

Markets Find Relief as Fed Shifts Tone

Stocks rallied on Friday to reverse a downward drift that had sent the S&P 500 to a five-session negative streak. The Dow outperformed, generating a 1.6% return for the week and posting its first record high of 2025. The S&P 500 ended up fractionally higher while the NASDAQ was down slightly. Stocks surged on Friday after the U.S. Federal Reserve's Jerome Powell spoke at the central bank's annual conference in Jackson Hole, Wyoming. Discussing the prospect of a rate cut at its September 16–17 meeting, the Fed chair emphasized recent labor market weakness and said that "the balance of risks" relative to inflationary pressures "appears to be shifting."

European markets stumbled midweek as political uncertainty in France rattled investors. Concerns about fiscal policy and government stability pushed the CAC 40 lower and weighed on banks and other financial shares. This turbulence spilled into the broader European index, which lost ground even as U.S. markets rebounded later in the week.
Impact: Political instability erodes investor confidence, particularly in Europe where banking and financial sectors are highly sensitive to shifts in government direction.

Prices of U.S. government bonds rose modestly, sending their yields lower, after Friday's Fed speech boosted expectations of a September rate cut. The 2-year Treasury, which is highly sensitive to Fed policy, saw the sharpest move, finishing at 3.69%—down from 3.79% the day before. The 10-year Treasury yield eased to 4.26%. This decline reflects investors pricing in looser monetary policy ahead and signals renewed demand for safe-haven assets.
Impact: Lower yields reduce borrowing costs across the economy and often support equity valuations. However, they also reflect rising concern over slowing growth, making them a double-edged signal for investors.

The rapid rise of Chinese online retailers like Temu drew fresh scrutiny in Europe this week. Poland's Allegro chief urged the EU to act against what he called "dumping practices," pointing to tax exemptions for low-value imports that give foreign sellers an edge. Calls are growing in Brussels for tighter import rules, which could reshape the competitive landscape for European retailers and logistics firms.
Impact: Trade tensions are moving into the consumer space. While tougher rules could protect local businesses, they may also raise prices for consumers and complicate supply chains.

Despite global uncertainty, business surveys showed eurozone activity continuing to expand, led by strength in manufacturing. The data helped offset political and trade worries, lifting sentiment and supporting European indices toward the end of the week. The UK's FTSE 100 even touched a record high.
Impact: Solid business activity provides a stabilizing force for European markets, showing that underlying economic fundamentals remain relatively strong despite ongoing global turbulence.

Want to discuss how this impacts your clients?

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