

Macro

- The Federal Reserve left its benchmark interest rate unchanged at a target range of 4.25%-4.50%, though two FOMC governors dissented in the decision, preferring to cut by 25 basis points.
- Q2 GDP rose an annualized 3.0%, above expectations for 2.6% growth, as a 30.3% decline in imports contributed 5.7 percentage points.
- While core CPI came in below consensus at 0.2% m/m in June, core goods ex-cars rose 0.6% m/m, the most since November 2021 in a sign that tariff inflation is starting to materialize.
- Months' supply of new homes rose to 9.8 in June, the highest since September 2022 in a sign that supply is outstripping demand.
- \$29 billion in customs and excise tax revenue was generated in July, owed in large part to tariffs, and is now running at an annualized rate of over \$300 billion.
- After being mostly stable for the first three weeks of the month, oil prices took a leg higher on news of potential secondary sanctions on countries that purchase Russian oil.

Equities

- The Information Technology sector beat the broad market for the fourth straight month, the longest such streak since it outperformed for 11 months in 2019-20.
- With approximately 60% of S&P 500 companies having reported second quarter results, earnings growth is tracking toward 9.1% y/y, above the 2.8% expected at the start of earnings season.
- 82.4% of companies have reported positive earnings surprises, the most since Q2 2021.
- Large-cap growth stocks were the best performing size & style blend for the fourth straight month, while large-cap value stocks were the worst performing blend for the third straight month.

Fixed Income

- 2- and 10-year Treasury yields rose 24 and 15 basis points, respectively, as traders reacted to signs of tariff inflation and Fed hesitance to lower interest rates.
- Treasury volatility (i.e. the MOVE Index) fell to its lowest level since February 2022.

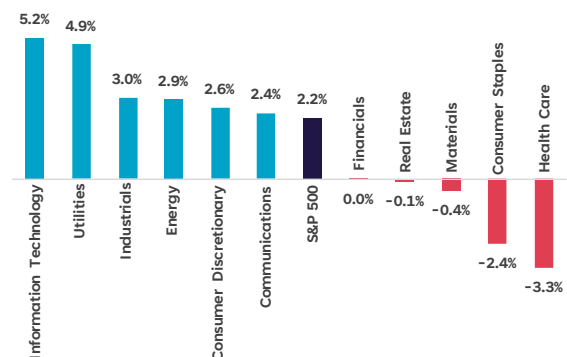
	Level		Month	QTD	YTD	1-Yr	3-Yr
			Return	Return	Return	Return	Return
Equities	S&P 500	6,339	2.2%	2.2%	8.6%	16.3%	60.5%
	Nasdaq	21,122	3.7%	3.7%	9.8%	20.9%	74.7%
	Dow Jones	44,131	0.2%	0.2%	4.7%	9.9%	42.6%
	Russell 1000 Value	1,922	0.6%	0.6%	6.6%	8.8%	35.1%
	Russell 1000 Growth	4,435	3.8%	3.8%	10.1%	23.7%	84.2%
	Russell 2000 Value	2,402	1.8%	1.8%	-1.5%	-4.3%	15.0%
	Russell 2000 Growth	1,483	1.7%	1.7%	1.2%	3.1%	29.7%
	MSCI EAFE	2,616	-1.4%	-1.4%	18.3%	13.4%	49.1%
	MSCI EM	1,243	2.0%	2.0%	17.9%	17.8%	36.6%

	Yield		Month	QTD	YTD	1-Yr	3-Yr
			Return	Return	Return	Return	Return
Fixed Income	US Treasurys	4.19%	-0.4%	-0.4%	3.4%	2.6%	2.6%
	US IG Corporates	5.07%	0.1%	0.1%	4.2%	4.5%	10.1%
	US HY Corporates	7.08%	0.5%	0.5%	5.0%	8.7%	26.0%

	Level		Month	QTD	YTD	1-Yr	3-Yr
			Return	Return	Return	Return	Return
Commodities	Oil (\$/barrel)	\$69	6.4%	6.4%	-3.4%	-11.1%	-29.8%
	Gold (\$/oz)	\$3,290	-0.4%	-0.4%	25.4%	34.4%	86.3%
	Copper (\$/mt)	\$9,560	-4.9%	-4.9%	10.5%	5.0%	20.5%

