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Market Update

July 28, 2025
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This Week in the Markets...

Last week, the U.S. stock market continued its upward trajectory, with the S&P 500 and Nasdaq Composite reaching new all-time highs, driven by strong corporate earnings, positive economic data, and progress in trade negotiations. The S&P 500 rose approximately 1%, closing at 6,401 points on July 28, 2025, marking a 3.17% gain over the past month and a 17.17% increase year-over-year. Key sectors such as healthcare, technology, and industrials outperformed, while some companies faced sharp selloffs due to disappointing earnings. The announcement of a U.S.-Japan trade deal on July 22, setting a 15% tariff rate, reduced market uncertainty, contributing to bullish sentiment. This week, investors face a packed economic calendar, including the Federal Open Market Committee (FOMC) interest rate decision, the first estimate of Q2 GDP, and the July jobs report, alongside earnings from major technology firms. Ongoing trade negotiations and tariff policies remain critical factors influencing market performance. This report analyzes last week's market performance, key drivers, and potential influences for the week of July 28, 2025, supported by credible sources.

Market Highlights

- Index Performance: The S&P 500 gained approximately 1% for the week, closing at 6,401 points on July 28, 2025, a 0.20% increase from the previous session. The Nasdaq Composite also hit a new high, driven by technology and healthcare sector strength, while the Dow Jones Industrial Average ended slightly lower due to mixed sector performance (Edward Jones, 2025; Schwab, 2025; tradingeconomics.com, 2025).

- Sector Performance: Health technology, communications, and non-energy minerals were the strongest sectors, buoyed by robust earnings. Healthcare stocks like Fortrea (+44.99%) and Medpace (+43.49%) led gains, while consumer services, energy minerals, and health services lagged (Fidelity, 2025; Morningstar, 2025).
- Individual Stock Movements: Fortrea and Medpace were top performers, while STMicroelectronics (-19.14%), Charter (-18.93%), and Texas Instruments (-14.60%) saw significant declines due to disappointing earnings or guidance (Morningstar, 2025). Tesla dropped 4.12% after missing consensus expectations (T. Rowe Price, 2025). Kohl's surged as a "meme stock," reflecting social media-driven volatility (Schwab, 2025).
- Volatility and Sentiment: The Cboe Volatility Index (VIX) closed at 14.9, down 9% for the week, indicating reduced investor fear and a five-month low. However, low VIX levels have historically signaled potential bearish corrections, warranting caution (Schwab, 2025).

Key Drivers of Market Performance

U.S. Treasury Bond Yields

as of 07/28/2025

US1MO	4.32%
US3MO	4.34
US6MO	4.33
US1Y	4.14
US2Y	3.94
US3Y	3.89
US5Y	3.99
US10Y	4.41
US30Y	4.96

- Corporate Earnings: With 33% of S&P 500 companies reporting, 82% beat analyst estimates with an average upside surprise of 6.2%. The "Magnificent 7" (e.g., Microsoft, Meta, Apple, Amazon) were forecast to report 14.1% earnings growth, compared to 3.4% for the rest of the S&P 500, highlighting their outsized influence (Edward Jones, 2025; John Hancock Investments, 2025).
- Economic Data: Positive economic indicators supported market gains. June retail sales exceeded expectations, initial jobless claims dropped to 217,000 (below the 227,000 forecast), and durable goods orders excluding transportation rose 0.2%, signaling a gradual manufacturing recovery (Schwab, 2025; Edward Jones, 2025). However, manufacturing PMI fell to 49.5, indicating contraction, while services PMI rose to 55.2, a seven-month high (T. Rowe Price, 2025).

- Trade Developments: The U.S.-Japan trade deal, announced on July 22, 2025, set a 15% tariff on Japanese exports, averting a threatened 25% rate. This reduced uncertainty, boosting Japanese auto stocks and contributing to U.S. market optimism. Reports of progress in U.S.-EU and U.S.-Korea trade talks further supported sentiment (Reuters, 2025a; Fidelity, 2025; Edward Jones, 2025).

Factors Affecting Market Performance: Week of July 28, 2025

This week's economic calendar is packed with potentially market-moving events, including:

Tuesday, July 29:

- Consumer Confidence Survey: Expected at 96.6, up from 93.0 in June, reflecting consumer optimism about economic conditions (Morningstar, 2025).
- Job Openings and Labor Turnover Survey (JOLTS): Forecast at 7,550,000 for June, down from 7,769,000 in May, indicating labor market trends (Morningstar, 2025).

