Monthly Market Perspectives

'What You Need to Know'

September 4.2025

Although summer is winding down, equity markets have continued to shine, with August marking the fourth consecutive month of gains. This stretch of strength has provided investors with a welcome sense of calm after a turbulent start to the year. Still, history reminds us that periods of low volatility rarely last indefinitely, and September has traditionally been the weakest month on average stock market returns. More on that later.

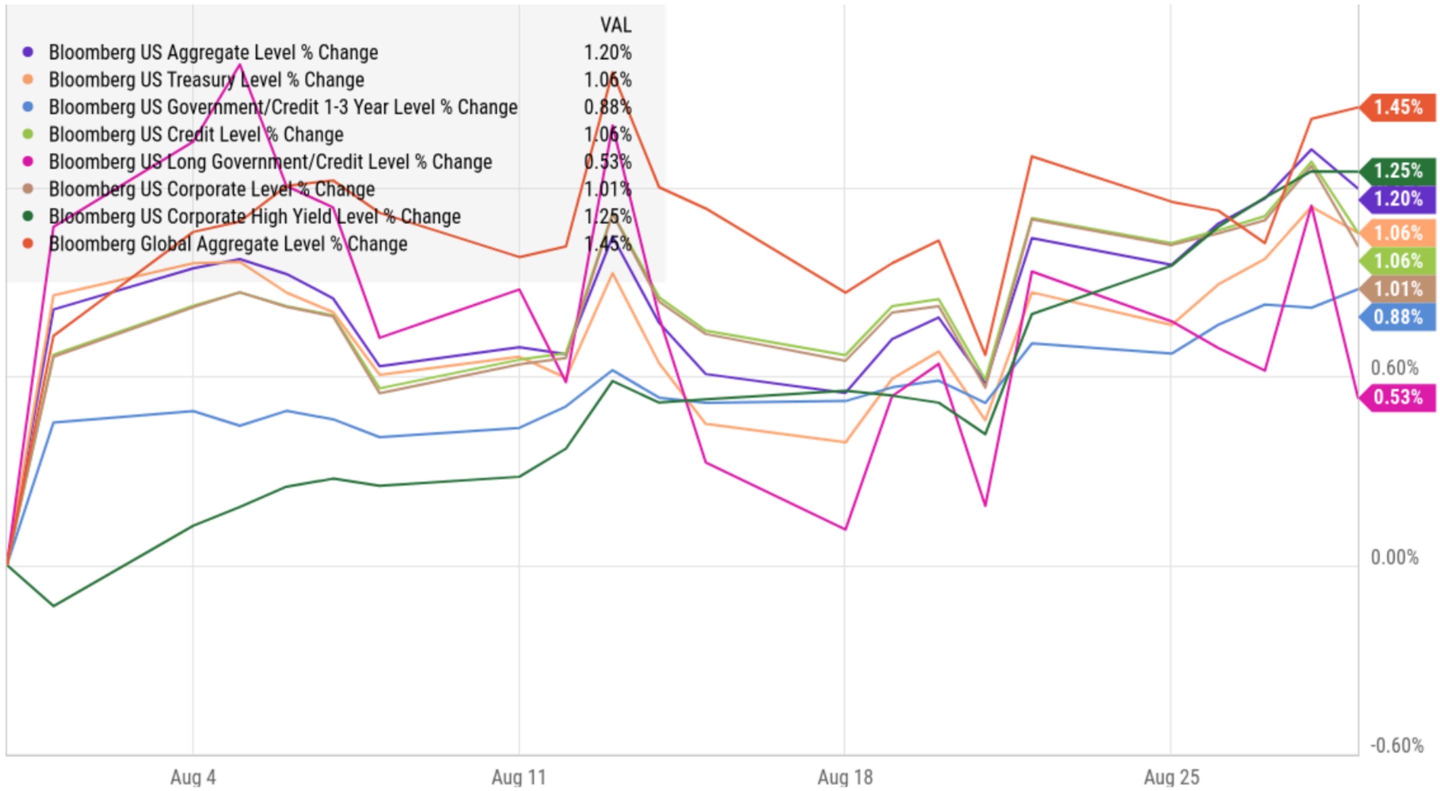
On the economic front, inflation concerns are easing. Earlier in the year, new tariffs stoked fears of persistent price pressures, but those have proven less severe than expected. In fact, for the first time since 2021, U.S. small businesses now cite weak sales—not inflation—as their top concern. This shift underscores a cooling inflationary environment, which makes it harder for the Federal Reserve to justify keeping interest rates at restrictive levels. While political pressures and upcoming Fed leadership changes may create some near-term uncertainty, the overall backdrop is constructive for equities, supported by resilient earnings growth and the prospect of a more balanced monetary stance.

