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On The Margin

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July 2025 Recap

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PRELUDE

On average, July is the hottest month of the year across most of the United States. The Dayton area is no exception to the rule, as 14 of the 20 highest intraday temperatures ever recorded in the area have occurred during the month. This July, while the highest intraday temperature measured at a mere 91 degrees, the combination of rain, heat, and resulting humidity kept our family indoors far more than we would have liked. Although July was unpleasantly hot and humid in the Dayton area, certain parts of the global financial market extended their own hot streak of sorts, which investors embraced. Specifically, U.S. equities continued to rise, with the S&P 500 achieving multiple new all-time highs during the month and the Russell 2000 also moving higher. International equities and bonds generated mixed results though, generally trailing their U.S. equity counterparts.

GLOBAL EQUITY

U.S. equities extended their winning streak for a third consecutive month in July, as several major indexes rose between +0.2% and +3.8%, cumulatively. The beginning of corporate earnings season and progress in global trade negotiations were among the highlights for investors during the month. Starting with corporate earnings, the reporting season kicked off on a positive note during July, as several major banks, including JPMorgan Chase, and consumer-facing companies posted better-than-expected revenues and profits.

TABLE 1: GLOBAL EQUITY	JUL	QTD	YTD	1 YR
Dow Jones Industrial Average	0.16	0.16	4.72	9.95
S&P 500 Index	2.24	2.24	8.59	16.33
Russell 2000	1.73	1.73	-0.08	
Russell 1000 Growth	3.78	3.78	10.10	23.75
Russell 1000 Value	0.57	0.57	6.61	8.79
MSCI ACWI USD	1.36	1.36	11.54	15.87
MSCI EAFE USD	-1.40	-1.40	17.77	12.77
MSCI EM USD	1.95	1.95	17.51	17.18
MSCI ACWI ex US USD	-0.29	-0.29	17.56	14.73

Source: Bloomberg, as of 7/31/2025. Past performance does not guarantee future returns.

Positive developments pertaining to global trade negotiations also propelled U.S. equities higher as the U.S. announced trade agreements with Vietnam, Japan, Indonesia, the Philippines, the European Union, and others. Additional details surrounding some of these agreements are forthcoming. At month's end, large cap growth stocks were among the best performers within the U.S. stock market for a third straight month, returning +3.8%. The Russell 1000 Growth has risen +20.1% since the start of May, as growth companies have rebounded sharply following their early-year struggles. Small cap stocks also generated positive returns during the month as the Russell 2000 rose +1.7%, outperforming large cap value stocks but lagging large cap growth stocks.

International markets generated mixed returns in July amid the U.S. Dollar strengthening relative to several other major currencies. Developed international markets, as represented by the MSCI EAFE Index, returned -1.4% for the month, breaking a streak of positive returns in prior months. European stocks were among the detractors from performance, as Novo Nordisk, one of the largest European companies in the EAFE index, fell -30.3% during the month following a disappointing earnings release. Emerging markets outpaced their developed market counterparts for a second straight month in July and generated positive returns for a seventh consecutive month, as the MSCI EM Index returned +2.0%. Similar to what investors saw in prior months, southeast Asian countries and companies led the way higher. Such companies included Taiwan Semiconductor Manufacturing Co, Tencent Holdings, Samsung Electronics Co, and Alibaba Group. While emerging markets have generated strongly positive returns over the first seven months of 2025, we are awaiting further developments related to trade terms between the U.S. and China. If negotiations end well, we expect emerging markets to maintain their gains from earlier in the year. However, if negotiations deteriorate, we think the asset class could experience additional volatility stemming from trade-related concerns.

FIXED INCOME

The U.S. Treasury yield curve shifted mostly higher during July, resulting in predominantly negative fixed income returns as the Bloomberg U.S. Aggregate fell -0.3%. Treasury yields rose across most of the curve amid the release of several better-than-expected economic datapoints related to service demand and retail sales.

TABLE 2: FIXED INCOME	JUL	QTD	YTD	1 YR
Bloomberg US Aggregate	-0.26	-0.26	3.75	3.38
Bloomberg 1-3 Yr Gov/Credit	-0.02	-0.02	2.90	4.68
Bloomberg Treasury 5-7 Yr	-0.47	-0.47	4.79	3.74
Bloomberg Investment Grade Corp	0.05	0.05	4.28	4.43
Bloomberg High Yield Corp	0.45	0.45	5.04	8.67
JPMorgan EMBI Global Diversified	1.27	1.27	6.98	9.32

Source: Bloomberg, as of 7/31/2025. Past performance does not guarantee future returns.

Separately, the Federal Reserve kept interest rates unchanged at its July meeting. However, two Federal Reserve governors, Michelle Bowman and Christopher Waller, voted against leaving interest rates unchanged, preferring to lower interest rates. The decision marks the first time two governors have dissented on a decision since 1993. Investors still expect the Federal Reserve to reduce interest rates one to two times before the end of 2025, with perhaps two or three more cuts coming in 2026. Outside of the Treasury market, investment grade and high yield corporate bonds moved modestly higher despite rising interest rates, outperforming Treasuries.

POSTLUDE

The second half of 2025 is officially underway and is off to a mixed start. A concern we have received from certain clients and prospects recently is about fear of investing when markets are at (or near) all-time highs. While we believe such a concern is valid, we thought that providing some additional context might be helpful, as markets are at or near all-time highs more often than some investors may realize. For example, through the first seven months of 2025, the S&P 500 has closed at new all-time highs 15 times, the first of which came on January 23rd. Since then, the S&P 500 has moved +3.7% higher, even with suffering a significant decline along the way from February through April. As markets have generally moved higher over the long term, each incremental step higher has represented a new all-time high at a particular point in time. In our view, it is important to note that an all-time high is oftentimes different than a peak. While we think it is normal to feel nervous about investing when markets are at or near all-time highs, we think there are other factors to consider before making investment decisions, including economic and corporate fundamentals, technical indicators, valuations beyond simple absolute price levels, and perhaps most importantly, long-term financial goals and strategies determined with your advisor. Stay cool out there and we look forward to connecting with you again towards the end of the summer.

Joe Nitting serves as the Director of Research for the Retirement & Investment Solutions practice of CBIZ, Inc. Joe leads the firm's research in both traditional and alternative asset classes, and he oversees the portfolio construction process for the firm's defined contribution, institutional advisory and wealth management businesses. Joe has a B.S. in Finance and Accounting from the University of Dayton. He began his career in investments at a boutique registered investment advisory firm in the greater Chicago area, focusing on traditional investments. He also served as an analyst for a registered investment advisory firm in the Cleveland area, where he specialized in alternative investments. Joe plays an important role in fostering a culture of collaboration and creativity within CBIZ while offering unique insights based on his experience across a wide spectrum of investment types.

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