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Weekly Market Guide

Tariff Risks Intensify: This week was a catalyst-heavy, with tariff and trade rhetoric accelerating as the August 1 deadline approaches. While we don't view the threats as final—given the fluid nature of trade negotiations—we believe the elevated tariff rates being discussed are likely a negotiating tactic rather than the end goal. That said, higher tariffs than current levels remain a real possibility, adding uncertainty and inflationary risk to the outlook.

President Trump appears focused on securing fair trade deals quickly, using tariffs as leverage. Since the passage of OBBB, over $100B in new tariffs have been announced, and the tone has intensified, with potential additions to the August 1 list including: 35% tariffs on Canadian imports, 30% on EU and Mexico and additional sector specific tariffs (50% of copper, 200% on pharmaceuticals, and new measures on semiconductors likely.) While none of these increased tariffs are in effect yet, it does appear that the market may be entering a "game of chicken" with the administration. As always, it's important to take the strategy seriously, but not literally as it can adapt quickly. Additionally, while tariffs are a clear risk, they are partially offset by tailwinds such as the tax bill, deregulation, increased investment spending, and lower oil prices.

Earnings Season: Strong Beats, Mixed Reactions: Q2 earnings season is underway, led by the banks. So far, results are following the typical pattern of upside surprises, but market reactions have been mixed. Despite solid reports, many bank stocks traded lower, suggesting a higher bar for performance and some profit-taking after recent strength. We're closely watching guidance and margin commentary for signs of inflationary pressure or tariff-related impacts.

Technical Picture: Constructive but Extended: Intermediate-term indicators remain supportive of the uptrend, though short-term conditions appear extended. Recent price action has been constructive, with the market consolidating just below all-time highs.

- **Support levels:** Initial support at the 21-day moving average (~6150) with additional support at the gap around 6028. If weakness persists, we see may support at the 200-day moving average (~5863).
- **Resistance levels:** Initial resistance at 6303 followed by 6536

A prolonged consolidation that resets short-term oscillators into neutral territory would be healthy, as market resilience in the face of escalating tariff threats is encouraging.

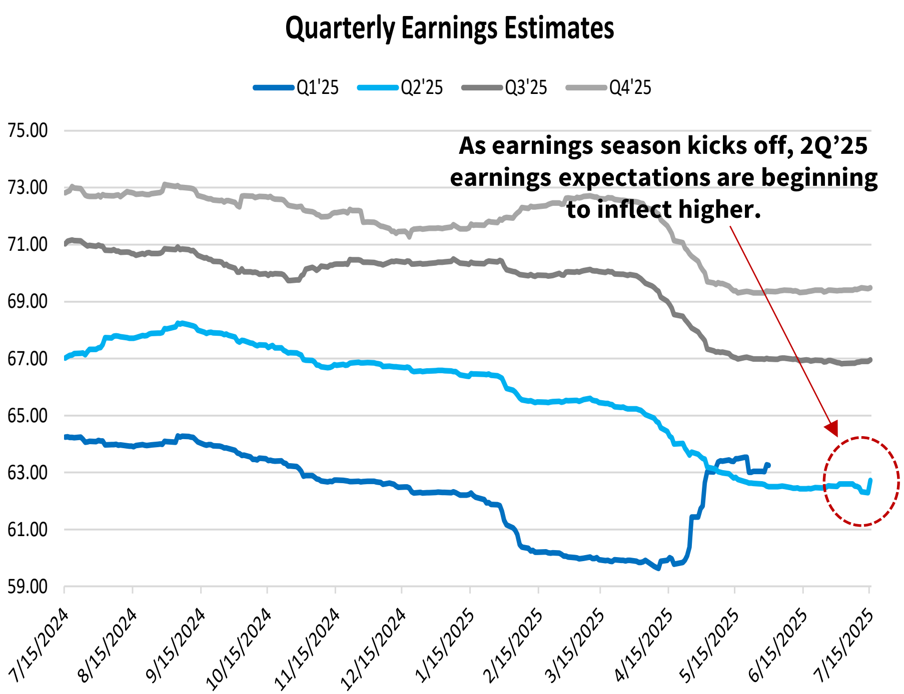
Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	3.5%	9.5%
S&P 500	6.2%	10.9%
S&P 500 (Equal-Weighted)	3.9%	7.9%
NASDAQ Composite	7.1%	11.9%
Russell 2000	-1.1%	0.8%
MSCI All-Cap World	9.4%	11.0%
MSCI Developed Markets	16.0%	9.2%
MSCI Emerging Markets	15.3%	10.7%
NYSE Alerian MLP	3.1%	3.1%
MSCI U.S. REIT	-2.3%	0.0%

