Cornerstone ASSET MANAGEMENT GROUP, LLC

Economic Indicators | July 2025 | By Kim W. Suchy & Brett E. Suchy

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If you think the Middle East conflict was ruthless, another battle is brewing amongst a couple of Washington D.C. heavyweights. As markets continue to weigh the direction of interest rates, a brutal debate has emerged between President Trump and Chair Jerome Powell. At the heart of the matter is a question with significant implications for investors: Should the Fed cut rates now to stimulate the economy, or should it hold steady to better assess the full impact of tariffs, inflation, and overall economic momentum?

Chair Powell, in recent testimony before Congress, reaffirmed the Fed's commitment to a "wait and see" approach. While acknowledging that tariffs may push prices higher and weigh on economic activity, he emphasized that it's still too early to tell whether the resulting inflation will be temporary or more persistent. His message was clear: the Fed must remain focused on long-term economic health rather than react impulsively to political pressure or short-term data.

President Trump, meanwhile, continues to call for immediate and aggressive rate cuts. He argues, in between playground name calling, that lower rates would reduce the government's debt burden and further fuel economic growth. On social media and in public remarks, he has criticized Powell directly, suggesting that failure to act swiftly could harm the U.S. economy and stick the country with higher costs for years to come.

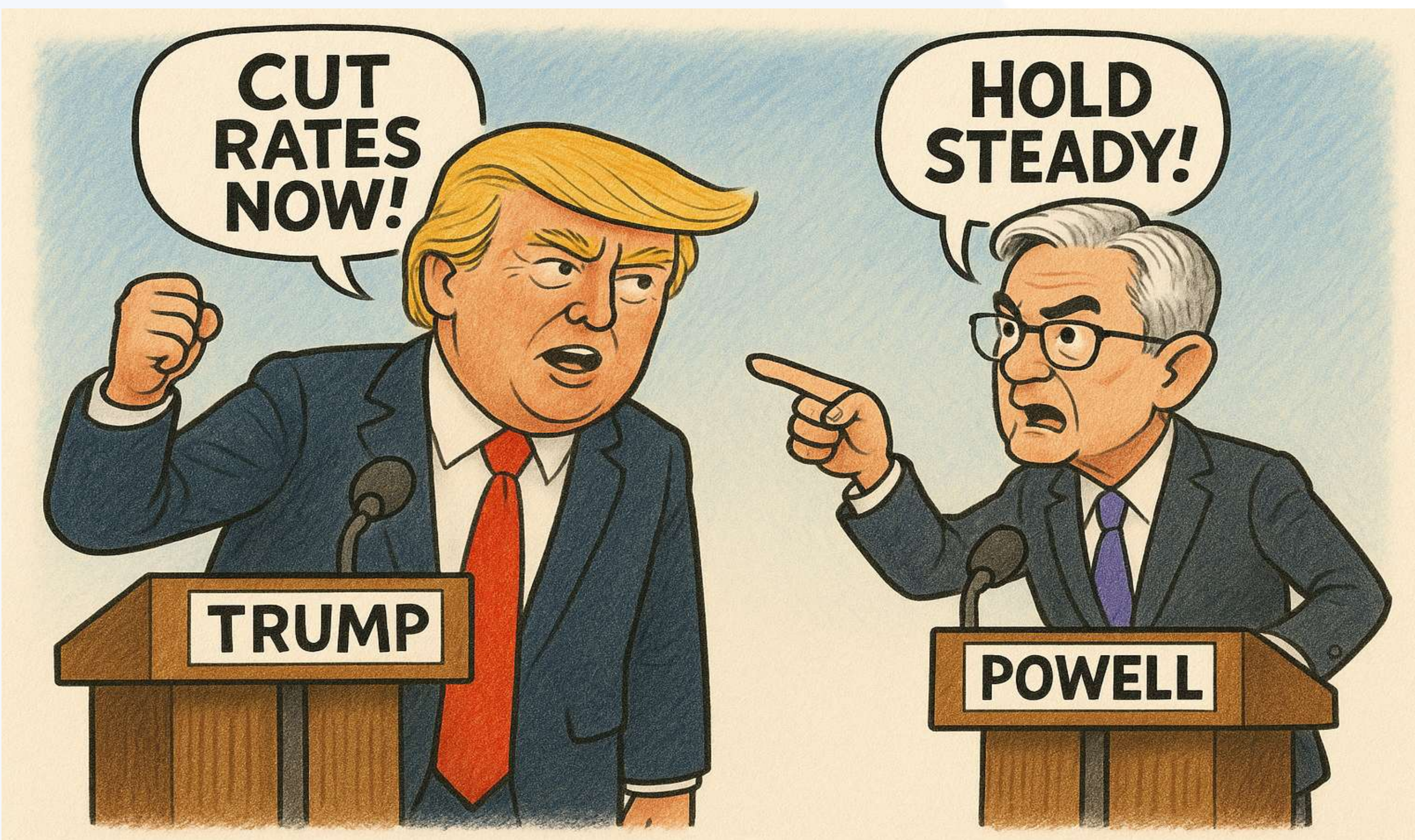
We believe the Fed's measured, deliberate approach remains appropriate given the crosscurrents in today's global economy. As always, we will position portfolios with discipline, diversification, and an eye toward the long term.

