

Month-End Summary – July 2025

Market Update

- **S&P 500 and Nasdaq Monthly Performance:**
 - After a strong Q2, U.S. equities turned choppy in July and finished the month modestly higher, as late-month risk-off flows more than offset early-July strength
 - The Nasdaq added to its Q2 gains amid AI-chip export headlines and guidance sensitivity, while the S&P 500 slipped to lower gains as small caps and cyclicals lagged mega-cap tech into month-end
 - Breadth narrowed through July, with defensives and quality large-cap growth holding up best versus deeper drawdowns in rate-sensitive and trade-exposed groups
- **Key Drivers of Market Volatility:**
 - **Trade policy shock:** Renewed tariff headlines into early August (following July negotiations) raised uncertainty for multinationals, especially autos, semis, and select consumer durables
 - **Mixed macro: Manufacturing stayed soft** while services cooled; housing and retail delivered uneven reads, reinforcing a slower-but-growing narrative
 - **Earnings dispersion:** Solid beats from several mega-caps contrasted with weaker results/guidance from smaller, more cyclical companies, valuation and guidance risk dominated single-stock moves
- **Catalysts Behind the Late-Quarter Rebound:**
 - **Policy anxiety** rose into the month-end on tariff outcomes and the Fed's divided tone, flipping risk appetite lower in the final sessions of July
 - **Earnings:** While big tech results supported the tape mid-month, guidance haircuts and export restrictions headlines pressured AI-linked supply chains
- **Labor Market and Fed Policy Update:**
 - **Jobs:** The July employment report (released Aug 1) showed +73,000 nonfarm payrolls and unemployment up to 4.2%, pointing to a cooling but still functioning labor market; wage growth moderated but remained above pre-pandemic norms
 - *Downward revisions for May and June sparked labor force concerns*
 - **Fed:** At the **late-July FOMC**, the Fed kept the funds rate at 4.25%–4.50% with a 9–2 vote; Governors Bowman and Waller dissented, preferring to begin easing. The statement acknowledged moderating H1 growth and still-elevated uncertainty; markets moved to price higher odds of a September cut
 - **Takeaway:** July data and the Fed's split tone reinforced a gradual-easing path, supportive for duration and quality balance-sheet equities, but sensitive to any upside inflation surprises or further trade escalation

Investment Committee Update

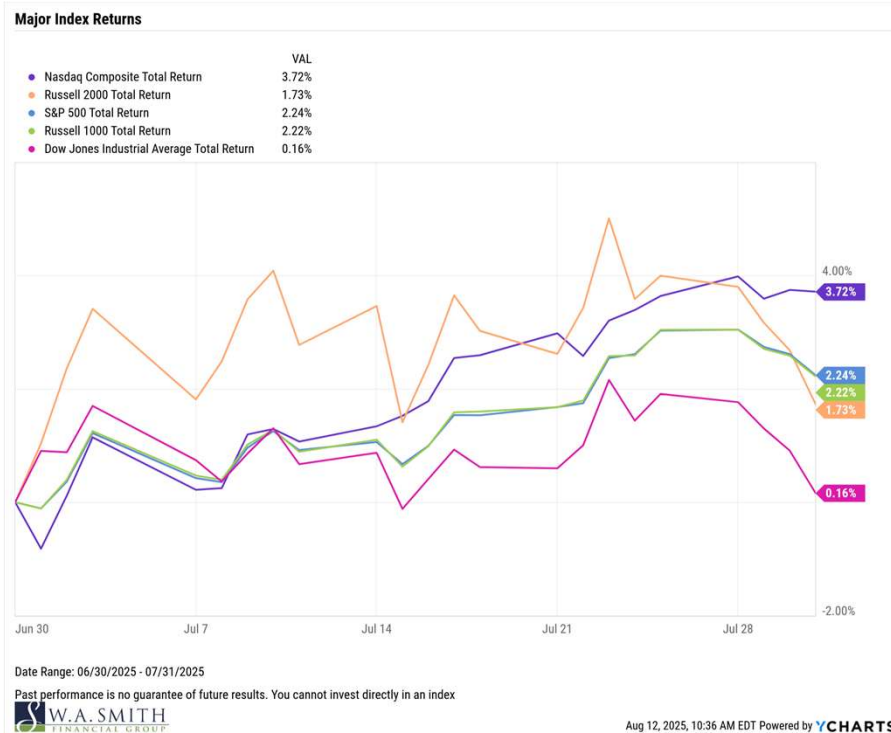
- The Investment Committee (IC) continues to monitor the overall economic and market environment as we are making our way into the back half of 2025. As always, the below bullet remains in place and is the foundation for our investment decisions
 - Investment Committee continues to actively identify possible alterations (additions/removals) to our various strategies by utilizing our **rigorous 5-step due diligence process**
- Despite persistent volatility throughout **July 2025**, U.S. equity markets closed the month on a **strong upward trend**—supported notably by mega-cap tech and AI names. The S&P 500 and Nasdaq marked multiple **record closing highs**—S&P reached ~6,389 and Nasdaq hit new milestones as investors were buoyed by solid earnings, optimism around fiscal stimulus, and the passage of the “One Big Beautiful Bill” act. However, equity flows were tempered late in the month by renewed **tariff uncertainty**, disappointing labor figures, and concerns over institutional data integrity following the firing of the BLS chief
- **Volatility was underpinned by a combination of:**
 - **Choppy macro data**, especially a slowdown in the July jobs report (only **73,000** new payrolls and significant downward revisions);
 - **Rising trade policy risk**, leading to oscillations w/in the markets throughout the month;
 - And heightened **political interference in economic data**, spurring investor caution about market transparency
- Yet, **underlying fundamentals remained solid:**
 - More than **80% of S&P 500 companies** beat Q2 earnings expectations, especially in tech and consumer areas
 - The **labor market, while cooling, wasn't collapsing**, and markets priced in an increased probability of a Fed rate cut by September (odds rising above 80%)
- **The Investment Committee continues to monitor the US economic and political activity and their potential impact(s) on the US/Global markets.** As you are aware, we were able to take advantage of pockets of volatility to make changes to holdings in many of our strategies from both an equity and fixed income perspective during 2Q2025 and into July and early August
- Expectations are for continued volatility throughout the remainder of 2025 as we navigate uncertainty in the markets, while also noting that we are witnessing rather lofty valuations in many of the equities. That said, there are still multiple sectors w/in the markets that still provide potentially attractive valuations



