MONTH IN REVIEW

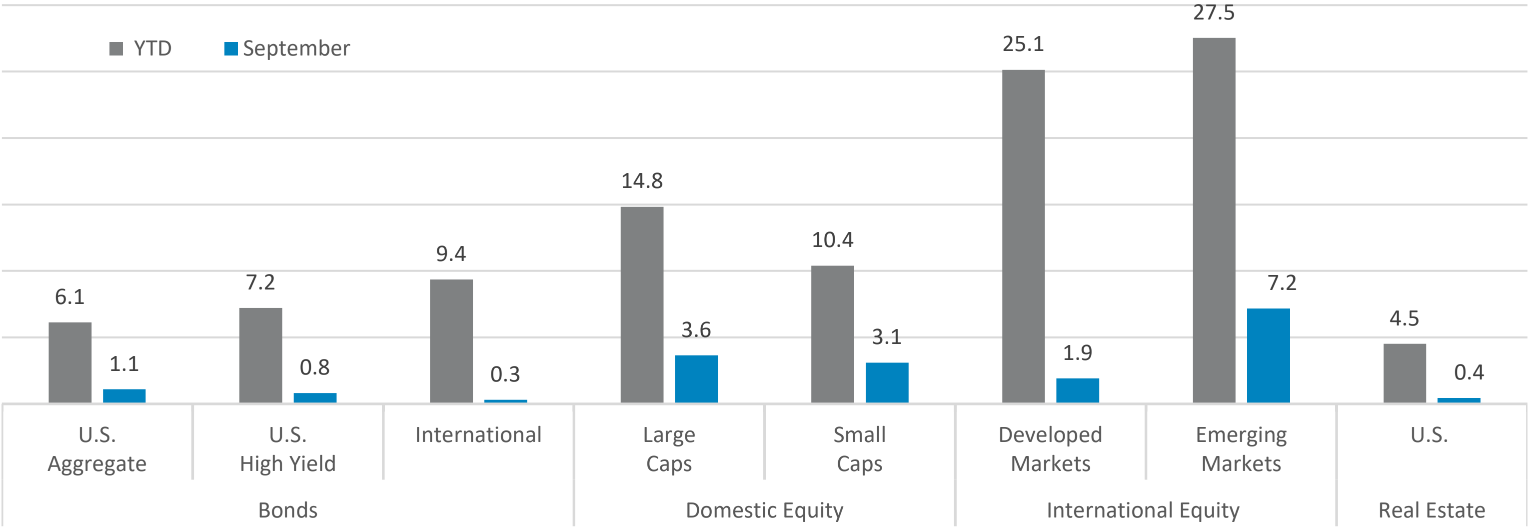
SEPTEMBER 2025

Quick Takes

- **Stocks Continue Higher.** U.S. stocks rose in September with the S&P 500 rising 5.5%, the Nasdaq 100 rising 3.6%, and the Dow rising 2.0% on the month as technology earnings, continued AI momentum, and Fed rate cuts on a weaker labor market boosted shares.
- **Inflation and Interest Rates.** The 10Y treasury yield was flat in September at 4.2% as bond markets had largely priced in the interest rate cut announced at the FOMC meeting on September 17. Headline PCE inflation rose to 2.7% in August while core PCE inflation remained at annualized rate of 2.9%.
- **OpenAI & Nvidia Deal.** Nvidia and OpenAI entered a $100B agreement to build data centers and other AI infrastructure equipped with 10 gigawatts of power. Nvidia will invest $100B in OpenAI under the deal and OpenAI will in turn build data centers with AI chips from Nvidia. The deal has raised fresh investor concerns about an AI bubble.
- **More Tariffs?** President Trump imposed 100% tariffs on branded pharmaceuticals in late September, but these will only apply to imported drugs not from the E.U. or Japan, which will be subject to the normal tariff rates for these countries in recent trade deals.

Asset Class Performance

Large caps outperformed small caps in September and U.S. stocks outperformed international stocks as a more favorable outlook for rate cuts boosted domestic equities. Stocks, bonds, and real estate generally rose in September in lower rates while the dollar index was flat during the month.



