



## MARKET MONTH: AUGUST 2025

### The Markets (as of market close August 29, 2025)

U.S. stocks enjoyed a notable month in August with major indexes reaching new record highs. Wall Street's performance was largely driven by strong corporate earnings (particularly in technology), an improving trade outlook, and continued economic resilience. During the month, the S&P 500 and the Dow reached record levels, while the NASDAQ saw strong gains and was just shy of its own all-time high. The information technology sector was the primary driver of the market's growth, with megacap firms, particularly AI and semiconductor companies, fueling the upturn.

Inflation continued to move away from the Federal Reserve's 2.0% target. July's Consumer Price Index (CPI), while soft on the surface, contained signs that tariffs were impacting inflation somewhat. For example, prices for furniture, photographic equipment, and vehicles rose on a monthly basis at the fastest rate since April. In addition, the 12-month personal consumption expenditures (PCE) price index excluding food and energy (core prices) has risen three consecutive months following July's increase and is now just under 3.0%. The July Producer Price Index (PPI) came in quite hot, which could be a precursor to increasing consumer prices down the line. Overall, inflationary data for July offers further evidence that customs duties are having some impact on the costs of goods and services.

The U.S. economy continued to show signs of renewed growth in the second quarter of 2025 on the heels of a modest decline in the first quarter. The gross domestic product (GDP) rose 3.3% in the second quarter following a 0.5% contraction in the first quarter (see below). Consumer spending rose 1.6% in the second quarter after ticking up 0.5% in the first quarter. However, through the first half of the year, the GDP's annualized growth rate was projected to be 1.4%, which could be indicative of weakening private sector demand outside of the AI-driven investment boom. Some economists view tariffs, policy uncertainty, rising inflation, and tighter immigration restrictions as potentially causing increasing constraints on economic activity.

The U.S. labor market showed signs of slowing down in August, with hiring weakening, unemployment gradually increasing, and long-term concerns about job growth and labor-force participation becoming more prominent. Only 73,000 new jobs were added in July, well below expectations and notably slower than the pace of job creation seen in recent years. July's weakness was further amplified by larger-than-normal downward revisions to the May and June estimates (see below). However, despite a slowdown in job growth, initial unemployment claims have remained relatively low, suggesting that employers may be leery of laying off workers. Nevertheless, the long-term unemployed reached 1.8 million



and accounted for a quarter of all unemployed workers, which could indicate that job hunters are having a harder time re-entering the workforce.

According to FactSet, with roughly 90% of S&P 500 companies reporting, 81% of companies reported positive earnings per share (EPS). This was above the five-year (78%) and the 10-year (75%) averages. The blended year-over-year earnings growth rate for the S&P 500 in the second quarter is 11.8%, which would mark the third consecutive quarter of double-digit earnings growth for the index. The market sectors with the largest positive contributions to the overall earnings growth rate in the second quarter include communication services, information technology, and financials.

The real estate market had mixed results in July, with sales of existing homes rising, while new home sales declined. Mortgage rates eased slightly. According to Freddie Mac, the average 30-year fixed mortgage rate fell to around 6.56%, the lowest in several months. Although mortgage rates have ticked lower and inventory has increased, affordability remained the largest drawback for potential home buyers.

Industrial production edged lower in July after increasing in June. Manufacturing output was flat in July, while mining and utilities contracted. Purchasing managers reported manufacturing slowed in July, with operating conditions worsening due to a slowdown in demand as respondents indicated uncertainty in relation to tariffs. Activity in the services sector expanded in July, as increasing demand prompted companies to expand their workforces.

The bond market in August was primarily influenced by a combination of factors, including the Federal Reserve's monetary policy, economic data, geopolitical events, and ongoing tariff discourse. Ten-year Treasury yields were volatile throughout August but generally trended lower, especially after Fed Chair Powell's dovish comments suggesting an interest rate reduction in September. The two-year note, which is more sensitive to Fed policy, closed August at about 3.6%, down nearly seven basis points from the rate at the end of July. The dollar index demonstrated a period of stabilization and mixed performance in August, following a significant decline in the first half of the year. The dollar's performance was largely influenced by a combination of U.S. economic data, Federal Reserve policy, and global economic dynamics. Gold prices rose in August, marking their seventh straight monthly gain. Crude oil prices decreased for the month. Prices were largely driven by oversupply concerns, production increases, and weakening demand outlook, which were partially offset by geopolitical tensions. The retail price of regular gasoline was \$3.147 per gallon on August 25, \$0.024 above the price a month earlier but \$0.166 lower than the price a year ago.

