Prime Capital FINANCIAL

MONTH IN REVIEW

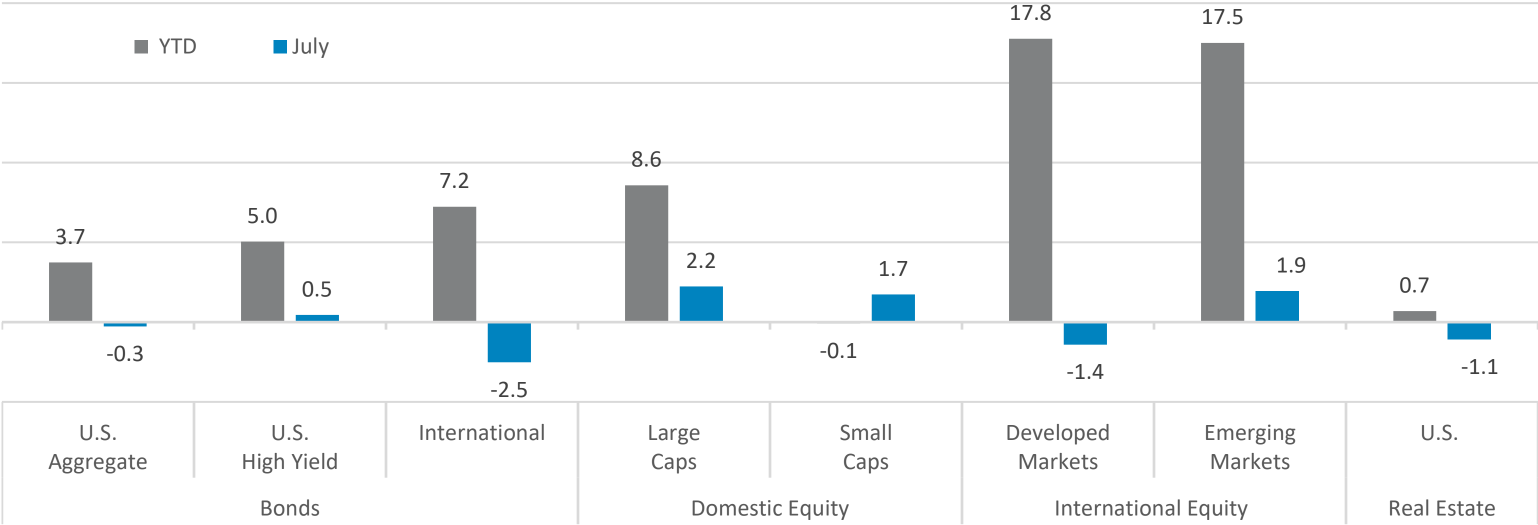
JULY 2025

Quick Takes

- **Stocks Rise.** U.S. stock indices were higher in July as agreements on trade, positive economic data and strong earnings boosted shares. The S&P 500 rose by 2.4% while the Nasdaq 100 rose 3.3% and the Magnificent 7 rose nearly 8%. The Dow Jones Industrial Average fell 0.7% in July.
- **Inflation and Interest Rates.** The 10Y treasury yield rose in July to 4.4% as President Trump signed his Megabill into law on July 4. The bill extends the 2017 tax cuts, introduces deductions for tips and overtime, cuts Medicaid, and boosts spending on the military and immigration enforcement.
- **Meme Stocks Rally.** July was a month of meme stock euphoria as retail traders increased bets on speculative stocks like Kohl's Corp. and Krispy Kreme Inc. These bets are often made because social media personalities promote the stocks. Here is our video on the topic.
- **Texas Flooding.** The Guadalupe River flooded in Kurr County, Texas as torrential rains caused the level of the river to rise sharply. Parts of the Hill Country, a rural area of about 20 counties west of Austin, were devastated with hundreds of residents killed or missing.

Asset Class Performance

Large caps outperformed small caps in July. U.S. stocks outperformed developed international stocks, as economic data and earnings boosted investor confidence. U.S. and emerging market equities were higher in July while bonds and real estate were generally lower.



Source: Bloomberg, as of July 7, 2025. Asset-class performance is presented by using total returns for an index proxy that best represents the respective broad asset class. U.S. Bonds (Barclays U.S. Aggregate Bond TR), U.S. High Yield (Barclays U.S. HY 2% Issuer-Capped TR), International Bonds (Barclays Global Aggregate ex USD TR), Large Caps (S&P 500 TR), Small Caps (Russell 2000 TR), Developed Markets (MSCI EAFE NR USD), Emerging Markets (MSCI EM NR USD), Real Estate (FTSE NAREIT All Equity REITS TR).

