SMITH SHELLNUT WILSON
AN AFFILIATE OF 61BANK

Financial Week Newsletter

Summarized by Smith Shellnut Wilson

September 2, 2025

"Every exit is an entry somewhere else." Sir Tom Stoppard

MARKETS

Macro Recap: Rate-cut expectations remained anchored as macro and policy inputs delivered a "not too hot" data mix. Q2 GDP was revised upward to 3.3%, driven largely by net exports, marking a rebound from Q1's slight contraction. Durable goods and core capital orders firmed, and jobless claims remained historically low, reinforcing economic resilience.

However, housing data showed continued weakness, with new home sales down 0.6% in July, slowing price growth, and mortgage rates falling to a 10-month low. Additionally, Chicago PMI slumped to 41.5, signaling softness in manufacturing.

Inflation data was sticky but not alarming. The Fed's preferred gauge, the PCE Index, showed core inflation at 2.9% and headline at 2.6% year-over-year, both in line with expectations. This kept futures pricing in a 25 bp rate cut in September with 87–89% probability.

Fed commentary leaned cautiously dovish:

- John Williams (NY Fed) emphasized a data-dependent approach and noted tariffs contributed 40–50 bps to PCE.
- Tom Barkin (Richmond) suggested a "modest adjustment."
- Christopher Waller (Fed Governor) explicitly supported a 25 bp cut in September and anticipated further easing over the next 3–6 months.

On the institutional front, President Trump's attempt to remove Fed Governor Lisa Cook sparked legal challenges and an initial hearing without resolution. Speculation around fast-tracking nominee Stephen Miran added noise but didn't materially affect rate-cut odds.

Equity Recap: The major U.S. stock indexes ended the week slightly lower, as midweek gains were erased by a Friday pullback ahead of the holiday weekend. The S&P 500 briefly closed above the 6,500 mark on Thursday for the first time, but slipped back below that level the following day.

Bond/Rate Recap: Rates churned rather than trended this week. Early selling pressure gave way to a midweek bull-steepening move, with short-term yields falling faster than long-term ones, followed by a mild retracement into Friday. The 2-year Treasury traded in a range of 3.62% to 3.73%, the 10-year between 4.21% and 4.28%, and the long bond hovered near 4.89% to 4.91%.

Bond market activity continued to reinforce growing expectations of a Federal Reserve rate cut at its upcoming meeting, concluding on September 17. As of Friday afternoon, rate futures implied an 88.9% probability of a 25 basis point cut, reflecting steady confidence in near-term easing.

Week Ahead: Friday's monthly jobs report will reveal whether the recent softening in the labor market extended into August. In July, the economy added just 73,000 jobs, and initial estimates for the prior two months were revised down by a combined 258,000. As a result, April and May job gains were reduced to just 19,000 and 14,000, respectively, highlighting a notable slowdown in hiring momentum.

INDICES

	Aug 25 Open	Aug 29 Close	Weekly Change	Dec 31 2024	YTD Change
DJIA	45,632	45,545	-0.2%	42,544	7.1%
S&P 500	6,467	6,460	-0.1%	5,882	9.8%
NASDAQ	21,497	21,456	-0.2%	19,311	11.1%
Russell 2000	2,362	2,366	0.2%	2,230	6.1%
KBW Bank Indx	148.1	150.9	1.9%	127.5	18.3%
Bitcoin	$114,666	$108,337	-5.5%	$93,714	15.6%
Oil (WTI)	$63.66	$64.01	0.5%	$71.72	-10.8%
Gold	$3,372	$3,448	2.3%	$2,625	31.4%
Prime	7.50	7.50	0.00	7.50	0.00
Effective Fed Funds	4.33	4.33	0.00	4.33	0.00
3m Tbill	4.18	4.14	-0.04	4.31	-0.17
2yr UST	3.70	3.62	-0.08	4.24	-0.62
10yr UST	4.25	4.23	-0.03	4.57	-0.34
2-10yr UST Spread	56	61	5	33	28
2y AAA Muni/10y UST	60.0%	61.0%	0.9%	66.5%	-5.5%
10y AAA Muni/10y UST	75.7%	75.7%	0.0%	68.4%	7.3%
5yr Inflation Forecast	2.51	2.52	0.01	2.42	0.10

Week Ahead

- **Monday:** Labor Day holiday
- **Tuesday:** ISM manufacturing index, Construction spending
- **Wednesday:** JOLTS, Factory orders
- **Thursday:** ADP, ISM nonmanufacturing, Productivity/labor, Trade balance
- **Friday:** Nonfarm payrolls

ALL CONTENT IS FOR INFORMATIONAL PURPOSES ONLY AND SHOULD IN NO WAY BE CONSTRUED OR INTERPRETED AS A SOLICITATION TO SELL OR AN OFFER TO SELL ADVISORY SERVICES OR PRODUCTS.