

Nearly One Million Fewer Jobs: Why Recent Revisions Matter

Markets extended their winning streak last week, rising for the fifth consecutive time and setting yet another record high. Headlines, however, centered on the U.S. labor market flashing signs of fatigue.

The Bureau of Labor Statistics erased 911,000 jobs from prior estimates, revealing an even softer labor backdrop than previously understood. With initial jobless claims concurrently climbing, the Federal Reserve's rate cut this week came as little surprise, confirming expectations of a more supportive policy stance in response to the slowdown.

Despite labor concerns, last week delivered broad gains across equities and bonds. U.S. equities rose 1.6%, led by large-cap growth stocks at 2.5% compared with just 0.5% for value. Small-cap growth added 0.8%, while small-cap value slipped modestly by -0.2%. International markets were also strong, with developed equities advancing 1.2%

and emerging markets surging nearly 4.0%. Year-to-date, emerging markets lead all major categories, up more than 25%, supported by robust gains in South Korea, China and Taiwan. Within fixed income, municipal bonds rebounded strongly, gaining 1.5% after a difficult stretch, while taxable bonds added 0.4%. Balanced 60-40 portfolios—traditionally a mix of 60% equities for growth and 40% bonds for stability—benefited meaningfully from broad-based strength.

Growth leadership again reflected strong tailwinds from artificial intelligence (AI), boosted by optimism following Oracle's announcement that contracted revenue for its cloud infrastructure business more than tripled in just three months. Management projects sales could climb from \$18 billion this fiscal year to more than \$140 billion within five years.

As expected, market movement this week was primarily driven by the 25-basis point cut. Markets had already priced in near certainty of the move, with **CME FedWatch** showing a 96% probability ahead of the meeting. Equities powered ahead following the Fed's decision, buoyed by corporate earnings strength, optimism around AI and easing monetary conditions.

This marks the first cut since September 2024, bringing the federal funds rate range to 4.00% to 4.25%. The shift was quickly reflected in bond markets. As short-term rates dropped, the yield curve steepened. While the long end saw modest downward pressure in yields, whether those moves hold will depend heavily on inflation, fiscal deficits and supply dynamics.

FIGURE 1

Performance Monitor*		As of September 12, 2025
Asset Class	1 Week (%)	Year-to-Date (%)
U.S. Equities	1.60	12.98
U.S. Large Cap Value	0.51	10.58
U.S. Large Cap Growth	2.48	15.03
U.S. Small Cap Value	(0.24)	7.88
U.S. Small Cap Growth	0.76	9.07
Global Equities	1.74	16.82
International Equities	1.15	24.52
Intl. Value	0.89	31.53
Intl. Growth	1.41	17.72
Emerging Markets	3.96	25.49
Municipal Bonds	1.48	2.70
Taxable Bonds	0.41	6.40

For investors, these changes ripple through portfolios by supporting equity valuations, lowering borrowing costs and easing financial conditions. Longer-term rates also influence mortgages, discount rates and bond returns.

That is why revisions to the labor market, which may seem like backward-looking data, can have very real forward-looking implications for portfolios. While markets have embraced a more supportive Fed, future cuts will depend on the balance between inflation progress and further signs of labor weakness.

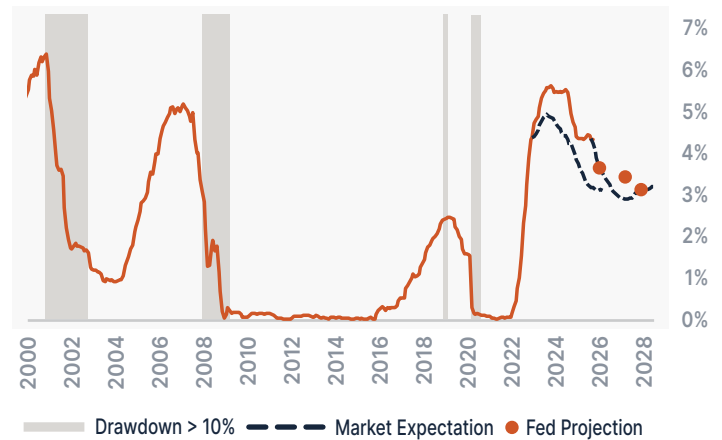
Investors now debate how quickly the central bank will move from here. Expectations are for two additional cuts by year-end and as much as 150 basis points through 2026, though history shows markets often price in easing cycles faster than the Fed ultimately delivers.

As shown in **Figure 2**, expectations for rate cuts have often run ahead of the Fed's actual actions, a gap that can shape how interest rate changes affect portfolios.

Amid data revisions and policy shifts, Quick Takes offers timely commentary to help you focus on what matters most for your portfolio. Published as part of *fathom*—our thought-leadership blog makes it easy to revisit prior issues and stay informed.

FIGURE 2

U.S. Treasuries Short-term Interest Rates



Data as of 9/17/25. Source: Aspiriant analysis. Data from Bloomberg, Federal Reserve Board. Fed stands for Federal Reserve. Market expectations for the federal funds rate are derived from Bloomberg federal funds futures contracts.

Disclosures: Source: Aspiriant analysis. Data from Morningstar, Bloomberg and the Federal Reserve Economic Database (FRED).

*U.S. Equities represented by the S&P 500 Index; a market-capitalization-weighted index that includes the 500 most widely held companies chosen with respect to market size, liquidity and industry. U.S. Large Cap Growth and Value Equities represented by the Russell 1000 Growth and Value Indexes; free float-adjusted market capitalization indexes that are designed to track large cap U.S. companies with either Value (lower price-to-book ratios and lower forecasted growth ratios) or Growth (higher price-to-book ratios and higher forecasted growth ratios) characteristics. U.S. Small Cap represented by the Russell 2000 Index, which measures the performance of the small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. U.S. Small Cap Growth and Value represented by the Russell 2000 Growth and Value Indexes, which measures the performance of the small-cap growth and value segments of the U.S. equity universe. Global Equities represented by the MSCI ACWI Index; a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of 23 developed and 26 emerging markets, including the United States. International Equities represented by the MSCI EAFE (Europe, Australasia, and Far East) Index; a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets excluding the U.S. and Canada. International Large Growth and Value represented by the MSCI EAFE Growth and Value Indexes (Europe, Australasia and Far East); free float-adjusted market capitalization indexes that are designed to measure the equity market performance of large and mid-cap developed markets exhibiting overall growth and value style characteristics, excluding the U.S. and Canada. Emerging Market Equities represented by the MSCI Emerging Market Index; a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. Municipal Bonds represented by the Bloomberg Municipal Bond Index; an unmanaged index considered representative of the tax-exempt bond market. It consists of a broad selection of investment grade general obligation and revenue bonds of maturities ranging from one year to 17 years. Taxable Bonds represented by the Bloomberg U.S. Aggregate Bond Index; a broad-based benchmark measuring investment grade, U.S. dollar-denominated, fixed-rate taxable bonds. No single index represents a benchmark for a globally diversified portfolio.

*The volatility of an index may be materially different than that of a model. Index returns assume the reinvestment of dividends and capital gains.