

Fed rate cut, strategist says

Story by sobrient@insider.com ([Samuel O'Brient](#)) [9-19-2025](#)

- The Fed has kicked off its policy meeting, and investors expect it to conclude with a rate cut.
- This anticipation has helped drive momentum in markets, pushing stocks to records.
- SoFi's head of investment strategy thinks these sectors are poised to rally further on a rate cut.

Markets are probably getting the rate cut they so badly want this week, and a lot of stocks have already rallied on the anticipation.

But a few areas of the market might still have room to run after the Fed decision, a chief strategist told Business Insider on Tuesday.

Liz Thomas, head of investment strategy at [SoFi Technologies](#), sees three sectors in particular poised to rally as borrowing costs come down.

Speaking with Business Insider, Thomas made it clear that she believes investors have reacted appropriately to the potential for a rate cut. Markets have marched steadily higher even as some recent [economic data](#) have hinted at pockets of weakness.

"I think many people were worried that it was going to be more volatile than it has been over the last couple of weeks," she stated.

The first sector Thomas is optimistic about is **small-caps**, which are generally more sensitive to interest rates as smaller firms fund themselves more often in the debt markets.

Small-cap stocks have rallied recently, and Wall Street sentiment toward them [has shifted](#) in a positive direction. Thomas thinks a rate cut means their performance is more likely to let them catch up to large-cap peers in the final stretch of 2025.

"Many investors seem to be talking about the opportunity for small-caps to not only catch up but find durable outperformance during this cutting cycle," she said.

The second area of the market Thomas sees benefiting from a cut is **financials**. The sector has rallied recently, but could have even more gas in the tank after a cut. Financials are also sensitive to interest rates, and while lower rates mean lower interest income for banks, it could also mean more lending activity broadly as businesses and consumers refinance or take out new debt at more attractive rates.

"I think a big part of some of that is also the fact that the Treasury market has not gotten out of hand," she said, touting the recent gains in both financials and small-cap stocks.

Finally, Thomas said she sees potential momentum ahead for the real estate market. "You probably see the housing market start to feel a little bit better about itself, because mortgage rates are likely to come down," she said,

While she acknowledged that mortgages aren't likely to fall by too much if the 10-year Treasury yield doesn't budge much, she added that the expectation is for the market to thaw after [being frozen](#) for much of the last two years.

This likely means fresh momentum for real estate stocks and real estate investment trusts, she said, adding that real estate is "a sector that can participate in a rate cut rally in the short term."

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