



Market Update

(all values as of
08.29.2025)

Stock Indices:

Dow Jones	45,544
S&P 500	6,460
Nasdaq	21,455

Bond Sector Yields:

2 Yr Treasury	3.59%
10 Yr Treasury	4.23%
10 Yr Municipal	3.20%
High Yield	6.44%

YTD Market Returns:

Dow Jones	7.05%
S&P 500	9.84%
Nasdaq	11.11%
MSCI-EAFE	20.36%
MSCI-Europe	22.28%
MSCI-Pacific	16.87%
MSCI-Emg Mkt	17.01%

US Agg Bond	4.98%
US Corp Bond	5.30%
US Gov't Bond	4.81%

Commodity Prices:

Gold	3,516
Silver	40.76
Oil (WTI)	64.03

Currencies:

Dollar / Euro	1.16
Dollar / Pound	1.35
Yen / Dollar	147.05
Canadian /Dollar	0.72

Macro Overview

Weakening employment data prompted the Federal Reserve to suggest that a reduction in interest rates would be considered sooner rather than later. The Federal Reserve is becoming increasingly concerned about the health of the employment market, enticing it to possibly lower rates more proactively in order to curtail an economic pullback.

Data detailing the condition of the job market has become an incredibly vital determinant as to the direction of the economy, with economists and analysts becoming increasingly critical of the accuracy of government compiled data.

Weakening employment data can affect markets positively and negatively. Faltering jobs data historically has led to lower interest rates because of an impending economic slowdown pushing bond prices higher, while concurrently hindering stocks as growth prospects are revised down.

Crude oil prices have dropped over 10% since the beginning of the year, a result of diminishing global demand and excess supply. Any further drop in crude oil prices could eventually translate into lower gasoline prices, alleviating some inflationary pressures for American consumers.

The Fed suggested that a slowing employment market could help offset the elevated prices associated with tariffs in the short term. Company earnings continue to reveal that some companies are absorbing tariff costs while others are passing the costs along to consumers. Various analysts and economists believe that an economic environment encompassing slower growth, moderating inflation and additional easing by the Federal Reserve will unfold over the next few months. Consumer expenditures have become a critical component in the direction of the economy, as lower interest rates would afford consumers greater expenditures.

Gross Domestic Product (GDP) expanded at an annual rate of 3.3% this past quarter, the Commerce Department said in an updated estimate. The department had previously estimated that the economy had grown by 3%. The economy's recent growth supposedly reflected a drop in imported goods after companies made purchases earlier in the year in advance of new tariffs. Trade can cause swings in quarterly growth because of the method used to calculate GDP.

Australia's central bank warned that a global change in how financing is being accomplished is veering from traditional regulated banks and transitioning into private markets, which is making it more difficult for authorities to contain risks within the global financial system.

The housing market is anxiously awaiting any rate cuts by the Fed in anticipation that a drop in mortgage rates will soon follow. Housing sector analysts are projecting a continual cooling housing market as inventories grow and buyers retract. Lumber prices and container shipping rates are falling as a result of easing demands due to imposed tariffs, as well as a slowing economic environment. Lower lumber prices historically have translated into lower housing material costs, while falling container shipping costs can lead to lower costs for imported items. (Sources: Commerce Dept, BLS, Labor Dept, Federal Reserve, EIA)



Rates On Track To Head Lower – Fixed Income Update

Job market expectations influenced rate expectations as the Federal Reserve readied markets for a possible rate reduction in September. Despite ongoing inflation and economic growth concerns, fixed income markets have sustained valuations since the beginning of the year. The spread or difference between the 2-year Treasury yield and the 30-year Treasury yield reached a level not seen since three years ago. This dynamic is also known as a steepening yield curve, meaning that longer term bond yields are higher than shorter term bond yields. Any expected reduction in rates by the Federal Reserve also contributes to a widening spread and lower short term yields. Lower short term rates and higher long term rates are representative of a normalizing yield curve, which signals expected long term economic growth.

