

Monthly Market Update | August 2025

Stocks Trade Higher on Strong Q2 Earnings & Trade Deals

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Monthly Market Summary

- The S&P 500 Index rose +2.3% in July, pushing its year-to-date return to +8.4%. Large Cap Growth stocks led with a +3.7% gain, while Large Cap Value gained +0.6%.
- Utilities was the top-performing sector, with the Technology, Industrials, and Energy sectors also outperforming the S&P 500. Defensive sectors underperformed, with Health Care, Consumer Staples, and Communication Services all trading lower.
- Bonds posted a modest loss as Treasury yields rose. The U.S. Bond Aggregate returned -0.3%, with longer maturity Treasury bonds underperforming the index. Corporate bonds outperformed as credit spreads tightened, with investment-grade posting a -0.1% total return and high-yield gaining +0.1%.
- International stocks underperformed the S&P 500 as the U.S. dollar strengthened. Developed Markets fell -2.1%, while Emerging Markets returned +0.7%.

Strong Q2 Earnings & Trade Agreements Send Stocks to All-Time Highs

Stocks climbed to new highs in July, with the S&P 500 and Nasdaq both logging six consecutive record closes late in the month. Investor sentiment improved after better-than-expected Q2 earnings and trade agreements with Japan and the EU, with tariff rates on the deals less severe than feared. Market breadth improved early in the month as smaller companies outperformed the S&P 500. However, by month-end, market leadership was top heavy again, with the Magnificent 7 gaining over +5% after leading AI firms reported strong Q2 earnings. Volatility remained subdued for most of July, and the VIX fell below 15, signaling investor confidence but hinting at potential complacency.

Stock valuations are stretched after the multi-month rally from April's lows. The S&P 500 trades at over 22x its next 12-month earnings, up from around 18x in early April and well above the 16.8x average since 2000. Today's extended valuations mean the market is more reliant on earnings growth to fuel gains, which gives companies less room to disappoint. Although the tariff rates in recent deals were lower than feared, the overall effective tariff rate has risen sharply this year. The higher effective tariff rate raises questions about the long-term impact on corporate earnings, consumer demand, and economic growth, as well as the potential near-term impact on inflation.

Interest Rate Cuts Continue to Be Pushed into the Future

After cutting interest rates by a full percentage point in late 2024, the Fed has held interest rates steady through five meetings this year. The pause in the Fed's rate-cutting cycle reflects two dynamics: inflation progress has stalled, with core CPI stuck near 3.0%, and the labor market remains solid, with unemployment holding near 4%. Policymakers are concerned that tariffs could reignite inflation, and they've consistently emphasized the need for patience while they wait for more clarity in the data.

From a markets perspective, rate cut expectations have been repeatedly delayed. An anticipated March cut was pushed to May, then to June, and then to September. The odds of a September cut fell below 50% after the July meeting, with the market pushing the rate cut to October. The market now expects only one rate cut this year, followed by another in January 2026. The takeaway: with no clear signal from the data or the Fed, the market is taking it one meeting at a time.

THIS MONTH IN NUMBERS

FIGURE 1

U.S. Style Returns (July in %)

	Value	Blend	Growth
Large	0.6	2.3	3.7
Mid	1.8	1.9	2.0
Small	1.7	1.7	1.5

Data Reflects Most Recently Available As of 7/31/2025

FIGURE 3

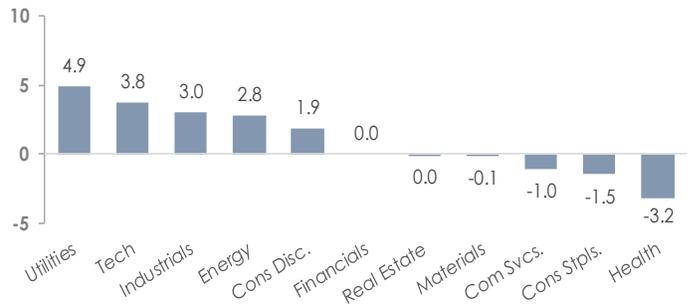
U.S. Style Returns (YTD in %)

