

WEEKLY MARKET COMMENTS - - August 25, 2025

Wall Street rallied to its best day in months on Friday after the head of the Federal Reserve hinted that cuts to interest rates may be on the way, along with the boost they can give the economy and investment prices.

The S&P 500 leaped 1.5% for its first gain in six sessions, and finished just shy of its previous high set two weeks ago.

The Dow Jones Industrial Average soared 846 points, or 1.9%, to its own record for the first time since last December. The Nasdaq composite jumped 1.9%.

The hope among investors had been that Chair Powell would hint that the Fed's first cut to interest rates of the year may be imminent. Investors love lower rates because they can goose the economy, even if they risk worsening inflation at the same time.

President Donald Trump has angrily been calling for lower rates, often insulting Powell while doing so. And a very poor report on job growth earlier this month pushed many to assume that cuts may come as soon as the Fed's next meeting in September.

Powell encouraged them on Friday after saying he's seen risks rise for the job market. The Fed's two jobs are to keep the job market healthy and to keep a lid on inflation, and it often has to prioritize one over the other because it has just one tool to fix either.

But Powell also would not commit to any kind of timing. He said the job market looks stable at the moment, even if "it is a curious kind of balance" where fewer new workers are chasing after fewer new jobs. Inflation still has the potential to push higher because of potential presidential tariffs.

Powell said that "the stability of the unemployment rate and other labor market measures allows us to proceed carefully as we consider changes to our policy stance."

Treasury yields tumbled as bets built that the Fed would cut its main interest rate in September. Traders see an 83% chance of that, up from 75% a day earlier, according to data from CME Group.

The yield on the 10-year Treasury fell to 4.25% from 4.33% late Thursday. The two-year Treasury yield, which more closely tracks expectations for Fed action, sank to 3.69% from 3.79% in a notable move for the bond market.

Stocks of smaller companies led the way. They can benefit more from lower interest rates because of their need to borrow money to grow as the Russell 2000 jumped 3.9% for its best day since April and more than doubled the S&P 500's rally.

Homebuilders jumped on hopes that easier interest rates could encourage more people to buy homes. Travel companies, meanwhile, climbed amid hopes that easier interest rates could help U.S. households spend more.

Shares of Nio, a Chinese electric vehicle maker, that trade in the United States leaped 14.4% after it began initial sales of its flagship premium SUV model, the ES8.

INTC rose 5.5% after the President said that the chip company has allowed the U.S. government to take a 10% stake in its business. NVDA rose 1.7% to trim its loss for the week. The company, whose chips are powering much of the world's move in to A.I. had seen its stock struggle recently amid criticism that it and other superstars shot too high, too fast and became too expensive.

Its C.E.O.said Friday that the company is discussing a new computer chip designed with the administration. The chips are graphics processing units, or GPU's, used to build and update a range of AI systems. But they are less powerful than its best semiconductors today, which cannot be sold to China due to U.S. national security restrictions

This week sees the following earnings: Wednesday – NVDA; Thursday – DELL, DKS, DG, GAP. Economic reports include: Tuesday – August Consumer Confidence; Thursday – next look at 2Q G.D.P.

Donald M. Selkin

Chief Market Strategist
