

Stocks Surge on Trade Deals and Growing Optimism

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The S&P 500 continued to defy gravity in July, notching six record closes in the last eight trading days before a slight decline to end the month. Behind the market's renewed energy is a string of high-stakes trade deals, steady earnings, and growing signs that the U.S. economic engine may be picking up speed.

The biggest headline: President Trump announced a major trade breakthrough with the European Union over the last weekend in July—his most significant deal yet in his push to reset global trade through tougher tariffs.

Under the deal, the U.S. will impose a baseline tariff of 15% on European goods, including autos. In return, the

trade. Essentially, the U.S. economy appears strong enough to weather the additional costs of tariffs, at least for now.

Investor moods remain buoyant. Strong corporate earnings—especially from big banks—suggest consumers and businesses are still spending. And despite widespread fears of the effects of tariffs earlier this year, the broader economy hasn't buckled under their weight.

Investors seem comfortably numb to any potential headwinds and continue to focus on the positives. That includes a resilient labor market, better-than-expected retail sales, and a bounce in consumer sentiment. The University of Michigan's consumer sentiment index, which hit a three-year low in April, is now climbing again.

The Federal Reserve held interest rates steady in

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EU committed to buying \$750 billion in U.S. energy products and investing another \$600 billion in the American economy.

That 15% figure now looks like a new global floor. Similar terms were agreed to with Japan, Vietnam, the Philippines, and Indonesia—each accepting baseline tariffs between 15% and 20%. Analysts say the rates are high enough to influence corporate decisions and bump prices, but not high enough to significantly hinder global

August and surprisingly, offered no guidance for September leaving investors guessing. July's job report will offer further insight into the labor market which has been growing a bit weaker throughout 2025, especially for recent graduates. Inflation remains a bit elevated but hasn't spiked, and while manufacturing is still contracting, the downturn has been gradual.

Yet, beneath the surface, confidence appears to be quietly building. In a July survey of over 1,200 small-

business owners, 44% said demand is stronger than expected, and nearly a third plan to add staff soon. Hiring remains soft, but with unemployment remaining low at just 4.1%, employers are holding onto workers.

And then there's another wild card: the U.S. Department of Government Efficiency (DOGE) is deploying a new artificial intelligence tool with the goal of eliminating up to half of all federal regulations. The "DOGE AI Deregulation Decision Tool" is scanning 200,000 rules to find those ripe for deletion—potentially unlocking trillions in savings and investment.

With trade progress, tech-fueled deregulation, and no major stumbles in sight, the market's rally may have room to run despite the constant instability introduced by Trump. Although at current elevated valuations, it may not run too far, and tariff effects could still inflict a nasty surprise.

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