Source: Bloomberg, as of July 7, 2025. Asset-class performance is presented by using total returns for an index proxy that best represents the respective broad asset class. U.S. Bonds (Barclays U.S. Aggregate Bond TR), U.S. High Yield (Barclays U.S. HY 2% Issuer-Capped TR), International Bonds (Barclays Global Aggregate ex USD TR), Large Caps (S&P 500 TR), Small Caps (Russell 2000 TR), Developed Markets (MSCI EAFE NR USD), Emerging Markets (MSCI EM NR USD), Real Estate (FTSE NAREIT All Equity REITS TR).

September 2025

Markets & Macroeconomics

The Fed cuts rates as labor market weakens.

Change in Nonfarm Payrolls

August was another weak month for job growth

Source: Bloomberg, BLS

The U.S. economy added 22K jobs in August as hiring remains weaker amid technological changes, macroeconomic uncertainty, and policy turbulence. Health care and education services added 46K positions, the weakest print for the sector since December 2022. Leisure & hospitality added 28K jobs as seasonal hiring in the sector remains strong. Hiring in professional and business services, government, and manufacturing remain weak with the sectors cutting 17K, 16K, and 12K jobs in August, respectively. The manufacturing sector has now cut a net 38K positions year-to-date. The unemployment rate rose slightly in August to 4.3% from 4.2%, in line with economists' expectations. The labor force participation rate came in slightly below expectations at 62.2% versus economist expectations of 62.3%, although this was in line with July's level. Amid concerns of a weakening labor market, the FOMC decided to cut interest rates by 25 bps at their September 17 meeting and indicated that two more rate cuts could happen before the end of the year. Equities reacted favorably to this forecast with the markets rising in the back half of the month. The Fed continues to be in a challenging position as it faces criticism from the administration for not reducing interest rates quickly enough, weakness in the labor market, and inflation that remains materially above its long-term target of 2%. In August, inflation remained elevated. Headline PCE inflation during the month was 2.7% versus 2.6% in July. The acceleration was driven largely by accelerations in services and food prices. CPI inflation also accelerated in August with headline CPI reaching 2.9% during the month versus 2.7% in July driven mostly by core goods and food prices. Core CPI was in line with July and economist expectations at 3.1%. Producer inflation, headline PPI, decelerated from 3.3% in July to 2.6% in August as producer prices for services decelerated. Core PPI also decelerated from 3.7% to 2.8%. Consumer spending proved strong in August with retail sales rising 0.6% versus July's increase of 0.5%. Despite the strong spending growth, consumer sentiment weakened in August with the Conference Board Consumer Confidence and the University of Michigan Consumer Sentiment indices both falling modestly.

Bottom Line: Fed rate cuts have started with more anticipated amid labor market weakness despite a resilient consumer and elevated inflation.

S&P 500 vs 10Y Treasury Yields YTD

Stocks continue to rise on earnings and lower rates

Source: Bloomberg

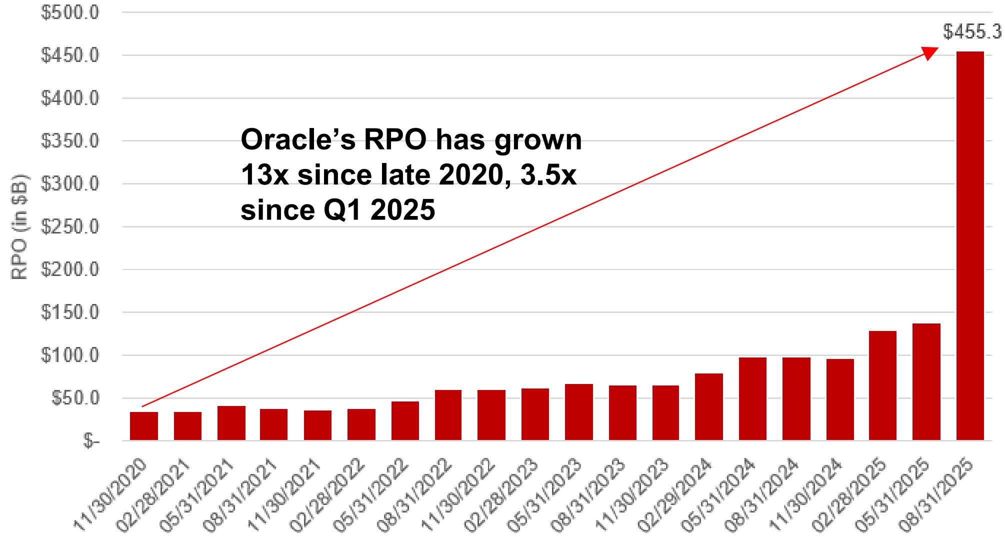
September 2025

What's Ahead

AI-related demand, investment, and new leadership boost tech laggards.

