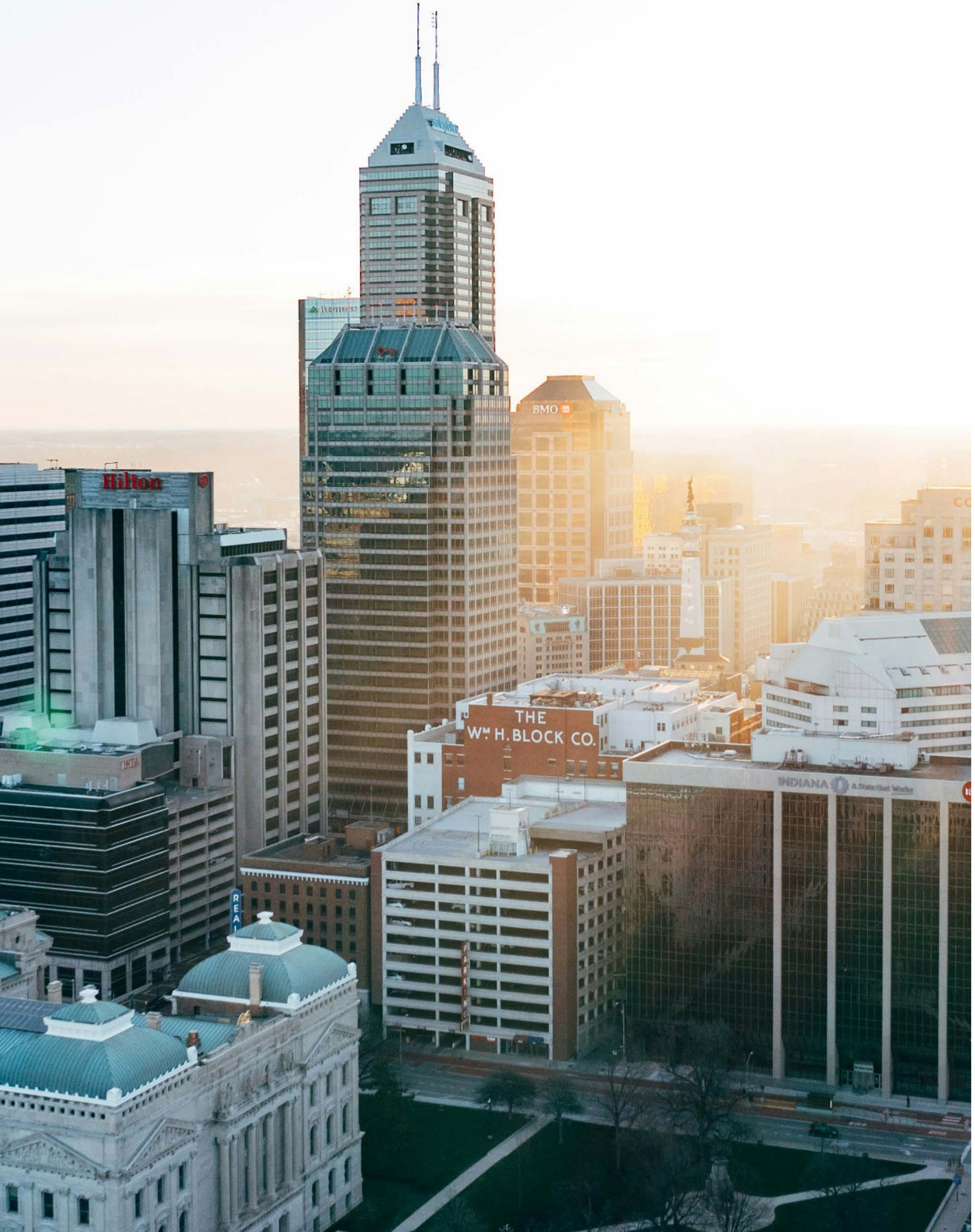
Indianapolis, Indiana



WEEK OF JULY 14, 2025

Market Update

U.S. equities edged lower from record highs as investors grew cautious ahead of key inflation data and earnings season. Cyclical sectors such as energy and industrials outperformed, whereas defensives and rate-sensitive areas lagged amid rising tariff uncertainty. Treasuries weakened with a steepening bear curve, reflecting mixed Federal Reserve (Fed) signals and renewed fiscal concerns.

