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## Great Point Capital - August Markets Letter

Whether you are seeking differentiated alternative investments, creative tax strategies, consistent income, or it's long-term growth potential you're looking for, the Great Point Capital [Alternatives platform](#) is built to support those goals.

**NOTE:** Information and content compiled as of August 12, 12:00 pm CT

## THIS MONTH'S HIGHLIGHTS

- Mixed economic signals and the uncertainty of whether the U.S. Economy will see stagflation or inflation made Tuesday's Consumer Price Index (CPI) very important. CPI Core inflation rose by the most in six months, restoking tariff-drive price concerns.
- For the first time in 30 years, the Federal Reserve had two Fed Governors dissent on Fed Funds rate policy.
- Chartbook: 35 charts below show the visual story of markets and the economy midway through 2025.
  - Please see "Need to Know" below.
- Looking for income? Do you use the margin of safety rule and apply a yield risk premium?
  - Please see "What We're Watching" below. 


# MARKET REVIEW & SUMMARY

- The July employment report was weak! The US added just 73,000 jobs last month and the unemployment rate ticked up to 4.2%. It was the downward revisions for both May (revised down to 19,000 from 144,000 initially) and June (revised down to 14,000 from 147,000 initially), that were most concerning.
- A double hit is that Americans filing for unemployment insurance on an ongoing basis reached the highest level since November 2021. In the week ending July 26, 1.974 million continuing claims were filed, up from 1.936 million the prior week.
- The FOMC held interest rates steady as expected with a 9-2 vote. Dissent among Fed Governors has begun to surface as Fed funds were kept the same for the fifth straight policy meeting at 4.25-4.50%, However, this was the first time we have seen two dissents in over 30 years.
- CPI: The [latest data](#) from the Bureau of Labor Statistics showed that “core” inflation, which excludes volatile food and energy costs, rose 0.3% over the past month (0.3% expected), surpassing June’s 0.2% upticks and marking the largest gain in six months.
  - Annual core prices rose 3.1% in July (3.0% expected), up from June’s 2.9% year-over-year increase, signaling that rising goods inflation is no longer being offset by easing services inflation.
  - Following the report, investors/traders have placed the important [U.S. 10 year rate @ 4.25%](#) and assigned a [99 % probability the Fed cuts rates by 25bp \(0.25%\) at its Sept. 17 policy meeting](#), up from 57% last months, according to the CME FedWatch Tool. Traders still expect two rate cuts by December. One concern for the Fed is that with an inventory run-down, a tariff-induced boost to inflation will likely increase over the coming months, meaning that inflationary pressures are likely to pick up just as the Fed starts to resume rate cuts.
- Gold (+29%) and Bitcoin (+25%) are the top performing major assets so far in 2025. We’ve never seen these two in the #1 and #2 spots for any calendar year.  
→ See “Just Charts” below.

## On the Radar

\$7.4 trillion resting in Money Market Funds is at an all-time high. This shows a lot of money is on the sidelines waiting to be invested. Tariffs, Ukraine and Federal Reserve uncertainty has many investors holding their breath. This huge cash pile could be a catalyst for future market moves in multiple asset classes once investors decide to deploy it.

## Did You Know?

Top Asset Managers: Fidelity, Schwab, J.P. Morgan, Vanguard, and BlackRock were responsible for 71% of the growth in U.S. money market fund assets from Dec. 2022 to June 2025. Their combined share of assets rose to 57% by mid-2025 from a 44% average during 2011–2015. The data suggests a strong and growing money market fund industry in the United States fueled by attractive yields and ongoing investor interest. 

# WHAT WE'RE WATCHING

## Why does private credit outperform other asset classes in volatile markets?

It's important for investors considering either private credit or high-yield bonds to thoroughly understand the unique risks associated with each, and to conduct proper due diligence. Consult with a [Great Point Capital financial advisor](#) to determine suitability for one's portfolio and your individual risk tolerance.