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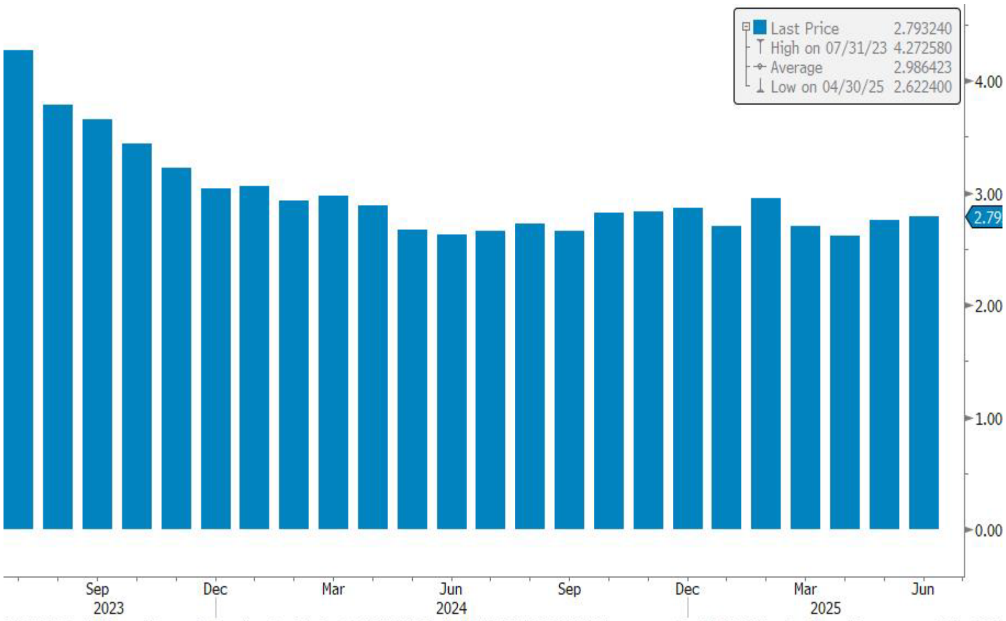
July 2025

Markets & Macroeconomics

The Fed held rates steady. Consumer confidence and inflation rose.

Core PCE Inflation YoY

Core PCE inflation rose slightly in July driven by core goods inflation



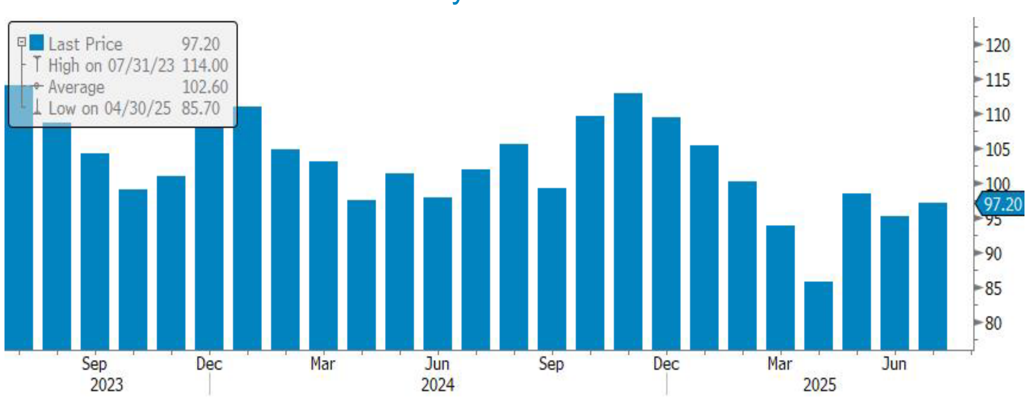
Source: Bloomberg, U.S. Census Bureau

Retail sales rose in June by 0.6% month-over-month, far exceeding consensus forecasts of a 0.1% bump as consumers spent more on a variety of goods and services including cars and car parts, food and beverage services, clothes, and building and garden materials. Consumers also indicated that they felt better about the economy in July than in June as both the Conference Board Consumer Confidence Index and the University of Michigan Consumer Sentiment Index rose from their May levels and came in ahead of expectations for the month. There were also positive sign in the manufacturing sector as durable goods orders and factory orders grew in line with expectations in May and industrial production grew in June by 0.3% month-over-month. Despite some positive trends in consumer data, July's labor and inflation releases were more mixed. Nonfarm payrolls grew in June by 147K jobs, which was ahead of the expected 106K positions and May's print of 139K, a solid clip. Initial jobless claims also fell throughout the month from 233K in the first week of the month to just 218K in the final week. Unemployment also fell during the month from 4.2% to 4.1%. Private payrolls, however, came in below expectations at 74K versus the forecasted 100K and May's print of 140K. Hiring in manufacturing was even weaker as the sector shed 7K jobs versus the 2K decline that economists had expected. This was after an 8K decline in May. The labor force participation rate also declined slightly from 62.4% in May to 62.3%. Job openings also declined from 7769K at the beginning of the month to 7437K at the end of the month. On the inflation side, June CPI rose to 2.7% from May's 2.4% on accelerating food, medical care, and household supplies prices. Core CPI and Core PCE also rose slightly from 2.8% to 2.9% and from 2.7% to 2.8% respectively. At their July 30 meeting, the FOMC decided to keep their policy rate at 4.25%-4.5% despite some committee members dissenting in favor of a 25-bps cut. The U.S. trade balance rose in May after falling sharply in April as tariff delays made imports more feasible for companies.

