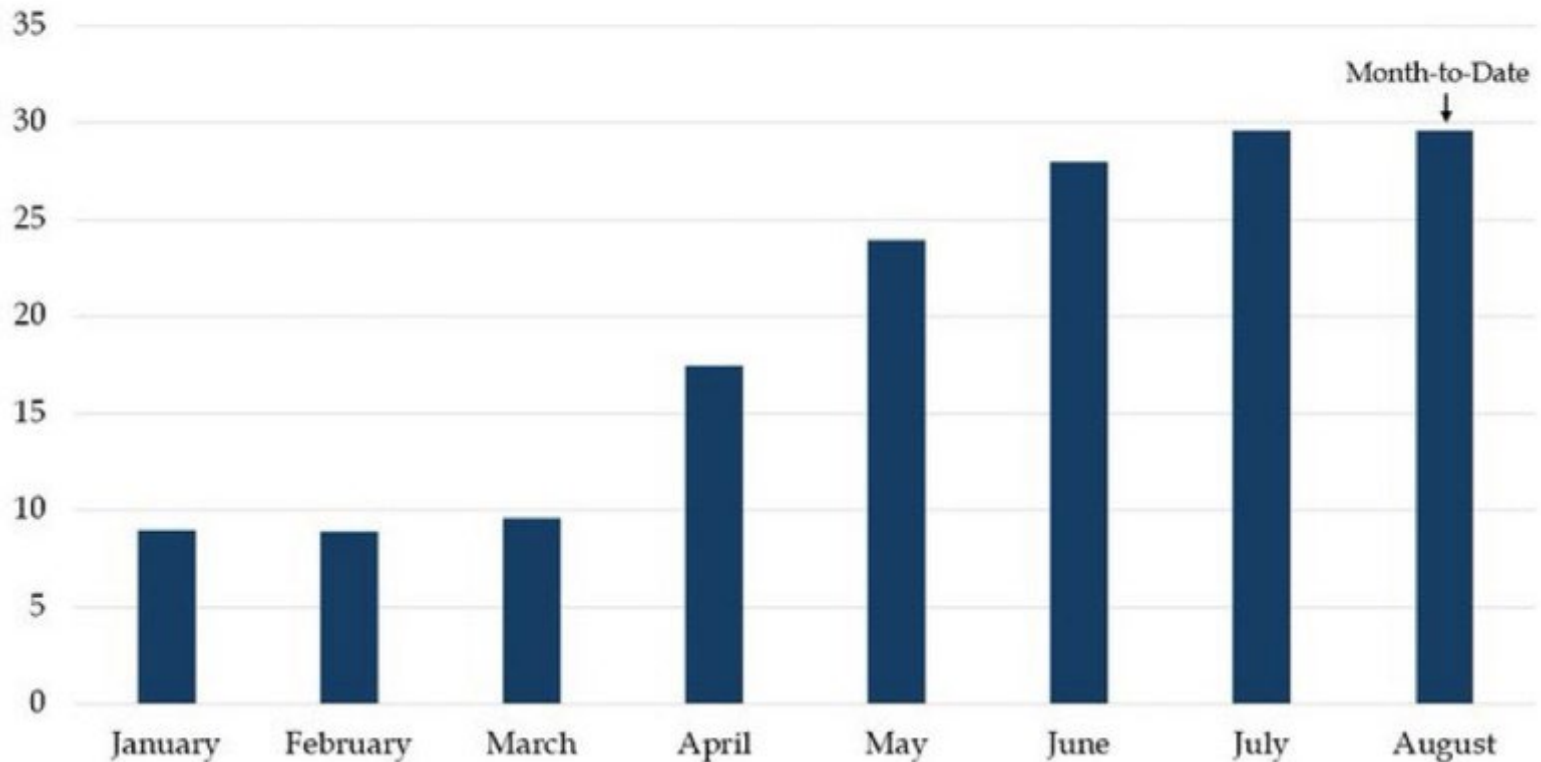
* Shaded area indicates Covid-induced recession

Source: Sherwood, BLS, St. Louis Fed, as of 08/31/2025

Tariff Revenue Grows...

