

July 2025

DeMarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for the Period Ended 07/31/2025

Global Overview

Despite strong domestic equity market advancements for the month, macroeconomic data was mixed. While jobless claims declined, the official jobs report showed weak payroll growth and sharp downward revisions, creating a less clear picture of the labor market for policymakers. The Federal Reserve held rates steady at 4.25%–4.50%, maintaining a cautious, data-driven stance, though markets continue to price in a September rate cut. International markets also showed conflicting results, as trade agreements and slowing growth in Europe weighed on the MSCI EAFE Index, while emerging markets and China saw modest gains.

U.S. Markets & Economy

U.S. equities posted further gains in July, supported by strong corporate earnings, leadership from the large-cap technology sector, and improved trade sentiment. With roughly 80% of S&P 500 companies surpassing earnings expectations, earnings momentum played a key role in the index's 2.2% return. Beyond strong earnings, macroeconomic indicators also pointed towards improved sentiment and resilience in the broader economy. The Conference Board Consumer Confidence Index increased to 97.2 in July, from 93.0 in June, reflecting growing optimism among consumers about both current economic conditions and short term outlook. While consumer confidence improved in July, that optimism has yet to translate into stronger business demand, as reflected in the decline of the ISM Manufacturing PMI from 49.0 to 48.0. Labor market data painted a mixed picture in July, as initial jobless claims fell from 233,000 to 218,000, while the official jobs report revealed weaker-than-expected payroll growth and downward revisions to prior months. Overall, July's combination of strong earnings and resilient consumer sentiment helped reinforce investor confidence, even as parts of the economy continued to show signs of weakness. The Russell 1000 Growth Index led U.S. markets in June with a 3.8% return, notably outperforming the Russell 1000 Value Index, which rose just 0.6%. Small caps showed a modest reversal of the large-cap dynamic, as the Russell 2000 Value Index returned 1.8%, slightly ahead of the 1.7% gain in the Russell 2000 Growth Index.

At its July meeting, the Federal Reserve held the federal funds rate steady at 4.25%–4.50%, maintaining its cautious, data-dependent stance. While Chair Powell emphasized the Fed is still evaluating the effects of tariffs and trade policy on inflation and growth, markets continue to price in a high probability of a September rate cut. Most bond market indexes posted losses in July amid rising Treasury yields across the curve. High yield was a notable exception, as tightening spreads helped drive returns in the sector. Similarly, Investment Grade corporate spreads continued to tighten for the month, going from 86 to 79 bps.

