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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: Friday's monthly labor market report delivered a sharp downside surprise, with U.S. employers cutting 23,000 jobs in July, well below consensus forecasts for a gain of roughly 90,000. Adding to the disappointment, initial estimates for May and June were revised down by a combined 103,000 jobs. Factoring in the latest data, the three-month average pace of job creation fell to just 20,000 per month, a stark reversal from March, when the economy added 214,000 jobs.

Elsewhere, oil prices retreated amid on-again, off-again progress toward easing tensions in the Middle East and reopening shipping lanes through the Strait of Hormuz, with U.S. crude closing the week near $78 per barrel, down from nearly $85 a week earlier and well off the $92 level briefly touched on July 23. On the housing front, the average 30-year fixed mortgage rate rose for a fifth consecutive week to 6.69%, its highest level in just over a year, according to Freddie Mac, continuing to weigh on a housing market that had hoped for a rebound after rates briefly dipped below 6.00% in February.

Equity Market Recap: Continued momentum from second-quarter earnings pushed the S&P 500 and Dow to record highs, with the S&P 500 gaining 3.6% and the Dow adding 3.0% on the week. The Nasdaq surged 5.2%, though it remained 1.5% below the record it set more than two months earlier.

Profits kept improving as earnings season entered its final stretch. Based on results already reported and forecasts for the relatively small number of companies still to report, analysts now expect second-quarter net income for S&P 500 companies to rise an average of 50.4%, up sharply from the 23.1% growth rate projected at the end of June, according to FactSet. If it holds, that would mark the strongest quarterly earnings growth rate since the second quarter of 2021.

Fixed Income and Rates Recap: Treasury yields fell across the curve as the weak jobs report drove a flight to safety and a repricing of Fed rate-cut expectations. The 2-year Treasury yield dropped 9 basis points on the week, from 4.29% to 4.20%, while the 10-year yield fell 8 basis points, from 4.73% to 4.65%. The 2s/10s spread ended the week essentially unchanged, widening slightly from 44 to 45 basis points. Rate futures implied roughly a 42% probability of a quarter-point rate increase at the Fed's mid-September meeting, with a 58% chance rates hold steady, according to CME FedWatch, a shift from just a week earlier, when the odds of a hike stood at 67%.

Week Ahead: A Consumer Price Index report due Wednesday will show whether July continued a recent trend of moderating inflation. The most recent reading showed prices rising 3.5% year-over-year in June, down sharply from May's 4.2%, largely on lower energy costs, while core inflation, which excludes food and energy, stood at 2.6%.

INDICES

	Aug 3 Close	Aug 7 Close	Weekly Change	Dec 31 2025	YTD Change
DJIA	52,485	54,037	3.0%	48,063	12.4%
S&P 500	7,490	7,758	3.6%	6,846	13.3%
NASDAQ	25,374	26,691	5.2%	23,242	14.8%
Russell 2000	2,931	3,034	3.5%	2,482	22.3%
KBW Bank Indx	187.0	190.0	1.6%	164.0	15.8%
Bitcoin	$63,470	$65,166	2.7%	$87,648	-25.6%
Oil (WTI)	$80.64	$78.18	-3.1%	$57.42	36.2%
Gold	$4,069	$4,342	6.7%	$4,319	0.5%
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	3.75	3.79	0.04	3.63	0.16
2yr UST	4.29	4.20	-0.10	3.47	0.72
10yr UST	4.73	4.65	-0.09	4.17	0.48
2-10yr UST Spread	44	45	1	69	-24
2y AAA Muni/10y UST	60.9%	59.8%	-1.2%	70.3%	-10.5%
10y AAA Muni/10y UST	70.5%	69.1%	-1.4%	65.4%	3.6%
5yr Inflation Forecast	2.29	2.23	-0.06	2.27	-0.04

Week Ahead

- **Monday:** No major U.S. reports
- **Tuesday:** Existing home sales
- **Wednesday:** CPI, Federal budget
- **Thursday:** PPI, Weekly unemployment
- **Friday:** Retail sales, Business inventories, U of M Consumer Sentiment

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