Tariff Revenues (2025)

Billions of Dollars



Source: U.S Treasury Department, as of 08/28/2025

...But Will It Continue, And Are We Issuing Refund Checks?

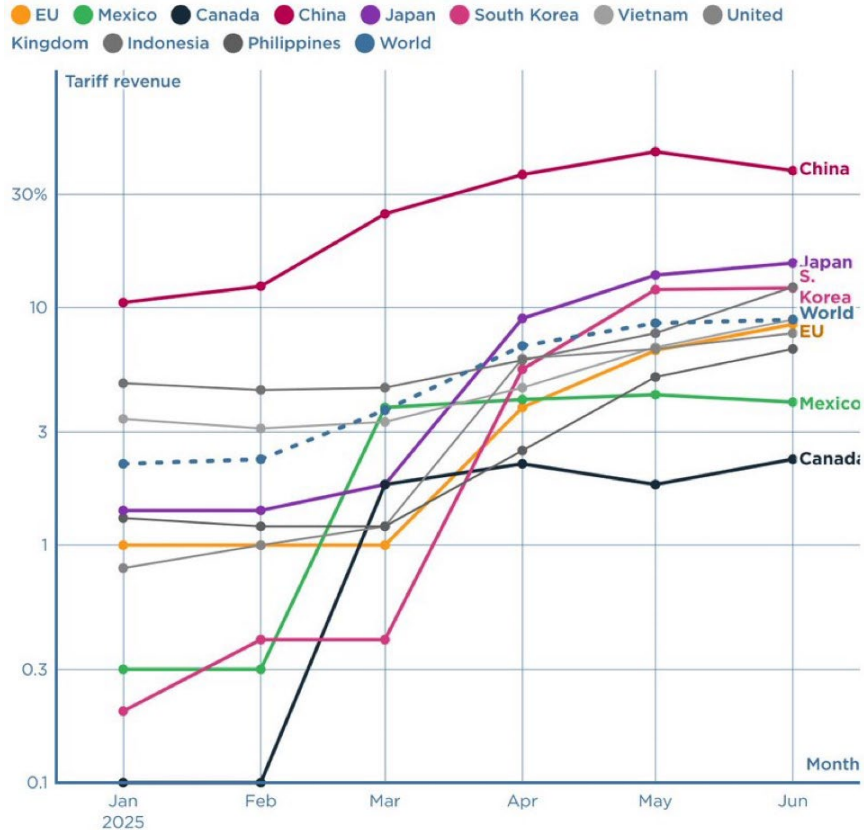
Appeals Court Tariff Ruling – Summary Table (as of Sept. 2025)

Category	Details	Status After Ruling	Legal Basis
“Reciprocal / Liberation Day” tariffs	10% baseline tariff on nearly all imports; up to 50% on select countries (China, Mexico, Canada, India, Brazil, etc.)	Invalidated – ruled unconstitutional, exceeded presidential authority	IEEPA
Fentanyl-related tariffs	Targeted tariffs on China, Mexico, Canada (framed as anti-narcotics trade enforcement)	Invalidated – same reasoning as above	IEEPA
Steel & Aluminum tariffs	Tariffs on steel (25%) and aluminum (10%) imports	Still Valid – not part of the ruling	Section 232 (Trade Expansion Act, 1962)
Automotive tariffs	Sector-specific tariffs on certain imported cars/parts	Still Valid	Section 232
Other Section 232 tariffs	Tariffs on copper and select critical minerals	Still Valid	Section 232
China-specific tariffs from prior trade war (2018–2019)	Tariffs under Section 301 (intellectual property & unfair practices)	Still Valid	Section 301 (Trade Act of 1974)

