



CHARTBOOK MARKET COMMENT.

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Market Comment

In August, the Federal Reserve hosted their annual conference in Jackson Hole, Wyoming, which proved to be rather newsworthy. Chairman Jay Powell's speech suggested a "dovish pivot", where he would be in favour of lowering rates from where they are today. Until now, Powell had been rather cautious about lowering rates further due to the stickiness of inflation and the risk of another inflation spike.

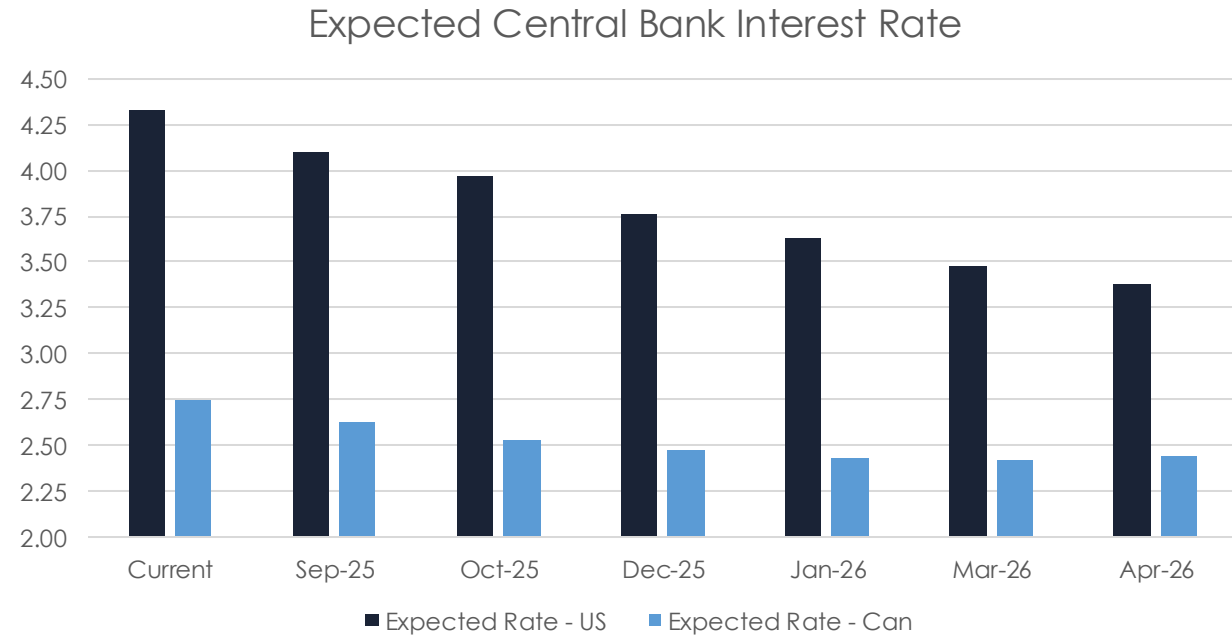
Powell acknowledged the significance of the downside risks to the labour market, following a period where the Fed has been almost exclusively focused on inflation. This strongly suggests the Fed will now focus more on supporting the labour market than taming inflation. Markets responded by pricing in a much higher probability of a rate cut at the next meeting, in September, with a probability of 87% as of August 29.

The market implications of such a policy shift would likely be bullish for stocks and gold, and bearish for bonds (particularly long duration bonds) and the US Dollar.

Markets performed generally well in August, with the S&P500 making multiple new all-time highs.

