

# Economic and Investment Newsletter

## September 2025

### Current Market Commentary

New geopolitical realities have emerged as summer comes to an end. China hosted India, Russia, and North Korea in what seems to be a show of the new economic/political bloc against the loosely bonded European Union, Canada, Japan, South Korea, and the United States. What remains to be seen is how Brazil (whose largest trading partner is China) will fare under the Trump Administration's trade policies. The Trump Administration has targeted Brazil for a 50% tariff on imported goods and no trade deal with Brazil is in sight. Further, the U.S. imposed trade tariffs might not generate as much permanent revenue for the U.S. as a Federal Appeals Court ruled the current tariff policies cannot be justified by the President's declaration of national emergency.

Wall Street has already started offering companies refund rights for cents on the dollar for tariffs paid by importers in the event the Supreme Court rules in favor of the importers. The government collected approximately \$30 billion in tariffs in the month of July. Whether tariffs will continue remains to be seen as the courts will play a larger role in the process and the overall market sentiment remains cautiously optimistic on earnings for the last quarter of 2025.

If the courts decide an overreach by the Trump Administration on tariff policies, the U.S. Treasury will stand to lose billions of dollars through refunds and in future revenue. This possible outcome has triggered the 30-year Treasury yield to touch 5% briefly on August 29<sup>th</sup> when the Federal Appeals Court ruling was announced. The market seems to have shaken off the worry of inflation as a minimum one interest rate cut has been baked into 2025 expectation as labor markets appear to cool. However, Federal Reserve's independence continues to be a concern for the global markets as Fed Governor, Lisa Cook heads to court, and Senate Banking Committee interviews President Trump's nominee, Stephen Miran, on his commitment to remain independent from politics.

### Fintent Invest Strategy Outlook

Fintent Invest remains focused on building our model portfolios on current macroeconomic events including trade and fiscal policies, economic data, and interest rates. We continue to see volatility rises in the coming months with the Federal Reserve independence being threatened by current political environment along with uncertainties in the global geopolitical stage. China (whose largest trading partner is U.S.) remains non-committal to a trade deal. There are concerns over China's medium-term economic growth and its extended influence in Africa, India, Russia, and South America.



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Fintent Invest upholds the investment thesis of investing in high quality equities that can withstand the political and economic storms brewing within the world's two largest economies. Currently, we place a higher value in pursuing an investment strategy that focuses on Europe, Canada, and Japan as these countries renew their commitments to build on their military capabilities through additional government spending that can trigger a larger economic footprint within their regions.

Lastly, the Fed is expected to cut rates in its September meeting. We believe a second rate cut would be unlikely in 2025 as the Fed awaits more data on consumer and manufacturer prices along with data on the labor market. However, medium- and long-term treasury rates might remain high as risk premium for the longer end of the yield curve increases due to increase in fiscal deficit driven by decrease in government revenue. With this note, Fintent Invest continues to see more value in generating total returns (appreciation and income) through investment grade corporate debt and the 3-10 year range of the Treasuries.

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