

# WEEKLY STRATEGY Perspectives



Private Wealth

WEEK ENDED AUGUST 29, 2025

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## Seeking Sanity in a World Gone Delulu

*"Delulu: a play on the word delusional, means 'believing things that are not real or true, usually because you choose to.'"*

– Oxford Dictionary August 2025 update.<sup>i</sup>

**The Through Line:** In what would normally be a quiet march toward a late summer holiday weekend, the (headline) hits just keep coming. Questions abound re Fed independence and data reliability; deployment of troops to U.S. cities and the South Caribbean; unconventional government stakes in private businesses and profit streams; a fresh round of tariffs on furniture and secondary levies on India. Oddest of all: despite the anxiety-laced news feed, U.S. and Canadian equity markets remain near all-time highs. The cognitive dissonance is downright jarring. Post-Labor Day, we expect the news flow to remain fraught and so offer a few tips to help keep everything in perspective.

### There's a new word for that

Against the backdrop of all the troubling news from the past few weeks, it was delightful to discover a list of newly coined words added to the Oxford English dictionary including skibidi, brologarchy, work spouse, tradwife, Generation Alpha and – my personal favorite – delulu.<sup>ii</sup> With heartfelt apologies to all the Gen Zers out there for whom I've irrevocably destroyed the use of your word (by virtue of my generational cohort), I couldn't resist co-opting it for this week's piece because it perfectly describes the disconnect between worrisome headlines and worry-free markets.

### The (economic) view from Jackson Hole

Take last Friday's much-anticipated keynote speech by the outgoing Chairman of the U.S. Federal Reserve, Jerome Powell. At the Kansas City Fed's annual economist gathering in Jackson Hole, Wyoming, investors anticipated his talk would portray a steady, non-committal walk down the "patient and data dependent" path. After describing the challenges on both sides of the Fed's dual mandate (maintaining steady prices and stable employment), Chair Powell noted *"with policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance."*<sup>iii</sup>

Wait – what?! Stock and bond markets immediately rallied hard; the Dow was up over 1,000 points intraday and broader indexes up 2% to 4% by day's close. Short rates declined by 10 to 12 basis points and odds of a September rate cut (as projected in futures markets) moved to over 90% – basically a done deal. A mere 20 words obliterated virtually everything else that came before and after. Yet those paragraphs contained some key points. On closer inspection, the Chair may have been less dovish (a.k.a. pointing to a series of rate cuts) than the markets were assuming. A few other points gleaned from the transcripts:

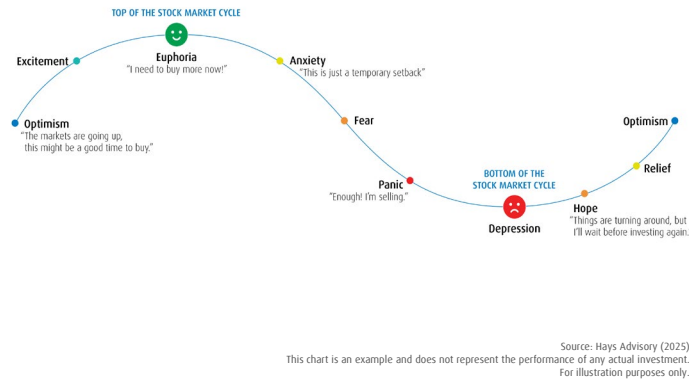
- **policy changes are happening simultaneously and on multiple fronts** (trade, tax, regulatory, immigration), impacting supply and demand in both positive and negative ways. The full import has yet to filter all the way through the system – and is exceedingly difficult (if not impossible) to accurately model
- it remains to be seen whether the ultimate impact is predominantly **cyclical** (which the Fed/monetary policy can influence) or **structural** (where monetary policy is not effective)
- **in describing the employment markets, Chair Powell noted they were in a state of "curious balance."** Companies aren't letting people go in a big way (though attrition and selective realignments are happening). Nor are they replacing them when they do go. The supply side is also being impacted by immigration policy and high levels of baby boomer retirements. We believe the commentary around labor is meant to prepare observers for a new framework they can use to assess the labor market's health. Muted levels of demand could mean that reports of low, or even no, job creation could still indicate healthy labor markets. Even if demand for labor is steady, a steady-to-shrinking supply of workers shouldn't necessarily lead to overt upward wage pressure, given the deployment of labor-saving technology (e.g., AI, robotics, migration to the cloud, process improvements). Chair Powell has noted it will be essential to monitor the overall employment rate as these factors play out.

