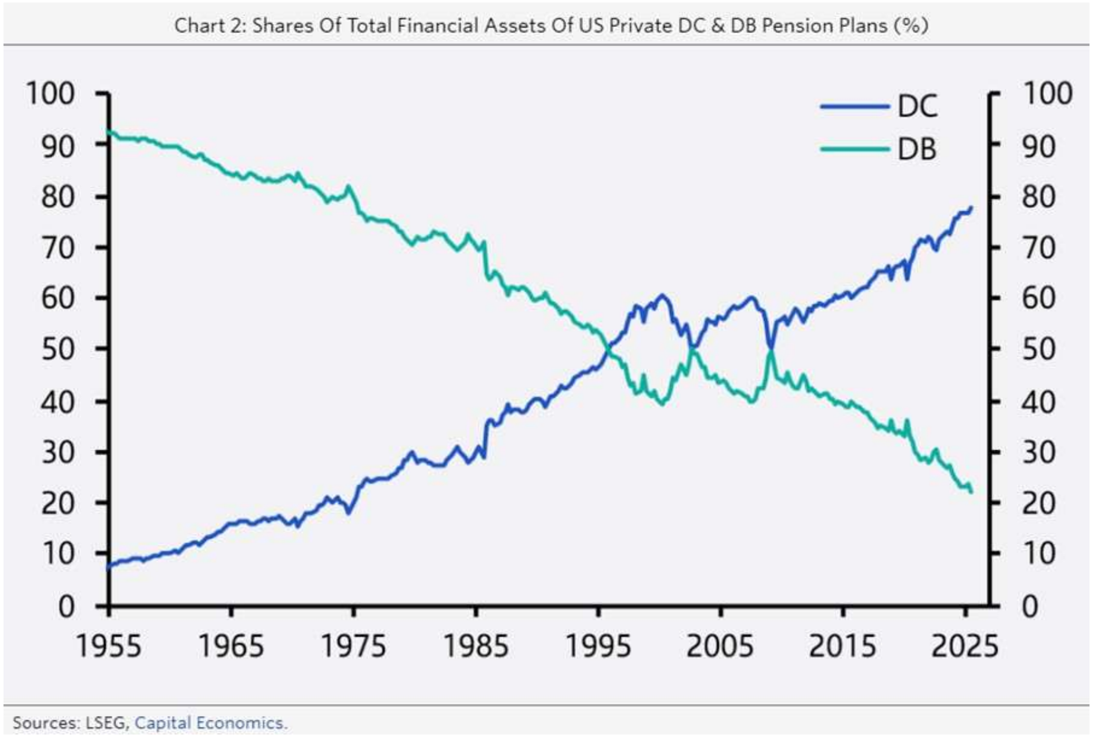
US savers go all in on 'cult of equity'

Jamie McGeever, Reuters, September 22, 2025

U.S. pension funds and households have never held more equities as a share of their overall assets, by some measures, raising questions about whether the long-term shift towards stocks has run its course or whether investors have truly undergone a paradigm shift. There are compelling arguments on both sides of that debate, but what's not in dispute are the numbers. The share of stocks in U.S. private sector defined contribution (DC) pension plans is now approaching 70%, while equities as a share of U.S. households' financial assets is a record 45.4%.



John Higgins, chief markets economist at Capital Economics, notes that DC pension plans' equity exposure is the highest in at least 75 years. This largely reflects the decades-long shift away from defined benefit (DB) schemes, where the risk of retirement savings lies with the employer, and toward DC plans, where employees assume more of the burden.

Broadly speaking, DB plans tend to invest more in bonds, especially long-dated ones, to match the funds' longer-dated liabilities, while DC plans are equity-heavy, as individuals don't have liabilities to match and so will be more likely to lean towards stocks offering higher returns – and higher risk. In the 1950s, more than 90% of all U.S. pensions were DB plans, and less than 20 years ago the split was roughly 50-50. But now, almost 80% are DC plans. In that sense, investors are in a brave new world – and it could be an increasingly risky one, given that DC plans are so highly exposed to Wall Street at a time when U.S. stock market valuations are looking stretched.

FLAGGING RISKS

From a returns perspective, overloading on stocks makes sense for long-term investors because equities usually outperform bonds, especially over the long run. By some measures, that performance gap is widening, according to figures from Truist Advisory Services' chief markets strategist Keith Lerner and his team. As of August, the S&P 500's trailing one-year annualized return was nearly 16%, compared with the Bloomberg aggregate bond index's returns of just over 3%. The 12.7 percentage point gap is in the 68th percentile going back seven decades. Moreover, the S&P 500's returns advantage when measured on a rolling three- and five-year basis is in the 93rd and 95th percentiles, respectively.

