



Weekly Wire

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September 22, 2025

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U.S. Dollar Down, U.S. Stocks Up...Way Up

By Tim Holland, CFA

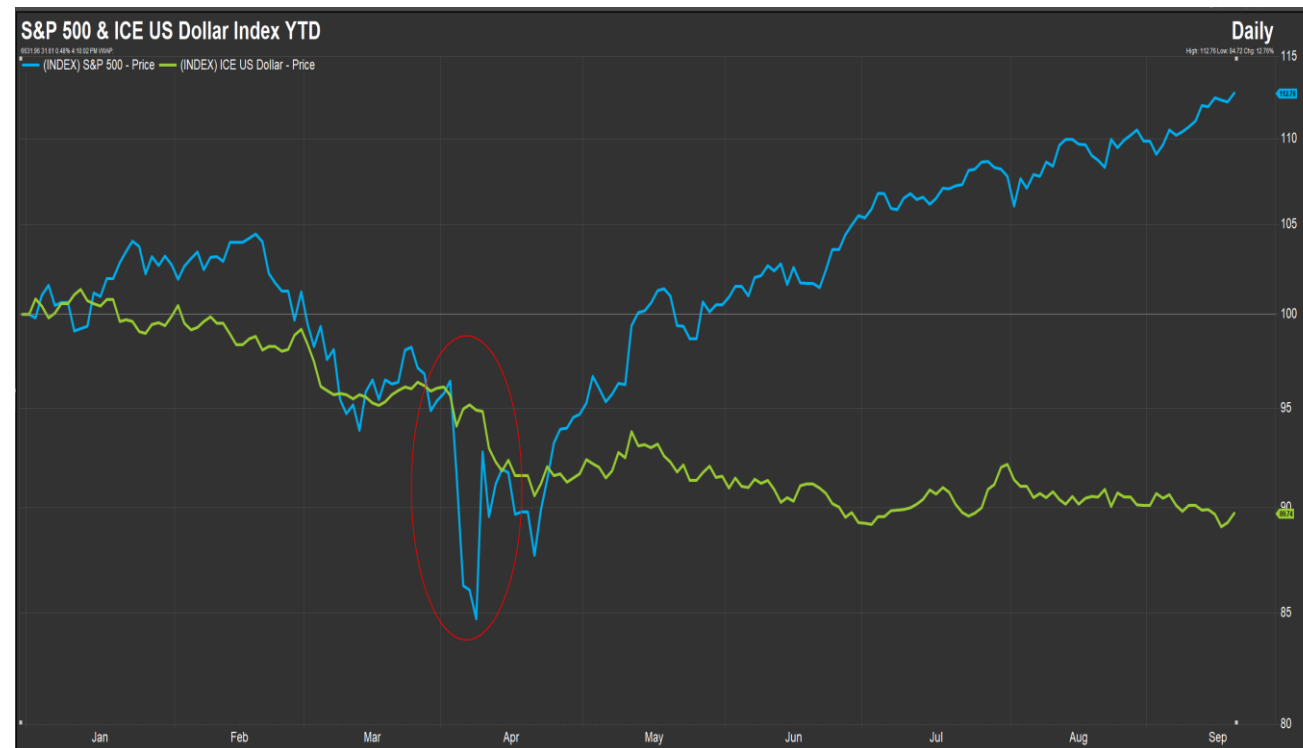
- More than a few folks have taken pen to paper more than a few times on the 2025 sell-off in the US dollar, including us. To quote Whitesnake, here we / I go again.
- The dollar, as measured by the ICE US dollar Index, is down 10% year to date and trading near its 2025 low, which coincides with its 3 ½ year low. While we don't know for sure why the US dollar is on the back foot (we would argue currency markets are opaque and identifying what factors are driving what currencies at what time is a difficult exercise) the more frequently mentioned factors include US trade and security policy uncertainty causing investors to reconsider exposure to US financial assets; US deficits necessitating more borrowing and thus the creation of more (and ultimately less valuable) dollars; lower US interest rates, following on the Fed's interest rate cut last week (higher rates tend to be supportive of a currency) and competitor nations, particularly China moving away from the dollar.
- While the performance of the US dollar is of great interest to us, as investors and asset allocators, our primary responsibility is to build portfolios or help our clients build portfolios that deliver the maximum rate of return for the risk taken. And as it concerns US equities and their relationship or lack of relationship with the US dollar, we have been of the mind that stocks can catch a bid regardless of what direction the dollar is trending, a topic we spoke to in our July 7th Weekly Wire, "US Dollar Up, US Dollar Down, US Dollar Sideways – US Stocks Higher Over Time" and a topic we wanted to revisit this week.
- Following on "Liberation Day," US stocks plunged and the dollar, which had been weak to start 2025, began another leg down (see chart, circle). However, as US stocks bottomed and began to trade higher on April 7th, the dollar did not catch a bid. To put a finer point on things, since April 7th US stocks, as measured by the S&P 500, are up 37% while the US dollar, as measured by the ICE US Dollar Index, is off 6% (see chart, far right). As the world's reserve currency, the dollar is of incredible importance to the global economy, particularly as it concerns trade. However, as history shows, US equities can – and often do – rally, even when the dollar falters.

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Source: FactSet, September 2025

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Looking Back to Last Week

By Ben Vaske, BFA™

Markets extended their positive run, with the S&P 500 gaining nearly 1% for its sixth positive week of the last seven. Year-to-date, the index is now up more than 14%, fully recovering from its April near-bear-market drawdown. September has historically been a difficult month for equities, yet performance so far has been strong across asset classes, styles, and geographies.

