JEMMA
FINANCIAL SERVICES

RATES LOWER, STOCKS HIGHER, WHAT'S NEXT?

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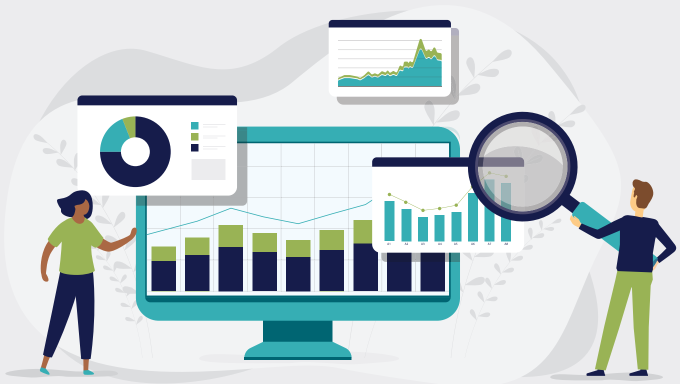

In the third quarter of 2025, equity markets delivered strong results across the board. The S&P 500 gained 8%, the Dow Jones rose nearly 6%, the Nasdaq jumped 11%, and international stocks, as tracked by the MSCI EAFE Index, advanced 5%.

The rally was fueled by the Federal Reserve rate cut in September, as investors anticipated easier monetary policy would lower borrowing costs and support corporate profits, consumer demand and economic growth. Optimism around artificial intelligence and technology also played a role, with investors continuing to reward companies seen as leaders in innovation and productivity gains.

At the same time, corporate results proved more resilient than expected—earnings growth came in stronger across several sectors, balance sheets remained healthy, and companies showed an ability to manage costs despite ongoing inflationary pressures. Finally, the U.S. gross domestic product rose 3.8% in the second quarter,[1] which was higher than previously thought due to stronger-than-expected consumer spending.

For the year, the S&P 500 has increased 15% through September, while the MSCI EAFE Index of international stocks has risen 25%. With the tech rally fueling the S&P 500's strong return, it's no surprise that stocks in the Communication Services and Technology sectors increased the most so far in 2025. Both sectors have rallied more than 20% on a year-to-date basis through September. On the other hand, the weakest sectors have been Health Care and Consumer Staples, gaining less than 4% each.

Given strong market performance for the past three years, uneven sector returns may have unintentionally increased your portfolio's exposure to more growth-oriented stocks, especially technology companies. For example, the top 10 stocks in the S&P 500 are primarily tech-focused and currently make up 37% of the composition of the S&P 500! Regularly rebalancing your portfolio can help reduce risk and improve long-term outcomes by staying diversified. Your Jemma Financial Advisor is always available to ensure that your portfolio stays aligned with your short- and long-term goals.

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1 Bureau of Economic Analysis.

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