NOT SO 'RISK-FREE'

The answer may be "a while". The near 40-year bull market in bonds appears to be over. Worries about inflation remain, the U.S. federal deficit and public debt are rising, and pension funds' appetite for long-dated bonds may no longer be as voracious as it once was. In short, bonds don't appear quite so 'risk-free' any more. If stocks do continue to outperform over the long term, that's obviously great news for future retirees with portfolios heavily weighted in that direction. The danger, of course, is the stock market can fall sharply and very quickly, wiping out large swathes of savings for people just about to retire. It's also true that many people reduce their exposure to equities in favor of bonds as they near retirement, although that may become less prevalent in the context of a wider paradigm shift in how bonds are viewed.

There's no indication that any dramatic equity market correction is on the horizon, though investors are conscious of how expensive stocks are getting. Still, they keep buying. Although valuations are "unambiguously high by historical standards", Deutsche Bank analysts just raised their year-end S&P 500 target to 7,000 from 6,550 and next year's earnings per share forecast. "High allocations to equities don't necessarily mean another major correction in the stock market is imminent. Indeed, our forecast is that the S&P 500 will make further gains this year and next, as enthusiasm for AI continues to grow," says Capital Economics' Higgins. "But high allocations to equities may be flagging trouble ahead." That's true. But as long as equities keep providing the returns and outperforming bonds, prospective retirees will keep ploughing their pension savings into them.

Trump's tariffs, deportations and climate change are making groceries more expensive

Nathaniel Meyersohn, CNN Money, Sep 20, 2025

President Donald Trump pledged to bring down grocery costs. But his administration's policies are contributing to an acceleration in prices, food economists and companies say. Grocery prices last month rose at their fastest pace in three years, stoked by Trump's tariffs, a crackdown on immigration, and extreme weather hurting food production. Prices jumped 0.6% in August from the month prior, according to the latest reading from the Bureau of Labor Statistics, and they are up 2.7% from a year ago. Food prices are deeply personal to consumers, and weekly grocery bills shape their overall perceptions of the economy. More than half of Americans count grocery costs as a major stress in their lives.

Low-income and middle-income Americans, hit the hardest by rising grocery costs, are changing where they shop and what they buy. Companies are also taking extreme measures to appeal to shoppers strained by higher prices, such as bringing back paper coupons. "Food prices are top of mind for consumers and people across the country. It's dominating the conversation across kitchen tables," said David Ortega, a food economist at Michigan State University. "It's also a political flash point. People went to the voting booth last campaign voting for their candidate to lower grocery prices." Ortega said the greatest price impact is on foods that either rely heavily on immigrant labor to produce in the United States, such as fruit and vegetables, or those grown almost exclusively in other countries and subject to steep tariffs, like coffee and bananas. "The policy agenda that we're seeing is more likely to increase the price of food," he said.

If tariffs remain at current levels, food prices will rise 3.4% in the short-run and stay 2.5% higher in the long-run, Yale University's Budget Lab estimates. Based on the tariffs imposed by Trump this year, the average effective tariff rate in the United States has spiked to the highest level since 1935, according to The Budget Lab. But White House spokesperson Kush Desai said that one month of data does not make a trend, and the rate of inflation under Trump has slowed from the final months of the Biden administration. Trump has struck "unprecedented trade deals and trillions in historic investment commitments" that are "laying the groundwork for the long-term restoration of American Greatness," Desai said.

Tariff-driven hikes

The Trump administration said that trade deals with other countries would include tariff exceptions on items such as coffee and bananas. But right now, heavily imported foods are seeing some of the sharpest increases. Coffee prices surged by 3.6% last month, the largest one-month increase since 2011, according to the latest Consumer Price Index. Coffee prices are up 20.9% so far this year, a near-record annual increase. The US gets most of its coffee from Brazil, and Brazilian imports – including coffee – began facing 50% tariffs last month. It's not just your cup of joe. America is highly dependent on other countries for most of its fresh fruit and vegetables. Imports make up 60% of fresh fruit and 38% of fresh vegetables in the United States, according to the Agriculture Department. Prices on these items are rising. Last month, apple prices increased 3.5%, lettuce 3.5% and bananas 2.1% from the month prior, the index showed. Tomato prices were up 4.5%. The United States depends on Mexico for a variety of fresh tomatoes, most of which began facing 17% tariffs in July after a nearly three-decade-old trade agreement expired.

Immigrant workforces in fear

Agricultural production in the United States relies on undocumented workers. Undocumented immigrant farmworkers who produce fruits and vegetables account for 42% of farmworkers in the United States, according to the Agriculture Department. That means the administration's crackdown on immigration, including at job sites, is impacting the food industry. Immigration raids have hurt major growing areas, leaving crops unharvested at California farms and scared off workers at dairy farms in New York and other states. Since January, 1.2 million foreign-born workers have left the labor force. Agricultural employment dropped 6.5% from March to July, a loss of about 155,000 workers, reversing two years of growth.

