



Mobile, Alabama

WEEK OF JULY 28, 2025

Market Navigator

The S&P 500 continued to hit new highs, with earnings largely positive so far this quarter. Announced trade deals have been viewed favorably by markets because they've brought certainty to trade; their impact, however, remains to be seen as tariffs work their way into company earnings.

Quick Hits

1. **Beyond the headlines:** What's left after the trade deals?
2. **Report releases:** Housing and durable goods revealed a mixed picture for the economy.
3. **Financial market data:** U.S. equities reached new highs, with earnings coming into focus.
4. **Looking ahead:** Several major reports are expected this week, along with the Federal Reserve's (Fed's) rate decision.

Beyond the Headlines: What's Left After the Trade Deals?

Markets continue to bounce each time a trade deal is announced, including last week, when several deals were reached with Indonesia, the Philippines, and Japan. Markets are bouncing to start the week after the announcement of deal with the European Union over the weekend. Trade negotiations could be in flux for a while, and the full impact of tariffs has yet to be felt by many companies. Markets continue to like the added certainty that comes with each deal, along with the fact that they aren't as onerous as initially anticipated. So, what's next?

Earnings Come into Focus

We're in the middle of earnings season for S&P 500 firms. Expectations were lowered entering the quarter, giving companies an easier bar to clear—and nearly 80 percent of firms that have reported so far have beaten forecasts. Those that failed to beat expectations have shown the risk that remains baked into markets, experiencing significant losses. Although markets have continued to reach new highs, valuations have crept higher and are approaching highs we saw during the height of the Covid-19 pandemic.

There are several key differences between that period and now, however. The first is interest rates. During the pandemic, interest rates were near zero, providing fuel to markets while sparking inflation concerns. Today, 10-year Treasury yields are greater than 4 percent and inflation is on a downward path. Higher interest rates are likely to put downward pressure on valuations, but they haven't done much to quell investor optimism. The good news is that analysts still expect significant growth in 2026 and 2027; conversely, they expect growth to be in line with 20-year averages this year.

What remains to be seen is how tariffs will affect earnings. Although the announced tariff levels have been reduced with each trade deal, they still represent significant increases from last year. So far, we haven't seen much in the way of price increases because companies have prepared by building up inventory and have been wary of passing price increases on to consumers. As firms work through their inventory and have more certainty around trade policy, we will see whether they can increase prices to offset tariff costs or absorb the costs and take an earnings hit. The latter scenario could affect markets because they are dependent on high margins to generate future earnings.

Actions to Take

Although valuations are pretty high across the board, there are pockets of value. Although it's important to ensure that you have access to some of the fast-growing tech companies that make up a large portion of the S&P 500 and drive earnings growth, diversifying your portfolio with small-, mid-cap, and international firms may help lower portfolio risk in case valuations reset.

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Report Releases: July 21–25, 2025

Existing Home Sales
June (Wednesday)

Sales of previously owned homes fell to a nine-month low as prices and borrowing costs remained elevated, keeping many would-be buyers on the sideline.

- Expected/prior month existing home sales monthly change: -0.7%/+0.8%
- Actual existing home sales monthly change: -2.7%



Preliminary Durable
Goods Orders
June (Friday)

Durable goods orders have been volatile in recent months, with a large drop in June after a significant spike in May. The variability has been driven largely by transportation-related orders, with core durable goods orders (which strip out the impact of transportation) seeing more modest changes.

- Expected/prior durable goods orders monthly change: -10.5%/+16.5%
- Actual durable goods orders change: -9.3%
- Expected/prior core durable goods orders monthly change: +0.1%/+0.6%
- Actual core durable goods orders change: +0.2%



>> The Takeaway

- Existing home sales showed there are limits to what homebuyers are willing to pay in an environment of high prices and elevated interest rates.
- The volatility of durable goods orders has been affected by businesses looking to get ahead of tariffs.

Financial Market Data

Equity

The S&P 500 and Nasdaq Composite continued to reach new highs on the back of solid earnings reports and trade deals. Valuations moved higher, reaching levels last seen in 2020. Although earnings growth projections for 2025 remain close to 20-year averages, they are expected to pick up next year. Firms will need to reach those targets to support current multiples, though there may be less upside available in markets.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.47%	3.03%	9.41%	19.89%
Nasdaq Composite	1.02%	3.66%	9.73%	23.76%
DJIA	1.28%	1.91%	6.55%	14.41%
MSCI EAFE	1.93%	1.42%	21.65%	19.48%
MSCI Emerging Markets	0.70%	3.16%	19.18%	20.37%
Russell 2000	0.95%	4.00%	2.14%	3.09%

Source: Bloomberg, as of July 25, 2025

Fixed Income

The Treasury curve flattened slightly last week, with the 2-year yield rising and the 30-year falling by small amounts. With the Fed set to meet this week, markets don’t expect much in terms of rate movement from the central bank; the majority of fiscal policy changes have been priced in over the past few weeks.

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	−0.40%	3.60%	4.49%
U.S. Treasury	−0.55%	3.22%	3.68%
U.S. Mortgages	−0.47%	3.74%	4.62%
Municipal Bond	−0.65%	−0.99%	−0.42%

Source: Bloomberg, as of July 25, 2025

>> The Takeaway

- Equities continued to reach new highs on the back of solid earnings, but questions remain as to whether firms will have enough growth to support high valuations.
- There’s been little movement in interest rates as investors digest the many policy actions over the past few months and the Fed awaits additional economic data.

Looking Ahead

In addition to the Fed's rate decision, several major reports, including employment and spending data, are expected this week. Although expectations are for minor improvements from previous reports, we should get further signs of economic health and consumer sentiment.

- On Tuesday, the **Conference Board Consumer Confidence Index** for July is expected to show a modest increase from extremely low levels earlier in the year.
- On Wednesday, we expect to see second-quarter annualized GDP and the **Federal Open Market Committee (FOMC) rate decision**. GDP is set to show solid growth after contracting in the first quarter. The Fed is expected to keep rates steady as it seeks further signs of contracting inflation.
- **Personal income and spending reports** from June will be released Thursday. They are expected to show a modest increase after declining in May.
- Finally, on Friday, the July **employment report** will be released. It's expected to show an increase of 118,000 in nonfarm payrolls, slightly below the prior month. Unemployment is expected to tick up to 4.2 percent.



Orange Beach, Alabama



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convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent. One basis point (bp) is equal to 1/100th of 1 percent, or 0.01 percent.

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