Oracle Corp. Remaining Performance Obligations

Oracle has multiplied its demand backlog in recent quarters

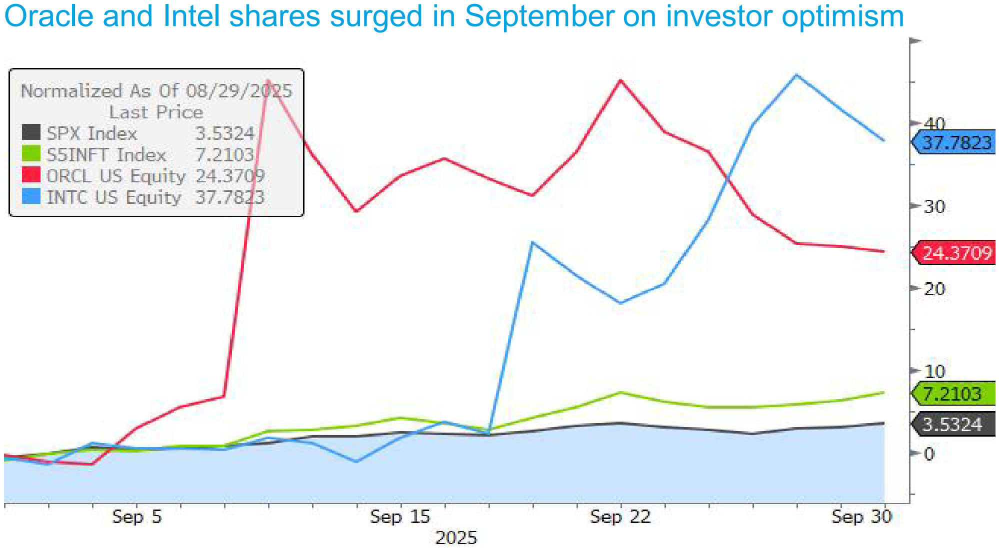


Source: Bloomberg

Over the last 15 years, the U.S. technology industry has exploded. From the rise of mobile, digital advertising, social media, cloud computing, and now artificial intelligence, companies like Meta, Apple, Google, Microsoft, and Amazon have all multiplied their revenues, earnings, and share prices. Despite this historic growth, some companies in the technology sector were slow to adapt. Two major examples are software giant Oracle Corp and iconic semiconductor maker Intel Corp. Oracle, led by founder Larry Ellison until 2014, was a major provider of on-site data storage and analysis software for enterprises. In 2011, Ellison said that "I don't understand what we would do differently in the light of cloud computing other than change the wording of some of our ads", implying that he thought that cloud computing was more of a buzzword than a trend. Ellison's view contributed to Oracle falling behind other U.S. technology giants who were aggressively investing in the technology and providing cloud computing services. In 2014, JP Morgan analyst Mark Murphy wrote "Oracle's strength in database and middleware is countered by long-term shifts from traditional, on-premise solutions to public cloud models". For the next decade, Oracle's stock would underperform those of Microsoft, Google, and Amazon as they pulled ahead. In recent years, Oracle has built a growing cloud computing business, Oracle Cloud Infrastructure, and has reported major contract wins amid booming cloud demand. Oracle reported an increase in their backlog of more than threefold in Q3 sending the shares sharply higher in September. Intel Corp. has also struggled in recent years as their semiconductor design business missed opportunities in mobile and AI and their manufacturing business has struggled to gain customers. As Nvidia and AMD have seen their stocks multiply on these trends, Intel's shares rose just 52% from 2009 to 2024. In March, Lip Bu Tan, the former CEO of Cadence Design Systems, took over as CEO. In September, Nvidia announced it would invest $5 billion into Intel and agreed to cooperate on GPUs for personal computing, the market where Intel still leads. The announcement of the deal sent Intel shares soaring. Major risks and challenges for both companies no doubt remain. Oracle likely needs to invest more in their cloud infrastructure and their market share in cloud remains small compared to industry leaders like Microsoft and Google. They also have a legacy on-site business that could face more challenges. Intel's foundry remains deeply unprofitable and continues to lack external customers as the industry remains skeptical of its manufacturing technology.

