

Capital Markets Snapshot

Courtesy of the Davis Financial Group

Week ending August 29, 2025

Last week, equity markets experienced modest declines as midweek gains were offset by a Friday sell-off ahead of the Labor Day weekend. The S&P 500 briefly reached a new all-time high Thursday before slipping back below. AI remained a dominant market driver, with NVIDIA's earnings drawing significant attention. Its muted stock reaction highlighted the challenge of lofty expectations. Economic data was generally positive, including an upward revision to Q2 GDP growth and resilient consumer spending. However, inflation ticked higher, with core PCE rising to 2.9%. Expectations for a September rate cut from the Federal Reserve continue to grow. Market breadth improved across large and small cap stocks (measured by stocks trading above their 200-day moving averages), suggesting healthy underlying sentiment. Market history suggests we may experience seasonal volatility risks in September and October; however, fundamentals remain supportive so this could create opportunities to strategically rebalance across asset classes.

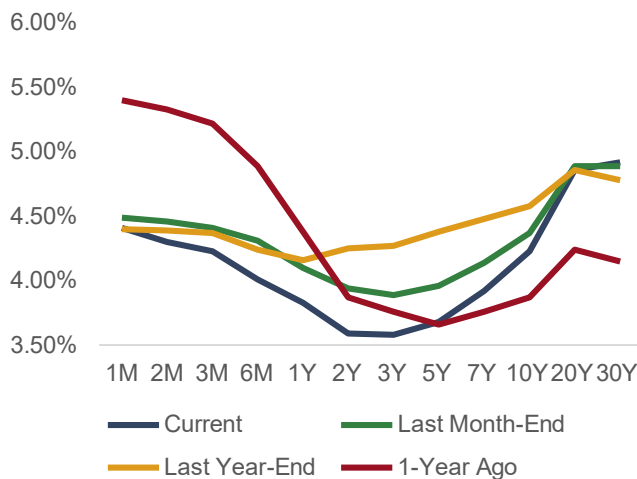
Fixed Income Markets Overview

- Revised GDP data confirmed solid economic footing, with Q2 growth at 3.3% annualized.
- Core PCE inflation rose to 2.9%, which was both in line with expectations and its highest level in five months. Bond markets priced in an 85-90% probability of a 25-basis point rate cut at the September Federal Reserve meeting, particularly if labor market data continues to soften.
- Yields fell modestly across the yield curve, except for the 20- and 30-year rates ticking up slightly. This translated to a modestly positive weeks for bonds as the US Agg is now up 5% YTD.
- The average 30-year mortgage rate slipped to its lowest level in 10 months, reflecting softer housing market conditions.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
Short	1-3 Year Govt/Credit	0.2%	3.8%	4.1%	1.7%
	Core Plus				
Core Plus	Intermediate Govt/Credit	0.3%	5.3%	4.0%	0.7%
	International Aggregate	0.2%	7.2%	3.2%	-1.7%
	US Aggregate	0.2%	5.0%	2.9%	-0.6%
	US Treasury	0.2%	4.5%	2.0%	-1.4%
	US TIPS	0.3%	6.4%	2.0%	1.4%
	US Corporate	-0.1%	5.3%	4.4%	0.1%
	US Corporate High Yield	0.4%	6.4%	8.9%	5.2%
Other	Emerging Markets Aggregate	0.1%	7.3%	7.7%	1.5%
	Muni				
Muni	US Municipals	0.3%	0.3%	2.5%	0.4%
	US Municipals High Yield	0.3%	-1.3%	3.5%	2.3%

Source: Bloomberg as of August 29, 2025

U.S. Treasury Yield Curve



Source: Bloomberg and U.S. Treasury as of August 29, 2025

Interest Rates (%)

