

Weekly Newsletter

September 19th 2025

MUSINGS

"Show me the incentive and I'll show you the outcome."

Charlie Munger

LAST WEEK IN THE MARKETS

	Closing level	Weekly change	YTD change
S&P 500	6,664.36	1.22%	13.31%
Nasdaq Composite	22,631.48	2.21%	17.20%
10Y UST Yield	4.133	1.60%	-9.62%
Crude oil	62.40	-0.46%	-12.99%
Gold	3,684.98	1.15%	40.42%
DXY	97.65	0.03%	-9.98%
USD/INR	88.08	-0.19%	2.98%
Euro STOXX 50	5,466.50	1.30%	12.53%
India (Nifty)	25,327.05	0.85%	7.11%
Japan (Nikkei)	45,045.81	0.62%	12.91%
China (CSI 300)	4,501.92	-0.44%	14.41%
Saudi (TASI)	10,780.69	3.13%	-10.43%
Abu Dhabi (ADX)	10,128.14	1.14%	7.53%
Dubai (DFM)	6,023.20	-0.12%	16.76%

NEWS FROM THE MARKETS

The FOMC cut the fed funds target by 25 bps, citing moderating activity, a slowing jobs picture and inflation "somewhat elevated" but moving toward objective; committee language emphasized careful assessment of incoming data while reducing the balance sheet would continue. **Markets had almost fully priced a 25-bp cut** and therefore the announcement mainly validated the easing narrative and removed policy uncertainty rather than surprising investors with a more aggressive move. The Fed vote was nearly unanimous with one dissenter preferring a larger 50-bp cut.

The ECB held rates steady the week before markets were full convinced about U.S. easing; its communications were measured, noting inflation near the 2% target and a broadly "good" macro backdrop, implying less urgency to ease.

The BoE likewise paused at 4% and trimmed its QE stock slowly, signaling that UK policy is not yet in an easing cycle. That divergence between the Fed's action and the ECB/BoE pause influenced relative FX moves and cross-border flows into U.S. risk assets.

Short-term U.S. Treasury yields repriced lower following the Fed move. The front end fell most; longer maturities initially eased as well but to a lesser extent, leaving yield curve moves complex (the immediate steeper move came from front-end cuts). In Europe, unchanged ECB guidance limited large moves in euro area yields but cross-market flow still pressured the dollar and influenced global yields via demand shifts. Credit spreads tightened as risk premiums receded on the easing signal.

Global equities were generally higher. The Fed cut was the primary catalyst — lowering financing fears and supporting a re-rating of long-duration growth stocks. The U.S. market led with record and near-record prints on major indices; gains were concentrated in technology, select consumer discretionary names tied to product cycles (e.g., Apple) and AI beneficiaries, though cyclical pockets (industrial, some financials) also took part as liquidity conditions eased. European markets were more muted, reflecting regional policy caution and mixed growth signals.

Winners:

- Technology (large cap, AI-beneficiaries): multiple stocks rallied as rate cuts lift discounted cash-flow valuations and AI narratives remain powerful.
- Consumer discretionary (select hardware & premium brands): product cycles (like iPhone 17) and upgrade momentum helped key names.
- Precious metals / miners: gold strength supported miners and ETFs.

Losers / Pressured:

- Defensive yielders: some bond-proxy names that had rallied earlier gave up gains as the market rotated toward cyclical risk (though real estate still benefited from lower short rates).
- Some energy names: while some producers rallied on near-term supply disruption news, the broader sector faced downward price pressure from inventory and OPEC+ production dynamics, causing dispersion.

Across the “Magnificent Seven” cohort the picture was mixed: some names delivered gains tied to positive earnings/forward commentary or product catalysts, while others traded around valuation/AI investment concerns. Alphabet, Microsoft, Apple, Amazon and a number of large-cap tech names contributed meaningfully to the advance.

Apple shares received a lift as the iPhone 17 rolled into stores and early sales signals appeared stronger-than-expected, helping the stock during the week. Analysts quickly adjusted upgrades and targets, and Apple's move fed into a broader positive read-through for hardware and premium consumer electronics.

Tesla drew attention after high-profile upgrades that framed the company as an AI/robotics play (Optimus, robo-taxi potential). Upgrades pushed the stock higher, reflecting investors' willingness to ascribe long-dated option value to Tesla's non-vehicle businesses.

