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US Equity Rally Extends Into July

Despite ongoing tariff uncertainties and hawkish post FOMC meeting commentary towards the end of the month, US equities extended their rally into July amid resilient Q2 earnings, progress on trade negotiations, and improving consumer sentiment. The S&P 500 Index notched 10 all-time highs during the month alone. US growth (+3.4%) was the best performer, followed by US large-caps (+2.3%) and US mid-caps (+1.6%). Bonds were mixed as high yield credits and Treasury Inflation Protected Notes were up (+0.2% and +0.1%, respectively) while 7-10 year US Treasuries and municipal bonds fell (-0.6% and -0.3%, respectively). Likewise, commodity performance varied as crude oil and silver gained 8.9% and 1.6%, respectively, while broad based commodities and gold each decreased 0.6%.

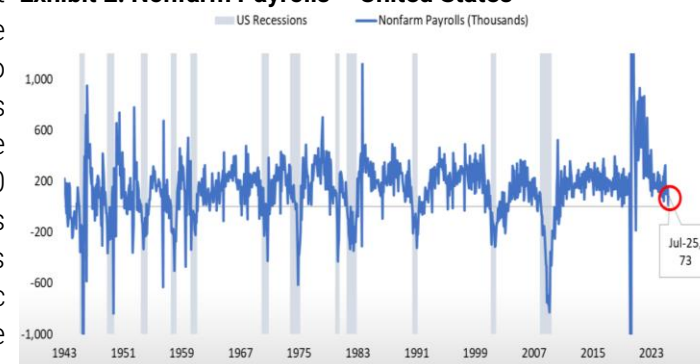
Fed Holds Rates Steady, But Two Governors Dissent

The Federal Reserve held interest rates steady at the July FOMC meeting, keeping the fed funds rate at the 4.25–4.50% range. Chair Powell reiterated that policy remains modestly restrictive and emphasized the Committee's focus on data dependency. Aside from recognizing that growth moderated in the first half of 2025, there were little changes in the policy statement. It continued to emphasize that the unemployment rate remains low, labor market conditions remain solid, and inflation remains somewhat elevated. Notably, two Fed Governors dissented in favor of a rate cut, reflecting concerns about weakening demand and marking the first such dissent since 1993. Although tariff and other supply-side pressures remain on watch, an employment report released just two days after the meeting evidenced deterioration in the labor market, causing markets to price in an 86% chance for a September rate cut and two cuts through year-end.

Weak Jobs Report Signals Softening Labor Market

Nonfarm Payrolls rose by just 73,000 in July, missing the 115,000 estimate. The past two months were revised downwards significantly, with May and June only adding 19,000 and 14,000 jobs, respectively. These readings mark some of the weakest prints since the post-pandemic recovery. The unemployment rate also inched up to 4.2% from 4.1%.

Exhibit 2: Nonfarm Payrolls – United States



Source: FactSet, U.S. Department of Labor, Astoria Portfolio Advisors. Data as of August 1, 2025.

Exhibit 1: Trailing Returns as of July 31, 2025

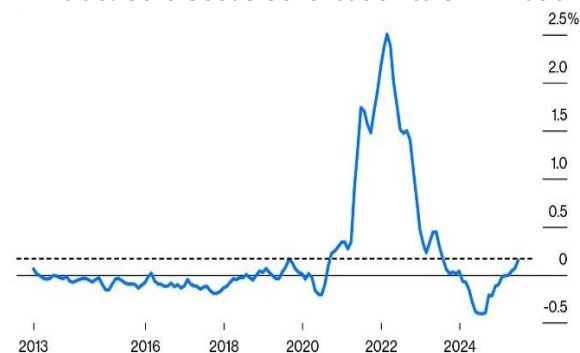
	Index/ETF	1-Mo	3-Mo	YTD	1-Y	3-Y	5-Y
Equities	US Growth (SPYG)	3.40%	20.37%	12.45%	25.51%	19.72%	16.43%
	US Large-Caps (SPY)	2.30%	14.32%	8.49%	16.19%	16.95%	15.77%
	US Mid-Caps (SPMD)	1.60%	11.07%	1.77%	3.22%	9.53%	12.75%
	US Value (SPYV)	0.94%	7.84%	4.18%	5.65%	12.97%	14.34%
	US Small-Caps (SPSM)	0.89%	10.40%	-3.55%	-4.83%	4.56%	10.94%
	Broad-based Emerging Markets (SPEM)	0.63%	10.58%	13.52%	16.07%	10.77%	6.68%
	International Developed Equities (SPDW)	-1.41%	7.24%	18.96%	13.97%	12.76%	10.33%
US Fixed Income	High Yield Credit (JNK)	0.17%	4.03%	4.93%	8.02%	7.00%	4.08%
	Treasury Inflation Protected Notes (SPIP)	0.09%	0.39%	4.74%	3.86%	0.69%	0.83%
	Investment Grade Corporate Bonds (SPBO)	0.05%	2.26%	4.31%	4.77%	3.31%	-0.36%
	US Aggregate Bond Index (SPAB)	-0.30%	0.57%	3.85%	3.41%	1.57%	-1.11%
	Municipal Bonds (MUB)	-0.32%	-0.02%	-0.96%	-0.51%	1.34%	0.08%
	US Treasury 7-10 Year (IEF)	-0.59%	-0.25%	4.62%	2.54%	-0.25%	-2.82%
Commodities	Crude Oil (USO)	8.86%	25.22%	5.35%	2.38%	0.65%	22.32%
	Silver (SLV)	1.55%	12.57%	26.55%	26.28%	21.19%	8.03%
	Gold (GLD)	-0.61%	-0.27%	25.12%	33.75%	22.62%	10.32%
	Broad-based Commodities (BCI)	-0.63%	1.43%	4.51%	8.98%	-1.89%	10.71%

Source: FactSet. Data as of July 31, 2025. 1Y, 3Y, and 5Y numbers are annualized.

