

Making Sense

Monthly Market Update

Recorded on July 29, 2025



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What are we going to cover?

- 1. Economic Update:**
Growth Outlook | Tariff Update | Inflation & Labor Market | Fed Policy | Consumer Spending
- 2. Market Update:**
Equity Markets | Valuations | Fixed Income

Economic & Policy Update

Growth Outlook | Tariff Update | Inflation & Labor Market | Fed Policy | Consumer Spending

Economic Forecasts Have Weakened Across the Board vs. Earlier This Year

Economic Activity GDP Growth

+2.1% ↓ +1.5%

Expectation for 2025,
start of year Today's
forecast

Labor Market New Jobs per Month

+121,000 ↓ +105,000

Expectation for 2025,
start of year Today's
forecast

Inflation Consumer Price Index

2.5% ↑ 2.9%

Expectation for 2025,
start of year Today's
forecast

Interest Rates Federal Funds Rate

3.9% → 3.9%

Market-implied rate,
start of year Market-implied rate,
today

Recession Probability, Next 12 Months

20% ↑ 35%

Expectation for 2025,
start of year Today's
forecast

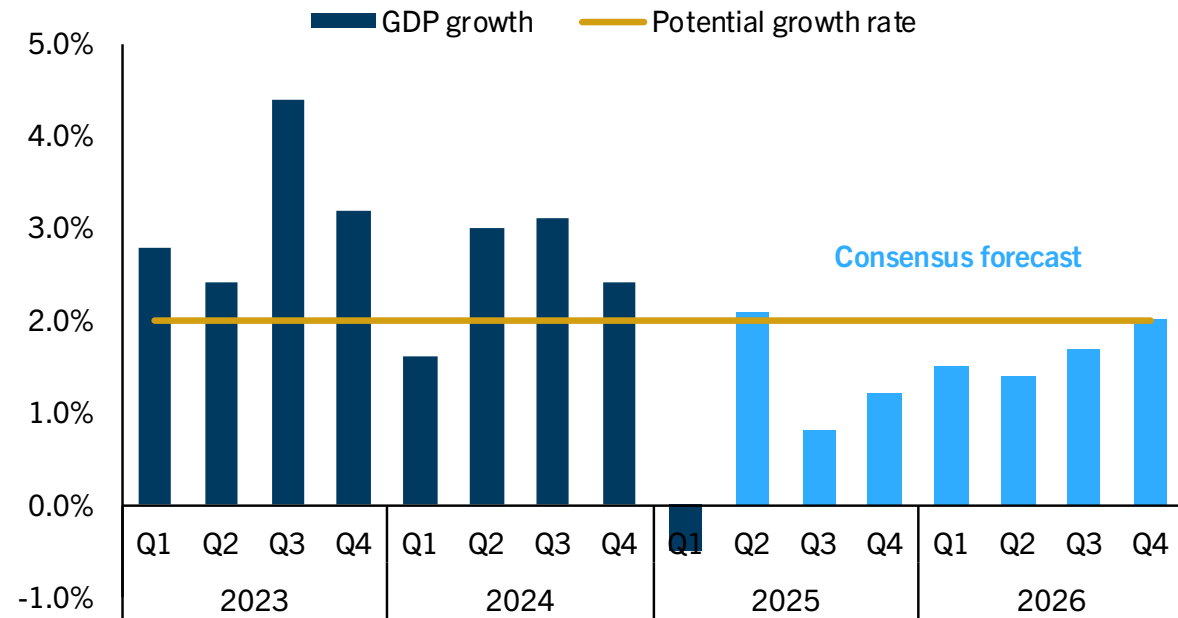
S&P 500 Earnings Growth, year/year

+15.0% ↓ +9.6%

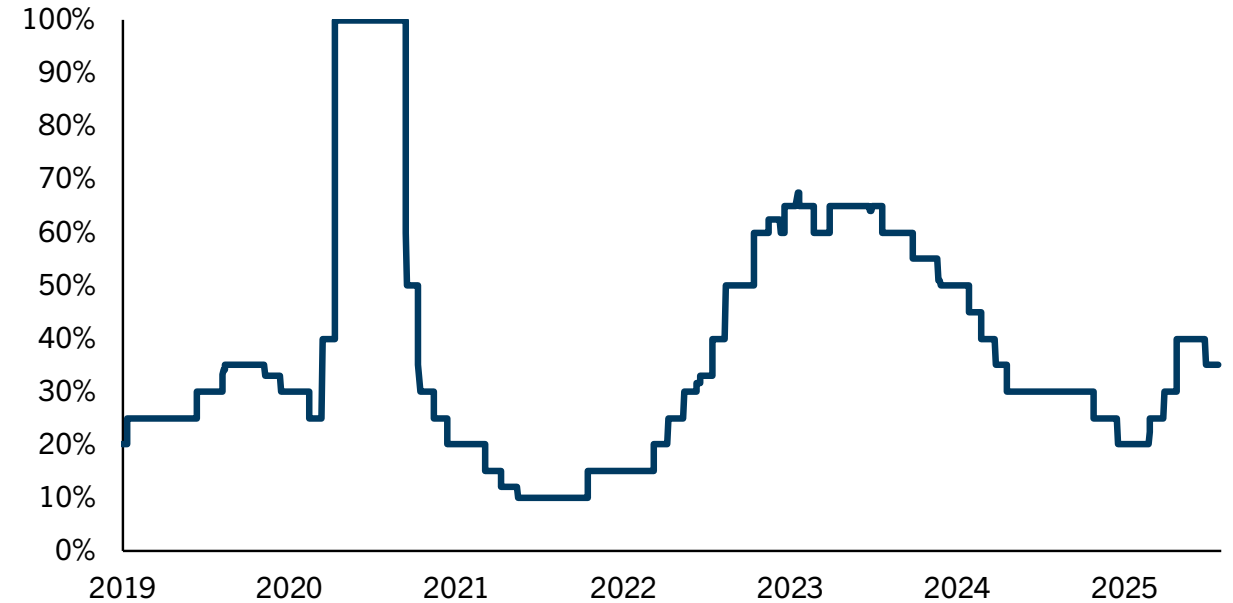
Expectation for 2025,
start of year Today's
forecast

Most Forecasters See 2025 Weakness As a Temporary Growth Slowdown

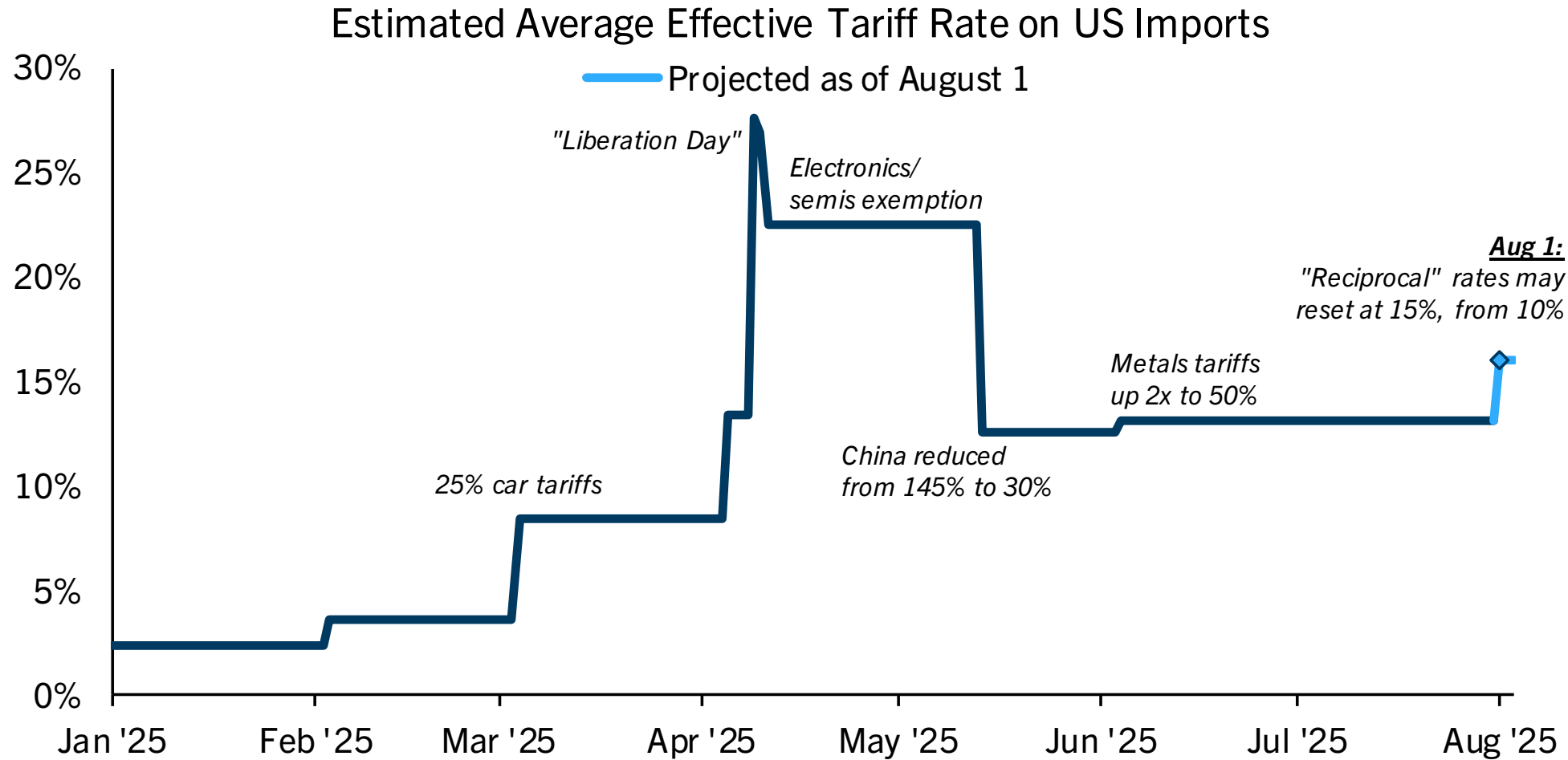
US Real GDP Growth and Median Professional Forecast



