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CHARTBOOK
Market Comment

Prepared by OceanFront Investment Counsel Inc.

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TABLE OF CONTENTS

Chartbook Market Comment: August 2025

1. Market Comment
2. US Job Growth
3. Bond Yields
4. Interest Rate Expectations
5. Share of Global Market Capitalization
6. Earnings Growth
7. Long Term Asset Growth
8. Disclaimer

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Market Comment

On Friday, August 1st, the latest U.S. jobs report was released and fell short of expectations. Non-farm payrolls rose by just 73,000, compared to consensus estimates of 110,000. Job gains from the previous two months were revised down by a combined 258,000, effectively eliminating nearly all previously reported growth.

Markets interpreted the data as a sign of a potential economic slowdown, with both equity prices and bond yields declining sharply. Futures markets reacted by pricing in a ~90% probability of a Federal Reserve rate cut in September, as of August 5th. The next Fed interest rate decision is scheduled for September 17th, with CPI inflation data due next week likely to play a key role.

In an unusual move, Donald Trump responded to the weak jobs data by firing the Commissioner of the Bureau of Labor Statistics. This action raises concerns about the future credibility and independence of U.S. economic data.

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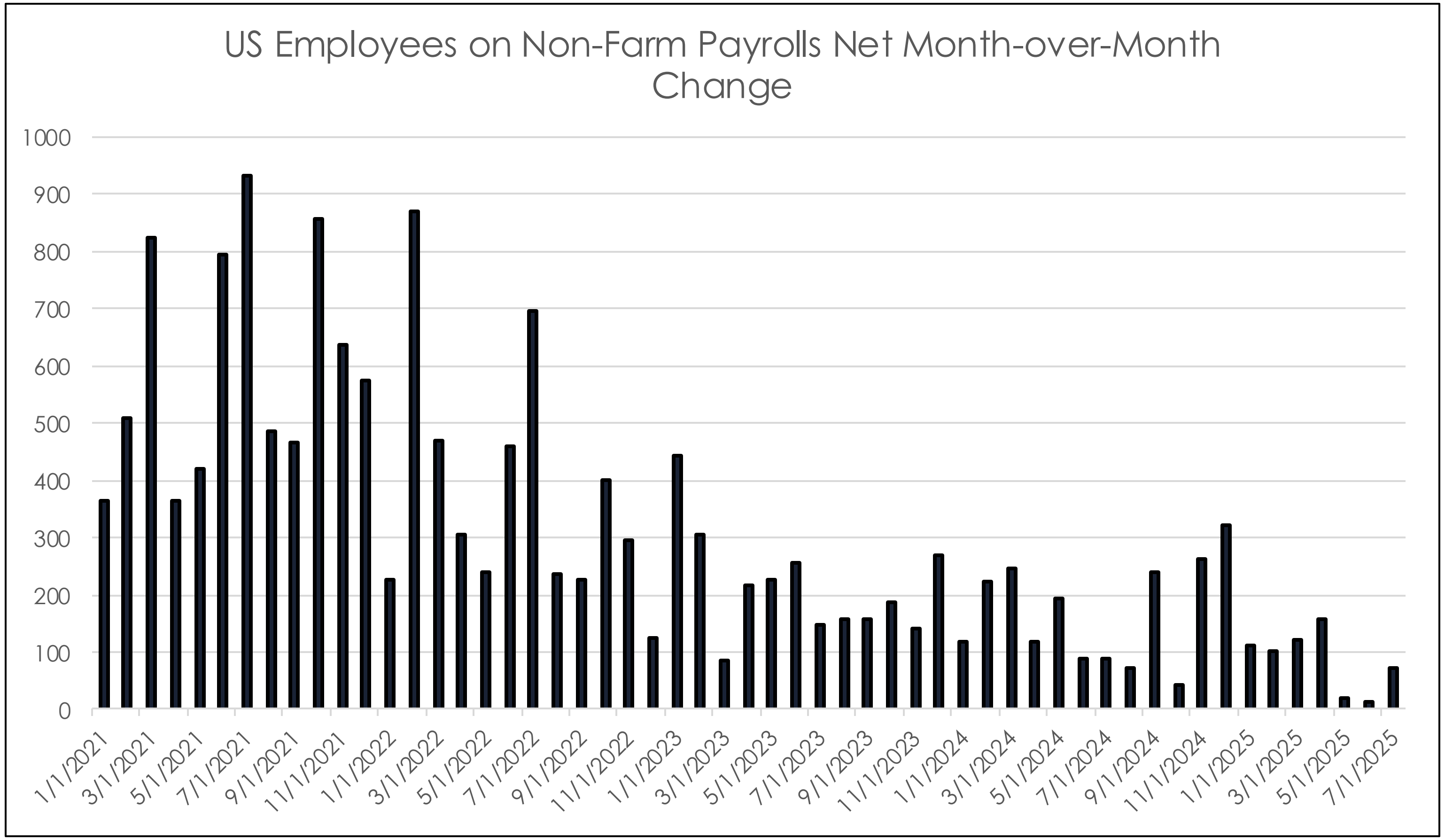
US Job Growth



