



September 3, 2025

Dear Valued Investor,

As summer winds down, the financial world remains focused primarily on the Federal Reserve (Fed). At last month's Jackson Hole Economic Symposium, Fed Chair Jerome Powell signaled the Fed seems ready to cut interest rates later this month amid a slowing labor market and inflation risks poised to recede. Markets responded to the Fed's message with a small cap-led rally and lower Treasury yields. The 10-year Treasury yield stands a good chance of staying in its current range, despite intensifying political pressure on the central bank. Containing long-term interest rates is critical as interest costs for the federal government continue to rise.

The latest inflation data for July matched expectations, but the slight increase in the year-over-year core personal consumption expenditures (PCE) deflator — the Fed's preferred inflation metric — from 2.8% in June to 2.9% in July reminded us that there is still work to be done on inflation. Tariffs won't make that work any easier as they flow through with a lag, their legality notwithstanding.

At the same time, the Fed and markets agree that recession risks remain low and that corporate America is in excellent health. Second quarter gross domestic product (GDP) was revised higher to 3.3% annualized, a solid jumping off point for the second half. Fiscal policy stimulus coming in 2026 will likely offset tariff hits to the economy, creating a favorable backdrop. As markets are forward-looking, this setup can help stocks hold recent gains and mitigate potential market declines in case volatility picks up.

Meanwhile, corporate earnings continue to impress. The "Magnificent Seven" tech giants delivered nearly 30% earnings growth in the second quarter and increased capital investment plans. Capital investment in artificial intelligence (AI) could approach \$500 billion next year, and potentially hit \$3 to \$4 trillion by 2030, according to NVIDIA CEO Jensen Huang. This investment bolsters the earnings growth outlook for the tech sector and, more broadly, could bring sizable productivity gains to corporate America. Growth stocks should continue to do well.

Risks may be manageable, but we feel obligated to point out that September has historically been the worst month for the stock market. While this month could live up to its reputation as a soft patch for stocks (the average S&P 500 September price change is -0.7% since 1950), history tells us that when the broader market is trending higher into the month, seasonal weakness is less of a factor. There is also some risk that markets don't like the forthcoming effects of tariffs, especially with stock valuations elevated.

As we navigate these crosscurrents, we encourage investors to remain diversified and consider adding equities on potential dips. Monetary and trade policy shifts, political dynamics, and corporate earnings strength present both opportunities and risks. We remain committed to guiding you through these complexities with as much clarity and confidence as possible.

Thank you for your continued trust.

Sincerely,

Rick Fisher, CFP®

Important Information

This material is for general information only and is not intended to provide specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors or will yield positive outcomes. Investing involves risks including possible loss of principal. Any economic forecasts set forth may not develop as predicted and are subject to change.

References to markets, asset classes, and sectors are generally regarding the corresponding market index. Indexes are unmanaged statistical composites and cannot be invested into directly. Index performance is not indicative of the performance of any investment and do not reflect fees, expenses, or sales charges. All performance referenced is historical and is no guarantee of future results.

All data is provided as of September 3, 2025.

All index data from FactSet.

The Standard & Poor's 500 Index (S&P500) is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

Past performance does not guarantee future results.

Asset allocation does not ensure a profit or protect against a loss.

This research material was prepared by LPL Financial, LLC.

Not Insured by FDIC/NCUA or Any Other Government Agency	Not Bank/Credit Union Guaranteed	Not Bank/Credit Union Deposits or Obligations	May Lose Value
--	---	--	-----------------------