<u>Bottom Line</u>: The Fed continued to maintain its policy rate at its July meeting. Consumers spent more during the month and consumer sentiment readings improved. Despite the positive sentiment and spending growth, higher inflation and certain labor market data could create some challenges through the rest of 2025.

Conference Board Consumer Confidence

Consumer confidence rose in July



Source: Bloomberg, Department of Labor

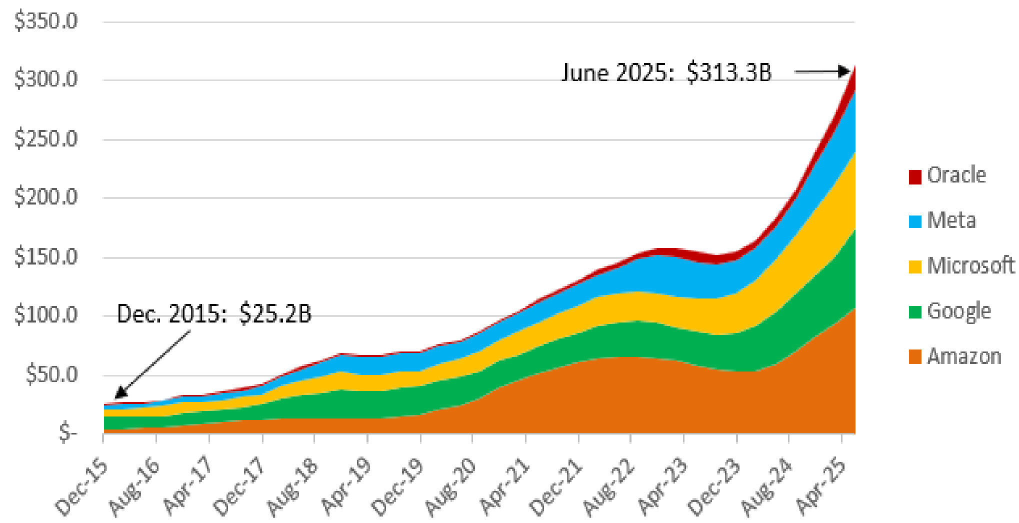
July 2025

What's Ahead

Big tech posts strong results while continuing to spend heavily on AI.