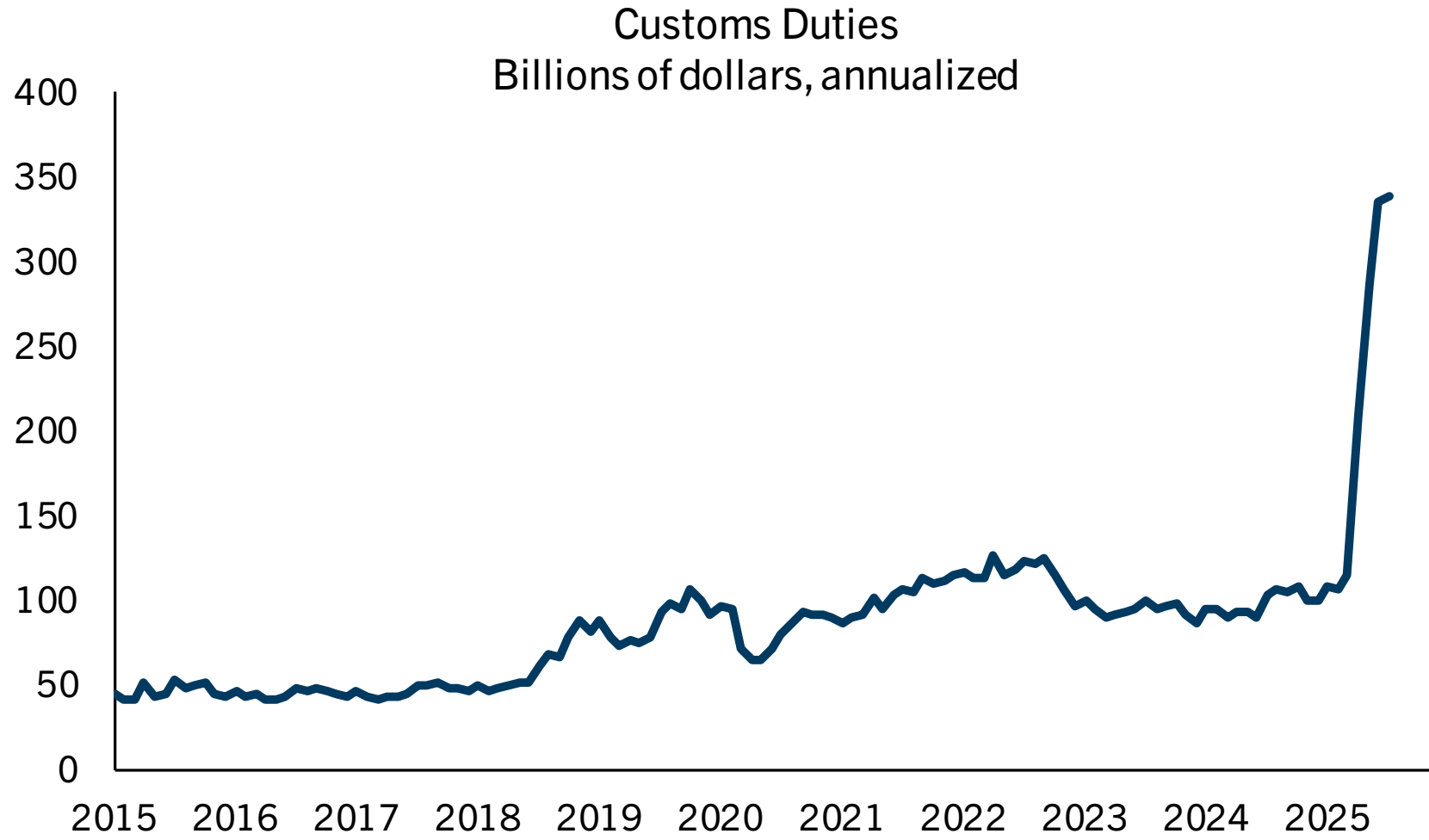
Probability of Recession, Next Twelve Months Median Professional Forecast



