ECONOMIC & INVESTMENT PERSPECTIVES

October 1, 2025

SEPTEMBER: STOCK & BOND RALLY CONTINUES

YTD GLOBAL PERFORMANCE REVIEW

Figure 1: 9/30/2025 Returns (source: FactSet, Morningstar)

Conditional formatting: green (high) to red (low) for each time period

Bonds	ETF	Month	QTR	YTD	1YR	vs. 52-wk High	vs. 52-wk Low
US Aggregate Fixed Income	AGG	1.1%	2.1%	6.2%	2.9%	-1.2%	4.7%
Investment Grade Corp Bonds	LQD	1.9%	2.8%	7.5%	3.1%	-1.6%	7.8%
U.S. 20+ YR Treasuries	TLT	3.6%	2.4%	5.3%	-4.9%	-10.0%	7.3%
Muni Bonds	MUB	2.2%	2.7%	2.1%	1.1%	-2.1%	6.2%
US High Yield	HYG	0.9%	2.1%	7.3%	7.2%	-0.2%	8.1%
Non-US Corp Bonds	IBND	0.6%	-0.3%	15.7%	8.2%	-1.8%	16.6%
Emerging Markets Bond LC	EMLC	1.1%	2.2%	15.0%	6.9%	-1.1%	11.2%
Global Equity							
ACWI Global Equity	ACWI	3.6%	7.5%	18.6%	17.5%	-0.8%	36.5%
ACWI Global Equity ex US	ACWX	3.6%	6.7%	26.4%	16.9%	-0.4%	32.7%
International Developed	EFA	2.1%	4.5%	25.6%	15.1%	-0.4%	29.4%
Emerging Markets	IEMG	6.2%	9.8%	27.8%	18.7%	-0.8%	39.4%
Global Equity by Region							
United States	VTI	3.4%	8.3%	14.3%	17.4%	-0.7%	38.8%
Europe	IEUR	2.1%	2.9%	28.6%	15.4%	-0.3%	28.1%
Asia ex-Japan	AAXJ	6.2%	10.4%	27.3%	18.8%	-1.3%	41.8%
China	MCHI	7.4%	19.5%	41.9%	33.1%	-0.7%	50.7%
Japan	BBJP	2.5%	7.3%	20.8%	15.0%	-2.0%	35.3%
Latin America	ILF	6.6%	10.2%	41.4%	18.7%	-0.7%	38.7%
US Equity							
US S&P 500	IVV	3.5%	8.1%	14.7%	17.5%	-0.2%	38.3%
NASDAQ 100 QQQ	QQQ	5.4%	9.0%	17.9%	23.7%	-0.4%	49.2%
US Large Growth	IWF	5.2%	10.4%	17.0%	25.3%	-1.0%	51.8%
US Large Value	IWD	1.4%	5.3%	11.4%	9.2%	-0.2%	24.8%
US Eqwt S&P 500	RSP	1.0%	4.8%	9.7%	7.7%	-0.4%	26.2%
US Mid Cap	IJH	0.5%	5.6%	5.7%	6.1%	-4.5%	30.1%
US Small Cap	IJR	1.0%	9.1%	4.2%	3.6%	-7.6%	33.2%

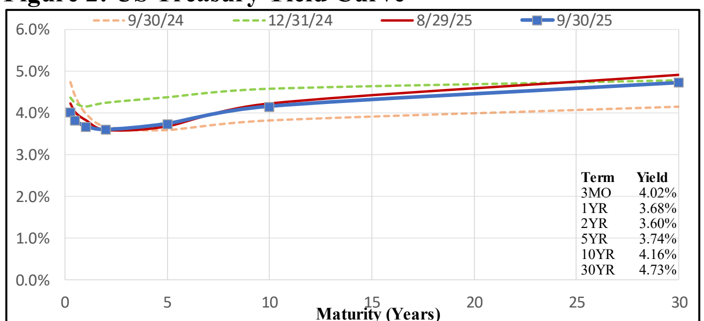
Stocks and bonds posted solid gains in September as the Fed cut short-term interest rates for the first time since December. Bond yields fell and stocks gained in the US, driven by strong earnings, lower interest rates, and more clarity on the administration's tariff policy. Performance highlights for the month and third quarter (Q3) are below; year-to-date returns are discussed on page 2.

