

Highland ReCAP

A Review of Capital Markets

July 2025

Summary

Domestic markets climbed alongside the summer temperatures in July, while non-U.S. stocks saw their first pullback of the year. U.S. trade policy offered a few glimpses of clarity on tariffs with important partners in Japan and the European Union, in moves that were cheered by U.S. markets, but met with mixed reviews internationally. The Federal Reserve held rates static once again at the July meeting, despite increasing pressure from the Oval Office to begin easing monetary policy. Bonds were mostly lower on characteristically thin summer trading.

Equities

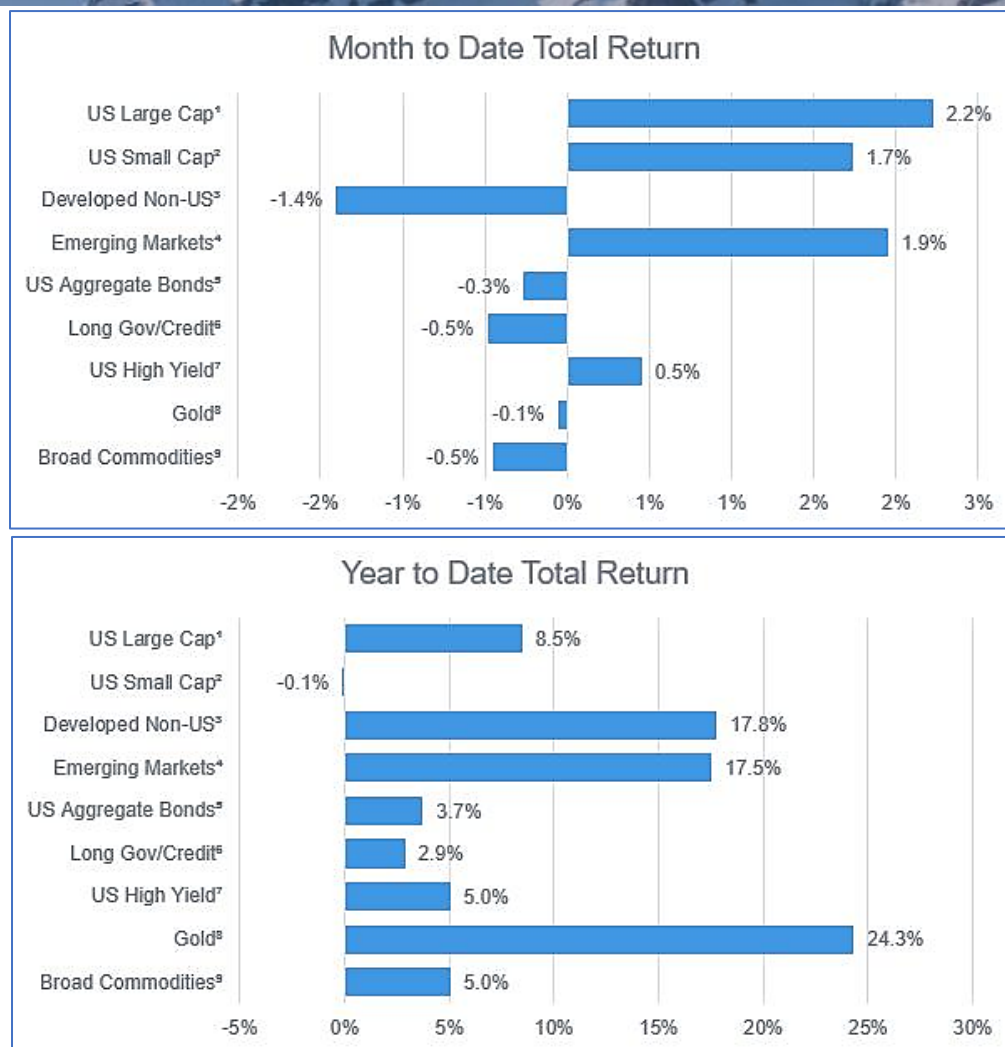
Trade deals with Japan and the European Union buoyed U.S. equity markets in July. Overseas the moves were met with less enthusiasm, specifically the EU's broad tariff rate of 15%, rubbed some European policymakers the wrong way. Developed international stocks fell 1.4% for the month. Large cap U.S. equities were the top performer for the month, gaining 2.2% despite continued tepid economic data. Emerging markets rose just under 2% while U.S. small cap stocks returned 1.7% in July.