After Months of Uncertainty, Tariff Rates Are Likely Settling North of 15%

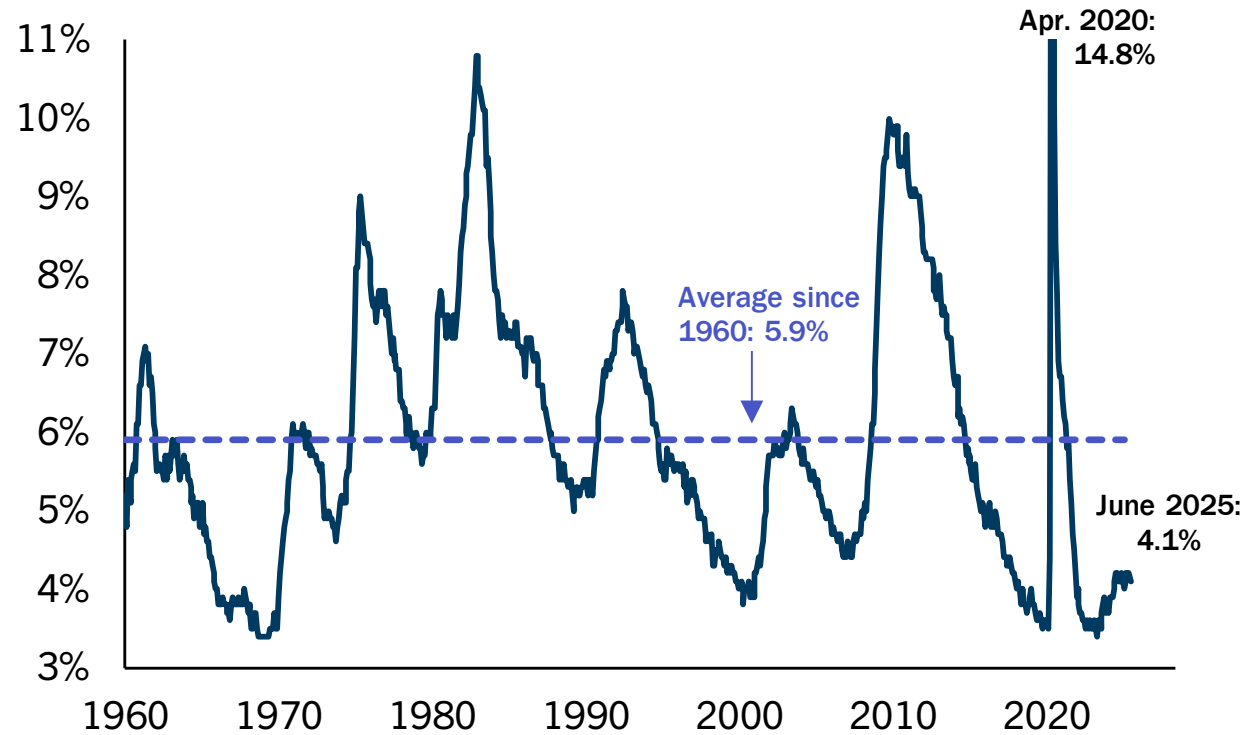


US Importers Poised to Pay Hundreds of Billions per Year in New Taxes

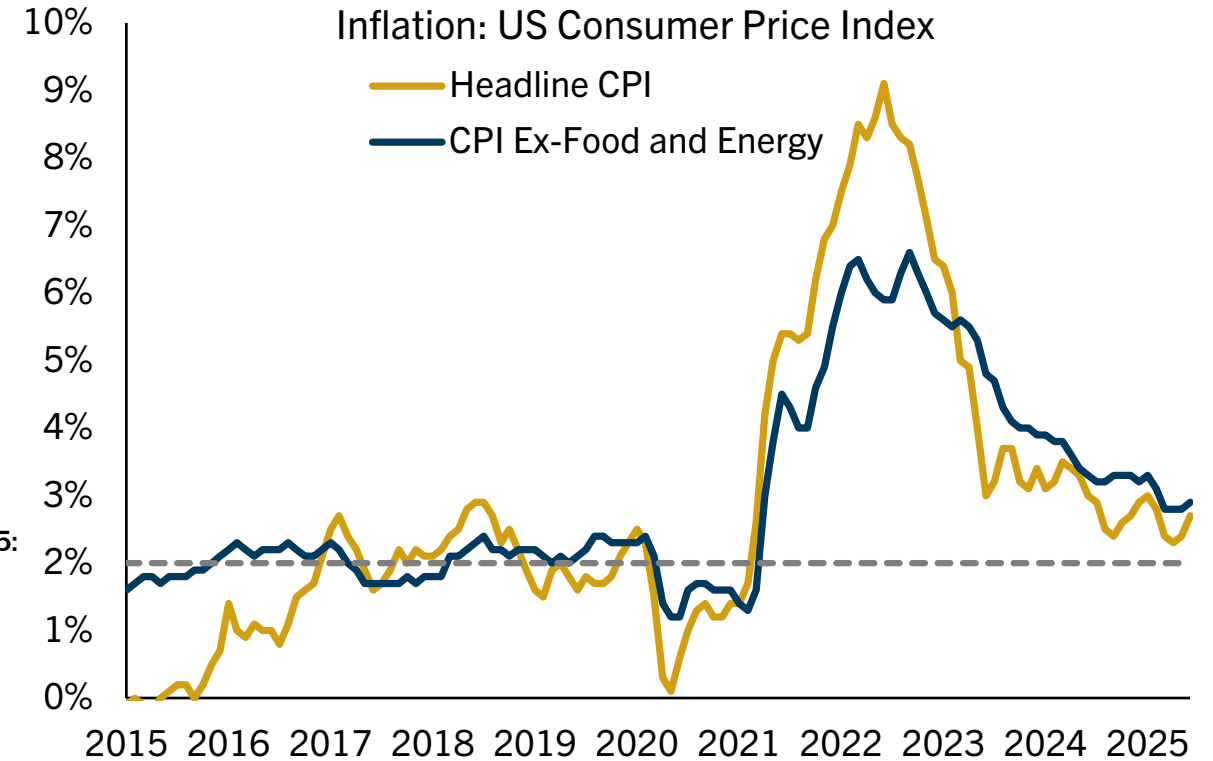


It May Be Hard to Justify Rate Cuts With Today's Labor Market and Inflation

US Unemployment Rate

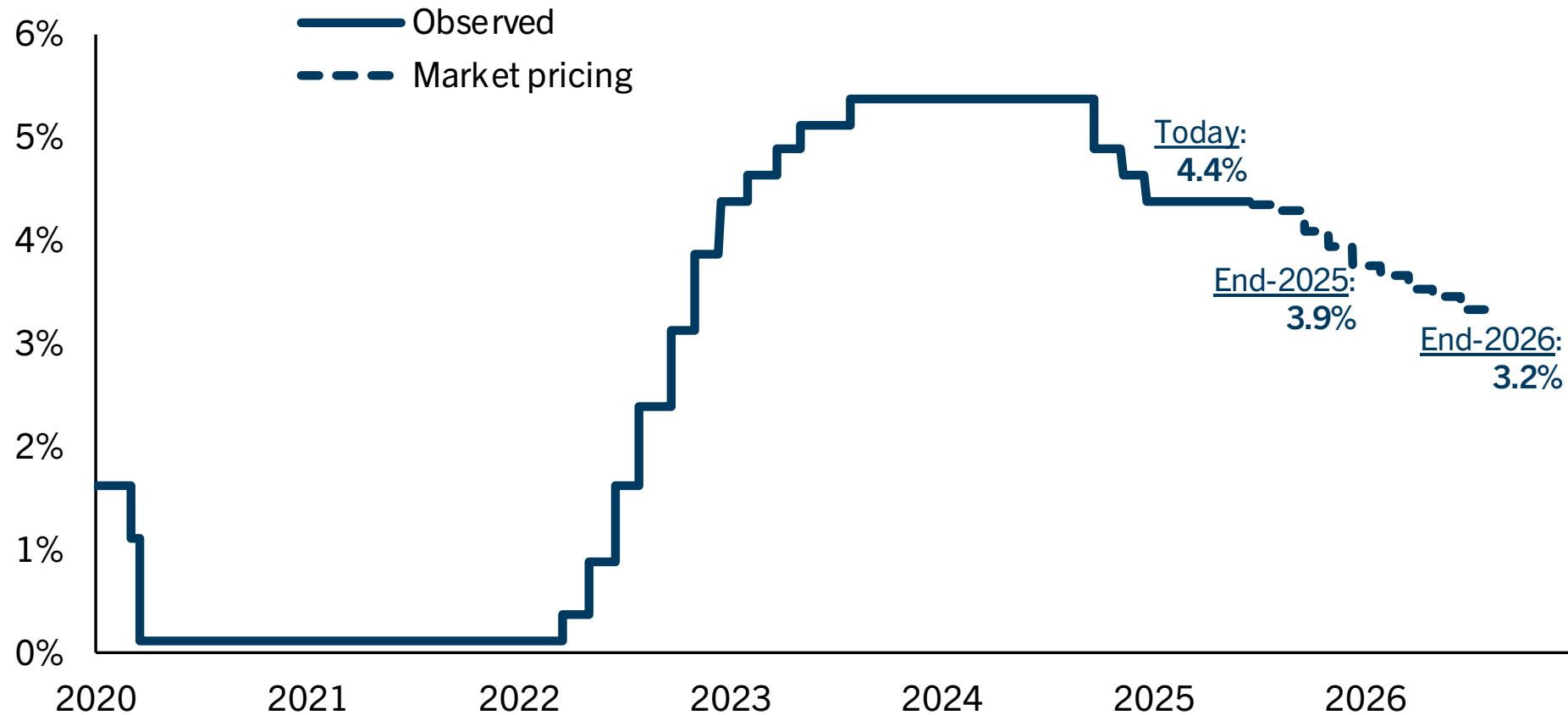


Inflation: US Consumer Price Index

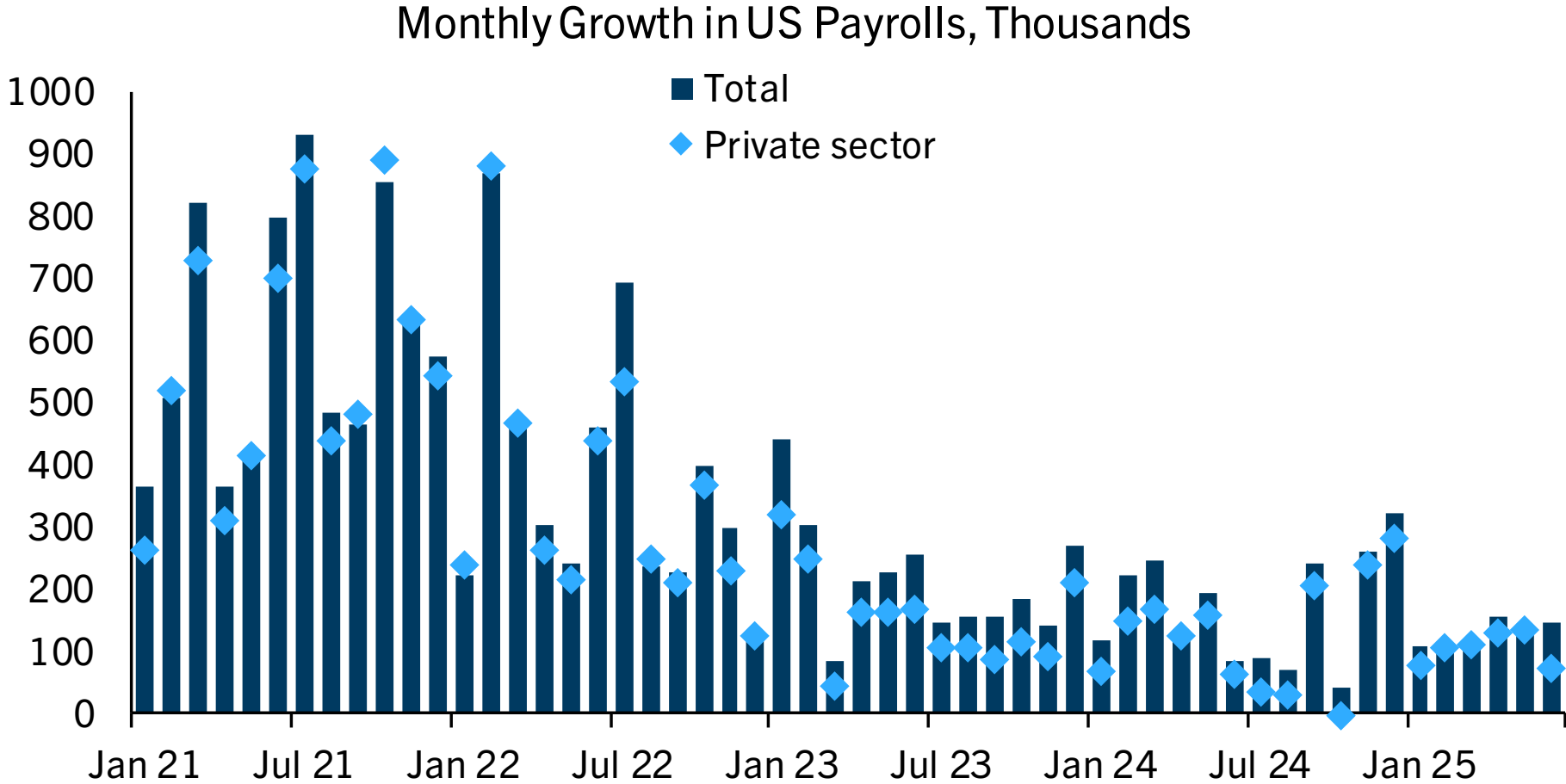