The U.S. economy continues to add jobs, but at a slowing pace. Significant downward revisions to the May and June data have resulted in nearly flat job growth over that period.

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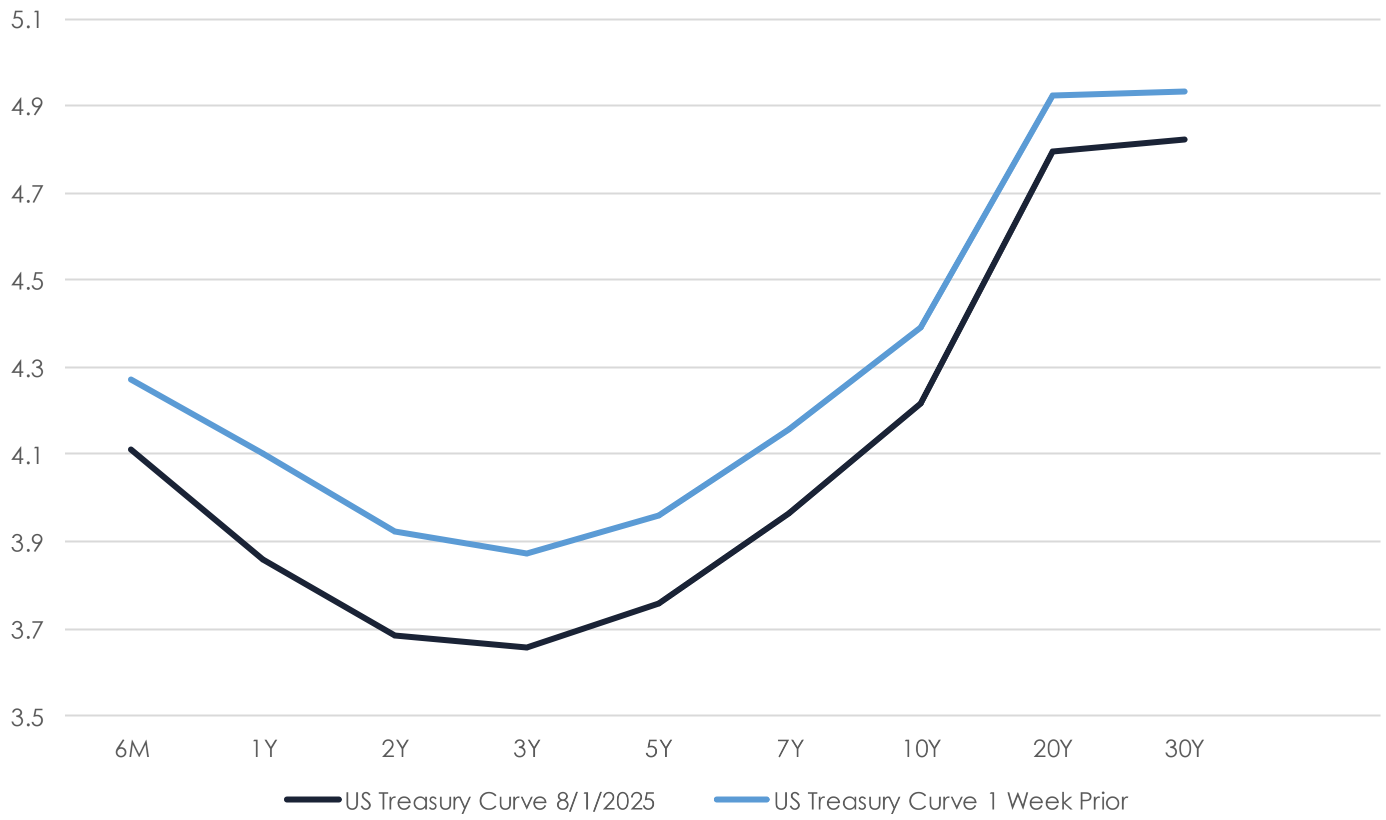
Bond Yields



Following the jobs report, U.S. Treasury yields declined across the curve. The 2-year yield fell by approximately 25 basis points as markets priced in an additional Fed rate cut.