- **Bonds:** The US Aggregate index (AGG) rose 1.1% this month (+2.1% Q3). Long-term Treasuries (TLT) are very sensitive to interest rates, rising 3.6% (+2.4% Q3). Corporate bonds (LQD) rose 1.9% (+2.8% Q3); high yield (HYG) underperformed. Non-US bonds offered similar returns as the dollar stabilized.
- **Global equity:** ACWI gained 3.6% this month (+7.5% Q3).
- **US Equity:** The broad market (VTI) rose 3.4% (+8.3% Q3); the S&P 500 (IVV) gained 3.5% (+8.1% Q3). Small stocks, which are highly sensitive to US economic growth and interest rates, underperformed as uncertainty remains (IJR +1.0%, +9.1% Q3). Sector returns continue to be led by tech stocks (XLK +7.5% this month, +11.4% Q3) and other AI related sectors (Communications, Consumer Discretionary, Utilities).
- **Non-US Equity:** Stocks outside of the US continue to post impressive returns. Developed market stocks (EFA) gained 2.1% in September (+4.5% Q3); stocks in Europe (IEUR) rose 2.1% (+2.9% Q3), and Japan (BBJP) gained 2.5% (+7.3% Q3). Emerging market stocks (IEMG) gained 6.2% (+9.8% Q3), led by gains in South Korea (EWY+10.9%, +11.6% Q3), Mexico (EWW +10.1%, +12.6% Q3) and China (MCHI +7.4%, +19.5% Q3), but stocks in India (INDA) and Australia (EWA) continue to underperform, likely due to lingering trade tensions with the US and global growth concerns.

Interest Rates and the Economy

Interest rates declined this month as the Federal Reserve (the Fed) cut short-term interest rates by 0.25% to a new Fed Funds Target range of 4.00-4.25%; this was the first cut since last December. Investors are now expecting one or two more 0.25% cuts this year and more in 2026, with a terminal rate around 3.00% (four or five more 0.25% rate cuts from the current level). These expectations are volatile, given significant uncertainty around the impact of tariffs on inflation and economic growth. The yield curve (Figure 2) plots the interest rates for various US Treasury maturities. US 10-year Treasuries now yield 4.16%.

Figure 2: US Treasury Yield Curve

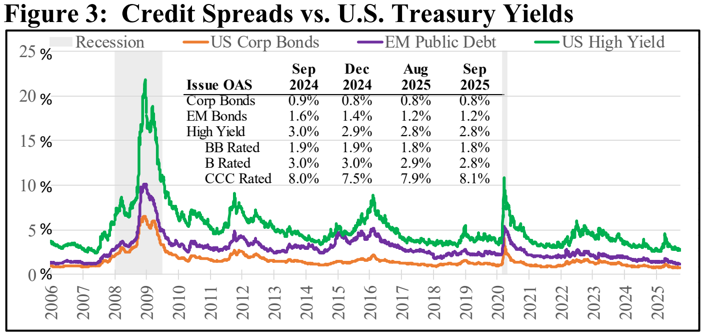


Source: Board of Governers of the Federal Reserve System via St. Louis Fed (FRED)

For bonds other than US Treasuries, we track the option-adjusted spread (OAS) between their yields and Treasuries of comparable maturities (Figure 3). Low or narrowing spreads signal optimism; high or widening spreads signal fear. Spreads remained historically tight in September, confirming investors' appetite for risk.

- Investment grade corporate bond spreads were steady at +0.8% and have been relatively stable over the past year.
- High yield (non-investment grade) spreads were stable at +2.8% but are down from +3.0% a year ago. Spreads of the riskiest bonds (rated CCC & below) widened to +8.1%, slightly wider than year-ago spreads of +8.0%.
- Emerging market spreads were steady at +1.2% but have narrowed over the past year; investors see low risk in EM debt.

