



# Trade Winds

SEPTEMBER 2025

ECONOMIC &amp; CAPITAL MARKET OVERVIEW

**IN THIS ISSUE** ▶

Capital Market Implications

Page 3

Fixed Income Returns

Page 3

Equity Total Returns

Page 4

For more information on this topic,  
please contact the author:

**Coley Lynch**

Senior Research Analyst  
coley.lynych@neamgroup.com

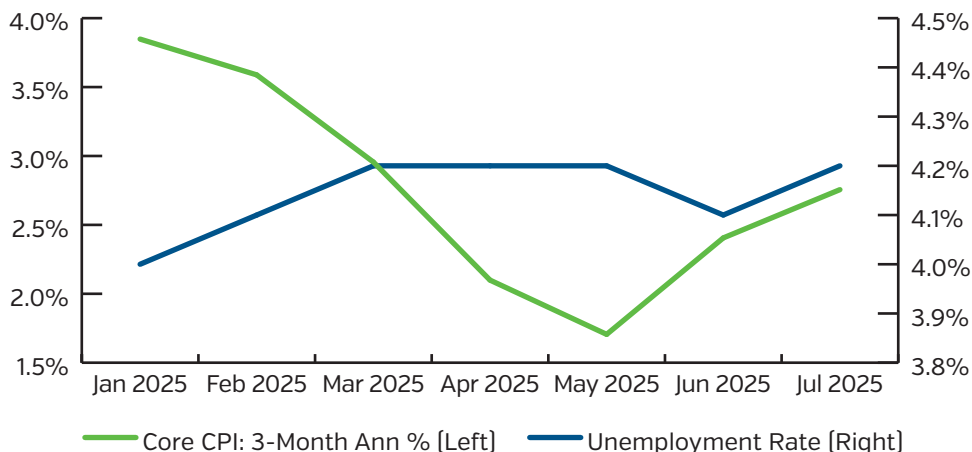
[neamgroup.com](https://neamgroup.com)

## Monthly Economic Highlights

### AUGUST OVERVIEW

With downside risks to employment and upside risks to inflation continuing to present themselves, the minutes from the July FOMC meeting showed that more participants saw tariff induced risks to inflation as a more pressing issue than those impacting the labor market at that time, stating, “a majority of participants judged the upside risk to inflation as the greater of these two risks.” Uncertainty remains regarding the impact of higher tariffs. With higher prices beginning to crystallize in goods prices, the committee leaned more in the direction of addressing inflation as opposed to the few who felt downside risk to the labor market more imperative. As inflation continues to hover above the Fed’s target, the committee felt the expected pressure from tariffs warranted them to remain in a wait and see mode, despite the objections of two members. However, subsequent payroll data as well as accompanying downward revisions to past months may bring more balance to how they wish to approach the risks. In a subsequent speech at Jackson Hole, Powell again addressed the dual mandate the Fed faces but appeared to bring more attention back to the employment mandate. The labor market remains, in his words, in a “curious state of balance,” represented by both declining supply and demand. This dynamic, he states, in which a lower number of job additions is needed to maintain the unemployment rate at its historically low levels, “suggests that downside risks to employment are rising.” With both inflation and employment facing risks to the upside and downside, respectively, but the balance of risks “shifting,” Powell stated the Fed finds itself dealing with a “challenging situation” which, with lower overall growth relative to last year, may “warrant adjusting” its current policy stance.

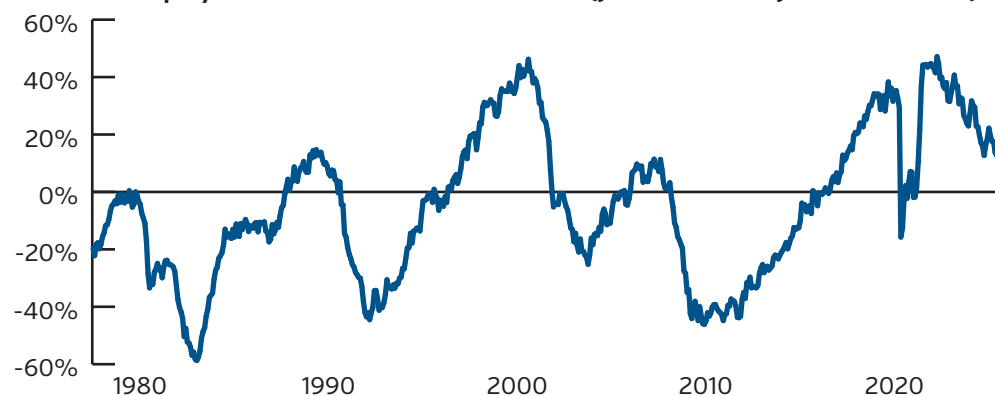
### Exhibit 1. Inflation and Unemployment