Trialing 12M Hyperscaler Capital Expenditure

Cloud companies continue to spend more on data centers and AI compute

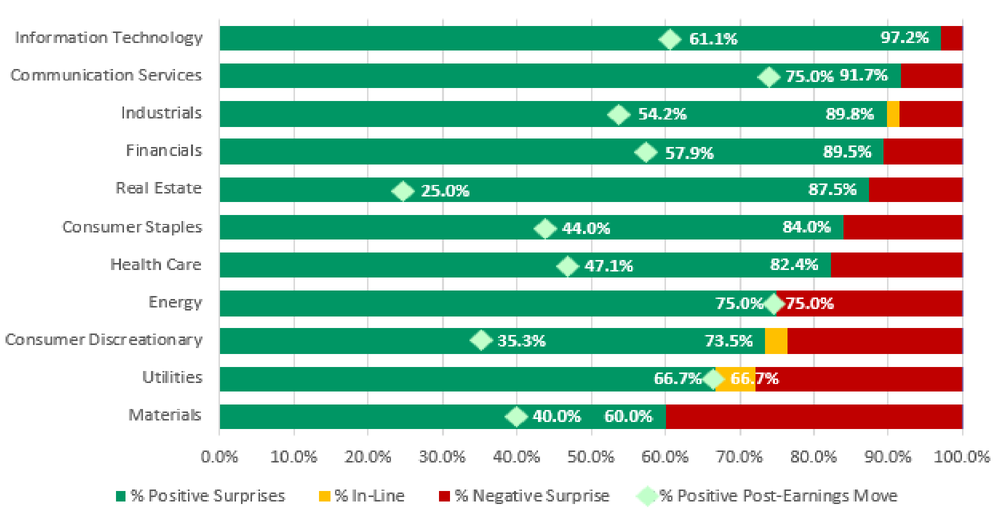


Source: Bloomberg

As concerns over headlines, economic data, and policy continue to occupy observers' minds, June and July provided equity investors with some clarity on what this means for companies' actual results. 322 companies in the S&P 500 index reported results in June and July, including six of the Magnificent 7. Google reported revenue and earnings that were ahead of consensus forecasts driven by strong performance across their digital advertising business, subscription services, and Google Cloud Services. Particularly interesting was the ~35x increase in the use of Gemini, Google's proprietary AI model, by enterprise customers. The company also indicated that AI features were also being used more by their advertising customers for ad generation. Google also increased its capital investment guidance from $75B in 2025 to $85B in another sign of just how much cloud service providers are willing to spend to take the lead in the AI race. Tesla reported results in the same afternoon and was the only one of the six companies in the Mag 7 that reported missed expectations. The company continues to face a variety of challenges as controversy surrounds CEO Elon Musk, recent budget legislation cut subsidies for electric vehicles (EVs), executives continue to leave the company, and competitors from Rivian to Chinese EV maker BYD continue to take market share. Telsa EV sales declined by 13.5% year-over-year in Q2 and deliveries declined by 13%. Microsoft and Meta reported strong results for the June quarter as Meta continued to see widespread adoption of its Llama AI models, purchases of its Meta Ray Ban smart glasses, and strong ad revenue generation from its apps. Microsoft reported higher-than-expected revenue in its cloud business. Both companies spent more on capex than analysts had forecasted. Meta increased the low end of its capital investment guidance for 2025, and Microsoft indicated that it would spend $30B in capex in Q1 of its current fiscal year, a 50% increase over last year's level. Meta and Microsoft shares both rose after they reported. Apple reported above-expected results on strong iPhone sales as consumers upgraded their devices during the quarter. Amazon reported positive overall results, but experienced weaker growth in AWS versus other cloud providers and gave a weak guide on Q3 operating income sending shares lower. Apple shares initially rose after the company reported, but then went lower. Investors will get more visibility on the health of the AI boom in August when chipmakers like Nvidia and AMD report results.

Earnings Surprises and Share Price Moves (6/1-7/31)

Tech stocks were most likely to beat EPS forecasts



Source: Bloomberg

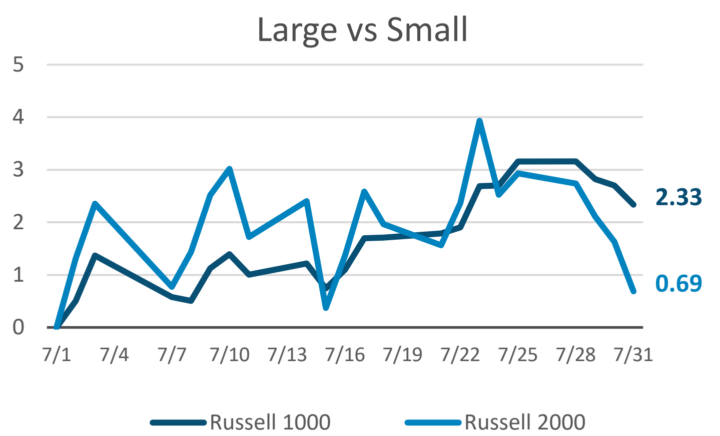
<u>Bottom Line</u>: Mag 7 earnings, outside of Tesla, remain strong despite policy concerns and a cooling labor market, boosting investor sentiment in July.

