

MARKET HIGHLIGHTS

- > **Equity markets treaded water last week**, as investors await more data on labor market trends as well as the inflationary impact of tariffs and its effect on consumer spending. The secular artificial intelligence (AI) theme seems to be alive and well as evidenced by Nvidia's quarterly earnings report. A steepening yield curve continues to be an equity market headwind.
- > **President Donald Trump ostensibly fired Federal Reserve (Fed) Governor Lisa Cook for mortgage fraud.** The administration believes this satisfies the "for cause" authority granted to the president, but Governor Cook and her lawyers claim the move is purely politically motivated.
- > Fed Governor Christopher Waller, who appears to be the front-runner to replace Jerome Powell as Fed chair next year, said he **would again support a federal funds rate cut of 25 basis points (bps), but he doesn't believe a 50-bps cut is necessary** unless the labor market deteriorates further.
- > **A federal appeals court found that many of the administration's tariffs were issued illegally.** The court ruled against the use of international emergency power as rationale for the tariffs, but delayed enforcement of the order to mid-October so the U.S. Supreme Court can consider the case.
- > **Nvidia beat 2Q earnings estimates on a 56% increase in sales.** The company raised 3Q sales and gross margin estimates, which appear to have reinforced the legs of the AI theme and perhaps quieted the bearish concern that an AI capital expenditures bubble has been created and is about to burst. However, 2026 is shaping up as the year users of AI need to show productivity improvements that lead to greater profitability.

MARKET PERFORMANCE

ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	0.16%	4.99%
Municipal Bonds 1-10Y	0.16%	3.08%
U.S. High Yield	0.42%	6.23%
S&P 500	-0.08%	10.79%
Russell 2500 (SMID cap)	0.16%	7.75%
MSCI EAFE (International)	-1.44%	22.79%
MSCI Emerging Markets	-0.76%	19.02%
MSCI ACWI (Global)	-0.39%	14.30%
Crude Oil (NYMEX WTI)	-1.80%	-11.64%
Gold LBMA PM	2.85%	31.43%
60/40 ACWI/Agg Portfolio	-0.17%	10.57%

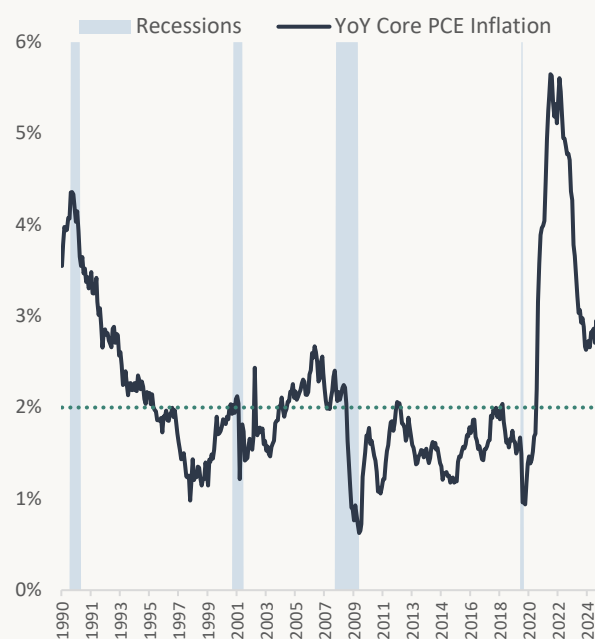
WHAT CAUGHT OUR EYES THIS WEEK

How Can We Get Back to 2% Inflation—Without a Recession?

Friday's Personal Income and Outlays report for July was solid. It showed that incomes are still growing handily and that consumption is not falling off a cliff as some feared. On the other hand, it reminded us that inflation is sticky in the 3% range—notably above the Fed's stated 2% target. So how do we kill that pesky "last mile"? The fastest way would be a recession, which is fun for no one and a path the Fed does not appear willing to take. Structural disinflation in a healthy economy is rare, but it has occurred. We look to the 1990s and that decade's tech-driven productivity boom as an interesting corollary (although we likely won't have the tailwinds of globalization and fiscal restraint). Looking forward, here is the non-recession path back to 2% as we see it:

1. Any tariff inflation does indeed turn out to be transitory. Low goods inflation is an important part of the arithmetic of 2%, providing an offset to services inflation, which tends to run hotter.
2. Housing inflation continues to fall. Over the longer term, the question of undersupply looms, but over the short and intermediate term, this trend appears intact thanks to softening rents.
3. Productivity gains keep a lid on wages and services inflation (this is where AI would come in). Businesses that are getting more bang for their buck would allow wages to sustainably run above overall inflation, limiting the risk of a "wage-price spiral."

