

Market Perspectives

July 2025



Markets rally in July on improving trade sentiment, strong Q2 corporate earnings, and optimism over the passage of the Big Beautiful Bill.

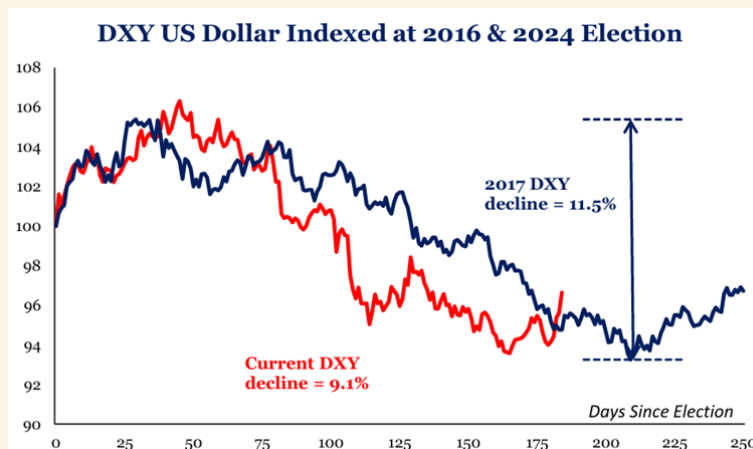
Index	MTD	QTD	YTD	2024	2023	2022
S&P 500	2.24	2.24	8.59	25.02	26.29	-18.11
Dow Jones Industrial Average	0.16	0.16	4.72	14.99	16.18	-6.86
Russell 2000	1.73	1.73	-0.08	11.54	16.93	-20.44
NASDAQ Composite	3.72	3.72	9.79	29.57	44.64	-32.61
Europe, Australia, & Far East (EAFE)	-1.39	-1.39	18.25	4.35	18.85	-14.05
MSCI Emerging Markets	2.02	2.02	17.90	8.05	10.27	-19.78
Bloomberg Barclays U.S. Aggregate Bond	-0.26	-0.26	3.75	1.25	5.53	-13.04

As of 7.31.2025; Returns in percent

FINANCIAL MARKET PERFORMANCE

US equities were higher in July, with the S&P 500 gaining 2.2%, and rising for a third-straight month, while the Nasdaq Composite jumped 3.7%, posting a fourth straight monthly gain. Small cap stocks rallied, with the Russell 2000 gaining 1.7%. Volatility was kept in check, as the month saw no moves for the S&P 500 of 1% in either direction, the first time since July 2023. Big tech was a standout, with Nvidia up 12.6% and Alphabet rising 8.9%. Foreign equity performance was hindered by a rise in the US dollar, with the MSCI EAFE index falling 1.4%. However, the MSCI Emerging Markets index gained 2.0% as investors sought out riskier asset classes and fears about the impact of tariffs on the Chinese economy abated somewhat.

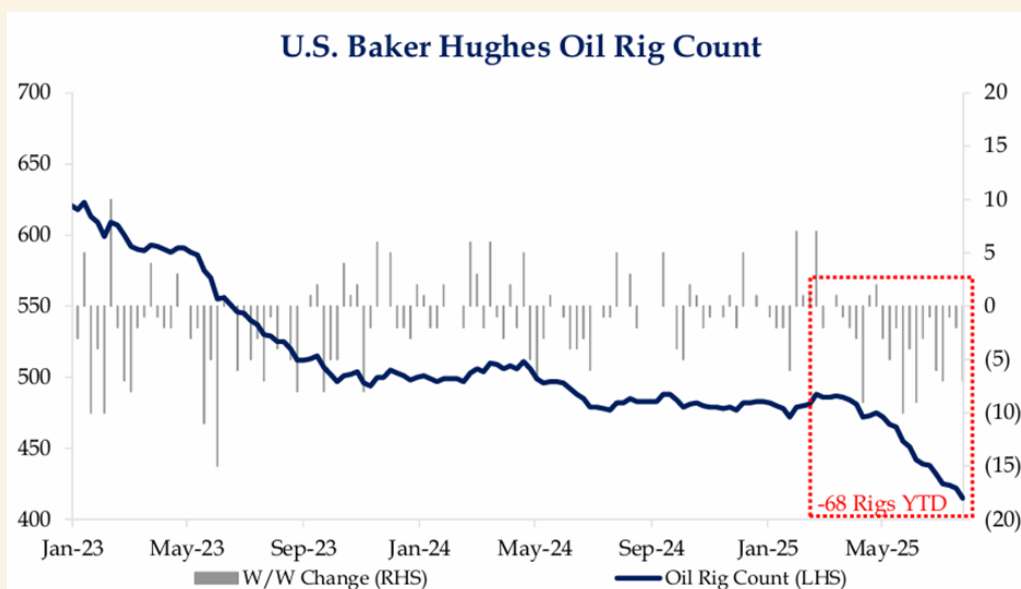
Despite falling for much of the year, the US dollar gained 3.2% in July, while Gold rose only 1.0%. Improved sentiment around tariffs, and the passage of the One Big Beautiful Bill supported demand for US assets and the dollar. In fact, the dollar is trading in a pattern that is very similar to that seen during the first year of Trump's first term in office, when his first tax bill was passed.



