Summary

Financial markets reflected growing caution last week as economic data increasingly point to a slowdown in activity, and the August employment report indicated a weakening labor market. Nonfarm payrolls added only 22,000 jobs in August, not even a third of expectations. The unemployment rate increased to 4.3%, as expected. Average hourly earnings increased 0.3%, consistent with expectations, and the average workweek held steady at 34.2 hours. JOLTS job openings fell to 7.18 million in July, the lowest level since September 2025. The job openings rate fell from 4.4% to 4.3%, while both the hires rate and separations rate held steady at 3.3%. The number of quits in July remained unchanged at 3.2 million, and the number of layoffs held at 1.8 million. Factory orders declined 1.3% in July, a slightly smaller decline than expected, but still confirming weaker demand for manufactured goods. This decline was driven by weakness in transportation orders. Excluding the highly volatile transportation sector, factory orders increased 0.6% month-over-month. The trade deficit widened in July to $78.3 billion, larger than expected. This was driven by a surge in imports—$20 billion more in July compared to June. The ISM services diffusion index remained expansionary in August and increased to 52.0% after approaching the 50% threshold in July. Despite the overall index remaining expansionary, the employment index contracted for the third consecutive month. Productivity growth in the second quarter of 2025 was revised to an annualized 3.3% from the prior 2.4% estimate, indicating stronger output growth and slightly fewer hours worked than initially reported. Unit labor costs were revised down to 1.0% from 1.6%, as strong compensation growth (4.3%) was offset by stronger productivity gains.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
ISM Manufacturing Index (Aug – Tue 10:00)	48.7%	48.6%	
Construction Spending (Jul – Tue 10:00)	-0.1%	+0.2%	
Factory Orders (Jul – Wed 10:00)	-1.3%	-1.4%	
JOLTS - Job Openings (Jul – Wed 10:00)	7.181M	NA	
Initial Claims (08/30 – Thu 08:30)	237K	232K	
Continuing Claims (08/30 – Thu 08:30)	1,940K	NA	
Productivity-Rev. (Q2 – Thu 08:30)	3.3%	2.4%	
Trade Balance (Jul – Thu 08:30)	+1.0%	+1.6%	
Unit Labor Costs - Rev (Q2 – Thu 08:30)	-$78.3B	-$64.2B	
ISM Services (Aug – Thu 10:00)	52.0%	50.5%	
Nonfarm Payrolls (Aug – Fri 08:30)	22K	78K	
Nonfarm Private Payrolls (Aug – Fri 08:30)	38K	90K	
Unemployment Rate (Aug – Fri 08:30)	4.3%	4.3%	
Avg. Hourly Earnings (Aug – Fri 08:30)	+0.3%	+0.3%	
Average Workweek (Aug – Fri 08:30)	34.2	34.3	
Next Week: Indicator	**Consensus Expectation***	**Prior**	**Comment**
Consumer Credit (Jul – Mon 15:00)	$10.5B	$7.4B	
NFIB Small Business Optimism (Aug – Tue 06:00)	NA	100.3	
MBA Mortgage Applications Index (09/06 – Tue 07:00)	NA	-1.2%	
PPI (Aug – Wed 08:30)	+0.3%	+0.9%	Core PPI (prev.): +0.9%
Wholesale Inventories (Jul – Wed 10:00)	+0.2%	+0.1%	
CPI (Aug – Thu 08:30)	+0.3%	+0.2%	Core CPI (prev.): +0.3%
Initial Claims (09/06 – Thu 08:30)	240K	237K	
Continuing Claims (08/30 – Thu 08:30)	NA	1,940K	
Treasury Budget (Aug – Thu 14:00)	NA	-$291.1B	
U. of Michigan Consumer Sentiment - Prelim (Sep – Fri 10:00)	59.2	58.2	

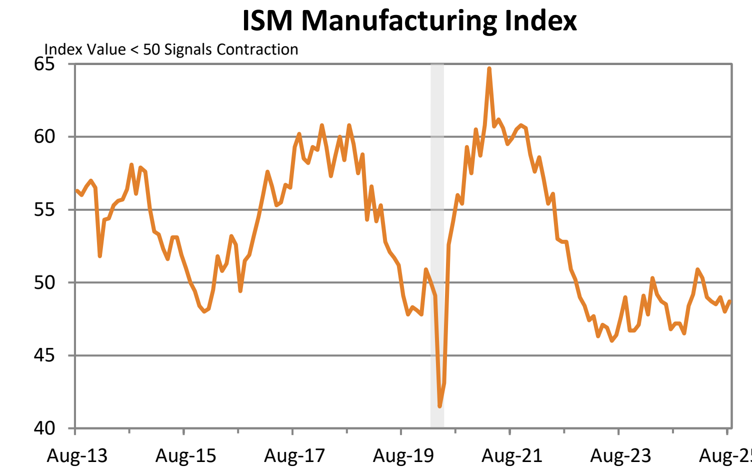
**Sources: www.briefing.com and www.federalreserve.gov*