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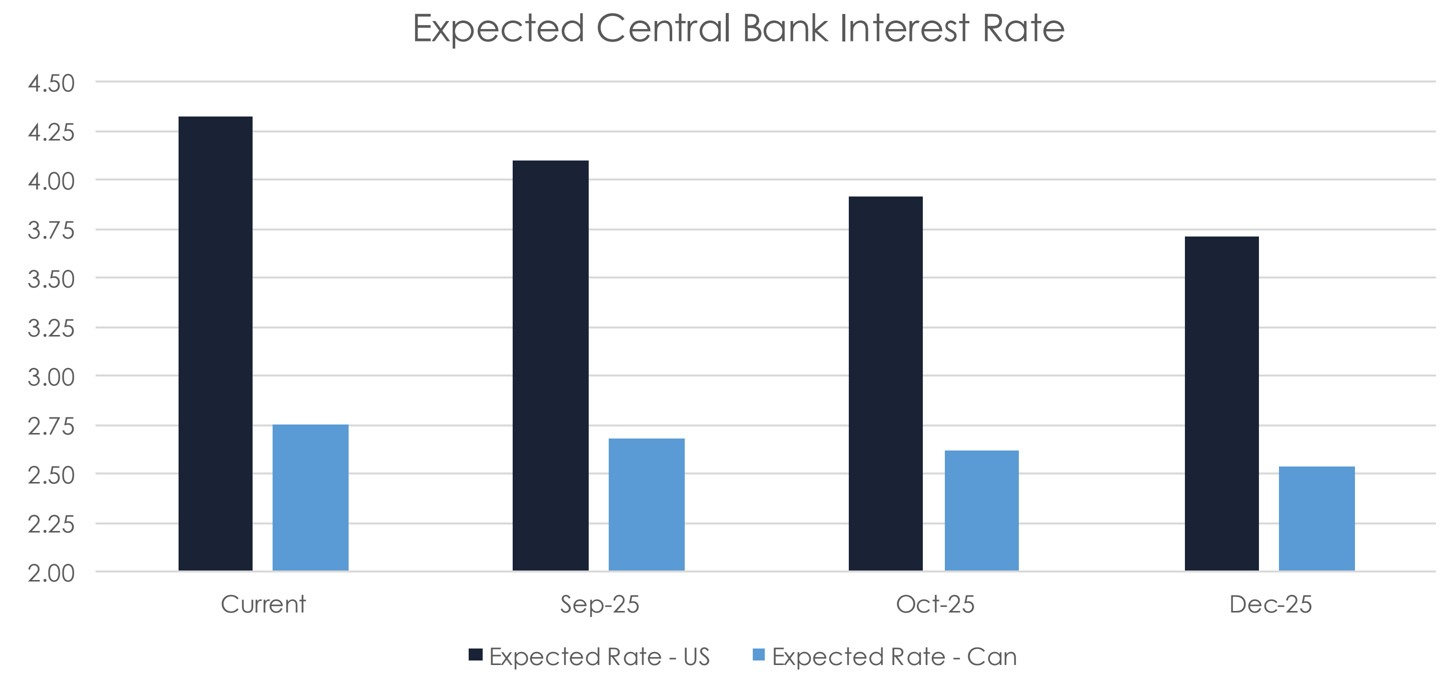
Interest Rate Expectations

Markets now anticipate a Fed rate cut in September, with a second cut likely in either October or December. The Bank of Canada is also expected to implement one more rate cut this year, with an 84% probability priced in.



Data: Overnight Index Swap markets as of August 1, 2025

Share of Global Market Capitalization

U.S. equities now account for 65% of global market capitalization—near a record high—and are nearly six times larger than the next-largest region, Europe.