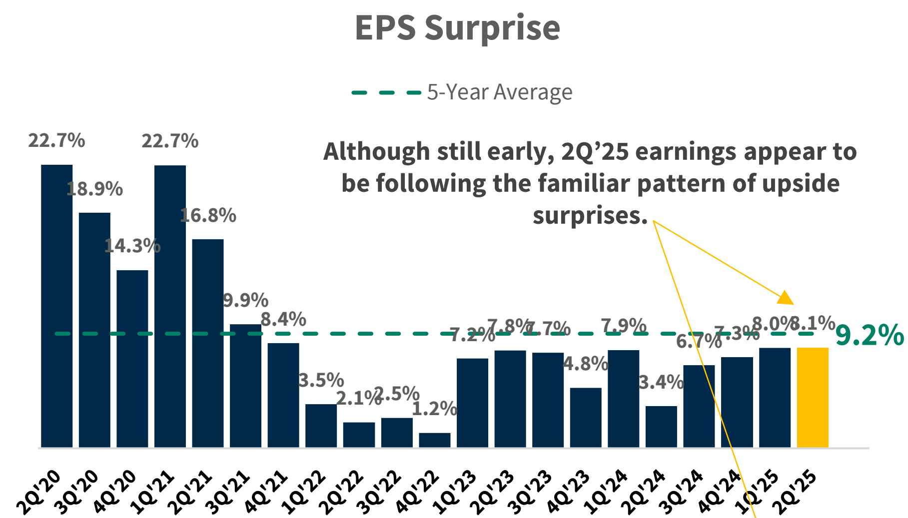
S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Industrials	13.7%	8.7%
Information Technology	10.6%	33.8%
Communication Svcs.	8.9%	9.6%
Utilities	8.2%	2.4%
Financials	6.9%	13.7%
S&P 500	***6.2%***	-
Materials	5.7%	1.9%
Consumer Staples	3.5%	5.4%
Energy	1.7%	3.0%
Real Estate	0.7%	1.9%
Consumer Discretionary	-3.2%	10.4%
Health Care	-3.7%	9.1%

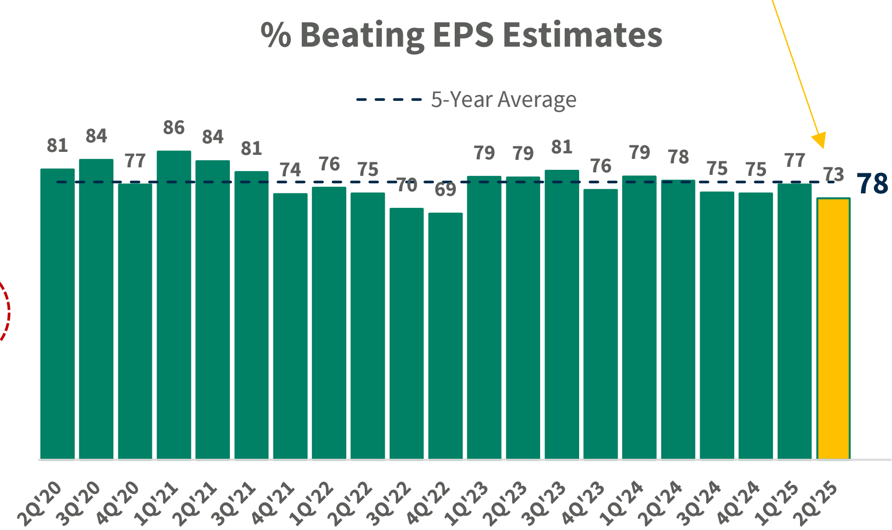
Source: FactSet

Earnings Season

While it's still early in earnings season—with banks kicking things off—results so far are following the typical pattern of upside surprises. Currently, 73% of reporting companies are beating expectations by an average of 8.1%. However, market reactions have been mixed, with several banks trading lower despite solid results. Given the number of headwinds facing companies, we'll be closely watching forward earnings revisions to assess whether earnings can remain resilient amid mounting risks.



