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3 BIG THINGS

1

Kids weren't the only ones out for summer in July. The market took a break from heightened volatility and had a very mundane month. There was no single day move of more than 1% in either a positive or negative direction. This was the first time in 2 years dating back to July of 2023, maybe there is something to summer vacation in the markets!

2

The narrative of US exceptionalism returned in July with US markets far outpacing international. This was in part due to a strong US dollar in currency markets. The passage of the tax bill as well as further progress in trade negotiations took away some of the earlier risks seen in US markets. The end of July also saw companies earnings for the second quarter come in rather strong. Put all these things together and US stocks advanced over 2% in the month to fresh all time highs.

3

While the above developments led to gains in the stock market some of the same things put pressure on bonds. The final version of the tax bill shows large government deficits into the future which led to higher interest rates and lower bond prices. There was a hope that this administration would be more fiscally responsible, but that has not come to fruition. Both parties seem more than happy to spend and there is a growing risk that the pace at which the deficit is growing is unsustainable. One thing that may catch politicians attentions is if fixed income investors refuse to buy US government bonds leading to substantially higher yields and other impacts such as higher mortgage rates and even less affordable housing.

Quote of the month: "Compound interest is the eighth wonder of the world. He who understands it, earns it... he who doesn't, pays it." - Albert Einstein

MARKET QUICKTAKES

ECONOMIC INSIGHTS IN A NUTSHELL

The unemployment rate remained at 4.2% for the fourth consecutive month, but there was some weakness in the employment report. Only 73k jobs were added which was less than most estimates. This put pressure on equities the last day of the month when the data was released. Inflation increased slightly during the month adding some stress to markets that tariffs could continue to cause stickier inflation than the Fed would like to see. This may have been a large part of the reason the Fed stayed put on their interest rate at the July meeting. GDP for the second quarter was released and saw a 3% gain, bouncing back from the decline in growth we saw during Q1. As mentioned in the last newsletter this was more of a technicality due to companies trying to front run tariffs. All things considered the economy seems to be on steady footing.

STOCKS

US markets continued to new all time highs throughout July. Tech stocks led the way as a couple of the Mag 7 stocks had large returns during the month. Homebuilders and Banks also saw solid gains. Small company stocks advanced during the month, but continued to lag their larger counterparts. The leader on the year to this point, developed market equities outside of the US were the worst performers in July. A strong dollar as well as what was seen as difficult trade terms for the Eurozone weighed on the space.

FIXED INCOME

Interest rates rose throughout July. Early in the year the expectation was that rate cuts would have begun by July, but at the meeting Chairman Powell shared that the committee was continuing to hold rates at current levels for the time being. While treasuries suffered losses, more risky sectors of fixed income saw gains as markets continue to shake off the plethora of risks that are out there. For the year, one of the best performing asset classes is emerging market local currency bonds up nearly 11%!

COMMODITIES

Gold advanced early in the month only to retreat and finish the month at a loss. Oil bounced back from a volatile June to gain 4% throughout the month. Despite higher oil prices, the average price of gasoline actually dropped \$0.04 over July. This provided some relief for consumers doing Summer roadtrips this year.

VIEWS FROM MARKET STRATEGISTS

With all the headlines around the tariffs seeing the actual data can be helpful. For the last 50 years, the effective tariffs rates has been below 5% here in the US. With the delays in enacting tariffs so far YTD the rate has been 4.7%, but that is set to dramatically change in the coming weeks. If things do not change from what has been announced as of the end of July that rate will be nearly 20%. That is a level we haven't seen back to 1932. What does this mean for markets? A couple of things, the 20% rate is drastically lower than the rate announced in April. That worse case scenario not being a reality has been a boost to markets over the three months. At the same time there will be significant headwinds if rates remain at the 20% level. The risk of inflation will be elevated and if companies choose to take on the tariffs it will lead to margin compression and likely a weakening employment picture as companies look to cut costs in payroll to offset the added cost.