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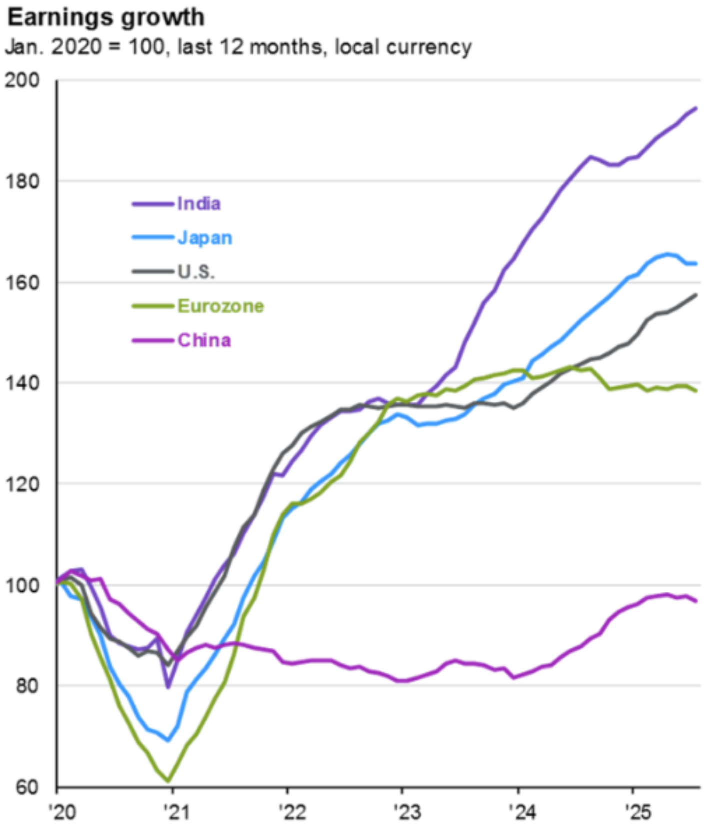
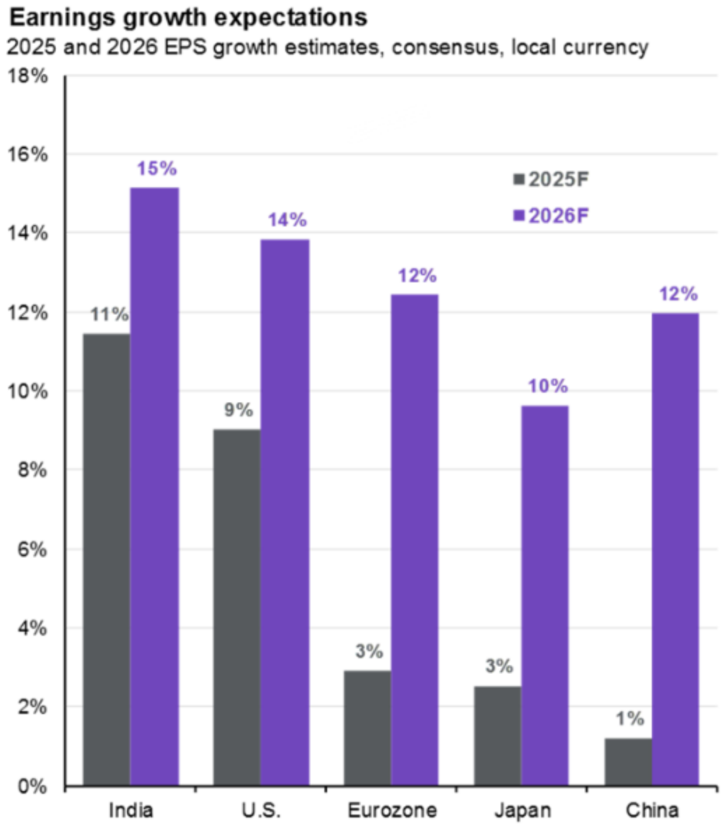
Earnings Growth





Countries are represented by their respective MSCI country index except for the U.S., which is represented by the S&P 500. Past performance is not a reliable indicator of current and future results.

The left-hand chart shows earnings growth by region, while the right-hand chart presents consensus estimates for 2025 and 2026. Elevated growth expectations have contributed to strong year-to-date stock market returns across many of these regions.

 Source: JP Morgan Asset Management, FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management, OceanFront Investment Counsel Inc.