Date	8/29/2025	7/31/2025	12/31/2024	8/29/2024
Federal Funds Rate	4.41%	4.49%	4.40%	5.40%
3 Month Treasury	4.23%	4.41%	4.37%	5.22%
6 Month Treasury	4.01%	4.31%	4.24%	4.89%
2 Year Treasury	3.59%	3.94%	4.25%	3.87%
5 Year Treasury	3.68%	3.96%	4.38%	3.66%
10 Year Treasury	4.23%	4.37%	4.58%	3.87%
30 Year Treasury	4.92%	4.89%	4.78%	4.15%
US Aggregate	4.44%	4.64%	4.91%	4.39%
US Corporate	4.91%	5.07%	5.33%	4.90%
US Corporate High Yield	6.75%	7.08%	7.49%	7.30%
US Municipal	3.89%	3.98%	3.74%	3.44%
US Municipal High Yield	5.88%	5.91%	5.52%	5.29%

Spreads Over 10-Year US Treasuries

Date	8/29/2025	7/31/2025	12/31/2024	8/29/2024
30 Year Treasury	0.69%	0.52%	0.20%	0.28%
US Aggregate	0.21%	0.27%	0.33%	0.52%
US Corporate	0.68%	0.70%	0.75%	1.03%
US Corporate High Yield	2.52%	2.71%	2.91%	3.43%
US Municipal	-0.34%	-0.39%	-0.84%	-0.43%
US Municipal High Yield	1.65%	1.54%	0.94%	1.42%

Source: Bloomberg and U.S. Treasury as of August 29, 2025

Equity Markets Overview

- The S&P 500 hit a new all-time high intraday before ending the week slightly lower. All three major US indices fell between 0.8% and 1.8% on the week following Friday's sell-off.
- Market breadth improved, with 67% of S&P 500 stocks trading above their 200-day moving average. The equal-weighted S&P 500 reached new highs, signaling broader market participation.
- NVIDIA's earnings showed 56% revenue growth, but the stock reaction was muted due to high expectations. AI infrastructure investment remains strong, with major tech firms doubling spending to \$600 billion over the last two years.
- It was a mixed week from a sector perspective with 7 of 11 sectors posting losses. Energy, Financials, and Telecommunications posted the only gains at 2.46%, 0.74%, and 0.7% gain, respectively. Utilities, Consumer Staples, and Industrials posted the largest losses at 2.09%, 1.69%, and 0.8%, respectively.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
All-Cap	S&P 1500	-0.1%	10.3%	18.1%	14.5%
Large-Cap	S&P 500	-0.1%	10.8%	18.8%	14.7%
	S&P 500 Growth	-0.1%	13.5%	21.7%	14.6%
	S&P 500 Value	-0.1%	7.8%	14.7%	14.2%
Mid-Cap	S&P Midcap 400	0.0%	5.3%	11.2%	12.5%
	S&P Midcap 400 Growth	0.1%	5.1%	11.6%	10.1%
	S&P Midcap 400 Value	-0.2%	5.5%	10.8%	14.9%
Small-Cap	S&P Smallcap 600	-0.3%	3.2%	7.7%	11.3%
	S&P Smallcap 600 Growth	-0.5%	4.7%	8.5%	9.8%
	S&P Smallcap 600 Value	-0.2%	1.8%	6.8%	12.6%
Int'l.	MSCI ACWI ex-USA	-1.0%	21.6%	15.0%	8.8%
	MSCI EM	-0.8%	19.0%	10.9%	4.8%

Source: Bloomberg as of August 29, 2025

Alternative Markets Overview

- Gold prices rose almost 3% last week and posted its largest monthly gain since April, as US inflation data seemed to reinforce market expectations of a September rate cut.
- Oil prices fell to around \$64/barrel due to expectations of decreased demand from US markets as the summer draws to a close and increased supply from OPEC nations going into the fall.

Name	1W	YTD	3Y (Ann.)	5Y (Ann.)
S&P GSCI	0.9%	5.4%	-0.1%	16.4%
Gold	2.9%	33.1%	26.2%	12.2%
FTSE All Equity NAREIT	0.2%	4.1%	2.7%	6.1%
Bitcoin	-7.2%	15.9%	75.3%	56.5%
Ethereum	-10.1%	30.2%	41.4%	61.5%

Source: Bloomberg as of August 29, 2025



Upcoming Week

- With it being a short week and late earnings seasons, it is a light week for earnings reports. Three notable releases this week include Dollar Tree, Salesforce, and Broadcom.
- It is a busier week for economic data despite the shortened week. We will be monitoring the Purchasing Managers Index (PMI) and labor market (JOLTS, Nonfarm Payrolls, Unemployment rate, and Weekly Jobless Claims) releases.