International Markets & Economy

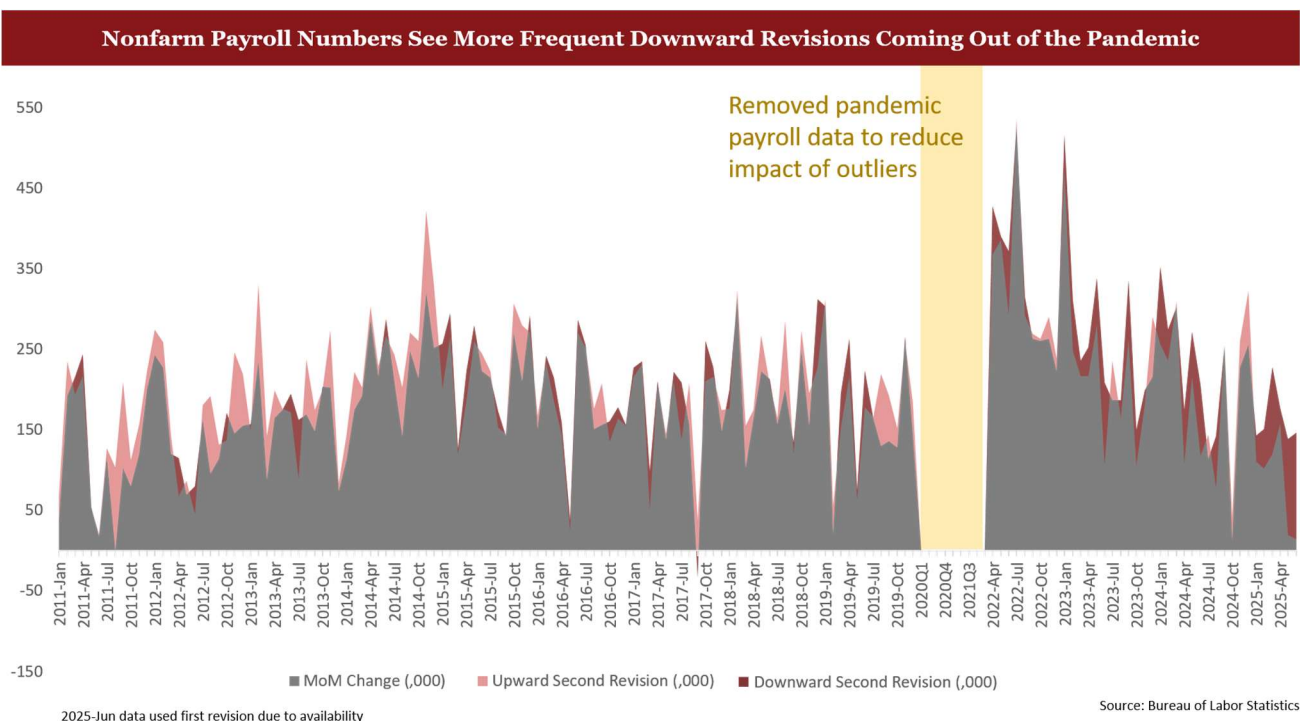
As the August 1st tariff deadline approached, the Trump administration made several moves to finalize trade deals. Mexico was granted another 90 days for continued trade talks. The European Union agreed to accept a 15% tariff and committed to remove its tariffs on U.S. goods in certain industries. South Korea gets 15% headline tariffs, and 15% on cars. Tariffs on Canada, India and Brazil were set at 35%, 50% and 50%, respectively. Additionally, reciprocal tariffs ranging from 15% to 40% are scheduled to take effect on August 7th. Eurozone Q2 GDP rose just 0.1% compared to Q1, a sharp slowdown from the 0.6% growth recorded in Q1. Spain and France outperformed, growing 0.7% and 0.3%, while Germany and Italy slipped into contraction, each shrinking by 0.1%. Eurozone Manufacturing PMI rose slightly to 49.8 in July 2025 from 49.5 in June, marking the slowest pace of contraction since July of 2022. Eurozone inflation held steady at 2.0% year-over-year in June. The Bank of Japan held its short-term benchmark rate steady at 0.5% during its July meeting. In its quarterly outlook, the BoJ raised its core inflation forecast for FY 2025 to 2.7%, up from 2.2%, and slightly revised its GDP growth forecast to 0.6%, from 0.5%. Political uncertainty on Prime Minister Shigeru Ishiba's

possible resignation caused market concerns over the execution of the U.S. Japan trade deal. Dragged down by the EU's unfavorable trade agreement with the U.S. and a stronger dollar, the MSCI EAFE Index declined 1.4% in July. Meanwhile, emerging markets saw a boost from improved trade sentiment, as the MSCI EM Index returned 2.0%. In China, the CCP Politburo's July meeting confirmed it would refrain from launching additional large-scale stimulus, instead focusing on curbing price wars among producers and reducing industrial overcapacity as part of a broader, long-awaited campaign to combat deflation.

In the News

In July's jobs report, nonfarm payroll growth for May and June was revised sharply lower by 133,000 and 120,000, respectively. The revisions triggered a market selloff on August 1, with the S&P 500 falling 1.6% and the Nasdaq dropping 2.2%. That same day, President Trump dismissed Bureau of Labor Statistics (BLS) Commissioner Erika McEntarfer, a Biden appointee confirmed in 2024, accusing the agency of a "routine practice" of manipulating data, though no evidence of wrongdoing was found. Still, concerns over the reliability of BLS employment data are long-standing. Since 2000, there have been 62 months with payroll revisions exceeding 50%, and in the past decade alone, 42 of 125 months saw these changes, 34 of them downward. The Fed's data-dependent policy framework, combined with volatile post-COVID revisions, has raised questions about its ability to accurately assess economic conditions. The initial response rate for the monthly establishment survey fell from ~60% in 2019 to just 43% in 2023. Each month, the BLS surveys about 121,000 businesses covering 631,000 worksites and roughly one-third of U.S. nonfarm employment. Preliminary payroll figures are released on the first Friday of each month, even if the response rate is low, with two rounds of revisions in the following months. To compensate for missing data, the BLS uses imputation models based on businesses with similar characteristics (industry, size, region) and birth/death models to estimate job creation or loss from newly formed or closed firms. Acknowledging these limitations, the Federal Reserve has increasingly emphasized the "totality" of labor data, including jobless claims, manufacturing employment, JOLTS, and private sector figures, which often produce inconsistent signals, complicating policy decisions.