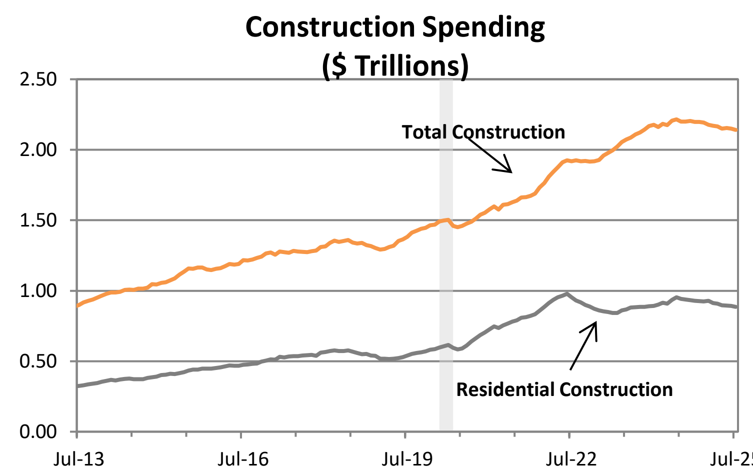
Economic Review

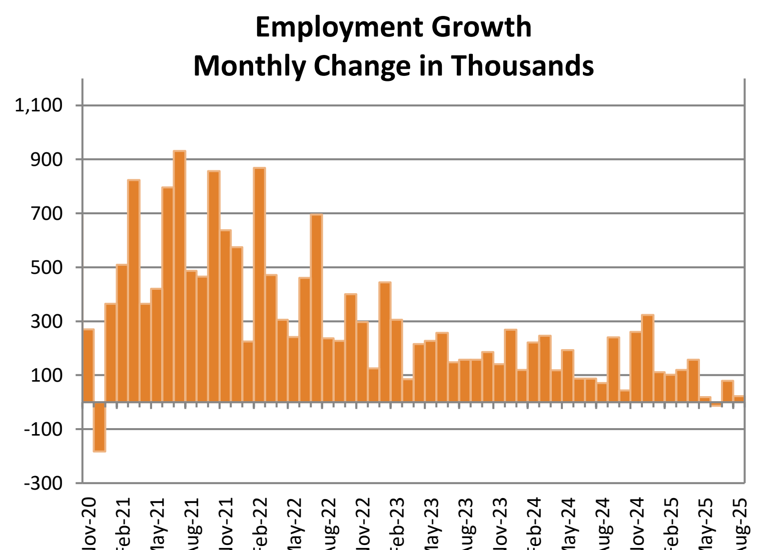
The ISM MANUFACTURING INDEX registered 48.7% in August, a modest improvement from 48.0% in July but still in contractionary territory. The new orders index increased to 51.4%, its first expansion reading after six consecutive months of contraction, hinting at improving demand conditions for businesses. The production index slipped back into contraction (47.8%) after experiencing expansion in July and June; the employment index remained weak at 43.8%, and the backlog of orders index contracted further to 44.7%. Price pressures moderated slightly, with the price index easing to 63.7% from 64.8% in July, although it still indicated elevated input costs.

CONSTRUCTION SPENDING slipped 0.1% in July, extending June's 0.4% decline and underscoring persistent weakness in the sector. Private construction fell 0.2%, weighed down by a 0.5% decline in nonresidential spending, including notable pullbacks in power and manufacturing spending. Residential spending increased 0.1%, driven by single-family construction, with multi-family construction down 0.4%. Public construction saw a modest increase in July of 0.3%; key categories such as highway and educational spending were both down 0.1%. Compared to a year ago, total construction spending was down 2.8% in July.

