

What's On Our Minds

MARKET HIGHLIGHTS

- Equities pulled back from all-time highs as signs of a slowdown in economic growth appeared while the Federal Reserve reiterated a focus on inflation concerns.
- Announcements of tariff rates on all U.S. trading partners reminded investors that while they are negotiable, tariffs are rising significantly with an uncertain effect on the United States and other global economies.
- Arguably the most important data point of the week was July nonfarm payrolls, which are **still advancing but came in well below estimates with a significant 258,000(!) downward revision to the prior two months.**
- The Federal Open Market Committee met last week and as expected kept the federal funds rate steady at 4.25%–4.50%, although for the first time in over 30 years there were two dissenters who wanted to cut the rate by 25 basis points.
- The August 1 deadline for countries to secure trade deals with the United States was this past Friday. Countries that did not close on terms with the United States were informed by letter the level of tariffs that would be imposed on their exports. **Treasury Secretary Scott Bessent said negotiations can and will continue.**
- The first estimate of 2Q GDP was +3.0%, a nice beat of the +2.0% estimate and a rebound from the -0.5% registered in 1Q.

MARKET PERFORMANCE

ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	0.95%	4.59%
Municipal Bonds 1-10Y	0.47%	2.52%
U.S. High Yield	-0.21%	4.78%
S&P 500	-2.34%	6.85%
Russell 2500 (SMID cap)	-3.75%	0.66%
MSCI EAFE (International)	-3.13%	17.33%
MSCI Emerging Markets	-2.47%	15.91%
MSCI ACWI (Global)	-2.52%	10.08%
Crude Oil (NYMEX WTI)	2.21%	-4.32%
Gold LBMA PM	1.26%	28.28%
60/40 ACWI/Agg Portfolio	-1.13%	7.88%

WHAT CAUGHT OUR EYES THIS WEEK

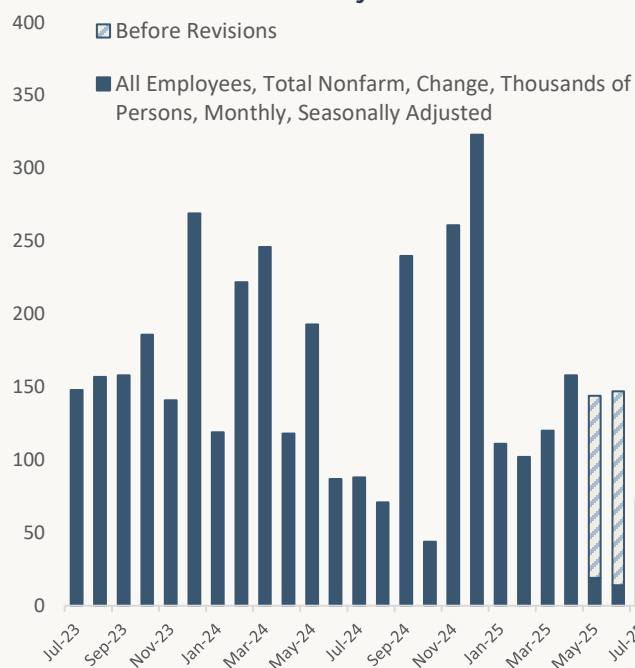
Labor Markets Are More Stuck Than We Thought

The big news from Friday's payroll report was massive revisions to job gains for the prior two months. In hindsight, job creation has been effectively non-existent for the past three months, with the health care sector standing out as the single source of strength. We knew companies have been hesitant to hire, but the magnitude of the stagnation caught people off guard. The good news is that evidence of layoffs is still highly limited, which is keeping a lid on the unemployment rate.

So, labor markets are stuck, with very little hiring but also very little firing. To be fair, a 4.2% unemployment rate (near many economists' estimates of so-called "full employment") isn't the worst place to be stuck. Life is tough for job seekers, but most Americans are still employed and seeing decent wage gains, which is keeping a floor under consumption. Layoffs are the shock to the system that causes economic weakness to feed on itself. The current dynamic is a tightrope walk that can't last forever, but until we start to see companies slashing head counts en masse, the door remains open for re-acceleration.

Please see important disclosures and other key information on page 4.