## **Stock Market Indexes**



Market/Index	2024 Close	Prior Month	As of 8/29	Monthly Change	YTD Change
DJIA	42,544.22	44,130.98	45,544.88	3.20%	7.05%
NASDAQ	19,310.79	21,122.45	21,455.55	1.58%	11.11%
S&P 500	5,881.63	6,339.39	6,460.26	1.91%	9.84%
Russell 2000	2,230.16	2,211.65	2,366.42	7.00%	6.11%
Global Dow	4,863.01	5,507.67	5,736.50	4.15%	17.96%
fed. funds target rate	4.25%-4.50%	4.25%-4.50%	4.25%-4.50%	0 bps	0 bps
10-year Treasuries	4.57%	4.36%	4.22%	-14 bps	-35 bps
US Dollar-DXY	108.44	100.06	97.79	-2.27%	-9.82%
Crude Oil-CL=F	\$71.76	\$69.45	\$64.01	-7.83%	-10.80%
Gold-GC=F	\$2,638.50	\$3,344.70	\$3,517.00	5.15%	33.30%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark the performance of specific investments.

### Latest Economic Reports

- Employment:** The latest employment report for July showed the labor market may be weakening. Job growth ticked higher (+73,000) in July following a downwardly revised June increase of only 14,000. Employment for May was also revised lower to 19,000. With these revisions, employment in May and June combined was 258,000 lower than previously reported. In July, the unemployment rate ticked up 0.1 percentage point to 4.2%. The number of unemployed persons in July, at 7.2 million, was 221,000 above the June estimate. The number of long-term



unemployed (those jobless for 27 weeks or more) increased by 179,000 to 1.8 million. These individuals accounted for 24.9% of all unemployed persons. The labor force participation rate in July fell 0.1 percentage point from June to 62.2%. The employment-population ratio in July, at 59.6%, was 0.1 percentage point lower than the June estimate. Average hourly earnings increased by \$0.12, or 0.3%, to \$36.44 in July. Over the last 12 months, average hourly earnings rose by 3.9%. The average workweek edged up 0.1 hour to 34.3 hours in July.

- There were 229,000 initial claims for unemployment insurance for the week ended August 23, 2025. During the same period, the total number of workers receiving unemployment insurance was 1,954,000. A year ago, there were 232,000 initial claims, while the total number of workers receiving unemployment insurance was 1,864,000.
- **FOMC/interest rates:** The Federal Open Market Committee did not meet in August, but there was plenty of news surrounding that group. During the month, Fed Chair Jerome Powell indicated that the time may be right for an interest rate cut in September, despite the fact that inflationary pressures showed signs of mounting. In addition, President Trump removed a member of the Federal Reserve Board of Governors, following allegations of mortgage fraud.
- **GDP/budget:** The economy, as measured by gross domestic product, advanced at an annualized rate of 3.3% in the second quarter, rebounding from a 0.5% decrease in the first quarter of 2025. Consumer spending, as measured by personal consumption expenditures, drove the second-quarter increase, climbing 1.6% after ticking up 0.5% in the first quarter. Spending rose for both services (1.2%) and goods (2.4%). After surging 37.9% in the first quarter, imports (which are a negative in the calculation of GDP) fell 39.8% in the second quarter. However, exports also declined in the second quarter, falling 1.3%, offsetting a 0.4% advance in the first quarter. Private investment declined 13.8% in the second quarter, cutting into the 23.8% gain in the prior quarter.
- July saw the federal budget register a deficit of \$291 billion. July has registered a deficit 69 times out of 71 fiscal years since there are usually no major corporate or individual tax due dates in that month. July receipts were \$338 billion versus \$330 billion a year ago. Customs duties (e.g., tariffs) added \$28 billion to receipts in July and are up 273% compared to a year ago. Government outlays in July were \$630 billion versus \$574 billion a year ago. The deficit through the first 10 months of fiscal year 2025, at \$1,629 billion, was above the \$1,517 billion deficit over the first 10 months of the previous fiscal year. Thus far for fiscal year 2025, individual income



tax receipts added up to \$2,204 billion, while outlays for Social Security totaled \$1,314 billion.

- **Inflation/consumer spending:** According to the latest Personal Income and Outlays report, personal income and disposable (after-tax) personal income each rose 0.4% in July (0.3% for each in June). Consumer spending increased 0.5% in July after rising 0.4% the previous month. In July, the PCE price index rose 0.2% after increasing 0.3% in June. Core prices advanced 0.3% last month, unchanged from the June estimate. The PCE price index rose 2.6% since July 2024, while core prices increased 2.9% over the same period. Over the past 12 months ended in July, prices for goods increased 0.5% and services rose 3.6%. Food prices increased 1.9%, while energy prices decreased 2.7%.
- The Consumer Price Index rose 0.2% in July after increasing 0.3% in June. Over the 12 months ended in July, the CPI rose 2.7%, unchanged from the 12-month period ended in June. Core prices rose 0.3% last month and 3.1% since July 2024. The primary factor in the July increase was a 0.2% rise in prices for shelter. Food prices were unchanged in July from the previous month. Energy prices decreased 1.1% in July as gasoline prices declined 2.2% over the month. Over the last 12 months ended in July, food prices increased 2.9%, energy prices declined 1.6%, and shelter prices rose 3.7%.
- According to the Producer Price Index, prices at the wholesale level jumped 0.9% in July after being unchanged in June. Producer prices increased 3.3% for the 12 months ended in July after rising 2.3% for the 12-month period ended in June. This was the largest 12-month increase since rising 3.4% in February 2025. Excluding food and energy, producer prices rose 0.9% in July and increased 3.7% for the year. In July, prices for goods increased 0.7% from the previous month and rose 1.9% since July 2024. Last month saw prices for services climb 1.1% after a 0.1% decrease in June. This was the largest one-month increase since March 2022. Prices for services rose 4.0% for the 12 months ended in July, an increase of 1.3 percentage points from the 2.7% increase over the 12 months ended in June.
- **Housing:** Sales of existing homes increased 2.0% in July and were 0.8% above the estimate from a year earlier. The median existing-home price was \$422,400 in July, lower than the June price of \$432,700 but above the July 2024 estimate of \$421,400. Unsold inventory of existing homes in July represented a 4.6-month supply at the current sales pace, marginally lower than the June supply of 4.7 months and above the 4.0-month supply from a year ago. Sales of existing single-family homes rose 2.0% in July, and were 1.1% above the July 2024 figure. The





