Old Second WEALTH MANAGEMENT | RIVERSTREET ADVISORS, LLC

**Monthly Mosaic |** July 9, 2025

# Perspective

Though International stocks maintained leadership through the first half of the year we hardly believe this is a shift away from U.S. markets. In fact, U.S. markets rallied in June, erasing previous losses and marking new highs on both the S&P 500 Index and the Nasdaq-100 Index. This return of market strength for U.S. stocks counters investors' negative sentiment on the potential impact from the U.S. Tariff policy along with the Fed's "wait and see" approach to future interest rate cuts. Despite the policy shifts from the new administration; it appears the markets have settled and the Volatility Index has "normalized" despite the geopolitical events in the Middle East.

While the "de-dollarization" theme seemed to gain credibility during the U.S. pull-back; the strength of foreign markets was highly correlated with weakness of the U.S. dollar as the dollar dropped by almost 12% during the first half of the year. Coincidently, that was the difference in returns for the S&P 500 Index vs. the MSCI EAFE Index over that time. It appears the dollar weakness was largely related to the U.S. debt ceiling as the Treasury depleted cash on the balance sheet. While still too soon to tell, the recent passage of the spending bill by Congress and increasing the $36.1 trillion debt ceiling by an additional $5 trillion dollars has averted a default and extended the runway for the U.S fiscal policy. As the Treasury restores their cash position, we anticipate the U.S. dollar to stabilize in the second half of the year.

With the passage of the bill, extending and making permanent many provisions of the 2017 Tax Cut and Jobs Act (TCJA), we expect the administration to continue their aggressive implementation of their initiatives. President Trump has already communicated his opinion on the Fed's approach calling Powell "Too Late". It appears the administration will pursue approval of a Fed Chair nomination prior to the end of Powell's current term which ends in May of 2026. We also expect a stronger focus on reducing regulation. It has been estimated the regulation imposed under the previous administration has cost the U.S. 6.5% of GDP. A softer approach to regulation would be more favorable for deploying capital for investment.

While current sentiment has shifted toward the positive, we remain cautiously optimistic. There does appear to be some softness in employment numbers and inflation appears to be in-line with expectations. Any easing by the Fed would be timely and received well by the markets, but maintaining their current stance would be a head-wind to economic expansion. While the framework has been set for a more pro-business environment with Trump's signing of the "One Big Beautiful Bill Act", much of the heavy lifting has yet to be done. It will be important to see how aggressive Congress is addressing necessary spending cuts later this quarter. A rebound for Q2 GDP is anticipated and we continue to follow earnings reports for broader perspective on the economy and confirmation of continued growth we saw last quarter.

# Monthly Recap

- After Elon's departure from the Department of Government Efficiency (DOGE), Elon started a series of post critiquing The Big Beautiful Bill, as it made its way through the House of Representatives. The Big Beautiful Bill, which was affectionately named by President Trump has been a major point of emphasis for Trump touting how it was able to fulfill most of his campaign promises. Elon's criticism appears to be a clear parting of ways for the two previous "friends'.

- Tensions in the Middle East intensified as Israel launched "preemptive" strikes against nuclear facilities and military sites in Iran. Iran responded by launching over 100 drones at Israel overnight, leading Israel to declare a state of emergency. Israeli Prime Minister Benjamin Netanyahu announced the launch of Operation Rising Lion, which he said was a targeted operation to "roll back the Iranian threat to Israel's very survival." Conversely, Iran's supreme leader Ayatollah Khamenei warned of further retaliation, saying Israel "has prepared for itself a bitter, painful fate."

- The Federal Reserve held one of their eight annual meetings where they decide monetary policy. This meeting as expected was rather uneventful. The Federal Reserve did not change the Federal Funds Rate, which currently sits at 4.25%-4.50%. Federal Reserve Chair Jerome Powell in his commentary after the meeting stated, "The U.S. economy has defied all kinds of forecasts for it to weaken, really over the last three years, and it's been remarkable to see … again and again when people think it's going to weaken out. Eventually it will, but we don't see signs of that now."

- The United States carried out a strike against Iran's nuclear program attacking three key uranium enrichment facilities in Natanz, Fordow, and Esfahan. Iran launched a symbolic response which was telegraphed and the missiles were neutralized. After the response, President Trump reported "that no Americans were harmed, and hardly any damage was done …" The President went on in the same post to call for peace negotiations between Iran and Israel.

- President Trump's One Big Beautiful Bill (OBBB) has cleared its last major hurdle as it was passed through the House of Representatives Friday by a vote of 218-214 and to Trump's desk for signing on his July 4th target 'deadline'. The OBBB ensures that personal and corporate tax rates don't revert back to their pre-2017 levels, increases the State and Local Tax (SALT) deduction from $10,000 to $40,000 until 2029 and allows for businesses to immediately deduct the full cost of capital investment.

# Markets

| | Total Return as of: 6/30/2025 | | |
|---|---|---|---|
| Market Indices | MTD % | YTD % | 1-Year % |
| S&P 500 Index | 5.08% | 6.20% | 15.14% |
| NASDAQ Composite | 6.34% | 8.35% | 16.10% |
| Russell 2000 Index | 5.43% | -1.79% | 7.66% |
| MSCI EAFE Index | 2.20% | 19.45% | 17.73% |
| MSCI Emerging Markets | 6.01% | 15.27% | 15.29% |
| BBG US Aggregate Bond | 1.54% | 4.02% | 6.08% |
| WTI Crude Oil | 7.11% | -9.22% | -20.15% |
| Gold | 0.42% | 25.86% | 41.96% |

# Interest Rates

| | Close 6/30 | Prior Month | Year Ago |
|---|---|---|---|
| Fed Funds Target | 4.50% | 4.50% | 5.50% |
| 6-Month US Treasury | 4.25% | 4.32% | 5.33% |
| 2-Year US Treasury | 3.72% | 3.90% | 4.76% |
| 10-Year US Treasury | 4.23% | 4.40% | 4.66% |

## *The Month Ahead*

**JULY 3RD**
**Bureau of Labor Statistics - Jobs Report (Unemployment 4.1%)**

**JULY 15TH**
**Consumer Price Index Report**

**JULY 18TH**
**U.S. Census Bureau - Housing Starts**

**JULY 21ST**
**Conference Board - Leading Indicators**

**JULY 30TH**
**Bureau of Economic Analysis - Q2 GDP**
**FMOC Rate Decision**

**JULY 31ST**
**Personal Consumption Expenditure Price Index**

# Questions?

Your Wealth Management team is here to answer.


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