Nonfarm Payrolls



What's On Our Minds

OUR CURRENT OUTLOOK

- **The U.S. economy is resilient**, but labor markets are showing signs of slowing that could impact consumer spending in the back half of this year.
- **Uncertainty works both ways.** Companies appear hesitant to embark on new projects but equally hesitant to layoff workers. Recent tariff announcement should help clear some of this confusion.
- **Our current expectations of a recession in the next 12 months are moderately low.**
- The One Big Beautiful Bill Act can **offset some of the negative impacts of tariffs on consumers and businesses.**
- **The Federal Reserve is still looking to cut interest rates.** We expect 2 cuts this year, starting in September.
- **We expect S&P 500 profits to grow at mid-single-digits in 2025** and re-accelerate to low double digits by 2026.
- **AI capital spending, driven by the hyper-scalers, should continue to boost the U.S. economy**, fueling productivity gains and infrastructure growth.

IN CASE YOU MISSED IT

INSIGHTS

[“August 2025 Economic and Market Outlook”](#)

[“‘Easter Eggs’ in the One Big, Beautiful Bill Act”](#)

[“13 Key Takeaways from the One Big, Beautiful Bill Act”](#)

WEBINARS

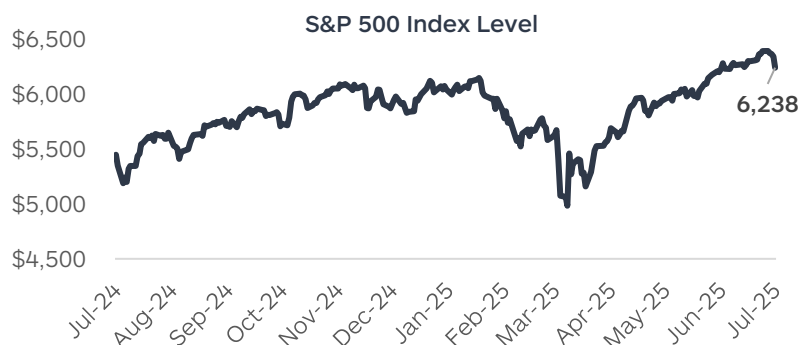
[“Q3 2025 Market & Economic Outlook”](#)

[“June 2025 Economic & Market Outlook”](#)

SOCIAL MEDIA

[Cerity Partners LinkedIn Page](#)

EQUITIES



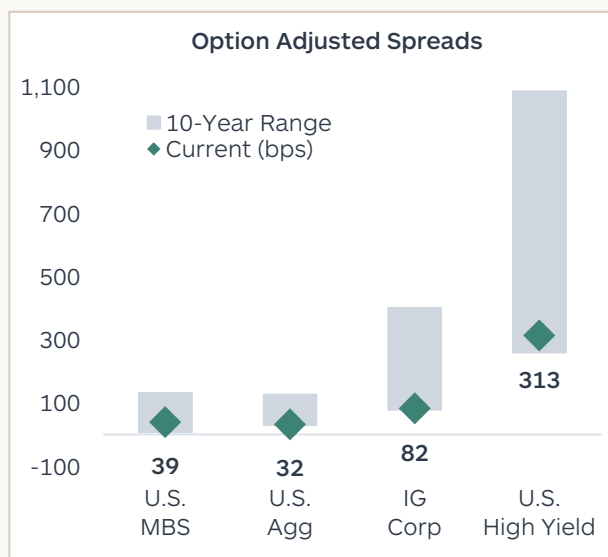
S&P 500 SECTOR	1-WEEK	YTD
Utilities	1.56%	14.97%
Comm. Services	0.02%	11.95%
Consumer Staples	-1.10%	4.45%
Information Technology	-1.40%	11.30%
Energy	-1.53%	1.92%
Industrials	-3.33%	14.42%
Real Estate	-3.45%	3.18%
Financials	-3.73%	7.27%
Health Care	-3.86%	-3.77%
Consumer Discretionary	-4.54%	-4.87%
Materials	-5.40%	4.76%

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FIXED INCOME

KEY INTEREST RATES	8/1/25	Δ YTD
Municipal Bonds 1-10Y	3.15%	-0.21%
10Y Treasury Yield	4.21%	-0.36%
3M T-Bill	4.28%	-0.04%
Effective Federal Funds Rate	4.33%	0.00%
U.S. Aggregate	4.48%	-0.42%
30Y Mortgage Rate	6.78%	-0.50%
U.S. High Yield	7.39%	-0.26%
Prime Rate	7.50%	0.00%