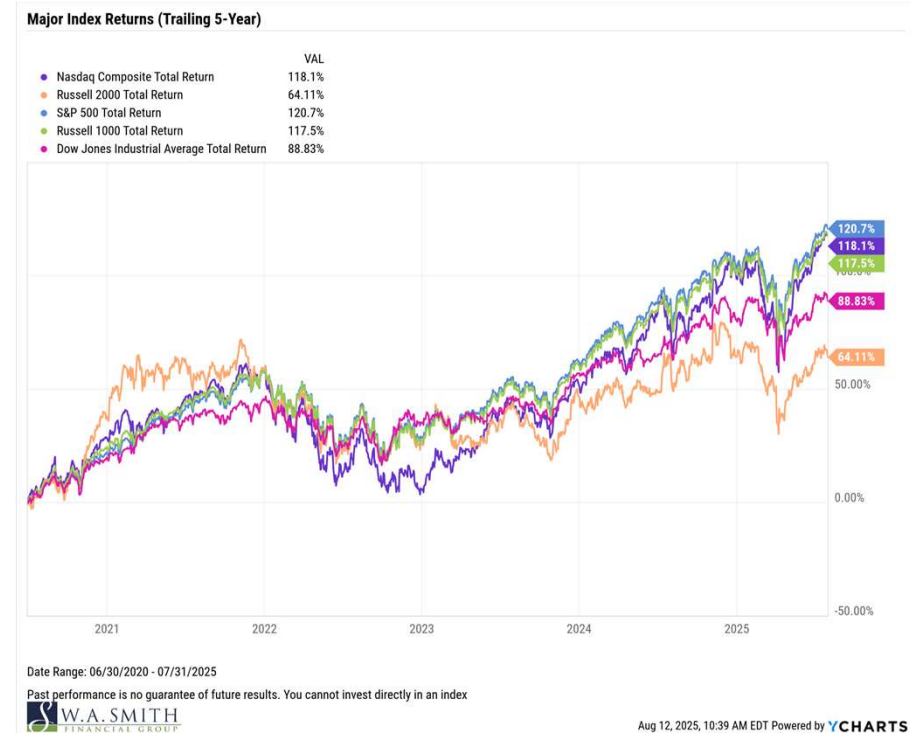
S&P 500 Continues To Press To Record Highs In The Face Of Volatility

