Independence | Asset Advisors

# MONTHLY MARKET REVIEW – July 2025

| | July 2025 | YTD | 1-Year | 3-Years | 5-Years | 10-Years |
|---|---|---|---|---|---|---|
| **U.S. Large Cap Equities**<br>S&P 500 | 2.24% | 8.59% | 16.33% | 17.10% | 15.88% | 13.66% |
| **U.S. Small Cap Equities**<br>Russell 2000 | 1.73% | -0.08% | -0.55% | 7.03% | 9.81% | 7.43% |
| **Energy Infrastructure Equities**<br>Alerian U.S. Midstream | -0.85% | 4.25% | 24.83% | 24.64% | 32.51% | 9.72% |
| **U.S. Real Estate Equities**<br>Dow Jones U.S. Select REIT | -0.73% | -1.29% | 1.37% | 1.59% | 7.68% | 4.77% |
| **Global Equities**<br>MSCI All Country World Index | 1.36% | 11.54% | 15.87% | 15.25% | 12.79% | 10.05% |
| **Int'l Developed Equities**<br>MSCI EAFE | -1.40% | 17.77% | 12.77% | 13.57% | 10.34% | 6.14% |
| **Emerging Market Equities**<br>MSCI Emerging Markets | 1.95% | 17.51% | 17.18% | 10.50% | 5.40% | 5.77% |
| **U.S. Taxable Fixed Income**<br>Bloomberg U.S. Aggregate | -0.26% | 3.75% | 3.38% | 1.64% | -1.07% | 1.66% |
| **U.S. Tax-Exempt Fixed Income**<br>Bloomberg Municipal Aggregate | -0.20% | -0.55% | 0.00% | 1.54% | 0.13% | 2.11% |
| **High Yield Fixed Income**<br>Bloomberg U.S. Corp High Yield | 0.45% | 5.04% | 8.67% | 8.01% | 5.09% | 5.49% |
| **Floating Rate Loans**<br>Morningstar LSTA U.S. Loan | 0.88% | 3.71% | 7.50% | 9.24% | 7.22% | 5.24% |
| **Collateralized Loan Obligations**<br>JP Morgan Collateralized Loan Index | 0.56% | 3.46% | 6.59% | 8.20% | 5.66% | 4.28% |

- Large-cap U.S. stocks led all market returns in July as clarity into the future of U.S. trade and fiscal policy followed the announcement of a few trade agreements and the passage of the "One Big Beautiful Bill Act".
    - "Growth" stocks gained 3.4% with "value" stocks up 0.9%.
    - The S&P 500 Index remained highly concentrated and expensive. Technology and Communication Services sectors represented nearly 40% of the Index with a combined forward P/E of 28.8x (40% higher than the 30-year average).
- Developed international equities declined in July amid concerns about the negative impact of U.S. trade policy. Emerging market equities gained following the announcement that Chinese first-half GDP growth results were higher than expected at +5.3% year over year.
- Fixed income returns were mixed in July, with investment grade bonds underperforming high yield.
    - The yield curve spread between 2-year and 10-year Treasuries widened to 0.53%, while Nominal 10-year treasury yields were 4.2%, with inflation at 2.9% (PCE); positive real yields.
    - High yield bonds, floating rate loans and investment grade CLO yields declined slightly to 7.0%, 8.7% and 5.6%. Default rates on high yield corporate bonds remained near historical lows.

Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, StatisticsCanada, Bloomberg, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, Reuters, Bureau of Economic Analysis, Barrons

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| Category | Comments |
|---|---|
| **Growth** | The U.S. economy slowed more than expected Q1, with real GDP declining 0.5%[1]: <br>• Consumer spending increased 0.5%, while private investment surged 23.8% due to inventory spikes ahead of tariffs. <br>• Tariff-related distortions to trade are expected to impact growth in Q2. |
| **Profits** | 2Q25 Earnings (70% reporting): <br>• Pro forma Earnings Per Share (EPS) of $65.21; representing an increase of 7.7% y/y and negative 2.4% q/q. <br>• Driven by Sales growth (5.5%), Margins (3.1%), and Shares count (-0.8%). <br>• 80% of companies have beaten estimates and earnings are 8.5% over consensus. |
| **Jobs** | The July jobs report was much weaker than expected: <br>• The U.S. economy added 73,000 jobs with 258,000 jobs removed from May/June. <br>• The unemployment rate rose to 4.2% and wages rose 0.3% m/m & 3.9% y/y. |
| **Inflation** | June Personal Consumption Expenditures Index (PCE): <br>• Headline and Core PCE price indices were hotter than expected. <br>• Headline and Core increased 2.3% and 2.7%, y/y. <br>• Tariff impacts are forecasted to increase CPI to 3.5-4% by year-end. |
| **Interest Rates** | The FOMC policy rate was unchanged in July; range of 4.25%-4.50%: <br>• The decision to leave rates unchanged was not unanimous. <br>• For the first time in 30 years, two FOMC members dissented (voted to cut by 0.25%). |