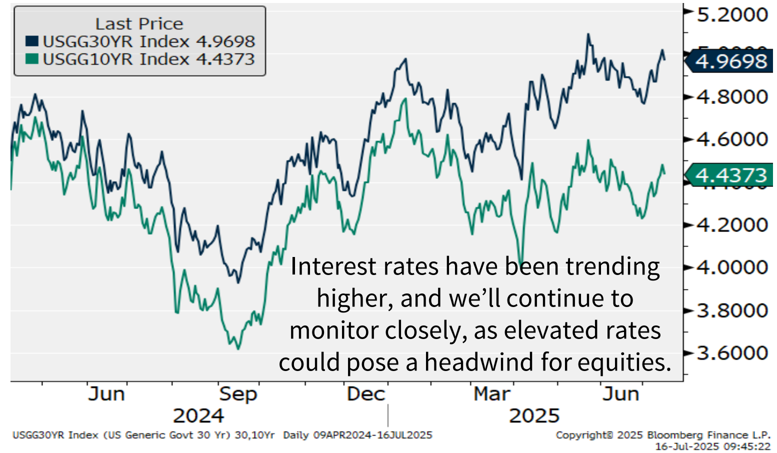


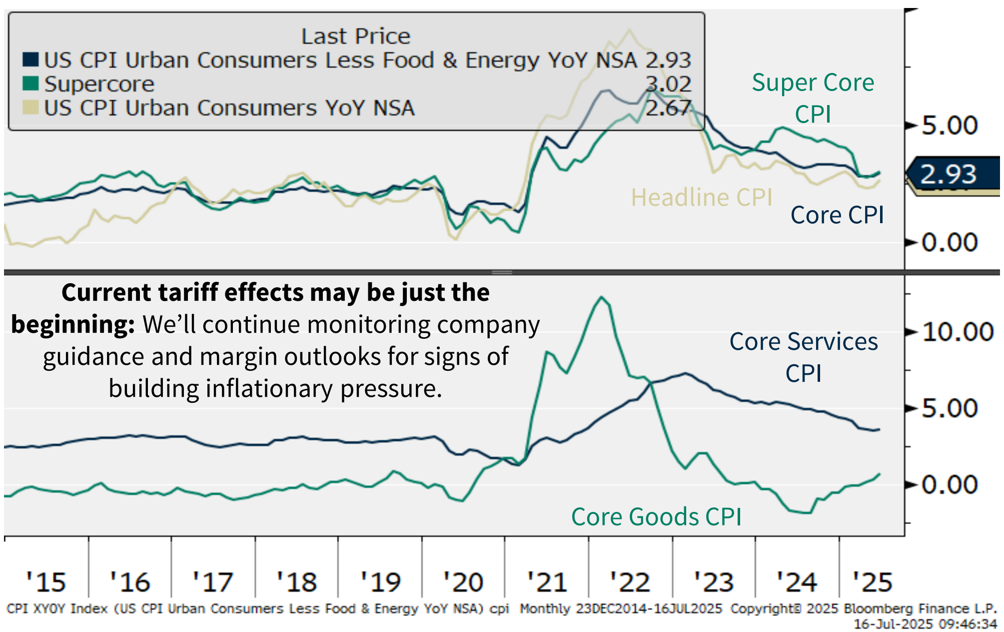


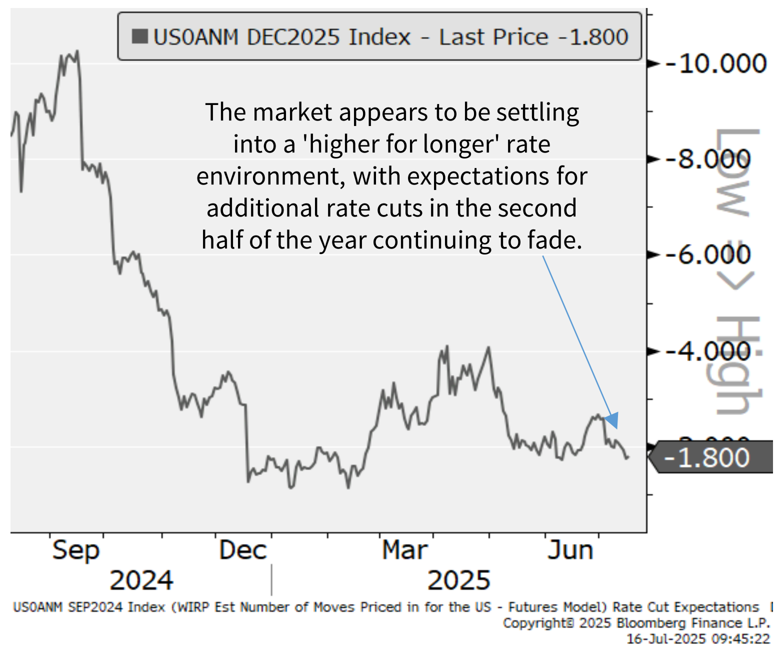
Source: Bloomberg, FactSet

Interest Rates: Higher for Longer

Core inflation came in below expectations. While there are some early signs of tariff-related effects, their overall impact remains limited for now. Core services were subdued, led by a modest 0.18% rise in shelter costs—the slowest pace in years. However, the evolving tariff landscape continues to cloud the inflation outlook. With CPI data lagging and inventories tightening, current effects may be just the beginning. As earnings season unfolds, we'll be watching closely for signs of inflationary pressure in margins or forward guidance. Meanwhile, interest rates have been climbing, and expectations for rate cuts in the second half of 2025 have diminished. Despite growing risks, the market appears to be settling into a 'higher for longer' rate environment.



