

Monthly Economic and Market Summary

September 2025

MARKETS REACH NEW HIGHS IN AUGUST

	Monthly Return	Year-to-Date Return	1-Year Return
S&P 500 Large Cap	2.03%	10.78%	15.85%
S&P Midcap	3.39%	5.27%	6.84%
S&P Small Cap 600	7.06%	3.21%	3.46%
MSCI EAFE (Dev. Foreign)	4.28%	23.36%	14.55%
MSCI Emerging Markets	1.46%	19.59%	17.61%
Barclay's 1-3 Year Gov't Bonds	0.88%	3.67%	4.41%
Barclay's Gov't Credit Bonds	1.22%	5.26%	4.70%

Market Return Data (as of 08/31): Bloomberg

- Markets Advanced in August** – Markets delivered robust performance in August. The S&P 500 climbed 2%, reaching an all-time high and closing above 6,500 for the first time. Small-cap stocks led the way, with the S&P 600 surging 7% amid optimism following Fed Chairman Jerome Powell's indication of a potential federal funds rate cut in September. Additionally, declining interest rates boosted bond prices with the Barclays Intermediate Gov/Credit Index returning 1.22%.
- Economic Growth Revised Higher** – The U.S. Department of Commerce reported the economy grew at a faster than expected rate in the second quarter, with gross domestic product (GDP) rising 3.3%, up from the previously estimated 3%. GDP, which measures the total value of goods and services produced in the U.S., saw upward revisions driven by increased business investment and consumer spending.
- Inflation Remained Steady** – Inflation, as measured by the personal consumption expenditures (PCE) price index, held steady at 2.6% year-over-year in July, aligning with consensus expectations. Core PCE, which excludes volatile food and energy prices, rose 2.9% year-over-year, matching forecasts but slightly up from June's 2.8%. Overall, July's PCE data met expectations, supporting the Federal Reserve's consideration for a rate cut in September.
- Existing Home Sales Jumped** – As mortgage rates eased and home price growth slowed, existing home sales jumped 2% in July. Investor activity, particularly purchases of vacation homes or properties for renting or flipping, supported sales. According to Realtor.com, more than 20% of home listings received a price reduction in July. In certain regions, especially the Sunbelt, average home prices declined amid cooler economic conditions and builders have constructed more homes.
- U.S. Government Takes Stake in Intel** – The U.S. government acquired a 10% stake in Intel by converting \$8.9 billion in CHIPS Act grants into equity. The agreement includes a warrant to purchase an additional 5% if Intel loses majority control of its foundry business. While the government won't take a board seat or influence operations, the move is part of a broader push to strengthen domestic semiconductor production

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THE WEALTH EFFECT

The wealth effect refers to the tendency of households to spend more as their perceived wealth increases—typically through rising stock and real estate values. Stock market equity ownership has expanded and portfolio values have grown, this effect has become a far more important driver of the economy. Since consumer spending makes up about 70% of U.S. GDP,¹ changes in household wealth can significantly impact overall economic growth.

Equity ownership has grown meaningfully over the last several decades. In 1987, during the Black Monday crash, only about 25% of U.S. households owned stocks² and the broader economic fallout was limited. Today, over 60% of households are invested,³ making the stock market deeply embedded in daily financial life. The wealth effect, once a secondary influence, is now a key economic force.

Recent data highlights just how much the relationship between the stock market and household net worth has strengthened. The chart below from The Compound Media shows the R-squared—a statistical measure of correlation—between changes in the S&P 500 and household net worth by decade. An R-squared of 1.0 indicates a perfect correlation. In the 2020s, this measure reached 0.82, the highest on record, meaning that over 80% of the change in household wealth can be explained by movements in the stock market. For comparison, the R-squared in the 1980s was just 0.33, underscoring how much more closely tied household wealth has become to market performance over time.

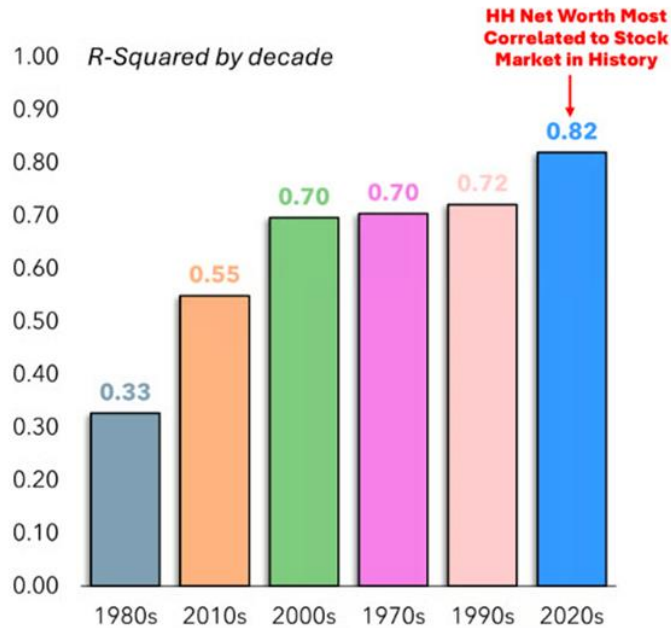
In simple terms, household wealth now closely tracks the stock market. For investors, this reinforces the importance of thoughtful portfolio construction and staying disciplined through market cycles. As stock market performance increasingly drives both personal finances and broader economic trends, as an investor, understanding the wealth effect has never been more important.

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Source: The Compound Media, data via Bloomberg Finance L.P.

¹ U.S. Bureau of Economic Analysis (BEA), consumer expenditures as a percentage of GDP

² Visual Capitalist, *American Stock Ownership by Share of Financial Assets*, 2024

³ Gallup, *Stock Ownership by Americans*, May 2025



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