# Monthly Market Update

## August Observations

**Broadening the Rally**
U.S. equities rose in August, but leadership shifted from tech to smaller-cap and cyclical stocks. The Russell 2000 (+7.1%) led the way, while the S&P 500 (+2.0%) and Nasdaq Composite (+1.6%) posted more modest gains. Q2 earnings supported sentiment, with S&P 500 earnings per share up approximately 12% year-over-year and a broad set of companies beating expectations. Sector rotation was evident as Materials and Healthcare topped the leaderboard, while Technology and the “Mag 7” lagged amid growing skepticism about lofty AI-driven valuations. Developed markets posted modest gains, with Europe lagging U.S. peers on weak earnings and political headwinds, while Japan outperformed on strong cyclical leadership and macro tailwinds. Emerging markets fared better, led by China’s sharp liquidity-driven rebound and strength in Asia broadly, though Korea was a notable laggard. Yields continued to edge higher, weighing on bonds, as markets digested fiscal and geopolitical risks alongside evolving central bank expectations.

**Economic Data: Mixed Signals Continue**
Labor market weakness dominated headlines in August, with July payrolls sharply disappointing and prior months revised lower. Still, growth concerns eased as Q2 GDP was revised higher to 3.3% and PMIs beat forecasts, led by manufacturing. Inflation stayed in focus as a sharp jump in producer and import prices reignited tariff-driven worries by month-end.

**Fed Strikes Dovish Tone at Jackson Hole**
At the Fed’s annual Jackson Hole meeting, Fed Chair Jerome Powell noted that both labor market supply and demand have softened. While Powell stated that the labor market “appears to be in balance”, he cautioned that downside risks to employment were rising. With inflation risks tilted up and jobs risks tilted down, Powell emphasized the challenging situation, but indicated their restrictive policy may no longer be warranted, keeping rate cuts in September firmly on the table.

## Asset Manager Commentary

**Private Capital Manager**
Over the first half of the year, the contribution to GDP growth from data center investments was roughly the same as the contribution from consumer spending. The contribution from consumer spending has been decreasing, and the contribution from data center construction has been increasing.

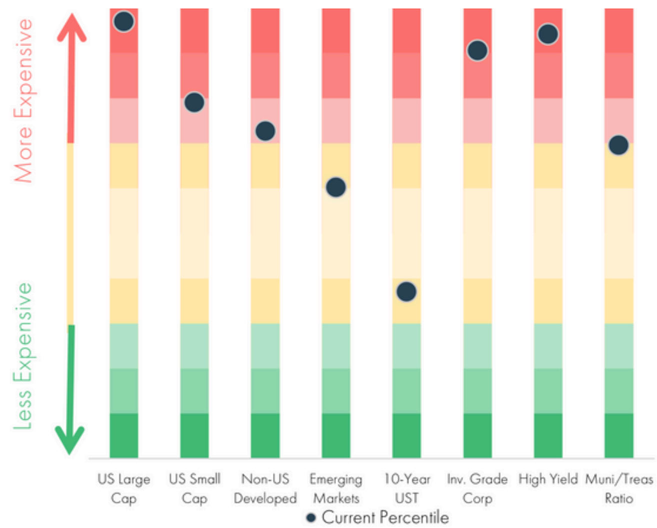
**Real Estate Manager**
REITs have improved in Q3 after a mixed first half, with defensives leading early and growth themes later. This manager’s outlook favors a slowdown scenario (40% probability), where REITs could outperform equities, though recession and stagflation (25% each) remain notable risks.

**Infrastructure Manager**
Global nuclear power currently supplies about 9% of electricity, with the U.S. at nearly 18%, and the existing fleet of ~440 reactors is projected to grow to ~500 by 2030, alongside 400 more planned. Looking ahead, small modular reactors (SMRs) represent the most promising innovation: with smaller, flexible designs (20–300 MW), they can open new markets, reduce construction risks, and serve high-demand sectors, though they still face cost and commercialization challenges.

