



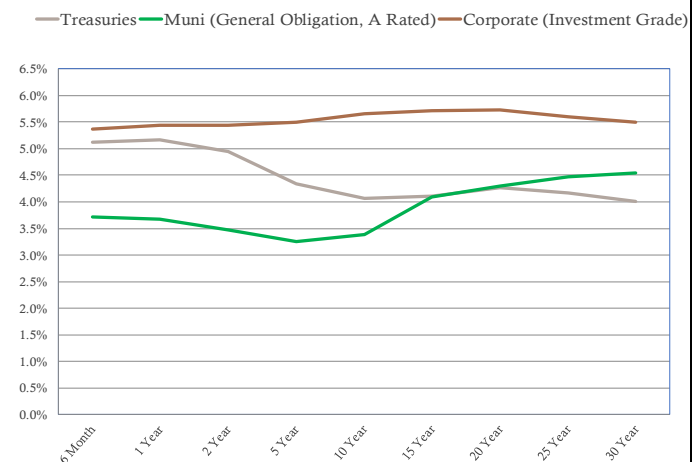
August 1, 2025

The S&P 500 fell by over 1.40%, heading for its most significant decline since the week ending May 21. The DXY dollar spot index rose through the week to just above 100 before slipping back to 99.03, closing a big outside month for July. This could signal a trend change. The benchmark 10Y UST yield declined to 4.22%. Gold spiked on safe haven flows, jumping back above 3350, and copper, a growth proxy for many traders, gapped down 23.4% this week to around \$441.50. Fed Fund traders have been very active this week. After the FOMC rate decision, the probability of a September rate cut, based on OIS, dropped to 39.5%, then surged back over 80% following the Friday payrolls miss.

We have largely supported the Fed's independence. However, the current policy now seems less focused on data and more influenced by politics. For example, the FOMC cut 100 bps last fall but sees no reason to cut 25 bps today. The labor market has worsened. Private sector labor income grew 4.7% at a 3mo SAAR in August 2024, exceeding the pre-COVID trend of 4.3%. By June 2025, private sector labor income increased only 1.4% at a 3mo SAAR. Inflation is also lower. The super core PCE, the FOMC's preferred metric, is trending downward: 1.1% 3 mo SAAR, 3.1% over 6mo SAAR, and 3.1% y/y, with a mean of 2.4%. Real services PCE grew at 1.1% q/q SAAR in Q2 2025, roughly one-third of the 3.0% SAAR in 2024. Data indicates that Chair Powell has been the most dovish Fed Chair since Arthur Burns, based on the trough spread between the FOMC policy rate and the Taylor rule estimate, at -1,040 basis points versus -720 basis points, respectively. Why adopt a tough stance on inflation now?

The narrative is that Trump's tariff policy adds uncertainty to the outlook. However, the majority of credible academic literature does not support the fear that tariffs are inflationary. More importantly, it is time to shift from the old Neoliberal Economic policy focus to a more Industrial policy approach, as the US faces a crisis to reindustrialize, outcompete China in AI CAPEX, restock critical rare earth minerals for national defense, and increase domestic housing supply. Chair Powell risks his legacy by constraining necessary investment through the CapEx channel with overly tight monetary policy.

As of 08/01/25		Total Returns				
Equity Markets	Closing	1 Week	1 Mo	3 Mo	6 Mo	1 Year
Dow Jones	43588.58	-2.9%	-2.0%	9.0%	-0.1%	9.9%
S&P500	6238.01	-2.3%	0.7%	14.2%	5.6%	16.3%
NASDAQ	20650.13	-2.2%	2.3%	21.3%	8.0%	20.9%
Styles	Closing	1 Week	1 Mo	3 Mo	6 Mo	1 Year
Large Cap (Russell)		-2.2%	0.9%	14.3%	5.1%	16.5%
Small Cap (Russell)		-4.0%	-1.2%	13.0%	-2.6%	-0.6%
Value (Russell)		-3.1%	-1.5%	7.8%	1.6%	8.1%
Growth (Russell)		-1.6%	2.9%	19.8%	7.5%	22.7%
International (MSCI)		-2.8%	-1.4%	5.6%	12.4%	13.4%
Emerging Markets (MSCI)		-1.1%	1.4%	12.9%	15.8%	17.8%
Currency/Commodities	Closing	1 Week	1 Mo	3 Mo	6 Mo	1 Year
US Dollar Index	99.14	1.1%	2.0%	-1.5%	-8.9%	-5.4%
Gold	3399.80	0.6%	0.2%	3.3%	16.4%	31.5%
Bitcoin	113,435	-4.5%	7.1%	17.6%	12.1%	75.3%
Natural Gas	3.083	-2.0%	-10.1%	-20.2%	-14.5%	-1.5%
Oil	67.33	3.3%	5.0%	16.3%	-2.6%	-5.3%



		Historical Readings				
Economic Data	Last	Trend	1 Mo	3 Mo	6 Mo	1 Year
Unemployment %	4.2%	-	4.1%	4.2%	4.0%	4.2%
Jobless Claims	218	-	237	241	210	248
GDP Q/Q Annualized	3.0%	+	N/A	-0.5%	2.4%	3.0%
Headline CPI Y/Y	2.7%	+	2.4%	2.4%	2.9%	3.0%
Core CPI Y/Y	2.9%	+	2.8%	2.8%	3.2%	3.3%
FHFA Price Index Y/Y	2.8%	-	3.2%	4.0%	4.7%	5.9%
Existing Home Sales Y/Y	0.0%	+	-0.5%	-2.4%	9.7%	-5.1%
NAHB Homebuilder Index	33	+	32	40	47	41
Retail Sales Y/Y	3.9%	+	3.3%	5.1%	4.6%	2.3%
Consumer Confidence	97.2	+	95.2	85.7	105.3	101.9
ISM Manufacturing Index	48.0	-	49	48.7	50.9	47.0

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\*All economic release data referenced from public sources believed to be accurate

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\*Figures quoted represent monthly changes (m/m) and are seasonally adjusted