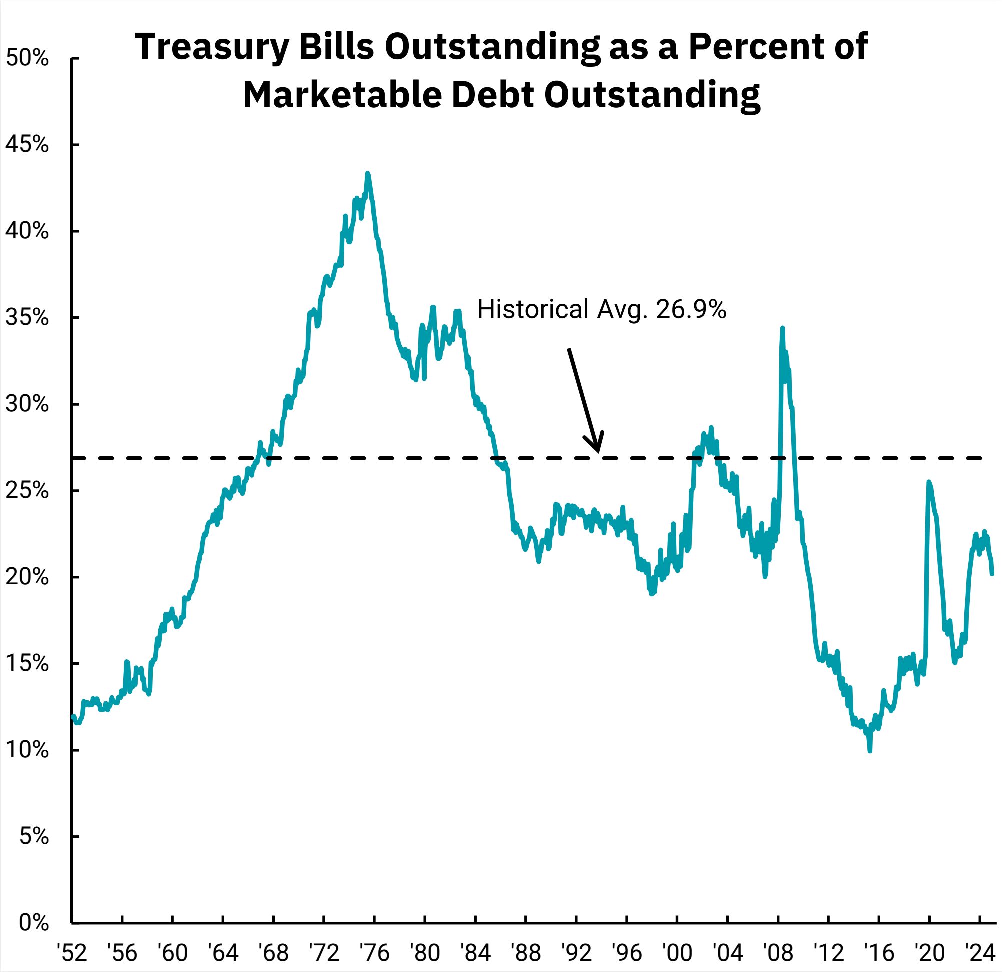
INVESTMENT MANAGEMENT

Weekly market update

Chart of the week (Jul. 11, 2025)



The passage of the “One Big Beautiful Bill Act” (OBBBA) made the tax brackets currently in force permanent and provided some additional tax breaks for individuals and corporations. The “cost” of this bill is still a matter of debate, but one thing appears almost certain: our annual budget deficits are not going lower, which means the total amount of outstanding debt we have is going higher.

As part of this bill, Congress voted to raise the debt ceiling by $5 trillion. The last time we hit the debt ceiling, Congress did not put a dollar amount on the debt ceiling, but rather set a date, January 2025, as to when we would have to revisit this issue. In effect, Congress suspended the debt ceiling for a period of time and as expected, the U.S. spent a lot more money and added to the total debt, which now totals over $36 trillion.

Since hitting the debt ceiling in January, the U.S. has continued to issue bonds and paid its bills, as the Treasury used its general account and moved money between accounts as needed. The Treasury’s general account is outside the U.S. banking system, which meant that as these monies were disbursed, this added liquidity to the banking system and the economy overall. With a higher debt ceiling in place, we can now expect a surge in Treasury issuance as the Treasury Department refills its general accounts and issues debt for already-approved spending.

