CS McKee

Market Overview

Weekly Market & Economic Overview

Edition: *August 18, 2025*

**Data through 8/15/25, unless otherwise stated*

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Executive Summary

Market Movement

Fixed Income & Yield Curve	• Yield curve steepened, as front-end rates fell and long-end rates rose • Market cut expectations were largely unchanged, with an 85% chance of a September cut, and 2 total cuts by year-end 2025 • Fixed Income Indices were mixed, with shorter durations outperforming and spread sectors posting positive excess returns
Equity	• US and International Markets rallied again, posting widespread gains • Healthcare and Consumer Discretionary led the way, while Utilities retreated • Small Cap outperformed Large Cap in the US • Internationally, Developed Markets outperformed Emerging Markets
Other Markets	• US Dollar weakened • Broad commodity prices declined, with Oil, Natural Gas, and Gold falling • Cryptocurrency prices rose

Top Market News

Consumer Inflation (CPI)	• Consumer Inflation (CPI) came in-line with expectations, on a month-over-month basis for both Core (0.3%) and Headline (0.2%) inflation • On a year-over-year basis, Headline Inflation was better than expected (2.7% vs. 2.8%), while Core was slightly hotter than expected (3.1% vs. 3.0%) • Goods inflation remained in check (0.2% MoM), despite worries of tariff impacts making their way into July inflation; however, Services inflation was stickier than expected (0.4%), driven notably by airfares and medical services • Markets interpreted the print optimistically enough to expect a September FED rate cut
Producer Inflation (PPI)	• Producer Inflation (PPI) was less optimistic, coming in hotter than expected on a month-over-month basis for Headline (0.9% vs. 0.2%) and ex Food and Energy (0.9% vs. 0.2%) • On a year-over-year basis, PPI was much hotter than expected and above last month's reading, with Headline PPI of 3.3%, compared to 2.5% expected and 2.4% in June • July PPI showed the largest MoM increase since June of 2022, drawing concern that tariffs impacts have bled through to producers • Future PPI reports will be key, as higher producer inflation could result in tariff-related costs being passed on to consumers and reflected in the CPI
Consumer (Spending vs. Confidence)	• Retail Sales came in slightly below expectations, but continued to show strength, rising 0.5% in July, with June numbers being revised higher to show 0.9% growth in spending MoM • Consumer Sentiment (Univ. of Michigan) came in below expectations, showing declining confidence among consumers (58.7 vs. 62.0), especially when asked about "current conditions" (60.9 vs. 67.5) and 1-year inflation expectations (4.9% vs. 4.4%) • Consumer spending remains resilient despite weak confidence, reflecting different opinions across income brackets and increased reliance on high-income consumers

