

August 4, 2025

Index	Asset Class	2025		2024
		July	YTD	
Equity Indexes		Total Returns		
NASDAQ 100	Mega Cap U.S. Growth Equity	2.4%	11.0%	25.9%
S&P 500	Large Cap U.S. Equity	2.2	8.6	25.0
S&P 400	Mid Cap U.S. Equity	1.6	1.8	13.9
S&P 600	Small Cap U.S. Equity	0.9	(3.6)	8.7
MSCI All Country World	Global Equity	1.4	11.9	18.0
MSCI All Country World (Ex U.S.)	International Equity	(0.3)	18.0	6.1
MSCI Europe, Asia & Far East (EAFE)	International Developed Market Equity	(1.4)	18.3	4.4
MSCI Emerging Markets (EM)	International Emerging Market Equity	2.0	17.9	8.1
Fixed Income Indexes				
Bloomberg U.S. Aggregate Bond	U.S. Investment Grade Bond	(0.3)	3.8	1.3
S&P National AMT-Free Municipal Bond	U.S. Investment Grade Muni Bond	(0.3)	(1.0)	1.3
S&P Municipal Bond High Yield	U.S. Muni Bonds (Below Investment Grade)	(1.2)	(1.7)	6.7
Bloomberg U.S. Corp. High Yield	U.S. Corp Bonds (Below Investment Grade)	0.5	5.0	8.2
Index Blends: Stock/Bond				
80%/20%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		1.1	10.3	14.5
60%/40%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		0.7	8.6	11.1
40%/60%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		0.4	7.0	7.7
20%/80%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		0.1	5.4	4.5
Data as of 7/31/2025. Source: Morningstar, and blended benchmark returns are based on monthly rebalancing.				

Please see important disclosures at end of this report.

## Overview & Economy

**“Déjà vu all over again!”** We thought Yogi Berra’s quote was an appropriate characterization for the slew of revised/new tariffs announced the evening of July 31 by President Trump, reminiscent of his plethora of “Liberation Day” tariffs announced on April 2, 2025 – and some before that. This time by Executive Order, Trump imposed tariffs ranging from 10% to 41% on dozens of countries, to be implemented with short notice on either August 1<sup>st</sup> or 7<sup>th</sup>.<sup>1</sup> I’ll spare the details because, based on experience, we can expect all the specifics to likely change. (See our **Monthly Market Recap** published May 1, 2025, for our view on the implications of tariffs.)

The lack of apparent tariff impact in the economic data reported over recent months has been extrapolated by some politicians as definitive. Frankly, we consider such assertions as either ill-advised or disingenuous, as it is reasonable to expect a number of months for tariff impacted imports to work through the supply chain – and this number of months has been extended by the significant pre-buying ahead of tariffs that occurred. So much was the pre-buying that Q1 GDP was pushed into the negative by the spike in imports (as imports are a deduction in the GDP calculation).<sup>2</sup>

In fact, we did just get some inflation data that conveyed an initial uptick. Personal Consumption Expenditures (PCE), often noted to be the Fed’s preferred inflation gauge, were just reported for June. Core PCE, which excludes the volatile food and energy components, rose 2.8% in June on a year-over-year basis, accelerating from an increase of 2.4% in May.<sup>3</sup> Fed Chair Powell has expressed the need for more data, and we expect the next few months (through October

even) may prove progressively important for data pertaining to the Fed's dual mandate of promoting price stability and maximum employment.

With regard to employment, Chair Powell recently reasserted his focus on the unemployment rate,<sup>4</sup> which continues to tread near business cycle lows. Having said that, the July data just released contained very mixed unemployment and payroll numbers. While the July unemployment rate changed little month-over-month, ticking up to 4.2% from 4.1% in June, there was material softening in the payroll data (which measures the change in nonfarm employment), with July reported well below expectations and May and June revised meaningfully downward to meager numbers.<sup>5</sup> Economists attributed these weak payroll numbers primarily to initial impacts from tariffs, as the uncertainties and cost increases have prompted corporations to reduce hiring. Unfortunately, Trump, rather than accepting any responsibility, blamed the payroll data statisticians and fired the Bureau of Labor Statistics Commissioner, which was followed by indications expressed through his staff that "the president wants his own people there [at BLS]."<sup>6</sup> These actions raised immediate concerns among many economists and former government officials that Trump's moves threaten to undermine the integrity of economic data for political purposes – data on which the Federal Reserve relies upon for timely decisions on monetary policy.

## Equity Markets

U.S. equity indexes gravitated steadily higher through July, with U.S. Large Cap indexes setting progressively higher all-time records. While the U.S. Mid and Small Cap indexes gained in the month, they did so by a slightly lesser degree and their YTD gains continue to reflect a significant lag (with the S&P 600 Small Cap index still in the red YTD). International Emerging Markets kept pace with U.S. Large Caps in July. On the other hand, International Developed stocks declined modestly in the month, attributable to a pull-back late in July following the announcement of the U.S.-E.U. trade deal – which included higher U.S. tariffs than expected. YTD, however, International stocks remain well ahead of U.S. stocks.

## Fixed Income Markets

Investment Grade bond indexes declined modestly in July, by a comparable degree for both taxable and municipal bonds. On the other hand, High Yield Muni's continue their pull-back and their lag relative to Corporate High Yield which ticked up in July. High yield Muni's have been reflecting concern regarding the federal funding cuts for states from the now enacted "One Big Beautiful Bill." As we've previously written, we believe that concerns discounted across muni bonds are excessive, as most outstanding muni bonds (investment grade and high yield) are revenue (or project) bonds, secured by the specific revenue generating projects which they helped finance, rather than general obligations bonds backed by the general credit of the issuing municipality.

### Reference(s):

- 1) The Guardian News Article, "The full list of Trump's tariffs – from India to Taiwan", July 31, 2025 – [Link](#)
- 2) U.S. Bureau of Economic Analysis. Gross Domestic Product, 1<sup>st</sup> Quarter 2025 (Third Estimate), June 26, 2025 – [Link](#)
- 3) CBS News Article, "PCE report shows U.S. inflation rose last month as Trump's tariffs boosted some prices", Updated July 31, 2025 – [Link](#)
- 4) USA Today Article, "Waiting for a Fed rate cut? Chair Powell offered few signals...", Updated July 31, 2025 – [Link](#)
- 5) Reuters Article, "U.S. payrolls revisions jolt markets, making Fed look behind the curve", August 1, 2025 – [Link](#)
- 6) Wall Street Journal Article, "Trump Orders Firing of Bureau of Labor Statistics Chief", August 1, 2025 – [Link](#)  
Wall Street Journal Article, "Trump Seeks Bigger Overhaul at Labor Statistics Bureau...", August 3, 2025 – [Link](#)

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