Source: BLS, Haver, NEAM

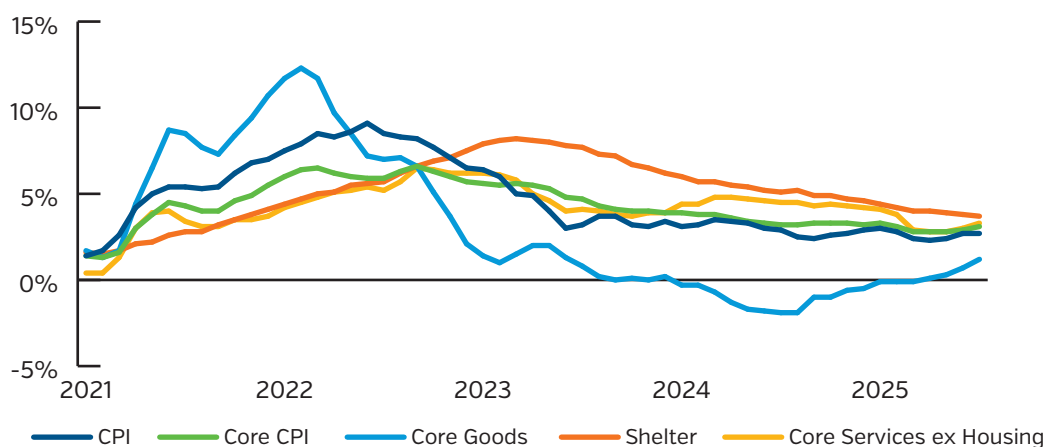
The labor market's previous strength is moderating. JOLTS data remains rangebound, although quits, layoffs, hiring rates and job openings are slightly lower over the last year, with the latter's coverage of the number of unemployed nudging below parity. The Conference Board's labor market differential, which measures consumers' opinion of whether jobs are plentiful over those harder to get, is also trending downwards. Consumption growth continues to tick along, albeit at a slower pace relative to last year. Confidence remains below the long-term average, with the University of Michigan's survey showing a drop in both current conditions and expectations, as consumers remain focused on both rising prices and higher unemployment in the future.

#### Exhibit 2. Employment: Labor Market Differential (Jobs Plentiful - Jobs Hard to Get)



Source: CB, Haver, NEAM

#### Exhibit 3. Inflation: CPI Components



Source: BLS, Haver, NEAM

In the investment arena, industrial production retreated slightly in July, edging down -0.1% overall. While manufacturing remained flat, retrenchment in mining [-0.4%] and utilities [-0.2%] led to the decline. Despite an uptick in production and new orders, overall PMI numbers were weaker, while regional surveys were mixed. Leading economic indicators continue to edge lower in aggregate, with lower consumer confidence and PMI new order surveys more consistently weighing to the downside. In contrast, small business confidence grew last month, climbing above its long-term average, though below recent peaks. Survey respondents see better business conditions going forward and improving prospects for expansion, with reduced, although continuing, concern over inflation. Core capital goods orders also came in above expectations, increasing 1.1%, highlighting better than expected business investment over the month. Additionally, the 2nd reading of Q2 GDP showed business investment, particularly in the equipment and intellectual property sectors were again solid after strong Q1 numbers.

Headline CPI for the month of July was lower than the previous month, at +0.2%, and unchanged at +2.7% on a year-over-year basis. Contributing to the slower monthly pace was a decent drop in energy prices (led by lower gasoline), while food prices overall remained unchanged. At the core level, prices increased +0.3% for the month, and 3.1% for the year, marking an uptick on both fronts. Diving further, the pace of core goods price gains remained level at +0.2% overall, as gains in areas such as household furnishings, used vehicles, recreation and apparel were offset by declines in education and medicinal drugs. On the core services side, price gains rose to +0.3%. Shelter's pace remained constant at +0.2%, with rents of primary residences up relative to last month, but lodging away from home down again, while the speed of owners' equivalent rent gains kept a consistent pace. Away from shelter, bigger increases in medical care, professional, and transportation services (airline fares) made more significant contributions to the higher overall number. Like CPI, core PCE price gains held pace at +0.3% for the month, while increasing to 2.9% for the year.

## CAPITAL MARKET IMPLICATIONS

As investors digested a mix of labor and inflation related economic data and more dovish rhetoric out of the Jackson Hole conference, expectations for rate cuts grew. The Treasury curve steepened, credit spreads edged modestly wider while equities gained.

### Exhibit 4. U.S. Historical Yield Curves

	Dec 2021	Dec 2022	Dec 2023	Dec 2024	August 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%	3.62%
5-Year	1.26%	4.00%	3.85%	4.38%	3.70%
10-Year	1.51%	3.87%	3.88%	4.57%	4.23%
30-Year	1.90%	3.96%	4.03%	4.78%	4.93%