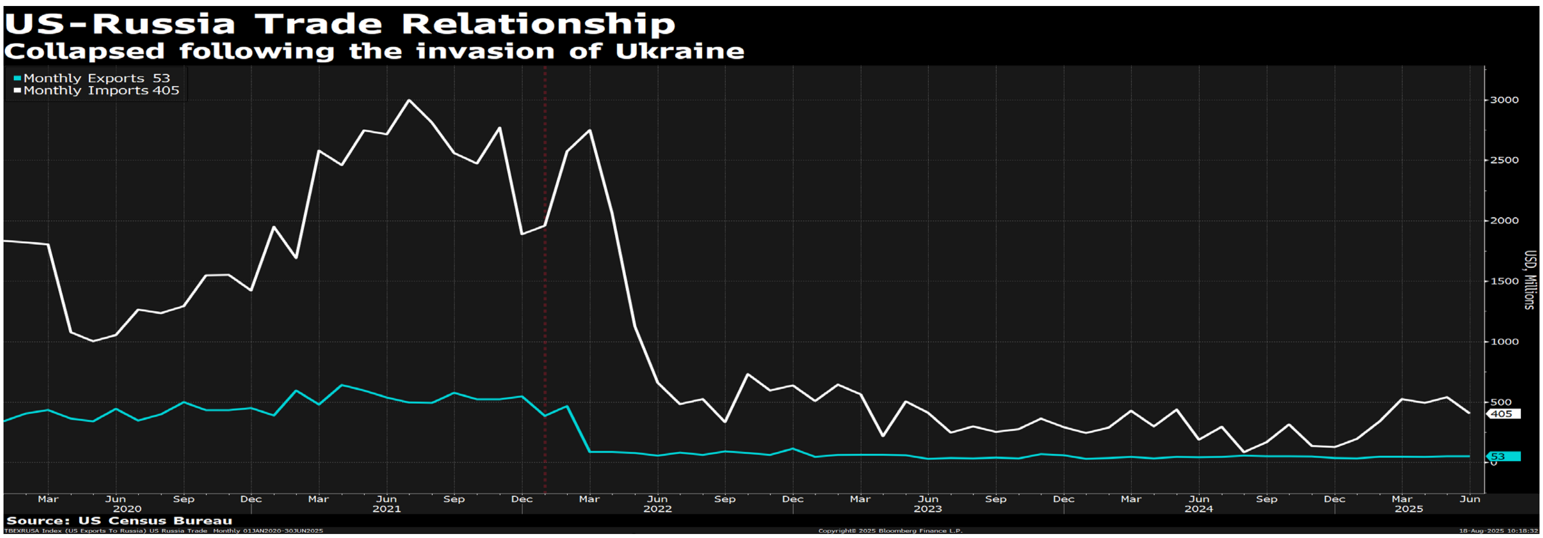
Top Events to Watch For This Week

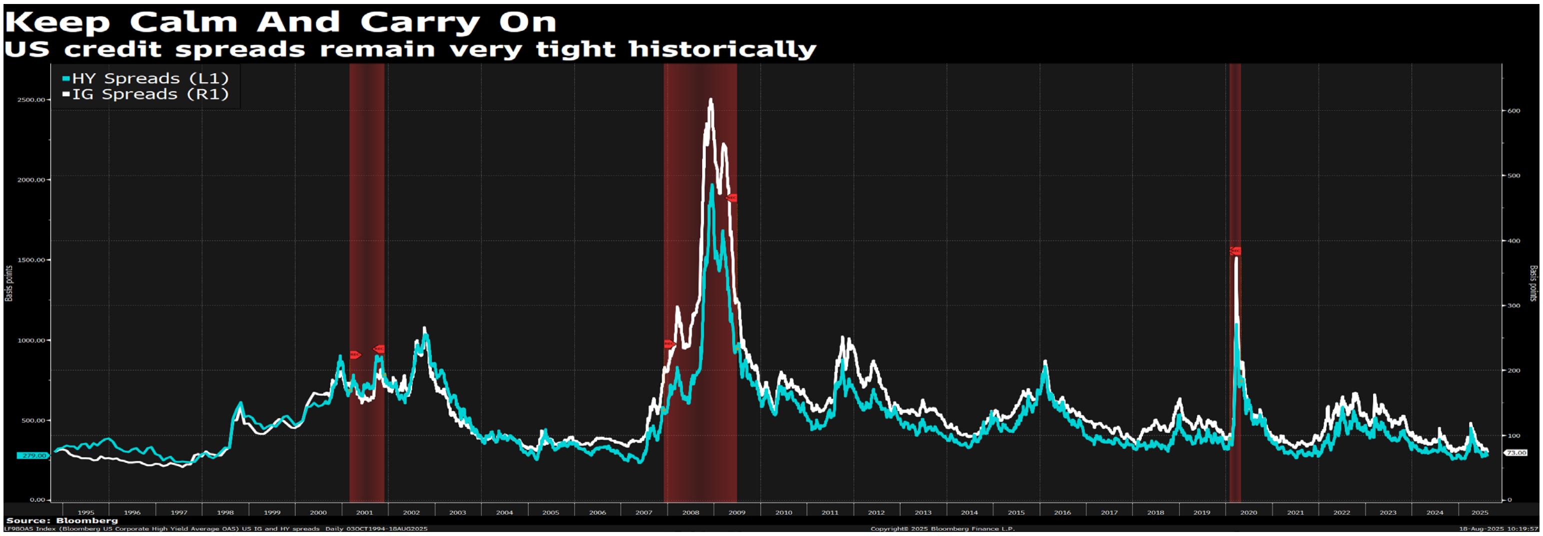
Economic Activity	• S&P US Services and Manufacturing PMI data will provide insight into current economic activity • Manufacturing PMI is expected to be 49.7, remaining just below the key 50 threshold that indicates expansion (>50) versus contraction (<50) • Services PMI is expected to be 54.2, declining from July, but remaining expansionary
Earnings Season	• Earnings season focuses on large retailers and software companies this week • Walmart and Target represent the broader consumer, Home Depot and Lowe's will offer insights on home improvement spending, and several software firms will highlight trends in technology and adoption of AI

Geopolitical & Other News Highlights

Russia-Ukraine Negotations	• President Trump and Vladimir Putin met for nearly three hours in Alaska last week to discuss the war in Ukraine—marking Putin's first U.S. visit in almost 10 years • Although no ceasefire was reached, the U.S. pushed for potential security guarantees from the U.S. and Europe as part of an agreement but emphasized President Zelensky needs to make a deal. • President Zelensky and European leaders will meet with Trump on Monday (Aug 18), to discuss details from the Alaska summit and plan the next steps • Additional information is expected following this week's meetings, though the timeline for any formal peace deal remains uncertain.
Gerrymander Saga	• In Texas, Republicans are working to implement a congressional remap that could result in 5 more Republican seats within the House of Representatives, which led Texas House Democrats to stall the vote by leaving the state – drawing attention of Gov. Abott, who threatened arrests • In California, Democratic Gov. Newsom responded by placing a congressional remap of CA on a Nov 2025 special ballot, which could result in 5 new Democratic seats within CA • Both states still face legal and logistical challenges for implementation, but the saga highlights the growing discontent between Congressional Democrats and Republicans

