

August 18, 2025

Weekly Viewpoint

All Eyes on Jackson Hole Conference for Rate Cut Clarity

Performance for Week Ending 8.15.2025

The Dow Jones Industrial Average (Dow) finished up 1.7 percent, the Standard & Poor's 500 Index (S&P 500) added 0.9 percent, and the Nasdaq Composite Index (Nasdaq) tacked on 0.8 percent. Sector breadth was positive, with seven of the 11 S&P sector groups closing higher. The healthcare sector (+4.6 percent) was the biggest gainer while utilities (-0.8 percent) posted the biggest loss.

Index*	Closing Price 8.15.2025	Percentage Change for Week Ending 8.15.2025	Year-to-Date Percentage Change Through 8.15.2025
Dow	44946.12	1.7%	5.7%
S&P 500	6449.80	0.9%	9.7%
Nasdaq	21622.98	0.8%	12.0%

Market Observations: 8.11.2025–8.15.2025

The S&P 500 finished higher for a second consecutive week, reflecting optimism that the Federal Reserve (Fed) will reduce rates at next month's conference despite a mixed bag of inflation data. According to Bloomberg's World Interest Rate Probability tool, the odds of a 25 basis point reduction are 85 percent. Investors will look for clarity on the rate outlook at this week's Fed conference in Jackson Hole. Fed Chair Powell will give the keynote address Friday morning at 10:00am ET.

Fed Speak: St. Louis Fed President Musalem said it's too early to decide whether to lower interest rates at next month's conference. In an interview on CNBC, Musalem, when asked about whether a 50 basis point reduction could be warranted next month, said it would be "unsupported by the current state of the economy and the outlook for the economy." Richmond Fed President Barkin noted that the environment for U.S. consumers improved in July after weakness earlier in the year, adding that weekly credit card data is starting to look healthier. At a separate event, Barkin said uncertainty over the direction of the U.S. economy is decreasing, but it's still unclear whether the central bank should concentrate more on

controlling inflation or bolstering the job market. Atlanta Fed President Bostic said he continues to see one interest rate cut as appropriate in 2025 if the labor market remains solid.

Q2 Earnings: Through Friday, 459 companies in S&P 500 had released second quarter results, with 81 percent beating expectations. Aggregate earnings are up 11.3 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 (44.6 percent) and technology (16.4 percent) led the pack in year-over-year growth.

Economic Roundup: Retail sales rose 0.5 percent in July following an upwardly revised 0.9 percent rise in June. The consensus, compiled by Bloomberg, projected a 0.6 percent gain. On an annual basis, retail sales rose 3.9 percent, a slowdown from a 4.4 percent jump in June. Consumer inflation was steady, while wholesale prices were much higher than expected, with the July producer price index (PPI) rising 0.9 percent month over month compared to expectations of 0.2 percent gain. On an annual basis, prices rose 3.3 percent, the most since February. Core producer prices, which strip out the cost of food and energy, saw the largest increase in three years. Following the release, analysts said they expected Personal Consumption Expenditures (PCE) excluding volatile food and energy costs, a statistic the Fed regards as an important guide for its inflation target, to increase 2.9 percent on a year-over-year basis in July. The next PCE report will be released on Aug. 29. Meanwhile, applications for unemployment benefits for the week ending Aug. 9 fell by 3,000 to 224,000, below the 230,000 new applications economists had forecast. Mortgage rates in the United States fell for a fourth straight week, reaching the lowest point since October. The average for 30-year, fixed loans was 6.58 percent, down from 6.63 percent last week.

The Week Ahead: The focal point will be the Jackson Hole symposium on Aug. 21–23, with this year's theme being "Labor Markets in Transition: Demographics, Productivity, and Macroeconomic Policy." The Fed will also release the Federal Open Market Committee minutes from the July conference on Wednesday. On the data front, the main highlight will be the S&P global PMIs for August on Thursday. The resilience of the global economy amid new U.S. tariffs will be in focus after the July manufacturing PMI fell below 50. Housing will be in the spotlight with July housing starts released on Tuesday and existing home sales on Thursday. On the earnings front, 15 members of the S&P 500 are scheduled to report, including Home Depot, Target, Lowe's, and Walmart. Aside from the Jackson Hole conference, the Fed speaking calendar includes just three other speeches.

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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