

## Beacon Weekly Investment Insights

In a holiday-shortened week, the S&P 500 increased 1.7% and reached an all-time high. Two events may have been catalysts for last week's stock market gains. First, Fed Chair Jerome Powell, in a speech on July 2<sup>nd</sup>, seemed to indicate some receptiveness to lowering short-term interest rates sooner than expected. Small cap stocks were especially buoyed by these comments. The Russell 2000 Index increased 3.5% during the 4<sup>th</sup> of July shortened week and is now in positive year-to-date (YTD) territory for the first time since Q1. The second catalyst was the passage of the One Big Beautiful Bill Act (BBB), a centerpiece of President Trump's platform.

It is difficult to summarize a nearly 1,000 page document, but we can say that the Act will likely increase the federal budget deficit and provide tax cuts to a broad cross-section of Americans. For example, up to specific limits, many individuals will pay no income tax on tips, no tax on Social Security, and the State and Local Tax (SALT) deduction will increase from \$10,000 to \$40,000 per year. In addition to the increase in the federal budget deficit, the Act will be partially paid for by cuts to clean energy programs and Medicaid. A summary table of the Act produced by CNBC is listed below.

### Key individual tax changes from Trump's 'big beautiful' bill

Current law vs. final legislation

Current law	Final legislation		
<b>Standard deduction</b>		<b>Tax on tips</b>	
\$15,000 single; \$30,000 married filing jointly for 2025	\$15,750 single; \$31,500 married filing jointly for 2025	N/A	Deduct up to \$25,000 per year from 2025 through 2028
<b>'Bonus' deduction for older adults</b>		<b>Overtime pay</b>	
\$1,600 for age 65 and older for 2025; \$2,000 unmarried / not surviving spouse for 2025	\$7,600 for age 65 and older; \$8,000 for unmarried / not surviving spouse; both from 2025 through 2028	N/A	Deduct up to \$12,500 per taxpayer from 2025 through 2028
<b>State and local tax deduction (SALT)</b>		<b>Auto loan interest</b>	
\$10,000 limit through 2025	\$40,000 limit for 2025; increases by 1% through 2029; reverts to \$10,000 in 2030	N/A	Deduct up to \$10,000 of annual interest on new loans from 2025 through 2028
<b>Child tax credit</b>		<b>Trump Accounts for child savings</b>	
Max credit of \$2,000 per child through 2025; refundable portion \$1,700 for 2025	Max credit of \$2,200 per child; refundable portion \$1,700 for 2025	N/A	One-time \$1,000 credit to account per child born between 2025 through 2028
<b>Estate and gift tax exemption</b>		<b>Charitable deduction for non-itemizers</b>	
\$13.99 million single; \$27.98 million married filing jointly for 2025	\$15 million single; \$30 million married filing jointly for 2026	N/A after 2021	\$1,000 single; \$2,000 married filing jointly; permanent after 2025

Source: CNBC

Source: Reporting by Kate Dore / CNBC



Last week, the Institute for Supply Chain Management (ISM) released its forward-looking Manufacturing and Services Reports. The pattern exhibited over the past few years continued. Namely, ISM Manufacturing pointed to modest contraction and ISM Services pointed to modest expansion in the period ahead. Both indices increased over the prior month, and we believe there is a good chance further improvement will occur now that the BBB Act has been passed, removing some uncertainty from the planning process of many businesses. The unemployment rate fell from 4.2% to 4.1% last month, the lowest level since February. In sum, these indicators do not suggest an economy that is on the edge of a recession despite heightened geopolitical risks.

The Q2 earnings reporting season will kick off this week. Delta Airlines is usually among the first S&P 500 firms to report and the company will hold a conference call on Thursday. Major financial firms, such as JP Morgan and Citi, will follow with their own earnings reports next week. The economic calendar is active this week in parallel to the commencement of earnings season. Perhaps the most important economic report this week will occur on Tuesday when the latest inflation data is released. Last month's CPI reading showed a 2.4% annualized increase. Further declines in the CPI will make it easier for the Fed to reduce interest rates. The Producer Price Index (PPI) report, a measure of wholesale inflation that is primarily driven by commodity prices, will be released on Wednesday. Its values may be impacted by the recent volatility in oil prices, which spiked during the recent attack by Israel and U.S. on Iran's nuclear facilities. On Friday, the University of Michigan will release its Consumer Sentiment Index (CSI). Sentiment has improved recently, and it will be interesting to see if the passage of the BBB will further bolster the mood of consumers.

Market Scorecard:	7/4/2025	YTD Price Change
Dow Jones Industrial Average	44,828.53	5.37%
S&P 500 Index	6,279.35	6.76%
NASDAQ Composite	20,601.10	6.68%
Russell 1000 Growth Index	4,312.88	6.69%
Russell 1000 Value Index	1,943.86	6.57%
Russell 2000 Small Cap Index	2,249.04	0.85%
MSCI EAFE Index	2,654.66	17.37%
US 10 Year Treasury Yield	4.348%	-23 basis points
WTI Crude Oil	\$66.50	-7.47
Gold \$/Oz.	\$3,346.50	26.79%



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