

## PERSPECTIVES AND POSITIONS

By James Dykstal, CFA, Portfolio Manager, August 2025

This is a summary of our views on the economy and markets based on data through July 2025.

### Economy

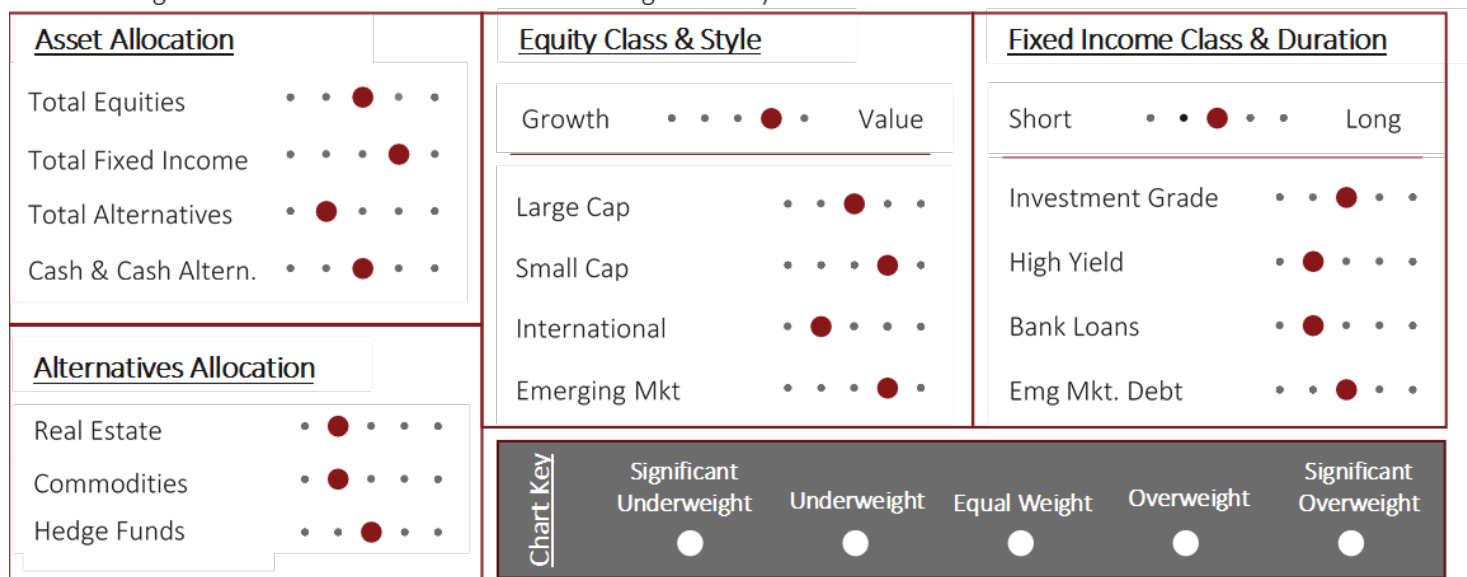
- U.S. GDP Growth – Our expectation that inflation would be stubborn is coming to fruition. The inflation rate increased to 2.7% in June from 2.4% in May. Inflation is still not low enough for the Fed to cut interest rates immediately but futures markets do expect an interest rate cut later this year.
- The unemployment rate has decreased slightly to 4.1% from 4.2%, as labor force participation slightly decreased in the quarter.
- The 10 year Treasury opened the quarter at 4.25% and closed at 4.24%. The market expectation is that the Federal Reserve will cut rates by 50 basis points by the end of 2025 if inflation moderates.

### Markets

- The market has rebounded from the lows of April as tariff and trade headlines are resolving. The economy looks to be growing at a slow and steady pace and recession risks seem to be subsiding.
- Fixed Income – The Fed cut rates in 2024 by 100 basis points. Since then the Fed has been on hold. Bond returns will remain largely coupon driven until the Fed resumes cutting rates later in the 2025.
- Equities – The market expected tariffs to depress consumer spending, which could hurt economic growth, but with some trade issues being resolved in the quarter markets rebounded. The dollar weakened, proving to be a tailwind to international returns.

## TACTICAL POSITIONS

The following is our current Model Portfolio Positioning Summary:



<sup>1</sup> Provided by our affiliate, Discretionary Management Services (DMS), LLC