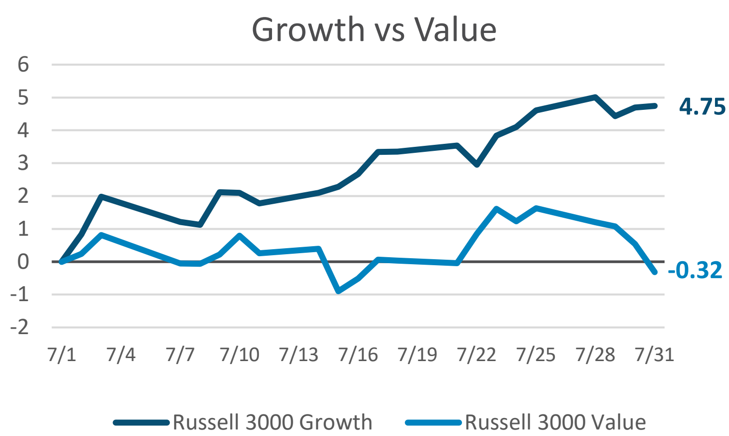
July 2025

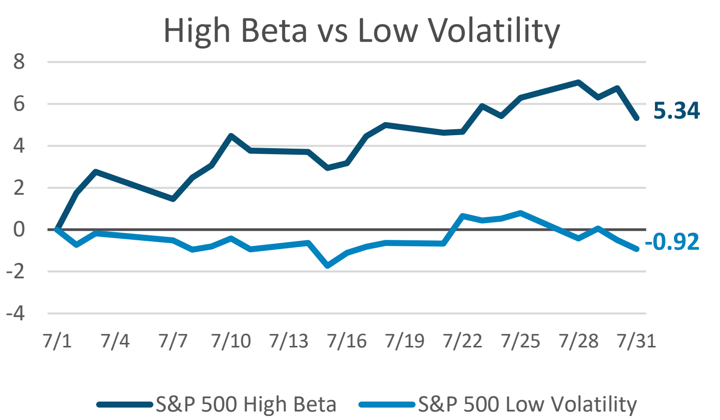
Equity Themes

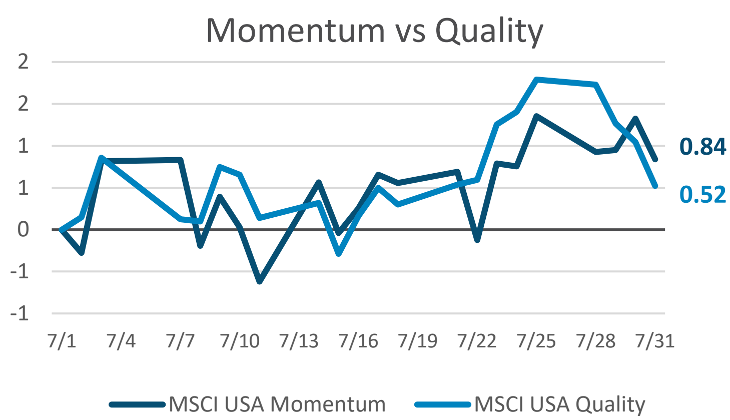
What Worked, What Didn't

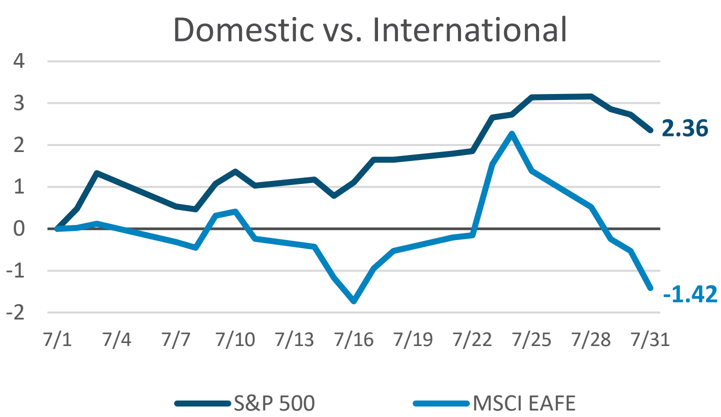
- **Large Outperformed Small while Growth Outperformed Value.** Market participants moved more into large caps and growth stocks in July into earnings season.
- **High Beta and Momentum Outperformed.** High beta outperformed low volatility and momentum outperformed quality in July as investors sought higher risk ahead of earnings and economic data releases.
- **Domestic Over International, Emerging Over Developed.** Domestic equities outperformed international stocks in July. Developed markets outperformed emerging markets during the month.

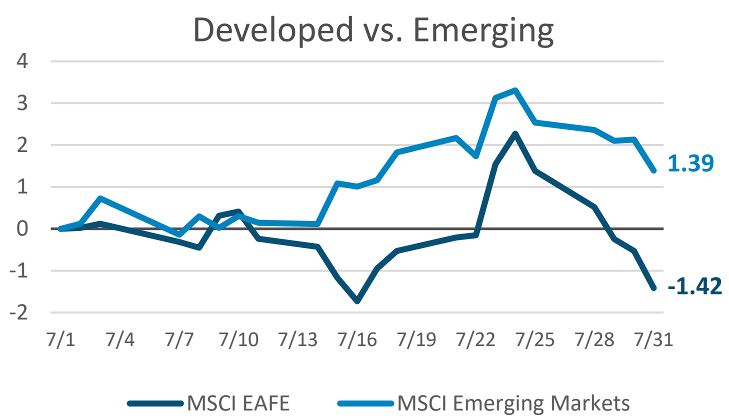












Source: Bloomberg.

