SoFi

Market Lookback
August 2025

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Macro

- Against expectations for an increase of 105k jobs in July, only 73k were added. Additionally, the prior two months were revised *down* by 258k, the largest such downward revision since May 2020.
- In his Jackson Hole speech, Federal Reserve Chair Jerome Powell signaled that the balance of risks was shifting toward the labor market.
- While July CPI was largely in-line with consensus estimates (+0.2% m/m & +2.7% y/y), PPI surged 0.9% m/m versus expectations for an increase of 0.2%. It was one of the largest upside surprises on record.
- The University of Michigan's consumer sentiment index fell to 58.2 in July, below consensus of 62.0, amid rising inflation expectations.
- Against a basket of major currencies, the Dollar Index (DXY) fell 2.2% on the month, as dovish Fed policy and improved global risk sentiment boosted foreign currencies.
- Gold finished the month at an all-time high of $3,448, buoyed by the weakening dollar.

Equities

- With nearly all S&P 500 companies having reported second-quarter results, earnings growth is tracking toward 10.8% y/y, meaningfully above the 2.8% expected at the start of earnings season.
- 81.5% of companies have reported positive earnings surprises, the most since the third quarter of 2021.
- Small-cap stocks beat large-cap stocks by 5.0 percentage points, the most since July 2024.
- A basket of AI-sensitive stocks fell 5.2%, meaningfully underperforming the broader market for the first time since February.

Fixed Income

- 2- and 10-year Treasury yields fell 34 and 15 basis points, respectively, as interest rate cut expectations intensified in response to weakening economic data and Fedspeak.
- Investment Grade and High Yield credit spreads ended the month at 79 and 272 basis points, respectively—near their lowest levels on record.
- Treasury volatility (i.e. the MOVE Index) continued its multi-month declines, now at its lowest level since January 2022.

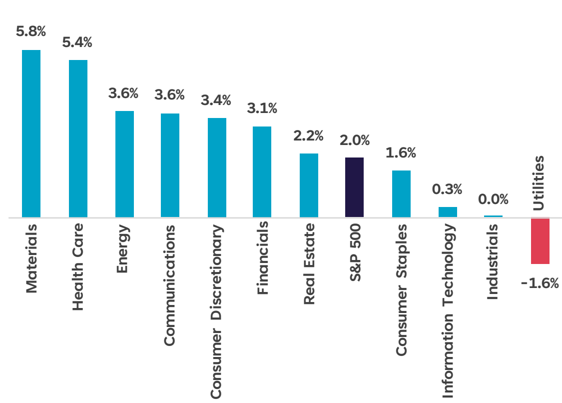
		Level	Month Return	QTD Return	YTD Return	1-Yr Return	3-Yr Return
Equities	S&P 500	6,460	2.0%	4.3%	10.8%	15.9%	69.4%
	Nasdaq	21,456	1.7%	5.4%	11.6%	22.0%	85.0%
	Dow Jones	45,545	3.4%	3.6%	8.3%	11.4%	52.0%
	Russell 1000 Value	1,980	3.2%	3.8%	10.0%	9.3%	42.8%
	Russell 1000 Growth	4,482	1.1%	4.9%	11.3%	22.6%	93.8%
	Russell 2000 Value	2,600	8.5%	10.4%	6.8%	5.7%	27.7%
	Russell 2000 Growth	1,570	5.9%	7.7%	7.2%	10.5%	38.1%
	MSCI EAFE	2,722	4.3%	2.8%	23.4%	14.5%	62.6%
	MSCI EM	1,258	1.5%	3.5%	19.6%	17.6%	38.2%

		Yield	Month Return	QTD Return	YTD Return	1-Yr Return	3-Yr Return
Fixed Income	US Treasurys	3.97%	1.1%	0.7%	4.5%	2.4%	6.0%
	US IG Corporates	4.91%	1.0%	1.1%	5.3%	3.9%	13.9%
	US HY Corporates	6.75%	1.2%	1.7%	6.4%	8.3%	30.0%

		Level	Month Return	QTD Return	YTD Return	1-Yr Return	3-Yr Return
Commodities	Oil ($/barrel)	$64	-7.6%	-1.7%	-10.8%	-13.0%	-30.2%
	Gold ($/oz)	$3,448	4.8%	4.4%	31.4%	37.7%	100.0%
	Copper ($/mt)	$9,822	2.7%	-2.3%	13.5%	7.7%	24.4%