Glossary and Disclosures

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S&P 1500 Index combines three leading indices, the S&P 500, the S&P Midcap 400, and the S&P Smallcap 600, to cover approximately 90% of U.S. equity market capitalization.

S&P 500 Index includes approximately 500 leading companies that covers approximately 80% of available U.S. equity market capitalization.

S&P 500 Growth Index is a stock index that represents the fastest-growing companies in the S&P 500 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P 500 Value Index is a stock index that represents the companies in the S&P 500 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Midcap 400 Index is distinct from the large-cap S&P 500 and designed to measure the performance of 400 U.S. mid-sized companies, which have differing liquidity and growth potential than large and small cap companies.

S&P Midcap 400 Growth Index is a stock index that represents the fastest-growing companies in the S&P Midcap 400 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Midcap 400 Value Index is a stock index that represents the companies in the S&P Midcap 400 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Smallcap 600 Index measures the performance of 600 small-sized U.S. companies to reflect the small-cap segment of the U.S. equity market, which is typically known for less liquidity than large cap stocks.

S&P Smallcap 600 Growth Index is a stock index that represents the fastest-growing companies in the S&P Smallcap 600 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Smallcap 600 Value Index is a stock index that represents the companies in the S&P Smallcap 600 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

MSCI ACWI ex-US Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries.

MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries.

S&P GSCI is broad-based and production weighted to represent the global commodity market beta. The index is designed to be investable by including the most liquid commodity futures.

S&P GSCI Gold a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold future.

FTSE All Equity NAREIT Index contains all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria.

Bitcoin USD Spot Exchange Rate measures the last price of 1 Bitcoin in USD.

Bloomberg Galaxy Bitcoin Index is designed to measure the performance of a single bitcoin traded in USD.

Ethereum USD Spot Exchange Rate measure the last price of 1 Ethereum in USD.

Bloomberg Galaxy Ethereum Index is designed to measure the performance of a single Ethereum traded in USD.

Bloomberg Barclays 1-3 Year Govt/Credit Index is the 1-3 Yr. component of the U.S. Government/Credit index, which includes securities in the Government, which includes treasuries and agencies debt securities, and Credit Indices, which includes publicly issued U.S. corporate and foreign debt that meet specified maturity, liquidity, and quality requirements.

Bloomberg Intermediate US Government/Credit Bond Index is a broad-based flagship benchmark that measures the non-securitized component of the US Aggregate Index with less than 10 years to maturity; this includes investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities

Bloomberg Barclays Global Aggregate Bond Index provides a broad-based measure of the global investment-grade fixed income markets, with three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices.

Bloomberg Barclays U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

Bloomberg Barclays U.S. Treasury Aggregate Bond Index is the U.S. Treasury component of the U.S. Government index and represents public obligations of the U.S. Treasury with a remaining maturity of one year or more.

Bloomberg US TIPS Index consists of Inflation-Protection securities issued by the U.S. Treasury.

Bloomberg Barclays US Corporate Bond Index is the Corporate component of the U.S. Credit index and represents publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements.

Bloomberg Barclays U.S. Corporate High Yield Index covers the universe of fixed rate, non-investment grade debt.

Bloomberg Barclays Emerging Markets Bond Index is broad-based with country eligibility and classification as an Emerging Market being rules-based and reviewed on an annual basis using World Bank income group and International Monetary Fund (IMF) country classifications.

Bloomberg Barclays U.S. Municipal Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market.

Bloomberg Barclays US High Yield Municipal Index is an unmanaged index of noninvestment-grade municipal debt securities, which provides a representation of the performance of US high-yield tax-exempt bonds.

Federal Funds Rate is the interest rate at which depository institutions trade federal funds (balances held at Federal Reserve Banks) with each other overnight.

U.S. Treasury Securities are issued by the federal government and are considered to be among the safest investments you can make, because all Treasury securities are backed by the "full faith and credit" of the U.S. government.

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