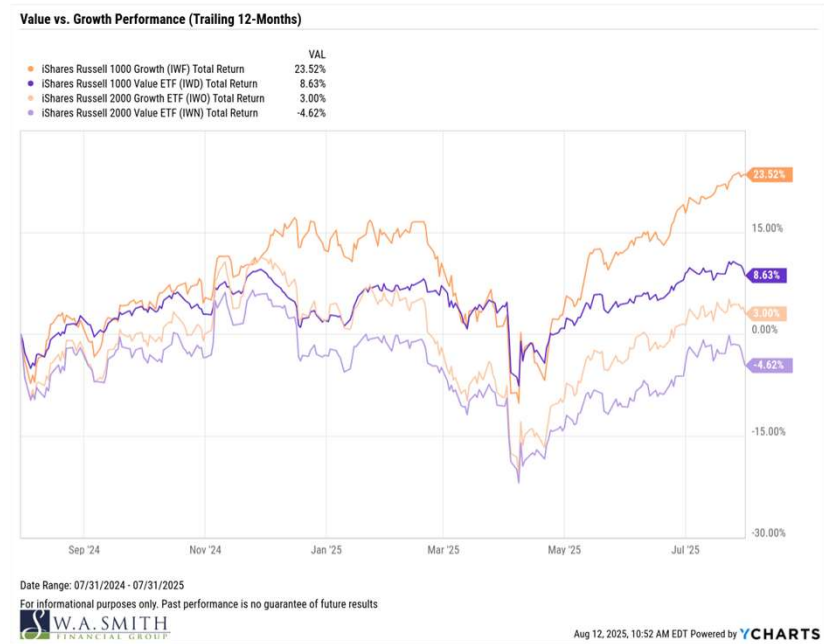
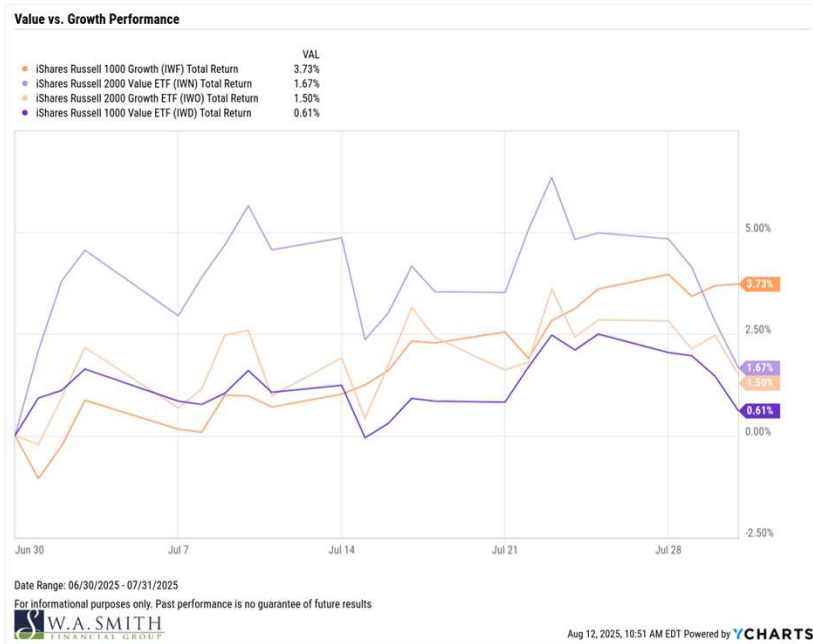
- **Resilient Rebound:** Despite the April pullback, the index rebounded sharply, establishing new highs throughout July, highlighting market **resilience and investor confidence** in the face of uncertainty of tariffs, earnings, and geopolitical tensions
- **Bringing Back Fibonacci Retracement:** Utilizing the peak-to-trough points from the February highs to the April lows provided a broad range from which we could measure retracements, as well as new support levels and market extensions. *Again, we need to remind all that these are technical charting points and are strictly for analysis purposes. These are subject to change and should not be considered a recommendation*
- **Breakout Above Resistance:** The SPY decisively broke through the 0.786 (~581.93) and 1.0 (~609.59) retracement levels, signaling a **bullish continuation pattern** and potential for higher highs
- **Upside Fibonacci Targets:** Current price action near \$625 suggests the market may be targeting **1.236 (~640.09)**, which is a level that we recently tested before pulling back slightly and potentially **1.382 (~658.96)** or **1.5 (~674.22)** Fibonacci extension levels if momentum persists (*again, these are subjective and not guaranteed*)

July Returns Pushed Higher Despite Intra-Month Volatility



- **Tech-Led Rally:** The Nasdaq Composite led major index gains with a **+3.72%** total return in July, further expanding on the growth we saw in June. The continued focus on tech and AI momentum stocks likely fueled this outperformance. We have also witnessed increased market breadth, which is a positive for the overall market. That said, we have seen periods where the breadth is broad in the mornings only to shrink as the day plays out. This is only an observation, but we will continue to monitor. As noted last month, market breadth measures the number of stocks participating in a market move—either up or down—and is a key indicator of the underlying strength or weakness of a rally or decline. A market with strong breadth means many stocks are rising alongside the index, signaling a healthier, broad-based advance
- **Compounding Growth Power:** The long-term charts reiterate the benefit of staying invested through volatility, particularly in U.S. large-cap equities, given the power of compounding and consistent earnings growth. As you can see below, many of the key indices are creating new all-time highs

