

TALKING POINTS

Data through July 2025

Climate

Increased clarity regarding the potential impact of U.S. tariff policy on inflation and national output bolstered the U.S. investment climate in July. The latter metric (GDP) increased to 3.0% in Q2'25, up from a decline of 0.5% in the previous quarter (good news), but inflation, as measured by the 12-month change in the consumer price index (CPI), ticked up to 2.7% in June 2025 (not so good news). While investors welcomed the second quarter's observed GDP report, real GDP averaged just 1.2% in H1'25, well below the 20 year average of 2.0%, according to Brian Wesbury, Chief Economist at First Trust Portfolios L.P. Consumer confidence recovered slightly in July, but remains muted compared to last year. In July, the Conference Board reported that its Expectations Index - which reveals consumers' short-term outlook for income, business, and labor market conditions - stood at 74.4, marking the sixth consecutive month where the index has wallowed below 80. The Conference Board notes that observations at these levels may precede an economic recession. One reason for consumers' recent despondency could be surging interest payments. The share of debt service payments as a percentage of disposable income stood at 11.2% in Q1'25, up from pandemic era lows of 9.1% in Q1'21. Delinquency rates are increasing alongside rising debt burdens and appear to be hitting the wealthiest harder than other income levels. The share of credit card debt currently delinquent (30-days or more past due) among people living in the wealthiest U.S. zip codes surged from 4.8% in Q2'22, to 8.3% in Q1'25

Stock Market

The S&P 500 Index ("Index") closed at 6,339.39 on 7/31/25, representing a price-only increase of 27.23% from its most recent low of 4,982.77 on 4/8/25, according to data from Bloomberg. The S&P MidCap 400 and S&P SmallCap 600 Indices remain 7.05% and 12.92%, respectively, below their all-time highs which were set on 11/25/24. The Index posted a total return of 2.24% in July 2025. Six of the 11 major sectors that comprise the Index registered positive total returns for the month. The top-performer was Information Technology, up 5.19%, while Health Care had the worst showing, declining by 3.26%. Large cap stocks and technology companies continued to outperform the Index on a total return basis. Large cap stocks, as represented by the S&P 100 Index, increased by 2.89% in July, and are now up 9.10% year-to-date (YTD) through 7/31. The Nasdaq 100 Index continued its strong performance, posting total returns of 2.41% and 10.96% in July and YTD, respectively. For comparison, the broader Index increased by 8.58% YTD. As revealed in the table to the right, estimates for the Index's 2025 earnings per share (EPS) increased in July, ending six consecutive months of declining year-end estimates. FactSet reported that the Index's Q2'25 blended year-over-year (y-o-y) earnings growth rate stood at 10.3% on 8/1/25. Should this hold, it will mark the Index's third consecutive quarter of double-digit earnings growth. A similar trend occurred with the Index's 2026 estimated EPS, which increased to 301.76 in July. As we see it, increasing clarity surrounding the potential impact of tariffs and the rising likelihood that the Federal Reserve ("Fed") could lower rates by year's end likely explain surging equity prices observed in recent months.

Bond Market

The yield on the benchmark 10-year T-note stood at 4.38% at the close of trading on 7/31/25, up 35 basis points (bps) from its 4.03% close on 7/31/24, according to data from Bloomberg. The 4.38% yield stood 177 bps above its 2.61% average for the 10-year period ended July 2025 and 61 bps below its most recent high of 4.99% set on 10/19/23. The yield on the 2-year T-note stood at 3.96% on 7/31/25, down 30 bps from when it stood at 4.26% on 7/31/24. The default rate among speculative-grade bonds continued to increase in June (most recent data). Moody's reported that its trailing 12-month global speculative-grade default rate stood at 4.4% during the month, up from 4.3% in May and further from its long-term average of 4.2%. Default rates among U.S. speculative grade bonds have also increased of late, rising from 5.4% in April 2025 to 5.9% in June. Moody's forecasts that the default rate on speculative-grade U.S. bonds will total 4.1% in December 2025, up from a previous estimate of 2.7% in January 2025. Commercial properties have continued to struggle in this post-COVID environment. Trepp, a leading provider of real estate data, reported that the overall delinquency rate for U.S. commercial mortgage-backed securities (30-days or more delinquent) stood at 7.13% in June 2025, an increase of 178 bps from 5.35% in June 2024. The office sector saw delinquency rates climb to a record 11.08% in June 2025, an increase of 49 bps month-over-month. Despite pockets of weakness, most of the fixed income categories we track have enjoyed positive YTD and trailing 12-month total returns. As revealed in our "Bloomberg Fixed Income Indices" table to the right, long duration municipal bonds are the only category to have suffered negative total returns across each of the time frames presented.

