The Longo Group

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THE ECONOMY AT A GLANCE

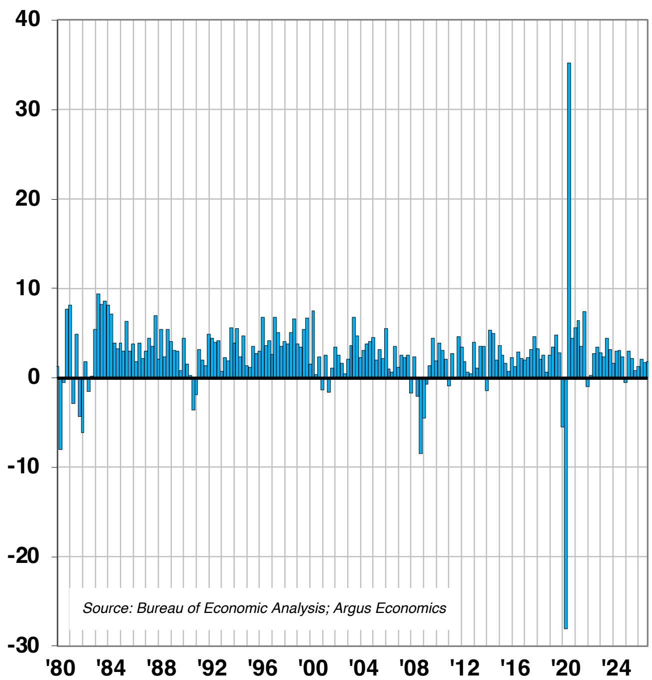
ECONOMIC HIGHLIGHTS

August 25, 2025
Vol. 92, No. 122

RAISING 2025 GDP FORECAST

We are raising our 2025 estimate for GDP growth to 1.4% from 1.0%. We expect GDP to be up 2.2% in 3Q, 0.8% in 4Q, and 1.7% in 2026. U.S. consumers have been the engine of economic growth -- and that should continue with unemployment low at 4.2%. Our near-consensus GDP estimates are below the Congressional Budget Office's 2.3% estimates for potential GDP, the rate of growth that is consistent with full utilization of resources and stable inflation. Growth in nonfarm payrolls has slowed to just 35,000 over the last three months from 168,000 in 2024. We would expect payroll growth to be near 100,000 at full employment of 4.3%. Hiring, as well as layoffs, have been on hold because of economic uncertainty, according to interviews the Fed conducted for its Beige Book survey of economic conditions. Real personal income excluding transfer payments grew 1.3% in June, down from 2.8% in June 2024. An additional reason for muted growth is that consumer spending on services, which represents 47% of GDP, rose just 0.6% in 1Q and 1.1% in 2Q after rising 2.9% in both 2023 and 2024. The important ISM Services Index has averaged a barely expansionary 50.3 in the three months through July, compared with a monthly average of 52.4 in 2024. The ISM said "tariff-related impacts" are the most common topic among survey panelists. We do not expect a recession despite near-term challenges. With modest wage growth and no stimulus checks, inflation should stay contained. Uncertainty from tariffs should be coming to an end and President Trump has pledges of business and investments from trading partners. Wealthy consumers are enjoying high home prices and a buoyant stock market. Retroactive tax breaks in the "BBB" could lead to big, beautiful, tax returns in 2026.

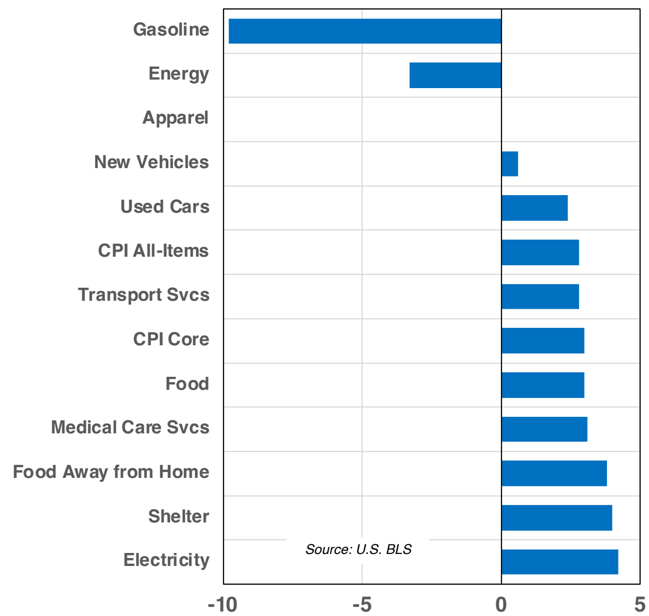
GDP TRENDS & OUTLOOK (% CHANGE)