The August EMPLOYMENT REPORT pointed to a cooling labor market with underachieving payroll levels and rising rates of unemployment and underemployment. Nonfarm payrolls rose by 22,000, less than one third of the consensus expectations of a 78,000-worker increase, with revisions showing employment contracted by 13,000 in June. The unemployment rate ticked up to 4.3% from 4.2%, while broader labor market indicators showed more strain. The U-6 unemployment rate, which includes both unemployment and underemployment, climbed to 8.1% from 7.9% in July, and the share of the long-term unemployed (27 weeks or more) rose to 25.7% from 24.9%. Labor force participation improved slightly to 62.3% versus 62.2% in July. Average hourly earnings grew 0.3% in August, maintaining modest monthly momentum but slowing to 3.7% year-over-year from 3.9% in July. Hours worked were steady, with the average workweek at 34.2; the average manufacturing workweek eased slightly to 40.0 hours from 40.1 hours, and factory overtime was unchanged at 2.9 hours.







Fed Speeches

On September 3rd, the President of the Federal Reserve Bank of Atlanta, Raphael Bostic, outlined his current view that a single interest rate cut will likely be appropriate before year-end. He stressed, however, that his outlook remains data-dependent and the path of monetary policy could shift if inflation or labor market conditions deviate from expectations. This view is relatively cautious compared to statements made by other Fed officials, including Governor Christopher Waller, who advocates for multiple rate cuts in the coming months.

Bostic described the current rates as "marginally restrictive" and argued that risks to both sides of the Federal Reserve's dual mandate have grown more balanced as job growth slows and inflation trends closer to the target of 2%. Bostic advocates for a gradual lowering of the rate by 25 basis points but acknowledges that weakening payroll growth and wage trends could justify an earlier or more significant rate adjustment. He explained,

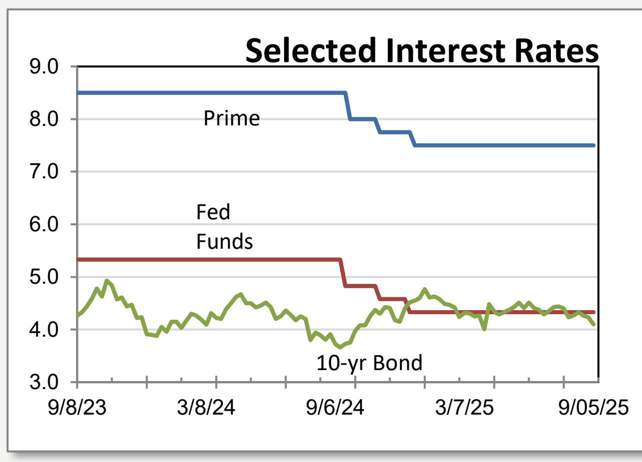
> *"If the data come in a way that suggests that the labor markets are weakening considerably and rapidly, that's real information that should inform my view."*

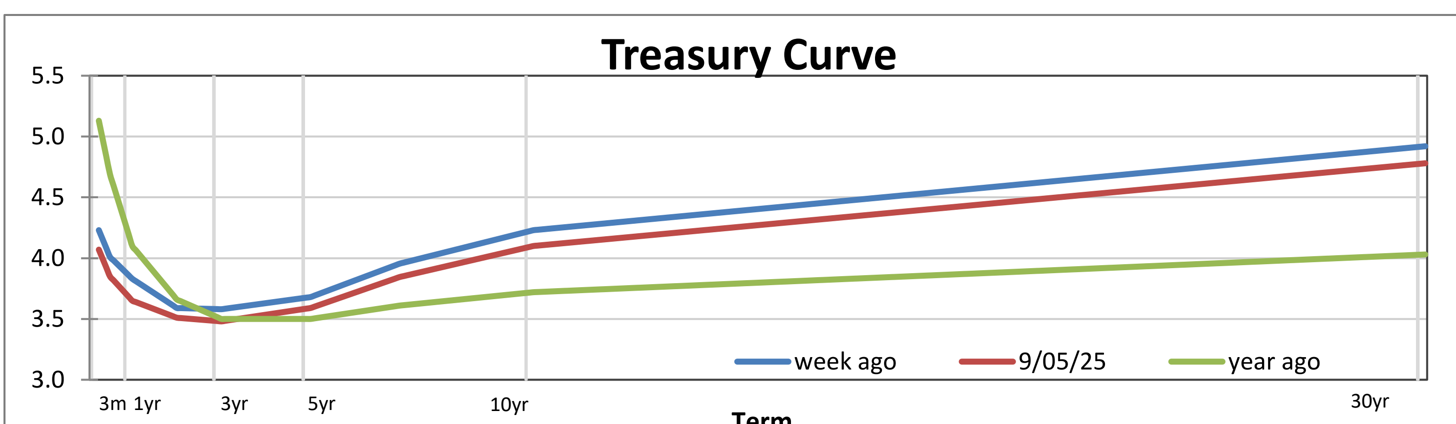
In discussing inflation, Bostic expressed concerns that the tariff effects will prove more persistent than some anticipate. He noted that price pressures from tariffs could continue to build, underscoring his reluctance to assume inflation expectations will remain anchored.

