Amadeus Wealth Alternatives
Your Compass to Alternative Investments

WEEKLY ECONOMIC UPDATE AUG. 18, 2025

Stocks rose last week despite mixed signals on inflation as investors kept one eye on the Fed's September meeting.

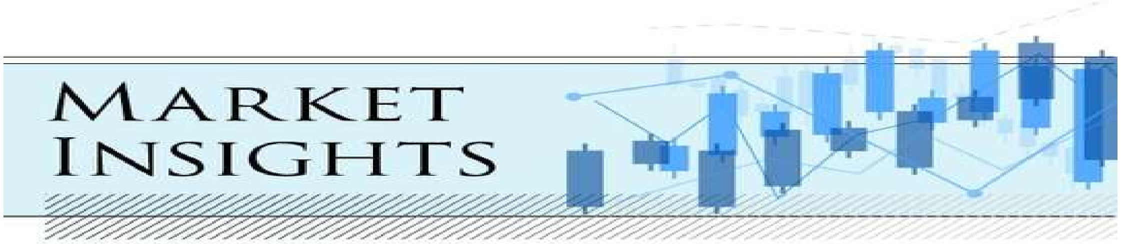
The Standard & Poor's 500 Index advanced 0.94 percent, while the Nasdaq Composite Index added 0.81 percent. The Dow Jones Industrial Average rose 1.74 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, increased 2.16 percent.[1,2]

Third Gain in Four Weeks

Stocks posted modest losses to start the week as investors braced for July consumer inflation reports. The White House's executive order on Monday extending the tariff deadline for China by 90 days failed to move markets in the other direction.[3]

Stocks then staged a two-day rally following the latest Consumer Price Index (CPI) report, which showed July inflation held steady over the prior month—beating expectations. The inflation news led some investors to move into small-cap stocks, with the Russell 2000 Index of small-cap stocks rising 5 percent over Tuesday and Wednesday.[4]

However, markets slipped Thursday as investors dug into the Producer Price Index (PPI) for July, which showed wholesale inflation hit a 3-year high last month; this was the third weekly gain in the past four weeks for each of the three major averages; the S&P and Nasdaq advanced four of the last five weeks.[5,6,7]



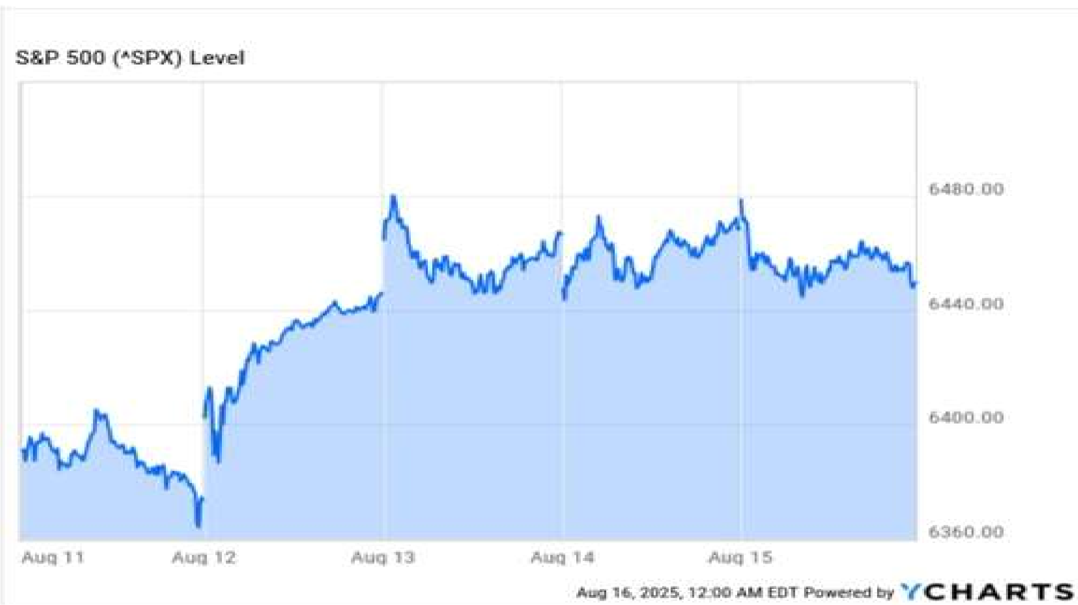
YCHARTS

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
Nasdaq Composite	5.22%	12.87%	27.15%	104.5%
S&P 500	3.27%	10.84%	20.16%	106.7%
MSCI EAFE	2.98%	22.99%	19.96%	66.92%
Dow Jones Industrial Average	1.09%	6.61%	14.21%	77.23%

S&P 500 Daily Close



10-Year Note Review

Indicator Name Date	Latest Value	1M Ago 3M Ago 1Y Ago	1M Change 3M Change 1Y Change
10 Year Treasury Rate 08/15/25	4.33%	4.50% 4.45% 3.92%	-3.78% ▼ -2.70% ▼ 10.46% ▲

A Mixed Inflation Story

Inflation continues to give mixed signals, which can unsettle investors who anticipate the Fed adjusting rates at its September meeting.