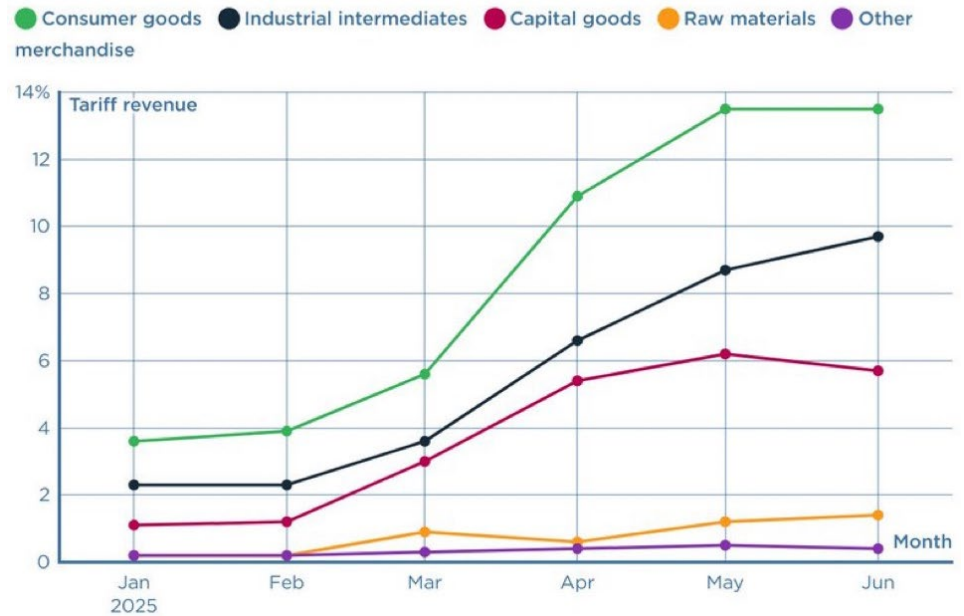
Source: CNBC, Bloomberg, as of 09/02/2025

The Where & What Of Tariff Collections

Monthly tariff revenue as percent of monthly total import value (CIF), by import sources, January 2025–June 2025

