# Week in review and ahead (vol.33)

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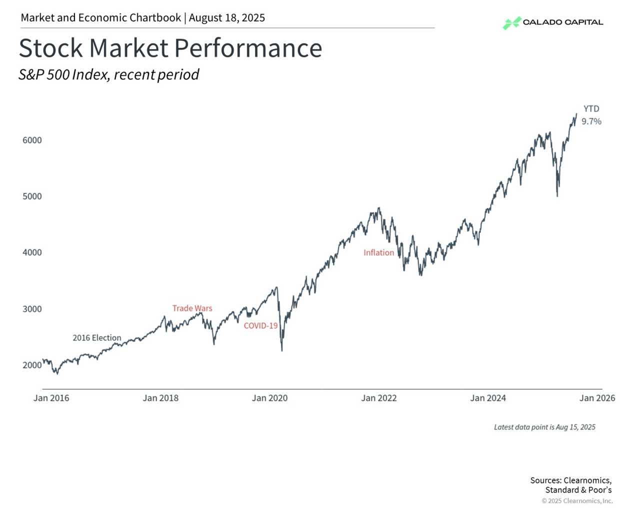
August 18, 2025

The equity markets in the US advanced for the week despite higher than expected core retail and wholesale inflation for July on a year-on-year ('YoY') basis, as markets' expectations for the Federal Reserve to cut rates continue to increase.

For the week, all major US indices advanced with small caps, as reflected with the Russell 2000 advanced the most, closing the week up higher by 3.1%. The S&P500 advanced 0.9% for the week, the tech-heavy Nasdaq Composite by 0.8%, while the Dow Jones saw gains of 1.7% for the week, all well within striking distance of all-time highs.

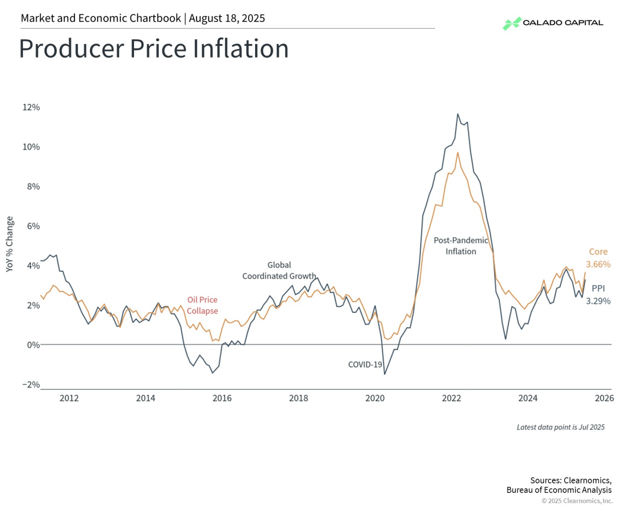
Internationally, all major equity markets advanced on the week, with the Nikkei in Japan posting the strongest gains of 3.7% for the week. The equity markets in China and Hong Kong were lifted by POTUS postponing the pause on China tariffs by another 90-days as negotiations are ongoing. Additionally, POTUS clarified that the US would not impose any tariffs on imported Gold, which had seen recent increases on speculation of tariffs pushing prices (in the US) higher.




Focus last week was squarely on US inflation with CPI and PPI reporting their respective readings for the month of July.

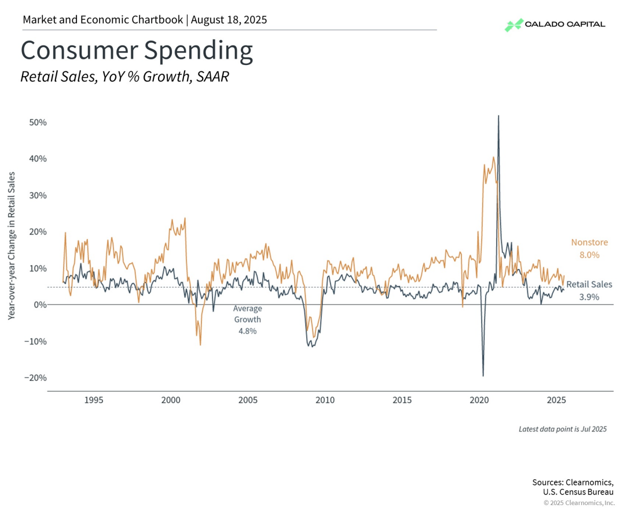
CPI headline for the month-over-month ('MoM') came in-line with expectations, increasing 0.2%, while on a YoY basis, the report was better than expected, with an increase of 2.7% compared to expectations of 2.8% and at the same level as the month before. Core CPI, however, excluding food and energy, saw inflation higher sequentially, albeit in-line with expectations. On a YoY basis, core CPI increased 3.1% as expected, but more than the 2.9% increase for June.

PPI headline and core, in contrast to CPI, did increase at a greater pace compared to expectations and sequentially. The PPI headline MoM increased by 0.9% compared to expectations of 0.2% and 0.0% in June. Similarly, PPI headline on a YoY basis increased by 3.3% well ahead of expectations and the 2.3% reported for June. The core readings of the index showed similar trends, both on a MoM and YoY basis. On a YoY basis the core PPI advanced 3.7%, well above expectations of 2.9% and the 2.5% increase reported for June. With CPI readings somewhat in-line with expectations, however, markets appear to downplay wholesale inflation (which generally is given less weight than retail inflation, in any event) as expectations that the Fed will change course in monetary policy and cut rates have increased, particularly since the weak July job growth report previously.




Besides inflation, markets were given an update on the state of the consumer with US retail sales for July, both on headline and ex-auto, coming in as expected, increasing by 0.5% and 0.3%, respectively, however, growing at a slower pace sequentially that were nearly double July's growth rates, or 0.9% and 0.8%, respectively in June.

Initial weekly jobless claims were better than expected and marginally sequentially. For the week claims were 224K vs 229K expected and 226K last week. Continuing claims dropped to 1.953M from a post-pandemic high of 1.974M last week providing some support that the labor market may remain resilient.




Next week will focus on Fed chair Powell's speech from Jackson Hole's central bank symposium with market looking for any indication that the Fed may indeed be considering a change in its monetary policy. Prior to, markets will get an update on the housing market that has seen extensive weakness and lower activity as the extended timeline of higher interest rate appear to have reduced demand, amidst home prices which continue to remain elevated and as such have not (yet) seen a meaningful drop.

Finally, markets will look to big box retailers' earnings in the US to garner additional insight to the state of the consumer and respective outlook.

If you have questions about how this may impact your investments, or how you should be positioned, please do not hesitate to contact us at claudio@caladocapital.com.



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