

The Week Ahead

September 24, 2025

Today: Markets going up! Economy going down!

How long can that last?

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Disclaimer: I am not a certified financial analyst.

Any trading decisions you make are your responsibility

OLLI-GMU Investment Forum

Economic Commentary

- US Government shutdown is looming
- Federal Reserve cut interest rates by 0.25%.
 - Two more quarter-point cuts due this year.
- Inflation is rising slightly; core inflation at 2.9% YoY
- Consumer spending up 0.6% in August
- Housing starts fell to 1.3M in August, from 1.4M July. (WSJ)
 - Down 6% from a year ago; Housing permits also fell
 - Mortgage rates still high @6.3%
 - “New housing is largely unaffordable” (NAHB)
 - Lennar guidance poor
 - Builders’ profits declining; confidence is low
 - Traffic from prospective buyers is down ~30% YTD (NAHB)
- Unemployment is rising, especially among Gen Z; 20-30 yrs
- ISM Manufacturing PMI at 48.7; contracting for 6 months
- Non-farm business productivity increased 3.3% in Q2 (BLS)
- Subprime auto lender TriColor declared bankruptcy

Tracking Unemployment

Sluggish Summer for US Labor Market

August payrolls rose less than forecast, unemployment near four-year high

Graph showing
fluctuating decrease
in
Non-Farm Payrolls (MoM)

Graph showing
fluctuating increase
in
Unemployment Rate
from ~3.5% in Aug 22
to ~4.3% in Aug 25

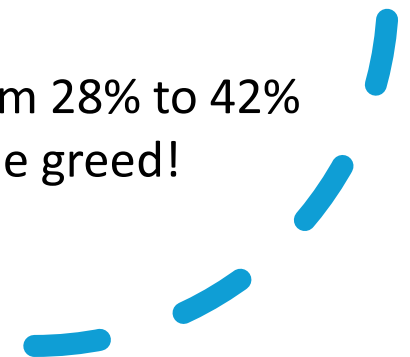
Source: Bureau of Labor Statistics

Bloomberg

Market commentary

Irrational exuberance again??

- Stock markets are at all-time highs
 - Optimism very high
- AI investments, interest rate cuts and numerous IPOs are juicing investor excitement
- Margin debt at record levels; \$1.06T
 - Up 18% YTD
- Bond prices are increasing; interest rates falling
- Money market funds reached \$7.7T; interest rates @ 4%
- Probability of recession in one year: 30-50%
- VIX: 16.3: bullish
- CNN fear gauge at 63; greedy
- AAI bullish investor sentiment rose from 28% to 42%
- Put-Call ratio declined to 0.55; extreme greed!



Mag 7 stocks + others

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Yield curve Aug 20 – Sep 20, 2025

Federal Debt Valuation Data Revisions

US Treasuries Yield Curve

A charting app for interest rates and macroeconomic indicators

Graph showing
~0.3% lower interest rates
for the US Treasuries' denominations
sold between Aug 20 & Sep 20

Bond Yield Spreads – Risk on!

The difference in yield between corporate bonds and US Treasury bonds

☆ ICE BofA US Corporate Index Option-Adjusted Spread (BAMLC0A0CM)

Graph showing
that the difference between corporate and US Treasury bonds
from ~1.2% in Apr 2025 (a high)
has been dropping
to ~0.75% in Sep 2025

Now what?

- Cross currents between economic and market indicators are perplexing
 - Labor, housing and manufacturing are rolling over;
 - Bond and stock markets are off to the races
- Fed will cut interest rates twice more this year
 - Bad news for the economy is good news for the markets
- AI capex investments, numerous IPOs and Fed cuts are masking deeper problems
- Tariff effects seem minimal and sector-dependent; autos, elect
- Consumer spending is strong and reasonably confident
- Stock market is very expensive right now yet very fragile
- **“Be thankful we’re not getting all the government we’re paying for.”**
 - Will Rogers