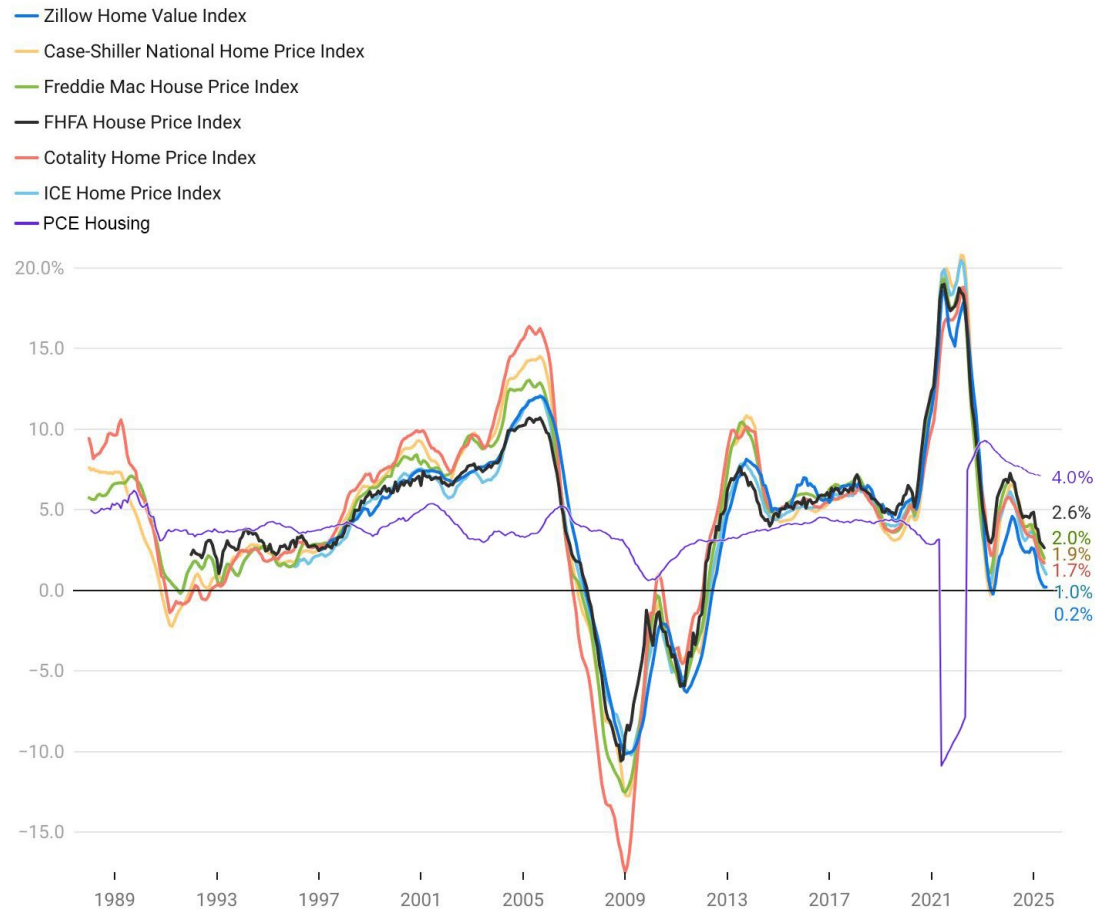


Monthly tariff revenue as percent of monthly total import value (CIF), by major product categories, January 2025–June 2025



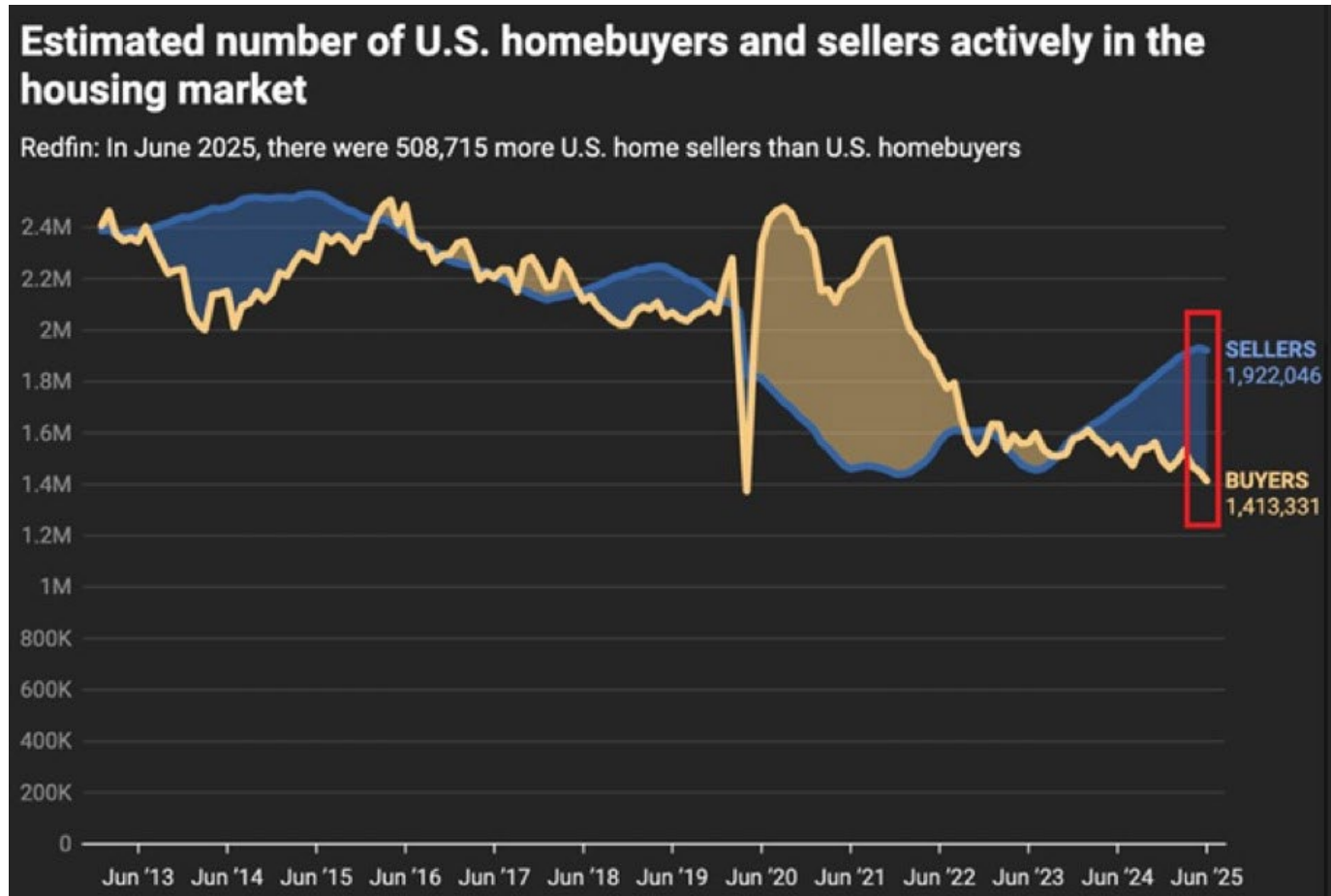
Source: USITC DataWeb, UNSD, PIEE, as of 06/30/2025