### "Don't Worry, Be Happy"

In early March, when the trade war was in its infancy and markets were struggling, we wrote: *"Though headwinds and tailwinds swirl simultaneously on most days, investors have a way of putting a thumb on the sentiment scale to emphasize one side or the other depending upon the prevailing mood. When things are running well, time horizons extend, disconcerting news that doesn't support the narrative is discounted and risk-on trades are justified (AI and Mag 7 anyone?). Conversely, when the door to the worry closet*

opens, a whole host of things spill out, bringing the time frame of concern from 'next decade' to 'end of day.' **Market pendulums swing from greed to fear and back again (chart) with amazing regularity.**<sup>iv</sup> How fascinating that we've round-tripped through both extremes in just the last eight months.

### Investing and Emotions



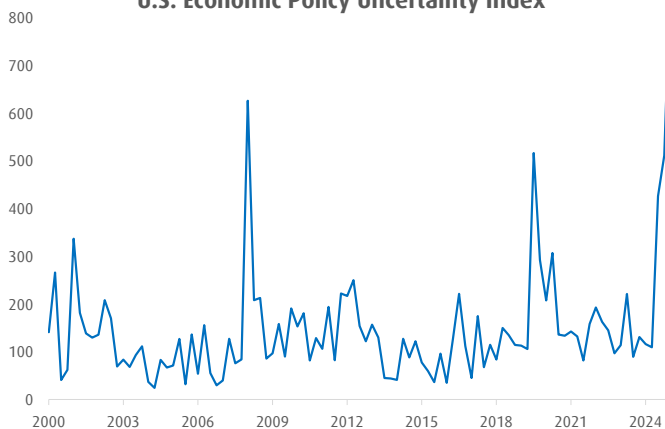
Capital markets proved resilient despite the barrage of wide-ranging headlines for a relatively simple reason: **fundamentals remained constructive.**

For example, during the most recent Q2 report period, aggregate earnings growth was nearly 12% based on more than 90% of companies reporting. Even removing Mag 7 names, earnings growth was nearly 6% versus the flat results projected when the quarter began.<sup>v</sup> According to FactSet's most recent *Earnings Insight Report* (8/8/25), mentions of "recessions" in earnings calls dropped by nearly 90% from the prior quarter.<sup>vi</sup>

### Fundamentals – even clearer skies ahead?

- **Consumers**, responsible for more than two-thirds of U.S. economic activity, remain the unequivocal bedrock of the economy. Buoyed by a historically low unemployment rate, they have continued to spend, albeit with increasing selectivity and a ready willingness to substitute products, brands and experiences for the utmost perceived value.
- **Businesses** exercised the muscle memory honed through pandemic, supply-chain and trade-war 1.0 disruptions to adapt where they could. More recently, the passage of the One Big Beautiful Bill (OBBB), regulatory easing, and some clarity on specific sectoral and reciprocal tariffs should help ease the extreme levels of policy uncertainty.

#### U.S. Economic Policy Uncertainty Index



- **Regional Fed presidents** confirm that they are hearing more constructive comments from business leaders in their respective regions. The Fed's latest Beige Book (the regional summary of district-by-district frontline observations published eight times per year) saw a decline in mentions of "uncertainty."
- **Recent economic reports**, including this week's durable goods orders (excluding the volatile aircraft orders), came in above expectations, a hint that the business-friendly tax aspects of the OBBB may have revived some shelved activity.