As an investor, it's important to understand if one is getting properly compensated for the risk one is accepting. The risk premium in private credit reflects the credit risk associated with lower-rated issuers, lack of transparency and a blend of the illiquidity and complexity premiums inherent in the non-bank lending and bespoke deal structures. These premiums serve as compensation for investors for taking on the additional risks associated with these investment classes compared to their more liquid and transparent counterparts in the public markets.

Private credit's resilience is due to its unique structure that makes the asset class less sensitive to market fluctuations.

**High-quality Loans:** Private credit is primarily focused on first lien loans, which are less affected by a downturn compared to riskier investments such as junior debt or stocks. Also, the recovery rates on first lien loans tend to be in excess of 60% in a default, much higher than high-yield bonds or junior debt.

**Not Publicly Traded:** Private credit is not publicly traded, meaning it is not marked to market and therefore much less affected by market sentiments, tending to exhibit less extreme short-term swings.

**Contractual Cash Payments:** Private credit is often a contractually cash-paying instrument that, absent underlying fundamental credit deterioration, still allows investors to receive monthly cash distributions throughout periods of heightened market volatility.

**Structural Protections:** Private credit generally offers structural protections such as maintenance covenants and security interests that allow lenders to tightly manage downside scenarios. 

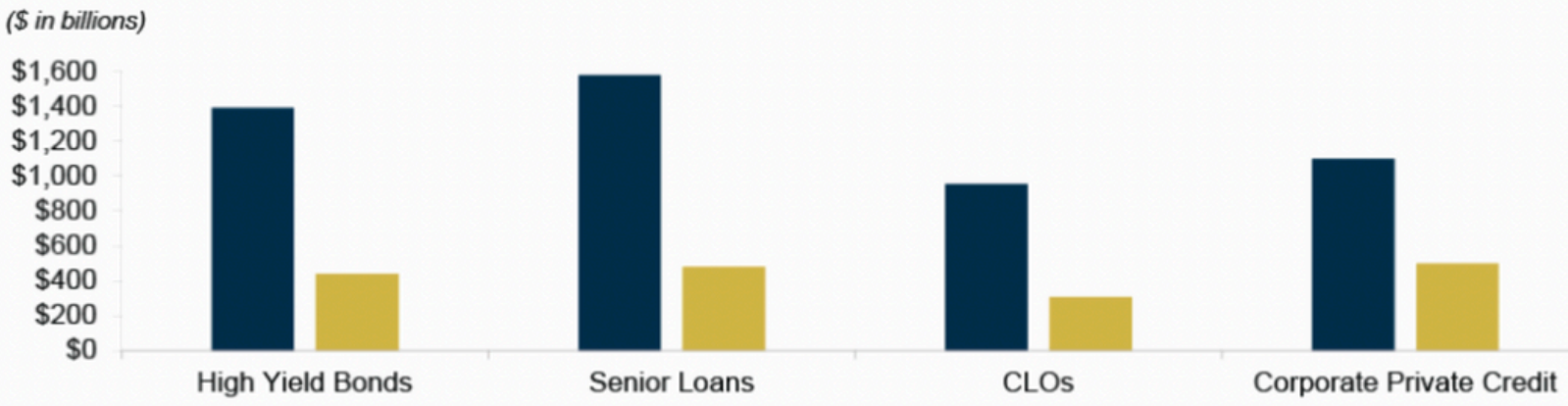
# SOMETHING TO CONSIDER

## Private Credit and Direct Lending. [Is the U.S. Still Special?](#)

The U.S. is correctly placed at the center of credit portfolios. As [Ken Griffin of Citadel](#) recently stated: “The U.S. has the deepest, most liquid capital markets in the world,” particularly in the subinvestment grade credit space, allowing managers to deploy capital at significant scale.

For alternative credit investors, there are opportunities to earn 8-12% a year in monthly or quarterly distributions via non-listed, stable NAV, [interval funds](#). The U.S. high-yield bond and senior loan markets combine to nearly \$3 trillion, with structured and private credit markets remarkably extensive.