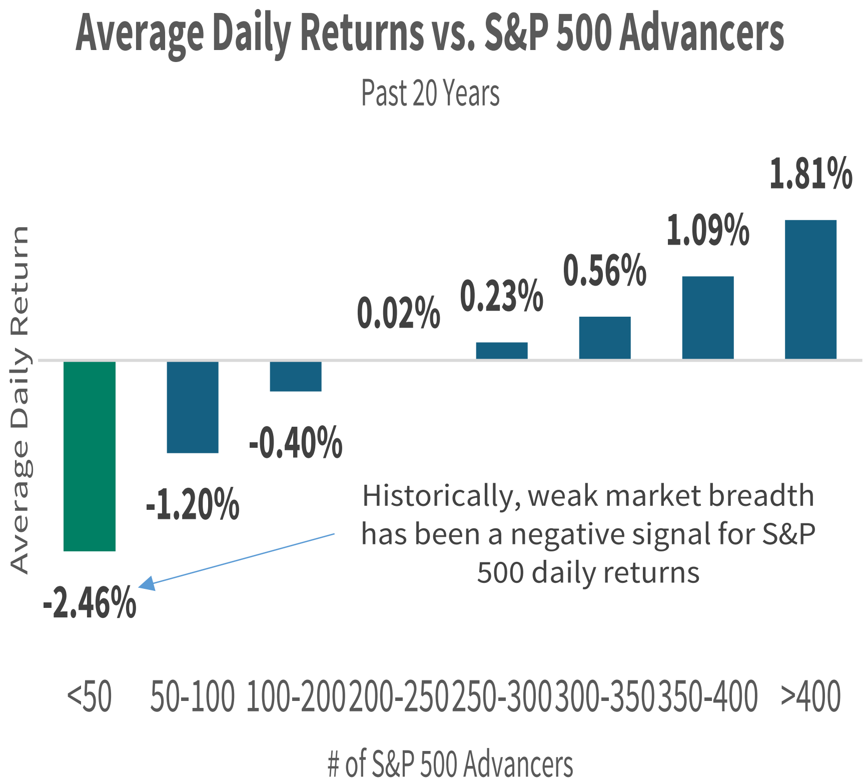


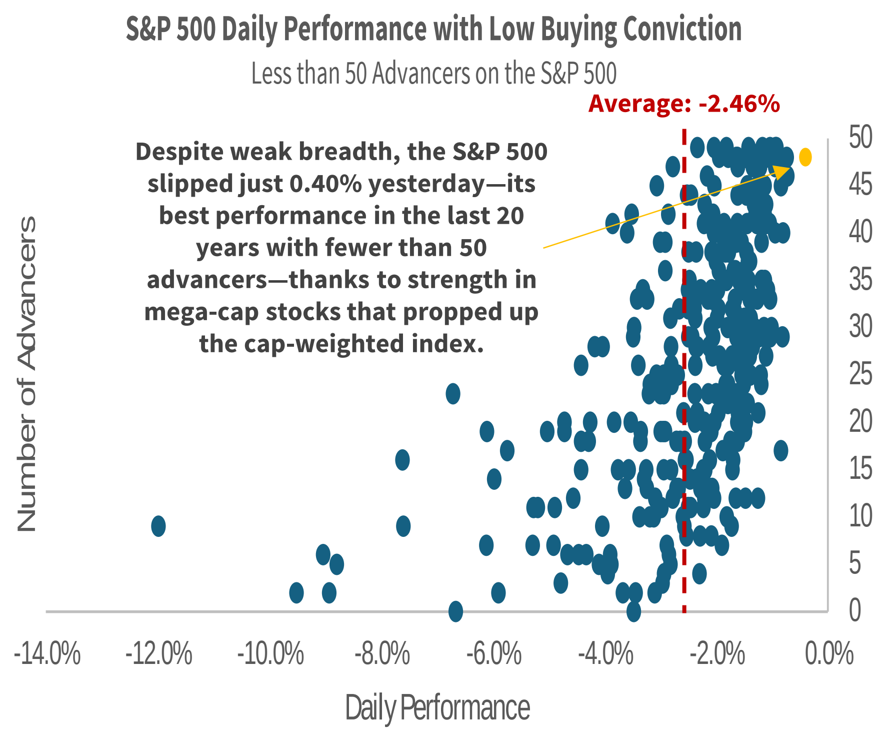


Source: Bloomberg, FactSet

Resilient Market, but Watch Buying Interest

Market breadth was notably weak yesterday, with only 48 advancing stocks in the S&P 500. Historically, such narrow participation has been associated with poor daily returns, averaging -2.46%. Remarkably, despite this limited breadth, yesterday's performance—driven by strength in mega-cap stocks—was the best on record (albeit still negative) for a day with fewer than 50 advancing issues. We will continue to monitor this lack of broad-based buying interest to assess whether it signals a potential pause in the equity rally.