In the immediate post-OBBBA days, we started to see some level of increased angst around the current and future level of the federal debt. This is not a new concern and is one we share, but there were some questions around the demand for this increased issuance now that the debt ceiling has been raised. We have written in past articles about keeping an eye on factors like the bid-cover ratio, the amount of direct bids and measures of foreign demand as we try to discern if the market is beginning to struggle with the amount of U.S. debt outstanding. To date, there are limited signs of any difficulties.

The structure of the national debt is an important part of this equation. The Treasury Department can shift the mix of short-term versus long-term issuance based on its views of where demand may lie, which can influence the cost of issuing debt. Our chart this week shows the historical amount of Treasury Bill issuance. Treasury Bills are one year or less in maturity, as a percent of overall marketable debt. Using short-term debt has advantages and disadvantages. If rates are falling, this means the debt is repriced quickly and lowers overall borrowing costs. However, we have witnessed the opposite side of that equation over the last few years as the Fed had to raise rates aggressively as inflation took off. As we think about the upcoming surge in issuance, the shape of the yield curve and the outlook for lower rates might incent the Treasury to increase the amount of issuance on the short end of the curve. This also limits the amount of risk from issuing longer-term bonds when investors are skittish about overall debt levels.

Reducing the deficit is not going to get any easier from here. However, we would reiterate that there is no funding crisis in the foreseeable future.

Source: Strategas.

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Commentary (Jul. 11, 2025)

Domestic Equities

- U.S stocks ended the week about flat after the S&P 500 Index hit a new all-time high on Thursday. Economic data, including improved Purchasing Managers' Index (PMI) figures and a rise in nonfarm payrolls, drove stocks higher for most of the week. New uncertainty around tariffs for Canada and the European Union caused investors to be more cautious later in the week.
- Crypto-sensitive stocks rose as Bitcoin hit record high levels during the week. Increased institutional adoption, government support and improving sentiments with investors viewing Bitcoin as a safe-haven similar to gold have contributed to the currency's sharp rise this year.
- Small-cap stocks have been outperforming in recent weeks. Softening inflation data and the rising possibility that the Fed could start to decrease interest rates this year have sparked a rotation into small-caps. Additionally, soaring valuations of large-cap tech stocks have made the relative safety of that part of the market less attractive.

International Equities

- Foreign markets struggled to gain traction during the week as a barrage of new tariffs, including a 50% tariff on copper imports and a 35% levy on certain Canadian imports, dampened investor sentiment.
- Foreign developed markets treaded water, unable to capture much upward momentum due to the tariff headwinds. In economic news, the central banks of both New Zealand and Australia elected not to make any changes to their respective monetary policy rates. The U.K. economy unexpectedly shrank by 0.1% month-over-month in May, failing to shake off the impact of U.S. tariffs and business uncertainty.
- Emerging market stocks faltered, with markets across Latin America falling, led by weakness in Brazilian stocks as the U.S. administration threatened to impose a 50% tariff on Brazilian exports.
- In central bank news, Malaysia lowered its policy rate by 0.25% while the Bank of Korea left policy rates unchanged amid escalating trade tensions.

Bonds

- The U.S. Treasury yield curve bear-steepened on stronger jobs data and escalating trade tensions. Although U.S. Treasury bonds were lower for the week, volatility across the market continues to fall, with the ICE BofA Move Index hitting a three-year low.
- U.S. high-yield bonds experienced their first weekly loss since May 23, as concern over U.S. tariff policy resurfaced, pushing yields and risk premiums higher.
- Global bonds underperformed domestic bond markets with the U.S. dollar extending its weekly advance and developed market yields moving higher on renewed tariff threats.
- The Royal Bank of Australia, Royal Bank of New Zealand and Bank of Korea announced they were leaving policy rates unchanged due to the uncertain policy and macroeconomic backdrop. In contrast, the central banks of Malaysia and Egypt announced rate cuts for the first time in five years, citing global trade uncertainties and slower inflation.

