



QUARTERLY MARKET REVIEW • RETROSPECTIVE

Third Quarter 2025

Stocks set a series of record highs as company earnings stayed strong and the Federal Reserve resumed cutting interest rates.

Data as of September 30, 2025 | Retrospective review prepared October 2026
catalystfg.com | (832) 657-7735

THE QUARTER AT A GLANCE

Record highs and a return to rate cuts

+7.8%**S&P 500**

Price return for the quarter,
ending at a record high

+11.2%**NASDAQ COMPOSITE**

Price return for the quarter

4.00%–4.25%**FED FUNDS TARGET**

After the Sept. 17 cut, the first
of 2025

2.9%**INFLATION (CPI)**

August, year over year, up
from 2.3% in April

01**Record after record.**

The S&P; 500, Nasdaq, and Dow all reached new highs, and the S&P; 500 ended September at a record.

02**The Fed cut again.**

With hiring slowing, the Fed cut rates by a quarter point in September, its first cut since December 2024.

03**Tariffs nudged prices up.**

Inflation rose gradually as the costs of tariffs began to reach consumers.

U.S. STOCKS

Stocks climbed to a series of record highs

The S&P; 500 gained 7.8% in the third quarter, the Nasdaq rose 11.2%, and the Dow Jones Industrial Average rose 5.2%. All three reached record highs during the quarter.

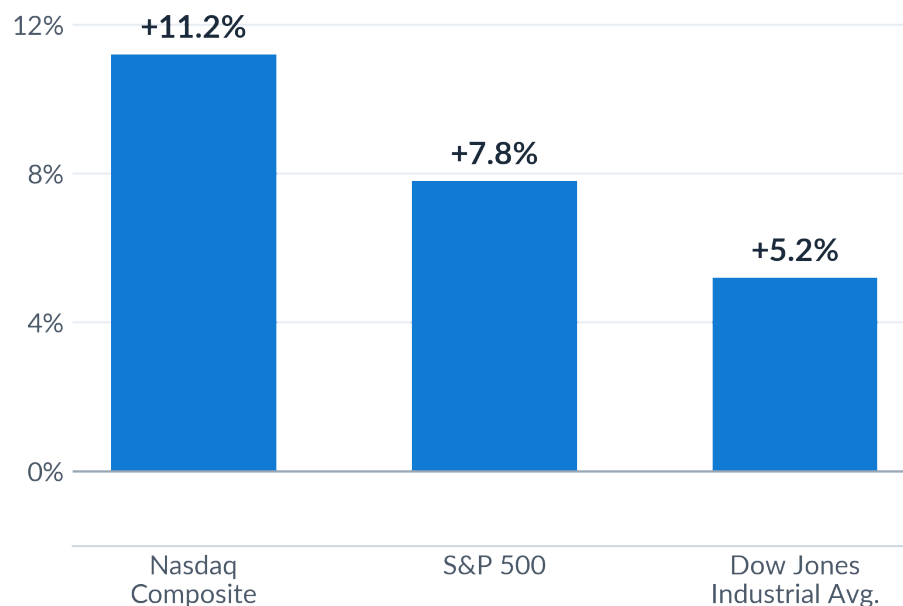
Strong company earnings, especially from large technology firms investing heavily in artificial intelligence, supported the rally. Trade tensions eased as the U.S. reached agreements with several major trading partners, and the prospect of lower interest rates gave stocks an additional lift.

Through September, the S&P; 500 was up about 14% for the year, despite the steep decline in April.

WHY IT MATTERS

Six months earlier, many investors were bracing for a bear market. Instead, stocks reached new highs. Short-term fear is a poor guide to long-term results.

Third-quarter price returns, major U.S. indexes



Source: S&P Dow Jones Indices; Nasdaq. Price returns, June 30 to September 30, 2025. Indexes are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results.

INTEREST RATES AND THE FED

The Fed resumed cutting rates as hiring slowed

On September 17, the Federal Reserve cut its benchmark rate by a quarter point, to 4.00% to 4.25%, its first cut of 2025. Officials pointed to a slowing job market and signaled more cuts were likely before year-end.

