Market Update

AUGUST 2025

Seacoast WEALTH MANAGEMENT

“Digitization, Electrification, Financialization”

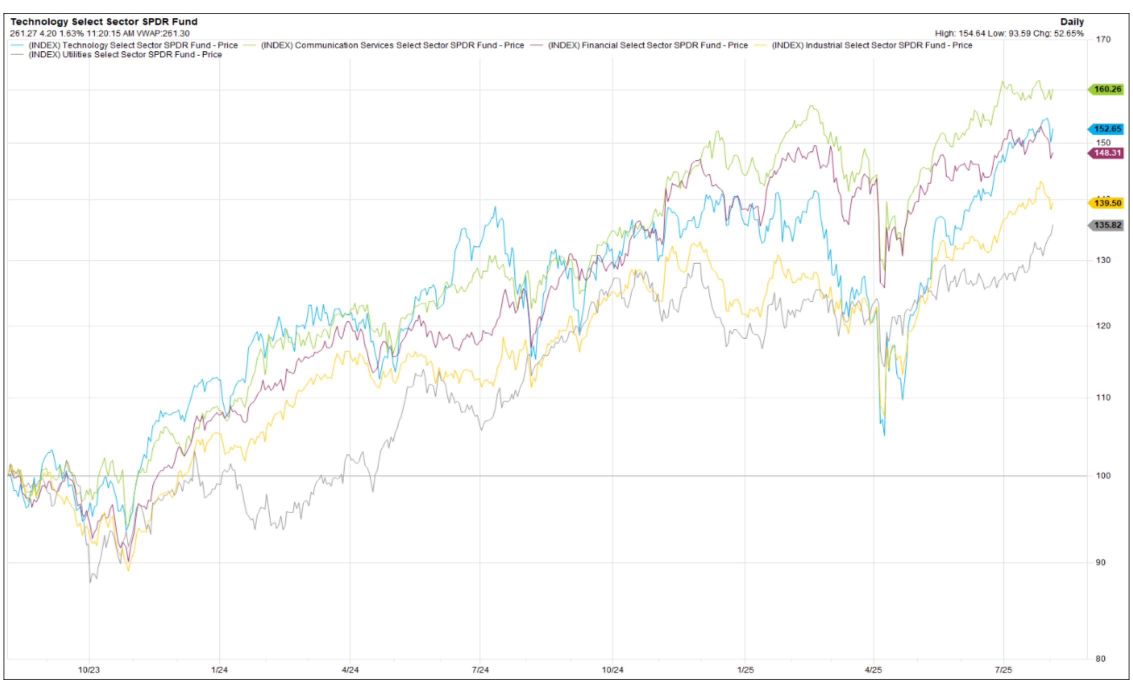
Index	July 2025*	YTD 2025*
S&P 500	2.2%	8.6%
Russell 2000	1.7%	-0.1%
MSCI World, Ex-US	-1.2%	18.0%
Bloomberg AGG Bond	-0.5%	3.6%

*Total Returns Source: Factset Data

As illustrated in the chart below, the three key trends highlighted in our title continue to drive nearly all economic growth and equity market upside in 2025. Microsoft (MSFT) posted a 39% year-over-year increase in Azure intelligent cloud services revenue, underscoring stronger-than-expected second-quarter results across much of the technology sector.

The financial sector has also rallied, buoyed by more favorable regulatory signals, substantial excess capital, rational growth opportunities in crypto, and a resurgence in corporate merger activity.

Meanwhile, the rapid expansion of artificial intelligence computing is fueling demand for two critical resources: massive new compute infrastructure and electricity generation. This trend is reflected in Corning’s (GLW) earnings beat, driven by surging demand for fiber optic cable, and Southern Company’s (SO) announcement of a $13 billion expansion to its already significant capital investment plan for electric generation, distribution, and natural gas pipelines.



Source: Factset Data Research

Summary of ABSOLUTE MEAN revisions between nonfarm payroll employment over-the-month estimates, 1979-present

Time Period**	Seasonally adjusted			Not seasonally adjusted		
	2nd - 1st	3rd - 2nd	3rd - 1st	2nd - 1st	3rd - 2nd	3rd - 1st
1979 - 2003	48	29	61	46	53	83
2003 - present	33	34	51	47	18	53
Total All Periods	41	31	57	46	37	69

Source: US Bureau of Labor Statistics, in thousands

July concluded with significant developments on the macroeconomic front. The U.S. Bureau of Labor Statistics issued substantial downward revisions to prior monthly job creation estimates, while the FOMC meeting ended with a rare split vote on monetary policy. As shown in the table above, since 1979, average monthly revisions to nonfarm payrolls have typically ranged from +31 to +69, depending on seasonal adjustments. In stark contrast, 2025 revisions have ranged from +11 to -125—a shocking deviation.

While theories abound (some even conspiratorial) regarding the cause of this spike in error rates, our primary concern lies in the market volatility stemming from eroding trust in key government-reported economic data.

On the monetary policy front, the recent 9-2 vote to maintain the current Fed Funds rate marked the first instance in over 30 years with more than one dissenting vote. Rates markets now assign a 75%+ probability of a 25 basis point rate cut in September. Barring an inflationary shock in the next two months, the Federal Reserve appears poised to resume easing.

Aside from misses in healthcare and materials that we smartly moved on from, stock selection at Seacoast Wealth Management has been strong year-to-date. In addition to previously mentioned names, we've seen excellent performance from Citigroup (C), BNY Mellon (BK), Cardinal Health (CAH), L3Harris (LHX), and Oracle (ORCL). In each case, these companies have strong management teams intelligently leveraging advantaged market positions for outsized growth.

In fixed income, our strategy of constructing shorter-duration ladders across corporate and government bonds continues to generate competitive returns with minimal risk.

As always, we appreciate the opportunity to work with you, and if you have any questions, please do not hesitate to reach out to your Seacoast Wealth Management Associate.