Year-Over-Year Core PCE Inflation



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

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

[“How AI Is Affecting the Global Economy”](#)

[“Tax-Aware Investing with Long-Short Equity Strategies”](#)

[“Opportunity Zones Under the One Big Beautiful Bill”](#)

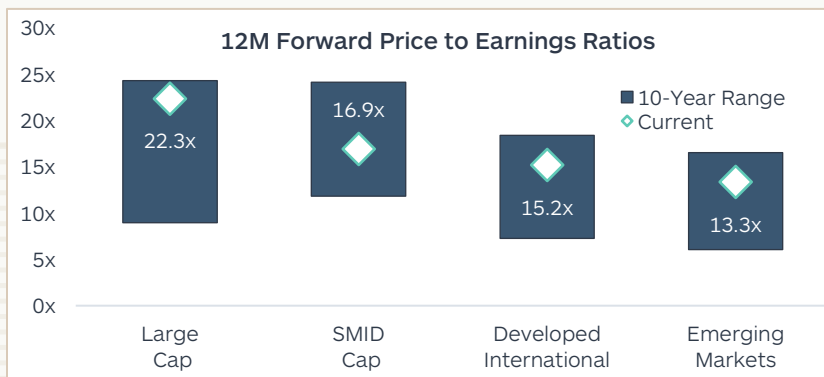
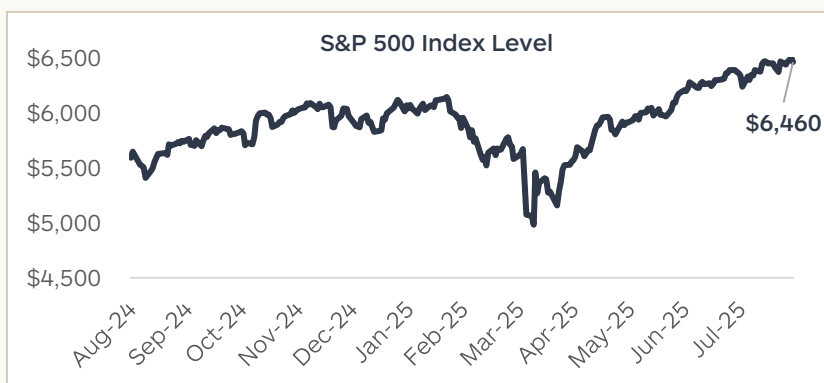
WEBINARS

[“Liquidity Event Playbook: Tax Optimization and Thoughtful Wealth Planning”](#)

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%

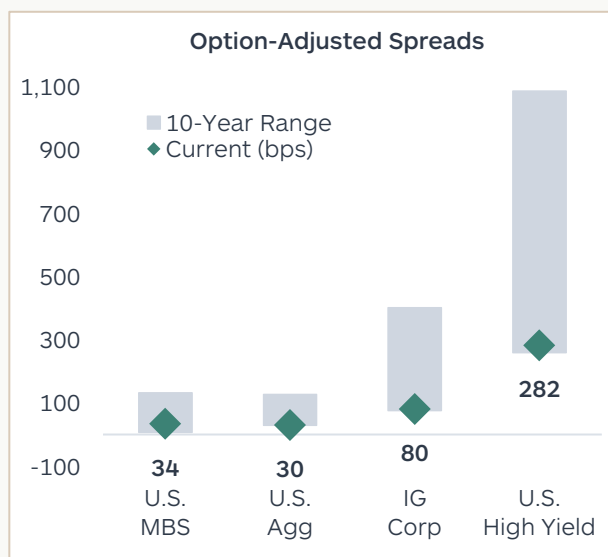
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What's On Our Minds

September 2, 2025

FIXED INCOME

KEY INTEREST RATES	08/29/25	Δ YTD
Municipal Bonds 1-10Y	3.07%	-0.29%
3M T-Bill	4.14%	-0.18%
10Y Treasury Yield	4.22%	-0.35%
Effective Federal Funds Rate	4.33%	0.00%
U.S. Aggregate	4.44%	-0.47%
30Y Mortgage Rate	6.62%	-0.66%
U.S. High Yield	7.04%	-0.61%
Prime Rate	7.50%	0.00%



COMMODITIES, CURRENCIES, CRYPTO

Asset Class	08/29/2025
Crude Oil	\$64.01
Gold	\$3,429.15
U.S. Dollar Index	\$97.77
Bitcoin	\$108,775.00

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THE WEEK AHEAD

Sep. 1 (Mon)	Sep. 2 (Tue)	Sep. 3 (Wed)	Sep. 4 (Thu)	Sep. 5 (Fri)	Coming Up
	ISM Manufacturing PMI	JOLTS Job Openings	Initial Claims	Nonfarm Payrolls	CPI (09/11)
	Construction Spending	Factory Orders	ADP Employment	Unemployment Rate	Retail Sales (09/16)
			ISM Services PMI		FOMC Meeting (09/16 – 09/17)

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What's On Our Minds

September 2, 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, 08/29/2025 (Figures are seasonally adjusted)

MARKET PERFORMANCE: All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 08/29/25. 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 08/29/25 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 08/29/25. 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 08/29/25.

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 08/29/25. 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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