Oracle Corp. & Intel Corp. Shares vs S&P 500

Oracle and Intel shares surged in September on investor optimism



Source: Bloomberg

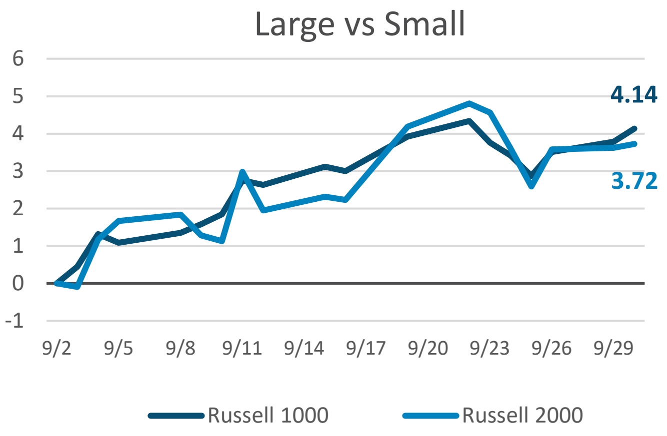
<u>Bottom Line</u>: Despite significant problems remaining, share prices of some tech industry laggards rose sharply in September.

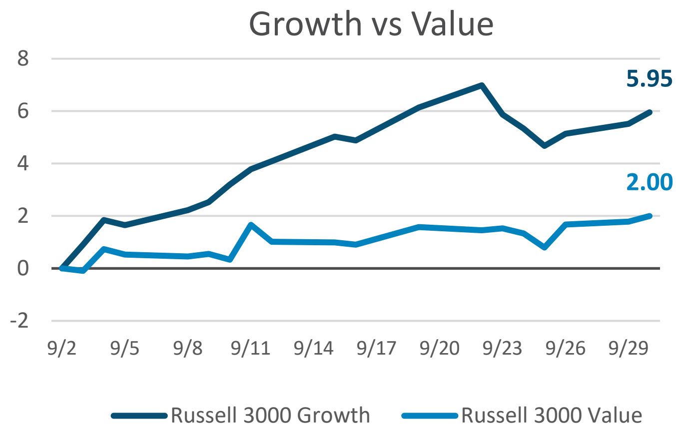
September 2025

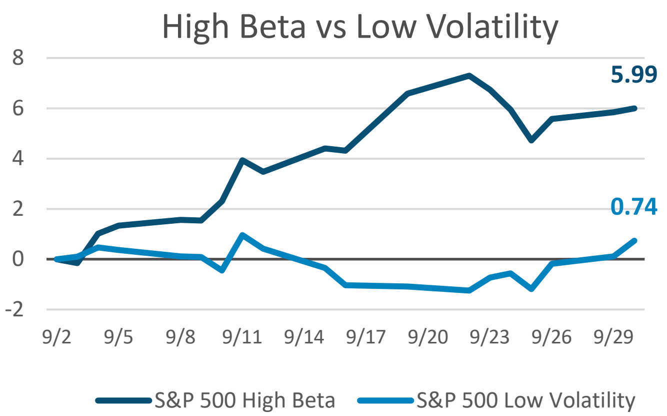
Equity Themes

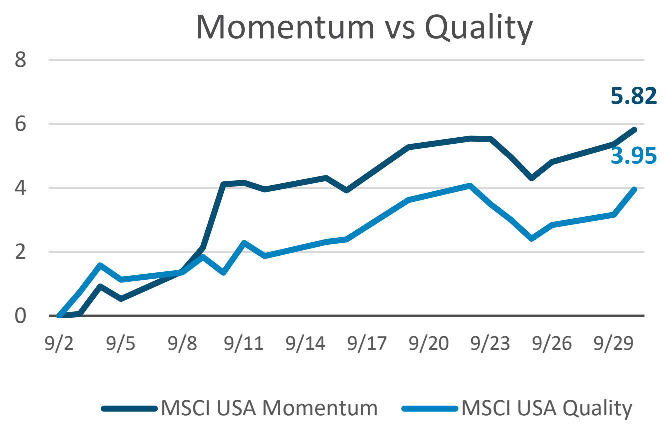
What Worked, What Didn't

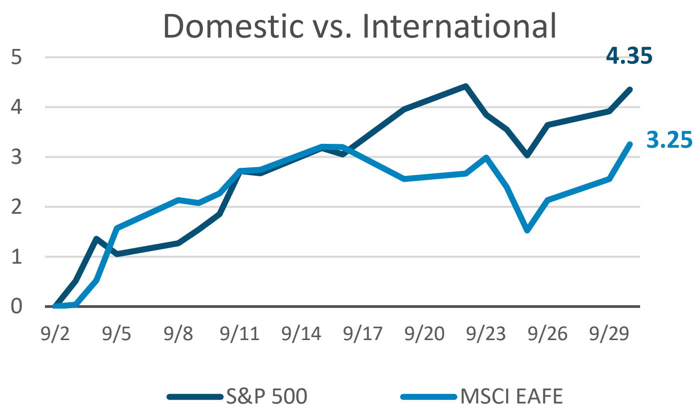