Chart of the Month



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Capital Markets Overview

		TRAILING			ANNUALIZED			
		1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr
Broad Market	MSCI World NR USD	1.29	11.91	10.88	15.72	15.83	13.78	10.60
	Bloomberg US Agg Bond TR USD	(0.26)	0.54	3.75	3.38	1.64	(1.07)	1.66
	Russell 3000 TR USD	2.20	14.20	8.08	15.68	16.42	15.19	13.02
	DJ Industrial Average TR USD	0.16	8.99	4.72	9.95	12.55	13.00	12.02
	NASDAQ Composite PR USD	3.70	21.07	9.38	20.02	19.46	14.47	15.21
	MSCI EAFE NR USD	(1.40)	5.38	17.77	12.77	13.57	10.34	6.14
	FTSE Treasury Bill 3 Mon USD	0.37	1.11	2.59	4.78	4.85	2.96	2.05
	Bloomberg Commodity TR USD	(0.45)	1.36	5.05	9.71	(1.41)	11.33	3.09
Domestic Equities	S&P 500 TR USD	2.24	14.21	8.59	16.33	17.10	15.88	13.66
	S&P MidCap 400 TR	1.62	10.94	1.82	3.28	9.60	12.79	9.41
	S&P SmallCap 600 TR USD	0.93	10.50	(3.58)	(4.71)	4.60	10.99	8.21
	Russell 1000 TR USD	2.22	14.25	8.48	16.54	16.94	15.49	13.38
	Russell 1000 Growth TR USD	3.78	20.16	10.10	23.75	22.60	17.27	17.06
	Russell 1000 Value TR USD	0.57	7.66	6.61	8.79	10.59	13.18	9.20
	Russell Mid Cap TR USD	1.86	11.70	6.78	12.06	11.48	12.24	10.01
	Russell Mid Cap Growth TR USD	2.03	16.68	12.02	28.28	17.66	11.38	12.17
	Russell Mid Cap Value TR USD	1.79	9.96	4.97	7.06	8.96	13.07	8.60
	Russell 2000 TR USD	1.73	12.99	(0.08)	(0.55)	7.03	9.81	7.43
	Russell 2000 Growth TR USD	1.70	14.61	1.21	3.15	9.09	7.06	7.27
	Russell 2000 Value TR USD	1.77	11.29	(1.45)	(4.27)	4.80	12.41	7.20
International Equities	MSCI ACWI Ex USA NR USD	(0.29)	7.82	17.56	14.73	12.61	9.11	6.12
	MSCI EAFE NR USD	(1.40)	5.38	17.77	12.77	13.57	10.34	6.14
	MSCI EAFE Growth NR USD	(3.01)	4.73	12.47	6.73	9.60	6.31	6.13
	MSCI EAFE Value NR USD	0.26	6.09	23.16	18.98	17.67	14.31	5.90
	MSCI Japan NR USD	(1.40)	4.34	10.17	6.13	12.40	8.80	5.87
	MSCI AC Asia Ex Japan NR USD	2.56	14.50	17.44	19.96	10.61	5.23	6.37
	MSCI Europe NR USD	(1.78)	4.81	20.86	13.83	14.65	11.13	6.26
	MSCI United Kingdom NR USD	0.86	6.81	20.28	16.11	14.09	13.87	5.36
	MSCI EAFE Small Cap NR USD	(0.08)	10.11	20.79	15.76	10.87	8.54	6.41
	MSCI EM NR USD	1.95	12.69	17.51	17.18	10.50	5.40	5.77
Fixed Income	Bloomberg US Govt/Credit TR USD	(0.22)	0.57	3.72	3.34	1.80	(1.27)	1.82
	Bloomberg US Govt/Credit Interm TR USD	(0.14)	0.60	3.99	4.62	2.97	0.46	1.99
	Bloomberg US Govt/Credit Long TR USD	(0.49)	0.49	2.88	(0.52)	(1.69)	(6.00)	1.52
	ICE BofA US High Yield TR USD	0.40	3.98	4.97	8.55	7.87	5.11	5.40
	Credit Suisse HY USD	1.80	3.61	4.33	9.57	9.71	6.08	5.17
	Morningstar LSTA US LL TR USD	0.88	3.27	3.71	7.50	9.24	7.22	5.24
	FTSE WGBI NonUSD USD	(2.77)	(0.92)	6.83	4.29	0.18	(4.70)	(0.31)
	Bloomberg Gbl Agg Ex USD TR USD	(2.51)	(0.49)	7.24	5.10	1.23	(2.97)	0.36
REITs	FTSE Nareit All REITs TR	(0.98)	0.14	0.71	0.30	(0.00)	5.55	5.72
	Wilshire US REIT TR USD	(0.81)	0.65	(1.05)	2.65	2.52	7.57	5.61

