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Market Update
(all values as of 07.31.2025)

Stock Indices:

Dow Jones	44,130
S&P 500	6,339
Nasdaq	21,122

Bond Sector Yields:

2 Yr Treasury	3.94%
10 Yr Treasury	4.37%
10 Yr Municipal	3.27%
High Yield	6.86%

YTD Market Returns:

Dow Jones	3.73%
S&P 500	7.78%
Nasdaq	9.38%
MSCI-EAFE	15.67%
MSCI-Europe	18.44%
MSCI-Pacific	10.55%
MSCI-Emg Mkt	15.60%
US Agg Bond	3.75%
US Corp Bond	4.24%
US Gov't Bond	3.72%

Commodity Prices:

Gold	3,346
Silver	36.79
Oil (WTI)	69.38

Currencies:

Dollar / Euro	1.15
Dollar / Pound	1.33
Yen / Dollar	148.58
Canadian /Dollar	0.72

Macro Overview

Markets reacted to uncertainty surrounding the effect of tariffs on corporate earnings and consumer sentiment, as economists and analysts have found it difficult to determine how much of an influence tariffs have had on profitability and consumers thus far.

The price of various goods picked up in June, a possible indication that companies may be starting to pass tariff costs on to consumers in the form of higher prices. The Consumer Price Index (CPI) rose 2.7% in June from a year earlier, as reported by Labor Department, faster than the prior month's increase of 2.4%. The price of furniture, toys and clothes, which tend to be sensitive to tariffs, posted larger increases in June.

Progressive deregulation as well as the burgeoning demand for electricity and natural gas driven by the expansion of AI infrastructure (eg. data centers), is creating long term growth dynamics for the utility sector, which has historically never demonstrated growth characteristics.

The U.S. economy grew at an annualized rate of 1.2% in the first half of 2025, while consumer spending grew by 0.9% for the same period. The data is indicating slowing activity and decelerating expansion among various sectors.

Stocks wavered in July due to the challenge of determining how much of the newly imposed tariffs are being absorbed by U.S. companies and consumers. Recent company earnings have revealed that a portion of U.S. companies are absorbing tariff costs while others are passing tariffs along to consumers in the form of higher prices.

Questions surrounding the collection of data by the Bureau of Labor Statistics (BLS), has raised doubt about the accuracy of data revealing employment and labor force statistics. The government's economic data has been less reliable than usual since the pandemic, undergoing constant revisions that in some cases have dramatically altered perceptions of the economy. The integrity and reliability of U.S. government data is also a critical component of the dynamics and function of the U.S. Treasury market.

Approximately half of retired seniors pay tax on Social Security benefits, which help fund Medicare and future Social Security benefits. Lower tax rates and new tax provisions are expected to reduce revenue into the Social Security Trust Fund and Medicare as estimated by the The Committee for a Responsible Federal Budget (CRFB). Regardless, it is projected that the Social Security Trust Fund will not be able to pay full scheduled benefits as early as 2032. The primary reason for the trust fund's depletion is a declining birth rate and increasing life expectancy which translates into fewer workers contributing to Social Security relative to the number of beneficiaries receiving benefits.

The technology sector has announced more than $1.5 trillion in commitments to investing in the U.S. since the beginning of the year, hoping for favorable policies on tariffs and digital-trade barriers. The investments include the construction of factories, research & development, and employee hiring.

Sources: BLS, U.S. Treasury, Bloomberg, SS.gov, CRFB, WhiteHouse.gov

Rates Uncertain Until Fed Decides On Further Cuts – Fixed Income Update

Fixed income indices had a mixed month, with Treasuries experiencing fluctuating long-term yields, reflecting investor concerns over inflation and economic growth. Markets reacted to poorer than expected employment data released by the Bureau of Labor Statistics (BLS) by sending bond prices higher and yields lower at the end of July.