Takeaway

While the Fed held rates steady at its most recent meeting in July, its decision was not unanimous. Two members dissented, making this the most disputed Fed decision since December 1993, according to Reuters. Investors appear to have taken these conflicting viewpoints as a signal that rate cuts are forthcoming. On 8/4/25, the federal funds target rate futures market implied a 97.1% chance that the Fed would cut its benchmark interest rate in September, up from 39.8% just days prior (7/31). Perhaps this is one reason for surging equity prices. As indicated by the most recent earnings data, U.S. equities have largely brushed off rising capital costs brought on by a more competitive Fed. As we see it, investors are likely discounting for lower interest rates (lower capital costs) in the coming months, driving values higher. That said, the path forward is not without its hurdles. As mentioned in the "Climate" section above, the CPI increased to 2.7% in June 2025 and now sits above its 20-year average of 2.6%. Recent labor market data looks gloomy as well, with revisions to non-farm payrolls revealing a net loss in June.

Sources: Bloomberg, FactSet, and Investment Company Institute

Past performance is no guarantee of future results. Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index. There can be no assurance past trends will continue or estimates will be realized.

Open-End Net Fund Flows (\$)	6/25	5/25	YTD (Jun)
Equity	-74.9B	-56.9B	-354.2B
Taxable Bond	11.9B	16.4B	-18.8B
Municipal Bond	2.3B	4.8B	4.2B
Hybrid	-7.0B	-6.5B	-55.8B
Taxable Money Market	17.8B	69.5B	74.5B

Key Interest Rates/Yields	7/31/25	6/30/25	7/31/24
Federal Funds Target Rate	4.50%	4.50%	5.50%
2-Year T-Note	3.96%	3.72%	4.26%
5-Year T-Note	3.97%	3.80%	3.91%
10-Year T-Note	4.38%	4.23%	4.03%
Bond Buyer 40	5.10%	4.94%	4.34%

Commodities/U.S. Dollar	7/25	YTD	12 Mo.
U.S. Dollar Index (DXY)	3.19%	-7.85%	-3.97%
FTSE/CC CRB Excess Ret.	0.84%	1.03%	7.79%
Crude Oil/WTI (per Barrel)	6.37%	-3.43%	-11.10%
Natural Gas (per million BTUs)	-10.13%	-14.51%	52.55%
Gold Bullion (Ounce)	-0.40%	25.35%	34.41%

S&P 500 Full-Year Earnings Estimates	2025	2026
7/31/25	265.99	301.76
6/30/25	264.16	300.15
12/31/24	274.13	311.08

Total Return Performance

U.S. Stock Indices	7/25	YTD	12 Mo.
S&P 500	2.24%	8.58%	17.57%
DJIA	0.16%	4.72%	10.77%
Nasdaq 100	2.41%	10.96%	22.76%
S&P MidCap 400	1.62%	1.81%	4.21%
Russell 2000	1.73%	-0.09%	0.29%
Russell 3000	2.20%	8.07%	16.88%

U.S. Styles/Market Caps	7/25	YTD	12 Mo.
S&P 500 Growth	3.43%	12.58%	27.33%
S&P 500 Value	0.89%	4.20%	6.29%
S&P MidCap 400 Growth	2.16%	2.65%	3.10%
S&P MidCap 400 Value	1.01%	0.88%	5.33%
Russell 2000 Growth	1.70%	1.20%	3.87%
Russell 2000 Value	1.77%	-1.45%	-3.31%

Foreign Stock Indices (USD)	7/25	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	-1.21%	17.56%	15.73%
MSCI Emerging Markets NET	1.95%	17.51%	18.01%
MSCI Europe NET	-1.78%	20.86%	15.30%
MSCI BRIC NET	0.27%	14.26%	18.10%
MSCI EM Latin America NET	-4.44%	24.09%	8.18%
Nikkei 225	-2.90%	8.52%	11.21%

Bloomberg Fixed Income Indices	7/25	YTD	12 Mo.
U.S. Treasury: Intermediate	-0.26%	3.70%	4.07%
GNMA 30 Year	-0.38%	3.72%	3.27%
Municipal Bond (22+)	-1.08%	-4.42%	-4.08%
U.S. Aggregate	-0.26%	3.75%	3.38%
Intermediate Corporate	0.13%	4.58%	5.81%
U.S. Corporate High Yield	0.45%	5.04%	8.67%
Global Aggregate	-1.49%	5.67%	4.40%
EM Hard Currency Aggregate	0.56%	6.96%	9.01%

