

October 2025

We hope everyone is enjoying the start of fall! In a non-market related fun fact- the NFL season started on 9/4 and the AFC west was the only division in the NFL history where every team's head coach has previously been the head coach of a Super Bowl Team (source AP/MFS).

On to the markets...

According to Bloomberg, September historically has been the worst month for the US Stock market falling about 1% on average since 1971, however September 2025 was a different one for the history books. As of September 26th, the S&P 500 Index 500 was actually up 2.86% (source First Trust).

Tariffs have continued to remain in the headlines, however right now the market seems to be ignoring new announcements. This could be because at the beginning of September a federal appeals court ruled that most of President Donald Trump's global tariffs are illegal and only Congress has the authority to apply sweeping levies; the Supreme Court is expected to hear arguments at the beginning of November (source CNBC). Since the appeals court decision, Trump announced additional tariffs on branded pharmaceutical products, kitchen cabinets and upholstered furniture (MSN). We will have to see how it plays out as the year winds down.

We have continued to see a mixed bag of data on inflation while economists determine what, if any, impact the tariffs will have on inflation. According to a report from the US Bureau of Labor Statistics, wholesale prices unexpectedly declined 0.1% in August but consumer prices, which met expectations, were up 2.9% in August from a year earlier which was more than July's gain of 2.7%.

The Federal Reserve did vote to lower interest rates by 0.25% taking their benchmark rate to a range of 4-4.25% and cited a rising risk to the employment side of their dual mandate (source Wall Street Journal). In an odd twist, the release of updated forecasts on the path of rates, inflation, employment, and GDP (the so-called "dot plots") shows the Fed expects stronger employment but a higher inflation risk moving forward (source First Trust).

We are starting to see some data that shows a tale of two economies. The highest-earning 10% of Americans accounted for 49.2% of all spending in the second quarter, the highest portion since records began in 1989, according to a Moody's analysis of Federal Reserve data. The University of Michigan consumer sentiment survey receded in September, as expected. However, while sentiment declines came "across a broad swath of the population, including age groups, income levels, and education," said survey director Joanne Hsu, a key exception was sentiment for consumers with larger stock holdings held steady in September, while for those with smaller or no holdings, sentiment decreased."

As we head into October, one new item we will be watching is the threat of a government shutdown as Congress tries to pass a spending bill. While government shutdowns are not new, we have experienced 21 shutdowns since modern Congressional budgeting began in 1976 that have had an average length of 8 days with the longest being 34 days and the shortest 1 day. The

market doesn't like uncertainty and we could see a little volatility until it is resolved (source Invesco).

James M. Koehler, Senior Vice President
Financial Advisor
Senior Portfolio Manager
NMLS# 1316586
303 Lippincott Drive, Suite 300, Marlton, NJ 08053 856-489-2474

The views expressed herein are those of the author and do not necessarily reflect the views of Morgan Stanley Wealth Management or its affiliates. All opinions are subject to change without notice. Neither the information provided, nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. **Past performance is no guarantee of future results.**

The individuals mentioned as the Portfolio Management Team are Financial Advisors with Morgan Stanley participating in the Morgan Stanley Portfolio Management program. The Portfolio Management program is an investment advisory program in which the client's Financial Advisor invests the client's assets on a discretionary basis in a range of securities. The Portfolio Management program is described in the applicable Morgan Stanley ADV Part 2, available at www.morganstanley.com/ADV or from your Financial Advisor.

In this program the client pays a wrap fee to MSWM (the "MSWM Fee"), which covers MSWM investment advisory services, custody of securities (if we are the custodian), trade execution with or through MSWM, as well as compensation to any Financial Advisor. The Portfolio Management program fees are described in the applicable Morgan Stanley ADV Part 2, available at www.morganstanley.com/ADV or from your Financial Advisor.

The investments listed may not be appropriate for all investors. Morgan Stanley Smith Barney LLC recommends that investors independently evaluate particular investments and encourages investors to seek advice of a financial advisor. The appropriateness of a particular investment will depend upon an investor's individual circumstances and objectives.

Information contained herein has been obtained from sources considered to be reliable, but we do not guarantee their accuracy or completeness.

Indices are unmanaged. An investor cannot invest directly in an index.

For index, indicator and survey definitions in this report please visit the following:

<https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions>

Investments and services offered through Morgan Stanley Smith Barney LLC. Member SIPC

CRC 4862174 9/2025