What's On Our Minds

August 25, 2025

MARKET HIGHLIGHTS

- Financial market participants seemed to be waiting all week for a speech delivered by Federal Reserve (Fed) Chair Jerome Powell at the annual Jackson Hole symposium. **Expected to preview a resumption of the monetary ease initiated this time last year, Powell did not disappoint**. Fed ease into a slowing but still-growing economy remains a favorable environment for equity markets.
- **Financial markets viewed Powell's speech as dovish,** with the probability of a 25 basis point federal funds rate cut at the upcoming September Federal Open Market Committee (FOMC) meeting rising to 91%.
- In a sign that Powell may have a tougher-than-expected task in building consensus around a rate cut next month, minutes from the July FOMC meeting showed **a majority of members view inflation risk as outweighing employment risk.**
- **Housing data was somewhat mixed,** but the positive takeaway is the sector appears to be forming a solid bottom that may allow it to be additive to economic growth in 2026.
- **August purchasing managers surveys gave some mixed signals** on the health of corporations in the United States.
- **The Treasury yield curve shifted down**, but the spread between 2- and 30-year maturities steepened to 120 basis points, the highest level since January 2022.

MARKET PERFORMANCE

ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	0.43%	4.82%
Municipal Bonds 1-10Y	0.09%	2.92%
U.S. High Yield	0.29%	5.78%
S&P 500	0.30%	10.88%
Russell 2500 (SMID cap)	2.82%	7.59%
MSCI EAFE (International)	0.84%	24.58%
MSCI Emerging Markets	-0.41%	19.93%
MSCI ACWI (Global)	0.37%	14.74%
Crude Oil (NYMEX WTI)	-1.57%	-12.34%
Gold LBMA PM	0.06%	27.79%
60/40 ACWI/Agg Portfolio	0.40%	10.77%

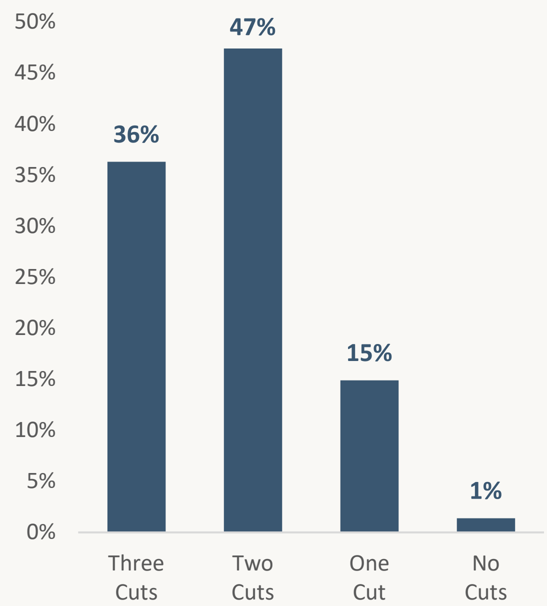
WHAT CAUGHT OUR EYES THIS WEEK

Dove Hunting in Jackson Hole

Sitting inside the longest gap of the year between FOMC meetings, the Kansas City Fed's Jackson Hole Economic Policy Symposium often serves as a venue for the Fed chair to send a message on monetary policy if needed. The last FOMC meeting in July took place a few days before the weak employment report that featured massive downward revisions to prior months. Since then, we also had inflation data that shows that tariffs are beginning to creep their way into goods prices but also that services inflation (outside of shelter) is not dead and buried just yet.

Recent "Fedspeak" and FOMC minutes reveal a committee divided on which side of its dual mandate demands more attention. Even still, Jerome Powell's speech marked a change of tune. He focused first on downside risks to employment before acknowledging tariff-induced inflation but embraced a "one-time shift" mentality to price impacts, a nod to the Christopher Waller camp that endorses looking past tariff inflation as temporary, or dare we say, transitory. He wrapped up the short-term policy portion of his speech by noting that "the shifting balance of risks may warrant adjusting our policy stance," which was all markets needed to hear. The Russell 2000 Index of small cap stocks (particularly sensitive to policy rates given its higher reliance on floating-rate borrowing) had its second-best day of the year (behind only the April 9 "pause" of the Liberation Day tariffs). There are still a handful of data points to be released before the September FOMC meeting. However, barring any nasty inflation surprises, the bigger question will be whether September brings about a "hawkish cut" that is telegraphed as potentially "one and done" or the start of a series of cuts as policy adjusts back to its perceived neutral level.

