

Capital Markets Snapshot

Courtesy of the Davis Financial Group

Week ending August 22, 2025

Last week, markets reacted positively following the Federal Reserve's annual Jackson Hole symposium, where Chair Jerome Powell signaled a change in monetary policy may be necessary. Markets reacted with rising expectations of a rate cut at the September meeting. This dovish tone sparked a strong Friday rally, lifting the S&P 500 to a modest weekly gain despite sliding for five consecutive days prior. Under the surface, market leadership rotated from mega-cap tech stocks to cyclical and value sectors. Bond yields fell across the curve as expectations for a September rate cut climbed to nearly 90%, and futures markets priced in two cuts this year. Economic data was mixed: PMI readings surprised to the upside, while jobless claims ticked higher. Retail earnings from Walmart, Target, and Lowe's highlighted resilient consumer spending despite tariff-related cost pressures. Overall, markets appear optimistic, supported by a potential Fed pivot and broadening equity participation, though volatility risks remain as inflation and labor trends evolve.

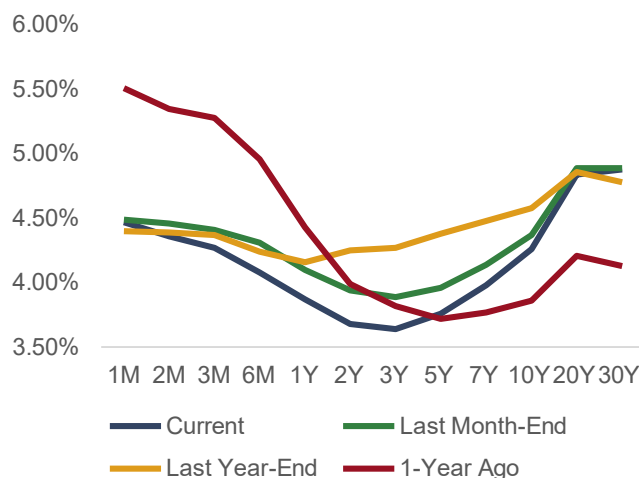
Fixed Income Markets Overview

- Treasury yields declined an average of 5 basis points (bps) across the yield curve, led by the 5 and 7-year yields dropping 9 bps, reflecting increased rate-cut expectations.
- CME's FedWatch tool showed September rate cut probability rising to ~89%. Rate cut expectations jumped around 10% following Powell's remarks at Jackson Hole.
- Inflation expectations remain elevated but are expected to be short-lived, assuming tariff rates do not continue to increase. The Federal Reserve seems to be focusing more on a softening labor market, but will be closely monitoring this week's and future PCE releases for signs of inflation beginning to run hot again.
- Mortgage rates have moderated, trending lower from their January highs of just over 7% to 6.58% last week. We have experienced a modest increase in housing market activity as existing home sales beat expectations. The median home price is higher than a year ago, but it has fallen slightly from its June high.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
Short	1-3 Year Govt/Credit	0.2%	3.6%	4.0%	1.7%
	Core Plus				
	Intermediate Govt/Credit	0.3%	5.0%	3.8%	0.7%
	International Aggregate	0.2%	7.0%	3.0%	-1.7%
	US Aggregate	0.4%	4.8%	2.7%	-0.8%
	US Treasury	0.4%	4.3%	1.8%	-1.6%
	US TIPS	0.8%	6.1%	1.9%	1.4%
	US Corporate	0.4%	5.4%	4.3%	-0.1%
	US Corporate High Yield	0.3%	5.9%	8.5%	5.2%
Other	Emerging Markets Aggregate	0.1%	7.3%	7.8%	1.4%
Muni	US Municipals	0.0%	0.1%	2.3%	0.3%
	US Municipals High Yield	0.0%	-1.6%	3.1%	2.2%

Source: Bloomberg as of August 22, 2025

U.S. Treasury Yield Curve



Source: Bloomberg and U.S. Treasury as of August 22, 2025

Interest Rates (%)

