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MARKET VIEW WEEKLY

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ECONOMIC REVIEW¹

- U.S. job openings in June declined by 275,000 to 7.437 million, missing expectations, with notable drops in accommodation, healthcare, and finance, partially offset by gains in retail, information, and education.
 - Hiring and separation activity remained stable, with quits and layoffs essentially unchanged.
- The U.S. economy grew at an annualized rate of 3.0% in Q2 2025, rebounding sharply from a -0.5% contraction in the first quarter, beating expectations, primarily driven by a 30.3% plunge in imports, which are detracted from the report, following tariff-related stockpiling and a pickup in consumer spending.
- The Federal Reserve (Fed) held rates steady at 4.25%-4.50% for a fifth consecutive meeting with two governors dissenting in favor of a cut, the first dual dissent since 1993, amid signs of moderating economic activity and persistent inflation uncertainty.
- The Employment Cost Index showed compensation costs rose 0.9% in Q2 2025, slightly above expectations, with wages up 1.0%, and benefits up 0.7%.
 - Annual growth remained steady at 3.6%.
- Headline Personal Consumption Expenditure (PCE) rose 0.3% month-over-month, matching expectations and marking the largest gain in four months, while year-over-year inflation accelerated to 2.6% above forecast.
 - Core PCE, the Fed's preferred inflation gauge excluding food and energy, also rose 0.3% on the month in line with expectations, while the annual rate held steady at a revised 2.8%.
- U.S. nonfarm payrolls rose by just 73,000 in July, far below expectations of 106,000, with major downward revisions to May and June totaling -258,000, signaling a faster-than-expected cooling in the labor market.
 - Unemployment edged up to 4.2% from 4.1% in line with expectations as the number of unemployed people rose by 221,000, and labor force participation dipped to 62.2%.
- ISM Manufacturing PMI declined to 48.0 in July from 49.0 the month prior, missing expectations and marking a fifth straight month of contraction, representing the lowest reading since October 2024, with notable weakness in employment and supplier deliveries.

How does the most recent economic data impact you?

- Recent economic data paints a cautiously concerning picture for the path forward. While Q2 GDP growth surprised to the upside, underlying details such as slowing investment and continued manufacturing contractions suggest a more fragile expansion.
- The labor market is losing momentum, with soft payroll gains, rising unemployment, and falling participation, raising concerns about the sustainability of consumer strength.
- Meanwhile, core inflation remains stubborn, complicating the Fed's path to easing. The first dual dissent in favor of rate cuts since 1993 highlights growing internal concern that policy may be overly restrictive.
 - But Chair Powell has maintained a cautious data-dependent stance, signaling no rush to lower rates until inflation shows more definitive improvement.



A LOOK FORWARD¹

- A lighter but still important slate of releases this week, with ISM Services Index and Consumer Credit on tap.

How does this week's slate of economic data impact you?

- Key readings on service sector activity in household borrowing will test whether signs of cooling last week point to broader weakness or if consumer strength remains a stabilizing force.



MARKET UPDATE²

Market Index Returns (%) as of 8/1/2025	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-2.34	0.61	6.85	18.23	16.84	15.51
NASDAQ	-2.16	1.40	7.33	23.95	19.63	14.82
Dow Jones Industrial Average	-2.92	-1.07	3.43	11.62	12.60	12.72
Russell Mid-Cap	-3.03	0.46	5.32	14.46	11.20	11.93
Russell 2000 (Small Cap)	-4.16	-0.33	-2.11	4.13	6.35	9.37
MSCI EAFE (International)	-3.13	-1.77	17.33	16.74	13.47	10.26
MSCI Emerging Markets	-2.47	0.55	15.91	18.13	10.34	5.11
Bloomberg Barclays US Agg Bond	0.95	0.55	4.59	2.60	2.13	-0.91
Bloomberg Barclays High Yield Corp.	-0.16	0.32	4.90	8.86	7.82	5.07
Bloomberg Barclays Global Agg	-0.01	-0.77	6.44	3.61	1.77	-1.93



OBSERVATIONS

- All three major U.S. equities indexes closed the week in negative territory, the S&P fell -2.34%, the NASDAQ composite declined -2.16% and the Dow Jones Industrial Average dropped -2.92%, as markets pulled back following a week of mixed economic data and renewed concerns around the impact of tariffs.
- The Russell Midcap Index lost -3.03%, while the small cap Russell 2000 Index declined more sharply, falling -4.16%, underperforming large-cap amid broad risk-off sentiment.
- Developed international markets, as measured by the MSCI EAFE, dropped -3.13%, while emerging markets declined -2.47%, as global equities faced pressure from a strengthening U.S. dollar and ongoing trade tensions.
- US Aggregate Bonds gained +0.95%, supported by falling Treasury yields and a flight to safety. In comparison, US High Yield Credit dipped -0.16% and Global Aggregate Bonds were roughly flat at -0.01%, highlighting a cautious risk tone in credit markets.