Source: Strategas As of 8.1.25

Bonds values declined as interest rates rose, with the 2-year Treasury yield up nearly 25 bps to 3.95%, while the 30-year yield was up over 10 bps to just under 4.90%. Specifically, the Bloomberg US Aggregate index declined by 0.3%, but the High Yield index, which is more highly correlated to equities, rose 0.5%. Interest rates rose as the market priced in fewer Fed rate cuts this year as well as the likelihood of sticky inflation, driven by housing costs and tariffs.

Bitcoin continued its powerful run, gaining 8.6%, and WTI crude found a bid, jumping 6.6%. More confidence in the US economy had a positive impact on the expected demand for oil, while reduced US production created a more positive supply dynamic. As a result, WTI ended the month at just under \$70/bbl.



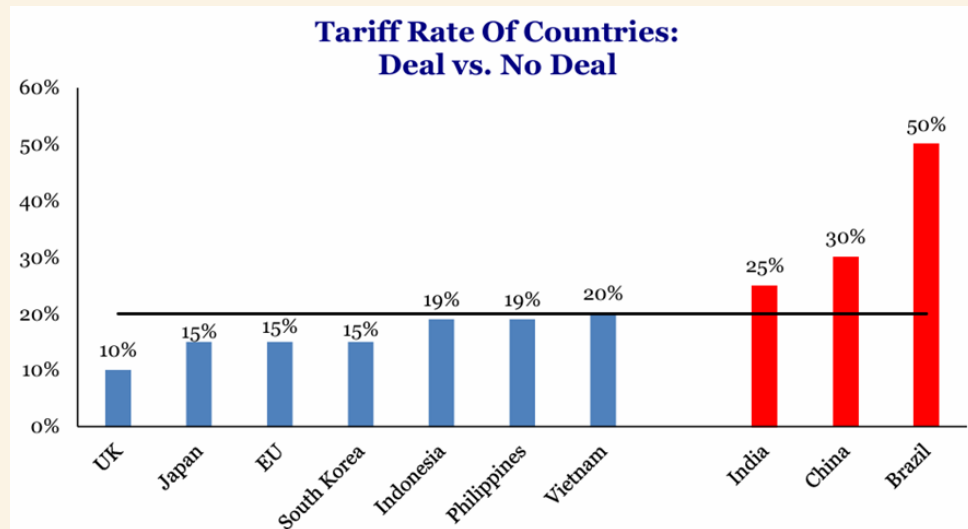
Source: Strategas As of 7.30.25

PERFORMANCE DRIVERS

The market rally this month pushed the S&P 500 and Nasdaq to fresh record highs, more than erasing the post-Liberation Day selloff and marking a return to the US exceptionalism narrative. While a reduction in tariff and trade tensions was a key piece of the bullish narrative, markets were also boosted by a strong start to 2Q earnings season, a resilient macro backdrop, some positive takeaways around the Artificial Intelligence (AI) secular growth narrative, a pickup in corporate deal activity, and the removal of the Big Beautiful Bill overhang after the bill's passage early this month.