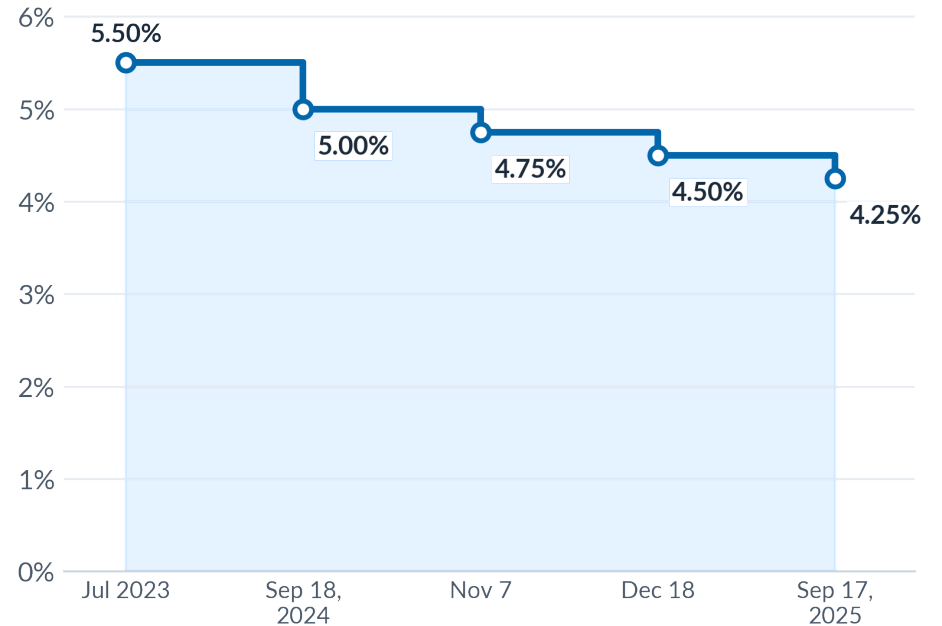
The 10-year Treasury yield eased from 4.24% at the end of June to 4.16% at the end of September.

Bonds posted solid gains as yields drifted lower.

WHY IT MATTERS

Lower short-term rates gradually reduce what savers earn on cash and CDs. For anyone holding a large cash balance, it can be worth reviewing how that money fits into a long-term plan.

Federal funds target rate (upper bound), 2023–2025



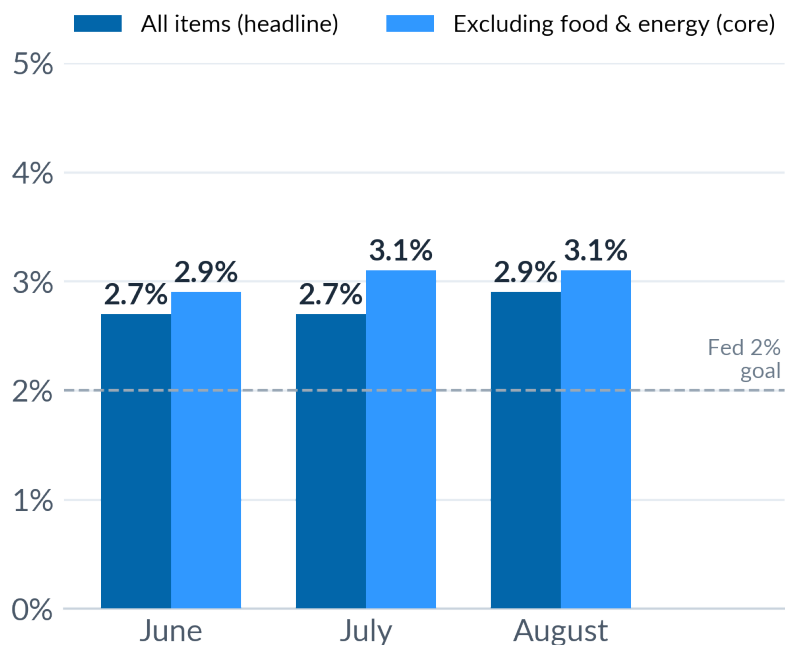
Source: Board of Governors of the Federal Reserve System, FOMC statements. Upper bound of the target range after each change.

