



Fixed Income Markets Review – August 2025

Hello from my wife's and my new home in West Seneca, New York. As I mentioned in last month's Review, we made this move because it is 35 miles closer to downtown Buffalo and is the town in which I grew up from age 11 until I left for college, then marrying on graduation.

President Trump has continued to push the Fed Chairman to begin cutting rates. The Chairman made it clear that he would not be pushed, even while being threatened with being fired.

However, the economy is clearly slowing, and the Fed has indicated it is ready to begin cutting rates in response. The Fed has also made it clear that this decision to initiate cuts is occurring against the backdrop of tariffs, remaking the global trading system and immigration dramatically shrinking job growth, all while the unemployment rate stands at a historic low level. It does not appear these interest rate cuts will reach the magnitude and frequency desired by President Trump.

With the announcement of the pending cuts, the 2-year Treasury rate fell 10 basis points and the 10-year fell 20 basis points, while the long end of the curve was basically flat.

Date	2-year	10-year	30-year
8/30/25	3.83%	3.92%	4.86%
7/31/25	3.94%	4.14%	4.89%
6/30/25	3.72%	4.24%	4.78%
5/30/25	4.11%	4.43%	4.93%
4/30/25	3.60%	4.17%	4.66%
3/31/25	3.89%	4.23%	4.59%
2/28/25	3.99%	4.24%	4.51%
1/31/25	4.22%	4.58%	4.83%
12/31/24	4.25%	4.58%	4.78%
11/29/24	4.13%	4.18%	4.36%
10/31/24	4.16%	4.28%	4.47%
9/30/24	3.66%	3.81%	4.14%
8/30/24	3.91%	3.91%	4.20%
7/31/24	4.29%	4.09%	4.35%
6/28/24	4.71%	4.36%	4.51%
5/31/24	4.89%	4.51%	4.65%
4/30/24	5.04%	4.69%	4.79%
3/28/24	4.59%	4.20%	4.34%
2/29/24	4.64%	4.25%	4.38%
1/31/24	4.27%	3.99%	4.22%
12/29/23	4.23%	3.88%	4.03%
11/30/23	4.73%	4.61%	4.73%



10/31/23	5.07%	4.88%	5.04%
9/29/23	5.03%	4.59%	4.73%
8/31/23	4.85%	4.09%	4.20%
7/31/23	4.88%	3.97%	4.02%
6/30/23	4.87%	3.81%	3.85%
5/31/23	4.40%	3.64%	3.85%
4/28/23	4.04%	3.44%	3.67%
3/31/23	4.06%	3.48%	3.67%
2/28/23	4.81%	3.92%	3.93%
1/31/23	4.21%	3.52%	3.65%
12/30/22	4.41%	3.88%	3.97%
11/30/22	4.38%	3.68%	3.80%
10/31/22	4.51%	4.10%	4.22%
9/30/22	4.22%	3.83%	3.79%
8/31/22	3.45%	3.15%	3.27%
7/29/22	2.89%	2.67%	3.00%
6/30/22	2.92%	2.98%	3.14%
5/31/22	2.53%	2.85%	3.07%
4/29/22	2.70%	2.89%	2.96%
3/31/22	2.28%	2.32%	2.44%
2/28/22	1.44%	1.83%	2.17%
1/31/22	1.18%	1.79%	2.11%
12/31/21	0.73%	1.52%	1.77%
12/31/20	0.13%	0.93%	1.65%
12/31/19	1.58%	1.92%	2.39%

With some uncertainty removed from the markets after the Fed indicated that interest rate cuts were now necessary, all segments of the fixed income markets delivered strong returns in August.

Bloomberg Barclay's Fixed Income Index Returns

Index	August 2025	Last 3 Months	Last 12 Months
Aggregate	1.20%	2.48%	3.14%
Int Agg	1.34%	2.41%	4.30%
Gov't/Credit	1.05%	2.31%	3.00%
Int Gov't/Credit	1.22%	2.16%	4.70%
Gov't	1.05%	1.92%	2.44%
MBS	1.61%	3.00%	3.36%
ABS	0.96%	1.96%	5.01%
CMBS	1.47%	2.59%	5.70%
US Credit	1.06%	2.96%	3.92%
US Corp High Yield	1.25%	3.58%	8.26%



Employment

As reported by the Bureau of Labor Statistics (BLS), U.S. employers added 73,000 jobs in July with the unemployment rate holding steady at 4.2%. Real earnings for July increased by only 0.1%. Average weekly hours for July were up by 0.1 hours on a preliminary basis. This report also stated that the May and June reports were revised down by a combined 258,000 jobs.

The August employment report will be released on September 5, and the earnings report for August is scheduled for September 11.

Separately, ADP reported the private sector added 104,000 private sector jobs in July 2025. Their August report indicated 110,000 new private sector jobs, but also showed a significant slowdown in hiring by medium-sized firms and continued job losses for small firms, totaling 47,000 in August.

CPI for August

The preliminary Consumer Price Index (CPI) for August increased by 0.2%. On an annual basis, CPI rose 2.7%. Core inflation increased 3.1% year-over-year and 0.3% for the month. The official BLS release will be published on September 11.

Personal Commentary

I managed to include a bit more detail in this month's report, though it still does not quite meet the standard I held myself to previously. My excuses are the ongoing unpacking at our new house, with a great deal of help from relatives, and, again with significant help, getting the old house cleaned and on the market. After just three sale days, we now have a signed contract on it. I promise to do better next month.

As I write this Review, Congress is returning from its summer recess. I am genuinely concerned about what this new session may bring. My not-fully-informed guesses are:

1. There will be a revolt over President Trump's recession steps on spending already authorized by Congress.
2. The requirement to complete a national budget by the September 30th deadline will result in a government shutdown.
3. President Trump's effort to move National Guard troops into additional cities—including Chicago, New York, and Los Angeles—will be met with massive legal, and physical, resistance.
4. The push for Washington, D.C. to achieve statehood will be reinvigorated.
5. The economy and country will enter a period of severe stagflation.
6. China, Russia, and India will begin actively challenging the United States' role as the world's preeminent leader.
7. President Trump's effort to control major elements of the global economy through tariffs will ultimately collapse.



Bob Southard, on Behalf of Greenrock Research
September 2, 2025

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