Mortgage rates fell to 6.56% for a 30 year fixed conforming loan, down from 7.04% in early January. Other consumer related loan rates are also anticipated to decline once the Fed executes on further rate deductions. (Sources: Treasury Dept, Labor Dept, Federal Reserve, FreddieMac)

Stocks Awaiting Fed Decision – Domestic Equity Update

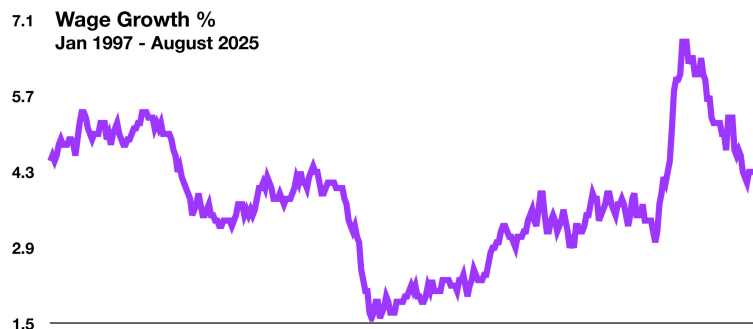
Earnings releases for the second quarter drove stocks in varying directions in August. Some companies reported passing along tariffs to consumers in the form of higher prices, while others absorbed tariff costs, thus reducing profitability. The ten largest companies in the S&P 500 accounted for 39.5% of its total value at the end of July, the highest ever. The concentration of these companies is believed by many analysts to distort the actual performance of the index.

Expectations of a Fed rate reduction in September is expected to benefit companies with excessive debt payments and capital borrowing needs. Lower rates have historically translated into higher earnings and cash flow for smaller capitalized companies. (Sources: S&P, Federal Reserve, Bloomberg)

Employment Market Shows Signs of Strain – Labor Market Overview

There are currently over 163 million employed workers in the United States, representing roughly 47% of the country's total population. The amount of individuals employed and those willing and able to work varies from month to month, revealing the health of the employment market and possible economic developments.

A dilemma affecting consumers nationwide is the precipitous drop in wage growth since 2022. During and immediately following the pandemic, employers struggled to find workers as individuals exited from the workforce. In order to entice workers, employers drove up the rate of salaries and hourly pay. Wages rose aggressively during 2021 and the first half of 2022, followed with a steady decline since then. Some economists believe that the current drop in wage growth is prohibiting consumers from spending more and elevating financial duress among working households. Such a dynamic has led to recessionary environments in the past, one of the many reasons that markets follow employment data so closely. (Sources: Bureau of Labor Statistics)





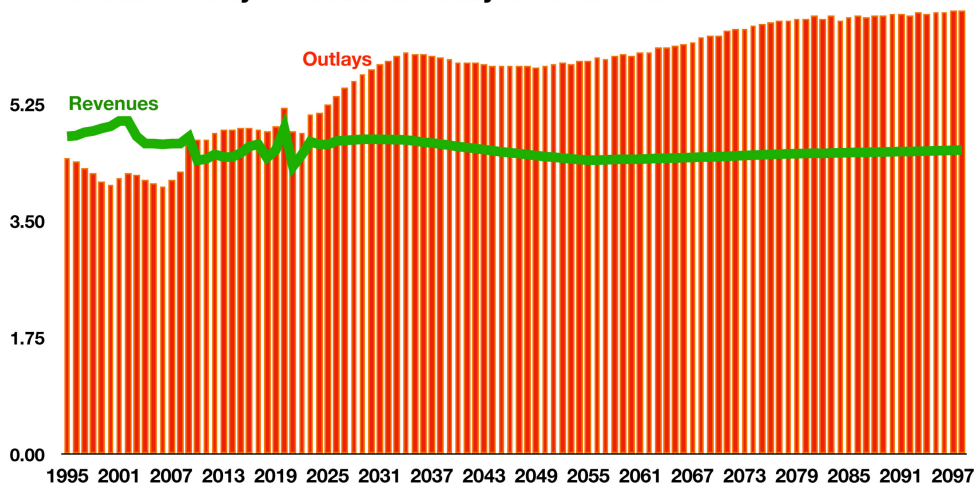
Social Security Falls Short On Projections – Retirement Planning

As of April 2025, over 73 million Americans received Social Security benefit payments, with over 57 million age 65 or older. The Social Security Administration estimates that Americans received approximately \$1.5 trillion in Social Security benefit payments in 2024.

Unfortunately, Social Security is a major source of income for many of the elderly, where nine out of ten retirees 65 years of age and older receive benefit payments representing an average of 41% of their income. In 1940, the life expectancy of a 65-year old was 14 years, today it's about 20 years. By 2036 there will be almost twice as many older Americans eligible for benefits as today, from 41.9 million to 78.1 million.

Social Security outlays began to exceed income in 2010 for the first time since 1982, forcing the program to dip into its trust fund, which is currently just under \$2.7 trillion. Social Security is funded by two trust funds, one for retiree benefits and another for disability benefits. Disability applications have actually been declining since 2010, with a decreasing number of workers receiving disability benefits since 2014.