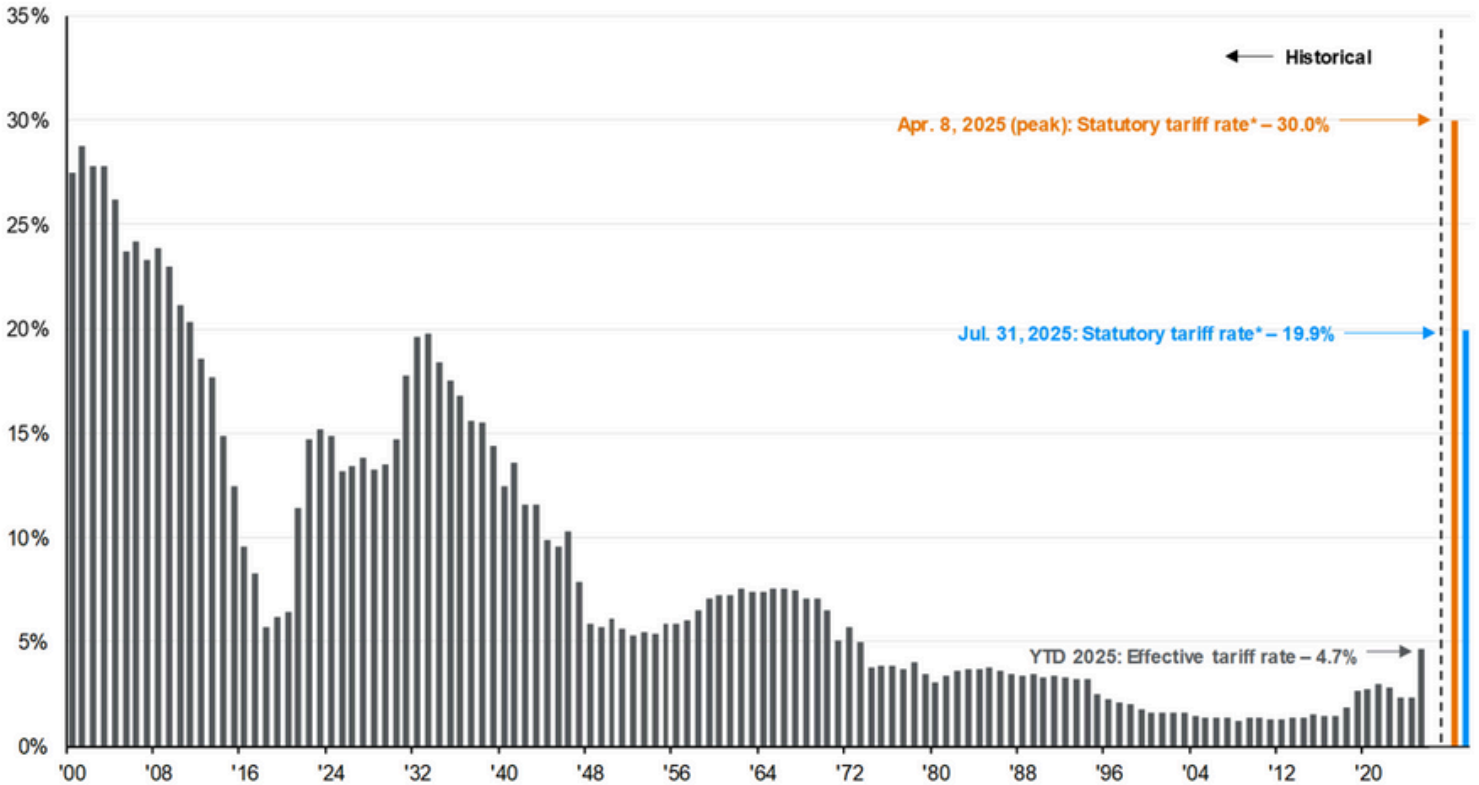


Tariffs on U.S. imports

GTM U.S. 29

Average tariff rate on U.S. goods imports for consumption

Duties collected / value of total goods imports for consumption



Source: Goldman Sachs Investment Research, United States International Trade Commission, J.P. Morgan Asset Management. For illustrative purposes only. The estimated weighted average U.S. tariff rate includes the latest tariff announcements. Estimates about which goods are USMCA compliant come from Goldman Sachs Investment Research. Imports for consumption: goods brought into a country for direct use or sale in the domestic market. The estimate does not consider non-tariff barriers, such as value-added taxes. *Figures are based on 2024 import levels and assume no change in demand due to tariff increases. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. Guide to the Markets - U.S. Data are as of July 31, 2025.