A shrinking workforce will also chill investments in the food supply chain, said William Masters, a professor of food and nutrition economics at Tufts University. Having fewer immigrant workers has pushed labor costs up, fueling higher prices, economists say. "If you're thinking of a new orchard, greenhouse, or warehouse, you wouldn't do that now because you would not get workers," he said. Trump's policies aren't the only factor contributing to the rise in prices— climate change is also boosting costs. Supply shortages in top orange-growing areas, worsened by climate change-influenced disasters like more severe hurricanes in Florida and intense droughts in Brazil, have pushed up prices. Prices for oranges jumped 0.9% last month and 5.2% annually. Beef prices increased 2.7% last month and were up 13.9% annually, driven by smaller cattle herds due to drought and processor closings. Cattle herd sizes are at their lowest levels in 74 years, according to the American Farm Bureau Federation.

Kroger bringing back coupons

Amid the higher costs of getting food on grocery store shelves, companies say a two-tier economy has opened up among shoppers. Wealthier shoppers are still buying premium foods and ingredients, but lower-income shoppers are stressed. They're buying smaller sizes and skipping discretionary items, purchasing only the essentials.Low- and middle-income households are "making smaller but more frequent trips and they're buying more private label products. They're also eating out less," Kroger CEO Ron Sargent said on an earnings call last week. "Higher income households — while they're also concerned about the economy and food prices — they're still spending. And they're splurging on some of the premium products."

Looming cuts to the Supplemental Nutrition Assistance Program (SNAP), or food stamps, will further strain low-income customers. Republicans' One Big Beautiful Bill Act makes the largest cuts in the program's 86-year history and will cause roughly 4 million people a month to lose some or all of their SNAP benefits. Kroger is bringing back paper coupons, a move that highlights how shoppers are relying on promotions to lower their grocery bills. The company discontinued some paper coupons in 2023, prompting pushback from older and less tech-savvy customers. But Sargent said Kroger is doing an about-face on coupons to reach customers "who don't have a $600 iPhone."

More bad news for Americans battling higher prices: Winter heating bills are about to rise

Tami Luhby, CNN Money, Sep 19, 2025

This year's winter heating bills may send a shiver down many Americans' spine. The cost of staying warm at home is expected to jump an average of 7.6%, to $976 this season, according to a new estimate from the National Energy Assistance Directors Association. The spike stems from increases in electricity and natural gas prices, as well as a forecast for a somewhat colder winter. The projection comes as many consumers are still feeling the squeeze from pricier summer electric bills, as well as continued higher costs for groceries, health insurance and other essentials. At the same time, the amount of federal assistance available to help people cover their utility bills is expected to remain flat.

Just how much more Americans will have to pay this winter depends greatly on how they heat their home and where they live, according to the association. Those who use electric heat will really feel the burn, since electricity prices are rising at twice the rate of inflation. These consumers will likely see their bills soar an average of 10.2%, to $1,205 this winter. Some 56 million households heat with electricity — many of whom live in the South, which is expected to see a spike of more than 21% for this type of heating. Meanwhile, the roughly 60 million households who heat their homes with natural gas are projected to pay an additional 8.4%, on average, leaving them with a $693 tab. Midwesterners could see a 16.4% hike, to $698, on average.

More than 100 gas and electric utility companies have raised their rates or are proposing to do so for this year or next year, according to a recent report from the left-leaning Center for American Progress. This would affect about 81 million electric utility customers and roughly 28 million natural gas utility customers. Electricity prices are climbing because of increased demand from AI data centers and the need to upgrade grid infrastructure, among other factors. Prior to 2021, winter heating costs were relatively stable, said Mark Wolfe, the association's executive director. But since then, prices have spiked for electric and natural gas users by 31% and nearly 27%, respectively, with more rate increases on the horizon. "Customers should be prepared for this being a new normal," he said. But those who use heating oil or propane, which together totals more than 11 million households, will likely catch a break this winter. The cost of heating oil is expected to decline an average of 4%, to $1,455, while propane will likely drop 5%, to $1,250.

Less help available

The increase in winter heating — and summer cooling — costs comes as Congress has kept funding for federal assistance for utility bills flat at about $4 billion for the past two years. Lawmakers are proposing roughly the same amount for the coming fiscal year, which starts October 1. This divergence has prompted some states to pull back on their marketing for the Low-Income Home Energy Assistance Program, known as LIHEAP, Wolfe said. "What I've seen is much less outreach going on because they don't have enough money to serve the population that's coming in," he said. "If they get more people, they have to cut grants. That's the tension going on."