	Value	Blend	Growth
Large	6.4	8.4	9.9
Mid	4.8	6.6	11.8
Small	-1.6	-0.2	1.1

Data Reflects Most Recently Available As of 7/31/2025

FIGURE 2

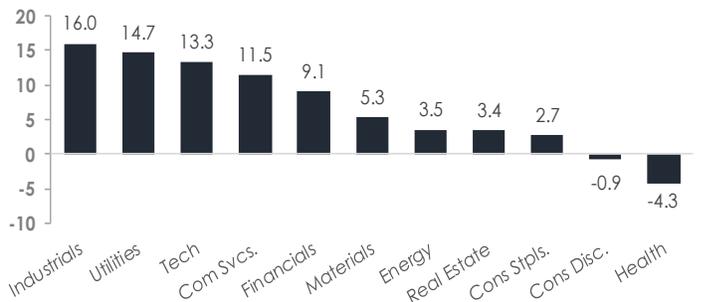
U.S. Sector Returns (July in %)



Data Reflects Most Recently Available As of 7/31/2025

FIGURE 4

U.S. Sector Returns (YTD in %)



Data Reflects Most Recently Available As of 7/31/2025

FIGURE 5

Market Data Center

Stocks	1 month	3 months	6 months	YTD	1 year	3 years
S&P 500	2.3%	14.3%	5.6%	8.4%	16.1%	58.4%
Dow Jones	0.2%	9.0%	-0.2%	4.5%	9.7%	40.4%
Russell 2000	1.7%	12.9%	-2.7%	-0.2%	-0.9%	21.4%
Russell 1000 Growth	3.7%	20.2%	7.8%	9.9%	23.4%	82.0%
Russell 1000 Value	0.6%	7.7%	1.8%	6.4%	8.5%	33.2%
MSCI EAFE	-2.1%	5.1%	12.4%	17.8%	12.1%	43.0%
MSCI EM	0.7%	12.0%	14.7%	17.2%	15.8%	29.3%
NASDAQ 100	2.4%	19.0%	8.4%	10.8%	20.5%	81.6%

Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years
U.S. Aggregate	4.65%	-0.3%	0.6%	3.8%	3.3%	4.3%
U.S. Corporates	5.11%	-0.1%	2.2%	4.4%	4.0%	7.0%
Municipal Bonds	4.23%	-0.3%	0.0%	-0.9%	-0.5%	3.9%
High Yield Bonds	7.33%	0.1%	3.7%	5.1%	8.2%	20.0%

Key Rates	7/31/2025	6/30/2025	4/30/2025	1/31/2025	7/31/2024	7/31/2022
2 yr Treasury	3.94%	3.71%	3.59%	4.20%	4.26%	2.90%
10 yr Treasury	4.36%	4.23%	4.16%	4.55%	4.05%	2.64%
30 yr Treasury	4.89%	4.79%	4.69%	4.80%	4.34%	2.98%
30 yr Mortgage	6.80%	6.80%	6.85%	7.01%	7.04%	5.28%
Prime Rate	7.50%	7.50%	7.50%	7.50%	8.50%	5.50%

Data Reflects Most Recently Available As of 7/31/2025

	Dividend Yield	NTM P/E	P/B
S&P 500	1.13%	22.4x	5.0x
Dow Jones	1.51%	19.9x	5.4x
Russell 2000	1.12%	23.2x	1.9x
Russell 1000 Growth	0.40%	30.9x	12.8x
Russell 1000 Value	1.84%	17.0x	2.8x
MSCI EAFE	2.91%	15.0x	1.9x
MSCI EM	2.41%	13.2x	1.8x
NASDAQ 100	0.50%	28.1x	7.8x

Commodities	Level	1 month	YTD
Oil (WTI)	69.41	6.6%	-3.2%
Gasoline	2.08	1.6%	3.3%
Natural Gas	3.10	-11.1%	0.2%
Propane	0.72	-5.8%	-7.3%
Ethanol	1.66	6.8%	12.6%
Gold	3,344	1.1%	26.6%
Silver	36.80	1.7%	25.8%
Copper	5.57	10.7%	39.7%
Steel	855	-2.8%	20.6%
Corn	3.94	-3.7%	-14.1%
Soybeans	9.74	-5.8%	-3.4%

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