7.00 Social Security Revenues & Outlays / As % of GDP



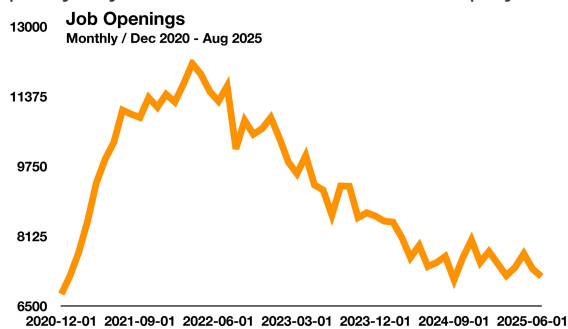
The latest annual report issued by the trustees of Social Security and Medicare revealed that by 2034, the program's trust fund will be depleted. Depletion means that Social Security recipients will no longer be receiving full scheduled benefits. Recipients would receive about three-quarters of their scheduled benefits after 2034. Congress can eventually act to fortify the program's finances, but it may be years before it actually takes effect and funds.

Social Security's largest costs are attributable to Medicare, which represents over 76% of Social Security benefits. The report also mentioned that Medicare's hospital insurance fund would be depleted in 2026. The trustees noted that the aging population of the country has placed additional pressure on both the Social Security and Medicare programs. A decade ago, roughly 12% of Americans were age 65 or older, today 16% of Americans have already surpassed 65, the eligibility age for Medicare. The Social Security Administration considers various factors in projecting its estimates, including fertility, immigration, wages, health, and economic growth. A recent drop in U.S. birthrates along with stagnant wages has placed additional burden on the viability of future benefit payments. (Sources: <https://www.ssa.gov>)



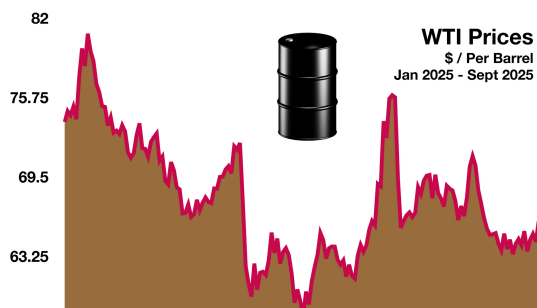
Companies Pulling Back On Hiring – Employment Market Review

As the validity of government employment data has come into question recently, analysts are being extremely critical of such data and the reliance on its credibility. The most recent revision by the Labor Department's Bureau of Labor Statistics reported in early September that the pace of job growth was likely significantly weaker than reported from early 2024 through early this year. The discrepancy was significant, with nearly 1 million fewer jobs over a year than what was originally reported in early 2024. The revision casts even a darker cloud over the credibility on such data as well as a growing concern surrounding the reliance that the Federal Reserve has on such data and on its accuracy, which it uses to determine the direction of interest rates as set forth by its monetary policy objectives. The health of the employment market has become worse than originally believed with hundreds of thousands of fewer jobs being offered by companies than initially reported. The desire by companies to hire and expand their employee base is measured by the number of actual job openings. Since March 2022, job openings have been steadily falling as companies scaled back from ambitious hiring during the pandemic. Several analysts and economists believe that faulty data gathering and reporting methods by the Labor Department's Bureau of Labor Statistics may have misguided the Federal Reserve with its monetary policy objectives for more than the past year. (Sources: Dept. of Labor, Federal Reserve)



The Reason Behind Falling Oil Prices – Global Energy Overview

West Texas Intermediate crude oil, the benchmark for U.S. oil prices, has fallen over 10% since the beginning of the year, possibly a result of lessening global demand for oil according to various economists. Production capacity among oil producing countries including Russia, Iran, Iraq, Kuwait, Saudi Arabia and the United States has been steadily increasing for months, leading to an abundance of inventory worldwide. Excessive supply has historically led to lower oil prices as demand falters. Slowing economic activity globally has dampened the demand for oil as companies and countries slash expansion. Global real GDP fell from 3.3% growth estimates for 2025 to a projected 3.0% for 2025. Currency valuations and shipping disruptions can also influence oil prices with sudden price increases or decreases. The movement in oil prices affects countries differently, where exporting oil countries are adversely affected as prices fall, while importing oil countries benefit. Traditionally, rising prices have been indicative of expanding economic growth producing increasing demand for energy and oil, powering transportation, factories, and businesses.



Lower oil prices can alleviate inflationary pressures for businesses and consumers, in the form of falling jet fuel, diesel, and gasoline prices. Reduced oil prices may also contribute to increased earnings for energy consuming companies, yet may also result in decreased earnings for oil drillers and producers. (Sources: Department of Energy, Bureau of Labor Statistics)