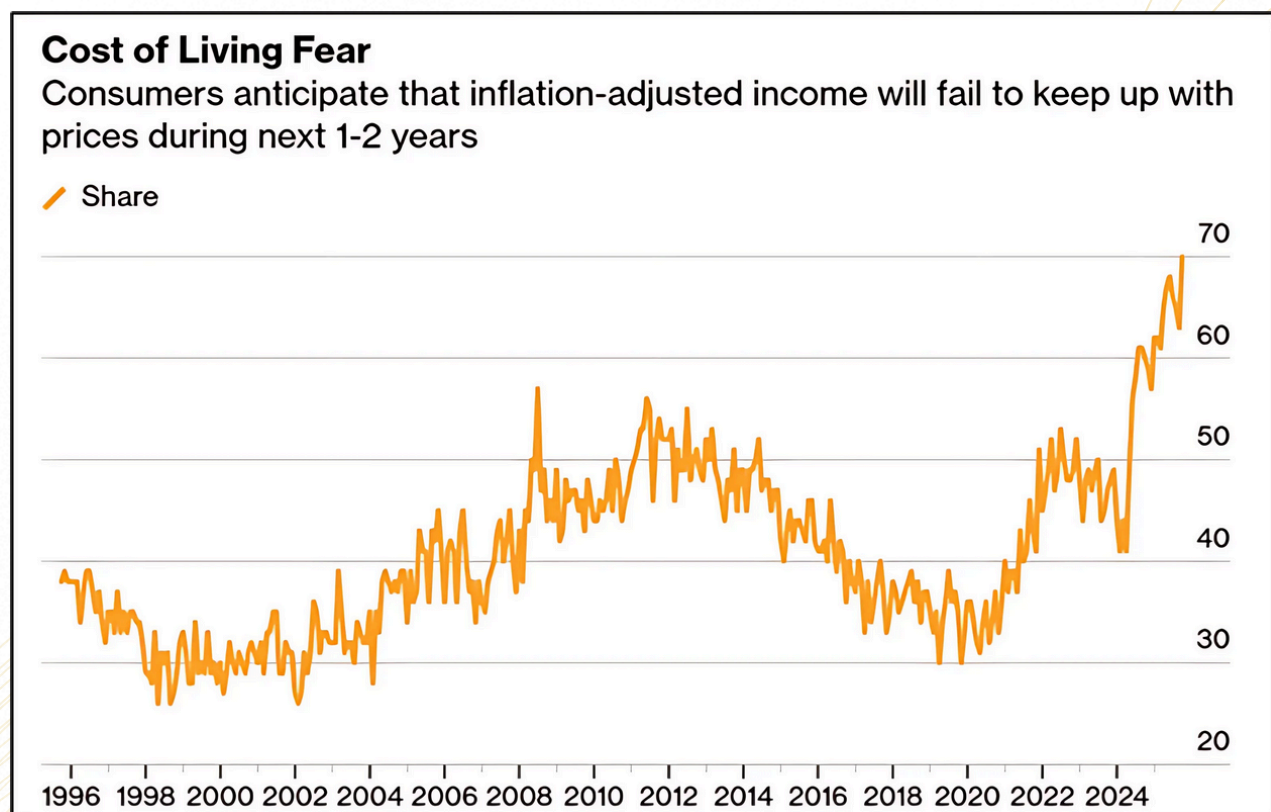
The USD weakened post-Fed as markets pivoted to an easing trajectory; that benefited dollar-priced commodities and EM FX to varying degrees. EUR and GBP saw mixed but generally firmer performance because their central banks remained on hold, reducing near-term policy rate dispersion concerns.

Oil markets saw two competing forces: (1) tactical supply disruptions (e.g., attacks in the Black Sea / Ukrainian-Russian theatre affecting Urals flows) that tightened nearby spreads and narrowed discounts for some Russian grades to Asia; and (2) medium-term forecasts from agencies projecting gradual price pressure downward due to inventory builds and production—leaving prices relatively range-bound but volatile to geopolitics. Those dynamics were reflected in regional price moves and shipping/freight rate changes.

KEY ECONOMIC EVENTS COMING THIS WEEK

Sep 22 nd	-
Sep 23 rd	<ul style="list-style-type: none">• Japan Markets Holiday (Equinox)• Saudi Markets Holiday (National Day)• Fed Chair Powell Speaks• US 2-Year Note Auction• Micron Earnings
Sep 24 th	<ul style="list-style-type: none">• US New Home Sales (Aug)• US 5-Year Note Auction
Sep 25 th	<ul style="list-style-type: none">• Swiss Interest Rate Decision• US GDP Q2• US Existing Home Sales (Aug)• US 7-Year Note Auction• Costco Earnings
Sep 26 th	<ul style="list-style-type: none">• US PCE (Aug)• US Consumer Inflation Expectations & Consumer Sentiment Readings

CHART OF THE WEEK



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