WEEKLY ECONOMIC UPDATE SEPT. 8, 2025

Stocks made gains last week, even as megacap tech gains outweighed economic concerns.

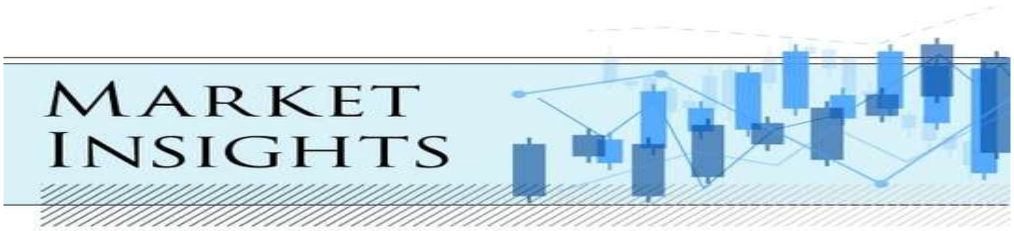
The Standard & Poor's 500 Index advanced 0.33 percent, while the Nasdaq Composite Index rose 1.14 percent. The Dow Jones Industrial Average descended 0.32 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, gained 0.04 percent.[1,2]

Tech Gains, Jobs Slow

Markets started the week on shaky ground. The Dow Industrials, S&P 500, and Nasdaq each slipped downward more than half a percentage point. Tariff uncertainty rose again, as a court ruling injected fresh doubt. Meanwhile, rising Treasury yields amplified volatility and rattled megacap tech names.[3]

By Tuesday, stocks managed a partial rebound, and market direction shifted. Tech bounced back the next morning—led by two megacap tech stocks' gains—with one soaring after avoiding an antitrust penalty.[4]

On Thursday, softer private hiring data and rising layoff trends fueled hopes of an imminent Fed rate move, with the S&P hitting a fresh record close. Treasury yields dropped significantly on rate-cut speculation, reinforcing risk appetite. The mood shifted again on Friday. A surprisingly weak jobs report undercut market optimism.[5,6]