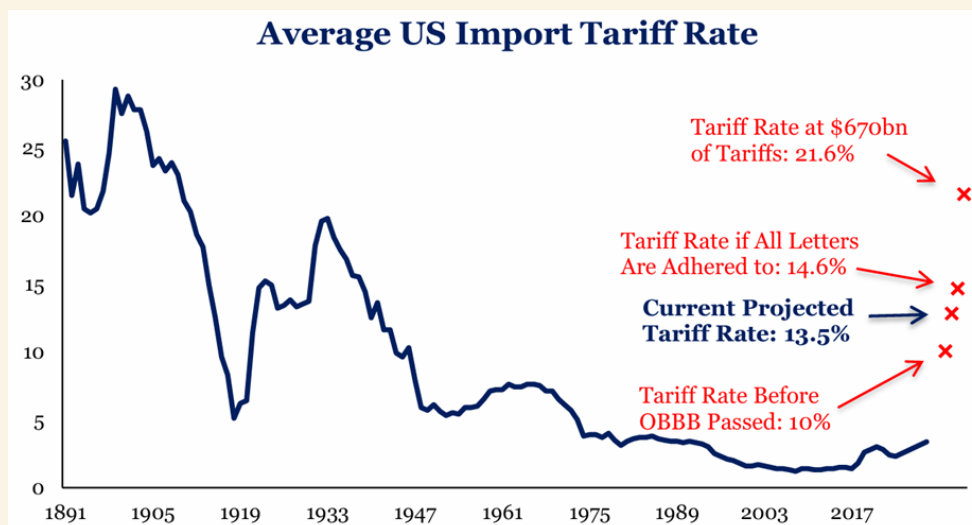
The US came to several trade agreements this month before the August 1st deadline on reciprocal tariffs, including with the EU and Japan. The US and China also saw some easing of trade tensions, with talks toward the end of the month ahead of the August 12th China trade deadline. While there was no announced deadline extension, Treasury Secretary Bessent offered an optimistic view on the negotiations, and that a possible extension to the trade war ceasefire hinges on Trump's approval
(Note: We will provide more updates on Tariffs and the tax implications of the recently passed bill in a webinar that will distributed during the second week of August.)

It seems clear at this point, based on deals made to date, that the preferred tariff rate for the Trump administration is between 10% and 20%.



Source: Strategas; As of 8.1.25

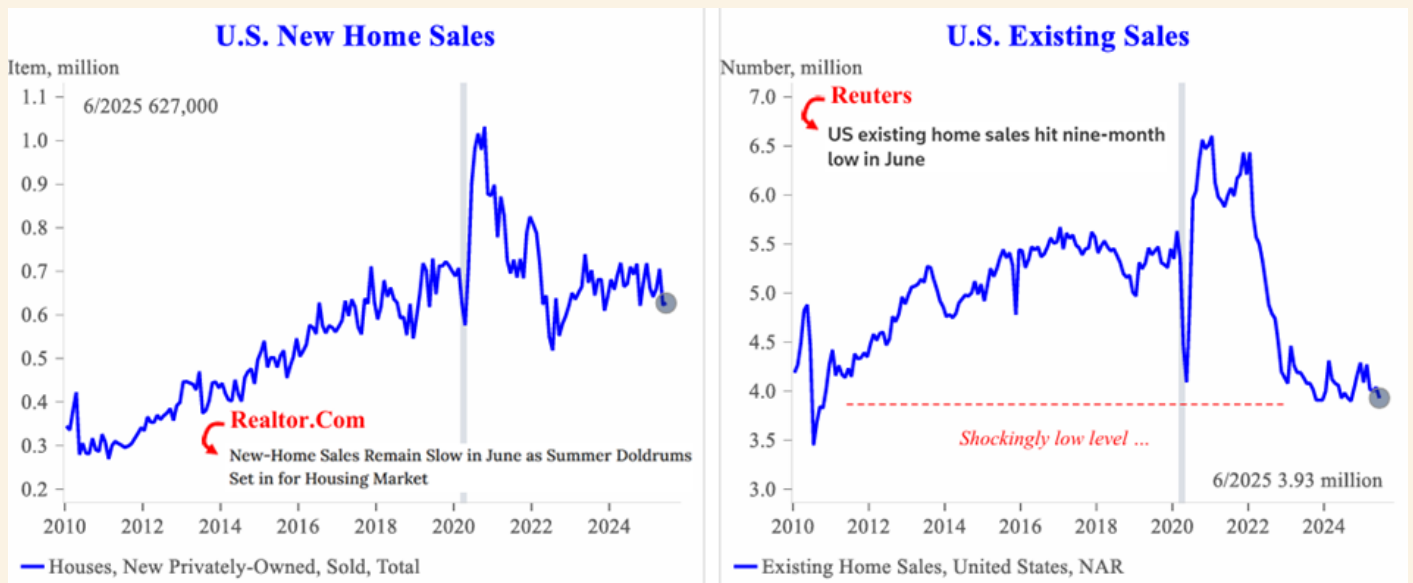
Also, the current expectation is that the average tariff rate will settle somewhere in the 13%-14% range vs. the 21.6% rate that was threatened on April 2nd.