## Market Returns - 8.31.2025

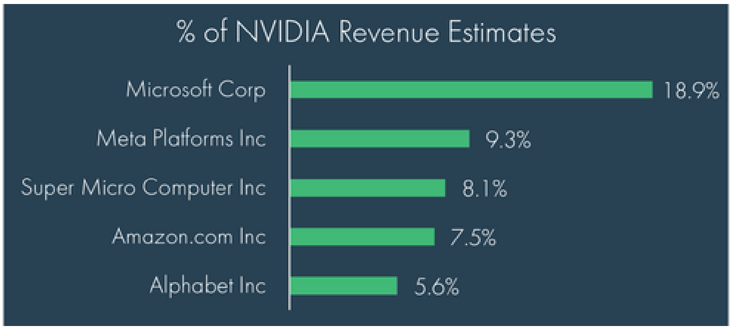
| | | 1-Mo | QTD | YTD | 2024 | 2023 | 2022 |
|---|---|---|---|---|---|---|---|
| Equity | S&P 500 | 2.0% | 4.3% | 10.8% | 25.0% | 26.3% | -18.1% |
| | Nasdaq Composite | 1.6% | 5.4% | 11.6% | 29.6% | 44.6% | -32.5% |
| | Russell 1000 Growth | 1.1% | 4.9% | 11.3% | 33.4% | 42.7% | -29.1% |
| | Russell 1000 Value | 3.2% | 3.8% | 10.0% | 14.4% | 11.5% | -7.5% |
| | Russell 2000 | 7.1% | 9.0% | 7.1% | 11.5% | 16.9% | -20.4% |
| | MSCI EAFE | 4.3% | 2.8% | 22.8% | 3.8% | 18.2% | -14.5% |
| | MSCI Emerging Markets | 1.3% | 3.3% | 19.0% | 7.5% | 9.8% | -20.1% |
| Fixed Income | Treasury | 1.1% | 0.7% | 4.5% | 0.6% | 4.1% | -12.5% |
| | Municipal | 0.9% | 0.7% | 0.3% | 1.1% | 6.4% | -8.5% |
| | Aggregate | 1.2% | 0.9% | 5.0% | 1.3% | 5.5% | -13.0% |
| | Investment Grade Corporate | 1.0% | 1.1% | 5.3% | 2.1% | 8.5% | -15.8% |
| | High Yield Corporate | 1.2% | 1.7% | 6.4% | 8.2% | 13.4% | -11.2% |
| FX | US Dollar Index | -2.2% | 0.9% | -9.9% | 7.1% | -2.1% | 7.9% |
| Real Assets | Real Estate | 3.5% | 2.4% | 4.2% | 4.3% | 11.5% | -25.1% |
| | Infrastructure | 1.9% | 2.0% | 17.2% | 14.0% | 5.8% | -1.0% |
| | Oil | -6.1% | 0.8% | -7.7% | -4.2% | -10.3% | 10.5% |
| | Gold | 5.4% | 5.3% | 31.0% | 26.6% | 12.8% | -0.7% |

## Asset Class Valuations - 8.31.2025*




Asset class valuations are a percentile ranking based on monthly data since a common inception of 12/31/1995

## Chart of the Month




Source: Bloomberg Estimates as of 3/4/2025; See important information in the disclosures.

NVIDIA’s recent earnings report confirmed that spending on artificial intelligence is alive and well, though estimates for future growth were tempered by uncertainty on access to China. Concentration of revenue sources remains significant, with the company noting 39% of last quarter’s revenue came from two unnamed customers.

# Disclosures



Trademarks and copyrights of materials referenced herein are the property of their respective owners. Index returns reflect total return, assuming reinvestment of dividends and interest. The returns do not reflect the effect of taxes and/or fees that an investor would incur. Examples contained herein are for illustrative purposes only based on generic assumptions. Given the dynamic nature of the subject matter and the environment in which this communication was written, the information contained herein is subject to change. This is not an offer to sell or buy securities, nor does it represent any specific recommendation. You should consult with an appropriately credentialed professional before making any financial, investment, tax or legal decision. An index is an unmanaged portfolio of specified securities and does not reflect any initial or ongoing expenses nor can it be invested in directly. Past performance is not indicative of future returns. All investments are subject to a risk of loss. Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets. These materials do not take into consideration your personal circumstances, financial or otherwise.