[1] Annualized

## CANADA:

- The U.S. dollar index (DXY) ***increased*** 3.2% in July reducing the year over year ***decrease*** to 3.1% (see chart below). The U.S. dollar ***weakened*** *3.9*% (YTD) against the Canadian dollar to end the month with an exchange rate of **1.38**.


- The Bank of Canada policy interest rate was unchanged at 2.75% when the committee met in July.
- Inflation increased, with the **CPI** higher by 0.2% to end the month at 1.9%.
  - ***Core CPI***, referred to as "CPI-trim," remained steady at 3.0%.
- Canada's economy has shown resilience to U.S.-imposed tariffs.
  - After showing small contractions in GDP in April/May, economic growth shows a rebound in June.
  - While job losses have increased, consumption has continued to grow modestly.

Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, StatisticsCanada, Bloomberg, Forbes, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, CBC (Canadian Press), VanEck

## OIL:

- **The price of crude oil was $70.31 per barrel (WTI).**
- Oil prices **increased** $4.01 per barrel, or 6.0%, in July.
- Oil prices rose for a second consecutive month, but volatility was moderate, with a slight surge at month-end. The monthly price increase was attributable to supply concerns with OPEC+ announcing output increases in September.
- **Oil is forecasted to trade between $60 and $75 per barrel over the next 12 months.**

| Year | Ave. Price | High | Low | % Change |
|---|---|---|---|---|
| 2025 | $67.80 | $80.73 | $57.17 | 0% |
| 2024 | $75.83 | $87.01 | $66.37 | 1% |
| 2023 | $77.64 | $93.84 | $66.74 | -11% |
| 2022 | $94.53 | $123.70 | $71.59 | 7% |
| 2021 | $68.17 | $84.65 | $47.62 | 55% |
| 2020 | $39.68 | $63.27 | $11.26 | -21% |
| 2019 | $56.99 | $66.24 | $46.31 | 35% |
| 2018 | $65.23 | $77.41 | $44.48 | -25% |
| 2017 | $50.80 | $60.46 | $42.48 | 12% |
| 2016 | $43.29 | $54.01 | $26.19 | 45% |
| 2015 | $48.66 | $61.36 | $34.55 | -31% |
| 2014 | $93.17 | $107.95 | $53.45 | -46% |

## COPPER:

- **The price of copper was $4.61 USD per pound.**
- Copper prices **decreased** $0.30 per pound, or 6.1%, in July.
- The price of copper rose to an all-time high of $5.81 before falling at a record-setting pace at month-end. The sell-off was caused by tariff announcements and the unwind of traders allocating metal into the U.S. to undercut proposed 50% copper tariffs.
- **Copper is forecasted to trade between $4.55 and $4.80 per pound over the next 12 months.**

| Year | Ave. Price | High | Low | % Change |
|---|---|---|---|---|
| 2025 | $4.68 | $5.81 | $4.02 | 15% |
| 2024 | $4.23 | $5.10 | $3.68 | 3% |
| 2023 | $3.86 | $4.28 | $3.57 | 2% |
| 2022 | $4.00 | $4.94 | $3.23 | -14% |
| 2021 | $4.24 | $4.76 | $3.52 | 27% |
| 2020 | $2.80 | $3.63 | $2.10 | 26% |
| 2019 | $2.72 | $2.97 | $2.53 | 6% |
| 2018 | $2.93 | $3.30 | $2.56 | -20% |
| 2017 | $2.81 | $3.30 | $2.49 | 32% |
| 2016 | $2.20 | $2.69 | $1.94 | 17% |
| 2015 | $2.49 | $2.94 | $2.02 | -25% |
| 2014 | $3.11 | $3.38 | $2.83 | -17% |