Source: Strategas; As of 8.1.25

Economic data this month included June payrolls, which beat consensus while the unemployment rate unexpectedly ticked down to 4.1%, (in contrast, as reported on August 1st, employment was weaker than expected in July with job gains for June and May revised lower by more than 250k, which has resulted in the market now placing 80% odds on a rate cut at the Fed's September meeting). CPI and PPI came in cooler than expected, though the biggest focus was on hotter pricing in trade-linked categories. Survey data also improved, with July composite flash PMIs reaching its strongest level in seven months.

However, housing data was generally weak, including existing home sales and new home sales, while economists continued to flag housing as a drag on the broader economy.



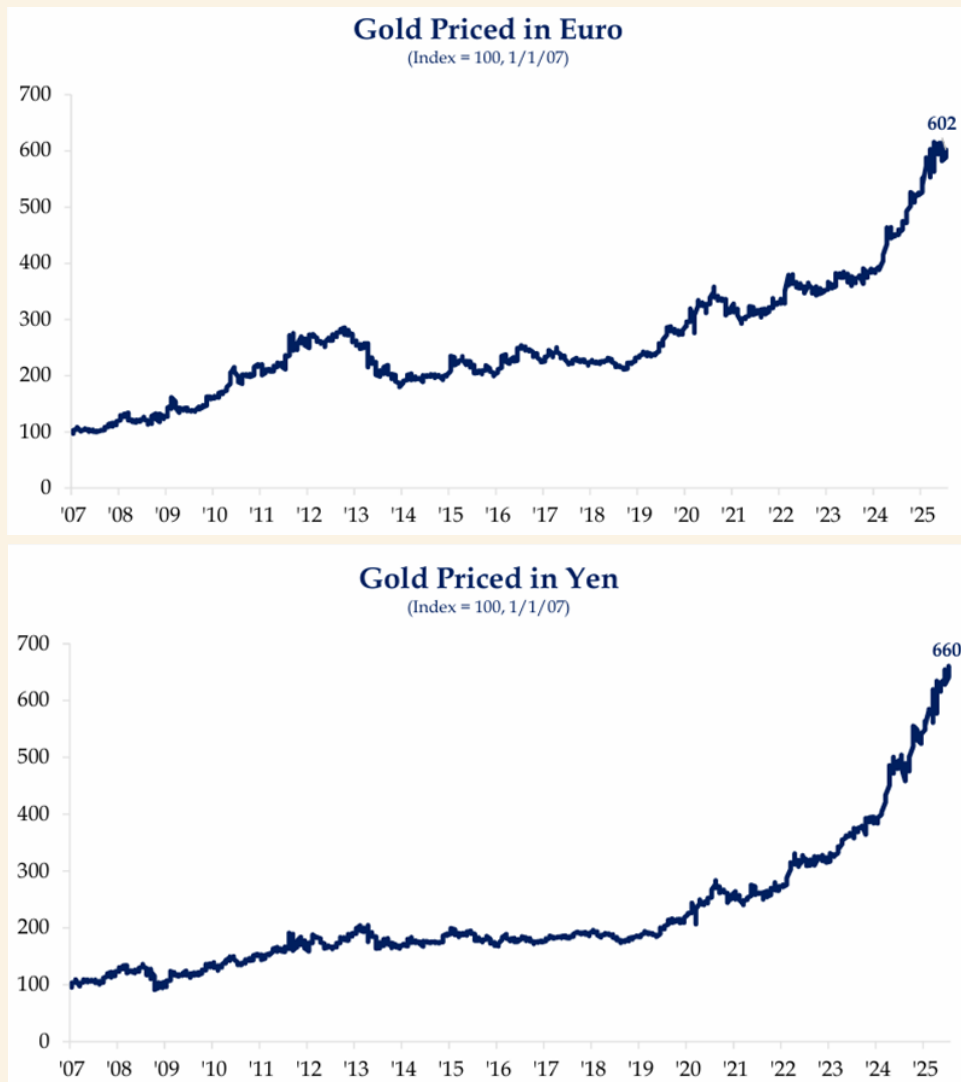
Source: Strategas; As of 8.1.25

The Fed held rates steady as expected in its July meeting, though the meeting featured two dissents from committee members for the first time since 1993. However, meeting takeaways leaned hawkish, including Powell refusing to signal a September cut and arguing that the Fed remains concerned about the impact of tariffs on consumer prices while also noting that employment is healthy. Markets are now pricing in just 34 bp of cuts through year-end, the fewest since mid-February (this number will change post the July jobs report however). The biggest focus this month was on the ongoing tensions between Trump and Chair Powell. The White House ramped up attacks on Powell over cost overruns at the Fed's headquarters, which is seen by some as a pretext for trying to remove Powell. After the July meeting, Trump continued to attack Powell on rates but has pulled back from reported mid-month talks to fire the Fed Chair.

2Q25 earnings were a big driver of sentiment during July. According to FactSet, the blended earnings growth rate for Q2 currently stands at 8.6%, well above the 4.9% expected at the end of the quarter. Both the Magnificent 7 and banks produced generally better than expected 2Q earnings, while Artificial Intelligence (AI) momentum was helped by the US easing restrictions on semiconductor sales to China, allowing Nvidia to sell its H20 AI chip in China.

THE BEARISH NARRATIVE

In addition to the housing weakness (now coupled with fears about the labor market after the weak August 1st jobs report), other bearish factors include extended valuations for stocks (the S&P 500 now trades at 24x forward earnings), continued uncertainty regarding tariffs (especially with the August 1st reciprocal deadline upon us), and the rise in longer term interest rates seen across the globe. There has also been concern about the lack of confidence in global fiat currencies, as Gold has rallied strongly vs. not only the US dollar but also vs. the Yen and Euro.



Source: Strategas; As of 8.1.25

WHAT TO EXPECT & INVESTMENT PORTFOLIO IMPLICATIONS

