MONTHLY VIEWPOINT

OUR CURRENT VIEW ON MARKETS
AND THE ECONOMY
JULY 2025

FORWARD
WEALTH MANAGEMENT

BIG THOUGHT

Full throttle—that's perhaps the clearest way to describe the Trump administration's approach to managing the economy. With the recent passage of the BBB (Big Beautiful Bill), economic strategy now hinges on ensuring growth outpaces the rise in national debt. That's the primary path forward, given the lack of meaningful reform from past efforts like tariffs or deficit reduction. The fiscal course is now set through the midterms. But a key question remains: Will persistent deficits support or strain the markets? (See: Chart of the Month) Meanwhile, our internal trend indicators just registered another positive signal. Midway through 2025, we find ourselves back in a similar position to January: broad asset momentum remains strong, even as our Dashboard flags elevated risk levels.

DASHBOARD

Valuation	Red
Trend	Green
Economy	Yellow
Inflation	Yellow
Money Flow	Red
Credit	Green

BULLISH

- Credit markets not showing expansion in spreads, i.e. no recession pricing
- Walk-back of tariffs seen as removing "worst-case" outcomes in global trade
- Fiscal Deficits are historically bullish, and AI could energize productivity (GDP)
- Optimism that we are past "peak uncertainty" driving markets

BEARISH

- Economic weakness & global trade restructuring risks negative feed-back loop
- Market valuation at levels last seen in 2000
- Risk of capital flight as foreign investors reallocate funds away from US
- Trump's pressure on rates (Powell/Treasury issuance) introduces major source of risk

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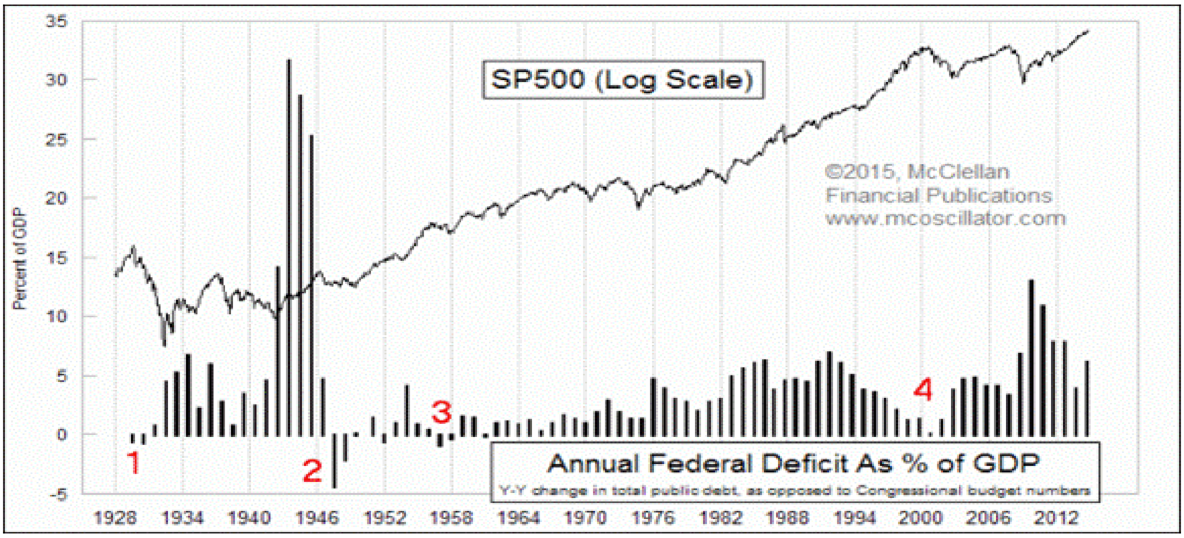
CHART OF THE MONTH



Is fiscal responsibility bad for the stock market? Historically, it appears so. As Tom McClellan highlights in the chart above, four periods of federal budget surpluses or near-surpluses coincided with stock market downturns. Since 2000, the U.S. has consistently run deficits. While we've experienced painful drawdowns (e.g., 2000, 2007), both stock prices and debt have grown at an annual pace near 8%, far outpacing economic growth, which has hovered closer to 4%. This raises a pressing question: Can deficits fuel asset prices without hurting the economy? Looking forward, the Congressional Budget Office (CBO) projects that U.S. debt-to-GDP—already around 100%—will rise to 124% by 2034. That trajectory invites risk. While deficits may help support stock market returns, they don't contribute much to real economic growth—a point too often ignored in policy debates. The market sees AI adoption as the solution to this problem.

ABOUT FORWARD WEALTH MANAGEMENT

Established in 2014, Forward Wealth Management provides personalized financial advice that delivers peace of mind and confidence where client goals and money decisions intersect with markets and investing. Forward's proprietary approach, TRAC, is a goals-based guidance process which measures and maps Timelines, Resources, and a portfolio's Asset Allocation against current market Conditions and the expected cost of retirement income.