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# Financial Week Newsletter

*Summarized by Smith Shellnut Wilson*

**August 4, 2025**

*"Half my life is an act of revision." John Irving*

## MARKETS

**Macro Recap:** The week began on a positive note, supported by a newly forged U.S.–EU trade agreement and strong earnings reports from Microsoft and Meta. However, investor sentiment quickly shifted as several megacap companies, including Amazon and Apple, issued disappointing outlooks. This, coupled with a broad escalation in tariff policies, reignited concerns over corporate profit margins and the broader implications for global trade.

Economic data offered a mixed picture. U.S. GDP grew at an annualized rate of 3.0% in the second quarter, rebounding from a slight contraction in the previous quarter. Both quarters were notably influenced by tariff activity. The latest GDP figure was buoyed by a sharp decline in imports, as businesses scaled back purchases of foreign goods after front-loading inventories in anticipation of higher tariffs.

As anticipated, the Federal Reserve maintained its policy rate for the fifth consecutive meeting. Notably, two Fed officials dissented, advocating for an immediate 25-basis-point cut. Markets reacted cautiously, with equities slipping after Chair Jerome Powell emphasized that a rate cut at the Fed's mid-September meeting remains uncertain.

Trade negotiations intensified ahead of the Trump administration's Friday deadline. Several key partners, including the European Union and South Korea, reached full or partial agreements to avoid previously announced tariff hikes. However, negotiations with Canada, India, and Brazil remain unresolved, and discussions continue with major players such as China and Mexico.

Friday's July employment report added to the cautious tone. The U.S. economy added just 73,000 jobs, falling short of expectations. Moreover, job gains for the prior two months were revised downward by a combined 258,000, bringing April and May totals to just 19,000 and 14,000, respectively. Both stock prices and bond yields declined in response, reflecting growing concerns about the strength of the labor market.

**Equity Recap:** Momentum that had previously driven markets upward was challenged by a convergence of factors, including shifting monetary policy expectations, soft macroeconomic data, and high-profile earnings misses. These developments prompted a broad reassessment of risk and valuation, leading to a pullback across major indices. The S&P 500 fell 2.4%, the Nasdaq Composite declined 2.2%, and the Dow Jones Industrial Average underperformed with a 2.9% drop.

**Bond/Rate Recap**: Treasuries surged late in the week as weaker economic data and growing anticipation of a September rate cut drove demand for government bonds. The 2-year yield dropped 25 basis points to 3.70%, while the 10-year yield declined 14 basis points to 4.22%. According to the CME FedWatch Tool, market-implied odds of a 25-basis-point cut at the September FOMC meeting jumped to 86%, a sharp increase from just 38% prior to the release of the July jobs report.

## INDICES

| | Aug 1 Close | July 28 Open | Weekly Change | Dec 31 2024 | YTD Change |
|---|---|---|---|---|---|
| **DJIA** | 43,589 | 44,902 | -2.9% | 42,544 | 2.5% |
| **S&P 500** | 6,238 | 6,389 | -2.4% | 5,882 | 6.1% |
| **NASDAQ** | 20,650 | 21,108 | -2.2% | 19,311 | 6.9% |
| **Russell 2000** | 2,167 | 2,261 | -4.2% | 2,230 | -2.8% |
| **KBW Bank Indx** | 139.7 | 146.1 | -4.4% | 127.5 | 9.6% |
| **Bitcoin** | $113,768 | $118,216 | -3.8% | $93,714 | 21.4% |
| **Oil (WTI)** | $67.33 | $65.16 | 3.3% | $71.72 | -6.1% |
| **Gold** | $3,363 | $3,337 | 0.8% | $2,625 | 28.2% |
| **Prime** | 7.50 | 7.50 | 0.00 | 7.50 | 0.00 |
| **Effective Fed Funds** | 4.33 | 4.33 | 0.00 | 4.33 | 0.00 |
| **3m Tbill** | 4.27 | 4.35 | -0.08 | 4.31 | -0.04 |
| **2yr UST** | 3.68 | 3.92 | -0.24 | 4.24 | -0.56 |
| **10yr UST** | 4.22 | 4.39 | -0.17 | 4.57 | -0.35 |
| **2-10yr UST Spread** | 53 | 46 | 7 | 33 | 20 |
| **2y AAA Muni/10y UST** | 63.4% | 62.2% | 1.2% | 66.5% | -3.0% |
| **10y AAA Muni/10y UST** | 76.1% | 76.0% | 0.1% | 68.4% | 7.7% |
| **5yr Inflation Forecast** | 2.42 | 2.49 | -0.08 | 2.42 | 0.00 |

## Week Ahead

- **Monday:** Factory orders
- **Tuesday:** Trade balance, ISM nonmanufacturing index
- **Wednesday:** No major reports
- **Thursday:** Productivity & labor costs, Wholesale inventories, Cons credit
- **Friday:** No major reports

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