

# TALKING POINTS

Data through August 2025

## Climate

Of all the developments that shaped the investment climate in August, perhaps none had a larger impact than Jerome Powell's speech in Jackson Hole on 8/22, where he noted that interest rate cuts could be forthcoming as soon as September. The reaction in U.S. markets was telling. At the end of August, the federal funds rate futures market indicated that investors were pricing in an 87.9% chance of a September rate cut, up from just 39.8% at the close of July. Equity and fixed income markets surged on news of Powell's comments, with the S&P 500 ("Index") and Bloomberg U.S. Aggregate Bond Indices increasing by 1.52% and 0.46% (total return) on the day of his speech alone. As we see it, the news from Jackson Hole may provide much needed respite for the U.S. housing market, which has come under pressure from high interest rates, surging prices, and economic unease in recent months. Data from Redfin revealed that nearly 58,000 contracts to purchase a U.S. home were cancelled in July 2025, accounting for 15.3% of all homes under contract during the month, up from 14.5% over the same period last year. Lower interest rates could also free up cash flow for increasingly indebted U.S. households. Data from the Federal Reserve Bank of New York revealed that aggregate U.S. household debt increased by \$185 billion quarter-over-quarter to a total of \$18.39 trillion in Q2'25.

## Stock Market

The Index closed at 6,460.26 on 8/29/25, representing a price-only increase of 29.65% from its most recent low of 4,982.77 on 4/8/25, according to data from Bloomberg. The S&P MidCap 400 and S&P SmallCap 600 Indices remain 4.02% and 6.92%, respectively, below their all-time highs which were set on 11/25/24. The Index posted a total return of 2.03% in August 2025. Ten of the 11 major sectors that comprise the Index registered positive total returns for the month. The top-performer was Materials, up 5.76%, while Utilities had the worst showing, declining by 1.58%. As revealed in the table to the right, estimates for the Index's 2025 earnings per share (EPS) increased to 268.56 in August from 265.98 in July. A similar trend occurred with the Index's 2026 estimated EPS, which increased to 303.89 in August from 301.74 in July. FactSet reported that the Index's Q2'25 blended year-over-year earnings growth rate stood at 11.9% on 8/29/25. Should this hold, it will mark the Index's third consecutive quarter of double-digit earnings growth. As we see it, the combination of an improved earnings outlook and increasing likelihood of lower interest rates have been key catalysts to the Index's stunning performance since its most recent low. That said, we would be remiss to ignore the impact potential interest rate cuts have had on mid-cap and small-cap stocks over the past week. From 8/21 (the day before Powell's address in Jackson Hole) to 8/29, the S&P MidCap 400 and S&P SmallCap 600 Indices surged by 2.68% and 3.44% (price only), respectively, compared to an increase of 1.41% for the Index. As we see it, differences in the capital structure of large vs. small companies may offer an explanation for this outperformance. Small caps tend to hold a comparatively larger portion of variable debt, which could become cheaper to service as rates decline. Case in point, the variable debt to total debt ratio of the Russell 2000 Index stood at 32.23% on 7/31/25, compared to just 8.40% for the broader S&P 500 Index.

## Bond Market

The yield on the benchmark 10-year T-note stood at 4.23% at the close of trading on 8/29/25, up 33 basis points (bps) from its 3.90% close on 8/30/24, according to data from Bloomberg. The 4.23% yield stood 160 bps above its 2.63% average for the 10-year period ended August 2025 and 76 bps below its most recent high of 4.99% set on 10/19/23. The yield on the 2-year T-note stood at 3.62% on 8/29/25, down 30 bps from when it stood at 3.92% on 8/30/24. As many investors are likely aware, bond yields (especially short-term bonds) are sensitive to changes in the federal funds target rate and yields and prices generally move in opposite directions. Expected rate cuts were likely one catalyst behind positive total returns exhibited by the fixed income markets we track (see "Bloomberg Fixed Income Indices" to the right). As the data reveals, each of these Indices enjoyed positive total returns in August, with just one (municipal long bonds) suffering a negative total return year-to-date through 8/29/25. Even so, estimates for year-end corporate defaults continue to increase. In July 2025, Moody's estimated that its U.S. speculative-grade default rate would decline from 5.8% (where it stood in July) to 4.3% in December 2025. Notably, the 4.3% year-end estimate stood 1.6 percentage points above Moody's previous estimate of 2.7% in January.

## Takeaway

Recent Fed policy rate decisions have been contentious, with two members dissenting when it was announced that interest rates would remain unchanged in July. Jerome Powell's dovish commentary in Jackson Hole resulted in growing speculation that monetary policy may loosen in the near term, with investors increasingly convinced of a cut in September. That said, fresh economic data may put these hopes to the test. Core inflation, as measured by the personal consumption expenditures price index, increased by 0.1% month-over-month to 2.9% in July, marking its highest reading since February of this year. Furthermore, the U.S. economy, as measured by real gross domestic product (GDP), continues to grow at a healthy pace. Real GDP for Q2'25 was revised higher, to a 3.3% annual rate in July, beating consensus expectations of 3.1%, according to Strider Ellass, Senior Economist at First Trust Portfolios, LP. Jobs data has been mixed, but initial jobless claims hinted at continued growth in August, albeit at a slower pace than last year. Even so, rate cuts may offer relief to U.S. consumers who are increasingly burdened by credit card debt, auto loan payments, and the resumption of student loan payments. The question remains: do the potential benefits of interest rate cuts outweigh the potential costs? Time will tell.