Adding to the momentum, Tuesday, September 2nd marked both the first trading day of the month and the 100th trading day since April's "tariff crash" low. Over that span, the S&P 500 surged more than 28%—one of only 12 times in the past 70+ years the index has gained over 25% in 100 trading days. Historically, these rallies have often been followed by further strength. While the market sometimes dipped over the next week or month, it has historically rallied every single time over the following three months and, in nearly all cases, over six and twelve months as well.

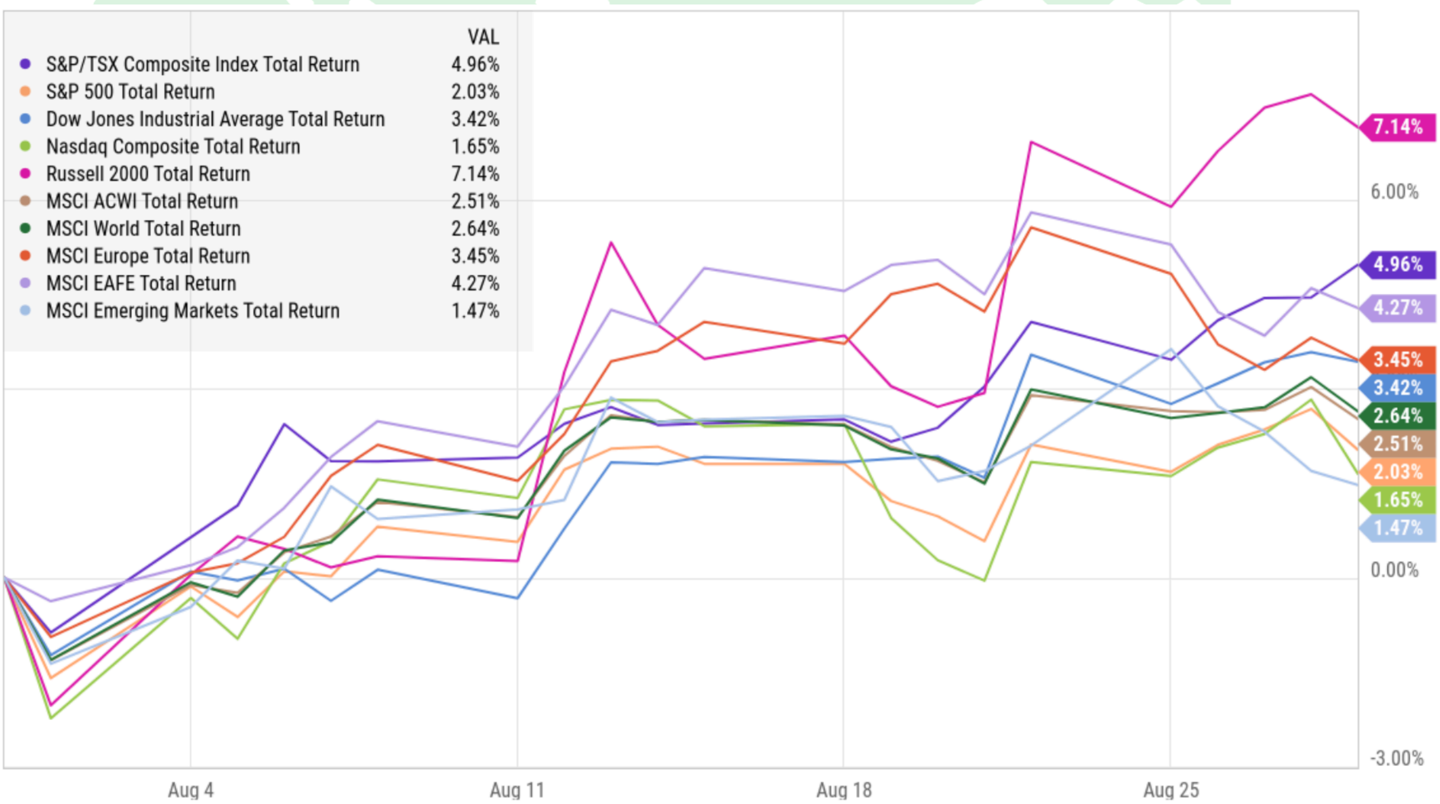
S&P 500 Performance Following 100-Day Rallies of 25%+