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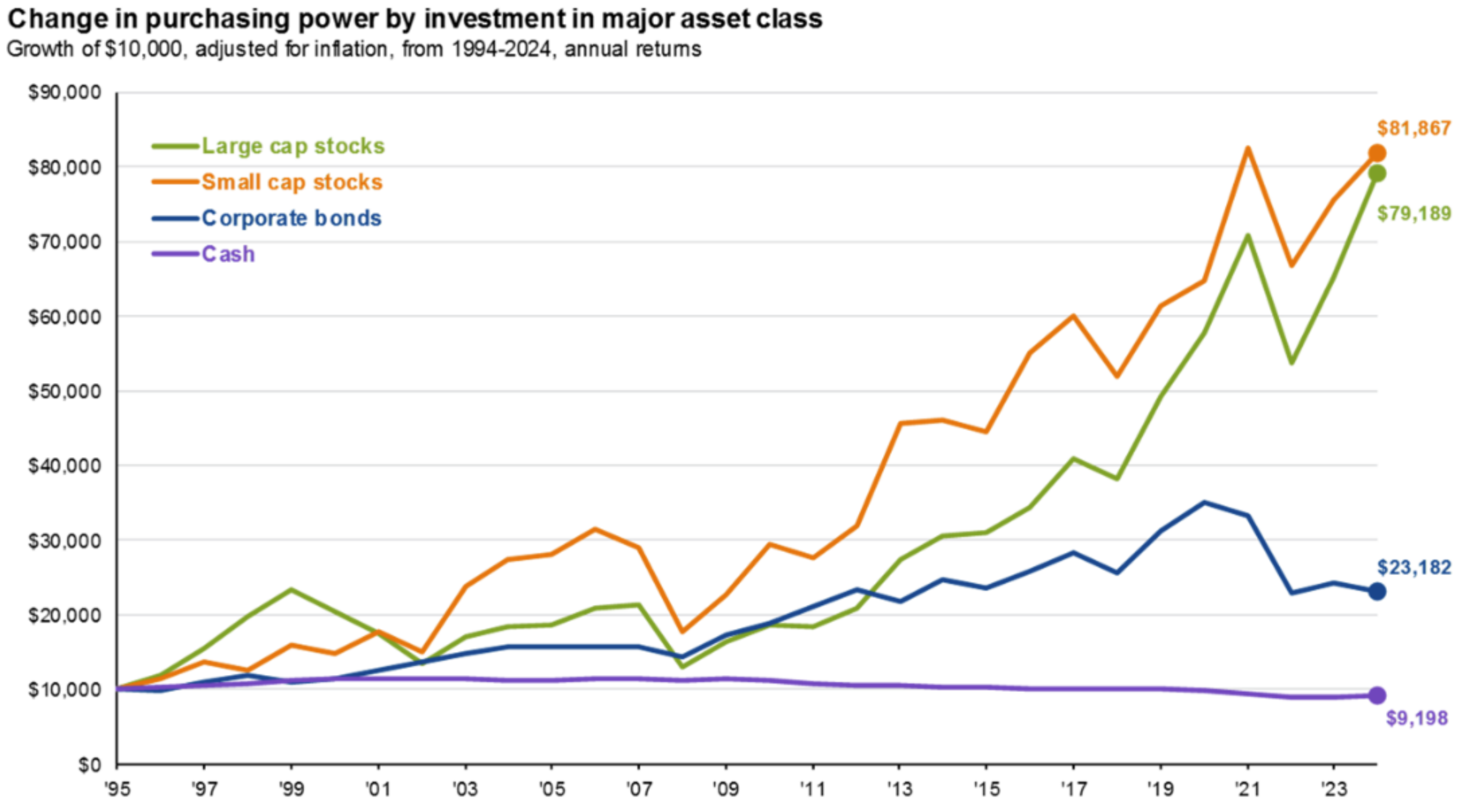
Long Term Asset Growth



Large cap stocks: IA SBBI Large Cap TR Index; Small cap stocks: IA SBBI Small Cap TR Index; Corporate bonds: Bloomberg Long U.S. Corporate Index; Cash: IA SBBI T-bill Index. All returns are inflation-adjusted total returns, using annual average headline CPI inflation.

This chart presents inflation-adjusted returns for large and small-cap equities, corporate bonds, and cash. Over the 30-year period, equities delivered the highest long-term returns, albeit with greater volatility.

In contrast, cash lost roughly 8% of its purchasing power due to inflation. This underscores the importance of investing versus holding cash, which often earns interest rates too modest to offset inflation.

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