### What's an investor to do?

Parsing short-term noise from long-term fundamental change is difficult at the best of times. It's an especially trying task when the quantity of potential change is as vast as global investors have faced this year. With markets at new highs, valuations are full (even though Q2 earnings came in above expectations), leaving little wiggle room for disappointment. Then, too, Chair Powell noted last week it is still too early to tell precisely how the various policy shifts will ultimately impact supply and demand of labor, capital and spending power. While we wait, a few strategies can support the search for sanity:

- **Focus (obsessively) on fundamentals** – earnings call transcripts and the Fed's Beige Book are great places to start for industry/company insights from the front lines. Various economic data series, particularly a careful search through the underlying details, can also reveal nuances of how economic activity is progressing.
- **Understand that market technicals can make for unusual near-term market action** that is ultimately meaningless for the long term. Examples include low-volume days (August is notorious for this, plus Friday afternoons before long holiday weekends); large algorithmic trades or rebalances; short-covering; passive fund buys/sells as indexes are reconstituted; triple witching (quarterly expiration of options, futures, and options on the futures simultaneously expire, forcing unwinding of trades); or year-end mutual fund window dressing.
- **Focus on what you can control** – the personal spend rate from your assets, turnover, tax-loss harvesting, transaction and management costs.
- **Practice basic portfolio hygiene a.k.a. diversification and regular rebalancing** – periodic/scheduled reassessment can help keep your psyche grounded. One simple exercise might involve reviewing the year and taking some or all of the gain to redirect to other activities or assets.
- **Avoid doomscrolling headlines in order to help keep emotions in check** – our natural wiring drives us to react immediately (and often hyper-emotionally) to breaking news. **Yet we are the only species blessed with the ability to pause before responding.** Training ourselves to use that space to inform our decision-making can help soothe short-term nerves and set the tone for wiser long-term investment decisions. A pause to think, plus regular conversations with your investment advisor, can help you keep things in perspective and avoid a descent into delulu.

## In focus in North America

Jon Borchardt, Sr. Analyst

George Trapkov, CFA, VP and Portfolio Manager

### This week

**Canada bank earnings, so far** – Canada's major banks reported their Q3 earnings this past week, with overall results from the group showing resilience in response to economic headwinds amid the trade war with the U.S. The average year-over-year earnings growth came in at a rate of 6%. Solid growth across the group was supported by steady net interest margins, continued growth in the Wealth Management and Capital Markets businesses, as well as lower than expected provisions for credit losses compared to the previous quarters. Overall, CEO commentary from each bank remained cautiously optimistic about the remainder of 2025, highlighting the risks that remain in credit markets, as well as the overall direction of the Canadian economy and labor market.

**Challenges to Fed independence still on the front burner** – In a recent Truth Social post, U.S. President Donald Trump announced the removal for cause of Federal Reserve Governor Lisa Cook, citing allegations that she made false statements on mortgage applications prior to her appointment to the central bank board. No proof has been offered to date, no charges have been filed, and no court ruling has validated the administration's assertions, implying that legal cause has not been established. In May, the Supreme Court ruled that the President has broad authority to remove leadership from independent government agencies – with the caveat that the Federal Reserve "is a uniquely structured, quasi-private entity," which affords a distinct level of protection to its Board of Governors. The conflict may take time to play out, leaving investors focused on the heightened prospects of a September rate cut. For more on the criticality of Fed Independence, see: [WSP – Fed Under Fire](#).

**U.S. administration takes industrial policy in new directions** – On August 7, President Trump posted on Truth Social that Intel CEO Lip-Bu Tan was "highly conflicted and must resign." A follow-up post August 22 notified investors that Mr. Trump had forged a deal with Intel's "highly respected" CEO under which the U.S. government would take a 10% stake in the company. Commerce Secretary Howard Lutnick told *CNBC* the Intel deal could extend to other sectors. As an example, Secretary Lutnick pointed to Lockheed Martin (LMT), the world's largest defense contractor. He argued that the government should get a piece of the action – logic that could extend to other defense firms such as General Dynamics (GD) and Boeing (BA). Arrangements like these could create national champions but also conflicts of interest. A recent agreement between the Department of Defense and MP Minerals (MP) gave the government a 15% stake that both sides viewed as mutually beneficial.