Figure 2: The U.S. Sub-Investment Grade Credit Markets Are Vast<sup>6</sup>



### Key differences and risk comparisons

Feature	Private Credit	High-Yield Bonds
Liquidity	Less liquid, with investments often held to maturity or for multi-year lockups.	Generally more liquid, traded on public exchanges, but can face liquidity risk in stressed markets.
Customization	Offers greater flexibility in tailoring loan terms and structures to meet borrower needs.	Standardized terms.
Transparency	Less transparent, with limited public information on borrowers and loan performance.	More transparent, with public market-driven pricing and regulatory oversight.
Interest Rates	Often floating-rate loans, potentially providing an inflation hedge.	Can be fixed or floating-rate, with high-yield typically having higher coupons and shorter maturities, making them less sensitive to interest rate changes compared to investment-grade bonds.
Risk Factors	Credit risk, liquidity risk, illiquidity risk, transparency risk, regulatory risk.	Default risk, interest rate risk, economic risk, liquidity risk.

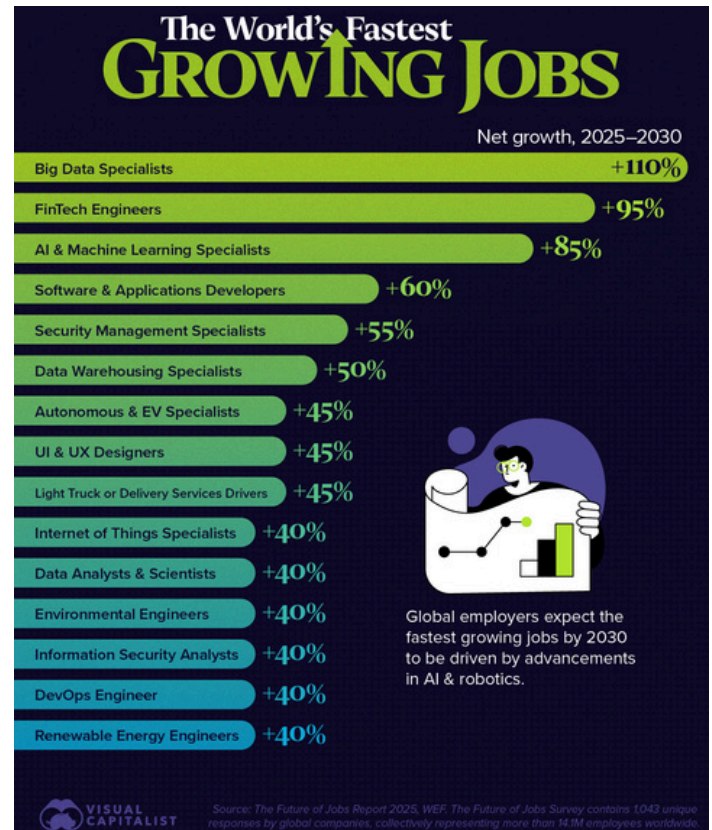


## Worth Noting

### The World's Fastest Growing Jobs by 2030

Fueled by the rise of artificial intelligence and automation, the global job market is undergoing a major transformation.

- Big Data specialists are expected to be the world's fastest growing job between 2025 and 2030, according to a global survey of employers.
- Almost all of the top 15 fastest-growing jobs are related to artificial intelligence or robotics, underscoring a major shift in the global labor market. 🤖



## NEED TO KNOW

Yahoo's Mid-year Finance [Chartbook here](#): 35 visual charts that tell the story of markets and the economy midway through 2025. Note - worth watching the brief video as one views this excellent collection of charts.