Interest Rate Expectations

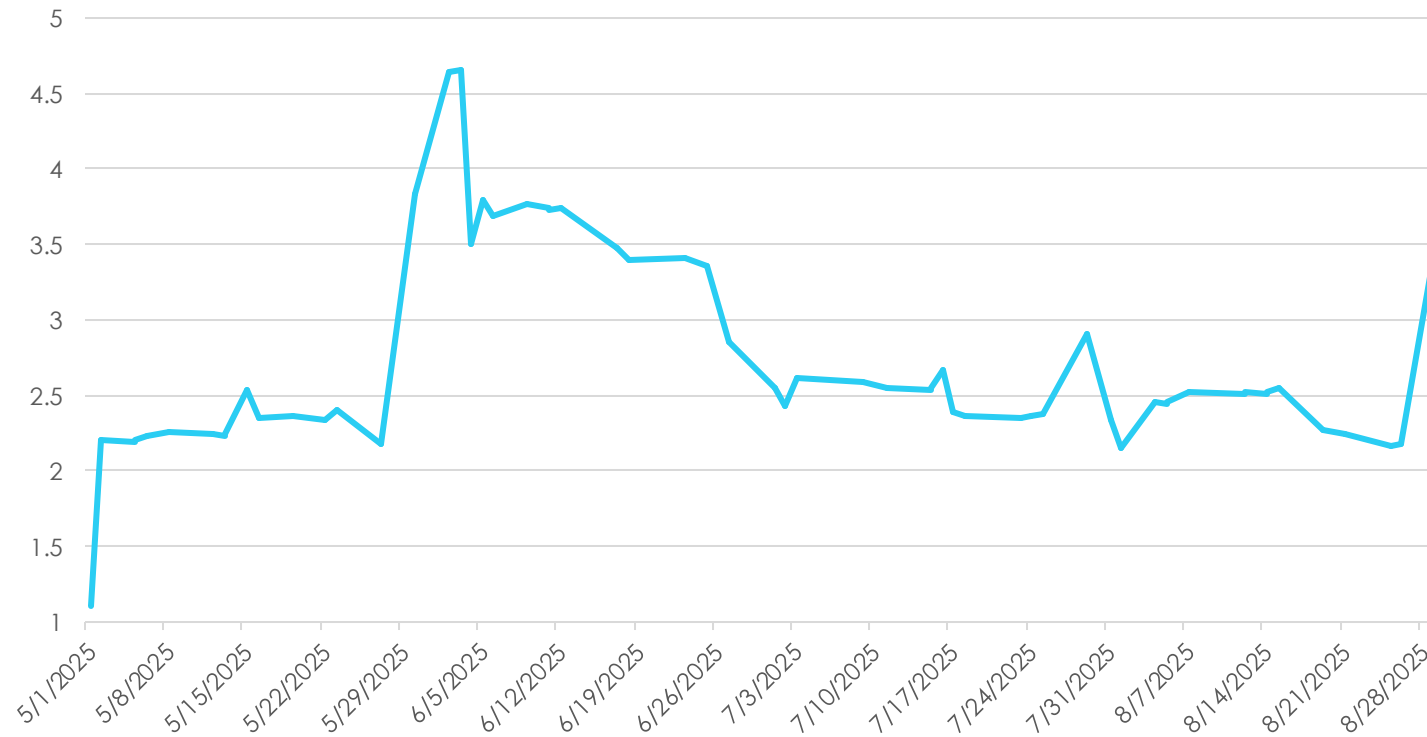
Markets now anticipate a Fed rate cut in September, with a second cut likely in either October or December. The Bank of Canada is also expected to implement one more rate cut this year, with a 100% probability priced in as of September 3.



Data: Overnight Index Swap markets as of August 29, 2025

USA Q3 GDP Estimate

Atlanta Federal Reserve GDP Now Index



The Atlanta Federal Reserve's most recent estimate of Q3 GDP shot up to 3.5%, reflecting the expectation that the Trump Administration's economic policies will be very stimulative for growth. This also risks stoking higher inflation.

30 Year Bond Yields

A lot of attention has been given to expected rate cuts from the Bank of Canada and Federal Reserve. While these short-term rates are likely to decrease soon, longer term interest rates are on the rise. 30 year US and Canadian government bond yields have been rising for most of the year. US 30 year yields are approaching 5% from a low of about 4.4% in 2025, while Canadian 30 year yields are approaching 4% from a low of nearly 3% earlier this year.