Housing Is Cooling Off



Source: ResiClub, Zillow, ICE Home Price Index, Freddie Mac, Cotality, Case-Shiller, FHFA, Lance Lambert, Datawrapper, as of 08/15/2025

There Are More Sellers Than Buyers

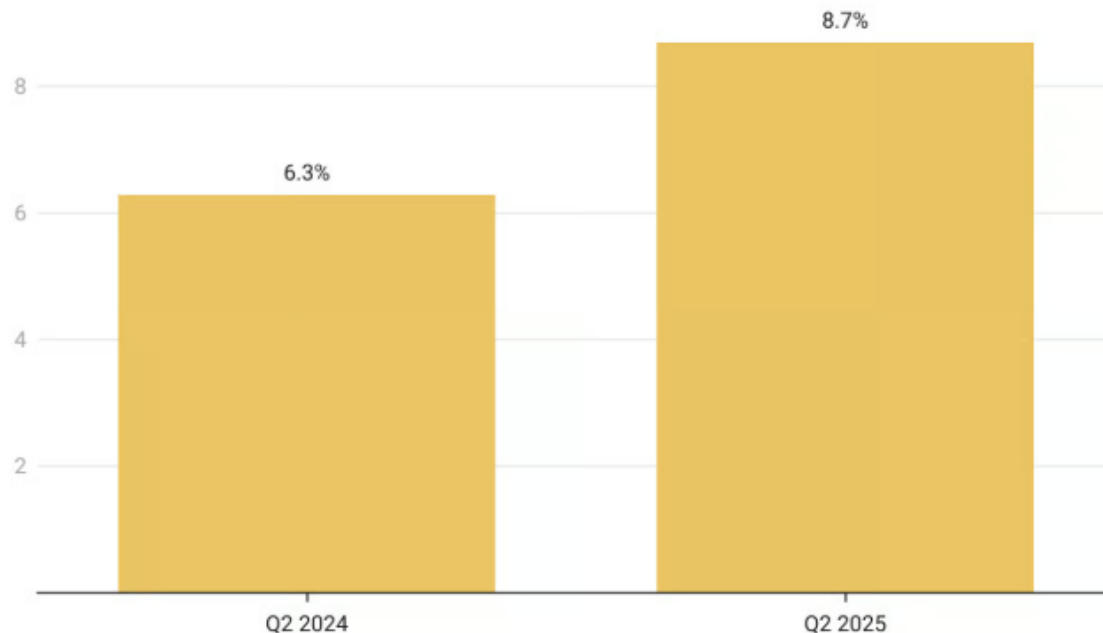


Source: ResiClub, Redfin, Lance Lambert, Datawrapper, as of 08/04/2025

A National Housing Emergency?

“We may declare a national housing emergency in the fall” – Scott Bessent, 09/01/2025