Fixed Income

Bonds drifted through a sleepy July, with interest rates less volatile than in previous months. The 10-year Treasury rate ticked up 13 basis points and credit spreads were little changed for the month. Duration was a headwind in July, and investment grade bonds finished lower for the month. High yield managed a positive return, gaining half a percent in July. Short rates remain in a holding pattern with the Fed keeping their policy rate at 4.25-4.5% in their July meeting.

Market Trends

As of July 31, 2025



	1M	3M	YTD	1Y	3Y	5Y	10Y
US Large Cap ¹	2.2%	14.3%	8.5%	16.5%	16.9%	15.5%	13.4%
US Small Cap ²	1.7%	13.0%	-0.1%	-0.6%	7.0%	9.8%	7.4%
Developed non-U.S. ³	-1.4%	5.4%	17.8%	12.8%	13.6%	10.3%	6.1%
Emerging Markets ⁴	1.9%	12.7%	17.5%	17.2%	10.5%	5.4%	5.8%
US Aggregate Bonds ⁵	-0.3%	0.5%	3.7%	3.4%	1.6%	-1.1%	1.7%
Long Gov/Credit ⁶	-0.5%	0.5%	2.9%	-0.5%	-1.7%	-6.0%	1.5%
US High Yield ⁷	0.5%	4.0%	5.0%	8.7%	8.0%	5.1%	5.5%
Gold ⁸	-0.1%	-0.5%	24.3%	34.2%	22.4%	9.9%	10.7%
Broad Commodities ⁹	-0.5%	1.4%	5.0%	9.7%	-1.4%	11.3%	3.1%

1 – Russell 1000, 2 – Russell 2000, 3 – MSCI EAFE, 4 – MSCI Emerging Markets, 5 – Bloomberg US Agg, 6 – Bloomberg US Long Gov/Credit
7 – Bloomberg US Corporate High Yield, 8 – Bloomberg Gold Subindex, 9 – Bloomberg Commodity

Highland Consulting Associates, Inc. is a registered investment adviser. Information presented is for educational purposes only and does not intend to make an offer of solicitation for the sale or purchase of specific securities, investments, or investment strategies.

Investments involve risk and unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Past performance is not indicative of future performance.



Disclosure Statements

Bloomberg

Source: Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). Bloomberg or Bloomberg's licensors own all proprietary rights in the Bloomberg Indices. Bloomberg does not approve or endorse this material or guarantee the accuracy or completeness of any information herein, nor does Bloomberg make any warranty, express or implied, as to the results to be obtained therefrom, and, to the maximum extent allowed by law, Bloomberg shall not have any liability or responsibility for injury or damages arising in connection therewith.

FTSE Russell

Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group [year]. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" "Russell®", "FTSE Russell®" are trade mark(s) of the relevant LSE Group companies and are used by any other LSE Group company under license. "TMX®" is a trade mark of TSX, Inc. and used by the LSE Group under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

MSCI

Copyright MSCI 2017. Unpublished. All Rights Reserved. This information may only be used for your Internal use, may not be reproduced or disseminated in any form and may not be used to create any financial instruments or products or any indices. This information is provided on an "as is" basis and the users of this information assumes the entire risk of any use it may make or permit to be made of this information. Neither MSCI, any of its affiliates or any other person involved in or related to compiling, computing or creating this information makes any express or implied warranties or representations with respect to such information, or the results to be obtained by the use thereof, and MSCI, its affiliates and each such other person hereby expressly disclaim all warranties (including, without limitation, all warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any other person involved in or related to compiling, computing or creating this information have any liability for any direct, indirect, special, incidental, punitive, consequential or any other damages. The MSCI information is the exclusive property of Morgan Stanley Capital International ("MSCI") and may not be reproduced or disseminated in any form or used to create any financial products or indices without MSCI's express prior written permission. The information is provided "as is" without any express or implied warranties. In no event shall MSCI or any of its affiliates or information providers have any liability of any kind to any persons or entity arising from or related to this information.