First Date	S&P 500 Performance (%)				
Above 25%	One Week	One Month	Three Months	Six Months	One Year
2/21/75	-1.25	0.93	7.79	0.54	23.58
8/14/80	0.17	0.23	9.50	1.32	5.78
11/3/82	-1.20	-2.93	0.97	13.63	14.40
3/14/86	-1.36	0.31	3.88	-2.49	22.55
3/23/87	-3.97	-4.76	2.41	6.65	-10.71
3/5/91	-1.78	-0.36	2.22	3.30	7.91
9/3/97	-0.95	4.01	5.27	13.38	5.86
1/25/99	3.16	0.89	9.96	9.96	14.27
7/16/09	3.78	6.73	15.62	20.76	13.20
8/4/20	0.82	3.64	4.14	17.09	33.15
3/21/24	0.24	-5.23	4.26	8.80	8.13
8/28/25					
Average	**-0.21**	**0.32**	**6.00**	**8.45**	**12.56**
Median	**-0.95**	**0.31**	**4.26**	**8.80**	**13.20**
% Positive	**45**	**64**	**100**	**91**	**91**

Fixed Income Indices – August 2025



Equity Indices – August 2025



August Market Review

Fixed Income

- The Canadian fixed-income universe remained relatively unchanged in August, with gains in the short- and medium-term segments offsetting losses within long-term bonds.

- U.S. Treasuries posted monthly gains as bond yields fell following Jerome Powell's Jackson Hole speech, with the Fed Chair signaling that the central bank was open to resuming its rate-cutting cycle.

Equities

- Global equities posted modest gains in August, with Canada and the EAFE region slightly outperforming. Emerging Markets underperformed, dragged down by Indian equities suffering from trade tensions with the United States.

- Within U.S. equities, Russell 2000 small caps stood out with a solid monthly outperformance against the S&P 500. This highly cyclical, interest-rate-sensitive segment benefitted from the resilience of the U.S. economy and the Fed's more dovish stance.

FX & Commodities

- Gold prices posted significant gains in August, while oil prices fell sharply linked, among other things, to OPEC+ prematurely ending its production cuts.

- Following a rebound in July, the U.S. dollar returned to its downward trend, with the DXY Index posting a 2% decline in August. The prospects of a more dovish Fed weighed on the Greenback.