July 2025

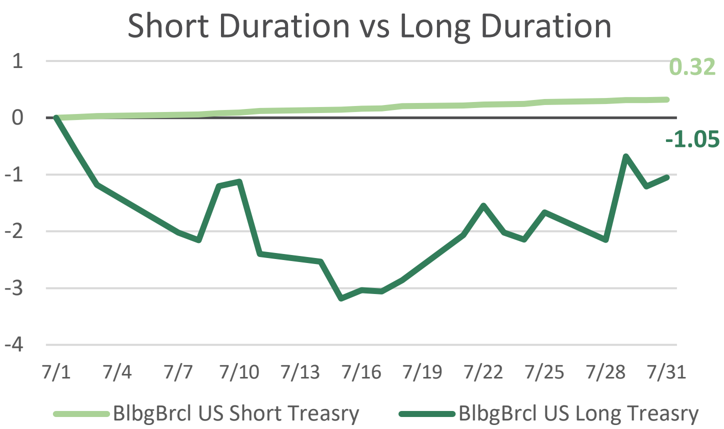
Bond Themes

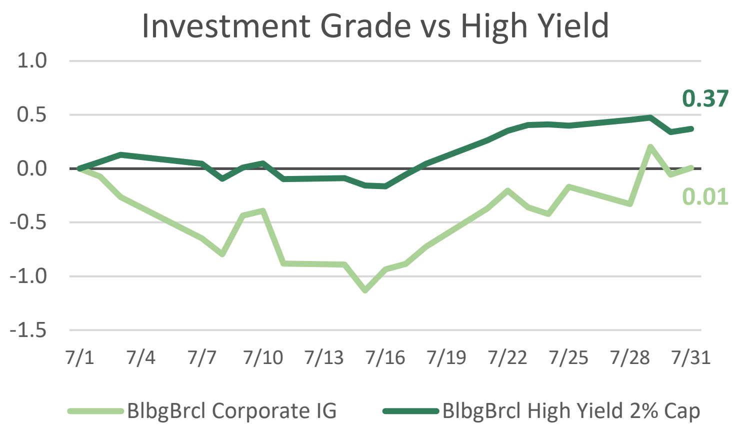
What Worked, What Didn't

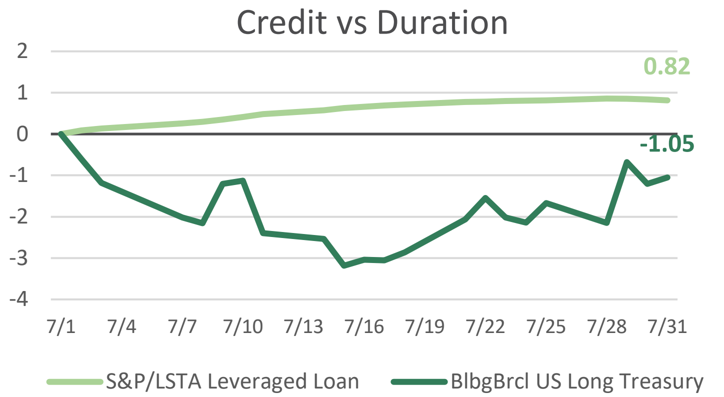
- **Short Duration Outperformed while High Yield Beat Investment Grade.** Short duration treasuries performed better in July outperforming long duration. High yield outperformed investment grade during the month.

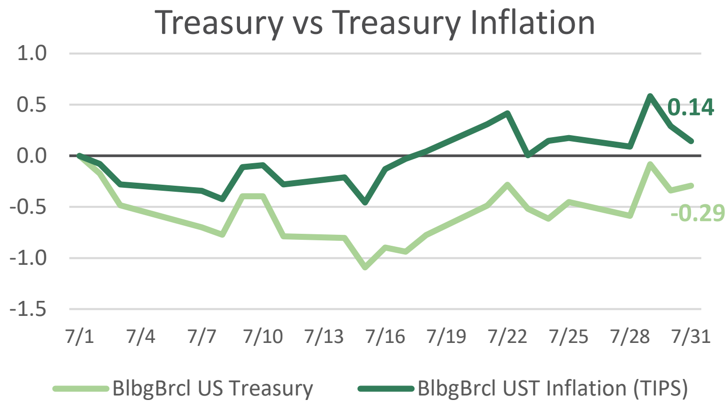
- **Credit Tops Duration while TIPS Beat Treasuries.** In July, credit outperformed duration while TIPS outperformed treasuries on elevated inflation data.

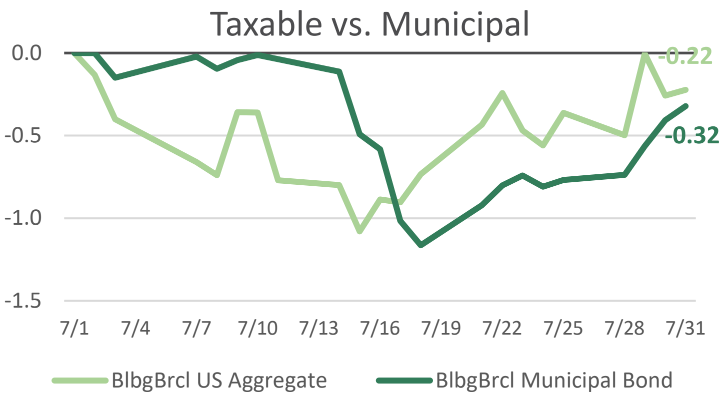
- **Taxable Beat Munis and International Outperforms Domestic.** Taxable bonds outperformed municipal bonds, while U.S. bonds significantly outperformed their international peers in July.

