Weekly Market Commentary

WealthShield

July 28, 2025

Weekly U.S. Market Commentary - Week Ending July 25, 2025 (GRIP Framework)

Growth

U.S. economic growth showed signs of cooling, but not collapsing. The Conference Board's leading economic index fell for a second month in June (-0.3%) and is down 2.8% in the first half of 2025. This persistent decline in leading indicators reflects weak manufacturing orders and a recent uptick in jobless claims, triggering recession warning signals – yet analysts still do not forecast an outright recession, just **much slower growth ahead**. In fact, after a slight GDP dip in Q1 (driven by volatile trade flows), Q2 is expected to show a modest rebound. The job market remains a relative bright spot: the economy added 147,000 payrolls in June (above expectations) and the unemployment rate held roughly stable at **4.1%**. Hiring has clearly downshifted from last year's torrid pace, but steady job gains and low unemployment signal **resilient domestic demand**. Industrial output is essentially flat – U.S. factory production inched up just 0.3% in June and grew at only a 1.1% annualized rate in Q2, down sharply from 4.3% in Q1. Manufacturing data were mixed: a surge in aircraft orders in May unwound in June, causing a *9.3%* drop in overall durable goods orders (the biggest monthly decline since 2020). Stripping out volatile aircraft and autos, however, core new orders actually rose slightly (+0.2% in June). This suggests underlying business investment is **steady but cautious**, as firms navigate higher costs and uncertainty. In summary, U.S. growth indicators last week pointed to **slowing momentum** – consumer and business confidence have softened with tariff worries, yet a solid labor market and modest manufacturing gains are keeping the expansion on track (albeit at a cooler pace) rather than derailing it.

Risk Appetite

Investor risk appetite remained strong this week, as financial markets shrugged off growth jitters. U.S. **stocks surged to record highs**, bolstered by optimism about trade deals and upbeat corporate earnings. The S&P 500 and Nasdaq Composite each closed at **all-time highs on Friday**, capping a “perfect week” of consecutive record closes – a feat not seen since 2021. Major indexes posted solid weekly gains (around +1% to +1.5%), reflecting **buoyant market sentiment**. Investors have been eagerly rotating into equities: in June, broad U.S. stock ETFs saw **billions in inflows**, a vote of confidence in the market’s prospects. Measures of market volatility remained low (the VIX hovered in the mid-teens), and credit conditions stayed very easy. Notably, **high-yield bond spreads** tightened further to roughly **2.8 percentage points** over Treasurys – near multi-year lows – indicating that investors are demanding little extra yield to hold riskier corporate debt. Such tight spreads and strong equity flows underscore a **risk-on mood**: investors appear more focused on potential upside (like successful trade agreements and resilient earnings) than on downside risks. However, this heightened risk appetite could be tested if macro news deteriorates. For now, ample liquidity and commodity markets are suggesting broader risk-on trends. Copper is back to a positive trend relative to gold, and Ethereum is in a positive trend relative to Bitcoin. All signals suggest that risk-on sentiment is back. and the prospect of stable or lower interest rates have kept the **“fear factor” muted**. Overall, **financial market sentiment improved over the past week**, with rising stock prices and easy credit suggesting that investors remain confident in the economic outlook – albeit warily watching trade negotiations and Fed signals for any change in the narrative.

Inflation

U.S. inflation readings ticked up slightly but remained in a manageable range. The latest Consumer Price Index showed **headline inflation at 2.7%** year-over-year in June, up from 2.4% in May. Core inflation (excluding food and energy) ran about **2.9%** over the past year, indicating that underlying price growth is still a bit above the Federal Reserve's 2% comfort zone. In June, shelter costs and services contributed to the firm core inflation, while gasoline prices also rose modestly on the month. Even so, overall price pressures have **eased dramatically** from the peaks seen in 2022. Energy and commodity trends are actually helping to cap inflation – crude oil prices have been soft, with U.S. oil around **$65 per barrel** (WTI) as of week's end. That's roughly 15% lower than oil prices at the start of the year, translating into cheaper gasoline and transportation costs than a year ago. In fact, the government's energy price index was slightly negative year-on-year. Food prices are growing about 3% annually, a moderate pace. Looking ahead, **inflation expectations remain well anchored**. Market-based gauges like the 5-year TIPS breakeven rate hover around **2.4–2.5%**, implying that investors expect inflation to gradually settle near the Fed's target over the next few years. Similarly, consumer and business surveys show long-term inflation expectations in the low 2% range. In summary, inflation in mid-2025 is **running a bit above target but trending downward overall**. The slight uptick in June bears watching (especially with new import tariffs potentially pushing some prices up), but soft energy prices and anchored expectations suggest that **broader inflation pressures are contained**. If these trends continue, **inflation should slowly gravitate closer to 2%**, giving the Fed more breathing room in the future.

