CLARUS
WEALTH ADVISORS

Market Watch

July 21, 2025

Primary Market Drivers

Earnings & Economic Data

Last week's inflation data was another non-event. June CPI came in at expectations (+0.3% m/m, +2.7% y/y) while PPI was below expectations (0.0% vs +0.2% m/m, +2.3% y/y). With another month gone by showing little tariff impact on inflation, the pressure on the Fed continues to mount. This week, the economic calendar remains busy. We will see US Leading Economic Indicators (7/21), Existing Home Sales (7/23), PMI Manufacturing & Services (7/24), New Home Sales (7/24), and Durable Goods Orders (7/25). Earnings season kicks into high gear this week with 114 S&P 500 companies reporting (22% of the index). Highlights include announcements from Coca-Cola (KO 7/22), General Motors (GM 7/22), Lockheed Martin (LMT 7/22), Tesla (TSLA 7/23), Alphabet (GOOGL 7/23), International Business Machines (IBM 7/23), T-Mobile (TMUS 7/24), Honeywell Intl (HON 7/24), ServiceNow (NOW 7/24), Valero (VLO 7/24), Newmont Corp (NEM 7/24), and Phillips 66 (PSX 7/25), among many others. Expect earnings to be a significant market driver over the next month, with particular focus this week on Tesla and Google.

Fed Policy

Following subdued June inflation data, the pressure is mounting once again on Fed Chair Jerome Powell to reduce rates as calls for his job intensify. Recall, the Fed held rates unchanged at its last meeting, as expected. This marked 5 months of the "Fed pause" despite central banks around the world cutting rates multiple times. Powell's press conference did not offer much in the way of policy direction, citing "uncertainty" and reliance on "experts" forecasting future inflation as reasoning the Fed's prolonged inaction. It's been a long and bizarre pause for the central bank. According to CME's FedWatch Tool, the September 17th meeting remains the most likely window for the next rate cut, currently sitting at 54% odds of a reduction. It's worth noting the precipitous fall from 93.5% odds just two weeks ago

Tariffs

"The 7/9 reciprocal tariff deadline" became "the 8/1 reciprocal tariff deadline" two weeks ago, allowing the Trump administration more time to shore up trade deals with global partners. We've seen some deals landed recently, particularly with Indonesia, Vietnam, and significant progressions in negotiations with India. However, talks with the European Union and Canada don't seem to be headed in the right direction, and tensions remain high with August 1st just two weeks away. Tariff developments remain a fluid situation, though it's worth noting the impact they've had on the market in recent weeks has been very muted.

All referenced market information, statistics, and economic data were gathered from StreetAccount, a paid subscription data service provided by FactSet Research Systems Inc.

Market Returns 7/18/2025

Category	Ticker	YTD%
Domestic Equity		
S&P 500	SPY	7.72%
Dow Jones	DIA	5.04%
Large-Cap Growth	QQQ	10.07%
Large-Cap Value	IVE	4.23%
Mid Caps	MDY	2.31%
Small Caps	IWM	1.12%
International Equity		
Developed Intl	EFA	18.88%
Emerging Markets	EEM	18.48%
Fixed Income		
Core Bonds	AGG	3.24%
Corporate Bonds	LQD	3.68%
High Yield Bonds	HYG	5.00%
ST Treasuries	IEI	4.00%
LT Treasuries	TLT	-0.29%
International Bonds	BNDX	1.56%

Performance data and stock chart were gathered from eSignal, a paid market screening application provided by Intercontinental Exchange, Inc.

Current Environment Summary

What's Working	What's Not	What's Next
Inflation Subdued	Tariff Policy Uncertainty	**Earnings: TSLA, GOOGL, IBM, etc**
Strong Earnings Growth	Global Economic Uncertainty	**114 S&P 500 Companies Report Earnings**
Strong Labor Market	Fed Inaction / Global Easing	Housing Market Data
Consumers Still Spending	Stubborn Elevated Interest Rates	8/1 Reciprocal Tariff Deadline
Trade & Global Investment Deals		7/30 Fed Policy Decision
Equity Bull Market at All-Time Highs		

Portfolio Manager Commentary

Don Moenning

We are a little past the halfway point in 2025 and find ourselves in a ripping bull market with the S&P 500 and Nasdaq at all-time highs and the Dow Jones Industrial Average set to fight for a new one this week. The perils of the April 7th “liberation day” panic feel like a lifetime ago. So what’s changed over the last few months?

Though tariffs remain a daily market driver and August 1st’s reciprocal tariff date looms large in the coming weeks, this market simply is not buying the narrative anymore that tariffs will 1) wreck the economy, 2) cause runaway inflation, or 3) shift power away from the U.S. to the BRICs. Quite the contrary, as it stands – The economy is quietly rebounding and in good shape, inflation remains subdued, and the U.S. continues to soar in market cap relative to its peers while taking in hundreds of billions in tariff revenue. Posts and news that would’ve caused an uproar in early Q2 are barely moving the needle today. Call it the TACO effect, or call it a better understanding of the process – either way, the market simply isn’t sweating the details the same way it did months ago.

While there is a lot of focus in financial media over the Fed, tariffs, inflation, etc, I don’t think this bull market is about headwinds washing away. I believe it’s about the larger tailwinds finally taking over.

We are in the early stages of a technological revolution that could span decades, and it is proving to be the tide that raises all ships. What started out as “the AI trade” in Q3 2023 has now become a multi-year (arguably generational) theme, paving the way for more advanced and broader technologies to emerge. The market may feel exuberant, but I can hardly contain my excitement when there are so many amazing technologies and promising advancements to invest in – advanced semiconductors, nuclear energy, quantum computing, humanoid robotics, fully-self-driving vehicles, robotaxis, AI software, legacy energy infrastructure, institutional and sovereign cryptocurrency adoption, to name a few. The list is getting long and the reach is getting broad. I can’t help but think that those focusing on the typical macro talking points of the last 40 years when looking at this market are missing the forest for the trees. It just feels like the future is overruling the concerns of the present at this juncture.

The VIX sitting a pretty four points below its trailing 5-yr average tells me that we’re either complacent, exuberant, or both. I expect brief bouts of volatility to come, as has been the case in recent years when the market was grinding higher seemingly every day (2021, 2024). But stepping back, I think the institutions are finally starting to really grasp the scale of what’s happening in growth. Earnings season kicks into high gear this week, so it's time to see if the speculation has gotten out of hand or if Wall St. is on the right track.

Disclosures