Core Goods Inflation Finds New Fuel

Although it's not yet at an alarming level, core goods inflation is now rising at its fastest pace in more than a decade outside of the pandemic-spike, likely due to tariffs. Prices across toys, appliances, and household items recorded their largest increases since the early 2020s.

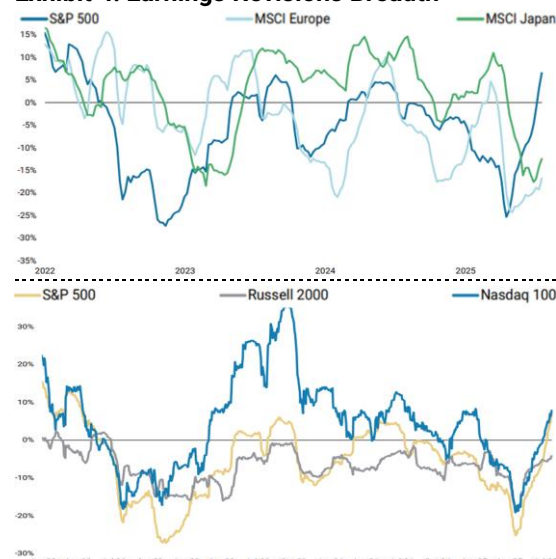
Exhibit 3: Core Goods Contribution to CPI Inflation



Source: Bloomberg. Data as of July 15, 2025.

US Earnings Revisions Breadth Continues to Inflect Higher

Exhibit 4: Earnings Revisions Breadth



Source: FactSet, Morgan Stanley Research. Data as of July 21, 2025.

US earnings revisions breadth (ERB) has made a V-shaped recovery amid easing policy uncertainty. ERB of the US has overtaken that of international developed markets, and within the US, ERB of large-caps and technology stocks are far outpacing that of small-caps. Additionally, Q2 earnings growth for the Magnificent 7 is expected to meaningfully exceed that of the remaining S&P 493.

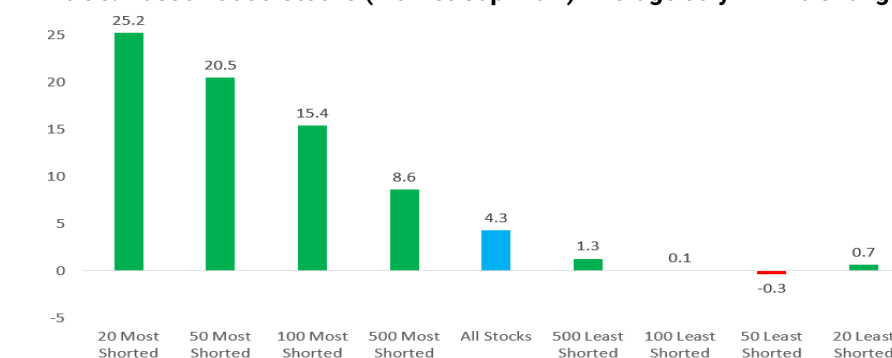
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Heavily Shorted Stocks See Outperformance

Per Bespoke Investment Group, the 20 most heavily shorted stocks in the Russell 3000 Index were up over 25% on average from June 30th — July 24th. Meanwhile, all stocks only gained an average of 4.3%, and the least shorted companies returned even less. Is it time to consider taking profits and rotating out of these heavily shorted names?

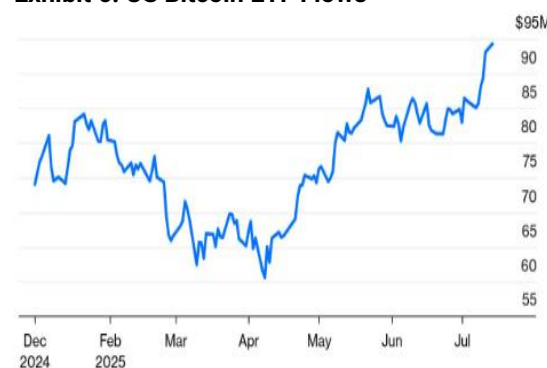
Exhibit 5: Russell 3000 Stocks (Market Cap>1bln) Average July MTD% Change



Source: Bespoke Investment Group. Data as of July 24, 2025. Short degree based on short interest as a percentage of float.

Bitcoin Demand Surges

Exhibit 6: US Bitcoin ETF Flows



Source: Bloomberg. Data from July 2025.

Bitcoin demand via ETF flows recently surged due to the passage of the GENIUS Act, which establishes a regulatory framework for stablecoins in the US. The legislation has sparked optimism to crypto investors as it signals broader institutional acceptance and increased legitimacy for the industry.