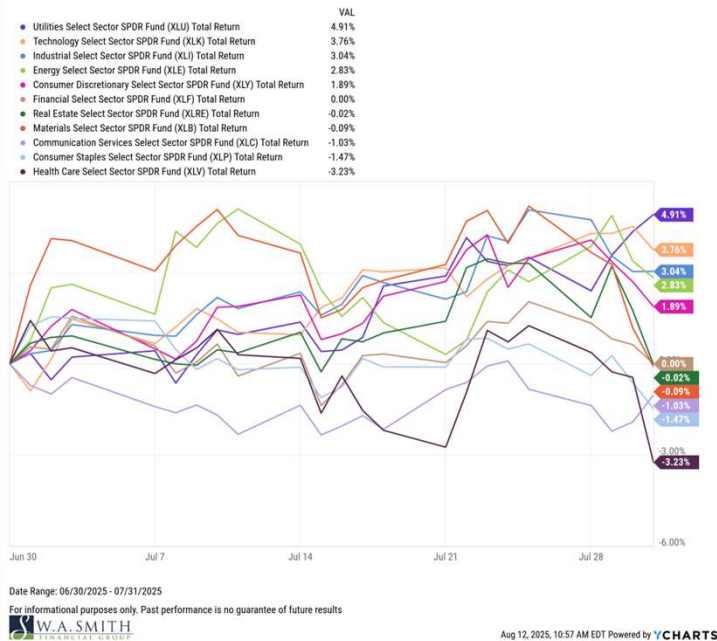




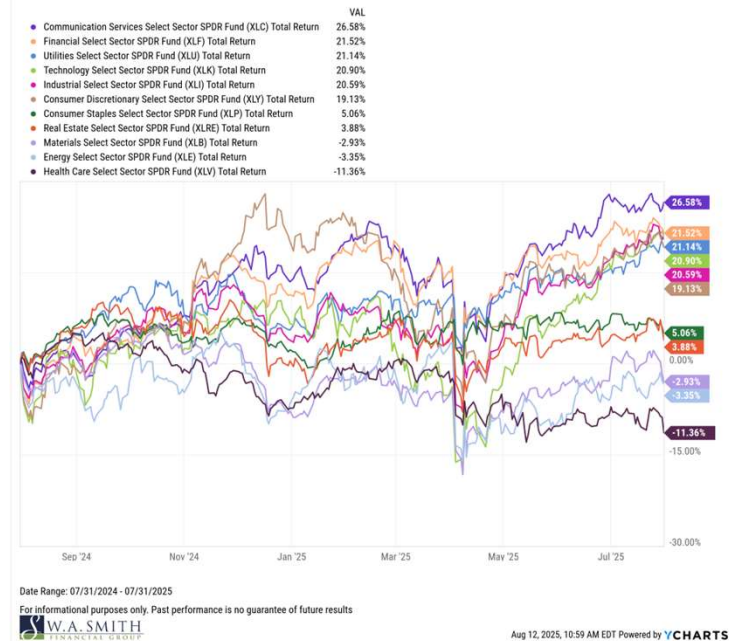
Growth & Quality Led The Way For July

- **Growth stocks w/ a quality focus outperformed the lower quality growth and value strategies for the month.** The iShares Russell 1000 Growth ETF (IWF) led with a **3.73% return**, building on the returns we witnessed in June that were >6%. This is potentially signaling a market preference for quality growth equities amid declining yields and increased optimism around rate cuts
- **Quality growth bias is evident**, as market participants have favored large-cap companies with strong earnings potential and margin resilience. This aligns with the outperformance of the Russell 1000 Growth over both small-cap and value indexes, as investors leaned toward defensible, high-ROE business models amid macro uncertainty...aka, **stronger underlying fundamentals**

Sector Movement

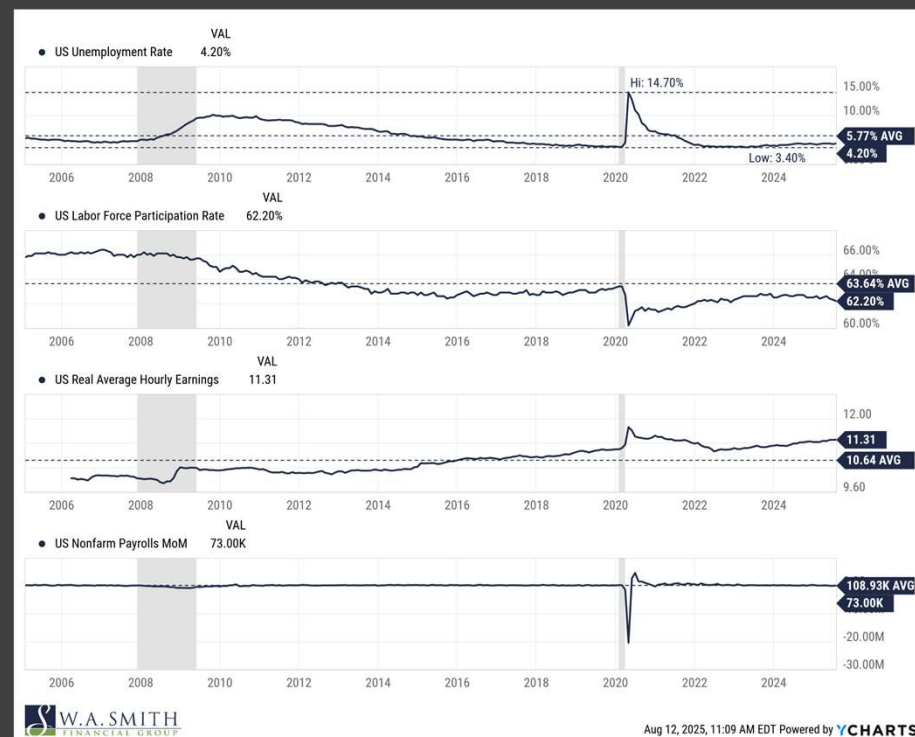
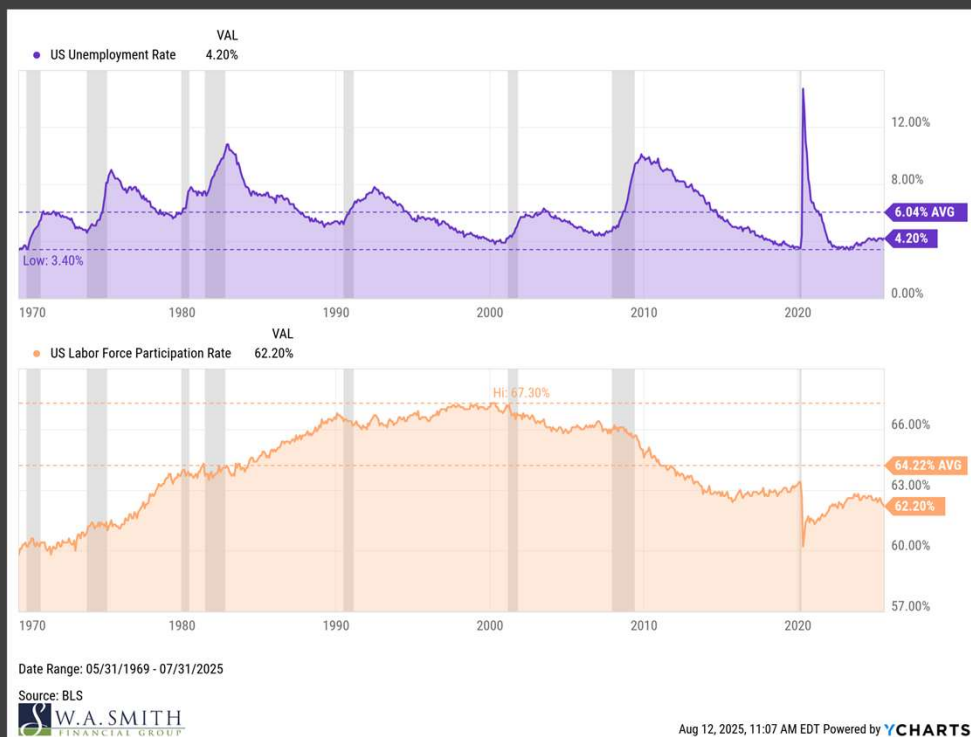