Policy

Monetary policy remains in a holding pattern as the Federal Reserve balances persistent inflation against emerging growth risks. The Fed did **not change interest rates** at its last meeting (in June), keeping the benchmark federal funds rate around the **4.25%–4.50%** range. Chair Jerome Powell emphasized that while the economy is "in a solid position" with low unemployment, **inflation is still running somewhat above** the 2% goal. In other words, the Fed is not yet convinced that price stability has been achieved, so officials are **staying cautious**. All eyes are now on the upcoming Fed meeting (July 29–30). Investors widely expect the Fed to **hold rates steady again** this week. In fact, Fed policymakers' own projections (the "dot plot" from June) suggest they anticipate only **two small rate cuts in total for 2025** – implying no urgent rush to ease policy. Fed officials have signaled they want to **see more progress on inflation** cooling back toward 2% before considering any significant rate reductions. At the same time, they acknowledge rising uncertainties. The central bank is carefully monitoring how the new **tariffs** and trade tensions might **add to inflation** or dampen growth. Should economic data worsen – for instance, if growth downshifts more than expected or financial conditions tighten – the Fed stands ready to adjust. Notably, bond markets are already pricing in some chance of relief: futures imply about a *60% probability* of a Fed **rate cut by September**, reflecting bets that slower growth could prompt the Fed to ease sooner. Powell, however, has struck a prudent tone, indicating the Fed will remain **"data dependent"**. For now, **policy is on pause**: the Fed is maintaining current rates and its quantitative tightening program, aiming to restrain inflation without choking off the expansion. Going forward, any clear evidence of fading inflation or economic weakness will increase the odds of a policy pivot. But as of the end of this week, the message to retail investors is that the Fed will likely **stay the course** in the near term – keeping rates high but steady – until it's confident that inflation is truly back under control and the economy can handle lower borrowing costs safely.

Sources: U.S. Bureau of Labor Statistics; Federal Reserve; Conference Board; Reuters; Investopedia; Advisor Perspectives; S&P Global; St. Louis Fed; KPMG analysis.

DISCLOSURES

WealthShield, LLC ("WS") is a registered investment adviser. Registration does not imply a certain level of skill or training. More information about WS including its advisory services and fee schedule can be found in Form ADV Part 2 which is available upon request. WS provides non-discretionary advisory services to other registered investment advisers and investment adviser representatives and does not provide advice to underlying clients of the firms and representatives to which it provides advisory services.

This is WS's current assessment of the market and may be changed without notice. The visuals shown are for illustrative purposes only and do not guarantee success or certain level of performance. This material contains projections, forecasts, estimates, beliefs and similar information ("forward looking information").Forward looking information is subject to inherent uncertainties and qualifications and is based on numerous assumptions, in each case whether or not identified herein. This information may be taken, in part, from external sources. We believe these external sources to be reliable, but no warranty is made as to accuracy.

This material is not financial advice or an offer to sell any product. Different types of investments involve varying degrees of risk and there can be no assurance that any specific investment will either be suitable or profitable for a client's investment portfolio. Economic factors, market conditions and investment strategies will affect the performance of any portfolio, and there are no assurances that it will match or outperform any benchmark. Investing in non-traditional and international investments involves additional risks that are not generally associated with investing in domestic equities.

The backtest simulation and associated performance figures provided are hypothetical. Performance figures do not include the deduction of advisory fees, brokerage or other commissions and any other expenses that a client would have paid or actually paid. The results do not represent the results of actual trading using client assets but were achieved by means of the retroactive application of a model that was designed with the benefit of hindsight. The results may not reflect the impact that any material market or economic factors might have had on the adviser's use of the back-tested model if the model had been used during the period to actually manage client assets. The results portrayed reflect the reinvestment of dividends and other earnings. Returns should not be considered indicative of the skill of the adviser. The hypothetical performance results do not relate to the type of advisory services currently offered by WealthShield.

Benchmarks: The index / indices used by WS have not been selected to represent an appropriate benchmark to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely recognized indices. Indices are not available for direct investment, are unmanaged and do not incur fees or expenses. Detailed information regarding the indices is available upon request. The volatility of the indices may be materially different than that of the portfolio.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. Not FDIC insured. All investment strategies have the potential for profit or loss. Historical data may use proxies to represent investments and asset classes. These proxies may have holdings and performance that vary from the investments or asset classes over time.

WEALTHSHIELD

Contact us

www.wealthshield.co

info@wealthshield.co

101 N Tryon St Suite 112
Charlotte, NC 28246