Wednesday, July 30:

- Q2 GDP (First Estimate): Projected at 2.3% annualized growth, a rebound from Q1's -0.5%, though driven partly by a reversal of import surges due to tariff front-loading. Investors should average Q1 and Q2 for a clearer growth picture (Kiplinger, 2025; Morningstar, 2025).
- ADP Employment Survey: Expected to show 112,500 new jobs in July, up from -33,000 in June, providing an early read on private-sector hiring (Morningstar, 2025).
- FOMC Interest Rate Decision: The Federal Reserve is expected to hold rates steady, with the federal funds rate at 4.5-4.75% after 1% cuts in 2024. Investors will monitor Chair Jerome Powell's press conference for signals on future rate cuts, especially amid tariff-related inflation concerns (Kiplinger, 2025; Reuters, 2025b).

Thursday, July 31:

- Initial Unemployment Insurance Claims: No specific forecast provided, but last week's 217,000 (down from 221,000) suggests a stable labor market. Continued claims rising slightly indicate challenges for the unemployed (Edward Jones, 2025; Morningstar, 2025).
- Personal Income and Outlays: Personal income expected to rise 0.3% month-over-month (vs. -0.4% in May). PCE Deflator projected at 2.5% year-over-year (vs. 2.3%), and Core PCE at 2.7% (unchanged), critical for inflation trends (Morningstar, 2025).
- Chicago PMI: Forecast at 42.1, up from 40.4, but still indicating manufacturing contraction (Morningstar, 2025).

Friday, August 1:

- Employment Situation Report (Nonfarm Payrolls): Expected to show 60,000 new jobs in July, down from 147,000 in June, with potential headwinds from high continuing claims and unfavorable seasonals (Kiplinger, 2025).
- Unemployment Rate: Projected at 4.2%, steady from June, reflecting labor market resilience (Morningstar, 2025).
- ISM Manufacturing Report: No specific forecast, but recent PMI data suggests ongoing manufacturing weakness (T. Rowe Price, 2025).
- Construction Spending Report: No forecast provided, but housing data remains soft due to high mortgage rates (T. Rowe Price, 2025).

Other Influential Factors

- Corporate Earnings: This week is the busiest of the Q2 earnings season, with nearly 40% of S&P 500 companies reporting, including Magnificent 7 firms (Microsoft, Meta, Apple, Amazon). Strong earnings could drive further gains, but misses, as seen with Tesla and others last week, may trigger selloffs (Edward Jones, 2025; Schwab, 2025).
- Trade Policy and Tariffs: The U.S.-EU trade deal, announced on July 27, 2025, with a 15% tariff, and ongoing negotiations with South Korea, India, and Canada, continue to shape market sentiment. While deals reduce uncertainty, the 15% tariff floor increases costs, potentially squeezing corporate margins and consumer purchasing power (Edward Jones, 2025; Reuters, 2025a). President Trump's push for higher tariffs (up to 50% for some partners) remains a risk (Edward Jones, 2025).

- Monetary Policy Uncertainty: Speculation about Fed Chair Jerome Powell's position, following Trump's reported discussions about removal (later denied), could resurface, impacting Treasury yields and market stability. The Fed's cautious stance on rate cuts, projecting only two for 2025, limits expectations for monetary easing (BlackRock, 2025; U.S. Bank, 2025).
- Global Economic Trends: The European Central Bank (ECB) is expected to hold rates steady, but signals of future easing could influence U.S. markets. Japan's trade deal and rising bond yields (1.11% for five-year bonds) reflect global tariff impacts, potentially affecting U.S. investor sentiment (T. Rowe Price, 2025; Reuters, 2025c).

Critical Analysis

Last week's market gains were underpinned by solid fundamentals, including strong earnings and consumer spending, but tariff policies remain a double-edged sword. The U.S.-Japan trade deal and progress with the EU have eased fears of a trade war, boosting equities, but the 15% tariff floor introduces new costs that could pressure corporate margins and consumer prices in the second half of 2025 (Edward Jones, 2025). The S&P 500's high valuation (forward P/E ratio over 22) suggests reliance on earnings growth, making this week's reports from tech giants critical (Edward Jones, 2025). The Fed's rate decision and Q2 GDP estimate will shape expectations for economic growth and inflation, with tariffs potentially offsetting positive data. The low VIX indicates complacency, which could precede volatility if earnings or economic reports disappoint (Schwab, 2025). Investors should remain diversified, as sector rotation (e.g., into healthcare and industrials) suggests broader market participation beyond technology (U.S. Bank, 2025).

Conclusion

The U.S. stock market's performance last week reflected resilience amid strong earnings, positive economic data, and trade deal progress, with the S&P 500 and Nasdaq hitting record highs. However, risks loom for the week of July 28, 2025, with a busy economic calendar, including the FOMC rate decision, Q2 GDP, and July jobs report, alongside critical earnings from tech giants. Tariff policies, while less severe than feared, introduce cost pressures that could impact growth and inflation. Investors should monitor these developments closely, maintaining diversified portfolios to navigate potential volatility driven by earnings surprises, Fed signals, or trade policy shifts.

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