Equity leadership continues to broaden. Emerging markets have led Q3 returns, while US large caps have closed the gap on developed international. Small caps made headlines as the Russell 2000 notched its first new all-time high since November 2021, ending a drought of nearly 1,000 trading days. Bonds pulled back last week on higher rates, though the Bloomberg Agg remains up nearly 3% in Q3 and more than 6% YTD.

The Federal Reserve delivered the expected 25 bps cut to the Fed Funds rate last Wednesday. The decision pushed short-term rates lower while long-term yields rose, steepening the curve. The Fed also signaled two more cuts before year-end, guidance that markets have largely priced in. Retail sales surprised to the upside, rising 0.6% in August. Categories such as clothing and sporting goods benefited from back-to-school shopping, but the broader message was clear: the US consumer remains resilient, a critical underpinning for GDP growth.

Other market narratives remain striking. US tariff revenues reached a record \$31 billion in August, a 355% increase from a year ago, pushing the effective tariff rate above 17%, its highest in nearly 90 years. Meanwhile, retail investment flows into equities have been positive every week since late May, even as money market fund assets hit a record \$7.7 trillion. This growth in cash may signal caution, but it also represents dry powder that could be deployed during the next correction.

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Looking Ahead to This Week

It is a busy week for economic data. Flash services and manufacturing PMIs are expected to remain in expansion territory, while the third revision of Q2 GDP is due with no change anticipated. The Fed's preferred inflation measure, the PCE index, will be released Friday with headline expectations of 2.7% year-over-year growth. Longer-term yields, particularly the 10-year Treasury near the 4% threshold, will also be closely watched following last week's cut.

Earnings season is quiet but includes a few notable names, including Micron, Costco, and Accenture. According to FactSet, Q3 earnings are expected to grow 7.7% year-over-year, which would mark the ninth straight quarter of earnings growth.

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Stocks, Bonds, Alternatives, & Real Assets as of September 19, 2025

Security Name	Risk Score	1 Week	1 Month	QTD	YTD	1 Year	3 Year Ann.
Global Equities (60% US, 40% Intl)	100	0.92%	3.60%	7.30%	19.04%	19.01%	19.93%
S&P 500 Total Return	102	1.25%	4.08%	7.71%	14.39%	18.17%	21.35%
Dow Jones Industrial Average	97	1.10%	3.36%	5.48%	10.28%	12.11%	16.54%
NASDAQ 100 Total Return	122	2.23%	5.39%	8.75%	17.82%	25.02%	28.29%
TV Benchmark	107	1.52%	4.28%	7.31%	14.16%	18.43%	22.06%
Morningstar US Large Cap	102	1.65%	4.92%	8.79%	16.04%	20.85%	23.66%
Morningstar US Mid Cap	113	0.08%	1.96%	4.16%	9.58%	11.16%	13.68%
Morningstar US Small Cap	125	0.60%	4.52%	8.68%	9.50%	10.03%	12.97%
Morningstar US Value	98	0.39%	2.33%	5.27%	11.41%	9.54%	14.34%
Morningstar US Growth	126	1.31%	4.75%	6.99%	15.98%	23.79%	22.05%
MSCI ACWI Ex USA	98	0.46%	2.70%	6.46%	25.96%	19.81%	18.31%
MSCI EAFE	101	-0.18%	0.57%	4.09%	24.82%	16.35%	19.30%
MSCI EM	98	1.20%	5.75%	10.46%	27.66%	25.31%	15.98%
Bloomberg US Agg Bond Index	27	-0.19%	1.63%	2.09%	6.20%	2.62%	4.11%
Bloomberg High Yield Corp Bond Index	41	0.34%	1.65%	2.65%	7.34%	7.65%	9.94%
Bloomberg Commodity Index	70	-0.71%	3.85%	1.89%	7.52%	9.91%	0.61%
Wilshire Liquid Alternative Index	25	0.36%	1.73%	2.77%	5.56%	3.77%	5.28%
US Dollar	10	-0.19%	-0.83%	0.49%	-10.27%	-3.23%	-3.92%
Bloomberg US Treasury Bill 1-3mo	1	0.09%	0.40%	1.00%	3.15%	4.52%	4.86%

Source: Morningstar.

The TV Benchmark represents an average of the S&P 500, Dow Jones IA, and NASDAQ 100 return indexes

The Orion Risk Score represents risk relative to the global equity market.

Interest Rates as of September 19, 2025

Rate	This Week	1 Week
13-Wk Treasury Yield	3.88%	-0.05%
10-Yr Treasury Yield	4.14%	0.08%
Bloomberg US Agg Yield	4.36%	0.03%
Avg Money Mkt Yield	4.05%	-0.05%
Avg 30-Yr Mortgage Rate	6.39%	-0.14%

Sources: Yahoo Finance, S&P Global, Crane Data, BankRate

Key Economic Data Last Week

Data Point	Expectation	Actual
U.S. Retail Sales	0.3%	0.6%
Housing Starts	1.37M	1.31M
Building Permits	1.37M	1.31M
Federal Reserve Interest Rate Decision	25bp Cut	25bp Cut
U.S. Leading Economic Indicators	-0.2%	-0.5%

Source: MarketWatch, First Trust

Key Economic Data This Week

Data Point	Expectation	Release Date
S&P Flash U.S. Services PMI	53.8	9/23/25
S&P Flash U.S. Manufacturing PMI	51.5	9/23/25
New Home Sales	650,000	9/24/25
Q2 GDP (third estimate)	3.3%	9/25/25
Durable Goods Orders	-0.5%	9/25/25
Personal Consumption Expenditures (PCE) YoY	2.7%	9/26/25
Core PCE YoY	2.9%	9/26/25
Consumer Sentiment	55.4	9/26/25

Source: MarketWatch



Thank You

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As always, if you have any questions, we are here to help you navigate the path forward.

Please feel free to contact us at

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