Market Total Returns

Asset Classes	August	YTD	12M
Cash (S&P Canada T-bill)	0.2%	1.9%	3.4%
Bonds (ICE Canada Universe)	0.4%	0.9%	2.7%
Short Term	0.6%	2.6%	4.6%
Mid Term	0.9%	2.5%	4.0%
Long Term	-0.5%	-3.0%	-1.3%
Federal Government	0.5%	1.0%	2.1%
Corporate	0.2%	2.4%	5.7%
U.S. Treasuries (US$)	1.0%	4.4%	2.2%
U.S. Corporate (US$)	1.0%	5.4%	4.2%
U.S. High Yield (US$)	1.2%	6.2%	8.1%
Canadian Equities (S&P/TSX)	5.0%	17.6%	25.9%
Communication Services	4.4%	15.0%	-4.1%
Consumer Discretionary	0.7%	17.0%	20.4%
Consumer Staples	-0.8%	5.4%	10.6%
Energy	4.0%	10.9%	16.3%
Financials	4.3%	17.2%	32.3%
Health Care	9.2%	-3.9%	6.0%
Industrials	0.0%	5.4%	6.3%
Information Technology	6.2%	17.3%	50.2%
Materials	15.9%	50.8%	48.2%
Real Estate	3.7%	12.2%	6.0%
Utilities	0.3%	13.1%	18.2%
S&P/TSX Small Caps	9.3%	25.1%	30.8%
U.S. Equities (S&P 500 US$)	2.0%	10.8%	15.9%
Communication Services	3.6%	17.9%	34.3%
Consumer Discretionary	3.4%	2.0%	24.8%
Consumer Staples	1.6%	5.5%	3.0%
Energy	3.6%	7.5%	2.1%
Financials	3.1%	12.6%	19.9%
Health Care	5.4%	0.8%	-11.1%
Industrials	0.0%	16.1%	17.3%
Information Technology	0.3%	14.0%	22.5%
Materials	5.8%	11.6%	0.3%
Real Estate	2.2%	5.7%	0.5%
Utilities	-1.6%	13.0%	13.8%
Russell 2000 (US$)	7.1%	7.1%	8.2%
World Equities (MSCI ACWI US$)	2.5%	14.7%	16.3%
MSCI EAFE (US$)	4.3%	23.3%	14.5%
MSCI Emerging Markets (US$)	1.5%	19.6%	17.7%
Commodities (GSCI US$)	-0.2%	5.4%	9.3%
WTI Oil (US$/barrel)	-8.5%	-11.2%	-13.6%
Gold (US$/oz)	4.4%	31.1%	37.4%
Copper (US$/tonne)	2.7%	13.5%	7.7%
Forex (US$ Index DXY)	-2.2%	-9.9%	-3.9%
USD per EUR	2.3%	13.0%	5.7%
CAD per USD	-0.8%	-4.4%	1.9%

CIO Office (data via Refinitiv, as of 2025-08-29)

The Fed Opens the Door to Rate Cuts

Without question, the positive result of equity markets for the month of August can be largely attributed to the Federal Reserve's annual Jackson Hole Economic Symposium and the 'tone' of the comments that concluded the event from the Chair of the Fed, Jerome Powell.

The Waiting Game

Backing up a minute and providing you with some further context in case you haven't been following along with this evolving story. Over the past nine months, investors have been waiting for clarity on when the Federal Reserve might cut interest rates again. The last rate cut came in December 2024, and if another one arrives in September, it will mark one of the longest pauses in recent history. While waiting can feel frustrating, history shows that these longer pauses are often followed by healthy gains in the stock market. In fact, in 10 out of 11 past cases where the Fed waited 5–12 months between cuts, equities went on to deliver strong returns over the following year, with a median gain of more than 14%.

Why Waiting Matters

This "long wait" dynamic helps explain why markets have been holding steady despite the uncertainty. As Investors often feel like the waiting period is the hardest part, but history suggests it can be worth it. Markets tend to rebound strongly when the Fed eventually eases, and that creates opportunities for patient investors who stay the course rather than trying to time the exact moment of a policy shift.

And then, Powell's Subtle Pivot

At the Fed's annual Jackson Hole conference, Chair Jerome Powell stopped short of explicitly announcing a September cut, but his tone marked a subtle pivot. He acknowledged that current policy is restrictive and that risks to the economy might warrant adjusting the Fed's stance. While not a commitment, it was a clear signal that the Fed is becoming more open to easing. Markets responded positively: the S&P 500 jumped about 1.5%, small-cap stocks surged nearly 4%, and homebuilder stocks climbed more than 5%.

