MASHREQ GLOBAL DIGEST
US
August 17 – August 23

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This edition of Market Digest highlights key macroeconomic indicators in the US, recent financial developments, and notable deals—providing valuable insights into the country's current economic trends.

Macroeconomic News

S&P Surveys Signal Strong Q3 Momentum

The U.S. economy is showing renewed strength, with S&P surveys reporting that August 2025 has been the best month of the year so far. Business leaders indicate strong momentum in the third quarter, suggesting that the worst effects of the trade wars may be easing. However, inflation pressures are also building, fueled partly by lingering higher tariffs. Overall, while economic activity is improving, the recovery comes with the challenge of rising prices.

Reference: MarketWatch

U.S. Wholesale Prices Surge, Raising Inflation Concerns

U.S. wholesale prices rose 0.9% in July, far exceeding expectations, marking the biggest monthly increase since June 2022. Core PPI, which excludes food and energy, also climbed 0.9%, driven by higher costs in machinery, equipment wholesaling, portfolio management fees, and airline services. On an annual basis, PPI reached 3.3%, above the Federal Reserve's 2% target. Economists warn that businesses may soon pass these tariff-related costs to consumers, potentially slowing consumption.

Reference: CNBC

Powell Signals Possible Fed Rate Cut Amid Job Market Risks

Federal Reserve Chair Jerome Powell hinted at a potential interest rate cut at the September 16–17 meeting, citing rising risks to the U.S. job market despite lingering inflation concerns. While he stressed that no decision is final, Powell noted the labor market's "curious balance" of slowing demand and supply, which could quickly tip toward higher unemployment. His remarks boosted market expectations for a quarter-point cut next month, with a second likely in December, sending U.S. stocks higher and Treasury yields lower. The move comes amid political pressure from President Trump for faster, deeper cuts, as Fed officials remain split on balancing inflation risks against protecting employment.

Reference: Reuters

US Jobless Claims Rise to 235,000

New applications for U.S. unemployment benefits climbed 11,000 to 235,000 for the week ending August 16, 2025, marking the largest increase in about three months. The number of people continuing to collect benefits also rose to 1.972 million, the highest level since November 2021. Economists say the data signal ongoing weakness in the labor market and may increase pressure on the Federal Reserve to lower interest rates in the coming weeks.

Reference: Reuters

Trump's Tariffs Could Cut U.S. Deficit by $4 Trillion

The Congressional Budget Office estimates that President Trump's higher import tariffs could lower the U.S. deficit by $4 trillion over the next decade—$3.3 trillion from extra revenue and $0.7 trillion from reduced interest payments. Tariff rates averaged 16.7% in August, generating over $26 billion this fiscal year, which could help offset deficits caused by recent tax cuts and increased government spending.

Reference: Reuters

US Existing Home Sales Rise 2% to 4.01 Million in July

Sales of previously owned U.S. homes increased 2% in July to a seasonally adjusted annual rate of 4.01 million units. Despite the uptick, sales remain weak due to high home prices and mortgage rates. The median price rose slightly to $422,400, while total inventory increased to 1.55 million units, giving buyers more options. Analysts note that modest improvements in affordability and wage growth may be helping support the market. This comes alongside a modest rise in new housing construction, particularly single-family homes and apartments, suggesting that increased supply could gradually relieve some of the affordability pressures.

Reference: Reuters, Reuters

US Debt Could Reach 250% of GDP Without Raising Interest Rates

A study presented at the Federal Reserve's Jackson Hole conference finds that the US could carry government debt equal to 250% of its GDP by 2100 without increasing interest rates—but only if it implements major fiscal adjustments totaling around 10% of GDP. The paper, by economists from Stanford, Minnesota, Northwestern, and Harvard, explains that rising government debt must be balanced with demand for assets from an aging population. If action is delayed, debt supply could outpace demand, forcing interest rates up. Currently, US public debt is about 97% of GDP and is projected to reach 117% by 2034, with recent legislation adding further increases.

Reference: Bloomberg

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Financial/Tech News

U.S. Takes 10% Stake in Intel

The U.S. government has taken a 10% stake in Intel, investing $8.9 billion to purchase 433.3 million shares, funded partly through $5.7 billion in CHIPS Act grants and $3.2 billion from other government programs supporting secure chip production. President Trump called it a “great deal for America,” while Intel stressed that the U.S. government will not take a board seat. The deal highlights US’ push to secure chip supply chains and revive domestic manufacturing.

