

HIGHLIGHTS

Market Review

August 2025 was marked by competing narratives that swung from initial risk-off to recovery:

- Markets hit by fresh tariffs after the August 1 deadline, coupled with a weak US jobs report.
- However, equity markets recovered quickly with the S&P 500 inching to new highs amid a dovish shift from Fed Chair Powell (time for rate cuts!).
- US Treasuries rallied as yields declined (yield down = bond price up) delivering a >1.0% total return for investors. Safe-haven Gold also surged 4.8%, benefiting from rate cut bets and rising inflation concerns.
- The US dollar index weakened -2.2%, pressured by dovish Fed signals and easing expectations.

All Eyes On The Fed

"...with policy in restrictive territory, the baseline outlook and shifting balance of risks may warrant adjusting our policy stance"

Fed Chair Powell at Jackson Hole

- With contained inflation (so far) and softer labour markets, the Fed is widely expected to resume rate cuts in September 2025.
- Don't fight the Fed: All else equal, lower interest rates stimulate the economy and provide support to markets
- But pay attention to other drivers: While rate cuts amid ongoing economic expansion are favourable for markets, rate cuts delivered into recessionary conditions have coincided with more volatile outcomes..

Near-Term Outlook: Neutral

Neutral stance given resilient corporate earnings, but with uncertainty of tariffs on margins and inflation going forward. A softer labour market also provides less support ahead.

Positioning

Equities: Maintain a balanced approach across regions and sectors, which helps position us for multiple outcomes going forward.

Bonds: Cautious on High-Yield, preferring better quality Investment-Grade credits that provide good income with better resilience.

Alternatives: For flexible strategies, favour defensive positions such as Gold, and Insurance-Linked Securities (ILS) for high income with low correlation to traditional equity and bond markets.

Navigating Income

Amid an uncertain macro backdrop and rich valuations in broad market segments, income investors can navigate the environment by:

Going short on duration → Shorter-maturity bonds help to reduce sensitivity to rate swings to deliver steadier income with less volatility.

Diversify → Look beyond the US to diversify income streams. Select bond segments, such as Emerging Markets Debt (EMD), offer potential to benefit from a softer dollar.

Be selective → Richer valuation means being more selective today. We continue to find attractive value (and income) within select Investment Grade and Emerging Market bond segments.

Read the full commentary [here](#)