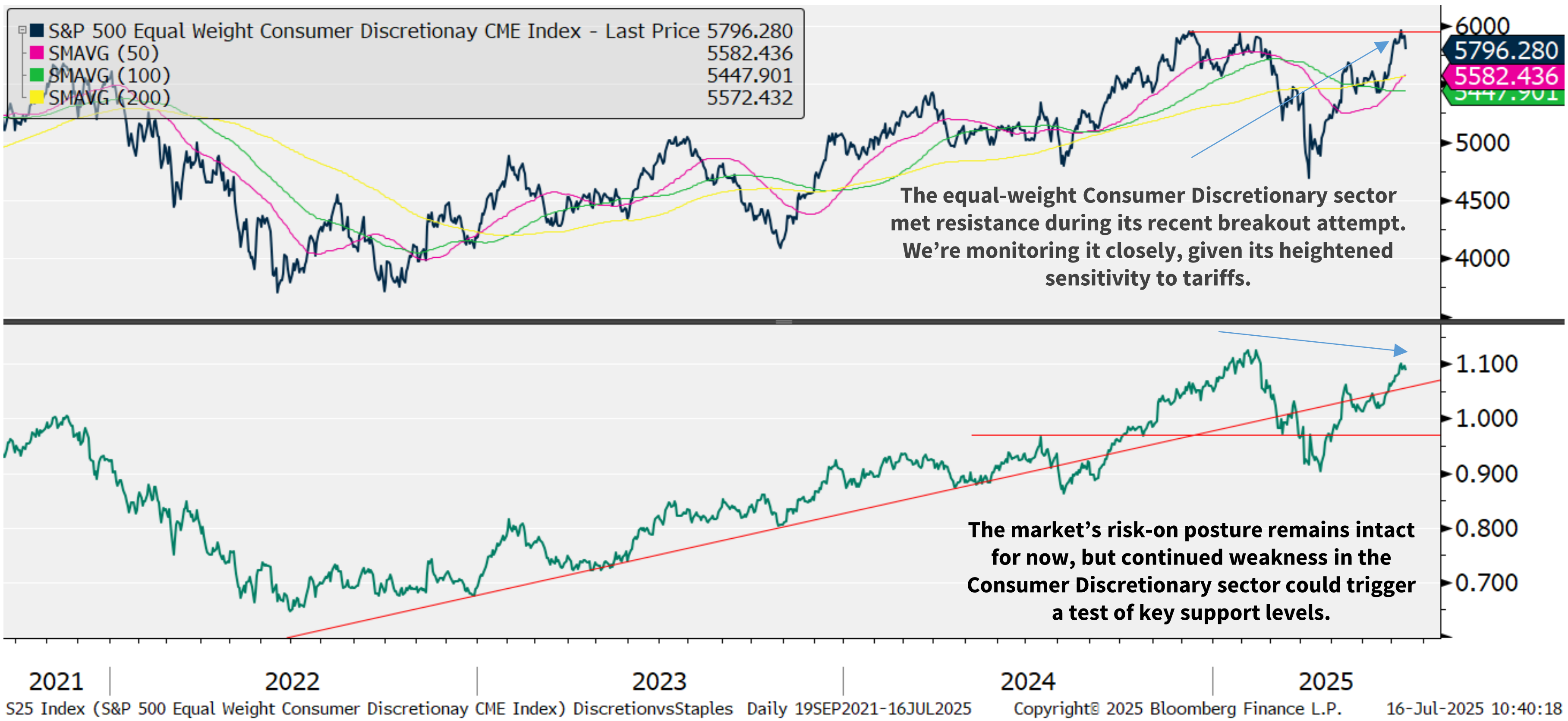




Source: Bloomberg, FactSet

Consumer Discretionary

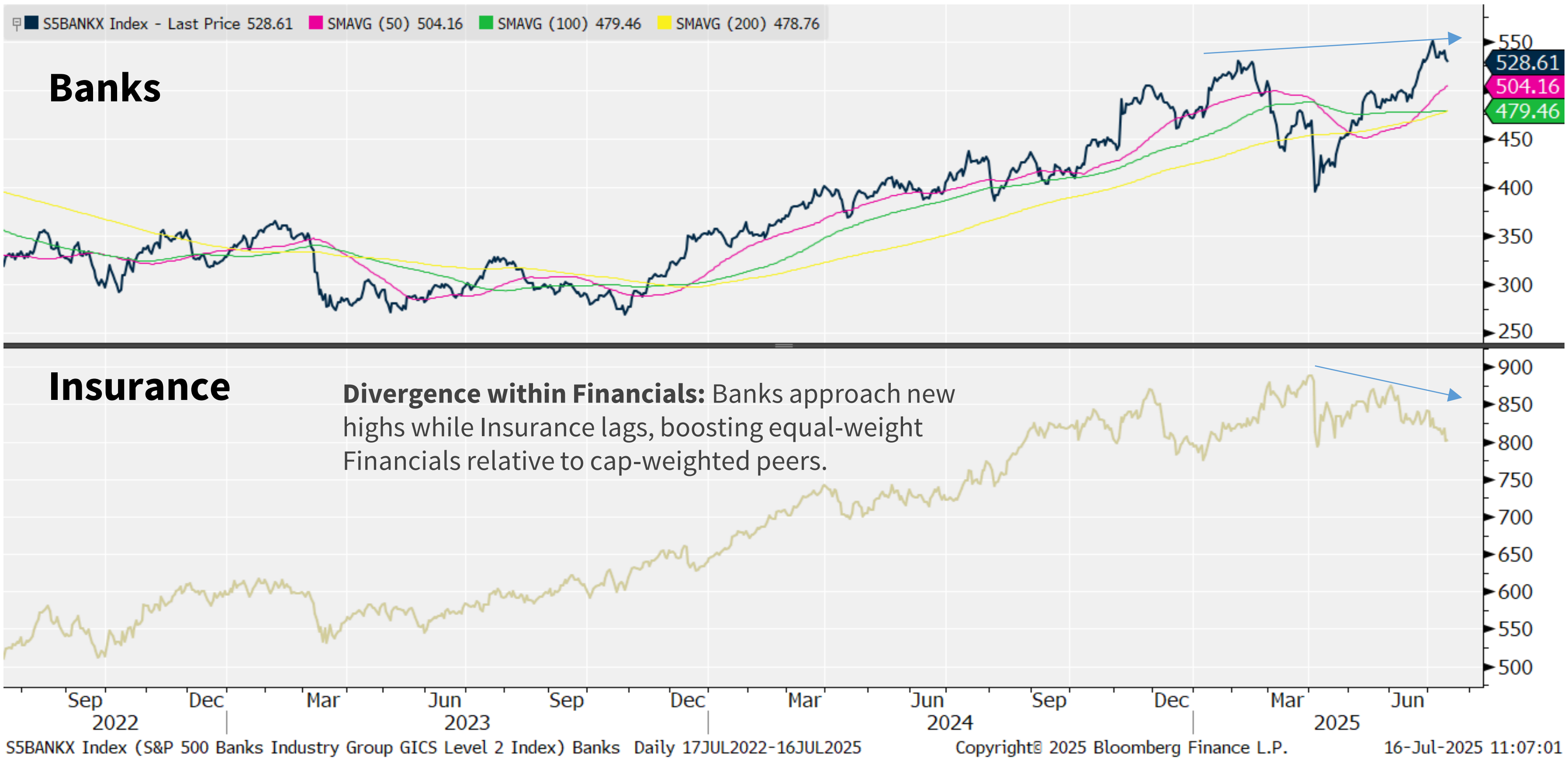
One key area we're watching closely is the Consumer Discretionary sector, given its heightened sensitivity to rising tariffs. After attempting a breakout, the equal-weight Discretionary index met resistance and has since reversed lower. While its ratio relative to Staples remains in an uptrend—indicating continued risk-on sentiment—further weakness in Discretionary could test key support levels. Holding that support will be important to sustain the broader risk-on posture.