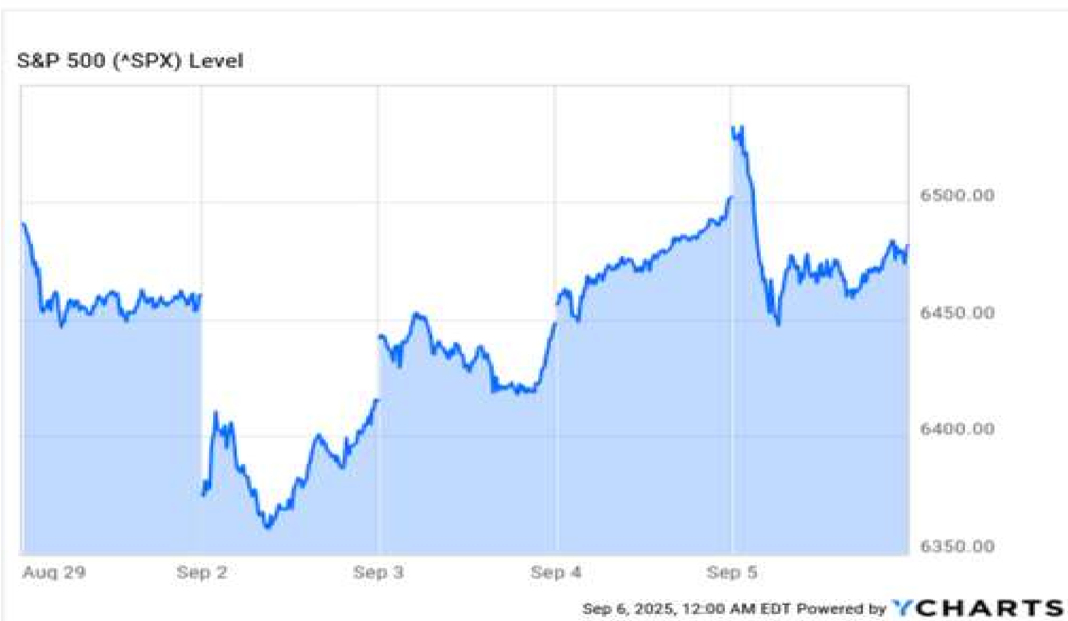
YCHARTS

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
Dow Jones Industrial Average	3.56%	8.55%	13.27%	78.75%
MSCI EAFE	3.26%	22.35%	15.77%	68.40%
Nasdaq Composite	3.19%	12.92%	27.93%	99.19%
S&P 500	2.86%	11.54%	19.36%	104.5%

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 09/05/25	4.10%	4.22% 4.40% 3.73%	-2.84% ▼ -6.82% ▼ 9.92% ▲

Focus on Jobs

Friday's employment report fell short, as employers created fewer jobs last month.

Unemployment increased to 4.3 percent in August from 4.2 percent the prior month, hitting a 4-year high. Job growth slowed to 22,000 jobs in August, after much higher expectations of 75,000. In addition, a revision of the June estimate decreased the number by 27,000 jobs.[7]

This Week: Key Economic Data

Monday: Consumer Credit.

Tuesday: NFIB Small Business Optimism Index.

Wednesday: Producer Price Index (PPI). Wholesale Inventories.

Thursday: Consumer Price Index (CPI). Weekly Jobless Claims. Federal Budget.

Friday: Consumer Sentiment.

"It is more important to know what sort of person has a disease than to know what sort of disease a person has."

– Hippocrates

Of Note

Easing and tightening decisions move all assets from bonds to private equity. Their role is supposed to be to control inflation, provide price stability, and ensure normal market functions. However, there is little evidence of any success in achieving their goals. The era of central bank dominance has been characterized by boom-and-bust cycles, financial crises, policy incentives to increase government spending and debt, and persistent inflation. Recently developed economies' central banks have taken an increasingly interventionist role.

The creation and proliferation of central banks over the past century promised greater financial stability. Nevertheless, as history and current events continually show, central banks have not prevented financial crises. The frequency and severity of these crises have fluctuated but have not declined since central banks became the leading figure in financial market regulation and monetary interventions. Instead, central banking has introduced new fragilities and changed the nature, but not the recurrence, of financial turmoil.

Empirical evidence dispels the myth that central banks ended the era of frequent financial crises. Regardless of central bank oversight, a credit boom preceded one in three banking crises. Who created those credit booms? Central banks, through the manipulation of interest rates. According to Laeven and Valencia's comprehensive database, there were 147 banking crises between 1970 and 2011 alone, in an era of near-universal central bank dominance. Financial crises remain a persistent global phenomenon, occurring in cycles that coincide with episodes of credit expansion. Central banks have often prolonged boom periods with low rates and elevated asset purchases and created abrupt bust moments after making mistakes about inflation and credit risks.

According to Reinhart and Rogoff's work, the rate of crises has not dramatically changed with central banking. Instead, the forms of crises evolved. Twin crises (banking and currency) remain common, and the severity, measured in output loss or fiscal costs, has often increased, especially as financial institutions and governments grew intertwined with monetary authorities.

The Great Financial Crisis of 2008, the Eurozone sovereign debt crisis, and the 2021–2022 inflationary burst rank among the events with the highest costs in history, contradicting the view that central banks have neutralized the risk or costliness of crises.

Central banks act as "lenders of last resort" and regulators. However, with each subsequent crisis, the solution is always the same: larger and more aggressive asset purchase programs and negative real rates. This means that central banks have gradually moved from lenders of last resort to lenders of first resort, a role that has amplified vulnerabilities. Due to the globalization of modern central banking and financial innovations, crises tend to be larger in scale and more complex, impacting most nations. The profound involvement of central banks in markets means their policies, such as emergency liquidity or asset purchases, mask systemic risks, leading to delayed but more dramatic failures.

