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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"Common sense is very uncommon." Horace Greeley

MARKETS

Macro Recap: The Federal Reserve took center stage last week. At its policy meeting concluding Wednesday, the Fed held its benchmark lending rate steady, but three voting members dissented, preferring a rate hike, a notable split that underscores the tension between a cooling economy and inflation that remains stubbornly above target. Chair Kevin Warsh's post-meeting press conference did little to calm markets, and concerns over long-term inflationary pressure sent medium- and long-term Treasury yields sharply higher.

U.S. GDP slowed to an annualized 1.5% in the second quarter, down from 2.1% in the first, and came in below most economists' forecasts. Consumer spending held up, but federal government spending and inventories both lagged. On the inflation side, Thursday's PCE Price Index, the Fed's preferred gauge, showed some relief, with the annual rate easing to 3.7% in June from May's three-year high of 4.1%; core PCE, which excludes food and energy, came in at 3.3%.

Equity Market Recap: Strong earnings drove the three major U.S. stock indexes to gains of 1% to nearly 2% on the week, largely offsetting the prior week's modest declines. Even so, the S&P 500, the Nasdaq, and the Dow all remained below the record levels they set over the past two months, a gap that widened midweek when stocks sold off sharply following the Fed's decision and Chair Warsh's remarks.

The earnings picture continues to brighten. With nearly two-thirds of S&P 500 companies having reported second-quarter results, including the largest technology names, analysts now project average earnings growth of 47.4% for the quarter, up sharply from 38.0% just a week earlier, according to FactSet. If that estimate holds through the remainder of earnings season, it would mark the strongest quarterly growth rate in five years.

Fixed Income and Rates Recap: Bonds bore the brunt of the week's volatility. The 30-year U.S. Treasury yield pushed above 5.20% on Wednesday afternoon in the wake of the Fed meeting, its highest level since 2007, and climbed further to 5.25% by Friday afternoon. The 10-year yield followed suit, rising to 4.71%, its highest mark in more than a year and a half. With long rates now sitting at multi-decade highs, the pressure on rate-sensitive sectors like housing is likely to persist.

Week Ahead: Friday brings the July labor market report, which will show whether June's surprising slowdown in hiring carried into July. June payrolls rose by just 57,000, roughly half of what economists had expected, and prior estimates for April and May were revised lower. A second consecutive soft reading would add to the case for the Fed to eventually cut rates, even as long-term yields continue to climb.

INDICES

	July 20 Close	July 24 Close	Weekly Change	Dec 31 2025	YTD Change
DJIA	51,947	52,485	1.0%	48,063	9.2%
S&P 500	7,412	7,490	1.0%	6,846	9.4%
NASDAQ	24,976	25,374	1.6%	23,242	9.2%
Russell 2000	2,930	2,931	0.0%	2,482	18.1%
KBW Bank Indx	188.3	187.0	-0.7%	164.0	14.0%
Bitcoin	$64,972	$63,470	-2.3%	$87,648	-27.6%
Oil (WTI)	$84.23	$80.64	-4.3%	$57.42	40.4%
Gold	$4,082	$4,069	-0.3%	$4,319	-5.8%
Prime	6.75	6.75	0.00	6.75	0.00
Effective Fed Funds	3.63	3.63	0.00	3.64	-0.01
3m Tbill	3.90	3.75	-0.15	3.63	0.12
2yr UST	4.32	4.29	-0.02	3.47	0.82
10yr UST	4.64	4.73	0.09	4.17	0.57
2-10yr UST Spread	33	44	11	69	-25
2y AAA Muni/10y UST	60.0%	60.9%	0.9%	70.3%	-9.4%
10y AAA Muni/10y UST	70.8%	70.5%	-0.4%	65.4%	5.0%
5yr Inflation Forecast	2.22	2.29	0.06	2.27	0.02

Week Ahead

- **Monday:** Construction spending, ISM man. idx
- **Tuesday:** JOLTS, Trade balance, Factory orders
- **Wednesday:** ADP Employment, ISM non-man. idx
- **Thursday:** Wholesale inventories, Weekly unemployment
- **Friday:** Jobs and unemployment, Consumer credit

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✉ Forward

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