The Weekly Market Update – 8/4/25: Big Week for Data Was Mixed Until Feeble Jobs Numbers

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	6,238.01	-2.36%	0.53%	6.06%	12.96%	6,389.77	2.4%
Dow Jones Industrial Average	43,588.58	-2.92%	-1.15%	2.45%	6.72%	45,014.04	3.3%
NASDAQ Composite	20,650.13	-2.17%	1.38%	6.94%	17.33%	21,178.59	2.6%
Russell 2000	2,166.78	-4.17%	-0.38%	-2.84%	-3.89%	2,442.74	12.7%
MSCI EAFE (USD)	2,606.40	-3.14%	-1.82%	15.24%	9.45%	2,714.59	4.2%
MSCI Emerging Markets (USD)	1,226.18	-2.51%	0.28%	14.01%	13.04%	1,444.93	17.8%
Bloomberg Commodity Index	100.62	-2.75%	-1.37%	1.88%	4.33%	237.95	136.5%
Barclays U.S. Aggregate Bond	92.92	0.85%	0.22%	2.75%	1.12%	112.07	20.6%

Source: FactSet

A trove of late-July market-moving economic and corporate data faced high investor expectations and equities faded as mixed results were capped by a feeble July jobs report. The S&P 500 equity index decreased -2.4% last week, with four successive down days after closing at an all-time high (6,390) on Monday. Investor response was tepid after the Federal Reserve Bank (Fed) held its fed funds interest rate target unchanged (expected) and after the second quarter (2Q25) economic release (as measured by gross domestic product, GDP, from the BEA) was reported as +3.0% (better than expected). The S&P 500 also drifted lower despite an increase in 2Q25 consensus (from FactSet) earnings estimates. But the downturn in equities accelerated on Friday (the S&P 500 dropped -1.6%), after the Bureau of Labor Statistics (BLS) reported a weak +73 thousand (K) increase in July nonfarm payrolls (jobs) and revised the prior two months of jobs reports substantially lower. Going into the July labor report, the BLS data from recent months suggested that although 2025 job creation was below 2024 levels, the second quarter average monthly jobs increase of +150K had firmed from +116K in 1Q25, supporting a view that future economic activity could exceed expectations. But after the July report and prior revisions, the 3-month average jobs gain through July fell to 35K, the softest 3-month stretch in 5 years. In our view, this creates challenges for equity market bulls willing to pay high valuations for stocks, especially if economic trends decelerate. For now, U.S. GDP growth is positive, and we still expect a “soft landing”, reflecting annual GDP growth between 1.0% to 2.0%, but well below the average of 2.7% over 2022 to 2024 (3 years). The July jobs data also included positives, as the unemployment rate was 4.2%, holding at 4.1% or 4.2% for six consecutive months and wage growth, as measured by average hourly earnings, increased +3.9% year-over-year (Y/Y), exceeding the BEA‘s +2.6% June increase in consumer inflation. In addition, the July jobs increase was better than both May and June (after revisions), and private jobs (non-government) increased +83K, after just 3K in June. This could reflect a positive hiring response following recently announced trade deals.

Tariff-related trade patterns added to the reported 2Q25 GDP number (after subtracting from the 1Q25 report) but consumer spending firmed in the quarter. 2Q25 real GDP (inflation adjusted) growth of +3.0% included a net gain of 180 basis points (bp) from imports and inventory adjustments, reflecting underlying growth of +1.2%. Those same adjustments took away 200bp from 1Q25’s -0.5% decline, indicating underlying growth of +1.5%. Consumer spending, which comprised 69% of real GDP in 2Q25 and 1Q25, respectively, increased +1.4% in 2Q25 (sequential increase annualized) compared to +0.5% annualized in 1Q25. Although consumer spending growth averaged +3.1% in 2024, the modest uptick from 1Q to 2Q this year, in our view, reflects less tariff uncertainty and keeps an economic soft landing on track.

It was a good week for corporate earnings reports, led by growth sectors. Through 8/1/25, over 330 S&P 500 companies had reported 2Q25 earnings results with reported Y/Y growth of +7.8%, an uptick from the prior week, which at the time reflected reported growth of +5.9%. The FactSet consensus, including the 1/3 of companies yet to report, has increased to +10.2%. In our view this becomes a solid data point for equity market bulls counting on upside surprises. Earnings beats were led by the Communication Services and Technology sectors, and 2Q25 growth estimates are +40.5% and +20.8%, respectively. To us, capital spending to support Generative AI investments is robust, and is a bright spot in the U.S. economy.

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.

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 titled 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.

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 second quarter 2025 advance estimate GDP report released 7/30/25 inflation adjusted (against a 2017 base) GDP was $23.7 trillion (T), +3.0% sequentially at an annualized rate. PCE spending was $16.4T (69%) and NRFI was $3.6T (15%). Annualized nominal GDP, which makes no inflation adjustment, was $30.3T. An economic "soft landing" is not an official term. We define a soft landing as an economic slowdown over two-to four quarters, that remains positive, but is below a normalized real GDP growth potential near 2.5% annually.

The U.S. Personal Consumption Expenditures (PCE) Price Index is an indicator of price changes for consumer goods and services and is a measure of consumer inflation. 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).

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.