Interestingly enough, the weak jobs data release actually helped the Fed as markets drove bond yields lower without the Fed having to take any action. Employment data is critical for the direction of bond yields since a weakening jobs market is indicative of slowing consumer expenditures and alleviating inflation. The rate on a 30-year fixed conforming mortgage fell to 6.72% on July 31st, down from 6.91% at the beginning of the year. Any reduction by the Fed is expected to help buoy the housing market with lower mortgage rates. (Sources: FreddieMac, U.S. Treasury, BLS)

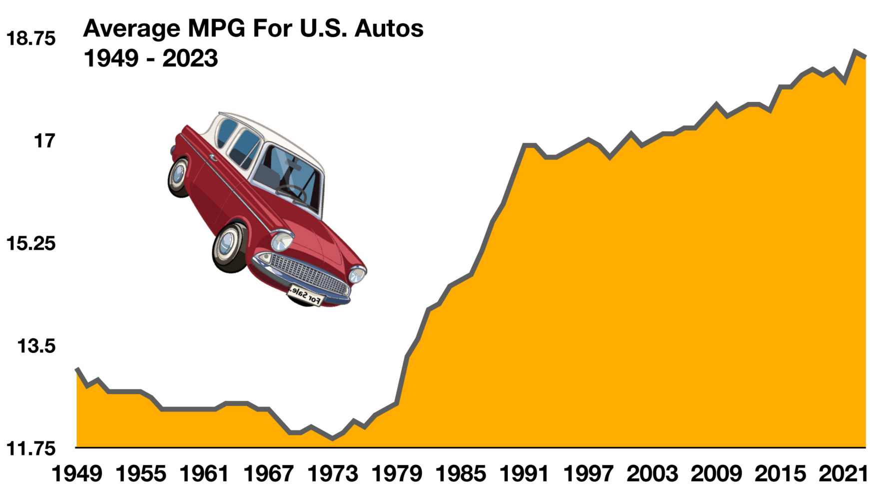
Equities Navigate Tariffs In July – Domestic Stock Overview

Despite ongoing trade tensions and macroeconomic uncertainty, domestic equities maintained on upward momentum in July, with the S&P 500 index and Nasdaq increasing in July. Propelled by strong corporate earnings and renewed consumer sentiment, equities were resilient to ongoing trade and data headwinds. Information technology, utilities and industrials were the leading sectors in July, while other sectors were mixed.

The weak employment data release was of concern for the stock market since less companies are hiring and more workers are finding it increasingly difficult to land a job. Such labor market dynamics can slow economic growth and curtail inflationary pressures. (Sources: Bloomberg, S&P)

How Autos Have Become More Fuel Efficient Over The Decades – Auto Industry Overview

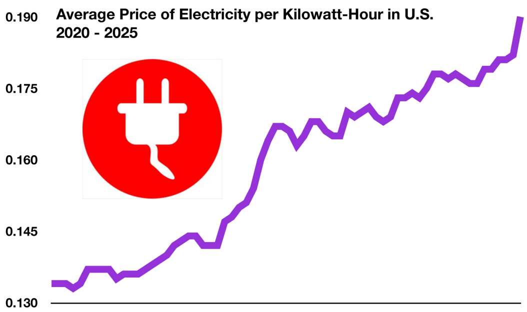
As technological advances have been applied to the auto industry, cars have become more efficient and electronically sensible. Technology has been able to increase horse-power while also decreasing fuel consumption over the past few decades.



Smaller, more efficient 4 cylinder engines now produce the same amount of power as earlier V8 engines from the 70s and 80s that were known as "fuel hogs". Data collected by the U.S. Energy Information Administration as early as 1949, has shown a gradual decrease in fuel consumption per vehicle, translating into higher miles per gallon (MPG). The average vehicle in 1949 achieved roughly 13 MPG, while the average vehicle as of the most recent data was 18.4 MPG. (Sources: U.S. Energy Information Administration)

Artificial Intelligence (AI) Is Elevating The Cost of Electricity – Energy Sector Update

As the expansion and proliferation of Artificial Intelligence (AI) continues throughout the economy, the demand for electricity is also intensifying. AI is essentially fields of servers packed with incredibly fast semiconductor processors that demand enormous amounts of energy in order to calculate and process data. These server facilities are known as data centers which are usually located in rural areas such as deserts and harsh weather regions. Demand for power by these data centers is directly competing with demand by consumers across the country, leading to rising utility bills.