Sector Movement, Trailing (Trailing 12-Months)



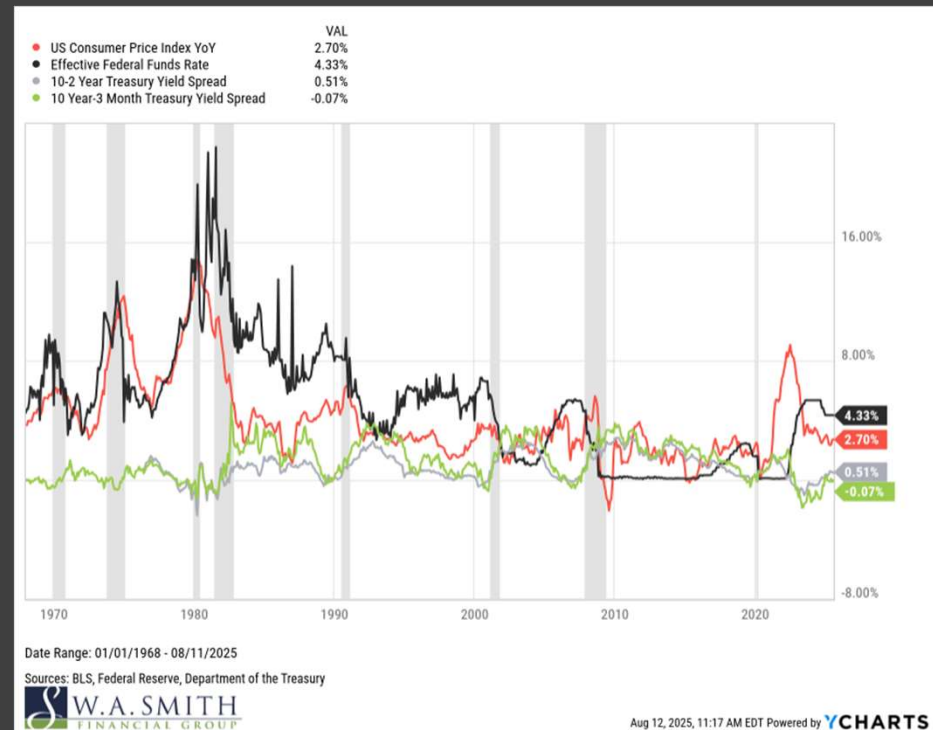
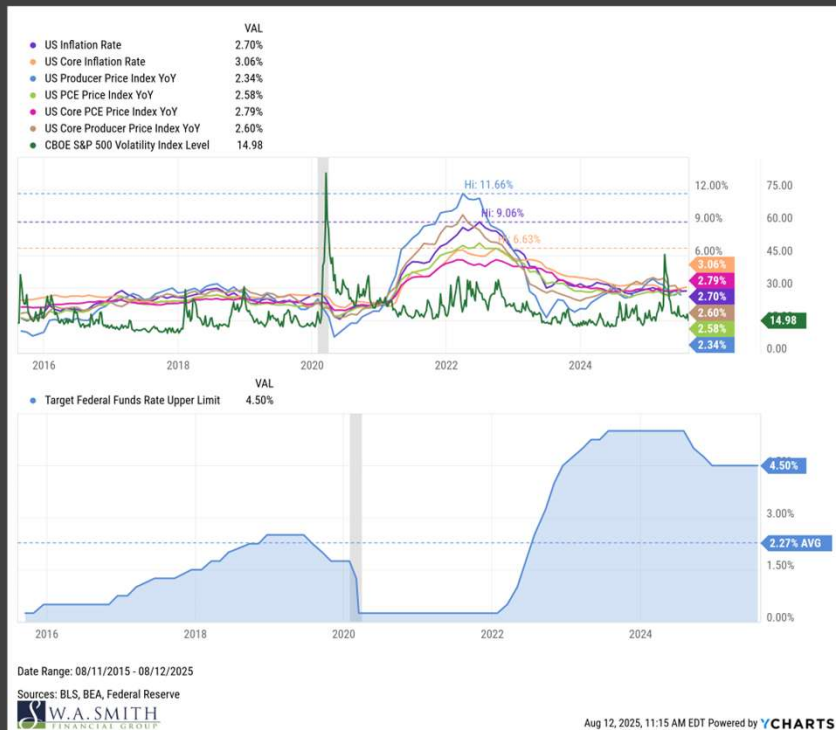
Utilities Dethroned Technology For July

