

Weekly Newsletter

August 22nd, 2025

MUSINGS

"The speculator tries to predict the future. The investor tries to profit from the present."

– Benjamin Graham

LAST WEEK IN THE MARKETS

	Closing level	Weekly change	YTD change
S&P 500	6,466.91	0.27%	9.95%
Nasdaq Composite	21,496.53	-0.58%	11.32%
10Y UST Yield	4.256	-1.53%	-6.93%
Crude oil	63.66	1.37%	-11.24%
Gold	3,371.23	1.07%	28.46%
DXY	97.73	-0.11%	-9.91%
USD/INR	87.31	-0.21%	2.08%
Euro STOXX 50	5,487.00	0.55%	12.96%
India (Nifty)	24,870.10	0.97%	5.18%
Japan (Nikkei)	42,633.29	-1.72%	6.86%
China (CSI 300)	4,378.00	4.18%	11.26%
Saudi (TASI)	10,866.83	0.31%	-9.72%
Abu Dhabi (ADX)	10,208.76	-0.13%	8.38%
Dubai (DFM)	6,125.90	0.00%	18.75%

NEWS FROM THE MARKETS

Financial markets were waiting with bated breath for the speech from US Federal Reserve Chairman Jerome Powell at the annual Jackson Hole symposium on August 22nd, 2025.

In his eighth and final speech as Fed Chair, Powell pointed out something that we have repeatedly mentioned in our newsletters – that **the US central bank faces a challenging situation in which "risks to inflation are tilted to the upside, and risks to employment to the downside."**

On the inflationary impact of recent trade policy, he said that **"A reasonable base case is that the effects will be relatively short-lived – a one-time shift in the price level.** Of course, one time does not mean all at once. It will continue to take time for tariff increases to work their way through supply chains and distribution networks. Moreover, tariff rates continue to evolve, potentially prolonging the adjustment process." "It is also possible that the upward pressure on prices from tariffs could spur a more lasting inflation dynamic."

With respect to the employment situation, Powell underscored that **the jobs market slowdown is bigger than assessed earlier**. "While the labor market appears to be in balance, it is a curious kind of balance that results from a marked slowing in both the supply of and demand for worker." This unusual situation suggests that **downside risks to employment are rising**," he added. "And if those risks materialize, they can do so quickly in the form of sharply higher layoffs and rising unemployment."

"Our policy rate is now 100 basis points closer to neutral than it was a year ago, with policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance."

Overall, the market's interpretation of the speech was that despite the dual risks to their mandate — potentially higher inflation and higher unemployment — the Federal Reserve will focus more on employment than inflation.

Once again, this is in line with our own views expressed in past newsletters.

Major equity indices surged in response to the speech. The Dow jumped over 860 points (1.9%), S&P 500 rose 1.5%, and Nasdaq gained nearly 2%.

US Treasury yields were marginally lower, especially the 10-year Treasury yields which dropped 7 bps to 4.26%.

Interestingly, the CME Fedwatch tool suggests that 'only' 75% of market participants now expect a rate cut on September 17th, LOWER than the level of ~ 85% seen a week ago.

How long the Fed stays on the easing path will naturally depend on how consumer prices and the labor market change in the months ahead.

Focus will now shift to Nvidia, seen as the leader of this AI bull market, which will report quarterly results after the bell on August 27th. Investors will look for clues regarding any deterioration in earnings momentum.

KEY ECONOMIC EVENTS COMING THIS WEEK

August 25th	<ul style="list-style-type: none">• US New Home Sales (Jul)• PDD Earnings
August 26th	<ul style="list-style-type: none">• US CB Consumer Confidence (Aug)• US 2-Year Note Auction• Okta, MongoDB Earnings
August 27th	<ul style="list-style-type: none">• India Market Holiday (Ganesh Chaturthi)• US 5-Year Note Auction• Nvidia, Snowflake, CrowdStrike, HP Earnings
August 28th	<ul style="list-style-type: none">• US GDP (Q2) Preliminary• US Initial Jobless Claims• US 7-Year Note Auction• Dollar General, Dell, Marvell, Ulta Beauty Earnings
August 29th	<ul style="list-style-type: none">• India GDP (Q1)• US PCE (Jul)• US Chicago PMI (Aug)• US Michigan Consumer Sentiment & Inflation Expectations• Ali Baba Earnings

CHART OF THE WEEK



Goldman Sachs' Non-Profitable Tech Index, which tracks high-growth tech names with negative earnings, has surged 66% since its April low.

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