

Trade Negotiations Fuel Upward Momentum

Markets extended their summer rally last week as trade progress accelerated and economic data continued to surprise to the upside.

While markets often experience lighter trading volumes in July and August, a wave of legislative breakthroughs, high-profile earnings reports and macro policy shifts are shaping this typically subdued season into one of the most eventful stretches of the year so far. As a result, this summer's gains feel more like a response to meaningful catalysts than seasonal drift.

One of the most visible drivers of that momentum is trade. A series of bilateral agreements—first with Japan, Indonesia and the Philippines, and more recently with the

European Union—lifted sentiment. A possible extension of the trade deadline with China may also reduce the risk of a near-term shock scenario. U.S. and Chinese officials met in Stockholm this week, and while the tariff truce remains intact, future developments—ultimately subject to White House approval—could shape expectations heading into August.

Even with the recent string of trade wins, negotiations with China remain the most delicate and consequential. The sheer scale of the \$295 billion-a-year trade imbalance highlights the complexity of reaching a comprehensive agreement—one that may take several more months to materialize. Still, improving dialogue and ongoing diplomatic engagement are contributing to a more stable environment for global markets, even as final decisions remain politically charged.

Last week's performance reflected this optimism. Global equities advanced 1.4%, bolstered by strong gains in international markets, which rose 1.9%. Driving those returns, international value stocks gained 2.7%, while international growth and emerging markets added 1.2% and 0.7%, respectively. In the U.S., equities climbed 1.5% higher, led by large-cap value slightly outpacing large-cap growth. In the small-cap segment, value again led the way—rising 1.4% versus a 0.5% gain for growth.

Bonds delivered modest gains for the week, with municipal and taxable bonds each rising approximately 0.4%. While this week's municipal performance was a welcome shift from recent softness, the asset class remains slightly negative year-to-date. Earlier challenges—ranging from seasonal tax-related outflows, heavy new issuance and broader liquidity concerns—weighed on returns, though

Performance Monitor*		As of July 25, 2025	
Asset Class	1 Week (%)	Year-to-Date (%)	
U.S. Equities	1.47	9.42	
U.S. Large Cap Value	1.60	8.64	
U.S. Large Cap Growth	1.25	9.89	
U.S. Small Cap Value	1.41	1.76	
U.S. Small Cap Growth	0.51	2.49	
Global Equities	1.44	12.93	
International Equities	1.92	21.12	
Intl. Value	2.70	26.18	
Intl. Growth	1.16	16.10	
Emerging Markets	0.70	18.85	
Municipal Bonds	0.40	(0.99)	
Taxable Bonds	0.37	3.60	

the worst of those pressures subsided. Longer-term municipals continue to offer compelling value, trading near 97% of comparable Treasury yields, well above historical norms, and offer taxable-equivalent yields approaching, in some cases, as much as 8.3%. For long-term investors, municipals are still a meaningful source of tax-advantaged income in diversified portfolios.

Beyond asset class performance, relative leadership within the equity markets remains a key point of interest. The tug-of-war between growth and value continues, with both styles showing meaningful progress but diverging sector participation. Year-to-date, growth stocks are up 10%, edging past value's 9% gain. However, since their April lows, growth equities soared 36% thanks largely to continued and renewed excitement around artificial intelligence (AI), while value gained a still impressive 21%.

Similar strength can be seen in the broadening of earnings outperformance beyond the tech sector. As shown in **Figure 1**, value-oriented sectors—Industrials, Financials, Health Care, Consumer Staples, Energy and Utilities—delivered an average Q2 earnings beat rate of 79%. The shift away from concentrated, tech-driven earnings marks a potential turn toward broader market leadership—one that could reduce overreliance on a handful of firms and create more opportunity for diversified portfolios.

Broader participation comes at an important juncture. With markets already absorbing a steady stream of headlines this summer, the foundation for this week's busy calendar has been building steadily. Recent data—including a new 2025 high in services activity, stronger-than-expected durable goods orders and a steady decline in jobless claims—suggests the economy may be regaining momentum.