- Leadership from Defensive and Growth Sectors** – Utilities (+4.91%), Technology (+3.76%), and Industrials (+3.04%) led the market in July, signaling investor preference for both defensive yield-oriented sectors and growth-driven industries amid shifting rate-cut expectations and ongoing macro uncertainty. Energy (+2.83%) also posted strong gains, likely supported by firming oil prices, but this remains a bit of a drag on the 2025 returns overall. In addition, the likely more dovish stance by the FOMC continues to help to drive an increase in the “risk-on” trade -> current expectations are for a cut in September and December of 2025
- Underperformance in Health Care and Select Cyclical** – Health Care (-3.23%) was the notable laggard, followed by Consumer Staples (-1.47%) and Communication Services (-1.03%), suggesting sector-specific headwinds such as earnings misses, regulatory concerns, or rotation away from more defensive names in favor of cyclical and interest rate-sensitive sectors



Weakness Permeating Employment Data & Downward Revisions

- Significant Miss in Job Growth w/ Sizable Downward Revisions**
 July payrolls came in at just +73,000, well below the ~110,000 expected, signaling a sharper slowdown in hiring. Even more striking, **June was revised down from +147,000 to just +14,000**, and **May was reduced by 125,000**, totaling a **–258,000 downward revision**. This marked one of the steepest two-month labor revisions outside of pandemic-level volatility and raised serious concerns about the labor market’s resilience
- Shift Toward Rate-Cut Expectations**
 Fed officials—including Governors Michelle Bowman and Christopher Waller—interpreted the weak print and revisions as signs of a slowdown, reinforcing support for **a rate cut as soon as September**. Markets reacted sharply: **short-term Treasury yields fell**, and expectations of a Fed rate cut surged, with some pricing models reflecting up to an **80–90% probability of a September easing**



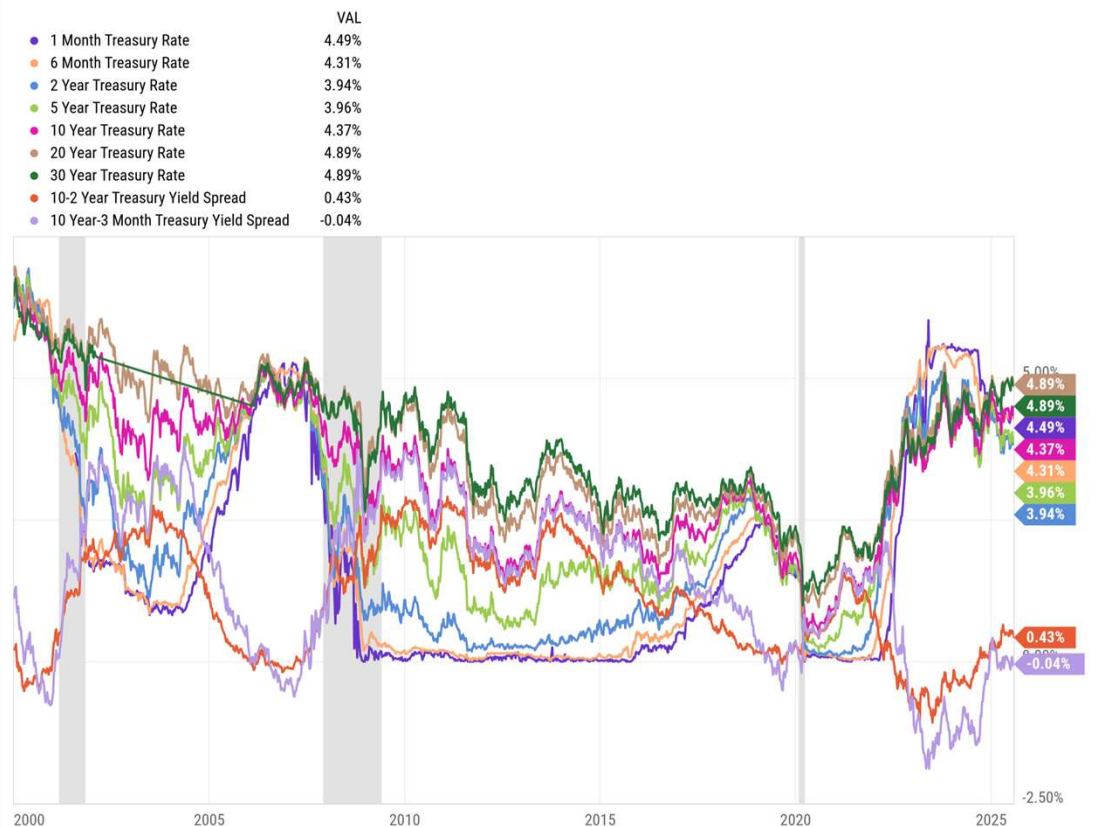
Odds For A FOMC Rate Cut In September Are Almost 90%

- The FOMC stated again after the July meeting that there is no need to change the Fed Funds Rate, which is currently at **4.375% (effective rate)**. As noted previously, Chairman Powell stated that “the central bank can wait to see how President Donald Trump’s aggressive policy actions play out before it moves again on interest rates.” Post the recent June payrolls data, the FedWatch tool ([CME FedWatch](#)) is currently showing a high probability that the FOMC will keep rates flat for the July meetings
- That said, pressure is mounting for the FOMC to initiate a rate-cutting cycle. Currently, we are seeing expectations for a September cut (~82%) as well as another cut at the December meeting. The Trump administration is leading the way by criticizing Chairman Powell’s wait-and-see stance
- As noted on the previous slide, the Non-Farm Payrolls data along w/ the recently released inflationary data in the form of CPI and PPI, we see a situation where the likelihood of a series of rate cuts throughout the remainder of 2025 and early 2026 is increasing by the day. **We are also seeing an increase in individuals making a case for why rates should be cut...many have an eye on Powell’s seat, so they are trying to impress Trump**