Quick Hits

1. **Beyond the headlines:** Tariffs are back in the news; what does it mean for your portfolio?
2. **Report releases:** Minutes from the most recent Federal Open Market Committee (FOMC) meeting showed signs of a divided central bank.
3. **Financial market data**: U.S. equities moved slightly lower.
4. **Looking ahead:** Data this week will focus on inflation, retail sales, housing, and consumer confidence.

LifeTime Asset Management

Beyond the Headlines: Tariffs Are Back in the News; What Does It Mean for Your Portfolio?

After a relatively quiet period on the trade front, tariff uncertainty is back in focus. President Donald Trump has revived aggressive trade rhetoric with new tariffs aimed at key U.S. trading partners—including Brazil, South Korea, Mexico, Canada, and much of Europe. Although some tariffs have been delayed, others are set to take effect as early as August 1, creating renewed uncertainty for markets, multinational firms, and U.S. investors.

Trump's proposed tariffs include:

- A 50 percent tariff on copper imports from Brazil
- A 25 percent tariff on goods from Japan and South Korea
- A 35 percent tariff on Canadian imports
- Tariffs of up to 50 percent on European goods, including autos and luxury items
- A proposed 15 percent–20 percent baseline tariff on most U.S. imports

These measures are part of a broader effort to rebalance U.S. trade relationships. Although framed as supportive of domestic industry, the near-term impact could include higher input costs, supply chain disruptions, and increased inflation risk.

Key Deadlines and Investor Impact
The first wave of tariffs is scheduled to begin August 1, with copper, steel, and auto parts likely among the most affected. Brazilian copper and Canadian materials are vital to U.S. infrastructure, energy, and defense production. Companies in industrials and materials could see tighter margins as a result.

Meanwhile, the 25 percent tariff on Japan and South Korea may affect the technology sector, where many components and semiconductors originate. Automakers with global supply chains—especially those relying on Mexico and Asia—could face rising costs and logistical challenges.

Although some tariff deadlines have been delayed to later this year, the lack of clarity adds to business uncertainty and raises the risk of retaliatory tariffs, particularly on U.S. exports such as agriculture, aviation, and consumer goods.

What It Means for Investors
The biggest issue for investors isn't the tariffs themselves; it's the broader policy unpredictability they represent. So far, equity markets have been resilient, but that could change as deadlines approach and companies begin flagging risks on earnings calls.

Sectors most exposed include industrials, autos, technology hardware, and materials, especially those with global operations. In contrast, more domestic sectors, such as utilities, health care, and consumer staples, may offer relative insulation.

Bond markets could also react if tariff-driven inflation pressures resurface, potentially complicating the Fed's path on rate cuts and adding volatility to rate-sensitive assets.

We have already seen sharp snapbacks on tariff-related news amid the volatility.

The lessons learned in April still apply: remaining diversified and focused on your long-term goals is one of the best ways to ride out the short-term noise.

