

August 25, 2025

Weekly Viewpoint

Powell Opens the Door to a September Rate Cut

Performance for Week Ending 8.22.2025

The Dow Jones Industrial Average (Dow) finished up 1.5 percent, the Standard & Poor's 500 Index (S&P 500) added 0.3 percent, and the Nasdaq Composite Index (Nasdaq) finished off 0.6 percent. Sector breadth was positive, with nine of the 11 S&P sector groups closing higher. The energy sector (+2.8 percent) led the way, followed by real estate (+2.4 percent) and financials (+2.1 percent). The technology sector (-1.6 percent) was the biggest loser.

Index*	Closing Price 8.22.2025	Percentage Change for Week Ending 8.22.2025	Year-to-Date Percentage Change Through 8.22.2025
Dow	45631.74	1.5%	7.3%
S&P 500	6466.91	0.3%	10.0%
Nasdaq	21496.54	-0.6%	11.3%

Market Observations: 8.18.2025–8.22.2025

The S&P 500 finished higher for a third consecutive week, closing just a shy of a record high, as Friday's relief rally offset pressures from monetary policy jitters and weaker-than-expected quarterly earnings from retail bellwether Wal-Mart. Since the market priced in near certainty of a September rate cut following a soft payroll report a couple weeks ago, mixed economic data and cautious comments from central bank members reduced those odds to about 70 percent heading into Friday's Jackson Hole Symposium. Fed Chair Powell then struck a more dovish tone than expected, noting that "with policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance." Following his remarks, the odds of a 25-basis point reduction jumped to nearly 90%.

Separately, S&P Global Ratings affirmed the US's AA+ credit rating, citing tariff revenues as helping offset some of the fiscal impact from the president's tax cuts. S&P has held the US's AA+ rating since it's 2011 downgrade from AAA.

Fed Speak: Away from Powell, Fed officials gave mixed views on rate cuts. Kansas City Fed President Schmid said inflation risks are marginally higher than labor market risks, though monetary policy is well-positioned ahead of next month's policy decision. Cleveland Fed President Hammack said she wouldn't support a cut if the decision were made tomorrow. Atlanta Fed President Bostic said that inflation is still above the 2 percent target and unemployment remains historically low, adding he wants Fed's next move to be decisive, not quickly reversed. He described the current fed funds rate as "marginally restrictive" but not "super restrictive." On the dovish side, Fed Vice Chair for Supervision Bowman stuck reiterated her call for a cut, saying her July dissent still reflects her view.

Q2 Earnings: Through Friday, 474 companies in S&P 500 had released second quarter results, with 81 percent beating expectations. Aggregate earnings are up 11.0 percent from a year ago, more than double what analysts were forecasting. At the sector level, the biggest upside surprises came from the consumer discretionary and communication services sectors. Communication services (45 percent) and technology (17 percent) led the pack in year-over-year growth. Following the solid quarterly results, Bloomberg consensus estimates for the full year have been trending higher with analysts now seeing 9.3 percent year-over-year growth. For 2026, growth is estimated at 12.9 percent.

Economic Roundup: Housing starts hit a five-month high in July, led by the strongest multifamily construction in more than two years. U.S. manufacturing expanded at its fastest rate in more than three years on stronger demand that's also fueling inflationary pressures. The S&P Global flash August factory purchasing managers index (PMI) rose 3.5 points to 53.3, the highest since May 2022. Existing home sales rose 2 percent in July to annualized 4.01 million, as slower price growth and lower mortgage rates helped stabilize demand. Meanwhile, unemployment applications climbed last week to their highest level since June, with the four-week moving average—a metric that helps smooth out week-to-week volatility—rising to 226,250.

The Week Ahead: The big event in corporate earnings this week will be results from AI bellwether Nvidia, released after the market closes on Wednesday. Analysts will be closely monitoring Nvidia's results to assess the impact of political fallout on its China-related business. In addition to Nvidia, 14 other S&P 500 members are scheduled to report quarterly results. On the economic data front, attention centers on the July PCE report due Friday. Bloomberg consensus expects a 0.3 percent month-over-month increase in the core measure, with the year-over-year rate expected to rise 2.9 percent from 2.8 percent in June. Other key releases include the Conference Board's consumer confidence indicator and durable goods orders on Tuesday, new home sales on Monday, and pending home sales on Thursday. The Fed's speaking calendar includes just three speeches. Market participants are expected to focus on remarks from Fed Governor Waller—a named candidate to replace Fed Chair Powell next year—on Thursday night.

Definitions

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally defined as the leaders in their industry. It has been a widely followed indicator of the stock market since Oct. 1, 1928.

Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Nasdaq Composite Index is a broad-based capitalization-weighted index of stocks in all three Nasdaq tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of Feb. 5, 1971.

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