**Canada's economy likely contracted in Q2** – Real GDP for Q2 of this year is set to be released Friday, with initial estimates showing a slight contraction due to reduced exports of steel, aluminum and autos to the U.S., along with delayed business investment. Investors will be watching the initial July GDP estimate to determine if the Canadian economy has entered a technical recession. This trend is expected to remain into Q3, with growth projected to pick up later in 2025.

### Waiting game on September Bank of Canada rate decision –

The BoC has remained on pause for each of the last three policy meetings after cutting rates further and faster than its U.S. counterpart. Now with Federal Reserve Chair Jerome Powell signaling there may be a rate cut in the U.S. at the September meeting, this begs the question; will the BoC follow suit? Much of it depends on the GDP report later this week, and likely requires the next CPI report to show some resolve in core inflation, which has run about a half percentage point above target during the previous three-month trend.

### Next week

Back to school, back to work, markets back in action post-Labor Day holiday. The Fed's Beige Book on Wednesday is always a nice magnifying glass on Main Street trends. ISM, PMI and key readings on the health of labor markets in both the U.S. and Canada.

**Monday 9/1** – Markets closed for Labor Day holiday

**Tuesday 9/2** – U.S. S&P manufacturing PMI, ISM manufacturing, Construction spending | Canada S&P Global manufacturing PMI

**Wednesday 9/3** – U.S. Fed's Beige Book | Canada Labour productivity

**Thursday 9/4** – U.S. Weekly jobless claims, Trade deficit, S&P services PMI, ISM services | Canada Balance of Trade, S&P Global composite and services PMIs

**Friday 9/5** – U.S. Employment reports | Canada Unemployment reports

## Data scorecard as of August 29, 2025

Equity Market Total Returns						
	8/27/2025 Level	WTD	YTD	2024	2023	2022
S&P 500	6,481	0.2%	11.1%	25.0%	26.3%	-18.1%
NASDAQ	21,590	0.4%	12.3%	29.6%	44.7%	-32.5%
DOW	45,565	-0.1%	8.3%	15.0%	16.2%	-6.9%
Russell 2000	2,374	0.5%	7.4%	11.5%	16.9%	-20.5%
S&P/TSX	28,433	0.4%	17.0%	21.7%	11.8%	-5.8%
MSCI EAFE	9,882	-1.8%	22.3%	3.8%	18.2%	-14.5%
MSCI EM	689	0.1%	20.0%	7.5%	9.8%	-20.1%
Bond Market Total Returns						
		WTD	YTD	2024	2023	2022
Bloomberg U.S. Aggregate		0.1%	5.0%	1.3%	5.5%	-13.0%
Bloomberg U.S. Treasury		0.1%	4.4%	0.6%	4.1%	-12.5%
Bloomberg U.S. Corporate		0.0%	5.4%	2.1%	8.5%	-15.8%
Bloomberg U.S. High Yield		0.4%	6.3%	8.2%	13.4%	-11.2%
Bloomberg 1-10 Year Munis		0.1%	3.0%	0.9%	4.5%	-4.7%
Bloomberg Canada Aggregate		-0.1%	0.3%	4.0%	6.5%	-11.3%
Bloomberg Canada Treasury		-0.1%	0.0%	2.9%	5.0%	-9.9%
Bloomberg Canada Corporate		-0.1%	2.1%	6.9%	8.2%	-9.5%
Government Bond Yields						
	8/27/2025	Last Month End	Last Quarter End	2024	2023	2022
U.S. 10-Year Treasury	4.24%	4.38%	4.23%	4.57%	3.88%	3.88%
Canada 10-Year Government	3.45%	3.46%	3.27%	3.23%	3.11%	3.30%
U.K. 10-Year Gilt	4.73%	4.57%	4.49%	4.56%	3.53%	3.66%
German 10-Year Bund	2.70%	2.69%	2.61%	2.36%	2.02%	2.57%
Japan 10-Year Government	1.62%	1.55%	1.43%	1.09%	0.61%	0.41%
Currencies & Real Assets						
	8/27/2025 Level	WTD	YTD	2024	2023	2022
USD Index	98.23	0.5%	-9.5%	7.1%	-2.1%	8.2%
CAD:USD	\$0.73	0.2%	4.3%	-7.9%	2.3%	-6.7%
Bitcoin	\$112,421.91	-3.9%	20.0%	120.5%	157.0%	-64.3%
Gold	\$3,397.37	0.8%	29.4%	27.2%	13.1%	-0.3%
Oil (WTI)	\$64.15	0.8%	-10.6%	0.1%	-10.7%	6.7%

