

Fed Policy Shifts Towards Rate Cuts

Multiple sources indicate the Federal Reserve is leaning toward a fall rate cut, likely starting in September. The move is driven by slowing job growth, softer inflation trends, and a cautious business environment. Cuts are expected to be gradual to avoid reigniting inflation, which is currently stable around 2.7–3.1%. Other global central banks (e.g., Bank of England, ECB) are already easing, which could influence the Fed's pace.

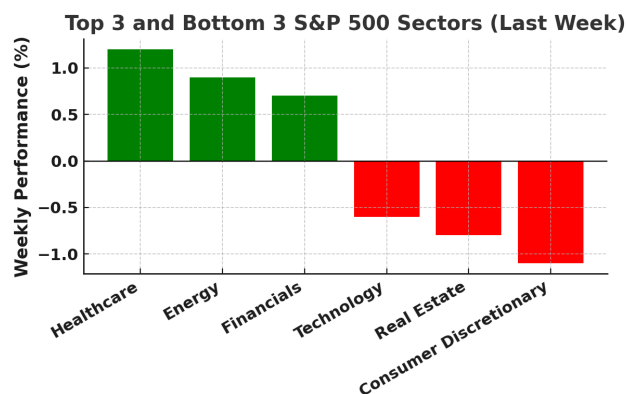
Mixed Economic Signals –

Resilience with Pockets of Weakness

The U.S. economy continues to grow, with corporate earnings—especially in large-cap tech and financials—remaining strong. Equity markets are near record highs, and middle-/upper-income consumers continue to spend. However, lower-income consumers are cutting back, small business sentiment is subdued, and hiring momentum is cooling. Economists see no imminent recession but note that declining consumer confidence and tariff pressures cloud the outlook.

Tariffs as a Key Economic Risk

New U.S. tariff hikes—now at their highest level since the 1930s—pose a risk of stagflation (high inflation + slow growth). Much of the impact has yet to be felt, as companies front-loaded imports earlier this year. Markets reacted sharply to tariff news in April but have since stabilized, although uncertainty remains high.



Global Market and Currency Shifts

The U.S. dollar has weakened in 2025 due to tariffs, policy uncertainty, and fiscal concerns. While it remains dominant globally, competition from other currencies is slowly increasing. European markets—particularly Greece and Poland—are outperforming, aided by strong earnings and more attractive valuations. A weaker dollar benefits U.S. exporters and foreign equity returns for U.S. investors but increases import costs.

Investor Positioning in a Slowing-but-Growing Environment

If rate cuts occur without a recession, cyclicals like technology, industrials, consumer discretionary, and financials tend to outperform, while defensive sectors lag. Fed easing could also support bond prices, restoring the 60/40 portfolio balance. Risks include inflation re-acceleration, deeper consumer weakness, and global currency volatility.

WEEK AT A GLANCE: August 18-22

Aug 18: NAHB Housing Index

Aug 19: Housing Starts & Permits

Aug 20: FOMC Minutes

Aug 20: Europe CPI & PPI

Aug 21: Jackson Hole Symposium Begins

Aug 21: Philadelphia Fed Index

Aug 22: Fed Chair Powell @ Jackson Hole



Trump-Putin Little News

The Trump–Putin summit held on August 15 in Anchorage, Alaska, concluded with no ceasefire or formal agreement on Ukraine, and neither leader took questions from the press following their remarks—leaving the gathering more symbolic than substantive.

–Scott Tremlett, CEO/Chief Investment Officer

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