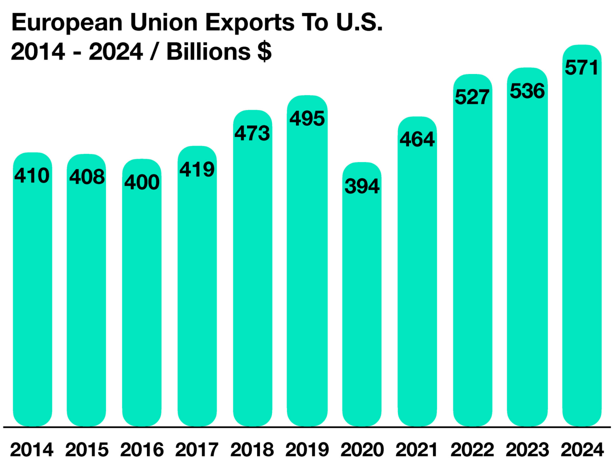


As the nation's power grid struggles to provide ample energy for consumers, data centers, and factories, the need to expand and build new power plants has risen to levels never seen before. The average cost of electricity per kilowatt-hour in a U.S. city began to rise above historical trends in 2021 when significant expansion of the data center industry began, including a large number of new facilities coming online that same year. The building and opening of new data centers has continued ever since, with the average data center consuming almost as much power as a small city. Data centers accounted for roughly 4.4% of total electricity consumption in 2023, with projections estimating a rise to 6.7% to 12% by 2028, according to the U.S. Department of Energy. (Sources: U.S. Dept. of Energy, Federal Reserve Bank of St. Louis)

What The European Union Exports To The U.S. – International Trade

The United States imports a wide array of materials and finished products from Europe with the total value of European Union (E.U.) imports into the U.S. totaling over $570 billion in 2024. The most significant imports from Europe to the U.S. are pharmaceuticals and medical products, accounting for roughly $127 billion while automobiles and automotive components constitute about $57 billion in exports to the U.S. Other significant exports to the U.S. include machinery, optical products, electrical components, and organic chemicals.

Trade between the U.S. and the European Union are distinctive from other countries as the E.U. is made up of 27 countries with different economies and political leaders. All trade negotiations with the E.U. are accomplished with the President of the European Commission, who represents all 27 countries for the interests of the E.U. as a whole.



Since labor costs in the E.U. can be restrictive for certain manufacturers, several European auto companies have actually initiated production of autos in the U.S. over the past few years. Part of the current negotiation process does include incentivizing additional transition of production and manufacture to the U.S. (Sources: EuroStat, U.S. Dept. of Commerce)

What Prompted The Turmoil With The Government's Employment Data – Government Agency Overview

The dismissal of the Commissioner of the Bureau of Labor Statistics prompted questions as to how employment data is collected and what may have triggered the termination. Regardless, the financial community did not dismiss the firing as justified. Concerns surrounding the accuracy of government data drew attention since such data is incredibly critical for the determination of fiscal and monetary policy initiatives.

The process of employment data collection has been mired with flaws since the onset of the pandemic in 2020. What used to be face to face surveys of businesses and corporate human resource departments, dwindled into an online questionnaire riddled with muddled questions. The BLS surveys about 121,000 businesses and government agencies, covering approximately 631,000 worksites. The survey is conducted monthly and collects data from companies' payroll records on employment, hours, and earnings. Primary data collected in these surveys include, number of employees on the payroll, hours worked, wages paid, as well as overtime and part-time status. Data collected from these surveys are used to generate the widely cited monthly Employment Situation report, which translates into the releases followed by the Fed, the White House, analysts, and economists.

The termination of the BLS commissioner by the President was triggered by unusually large downward revisions to employment gains for June and May. Adjustments and revisions are common for such data, yet the dramatic revisions sowed angst about the credibility of the data. The revised data from the BLS showed the economy added 33,000 jobs in June and May, instead of 291,000 previously reported.Some economists believe that the dramatic revisions were brought about by smaller companies that did not reply to BLS surveys in a timely manner. (Sources: BLS, OEWS, Office of Survey Methods Research (OSMR)

Consumer Debt Slowly Rising – Household Finances

Over the past few months consumers have been adjusting their spending habits, cutting down on discretionary items such as TVs and furniture, while shifting purchases to more affordable brands and products. Ongoing elevated prices have been a burden to consumers as wages have not been keeping up with many of the price increases. In doing so, consumers have been relying more on debt in order to make payments and afford essential items. Total outstanding consumer debt increased to $18.38 trillion in the second quarter of 2025, up from $14.3 trillion at the beginning of the pandemic in the first quarter of 2020. Total consumer debt includes mortgages, credit card balances, home equity lines of credit and student loans. Credit card debt accounted for 6.5% of total consumer debt in the second quarter of 2025, up from 5.3% three years ago in 2022. Economists closely watch rising consumer debt as an indicator of any financial strain on household spending. (Source: Federal Reserve Bank of St. Louis)