

September 8, 2025

Financial Services Group

Author:

Economic Review



Troy Clark, CFA
Senior VP

Mr. Clark has been in investment banking since 1983. He is a Chartered Financial Analyst. He has been a fixed income strategist at Stephens Inc. since 1996, developing investment strategies, policies and procedures for institutions consistent with overall asset/liability management. Mr. Clark is the risk manager for Fixed Income Sales and Trading, monitoring inventories, product, transactions and counterparty risk. He is also a member of Stephens Fixed Income Management, providing discretionary management services for institutional customers. He is a member of the American Institute of Certified Public Accountants and the CFA Institute.

tclark@stephens.com

Stephens Inc.
111 Center Street
Little Rock, AR 72201

501.377.6314
800.809.2016

www.stephens.com

Member NYSE, SIPC

- The Labor Department reported that **initial jobless claims** rose to the highest level since June 21st, adding to evidence the labor market is cooling. Initial claims have been moving higher for roughly six weeks. First time claims in regular state programs recorded 237,000 for the week ending August 30th, after the prior week's report of 229,000. The four-week moving average climbed to 231,000 from 228,500 the prior week. Continuing claims, a proxy for people who are already receiving benefits and still cannot find a job, decreased 4,000 to 1,940,000 for the week ending August 23rd. The insured unemployment rate, the number of people currently receiving unemployment insurance as a percentage of the labor force, remained at 1.3%.
- The **Institute for Supply Management** reported its **manufacturing index** contracted at a slower pace in August, but demand and employment improved. With customers' inventories low, orders still flowing and policy favoring domestic production, factors are converging to boost production activity in the months ahead. The index climbed to 48.7 in August from 48.0 in July. The new orders part of the index climbed to 51.4 in August from 47.1 in July while production dropped to 47.8 in August from 51.4 the prior month. The employment sub-index moved higher to 43.8 in August from 43.4 the prior month, indicating manufacturing employment is contracting at a slower pace. A reading below 50 indicates contraction in the manufacturing sector.
- The Commerce Department reported that **construction spending** continued its slide in July, pressured by tariff related uncertainty, a residential affordability crisis and a bloated inventory of single-family homes. Construction spending decreased 0.1% in July after declining 0.4% in June. Spending on residential construction climbed 0.1% while non-residential construction declined 0.2%. Government spending increased 0.3% and private spending fell 0.2%.
- The Labor Department reported that **job openings** declined in July to the second-lowest level since the pandemic. The pullback in openings was broad, driven by health care and retail trade. Available positions decreased by 176,000 to 7.181 million, from a downwardly revised 7.357 million in the prior month. The quits rate, which measures voluntary job leavers as a share of total employment remained unchanged at 2.0% in July. The vacancy-to-unemployed ratio, the Fed's preferred gauge of labor-market tightness, edged lower to 0.992 in July from 1.049 in June.
- The Commerce Department reported that **factory orders** declined 1.3% in July after decreasing 4.8% in June. **Factory orders ex transportation** climbed 0.6% in July after gaining 0.4% the prior month. The closely followed forward looking demand from businesses for nondefense capital goods, excluding aircraft, increased 1.1% in July after declining 0.6% in June.
- The Fed released the latest rendition of the **Beige Book**, which is based on information collected through August 25, 2025. This report is published eight times each year. Eight Federal Reserve Districts indicate that economic activity had little or no change in economic activity since the prior Beige Book period, with four Districts reporting modest growth. Across Districts, contacts reported flat to declining consumer spending because wages were failing to keep up with rising prices. Consumers were being squeezed by rising costs of insurance, utilities and other expenses. The auto sector noted flat to slightly higher sales. The push to deploy AI partly explains the surge of data center construction, a rare strength in commercial real estate. Eleven Districts described little or no net change in overall employment levels, while one District described a modest decline. Ten Districts characterized price growth as moderate or modest with two Districts describing strong input price growth.
- **ADP Employer Services** reported that hiring at companies was slower than expected and roughly half the pace of the prior month. Job growth has slowed significantly in recent months, and it is taking longer for the unemployed to find a new job. Companies increased payrolls by 54,000 in August after an upwardly revised gain of 106,000 in July. Job growth was led by leisure and hospitality with construction and business services also adding workers. Services employment increased by 42,000 and manufacturing employment climbed by 13,000. The ADP data indicated pay growth was stable,

September 8, 2025

Financial Services Group

with earnings for workers who changed jobs climbing 7.1% from a year earlier. Pay gains for those who stayed in their current position rose by 4.4%.