Charts of The Week



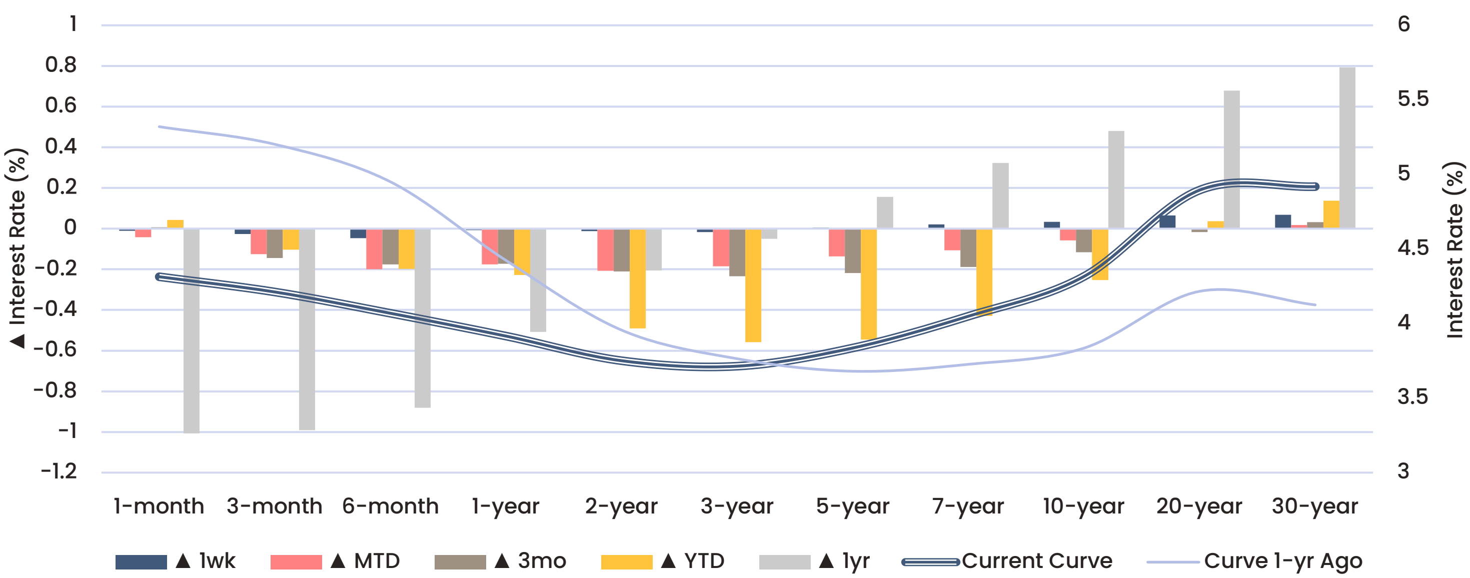


Yield Curve

- Yields were mixed – falling on the front end and rising on the long end
- Yield curve steepened

Data as of 8/15/25	Yield Curve Movement						Range
	Current Rate	▲ 1wk	▲ MTD	▲ 3mo	▲ YTD	▲ 1yr	vs. 5yr Range
Yield Curve Levels							
1-month	**4.31**	-0.01	-0.04	0.01	0.04	-1.01	0.64
3-month	**4.21**	-0.03	-0.13	-0.14	-0.10	-0.99	0.53
6-month	**4.07**	-0.05	-0.20	-0.18	-0.20	-0.88	0.44
1-year	**3.92**	-0.01	-0.18	-0.17	-0.23	-0.51	0.43
2-year	**3.75**	-0.01	-0.21	-0.21	-0.49	-0.21	0.43
3-year	**3.71**	-0.02	-0.19	-0.23	-0.56	-0.05	0.47
5-year	**3.84**	0.00	-0.14	-0.22	-0.55	0.16	0.59
7-year	**4.05**	0.02	-0.11	-0.19	-0.43	0.32	0.72
10-year	**4.32**	0.03	-0.06	-0.12	-0.25	0.48	0.92
20-year	**4.89**	0.06	0.00	-0.02	0.04	0.68	1.13
30-year	**4.92**	0.07	0.02	0.03	0.14	0.79	1.29
Yield Curve Spreads							
2yr vs. 10yr	**56.33**	4.48	14.85	9.68	23.80	69.02	0.59
2yr vs. 30yr	**116.56**	8.28	22.48	24.39	62.50	100.27	0.75
5yr vs. 10yr	**47.80**	2.81	7.81	10.38	29.10	32.45	1.04
5yr vs. 30yr	**108.03**	6.39	15.45	25.09	68.11	63.70	1.10