- **Large Outperformed Small while Growth Outperformed Value.** Market participants moved more into large caps and growth stocks in September as Fed rate cuts drove investor risk appetites.
- **High Beta and Momentum Outperformed.** High beta outperformed low volatility and momentum outperformed quality in September as investors sought higher risk as the Fed cut rates.
- **Domestic Over International, Emerging Over Developed.** Domestic equities outperformed international stocks in September. Emerging markets outperformed developed markets during the month.

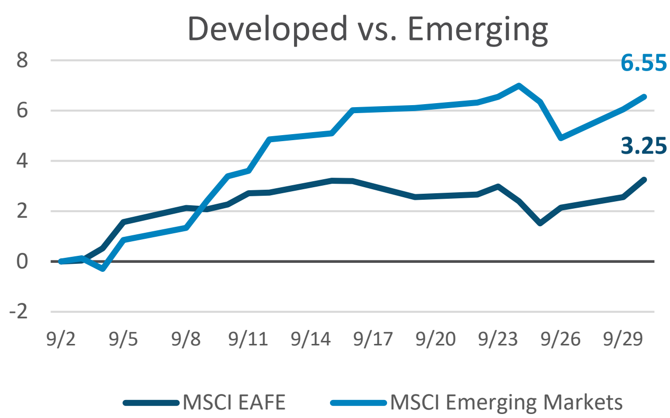












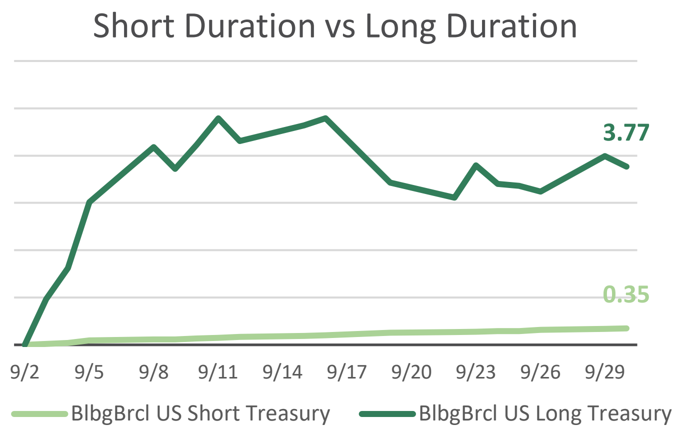
Source: Bloomberg.