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

Source: Morningstar

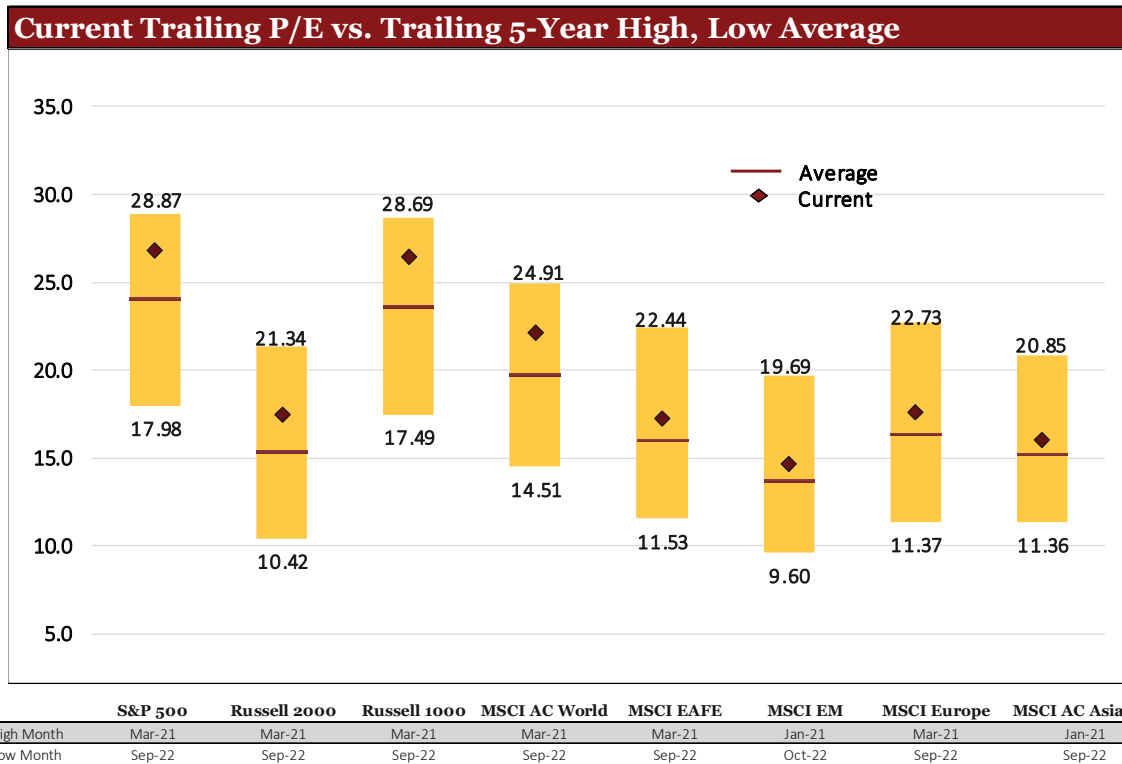
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Source: Morningstar; Data as of 07/31/2025

Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates ³ per US \$		Inflation ²
	Latest ¹	2025 ¹	2026 ¹	(Most recently available)	Sovereign Bonds, 10 Year	Current	1 Year Ago	(Most recently available)
United States	3.00	1.60	1.50	4.20	4.26	-	-	2.90
China	1.10	4.70	4.30	5.00	1.71	7.20	7.22	0.70
Japan	0.00	0.70	0.40	2.50	1.55	150.60	150.38	3.30
United Kingdom	0.70	1.30	1.00	4.70	4.54	1.32	1.28	3.70
Euro Area	0.10	1.00	1.20	6.20	3.16	1.14	1.08	2.30
Germany	-0.10	0.40	1.20	6.30	2.66	1.14	1.08	2.70
France	0.30	0.60	0.90	7.40	3.33	1.14	1.08	1.20
Italy	-0.10	0.60	0.70	6.30	3.51	1.14	1.08	2.00
Canada	0.50	1.00	1.10	6.90	3.37	1.38	1.38	2.70
India	2.00	6.30	6.40	5.60	6.37	86.17	83.59	4.95
Mexico	0.70	0.40	1.10	2.70	9.44	18.80	18.60	4.24
Brazil	1.40	2.10	1.60	5.80	14.11	5.58	5.66	5.17

Sources: (Most recently available data) St. Louis Federal Reserve, The Wall Street Journal, OECD, Trading Economics

1. Latest GDP is seasonally adjusted annualized rate. 2025 & 2026 is forecasted data from OECD

2. In terms of Core CPI

3. Euro Area and U.K. exchange rates quoted in market standard format (USD/Non-USD currency)

4. Germany, France, and Italy currency exchange rates are taken at the Euro Area exchange rates

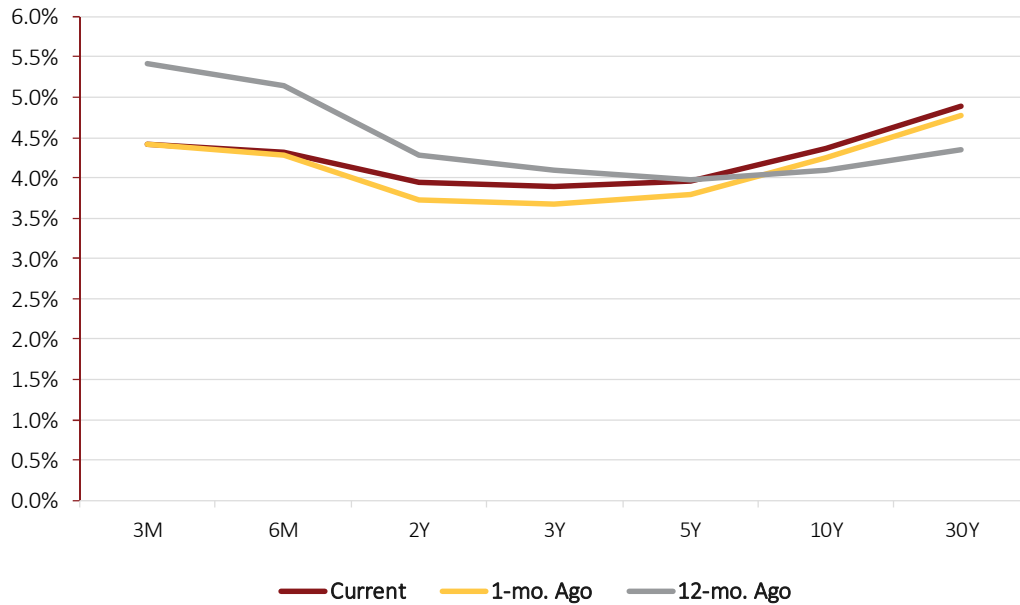
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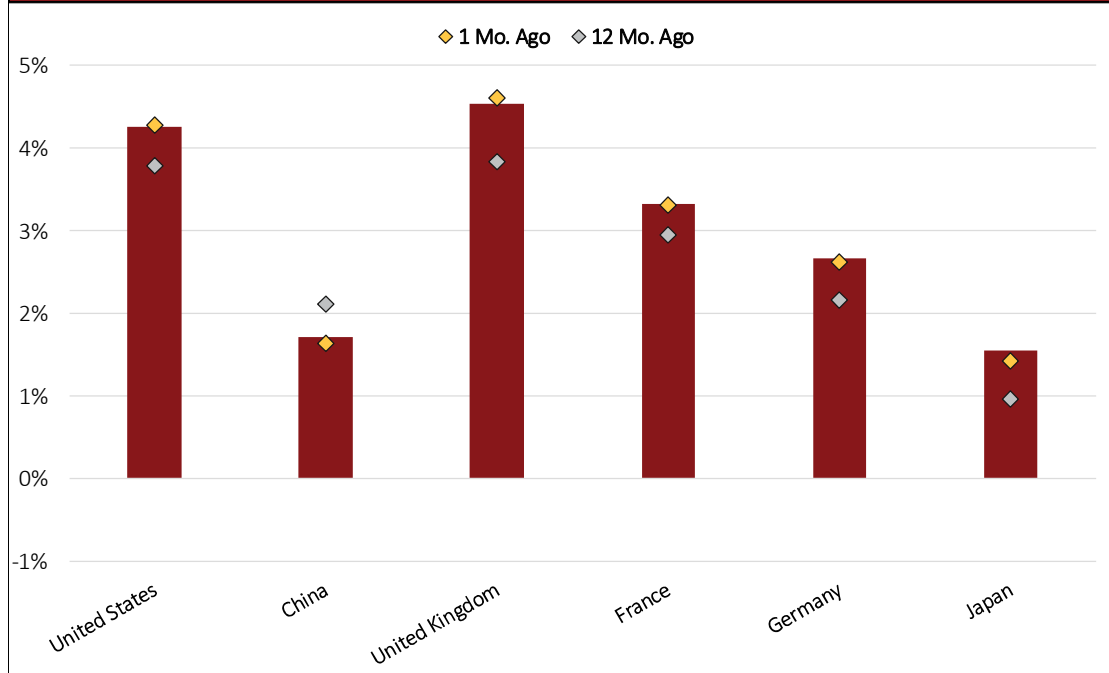
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U.S. Treasury Yield Curves