Sources: Bloomberg, FactSet, and Investment Company Institute

**Past performance is no guarantee of future results.** Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index. There can be no assurance past trends will continue or estimates will be realized.

### Open-End Net Fund Flows (\$)

	7/25	6/25	YTD (July)
Equity	-367.1B	-74.9B	-721.4B
Taxable Bond	33.0B	11.9B	14.2B
Municipal Bond	3.9B	2.3B	8.1B
Hybrid	-5.6B	-7.0B	-61.4B
Taxable Money Market	54.6B	17.8B	129.1B

### Key Interest Rates/Yields

	8/29/25	7/30/25	8/30/24
Federal Funds Target Rate	4.50%	4.50%	5.50%
2-Year T-Note	3.62%	3.96%	3.92%
5-Year T-Note	3.70%	3.97%	3.70%
10-Year T-Note	4.23%	4.37%	3.90%
Bond Buyer 40	5.05%	5.10%	4.31%

### Commodities/U.S. Dollar

	8/25	YTD	12 Mo.
U.S. Dollar Index (DXY)	-2.20%	-9.88%	-3.86%
FTSE/CC CRB Excess Ret.	0.86%	1.90%	9.14%
Crude Oil/WTI (per Barrel)	-7.58%	-10.75%	-12.97%
Natural Gas (per million BTUs)	-3.51%	-17.51%	40.90%
Gold Bullion (Ounce)	4.80%	31.38%	37.73%

### S&P 500 Full-Year Earnings Estimates

	2025	2026
8/29/25	268.56	303.89
7/31/25	265.98	301.74
12/31/24	274.13	311.08

## Total Return Performance

U.S. Stock Indices	8/25	YTD	12 Mo.
S&P 500	2.03%	10.78%	17.04%
DJIA	3.42%	8.30%	12.13%
Nasdaq 100	0.92%	11.98%	22.09%
S&P MidCap 400	3.39%	5.27%	7.64%
Russell 2000	7.14%	7.05%	8.89%
Russell 3000	2.31%	10.57%	16.97%

### U.S. Styles/Market Caps

	8/25	YTD	12 Mo.
S&P 500 Growth	0.83%	13.51%	25.28%
S&P 500 Value	3.44%	7.78%	6.98%
S&P MidCap 400 Growth	2.34%	5.05%	6.22%
S&P MidCap 400 Value	4.60%	5.52%	9.17%
Russell 2000 Growth	5.91%	7.19%	11.32%
Russell 2000 Value	8.47%	6.78%	6.34%

### Foreign Stock Indices (USD)

	8/25	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	4.40%	22.73%	15.19%
MSCI Emerging Markets NET	1.28%	19.02%	17.33%
MSCI Europe NET	3.44%	25.02%	13.35%
MSCI BRIC NET	2.65%	17.29%	19.39%
MSCI EM Latin America NET	8.22%	34.29%	13.23%
Nikkei 225	6.76%	15.85%	12.05%

### Bloomberg Fixed Income Indices

	8/25	YTD	12 Mo.
U.S. Treasury: Intermediate	1.24%	4.99%	4.23%
GNMA 30 Year	1.56%	5.34%	3.34%
Municipal Bond (22+)	0.87%	-3.59%	-3.88%
U.S. Aggregate	1.20%	4.99%	3.14%
Intermediate Corporate	1.18%	5.81%	5.68%
U.S. Corporate High Yield	1.25%	6.35%	8.26%
Global Aggregate	1.45%	7.21%	3.47%
EM Hard Currency Aggregate	1.52%	8.59%	8.23%

