

# Market & Legal Update

## July 2025

Stay on top of the latest market developments and legal and regulatory updates that may affect your business.

## MARKET UPDATE | Markets Remain Hot Amid Trade Breakthroughs

July extended the momentum from June, with equity markets continuing to climb as investors cheered a breakthrough trade deal between the United States and the European Union and Japan. The S&P 500 posted its third consecutive monthly gain, up approximately 2.2% month-to-date, while the NASDAQ has outpaced broader indexes again, gaining 3.7% on the back of continued strength in mega-cap tech names. The Dow Jones Industrial Average was up 0.2% for the month. Foreign developed stocks (EAFE) stumbled at the end of July down 1.4%, however, they remained up 17.8% on the year. Bond markets, meanwhile, saw muted returns as yields inched higher, with the 10-Year Treasury yield rising to 4.37% in July.

Market Return Indexes	July 2025	YTD 2025	2024
Dow Jones Industrial Average	0.2%	4.7%	15.0%
S&P 500	2.2%	8.6%	25.0%
NASDAQ (price change)	3.7%	9.4%	28.6%
MSCI Eur. Australasia Far East (EAFE)	-1.4%	17.8%	3.8%
MSCI Emerging Markets	2.0%	17.5%	7.5%
Bloomberg High Yield	0.5%	5.0%	8.2%
Bloomberg U.S. Aggregate Bond	-0.3%	3.8%	1.3%
Yield Data (Month End)	July 2025	June 2025	May 2025
U.S. 10-Year Treasury Yield	4.37%	4.24%	4.41%

Most of the monikered “Magnificent Seven” stocks—Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla—have once again taken a central role in the U.S. stock market’s dominant performance in July (Tesla and Apple lagged). This comes on the heels of earnings optimism with four of the seven companies reporting earnings in the last week of July. These mega cap stocks are flying high in a time of unprecedented investment in AI fueled by accelerating enterprise demand for infrastructure

and cloud services. Collectively, the group contributed significantly to the NASDAQ’s monthly gains, reinforcing their central role in market performance and sparking fresh debate over top heavy concentration risk in U.S. equities.



Equity markets continue to climb as investors cheer a breakthrough trade deal between the United States and the European Union and Japan.

A major driver of July’s optimism came from a landmark U.S.–EU trade agreement on Sunday July 27. The wide-ranging deal comes to markets as a great reprieve ending a months-long standoff that averts a trade war between the U.S. and its largest trading partner just before the delayed August 1 start date. The EU will pay a 15% flat tariff on most goods, half of the 30% first mentioned. A range of products will not face tariffs on either side with details yet to be finalized. These exceptions will be key for pharmaceutical, agricultural, and mineral industries. The deal also includes billions of dollars of new spending on U.S. weaponry and energy by the EU. Other key trade deal updates from July are summarized below:

- Japan agreed to a deal that included a 15% tariff on Japanese imports and a pledge from Japan to invest \$550 billion in the United States.
- Vietnam established a framework for a deal giving the U.S. “total access” to the Vietnamese market. Vietnam will pay a 20% tariff on goods sent into the U.S.
- The Philippines agreed to a trade deal with the United States that would lower U.S. tariffs on its exports to 19%.
- Indonesian exports to the United States will be subject to a 19% tariff, while most U.S. exports to Indonesia will face no tariff barriers. Indonesia also committed to buying Boeing aircrafts, increasing imports of U.S.

agriculture and energy products, and reducing non-tariff barriers like cumbersome licensing requirements.

- The U.S. and South Korea agreed to a trade deal that will impose a 15% tariff on imports from the country, lower than a previously threatened rate of 25%.
- One of the biggest unknowns is what will happen with China, which although falling in standing, remains America's third largest source of imports. The temporary suspension of most tariffs, agreed in May, is set to expire on August 12. The two nations continue trade talks in Sweden following escalating retaliatory tariffs earlier this year.
- President Trump said that he would give Mexico more time to seal a trade deal and avoid higher tariffs but has yet to secure a trade pact.
- A deal has yet to be done with Canada. Last month President Trump raised the stakes threatening a 35% tariff on Canadian products sent into the United States.

