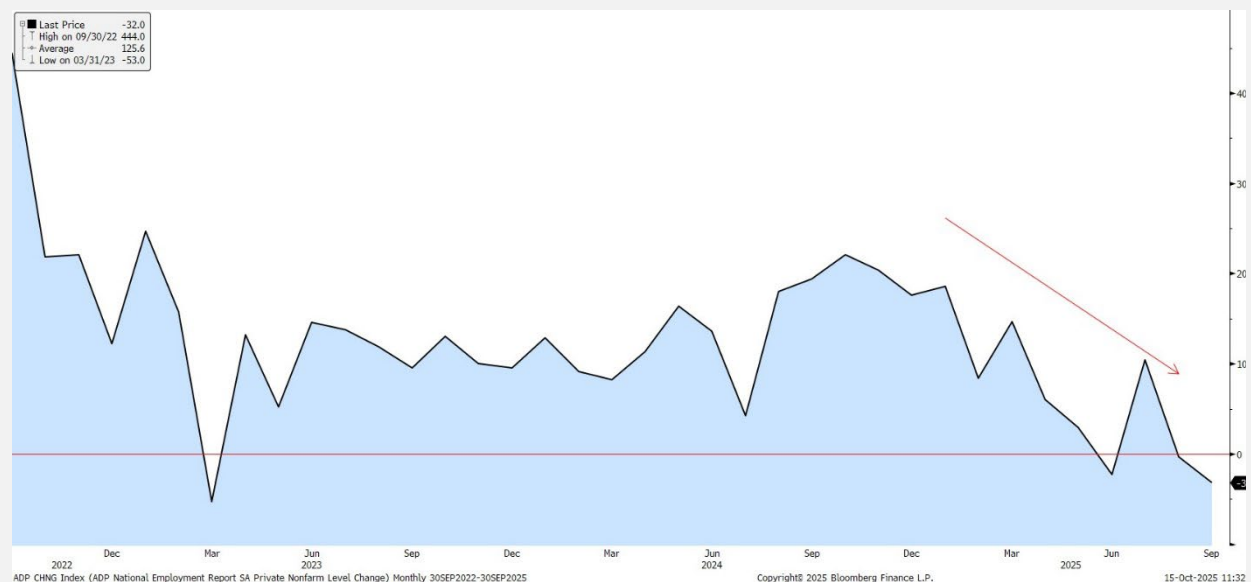


The S&P 500 dropped 2.7% on Friday after 48 days without even a 1% daily decline for the index (an unusually long stretch). The impetus for the drop was renewed trade tensions as President Trump threatened to raise tariffs on Chinese imports in response to Beijing's tightened controls on exports of rare earth metals, where they have a stranglehold that they increasingly seem bent on leveraging. Over the weekend, President Trump softened his stance, helping fuel an equity rebound. Still, we expect the back and forth to continue over the next few weeks as the two nations jostle for position ahead of a scheduled meeting between Presidents Trump and Xi on October 31. Additional headlines before then may unearth some more market volatility, particularly given elevated valuations at the index level and recent signs of complacency.

Negotiations closer to home between Congressional lawmakers are also at an impasse, and prediction markets suggest the ongoing Federal government shutdown, already now the fourth-longest on record, will last at least a few more weeks. Traditionally, financial markets have looked past shutdowns, but investors may start to fret about potential economic implications (missed payroll checks, service interruptions, etc.) the longer the shutdown drags on. The lack of government data releases leaves investors and the Federal Reserve more reliant on alternative data sources. For the labor market, the ADP private payroll report for September reported 33k jobs were lost in the month - the weakest reading since early 2020. In addition, Indeed job postings continued to moderate in September, down 2.5% from August and 7% year-over-year. With the labor market continuing to moderate, we expect the Fed to cut interest rates again at its next meeting on October 29.

### The ADP jobs report showed the private sector lost 32,000 jobs in September



Lower rates should eventually help the stalled labor and housing markets, which are contributing to the K-shaped economy, with wealthier households benefiting from strong asset prices while lower-income

households struggle with higher costs and more exposure to variable-rate debt. Delta Airlines highlighted this divergence in their third quarter earnings report, with premium seat revenue up 9%, while main cabin sales fell 4%. In addition, with solid economic growth and equity markets near all-time highs, it is surprising to see the auto loan delinquency rates climbing and the percentage of subprime loans that are 60 days or more overdue at an all-time high of 6.4%, according to Fitch.

### Percentage of overdue subprime auto loans hit a record this year



Source: Fitch Ratings

Despite the potential for additional near-term volatility and some signs of trouble in parts of the credit market, our medium-term outlook remains constructive. The AI investment cycle remains intact, the Fed appears set on an easing path, and an early read of third-quarter corporate earnings has been solid. In addition, a boost to fiscal and foreign direct investment spending is expected to kick in next year. We expect to maintain our equity exposure and utilize any headline-related volatility to increase our exposure to areas with more reasonable valuations and the potential to benefit from lower interest rates going forward.

Jed Glick, CFA, Portfolio Manager – U.S. Equities

## Who We Are

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### Our Independence Prioritizes the Client

*Seelaus Asset Management, LLC is a private, women-owned investment manager providing expertise in active fixed income and equity portfolio management and designing customized investment strategies.*

### Our Vision

*To be a best-in-class asset manager that leads with value in a client driven, partnership model.*

### Our Values

- Innovative
- Impactful
- Diverse Perspective
- Authentic

### Our Mission

*To be an agent for change in the finance industry by demonstrating a straight line between the support we receive as a women-owned firm and the support we provide to women in the industry and in the community.*

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To learn more about our investment offerings, please call 212-935-0755, email [ir@seelausam.com](mailto:ir@seelausam.com) or visit <https://www.rseelaus.com/asset-management/>

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