### Highlights

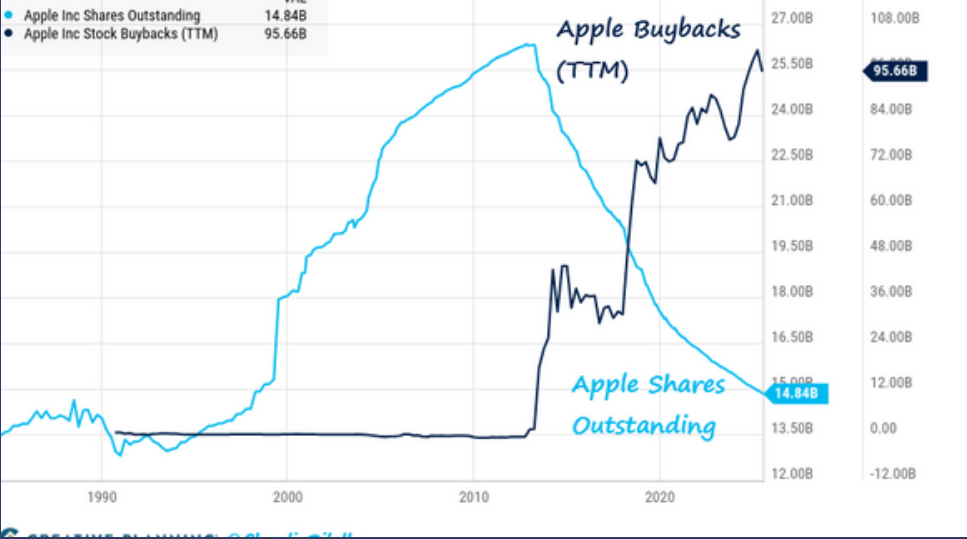
- The fifth volume of the Yahoo Finance Chartbook presents a calming explanation on where the U.S. markets currently stands and the robustness of the U.S. economy and strength of the U.S. consumer.
- Earnings reported and revisions breadth for the S&P 500 is experiencing one of the strongest V-shaped recoveries in history, rivaling the COVID rebound in 2020. A large number of market participants do not appreciate how strong this very fundamental driver has been over the past several months, which justifies the rally to date.
- Investor positioning data show no sign of exuberance, despite all things crypto and AI seeing signs of excessive speculation. [The GS Equity Sentiment Indicator](#) combines nine measures of positioning in U.S. stocks across investor groups, including hedge funds, mutual funds and retail investors. Today, the indicator stands at a 0, reflecting a neutral stance in U.S. stocks on average across investors. While valuation multiples sit at elevated levels relative to history, constrained positioning indicates room for the recent equity rally to continue. 🤖