It’s important to note that the Fed does not consider political agendas or government financing needs when setting interest rates. Its dual mandate remains focused on promoting maximum employment and keeping inflation in check. Many argue that both are in check. While some Fed policymakers, two of whom were appointed by Trump, have recently hinted at the possibility of a July rate cut, the broader committee has shown no consensus. In fact, 7 of the Fed’s 19 voting members project no cuts at all this year.

Despite tariffs imposed by the administration, including a 10% duty on all imports and higher levies on Chinese goods, steel, aluminum, and autos, headline inflation, *thus far*, has remained subdued. The most recent data show the Consumer Price Index rising just 0.1% in May, with year-over-year inflation at 2.4%. This reinforces the Fed’s current stance: inflation pressures are not yet strong enough to warrant action.

For long-term investors, this moment underscores the importance of maintaining perspective. While political headlines can rattle sentiment, monetary policy remains in the hands of an independent central bank guided by data, not tweets. At Cornerstone, we continue to monitor these developments closely and evaluate how shifts in interest rate expectations affect different sectors and asset classes.

Thank you, as always, for your trust and confidence. As always, if you have any questions please give us a call.



POSITIVE DEVELOPMENTS

- The Producer Price Index, PPI, was tame again in May, with both the headline and core measures ticking up just 0.1%, below expectations of 0.2% and 0.3%, respectively.

- Consumer sentiment improved in mid-June, climbing for the first time in six months, up 16% from May's level but still roughly 20% below that of December 2024; Trump post-election bump. The report noted, "Consumers' fear about the potential impact of tariffs on future inflation have softened somewhat in June."

- The Atlanta Fed's GDPNow model shows that real GDP is tracking at 3.4% during Q2. That's up from -0.2% during Q1. Consumer spending during Q2 is up 1.9% so far. Capital spending remains relatively strong.

- Since 1988, the dividends of companies in the SP500 have grown on average 6% per year, faster than long-term GDP growth. Strong balance sheets facilitate sound dividend payouts.

- New orders for durable goods soared in May at the fastest pace in more than a decade. The 16.4% increase in new orders was almost entirely due to the very volatile category of aircraft, where orders more than tripled from April as Trumps tour through Saudi Arabia, Qatar, and the United Arab Emirates was accompanied by a massive Boeing order from Qatar Airways. *Still, not a bad month!*

NEUTRAL DEVELOPMENTS

- The Fed left interest rates unchanged marking 4 consecutive meetings YTD with no change in rates since the ¼ pt. cut in December. The Fed sees higher inflation this year and inflation remaining a little higher through 2027.

- Redfin reported that the median U.S. home-sale price reached a record $396,500 June, up 1% yoy but expected to decline by the end of 2025. Prices typically peak in June or July, and the current market shows signs of cooling, with sellers more open to negotiation. As a result, the median sale price is about $26K below the median asking price of $422K.

