Cross Border Financial Planning USA LLC

MARKET MONITOR

Month in Review: August 2025

Index	Asset Class	2025 Aug	2025 YTD	2024
Equity Indexes		**Total Returns**		
Russell 3000	U.S. Equity	4.02	10.58	23.81
S&P 500	Large Cap U.S. Equity	3.68	10.79	25.02
Russell 1000	Large Cap U.S. Equity	3.79	10.76	24.51
Russell 2000	Small Cap U.S. Equity	9.36	7.06	11.54
MSCI All Country World	Global Equity	4.24	14.27	17.93
MSCI All Country World (Ex U.S.)	International Equity	4.82	23.94	4.93
MSCI Europe, Asia & Far East (EAFE)	International Developed Market Equity	4.67	23.31	4.35
MSCI Emerging Markets (EM)	International Emerging Market Equity	2.87	19.63	8.05
Fixed Income Indexes				
Bloomberg U.S. Aggregate Bond	U.S. Investment Grade Bond	0.38	4.99	1.25
Bloomberg Municipal Bond	U.S. Investment Grade Muni Bond	0.47	0.32	1.05
Bloomberg Municipal Bond High Yield	U.S. Muni Bonds (Below Investment Grade)	0.11	-1.31	6.32
Bloomberg U.S. Corp. High Yield	U.S. Corp Bonds (Below Investment Grade)	1.38	6.35	8.19
Index Blends: Stock/Bond				
80%/20%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		3.14	12.44	14.09
60%/40%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		2.45	10.58	10.77
40%/60%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		1.76	8.72	7.53
20%/80%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		1.07	6.86	4.35

Data as of 8/31/2025. Sources are Ycharts for Index returns, and Envestnet Tamarac for Index Blend returns, based on monthly rebalancing.

Please see important disclosures at end of this report.

Market Overview

August was a month of steady gains for the S&P 500, supported by robust corporate earnings, easing inflation cues, and rising confidence in impending Federal Reserve easing. After an initial dip, the index rebounded strongly, finishing on a high note with several individual stocks delivering standout performance. It also set new all-time highs, closing at 6,501.86 on August 28. [1]

August saw a notable divergence between large and small-cap performance. Small caps, represented by the Russell 2000, surged and far outperformed large cap indices. This rally was driven by dovish signals from the Federal Reserve particularly Jerome Powell's speech at Jackson Hole which heightened expectations for interest rate cuts, alongside supportive fiscal policy and encouraging small-cap earnings forecasts. [2]

Credit conditions in the bond market remain exceptionally favorable. As of late August, the spread on investment-grade corporate bonds narrowed to roughly 0.78 basis points, reflecting robust investor demand and reduced borrowing costs for high grade issuers. Still, risks like economic slowdown or widening Treasury yields could reverse this trend. [3]

The U.S. economy showed a mixed recovery in August. The ISM Services PMI climbed to 52.0 (from 50.1 in July), suggesting moderate sectoral expansion. However, the services employment index stayed low at 46.5, indicating continued contractions in hiring. Meanwhile, new orders rose to 56.0, hinting at some underlying demand. [4] Jobless claims remained slightly elevated to nearly 237,000 weekly, reinforcing concerns about employment resiliency. [5]

Reference(s):

1) *"Stocks Hit Highs on Strong Spending, AI Investments." NYPost.com, New York Post, 28 Aug. 2025, https://nypost.com/2025/08/28/business/stocks-hit-all-time-highs-as-us-economy-grows-faster-than-expected/*
2) *"Small-Cap Stocks Are Rallying Again." Barrons.com, Barrons, 29 Aug. 2025, https://www.barrons.com/articles/small-cap-stocks-to-buy-now-afbd196c?utm_source*
3) *"Bond Spreads Near 1998 Lows." Barrons.com, Barrons, 30 Aug. 2025, https://www.barrons.com/articles/bond-spreads-corporate-treasuries-recession-249dcc42*
4) *"US Service Sector Regains Speed in August." Reuters.com, Reuters, 4 Sep. 2025, https://www.reuters.com/business/us-service-sector-regains-speed-august-employment-weak-2025-09-04/*
5) *"US Initial Jobless Claims Rise to Highest Level Since June." Bloomberg.com, Bloomberg, 4 Sep. 2025, https://www.bloomberg.com/news/articles/2025-09-04/us-initial-jobless-claims-rise-to-highest-level-since-june*

Index Definitions:

Russell 3000 – Index comprised of 3,000 largest U.S. stocks by market capitalization.

Russell 1000 – Index comprised of 1,000 largest U.S. stocks by market capitalization.

Russell 2000 – Index comprised of 2,000 smaller U.S. stocks by market capitalization within the Russell 3000.

S&P 500 – Compilation of 500 major U.S. stocks meeting certain criteria; market capitalization and float-weighted.

MSCI All Country World – Global equity index across market capitalizations with about 2,800 constituents, representing about 85% of the free float-adjusted market capitalization across 23 developed and 27 emerging markets.

MSCI All Country World ex USA – Global equity index across market capitalizations, which excludes the U.S., with about 2,300 constituents which represents free float-adjusted market capitalization across 22 developed and 27 emerging markets.

MSCI Europe, Asia & Far East (EAFE) – International equity index across market capitalizations, which excludes North America, with about 840 constituents which represents free float-adjusted market capitalization across 21 developed markets.

MSCI Emerging Markets (EM) – International equity index across market capitalizations with about 1,400 constituents which represents free float-adjusted market capitalization across 27 emerging markets.

Bloomberg U.S. Aggregate Bond – Widely followed bond benchmark comprised of investment grade, U.S. dollar denominated, fixed rate taxable bonds including Treasuries, government-related, corporate, mortgage-backed, and agency.

Bloomberg Municipal Bond – Broad benchmark of the US municipal tax-exempt investment grade bond market.

Bloomberg Municipal High Yield Bond – U.S. index of municipal bonds that are either not rated or rated below investment grade.

Bloomberg U.S. Corporate High Yield Bond – Index of fixed rate U.S. dollar denominated corporate bonds rated BB+ or below by Fitch and S&P.