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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"The four most dangerous words in investing are: 'this time it's different.'"
Sir John Templeton

MARKETS

Macro Recap: Last week brought a heavy economic data slate alongside new Fed Chair Kevin Warsh's debut congressional testimony. June CPI, released Tuesday, cooled to 3.5% year-over-year (from 4.2% in May), well below the 3.8% consensus, with prices falling 0.4% on the month, the largest drop since 2020, led by falling energy costs. Core CPI held flat monthly and eased to 2.6% annually. PPI fell 0.3% on Wednesday, driven by lower energy, though core producer prices ticked up modestly. Thursday's retail sales rose 0.2%, in line with expectations, with underlying spending looking healthier once lower gas station receipts are excluded.

Chairman Warsh delivered his first semiannual testimony before the House (Tuesday) and Senate (Wednesday), striking a firm tone that the Fed has "no tolerance for persistently elevated inflation" and pledging to make the recent inflationary period "a thing of the past." He offered little forward guidance on the rate path, consistent with a leaner communication style, and outlined five task forces reviewing Fed communications, balance sheet policy, data practices, jobs, and inflation frameworks. Our takeaway: Warsh favors optionality over pre-commitment, so markets should expect meeting-to-meeting guidance rather than a preset path. We don't read the softer inflation data as a green light for cuts, but it buys the Fed room to hold at the July 28-29 meeting.

Geopolitical tensions were the dominant counterweight to the encouraging inflation data. U.S. and Iranian forces continued exchanging strikes, with U.S. Central Command confirming a seventh consecutive night of strikes by Friday, and shipping continuing to avoid the Strait of Hormuz. Crude oil rallied over 13% on the week to near $81/barrel.

Equity Market Recap: U.S. equities snapped a two-week winning streak on a sharp global sell-off in semiconductor and AI-related names. The S&P 500 finished down ~1.1%, the Nasdaq fell ~2.5%, and the Dow was the relative outperformer, down ~0.4%. Selling originated overnight in Asia, where South Korean equities triggered circuit breakers and Taiwanese shares entered correction; the Philadelphia Semiconductor Index ended the week down ~10%. Energy rose nearly 5% alongside crude, while REITs and staples also outperformed. Earnings season gathered momentum, with several large banks, UnitedHealth, Abbott, and IBM reporting; results were mixed, with IBM's profit warning weighing on the Dow. S&P 500 earnings growth is tracking near 23% year-over-year, a second straight quarter above 20%, led by technology and energy.

Fixed Income and Rates Recap: Treasury yields whipsawed as investors weighed cooler inflation data against escalating geopolitical risk, falling sharply after Tuesday's CPI and Wednesday's PPI, then reversing higher into the weekend as the Iran conflict escalated and oil surged. The 10-year finished near 4.55% and the 2-year near 4.18%, leaving the 10-2 spread modestly positive at ~37 basis points. Fed funds futures still price meaningful odds of a hike later this year even as some FOMC members signal openness to cuts. The tension between disinflationary data and inflationary geopolitical risk (via oil) should keep rate volatility elevated near-term.

Week Ahead: Earnings take center stage, with ~10% of S&P 500 market cap reporting, including Alphabet, Tesla, Texas Instruments, American Express, 3M, ServiceNow, and Verizon. Investors will watch closely for AI capital-spending commentary following last week's semiconductor volatility. The ECB meets, though no policy change is expected, and Fed officials continue speaking ahead of the July 28-29 FOMC meeting. The U.S.-Iran conflict and its impact on oil and Hormuz shipping remains the key wildcard, alongside any further developments on U.S.-China trade.

INDICES

	July 13 Close	July 17 Close	Weekly Change	Dec 31 2025	YTD Change
DJIA	52,637	52,146	-0.9%	48,063	8.5%
S&P 500	7,575	7,458	-1.6%	6,846	8.9%
NASDAQ	26,282	25,520	-2.9%	23,242	9.8%
Russell 2000	2,978	2,962	-0.5%	2,482	19.3%
KBW Bank Indx	187.2	188.9	0.9%	164.0	15.2%
Bitcoin	$64,141	$64,611	0.7%	$87,648	-26.3%
Oil (WTI)	$71.41	$82.44	15.4%	$57.42	43.6%
Gold	$4,120	$4,015	-2.5%	$4,319	-7.0%
Prime	6.75	6.75	0.00	6.75	0.00
Effective Fed Funds	3.62	3.63	0.01	3.64	-0.01
3m Tbill	3.78	3.79	0.01	3.63	0.16
2yr UST	4.21	4.19	-0.02	3.47	0.71
10yr UST	4.56	4.56	0.00	4.17	0.39
2-10yr UST Spread	35	37	2	69	-32
2y AAA Muni/10y UST	56.6%	58.1%	1.5%	70.3%	-12.2%
10y AAA Muni/10y UST	65.5%	67.8%	2.2%	65.4%	2.3%
5yr Inflation Forecast	2.30	2.28	-0.02	2.27	0.01

Week Ahead

Monday: Leading Economic Index
Tuesday: ADP Employment
Wednesday: MBA mortgage applications
Thursday: Weekly jobless claims
Friday: Manufacturing PMI, New home sales

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