

Week in Review

Equity Markets:

US stock markets were positive last week as we passed the midway point of 2026 and through the Fourth of July. The S&P 500 gained 1.79% over the holiday-shortened trading week while the Dow Jones Industrial Average rose by 1.99% and the Nasdaq appreciated by 2.12%.¹ Last week also saw new all-time highs for the DJIA. The Forward 12-Month Price/Earnings Ratio for the S&P 500 now stands at 20.4, elevated to both its 5-Year Average [19.9] and its 10-Year Average [19.0].²

The shortened trading week saw the Second Quarter conclude with broad market gains. Across the quarter, the S&P 500 gained almost 15% while the DJIA put up a 13% return and the Nasdaq gained more than 21%. While the First Quarter of 2026 is remembered for significantly large quarterly declines, the Second Quarter's gains are comparably historic and memorable.³

Fixed Income Markets:

Treasury yields expanded last week, with US government bond prices falling amidst rising concerns over inflation and the forward outlook on interest rates, plus decreasing prices for crude oil.⁴

Both the 10-Year and the 30-Year Treasuries saw their yields rise 11 basis points last week. The Bloomberg US Aggregate Bond Index gave up -0.50% while Investment-Grade Corporates lost -0.49% and High-Yield Bonds gained 0.29%.

Economic Updates:

US Nonfarm Payrolls saw 57,000 new jobs added in June, which sorely missed Wall Street's forecast for 110,000. Concurrently, the NFP totals were adjusted downwards for both the April and May totals by a combined 74,000 positions. The NFP report also noted a considerable decline in the Labor Force Participation Rate, which lost 720,000 workers in June. These factors cumulatively led to the Unemployment Rate falling to 4.2%. Last week also saw the ADP Private Payrolls report, with its 98,000 new jobs total missing estimates for 122,000, and the Job Openings and Labor Turnover Summary, which beat Wall Street expectations with 7.594 million job openings in May.⁵

US Consumer Confidence, as reported by the Conference Board, read in at 91.2; that's an uptick from May's downwardly revised 90.6 but still missed Wall Street's estimates. Concurrently, the ISM Manufacturing Purchasing Managers' Index came down 0.7 points for a June reading of 53.3, marking its sixth straight month of expansion.

Looking Ahead

Equity Markets:

US stock markets are coming off an exceptional First Half of the year. As we move into the Second Half, markets are looking to maintain their momentum. Also, investors are hoping to see regained momentum in the Semiconductor Industry, which has posted considerable returns this year, at the start of the Third Quarter.

Meanwhile, analysts are already looking forward to the Earnings Season for the Second Quarter. Largely set to begin at the start of next week, anticipations are already strong. Analysts' expectations, according to FactSet, are for an average earnings growth rate of 23.3% within the S&P 500; that would mark the second consecutive quarter of growth above 20%.

Fixed Income Market

Bond investors are keenly watching out for changes to the Key Rate (Fed Funds rate) and whether the Federal Open Market Committee will be adjusting interest rates anytime soon. We note that inflation remains quite high, recognizing the Personal Consumption Expenditures report two weeks ago. However, the employment market, which is the FOMC's second priority alongside inflation management, is apparently now recognizing considerable weakness.

The CME Group's FedWatch tool does not anticipate an interest rate hike when the FOMC meets at the end of this month. However, FedWatch is now showing a majority opinion that we will see an interest rate hike late this October.⁶ Such action would likely lead to lower prices for fixed income securities, including Treasuries on the secondary markets.

Economic Updates:

This upcoming week will start with the ISM Services Purchasing Managers' Index report and be followed by Wholesale Inventories, and Existing Home Sales. Perhaps the biggest report, however, will be the release of the Minutes from the last FOMC meeting.⁷ This report will be essential reading for those investors curious to the Fed's thoughts on the state of inflation and domestic employment.

**** See Important Disclosures on following page

Sources:

- 1) JP Morgan Asset Management
<https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/market-updates/weekly-market-recap/>
- 2) FactSet Earnings Insight
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- 4) LPL Research
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- 5) T. Rowe Price
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- 6) CME Group
<https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html>
- 7) Charles Schwab
<https://www.schwab.com/learn/story/stock-market-update-open>

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