- *Existing* home sales increased 0.8% in May to a 4.03M a/r. Sales are down 0.7% yoy. Big picture, sales are still well below the roughly 5.3M a/r pace that existed pre-COVID, let alone the 6.5M pace during COVID. Affordability (i.e. interest rates) remains the biggest headwind.

- *New* single-family home sales declined 13.7% in May to a 0.6M a/r. Sales are down 6.3% from a year ago. The month's supply of new homes (how long it would take to sell all the homes in inventory) rose to 9.8 in May. The median price of *new* homes sold was $427K in May, up 3.0% from a year ago.

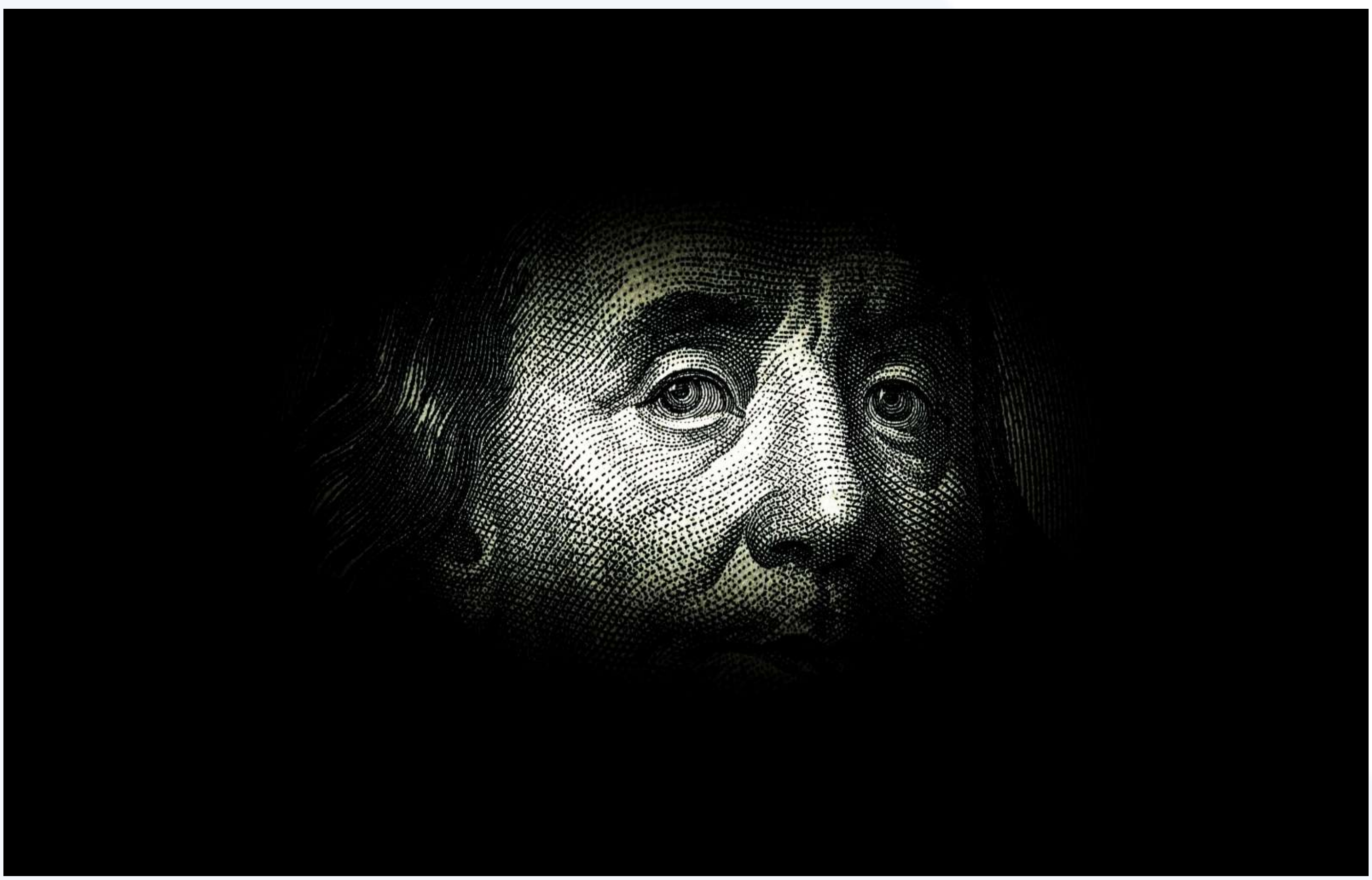
NEGATIVE DEVELOPMENTS

- May was a tough month for homebuilders, as both housing starts, and new permits fell to the slowest pace since the COVID. Housing starts declined 9.8% in May to a 1.3M a/r. Starts are down 4.6% versus a year ago. A lack of supply is lifting home prices. In some high-flying areas (Florida and Texas) prices are moderating, but national average home prices edge.

- The Fed's view on the remainder of 2025 has weakened since the latest forecasts in March. "Real", inflation adjusted, growth for 2025 has been downgraded to 1.4% from the 1.7% anticipated back in March, while growth expectations for 2026 were reduced to 1.6% from 1.8%.
  - *Consistent with slower economic growth, the unemployment rate (currently at 4.2%) is now expected to rise to 4.5% by year-end and remain there through 2026…together, this hints of stagflation…a difficult Fed predicament.*

