



The September Effect
Market Commentary 2025

Markets brace for the September Effect, but optimism builds toward year-end.

Markets have continued to deliver solid returns this year and through to September, with further gains still possible – into year-end – barring any major geopolitical shocks.



As noted in January, the year remains on track to close in positive territory.

The September Effect

September is historically the weakest month of the year for equities, with the S&P 500 averaging a 1.1% decline since 1928. Explanations range from post-summer rebalancing and fiscal year-end mutual fund adjustments to a surge in bond

issuance after the summer lull.

This year's backdrop includes trade disputes, inflation concerns, weakening labour data, and political pressure on the U.S. Federal Reserve. These raise short-term caution, though underlying corporate and sector fundamentals remain supportive.

Current Market Signals

- Labour market: The August jobs report showed just 22,000 new jobs, with unemployment rising to 4.3% (U-3) and broader unemployment at 8.1%.
- Monetary policy: Slowing GDP growth and weak payroll data provide scope for a September Fed rate cut. The yield curve has steepened, but 10-year rates are unlikely to fall much below 4% unless conditions worsen.
- Political influence: Continued attempts by the U.S. administration to sway the central bank could undermine global confidence in Treasuries, with ripple effects across portfolios.

Reasons for Optimism

Despite near-term volatility, the medium-term outlook remains constructive:

Earnings strength: Over 80% of S&P 500 companies beat second-quarter expectations, with earnings up more than 12%. Analysts have even raised Q3 forecasts—the first increase in over a year.

Technology & AI: Robust demand for AI continues to support growth across technology, with global tech earnings projected to grow by double digits this year and next.

Rate cuts: The Fed is expected to reduce rates by as much as 50 bps this year, which should ease financing costs and encourage equity inflows. Historically, rate cuts during growth periods have supported positive returns.

Market projections: UBS targets the S&P 500 at 6,800 by mid-2026, implying further upside from current levels.

Clients I invested for in the Defence sector with ETFs, WisdomTree and VanEck have seen exceptional returns. I expect this to continue as contracts with the major arms manufacturers and supporting industries sign supply contracts with the various governments continue to ramp up.

Summary

September often challenges investors, but the longer-term picture remains encouraging. Strong earnings, healthy sector demand, and likely monetary easing provide a supportive backdrop for staying invested.

If you'd like to review how your portfolio is positioned in this environment, please feel free to get in touch through the usual channels.

Best regards,

Chris Simmons

Simmons Consulting