

Summary

Economic data released last week included producer price inflation coming a bit flatter than expected, while consumer price inflation inched higher in a variety of areas.

Equities gained around the world, notably by the most in emerging markets. Bonds also saw gains as interest rates fell for longer-term maturities. Commodities saw positive returns as well, led by segments other than energy.

Economic Notes

(+) The **Producer Price Index** declined by -0.1% in August, on both headline and core levels, the latter removing food and energy. The decline was led by lower food and energy prices for the most part, although there was weakness elsewhere, as in goods prices and capital equipment, while transportation costs rose about a percent. Year-over-year, PPI rose at a rate of 2.6% and 2.8% on a headline and core basis, respectively. Over the year, final demand energy prices fell by -2%, with a split between goods prices up 2% and services prices up nearly 3%.

(-) On the other hand, the **Consumer Price Index** rose 0.4% in August, on both a headline and core (ex-food and energy) basis—each a tenth higher than consensus expectations. On the headline side, energy commodity prices rose 1.7% and food prices increased 0.5%. Within the core segment, shelter prices reaccelerated to a pace of 0.4%, which also included a 2-3% monthly increase in hotel prices, in addition to airline fares (5.9%), auto repair (2.4%), used cars/trucks (1.0%), and apparel (0.5%). These were offset by little change or small declines in medical care prices, bucking recent inflationary strength.

On a year-over-year basis, headline CPI reaccelerated up by 0.2% to 2.9%, while core CPI maintained the same rate of 3.1% as the prior month. Over the full year, services prices rose 3.8%, durable goods 1.9%, and nondurable goods 1.1%, with the goods categories showing recent signs of tariff impacts. In reviewing alternative measures, such as “all items less food, shelter, and energy,” prices rose 2.7%, which demonstrates further underlying price pressure beyond the most volatile categories. While the strength in CPI doesn’t appear likely to throw the Federal Reserve off track from a quarter-percent policy interest rate cut this coming week, it could put a damper on extreme dovishness for the time being.

(-) The preliminary **Univ. of Michigan index of consumer sentiment** for September fell by -2.8 points (or -4.8%) to 55.4, below the 58.0 reading expected. As assessments of current conditions were little-changed, the index was pulled down by a -7% drop in future expectations. The total index was down -21% over the past year, reflecting a sharper decline of -30% in future expectations, while assessments of current conditions were only down by a few percent. Inflation expectations for the coming 1 year were stable at 4.8%, albeit still high, while those on a long term 5-year basis rose by 0.4% to 3.9%, although below earlier highs. Anecdotally, the survey sponsor noted that consumers “continue to note multiple vulnerabilities in the economy,” with risks rising for “business conditions, labor markets, and inflation.” It was also mentioned that “trade policy remains highly salient to consumers,” with 60% of respondents

mentioning tariffs. Weak consumer sentiment remains a hallmark of the recent economic cycle, although it hasn't necessarily translated into weaker actual consumer spending at this point.

(-) **Initial jobless claims** for the Sep. 6 ending week rose by 27k to 263k, well above the 235k median forecast, and the highest level since 2021. Continuing claims for the Aug. 30 week were unchanged at 1.939 mil., below the expected increase to 1.950 mil. Initial claims were strongest in Texas (with a rise of 21k), and a bit in MI and CT, but also coupled with some declines. It's possible that the Labor Day holiday could have created some seasonal adjustment difficulties, but claims are being closely watched for any upward movement from layoffs and other early labor market stress.

Market Notes

Period ending 9/12/2025	1 Week %	YTD %
DJIA	0.97	9.07
S&P 500	1.60	12.98
NASDAQ	2.05	15.20
Russell 2000	0.27	8.50
MSCI-EAFE	1.15	24.52
MSCI-EM	3.96	25.49
Bloomberg U.S. Aggregate	0.41	6.40

U.S. Treasury Yields	3 Mo.	2 Yr.	5 Yr.	10 Yr.	30 Yr.
12/31/2024	4.37	4.25	4.38	4.58	4.78
9/5/2025	4.07	3.51	3.59	4.10	4.78
9/12/2025	4.08	3.56	3.63	4.06	4.68

U.S. stocks gained last week, with solidified hopes for a Federal Reserve rate cut this coming week, as well as continued optimism about the potential for artificial intelligence, which has been the broad theme driving much of the market's upward movement. Early in the week, hopes for a 'jumbo' (0.50%) Fed rate cut in Sept. elevated the mood, with that hope driven by weaker labor markets. (This was particularly driven home by revisions for the year ended March 2025 showing that 911k fewer jobs were created than first assumed.) However, the Fed usually has a high bar for extreme easing moves, especially if inflation remains at current elevated levels.

By sector, gains were strongest in technology and utilities, each of which are tied to optimism about artificial intelligence, and the latter in response to lower rates, in addition to energy and financials. Specifically, Oracle rose over 25% last week when AI cloud business line gains were announced. On the other hand, consumer staples fell back, being the single negative outlier for the week. Real estate was up a fraction of a percent.

Foreign stocks in developed markets performed largely in line with the U.S. market. This was led by the ECB electing to hold steady on policy rates at 2%, with commentary alluding to the cutting cycle being over for now, with expectations for growth moving up a bit (even if still around 1%) and inflation down. This was coupled with U.K. GDP coming in flat for the prior month, while Japanese GDP was revised higher to over 2% in Q2. On the more positive side, emerging markets gained several percent, notably in China, South Korea, and Taiwan—the latter of which tend to correspond with U.S. technology stocks due to the composition of their indexes.

Bonds experienced gains as yields fell along the longer end of the U.S. Treasury yield curve, with investment-grade corporates outperforming governments, which in turn outperformed small gains in high yield and floating rate bank loans. Foreign bonds were little-changed on the developed market side, but emerging market debt saw strong gains for the week, along with increased risk-taking and hopes for an easier Fed.

Commodities saw gains across the board last week, led by agriculture and industrial metals. Crude oil bounced around a bit last week, rising just over a percent to \$63/barrel. For petroleum, continued high supplies outweighed some geopolitical blips of Israel's strikes inside Qatar and a group of Russian drones violating Poland's airspace during a strike on Ukraine.

Have a good week.

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Sources: FocusPoint Solutions, American Association for Individual Investors (AAII), Associated Press, Barclays Capital, Bloomberg, Citigroup, Deutsche Bank, FactSet, Financial Times, First Trust, Goldman Sachs, Invesco, JPMorgan Asset Management, Marketfield Asset Management, Morgan Stanley, MSCI, Morningstar, Northern Trust, PIMCO, Standard & Poor's, StockCharts.com, The Conference Board, Thomson Reuters, T. Rowe Price, Univ. of Michigan, U.S. Bureau of Economic Analysis, U.S. Federal Reserve, Wall Street Journal, The Washington Post. Index performance is shown as total return, which includes dividends. Performance for the MSCI-EAFE and MSCI-EM indexes is quoted in U.S. Dollar investor terms.

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Notes key: (+) positive/encouraging development, (0) neutral/inconclusive/no net effect, (-) negative/discouraging development.



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