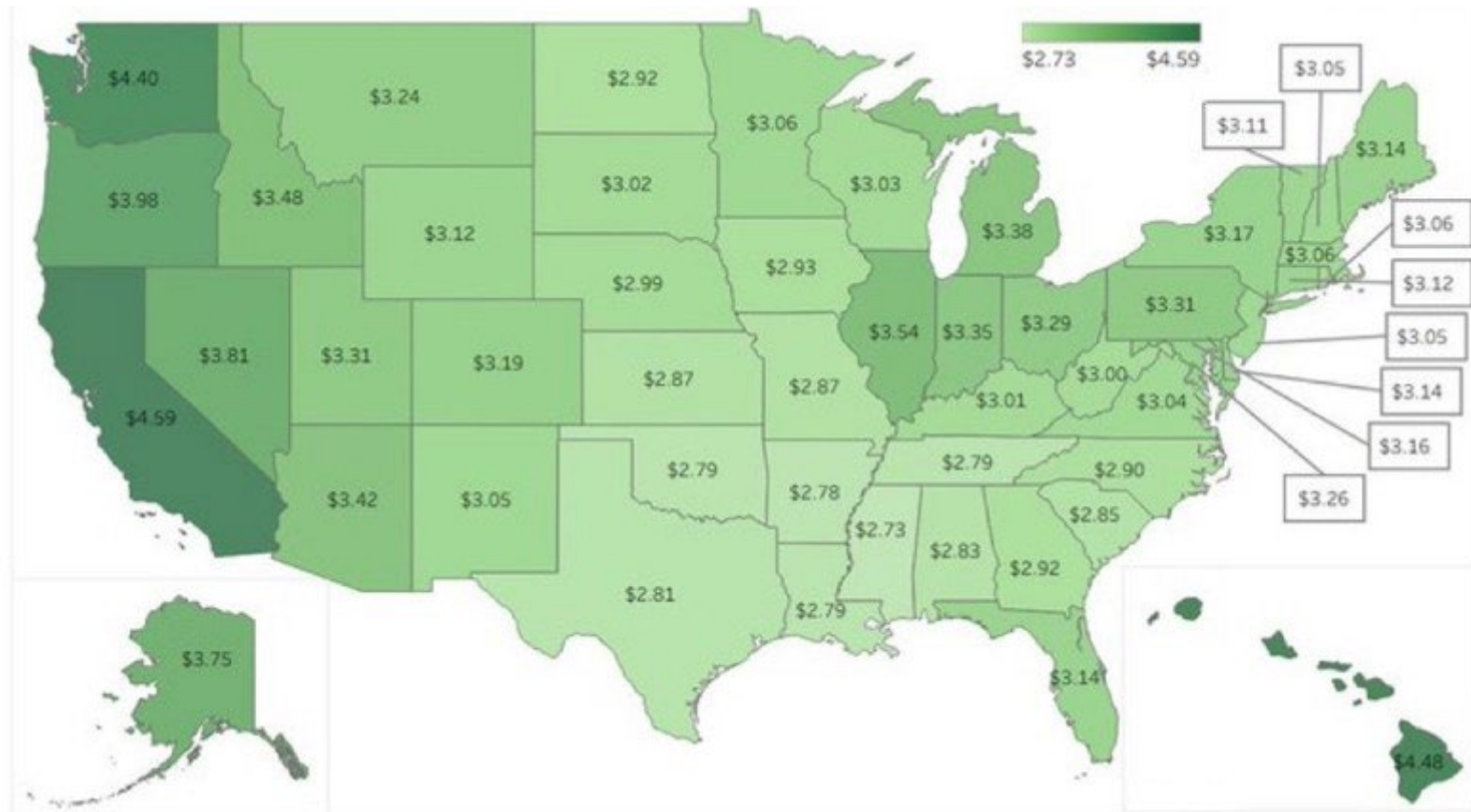
In Q2 2025, PulteGroup—a homebuilder ranked No. 229 on the Fortune 500—spent an average of 8.7% of the final gross sales price on sales incentives. That’s up from 8.0% in Q1 2025 and 6.3% in Q2 2024. PulteGroup says its historically “normal” level of incentives is between 3.0% and 3.5%.



On a \$600,000 home, PulteGroup is spending \$52,200 on incentives per sale.

