

August 2025

It is with great pleasure that I announce the newest member to the Koehler Group at Morgan Stanley, Denise Donahue. Denise has been in the financial services industry for 25 years and will be a welcome addition.

The markets have continued their upward trend as the worst-case scenarios have not played out with regards to tariffs and the impact on the economy. We did see a slight uptick in inflation, but nothing that wasn't expected with the CPI number coming in at 2.7% (per Bureau of Labor Statistics). The Purchasing Managers Index (PMI) jumped 1.7 points to a seven-month high (readings above 50 signal an expansion) and was driven primarily by the services sector, while the manufacturing sector experienced a decline (source: T. Rowe Price). The Wall Street Journal reported that unemployment claims have trended down slightly over the last weeks and appear to have reversed the upward trend we saw this spring. Consumer spending rebounded in June, although there has been some pull back on discretionary services spending (source: Bank of America).

Last year it was interest rates, this year it's tariffs that everyone is on the edge of their seats waiting to see what happens. As of this writing, recent trade deals have been announced with Japan, and Indonesia, and it was just reported that the U.S. and the European Union have agreed to a framework for a deal (source: T. Rowe Price). Yahoo Finance also reported that it appears the China tariffs could be pushed back as they work through the details. In the end it is likely tariffs will go up, but not as much as had been feared. Also remember, tariffs are typically a one-shot deal. They are not indexed to inflation and will not continue to grow. Once the shock is over, will companies eat some of the cost, will the manufactures, will consumers find other alternatives, way too early to tell. Also, there have been numerous new investment commitments by companies to expand their U.S. operations or to start new factories reported over the past several months. We need to monitor how this plays out and the timing of the investment.

On the interest rate front who knows? First, it was multiple cuts, now it is possibly two cuts by the end of the year. The Federal Reserve has said they are in a wait and see mode. With inflation trending down and employment holding up, the full impact of the tariffs not known, and the consumer continuing to spend, why would they be in a rush.

The markets are currently looking past all of the noise. The Wall Street Journal recently reported that economists have lowered their probability of a recession, but it still remains at higher probability than at the start of the year, but we believe it's coming down. Bottom line, it comes down to the health of the consumer and corporate earnings. Keep an eye on those and you get a pretty good feel as to where the markets are headed.

Welcome to the team Denise! As always don't hesitate to call if you need anything. I can't believe it's August already....enjoy the rest of summer!

James M. Koehler, Senior Vice President
Financial Advisor
Senior Portfolio Manager
NMLS# 1316586
303 Lippincott Drive, Suite 300, Marlton, NJ 08053 856-489-2474

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