	Level		Prior	Prior	Prior	1-Yr	3-Yr
			Month	Quarter	Year	Ago	Ago
Currencies	EUR (\$/€)	\$1.14	\$1.18	\$1.18	\$1.04	\$1.08	\$1.02
	JPY (¥/\$)	¥151	¥144	¥144	¥157	¥150	¥133
	GBP (£/\$)	\$1.32	\$1.37	\$1.37	\$1.25	\$1.29	\$1.22

July S&P 500 Sector Total Returns



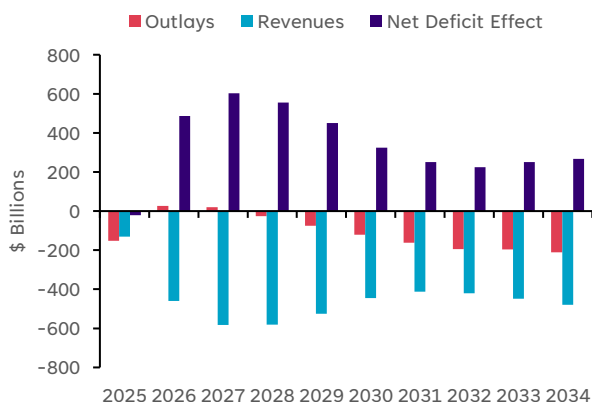
How Big, How Beautiful?

July was defined by two major public policy initiatives. The first was the enactment of the One Big Beautiful Bill Act (OBBBA), fiscal legislation that promises to reshape the U.S. economy.

The bill made many of the expiring provisions from the 2017 Tax Cuts and Jobs Act permanent, while introducing some new tax breaks. Additionally, favorable tax treatment of business expenses like domestic R&D spending was all fully restored.

These tax reductions will be partially offset by over \$1.4 trillion in spending cuts, primarily targeting healthcare programs like Medicaid and the Affordable Care Act. The net effect is a short-term economic stimulus, but a long-term debt increase: Congressional Budget Office scoring indicates the bill will add \$3.4 trillion to the deficit over the next 10 years.

CBO Scoring of OBBBA



Source: SoFi, CBO

All else being equal, higher deficits entail more government borrowing and higher borrowing costs. The Budget Lab estimates that the 10-year Treasury yield will go up about half a percentage point by 2034, pushing mortgage rates higher and potentially weighing on stock valuation multiples.

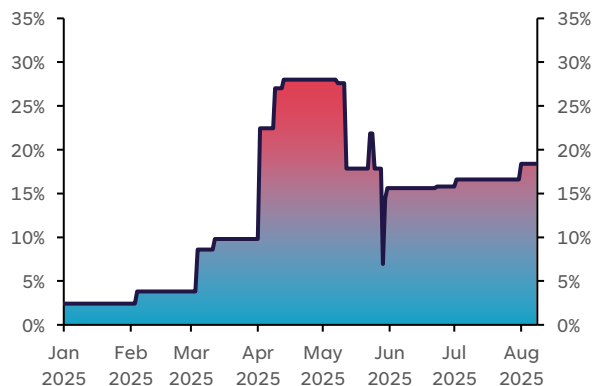
Tariff-ic Consequences

The other big policy initiative centered on trade policy. The Trump administration solidified the country's protectionist trade framework, ending a 90-day pause on new tariffs and imposing wide-ranging tariffs on trading partners as of August 1.

Several major trading partners — including the European Union, Japan, and South Korea — ended up negotiating lower tariff rates, though these deals are asymmetric on their face: Foreign nations have made non-binding commitments to purchase hundreds of billions of dollars of U.S. goods and invest in U.S. projects, while U.S. exports face lower or no tariffs.

While consumers and businesses may shift spending from higher to lower tariff goods, eventually lowering the effective tariff rate on imports, the agreed upon pre-substitution rates are significantly above where they were at the start of the year.

Pre-Substitution Tariff Rate



Source: SoFi, USITC, The Budget Lab

So far this year tariffs have added over \$300 billion in annualized revenue to government coffers. While their contribution is expected to decline in future years, tariff revenue could offset a large chunk of the deficit impact of OBBBA if they remain in force over the next decade. The economic consequences of these two countervailing forces are, while unclear, sure to be significant.

Performance data quoted represents past performance. Past performance does not guarantee future results. Market returns will fluctuate, and current performance may be lower or higher than the standardized performance data quoted.