Date	8/22/2025	7/31/2025	12/31/2024	8/22/2024
Federal Funds Rate	4.47%	4.49%	4.40%	5.51%
3 Month Treasury	4.27%	4.41%	4.37%	5.28%
6 Month Treasury	4.08%	4.31%	4.24%	4.96%
2 Year Treasury	3.68%	3.94%	4.25%	3.99%
5 Year Treasury	3.76%	3.96%	4.38%	3.72%
10 Year Treasury	4.26%	4.37%	4.58%	3.86%
30 Year Treasury	4.88%	4.89%	4.78%	4.13%
US Aggregate	4.47%	4.64%	4.91%	4.42%
US Corporate	4.91%	5.07%	5.33%	4.94%
US Corporate High Yield	6.87%	7.08%	7.49%	7.39%
US Municipal	3.91%	3.98%	3.74%	3.45%
US Municipal High Yield	5.90%	5.91%	5.52%	5.29%

Spreads Over 10-Year US Treasuries

Date	8/22/2025	7/31/2025	12/31/2024	8/22/2024
30 Year Treasury	0.62%	0.52%	0.20%	0.27%
US Aggregate	0.21%	0.27%	0.33%	0.56%
US Corporate	0.65%	0.70%	0.75%	1.08%
US Corporate High Yield	2.61%	2.71%	2.91%	3.53%
US Municipal	-0.35%	-0.39%	-0.84%	-0.41%
US Municipal High Yield	1.64%	1.54%	0.94%	1.43%

Source: Bloomberg and U.S. Treasury as of August 22, 2025

Equity Markets Overview

- It was a mixed week for the major US indices. The S&P 500 barely eked out a positive week, after a strong Friday rally overcame weakness to start the week. The Dow Jones posted a new all-time high (ATH), its first of 2025. The tech heavy Nasdaq retreated on the week but remains near its prior ATH.
- Value stocks outperformed growth for the second consecutive week, and cyclical sectors led the week while technology and communications sectors were the only ones to post losses. This dynamic led to an increase in market breadth, with a majority of S&P 500 stocks displaying positive price momentum.
- Major retailers such as Walmart, Target, and Home Depot released earnings last week, highlighting that consumers remain willing to spend—particularly on value-oriented and discounted products—despite ongoing economic and tariff-related uncertainties.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
All-Cap	S&P 1500	0.5%	10.4%	17.1%	15.2%
Large-Cap	S&P 500	0.3%	10.9%	17.8%	15.5%
	S&P 500 Growth	-0.4%	13.6%	20.3%	15.5%
	S&P 500 Value	1.2%	7.9%	14.1%	14.8%
Mid-Cap	S&P Midcap 400	2.7%	5.3%	10.7%	13.0%
	S&P Midcap 400 Growth	2.0%	5.0%	10.9%	10.4%
	S&P Midcap 400 Value	3.4%	5.7%	10.4%	15.6%
Small-Cap	S&P Smallcap 600	3.5%	3.6%	7.1%	11.8%
	S&P Smallcap 600 Growth	3.1%	5.2%	7.8%	10.2%
	S&P Smallcap 600 Value	3.9%	1.9%	6.2%	13.3%
Int'l.	MSCI ACWI ex-USA	0.5%	22.9%	14.7%	9.5%
	MSCI EM	-0.4%	19.9%	11.2%	5.6%

Source: Bloomberg as of August 22, 2025

Alternative Markets Overview

- Gold prices rose around 1% last week as markets reacted to increasing expectations of an upcoming rate cut and a weaker dollar.
- As peace talks between Russia and Ukraine appeared to stall, oil prices posted weekly with Brent crude settling near \$67 per barrel.
- Bitcoin was nearly flat last week after a strong 4% rally on Friday made up most losses from earlier in the week. According to Bloomberg, Bitcoin annualized volatility has dropped to 38% from nearly 200% a decade ago. Investors seeking a more volatile exposure have been steering assets towards Ethereum, evidenced by a recent surge in trading volumes.

Name	1W	YTD	3Y (Ann.)	5Y (Ann.)
S&P GSCI	2.1%	4.4%	1.1%	16.7%
Gold	1.1%	29.4%	25.0%	11.9%
FTSE All Equity NAREIT	2.7%	3.8%	1.7%	6.5%
Bitcoin	-0.3%	24.9%	77.0%	58.7%
Ethereum	10.2%	44.9%	45.3%	64.7%

Source: Bloomberg as of August 22, 2025



Upcoming Week

- As Q2 earnings season winds down, it will be a lighter week for Q2 earnings release. Two notable releases this week include Royal Bank of Canada and Nvidia.
- It is also a packed week for economic data. We will be closely monitoring the PCE, GDP, and consumer-related (Personal Consumption, Personal Income, Personal Spending) 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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