

On The Margin

09.02.2025 | MONTHLY MARKET UPDATE

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August 2025 Recap

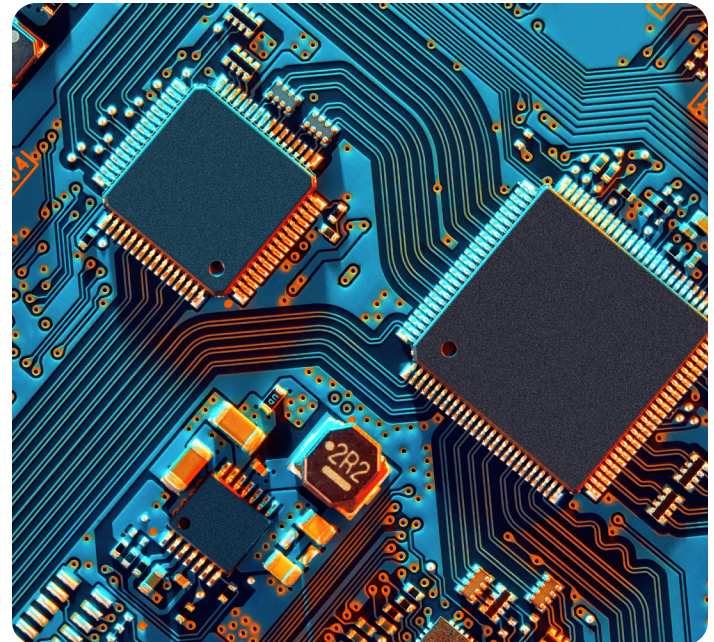
Joe Nitting, Director of Research, Retirement & Investment Solutions

PRELUDE

Modern country is a musical genre I enjoy listening to, especially during the summer months here in Ohio. During August, one of the songs I listened to numerous times was "Nothin' New Under The Neon." Written and performed by the Texas-based band Midland, the song details a conversation between two long-time friends at their favorite local dive bar. While their tradition of re-connecting at the dive bar has remained the same over the years, their lives have changed materially along the way. Both acknowledge that while they will try to keep their tradition alive, they expect their personal lives will change even more over time, potentially getting in the way of tradition. The concept of "the same but different" described in the song reminded me of global market performance in August. While global markets generated broadly positive returns (as we generally saw in the prior three months), the underlying drivers of such performance were different than those of past months.

GLOBAL EQUITY

U.S. equities generated positive returns for a fourth consecutive month in August, as several major indexes rose between +1.1% and +7.1%, cumulatively. Within the large cap space, multiple stock-specific headlines helped boost market sentiment during the month. Most notably, Apple announced it would invest an incremental \$100 billion into developing U.S. manufacturing capabilities over the next four years, which could exempt the company from the current



administration's tariffs on semiconductors. Apple finished the month up +12.0% and served as the biggest contributor to the S&P 500's positive August return. While large cap stocks moved higher within the U.S. market, small cap stocks were the standout performers as the Russell 2000 rose +7.1% during the month. Small cap stocks benefited from growing optimism that the Federal Reserve could cut interest rates at its September meeting, particularly after multiple economic data releases and dovish comments from Federal Reserve officials. While we find the Russell 2000's strong August performance encouraging, we think it is important to note that small cap stocks often demonstrate greater volatility than their large cap peers. While most investors welcome upside volatility as we saw in August, a similar degree of downside volatility can sometimes be surprising and painful to other investors. We remain modestly overweight small cap stocks in our discretionary client portfolios given their valuations relative to large cap stocks, as well as greater company-level diversification compared to the large cap space.

International markets generated positive results in August amid the U.S. Dollar weakening relative to several other major currencies. Developed international markets, as represented by the MSCI EAFE Index, returned +4.3% for the month. U.K. stocks were among the leading contributors to performance, as the Bank of England cut interest rates during August amid concerns about a weakening U.K. labor market. Japanese equities also helped drive the MSCI EAFE Index higher amid a strong corporate earnings season and optimism

TABLE 1: GLOBAL EQUITY

	AUG	QTD	YTD	1 YR
Dow Jones Industrial Average	3.42	3.59	8.30	11.45
S&P 500 Index	2.03	4.32	10.79	15.88
Russell 2000	7.14	9.00	7.06	8.17
Russell 1000 Growth	1.12	4.94	11.33	22.58
Russell 1000 Value	3.19	3.78	10.01	9.33
MSCI ACWI USD	2.47	3.86	14.30	15.79
MSCI EAFE USD	4.26	2.80	22.79	13.87
MSCI EM USD	1.28	3.26	19.02	16.80
MSCI ACWI ex US USD	3.47	3.17	21.64	15.42