J.P.Morgan
ASSET MANAGEMENT

EVERGREEN REMINDERS

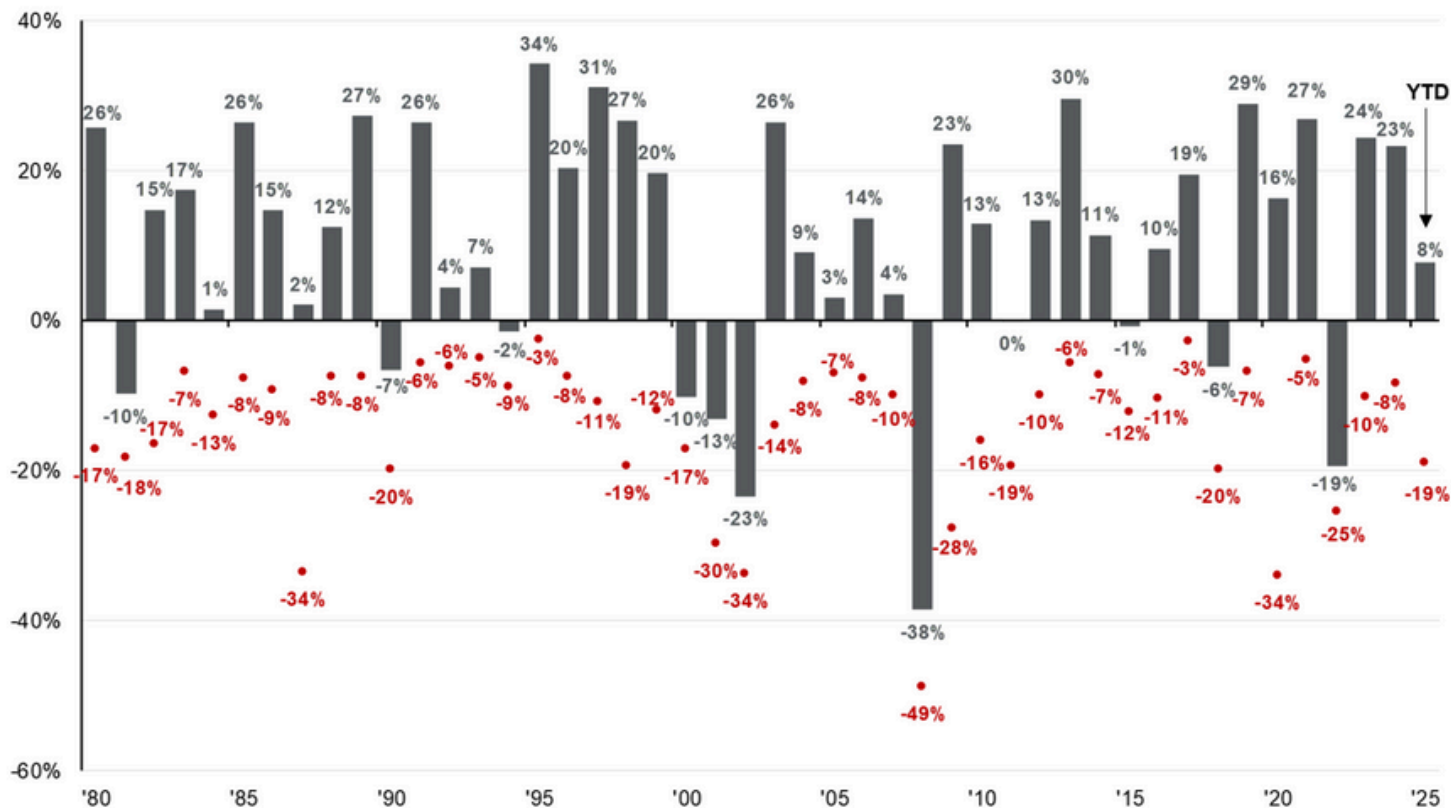
Price of admission... Volatility is the price we pay for the opportunity for increased returns by owning stocks in our portfolios. Despite the S&P 500 being positive 34 of the past 45 years, in each calendar year the market saw a drawdown of 14.1%. That is no small pullback! On a \$1,000,000 account in an average year you would see a loss of \$141,000, as much as we preach remaining calm in volatile markets that number may be hard to stomach. That exact reason is why we are paid to take risk in equity markets. Market drops aren't bugs – they are features. Temporary declines are the entry fee for long-term gains. If you want the reward, you must endure the ride.

Annual returns and intra-year declines

GTM U.S. 16

S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.1%, annual returns were positive in 34 of 45 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest peak-to-trough decline during the year. Returns shown are calendar year returns from 1980 to 2024, over which the average annual return was 10.6%. For illustrative purposes only. Guide to the Markets – U.S. Data are as of July 31, 2025.

BEYOND THE MARKET

LIFESTYLE HACK

The two minute tidy:

Set a timer for just 2 minutes and challenge yourself to clean or organize anything. You will be surprised how much you can declutter or reset in that short time. Often times, once you start you will keep going. It is a great way to break the inertia of procrastination.

Better yet challenge your kids/grandkids with this one!

TECH TIP

Digital Detox Tip:

Try a "no-phone" rule for the first 30 minutes of your morning. Replace scrolling with something intentional; whether that be stretching, journaling, reading or meditation. This will set a much calmer tone for the day and keep you sharper once you do begin whatever that day holds.

LOCAL EVENTS THIS MONTH

- August 15th and 16th is the Nebraska Balloon and Wine Festival in Elkhorn
- August 16th at Midtown Crossing is the 7th annual Omaha Chalk Art Festival
- Omaha fashion week kicks off the 20th and runs through the 23rd at the Omaha Design Center
- The Righteous Brothers are performing on the 24th at Steelhouse Omaha.
- Head out to Nelson Produce Farm the 24th - the 31st for their Sunflower festival
- Football season is back this month as the Nebraska Cornhuskers kick off their season down in Kansas City on the 28th. There will certainly be plenty of red in the stands when the Huskers take on the Cincinnati Bearcats to start their season.
- If comedy is up your alley there are a variety of shows all month long taking place at the Funny Bone.

ARVADA TEAM HAPPENINGS

Shawn Sanger, Managing Partner, recently obtained his CEPA designation (Certified Exit Planning Advisor.) With the new knowledge he has obtained as well as our resources surrounding private business valuations, tax optimization in investment strategies, and comprehensive financial forecasting and planning we'd love to get in front of business owners that you feel could benefit from these services and the services you've all had experiences with us on. Reach out with any questions!



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The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.

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