Yield Curve Summary

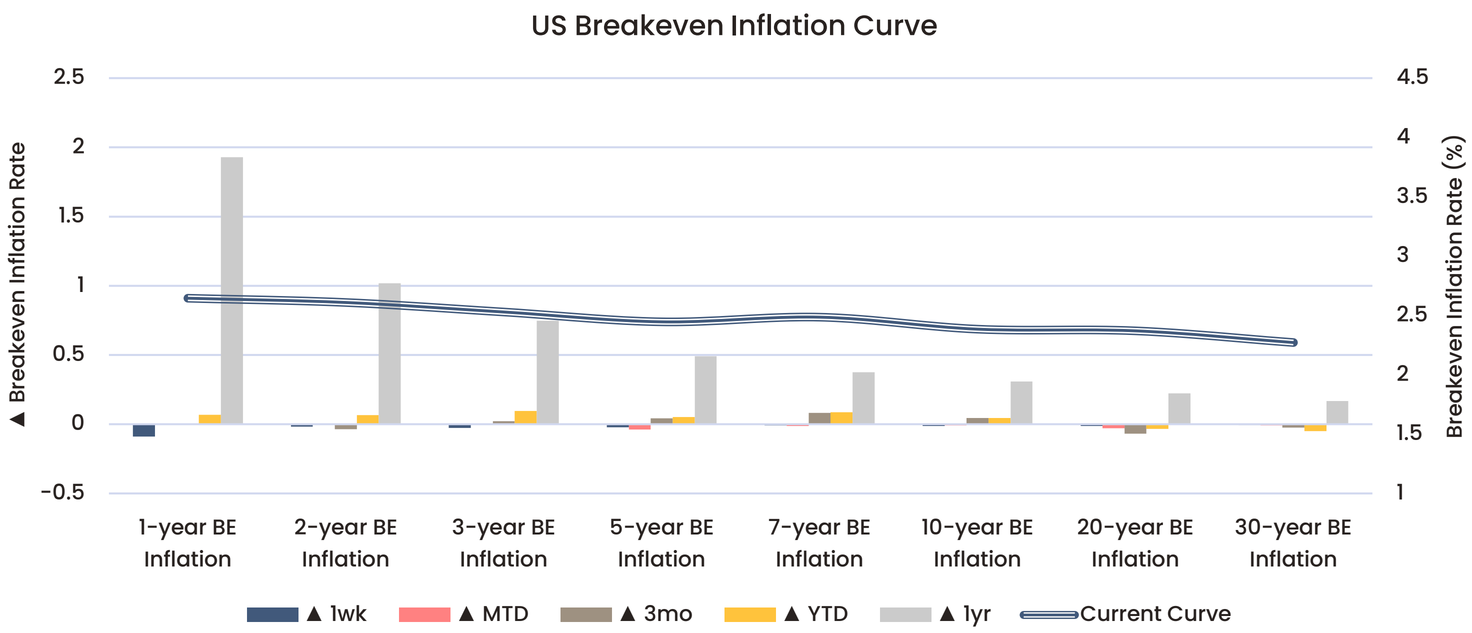


Breakeven Inflation Curve

- Breakeven inflation levels decreased
- Long-end inflation breakeven levels remain near the Fed 2% target, while short-end levels remain elevated as markets assess tariff impacts

Data as of 8/15/25

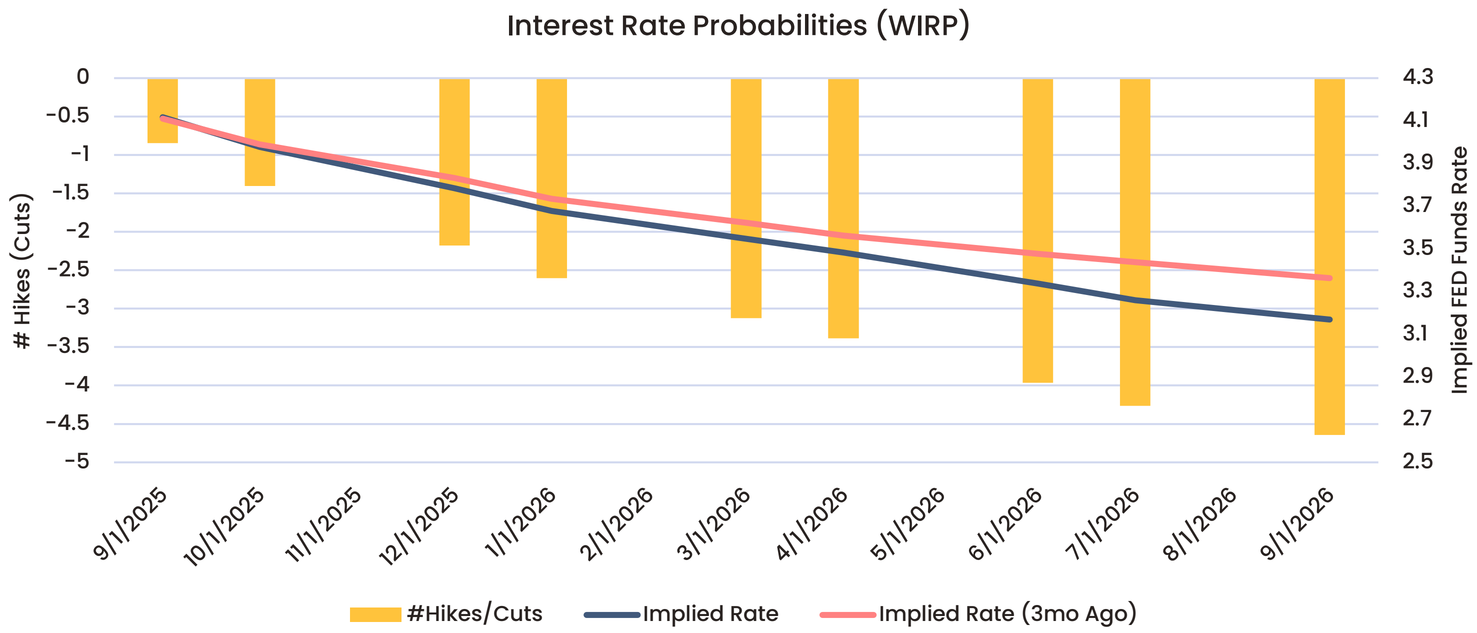
	Inflation Breakeven Curve Movement						Range
	Current Rate	▲ 1wk	▲ MTD	▲ 3mo	▲ YTD	▲ 1yr	vs. 5yr Range
Yield Curve Levels							
1-year	**2.65**	-0.09	---	---	0.07	1.93	-0.03
2-year	**2.61**	-0.02	---	-0.04	0.07	1.02	0.07
3-year	**2.53**	-0.03	---	0.02	0.10	0.75	0.09
5-year	**2.45**	-0.02	-0.04	0.04	0.05	0.49	0.06
7-year	**2.49**	-0.01	-0.01	0.08	0.09	0.37	0.37
10-year	**2.38**	-0.01	-0.01	0.04	0.05	0.31	0.29
20-year	**2.37**	-0.01	-0.03	-0.07	-0.03	0.22	0.25
30-year	**2.27**	-0.01	-0.01	-0.02	-0.05	0.17	0.05