## ALUMINUM:

- **The price of aluminum was $2,565 USD per tonne.**
- Aluminum prices **decreased** $36.10 per tonne, or 1.4%, in July.
- The price of aluminum rose steadily in July until falling at month-end. The decline was consistent with the trajectory of other base metals, which saw prices decline amid expectations for limited industrial expansion in China.
- **Aluminum is forecasted to trade between $2,550 USD/tonne and $2,700 over the next 12 months.**

| Year | Ave. Price | High | Low | % Change |
|---|---|---|---|---|
| 2025 | $2,557 | $2,729 | $2,340 | 1% |
| 2024 | $2,458 | $2,768 | $2,159 | 7% |
| 2023 | $2,288 | $2,662 | $2,122 | 0% |
| 2022 | $2,711 | $3,966 | $2,103 | -15% |
| 2021 | $2,486 | $3,198 | $1,954 | 42% |
| 2020 | $1,732 | $2,068 | $1,427 | 9% |
| 2019 | $1,811 | $1,936 | $1,706 | -2% |
| 2018 | $2,115 | $2,556 | $1,817 | -19% |
| 2017 | $1,979 | $2,272 | $1,686 | 34% |
| 2016 | $1,610 | $1,784 | $1,450 | 12% |
| 2015 | $1,679 | $1,978 | $1,436 | -18% |
| 2014 | $1,984 | $2,107 | $1,840 | 0% |

Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, StatisticsCanada, Bloomberg, Forbes, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, CBC (Canadian Press), VanEck

