MORNINGSTAR Wealth

**Weekly Market Roundup - September 8, 2025**

# Weak Jobs Report, Fed Cuts Loom, and the Concentration Conundrum

**Morningstar Investment Management LLC**
September 2025

**Dan Kemp**
Chief Research & Investment Officer

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For Financial Professionals

## Key Takeaways

- Every Monday, we offer bite-sized updates on important financial matters for the week ahead.
- This can include news, data releases, company announcements, or other timely updates.
- If your clients expect you to have a view on these matters, we offer links to Morningstar research to help you guide them.

## Weaker Jobs Data Raises Rate Cut Expectations

The US economy saw further negative revisions to employment figures last week. The latest data showed that jobs fell in June and grew at an annualized rate of only 0.2% over the three months through August. According to Morningstar's Senior US Economist, Preston Caldwell, federal government layoffs played only a minor role, reducing the growth rate from 0.3%.

This weaker-than-expected employment picture raised expectations of a 0.5% cut at the September Fed meeting and increased the probability of further cuts before year-end—an outcome that was previously dismissed by investors.

## Dollar Weakness Boosts Diversified Investors

The US dollar fell sharply on the news, reversing earlier gains and boosting returns for internationally diversified investors. For example, the Developed Markets ex-US Index gained 12.5% in euro terms over the past year but 19.2% in dollar terms, illustrating the impact of currency moves.

## Alphabet Powers Market Gains, but Concentration Risks Remain

The US market ended the week up 0.5%, with most of the gain driven by Alphabet (GOOG), which surged 10.7% following news that it will not have to divest its Chrome or Android businesses. Despite the rally, Morningstar analyst Malik Ahmed Khan believes the stock remains fairly valued. The rise in Google's parent company also boosted the US communications sector (up 5.1%), removing most of that sector's discount to fair value, as Alphabet holds a 40% sector weight. This reminds us of the ongoing challenge of US market concentration, where six technology-driven companies comprise 29% of the index. While this high level of concentration is a challenge for investors following an index tracking strategy, it

creates opportunities for active investors willing to look beyond the mega-caps toward smaller, more diversified companies.

## China's Strong Run Raises Positioning Questions

China also made headlines last week, with a major military parade underscoring its alignment with Russia and rumors of government efforts to dampen investor sentiment. The market fell 1.6% in renminbi terms but remains 51.1% higher over the past year. While valuations have rebounded from very depressed levels, Chinese equities may still offer attractive opportunities.

For investors already holding large gains, however, the challenge mirrors that of US technology stocks: outsized winners can grow into oversized portfolio weights. That forces a choice between accepting higher concentration risk or trimming exposure when further gains are possible. While there's no single right answer, it's generally better to reduce risk when prices are high than to let regret dictate sales after a decline.

## Private Credit's Growing Appeal

With government bond volatility persisting and credit spreads still unusually tight, investors are increasingly turning to private credit despite its illiquidity and higher costs. This demand is fueling the launch of more "semi-liquid" mutual funds blending private and public assets. To help investors evaluate these offerings, Morningstar recently published this guide and started to issue Medalist Ratings on these funds. You can find out more about these ratings here.

## The Week Ahead

This week, the focus will be on inflation ahead of the next Fed meeting on September 17. Producer price inflation will be released on Wednesday, followed by consumer prices on Thursday. While the latter is typically more closely watched than the former, as producers are likely to experience the impact of tariffs before consumers, both sets of data will be capable of moving asset prices. You can keep track of these announcements on this calendar.

MORNINGSTAR Wealth

22 West Washington Street
Chicago IL 60602 USA

## For Additional Information

+1 (800) 886-1749
wealth.us@morningstar.com
mp.morningstar.com

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