



August 6, 2025

Dear Valued Investor,

The last few days of July and the beginning of August have brought a flurry of key economic data, central bank activity, company earnings results, and tariff news. Here are some takeaways from the week of July 28:

Slowing U.S. economy. Second-quarter gross domestic product grew at a 3% annualized rate, though much of the growth stemmed from a sharp drop in imports after companies rushed orders ahead of tariffs. July's jobs report showed a slowdown in hiring, signaling a labor market losing some steam. While this could support the Federal Reserve's (Fed) case for easing, it also introduces concerns about consumer spending. Though we see no signs of an imminent recession, we believe the U.S. economy is unlikely to grow faster than 2% in the second half.

Resilient corporate earnings. Earnings season has been better than anticipated, showing that corporate America has more earnings power than previously thought. Analysts called for S&P 500 earnings per share to grow 4–5% year over year when earnings season began. We expected some upside, perhaps to around 8%, but companies are collectively on track to grow earnings by over 10% (source: FactSet). Big tech companies have been the key driver, accounting for half of earnings growth amid big investments in artificial intelligence (AI).

Stage set for a September rate cut. The Fed held rates steady on July 30, but Fed Chair Powell's comments were less definitive than markets had hoped. The weak jobs report on August 1, however, revived expectations for a rate cut in September, which may help mitigate the magnitude of any stock market pullbacks. Two cuts of 0.25% each are likely this year, if not three, which should help support the bond market.

Don't dismiss trade risks yet. The August 1 negotiation deadline passed, with several countries slated for tariffs well above the apparent floor at 15%. Only about half of the presumed tariffs have been implemented, meaning more upward pressure on prices and company profit margins lies ahead — after more tariffs take effect on August 7. Meanwhile, negotiations are continuing with China and several other key trading partners.

What this means for you. The market is navigating a complex landscape, with several economic and policy crosscurrents. A slowing economy, tariff implementation, and seasonal stock market weakness point to potential bouts of volatility ahead. Expected rate cuts, AI investment, and impending stimulus from tax and spending legislation passed last month may help buoy investor sentiment.

Pullbacks, when they inevitably come, can refresh bull markets and set them up for their next leg higher. So, we believe it's important to stay invested and well-diversified, while looking for opportunities to add equities on a dip. Economic and corporate fundamentals remain in great shape.

Thank you for your continued trust.

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All data is provided as of August 6, 2025.

All index data from FactSet.

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