The fragile ceasefire in the Middle East has so far held through July, with diplomatic channels between the U.S., Iran, and Israel remaining active. Oil prices, which spiked in June, have stabilized as supply concerns recede. Gold prices pulled back slightly as investor risk appetite returned amid bull equity market performance. The VIX, Wall Street's fear gauge, remained subdued in July, hovering around 15, which generally indicates low expected volatility and optimism in U.S. equity markets.

The latest Consumer Price Index (CPI) data released mid-month for June showed a modest 0.3% monthly increase, bringing annual inflation up to 2.7%, potentially indicating that companies are passing tariff costs to consumers, especially as services inflation eased while prices of goods increased. However, the degree of which the price effects are due to President Trump's tariff policy is uncertain and June's report did little to settle debate among lead economists. Core CPI, excluding food and energy, rose 0.2% month-over-month and 2.9% annually. Inflation also increased in June as measured by the Federal Reserve's preferred gauge, the Personal Consumption Expenditure price index (PCE), validating the Federal Reserve's cautionary stance. From the preceding month, the PCE price index for June increased 0.3% to 2.6%. Excluding food and energy, the Core PCE price index also increased 0.3 percent to 2.8%. Speaking at a policy forum on July 19, Fed Chair Jerome Powell reiterated that "inflation has improved, but risks remain," and confirmed the Fed's

commitment to its data-dependent stance. Futures markets are now pricing in a 65% chance of the first rate cut coming in September.

**At the July 30 Federal Open Market Committee (FOMC) meeting, the Fed held its benchmark rate at 4.25%–4.50% for the fifth consecutive meeting amid mixed signals.**

Powell mentioned a strong labor market and moderate economic growth but is concerned about the potential price pressures of tariffs, and doesn't want to prematurely cut rates and end up with more persistent inflation. The U.S. economy grew at an annual rate of 3.0% in the second quarter, saw a slight increase in consumer spending, but was offset by a decrease in business spending. The Fed's decision comes following an intense period of political pressure from the White House to lower borrowing costs. There was no consensus among the 12-person committee, and it was the first time more than one official voted against Powell since 2020, and the first since 1993 in which more than one board governor dissented, with two governors favoring a quarter percent reduced rate. September's rate decision could prove straightforward if the data breaks decisively in either direction.



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The market's resilience in the face of uncertain trade policy due to tariffs and differences in Fed interest rate policy has been impressive. The U.S.–EU trade breakthrough marks a rare moment of clarity in a year defined by crosswinds. Yet still, risks persist. A breakdown in the Middle East ceasefire, sporadic policy shifts, continued uncertainty with inflation or disappointing earnings from key tech names could rattle markets. For now, investor sentiment remains cautiously optimistic as the summer rally continues to build.

Retirement plan sponsors and fiduciaries should be aware of a number of recent regulatory and litigation-related developments at the United States Department of Labor ("DOL"), including the following:

- Plan sponsors now may correct delinquent contributions and loan repayments, under certain circumstances, under a new "Self-Correction Component" of the DOL's Voluntary Fiduciary Correction Program;
- The DOL's 2024 Retirement Security Rule (intended to update the definition of "investment advice fiduciary" and to set high standards of care and loyalty) remains on hold;
- The DOL has abandoned the ESG Rule (despite courts having upheld it);
- The DOL has rescinded its 2022 cryptocurrency and crypto-based investment guidance;
- The DOL announced a new modernized opinion letter program; and
- The DOL filed an amicus brief taking the employer's side in one of the ongoing forfeiture ERISA litigation cases.

Several of these items reflect the different priorities of the new Presidential Administration.

