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July Market Update

Last month, growth held firm, and the labor market held stable even as financial conditions quietly tightened beneath the surface. Equity indices were mixed, and inflation stayed unrelenting. The Federal Reserve became more hawkish under new Chair Kevin Warsh, shifting from its earlier tone.

Here's how it played out across the major indexes and what drove the numbers.

Major U.S. Stock Indices

U.S. stocks diverged in June after an upbeat quarter. Inside technology, the split was stark. AI-driven semiconductors kept surging, while several Magnificent 7 stocks lost steam after last year's outsized gains.

- The S&P 500 [fell](#) 1.06%.
- The Nasdaq 100 [slipped](#) 0.19%.
- The Dow Jones Industrial Average [rose](#) 2.52%.

The Big Picture

Stronger Than It Looks. U.S. growth proved better than first reported. First-quarter Gross Domestic Product (GDP) was revised upward to [2.1%](#) annualized, well above the initial estimate of 1.6%, pointing to stronger momentum heading into mid-year. Manufacturing activity expanded for a sixth straight month despite tariffs and war-driven costs, and consumers kept spending on non-energy goods even as fuel prices rose. This economy has more resilience than markets have been pricing in.

Cooling, Not Cracking. Hiring slowed sharply. Employers added just [57,000](#) jobs in June, well below expectations. Unemployment fell to a 14-month low of 4.2%, but only because roughly 720,000 people left the labor force, a sign of fading worker confidence rather than strength. ADP's National Employer Report showed a similar slowdown, with businesses adding [98,000](#) private-sector jobs, though it did describe labor demand as improving. The market is mending, but not thriving.

The Energy Squeeze. May's Consumer Price Index (CPI) came out on June 10th, and showed that CPI rose to [4.2%](#) in May, the highest since 2023, as war-driven energy costs jumped nearly 24% year over year. Core inflation (which excludes food and energy) also crept higher, to 2.8%, showing pressures extend beyond energy. Oil offered relief late in the quarter, falling from around \$95 to the mid-\$70s in June after a U.S.-Iran ceasefire reopened the Strait of Hormuz, though May's CPI release predates that drop.

A New Chair, A New Tone. Kevin Warsh's first meeting as Fed Chair in June set the tone for markets. The Fed held rates at 3.50-3.75%, but dropped its easing bias and forward guidance, turning more hawkish. His statement ran just 130 words, a fraction of his predecessor's. Projections showed inflation revised higher, unemployment lower, and rate forecasts for coming years shifted up, with nearly half of officials expecting another hike this year. Warsh skipped his own forecast, pushing to rely less on lagging data.

The Road Ahead

Put together, the current story is one of measured, if uneven, progress. Growth and employment are staying firm, inflation remains elevated but contained, and markets are digesting a powerful AI-driven rally.

Throughout July, eyes will turn to fresh inflation and jobs data, corporate earnings, and how the Fed moves at the July 28-29 meeting. The key questions are whether price pressures keep easing and whether profits can support current valuations. From there, it's a matter of how shifting rate expectations feed through to stocks and bonds.

This remains a market that rewards close attention, and we are watching it on your behalf. As always, if you have any questions about your portfolio or strategy, don't hesitate to reach out to your advisor.,

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