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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"Debt, that negative fortune." Philippe Bouvard

MARKETS

Macro Recap: Last week's economic calendar was highlighted by a series of closely watched labor market reports ahead of the Federal Reserve's September policy meeting. Tuesday's JOLTS report showed job openings rose modestly to 7.27 million in July from a downwardly revised 7.18 million in June. However, the hires rate edged down to 3.2%, its lowest level since February, signaling a continued cooling in hiring activity despite relatively stable job postings. On Wednesday, ADP reported that private employers added just 38,000 jobs in August, the smallest monthly gain since January and below the consensus estimate of 47,000, with declines concentrated in manufacturing and professional services. Friday's official Employment Report painted a more resilient picture, with non-farm payrolls increasing by 162,000 in August, nearly triple the consensus forecast of 53,000 and the strongest monthly gain since March. The unemployment rate remained unchanged at 4.1%, while payroll estimates for June and July were revised higher by a combined 55,000 jobs. Separately, the U.S. trade deficit widened to $88.6 billion in July from a revised $71.2 billion in June, marking the largest monthly gap since March 2025 as imports increased and exports declined.

Equity Market Recap: Major equity indices finished a volatile week little changed overall. Stocks came under pressure early in the week as WTI crude oil surged roughly 10%, climbing above $90 per barrel amid renewed U.S.-Iran tensions and concerns surrounding disruptions in the Strait of Hormuz. Sentiment improved later in the week, however, as strength in semiconductor and energy shares helped drive a rebound. The S&P 500 advanced 0.1% and the Nasdaq Composite gained 0.4%, while the Dow Jones Industrial Average declined 0.3%. Smaller-cap and mid-cap stocks also finished largely unchanged, with the Russell 2000 rising 0.1% and the S&P Midcap 400 adding 0.2%. Energy was the top-performing S&P 500 sector, gaining 2.3%, as higher oil prices offset weakness in software and other economically sensitive industries.

Fixed Income and Rates Recap: Equity markets began to recover on Wednesday as both oil prices and Treasury yields stabilized. The rebound accelerated on Thursday, supported by easing yields and comments from Federal Reserve Governor Christopher Waller that helped ease concerns about the likelihood of a September rate hike. The advance was broad enough to erase most of the week's early losses. However, Friday's stronger-than-expected Employment Report prompted a reassessment of policy expectations, shifting sentiment in a more hawkish direction and tempering the rally. The 2-year Treasury yield, which is particularly sensitive to near-term Federal Reserve expectations, increased from 4.33% to 4.37% during the week, while the 10-year Treasury yield rose six basis points to 4.78%.

Week Ahead: Investor focus now shifts to inflation data, with the August Producer Price Index (PPI) scheduled for release on Thursday, September 10, followed by the August Consumer Price Index (CPI) on Friday, September 11. Both reports will be closely scrutinized for evidence of whether inflationary pressures are reaccelerating, particularly after the stronger-than-expected employment data reinforced a more hawkish outlook for monetary policy. With inflation still running above the Federal Reserve's target and labor market indicators sending mixed signals, the upcoming PPI and CPI releases could play a pivotal role in shaping market expectations ahead of the Fed's September policy meeting.

INDICES

	Aug 31 Close	Sep 4 Close	Weekly Change	Dec 31 2025	YTD Change
DJIA	53,560	53,414	-0.3%	48,063	11.1%
S&P 500	7,712	7,719	0.1%	6,846	12.7%
NASDAQ	26,402	26,507	0.4%	23,242	14.0%
Russell 2000	2,972	2,976	0.1%	2,482	19.9%
KBW Bank Indx	187.2	189.6	1.3%	164.0	15.6%
Bitcoin	$78,106	$79,391	1.6%	$87,648	-9.4%
Oil (WTI)	$86.13	$92.39	7.3%	$57.42	60.9%
Gold	$4,450	$4,437	-0.3%	$4,319	2.7%
Prime	6.75	6.75	0.00	6.75	0.00
Effective Fed Funds	3.63	3.63	0.00	3.64	-0.01
3m Tbill	3.81	3.84	0.03	3.63	0.21
2yr UST	4.33	4.37	0.04	3.47	0.90
10yr UST	4.73	4.78	0.05	4.17	0.61
2-10yr UST Spread	40	41	1	69	-28
2y AAA Muni/10y UST	57.6%	59.3%	1.7%	70.3%	-11.0%
10y AAA Muni/10y UST	70.4%	72.6%	2.1%	65.4%	7.1%
5yr Inflation Forecast	2.33	2.38	0.05	2.27	0.11

Week Ahead

- **Monday:** Labor Day
- **Tuesday:** JOLTS, ISM manufacturing idx, Construction spending
- **Wednesday:** MBA mortgage applications
- **Thursday:** PPI, Existing home sales, Wholesale inventories
- **Friday:** CPI, U of M Consumer sent., Federal budget balance

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