Economics

- On Wednesday, minutes from the Federal Reserve's June meeting revealed that policymakers remain cautious about the potential impact of tariffs and how they might influence the trajectory of interest rates. Most officials believe that a reduction in the Federal Funds rate is warranted, though the magnitude and timing of any rate cuts remain uncertain.
- On Thursday, jobless claims came in at 227,000—below the consensus estimates of 238,000 and the previous week's revised figure of 232,000. This better-than-expected data continues to reflect the overall resilience of the labor market.
- On Friday, the Treasury reported a surplus of $27 billion for June, driven largely by tariff revenue. This helped reduce the deficit by 1% compared to the same period last year.
- The monthly Consumer Price Index (CPI) report will be released on Tuesday.

Weekly Market Update

For Week Ending July 11, 2025

Markets

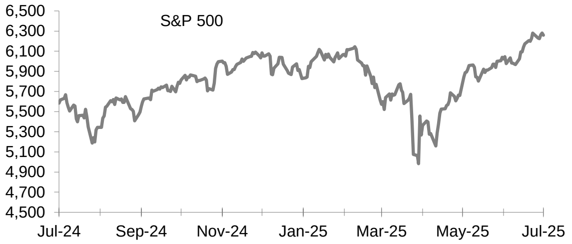
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	44,371.51	-1.0%	5.3%	13.6%
S&P 500 Index	6,259.75	-0.3%	7.2%	13.6%
NASDAQ Composite	20,585.53	-0.1%	7.0%	13.4%
S&P 400 Midcap Index	3,172.40	-0.6%	2.5%	7.6%
S&P 600 Smallcap Index	1,376.56	-0.2%	-1.4%	4.6%
MSCI EAFE	9,631.53	-0.2%	19.2%	13.1%
MSCI Emerging Markets	666.10	-0.1%	16.1%	11.7%
Bloomberg US Agg	2,258.58	-0.4%	3.2%	3.9%
Bloomberg Municipal 5 Yr	508.01	0.3%	2.7%	4.1%
Bloomberg US Corporate	3,398.47	-0.6%	3.3%	4.4%
Bloomberg Glb Agg ex US Hdg	601.24	-0.5%	1.4%	5.1%
Bloomberg High Yield	2,805.23	-0.2%	4.6%	9.3%
MSCI US REIT Index	2,306.47	-0.5%	-0.2%	5.0%
Bloomberg Commodity Index	256.60	0.5%	7.5%	7.8%

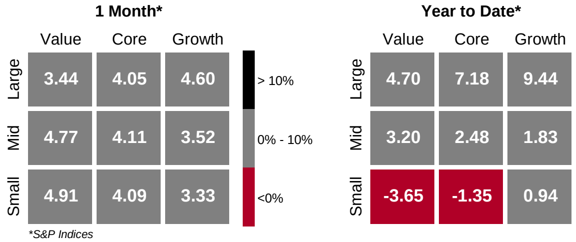
	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	4.50%	4.50%	4.50%	5.50%
3-Month Treasury	4.33%	4.35%	4.31%	5.34%
1-Year Treasury	4.07%	4.07%	4.14%	4.90%
2-Year Treasury	3.89%	3.88%	4.24%	4.51%
5-Year Treasury	3.97%	3.94%	4.38%	4.14%
7-Year Treasury	4.17%	4.12%	4.48%	4.16%
10-Year Treasury	4.41%	4.35%	4.57%	4.21%
30-Year Treasury	4.95%	4.86%	4.78%	4.42%
Consumer Rates				
30-Year Mortgage	6.74%	6.78%	7.28%	5.83%
Prime Rate	8.25%	8.25%	8.25%	9.25%
SOFR	4.31%	4.44%	4.49%	5.34%
Commodities				
Gold (spot)	3,355.59	3,337.15	2,624.50	2,415.48
Crude Oil WTI	68.45	65.45	71.72	82.62
Gasoline	3.16	3.15	3.06	3.54
Natural Gas	3.31	3.42	3.63	2.27
Copper	5.56	5.05	4.03	4.51