Last week's CPI report showed that "headline" (retail) inflation held steady. Stocks rose in response, even though core inflation—excluding volatile food and energy prices—was hotter than economists expected.

Two days later, the PPI report revealed that inflation began to creep into wholesale prices in July. Stocks fell in response as investors processed the conflicting reports.[8,9]

This Week: Key Economic Data

Monday: Homebuilder Confidence Index.

Tuesday: Housing Starts. Building Permits. Federal Reserve Official Michelle Bowman speaks.

Wednesday: Minutes from Fed's FOMC July Meeting. Federal Reserve Official Christopher Waller and Atlanta Fed President Raphael Bostic speak.

Thursday: Weekly Jobless Claims. Services & Manufacturing PMI Composite. Existing Home Sales. Leading Economic Indicators. 30-Year TIPS (Treasury Inflation-Protected Securities) Auction. Fed Balance Sheet. Atlanta Fed President Raphael Bostic speaks.

Friday: Fed Chair Jerome Powell speaks.

Quote of the Week

"When they call the roll in the Senate, the Senators do not know whether to answer 'Present' or 'Not guilty."

– Teddy Roosevelt

Of Note

When asked how far the US government has plunged into the red, many fiscally-conscious Americans will tell you the national debt has reached $37 trillion. As distressing as that official number is, America's true fiscal situation is even worse — far worse.

According to a barely publicized Treasury report, the actual grand total of Uncle Sam's obligations is more than $151 trillion. That huge discrepancy springs from the fact that the federal government doesn't hold itself to the same accounting standards it imposes on businesses. Rather than using accrual accounting — which recognizes expenses when they're incurred — our Washington overlords self-servingly use simple cash accounting, only recognizing expenses when they're paid. As a result, discourse on federal obligations solely focuses on the national debt, comprising Treasury bills, notes and bonds.

Once a year, however, an obscure report delivers a more accurate version of Uncle Sam's balance sheet. While it receives almost no attention from journalists or public officials, the Treasury Department is required to submit an annual report to Congress detailing the government's financial condition. Critically, the 1994 law compelling this report mandates that it reflect "unfunded liabilities" — that is, commitments made without any dedicated assets or income streams to ensure they'll be kept.

One of the larger categories of those unfunded liabilities is future federal employee and veterans benefits. At the end of the 2024 fiscal year, this alone represented a $15 trillion obligation. However, by leaps and bounds, the largest unfunded liabilities spring from America's social insurance obligations — primarily Social Security and Medicare. At fiscal-year end, these liabilities totaled a towering $105.8 trillion.

Stacking these and other unfunded liabilities on top of the publicly held national debt and other obligations, you arrive at a grand total of $151.3 trillion at the end of the 2024 fiscal year. Offsetting that by an estimated $7.9 trillion in US government commercial assets — including property, plant, equipment and purported gold holdings — a Just Facts analysis puts Uncle Sam at an overall net-negative $143 trillion.

Writing at the Heartland Institute, Just Facts president James Agresti put that nearly-incomprehensible total in perspective: "$143 trillion amounts to 85% of the net wealth Americans have accumulated since the nation's founding, estimated by the Federal Reserve to be $169 trillion. This includes all of their assets in savings, real estate, corporate stocks, private businesses, and even consumer durable goods like automobiles and furniture."

Those numbers reflected the government's position on Sept 30, 2024. They've not only grown significantly worse in the intervening months, they're deteriorating at a blistering pace even as you read this: Not even counting the unfunded liabilities that represent the biggest part of the problem, the national debt alone is increasing at something like $156 million per hour.

Wrangling over the budget isn't going to save us. Congressional debates tend to center on discretionary spending — outlays that require a vote by Congress during the appropriations process. However, America's steady march to insolvency is driven by so-called mandatory spending, which is hardwired by previously enacted laws.

In what may be the most ominous indication that the government is on an autopilot-course for catastrophe, the proportion of total federal outlays driven by mandatory spending has more than doubled since 1965 — from 34% to 73% in 2024. It was at 71% just two years earlier, in 2022.

The two largest examples of mandatory spending are Social Security and Medicare. Those old-age programs are now well within sight of a crisis that's been warned about for a generation: According to the latest report from their program trustees, Social Security and Medicare trust funds are now just seven years from insolvency.

