



The Weekly Market Update – 7/28/25: Equities Extend Highs Ahead of Huge Week For Data

| Major Indices (Price Returns) | Close | Last Week | Quarter-to-Date | Year-to-Date | Trailing 12-Months | All-Time High | % to High |
|-------------------------------|-----------|-----------|-----------------|--------------|--------------------|---------------|-----------|
| S&P 500 | 6,296.79 | 0.59% | 1.48% | 7.06% | 15.32% | 6,297.36 | 0.0% |
| Dow Jones Industrial Average | 44,342.19 | -0.07% | 0.56% | 4.23% | 13.35% | 45,014.04 | 1.5% |
| NASDAQ Composite | 20,895.65 | 1.51% | 2.58% | 8.21% | 17.84% | 20,895.65 | 0.0% |
| Russell 2000 | 2,240.01 | 0.23% | 2.99% | 0.44% | 9.39% | 2,442.74 | 9.1% |
| MSCI EAFE (USD) | 2,640.63 | -0.29% | -0.53% | 16.75% | 14.08% | 2,665.65 | 0.9% |
| MSCI Emerging Markets (USD) | 1,249.38 | 1.65% | 2.18% | 16.17% | 15.02% | 1,444.93 | 15.7% |
| Bloomberg Commodity Index | 105.12 | 1.24% | 3.03% | 6.44% | 4.09% | 237.95 | 126.4% |
| Barclays U.S. Aggregate Bond | 91.80 | -0.03% | -0.98% | 1.51% | 2.05% | 112.07 | 22.1% |

Source: FactSet

The second quarter (2Q25) equity rally has continued in July, leading into a heavy week of potential market-moving data. The widely followed S&P 500 equity index increased +3.0% (price return, does not include dividends) in July, as of 7/25/25, building on gains in May and June. On 7/25/25, the S&P 500 closed at 6,389, up +14.7% since 4/30/25, and closed at 11 successive new all-time highs over the past month (since 6/27). When investor sentiment plunged in March and early April, equity gains from lows were possible after the Trump Administration pivoted on tariffs (prioritizing trade deals over an escalating trade war). This was enough to start a market recovery as economic growth worries faded. In addition, better-than-expected S&P 500 first quarter earnings and strong capital spending on generative artificial intelligence (GenAI) projects provided further optimism for market bulls. In our view, while recent data points are mostly positive, the equity market response has moved ahead of the data and now prices in optimism that good news will continue. This move may be justified, but the combination of high valuations (the S&P 500 trades at nearly 23x estimated earnings over the next four quarters) and high expectations (this includes solid earnings growth, accelerating economic growth, and more trade deals) create risk for investors if data falls short of optimistic views. The week of 7/28/25 is packed with important data on the schedule. This includes earnings reports from one third (164 companies) of the S&P 500 constituents (+5% growth estimated), the Federal Reserve Bank's (Fed) fifth of eight scheduled 2025 policy meetings (no change in interest rates expected), the report of second quarter economic growth (+1.8% annualized expected), and the July jobs report from the Bureau of Labor Statistics (+115 thousand jobs expected), as well as the Fed's preferred measure of consumer inflation, the personal consumption expenditures price index for June (estimated to have increased +2.5% year-over-year). Meanwhile, the president's 8/1/25 deadline for the resumption of reciprocal tariffs if trade deals are not negotiated approaches at the end of the week. A handful of deals have been agreed to ahead of the deadline.

Recent trade deal notices with the European Union (EU) and Japan reveal that the U.S. global tariff rate (on imports) is likely to exceed 10%. The Trump Administration announced an EU trade deal on Sunday that sets a baseline 15% tariff rate on goods coming into the U.S. and an agreement to purchase American energy exports through 2028. The EU has agreed to work with the U.S. to make changes to quotas and other trade barriers for many U.S.-made products. The deal was very similar to the 15% tariff rate negotiated with Japan earlier in the week. According to data from the Commerce Department, the U.S. imported more goods from the EU (\$606 billion, B) in 2024 than any other country and the goods trade deficit (less exports) of \$236B was second only to China. U.S. goods imports from Japan in 2024 were \$148B. Markets are adjusting to an average baseline tariff rate that approaches 15%. While this raises an estimated \$330B to \$400B for the U.S. Treasury, the impact of economic growth in the quarters ahead remains uncertain.

On 8/1/25, the BLS will release July jobs data that is expected to moderate from strength in 2Q25. The FactSet consensus estimate points to an increase of +115K nonfarm payrolls (jobs) with the unemployment rate ticking up to 4.2% from 4.1% in June. Jobs growth in 1Q25 averaged +116K monthly but firmed to +150K monthly in 2Q25. This suggests some risk of a slowing labor market in the third quarter, which could weigh on economic growth expectations, and temper the recent surge in investor sentiment. We remain diversified across sectors.

