

MARKET HIGHLIGHTS

- > **Equity markets shrugged off news of a slightly higher inflation environment.** Investors (and the Federal Reserve [Fed]) appear to be viewing any tariff-related inflation as a one-time or “transitory” issue.
- > **Fed easing in a growing economy is very favorable for equities,** but the bond market reaction has been somewhat mixed as the yield curve continued to steepen during the week.
- > As expected, **President Donald Trump extended China's tariff deadline for another 90 days** to allow continued debate on unresolved fentanyl and rare earth issues.
- > **Nvidia and Advanced Micro Devices agreed to give the U.S. government 15% of the revenue from H2O and other high-end chip sales to China** as a condition for gaining export licenses.
- > **Year-over-year headline inflation held steady at 2.7% in July,** while core inflation picked up a bit to 3.1% from 2.9%.
- > Even surprisingly higher **July producer prices elicited little market reaction as the headline came in at +0.9%,** much higher than the +0.2% estimate. Core producer prices also rose 0.9% compared to the +0.2% forecast.

MARKET PERFORMANCE

ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	-0.02%	4.38%
Municipal Bonds 1-10Y	0.05%	2.83%
U.S. High Yield	0.25%	5.47%
S&P 500	0.99%	10.55%
Russell 2500 (SMID cap)	2.50%	4.63%
MSCI EAFE (International)	2.36%	23.54%
MSCI Emerging Markets	1.55%	20.42%
MSCI ACWI (Global)	1.27%	14.31%
Crude Oil (NYMEX WTI)	-1.66%	-11.72%
Gold LBMA PM	-0.62%	27.84%
60/40 ACWI/Agg Portfolio	0.75%	10.34%

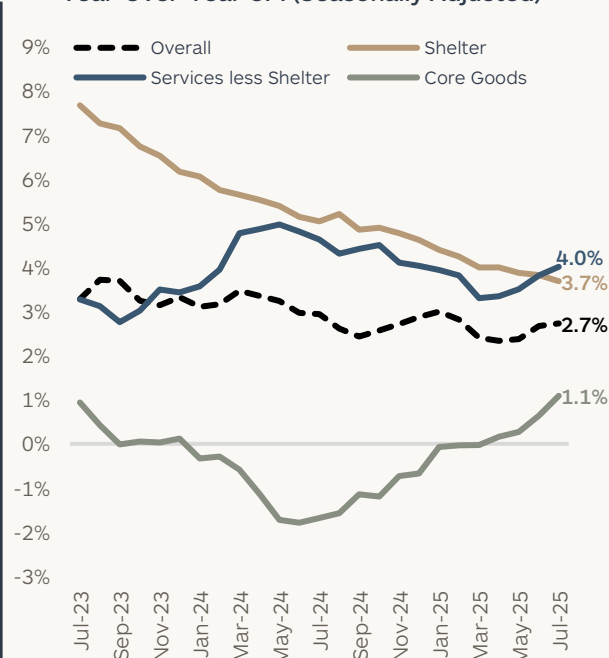
WHAT CAUGHT OUR EYES THIS WEEK

Inflation Isn't Great, But It's Likely Good Enough for Now

Last week's package of inflation data showed us that tariff impacts are indeed creeping their way into official statistics but not in a way that drastically alters the broader picture for price pressures. Core goods prices (which exclude food and energy and account for about 19% of the Consumer Price Index [CPI] basket) were up 0.2% in July and are now up 1.1% year over year, above the 21st century average of 0.6%. Meanwhile, shelter inflation, which carries almost twice the weight of core goods at 35%, continues along a steady disinflationary trend, down to 3.7% year over year. Many of the most notable changes in this month's CPI report were on the services ex-shelter side, with big pops from medical care and recreation, but tame wage inflation and increasing productivity should contain services prices going forward.

The Producer Price Index (PPI)—which measures prices from the perspective of domestic producers rather than consumers—saw a decent pop, up 0.9% in July. Unlike CPI, PPI doesn't include imported goods, but it might be giving us hints that U.S. businesses are feeling a pinch from their own input costs and are hitting their limits in the ability to eat tariffs (PPI for final demand trade services was up 2% for the month, which could mean that retailers are starting to raise prices to protect their margins and offset tariff costs). All in all, the week's data tells us that while inflation remains a live issue, it is contained enough for a potential rate cut in September.

Year-Over-Year CPI (Seasonally Adjusted)



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

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 lay off workers. Recent tariff announcements 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 two 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 hyperscalers, should continue to boost the U.S. economy**, fueling productivity gains and infrastructure growth.