median existing single-family home price was \$428,500 in July (\$438,600 in June) and marginally above the July 2024 estimate of \$427,200.

- New single-family home sales fell 0.6% in July and were 8.2% less than the July 2024 figure. The median sales price of new single-family houses sold in July was \$403,800 (\$407,200 in June), which was lower than the July 2024 estimate of \$429,000. The July average sales price was \$487,300 (\$505,300 in June), down from the July 2024 average sales price of \$513,200. Inventory of new single-family homes for sale in July represented a supply of 9.2 months at the current sales pace, unchanged from the June estimates, and higher than the July 2024 rate of 7.9 months.
- **Manufacturing:** Industrial production edged down 0.1% in July after increasing 0.4% in June. Manufacturing output was unchanged after increasing 0.3% in June. Mining decreased 0.4% in July, while utilities inched 0.2% lower. Over the 12 months ended in July, total industrial production was 1.4% above its year-earlier reading. Since July 2024, manufacturing increased 1.4%, mining advanced 1.9% and utilities rose 0.8%.
- New orders for durable goods fell 2.8% in July after decreasing 9.4% in June. Transportation equipment drove the July decline after falling 9.7%. New orders excluding transportation increased 1.1%. Excluding defense, new orders decreased 2.5%. For the 12 months ended in June, durable goods orders advanced 7.9%.
- **Imports and exports:** Import prices advanced 0.4% in July following a 0.1% decrease in June. Prices for imports declined 0.2% for the 12 months ended in July. Import fuel prices increased 2.7% in July, the largest monthly advance since import fuel prices rose 3.0% in January 2025. Import fuel prices fell 12.1% over the past 12 months. Prices for nonfuel imports advanced 0.3% in July, following a decrease of 0.3% in June. Export prices ticked up 0.1% in July after rising 0.5% the previous month. Export prices increased 2.2% from July 2024 to July 2025.
- The international trade in goods deficit for July was \$103.6 billion, 22.1% above the June estimate. Exports of goods for July dipped 0.1% last month, while imports of goods rose 7.1%. Over the 12 months ended in July, exports rose 3.0%, while imports increased 1.7%.
- The latest information on international trade in goods and services, released August 5, saw the goods and services deficit contract 16.0% in June to \$60.2 billion. Exports of goods decreased 0.5% to \$277.3 billion in June. Imports of goods declined 3.7% to \$337.5 billion. For the 12 months ended in June 2025, the goods and services deficit increased \$161.5 billion, or 38.3%, from the same period in



2024. Exports increased \$82.2 billion, or 5.2%. Imports increased \$243.7 billion, or 12.1%.

- **International markets:** European stocks climbed at the end of July after the European Union reached a trade deal with the United States, averting a potentially damaging trade war. European price levels have gradually increased, with annual inflation rising to 2.0% in June from a year earlier. European economic growth has slowed, with gross domestic product ticking up a modest 0.1% in the second quarter. July saw mixed performance in China's stock market and economic indicators, influenced by ongoing trade dynamics, domestic policies, and a cautious global outlook. In July, the STOXX Europe 600 Index ticked up 0.8%; the United Kingdom's FTSE rose 3.8%; Japan's Nikkei 225 Index gained 3.2%; and China's Shanghai Composite Index climbed 3.3%.
- **Consumer confidence:** Consumer confidence fell 1.3 points in August to 97.4 from 98.7 in July. The Present Situation Index, based on consumers' assessment of current business and labor market conditions, decreased 1.6 points to 131.2. The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, decreased 1.2 points to 74.8 but was still below the threshold of 80 that typically signals a recession ahead.

### Eye on the Month Ahead

September will be an important month for market-moving economic data. The August jobs report, released at the end of the first week of the month, follows the July report, which included significant downward revisions evidencing a potential weakening of the labor market. The Federal Reserve meets in September following a break in August. Many experts predict the Fed will cut interest rates by 25 basis points following this meeting.

*Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates).*

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