MONTHLY VIEWPOINT

OUR CURRENT VIEW ON MARKETS
AND THE ECONOMY
AUGUST 2025

FORWARD
WEALTH MANAGEMENT

BIG THOUGHT

What are the current trends in the economy and markets? We're watching three key segments—two weak and one strong—consumer spending, housing, and AI. Consumer spending is under pressure as income growth slows—driven in part by a notably soft labor market—while inflation remains persistent. Housing is stagnant and in need of lower rates. The AI boom continues to be the strongest tailwind for both the economy and markets. The "Mag7" are projected to deliver 20% earnings growth in 2025, nearly double that of the broader S&P 500. AI-related capital spending is estimated to be contributing 0.5% to GDP growth per quarter. However, AI spending alone can't sustain market momentum forever unless it starts delivering broader productivity gains and stronger earnings growth for the other "493." For now, investors clearly favor the current winners, paired with a healthy dose of speculative assets. (See Chart of the Month.)

DASHBOARD

Valuation	Red
Trend	Green
Economy	Yellow
Inflation	Yellow
Money Flow	Green
Credit	Green

BULLISH

- Credit markets not showing expansion in spreads, i.e. no recession pricing
- Markets no longer driven by tariff headlines (possible alternative = complacency)
- Fiscal Deficits are historically bullish, and AI should energize productivity (GDP)
- Investors positioning funds to maximize return on capital vs. return of capital.

BEARISH

- Economic weakness & global trade restructuring risks negative feed-back loop
- Market valuation at levels last seen in 2000
- Risk of capital flight as foreign investors reallocate funds away from US
- Trump's pressure on rates (Powell/Treasury issuance) introduces major source of risk

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CHART OF THE MONTH

Exhibit 1: Speculative Trading Indicator shows a recent increase in speculative activity

Source: Goldman Sachs Global Investment Research

Investors are charging into the most speculative corners of the market as asset prices climb. While the Magnificent Seven continue to post impressive earnings growth, their forward P/E ratio now stands at 30.8x—well above the 20.3x for the remaining S&P 500 constituents. Fueled by a "run it hot" policy approach from the current administration, natural risk-taking has evolved into broad-based speculation. Activity in crypto, meme stocks, and unprofitable securities has pushed Goldman Sachs' speculative trading indicator to its highest level since the post-Covid era (Chart). Yet history suggests this indicator may have further to rise. As Warren Buffett wisely noted: "The less prudence with which others conduct their affairs, the greater the prudence with which we must conduct our own."

ABOUT FORWARD WEALTH MANAGEMENT

Established in 2014, Forward Wealth Management provides personalized financial advice that delivers peace of mind and confidence where client goals and money decisions intersect with markets and investing. Forward's proprietary approach, TRAC, is a goals-based guidance process which measures and maps Timelines, Resources, and a portfolio's Asset Allocation against current market Conditions and the expected cost of retirement income.

6201 Fairview Road, Suite 200, Charlotte, NC 28210 I (704) 595-3386 I info@forwardwm.com