Yields Moved Slightly Higher For July -> Likely Due To Ongoing Uncertainty Around Inflation Concerns & Tariffs

- **Increase in Longer-Term Yields** – The 20-year and 30-year Treasury rates both ended July 2025 near **4.89%**, reflecting a notable climb over the past month. This steepening on the long end, alongside 10-year yields at **4.37%**, suggests investors are demanding higher compensation for holding longer-term debt, possibly signaling concerns over long-term inflation pressures, fiscal deficits, or stronger-than-expected economic growth. This continues to remain part of the overall uncertainty that we are seeing in the market
- **Implications for Fixed Income Markets** – Higher long-duration yields typically **pressure existing bond prices**, especially in intermediate-to-long maturity segments. Still, they also improve reinvestment opportunities and expected yields for new allocations. For investors, this environment can create a **balancing act** -> while marking-to-market may temporarily reduce portfolio values, the yield pickup can enhance forward return potential, especially for income-focused strategies
- **Potential Conflict B/W Fed Mandates** – The FOMC is tasked w/ keeping inflation around the mandated 2% level while also maintaining maximum employment. We are seeing weakness in the jobs data as measured by Non-Farm Payrolls, but we are also seeing slight increases in inflation data. This is a tight rope that the FOMC will have to walk in the coming months/quarters

US Treasury Yield Curve



Date Range: 12/31/1999 - 07/31/2025

Source: Department of the Treasury



Aug 12, 2025, 11:24 AM EDT Powered by YCHARTS

New Timeseries Analysis

Data as of: Aug. 12, 2025

Date Range: 12/30/2022 to 07/31/2025

Frequency: Monthly

Aggregation: End of Period (default)

Fill Method: No Fill

Symbol	Name	Metrics	Jul 31 '25	Jun 30 '25	May 31 '25	Apr 30 '25	Mar 31 '25	Feb 28 '25	Jan 31 '25	Dec 31 '24
I:10YTCMR	10 Year Treasury Rate		4.37%	4.24%	4.41%	4.17%	4.23%	4.24%	4.58%	4.58%
I:1MTCMR	1 Month Treasury Rat...		4.49%	4.28%	4.33%	4.35%	4.38%	4.38%	4.37%	4.40%
I:1YTCMR	1 Year Treasury Rate		4.10%	3.96%	4.11%	3.85%	4.03%	4.08%	4.17%	4.16%
I:20YTCMR	20 Year Treasury Rate		4.89%	4.79%	4.93%	4.68%	4.62%	4.55%	4.88%	4.86%
I:2YTCMR	2 Year Treasury Rate		3.94%	3.72%	3.89%	3.60%	3.89%	3.99%	4.22%	4.25%
I:30YTCMR	30 Year Treasury Rate		4.89%	4.78%	4.92%	4.66%	4.59%	4.51%	4.83%	4.78%
I:3MTCMR	3 Month Treasury Rat...		4.41%	4.41%	4.36%	4.31%	4.32%	4.32%	4.31%	4.37%
I:3YTCMR	3 Year Treasury Rate		3.89%	3.68%	3.87%	3.58%	3.89%	3.99%	4.27%	4.27%
I:5YTCMR	5 Year Treasury Rate		3.96%	3.79%	3.96%	3.72%	3.96%	4.03%	4.36%	4.38%
I:6MTCMR	6 Month Treasury Rat...		4.31%	4.29%	4.36%	4.19%	4.23%	4.25%	4.28%	4.24%

Yields Moved Higher As Duration Increased, Expanding The Positive Spreads

- **Cooling Inflation Trends:** Recent Consumer Price Index (CPI) and Producer Price Index (PPI) data have indicated that inflation is moderating. Core PCE inflation has also edged lower, increasing confidence that there will likely be a rate cut at the September FOMC meeting (probabilities currently are ~80% that there will be a 25 bp cut at the next meeting)
- **Labor Market Deceleration:** The July non-farm payrolls reports showed declining (yet positive) job creation and a weakening labor force participation rate. The bigger news was that there was a significant downward revision to the May and June data, which prompted President Trump to fire the head of the BLS. This lower print and revision contributed to the view that economic momentum is softening, reducing the need for continued Fed hawkishness -> potentially shifting to dovish

Earnings Growth Has Been Generally Positive Across Most Sectors For 2Q2025

- **Broad Earnings Participation Across Sectors** – As of the current reporting stage, **86.3% of S&P 500 companies** have reported results, with multiple sectors at or near 100% (e.g., Real Estate, Communication Services, Utilities, Financials). This high reporting completion rate provides strong visibility into overall corporate performance for the quarter
- **Positive Median EPS Growth in Most Sectors** – Despite weakness in **Energy (-14.4%)** and **Real Estate (-2.8%)**, most sectors posted Y/Y median EPS gains, led by **Information Technology (+14.9%)**, **Financials (+14.4%)**, and **Communication Services (+11.8%)**. This dispersion highlights the resilience of growth-oriented and service-driven segments in the current macro environment.
- **Overall S&P 500 Earnings Momentum Remains Firm** – The index's broad-based positive EPS growth ex-Energy and Real Estate, combined with a high percentage of companies beating consensus expectations, underscores the **strength and adaptability of U.S. corporate earnings** in Q2 2025. Strong performances from technology, financials, and consumer discretionary sectors have been the primary drivers of index-level earnings strength