In light of recent economic data, the Federal Reserve held interest rates steady at this week's Federal Open Market Committee (FOMC) meeting. Still, market pricing has shifted notably in recent weeks. One month ago, 91% of market participants expected rate cuts in 2025. Today, that figure is down to 62%. This growing recognition that higher-for-longer may persist serves as important context for portfolio positioning. Sustained higher rates can weigh on stock valuations, pressure long-term bonds, and increase the appeal of short-term income strategies, making it essential to align portfolios balancing both today's yield environment and long-term growth goals.

FIGURE 1



Data as of 7/28/25. Source: Aspiriant analysis. Data from Bloomberg. Of the S&P 500's 498 eligible companies, 178 (36%) have reported results. Percentage shown reflects the share of those reporters whose actual earnings per share exceeded consensus analyst estimates.

While geopolitical risks and other external factors may move markets, portfolios are thoughtfully constructed to weather volatility and remain resilient through potential drawdowns. As always, we'll continue monitoring developments and sharing insights to help you stay focused on what matters most.

If you missed our **Summer 2025 Webinar**, watch the full recording here for a deeper dive into the macro, market and policy developments shaping today's environment.

Disclosures: Source: Aspiriant analysis, data from Morningstar, Bloomberg, and the Federal Reserve Economic Database (FRED).

*U.S. Equities represented by the S&P 500 Index; a market-capitalization-weighted index that includes the 500 most widely held companies chosen with respect to market size, liquidity and industry. U.S. Large Cap Growth and Value Equities represented by the Russell 1000 Growth and Value Indexes; free float-adjusted market capitalization indexes that are designed to track large cap U.S. companies with either Value (lower price-to-book ratios and lower forecasted growth ratios) or Growth (higher price-to-book ratios and higher forecasted growth ratios) characteristics. U.S. Small Cap represented by the Russell 2000 Index, which measures the performance of the small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. U.S. Small Cap Growth and Value represented by the Russell 2000 Growth and Value Indices, which measures the performance of the small-cap growth and value segments of the U.S. equity universe. Global Equities represented by the MSCI ACWI Index; a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of 23 developed and 26 emerging markets, including the United States. International Equities represented by the MSCI EAFE (Europe, Australasia, and Far East) Index; a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets excluding the U.S. and Canada. International Large Growth and Value represented by the MSCI EAFE Growth and Value Indexes (Europe, Australasia, and Far East); free float-adjusted market capitalization indexes that are designed to measure the equity market performance of large and mid-cap developed markets exhibiting overall growth and value style characteristics, excluding the U.S. and Canada. Emerging Market Equities represented by the MSCI Emerging Market Index; a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. Municipal Bonds represented by the Bloomberg Municipal Bond Index; an unmanaged index considered representative of the tax-exempt bond market. It consists of a broad selection of investment grade general obligation and revenue bonds of maturities ranging from one year to 17 years. Taxable Bonds represented by the Bloomberg U.S. Aggregate Bond Index; a broad-based benchmark measuring investment grade, U.S. dollar-denominated, fixed-rate taxable bonds. No single index represents a benchmark for a globally diversified portfolio.

*The volatility of an index may be materially different than that of a model. Index returns assume the reinvestment of dividends and capital gains.

**A "taxable-equivalent yield" is calculated by dividing a federally non-taxable yield by the bond holder's marginal federal tax rate. For example, for a bond holder with a 40% marginal federal tax rate, a municipal bond's yield 5.0% would be divided by 1 minus 40% = approximately 8.3%.

***In aggregate, companies tend to lower their earnings expectations as "quarterly earnings seasons" approach. As a result, it becomes more likely that companies will beat their downward-revised earnings expectations. That tendency helps explain, at least in part, why approximately 75% of companies have reported better-than-expected earnings over the past decade.