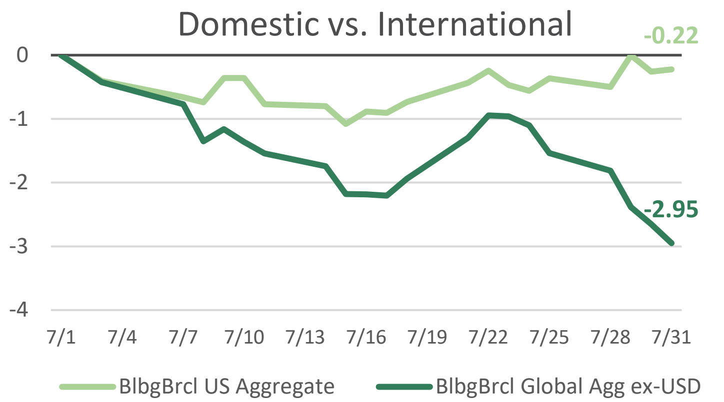












Source: Bloomberg.

July 2025

Asset Class Performance

The Importance of Diversification. From period to period there is no certainty what investment will be the best, or worst, performer. Diversification mitigates the risk of relying on any single investment and offers a host of long-term benefits, such as less portfolio volatility, improved risk-adjusted returns, and more effective compounding.

	Jul-01	Jul-02	Jul-03	Jul-07	Jul-08	Jul-09	Jul-10	Jul-11	Jul-14	Jul-15	Jul-16	Jul-17	Jul-18	Jul-21	Jul-22	Jul-23	Jul-24	Jul-25	Jul-28	Jul-29	Jul-30	Jul-31	Jul	YTD	
High	SCV 2.09	SCV 1.68	MCG 1.29	MCG -0.33	SCV 0.92	SCG 1.32	SCV 0.92	RE -0.04	MCG 1.05	EM 0.72	SCG 1.31	SCG 1.39	MCG 0.58	EM 0.65	RE 1.79	IEQ 2.49	LCG 0.29	MCG 1.09	LCG 0.35	RE 1.70	MCG 0.64	IBD 0.25	LCG 5.07	IEQ 19.89	High
	MCV 1.22	SCG 1.16	SCG 1.22	HYB -0.34	IEQ 0.73	LCG 0.92	MCV 0.76	HYB -0.12	SCG 0.93	LCG 0.23	RE 0.99	SCV 1.11	RE 0.30	IBD 0.63	MCV 1.52	SCG 1.77	USB -0.06	MCV 0.50	MCG 0.04	USB 0.54	SCG 0.33	HYB 0.06	MCG 3.40	EM 18.77	
	LCV 0.93	LCG 0.81	LCG 1.12	USB -0.36	EM 0.62	SCV 0.77	LCV 0.55	LCG -0.27	RE 0.60	USB -0.30	SCV 0.64	MCG 1.00	MCV 0.20	IEQ 0.53	SCV 1.49	SCV 1.23	HYB -0.12	LCG 0.46	SCG -0.03	HYB 0.06	LCG 0.25	USB 0.05	SCG 3.05	IBD 13.66	
	RE 0.71	MCV 0.59	SCV 0.73	IBD -0.37	SCG 0.46	IEQ 0.75	RE 0.54	EM -0.33	LCG 0.31	HYB -0.30	MCG 0.61	MCV 0.98	USB 0.18	RE 0.28	IBD 1.15	EM 1.01	RE -0.26	SCG 0.42	HYB -0.05	60/40 0.06	HYB -0.21	LCG 0.04	SCV 2.69	MCG 11.86	
	EM 0.19	EM 0.43	LCV 0.52	LCG -0.70	MCV 0.36	MCG 0.61	EM 0.27	IBD -0.37	SCV 0.28	60/40 -0.60	MCV 0.53	LCG 0.71	HYB 0.14	USB 0.28	LCV 0.85	MCG 0.97	60/40 -0.32	LCV 0.38	USB -0.13	EM 0.04	USB -0.28	60/40 -0.42	MCV 2.12	60/40 9.76	
	IBD 0.08	MCG 0.39	EM 0.45	60/40 -0.71	60/40 0.16	60/40 0.47	SCG 0.11	USB -0.42	MCV 0.22	IBD -0.69	EM 0.47	LCV 0.61	IBD 0.13	LCG 0.26	IEQ 0.55	LCG 0.91	LCV -0.36	60/40 0.17	SCV -0.14	MCV 0.02	60/40 -0.43	EM -0.57	EM 1.76	LCG 9.57	
	60/40 0.02	IEQ 0.29	MCV 0.30	LCV -0.78	IBD 0.00	USB 0.42	60/40 0.07	LCV -0.53	LCV 0.17	MCG -0.96	IBD 0.47	EM 0.57	60/40 0.00	60/40 0.23	60/40 0.40	LCV 0.77	MCG -0.42	USB 0.16	LCV -0.44	LCV -0.08	LCV -0.49	MCV -0.66	LCV 1.11	LCV 7.91	
	USB -0.09	RE 0.28	60/40 0.25	RE -0.81	USB -0.04	MCV 0.39	LCG -0.03	60/40 -0.55	60/40 0.15	IEQ -1.05	IEQ 0.41	60/40 0.35	LCG -0.04	HYB 0.14	USB 0.19	60/40 0.74	IBD -0.46	SCV 0.15	60/40 -0.52	IEQ -0.20	IEQ -0.72	MCG -0.70	60/40 0.89	MCV 6.41	
	HYB -0.12	60/40 0.25	RE 0.09	MCV -0.82	LCG -0.08	LCV 0.28	USB -0.03	MCV -0.75	EM 0.15	LCV -1.27	60/40 0.37	IEQ 0.26	LCV -0.07	SCV -0.02	SCG 0.19	MCV 0.59	EM -0.54	HYB 0.06	MCV -0.56	IBD -0.28	EM -0.73	LCV -0.84	RE 0.68	RE 5.95	
	IEQ -0.17	HYB 0.19	HYB 0.06	IEQ -1.08	LCV -0.08	HYB 0.28	IEQ -0.07	IEQ -0.96	HYB 0.08	RE -1.42	LCV 0.36	HYB 0.10	EM -0.22	LCV -0.03	HYB 0.17	RE 0.23	MCV -0.55	RE -0.02	EM -0.67	LCG -0.52	MCV -0.85	SCG -0.94	HYB 0.35	HYB 5.33	
	SCG -0.22	LCV 0.18	IEQ 0.02	EM -1.42	RE -0.11	RE 0.11	HYB -0.10	SCV -1.03	IBD 0.03	SCG -1.47	LCG 0.35	USB 0.04	IEQ -0.28	MCV -0.52	MCG 0.11	HYB 0.05	IEQ -0.74	IBD -0.06	IBD -1.11	MCG -0.59	IBD -1.26	IEQ -1.07	IEQ 0.06	USB 4.02	
	MCG -0.72	USB -0.12	IBD 0.00	SCG -1.46	HYB -0.14	IBD -0.03	IBD -0.37	MCG -1.07	IEQ 0.00	MCV -1.61	HYB 0.26	RE -0.14	SCV -0.60	MCG -0.57	EM 0.06	USB -0.22	SCG -1.14	IEQ -0.12	IEQ -1.61	SCV -0.67	SCV -1.28	SCV -1.11	USB -0.48	SCG 1.70	
Low	LCG -1.05	IBD -0.25	USB -0.20	SCV -1.54	MCG -0.49	EM -0.17	MCG -0.49	SCG -1.57	USB -0.01	SCV -2.39	USB 0.14	IBD -0.31	SCG -0.71	SCG -0.78	LCG -0.63	IBD -0.25	SCV -1.44	EM -0.30	RE -1.69	SCG -0.67	RE -1.44	RE -1.48	IBD -1.87	SCV 0.85	Low