Interest Rate Projections

- Markets expectations for FED rate cuts were largely unchanged
- Markets still expect the first rate cut to be in September
- Markets now price in 3.96 cuts (~99bps total) by June 2026

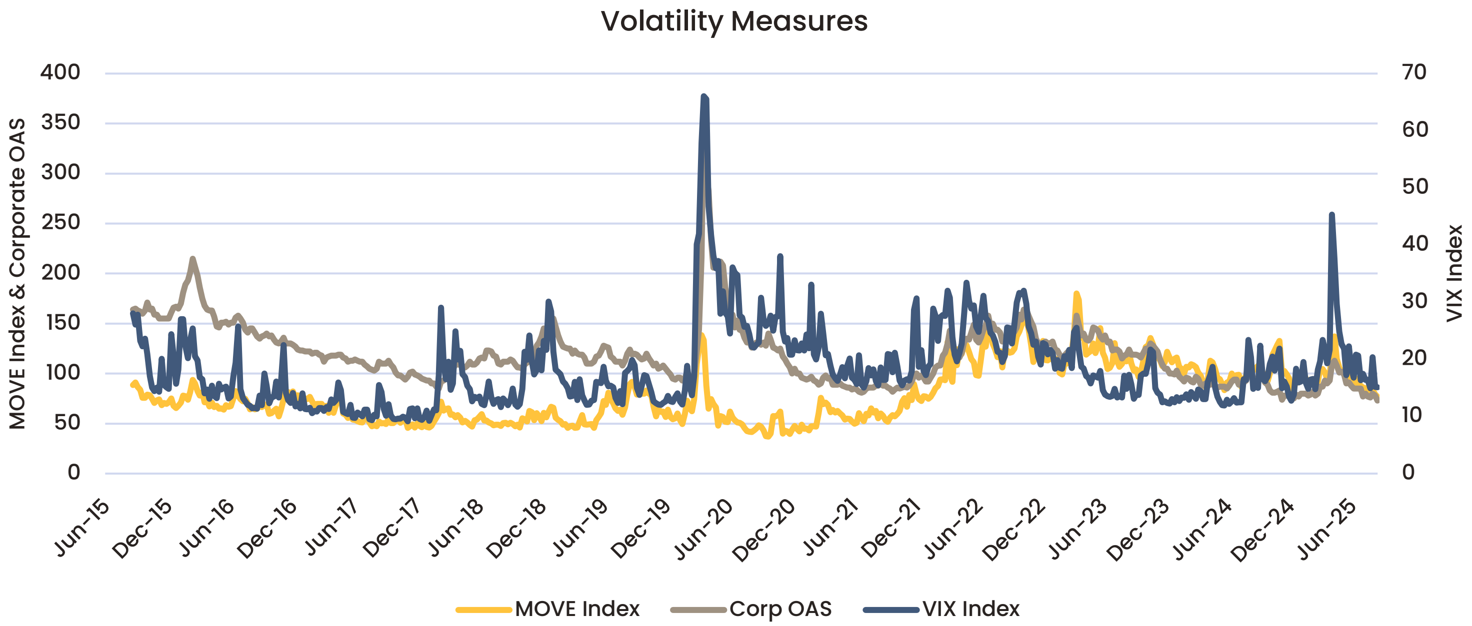
Data as of 8/15/25	FED Meeting Expectations					Change	
	Implied Rate	#Hikes/Cuts	% Hike/Cut	Imp. Rate Δ	Implied Rate (3mo Ago)	▲ Implied Rate (3mo)	▲ Implied Rate (1wk)
Future FED Meetings							
9/17/2025	**4.12**	-0.85	-84.60	-0.21	4.11	0.01	0.01
10/29/2025	**3.98**	-1.41	-55.90	-0.35	3.99	-0.01	0.02
12/10/2025	**3.78**	-2.18	-77.30	-0.55	3.83	-0.05	0.03
1/28/2026	**3.68**	-2.61	-42.70	-0.65	3.74	-0.06	0.03
3/18/2026	**3.55**	-3.12	-51.80	-0.78	3.62	-0.07	0.02
4/29/2026	**3.48**	-3.39	-26.20	-0.85	3.56	-0.08	0.02
6/17/2026	**3.34**	-3.96	-57.90	-0.99	3.48	-0.14	0.01
7/29/2026	**3.26**	-4.27	-30.10	-1.07	3.44	-0.18	0.01
9/16/2026	**3.17**	-4.64	-37.90	-1.16	3.36	-0.19	0.00
10/28/2026	**3.12**	-4.84	-19.10	-1.21	3.36	-0.24	0.00



