BALLESTAS GROUP
PRIVATE WEALTH MANAGEMENT

AUGUST 22, 2025

Weekly Recap

US

The Fed left open the possibility of a rate cut in September, with Jerome Powell warning of a deterioration in the labor market following July data that showed weaker-than-expected hiring. While emphasizing that monetary policy remains restrictive, Powell noted that the Fed could act if risks tilt toward employment. However, he warned that the Trump administration's new tariffs pose an additional inflation risk, requiring caution. The July minutes reflected this tension, with most members supporting keeping the rate at 4.25%–4.50%, while only two favored a 25-bps cut to cushion labor weakness.

The housing market presented mixed data. Building permits fell 2.8% month-on-month in July, reaching 1.354 million and hitting their lowest level since June 2020, reflecting some caution in new investments. However, housing starts rebounded by 5.2% to 1.428 million, the highest level in five months, suggesting that some of the pent-up activity is being reactivated. In addition, existing home sales rose by 2% to 4.01 million, exceeding expectations and marking their largest increase since February, pointing to greater momentum in the secondary market.

Leading indicators of activity also reinforced the resilience of the economy. The S&P composite PMI reached 55.4 in August, the highest level of the year and the 31st consecutive month of expansion. The services sector remained solid at 55.4, slightly below July's peak but clearly in expansionary territory, while manufacturing surprised on the upside, climbing to 53.3 from 49.8, well above forecasts. This improvement in industry suggests that production is beginning to recover after months of weakness, contributing to more balanced growth across sectors.

The United States and the European Union announced a preliminary trade agreement framework that includes a reduction in automotive tariffs from 27.5% to 15%, conditional on the bloc lowering taxes on US agricultural and fishery products. The pact also sets a 15% cap on tariffs for goods such as semiconductors, pharmaceuticals, alcohol, and wood, while steel and aluminum will remain taxed at 50%. In addition, the EU committed to purchasing $750 billion in US energy and investing at least an additional $600 billion in the country.

EUROPE

The trade balance weakened in June, with the surplus reduced to €7 billion due to stronger imports and virtually stagnant exports. Inflation remained stable at 2% in July, in line with the ECB's target, consolidating two consecutive months of convergence.

In terms of activity, the composite PMI rebounded to 51.1 in August, driven by sustained growth in services and the first manufacturing upturn in more than three years, signaling some stabilization in the region. However, Germany was once again the focus of weakness, with GDP contracting by 0.3% q/q in Q2 2025, deeper than expected and associated with lower investment.

UNITED KINGDOM

The economy showed signs of recovery in August, with a rebound in the services sector pushing the composite PMI to its highest level in a year. Despite the decline in manufacturing, consumer sentiment improved, supported by the Bank of England's rate cut, which created an environment of greater confidence. However, inflation remains a focus of concern. In July, consumer prices rose 3.8% y/y, driven by increases in transportation and food.

ASIA

Japan is showing signs of moderate growth: the composite PMI rose to 51.9 in August, driven by expanding services, although manufacturing remains in contractionary territory. Headline inflation slowed to 3.1% year-on-year in July, its lowest level since the end of 2024, but core inflation remained somewhat elevated, suggesting pressure on monetary policy. Exports fell 2.6% y/y in July, affected by lower shipments of cars, auto parts, and steel, all impacted by US tariffs.

In China, the central bank kept its one- and five-year benchmark lending rates unchanged, in line with market expectations.

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Currency	Index	Level	Week	YTD	YTD (usd)	1 Year
	Equity Market					
AMERICAS			0,45	10,37	10,37	14,94
USD	DOW JONES INDUS. AVG	45.631,74	1,59	8,42	8,42	11,40
USD	S&P 500 INDEX	6.466,90	0,30	10,87	10,87	14,81
USD	NASDAQ COMPOSITE	21.496,54	-0,55	11,83	11,83	18,61
BRL	BRAZIL IBOVESPA INDEX	137.751,73	1,03	14,52	30,41	-1,43
ARS	S&P MERVAL TR ARS	2.105.364,00	-3,78	-16,89	-35,17	29,74
CLP	S&P/CLX IPSA (CLP) TR	8.839,29	1,14	31,73	36,04	34,34
MXN	S&P/BMV IPC	59.140,27	1,41	22,51	37,43	13,14
EUROPE			0,98	19,47	33,85	21,65
EUR	Euro Stoxx 50 Pr	5.488,23	0,73	15,17	30,45	15,38
GBP	FTSE 100 INDEX	9.321,40	2,04	17,21	26,64	16,46
EUR	DAX INDEX	24.363,09	0,02	22,37	38,01	31,68
EUR	CAC 40 INDEX	7.969,69	0,58	11,14	25,89	8,92
EUR	FTSE MIB INDEX	43.310,28	1,54	31,47	48,27	35,83
ASIA			0,50	41,60	20,11	32,81
JPY	NIKKEI 225	42.633,29	-2,47	31,02	15,71	13,76
CNY	CSI 300 INDEX	4.378,00	3,33	34,40	15,73	35,80
HKD	HANG SENG INDEX	25.339,14	0,65	59,36	28,91	48,88
GLOBAL						
USD	ISHARES MSCI ACWI ETF	134,22	0,63	15,10	15,10	15,45
USD	MSCI WORLD	4.132,08	-0,98	12,85	12,85	15,90
USD	MSCI EM	1.261,74	-0,78	19,85	19,85	17,83
USD	MSCI AC ASIA PACIFIC	211,28	-1,13	18,47	18,47	17,66
USD	MSCI EM LATIN AMERICA	2.311,56	-0,99	29,58	29,58	6,12
	Fixed Income					
GLOBAL		1.208,35	-0,31	7,16	7,16	6,67
USD	Global Aggregate	493,00	-0,46	6,38	6,38	2,34
USD	EM USD Aggregate	1.334,90	-0,15	6,95	6,95	7,39
USD	Global High Yield	1.797,16	-0,33	8,14	8,14	10,30
	Commodities					
USD	BBG Commodity	101,63	1,25	2,91	2,91	5,28
USD	Oro	3.370,93	1,04	28,42	28,42	35,66
USD	WTI	63,80	1,62	-7,30	-7,30	-12,59
USD	Soja	379,49	1,35	1,44	1,44	10,07

Source: Bloomberg. Information as of August 22, 20nd , at market close.