INFLATION SURPRISE

Two inflation reports (the Consumer Price Index (CPI) and the Producer Price Index (PPI)) were released recently and their messages diverged. The CPI news was generally positive, as the month-to-month headline number increased only two-tenths of a percent; the annualized rate was 2.7%, steady month to month. The core inflation rate (ex-food and energy) rose three-tenths of a percent month to month, and ticked higher to an annual rate of 3.1%. The wild cards in this report have been Transportation Services and Shelter costs, which were both up around 3.5% year over year. Meanwhile, the PPI measures pricing trends at the manufacturing level. Here, the news was a bit alarming. The PPI final demand monthly rate in July was 0.9%, the highest monthly change in three years. The annualized change in final demand rate was 3.3%, up from 2.4% a month ago. It is not a certainty that this one data point in the PPI is the start of an alarming trend. Nothing else in the PPI report indicated that prices were spiraling out of control. As such, we continue to expect pricing pressures to ease into 2026 as the housing market cools and the price of oil stays below $90 per barrel. But the low price of oil reflects a new wild card that has entered the forecasting picture: President Trump's trade wars. His tariffs, should they ever go into full effect, will almost certainly raise prices.

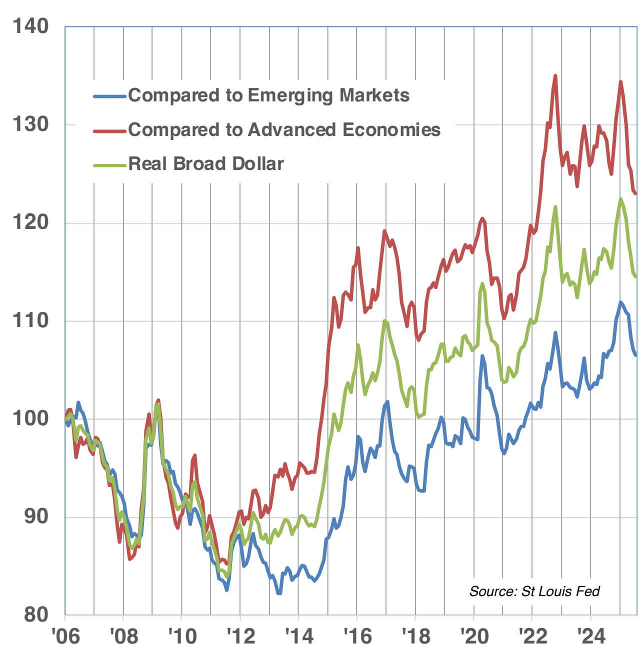
CONSUMER INFLATION FACTORS (% CHANGE Y/Y)



THE MESSAGE FROM THE DOLLAR

The dollar, the world's dominant currency, has been in hot demand since the start of the pandemic. But this trend has started to unwind a bit in 2025. Year to date, the dollar has given back 5% on a global, trade-weighted basis, and 7% compared to an index of advanced economy currencies. Some of the slide can be linked to the economic uncertainty caused by trade and tariff policies and the swelling U.S. federal debt load. Countries and their sovereign wealth funds are thus rethinking their commitment to U.S. assets as the cost of doing business in America increases and the balance sheet groans. We hesitate to term the dollar at risk of losing its global "currency of choice" status. Despite the pullback this year, the dollar is still 15% above its 20-year average value, supported by the depth of a $27 trillion market, the Federal Reserve, and the country's time-tested system of democratic capitalism. The alternatives -- the euro, yen, or yuan -- have their issues as well. That said, we view the dollar as one of the main checks and balances to the U.S.'s status as the leader of the global economy. We would be concerned that the country could be at risk of losing this status if the dollar were to plunge another 20% in a short period; that occurred after the S&P downgrade of U.S. debt in 2011.

