

## Market marches to record highs amid shutdown and dovish Fed expectations

The major averages advanced further into record territory this week, shrugging off the ongoing government shutdown and positioning themselves for additional gains.



The S&P 500 (+1.1%), Nasdaq Composite (+1.3%), and Dow Jones Industrial Average (+1.1%) all notched new record highs, while smaller-cap indices like the Russell 2000 (+1.7%) outperformed.

Economic data provided a mixed backdrop but reinforced the market's dovish Fed expectations. The September ADP Employment Change reported a decline of 32K private-sector jobs (Briefing.com consensus: 40K). Job openings increased to 7.227 million in August, and housing data remained soft. Notably, some economic data, including Friday's September Employment Situation Report, was not released due to the government shutdown. Overall, the data, combined with Fed commentary, bolstered expectations for further rate cuts this year. The CME FedWatch tool shows a 94.6% chance of a 25-basis-point cut at the October FOMC meeting and an 85.1% chance of

an additional cut in December.

Sector performance this week highlighted notable outperformance in health care (+6.8% WTD), fueled by continued gains in Pfizer after the TrumpRx initiative, Humana following positive Medicare Advantage guidance, and other large-cap peers. The information technology sector (+2.3%) also contributed to market leadership, aided by strength in chipmakers and NVIDIA's record-setting week. Tesla helped support the consumer discretionary sector (-0.8%), though it lagged late in the week after reporting Q3 deliveries. The utilities sector (+2.4%) also outperformed, while energy (-3.4%) faced headwinds from OPEC+ production expectations and lower crude oil prices.

The market's resilience, record highs, and dovish Fed expectations dominated the week's narrative, reinforcing confidence that additional easing could provide further tailwinds for equities heading into earnings season.

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