NEAM VANTAGE POINT

Trade Winds

AUGUST 2025

ECONOMIC & CAPITAL MARKET OVERVIEW

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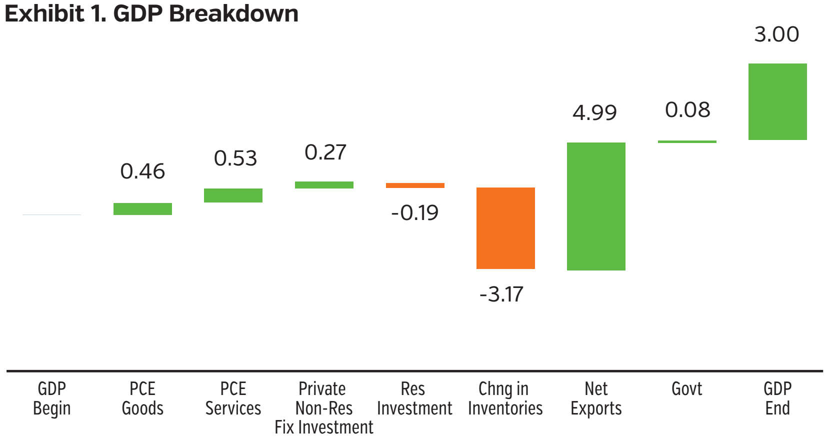
Monthly Economic Highlights

JULY OVERVIEW

At the end of the month, the Fed held its benchmark rate range steady at 4.25% - 4.50%. Nine Fed Governors voted in favor of staying put, while two dissented in favor of a quarter point cut. Despite touting a low unemployment rate and "solid labor market conditions," the Committee altered its view of the economy from "solid" to "moderating," and reiterated that "uncertainty remains elevated." Fed Minutes from the June meeting had previously shared that the Committee remained inclined to wait before taking any action, and indeed this was the case in July. With regards to inflation, participants still saw a high likelihood of rising pressures due to tariffs, but again diverged on the timing, amount and staying power of such upward pressure. In terms of employment, June minutes shared that participants largely agreed that the labor market appears solid but were inclined to see some softening going forward, and Powell touched on the balance in the labor market as both supply and demand ebb. In addition, the majority expected economic growth to moderate, which they brought attention to in their July post meeting press release. With these positions as a guide and believing that the current monetary policy stance was still "modestly restrictive," the committee ultimately felt they were appropriately positioned to again hold out for more clarity on the horizon, a position they intend to maintain until the "totality of the evidence" drives them to do otherwise.

Exhibit 1. GDP Breakdown



Source: BEA, Haver, NEAM

Post the July meeting, nonfarm payrolls came in below market expectations at +73K for the month. Large restatements to the previous two months left May and June at +19K and +14K, respectively, which lowered the three-month average to a +35K monthly rate of job creation. As before, healthcare continued to dominate the numbers. Despite a decline in the labor force in July, where the participation rate now sits at 62.2%, a larger drop in the household