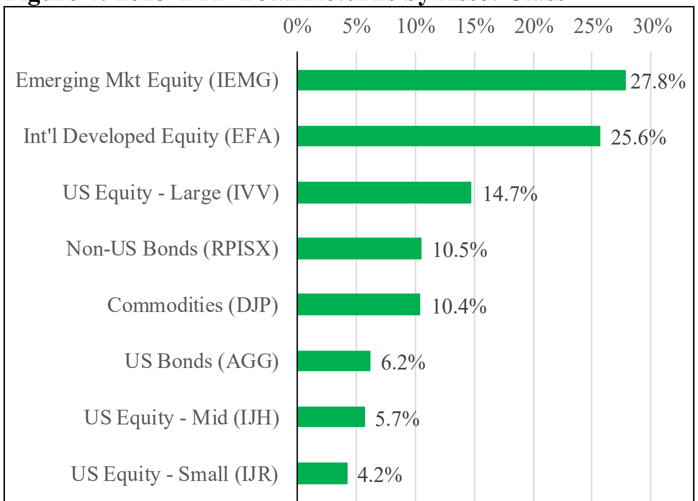
Figure 3: Credit Spreads vs. U.S. Treasury Yields



Global Perspective: YTD Returns

We are now three-quarters of the way through 2025! Stocks and bonds have staged an impressive rally from the April lows despite lingering uncertainty (tariffs, trade, interest rates, global growth, geopolitics, etc.). A review of the year-to-date (YTD) performance in the US and around the world is instructive. As discussed on page 1, US equities have staged a remarkable rally, with the S&P 500 now resting near all-time highs. While impressive, non-US returns have been even stronger, as illustrated in Figure 4.

Figure 4: 2025 YTD Total Returns by Asset Class

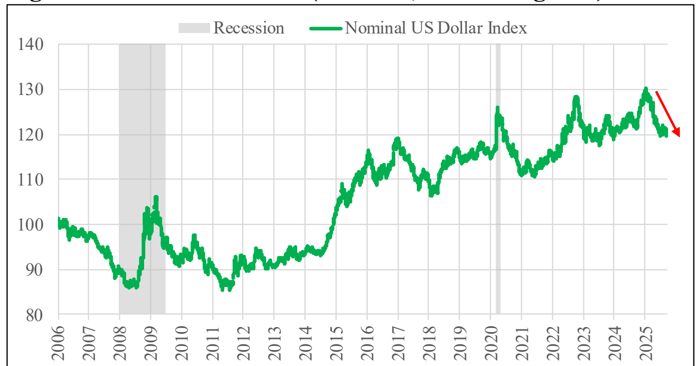


Source: FactSet

- As mentioned, the S&P 500 (IVV) reached an all-time high in September and is up 14.7% YTD, now 38% above April lows. Gains have been highly concentrated in the largest tech-oriented stocks, with muted gains for mid and small cap stocks.
- Emerging market stocks (IEMG) have outperformed dramatically this year, up 27.8% YTD, partially reversing years of underperformance: South Korea (EWY) is up an astonishing 57% YTD as political upheaval has stabilized; Latin American stocks are up over 40% this year, led by Mexico (EWW +48%) and Brazil (EWZ +40%); Chinese stocks (MCHI) have rebounded 42% YTD. After years of strong performance, India is the clear laggard this year (INDA -1% YTD).
- International developed market stocks are soaring as well (EFA +25.6% YTD): European equities (IEUR) are up 29%, Canada (BBCA) is up 25%, and Japan (BBJP) is up 21% YTD.
- Bonds are also generating excellent returns this year: US bonds have gained 6.2% this year as interest rates declined; non-US bonds have done even better, gaining over 10% YTD, led by equity-like returns for emerging market debt (EMLC +15%).
- Commodities are up 10.4%, led by precious metals (GLD +48% YTD) amid heightened uncertainty (tariffs/trade, inflation, global growth); oil prices are down (USO -2% YTD).

After years of underperformance, global diversification is paying off in 2025. We estimate that a balanced US portfolio (60% US stocks, 40% US bonds) is up about 10% this year, but a similar global portfolio is up 13-14% YTD. A significant portion of the recent outperformance of non-US stocks and bonds is due to the weakening of the US dollar relative to foreign currencies. As illustrated in Figure 5, the relative value of the US dollar has fallen measurably this year, partially reversing the uptrend since 2011. (Note: When investors buy or sell foreign assets, they do so in local currencies and are impacted by changes in exchange rates.)

