

# Week in Review | Reinhart Fixed Income By Madison Investments

September 5, 2025



## Employment

The U.S. economy added 22,000 jobs in August, below expectations of a 75,000 increase. Revisions to the previous two months subtracted an additional 21,000 jobs. The unemployment rate rose from 4.2% to 4.3%. Average hourly earnings rose 0.3% for the month and are up 3.7% year-over-year. The labor force participation rate increased from 62.2% to 62.3%.

**Our Take:** The underwhelming employment report supports a rate cut at the September Fed meeting as data continues to soften. More cuts later in the year are possible if future jobs reports continue to show weakness, although the Fed will remain cognizant of the fact that inflation remains above their 2% target.

## Trade

The U.S. Appeals Court for the Federal Circuit upheld a decision by the U.S. Court of International Trade that the Trump administration exceeded its authority under the International Emergency Economic Powers Act (IEEPA) when it implemented reciprocal tariffs and tariffs related to fentanyl. The appeals court allowed the tariffs to remain in place while the administration appeals. The administration appealed the case to the Supreme Court and asked for an expedited schedule for hearing the case.

**Our Take:** The appeals court ruling creates further uncertainty around what level of tariffs will apply to which products and which countries. This uncertainty is likely to cause further caution among businesses and consumers and to further cloud the impact of announced trade policy on inflation.

## Municipals

On Thursday, a Philadelphia judge ruled that the Southeastern Pennsylvania Transit Authority (SEPTA) must restore services that were cut last month. In addition, the ruling stated that SEPTA must stop plans for additional cuts and station closures that were due to take effect. However, the judge ruled that a fare increase may proceed. Pennsylvania lawmakers, divided on party lines, had been unable to agree on a funding package for SEPTA before an August 24 deadline, which led to the elimination of 32 bus routes and less frequent bus and metro rail service, with another round of service cuts to begin in January.

**Our Take:** Pennsylvania Governor Josh Shapiro had asked lawmakers to return to Harrisburg to work on a funding plan. Experts warned that the cut to transportation services would be harmful to the fiscal health of the Philadelphia area, leading to lower earnings and lower job growth. The judge's order to halt the service cuts is a short-term fix. Lawmakers must focus on a funding compromise to ensure transportation needs are met.



## Contact

### Financial Advisors

888.971.7135

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### Institutional Investors and Consultants

888.971.7135

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