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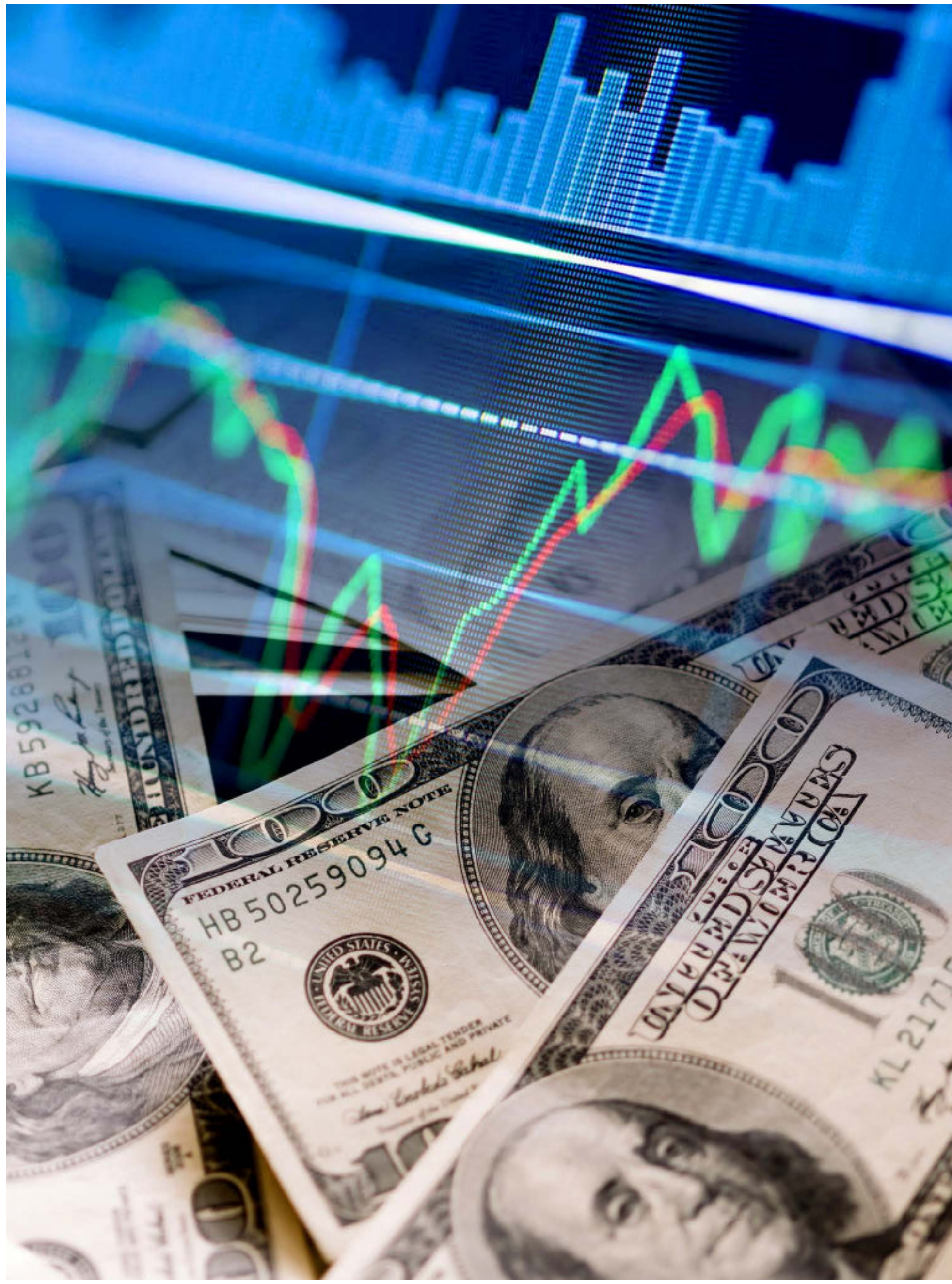
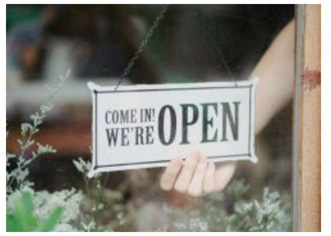


Report Releases: July 7–11, 2025

NFIB Small Business Optimism Index
June (Tuesday)

The index slipped to 98.6, driven largely by growing concerns over excess inventory and wavering sales expectations.

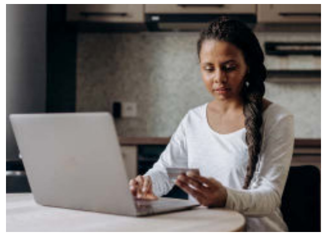
- Expected/prior month NFIB Small Business Optimism Index: 98.7/98.8
- Actual NFIB Small Business Optimism Index: 98.6



Consumer Credit
June (Tuesday)

Consumer credit dropped more than expected, to $5.1 billion, as credit card balances fell more than $3.5 billion, marking the first drop in those balances since November.

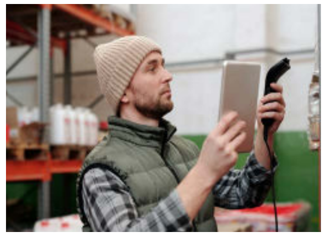
- Expected/prior month consumer credit: $10.0 billion/$17.9 billion
- Actual consumer credit: $5.1 billion



Wholesale Inventories
May (Thursday)

Wholesale inventories decreased 0.3 percent in May, as expected, marking the first decline since December.

- Expected/prior wholesale inventories: –0.3%/0.1%
- Actual durable wholesale inventories: –0.3%



FOMC Meeting Minutes
June (Friday)

Minutes from the Fed's most recent FOMC meeting showed signs of division within the central bank; some bankers indicated they would support easing at the next meeting in late July, whereas others advocated for a more measured approach.