Legend

60/40 Allocation (60/40)	Large Growth (LCG)	Mid Growth (MCG)	Small Growth (SCG)	Intl Equity (IEQ)	U.S. Bonds (USB)
	Large Value (LCV)	Mid Value (MCV)	Small Value (SCV)	Emg Markets (EM)	High Yield Bond (HYB)

Intl Bonds (IBD)	Real Estate (RE)

Source: Sources for this market commentary derived from Bloomberg. Asset-class performance is presented by using market returns from an exchange-traded fund (ETF) proxy that best represents its respective broad asset class. Returns shown are net of fund fees for and do not necessarily represent performance of specific mutual funds and/or exchange-traded funds recommended by the Prime Capital Financial. The performance of those funds in July may be substantially different than the performance of the broad asset classes and to proxy ETFs represented here. U.S. Bonds (iShares Core U.S. Aggregate Bond ETF); High-Yield Bond (iShares iBoxx $ High Yield Corporate Bond ETF); Intl Bonds (SPDR® Bloomberg Barclays International Corporate Bond ETF); Large Growth (iShares Russell 1000 Growth ETF); Large Value (iShares Russell 1000 Value ETF); Mid Growth (iShares Russell Mid-Cap Growth ETF); Mid Value (iShares Russell Mid-Cap Value ETF); Small Growth (iShares Russell 2000 Growth ETF); Small Value (iShares Russell 2000 Value ETF); Intl Equity (iShares MSCI EAFE ETF); Emg Markets (iShares MSCI Emerging Markets ETF); and Real Estate (iShares U.S. Real Estate ETF). The return displayed as “Allocation” is a weighted average of the ETF proxies shown as represented by: 30% U.S. Bonds, 5% International Bonds, 5% High Yield Bonds, 10% Large Growth, 10% Large Value, 4% Mid Growth, 4% Mid Value, 2% Small Growth, 2% Small Value, 18% International Stock, 7% Emerging Markets, 3% Real Estate. 080223006 - MAH