Reference: CNBC

Google Wins $10B Meta Cloud Deal

Meta has signed a six-year, $10+ billion contract to use Google Cloud, a major shift as Meta has mostly relied on Amazon Web Services and Microsoft Azure. The deal is aimed at powering Meta’s huge AI push, including its Llama models and AI features across Facebook, Instagram, and WhatsApp. For Google, the win is a boost in its battle to catch up with AWS and Azure in the cloud race.

Reference: CNBC

Trump Buys $100M in Bonds Since Taking Office

President Donald Trump has disclosed over $100 million in corporate and municipal bond purchases since January, spanning more than 600 transactions in issuers like Citi, Wells Fargo, Meta, and T-Mobile. The holdings are managed by a third party, with analysts calling them a move to diversify his $1.6 billion fortune, heavily tied to crypto and real estate.

Reference: Reuters

U.S. Banks Push for National Rules, Challenging State Authority

U.S. banks are lobbying federal regulators to set national standards that would override state rules, aiming to simplify lending, investing, and risk management while curbing state power over their operations. This move comes as states increasingly challenge banks on controversial policies, including climate and social issues. Supporters argue national standards would streamline operations and reduce conflicts, while states insist local oversight is crucial to protect consumers and communities.

Reference: Reuters

Deals

Trump Retreats on EU Pharma and Chip Tariffs in Trade Deal

US President Donald Trump has agreed to limit tariffs on European pharmaceuticals and semiconductors to 15%, instead of the previously threatened rates of up to 250% and 100%, as part of the US-EU trade deal announced last month. The agreement also reduces tariffs on most EU exports to 15%, while the EU must first pass legislation to remove US export tariffs to zero before US car tariffs drop from 27.5% to 15%. Wine and spirits remain excluded, disappointing both sides.

Reference: BBC

Markets

Market Dashboard

- Wall Street closed the week on a strong note, with the S&P 500 breaking a five-day losing streak. Investors responded positively to Federal Reserve Chair Jerome Powell’s Jackson Hole remarks hinting at a possible September rate cut, boosting confidence in equities. UBS raised its S&P 500 year-end target for the second time in two months to 6,600 from 6,200, citing strong earnings, easing trade tensions, and optimism about a potential shift in Fed policy.
- Bitcoin surged past $117,000 after Federal Reserve Chair Jerome Powell hinted at a potential September interest rate cut, liquidating $379.88 million in shorts and triggering a bullish shift in market sentiment, before easing slightly. The price climbed from a six-week low of $111,600, with analysts declaring the “uptrend is back” and projecting targets up to $200,000 by year-end.
- Gold gained 1.1% this week as investors cheered Fed Chair Jerome Powell’s comments hinting at a possible September rate cut. Investors welcomed the prospect of lower interest rates, which tend to make gold more attractive compared with yield-bearing assets. The U.S. dollar weakened slightly, further supporting gold prices, though demand in key Asian markets remained subdued due to price volatility. Silver, platinum, and palladium also saw gains, reflecting broader strength in precious metals.
- Oil prices rose this week, the first weekly gain in three weeks, as uncertainty over a Russia-Ukraine peace deal persisted and U.S. crude stockpiles fell more than expected. Brent crude added 2.9% and WTI rose 1.4% for the week, supported by ongoing geopolitical tensions, supply disruptions of Russian oil to Hungary and Slovakia, and lower U.S. rig counts. Weak German economic data partially offset gains, but optimism for a potential rate cut added support to oil markets.
- The U.S. dollar fell sharply after Fed Chair Powell hinted at a possible September rate cut, with traders now seeing an 85% chance of it, up from around 72% previously. The move boosted major currencies and cryptocurrencies as markets anticipated looser monetary policy.

Indicators	15-Aug-25	22-Aug-25	% Change
S&P 500	6,449.80	6,466.91	0.27%
Bitcoin	117,398.35	116,874.09	-0.45%
Gold	3,335.39	3,372.11	1.10%
Crude Oil	65.85	67.73	2.85%
EUR/USD	1.1651	1.1726	0.64%

Rise every day