Source: Federal Reserve Bank; Data as of 07/31/2025

10-Year Sovereign Yields



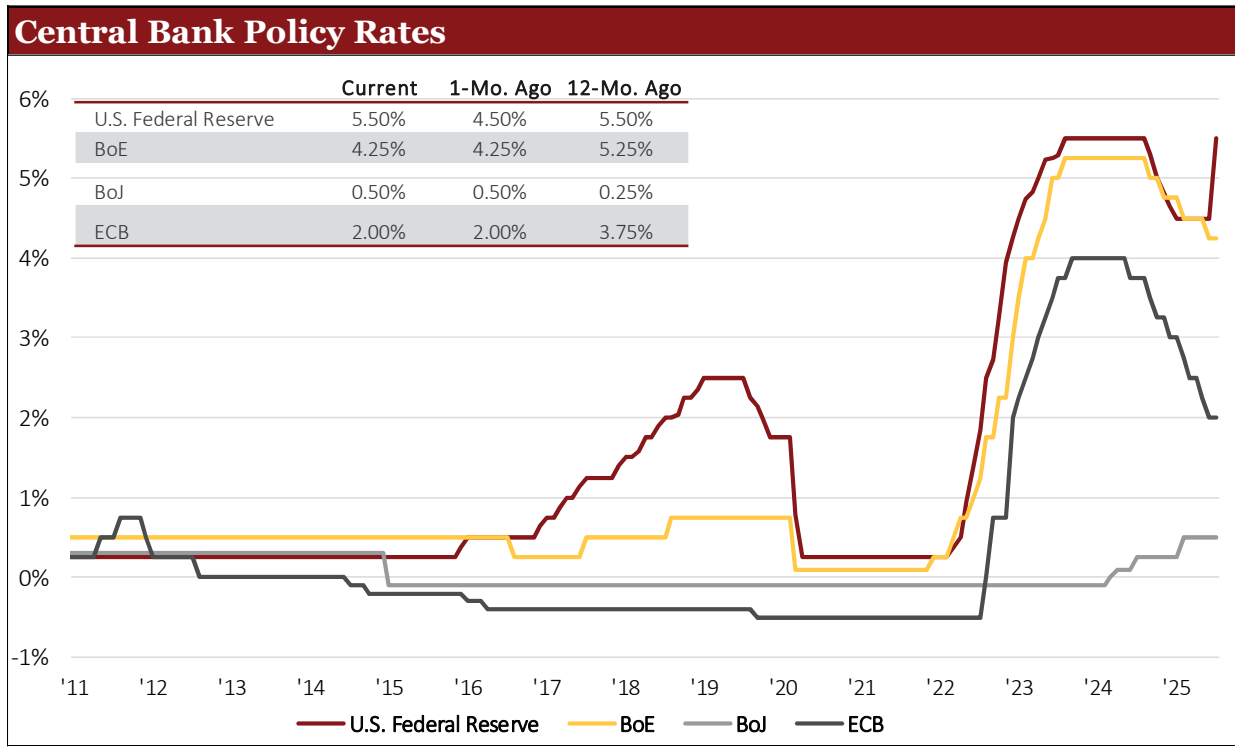
Source: Trading Economics; Data as of 07/31/2025