# JUST CHARTS

## Gold & Bitcoin #1 & #2 in 2025 Returns

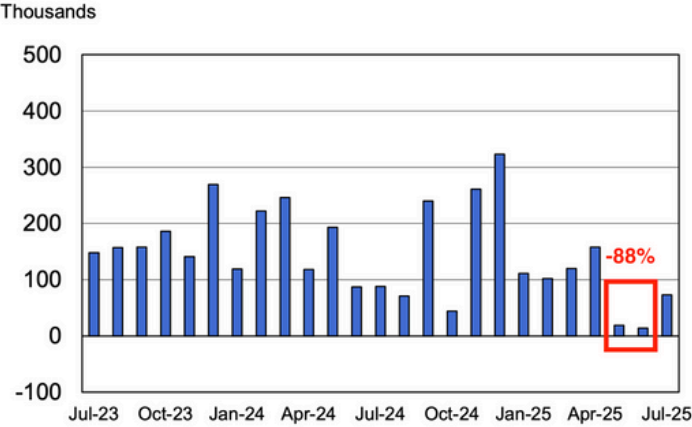
CREATIVE PLANNING		Asset Class Total Returns Since 2011 (Data via YCharts as of 8/8/25)															@CharlieBilello	
Asset Class	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2011-25 Cumulative	2011-25 Annualized	
Gold	9.6%	6.6%	-28.3%	-2.2%	-10.7%	8.0%	12.8%	-1.9%	17.9%	24.8%	-4.2%	-0.8%	12.7%	26.7%	29.3%	126%	5.7%	
Bitcoin (BTC)	1473%	186%	5507%	-58%	35%	125%	1331%	-73%	95%	301%	66%	-65%	156%	121%	25.0%	38897420%	141.7%	
EAFE Stocks	-12.2%	18.8%	21.4%	-6.2%	-1.0%	1.4%	25.1%	-13.8%	22.0%	7.6%	11.5%	-14.4%	18.4%	3.5%	21.6%	140%	6.2%	
Emerging Market Stocks	-18.7%	19.2%	-4.9%	0.0%	-15.8%	12.2%	31.5%	-14.8%	20.8%	15.2%	1.3%	-18.0%	9.3%	10.6%	15.6%	57%	3.1%	
US Nasdaq 100	3.4%	18.1%	36.6%	19.2%	9.5%	7.1%	32.7%	-0.1%	39.0%	48.6%	27.4%	-32.6%	54.9%	25.6%	12.7%	1101%	18.6%	
US Growth	2.3%	15.2%	33.1%	12.8%	5.5%	7.0%	30.0%	-1.7%	35.9%	38.3%	27.4%	-29.3%	42.6%	33.1%	11.3%	813%	16.4%	
Convertible Bonds	-7.7%	15.9%	20.5%	7.7%	-0.8%	10.6%	15.7%	-2.0%	22.4%	53.4%	2.2%	-20.8%	14.5%	10.1%	9.6%	263%	9.2%	
US Large Caps	1.9%	16.0%	32.2%	13.5%	1.2%	12.0%	21.7%	-4.5%	31.2%	18.4%	28.7%	-18.2%	26.2%	24.9%	9.4%	559%	13.8%	
EM Bonds (USD)	7.7%	16.9%	-7.8%	6.1%	1.0%	9.3%	10.3%	-5.5%	15.5%	5.4%	-2.2%	-18.6%	10.6%	5.5%	8.2%	73%	3.8%	
US Value	0.1%	17.5%	32.1%	13.2%	-4.0%	17.3%	13.5%	-8.5%	26.1%	2.7%	25.0%	-7.7%	11.4%	14.2%	6.6%	316%	10.3%	
TIPS	13.3%	6.4%	-8.5%	3.6%	-1.8%	4.7%	2.9%	-1.4%	8.3%	10.8%	5.7%	-12.2%	3.8%	1.7%	5.6%	48%	2.7%	
High Yield Bonds	6.8%	11.7%	5.8%	1.9%	-5.0%	13.4%	6.1%	-2.0%	14.1%	4.5%	3.8%	-11.0%	11.5%	8.0%	5.5%	101%	4.9%	
Investment Grade Bonds	9.7%	10.6%	-2.0%	8.2%	-1.3%	6.2%	7.1%	-3.8%	17.4%	11.0%	-1.8%	-17.9%	9.4%	0.9%	5.2%	69%	3.7%	
US Total Bond Market	7.7%	3.9%	-2.1%	5.8%	0.6%	2.5%	3.6%	-0.1%	8.8%	7.7%	-1.9%	-13.1%	5.7%	1.4%	4.4%	38%	2.2%	
Preferred Stocks	-2.0%	17.8%	-1.0%	14.1%	4.3%	1.3%	8.1%	-4.7%	15.9%	7.9%	7.2%	-18.2%	9.2%	7.2%	3.1%	88%	4.4%	
US Cash	0.0%	0.0%	-0.1%	-0.1%	-0.1%	0.1%	0.7%	1.7%	2.2%	0.4%	-0.1%	1.4%	4.9%	5.2%	2.5%	20%	1.3%	
Long Duration Treasuries	34.0%	2.6%	-13.4%	27.3%	-1.8%	1.2%	9.2%	-1.6%	14.1%	18.2%	-4.6%	-31.2%	2.8%	-8.1%	2.5%	39%	2.3%	
Commodities	-2.6%	3.5%	-7.6%	-28.1%	-27.6%	18.6%	4.9%	-11.6%	11.8%	-7.8%	41.4%	19.3%	-6.2%	2.2%	2.2%	-9%	-0.7%	
US REITs	8.6%	17.6%	2.3%	30.4%	2.4%	8.6%	4.9%	-6.0%	28.9%	-4.7%	40.5%	-26.2%	11.8%	4.8%	2.0%	184%	7.4%	
US Mid Caps	-2.1%	17.8%	33.1%	9.4%	-2.5%	20.5%	15.9%	-11.3%	25.8%	13.5%	24.5%	-13.3%	16.1%	13.6%	0.8%	316%	10.3%	
US Small Caps	-4.4%	16.7%	38.7%	5.0%	-4.5%	21.6%	14.6%	-11.1%	25.4%	20.0%	14.5%	-20.5%	16.8%	11.4%	0.2%	244%	8.8%	
Highest Return	BTC	BTC	BTC	VNQ	BTC	BTC	BTC	BIL	BTC	BTC	BTC	DBC	BTC	BTC	GLD	BTC	BTC	
Lowest Return	EEM	BIL	GLD	BTC	DBC	BIL	BIL	BTC	BIL	DBC	TLT	BTC	DBC	TLT	IWM	DBC	DBC	
% of Asset Classes Positive	62%	95%	52%	71%	38%	100%	100%	5%	100%	90%	71%	10%	95%	95%	100%	95%	95%	