Markets Have Modest Expectations for Rate Cuts Starting Later This Year

Federal Funds Rate and Market-Implied Path



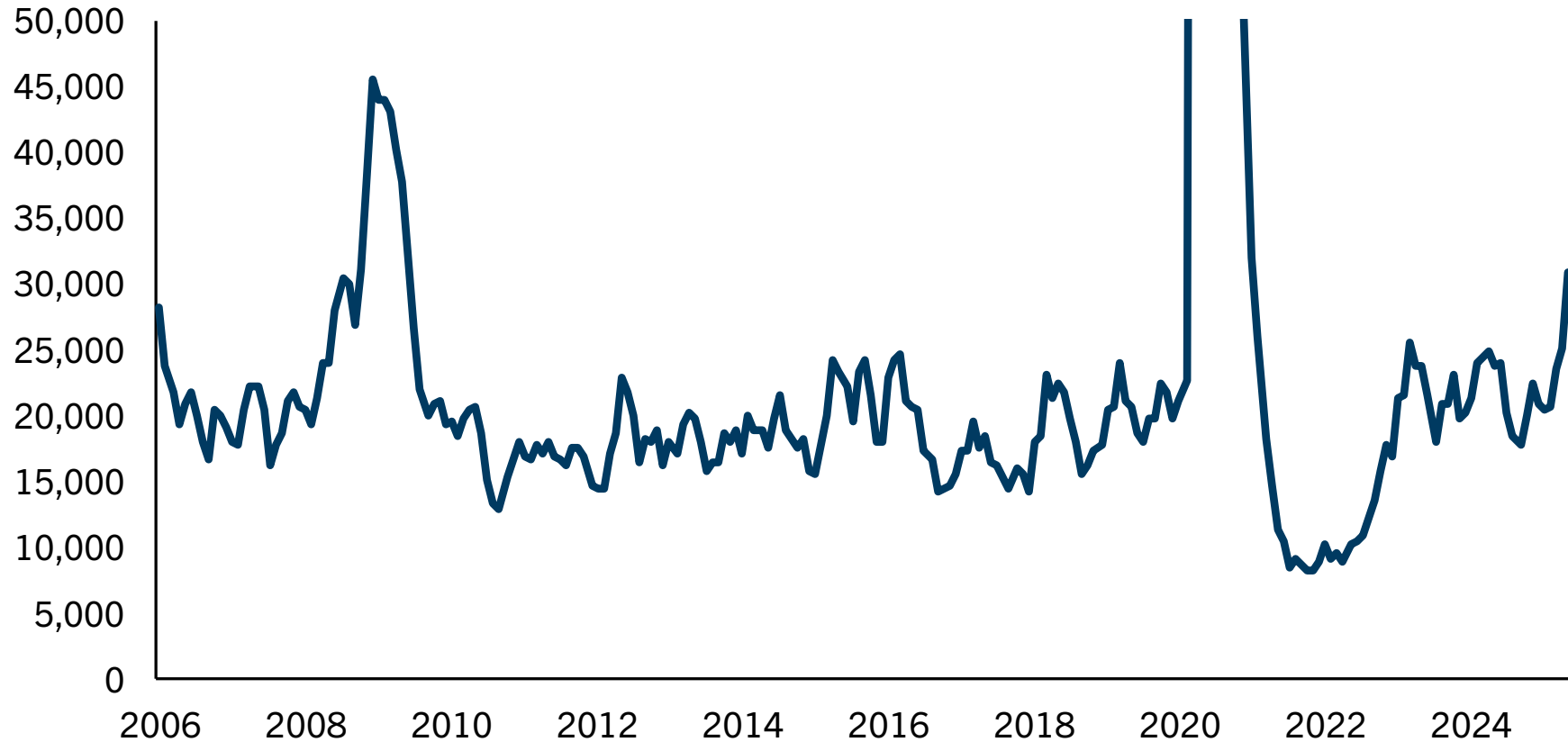
Payroll Growth Has Been Decently Strong So Far This Year



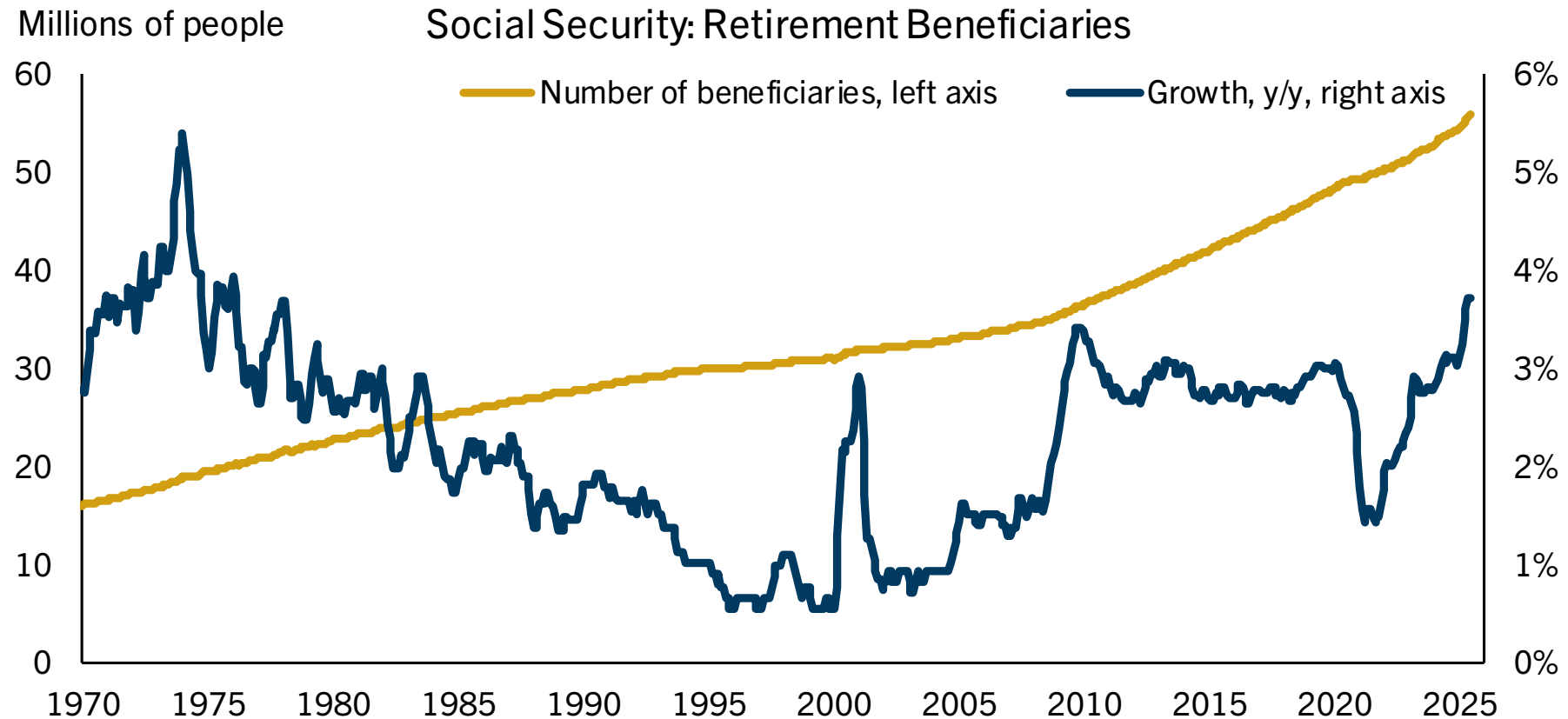
Source: Department of Labor, Bloomberg. Data as of June 2025.

A Jump in WARN Act Notices Suggests Recorded Layoffs Could Increase

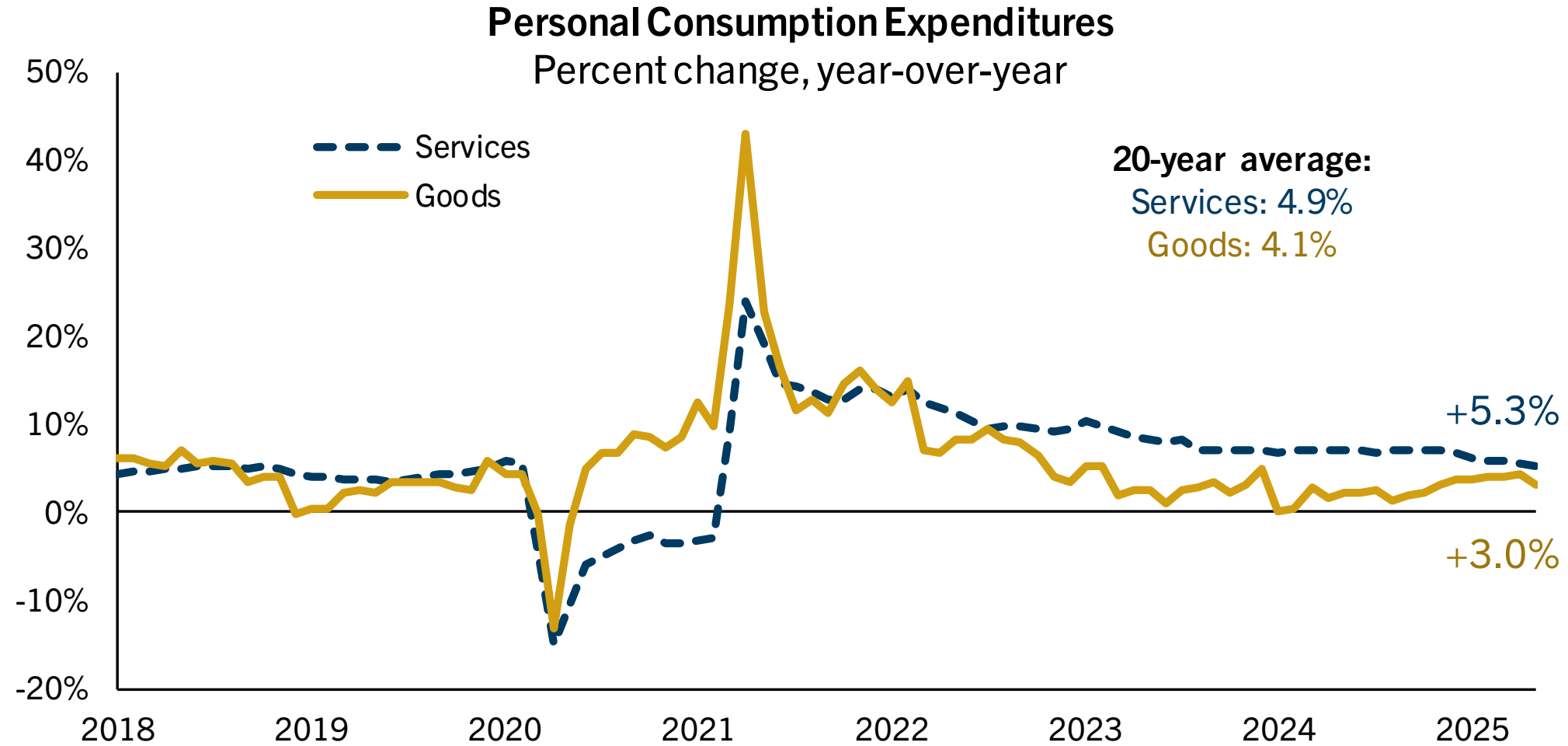
Worker Adjustment and Retraining Notification (WARN) Act Notices, 3-month Average



