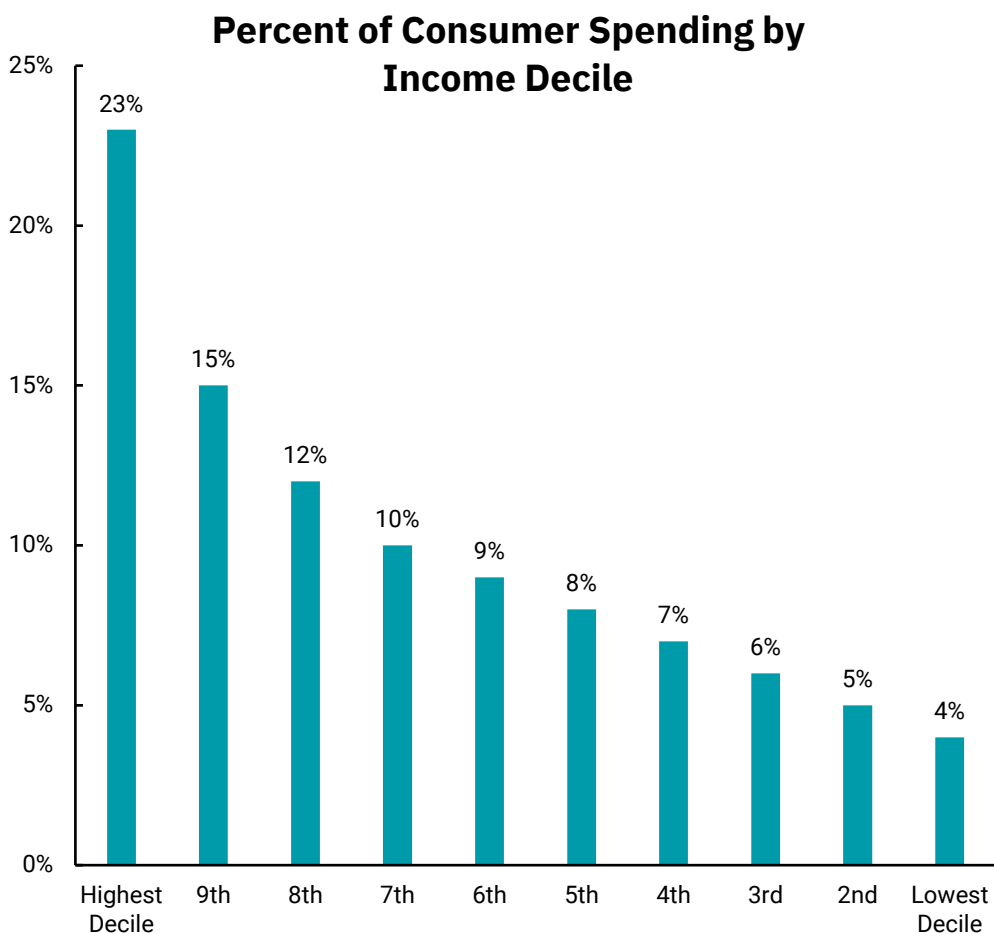


# Weekly market update

## Chart of the week (Aug. 8, 2025)



Now that President Trump's tariffs are in force, at least based on the most recent update on Truth Social, we wanted to revisit the U.S. consumer. One of the reasons the impact of tariffs is hard to know for sure is that most of our economy is based on services. Of course, services are not immune to tariffs. For instance, pool services, for which chemicals are imported from China. That said, services are much less directly impacted than are goods. Add in the spreading of the cost of tariffs between producers, distributors, retailers and consumers, and we can see that it is hard to draw a direct line between tariffs and inflation measures. In aggregate, higher tariffs, like higher taxes, will impact demand negatively and hence be, in our view, more of a demand issue than an inflation issue.

Like almost every other economic data point, however, when we look by income decile, the picture shows a variable level of impact. Generally, lower-income brackets spend a higher proportion of their income on necessities, which makes them more susceptible to the negative impacts of higher prices.

Our chart this week shows the percentage of consumer spending by income deciles. We should expect higher-income consumers to spend more as they are the ones with the highest level of discretionary income. In fact, we can see that 30% of income earners are responsible for half of all consumer spending. The upper income bracket's ability to absorb higher tariffs might mean that tariffs impact spending less overall. At the same time, looking at spending in this manner also helps highlight why the Federal Reserve is focused on getting inflation back towards its 2% target. The lower half of earners feel the impacts of inflation the most acutely, as they have less money to spend.

Moreover, when looking at tariffs and spending, there is another aspect of the make-up of the U.S. economy and the consumers' outsized influence on it to consider. Consumers choose how to spend their money. A consumer may choose not to buy anything now that an imported good costs more. Alternatively, they might choose to substitute a cheaper good for the now more expensive good. They also might choose to spend their money on services or experiences instead of goods. That last choice, in particular, might mean the economy benefits from this shift. The purchase of an imported good means that at least some of that money goes back overseas to the foreign producer. However, since services are much less impacted by tariffs, additional spending on services means a higher percentage of that spending remains within our economy.