DOLLAR TRENDS



YELLOW METAL IN DEMAND

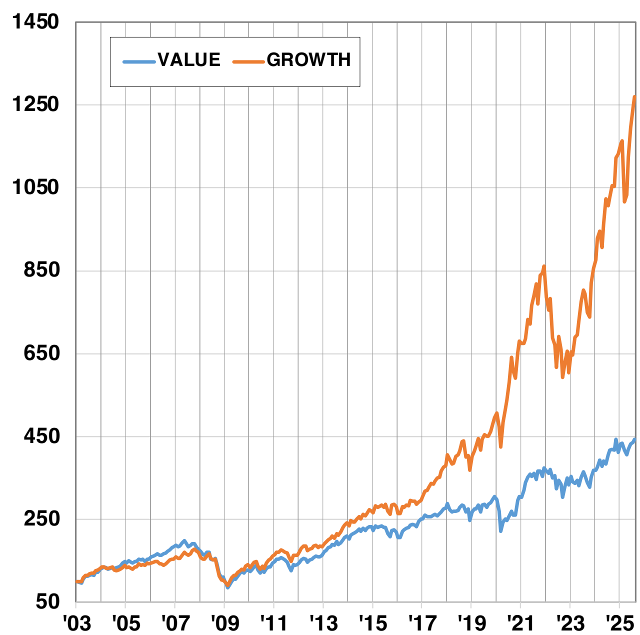
When global economic conditions become uncertain or unpredictable, investors tend to flock to gold. According to Comex, the yellow metal currently is trading at around $3,400 per ounce, up about 30% for the year and near the high end of its five-year range of $1,660-$3,410. Gold has been on an upward arc since the start of the pandemic. Back in 2019, gold was fetching about $1,200 per ounce. That changed quickly during the first phase of the unanticipated global health crisis: the spot price for an ounce of gold jumped 33% in six months and broke through the $2,000 level. Gold prices next spiked in 2022 due to the war in Ukraine and, over the past year, gold has jumped another 40%, driven by geopolitical developments as well as global uncertainty over tariffs and trade wars. The current price of gold reflects the perceived safety of hard assets amid global conflicts, as well as expectations for lower U.S. interest rates, which tend to weaken the dollar (the currency in which gold is priced). The outlook for Federal Reserve interest-rate cuts also helps gold, as lower rates reduce the risk for a global economic recession and thus a potential decline in gold purchased for jewelry. Our forecast trading range for gold in 2025 is $2,500-$3,500 and our average price forecast for the year is now $3,200.

GOLD PRICE ($ PER OUNCE)

VALUE VERSUS GROWTH INVESTING

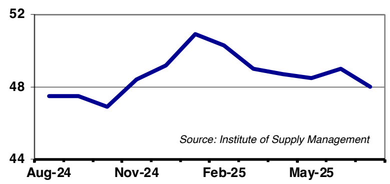
Value stocks took an early lead over growth stocks this year. But for the past decade-plus, the performance record favored growth. Why is that? For one thing, the make-up of the economy has changed. Decades ago, when the U.S. economy was manufacturing-based, tangible capital offered a key signal of value. But in a service economy, intangible assets are much more important. Another factor, in our view, has been interest rates. Analysts put a value on stocks using discounted cash flow models. If interest rates are low, discount rates will be low and future profits will be worth more, favoring growth stocks. The tide turned for a while back in 2022. The rollout of COVID-19 vaccines gave a lift to some cyclical companies that had lagged, and value stocks outpaced growth that year. While growth stocks now have recaptured the lead in 2025, the Fed has kept interest rates high to fend-off inflation. That could cap multiple expansion for growth companies in coming quarters, though a rate cut now seems very likely. In any event, the value sector is the place to achieve income. For our High-Yield model portfolio, we seek holdings that feature yields of at least 3.0% and moves us deep into the value segment of the market.

GROWTH VS. VALUE SINCE 2003

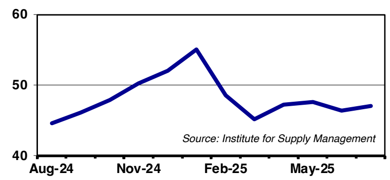


ECONOMIC TRADING CHARTS & CALENDAR

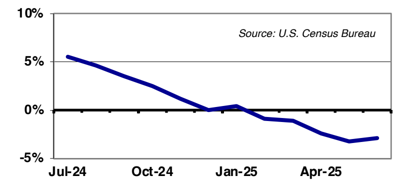
Release:	**ISM Manufacturing**
Date:	9/2/2025
Month:	July
Previous Report:	48.0
Argus Estimate:	51.0
Street Estimate:	48.7



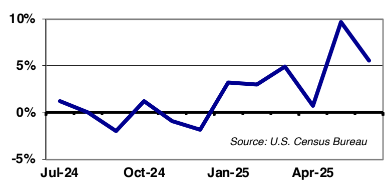
Release:	**ISM New Orders**
Date:	9/2/2025
Month:	July
Previous Report:	47.1
Argus Estimate:	49.0
Street Estimate:	NA