Figure 5: US Dollar Index (nominal, trade-weighted)



Source: Board of Governers of the Federal Reserve System (via FRED)

US equity returns continue to be highly concentrated (Figure 6):

- The S&P 500 (IVV) is up nearly 15% YTD, but the average stock in the index (RSP) is up less than 10%. (Note: The S&P 500 index is weighted by the size or market value of the underlying stocks; the largest 10 stocks comprise 39% of the index.)
- Large growth stocks continue to surge, with the Nasdaq 100 (QQQ) up 18% and the Communications (XLC) and Technology (XLK) sectors up over 20%, riding the AI wave.
- Small and mid-sized stocks are underperforming significantly, as they are more sensitive to interest rates (because they issue more debt) and the US economy (fewer multi-national firms).

Figure 6: US Equity Returns (source: FactSet)

US Equity Size & Style	ETF	YTD	Current vs. 52-wk High	Current vs. 52-wk Low
US S&P 500	IVV	14.7%	-0.2%	38.3%
NASDAQ 100 QQQ	QQQ	17.9%	-0.4%	49.2%
US Large Growth	IWF	17.0%	-1.0%	51.8%
US Large Value	IWD	11.4%	-0.2%	24.8%
US Eqwt S&P 500	RSP	9.7%	-0.4%	26.2%
US Mid Cap	IJH	5.7%	-4.5%	30.1%
US Small Cap	IJR	4.2%	-7.6%	33.2%
US Equity Sectors		**(sorted)**		
Communications	XLC	23.4%	-1.0%	40.9%
Technology	XLK	21.8%	-0.4%	63.4%
Industrials	XLI	18.2%	-0.6%	36.8%
Utilities	XLU	17.6%	-0.5%	22.8%
Financials	XLF	12.6%	-1.2%	27.6%
Basic Materials	XLB	8.1%	-8.4%	22.6%
Cons Discretionary	XLY	7.5%	-1.5%	38.4%
Energy	XLE	6.9%	-8.8%	19.9%
Real Estate	XLRE	6.0%	-7.4%	17.8%
Health Care	XLV	2.5%	-10.2%	9.3%
Cons Staples	XLP	1.6%	-7.1%	3.7%

Bottom Line

Global stocks and bonds continue to rally, fueled by less uncertainty around tariffs (for now), lower interest rates, and solid earnings growth, especially tech stocks in the US and China. Global diversification is finally paying off as investors in non-US stocks and bonds have benefitted from the weaker US dollar this year. Whether this trend continues remains to be seen, but dollar cycles can last for years, leading to long performance trends of US versus non-US assets. We believe the dollar downtrend may have further to go, as the demand for dollars decreases with lower interest rates, slowing growth, and declining global trade.

The underperformance of smaller, more economically-sensitive stocks suggest that the US economy is slowing, while US political dysfunction and global geopolitics (trade wars and shooting wars) threaten growth and stability. Diversification remains critical.

Disclaimer:

ACIMA Private Wealth LLC (“ACIMA” or the “Firm”) is a federally registered investment adviser based in Richmond, Virginia since January 2016. The Firm is a fee-only investment advisory firm with the intent to provide exceptional service to high-net-worth individuals, families, trusts, charitable foundations and institutions. ACIMA’s purpose is to implement integrated wealth management solutions that meet the financial needs and reflect the personal values of our clients. For additional important information regarding ACIMA, its investment management services, compensation, conflicts of interest, and other matters, is contained in its disclosure document, Form ADV Part 2A and Wrap Fee Brochure. A copy of which is available on through the Firm’s website or upon request to the Chief Compliance Officer at (804) 422-8450.

The information and views contained in this document were prepared and compiled by ACIMA. The statements provided herein are based solely on the opinions of ACIMA and are solely for informational purposes only. It is not a research report, as such term is defined by applicable law and regulations, and is not a solicitation or an offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Any opinions provided herein should not be relied upon for investment decisions. The information contained herein was obtained from sources believed are reliable but has not been independently verified by ACIMA and for which no guarantee of accuracy is proffered.