Market Volatility Measures

- Equity Market VIX decreased slightly
- Bond Market Volatility (MOVE) also decreased
- Corporate spreads tightened back to historical tight levels

Data as of 8/15/25	Volatility Movement						Range
	Current Rate	▲ 1wk	▲ MTD	▲ 3mo	▲ YTD	▲ 1yr	vs. 5yr Range
Volatility Measures							
VIX Index	**15.09**	-0.06	-1.63	-2.74	-2.26	-1.10	-0.67
Move Index	**76.66**	-2.54	-3.18	-21.99	-22.14	-29.68	-1.64
IG Corp Spread	**73.0**	-5.00	-3.00	-18.00	-7.00	-27.00	-1.40



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Market Overview

Fixed Income

- Fixed Income indices were mixed, with shorter durations outperforming longer
- Mortgages and Corporates both outperformed during the week

Data as of 8/15/25

	Total Returns					Characteristics	
	1wk	MTD	3mo	YTD	1yr	Duration	YTW
Bloomberg Index Total Returns							
Aggregate	-0.02%	0.61%	2.36%	4.38%	2.48%	5.99	4.54
Intermediate Aggregate	0.05%	0.67%	2.19%	4.63%	3.70%	4.37	4.37
1-3yr Aggregate	0.11%	0.52%	1.45%	3.44%	4.51%	1.82	3.93
US Treasury	-0.16%	0.45%	1.77%	3.85%	1.54%	5.77	4.08
Government-Related	0.13%	0.77%	2.75%	5.14%	3.56%	5.32	4.50
US Agency	0.06%	0.52%	1.75%	3.86%	3.78%	3.12	4.25
Corporate	0.19%	0.73%	3.42%	5.01%	3.73%	6.78	4.95
A-Rated	0.16%	0.73%	3.35%	5.03%	3.47%	6.78	4.82
BBB-Rated	0.23%	0.76%	3.60%	5.12%	4.33%	6.58	5.13
High-Yield	0.27%	0.53%	3.22%	5.59%	8.81%	2.82	6.95
Securitized	-0.02%	0.74%	2.36%	4.59%	2.75%	5.77	4.95
CMBS	0.09%	0.71%	2.40%	5.11%	5.02%	3.87	4.68
ABS	0.07%	0.52%	1.95%	3.60%	4.74%	2.65	4.36
MBS	-0.03%	0.74%	2.36%	4.58%	2.58%	5.94	4.98

	Excess Returns					Characteristics	
	1wk	MTD	3mo	YTD	1yr	OAS	DTS
Bloomberg Index Excess Returns							
Aggregate		0.15	0.54	0.42	0.86	29.06	1.71
Intermediate Aggregate		0.11	0.36	0.35	0.64	25.95	1.12
1-3yr Aggregate		0.02	0.12	0.18	0.27	12.75	0.25
US Treasury		0.00	0.00	0.00	0.00	-0.57	0.00
Government-Related		0.26	0.96	1.17	1.42	38.83	2.05
US Agency		0.05	0.19	0.21	0.34	11.44	0.36
Corporate		0.29	1.57	1.10	2.64	72.68	4.89
A-Rated		0.28	1.51	1.16	2.41	60.21	4.06
BBB-Rated		0.29	1.73	1.11	3.02	91.29	5.95
High-Yield		0.00	1.61	1.67	4.43	281.09	8.13
Securitized		0.26	0.47	0.40	0.61	38.99	2.12
CMBS		0.09	0.57	0.65	1.79	78.99	3.14
ABS		0.04	0.55	0.26	1.06	50.50	1.36
MBS		0.27	0.46	0.39	0.53	36.32	2.02

Market Overview

Global Equities

- US Markets rallied again during the week, with Small Caps leading the way
- Healthcare and Consumer Discretionary posted the largest gains, while Utilities lagged
- International markets also rallied, with Developed leading Emerging Markets

