

August 11, 2025

Good Morning,

Two weeks ago, stocks were up modestly after the Fed announced they would keep interest rates unchanged. That was the expectation. During Chair Powell's post-announcement press conference, however, he indicated that a rate cut in September is not a guarantee. Stocks immediately sold off and bond yields rose. Are markets getting ahead of themselves in counting on easier monetary policy? Stocks want lower rates, but do they need them to continue the rally? The Fed is still cautious about signaling rate cuts when their target for inflation has not yet been met, despite political pressures from the Administration.

Last week, the Bureau of Labor Statistics reported weaker than expected employment data for July and made downward revisions to both the May and June numbers. (Revisions are very common from the BLS.) President Trump then asserted the numbers were rigged to make him look bad and immediately fired the Bureau director for being politically biased. Notwithstanding the BLS is a bunch of number crunchers- not politicians, President Trump should have been happy with the soft employment data as it puts the Fed in position to cut interest rates in September, a move he's been imploring Chair Powell to make for months. A rate cut is our expectation in September, but.....

There are rumblings that tariffs are starting to show up in the form of higher prices for consumers. Should this be true, and if inflation pops back above the 3% level, a September rate cut may be in jeopardy. Tomorrow we will see the July CPI (consumer price index) data for July. If inflation is in-line with, or lower than expected, we anticipate stocks will rally. If the number is higher than expected, stocks could open the day on a sharp downswing. Ok, now you can yawn and delete this email.

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Have a great week!

Wade

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