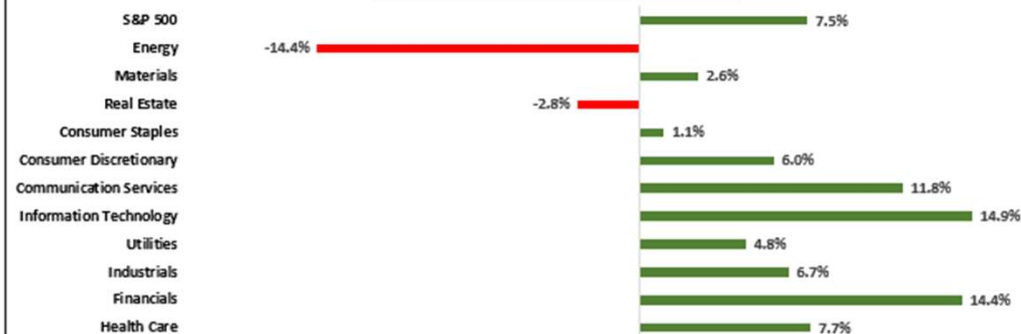
EARNINGS INSIGHTS

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S&P 500 Percentage Reported Earnings



S&P 500 Median EPS Growth YoY



EARNINGS INSIGHTS

YCHARTS

S&P 500 Constituent Earnings Data

Earnings Data Continues To Remain Positive For The 2nd Quarter 2025

EARNINGS INSIGHTS

YCHARTS

S&P 500 Constituent Earnings Data

Sector	Number of Companies	Number of Companies Reported	Percentage of Companies Reported	Companies that have reported					
				Percentage of Companies w/Pos Surprise	Average Surprise	Median Surprise	Average EPS Growth YoY	Median EPS Growth YoY	Average Price CHG (report date to last close)
Health Care	62	59	95.2%	88.1%	6.5%	6.0%	7.5%	7.7%	-0.9%
Financials	70	68	97.1%	88.2%	8.8%	4.2%	21.0%	14.4%	0.1%
Industrials	78	69	88.5%	88.4%	9.3%	4.2%	4.9%	6.7%	-0.4%
Utilities	31	30	96.8%	80.0%	3.9%	5.1%	3.4%	4.8%	0.6%
Information Technology	65	45	69.2%	91.1%	-19.8%	6.8%	18.6%	14.9%	-1.9%
Communication Services	21	21	100.0%	90.5%	34.6%	5.6%	12.0%	11.8%	0.7%
Consumer Discretionary	52	36	69.2%	72.2%	-1.2%	3.0%	5.8%	6.0%	-1.0%
Consumer Staples	38	23	60.5%	82.6%	8.6%	6.5%	2.1%	1.1%	-0.2%
Real Estate	31	31	100.0%	61.3%	1.2%	3.2%	-4.8%	-2.8%	-3.5%
Materials	27	26	96.3%	53.8%	-3.0%	0.9%	4.3%	2.6%	-3.0%
Energy	20	19	95.0%	78.9%	8.4%	4.6%	-12.5%	-14.4%	-2.2%
S&P 500	495	427	86.3%	83.6%	4.4%	4.8%	8.0%	7.5%	-0.9%

Estimate data powered by YCharts
Data through 8/12/2025

- **Earnings Strength Broadly Positive but Sector Performance Mixed** – With 86.3% of S&P 500 companies having reported, 83.6% delivered positive earnings surprises. Growth leadership came from Financials (+14.4% median EPS growth), Information Technology (+14.9%), and Communication Services (+11.8%), while Energy (-14.4%) and Real Estate (-2.8%) lagged
- **Positive Surprises Did Not Always Translate into Stock Gains** – Despite strong beats in many sectors, the average price change from report date to last close was modest to negative in most cases. Notably, Communication Services (+0.7%) and Utilities (+0.6%) were the only sectors with meaningful positive post-earnings moves, while Energy (-2.2%) and Materials (-3.0%) experienced the steepest declines despite some companies exceeding expectations
- **Market Reaction Reflects Macro Caution, Not Just Fundamentals** – The muted or negative price responses indicate that investor focus extended beyond earnings results to broader macro themes, such as interest rate policy, yield curve movements, and geopolitical uncertainties. This suggests that even strong EPS growth and surprise metrics may not generate immediate share price appreciation in the current environment

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- **S&P 500** – measures the performance of 500 widely held stocks in US equity market. Standard and Poors chooses member companies for the index based on market size, liquidity and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies. Since mid-1989, this composition has been more flexible and the number of issues in each sector has varied. It is market-capitalization weighted.
- **NASDAQ Composite Index** – a market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.
- **Russell 1000** – The index measures the performance of the large-cap segment of the US equity securities. It is a subset of the Russell 3000 index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership.
- **Dow Jones Industrial Average Price Return Index** – a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry.
- **Russell 2000 Index** – measures the performance of the small-cap segment of the U.S. equity universe.
- **MSCI EAFE Index** – a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. It is maintained by MSCI, Inc., a provider of investment decision support tools; the EAFE acronym stands for Europe, Australasia and Far East.