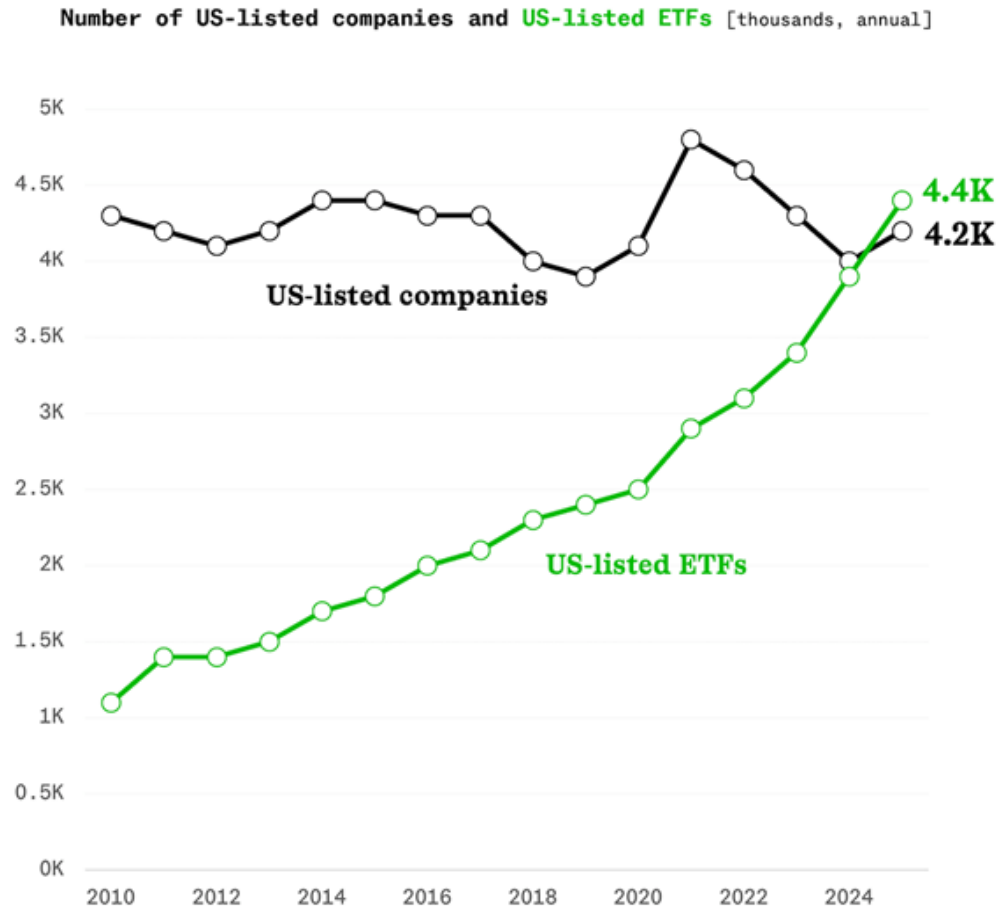
Source: PulteGroup, Lance Lambert, ResiClub, as of 08/04/2025