Market-Implied Probabilities for Number of Rate Cuts by the End of 2025



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

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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"

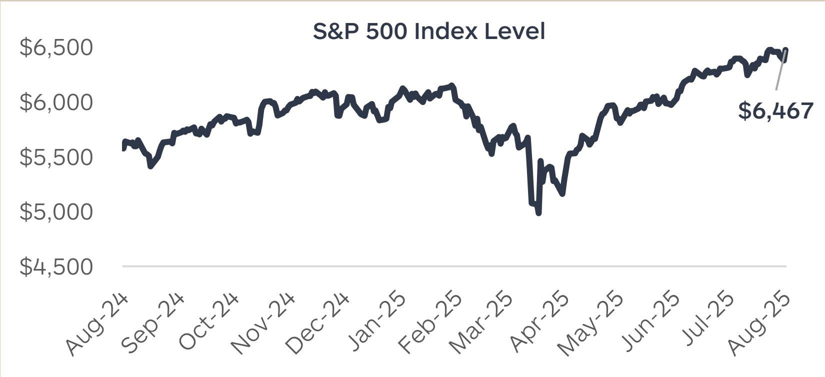
WEBINARS

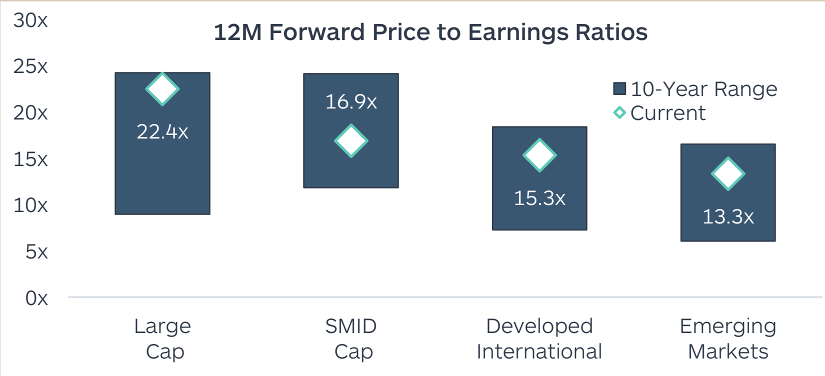
"Q3 2025 Market & Economic Outlook"

SOCIAL MEDIA

Cerity Partners LinkedIn Page

EQUITIES





S&P 500 SECTOR	1-WEEK	YTD
Energy	3.1%	4.9%
Real Estate	2.5%	5.8%
Financials	2.2%	11.7%
Materials	2.1%	11.6%
Industrials	1.8%	17.0%
Health Care	1.5%	1.4%
Consumer Discretionary	1.3%	2.6%
Utilities	0.5%	15.3%
Consumer Staples	0.3%	7.3%
Comm. Services	-0.9%	17.1%
Information Technology	-1.6%	14.1%

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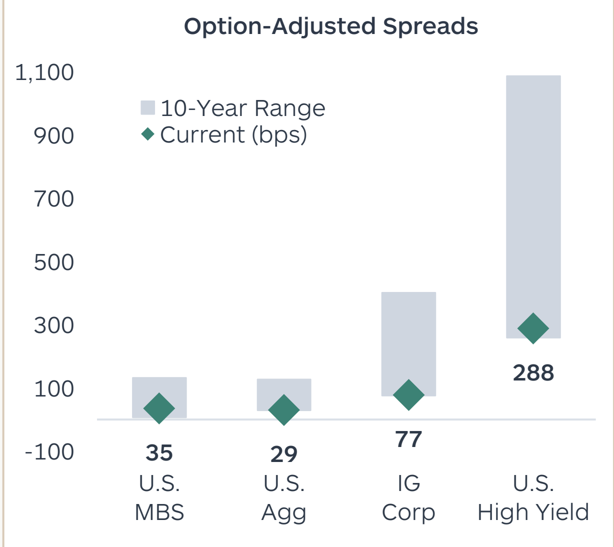
FIXED INCOME

KEY INTEREST RATES	08/22/25	Δ YTD
Municipal Bonds 1-10Y	3.09%	-0.27%
3M T-Bill	4.19%	-0.13%
10Y Treasury Yield	4.26%	-0.31%
Effective Federal Funds Rate	4.33%	0.00%
U.S. Aggregate	4.47%	-0.43%
30Y Mortgage Rate	6.65%	-0.63%
U.S. High Yield	7.14%	-0.51%
Prime Rate	7.50%	0.00%



COMMODITIES, CURRENCIES, CRYPTO

Asset Class	08/22/25
Crude Oil	$63.50
Gold	$3,334.25
U.S. Dollar Index	$97.72
Bitcoin	$116,850.00

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THE WEEK AHEAD

August 25 (Mon)
- New Home Sales

August 26 (Tue)
- Consumer Confidence
- Durable Orders
- FHFA Home Price Index

August 27 (Wed)
- NVDA Earnings

August 28 (Thu)
- Initial Claims
- Pending Home Sales

August 29 (Fri)
- Personal Consumption Expenditures
- PCE Deflator
- Chicago PMI

Coming Up
- BLS Employment Report (09/05)
- CPI (09/11)
- Retail Sales (09/16)
- FOMC Meeting (09/16 – 09/17)

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

CHART OF THE WEEK: Cerity Partners, Fed funds futures as of 8/22/2025, FactSet

MARKET PERFORMANCE: All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 08/22/25. 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 08/22/25 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 08/22/25. 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 08/22/25.

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 08/22/25. 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 wit the U.S. Dollar Index and provided by FactSet.