- Bureau of Labor Statistics reported **labor productivity** rebounded in the second quarter by more than the initial estimate, resuming a trend of efficiency gains that are helping keep a lid on wage related inflationary pressures. Labor productivity increased at an annualized rate of 3.3% in the second quarter, initially reported at a gain of 2.4%, resulting from a 4.4% output gain and a 1.1% increase in hours worked. This follows a 1.8% decline in the first quarter. **Unit labor costs** for the 2nd quarter increased at a 1.0% rate, initially reported at a 1.6% rate, reflecting higher productivity and hourly compensation growth of 4.3%, down from 5.0%. On a year-over-year basis, unit labor costs were up 2.5%.
- The Commerce Department reported the **trade deficit** widened in July. The deficit increased in July to \$78.3 billion from \$59.1 billion in June. **Imports** rose 5.9% to \$358.8 billion and **exports** increased 0.3% to \$280.5 billion.
- The **Institute for Supply Management** reported its **Services** index, which covers services and construction, picked up in August. The gain was supported by investments in data centers and another round of front-running ahead of reciprocal tariffs. The report indicated price pressures remain elevated. The index recorded a 52.0 in August after a 50.1 reading in July. Business activity climbed in August to 55.0 from 52.6 the prior month. New orders increased to 56.0 from 50.3, while the employment index edged higher to 46.5 from 46.4 in July. The prices paid component remained elevated at 69.2. This gauge of service providers accounts for 90% of the economy. A reading above 50 indicates expansion in the services sector.
- The Labor Department reported labor market payrolls were surprisingly weak in August and downward revisions flipped June's payrolls to negative. The weak growth in payrolls was enough to increase the unemployment rate and send a clear signal that labor demand fell faster than labor supply in August. Not only is job growth declining markedly and unemployment rising, it's harder for unemployed workers to get a job and wage gains have largely stalled. The jobs report is made up of two surveys: one of households which provides the unemployment rate, labor force size and the labor force participation rate and the other is the establishment survey of businesses, which generates the payrolls and wage figures. The **Nonfarm payrolls** (employer survey) climbed 22,000 in August after an upwardly revised gain of 79,000 in July and loss of 19,000 in June. The **unemployment rate** (household survey) increased to 4.324% in August from 4.248% in July. The **labor force participation rate** climbed to 62.3% from 62.2% the prior month. The average hourly earnings increased to \$36.53 in August from \$36.43 the prior month. Weekly hours remained unchanged at 34.2 in August.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** declined last week for the third straight week. **Refinancing** applications increased 0.9% to 902.5 from 894.1 the prior week. **Home purchase mortgage applications** declined 3.1% to 158.7. Refinancing made up 46.9% of applications with an average loan size of \$337,700, while purchases average loan size is \$426,400. The **average contract rate** on a 30-year fixed-rate mortgage dropped to 6.64% from 6.69% the previous week.

Source: Bloomberg Finance L.P.

This report has been prepared solely for informative purposes as of its stated date and is not a solicitation, or an offer, to buy or sell any security. All expressions of opinion reflect the judgment of the individual expressing the opinion and are subject to change. This report does not purport to be a complete description of the markets or developments referred to in the material. Information included in the report was obtained from internal and external sources which we consider reliable, but we have not independently verified such information and do not guarantee that it is accurate or complete. Prices, yields, and availability are subject to change with the market. There is no assurance any forward looking statements will be realized or any of the trends mentioned will continue. Nothing in this report is intended, or should be construed, as legal, accounting, regulatory or tax advice. Additional information available upon request.

September 8, 2025

Financial Services Group

BOND MARKET REVIEW

Rates were little changed last week, while the yield curve steepened. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmark securities closed at 3.51%, 3.58%, 4.07% and 4.76%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 7, 49, 69, and 125 basis points respectively.

Economic/Events Calendar

Monday	September 8	Jul Consumer Credit (\$10.35b)	14:00 Central
Tuesday	September 9	Aug NFIB Small Business Optimism (100.5)	5:00 Central
Wednesday	September 10	Sep 5 th MBA Mortgage Applications	6:00 Central
		Aug Producer Price Index (0.3%)	7:30 Central
		Aug Producer Price Index-YOY (3.3%)	7:30 Central
		Aug PPI Ex Food & Energy (0.3%)	7:30 Central
		Aug PPI Ex Food & Energy-YOY (3.5%)	7:30 Central
		Jul Wholesale Inventories (0.2%)	9:00 Central
		Jul Wholesale Sales (0.1%)	9:00 Central
Thursday	September 11	Sep 6 th Initial Jobless Claims (234k)	7:30 Central
		Aug Consumer Price Index (0.3%)	7:30 Central
		Aug Consumer Price Index-YOY (2.9%)	7:30 Central
		Aug CPI Ex Food & Energy (0.3%)	7:30 Central
		Aug CPI Ex Food & Energy-YOY (3.1%)	7:30 Central
		Aug Federal Budget Balance (-\$322.7b)	13:00 Central
Friday	September 12	Sep Univ of Michigan Sentiment (58.0)	9:00 Central
		Sep Univ of Michigan 1-Year Inflation (4.6%)	9:00 Central
		Sep Univ of Michigan 5-10 Yr Inflation (3.5%)	9:00 Central

Source: Bloomberg Finance L.P.

This report has been prepared solely for informative purposes as of its stated date and is not a solicitation, or an offer, to buy or sell any security. All expressions of opinion reflect the judgment of the individual expressing the opinion and are subject to change. This report does not purport to be a complete description of the markets or developments referred to in the material. Information included in the report was obtained from internal and external sources which we consider reliable, but we have not independently verified such information and do not guarantee that it is accurate or complete. Prices, yields, and availability are subject to change with the market. There is no assurance any forward looking statements will be realized or any of the trends mentioned will continue. Nothing in this report is intended, or should be construed, as legal, accounting, regulatory or tax advice. Additional information available upon request.