Labor Market Data Also Capture Retirements and Structural Factors



Consumer Expenditures Are Holding Up, Still Led by Services Spending



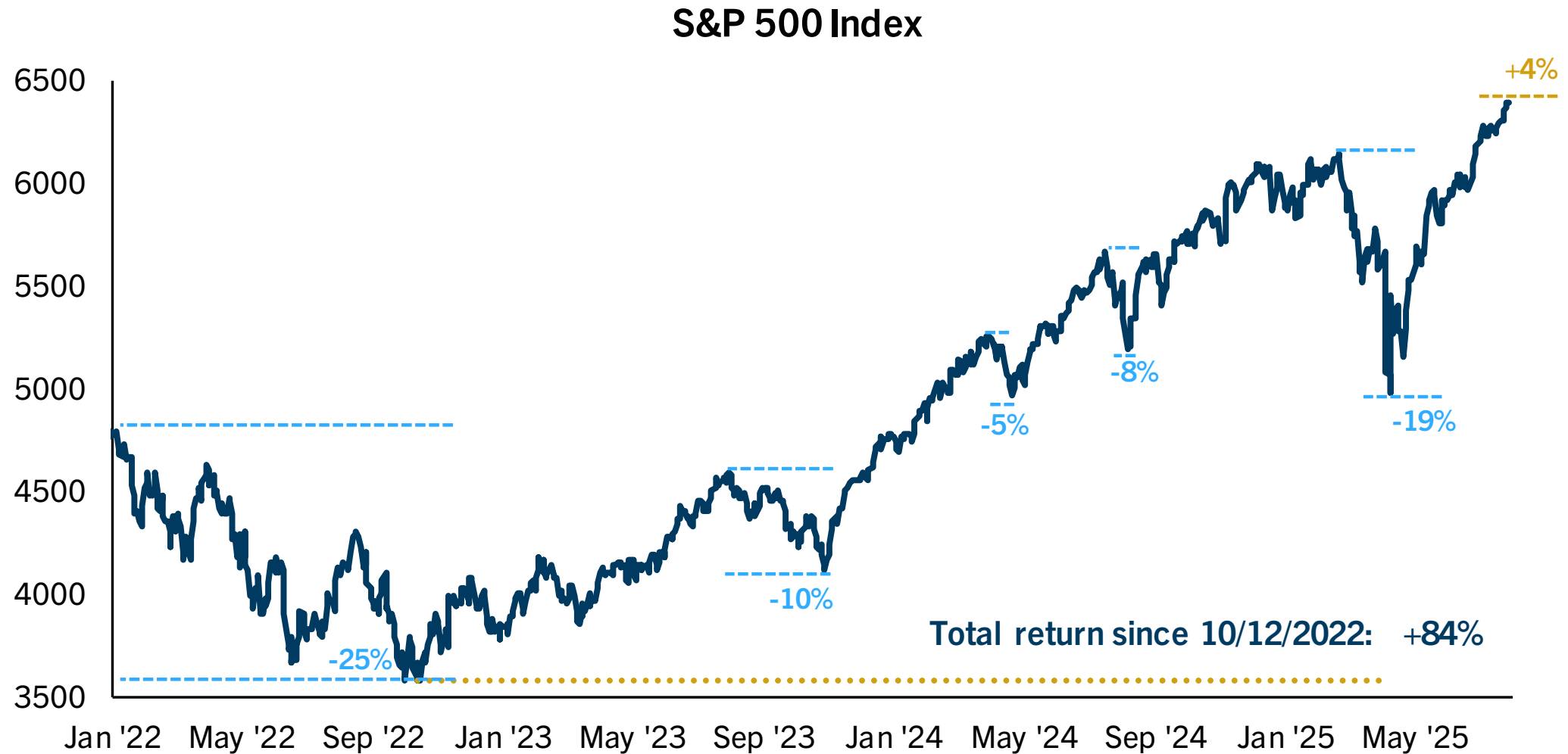
Market Update

Equity Markets | Valuations | Fixed Income

Global Asset Prices Have Recovered After the April Selloff

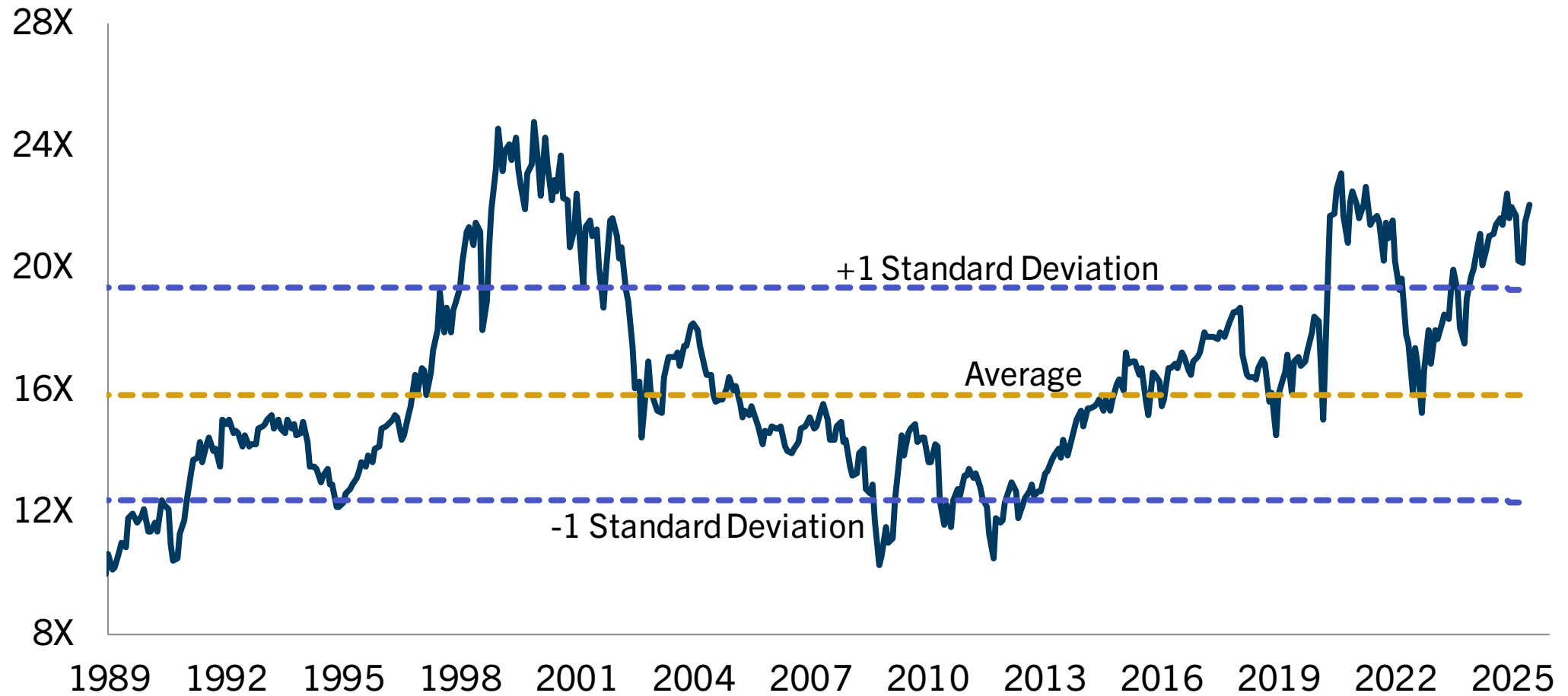
Total Market Returns			
As of 7/25/2025			
	Feb. 19 US peak to Apr. 8 trough	Since Feb. 19 peak	YTD 2025
US Equities	-19.3%	+4.1%	+9.0%
Intl. Developed Equities	-8.5%	+12.8%	+21.7%
Emerging Market Equities	-11.4%	+12.5%	+19.2%
Aggregate Fixed Income	+1.0%	+2.7%	+3.6%
Municipal Bonds	-2.7%	-1.7%	-1.0%