These statements, made just two days before the release of the August employment report, suggest that Fed officials are especially responsive to real-time and current data information, rather than speculation, due to high uncertainty in the economy on the effects of tariffs.

Financial Markets

The equities market was mixed last week, opposed to the previous week's broad declines. The NASDAQ climbed 1.1%, followed by a modest 0.3% gain by the S&P 500; the DJIA declined 0.3%. This mixed movement was likely caused by recent economic data reflecting a softening labor market and economy, with investors weighing bullish bets on Fed rate cuts with bearish bets on an economic slowdown. Treasury yields fell sharply across the curve, with the most significant declines occurring among the short-to-intermediate maturities as markets priced in the expectation of an imminent rate cut. The mortgage rate continued to decline, now at 6.50%. Oil prices dropped an additional 3.3%, now down nearly 8% from the price a month ago and causing concerns about weakening global demand. Gold surged 4.0% and stands over 8% higher than the value thirteen weeks ago, indicating elevated demand for safe-haven assets in the face of economic uncertainty.





Interest Rate Forecast*

During the Fed's July policy meeting, the Federal Open Market Committee (FOMC) left the federal funds target rate unchanged at 4.25% to 4.50%. In the statement released following the meeting, the FOMC stated, "In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 4.25% to 4.50%. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities."

Avg. for:	Prime	Fed Funds	SOFR	6-Mo. T-Bill	2-Yr. Note	10-Yr. Treasury	30-Yr Bond	30-Yr Mortgage
3rd Qtr '25	7.44	4.29	4.29	4.20	3.77	4.30	4.87	6.63
4th Qtr	7.25	4.13	4.12	4.14	3.81	4.30	4.80	6.48
1st Qtr '26	7.08	3.96	3.96	3.99	3.90	4.33	4.67	6.32
2nd Qtr	6.91	3.79	3.79	3.84	3.90	4.25	4.52	6.13
3rd Qtr	6.75	3.63	3.62	3.69	3.76	4.09	4.34	5.91

September 2025

FINANCIAL MARKET SUMMARY

	As of 9/05/2025	As of 8/29/2025	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	7.50	7.50	0	0	0
Secured Overnight Financing Rate (SOFR)	4.41	4.34	7	6	12
Fed Funds (Wed close)	4.33	4.33	0	0	0
TREASURIES (BE) (Changes in BPs)					
3 Months	4.07	4.23	(16)	(25)	(36)
6 Months	3.85	4.01	(16)	(30)	(46)
1 Year	3.65	3.83	(18)	(28)	(49)
2 Years	3.51	3.59	(8)	(25)	(53)
5 Years	3.59	3.68	(9)	(25)	(54)
10 Years	4.10	4.23	(13)	(17)	(41)
30 Years	4.78	4.92	(14)	(7)	(19)
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.15	2.21	(6)	(13)	(60)
5-Year Muni	2.27	2.37	(10)	(15)	(58)
10-Year Muni	3.07	3.20	(13)	65	(25)
30-Year Muni	4.49	4.64	(15)	(12)	(9)
30-Year Conventional Mortgage	6.50	6.56	(6)	(13)	(35)
MARKET INDICATORS (Changes in %)					
DJIA	45,400.86	45,544.88	(0.3)	2.8	6.2
S&P 500	6,481.50	6,460.26	0.3	1.4	8.0
NASDAQ	21,700.39	21,455.55	1.1	1.2	11.1
CRB Futures	368.67	374.05	(1.4)	1.6	0.0
Oil (WTI Crude)	61.87	64.01	(3.3)	(7.9)	1.8
Gold	3,586.69	3,447.95	4.0	5.6	8.3
Yen / Dollar	147.43	147.05	0.3	0.0	2.4
Dollar / Euro	1.17	1.17	0.3	0.7	2.8