While the federal government requires private-sector pension plans to maintain assets equal to the present value of future obligations, the federal government exempts itself from providing the same security to the citizens that it forces into the Social Security program. Contrary to the mythology that payroll taxes are placed in individual "accounts" held for our future benefit, that money is immediately being dished out to other people who've already reached the benefit-receiving phase — which is why Social Security can be reasonably compared to a Ponzi scheme.

Because the ratio of taxpaying-workers to beneficiaries is in steady decline — from 5.1 in 1960 to 2.7 in 2023 — Social Security payouts have exceeded revenues for the last 15 years. As a result, the Social Security and Medicare trust funds are set to run out in 2033. Under the law governing Social Security, payouts that year will be limited to program incomes — which will translate to a sudden 23% cut in payouts.

While that represents a political time bomb, don't expect any urgency in defusing it. The eight-year countdown is short, but it's still outside the next-election framing that drives elected officials' actions. Those politicians know that anyone proposing a long-overdue rethinking of Social Security and Medicare will be opportunistically accused of "attacking" the programs. However, when the crisis is finally in their laps, don't be surprised if part of their solution is to borrow money to prop up the payouts.

There's another key component of mandatory spending that isn't counted in the national debt: interest payments on debt issued to cover past and current spending. "In total, social programs and interest on the national debt—which mainly stems from social programs—account for 75% of all federal spending," notes Agresti.

Interest payments also represent a steadily growing share of total outlays and will total almost $1 trillion this year. Within 10 years, interest is projected to reach $2 trillion, roughly equal to the entire 2025 deficit. Last year saw a grim milestone, as interest expense surpassed spending on both defense and Medicare.

Current projections have interest surpassing Social Security to become the largest single expenditure by 2042, but don't be surprised if that milestone doesn't come sooner. The government is already descending into a vicious cycle in which mounting US debt has the buyers of that debt demanding higher interest rates in compensation for the growing risk of inflation and/or default — with those higher rates creating larger interest payouts and even more debt.

Beyond mandatory-vs-discretionary, and funded-vs-unfunded, there's an even more important but far less discussed classification of spending that goes to the very heart of America's march toward financial disaster: constitutional vs unconstitutional. As noted in the most-read article at Stark Realities, "Americans Are Fighting For Control Of Federal Powers That Shouldn't Exist":

Today's sprawling federal government, which involves itself in almost every aspect of daily American life, is almost entirely unconstitutional.

To rattle off just a random fistful of the federal government's unauthorized undertakings and entities — brace yourself — there is zero constitutional authority for the Social Security, Medicare, federal drug prohibitions, the Small Business Administration, crop subsidies, the Department of Labor, automotive fuel efficiency standards, climate regulations, the Federal Reserve, union regulation, housing subsidies, the Department of Agriculture, workplace regulations, the Department of Education, federal student loans, the Food and Drug Administration, food stamps, unemployment insurance or light bulb regulations. Even that sampling doesn't begin to fully account for the scope of the unsanctioned activity.

This Pandora's box of unconstitutional endeavors was opened wide by unconscionably expansive Supreme Court interpretations of the Constitution in the 1930s. It's no coincidence that federal spending represented a mere 3% of GDP in 1930 but soared to an economy-warping 23% by 2024.

Now we find the federal government in a $143 trillion hole, a burden that comes out to $1,085,022 per US household. History suggests this will end with a government default. In the United States, that will likely occur not via an explicit repudiation of the debt, but through rampant price inflation as the Treasury and the Federal Reserve conspire to create new money out of thin air to make debt payments.

“They can’t pay the debt, so they have to liquidate the debt,” said Ron Paul in a June conversation with David Lin. “They [won’t] default — they’re always going to pay something for the Treasury bills. What they’re going to do is liquidate the debt by paying it off with counterfeit money.”

While the Fed-Treasury money creation scheme has been with us for a long time, the alarming trajectory of federal debt and spending point to future money-printing on a scale that will trigger hyperinflation and economic collapse. At that point, Americans will stand at a crossroads. Desperation and fear will make them susceptible to the siren song of even more authoritarianism and unconstitutional, centralized command of the economy and society than what put them in such dire straits to begin with.[10]

Footnotes and Sources

1. WSJ.com, August 8, 2025
2. Investing.com, August 8, 2025
3. MarketWatch.com, August 4, 2025
4. CNBC.com, August 5, 2025
5. CNBC.com, August 6, 2025
6. WSJ.com, August 7, 2025
7. WSJ.com, August 8, 2025
8. WSJ.com, August 5, 2025
9. Advantage.FactSet.com, August 1, 2025

10. zerohedge.com/economics/think-uncle-sam-owes-37-trillion-its-far-worse