Many parts of the global economy and trade are changing with uncertain outcomes. Yet history is clear that if U.S. consumers have money, they will spend it. The job market and income deciles play a huge role in how much and on what money is spent, but as long as the job market remains positive, our economic outlook will tend to remain so as well.

# Weekly market update



## Commentary (Aug. 8, 2025)

### Domestic Equities

- U.S. stocks ended the week higher, as strong corporate earnings helped offset concerns over new tariff developments.
- Technology earnings continued to exceed expectations, reinforcing the momentum behind the artificial intelligence (AI) boom and propelling the Nasdaq Composite Index to fresh highs.
- Firefly Aerospace made a strong public debut on Thursday, with shares surging. In its wake, Rocket Lab, a launch-service provider, jumped over 10% following a report of revenue growth despite widening net losses.
- Instacart nearly doubled its quarterly profit, reflecting continued consumer adoption of online grocery shopping. Meanwhile, Block Inc., the parent company of Cash App and Square, raised its profit outlook, anticipating that increased borrowing will drive growth, even amid shifting consumer spending patterns due to inflation.

### Bonds

- The U.S. Treasury yield curve steepened on tepid auction demand, with the three- 10- and 30-year auctions all tailing this week.
- President Trump has decided to temporarily fill the vacant Federal Reserve board seat with Stephen Miran, who is currently serving as the chair of the Council of Economic Advisers. Miran is expected to be dovish on rate cuts later this year but hawkish on Fed governance.
- The broad investment-grade market, as measured by the Bloomberg US Aggregate Bond Index, was marginally lower for the week, with higher rates weighing most heavily on returns.
- Perceived credit risk fell across the market, with the spread on the Markit CDX North America High Yield Index finishing the week lower.
- The Bank of England cuts its main policy rate by 0.25% to 4% in an effort to bolster the sluggish U.K. economy. The central bank of Mexico also lowered its main policy rate by 0.25% to 7.75% with inflation continuing to moderate across the country.

### International Equities

- Foreign stocks rallied this week as investors digested fresh economic news while looking past the U.S. administration's higher tariffs, which took effect on Friday, targeting more than 90 countries.
- Foreign developed markets rebounded after the previous week's losses, with broad gains seen in Japan and markets across Europe. The Bank of England cut its benchmark interest rate by 0.25% to 4%, its lowest level in over two years. Policymakers remain concerned about an unsettling resurgence in inflation, while also grappling with some weakness in the country's employment data.
- Emerging markets rallied, with markets across Asia and Latin America posting strong gains. India's central bank kept its policy rate unchanged at 5.5%. Rising tensions with the U.S. continue to cast a shadow over the country's economic outlook as the U.S. applied an extra 25% tariff on Indian goods due to the country's trade ties with Russia.

### Economics

- On Tuesday, the Trade Balance report showed a trade deficit of \$60.2 billion for June. That was close to the consensus estimate of \$61.5 billion and slightly better than May's deficit of \$71.7 billion. The negative trade balance reflects the impact of declining imports, likely influenced by recent tariffs.
- On Thursday, jobless claims came in at 226,000 for the week, slightly above the consensus estimate of 220,000 and last week's revised figure of 219,000. While new claims remain stable, continuing claims are elevated, suggesting that although companies are not conducting broad layoffs, hiring activity remains subdued.
- Also on Thursday, President Trump announced that his economic advisor, Stephen Miran, will be appointed to the Federal Reserve board following a recent resignation. Miran has been critical of the Fed's past actions and advocated for a weaker U.S. dollar as a strategy to help manage the deficit.

## Weekly Market Update

For Week Ending August 08, 2025

### Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
<b>Capital Markets</b>				
Dow Jones Industrial Avg	44,175.61	1.4%	4.8%	14.0%
S&P 500 Index	6,389.45	2.4%	9.5%	21.7%
NASDAQ Composite	21,450.02	3.9%	11.5%	29.7%
S&P 400 Midcap Index	3,124.04	0.7%	1.0%	8.0%
S&P 600 Smallcap Index	1,352.05	2.2%	-3.0%	2.7%
MSCI EAFE	9,753.78	1.9%	20.0%	20.5%
MSCI Emerging Markets	680.51	2.3%	18.6%	22.5%
Bloomberg US Agg	2,285.40	-0.2%	4.4%	3.6%
Bloomberg Municipal 5 Yr	512.53	0.3%	3.6%	4.0%
Bloomberg US Corporate	3,447.70	-0.1%	4.8%	5.0%
Bloomberg Glb Agg ex US Hdg	604.86	0.2%	2.0%	4.2%
Bloomberg High Yield	2,825.43	0.4%	5.3%	9.1%
MSCI US REIT Index	2,271.65	0.3%	-1.7%	-0.5%
Bloomberg Commodity Index	249.93	0.3%	4.7%	10.6%