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	20.58	22.39	5.59	1.67
S&P 500	22.21	24.62	5.29	1.31
S&P 500 Value	18.37	19.64	3.43	2.05
S&P 500 Growth	27.23	31.68	10.05	0.65
NASDAQ	28.32	34.12	7.26	0.72
S&P Midcap 400	16.83	17.21	2.60	1.71
S&P Smallcap 600	16.01	16.66	1.86	2.42
MSCI EAFE	15.14	16.58	2.09	3.11
MSCI Emerging Markets	12.76	15.31	1.98	2.77

Source: Bloomberg

Equity Style

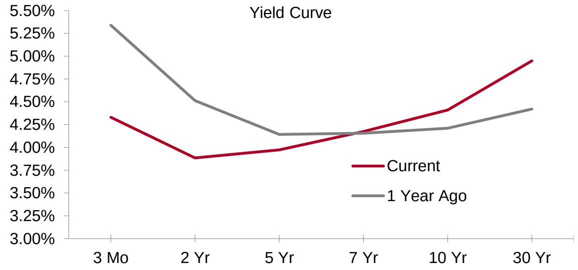


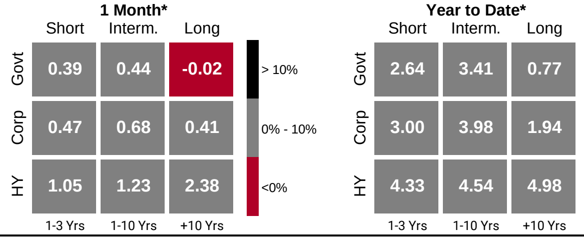


	1 Month*			Year to Date*		
	Value	Core	Growth	Value	Core	Growth
Large	3.44	4.05	4.60	4.70	7.18	9.44
Mid	4.77	4.11	3.52	3.20	2.48	1.83
Small	4.91	4.09	3.33	-3.65	-1.35	0.94

*S&P Indices

Fixed Income Style





	1 Month*			Year to Date*		
	Short	Interm.	Long	Short	Interm.	Long
Govt	0.39	0.44	-0.02	2.64	3.41	0.77
Corp	0.47	0.68	0.41	3.00	3.98	1.94
HY	1.05	1.23	2.38	4.33	4.54	4.98
	1-3 Yrs	1-10 Yrs	+10 Yrs	1-3 Yrs	1-10 Yrs	+10 Yrs

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	2.4%	3.3%
CPI Core Inflation	2.8%	3.4%
Personal Consumption Exp (PCE) Core	2.7%	2.7%
Jobs		
Unemployment Rate (U3)	4.1%	4.1%
Broader Unemployment Rate (U6)	7.7%	7.4%
JOLT Survey (in millions)	7.77	7.90
Jobless Claims (000's)	227	222
Change in Non-Farm Payroll (000's)	147	87
Average Hourly Earnings (Y/Y % Change)	3.7%	3.9%
Consumer & Spending		
Consumer Confidence (Conf Board)	93.0	97.8
Consumer Spending ($ Bil)	20,593	19,697
Consumer Credit ($ Bil)	5,048	5,027
Retail Sales ($ Bil)	715	693
Housing		
Housing Starts (000's)	1,256	1,316
Case-Shiller Home Price Index	329.61	320.88
U.S. Productivity		
Real Gross Domestic Product ($ Bil)	23,513	23,054
Quarter over Quarter Change	-0.5%	1.6%
Year Over Year Change	2.0%	2.9%
ISM Manufacturing	49.00	48.30
Capacity Utilization	77.43	78.06
Markit US Composite PMI	52.90	54.80
U.S. General		
Leading Economic Indicators	99.0	103.1
Trade Weighted Dollar Index	119.7	124.1
EUR / USD	1.17	1.09
JPY / USD	147.43	158.84
CAD / USD	0.73	0.73
AUD / USD	0.66	0.68

S&P 500 Sector Returns

	1 Month	YTD
Industrials	4.51%	14.78%
Utilities	2.66%	10.49%
Information Technology	7.85%	9.82%
Materials	3.95%	9.63%
Communication Services	1.65%	9.41%
Financials	2.75%	8.86%
Energy	4.36%	6.14%
Consumer Staples	-0.79%	5.52%
Real Estate	-0.09%	3.85%
Health Care	0.07%	-0.83%
Consumer Discretionary	3.40%	-2.10%

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