Why the Fed Is Hesitant

Why the cautious approach? Powell pointed to the lingering uncertainty caused by tariffs, which have complicated inflation trends. Without this wildcard, I believe the Fed might already have cut rates. He also noted a shift in how the Fed will approach inflation targeting. Rather than sticking to the flexible "average inflation" strategy introduced in 2021, the Fed is returning to its earlier approach of aiming for 2% inflation more directly, which gives them more room to act in the near term.

Data Will Drive Decisions

Upcoming data will play a decisive role in shaping whether the Fed moves in September. Reports on payrolls, producer prices, and consumer prices in early September are especially important. Job growth has slowed sharply, averaging just 35,000 new positions per month in recent reports, but the broader labour market remains resilient. Unemployment is still low at around 4.25%, layoffs are rare, and workers continue to quit jobs at healthy rates, suggesting confidence. Wage growth has cooled to the 3.5–4% range, which is still elevated but not alarmingly so.

Mixed Inflation Picture

On the inflation side, progress has been uneven. Services inflation has cooled, but durable goods prices remain stubbornly high. This mixed picture is why Powell left the door open without locking in a timeline. The Fed wants to balance supporting the labour market while not letting inflation expectations drift higher. That tension is precisely why investors should expect gradual and cautious moves rather than dramatic shifts.

Investment Implications

For investors, the takeaway is that conditions remain reasonably favourable for equities. Historically, when the Fed eventually pivots after a long pause, markets benefit significantly. And to answer your next question, yes - the fed has cut rates near all-time highs before, and as a result investors have historically benefited.

Yes, The Fed Has Cut Near ATHs And The Bulls Loved It

S&P 500 Returns After Fed Cuts Within 2% Of An All-Time High

Date of Cut	% Away From ATH (Day Before Fed Cut)	S&P 500 Index Returns: Next Month	Next 3 Months	Next 6 Months	Next Year
7/25/1980	-0.59%	3.6%	7.2%	7.5%	7.6%
1/11/1983	0.00%	-0.5%	6.9%	13.5%	15.2%
2/28/1983	0.00%	2.4%	11.1%	9.5%	7.6%
1/15/1985	-1.24%	7.3%	6.1%	14.0%	21.9%
5/20/1985	0.00%	-1.6%	-1.8%	4.7%	24.5%
3/7/1986	-0.78%	3.5%	8.9%	11.0%	28.9%
4/21/1986	-0.26%	-3.5%	-3.5%	-2.4%	16.9%
8/26/1986	-1.94%	-8.3%	-2.1%	12.3%	33.2%
7/31/1989	0.00%	1.1%	-3.2%	-6.0%	2.6%
7/13/1990	-0.65%	-8.1%	-19.8%	-14.2%	3.5%
3/8/1991	-0.41%	-0.3%	1.3%	4.1%	8.1%
8/6/1991	-1.23%	-0.1%	0.2%	6.1%	8.8%
10/31/1991	-1.01%	-2.8%	4.3%	5.2%	7.4%
7/2/1992	-1.88%	3.2%	1.1%	5.8%	9.0%
9/4/1992	-1.67%	-2.4%	3.6%	9.0%	10.6%
7/6/1995	-0.69%	0.9%	5.0%	11.5%	21.4%
1/31/1996	0.00%	1.3%	2.9%	0.6%	21.5%
7/31/2019	-0.42%	-1.9%	1.9%	10.2%	8.9%
9/18/2019	-0.67%	-0.3%	6.2%	-19.9%	11.6%
10/30/2019	-0.08%	3.1%	5.9%	-7.1%	8.6%
9/18/2024	-0.58%	4.0%	7.7%	0.9%	?
11/7/2024	0.00%	1.3%	1.6%	-1.4%	?
12/18/2024	-0.65%	3.6%	-1.8%	3.7%	?
	Average	0.2%	2.2%	3.4%	13.9%
	Median	0.9%	2.9%	5.2%	9.8%
	% Higher	52.2%	73.9%	73.9%	100.0%

The Bottom Line

We may not know the exact timing of the Fed's next move, but the overall direction is becoming clearer. Powell has opened the door to cuts, and history suggests investors who stay invested through the waiting period tend to be rewarded. With the labour market holding up and inflation gradually easing, the stage is being set for a shift in policy—and potentially a strong run for markets in the months ahead.