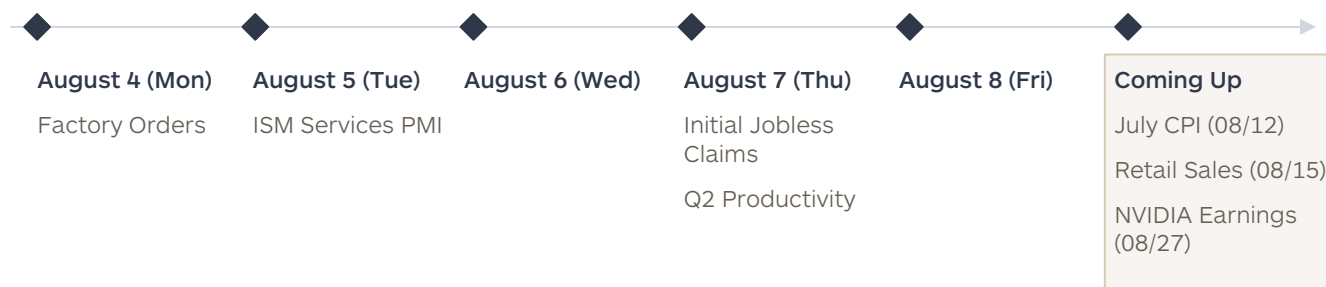


COMMODITIES, CURRENCIES, CRYPTO

Asset Class	8/1/25
Crude Oil	\$69.31
Gold	\$3,346.85
U.S. Dollar Index	\$99.14
Bitcoin	\$113,570.00

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THE WEEK AHEAD



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What's On Our Minds

August 4, 2025

ABBREVIATIONS: Agg: Aggregate. EM: Emerging Markets. SOFR: Secured Overnight Financing Rate. MBS: Mortgage-backed securities. IG: Investment Grade.

CHART OF THE WEEK: Source: Cerity Partners, FRED, 8/3/2025

MARKET PERFORMANCE: All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 08/1/25. Underlying indices are in descending order: Bloomberg US Aggregate provided by Bloomberg Capital; Bloomberg Municipal Bond 10 Yr provided by Bloomberg Capital; ICE BofA US High Yield Index provided by Bloomberg Capital; S&P 500; provided by: Standard & Poor's. Index; Russell 2500; provided by: Russell Investments; MSCI Europe, Australasia, and the Far East (EAFE) provided by MSCI net official pricing; MSCI EM provided by MSCI net official pricing; MSCI All Country World Index (ACWI) provided by MSCI net official pricing; Crude Oil (WTI) provided by CME; LBMA Gold Price PM provided by FactSet. The 60/40 ACWI/Agg Portfolio (60% ACWI / 40% AGG) is not a recommendation and is provided for reference purposes only.

EQUITIES: Top Left-hand Chart. S&P 500 Index Level as of 08/1/25 and provided by Standard & Poor's. Bottom Left-hand Chart. Forward Price to Earnings Ratios refers to the price-to-earnings ratio for the forward 12 months, which is a valuation measure applied to respective broad equity indices as of 08/1/25. Large Cap data is proxied with the S&P 500 and provided by FactSet. SMID data is proxied by the Russell 2500 and provided by FactSet. Developed International data is proxied with the MSCI EAFE and provided by FactSet. Emerging Markets data is proxied by the MSCI EM and provided by FactSet. S&P 500 Sector performance table. Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends. 1-Week and Year-to-Date (YTD) returns are as of 08/1/25.

FIXED INCOME: Top Table. Effective Federal Funds Rate provided by FactSet. Composite Municipal Bond Yield provided by FactSet. Bloomberg US Aggregate provided by FactSet. 3-Month Treasury Bill rate provided by FactSet. 10-Year Treasury Yield provided by FactSet. 30-Year Mortgage Rate provided by FactSet. ICE BofA US High Yield Index provided by FactSet. Prime Rate provided by FactSet. Bottom Table. Option Adjusted Spreads as of 08/1/25. Bloomberg US Aggregate Securitized – MBS, Bloomberg US Aggregate, ICE BofA US Corporate, ICE BofA US High Yield data provided by Bloomberg Capital.

COMMODITIES, CURRENCIES, CRYPTO: WTI NYMEX Crude Oil provided by FactSet. Gold is proxied with the LBMA Gold PM and provided by FactSet. Bitcoin is proxied by the Bitcoin (CME) Continuous index and provided by FactSet. U.S Dollar prices are proxied with the U.S. Dollar Index and provided by FactSet.

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