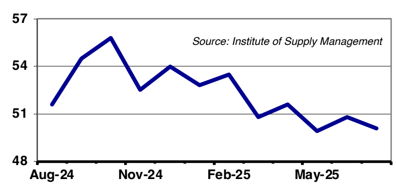
Release:	**Construction Spending**
Date:	9/2/2025
Month:	July
Previous Report:	-2.9%
Argus Estimate:	-2.0%
Street Estimate:	NA



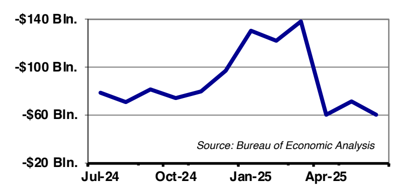
Release:	**Factory Orders**
Date:	9/3/2025
Month:	July
Previous Report:	5.6%
Argus Estimate:	2.0%
Street Estimate:	NA



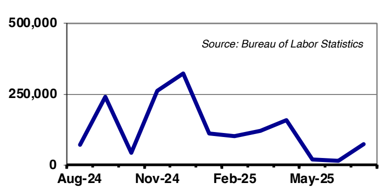
Release:	**ISM Services Index**
Date:	9/4/2025
Month:	August
Previous Report:	50.1
Argus Estimate:	51.0
Street Estimate:	50.5



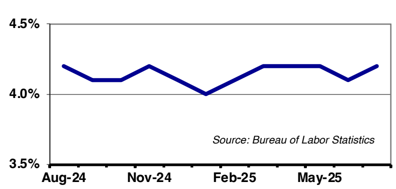
Release:	**Trade Balance**
Date:	9/4/2025
Month:	July
Previous Report:	-$60.2 Bln.
Argus Estimate:	-$65.0 Bln.
Street Estimate:	-$61.5 Bln.



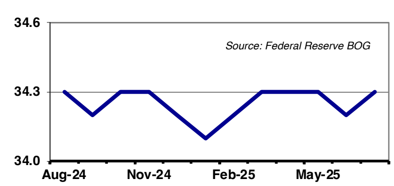
Release:	**Nonfarm Payrolls**
Date:	9/5/2025
Month:	August
Previous Report:	73000
Argus Estimate:	90000
Street Estimate:	80000



Release:	**Unemployment Rate**
Date:	9/5/2025
Month:	August
Previous Report:	4.2%
Argus Estimate:	4.2%
Street Estimate:	4.3%

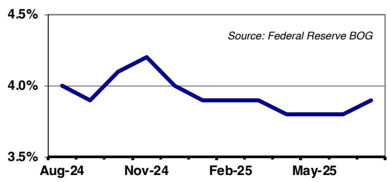


Release:	**Average Weekly Hours**
Date:	9/5/2025
Month:	August
Previous Report:	34.3
Argus Estimate:	34.3
Street Estimate:	34.3

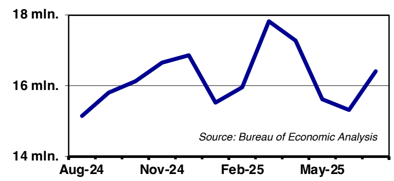


Previous Week's Releases and Next Week's Releases on next page.

Release:	**Durable Goods Orders**
Date:	8/26/2025
Month:	July
Previous Report:	12.6%
Argus Estimate:	11.0%
Street Estimate:	NA



Release:	**Total Vehicle Sales**
Date:	9/5/2025
Month:	August
Previous Report:	16.41 mln.
Argus Estimate:	16.00 mln.
Street Estimate:	16.00 mln.



Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
25-Aug	New Home Sales	July	**656K**	635K	625K	**652K**
26-Aug	Durable Goods Orders	July	12.6%	11.0%	NA	**3.5%**
	Consumer Confidence	July	**98.7**	94.5	97.0	**97.4%**
28-Aug	GDP Annualized QoQ	2Q "2nd est."	3.0%	3.0%	3.1%	NA
	GDP Price Index	2Q "2nd est."	2.0%	2.0%	NA	NA
29-Aug	PCE Deflator	July	2.6%	2.6%	2.6%	NA
	PCE Core Deflator	July	2.8%	2.9%	2.9%	NA
	Personal Income	July	4.7%	4.6%	NA	NA
	Personal Spending	July	4.7%	4.6%	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
10-Sep	PPI Final Demand	August	3.3%	NA	NA	NA
	PPI ex-Food & Energy	August	3.7%	NA	NA	NA
	Wholesale Inventories	July	1.3%	NA	NA	NA
11-Sep	Consumer Price Index	August	2.7%	NA	NA	NA
	CPI ex-Food & Energy	August	3.1%	NA	NA	NA
12-Sep	U. Michigan Sentiment	September	58.6	NA	NA	NA

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