>> The Takeaway

- FOMC meeting minutes showed signs of mixed outlooks on when to begin rate cuts.
- Small business optimism, consumer credit, and wholesale inventories surprised to the downside.

Financial Market Data

Equity

U.S. equities were down slightly following record highs as investors turned cautious ahead of key inflation data and earnings season. Energy, industrials, and utilities outperformed, whereas financials, consumer staples, and communication services underperformed amid concerns over margins, tariffs, and macro uncertainty.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	−0.29	0.92	7.18	13.57
Nasdaq Composite	−0.06	1.09	7.01	13.42
DJIA	−1.01	0.67	5.25	13.58
MSCI EAFE	−0.23	−0.20	19.70	13.81
MSCI Emerging Markets	−0.15	0.73	16.37	12.33
Russell 2000	−0.62	2.78	0.94	6.60

Source: Bloomberg, as of July 11, 2025

Fixed Income

U.S. Treasuries weakened across the curve, with long-end yields rising more sharply, leading to a steeper yield curve. The move was somewhat expected given the recent passage of H.R. 1, the One Big Beautiful Bill Act (OBBBA), which has led to questions over U.S. fiscal stability over the long term. The belly of the curve, between 2- and 10-year maturities, moved lower after Fed minutes showed divided opinions on when to cut interest rates.

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.48	3.18	3.86
U.S. Treasury	0.34	2.87	3.21
U.S. Mortgages	0.57	3.46	4.20
Municipal Bond	0.76	−0.26	0.67