Source: Bloomberg, FactSet

Financials

While the Financial sector's relative performance has been under pressure, a divergence is emerging between Banks and Insurance. Banks are testing new highs—despite some weakness as earnings season began—whereas the Insurance subsector has been under sustained pressure. This divergence has contributed to a dislocation between equal-weight and cap-weighted Financials, with the equal-weight index beginning to show improving relative performance versus its mega-cap-driven counterpart.



Source: Bloomberg, FactSet

Seasonality

Seasonality remains supportive of equities, as July has historically been one of the strongest months for the S&P 500, with an average 25-year return of 1.51%—the third-best monthly performance. In contrast, September has been the weakest, averaging a -1.51% return over the same period. While a period of consolidation is possible near-term, seasonal tailwinds are still in place for the remainder of July before typical softness sets in from August through mid-October.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
25 Yr High	7.87	5.49	9.67	12.68	5.31	6.89	9.11	7.01	8.76	10.77	10.75	6.53
25 Yr Avg	-.19	-.46	1.33	1.65	.44	-.25	1.51	.09	-1.51	1.31	2.20	.61
25 Yr Low	-8.57	-10.99	-12.51	-8.80	-8.20	-8.60	-7.90	-6.41	-11.00	-16.94	-8.01	-9.18
2025	2.70	-1.42	-5.75	-.76	6.15	4.96	.52					

Source: Bloomberg, FactSet

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Index Definitions

The **S&P 500** is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

The **Dow Jones Industrial Average (DJIA)** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

The **NASDAQ Composite** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The **MSCI World All Cap Index** captures large, mid, small and micro-cap representation across 23 Developed Markets (DM) countries. With 11,732 constituents, the index is comprehensive, covering approximately 99% of the free float-adjusted market capitalization in each country.

The **MSCI EAFE (Europe, Australasia, and Far East)** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in 23 emerging market countries. The index's three largest industries are materials, energy, and banks.

The **Russell 2000** index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks.

The **NYSE Alerian MLP** is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

The **Barclays Intermediate Government/Credit Bond** index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

The **Euro Stoxx 50 Index** is a market capitalization weighted stock index of 50 large, blue-chip European companies operating within Eurozone nations. Components are selected from the Euro STOXX Index which includes large-, mid- and small-cap stocks in the Eurozone.

The **China CSI 300** is a capitalization-weighted stock market index designed to replicate the performance of top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. It had a sub-indexes CSI 100 Index and CSI 200 Index.

The **S&P 500 Futures** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **DJIA Futures** is a stock market index futures contract traded on the Chicago Mercantile Exchange`s Globex electronic trading platform. Dow Futures is based off the Dow 30 stock index.

The **Nasdaq 100 Futures** is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international companies listed on the NASDAQ.

Europe: DAX (Deutscher Aktienindex (German stock index)) is a blue chip stock market index consisting of the 40 major German companies trading on the Frankfurt Stock Exchange.

Asia: Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.