INFLATION AND OIL

Inflation drifted higher as tariff costs began to show up

Overall inflation rose to 2.9% in August, up from a low of 2.3% in April, as the costs of tariffs began to reach consumers. Core inflation, which leaves out food and energy, held at 3.1%.

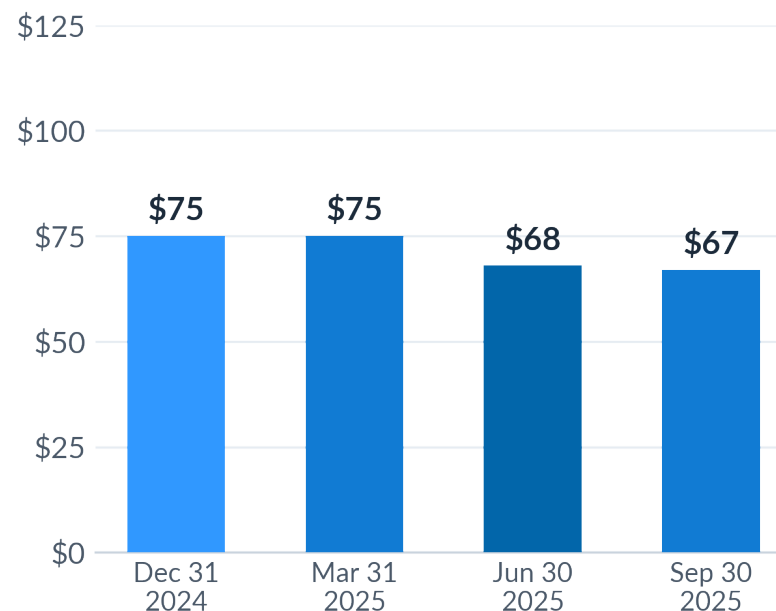
Consumer price inflation, year over year



Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers.

Oil prices were steady through the quarter, as rising production from major oil-producing countries offset geopolitical risks. Brent crude ended September near \$67 a barrel, about where it began the quarter.

Brent crude oil futures, dollars per barrel



Source: ICE Futures Europe, Brent front-month settlement prices at each quarter-end.

LOOKING BACK

What came next

A record government shutdown

A 43-day federal government shutdown, the longest in U.S. history, ran from October 1 to November 12, 2025, delaying some economic data.

A strong finish

The S&P; 500 finished 2025 up about 16%, its third straight year of double-digit gains.

Two more cuts

The Fed cut rates in October and December 2025, ending the year at 3.50%–3.75%.

Rates reversed in 2026

Renewed inflation pressure from higher oil prices led the Fed to raise rates in September 2026.

KEEPING PERSPECTIVE

The third quarter of 2025 rewarded investors who stayed invested through the spring's turmoil. Conditions can shift quickly in both directions, which is why we focus on long-term plans rather than short-term predictions. Past performance is not a guarantee of future results.

IMPORTANT INFORMATION

Definitions, sources, and disclosures

Definitions. The S&P 500 tracks 500 large U.S. companies. The Nasdaq Composite includes more than 3,000 stocks listed on the Nasdaq exchange and is weighted toward technology. The Dow Jones Industrial Average tracks 30 large U.S. companies. The 10-year Treasury yield is the annual return on a 10-year U.S. government bond held to maturity. The Consumer Price Index (CPI) measures changes in prices paid by urban consumers; core CPI excludes food and energy. Brent crude is the main global benchmark for oil prices. The federal funds rate is the Federal Reserve's benchmark short-term interest rate.

Sources. S&P Dow Jones Indices; Nasdaq; Board of Governors of the Federal Reserve System (FOMC statements, H.15 Selected Interest Rates); U.S. Department of the Treasury; ICE Futures Europe; U.S. Bureau of Labor Statistics. Data as of September 30, 2025, unless otherwise noted. The "Looking back" page reflects data through September 2026.

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