July was chock-full of action in the U.S. markets, with seemingly nonstop news flow and headlines.

**Month In Review**

Overall, July brought with it higher than expected [Consumer Price Index (CPI) data](https://www.cnbc.com/2022/07/13/inflation-rose-9point1percent-in-june-even-more-than-expected-as-price-pressures-intensify.html), a widely expected [0.75% interest rate hike](https://www.cnbc.com/2022/07/27/fed-interest-rate-hike-what-will-be-more-expensive.html), mixed earnings results, and higher equity index pricing.

Towards the end of the month, we saw Gross Domestic Product (GDP) data that [missed expectations](https://www.npr.org/2022/07/28/1113649843/gdp-2q-economy-2022-recession-two-quarters)and put the U.S. into a recession by definition, although the broader markets did not seem to mind.

For the month of July, the S&P 500 tacked on [9.11%](https://www.tradingview.com/x/GMdLM33r/), the Nasdaq 100 added [12.55%](https://www.tradingview.com/x/zaCZUMnV/), and the Dow Jones Industrial Average increased by [6.73%](https://www.tradingview.com/x/Tot5kbqA/).

The 9.11% monthly gain for the S&P 500 was its [best month since November 2020](https://www.cnbc.com/2022/07/28/stock-market-news-updates-open-to-close-future.html), and the final two weeks of July featured back-to-back weekly gains for major U.S. indexes on the heels of the 0.75% Fed rate hike.

**July Federal Reserve Meeting**

During the meeting, Federal Reserve Chair Jerome Powell mentioned that the Fed funds have a target range of 3.0% - 3.50% by the end of 2022. The fed funds rate is currently 2.25 - 2.50% after July’s rate hike. So, this commentary indicates a [more gradual pace](https://www.cnbc.com/2022/07/27/fed-decision-july-2022-.html)of rate hikes at the September, November, and December meetings (ranging from 0.25% - 0.50%).

Powell also noted that he does not believe the United States is in a recession and that future rate hikes and the pace of such rate hikes will be [data-dependent](https://www.bloomberg.com/news/articles/2022-07-27/powell-signals-more-hikes-coming-leaves-out-details-this-time).

Markets loved the idea of rate hikes occurring more gradually in the near future, with U.S. stock and bond markets closing higher overall as a result.

**GDP Shrinks**

In addition to the big Fed meeting news, markets were anticipating Q2 GDP data released during the last week of the month. The GDP data showed a [contraction of 0.9%](https://thehill.com/policy/finance/3577638-us-gdp-falls-for-second-straight-quarter/) quarter-over-quarter (annualized).

The technical definition of a recession is two sequential quarters of GDP contraction. This phenomenon has now occurred, even though many analysts say it is different this time and we are [not in a recession](https://www.cnbc.com/2022/07/29/white-house-goes-on-offense-to-argue-that-the-us-is-not-in-a-recession-.html).

The National Bureau of Economic Research is the official scorekeeper of U.S. recessions. The bureau [defines a recession](https://fortune.com/2022/07/29/wikipedia-recession-definition-debate-partial-blocking-new-users/)as “a significant decline in economic activity that is spread across the economy and lasts more than a few months.”

The recession debate is a fierce one. [Wikipedia has blocked](https://fortune.com/2022/07/29/wikipedia-recession-definition-debate-partial-blocking-new-users/) new users from editing its recession page because people keep changing the definition.

**Earnings Season Unfolds**

Earnings results for the second quarter have been [mixed](https://www.moneycontrol.com/news/business/earnings/half-way-into-earnings-season-more-downgrades-than-upgrades-finds-jefferies-8912411.html), with some corporate results being on the soft side. Earnings expectations are seemingly lower than in the past, and a weak consumer has been the common explanation for subpar results.

There have been some positive surprises too, but the number and magnitude of positive earnings surprises are [below their five-year averages](https://insight.factset.com/sp-500-earnings-season-update-july-29-2022); as of the time of writing. Earnings results have been [strong in the energy sector](https://www.nbcnews.com/business/business-news/oil-companies-record-earnings-sky-high-gas-prices-linge-rcna40622) amid higher pricing, with Exxon Mobil and Chevron results topping analyst estimates.

Earnings season will continue through August.

**Late Summer & Long-Term Mentality**

Historically, August and September tend to be a softer time of year for U.S. equities. However, we are in a mid-term election season, and that can impact markets as well.

Looking ahead, while investors may be cheering over the last couple of weeks, it is wise to remain grounded and remember the long-term strategy. **Market timing is difficult to achieve.** This is one of the reasons we stress the overall importance of investing over the longer term. However, with proper research and planning, some situations for entries and exits can make sense for investors with certain investment objectives and risk tolerances.

We would love to hear from you about how things are going and if your priorities or objectives have shifted since we last spoke. Please let us know if you have questions or if there is anything we can do for you. We are always here when you need us.