Source: Bloomberg, as of July 11, 2025

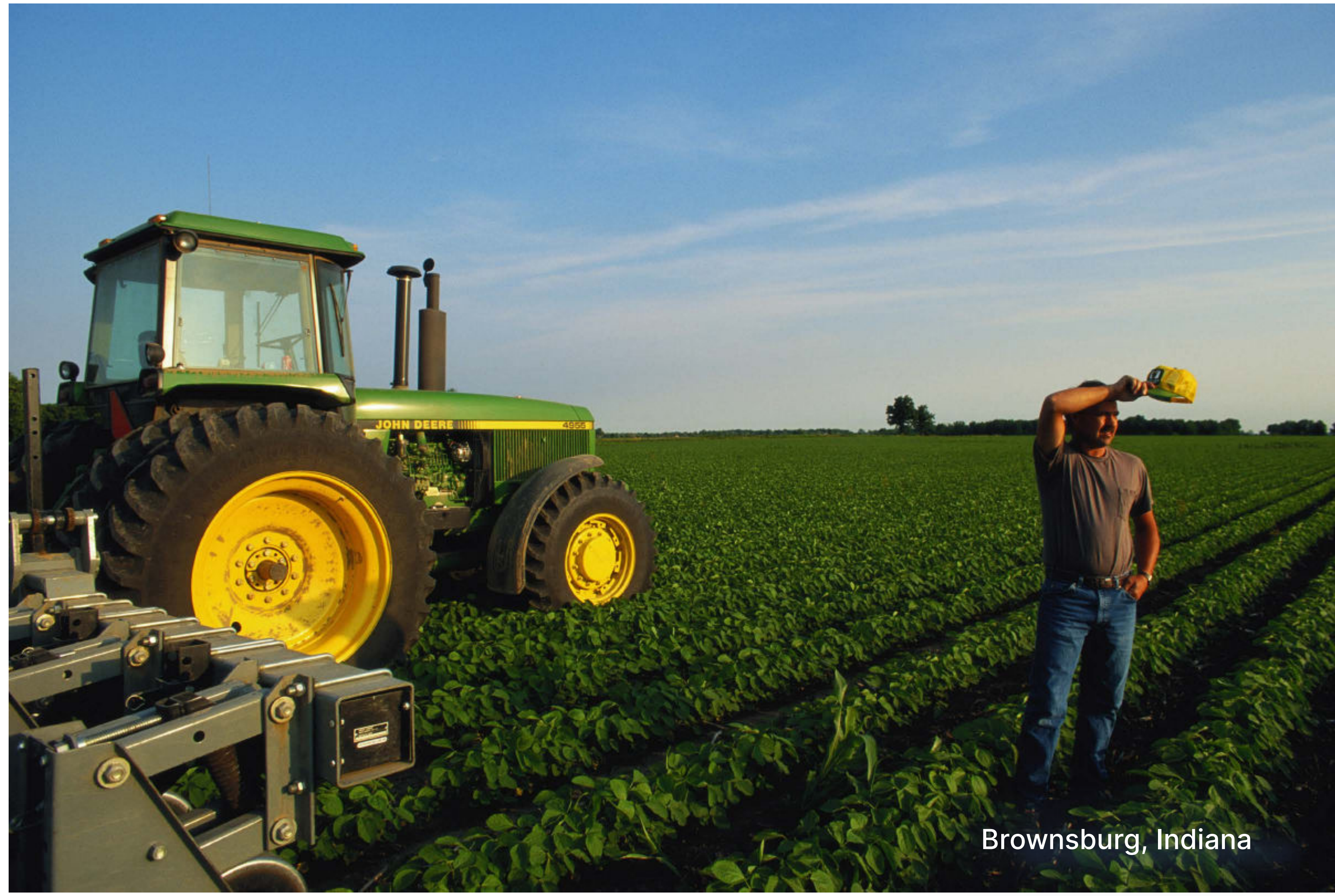
>> The Takeaway

- Equities were mixed. Investors took profits following record highs, with strength in cyclicals offset by weakness in rate-sensitive and defensive sectors ahead of key inflation data.
- Treasuries sold off with a bear steepening curve on mixed FOMC meeting minutes and the additional passage of fiscal stimulus via tax cuts.

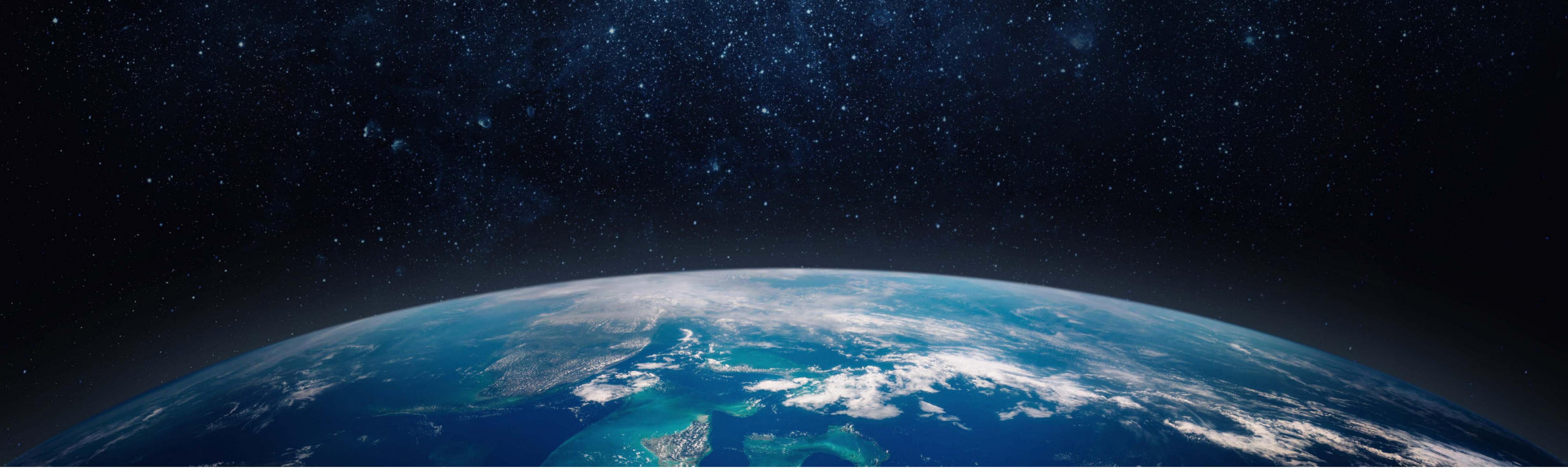
Looking Ahead

This week will be packed with economic releases. Data will focus on inflation, retail sales, housing, and consumer confidence.

- The week kicks off Tuesday with the **Consumer Price Index** release for June. Consumer inflation is expected to accelerate, with headline price growth expected to rise to 2.6 percent on a year-over-year basis.
- On Thursday, **retail sales** for June and the **NAHB Housing Market Index** will be released. Although retail sales fell notably in May, they are expected to rise modestly in June. Home builder confidence has been challenged all year; the July update is expected to show continued headwinds.
- The week wraps up Friday with the **University of Michigan consumer sentiment survey** for July. Consumer sentiment is set to show modest improvements.



Brownsburg, Indiana



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