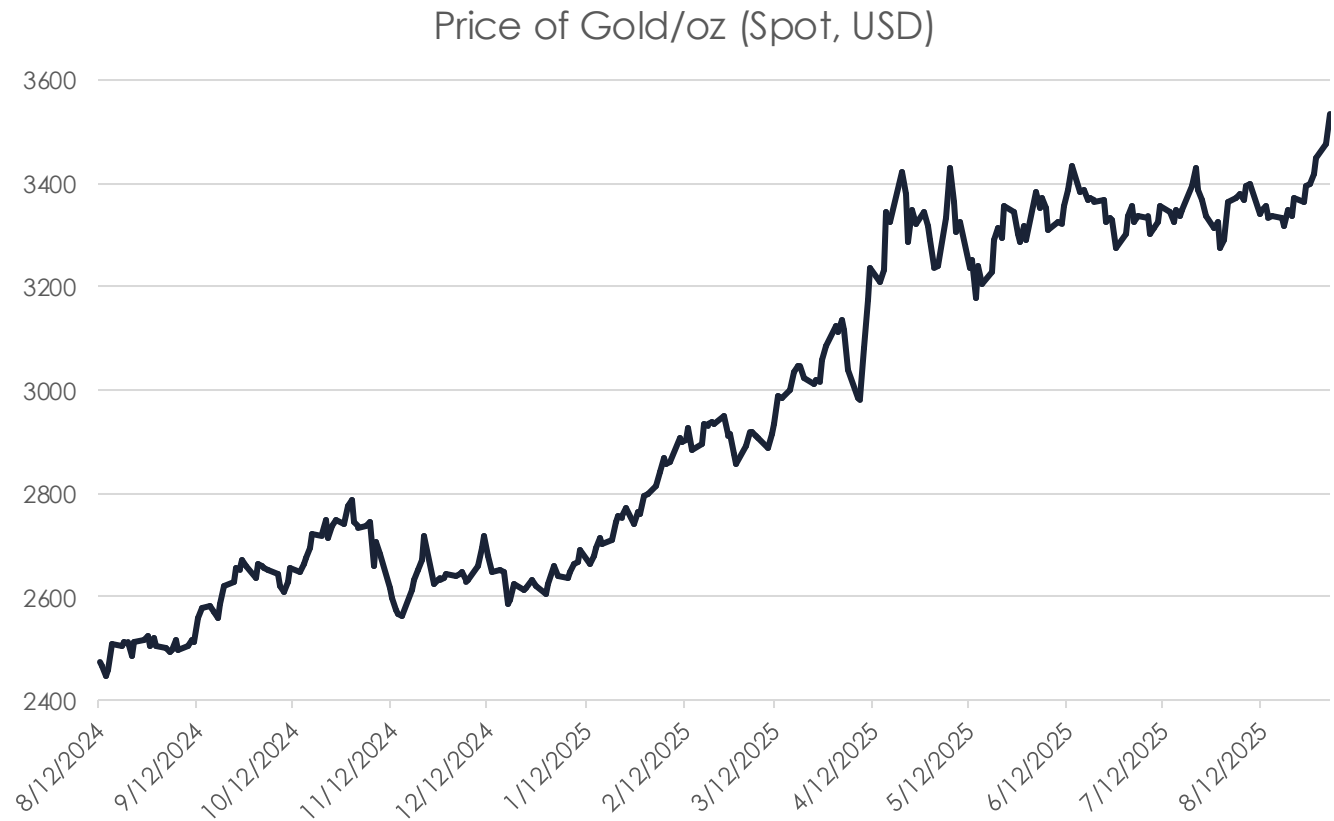
This suggests that investors have some concern about holding these bonds at their current yields, perhaps about inflation or deficit spending, and are demanding more compensation in the form of a higher yield to do so.



Gold

Gold has been among the best performing assets globally for the past year and recently accelerated to new all-time highs.

Gold is sometimes considered an alternative store of value to fiat currencies and tends to perform well during currency debasement. The recent strong performance of gold, like the increasing bond yields from the previous slide, may also suggest that investors are spurning bonds and fiat currency due to concern over government fiscal policies like high deficit spending.