# Sources

Morningstar Direct, Bloomberg as of 8/31/2025
Manager comments come from discussions with various asset managers and are broad commentary on sectors and not be considered recommendations by any asset manager. These comments do not necessarily reflect strategy allocations or the view or opinion of MGIA or Moneta Group .

# Definitions

**The S&P 500 Index** is a free-float capitalization-weighted index of the prices of approximately 500 large-cap common stocks actively traded in the United States.

**The NASDAQ Composite Index** is a market capitalization weighted index with more than 3000 common equities listed on the NASDAQ Stock Market.

**The NASDAQ 100 Index** is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ..

**The Russell 1000® Index** is an index of 1000 issues representative of the U.S. large capitalization securities market.
**The Russell 1000® Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

**The Russell 1000®** Value Index measures the performance of those Russell 1000 Index securities with lower price-to-book ratios and lower forecasted growth values, representative of U.S. Securities exhibiting value characteristics.

**The Russell 2000®** Index is an index of 2000 issues representative of the U.S. small capitalization securities market.

**The MSCI EAFE Index** is a free float-adjusted market capitalization index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

**The MSCI Emerging Markets Index** is a float-adjusted market capitalization index that consists of indices in 21 emerging economies.

**Bloomberg U.S. Treasury Bond Index** includes public obligations of the US Treasury, i.e. US government bonds. Certain Treasury bills are excluded by a maturity constraint. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded.

**The Bloomberg U.S. Municipal Index** covers the USD-denominated long-term tax exempt bond market. It includes general obligation and revenue bonds, which both can be pre-refunded years later and get reclassified as such.

**The Bloomberg U.S. Aggregate Bond Index** is an index, with income reinvested, generally representative of intermediate-term government bonds, investment grade corporate debt securities and mortgage-backed securities.

**The Bloomberg US Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

**The Bloomberg US Corporate High Yield Bond Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded.

**The US Dollar Index** measures the US dollar against six global currencies: the euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona.

**The FTSE Nareit All Equity REITs Index** is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

**The S&P Global Listed Infrastructure index** measures the performance of global companies that are engaged in infrastructure and related operations. It provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. To create diversified exposure, the index includes three distinct infrastructure clusters: utilities, transportation and energy.

**Brent crude** is the most traded of all of the oil benchmarks, and is defined as crude mostly drilled from the North Sea oilfields: Brent, Forties, Oseberg and Ekofisk (collectively known as BFOE).

**The Dow Jones Commodity Index Gold** is designed to track the gold market through futures contracts.

**The ICE BofA Option-Adjusted Spreads** (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The Corporate Master OAS uses an index of bonds that are considered investment grade (those rated BBB or better). When the last calendar day of the month takes place on the weekend, weekend observations will occur as a result of month ending accrued interest adjustments.

**The ICE BofA Option-Adjusted Spreads** (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The ICE BofA High Yield Master II OAS uses an index of bonds that are below investment grade (those rated BB or below).

*We have updated our valuation chart data source to expand our observation period to 1995, resulting in some minor changes in the valuation estimates. Asset class valuations are a percentile ranking based on monthly data going back to common inception of 12/31/1995. The US Large Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the S&P 500 Index. The US Small Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the Russell 2000 Index. The International Developed percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI EAFE Index. The Emerging Market percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI Emerging Markets Index. The 10-Year US Treasury percentile is the percentile ranking of the 10-Year US Treasury yield. The Investment Grade percentile is the percentile ranking of the ICE BofA US Corporate option adjusted spread. The High Yield Corporate percentile is the percentile ranking of the ICE BofA US High Yield corporate option adjusted spread. The Municipal/Treasury percentile is the percentile ranking of the Bloomberg Municipal Index yield divided by the 10-Year US Treasury Yield.