Data as of 8/15/25	Total Returns					Characteristics	
	1wk	MTD	3mo	YTD	1yr	P/E TTM	P/E F1
United States							
S&P 500	0.99%	1.81%	9.35%	10.54%	19.81%	27.34	23.81
NASDAQ	0.83%	2.40%	13.32%	12.45%	26.70%	62.80	31.85
Dow Jones	1.79%	1.91%	6.68%	6.72%	14.34%	24.88	21.00
S&P 500 Equal-Weighted	1.53%	1.23%	4.71%	7.14%	12.50%	20.61	18.02
Russell 3000	1.10%	1.79%	9.19%	10.01%	19.71%	28.05	23.91
Russell Midcap	1.43%	0.54%	5.25%	7.35%	15.46%	22.45	18.94
Russell 2000	3.12%	3.47%	9.56%	3.38%	11.22%	55.78	25.47
Russell 1000 Value	1.38%	1.49%	5.27%	8.20%	12.72%	20.21	17.83
Russell 1000 Growth	0.68%	1.93%	12.64%	12.21%	26.98%	38.07	32.11
International							
Emerging Markets	1.56%	2.50%	9.63%	20.81%	21.50%	16.45	14.07
China	2.40%	3.18%	9.36%	9.06%	30.54%	17.14	14.72
EAFE	2.37%	4.91%	8.28%	24.10%	21.10%	16.46	15.82
Europe	1.29%	1.55%	2.07%	12.22%	13.72%	15.97	14.91
Japan	3.73%	5.62%	15.04%	11.55%	21.36%	20.23	21.17
Comparisons							
USA vs. Int'l	-1.27%	-3.12%	0.91%	-14.09%	-1.38%	11.59	8.09
Value vs. Growth	0.70%	-0.44%	-7.37%	-4.01%	-14.26%	-17.86	-14.28
Mkt Breadth	0.54%	-0.58%	-4.64%	-3.40%	-7.31%	-6.74	-5.79
Small vs. Large	2.13%	1.66%	0.20%	-7.16%	-8.59%	28.44	1.67
EAFE vs. EM	0.81%	2.41%	-1.35%	3.29%	-0.41%	0.01	1.75
US Sectors (All-Cap)							
Russell 3000	1.10%	1.79%	9.19%	10.01%	19.71%	28.05	23.91
Communication Services	1.95%	3.56%	15.50%	18.96%	39.09%	24.85	22.42
Consumer Discretionary	2.28%	2.72%	5.96%	5.24%	30.61%	31.44	28.80
Consumer Staples	0.31%	2.59%	0.90%	8.06%	5.03%	19.06	18.32
Energy	0.79%	-1.80%	1.04%	0.69%	-1.58%	16.93	15.62
Financials	1.07%	0.45%	4.80%	10.99%	24.69%	17.02	15.21
Healthcare	4.82%	4.71%	5.94%	-0.64%	-8.38%	26.00	20.21
Industrials	0.69%	-0.45%	4.41%	8.50%	17.97%	28.36	23.19
Materials	1.83%	4.85%	11.61%	15.98%	10.02%	27.25	20.10
Real Estate	0.72%	0.50%	1.41%	2.51%	1.87%	45.68	35.64
Technology	-0.12%	1.72%	15.63%	14.72%	27.95%	44.68	32.06
Utilities	-0.87%	-0.38%	4.96%	12.75%	14.83%	21.24	19.44

Market Overview

Currencies & Commodities

- Dollar weakened
- Broad commodities declined, with Oil, Natural Gas, and Gold declining most
- Cryptocurrency prices rose

Data as of 8/15/25

	Currency & Commodity Movement					
	Current Rate	▲ 1wk	▲ MTD	▲ 3mo	▲ YTD	▲ 1yr
Currency Movement (US Dollar Strength Monitor)						
Dollar Index	97.85	-0.33%	-2.12%	-3.00%	-9.80%	-4.60%
USD vs. Euro	0.85	-0.52%	-2.45%	-4.41%	-11.53%	-5.90%
USD vs. Jap Yen	147.19	-0.37%	-2.36%	1.04%	-6.37%	-0.10%
USD vs. Brit Pound	0.74	-0.75%	-2.56%	-1.84%	-7.66%	-5.35%
USD vs. Swiss Franc	0.81	-0.19%	-0.68%	-3.48%	-11.09%	-6.75%
USD vs. Sweden	9.56	-0.23%	-2.42%	-1.76%	-13.70%	-8.74%
USD vs. Norway	10.19	-0.87%	-1.34%	-2.12%	-10.47%	-4.89%
USD vs. Hong Kong	7.82	-0.33%	-0.33%	0.23%	0.71%	0.40%
USD vs. Can Dollar	1.38	0.44%	-0.27%	-1.00%	-3.93%	0.75%
USD vs. Aus Dollar	1.54	0.23%	-1.25%	-1.54%	-4.89%	1.40%
Broad Commodity Movement						
Commodity Index	100.38	-0.41%	-0.80%	-1.25%	1.64%	5.23%
WTI Crude	62.80	-1.69%	-9.33%	1.91%	-12.44%	-18.42%
Natural Gas	2.92	-2.47%	-6.12%	-13.27%	-19.74%	31.41%
Gold	3,336.19	-1.81%	1.41%	2.97%	27.12%	36.29%
Silver	38.00	-0.90%	3.51%	16.42%	31.48%	37.84%
Copper	449.25	0.47%	3.17%	-3.27%	11.57%	11.20%
Steel	832.00	-0.36%	-1.19%	-7.56%	17.35%	26.06%
Corn	383.75	0.26%	-2.60%	-14.44%	-16.30%	0.72%
Wheat	506.50	-1.55%	-3.20%	-4.93%	-8.16%	-5.28%
Cattle	236.25	1.59%	3.72%	11.87%	21.87%	27.98%
Sugar	16.44	1.17%	0.55%	-6.96%	-14.64%	-8.51%
Soybean	1,022.25	5.74%	6.29%	-2.76%	2.40%	4.34%
Broad Commodity Movement						
BBG Galaxy Crypto Index	3,777.03	2.61%	7.53%	31.68%	19.65%	70.14%
Bitcoin	117,370.81	0.39%	0.76%	13.44%	25.24%	98.40%
Ethereum	4,428.35	9.11%	18.57%	74.51%	32.33%	65.45%
Litecoin	118.60	-5.00%	9.71%	19.54%	14.38%	84.06%
Dogecoin	0.23	-0.65%	4.04%	4.38%	-27.39%	123.63%