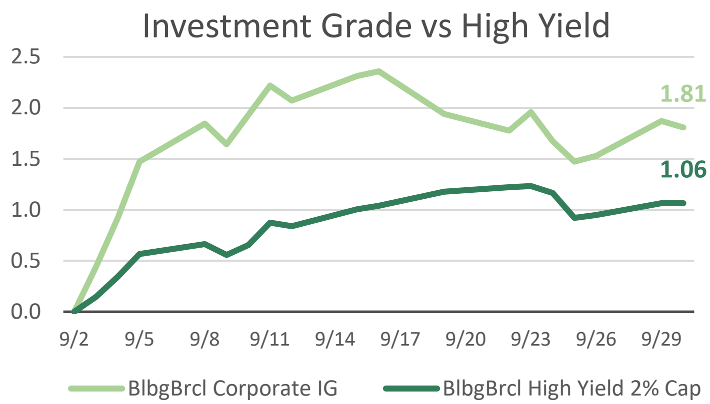
September 2025

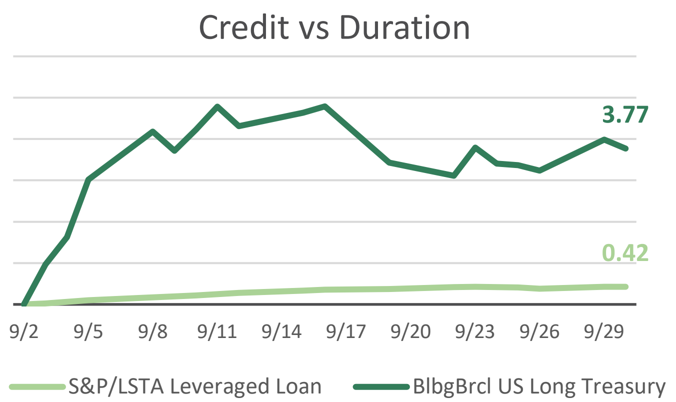
Bond Themes

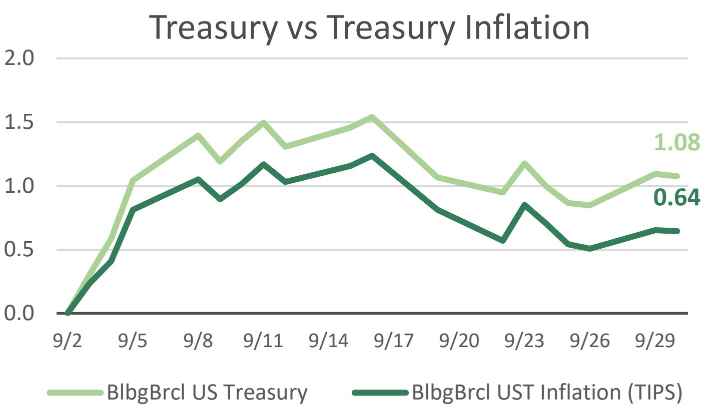
What Worked, What Didn't

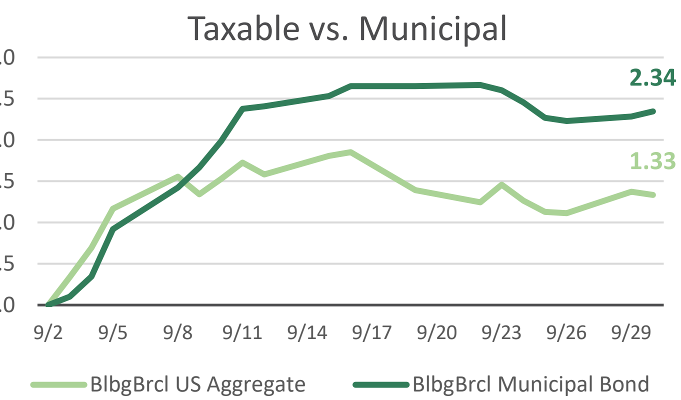
- **Long Duration Outperformed while Investment Grade Beat High Yield.** Short duration treasuries performed better in September outperforming long duration. Investment grade outperformed high yield during the month.
- **Duration Tops Credit while Treasuries Beat TIPS.** In September, duration outperformed credit while TIPS outperformed treasuries as the labor market shows signs of weakness.
- **Munis Beat Taxable and Domestic Outperforms International.** Municipal bonds outperformed taxable bonds, while domestic bonds outperformed their international peers in September.

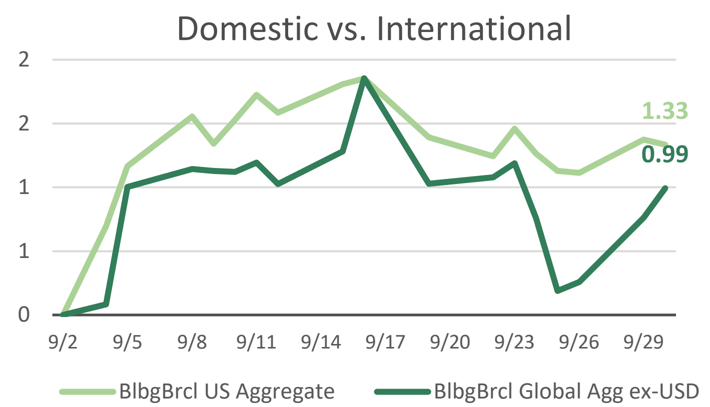












Source: Bloomberg.