## New Self-Correction Component for Delinquent Contributions

On January 14, 2025, the DOL released final rules updating its Voluntary Fiduciary Correction Program ("VFCP"), including for the first time, a Self-Correction Component ("SCC"). Generally speaking, a plan sponsor may use SCC, without filing a formal VFCP application, to correct delinquent deferral contributions and loan repayments if the following requirements are met:

- Lost earnings on such late contributions total \$1,000 or less;
- The plan sponsor deposits the contributions with the plan within 180 days of withholding;
- The plan sponsor calculates earnings using the DOL online calculator;
- The plan sponsor maintains a "Record Retention Checklist," including a penalty of perjury statement; and
- The plan sponsor must file an SCC Notice through the DOL's website.

More details about SCC under the VFCP are available in USICG's [February Legal Update](#).

## Retirement Security Rule Remains on Hold

There have been several attempts by the DOL to expand the definition of "investment advice fiduciary" to encompass more providers and situations, including advice given on a one-time basis, such as advice on rolling over assets from one plan to another (e.g., recommendations to rollover assets from a 401(k) plan to an IRA). In 2016, the DOL finalized a new rule updating the definition of an investment advice fiduciary. The Court of Appeals for the Fifth Circuit, however, vacated the 2016 fiduciary rule, and the DOL (as directed by the then administration) declined to appeal this 2018 holding.

In another attempt, on April 23, 2024, DOL issued a Retirement Security Rule, intended to become effective September 23, 2024. The Retirement Security Rule would provide that a financial services provider is an "investment advice fiduciary" if:

- The provider makes an investment recommendation to a retirement investor;
- The provider makes the recommendation for a fee (including commissions or other compensation); and
- The provider holds itself out as a "trusted advisor" either by explicitly claiming fiduciary status or by making the recommendation in a way that would indicate to a reasonable investor that the provider is a "trusted advisor."

The Retirement Security Rule provided that "trusted advisers" must do the following:

- Meet a professional standard of care when making recommendations (give **prudent** advice);
- Never put the adviser's financial interests ahead of the retirement investor's when making recommendations (give **loyal** advice);
- Avoid misleading statements about conflicts of interest, fees and investments;
- Charge no more than what is reasonable for the adviser's services; and
- Furnish the retirement investor basic information about the adviser's conflicts of interest.

**Multiple lawsuits immediately challenged the Retirement Security Rule as exceeding the DOL's authority under ERISA, resulting in two nationwide stays.** In February and April this year, the DOL requested suspension of these cases while the administration determined whether to proceed with the appeals or to let the stays remain in effect.

### DOL Drops ESG Rule

In December 2022, the DOL issued the Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder rights (commonly known as the “ESG Rule”). This Final Rule provided that plan fiduciaries could consider environmental, social and governance factors when selecting plan investments or exercising shareholder rights, such as proxy voting. Twenty-six (26) states challenged the Final Rule by filing a lawsuit. The U.S. District Court for the Northern District of Texas upheld the Final Rule. On appeal, the Fifth Circuit ordered the District Court to consider the Final Rule taking into account *Loper Bright Enterprises v. Raimondo* (which overruled *Chevron*, under which courts should defer to regulators when regulators construe their own statutes). On remand, the District Court again upheld the Final Rule.

In May 2025, the DOL notified the District Court that it intends to “engage in a new rulemaking on the subject of the challenged rule” – signaling that the DOL no longer intends to defend challenges to the ESG Rule.

### DOL Rescinds Crypto-Based Investment Guidance

On March 10, 2022, the DOL issued Compliance Assistance Release No. 2022-01, which stated, “The Department cautions plan fiduciaries to exercise extreme care before they consider adding a cryptocurrency option to a 401(k) plan’s investment menu for plan participants.” The DOL characterized cryptocurrencies and crypto-based investments as follows:

- Being speculative and volatile;
- Challenging for participants to make informed decisions;
- Raising custodial and recordkeeping concerns;
- Posing valuation concerns; and
- Existing in an evolving regulatory market.