Source: Bloomberg, NEAM

# Capital Markets

## FIXED INCOME RETURNS

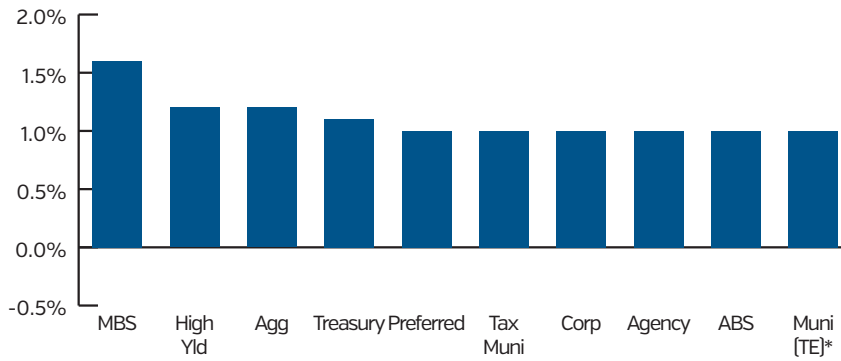
As investors digested more dovish commentary from the Fed and mixed economic data in the form of a moderating labor market and emerging tariff infused inflation, the Treasury curve steepened while credit spreads drifted wider to close out the month.

### Exhibit 5. Fixed Income Returns

	August	3-Month	YTD
Bloomberg Barclays U.S. Aggregate	1.20%	2.48%	4.99%
Blended ICE/ BofAML Preferred Stock	1.04%	3.97%	3.62%
ICE BofA US Taxable Muni - Broad	1.02%	3.06%	4.86%
ICE BofA Municipals Master [TE]	0.95%	1.57%	0.49%
Bloomberg Barclays U.S. MBS (fixed rate)	1.61%	3.00%	5.48%
Bloomberg Barclays U.S. ABS	0.95%	1.96%	4.05%
Bloomberg Barclays U.S. Agency	1.01%	1.80%	4.37%
Bloomberg Barclays U.S. Treasury	1.06%	1.92%	4.48%
Bloomberg Barclays U.S. Corporates	1.01%	2.97%	5.30%
Bloomberg Barclays High Yield	1.25%	3.58%	6.35%

Source: Barclays, Bloomberg, NEAM

#### Exhibit 6. Domestic Fixed Income Sector: Month-to-Date Total Returns (8/31/25)



\* Taxable Equivalent

Source: Bloomberg, Barclays, ICE BofAML, NEAM

#### EQUITY TOTAL RETURNS

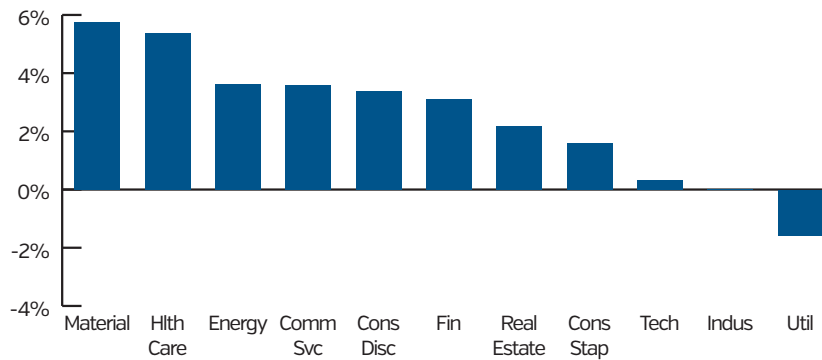
Despite ongoing trade uncertainty, stronger than expected earnings and increasing expectations for a rate cut helped equities climb, with the S&P, Dow and Nasdaq all finishing the month again with gains.

#### Exhibit 7. Equity Total Returns

	August	3-Month	YTD
S&P 500	2.03%	9.62%	10.78%
NASDAQ	1.65%	12.45%	11.62%

Source: Bloomberg, NEAM

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



Source: Bloomberg, NEAM



[neamgroup.com](https://neamgroup.com)

Connecticut | Dublin | London

© 2025 New England Asset Management, Inc.

All rights reserved. This publication has been prepared solely for general informational purposes and does not constitute investment advice or a recommendation with respect to any particular security, investment product or strategy. Nothing contained herein constitutes an offer to provide investment or money management services, nor is it an offer to buy or sell any security or financial instrument. While every effort has been made to ensure the accuracy of the information contained herein, neither New England Asset Management, Inc. ("NEAM, Inc.") nor New England Asset Management Limited (together, "NEAM") guarantee the completeness, accuracy or timeliness of this publication and any opinions contained herein are subject to change without notice. This publication may not be reproduced or disseminated in any form without express written permission. NEAM, Inc. is an SEC registered Investment Advisor located in Farmington, CT. This designation does not imply a certain level of skill or training. In the EU this publication is presented by New England Asset Management Limited, a wholly owned subsidiary of NEAM, Inc. with offices located in Dublin, Ireland and London, UK. New England Asset Management Limited is regulated by the Central Bank of Ireland. New England Asset Management Limited is authorised by the Central Bank of Ireland and subject to limited regulation by the Financial Conduct Authority. Details about the extent of our regulation by the Financial Conduct Authority are available from us on request. This is not an offer to conduct business in any jurisdiction in which New England Asset Management, Inc. and New England Asset Management Limited are not registered or authorized to conduct business.