BY THE NUMBERS

- **Trump Imposes New Tariffs, Markets React Sharply³:** On August 1st, 2025, President Trump announced sweeping new tariffs on 66 countries, with rates ranging from 10% to 50%, set to begin on August 7th. Notably, Brazil was hit with a 50% tariff, India with 25% and Switzerland with 39%, while Canada's rate increased from 25% to 35% despite trade protections under USMCA. Several key allies, including the European Union, the United Kingdom, Japan, South Korea, and Mexico, reached last-minute deals for reduced rates, such as 15% for the European Union and 20% for Taiwan. The announcement triggered sharp market volatility, with U.S. stocks suffering their worst decline since May in currencies like the Canadian dollar and Swiss franc tumbling. Despite ongoing diplomatic outreach, U.S. officials signaled that the finalized tariffs are unlikely to change.
- **8.8 Magnitude Quake Triggers Tsunami Watch for Hawaii and West Coast⁴:** On July 30th, 2025, a massive 8.8 magnitude earthquake struck about 85 miles off Russia's Kamchatka Peninsula, prompting tsunami warnings and watches across Hawaii, Alaska, and the US West Coast. Initial tsunami waves measured up to 4 feet off Oahu, leading to urgent evacuation orders and statewide sirens in Hawaii. Waves reaching 3 1/2 feet were also recorded in Crescent City along the California, Oregon border, although no injuries were reported. Coastal advisories and evacuations extended to Oregon, Washington, California, and territories like Guam and American Samoa as part of precautionary measures. Officials later downgraded Hawaii's alert to an advisory when higher-level waves failed to materialize and airlines resumed flights once the threat receded.

Economic Definitions

Consumer Credit: Consumer Credit refers to outstanding credit flows extended to individuals for household, family, and other personal expenditures, excluding loans secured by real estate. Total consumer credit comprises two major types: revolving and nonrevolving.

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

ISM Manufacturing Index: The ISM Manufacturing Index is based on data compiled from purchasing and supply executives nationwide. Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured (New Orders, Backlog of Orders, New Export Orders, Imports, Production, Supplier Deliveries, Inventories, Customers' Inventories, Employment and Prices), the report shows the percentage reporting each response, the net difference between the number of responses in the positive economic direction and the negative economic direction, and the diffusion index. A PMI reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally declining.

ISM Services Index: The ISM Services Index is based on data compiled from purchasing and supply executives nationwide. Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured (Business Activity, New Orders, Backlog of Orders, New Export Orders, Inventory Change, Inventory Sentiment, Imports, Prices, Employment and Supplier Deliveries) this report shows the percentage reporting each response, and the diffusion index. An index reading above 50 percent indicates that the non-manufacturing economy in that index is generally expanding; below 50 percent indicates that it is generally declining. Orders to the service producers make up about 90 percent of the US economy.

Job Openings and Labor Turnover Survey – JOLTS: This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

Nonfarm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

Personal Consumption Expenditure Price Index (PCE) (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

The Employment Cost Index (ECI): The Employment Cost Index (ECI) is a measure of the change in the cost of labor, independent of the influence of employment shifts among occupations and industry categories. The total compensation series includes changes in wages and salaries and in employer costs for employee benefits. The ECI calculates indexes of total compensation, wages and salaries, and benefits separately for all civilian workers in the United States, for private industry workers, and for workers in state and local government.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

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¹ Data obtained from Bloomberg as of 8/1/2025.

² Data obtained from Morningstar as of 8/1/2025.

³ <https://www.cnn.com/2025/08/01/business/trump-tariffs-countries-list-vis>

⁴ <https://abcnews.go.com/US/tsunami-watch-issued-hawaii-after-80-magnitude-earthquake/story?id=124190121>