Source: Bloomberg, as of 8/31/2025. Past performance does not guarantee future returns.

surrounding trade negotiations between Japan and the U.S. As a reminder, Japan and the U.K. are the two countries with the greatest representation in the MSCI EAFE Index, with a combined weighting of roughly 36.5% (22.1% for Japan, 14.4% for the U.K.). Consequently, results of both Japanese and U.K. equities can have a meaningful impact on the overall results of the MSCI EAFE Index. Emerging markets lagged their developed market counterparts in August but still generated positive returns for an eighth consecutive month, as the MSCI EM Index returned +1.3%. Chinese equities were among the top contributors as the U.S. and China agreed to renew a tariff pause on each other's products until the fourth quarter.

FIXED INCOME

The U.S. Treasury yield curve shifted mostly lower during August, resulting in broadly positive fixed income returns as the Bloomberg U.S. Aggregate rose +1.2%. Treasury yields fell across most of the curve amid the release of several weaker-than-expected economic datapoints, particularly those related to the labor market. Additionally,

TABLE 2: FIXED INCOME	AUG	QTD	YTD	1 YR
Bloomberg US Aggregate	1.20	0.93	4.99	3.14
Bloomberg 1-3 Yr Gov/Credit	0.88	0.86	3.80	4.64
Bloomberg Treasury 5-7 Yr	1.65	1.18	6.52	4.15
Bloomberg Investment Grade Corp	1.06	1.11	5.38	3.92
Bloomberg High Yield Corp	1.25	1.71	6.35	8.26
JPMorgan EMBI Global Diversified	1.63	2.92	8.62	8.59

Source: Bloomberg, as of 8/31/2025. Past performance does not guarantee future returns.

multiple Federal Reserve officials made comments indicating interest rate cuts could be coming in the near future, including Jerome Powell. As of the end of August, investors are pricing in an 87.9% chance of a September rate cut, with potentially three or four more cuts coming before the end of 2026.

I wanted to briefly touch on emerging market debt, as the asset class has been among the best performers within fixed income through August. As a reminder, emerging market debt, as represented by the JPMorgan EMBI Global Diversified Index, includes bonds issued by both governments and companies residing in emerging market countries. Like their equity counterparts, emerging market debt can display greater volatility compared to developed market debt due to risks related to governmental stability, economic growth, and currency fluctuations within emerging markets. However, they typically offer higher real yields than developed market debt. Through August 2025, emerging market debt is one of the best performers within fixed income, benefiting from tailwinds like a weaker U.S. dollar, improving economic fundamentals, and several emerging market central banks cutting interest rates. We do not discuss the drivers of emerging market debt very often, simply because emerging market debt is only a small piece of some of our clients' portfolios.

POSTLUDE

I began this month's recap by describing the concept of "the same but different" and how it translated to global market performance during August. I will close on a similar note by tying the concept to CBIZ's organizational goals and our investment team composition. While our pursuits of helping our clients achieve their financial goals remain the same, we have a different face leading us forward. I would like to introduce Jennifer Hutchins as our new Chief Investment Officer and the leader of our investment team. Jennifer joins us from a wealth management firm based in the Dallas, Texas area and brings over 20 years of experience in financial planning, investment analysis, and portfolio strategy. We look forward to having her experience and insight to help propel us onward as we continue our efforts in helping our clients as best we can. Please join me in welcoming Jennifer to CBIZ!



Joe Nitting serves as the Director of Research for the Retirement & Investment Solutions practice of CBIZ, Inc. Joe leads the firm's research in both traditional and alternative asset classes, and he oversees the portfolio construction process for the firm's defined contribution, institutional advisory and wealth management businesses. Joe has a B.S. in Finance and Accounting from the University of Dayton. He began his career in investments at a boutique registered investment advisory firm in the greater Chicago area, focusing on traditional investments. He also served as an analyst for a registered investment advisory firm in the Cleveland area, where he specialized in alternative investments. Joe plays an important role in fostering a culture of collaboration and creativity within CBIZ while offering unique insights based on his experience across a wide spectrum of investment types.

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