Overview: The US Federal government shut down last week as the US Senate was unable to muster the votes required to pass a continuing resolution. Investors shrugged off the news. The ongoing rally resumed after pausing the prior week. Broader market averages all rose with the S&P500 up 1.1%, the NASDAQ Composite up 1.3%, and the DJIA up +0.6%, and the Russell 2000 up 1.4%. All the major indices reached new ATH's during the week. September was also positive despite being seasonally the weakest month of the year. The S&P500 was up +3.6% for the month and +8.2% for the 3Q. Most sectors advanced last week with Health Care (XLV, +6.9%) in the lead and finally pushing into the plus column YTD. Real Estate (XLRE, +4.6%) also very strong. Energy (XLE, -3.3%) the laggard. Risk was back on with ARK Innovation (ARKK, +6.3%) and Innovator Fifty (FFTY, +3.1%) both surging. AI plays continued to show strength with Marvell (MRVL, +3.7%) up for the 5th consecutive week, and surging 37% over the last 5 weeks. Nvidia (NVDA, +5.3%) set another ATH along with AI adjacent plays Vertiv (VRT), Mastec (MTZ), Constellation Energy (CEG), Ciena (CIEN), Quanta Services (PWR), TTM Technologies (TTMI), Micron Technology (MU) among others. The US 10-year fell 6bps w/w, to 4.12%. S&P500 futures up +0.2%, Dow Jones futures are up +0.2%, Nasdaq futures up +0.3% Sunday night.

Performance Summary: The pullback looked normal and natural the prior week though there was potential concern that market behavior could behave similar to precedent. The rally last week put down those concerns. Market indices remain in confirmed uptrend and remain stacked in normal relationships with the 10dma >21ema >50dma >200dma. The US Federal Government remained closed and a Senate vote failing on Thursday. The next vote is scheduled for Monday but there has been little movement by either side. China proposed $1T in US investments in exchange for changes in US policy such as lowering tariffs on inputs imported by Chinese factories built in the US and asking for US to oppose Taiwan independence versus "does not support" position of the Biden Administration. Trump and President Xi expected to have a side meeting at the Asia-Pacific Economic Cooperate (APEC) Conference in S. Korea at the end of October and lay the groundwork for a 5th round of US-China trade talks.

Vacuum of economic data due to government shutdown so no September employment data. Mixed economic data. ADP private payroll data were much weaker than expected in September, falling 32,000 after a sharp downward revision for August which also showed a contraction. Layoffs per Challenger data showed 56k layoffs in September down 37% from August and 26% y/y but still Q3 layoffs of 202k, the highest figures since Q3 of 2020 though GDP Now forecast from the Atlanta Fed showing +3.8% for Q3 as of 1Oct. However, August JOLTS job openings came in at 7.227M vs 7.100M expected and July openings were revised higher to 7.208M vs 7.181 previously. Job openings in construction fell -115,000 and in the

US Federal Government (-61,000). September consumer confidence was 94.2 vs 96.0 expected and 97.8 in August. Only 26.9% of workers aid jobs were plentiful down from 30.2% in August and 19.2% said jobs were hard to get, unchanged m/m. The September Dallas Fed Index came in at -8.7 vs 0.0 expected and -1.8 in August. September ISM for manufacturing came in line at 49.1 vs 49.4 expected and August at 48.7. Production rose to 51.0 from 47.8 while new orders index fell to 48.9 from 51.4 m/m. Prices index fell to 61.9 from 63.7. Employment index rose to 45.3 from 43.8.

US tax credits for electric vehicles expired last week. The coming expiration resulted in record Tesla vehicle deliveries.

Key events for the week ahead: Monday is a big day. Elon Musk, CEO of Tesla said that full self-driving version 14 will be announced though it may be pushed to Tuesday per a release on Tesla's X account. OpenAI is scheduled to hold a developers' conference and the US Senate is scheduled to vote on a ST bill to fund the Federal Government so it can reopen. Nvidia and Taiwan Semiconductor are scheduled to announce September sales on Thursday. The US Senate is expected to vote on a Federal Government funding bill on Monday.