Chart of the Month – Seeing the Future in Yields

Bloomberg US Aggregate Bond Universe Index yield to worst vs. forward 5-year annualized return

Source: Bloomberg. Month-end data from 12/31/1976 to 7/31/2025.

This chart above tells the story of how yields and future returns in the bond market have moved hand in hand for more than two decades, and why today's higher yields suggest a stronger outlook for fixed income investors.

From 1976 to about 2012, the Bloomberg US Aggregate Bond Universe Index's yield to worst (the blue line) and its forward 5-year annualized returns (the gold line) tracked closely together. When yields fell from around 8% at the start of the century to below 3% by 2012, future returns also slid in step.

The years that followed tell the same tale. In the mid-2010s, yields hovered in the 2–3% range, and subsequent 5-year returns stayed similarly subdued. The relationship became especially stark from 2018 to 2020: yields sank toward record lows, and forward returns fell into negative territory. This period reflected the reality that in fixed income, starting yield is a powerful predictor of what investors can expect going forward.

Then, the narrative changes. Starting in 2021, yields began climbing sharply, moving from near 1% to over 5% by late 2023. If history is a guide, these higher yields set the stage for much stronger forward 5-year returns. While the gold line does not yet extend into the future, past patterns suggest that today's elevated yields are likely to translate into a more constructive environment for fixed income performance in the years ahead.

The moral of the story is simple: yield matters. And after more than a decade of low-rate headwinds, the wind is now at fixed income investors' backs.

‘Historically Speaking’ Here Comes the Worst Month of the Year

The S&P 500 moved back to new highs on the Thursday leading into the Labour Day weekend and gained in the month of August during a president’s second term for the first time since 1950, so that’s the good news. The bad news: summer is over, and we aren’t out of the woods yet, as September is historically the worst month of the year and the chances for some volatility over the coming month is likely.

What a Summer

Remember in early April when all those ‘really smart’ economists were telling us a recession would be here by now? What about all the constantly pessimistic market strategists who were promising us a market crash around the globe this summer? Well, good news for you is your newsfeed algorithm isn’t likely set to the same as mine so you might have escaped this nonsense and trust in knowing you’re better off for it, but I sure do. And to put a bow on it, they couldn’t have been more wrong as the economy continues to chug along.

Instead, markets continuously climbed the proverbial ‘wall of worry’. We just had one of the best summer rallies (measured by the returns in June, July, and August) in history, with the S&P 500 up 9.3%, which came in as the best summer rally since 2020 and 2009 before that. Here are the top 10 best summer rallies ever and what happened next. All in all, while September tends to be weak, the rest of the year was higher eight out of 10 times.

A Big Summer Rally Is Usually Bullish

Top 10 S&P 500 Returns June - August (1950 - Current)

		S&P 500 Returns	
Year	**Summer Return**	**September**	**Rest of Year**
1951	8.2%	-0.1%	2.1%
1955	13.9%	1.1%	5.3%
1958	8.3%	4.8%	15.6%
1979	10.3%	0.0%	-1.3%
1980	10.0%	2.5%	10.9%
1984	10.7%	-0.4%	0.3%
1987	13.7%	-2.4%	-25.1%
1989	9.6%	-0.7%	0.6%
2009	11.0%	3.6%	9.3%
2020	15.0%	-3.9%	7.3%
2025	9.3%	?	?
	Average	0.5%	2.5%
	Median	-0.05%	3.7%
	% Higher	40.0%	80.0%
All Years Since 1950			
Average		-0.7%	3.5%
Median		-0.3%	3.8%
% Positive		44.0%	76.0%

Taking things a step further, the S&P 500 gained in May, June, July, and August this year, which is the second year in a row this rare feat was accomplished. The median return for the rest of the year after this is a very impressive 7.8% (over just four months), with the average only 3.2% thanks to the 25.1% drop in 1987 skewing things. All in all, up these four months isn't bearish for the rest of the year but going out the next 12 months the returns are actually weaker than normal, something to remember and perhaps keep in mind.

