

Resilience Amid Rising Uncertainty

Key Takeaways

- The Fed remained on hold, but dissenting votes highlighted continued uncertainty around the rate outlook.
- Real GDP preliminary estimates show economic growth slowed in July, though we saw a rise in consumer spending.
- Strong earnings and resilient fundamentals helped offset market concerns surrounding geopolitical developments.

Indicator	Impact	Insights
Economic Growth	●	Consumer spending remains a key source of economic strength, helping offset slower Real GDP growth.
Inflation	●	The recent spike in oil prices demonstrated how quickly geopolitical events can reintroduce inflationary pressures.
Fed Policy	●	The Fed left rates unchanged in July, but policymakers offered limited guidance on future moves.
Stock Market	●	Despite geopolitical tensions and policy uncertainty, corporate earnings have remained resilient.

● = Positive ● = Neutral ● = Negative

Economic and Market Review

Geopolitical tensions remained a key market focus in July as hostilities between the U.S. and Iran escalated, with the Memorandum of Understanding effectively abandoned. Concerns intensified as fighting expanded into the Red Sea, raising risks to shipping through the strategic Bab al-Mandeb Strait. Economic data released during the month was generally supportive, with the unemployment rate falling to 4.2% and Core CPI coming in at 0.0% m/m.² However, these figures preceded the latest developments in the Middle East, which briefly pushed Brent crude oil above \$100 per barrel before prices retreated to the mid-\$80 range.³ The spike in oil prices renewed inflation concerns and increased market expectations for a Federal Reserve rate hike ahead of the July 29th meeting.³ Although the Fed ultimately left rates unchanged, the decision provided little clarity on the path forward, contributing to renewed market volatility and a negative trading session for major equity indices. Earnings season has continued to be a bright spot for investors, with 61% of S&P 500 companies having reported results and 86% of those companies exceeding earnings expectations. U.S. large-cap equities have returned 10.09% YTD, while emerging market equities have gained 18.3% YTD.³ Evidence of continued consumer resilience can be seen in the first estimate of second-quarter U.S. real GDP growth, which came in at 1.5%.² Although growth slowed from the first quarter, consumer spending accelerated meaningfully, with personal consumption rising 3.2% during the quarter versus 0.5% in the first quarter.²

Outlook and Positioning

Markets continue to navigate a complex environment marked by geopolitical uncertainty, evolving monetary policy expectations, and shifting inflation dynamics. We remain committed to a disciplined, long-term investment approach, maintaining diversified portfolios designed to weather short-term volatility while capturing opportunities as they emerge.

Sources: Members Trust Company Research, 1 U.S. Bureau of Economic Analysis, 2 U.S. Bureau Labor of Statistics, 3 Financial data and analytics service provider FactSet, 4 U.S. Department of Treasury, ETF tickers SPY, IJH, IJR, IDEV, EEM, and AGG used as index proxies. Non-deposit investment products available through Members Trust Company are not deposits of or guaranteed by the trust company, a credit union or credit union affiliate, are not insured or guaranteed by the NCUA, FDIC or any other governmental agency and are subject to investment risks including possible loss of the principal amount invested. Members Trust Company, owned and managed by credit unions nationwide, is a special purpose federal thrift regulated by the Office of the Comptroller of the Currency. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. Net return includes stock price and net dividend income performance, which includes the impact of taxes on dividends. Past performance is not indicative of future results. Any opinions expressed are those of the presenter and do not necessarily reflect the position of Members Trust Company. The information above is obtained or compiled from sources we believe to be reliable. We do not guarantee that such information will be free from errors or omissions, whether human or mechanical, nor do we guarantee its timeliness, accuracy or completeness. This material is intended for general informational purposes only and does not constitute legal or tax advice. Please consult a qualified professional for legal or tax guidance.