HIGH/LOW SNAPSHOT

Data through July 2025

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	6389.77	7/28/2025	1829.08	2/11/2016	6339.39	-0.79%	8.58%	1.22%
S&P 500 Growth	4607.74	7/28/2025	1035.44	2/11/2016	4593.78	-0.30%	12.58%	0.60%
S&P 500 Value	2027.49	11/29/2024	788.67	2/11/2016	1942.98	-4.17%	4.20%	1.95%
S&P MidCap 400	3390.26	11/25/2024	1218.55	3/23/2020	3151.25	-7.05%	1.81%	1.51%
S&P MidCap 400 Growth	1610.10	11/25/2024	574.06	2/11/2016	1507.76	-6.36%	2.65%	0.87%
S&P MidCap 400 Value	1083.78	11/25/2024	373.28	3/23/2020	998.91	-7.83%	0.88%	2.23%
S&P 100	3148.28	7/28/2025	819.58	8/25/2015	3131.30	-0.54%	9.10%	1.09%
DJIA	45014.04	12/4/2024	15660.18	2/11/2016	44130.98	-1.96%	4.72%	1.65%
Nasdaq 100	23356.27	7/28/2025	3947.80	2/9/2016	23218.12	-0.59%	10.96%	0.68%
Russell 2000	2442.74	11/8/2021	953.72	2/11/2016	2211.65	-9.46%	-0.09%	1.50%
Russell 2000 Growth	1709.62	2/9/2021	573.10	2/11/2016	1483.00	-13.26%	1.20%	0.61%
Russell 2000 Value	2715.42	11/25/2024	1067.63	3/23/2020	2401.94	-11.54%	-1.45%	2.46%
Russell 3000	3632.88	7/25/2025	1067.34	2/11/2016	3601.46	-0.86%	8.07%	1.22%
MSCI World Net (ex U.S.) (USD)	10025.36	7/24/2025	4189.62	2/11/2016	9685.78	-3.39%	17.56%	2.97%
MSCI Emerging Markets Net (USD)	699.23	2/17/2021	296.25	1/21/2016	674.39	-3.55%	17.51%	2.56%
Bovespa/Brazil (USD)	29488.46	1/2/2020	9077.09	1/21/2016	23755.05	-19.44%	22.29%	6.22%
RTS/Russia (USD)	1919.58	10/25/2021	628.41	1/20/2016	N/A	N/A	N/A	N/A
S&P BSE 500/India (USD)	461.76	9/26/2024	129.66	3/23/2020	410.96	-11.00%	0.77%	1.19%
Shanghai Composite/China (USD)	632.63	8/10/2015	358.39	10/18/2018	496.28	-21.55%	10.27%	2.58%
KOSPI/South Korea (USD)	2.93	6/16/2021	1.16	3/19/2020	2.33	-20.49%	45.12%	1.84%
Hang Seng (USD)	4241.01	1/26/2018	1871.10	10/31/2022	3155.84	-25.59%	25.34%	3.17%
MSCI Euro (USD)	2054.54	7/9/2025	865.50	3/18/2020	1975.60	-3.84%	24.81%	2.96%
S&P 500 Consumer Discretionary	1959.72	12/17/2024	543.54	2/11/2016	1799.72	-8.16%	-1.33%	0.65%
S&P 500 Consumer Staples	923.91	3/3/2025	467.66	8/25/2015	874.57	-5.34%	3.88%	2.49%
S&P 500 Energy	749.39	4/5/2024	179.94	3/18/2020	666.91	-11.01%	3.72%	3.44%
S&P 500 Utilities	435.08	7/31/2025	206.51	9/4/2015	435.08	0.00%	14.81%	2.74%
S&P 500 Financials	888.61	7/25/2025	264.89	2/11/2016	870.57	-2.03%	9.14%	1.44%
S&P 500 Banks	555.77	7/25/2025	180.19	2/11/2016	543.75	-2.16%	17.23%	2.32%
FTSE NAREIT All Equity REITs	980.08	12/31/2021	483.48	3/23/2020	755.05	-22.96%	0.69%	4.10%
S&P 500 Health Care	1829.71	8/30/2024	732.99	2/11/2016	1518.42	-17.01%	-4.33%	1.93%
S&P 500 Pharmaceuticals	1216.04	8/30/2024	539.37	9/28/2015	986.55	-18.87%	-4.12%	2.77%
NYSE Arca Biotechnology	6319.77	2/8/2021	2642.53	2/11/2016	5688.76	-9.98%	-0.87%	0.23%
S&P 500 Information Technology	5236.76	7/30/2025	626.12	8/25/2015	5220.69	-0.31%	13.66%	0.54%
Philadelphia Semiconductor	5904.54	7/10/2024	559.18	2/11/2016	5607.92	-5.02%	13.21%	0.87%
S&P 500 Communication Services	386.65	7/31/2025	130.86	12/24/2018	386.65	0.00%	13.83%	0.80%
S&P 500 Industrials	1311.04	7/25/2025	412.06	3/23/2020	1285.95	-1.91%	16.11%	1.35%
S&P 500 Materials	616.97	10/18/2024	234.97	1/25/2016	553.28	-10.32%	5.56%	1.97%
Philadelphia Gold & Silver	217.56	7/22/2025	38.84	1/19/2016	204.21	-6.14%	50.08%	1.09%
FTSE/CC CRB Excess Return	329.59	6/9/2022	106.29	4/21/2020	299.78	-9.04%	1.03%	N/A
ICE BofA Perpetual Preferred	331.82	10/16/2024	215.28	2/11/2016	329.45	-0.72%	2.49%	6.52%
ICE BofA U.S. High Yield Constrained	597.85	7/29/2025	313.74	2/11/2016	597.19	-0.11%	4.97%	7.33%

Source: Bloomberg

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