So Much For Sell In May

S&P 500 Performance After Green In May, June, July, and August (Since 1950)

					S&P 500 Future Returns		
Year	Return In May	Return in June	Return In July	Return In August	September	Rest Of Year	Next 12 Months
1958	1.5%	2.6%	4.3%	1.2%	4.8%	15.6%	24.8%
1980	4.7%	2.7%	6.5%	0.6%	2.5%	10.9%	0.3%
1987	0.6%	4.8%	4.8%	3.5%	-2.4%	-25.1%	-20.7%
2003	5.1%	1.1%	1.6%	1.8%	-1.2%	10.3%	9.6%
2009	5.3%	0.0%	7.4%	3.4%	3.6%	9.3%	2.8%
2017	1.2%	0.5%	1.9%	0.1%	1.9%	8.2%	17.4%
2018	2.2%	0.5%	3.6%	3.0%	0.4%	-13.6%	0.9%
2020	4.5%	1.8%	5.5%	7.0%	-3.9%	7.3%	29.2%
2021	0.6%	2.2%	2.3%	2.9%	-4.8%	5.4%	-12.6%
2024	4.8%	3.5%	1.1%	2.3%	2.0%	4.1%	14.4%
2025	6.2%	5.0%	2.2%	1.9%	?	?	?
		Average			0.3%	3.2%	6.6%
		Median			1.2%	7.8%	6.2%
		% Higher			60.0%	80.0%	80.0%
All Years Since 1950							
		Average			-0.7%	3.5%	9.3%
		Median			-0.3%	3.8%	10.5%
		% Positive			44.0%	76.0%	74.7%

The Worst Month of the Year

First off, I would like to stress this is still a major bull market and I expect higher prices from current levels before the end of the year. None the less, after an impressive four-month win streak and 30% rally from the April lows, the calendar isn't doing anyone any favors currently. That's right, welcome to September.

Here's a nice way to show how weak this month has been historically. It is the worst month since 1950, over the past 10 years, over the past 20 years, and the third worst in a post-election year. While I would never suggest investing blindly solely based on calendar effects, it is better to know about them than not. Of course, I noted a month ago that stocks usually do poorly in August (especially in a post-election year) and the market bucked the trend this year. That's not completely unexpected– surprises to the upside are just more likely to happen in bull markets. The catalyst this time was Federal Reserve (Fed) Chair Jerome Powell's dovish pivot in his speech at Jackson Hole on Friday, August 22.

September Is The Worst Month Of The Year

S&P 500 Monthly Rank (1950 - 2024)

Month	S&P 500 Monthly Rank Since 1950	Past 10 Years	Past 20 Years	Post-Election Year
January	6	7	10	8
February	11	9	8	12
March	5	8	4	7
April	2	4	3	2
May	8	6	7	4
June	9	5	11	9
July	4	2	1	1
August	10	10	9	11
September	12	12	12	10
October	7	3	5	5
November	1	1	2	3
December	3	11	6	6

Speaking of post-election years, August was higher this year, but did you know that August and September have both been higher only three times (out of 18) in post-election years since 1950? I am not saying stocks can't move higher this September (it is a bull market after all), but the best way to approach it is to be prepared for some volatility.