Despite the fear and volatility produced when the tariffs were initially announced on April 2nd, investors holding diversified portfolios, including US and foreign equities as well as bonds and alternatives, have fared well. Now that the potential for an economic recession this year seems to have largely dissipated, we'd expect more stable markets going forward, and in fact saw just that during July. However, despite the fact that bullish factors seem to outweigh bearish factors today, there is still a lot of uncertainty, especially with regard to tariffs, as well as the volatility in expectations for Fed rate cuts. Therefore, investors should not be surprised to see further swings in asset prices. Ultimately, though, we continue to believe a long-term patient approach focused on diversification is the best strategy for investors.

Thank you for your support of Turtle Creek. We are committed to helping you and your family meet your long-term financial goals. Please contact us if you have any questions or thoughts about this newsletter or if we can help in any way.



Turtle Creek Wealth Advisors, LLC ("Turtle Creek") offers investment advisory services and is registered with the U.S. Securities and Exchange Commission ("SEC"). SEC registration does not constitute an endorsement of the advisory firm by any regulatory authority, nor does it indicate that the advisory firm has attained a particular level of skill or ability. All content available in this commentary is general in nature, not directed or tailored to any particular person, and is for informational purposes only. Neither this commentary nor any of its content is offered as investment advice and should not be deemed as investment advice or a recommendation to purchase or sell any specific security. The information contained herein reflects the opinions and projections of Turtle Creek as of the date hereof, which are subject to change without notice at any time. Turtle Creek does not represent that any opinion or projection will be realized. The information contained herein has been obtained from sources considered reliable, but neither Turtle Creek nor any of its advisers, officers, managers, or affiliates represents that the information presented in this commentary is accurate, current, or complete, and such information is subject to change without notice. The information contained [in this commentary does not purport to be a complete description of the securities, markets, or developments referred to in this material. Any performance information must be considered in conjunction with applicable disclosures. Past performance is not a guarantee of future results. Neither this commentary nor its contents should be construed as legal, tax, or other advice. Individuals are urged to consult with their own tax or legal advisors before entering into any advisory contract. Any investment is subject to risks, including the possible loss of principal. Individual investor's results will vary. Investing involves risk, and you may incur a profit or loss, including the entire loss of investment, regardless of the strategy selected. In appropriate cases, certain family office services will be provided by Turtle Creek Family Office Services, LLC, a wholly owned subsidiary of Turtle Creek Wealth Advisors, LLC.