	Last Price/Yield	Prior Week	Year End	Year Ago
<b>Key Rates</b>				
Fed Funds Target	4.50%	4.50%	4.50%	5.50%
3-Month Treasury	4.24%	4.27%	4.31%	5.21%
1-Year Treasury	3.92%	3.84%	4.14%	4.47%
2-Year Treasury	3.76%	3.68%	4.24%	4.04%
5-Year Treasury	3.83%	3.76%	4.38%	3.83%
7-Year Treasury	4.03%	3.96%	4.48%	3.88%
10-Year Treasury	4.28%	4.22%	4.57%	3.99%
30-Year Treasury	4.85%	4.82%	4.78%	4.28%

<b>Consumer Rates</b>				
30-Year Mortgage	6.74%	6.78%	7.28%	5.83%
Prime Rate	8.25%	8.25%	8.25%	9.25%
SOFR	4.35%	4.34%	4.49%	5.34%

<b>Commodities</b>				
Gold (spot)	3,397.75	3,363.48	2,624.50	2,427.53
Crude Oil WTI	63.88	67.33	71.72	76.19
Gasoline	3.15	3.15	3.06	3.45
Natural Gas	2.99	3.08	3.63	2.13
Copper	4.47	4.44	4.03	3.96

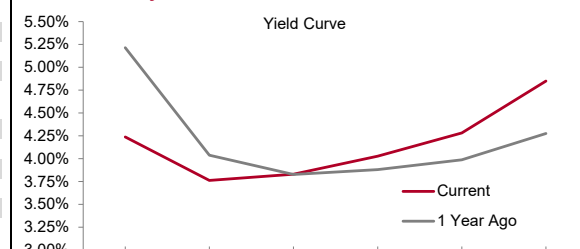
	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
<b>Index Characteristics</b>				
Dow Jones Industrial Avg	20.21	22.79	5.69	1.69
S&P 500	22.27	25.01	5.40	1.28
S&P 500 Value	18.25	19.64	3.42	2.06
S&P 500 Growth	27.43	32.63	10.33	0.63
NASDAQ	28.53	35.23	7.56	0.75
S&P Midcap 400	16.30	16.95	2.55	1.74
S&P Smallcap 600	15.34	16.05	1.80	3.93
MSCI EAFE	15.37	16.02	2.06	3.04
MSCI Emerging Markets	13.00	15.61	2.03	2.70

### Equity Style



1 Month*			Year to Date*		
Value	Core	Growth	Value	Core	Growth
Large					
0.79	2.71	4.40	5.13	9.46	13.42
Mid					
-2.80	-1.37	-0.07	0.04	0.98	1.82
Small					
-1.24	-0.95	-0.67	-5.51	-3.04	-0.58

### Fixed Income Style



1 Month*			Year to Date*		
Short	Interm.	Long	Short	Interm.	Long
Govt					
0.60	0.88	1.91	3.20	4.28	2.94
Corp					
0.67	1.09	1.93	3.64	5.11	4.22
HY					
0.88	0.71	1.06	5.19	5.29	6.18

### Economic Data

	Last Release	Year Ago
<b>Inflation</b>		
CPI Headline Inflation	2.7%	3.0%
CPI Core Inflation	2.9%	3.3%
Personal Consumption Exp (PCE) Core	2.8%	2.6%

<b>Jobs</b>		
Unemployment Rate (U3)	4.2%	4.2%
Broader Unemployment Rate (U6)	7.9%	7.8%
JOLT Survey (in millions)	7.44	7.41
Jobless Claims (000's)	226	234
Change in Non-Farm Payroll (000's)	73	88
Average Hourly Earnings (Y/Y % Change)	3.9%	3.6%

<b>Consumer &amp; Spending</b>		
Consumer Confidence (Conf Board)	97.2	101.9
Consumer Spending (\$ Bil)	20,685	19,747
Consumer Credit (\$ Bil)	5,055	5,029
Retail Sales (\$ Bil)	720	693

<b>Housing</b>		
Housing Starts (000's)	1,321	1,327
Case-Shiller Home Price Index	331.11	323.82

<b>U.S. Productivity</b>		
Real Gross Domestic Product (\$ Bil)	23,685	23,224
Quarter over Quarter Change	3.0%	3.0%
Year Over Year Change	2.0%	3.0%
ISM Manufacturing	48.00	47.00
Capacity Utilization	77.64	78.20
Markit US Composite PMI	55.10	54.30

<b>U.S. General</b>		
Leading Economic Indicators	98.8	102.9
Trade Weighted Dollar Index	121.6	124.2
EUR / USD	1.16	1.09
JPY / USD	147.74	147.23
CAD / USD	0.73	0.73
AUD / USD	0.65	0.66

### S&P 500 Sector Returns

	1 Month	YTD
Utilities	6.32%	16.07%
Industrials	6.07%	15.65%
Communication Services	6.24%	15.46%
Information Technology	1.23%	15.14%
Financials	-0.75%	8.10%
Materials	1.25%	7.70%
Consumer Staples	-1.92%	7.26%
Real Estate	-0.40%	3.03%
Energy	-4.16%	0.94%
Health Care	2.96%	-1.24%
Consumer Discretionary	-3.56%	-4.53%

Source: Bloomberg

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