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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"A somebody was once a nobody who wanted to and did." John Burroughs

MARKETS

Macro Recap: The week was marked by a mix of monetary policy signals and escalating trade tensions that kept investors on alert. On July 9, the Fed released the minutes from its June meeting. The Fed now anticipates only two rate cuts in 2025, down from the previously expected three. Policymakers opted to keep the federal funds rate unchanged at 4.25–4.50%, citing conflicting signals from inflation data and labor market conditions. This cautious stance reflects the Fed's balancing act between supporting economic growth and maintaining price stability.

Meanwhile, trade policy took center stage as the President issued a series of tariff letters to key trading partners. Early in the week, Japan and South Korea were notified of impending 25% tariffs set to take effect on August 1 unless more favorable trade terms are negotiated. Initially, markets remained resilient, as these countries, while important, were not seen as broadly disruptive to U.S. trade flows.

However, sentiment shifted later in the week when Brazil received notice of a 50% tariff, followed by Canada, which was hit with a 35% tariff on goods not covered under the USMCA. Reports also surfaced that the European Union would soon receive a similar letter. President Trump further escalated the rhetoric, stating that most trading partners could face tariffs ranging from 15% to 20%, higher than the current 10% baseline. Additional measures included a 50% tariff on copper imports and the looming threat of a 200% tariff on pharmaceutical products.

Investors appeared to interpret the tariff threats as a strategic move aimed at gaining leverage in trade negotiations, rather than a definitive shift toward protectionism. Still, the uncertainty surrounding trade policy dampened some of the market's earlier optimism, particularly in sectors sensitive to global supply chains.

Equity Recap: The S&P 500 and Nasdaq Composite reached fresh all-time highs this week, driven by stronger-than-expected Q2 earnings and upbeat guidance from Delta Air Lines (DAL) and tech heavyweight NVIDIA (NVDA), which surpassed a $4 trillion market valuation.

Bond/Rate Recap: The Treasury market showed resilience throughout most of the week, absorbing $119 billion in new issuance without significant disruption. However, selling pressure emerged on Friday, leading to a curve-steepening move driven by losses in the inflation-sensitive long end of the yield curve. By week's end, the 2-year Treasury yield settled at 3.91%, while the 10-year yield closed at 4.41%.

Week Ahead: Investor focus will shift to upcoming inflation data, with both the Consumer Price Index (CPI) and Producer Price Index (PPI) scheduled for release this week. The results could prompt more pointed commentary from the White House.

INDICES

	July 11 Close	July 7 Open	Weekly Change	Dec 31 2024	YTD Change
DJIA	44,372	44,829	-1.0%	42,544	4.3%
S&P 500	6,260	6,279	-0.3%	5,882	6.4%
NASDAQ	20,586	20,601	-0.1%	19,311	6.6%
Russell 2000	2,235	2,249	-0.6%	2,230	0.2%
KBW Bank Indx	143.4	145.4	-1.4%	127.5	12.5%
Bitcoin	$119,023	$108,547	9.7%	$93,714	27.0%
Oil (WTI)	$68.45	$67.08	2.0%	$71.72	-4.6%
Gold	$3,356	$3,311	1.4%	$2,625	27.9%
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	4.33	4.35	-0.02	4.31	0.02
2yr UST	3.89	3.87	0.01	4.24	-0.36
10yr UST	4.41	4.36	0.05	4.57	-0.16
2-10yr UST Spread	52	48	4	33	19
2y AAA Muni/10y UST	64.8%	66.4%	-1.7%	66.5%	-1.7%
10y AAA Muni/10y UST	72.1%	73.8%	-1.7%	68.4%	3.7%
5yr Inflation Forecast	2.46	2.40	0.07	2.42	0.04

Week Ahead

- **Monday:** No major reports
- **Tuesday:** CPI, Empire manufacturing
- **Wednesday:** PPI, Mortgage applications, Industrial production
- **Thursday:** Retail sales, Weekly jobs, Philly Fed outlook
- **Friday:** Housing starts, U of M consumer sentiment

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