In many advanced economies, recent waves of crises were triggered by debt accumulation and market distortions engineered by central banks, often under the guise of maintaining stability. The IMF and World Bank both note that about half of debt accumulation episodes in emerging markets since 1970 involved financial crises, and episodes associated with crises are marked by higher debt growth, weaker economic outcomes, and depleted reserves—regardless of central banking.

Major crises in recent decades have highlighted that central banks do not prevent systemic disruption. Often, their interventions have only delayed the reckoning but made underlying imbalances, particularly government debt, worse. Central banks do not prevent financial crises. They reshape them, often making their consequences more far-reaching, while shifting the costs onto the public through inflation and debt monetization.

Central banks are increasingly prioritizing government debt distribution over combating inflation. Central banks have one priority: keeping the government debt bubble alive. Central banks constantly inject liquidity to stabilize sovereign issuers rather than uphold price stability. In 2025 alone, global debt maturities will reach nearly $2.78 trillion, and central banks are expected to continue easing monetary policies, even as inflation proves persistent.

Central banks use their enormous power to disguise the insolvency of sovereign issuers and make their debt pricier, which leads to the subsequent excessive risk-taking and asset price inflation. Furthermore, the idea that low rates and asset purchases are tools that help governments reduce their fiscal imbalances and conduct budget prudence is negated by reality. Artificially low rates and asset purchases justify persistent deficits and high debt.

Central banks are enabling inflation and financial instability when they should be restraining it. By ignoring monetary aggregates and the risks created by rising government intervention in the economy and currency issuance through debt instruments, central banks are enabling the slow-motion nationalization of the economy.

The misguided central bank monetary expansion and negative rate policy of 2020, perpetuated well into 2022 despite soaring inflation, is a clear example. Governments benefited in the period of expansion with enormous debt purchases that enabled an ill-advised increase in government spending and debt. Meanwhile, citizens and small businesses suffered from high inflation. Thus, when central banks finally acknowledged the inflation problem they helped create, they kept loose policies prioritizing liquidity, which fueled more government irresponsibility, and the rate hike damaged the finances of families and small businesses that previously suffered the inflation burst. Governments weren't concerned about rate hikes because they increased taxes.

The Federal Reserve's response to increasing government deficits has consistently favored greater government intervention and rising debt levels, even at the expense of higher inflation, which has undermined its independence and credibility.

Independence vanished when central banks abandoned or ignored price stability, blaming inflation on various absurdities instead of government spending and money supply growth. The Bank of England, for example, keeps cutting rates and easing policy with rising inflation.

Central banks tend to ease monetary policy when governments increase spending and taxes. However, policymakers claim to be data-dependent and strict when governments reduce taxes and spending. Why? Central banks have transitioned from being independent monetary authorities safeguarding the currency's purchasing power and controlling inflation to facilitating the distribution of rising government debt and disguising rising issuer insolvency.

Modern central banking has shown that no single authority should set interest rates and liquidity. They have consistently erred on the side of rising government size in the economy and made erroneous estimates of inflation and job growth. The reason for this is straightforward: as the size of government in the economy and sovereign debt, which is often considered the safest asset, increase, the central bank's role becomes increasingly important for maintaining market stability.

Many central banks state that they don't interfere with fiscal policy and remain independent… except when someone dares to cut taxes and political spending. As such, central banks are not a limit to risk-taking, rising government spending and budget irresponsibility, but rather a tool that enables market and government excess.[8]

Footnotes and Sources

1. WSJ.com, September 5, 2025
2. Investing.com, September 5, 2025
3. CNBC.com, September 2, 2025
4. CNBC.com, September 3, 2025
5. CNBC.com, September 4, 2025
6. WSJ.com, September 5, 2025
7. MarketWatch.com, September 5, 2025
8. zerohedge.com/markets/central-banks-do-not-prevent-financial-crises-or-control-inflation

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The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. The Nasdaq Composite is an index of the common stocks and similar securities listed on the Nasdaq stock market and considered a broad indicator of the performance of stocks of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

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