IN CASE YOU MISSED IT

INSIGHTS

[“The Vintage Advantage: Collecting Luxury Goods”](#)

[“How Business Owners Can Profit From Qualified Small Business Stock”](#)

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

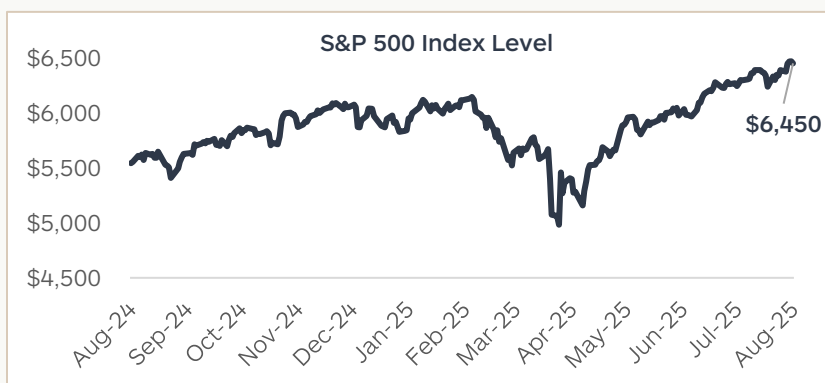
WEBINARS

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

SOCIAL MEDIA

[Cerity Partners LinkedIn Page](#)

EQUITIES



S&P 500 SECTOR	1-WEEK	YTD
Health Care	4.65%	-0.09%
Consumer Discretionary	2.53%	1.26%
Comm. Services	2.13%	18.11%
Materials	1.85%	9.24%
Financials	1.18%	9.38%
Energy	0.78%	1.73%
Real Estate	0.20%	3.23%
Information Technology	-0.12%	15.93%
Industrials	-0.19%	14.92%
Utilities	-0.66%	14.69%
Consumer Staples	-0.68%	6.98%

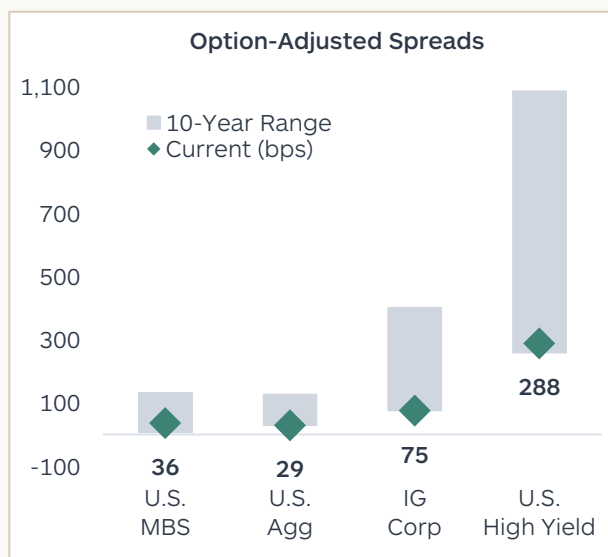
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What's On Our Minds

August 18, 2025

FIXED INCOME

KEY INTEREST RATES	08/15/25	Δ YTD
Municipal Bonds 1-10Y	3.10%	-0.26%
3M T-Bill	4.21%	-0.11%
10Y Treasury Yield	4.32%	-0.25%
Effective Federal Funds Rate	4.33%	0.00%
U.S. Aggregate	4.54%	-0.37%
30Y Mortgage Rate	6.67%	-0.61%
U.S. High Yield	7.19%	-0.46%
Prime Rate	7.50%	0.00%



COMMODITIES, CURRENCIES, CRYPTO

Asset Class	08/15/25
Crude Oil	\$63.95
Gold	\$3,335.50
U.S. Dollar Index	\$97.85
Bitcoin	\$117,235.00

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THE WEEK AHEAD

August 18 (Mon)	August 19 (Tue)	August 20 (Wed)	August 21 (Thu)	August 22 (Fri)	Coming Up
NAHB Housing Market Index	Housing Starts	FOMC Minutes	Initial Claims Existing Home Sales Philly Fed Index		Consumer Confidence (8/26) NVIDIA Earnings (08/27) PCE (08/29)

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What's On Our Minds

August 18, 2025

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

CHART OF THE WEEK: Cerity Partners, FRED, as of 8/18/2025

MARKET PERFORMANCE: All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 08/15/25. 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 08/15/25 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 08/15/25. 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 08/15/25.

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 08/15/25. 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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