# HIGH/LOW SNAPSHOT

Data through August 2025

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	6501.86	8/28/2025	1829.08	2/11/2016	6460.26	-0.64%	10.78%	1.20%
S&P 500 Growth	4684.94	8/28/2025	1035.44	2/11/2016	4629.02	-1.19%	13.51%	0.60%
S&P 500 Value	2027.49	11/29/2024	788.67	2/11/2016	2006.12	-1.05%	7.78%	1.90%
S&P MidCap 400	3390.26	11/25/2024	1218.55	3/23/2020	3254.09	-4.02%	5.27%	1.46%
S&P MidCap 400 Growth	1610.10	11/25/2024	574.06	2/11/2016	1541.82	-4.24%	5.05%	0.87%
S&P MidCap 400 Value	1083.78	11/25/2024	373.28	3/23/2020	1042.97	-3.77%	5.52%	2.11%
S&P 100	3220.20	8/28/2025	820.61	2/11/2016	3195.75	-0.76%	11.46%	1.07%
DJIA	45636.90	8/28/2025	15660.18	2/11/2016	45544.88	-0.20%	8.30%	1.62%
Nasdaq 100	23849.04	8/13/2025	3947.80	2/9/2016	23415.42	-1.82%	11.98%	0.68%
Russell 2000	2442.74	11/8/2021	953.72	2/11/2016	2366.42	-3.12%	7.05%	1.40%
Russell 2000 Growth	1709.62	2/9/2021	573.10	2/11/2016	1569.57	-8.19%	7.19%	0.58%
Russell 2000 Value	2715.42	11/25/2024	1067.63	3/23/2020	2600.02	-4.25%	6.78%	2.26%
Russell 3000	3703.98	8/28/2025	1067.34	2/11/2016	3680.46	-0.64%	10.57%	1.20%
MSCI World Net (ex U.S. ) (USD)	10223.35	8/22/2025	4189.62	2/11/2016	10112.33	-1.09%	22.73%	2.90%
MSCI Emerging Markets Net (USD)	699.23	2/17/2021	296.25	1/21/2016	683.04	-2.31%	19.02%	2.52%
Bovespa/Brazil (USD)	29488.46	1/2/2020	9077.09	1/21/2016	26063.34	-11.62%	34.17%	6.00%
RTS/Russia (USD)	1919.58	10/25/2021	628.41	1/20/2016	N/A	N/A	N/A	N/A
S&P BSE 500/India (USD)	461.76	9/26/2024	129.66	3/23/2020	400.12	-13.35%	-1.70%	1.22%
Shanghai Composite/China (USD)	578.15	12/13/2021	358.39	10/18/2018	541.03	-6.42%	20.35%	2.39%
KOSPI/South Korea (USD)	2.93	6/16/2021	1.16	3/19/2020	2.29	-21.82%	42.88%	1.87%
Hang Seng (USD)	4241.01	1/26/2018	1871.10	10/31/2022	3217.39	-24.14%	27.93%	3.13%
MSCI Euro (USD)	2083.64	8/22/2025	865.50	3/18/2020	2028.06	-2.67%	28.18%	2.94%
S&P 500 Consumer Discretionary	1959.72	12/17/2024	543.54	2/11/2016	1860.03	-5.09%	2.02%	0.63%
S&P 500 Consumer Staples	923.91	3/3/2025	474.03	9/1/2015	887.23	-3.97%	5.54%	2.46%
S&P 500 Energy	749.39	4/5/2024	179.94	3/18/2020	686.39	-8.41%	7.49%	3.36%
S&P 500 Utilities	443.15	8/4/2025	206.51	9/4/2015	426.24	-3.82%	13.00%	2.82%
S&P 500 Financials	896.53	8/29/2025	264.89	2/11/2016	896.53	0.00%	12.54%	1.41%
S&P 500 Banks	565.48	8/29/2025	180.19	2/11/2016	565.48	0.00%	22.13%	2.25%
FTSE NAREIT All Equity REITs	980.08	12/31/2021	483.48	3/23/2020	779.05	-20.51%	4.06%	3.97%
S&P 500 Health Care	1829.71	8/30/2024	732.99	2/11/2016	1598.13	-12.66%	0.81%	1.84%
S&P 500 Pharmaceuticals	1216.04	8/30/2024	539.37	9/28/2015	1028.25	-15.44%	0.23%	2.67%
NYSE Arca Biotechnology	6319.77	2/8/2021	2642.53	2/11/2016	5973.75	-5.48%	4.13%	0.23%
S&P 500 Information Technology	5375.65	8/12/2025	636.18	2/9/2016	5234.57	-2.62%	14.04%	0.55%
Philadelphia Semiconductor	5904.54	7/10/2024	559.18	2/11/2016	5668.94	-3.99%	14.49%	0.86%
S&P 500 Communication Services	401.74	8/28/2025	130.86	12/24/2018	400.45	-0.32%	17.91%	0.77%
S&P 500 Industrials	1311.04	7/25/2025	412.06	3/23/2020	1284.04	-2.06%	16.12%	1.36%
S&P 500 Materials	616.97	10/18/2024	234.97	1/25/2016	584.18	-5.31%	11.64%	1.85%
Philadelphia Gold & Silver	249.08	8/29/2025	38.84	1/19/2016	249.08	0.00%	83.33%	1.01%
FTSE/CC CRB Excess Return	329.59	6/9/2022	106.29	4/21/2020	302.35	-8.26%	1.90%	N/A
ICE BofA Perpetual Preferred	334.73	8/22/2025	215.28	2/11/2016	333.49	-0.37%	3.74%	6.41%
ICE BofA U.S. High Yield Constrained	604.61	8/28/2025	313.74	2/11/2016	604.35	-0.04%	6.23%	7.04%

Source: Bloomberg

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