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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"Adventure is worthwhile in itself." Amelia Earhart

MARKETS

Macro Recap: While the week was relatively quiet on the macroeconomic front, markets absorbed a steady stream of corporate earnings and trade-related developments. Notably, the Trump administration implemented a new round of reciprocal tariffs on Thursday, impacting imports from numerous U.S. trading partners. Among the most significant measures was a 39% tariff on goods from Switzerland. Additionally, a 100% tariff was introduced on imported semiconductors, with exemptions granted to firms committing to domestic chip manufacturing.

Energy markets saw notable movement, with U.S. crude oil prices declining over 5% for the week. By Friday afternoon, oil was trading below $64 per barrel, its lowest level in over two months, down from $70 on July 30 and approximately $75 in mid-June.

Gold markets experienced brief volatility following reports of a 39% tariff on certain gold bars. However, the White House later clarified that standard bullion would be exempt. This clarification helped propel gold futures to a record high of $3,500 per ounce on Friday, up from approximately $2,630 at the start of the year.

In monetary policy developments, Fed Governor Christopher Waller has reportedly emerged as a leading candidate for the role of Federal Reserve Chair, though no formal decision has been made. Treasury Secretary Bessent has withdrawn his name from consideration for the position. President Trump also appointed Dr. Stephen Miran to temporarily fill the vacant Fed Board seat left by Adriana Kugler, with the term extending through January 31, 2026.

Equity Recap: The equity market regained momentum this week, reversing last week's decline. The S&P 500 rose 2.4%, closing just below a new all-time high. The Nasdaq Composite led gains with a 3.9% surge, setting a fresh record. Meanwhile, the Dow Jones Industrial Average advanced 1.4%, the Russell 2000 climbed 2.4%, and the S&P Midcap 400 posted a more modest gain of 0.6%.

As earnings season nears its conclusion, a small group of mega-cap stocks continues to drive a disproportionate share of overall second-quarter earnings growth. Collectively referred to as the "Magnificent 7," these companies were projected to deliver average earnings growth of 25.7% as of August 5. In contrast, the remaining 493 constituents of the S&P 500 were expected to report a significantly lower average growth rate of 6.3%.

Bond/Rate Recap: Treasury yields moved modestly higher this week, partially retracing their declines following last week's nonfarm payrolls report. The 2-year Treasury yield rose six basis points to 3.76%, while the 10-year yield increased seven basis points to 4.29%.

Week Ahead: Investors are closely watching Tuesday's Consumer Price Index (CPI) release for further clarity on the inflationary effects of elevated tariffs. June's CPI showed an annual increase of 2.7%, up from 2.4% in May, suggesting that tariff-related cost pressures may be beginning to influence broader consumer prices.

The Producer Price Index (PPI), scheduled for release on Thursday, will offer additional insight into pricing trends at the wholesale level. In contrast to consumer inflation, June's PPI rose a more modest 2.3% year-over-year, indicating that upstream price pressures remain relatively contained.

INDICES

	Aug 4 Open	Aug 8 Close	Weekly Change	Dec 31 2024	YTD Change
DJIA	43,589	44,176	1.3%	42,544	3.8%
S&P 500	6,238	6,389	2.4%	5,882	8.6%
NASDAQ	20,650	21,450	3.9%	19,311	11.1%
Russell 2000	2,167	2,218	2.4%	2,230	-0.5%
KBW Bank Indx	139.7	141.2	1.1%	127.5	10.8%
Bitcoin	$113,768	$118,555	4.2%	$93,714	26.5%
Oil (WTI)	$67.33	$63.88	-5.1%	$71.72	-10.9%
Gold	$3,363	$3,398	1.0%	$2,625	29.5%
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	4.27	4.24	-0.03	4.31	-0.07
2yr UST	3.68	3.76	0.08	4.24	-0.48
10yr UST	4.22	4.28	0.07	4.57	-0.29
2-10yr UST Spread	53	52	-1	33	19
2y AAA Muni/10y UST	63.4%	62.6%	-0.8%	66.5%	-3.8%
10y AAA Muni/10y UST	76.1%	75.8%	-0.3%	68.4%	7.4%
5yr Inflation Forecast	2.42	2.47	0.05	2.42	0.05

Week Ahead

- **Monday:** No major reports
- **Tuesday:** CPI, Federal budget
- **Wednesday:** No major reports
- **Thursday:** PPI, Weekly unemployment
- **Friday:** Retail sales, Business inv, UofM cons. sent.,Ex/Im

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