Stock Market Today/Week: Oct 3, 2025

Index	**Level**	**Day change**	**Week Change**
S&P 500	6,715.79	+0.59%	+1.09%
S&P500 eq wt	191.25	+0.35%	+1.42%
Nasdaq Composite	22,780.51	-0.28%	+1.32%
Dow Jones Industrial Avg.	46,758.28	+0.51%	+1.10%
US 10 year	4.12%		-6bps

Source: Factset

All three market averages remained above the key 21-day exponential moving average and continue to be in a power trend. However, both the Nasdaq and the S&P500 are trading near 1 standard deviation below the trendline average showing some weakness so investors need to stay more vigilant. The Russell 2000 hit fresh 2025 highs and may finally see a sustained rally compared to rallies in recent years generally being "head fakes." There has been more debates about whether the market is entering a bubble. Really good article on that topic here: [Are AI Stocks In A Bubble? Here's What The Data Says. | Investor's Business Daily](). But as Nancy Tengler, CEO and CIO at Laffer Tengler Investments points out in the article linked above, it is that valuation measures are not very useful when there are major technological innovations impacting the economy. According to the article the average bull market lasts 59 months and delivers a return of 178% and that compares with the current bull market being 34 months old and has returned 81%. But the 1990s internet boom delivered a gain of 420% over 120 months. But this time around there are more changes on the horizon: AI, robotics, quantum computing, electric vehicles, space. Another point to keep in mind is that the Nasdaq tripled from the price it reached after the first 700 days of the 1990s bull market. And despite more technological change, the current bull market is underperforming the 2h 1990s bull market with a return of 75% after 700days ending 17Sept currently vs 103% for the 1990s first 700 days. Furthermore, the 1990s boom had many companies with nothing more than a website ending in ".com" while this time around the AI leaders are mega cap companies that are highly profitable and are funding investments out of free cash flow. Further market breadth is broader in 2025 than it was in 1999 with 58% of stocks higher in 2025 versus more than half being lower in 1999 according to databases from Investor's Business Daily. Nonetheless, concentration risk is real as just 10 stocks comprise over 40% of the weighting in the S&P500.

Source:

Bottom line, looking ahead the AI build out is not likely to go away any time soon with years yet to run. Earnings season likely to see renewed focus on hyperscaler capex and ROI along with tariffs.

This Past week bull-bear debate:

Bulls: Fed easing tail wind as market price in 80%+ probability of two more 25bp cuts this year per FedWatch - CME Group. Strong AI sentiment on CoreWeave to supply Meta with $14B in computing power. M&A strong: AES reportedly close to being acquired by Global Infrastructure Partners for $38B; Berkshire Hathaway acquiring OxyChem for $9.7B, Electronic Arts going private for $55B. Disinflation potential: Oil prices falling on latest speculation that OPEC will increase production again, house price growth slowed in July, ISM manufacturing prices paid fell to 8-month low in September, Pharma MFN pricing via manufacturing in-sourcing. Pick up in investment banking and new issues activity as Jefferies reported +20% IB revenues y/y. Record inflows to global equities over last three weeks. Q3 earnings expect to rise +8% y/y on tariff mitigation, hyperscalers cap ex.

Bears: US Government shutdown with no reopening in sight. Catalyst vacuum. ADP private payrolls much weaker than expected. Challenger layoffs for Q3 highest since Q3-2020. ISM Services contracted in September falling to lowest level since May2020. Fedspeak cautious on further easing. Concerns on lower income consumer spending. Trade headline risk as White House said it would pursue alternatives if SCOTUS strikes down certain levies under IEEPA.

The week ahead: Earnings reports are scarce with Tesla's quarterly delivery report due Thursday with a few earnings reports of consequences from Nike, Carnival, and Levi Strauss. Labor market in focus this week.

Upcoming calendar:

10/6 Tesla announcements on FSD, OpenAI developers conference, US Senate vote on Federal Government spending.

10/7 Fed speeches, Deutsche Bank fall macro conference,

10/8 FOMC minutes, Fed speeches.

10/9 Fed Chair Powell speech and other Fed speeches. Jobless claims if the Federal Government reopens. Nivida and Taiwan Semiconductor monthly sales.

10/3 Nonfarm payrolls for Sep: +54k expected vs 22k for Aug. Private Non-farm payrolls for Sep: 68.5K vs 38k in Aug. ISM Services PMI for Sep: 51,8 expected vs 52.0 Aug.

What to do now: Technical, fundamental, and macro factors continue to suggest that investors be heavily or fully invested. Nonetheless we remain vigilant on a variety of fronts that could impact positioning.

Appendix:

What kind of positive technical confirmations for a power trend per IBD ("Webby's rules"):

1. Follow through day (FTD)
2. Subsequent FTDs.
3. Close above 21-day exponential moving average (EMA).
4. Low above 21EMA.
5. 3 consecutive days with low above 21EMA.
6. Close above 50-day moving average (DMA).
7. Low above 50dma.
8. 3 consecutive days with low above 50dma.
9. Close above 200dma.
10. Low above 200dma.
11. 3 consecutive days low above 200dma.
12. 21ema moves above 50dma.
13. 21ema moves above 200dma.
14. 50dma moves above 200dma.

In the current rally as of 10/3/2025 every condition has been met.

Make it a good week,

John D. Edwards, CFA

Sr. Portfolio Manager – Infrastructure PLUS Equity Strategy

Disclaimer

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