September 2025

Asset Class Performance

The Importance of Diversification. From period to period there is no certainty what investment will be the best, or worst, performer. Diversification mitigates the risk of relying on any single investment and offers a host of long-term benefits, such as less portfolio volatility, improved risk-adjusted returns, and more effective compounding.

	Sep-02	Sep-03	Sep-04	Sep-05	Sep-08	Sep-09	Sep-10	Sep-11	Sep-12	Sep-15	Sep-16	Sep-19	Sep-22	Sep-23	Sep-24	Sep-25	Sep-26	Sep-29	Sep-30	Sep	YTD	
High	EM -0.08	LCG 1.00	SCV 1.27	EM 1.20	IEQ 1.00	EM 0.55	EM 0.68	SCG 1.94	LCG 0.33	LCG 0.96	EM 0.74	LCG 0.97	LCG 0.86	RE 0.68	HYB -0.14	USB -0.14	MCV 1.06	EM 0.91	RE 0.44	EM 7.19	EM 29.92	High
	HYB -0.11	IBD 0.47	SCG 1.17	IBD 1.10	EM 0.91	LCG 0.32	LCG 0.66	RE 1.64	EM -0.06	EM 0.73	IBD 0.68	HYB 0.04	SCG 0.79	MCV 0.22	USB -0.19	RE -0.27	RE 1.03	MCG 0.44	IEQ 0.41	LCG 6.15	IEQ 26.66	
	USB -0.26	EM 0.38	MCV 0.99	RE 1.09	MCG 0.67	LCV 0.11	USB 0.20	SCV 1.62	USB -0.09	IEQ 0.67	USB 0.04	USB 0.00	EM 0.49	USB 0.16	LCV -0.20	HYB -0.28	SCG 0.97	IEQ 0.39	LCG 0.40	SCG 4.74	LCG 17.68	
	LCV -0.51	USB 0.36	LCG 0.89	SCG 0.55	LCG 0.57	MCG 0.03	60/40 0.12	MCV 1.60	HYB -0.10	SCG 0.48	SCG 0.04	60/40 -0.10	IBD 0.46	LCV 0.07	SCV -0.28	LCV -0.46	SCV 0.89	LCG 0.37	EM 0.39	IEQ 3.08	IBD 15.78	
	SCV -0.53	60/40 0.28	LCV 0.82	USB 0.47	60/40 0.44	60/40 -0.11	HYB 0.07	EM 1.46	IBD -0.15	IBD 0.40	60/40 -0.03	MCG -0.17	MCG 0.41	IBD 0.06	MCV -0.30	60/40 -0.48	MCG 0.88	IBD 0.34	MCV 0.23	60/40 2.71	60/40 14.39	
	SCG -0.59	HYB 0.27	MCG 0.80	SCV 0.45	SCG 0.40	HYB -0.11	IBD 0.03	LCV 1.31	60/40 -0.26	SCV 0.39	HYB -0.07	LCV -0.17	IEQ 0.32	EM 0.06	EM -0.34	LCG -0.51	LCV 0.84	MCV 0.33	LCV 0.18	SCV 2.59	MCG 12.29	
	60/40 -0.59	IEQ 0.15	IEQ 0.73	IEQ 0.45	IBD 0.34	RE -0.19	IEQ -0.02	MCG 1.24	IEQ -0.40	60/40 0.36	LCV -0.08	EM -0.23	SCV 0.32	SCV -0.06	60/40 -0.42	EM -0.58	IEQ 0.77	60/40 0.30	60/40 0.16	LCV 1.94	SCG 11.62	
	MCV -0.69	RE 0.06	RE 0.71	60/40 0.39	USB 0.34	USB -0.20	SCV -0.03	IEQ 1.06	RE -0.48	HYB 0.28	LCG -0.17	IEQ -0.39	60/40 0.19	HYB -0.07	LCG -0.54	IEQ -0.71	60/40 0.45	SCG 0.21	SCV 0.14	MCV 1.89	LCV 11.58	
	MCG -0.73	LCV -0.07	60/40 0.56	MCV 0.29	MCV 0.07	IEQ -0.33	MCV -0.14	60/40 0.79	LCV -0.60	MCG 0.18	MCV -0.21	IBD -0.43	HYB 0.07	60/40 -0.09	IEQ -0.58	MCV -0.78	LCG 0.43	USB 0.19	IBD 0.09	RE 1.80	SCV 9.50	
	LCG -0.88	SCV -0.08	USB 0.40	HYB 0.05	HYB 0.00	IBD -0.34	RE -0.14	LCG 0.53	MCG -0.71	USB 0.17	SCV -0.24	SCG -0.44	RE 0.03	IEQ -0.19	IBD -0.62	IBD -0.81	IBD 0.41	HYB 0.17	SCG 0.05	IBD 1.64	MCV 9.35	
	IEQ -0.98	SCG -0.12	HYB 0.27	MCG 0.00	SCV -0.03	SCG -0.40	MCG -0.21	IBD 0.28	MCV -0.85	LCV -0.04	IEQ -0.28	MCV -0.47	MCV -0.06	SCG -0.27	RE -1.00	MCG -0.82	HYB 0.20	LCV 0.12	USB -0.01	USB 1.40	HYB 7.47	
	IBD -1.06	MCG -0.16	IBD 0.03	LCG -0.17	LCV -0.04	MCV -0.49	LCV -0.25	HYB 0.25	SCG -0.90	RE -0.16	RE -0.48	RE -0.57	USB -0.12	MCG -0.74	MCG -1.21	SCV -1.00	USB 0.07	RE 0.09	HYB -0.04	HYB 1.00	USB 6.46	
Low	RE -1.71	MCV -0.17	EM -0.32	LCV -0.25	RE -0.58	SCV -0.70	SCG -0.36	USB 0.19	SCV -1.09	MCV -0.17	MCG -0.52	SCV -1.14	LCV -0.14	LCG -1.05	SCG -1.45	SCG -1.02	EM -0.19	SCV -0.06	MCG -0.52	MCG 0.47	RE 5.98	Low