\*Benchmark data does not reflect actual investment performance but reflects benchmark results of the underlying indices referenced. You cannot invest directly in an index. Index definitions can be found at the end of this publication.

## Index Definitions

### Equity indices

**S&P 500® Index** is an index of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

**NASDAQ Composite Index** is a market-cap weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange.

**Dow Jones Industrial Average ("DOW")** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

**Russell 2000® Index** (Russell 2000®) is an unmanaged index that measures the performance of the smallest 2000 U.S. companies in the Russell 3000® Index.

**S&P/TSX Index** is a capitalization-weighted equity index that tracks the performance of the largest companies listed on Canada's primary stock exchange, the Toronto Stock Exchange (TSX).

**MSCI EAFE Index (Developed Markets —Europe, Australasia, and Far East Index)** is a standard unmanaged foreign securities index representing major non-U.S. stock markets, as monitored by Morgan Stanley Capital International. The index captures large and mid-cap representation across 21 developed markets countries around the world, excluding the U.S. and Canada.

**MSCI Emerging Markets Index** is a market capitalization weighted index representative of the market structure of the emerging markets countries in Europe, Latin America, Africa, Middle East and Asia. Prior to January 1, 2002, the returns of the MSCI Emerging Markets Index were presented before application of withholding taxes.

### Fixed income indices

**Bloomberg U.S. Aggregate Bond Index** is an unmanaged index that covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities.

**Bloomberg U.S. Treasury Index** is an unmanaged index that includes a broad range of U.S. Treasury obligations and is considered representative of U.S. Treasury bond performance overall.

**Bloomberg U.S. Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

**Bloomberg U.S. Corporate High Yield Index** is an unmanaged index that covers the USD-denominated, non-investment-grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+ or below.

**Bloomberg 1-10 Year Blend Municipal Bond Index** is a market value-weighted index which covers the short and intermediate components of the Bloomberg Capital Municipal Bond Index — an unmanaged, market value-weighted index which covers the U.S. investment-grade tax-exempt bond market.

**Bloomberg Canada Aggregate Bond Index** measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market. It includes treasuries, government-related, and corporate issuers.

**Bloomberg Canada Aggregate Bond Index - Treasury** is the treasury sub-component of the Bloomberg Canada Aggregate Bond Index, which measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market.

**Bloomberg Canada Aggregate Bond Index - Corporate** is the Corporate sub-component of the Bloomberg Canada Aggregate Bond Index, which measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market.



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<sup>i</sup> Cambridge Dictionary adds skibidi, delulu and tradwife | Cambridge University Press & Assessment

<sup>ii</sup> ibid

<sup>iii</sup> Speech by Chair Powell on the economic outlook and framework review - Federal Reserve Board

<sup>iv</sup> Weekly Strategy Perspectives - Breathe - March 5, 2025

<sup>v</sup> Are "Magnificent 7" Companies Still Top Contributors to Earnings Growth for the S&P 500 for Q2?

<sup>vi</sup> FactSet Insight - Commentary and research from our desk to yours | Earnings