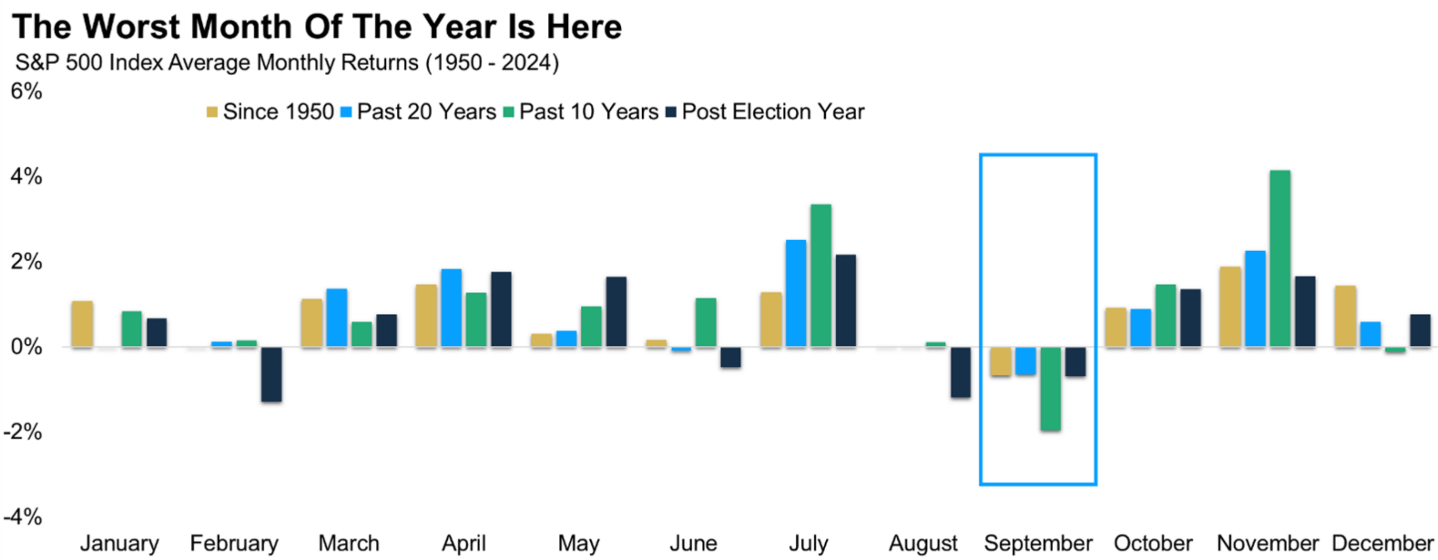
Here's a similar table as above, but it has the average returns this time. September is indeed the only month to be down on average in all four categories, with no other month down even in three.

September Is The Worst Month Of The Year

S&P 500 Monthly Returns (1950 - 2024)

Month	S&P 500 Average Monthly Returns Since 1950	Past 10 Years	Past 20 Years	Post-Election Year
January	1.07%	0.83%	(0.03%)	0.67%
February	(0.02%)	0.15%	0.12%	(1.29%)
March	1.13%	0.58%	1.36%	0.76%
April	1.46%	1.27%	1.82%	1.75%
May	0.29%	0.95%	0.37%	1.64%
June	0.16%	1.15%	(0.09%)	(0.48%)
July	1.28%	3.35%	2.51%	2.16%
August	0.01%	0.11%	0.01%	(1.19%)
September	(0.68%)	(1.96%)	(0.65%)	(0.70%)
October	0.91%	1.46%	0.89%	1.34%
November	1.88%	4.14%	2.26%	1.66%
December	1.43%	(0.12%)	0.59%	0.76%

Lastly, here is the same data as above, just shown another way to better visualize things. The bottom line: after a historic run, some turbulence this month would be perfectly normal, but with many other reasons to be positive about the outlook. I expect any weakness to be fairly well contained.



"The first rule of compounding is to never interrupt it unnecessarily."
– Charlie Munger

No matter what happens in financial markets day to day, my commitment belongs to you and your long-term financial success. My role is to help you stay focused, manage emotions tied to your financial future, provide clear tools and guidance for informed decision-making, and adjust when needed—all with your best interests in mind. Together, we'll navigate the ups and downs and continue moving toward the future you've envisioned.

As always, thank you for reading and enjoy Pumpkin Spiced Latte season. Admittedly, I've never had one but have heard they're delicious.

Warmly,

Aaron Pedlar, HBA, CHS, PFA