## Apple buybacks continue



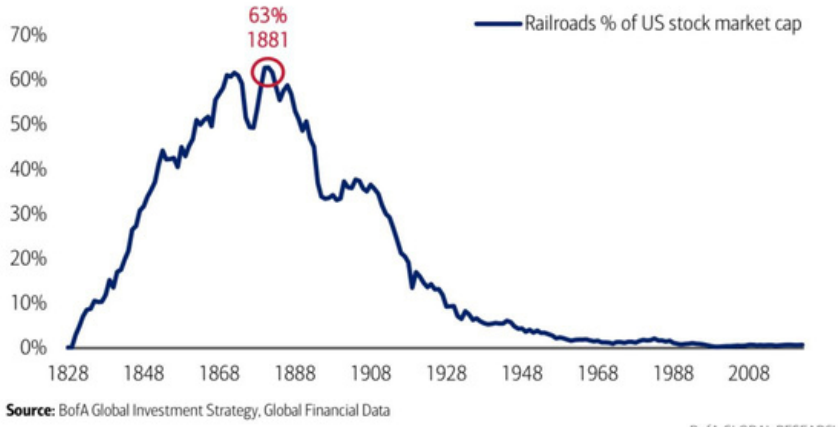
## Where are the jobs?

Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, July 2023 – July 2025



## Worried about the “Mag.7” concentration?

Chart 2: Railroads = 63% of US stock market in 1881... most dominant innovation sector ever



## CARTOONS



## TERM OF THE MONTH

from  Investopedia

### What is ChatGPT, and ways to use ChatGPT to build your wealth.

ChatGPT, the powerful AI chatbot launched in 2022 by OpenAI, can support your wealth building goals by helping you evaluate the market and potential new revenue ideas. Below are several ways one can use ChatGPT to invest better.

#### KEY TAKEAWAYS

- ChatGPT's strengths for investors include its ability to quickly compile background information on potential investment targets and generate guidelines for investing thoroughly and thoughtfully.
- As a generative AI tool, ChatGPT can instantaneously create a summary of risks that one should consider before making a particular investment.
- AI platforms may not always have access to the latest data and news, so one must crossreference other sources. 

#### ONE GREAT POINT

"AI will not replace humans, but those who use AI will replace those who don't."


**Ginni Rometty**, Former CEO of IBM

"AI has the potential to be more transformative than electricity or fire."