The S&P 500 Has Staged a Terrific Rebound



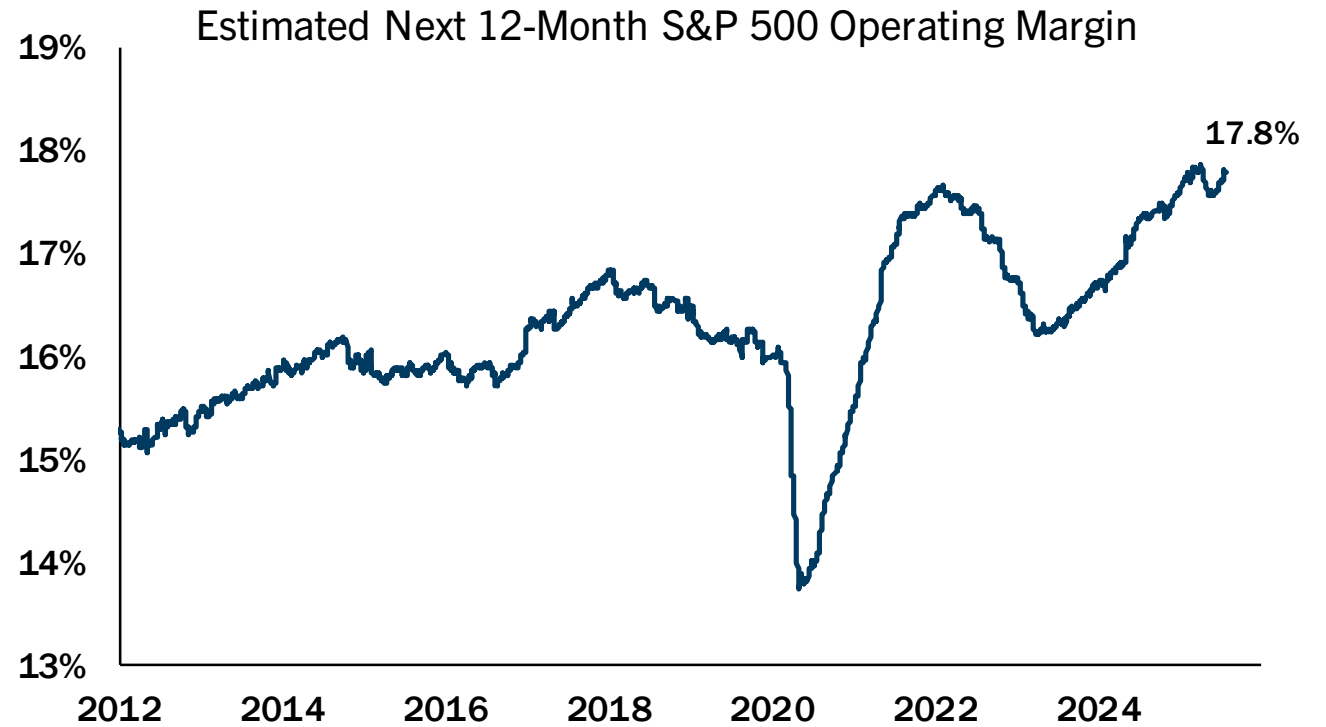
S&P 500 Valuations Are Robust

S&P 500 Next Twelve Months Price-to-Earnings Ratio

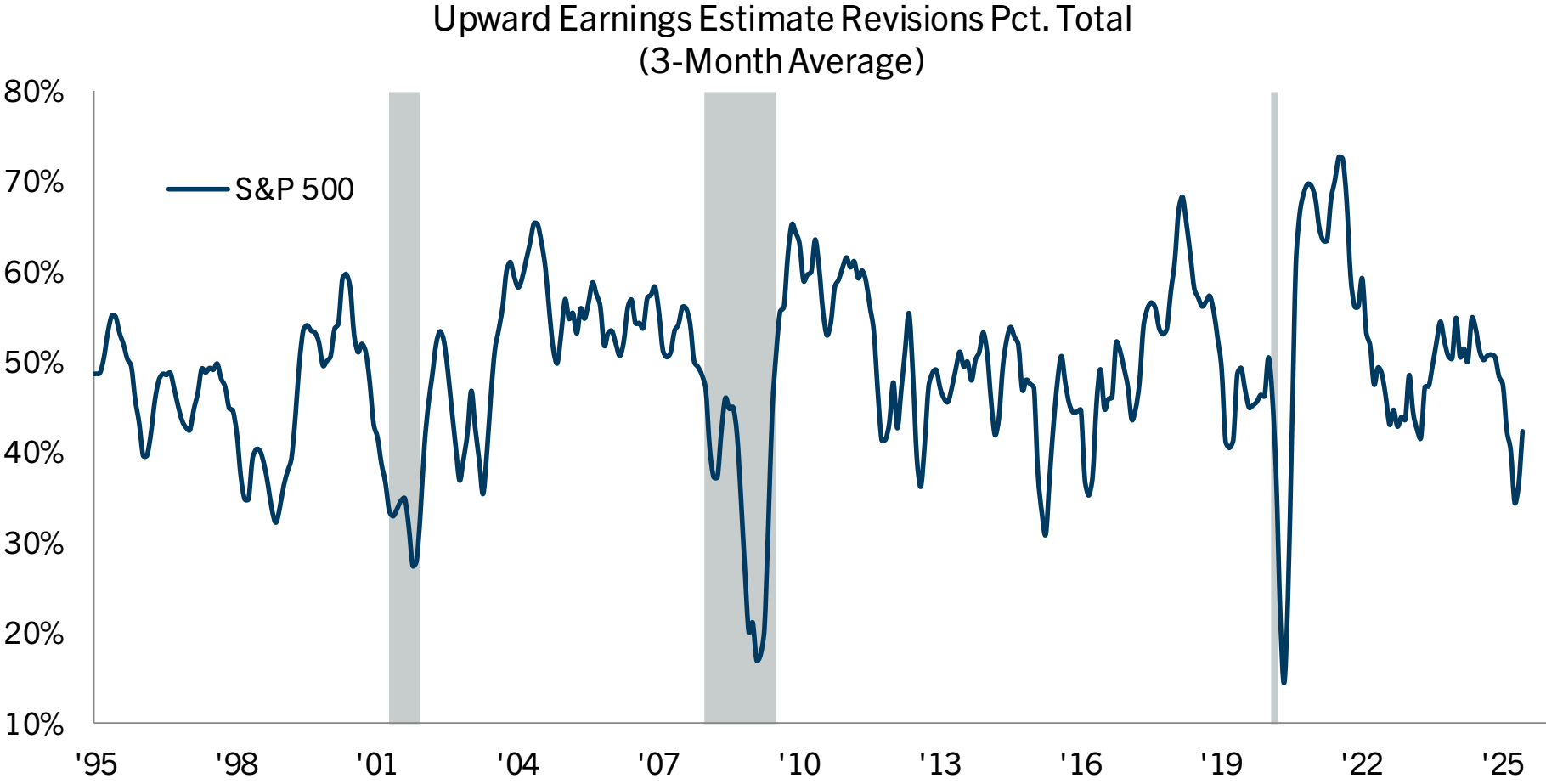


Corporate Earnings

- 2025 estimated growth is **9.6%**
- 2026 estimated growth is **13.9%**
- Average growth since 1950 is **7.6%**



EPS Revisions Have Rebounded



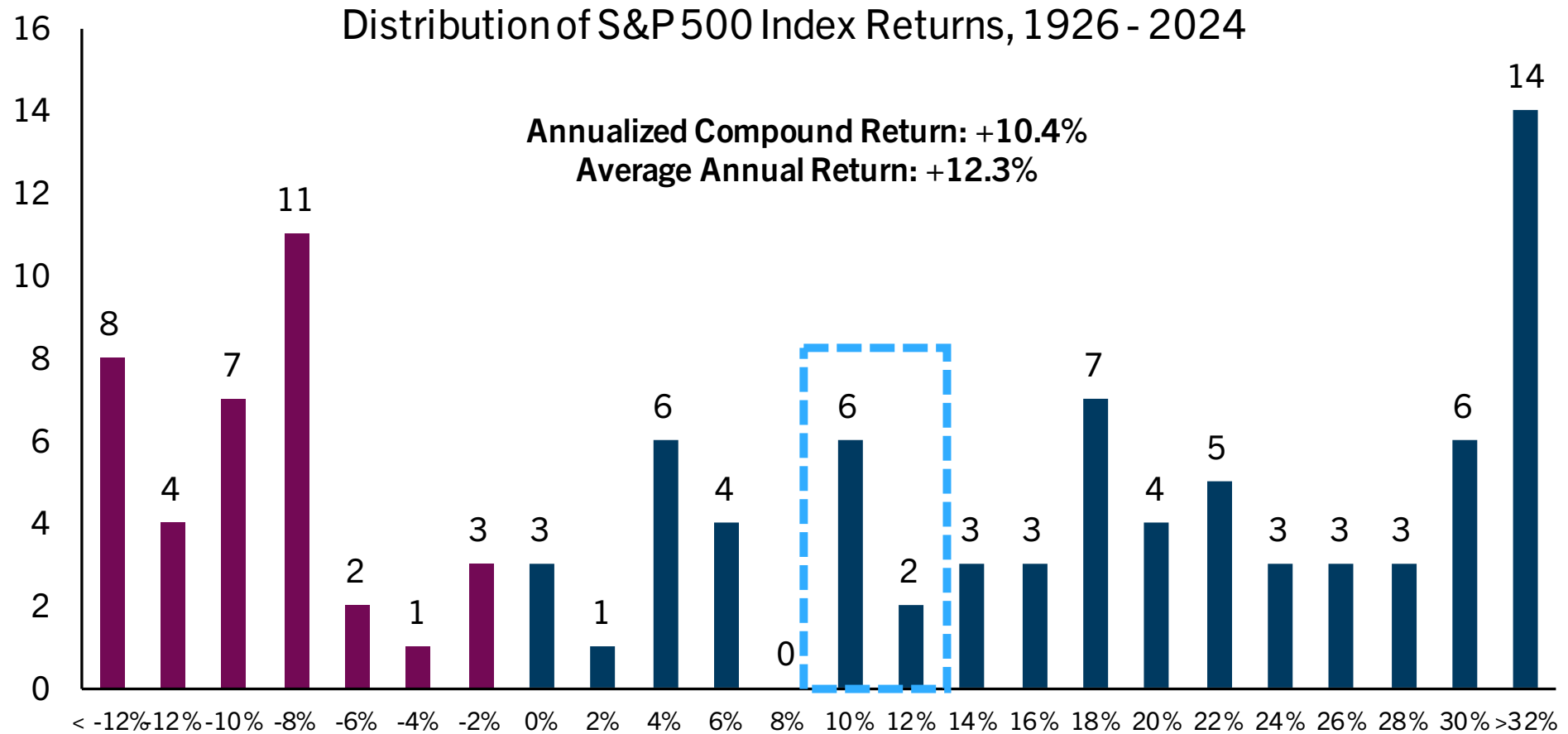
Source: Strategas. Data through June 2025.