**Disclosures:**

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**MARKET UPDATE**

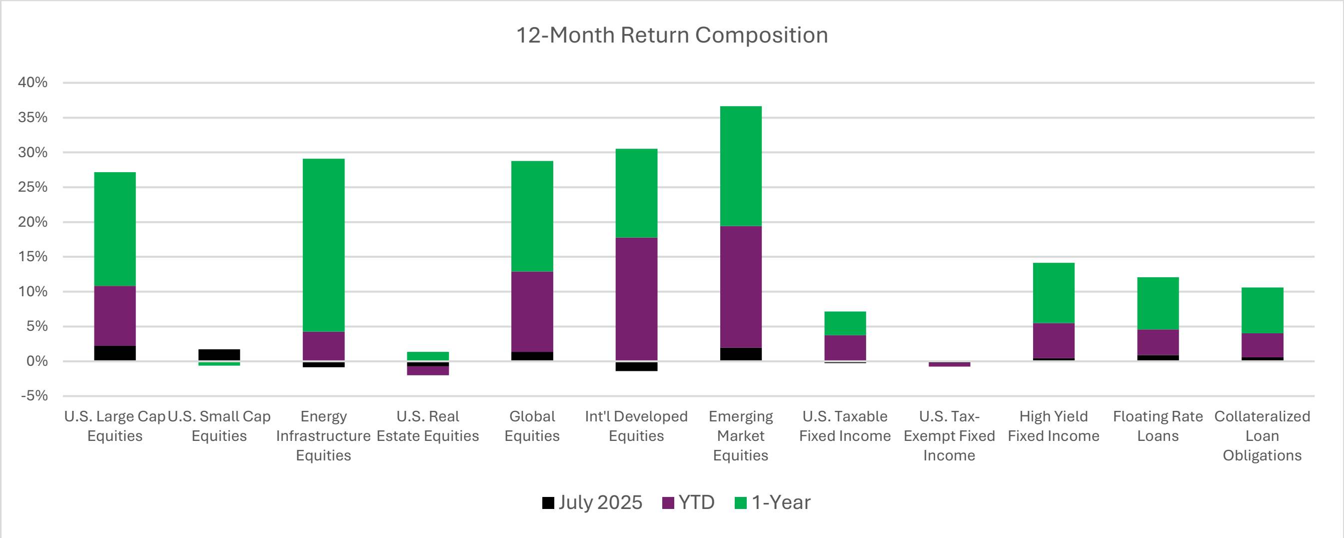
July 31, 2025

By Thomas Grugan, Director & Senior Investment Strategist

***High Level Summary***

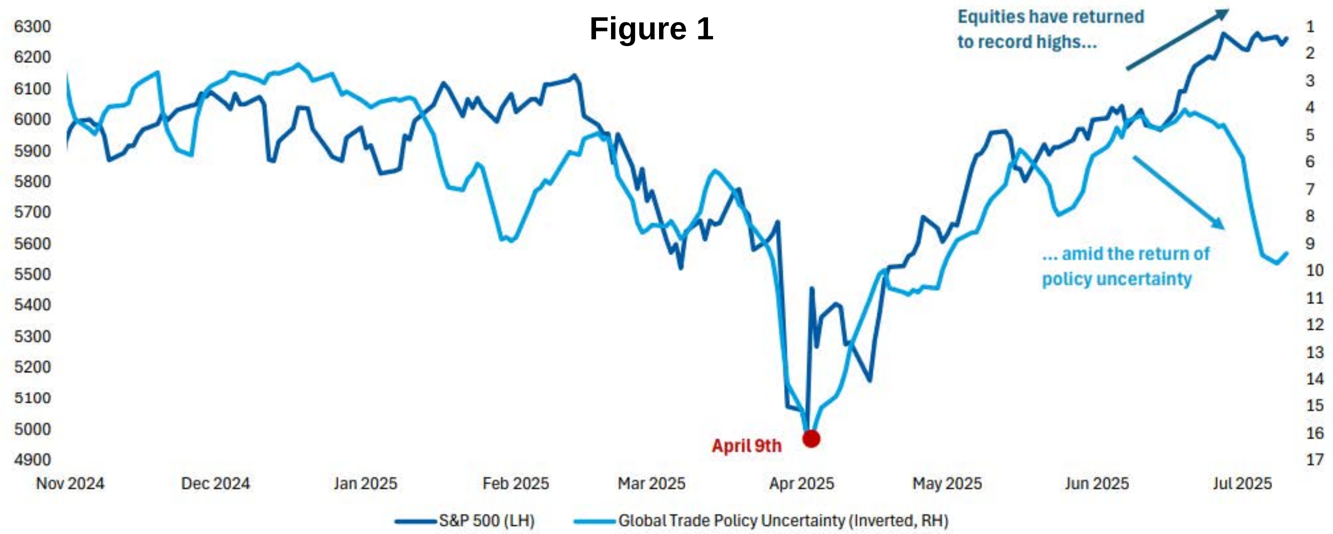
*Global equities began the second half on a mostly positive note, with many indexes reporting gains in July. The primary U.S. indexes, the S&P 500 Index, Nasdaq Composite and Dow Jones Industrial Average, rose 2.2%, 3.7% and 0.2%, respectively. Developed International equities (MSCI EAFE) were the notable laggard, falling 1.4%, but they maintained a positive performance variance against U.S. large cap stocks on a year-to-date basis. U.S. equity market sector returns were less factor driven in July, with the most defensive/value sector (Utilities +4.9%) and most cyclically/growthy sector (Technology +3.8%) reporting the strongest returns.*

*Treasury yields rose across the curve in July. The 2-year Treasury yield had the largest increase across the curve rising 0.22%. Higher yields pushed bond prices lower and sent the total returns for investment grade bonds down by approximately 0.3%.*



