



# PRECISION

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## August Market Update

July was chock-full of key economic developments, from monumental legislation and trade deal fluctuations to a tense Fed meeting and labor market weakness.

With all of this activity, we wanted to reach out today with a quick overview of what to know as we head into August. Take a look below, and as always, reach out with any questions.

### Major Stock Index Performance

**Volatility remained low, and the S&P 500 and the Nasdaq 100 hit record highs in July, as trade policy volatility was the defining force for bulls and bears. Overall:**

- The S&P 500 rose 2.2%.
- The Dow Jones Industrial Average declined by 0.2%.
- The Nasdaq 100 increased by 2.4%.

### One Big Beautiful Bill Act & Crypto Legislation

- The “One Big Beautiful Bill Act” was signed into law on July 4, 2025. It is set to shepherd in numerous financial and tax changes for Americans. Notable aspects of the legislation include the permanent increase of estate and gift tax exemptions, the extension of lower income tax rates, and a higher standard deduction. It also introduces deep cuts to Medicaid and tighter restrictions on who qualifies for Medicaid.
- The “Genius” Act, officially known as The Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025, was signed into law on July 18th. It’s the first federal law focused specifically on dollar-backed stablecoins, a type of cryptocurrency designed to maintain a stable value by being backed 1:1 by traditional assets like U.S. dollars or Treasury bills. Though the law provides some regulatory clarity and potential investor benefits, stablecoins carry inherent risks, including fewer consumer protections and potential technological and operational vulnerabilities.

## Trade Deal Progress & Effective Date Extension

- As the now-extended August 2nd tariff deadline approached, the United States made several key trade deals, including those with the United Kingdom and Japan.
- Markets have responded positively to the good news, though an August 7th tariff deadline looms for the countries without a deal, a majority that includes important trading partners like China and Mexico.

## GDP Strength & Earnings Season

- Following a 0.5% decline in gross domestic product in the first quarter of 2025, GDP rebounded in the second quarter, posting a 3% rise. The first-quarter decline was fueled by companies rushing to import goods ahead of the introduction of tariffs; Imports are subtracted from growth in the GDP figure.
- As of August 1st, 66% of S&P 500 companies have reported actual earnings. 82% have reported actual earnings per share (EPS) above estimates, above both the five- and ten-year averages. Typically seen as good news for Americans who are investing in the stock market and for the overall economy, earnings were overshadowed by weak jobs data at the start of the new month.

## Inflation Data Puzzle & Consumer Vibes Improve

- June inflation data, released in July, offered a mixed picture. Consumer Price Index data showed a 0.3% increase in consumer pricing, the largest monthly increase since January. The Producer Price Index was flat for June, with a 0.0% overall change in producer prices. Remember, producer prices (or wholesale prices) tend to be leading indicators, meaning they may signal what's to come in other inflation data like CPI.
- June retail sales, released in July, posted a positive result, with a 0.6% monthly rise that soundly beat both expectations for a 0.1% monthly rise and the prior month's 0.9% decline. One important caveat: this reading does not control for inflation, meaning some of the increase could be tied to rising prices caused by tariffs.
- Following nearly a half year of decline in consumer sentiment, the University of Michigan Index of Consumer Sentiment increased in both June and July. The Conference Board's consumer reading also rose in July, though consumer sentiment remains lower across the board than last year's readings.

## Federal Reserve Meeting

- The Federal Reserve held a policy meeting on July 29th-July 30th, leaving its benchmark interest rate in the 4.25%-4.5% range.
- However, it's important to highlight that two members of the Fed's Board of Governors voted against the decision, preferring a 0.25% cut instead. This is the first time in over 30 years that multiple governors have dissented on a policy decision. While the Fed operates

independently of the White House, the rate cut decision – and the dissent – come amid calls for rate cuts from President Donald Trump and his administration.

- In the post-meeting press conference, Federal Reserve Chair Jerome Powell said that higher tariffs are beginning to show up in the prices for some goods. He also acknowledged the impact may only be felt as a one-time price adjustment, adding that it's too soon to know their full impact.
- In the press conference, Powell described the labor market as “broadly in balance,” a move away from previous characterizations of a tighter labor market. However, he noted there was a chance that future conditions could worsen. Powell's comments came before the release of the July jobs report, which showed significant softening of the labor market.

### **Weak Jobs Data Points to Economic Softening**

- According to the July jobs report, employers added only 73,000 jobs in June, and May and June jobs numbers were also revised down in a stunning fashion. In an unprecedented move, President Trump fired the Bureau of Labor Statistics commissioner following the July data release.
- May's estimated data, which previously showed a gain of 144,000 jobs added, was revised down to just 19,000 jobs added. June's jobs number, which showed a preliminary figure of 133,000 jobs added, was revised down to just 14,000 jobs added.
- With these revisions, the labor market has now shown the weakest job creation in decades outside of recessions, and June's data is the weakest since mid-pandemic in December 2020. Since recessions are typically proclaimed after a recession has already begun, it is currently unclear whether one is coming or whether we're in a recessionary environment already. Take note: long-term investing remains a strong approach to weather economic market ups and downs.

A lot happened in July. Indeed, maintaining a long time horizon can help investors avoid making hasty decisions with lasting consequences. If you have questions about the economy, the market, or your portfolio, your advisor is always here as a resource for you. Do not hesitate to give the office a call.

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