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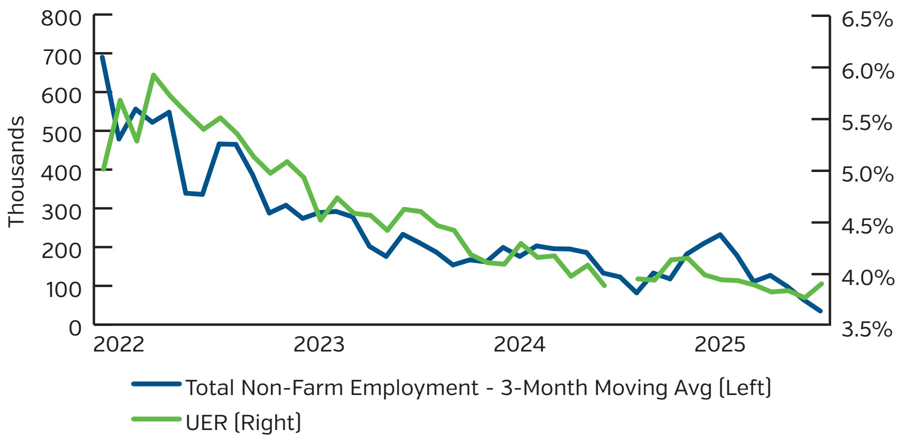
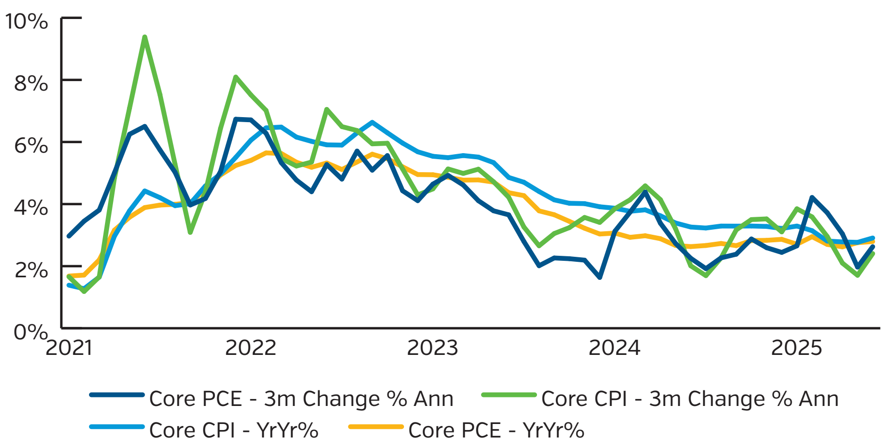
employment figure sent the unemployment rate back to 4.2%. Meanwhile, JOLTS data showed job openings fell back after two months of increases and hiring slowed. Overall, job market indicators point to a continued normalizing, if not softening labor market, and the Fed will look to keep tabs on the drivers of both supply and demand in the market going forward.
On the consumption front, Q2 GDP showed personal consumption expenditures increasing 1.4% on an annualized basis, while retail sales improved at both the headline and core levels on the month. Powell noted in his post meeting press conference that slower consumption growth has been a larger contributor to the moderation in GDP growth. Consumer confidence edged up marginally, but surveys remain below recent peaks and expectations lag long-term averages as consumers grapple with the impact of new policies on economic growth and job availability, despite reducing their expectations for inflation.

Exhibit 2. Total Non-Farm Employment Moving Averages and Unemployment



Source: BLS, Haver, NEAM

Exhibit 3. Inflation



Source: BLS, BEA, Haver, NEAM

On the investment front, following two consecutive months of no overall growth, headline industrial production increased +0.3% in June. Utilities drove the advance, posting a +2.8% gain, mining receded, and manufacturing output managed to grow +0.1% despite a drop in motor vehicle production. At the national level, while surveys show that the manufacturing sector still is weathering a more difficult environment, data is mixed. Sector surveys still point to contraction, but at a slower rate. Companies in the sector remain cautious, managing an uncertain environment caused by geopolitical and trade policies, with customers delaying orders until they can get more clarity and the Fed's Beige Book speaking to mounting price pressures. Despite the concern, Q2 GDP showed equipment and intellectual property gains outweighed declines in structures and residential investment, leading private investment to be marginally additive to GDP overall after stripping out the impact of inventories.

On the inflation front, CPI increased slightly last month, with goods continuing their climb while price gains in the service sector moderated. At the headline level, prices increased +0.3% for the month, which equaled a +2.7% gain for the year, aided by an uptick in energy prices, an increase in the food sector consistent with the previous month, and a slight rise at the core level. At the core level (+0.2%), monthly core goods prices ticked up +0.2% (+2.9% year-on-year), with more outsized increases in apparel, household furnishings and recreation softened by declines in new and used vehicles. At the core services level, monthly prices increased +0.3%. Overall, shelter price increases slowed to +0.2% for the month, pulled down by a drop in lodging away from home (-2.9%), despite consistent gains in rents of primary residences and owners' equivalent rents. Away from housing, core services ticked up, with jumps in medical care, transportation and recreational services leading the gains. Meanwhile, PCE prices also exhibited a similar trend and ticked up at both the headline and core levels. The absence of large moves in the data to date, however, has not deterred the Fed from waiting for more information before acting, with Powell noting that we remain in the "early days" of the impact of tariffs coming through and will need time to assess their ultimate impact.

CAPITAL MARKET IMPLICATIONS

With investors still navigating the economic impact from ongoing trade policy and geopolitical uncertainty, and the Fed remaining on hold as it waits for more data, Treasury yields increased while equities gained.

