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Market Update: Glass-Half-Full Economy & Lessons from the LA Lakers' Sale

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Investors have largely shrugged off the government shutdown this week and the stock market, as measured by the S&P 500, continues to soar, now up more than 14% for the year (through Sept. 29, 2025). Meanwhile, international markets continue to outperform with close to a 26% return and the bond market is up over 6% year to date. This translates to strong returns for well-diversified and balanced portfolios.

The continued market strength has primarily been driven by a slew of favorable economic reports which have generally exceeded expectations, reinvigorating investor views on the strength and momentum of economic activity. Recent key data points:

1. **GDP Growth.** The final estimate for Gross Domestic Product (GDP) growth, the primary gauge of the health of the U.S. economy, was revised higher to a strong 3.8% annualized, well above estimates of 3.3%. After stalling in the first quarter, it appears the economy is back on track — and then some. Early expectations for third quarter indicate the economy has continued to grow by more than 3% annualized.
2. **Consumer Spending.** Real consumer spending (adjusted for inflation) increased by an annualized 2.5% in the second quarter, well above estimates of 1.6%. Given that consumption drives about 70% of economic growth, it's not surprising the economy remains strong and is a good signal to maintain above trend growth going into the holiday months.
3. **Inflation Rate.** Personal Consumption Expenditures (PCE), the Federal Reserve's (Fed) preferred inflation gauge, was 2.7% for August, in line with expectations. Likewise, core PCE, which excludes the more volatile food and energy prices, rose by 2.9%, also matching expectations. While this remains elevated relative to the Fed's 2% target, it remains below their recent estimates, and the impact of tariffs appears to have been exaggerated.

A strong economy combined with a resilient consumer and stable inflation provides a great runway for the market to continue its upward trajectory through year end. And don't forget the Fed remains accommodative with more potential rate cuts on the horizon, providing even more tailwinds for the market to prosper.

Los Angeles Lakers vs. Stock Market Returns

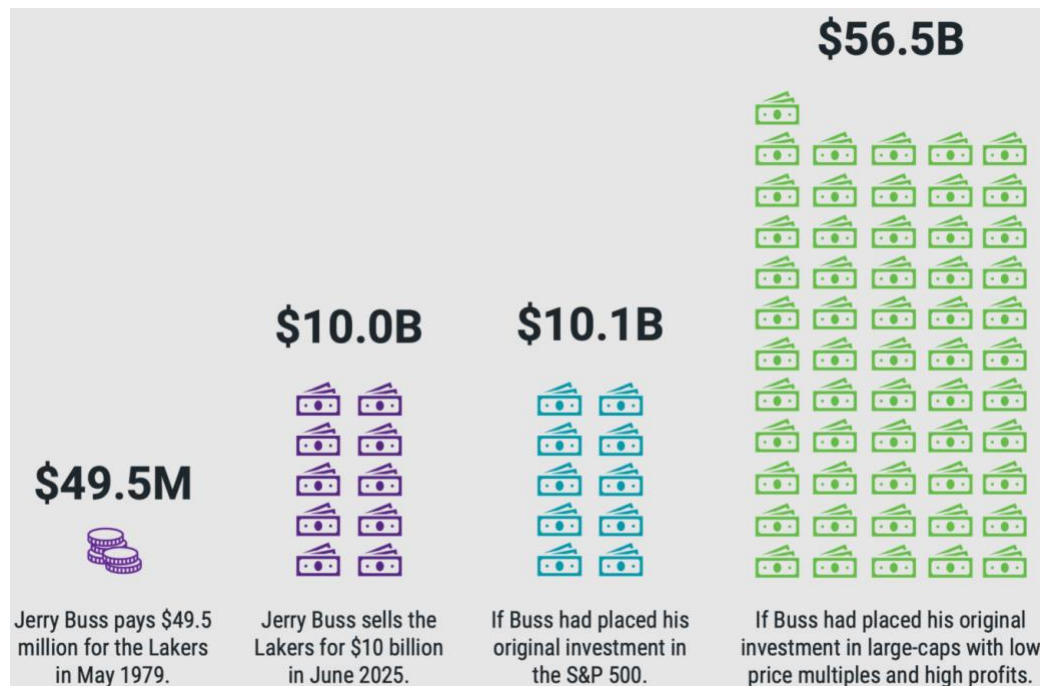
One of the big headlines this year was the sale of the Los Angeles Lakers NBA team in June 2025. It was sold by the Buss family for a staggering \$10 billion, making it the largest sales price of any professional sports franchise. Even more astounding, the team was purchased in 1979 by Jerry Buss for a meager \$49.5 million. That is quite the return on investment!

Not everyone has millions of dollars laying around to buy sports teams, but anyone can invest in the stock market. How would the gain on the Lakers' sale compare to investing simply in the S&P 500? See the diagram on pg. 3 and let's take a look:

1. **Tie Game.** If you annualize the return for the Lakers' sale between 1979 to 2025, it comes to 12.21%. That's certainly a strong return, but when you compare the performance of the S&P 500 over the same time, it's about the same at 12.24% — slightly higher, if we're keeping score. So, it turns out you don't have to be a multi-millionaire or buy sports teams to have strong, long-term investment returns.
2. **Factor Game.** While the S&P 500 may be the simplest and most efficient way to access the U.S. large-cap market, academic research has proven that factor investing tends to outperform over the long-term. Two of the more popular factors are value (investing in companies with low valuations) and quality (investing in companies with high quality metrics such as return on equity and low debt). These two factors also tend to work well together. Case and point, investing in large low price and high profitability over the evaluation period would have resulted in a whopping 16.50% annualized return! Making it the winner of the game.
3. **Long-Term Game.** The most important consideration of this study is that regardless of what you invest in, staying invested for the long-term is the best way to grow and compound your wealth. But I would also argue that owning a diversified portfolio of investments most likely offers less risk than owning a professional sports team! So as always, a reminder that the best way to winning the investment game is to stay diversified and invested for the long-term.

Stay diversified, my friends.

Pro Sports Teams vs. Public Stocks: Which Has Provided Better Returns?
Return on the Sale of LA Lakers vs. Return of the S&P 500 Over the Same Period
May 1979-June 2025



Sources: Avantis Investors "Pro Sports Teams vs. Public Stocks: Which Has Provided Better Returns?" Aug. 29, 2025. Data from 6/1/1979 – 6/30/2025. Source for S&P 500 Index: Bloomberg. Source for large-caps with low price multiples and high profitability: Avantis Investors and Sunil Wahal, CRSP/Compustat, U.S. securities. Large-caps generally represent the top 90% of the U.S. market capitalization. "Low Price Multiple" is defined as companies with a high book-to-market ratio. "High profitability" is defined as companies with a high profits-to-book ratio. Past performance is no guarantee of future results.

As always, Dynamic recommends staying balanced, diversified and invested. Despite short-term market pullbacks, it's more important than ever to focus on the long-term, improving the chances for investors to reach their goals.

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