S&P 500 Price Target

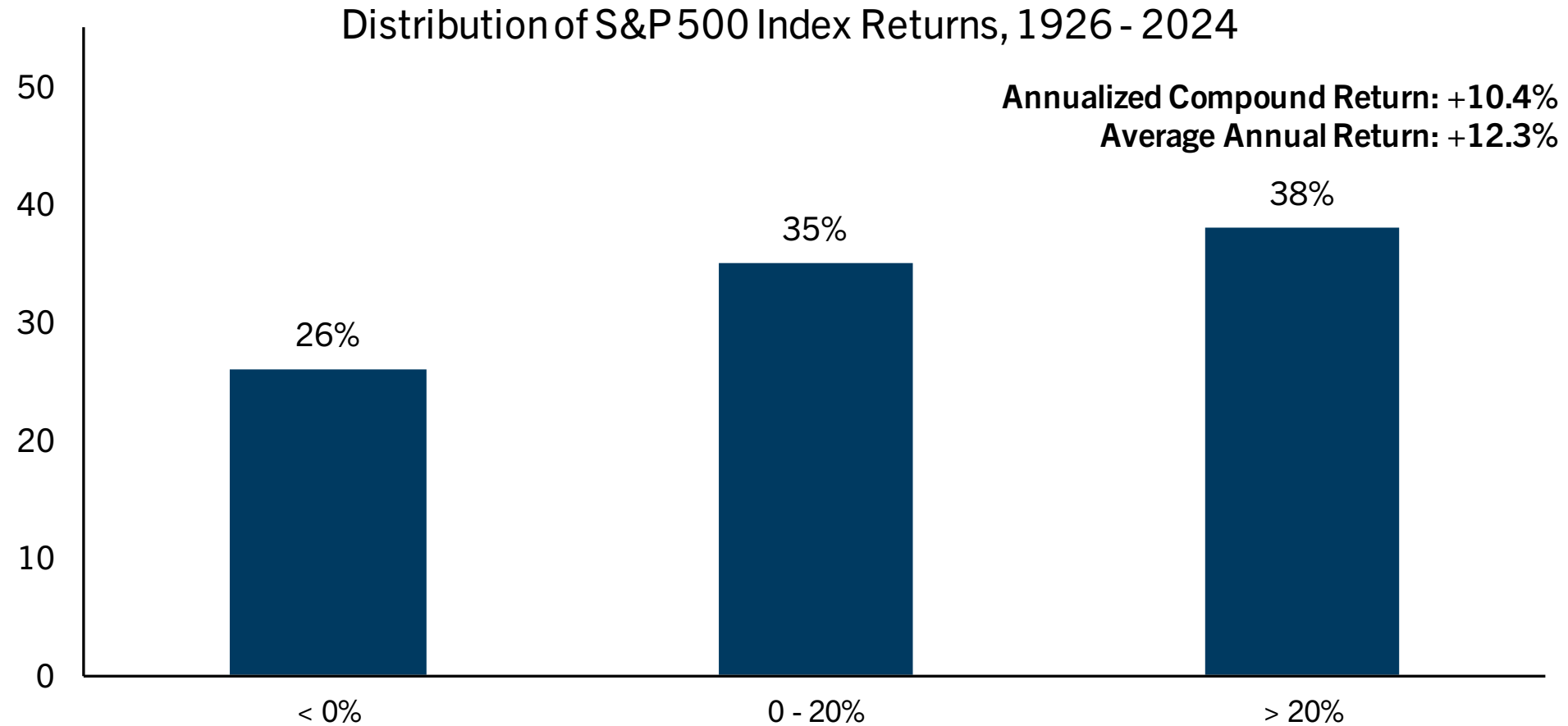
Next Twelve-Month S&P 500 Price Target

	Next Twelve Months Price Level	Percent Change from 7/25/25
Bear	4,700	-26.4%
Base	6,400	0.2%
Bull	6,950	8.8%

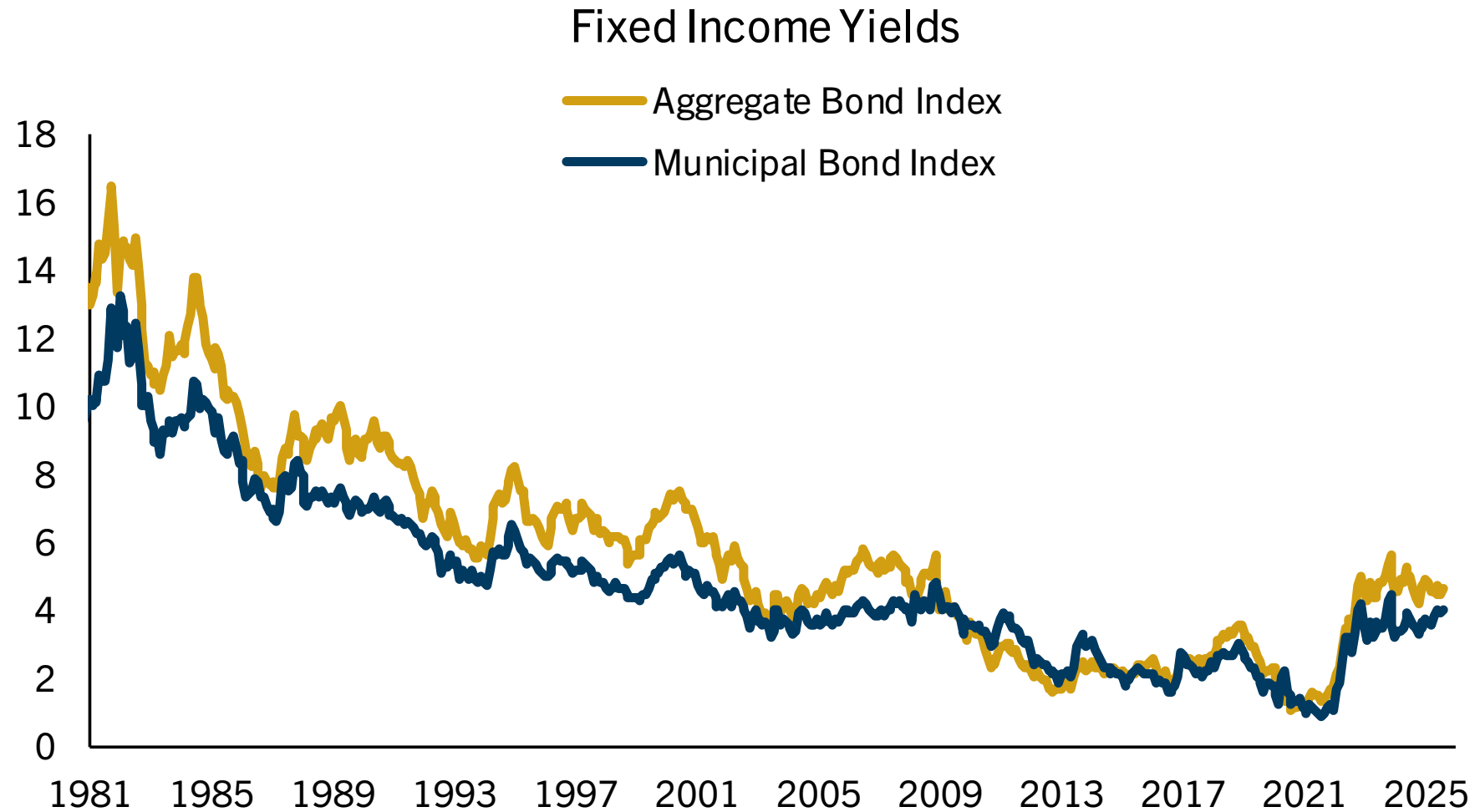
S&P 500 Annual Returns Are Rarely at the Long-Term Average