On May 28, 2025, the DOL issued Compliance Assistance Release 2025-01, which rescinded the prior cryptocurrency guidance. The DOL explained that the “extreme care” standard is not found in ERISA and stated that plan fiduciaries should make fiduciary investment decisions, not government regulators.

### Modernized Opinion Letter Program

On June 2, 2025, the DOL announced it was initiating a modernized opinion letter program designed to provide official written interpretations from its enforcement agencies, explaining how laws apply to specific factual circumstances presented by employees or employers. The DOL intends to issue “advisory opinions,” which will apply employee benefits law to a specific set of facts. The DOL also intends to issue “information letters,” which highlight well established principles or interpretations.

### DOL Backs Employers in Plan Forfeiture Litigation

At least 65 cases have been filed against employers that challenge a decision to use forfeitures to offset employer contributions rather than to pay plan expenses. Some plan documents give plan fiduciaries discretion on how to allocate forfeitures. The Ninth Circuit Court of Appeals is the first appellate court that must rule on this issue. On July 9, 2025, the DOL filed an amicus brief to this Ninth Circuit case, *Hutchins v. HP, Inc.* The DOL argued that the mere existence of a conflict of interest (i.e., offsetting employer contributions versus paying plan expenses) did not suffice to state a viable ERISA fiduciary breach claim. The DOL noted that there has existed an “established understanding for several decades” that plans may allocate forfeitures to pay benefits rather than to defray administrative expenses. The DOL reasoned that the funding of a plan constitutes a “settlor” function rather than a “fiduciary” one. Although disposing of plan assets remains a “fiduciary” function, the DOL noted that the context of plan funding supports the conclusion that allocating forfeitures to fund employer contributions does not give rise to a claim for breach of fiduciary duty.



## Retirement Resources for You

USI Consulting Group's team of experts is happy to assist employers with all retirement plan compliance matters and changes in the market, including those discussed here, to help you mitigate risk and financial impact to your organization.

To learn more, please contact your local USICG representative, visit our [Contact Us page](#) or reach out to us at [information@usicg.com](mailto:information@usicg.com).

Find the address and telephone number of your local USI Consulting Group office [here](#).

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*An index is a measure of value changes in a representative grouping of stocks, bonds, or other securities. Indexes are used primarily for comparative performance measurement and as a gauge of movements in financial markets. You can not invest directly in an index and, for comparative purposes; they do not reflect the effect of the various fees inherent in actual investment vehicles.*

*The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.*

*The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.*

*The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.*

*Gross Domestic Product (GDP) is the market value of the goods and services produced by labor and property in the U.S. It is comprised of consumer and government purchases, net exports of goods and services, and private domestic investments. The Commerce Department releases figures for GDP on a quarterly basis. Inflation adjusted GDP (or real GDP) is used to measure growth of the U.S. economy.*

*The MSCI Europe and Australasia, Far East Equity Index (EAFE) is a market capitalization weighted unmanaged index developed by Morgan Stanley Capital International to measure approximately 1,100 securities in 21 major overseas stock markets. It is a commonly used measure for foreign stock market performance.*

*The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.*

*The Barclays Capital U.S. Corporate High Yield Index covers the U.S. Dollar denominated, non-investment grade, fixed income, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's Fitch, and S&P is Ba1/BB+/BB+ or below.*

*The MSCI Emerging Markets Index (EM) is a free-float-adjusted market-capitalization index developed by Morgan Stanley Capital International. It is designed to measure the equity market performance of 26 emerging market countries.*

*The 10 Year Treasury Yield is the interest rate the U.S. government pays to borrow money for a 10-year period. In addition to influencing how much the government pays to borrow over this time-frame, the 10-year Treasury Yields also determines how much investors earn by investing in this debt and it is a good indicator of investor sentiment.*

*The higher the yield, the better the economic outlook.*

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