Legend

- 60/40 Allocation (60/40)
- Large Growth (LCG)
- Large Value (LCV)
- Mid Growth (MCG)
- Mid Value (MCV)
- Small Growth (SCG)
- Small Value (SCV)
- Intl Equity (IEQ)
- Emg Markets (EM)
- U.S. Bonds (USB)
- High Yield Bond (HYB)
- Intl Bonds (IBD)
- Real Estate (RE)

Source: Sources for this market commentary derived from Bloomberg. Asset-class performance is presented by using market returns from an exchange-traded fund (ETF) proxy that best represents its respective broad asset class. Returns shown are net of fund fees and do not necessarily represent performance of specific mutual funds and/or exchange-traded funds recommended by Prime Capital Financial. The performance of those funds in September may be substantially different than the performance of the broad asset classes and to proxy ETFs represented here. U.S. Bonds (iShares Core U.S. Aggregate Bond ETF); High-Yield Bond (iShares iBoxx $ High Yield Corporate Bond ETF); Intl Bonds (SPDR® Bloomberg Barclays International Corporate Bond ETF); Large Growth (iShares Russell 1000 Growth ETF); Large Value (iShares Russell 1000 Value ETF); Mid Growth (iShares Russell Mid-Cap Growth ETF); Mid Value (iShares Russell Mid-Cap Value ETF); Small Growth (iShares Russell 2000 Growth ETF); Small Value (iShares Russell 2000 Value ETF); Intl Equity (iShares MSCI EAFE ETF); Emg Markets (iShares MSCI Emerging Markets ETF); and Real Estate (iShares U.S. Real Estate ETF). The return displayed as “Allocation” is a weighted average of the ETF proxies shown as represented by: 30% U.S. Bonds, 5% International Bonds, 5% High Yield Bonds, 10% Large Growth, 10% Large Value, 4% Mid Growth, 4% Mid Value, 2% Small Growth, 2% Small Value, 18% International Stock, 7% Emerging Markets, 3% Real Estate. 080223006 - MAH