Key Economic Data & Events – 8/11 – 8/15

- Consumer Inflation (CPI) data came in-line with expectations, on both a Core and Headline basis, spurring market optimism that tariffs haven't caused a surprise spike to this point
- PPI data came in substantially higher than expected, however, showing that producers are feeling the impact of tariffs, which could potentially be passed onto consumers in the future
- Retail Sales and Consumer Sentiment both came in below expectations, but Retail Sales still showed growth

Monday

N/A	
Actual	**---**
Survey	---
Previous	---

Tuesday

CPI - Headline (MoM)	
Actual	**0.20%**
Survey	0.20%
Previous	0.30%

CPI - Core (MoM)	
Actual	**0.30%**
Survey	0.30%
Previous	0.20%

CPI - Headline (YoY)	
Actual	**2.70%**
Survey	2.80%
Previous	2.70%

CPI - Core (YoY)	
Actual	**3.10%**
Survey	3.00%
Previous	2.90%

NFIB Small Biz Optimism	
Actual	**100.3**
Survey	98.9
Previous	98.6

Wednesday

MBA Mortgage Applications	
Actual	**10.90%**
Survey	---
Previous	3.10%

Thursday

PPI - Headline (MoM)	
Actual	**0.90%**
Survey	0.20%
Previous	0.00%

PPI - Headline (YoY)	
Actual	**3.30%**
Survey	2.50%
Previous	2.40%

PPI - Ex Food & Energy (YoY)	
Actual	**3.70%**
Survey	3.00%
Previous	2.60%

PPI - Ex Food & Energy (MoM)	
Actual	**0.90%**
Survey	0.20%
Previous	0.00%

Initial Jobless Claims	
Actual	**224k**
Survey	225k
Previous	227k

Friday

Retail Sales (MoM)	
Actual	**0.50%**
Survey	0.60%
Previous	0.90%

Retail Sales ex Auto (MoM)	
Actual	**0.30%**
Survey	0.30%
Previous	0.80%

Empire Manufacturing	
Actual	**11.9**
Survey	0.0
Previous	5.5

Industrial Production (MoM)	
Actual	**-0.10%**
Survey	0.00%
Previous	0.40%

UMich Consumer Sentiment	
Actual	**58.6**
Survey	62.0
Previous	61.7

Key Economic Data & Events – 8/18 – 8/22

- S&P Services and Manufacturing PMI will offer insights into economic activity
- FOMC meeting minutes from July's meeting will offer more insight into the internal discussions around future interest rate cuts

Monday	Tuesday	Wednesday	Thursday	Friday
NAHB Housing Market Index	**Housing Starts (MoM)**	**MBA Mortgage Applications**	**Conf Board - Leading Index**	**N/A**
Survey 34	Survey -2.00%	Survey ---	Survey -0.10%	Survey ---
Previous 33	Previous 4.60%	Previous 10.90%	Previous -0.30%	Previous ---
NY FED Services	**Building Permits (MoM)**	**FOMC Meeting Minutes**	**S&P US Manufacturing**	
Survey ---	Survey -0.20%	Survey ---	Survey 49.9	
Previous -9.3	Previous -0.10%	Previous ---	Previous 49.8	
			S&P US Services	
			Survey 53.4	
			Previous 55.7	
			Existing Home Sales (MoM)	
			Survey -0.30%	
			Previous -2.70%	
			Philly FED Biz Outlook	
			Survey 6.0	
			Previous 15.9	

Treasury Auction Data – 8/18 – 8/22

- 20-year Nominal Treasury auction highlights the week
- 30-year Inflation-Protected (TIPS) auction is the highlight of the non-nominal auction

Monday	Tuesday	Wednesday	Thursday	Friday
3 & 6-month Nominal	N/A	4-month Nominal	1 & 2-month Nominal	N/A
		20-year Nominal	30-year Inflation-Protected (TIPS)	

Key Company Earnings Watch – 8/18 – 8/22 *(+ Shareholder Meetings)*

- Consumer-related companies take center stage for earnings this week as well as software companies
- Walmart and Target represent the broader consumer, Home Depot and Lowe's will offer insights on home improvement spending, and several software firms will highlight trends in technology and adoption of AI

Monday		Tuesday		Wednesday		Thursday		Friday	
PANW	Palo Alto Networks	**HD**	Home Depot	**TGT**	Target	**WMT**	Walmart	**BJ**	BJ's Wholesale
		TOL	Toll Brothers	**LOW**	Lowe's	**WDAY**	Workday		
				TJX	TJX Co	**INTU**	Intuit		
						ZM	Zoom Commun.		

*SM = Shareholder Meeting

CS McKee

Disclosure

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