Summer Update

Summer Was Action Packed!
We Have a Short Recap of Important Events for Everyone to Know!

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Purpose of These Reports

For those new to the committee, a select few in the Equity Research committee with refined market knowledge get together every week and consolidate important news events into short articles to keep everyone in SIG updated! We will create reports every week to help everyone support their investment research, and so we know what events are impacting financial markets.

The S&P 500 Continues Pushing Past All-Time Highs

The S&P index, which is composed of the top 500 publicly traded companies in the United States, has been on an upward trend ever since the April 9 dip when global tariffs were announced. As of October 3rd, the index has enjoyed a 14.44% increase YTD (Yahoo Finance). The growth can be attributed to the performance of tech stocks such as Tesla, Nvidia, Google, and other tech companies that hold larger positions in the index. Although the US economy has shown signs of a slowdown, like higher unemployment, negative labor market revisions, and inflation on the rise, investors are very bullish.

Revisions in Labor Statistics Lead to Pressure on Fed to Take Action

As students, we are aware of the ever-weakening labor market. Unemployment has been stagnant at around 4% and the underemployment rate has been steadily rising (at 8.1% as of 9.2025, Federal Reserve Data). If you don't already know, the Fed's job is to keep employment at a maximum and inflation as low as possible. Up until tariffs, inflation was getting closer to the Fed's 2% target, then tariffs hit in April. This put pressure on Jerome Powell and the Fed to decide which was the bigger evil, the stagnant unemployment or the possibility of inflation ramping up. This led to a delay in action from the Fed as Chairman Powell emphasized the need to be disciplined and patient with the situation at hand. In September, the Fed finally took action and cut rates to 4.00-4.25 basis points. Inflation has now begun to rise again, and with the government shutdown, we do not know the immediate effect of the rate cut on employment. The Fed has hinted at another rate cut by the end of the year, and markets are on board, with these cuts being priced into the market.

S&P 500 YTD Performance

Data from Yahoo Finance a/o 10/3/2025

US Stock Index Performances

Key Indices	YTD %	MTD %	Weekly %
S&P 500	13.76%	0.01%	0.01%
Nasdaq	17.40%	0.01%	0.01%
Dow Jones	10.0%	0.01%	0.01%

Data from Yahoo Finance a/o 10/3/2025

Government Shutdown and Market Reaction

Despite the shutdown of the federal government, investors seem to be confident in the financial markets. A government shutdown occurs when Congress fails to pass funding legislation before the next fiscal year, forcing federal agencies to suspend regular operations. The current shutdown resulted from budget disagreements in Congress, leading to a halt in the release of economic data. However, the political uncertainty has had little impact on markets. For example, major indices like the S&P 500 and Nasdaq remained relatively stable. Additionally, VIX, a common measure of volatility, has stayed low, reflecting investor optimism.

Historically, markets have been resilient during shutdowns, since investors have expected them to be short-lived and have limited long-term impact. If the shutdown prevails, it can impact economic data releases and also affect consumer/business confidence, leading to lower economic activity. However, for now, the market seems to be looking past the political noise.

The longest shutdown in U.S. history was 35 days in 2018, resulting from a dispute over border funding for the U.S.-Mexico border. This shutdown is due to a funding bill aimed at extending expiring tax credits, which will make healthcare more affordable for citizens. No updates have been made as of 10.9.

This shutdown has caused over 700,000+ government workers to be left working pay and a halt to federal jobs. Although the market hasn't made any response yet, we are not getting any labor market data for the month of September and are at risk of not getting inflation data by mid-October from the Bureau of Labor Statistics. This could be the reason markets have continued to surge; the weakening labor market might not be priced in yet.

Government Subsidy Cuts for Sustainable Industries

With the introduction of the "Big Beautiful Bill", deep cuts to government subsidies that contribute to sustainable initiatives will hurt different industries in many ways. Some notable hits are listed below:

- Electric vehicle subsidies from $7,500 - 40,000 per vehicle have been halted as of September, 2025.
- Solar and wind investment tax credits and production tax credits are being phased out.
- Electric vehicle charging infrastructure has lost a lot of funding

Clean energy and renewable projects depend heavily on long-term tax credits to be financially viable. Losing or phasing out those credits makes fewer projects profitable. That can stop planned projects from moving forward, delay new ones, or cause cancellations. This could potentially scare away a large portion of investors for the short term, further putting sustainable initiatives at risk.

This leads to many jobs being lost are lost. Clean energy industries employ many people in construction, manufacturing of solar panels, wind turbines, EVs, etc. The economic impact is drastic, with a worsening employment situation and prices of commodities like energy rising drastically.

The environmental impact is alarming too, with many activists warning that U.S. emissions will be higher than they would be under previous policy trajectories.

Disclosures Page

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