James D. Ragan, CFA
Co-CIO, Director of Investment Management & Research
(206) 389-4070
jragan@dadco.com

Important Disclosure: The information contained herein has been obtained by sources we consider reliable, but is not guaranteed and we are not soliciting any action based upon it. Any opinions expressed are based on our interpretation of data available to us at the time of the original publication of the report. Assumptions, opinions, and estimates constitute our judgment as of the date of this report and are subject to change without notice. Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return and yield, as well as broader market and macroeconomic fluctuations and unforeseen changes in the fundamentals or business trends affecting the securities referred to in this report. Investors should also remember that past performance is not indicative of future performance and D.A. Davidson & Co. makes no guarantee, express or implied, as to future performance. The information is not intended to be used as the primary basis of investment decisions. Because of individual client requirements, it should not be construed as advice designed to meet the particular investment needs of any investor. It is not a representation by us, or an offer, or the solicitation of an offer, to sell or buy any security. Further, a security described in a report may not be eligible for solicitation in the states in which a client resides. D.A. Davidson & Co. does not provide tax advice and investors should consult with their tax professional before investing. Further information and elaboration is available upon request.

Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities.

The forward S&P 500 price-to-earnings ratio (P/E) is a valuation measure, calculated by dividing the price of the S&P 500 index over the weighted average earnings per share (EPS) estimate of each company in the index. Earnings are based on "forward" consensus estimates expected over the next 12 months (NTM), using quarterly analyst estimates as provided by FactSet. The calculation of a price-to-earnings, or P/E, ratio of 23x uses an closing index value of 6,389 (7/28/25) divided by FactSet consensus earnings estimates for the S&P 500 of \$279 over the next four quarters.

The S&P 500 index closed at 5,569 on 4/30/25, 5,912 on 5/31/25 and 6,205 on 6/30/25.

S&P 500 earnings growth reflects the year-over-year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index. Information on historical S&P 500 earnings growth rates is published by FactSet in a report title Earnings Insight.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric.

The Trump Administration on 2/12/25 announced a framework for its Reciprocal Tariffs, with a link to the memorandum, "[Fair and Reciprocal Plan](#)." On 3/26/25 the White House announced tariffs on imported automobiles and certain automobile parts. Here is a link to a [Fact Sheet](#) from the President that outlines the action. The President's [April 2, 2024 Tariff Announcement](#) is also linked. Also linked is the White House [Fact Sheet on the U.K. trade agreement](#). [The 90-day pause on Reciprocal tariffs](#) was announced on 4/9/25. On 4/9/25, the White House delayed most reciprocal tariffs, and released a memo, [Modifying Reciprocal Tariff Rates](#). Reciprocal tariff dates were further extended, [Extending the Modification](#) on 7/7/25. Frame work trade deals were announced with the [European Union](#) on 7/27/25 and [Japan](#) on 7/23/25.

The U.S. Personal Consumption Expenditures (PCE) Price Index is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in the U.S. It is reported monthly by the Bureau of Economic Analysis. PCE inflation is the percentage rates of change in the price index for personal consumption expenditures (PCE).

On 7/4/2025, the U.S. Congress and the President passed a 2025 budget bill, named the One Big Beautiful Bill Act (OBBBA). Included in the Bill were advanced investment incentives for business investments, by allowing for more aggressive depreciation of capital outlays for buildings, factories, and research & development.

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP

report can be found at www.bea.gov. The BEA report includes U.S. Personal Consumption Expenditures (PCE) is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in the U.S. It is reported monthly by the Bureau of Economic Analysis. Business investment is measured through non-residential fixed investment (NRFI). In the first quarter 2025 final GDP report released 6/26/25 inflation adjusted GDP was \$23.5 trillion (T). PCE spending was \$16.3T (69%) and NRFI was \$3.6T (15%).

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics, while the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey is drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work.

International Trade in Goods and Services is published monthly by the Bureau of Economic Analysis. It measures trade in goods and services between U.S. residents and residents of other countries. U.S. sales are exports, U.S. purchases are imports.

The Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members – the seven members of the Board of Governors of the Federal Reserve System, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Federal Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Board of Governors of the Federal Reserve System is responsible for the discount rate and reserve requirements, and the Federal Open Market Committee is responsible for open market operations. The Federal Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and, in this way, alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight.

Generative Artificial Intelligence (GenAI): We think of artificial intelligence as using advanced computers to process large amounts of data to ultimately approach human problem solving and decision making. Early versions were often called "machine learning" and could sift through large data sets and accurately predict single outcomes. Now, generative AI goes further to utilize all forms of inputs. While still predictive models, generative AI can give detailed responses, much better than a search engine, which does a good job of telling the user where to go to find additional information. As generative AI systems access more data, they become larger and learn to make better decisions. At each iteration, the system gains knowledge, enhancing its predictive (reliable) capabilities and ability to produce original content. Generative AI systems become more robust as they are used as all new data can be trained into the system, creating new challenges and opportunities.