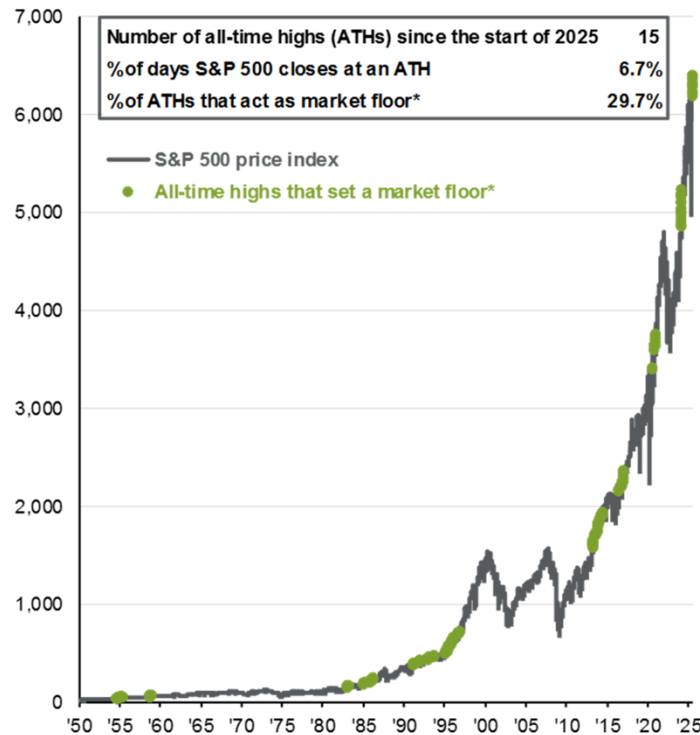
Investing at All-Time Highs

Investing new funds while markets are at or near all-time highs may seem risky because prices have often moved substantially higher and valuations may be high.

However, historical data shows that such periods have often been followed by strong forward returns. Because markets tend to move in trends, all-time highs have tended to lead to further all-time highs. Investors should note that past performance is not indicative of future results.

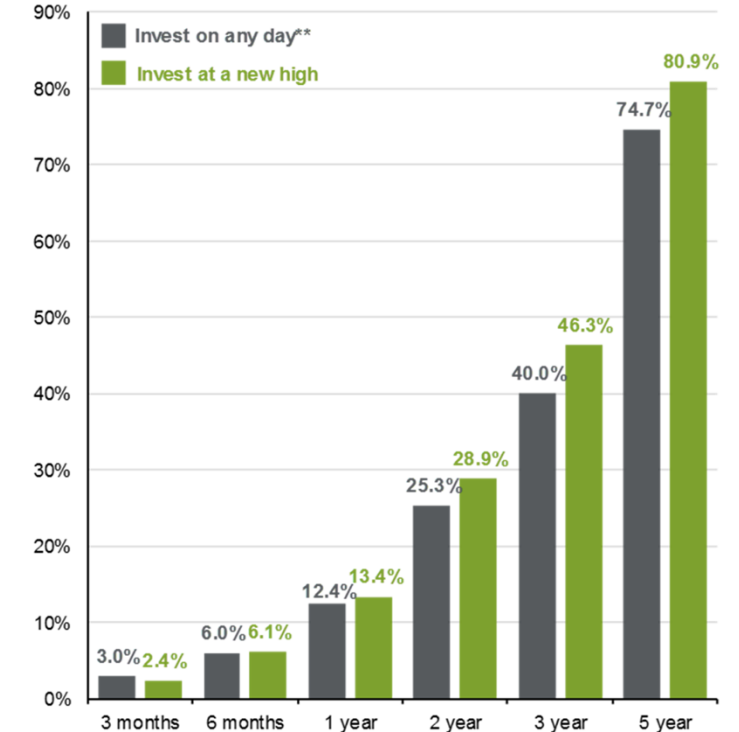
All-time highs and market floors

S&P 500 price index, daily, 1950–today



Average cumulative S&P 500 total returns

Jan. 1, 1988–Dec. 31, 2024



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

(Left) *Market floor is defined as an all-time high from which the market never fell more than 5%. (Right) **"Invest on any day" represents average of forward returns for the entire time period whereas "Invest at a new high" represents average of rolling forward returns calculated from each new S&P 500 high for the subsequent 3-month, 6-month, 1-year, 2-year, 3-year and 5-year intervals, with data starting 1/1/1988 through 12/31/2024.

Consumer Sentiment

Consumer Sentiment Index and subsequent 12-month S&P 500 returns



Strong market returns tend to lead to high sentiment readings, such as in the University of Michigan Consumer Sentiment Index. High readings of this index tend to lead to relatively low forward returns, while low sentiment readings tend to lead to relatively strong returns.

Given recent market performance, it is a bit surprising that we have seen fairly low sentiment readings from this index.

DISCLAIMER

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