**Sundar Pichai**, CEO of Google

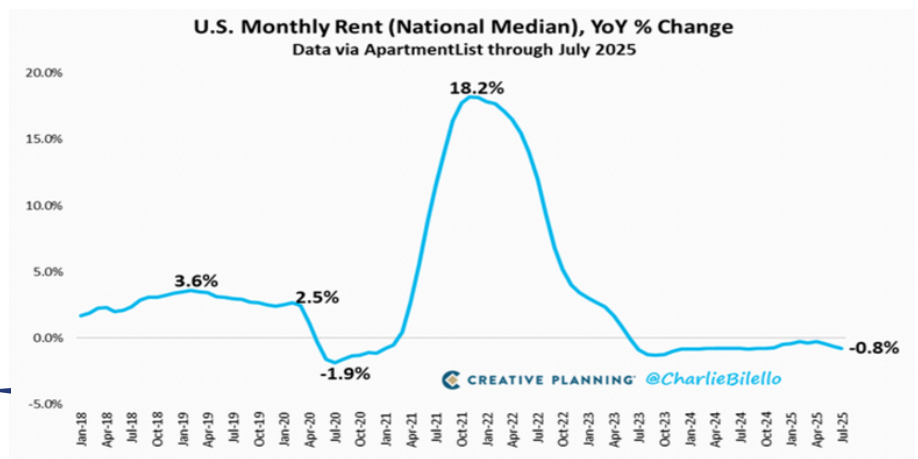
## QUICK TAKE BEFORE YOU GO

#### ChatGPT & How It Works

1. "ChatGPT is an AI model that engages in conversational dialogue. It's an example of a chatbot, akin to the automated chat services found on some companies' customer service websites
2. The technology was developed by OpenAI, a tech research company that has said it's dedicated to ensuring "that artificial general intelligence benefits all of humanity
3. OpenAI. "About OpenAI Page."
4. What sets ChatGPT apart from chatbots of the past is that ChatGPT was trained using reinforcement learning from human feedback (RLHF). RLHF involves the use of human AI trainers and reward models to develop ChatGPT into a bot capable of challenging incorrect assumptions, answering follow-up questions, and admitting mistakes. 

## Keep An Eye On

U.S. Rents were down 0.8% over the last year, the 26th consecutive month with a YoY decline. Renting a home is cheaper than paying a mortgage in all 50 of the largest metros in the country. 🏠



## FREE RESOURCES & INSIGHTS: WORTH EXPLORING!

- Want to know more about private credit?
  - Heron - [How Private Credit Can Help Investors Weather Volatile Markets](#).
  - Cliffwater - [An introduction to Private debt](#) ("direct lending" or "private lending") an asset class defined by non-bank lending that historically has only been available to institutional investors.

## Just One Book

[The Intelligent Investor by Ben Graham](#): Written in 1949 about the stock market and value investing, Benjamin Graham introduced the concept of the "margin of safety" as a cornerstone of sound investment strategies. Warren Buffett famously illustrated the margin of safety with a bridge construction analogy: "When you build a bridge, you insist it can carry 30,000 pounds, but you only drive 10,000-pound trucks across it". Investors should build a safety margin into their portfolio that is stronger than needed, providing a buffer against unforeseen circumstances. 🏠



## CALL TO ACTION CALENDAR: SEPTEMBER 2025

### September

**Sept. 1:** Bank and NYSE Holiday (Labor Day) .

**Sept. 3:** Beige Book Release (September).

**Sept. 5:** Employment Situation Report (August) Sept. Internal Revenue Service. ["Tax Calendars"](#) .

**Sept. 15:** Third Quarter 2025 Estimated Tax Payment Due; pay the third installment of any estimated tax due for the year.

**Sept. 16-17:** FOMC Meeting (September) Rate cut expected. 🏠



### A Heartbreaking economic indicator: More people are giving up their pets.

Melissa Knicely, a 19-year volunteer at a North Carolina animal shelter, has learned to spot an unofficial and heart-wrenching sign that the economy may be taking a turn for the worse—when there’s a surge in the number of people looking to give up their pets. “That happened in the late 2000s, as the pain from the financial crisis spread; at other times when waves of layoffs hit the region; and, more recently, when inflation spiked.”

In recent months, that activity, which is referred to as “owner surrenders,” has picked up steam. Knicely serves as the department spokesperson and says owner surrenders are running nearly 43% higher than this time last year.

**Please** - Hold on to your pets, as even the “ugliest” can bring happiness. [A Bulldog Named Petunia Crowned the ‘World’s Ugliest](#)



## THIS MONTH'S THANK-YOUS

- Charlie Bilello and his great weekly work @ [The Week in Charts Newsletter](#).
- [Yahoo Finance](#) – Easy to follow, comprehensive reporting.

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