- Industrial production was weak again in May, falling by .2%, as manufacturing production continues to face headwinds from a shifting tariff policy.

- The Fed reported that U.S. household net worth stood at $169.3T at the end of Q1, down from its record high of $170.9T in Q4'24. Losses in equity holdings were the main contributor to declining net worth. The value of equities held by households declined by $2.3T during the quarter. U.S. household net worth totaled $163.2T one year ago.



THE MARKETS

Over the past month, U.S. equity markets have continued their impressive run, with the SP500 reaching fresh new highs led by tech and communications. Investors have grown more optimistic about falling inflation, potential rate cuts from the Fed, and minimal tariff impact. Worth noting that interest rate sensitive sectors, real estate and utilities lagged the broader market.

Overseas, international markets have generally outpaced the U.S., helped by a weaker dollar and renewed investor interest in European, Japanese, and emerging market equities. That said, global markets remain sensitive to geopolitical risks and trade policy shifts which could lead to further volatility in the months ahead.

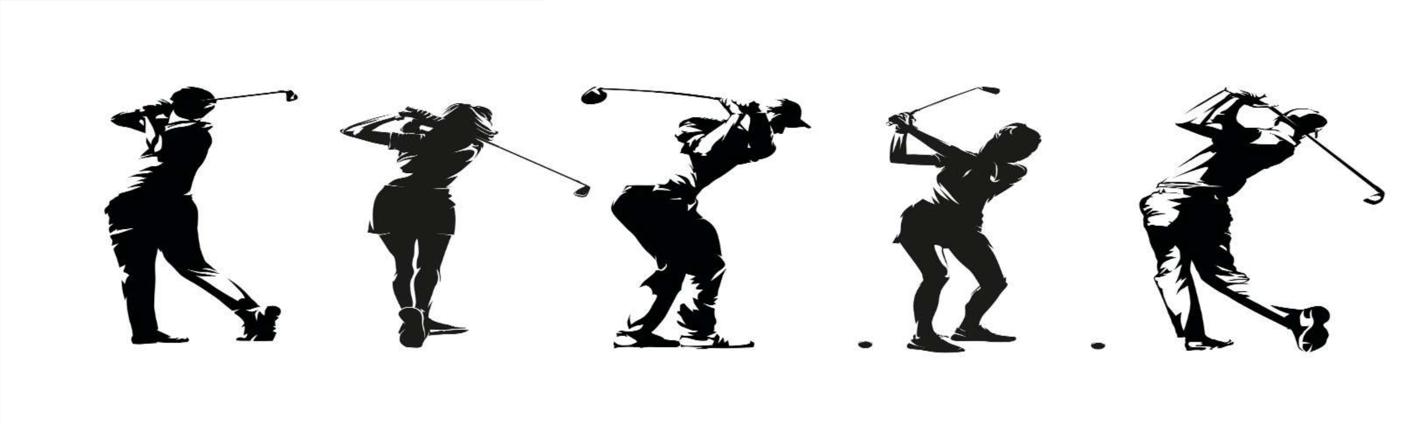
On the bond front, Treasury yields generally fell in June as the 10-yr. Treasury closed to yield 4.23% on June 30th which is 18bps lower than June's close of 4.4%.