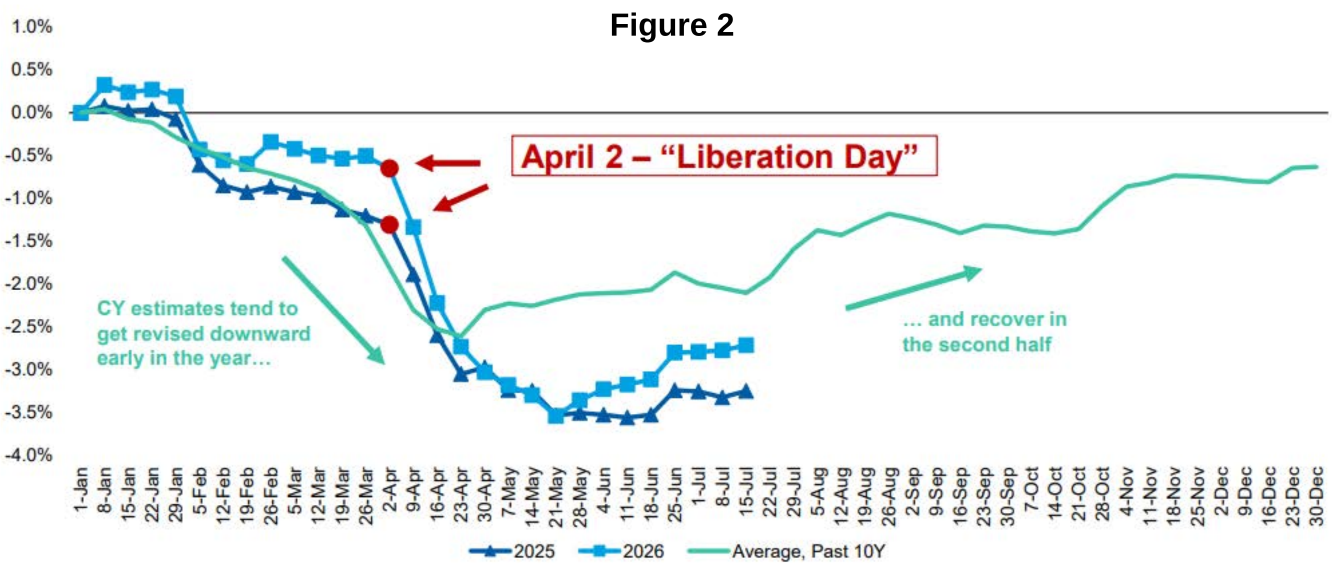

U.S. equities have recovered from their April low and pressed higher despite increased tariff and policy uncertainty. In Figure 1, we show the relationship between the U.S. equity market return (S&P 500 Index – dark blue – left axis) and Global Trade Policy Uncertainty (light blue – right axis), which strongly diverged in July.

**Figure 1**



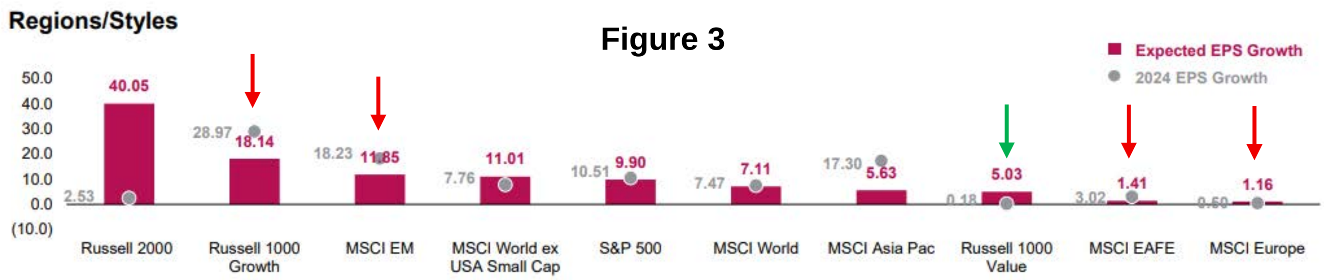

Analysts present the case for positive U.S. earnings growth in the second half of the year. According to Morgan Stanley, while negative earnings projections are typical as the year progresses, current year estimates were revised down more than normal after April 2nd. Morgan Stanley observes that the latest trends have been more positive. In Figure 2, we show earnings revisions for 2025 (dark blue) and 2026 (light blue), compared to the 10-year average.