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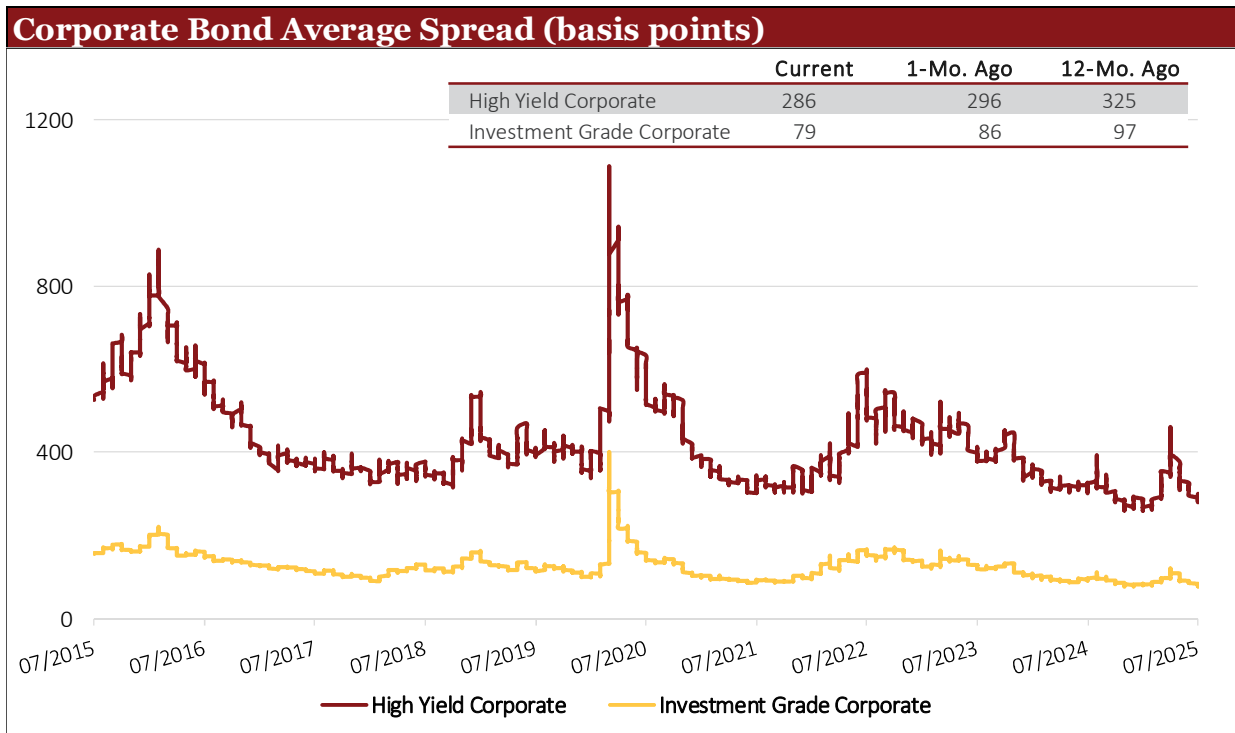
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Source: Federal Reserve Bank, Bank of England, European Central Bank, Trading Economics; Data as of 07/01/2025



Source: Federal Reserve Bank, Bank of America; Data as of 07/31/2025