U.S Index	Last Month (% return)	YTD (%)
S&P 500	5.1	5.7
Dow Jones	4.4	3.7
NASDAQ Comp	6.8	5.7
Russell 2000	5.5	-2.3

Source: https://tradingeconomics.com/stocks

What Golf Teaches Us About Investing

By: Brett Suchy



If you play golf, or have at least attempted to play, you know it is a very humbling game. For a solid stretch of holes, you might be powering your drives right up the middle and chipping out of your mind, only to find yourself double bogey the next four holes, overshooting each green because you keep pulling your head up. Funny enough, the same concept can be said about the markets.

Kim and I have spent a long time navigating both financial markets and fairways (as well as fence lines, tallgrass, and backyards). We've seen the bulls runs and the bunker shots, smooth greens and thick rough, and whether we're talking sticks or client portfolios, it really all comes down to fundamentals.

A Game of Recovery (and Patience)

No one has ever played a perfect round. Kim would argue otherwise to his grandchildren, but no one else would fall for it. Blow-up holes happen. So do bad markets. The difference lies in how you respond when the bounce doesn't go your way, like when your putt hits a helicopter and stops 20 feet short of the hole.

Golf teaches you to 'take your medicine' when you need to, minimize the damage, and focus on the next shot. Same goes for investing. You aren't going to birdie every hole, or correctly bottom feed every stock. That's where having a seasoned caddie, or advisor, makes the difference. We're there to hand you the right club, advise against a flop shot off the cart path, and remind you of the game plan.

In both golf and markets, discipline beats drama. Some holes are set up perfectly for birdie. Others demand a punch-out from the trees and a grind for bogey. But, what matters is composure. One snowman (score of 8 on one hole) doesn't define the scorecard. One rough quarter doesn't derail a diversified portfolio. The key is staying patient and playing the long game…one shot, one hole and one decision at a time.

What's In Your Bag?

Each club in your bag has a job, just like every asset class in a portfolio. You wouldn't step on the course with only a 7-iron and you shouldn't approach investing with just one type of asset. Your driver, fairway woods, wedges, and putter are designed for different shots, distances, and lies. Stocks, bonds, alternatives, and cash work the same way in a portfolio, each built to perform under different market conditions and support different objectives.

At Cornerstone, we approach portfolio construction the same way we think about a well-stocked bag: you need the full set…and the gadgets. Growth assets…that's your driver, built for distance but a little wild if mishandled. Your wedges are your income and defensive plays…tight, controlled and reliable. Alternatives? The Texas wedge (putter used off the green) is my personal favorite. For those who know me, putting through 20 yards of fairway is no issue. These "clubs" are used selectively, but can be powerful when the shot calls for it. Your putter = cash. Quiet, underrated, but essential.

So, some shots require power. Others finesse. Investing is no different. A well-diversified portfolio isn't about loving just one club but about having all the right tools for whatever the course (or market) throws at you.

Weather

Every golfer knows you can't control the weather, and the only thing in your control is preparation. One day you're thinking about a cold beer in the 19th hole for the entire back 9 holes, dragging your feet due to heat exhaustion, and the next you're holding an umbrella that turns inside out after a massive southeast wind. Markets aren't much different. Sometimes they're calm and predictable (70 & sunny, slight breeze out of the east). Other times, they can feel like a headwind on a 220-yard par 3 over water, or an outdoor sauna.