		Level	Prior Month	Prior Quarter	Prior Year	1-Yr Ago	3-Yr Ago
Currencies	EUR ($/€)	$1.17	$1.14	$1.18	$1.04	$1.10	$1.00
	JPY (¥/$)	¥147	¥151	¥144	¥157	¥146	¥139
	GBP ($/£)	$1.35	$1.32	$1.37	$1.25	$1.31	$1.17

August S&P 500 Sector Total Returns

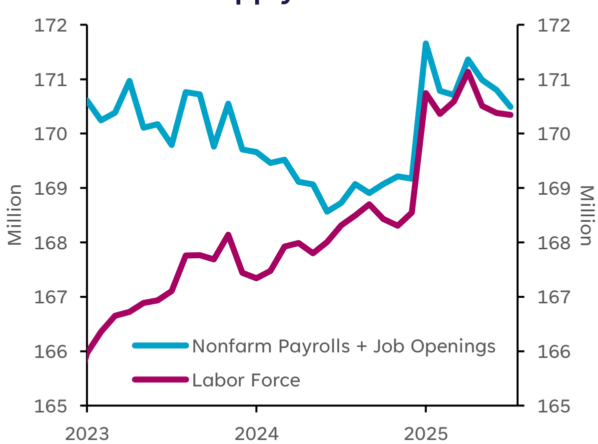


Jackson Hole & Jobs

Federal Reserve Chair Jerome Powell's final speech at Jackson Hole revealed an important recalibration at the central bank: While the Fed has spent much of the last four years in inflation-fighting mode, it saw the balance of risks to the economy as shifting to the labor market.

Powell described the labor market as being in a "curious kind of balance," with both labor supply and demand falling at the same time due to tighter immigration policies, restrictive monetary policy and economic uncertainty.

Labor Supply and Demand



Source: SoFi, Bloomberg

This means employment risks are rising even though the unemployment rate remains low and near levels that could be considered full employment. Hiring is slow, and an increase in layoffs could result in a rapid increase in the unemployment rate, which could send recession fears higher. The Fed would like to avoid that if it can.

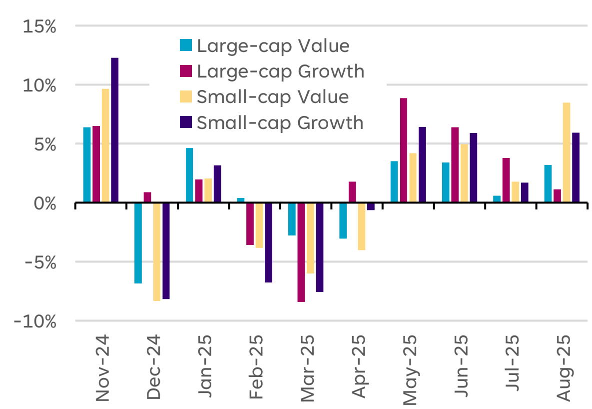
Of course, tariff effects are starting to show in the official inflation data (e.g. the huge upside surprise to the July Producer Price Index), which makes the pivot toward jobs a little treacherous. For now, because the labor market isn't as hot as it once was, limiting the potential for price hikes to set off a wage-price spiral, most Fed officials expect the inflation impact of tariffs to be short-lived.

Portfolio Rotations Emerging

Financial markets largely interpreted Powell's tone as a signal that the Fed will lower interest rates at its September meeting: The S&P 500 fell 1.5% during the week after the hot July PPI release, but Powell's comments cancelled that out in a single day.

Just as the Fed seems to be gearing up for a change in strategy, however, investors look to be teeing up a change of their own. Growth and AI-sensitive sectors lagged the broader market, while small-cap stocks handedly beat large-caps for the first time since November 2024.

Size-Style Blend Monthly Returns



Source: SoFi, Bloomberg

Looking globally, the Dollar Index depreciated 2.2% versus a basket of major currencies, helping international markets beat U.S. stocks for the first time since April.

That dollar weakness, along with demand concerns and interest rate cut expectations left a clear impact on commodity markets as well. Gold and oil moved in opposite directions: Lower real (i.e. inflation-adjusted) Treasury yields are generally bullish for a non-yielding asset like gold, while oil supply continues to outpace demand.

This sort of price action is what a broadening rotation typically looks like, but whether it lasts beyond a few weeks remains to be seen.