**Figure 2**



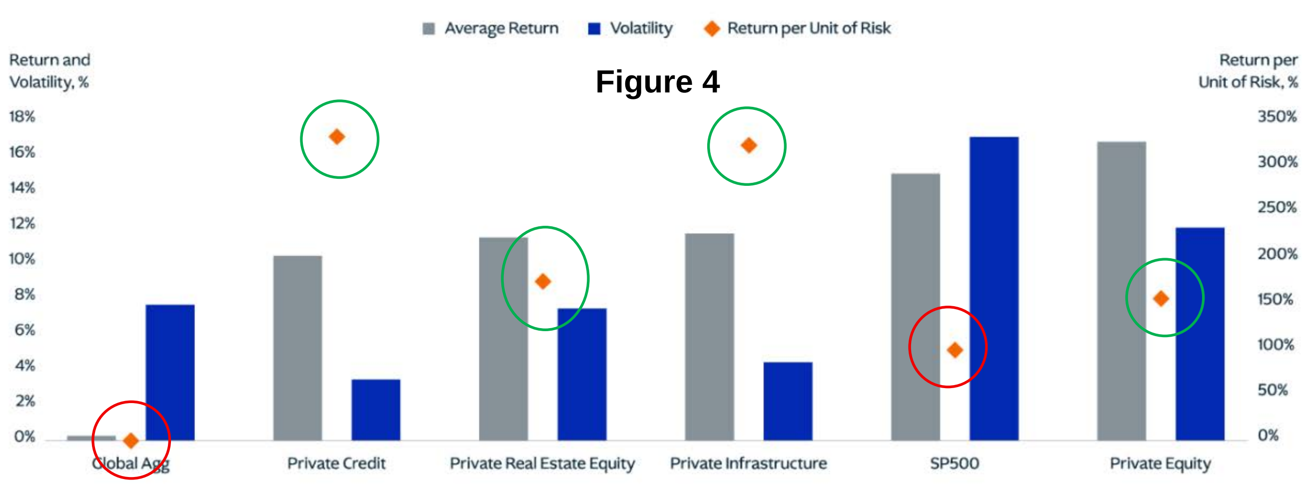

The resiliency of the U.S. stock market has been somewhat surprising, with the market remaining highly concentrated and generally expensive relative to historical valuations. The outlook for U.S. large cap equities remains favorable, but we continue to emphasize a tactical overweight to "Quality" company stocks. We recommend maintaining a relative underweight to small-cap equities, which are more susceptible to U.S. dollar weakness increasing the cost of imported component parts and commodities and variable interest rates that may remain relatively high if inflation pressures persist.

Outside of the U.S., we prefer Developed International equities over Emerging Market equities, (see Figure 3) and U.S. large-cap over international driven by higher earnings growth and despite higher valuations.




Shifting to fixed income, returns have been underwhelming for investment grade bonds, but more attractive for higher yielding categories including upper tier high yield bonds, floating rate loans and collateralized loan obligations (CLOs). Our strongest tactical recommendation is to underweight duration. This positioning is supported by a current environment of "stable" economic growth paired with inflationary pressures that could reduce the pace and scale of Fed rate cuts over the next 12-18 months. We also expect to maintain an underweight to investment grade credit, with spreads trending to near all-time tight levels. We do not anticipate an uptick in default rates for lower quality bonds and loans, which are currently near historical lows.

The current landscape in semi-liquid alternative investments (evergreen funds) is favorable, and may offer investors better downside protection, better inflation protection, more stable and higher long-term total returns, along with higher yields when compared to public equity and fixed income markets. We see the best opportunities in transport/Infrastructure, direct lending and middle-market private equity funds emphasizing secondary and co-investment opportunities. These private investments offer a higher return per unit of risk, and in some cases, have the added benefit of providing interest rate protection. In Figure 4 we demonstrate the relative risk & return advantage of these investments.



## Tactical Positioning

The resiliency of the global stock market has been appreciated by investors considering the many challenges facing businesses in 2025. We see adequate forward-looking guidance to suggest the U.S. equity market is not at an inflection point, but our tactical positioning continues to emphasis large cap over small cap, U.S. over non-U.S. and “Quality” over momentum stocks.  Fixed income returns have been underwhelming, but still play an important diversifying role and source of liquidity in many portfolios. High public market valuations lead us to recommend increasing diversification with better opportunities for more predictable growth and higher income potential offered by private investments, and recommend maximizing portfolio allocations to private market using more accessible and more manageable open-ended evergreen funds.

| Overall Position | UW | N | OW | Change | Notes |
|---|---|---|---|---|---|
| **Equity** | | ● | ● | Δ | Neutral or Overweight |
| **Fixed Income & Credit** | | ● | | | |
| **Alternatives** | | | ● | | |
| **Cash** | | ● | | | |
| U.S. Equity | | ● | ● | Δ | Neutral or Overweight |
| *Value* | | ● | | | Balanced; Growth and Value |
| *Growth* | | ● | | | |
| Size | | | ● | | Overweight Large Cap |
| ▪ Quality | | | ● | | |
| ▪ Momentum | | ● | | | Gained through Large Cap |
| International Equity | ● | ● | | Δ | Underweight or Neutral |
| Private Equity | | | ● | | |
| Duration | ● | | | | Barbell; Buyer on 10-Year over 4.8% |
| IG Fixed Income (AGG) | | ● | | | Short Duration |
| ▪ USD | ● | | | | |
| ▪ Global | | | ● | | |
| High Yield Credit | | ● | | | Short Duration; Buyer on Spread Widening |
| Private Credit | | ● | | | Up in Quality |
| Public Real Estate (REITS) | ● | | | | |
| Private Core Real Estate | | | ● | | |
| Infrastructure | | ● | | | |
| Transportation | | | ● | | |
| Hedge Funds | | | ● | | |

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*Sources: eVestment, Morgan Stanley, Y-Charts, CME Group, CNBC, Bloomberg, Federal Reserve Board, JP Morgan, KKR*