That's why we don't build portfolios for just one forecast. We build them to hold up across seasons. Diversification helps cushion the impact of volatility…whether driven by inflation, interest rates, politics of whatever headline is trying to shake you loose that week. And, just like a round of golf, there is no promise of ideal conditions, and no promise you won't be playing behind a 'human rain delay' (slow player). So, we stay equipped with the right tools, fabrics, and strategy to play through it. That is so when you wake up to see 90% chance of heavy rain, you don't freak out because you have the rain jumpsuit you bought for Ireland 4 years ago. And, rain can bring opportunity…the greens moisten and soften so you can throw darts at the flag, getting the ball to stick on the green right next to the hole for a tap-in. Just like in markets, volatility, although painful, can provide an opportunity to buy assets cheaper.

Reading the Green, Reading the Client

Reading a green and reading a client both require feel, experience, and respect for what you don't see (i.e. an unrepaired divot right in the line of your putt). We're not in the business of guessing. We like to line things up (goals, timeframes, values), repair that divot in front of your line, and help clients roll it with the right speed and break in mind. With that said, both do not come with a perfect map, but both reward patience, perspective, and solid reads. Lining up a 20 footer for birdie takes the same intentionality that we bring to building portfolios…with the right speed, aim, and a firm, steady grip.

Final Thoughts

So, as you can see, golf and investing are pretty much cut from the same cloth. Neither will give you a perfect scorecard, but both reward discipline, awareness, and preparation. The best rounds (or portfolios) aren't built on strictly highlight reel moments, but on how well you manage the hooks, read the wind, and keep the swing thoughts out.

At Cornerstone, we know that terrain changes and that they can change fast. Markets shift, goals evolve, and well, life happens. That's why we don't just build portfolios; we're here to walk the course with you. Club selection, course management, & the proper mindset, we're in your corner for all of it. So, whether you're staring down a tap-in or trying to shape a shot around a totem pole in someone's backyard, we'll help you keep your tempo steady, and the strategy aligned.

We'll catch you on the fairway, and in the markets.

NEWS YOU CAN USE

Two weeks ago, USGA revealed the field for the 4th U.S. Adaptive Open at Woodmont Country Club, in Rockville, MD—officially confirming Victor Postillion from Winfield, Ill., as a competitor in the Lower Limb Impairment category. Victor has an incredible story of resilience after surviving bone cancer. I'm thrilled to be Victor's caddie in this event, drawing from years of experience reading greens and climbing out of hazards. It's one thing to carry clubs; but it's another to walk alongside someone whose mental game is as sharp as his swing. So, for me, it's more than a round, it's a chance to champion the fundamentals we touched on earlier: resilience, focus, and partnership in one unforgettable and hopefully successful tournament. Make sure to check it out!

2025 U.S. Adaptive Open - Woodmont Country Club

Archaeologists with the Archaeological Survey of India recently uncovered a 23 meter deep dried up riverbed in Bahaj village, Rajasthan. This is believed to be part of the ancient Saraswati River system. Dating back to 3500 BCE, the site reveals signs of a thriving, advanced civilization. Excavations unearthed homes, furnaces, iron and copper tools, and finely carved stone tools…clear evidence of early technology. Also found were 15 fire pits, worship tanks, terracotta idols of Shiva and Parvati, and sealings with early Brahmi script. The discovery of copper coins and bead-making tools points to a bustling trade hub. This find connects India's spiritual roots, early urban planning, and innovation in metalwork, which offers a new window into the depth and sophistication of ancient Indian civilization.

Times of India - Rajasthan Dig Reveals 3500 Year Old Settlement

Southern Europe is under an intense heatwave, with record-breaking temperatures and widespread alerts. Spain hit 46°C (114.8°F), the hottest June reading ever recorded. France issued national heat warnings, Italy's hospitals are on high alert, and some regions have banned outdoor work. In Turkey, wildfires have forced evacuations as firefighters battle to contain the flames. Scientists have linked these extreme early-summer events to human-driven climate change. In response, cities are opening cooling centers, shifting work hours, and urging people, especially the elderly, to stay safe. This early blast of heat is a clear sign of the continuing challenges brought on by a warming planet.

The Guardian - June European Heatwaves

As always, if we can be of additional guidance, please feel free to call us at 312.485.6847.

Best regards,

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