Exhibit 4. U.S. Historical Yield Curves

	Dec 2021	Dec 2022	Dec 2023	Dec 2024	July 2025
Fed Funds Range	0.00-0.25%	4.25-4.50%	5.25-5.50%	4.25-4.50%	4.25-4.50%
2-Year	0.73%	4.43%	4.25%	4.24%	3.96%
5-Year	1.26%	4.00%	3.85%	4.38%	3.97%
10-Year	1.51%	3.87%	3.88%	4.57%	4.37%
30-Year	1.90%	3.96%	4.03%	4.78%	4.90%

Source: Bloomberg, NEAM

Capital Markets

FIXED INCOME RETURNS

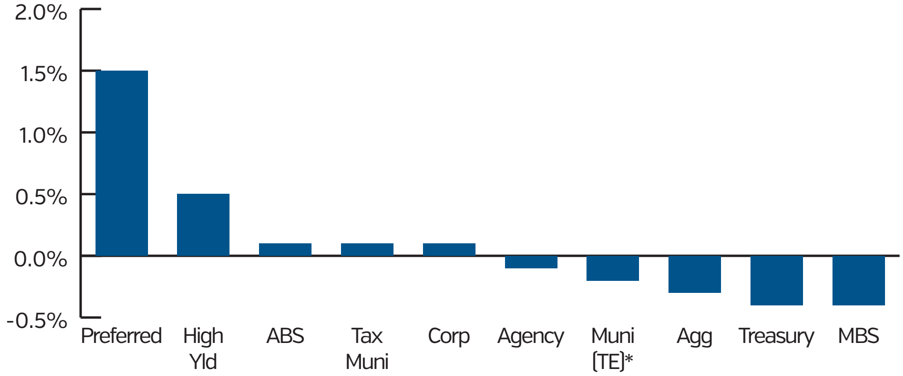
The Fed remained in a "wait and see" mode and held its benchmark rate steady. With trade tensions still on the forefront, Treasury yields rose during the month, while credit spreads edged closer to all time tights.

Exhibit 5. Fixed Income Returns

	July	3-Month	YTD
Bloomberg Barclays U.S. Aggregate	-0.26%	0.54%	3.75%
Blended ICE/ BofAML Preferred Stock	1.48%	3.62%	2.55%
ICE BofA US Taxable Muni - Broad	0.10%	0.88%	3.80%
ICE BofA Municipals Master (TE)	-0.22%	0.40%	-0.46%
Bloomberg Barclays U.S. MBS (fixed rate)	-0.41%	0.44%	3.81%
Bloomberg Barclays U.S. ABS	0.13%	1.02%	3.06%
Bloomberg Barclays U.S. Agency	-0.11%	0.48%	3.33%
Bloomberg Barclays U.S. Treasury	-0.39%	-0.18%	3.39%
Bloomberg Barclays U.S. Corporates	0.07%	1.92%	4.24%
Bloomberg Barclays High Yield	0.45%	4.02%	5.04%

Source: Barclays, Bloomberg, NEAM

Exhibit 6. Domestic Fixed Income Sector: Month-to-Date Total Returns (7/31/25)



** Taxable Equivalent*
Source: Bloomberg, Barclays, ICE BofAML, NEAM

EQUITY TOTAL RETURNS

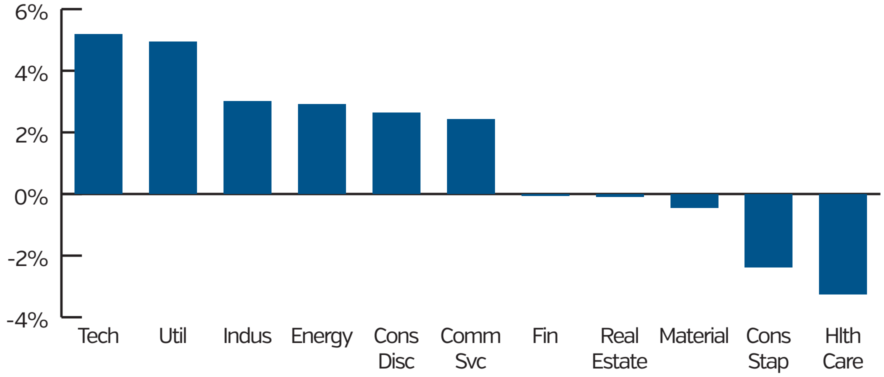
Equities rose as, despite continued uncertainty, investors welcomed positive earnings announcements and at least some clarity on tariff policies. The S&P, Dow and Nasdaq all finished the month with gains.

Exhibit 7. Equity Total Returns

	July	3-Month	YTD
S&P 500	2.24%	14.21%	8.58%
NASDAQ	3.73%	21.30%	9.81%

Source: Bloomberg, NEAM

Exhibit 8. Domestic Equity Returns: Month-to-Date Total Returns (7/31/25)



Source: Bloomberg, NEAM