Plunging Prices At The Pump



Source: AAA, Arbor Data Science, as of 08/28/2025

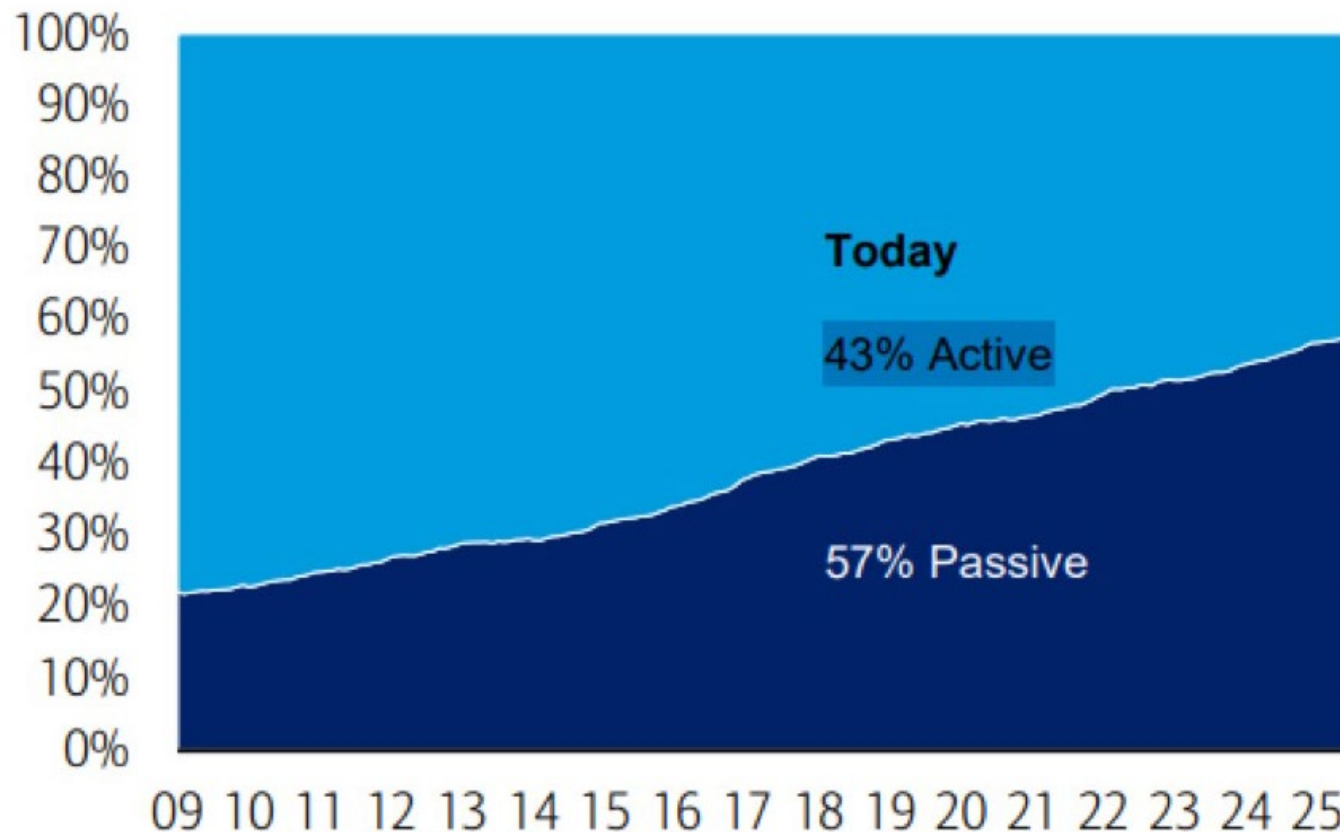
The ETF Boom – More Products, Fewer Companies



Source: Chartr, Morningstar, Bloomberg, as of 08/31/2025

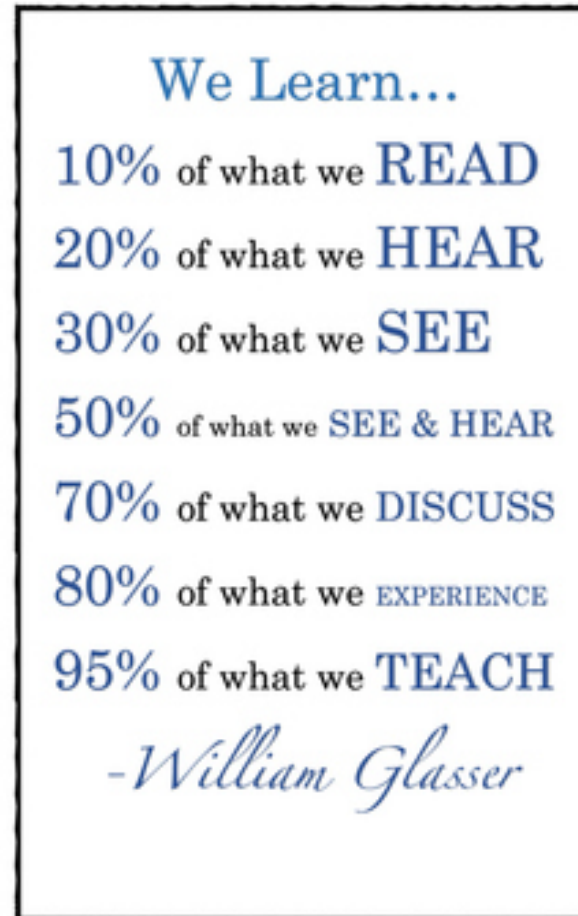
Why Everything Goes Up And Down Together

US AUM allocation active vs. passive (as of 7/25)



Source: Bank of America U.S Equity & Quant Strategy, Strategic Insights SimFund, as of 07/31/2025

Back To School – Thank You To Our Teachers



Source: William Glasser, Theory of Learning, Choice Theory, as of 8/31/2025

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