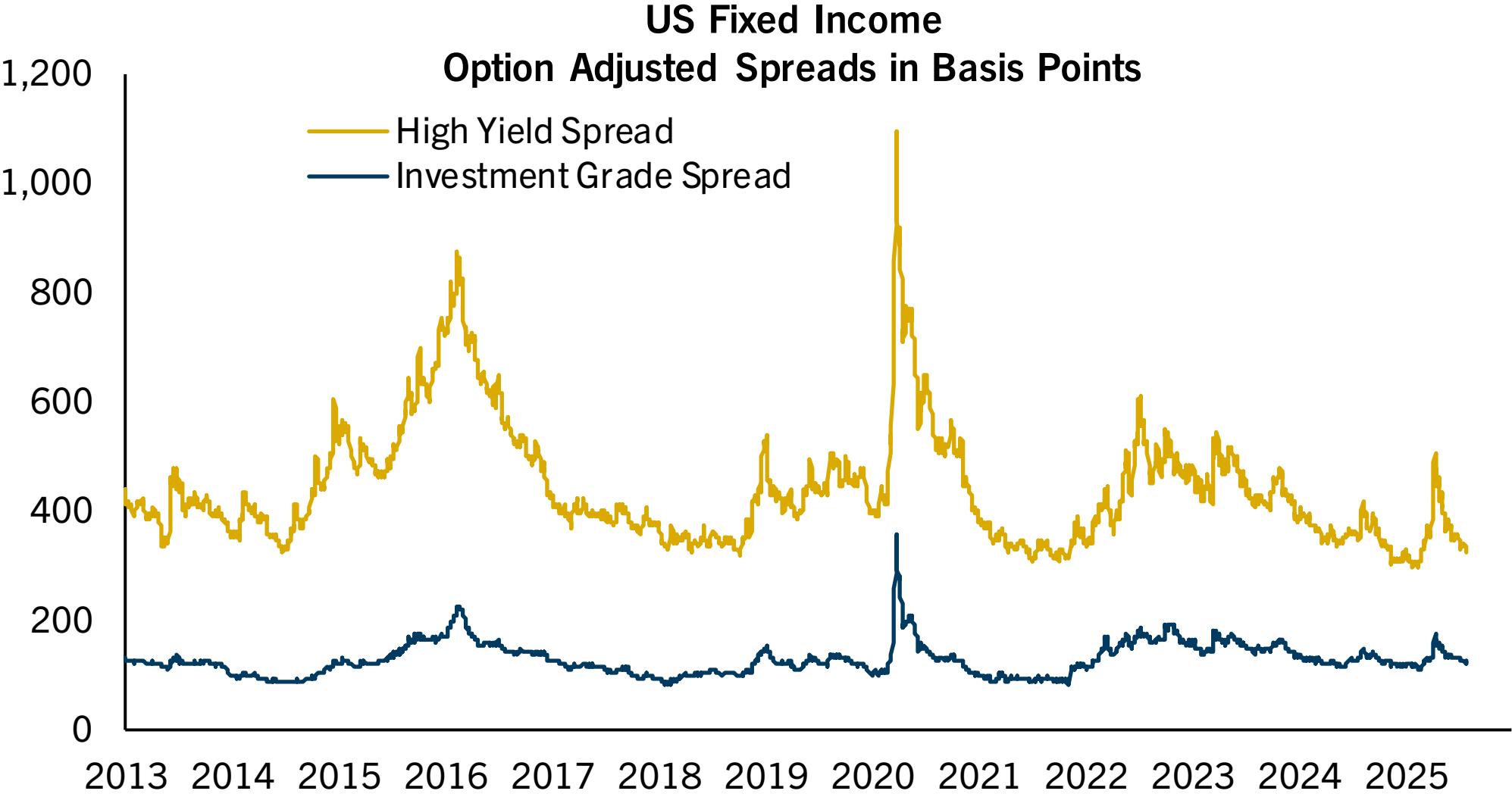
The Distribution of S&P 500 Returns Is Weighted to the Upside



Fixed Income Is Still Offering Attractive Yield Relative to Post-GFC Cycle

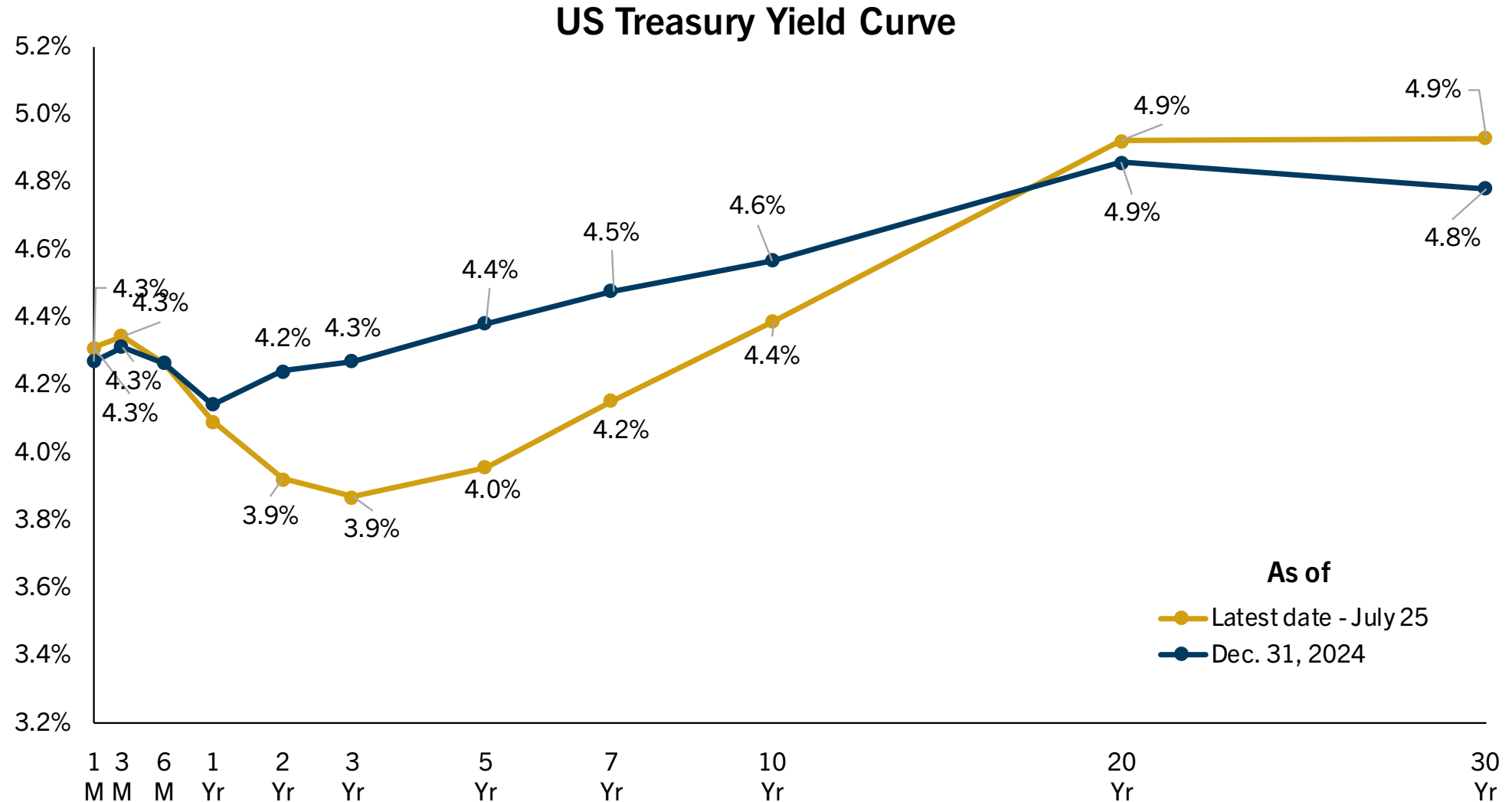


Bond Spreads Show Risk Levels Are Low for Corporate Borrowers



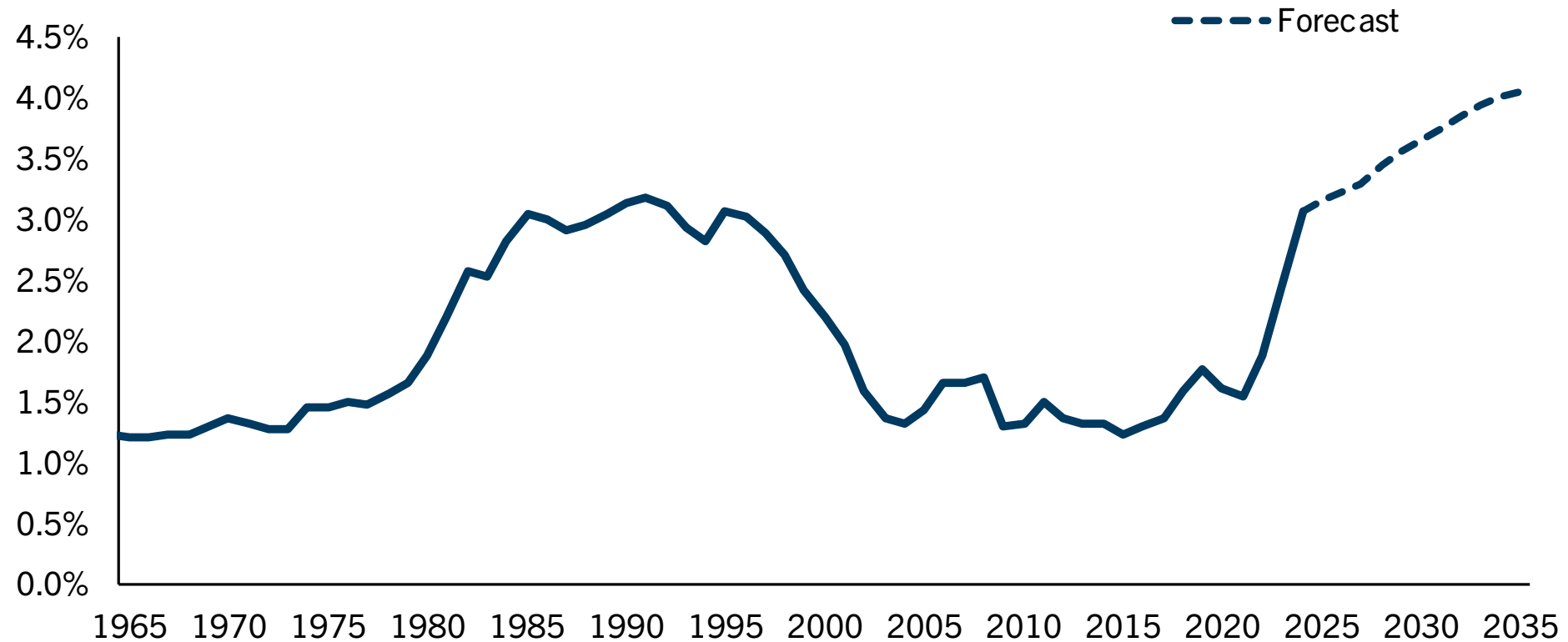
Source: Bloomberg. Data as of 7/25/2025.

The Treasury Yield Curve Has Steepened This Year



Net Interest Expense Is Poised to Rise to Very High Levels

Federal Government Net Interest Expense as a Share of GDP



Market & Economic Research

Making Sense

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