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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

July 21, 2025

"Habits change into character." Publius Ovidius Naso "Ovid"

MARKETS

Macro Recap: Markets navigated a busy week of economic data and political headlines, revealing a resilient economy with moderating, but still sticky, inflation.

Early in the week, markets reacted to President Trump's proposed 30% tariff on EU and Mexican goods, set to take effect August 1. Reassurances from EU and Mexican leaders helped ease initial concerns. Midweek, reports that Trump might consider firing Fed Chair Jerome Powell briefly unsettled markets before being dismissed by the president as "highly unlikely," though the episode reignited debate over Fed independence.

On the data front, core CPI rose 0.2%, slightly below expectations, while PPI was flat month-over-month, both supporting a disinflationary narrative. Still, price increases in apparel and home furnishings raised concerns about tariff-driven inflation. Retail sales rebounded 0.6% in June, signaling renewed consumer strength after two months of declines.

Housing data beat expectations, but persistent weakness in single-family construction and permitting continues to constrain supply. Meanwhile, consumer sentiment climbed to a five-month high, reflecting improved inflation expectations and growing confidence.

Despite the encouraging inflation data, the Fed remains cautious. Officials, including Collins, Williams, and Kugler reiterated that current policy is appropriate given ongoing inflation risks. According to the CME FedWatch Tool, the probability of a July rate cut remains low, just under 5%.

Equity Recap: Equity markets posted modest gains last week, navigating volatility driven by earnings reports, economic data, Fed policy speculation, and tariff developments. A busy earnings calendar largely set the tone, with strong performances helping lift major indexes.

The Nasdaq Composite and S&P 500 closed at or near record highs, advancing 1.5% and 0.6%, respectively, and rebounding from the prior week's slight declines. The Dow Jones Industrial Average edged down 0.1%, remaining approximately 1.5% below its record high set last December.

Bond/Rate Recap: Bond markets reflected a push and pull between optimism around easing inflation and skepticism over the Fed's policy path. The 2-year Treasury yield declined three basis points to 3.88%, while the 10-year yield edged up one basis point to 4.43%.

INDICES

	July 18 Close	July 14 Open	Weekly Change	Dec 31 2024	YTD Change
DJIA	44,342	44,372	-0.1%	42,544	4.2%
S&P 500	6,297	6,260	0.6%	5,882	7.1%
NASDAQ	20,896	20,586	1.5%	19,311	8.2%
Russell 2000	2,240	2,235	0.2%	2,230	0.4%
KBW Bank Indx	143.8	143.4	0.3%	127.5	12.8%
Bitcoin	$117,151	$119,023	-1.6%	$93,714	25.0%
Oil (WTI)	$67.52	$68.45	-1.4%	$71.72	-5.9%
Gold	$3,358	$3,356	0.1%	$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	4.33	0.00	4.31	0.02
2yr UST	3.87	3.89	-0.02	4.24	-0.37
10yr UST	4.42	4.41	0.01	4.57	-0.15
2-10yr UST Spread	54	52	2	33	22
2y AAA Muni/10y UST	64.5%	64.8%	-0.3%	66.5%	-2.0%
10y AAA Muni/10y UST	76.1%	72.1%	4.0%	68.4%	7.7%
5yr Inflation Forecast	2.52	2.46	0.06	2.42	0.10

Week Ahead

- **Monday:** Leading economic indicators
- **Tuesday:** No major reports
- **Wednesday:** Existing home sales
- **Thursday:** New home sales, Weekly unemployment claims
- **Friday:** Durable goods orders

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