

Week in Review

Equity Markets:

US stock markets generated mostly positive gains last week as the S&P 500 delivered growth of 1.26%, and the Nasdaq produced a positive return of 1.74%. Meanwhile, the Dow Jones Industrial Average gave up (-0.48%) for the week, but that decline came after its first ever close above 53,000.¹ The Forward 12-Month Price/Earnings Ratio for the S&P 500 ticked up to 20.5, which continues to lead both its 5-Year [19.9] and 10-Year Averages [19.0].²

Volatilities, and how they are measured, were at the front of mind last week in the stock markets. On one hand, the CBOE Volatility Index ended last week with a reading of 15.0, down from its June high of 22.2 and standing at a six-month low. Meanwhile, the ceasefire in the Iran War apparently has fallen, with the President declaring that the temporary peace is effectively over. This could spike volatilities up again.³

Fixed Income Markets:

Yields for Treasuries recognized a “bear steepening” last week, a shift in the yield curve wherein longer-term interest rates rose at a faster pace than that for shorter-term rates. Specifically, where the yields on 2-Year Treasuries expanded by 7 basis points, they grew by 8 basis points last week for the 5-Year, 10-Year, and 30-Year Treasuries concurrently. Meanwhile, the Bloomberg US Aggregate Bond Index gave up (-0.44%) last week. Investment-Grade Corporates fell by (-0.60%) while High-Yield Bonds gained 0.02%.⁴

The most positive news from the Fixed Income world is perhaps that their relative stabilities largely held despite shifting geopolitical risks and uncertainties. This also comes as the past week saw heavy volumes of new investment-grade bond issuances, many of which were oversubscribed.

Economic Updates:

Minutes were released from the Federal Reserve’s June meeting of their Open Market Committee. They showed that, while the FOMC ultimately decided to hold interest rates unchanged, there were multiple arguments by members to raise interest rates at that meeting. Looking ahead, the FOMC remains data-dependent towards their decision-making.

The ISM Purchasing Managers’ Index eased back down to 54.0 in June from 54.5 in May, reflecting continued expansion into its 24th consecutive month. Meanwhile, its Prices Index grew for its 109th consecutive month. And Existing Home Sales fell 2.4% in June to a seasonally adjusted annual rate of 4.09 million units, with affordability still hampered by higher prices and borrowing costs.⁵

Looking Ahead

Equity Markets:

The new Earnings Season begins this week, with reports from the Second Quarter of the year starting with multiple Financial Services announcements. Expectations are considerable, with FactSet forecasting that companies in the S&P 500 will deliver an earnings growth rate of 23.6%. Should this happen, it would mark the second quarter in a row with the growth rate exceeding 20%. This upcoming week will also see data released for certain Information Technology companies considered integral to the demand for hyperscale artificial intelligence.⁶

Rapidly changing dynamics in the Iran War will likely muddle market activities this week. Notably, the White House’s declarations that the US is restarting our own blockade of the Strait of Hormuz led to a Monday morning spike in Crude Oil prices. This was furthered by confounding statements on the US seeking fees for transited cargo.⁷ These actions can truly be seen as increasingly volatile.

Fixed Income Market

Bond investors are closely monitoring two factors: increased geopolitical risks with the Iran War and the persistency of long-term inflationary concerns. Incoming economic data will further the Federal Reserve’s abilities to manage inflation with interest rate coverage. However, the Iran War brings variables that are much more diffuse and harder to manage. With hope, peace will prevail. However, bond markets will swing with these factors, most directly correlated against the price of crude oil.

Maintained demand for investment-grade bonds, including both Corporates and Treasuries, and inclusive of long-duration bonds, show that price is clearing outstanding supply. Further, indications are that we may see real interest rates remaining elevated for the reasonable near future, pushed forward by AI capex, fiscal borrowing, and higher demand for capital – and not out of fears over inflation.⁸

Economic Updates:

Multiple metrics will be announced regarding the state of inflation. Tuesday sees delivery of the Consumer Price Index for June, followed the next day by that month’s Producer Price Index. The upcoming week also will see the release of the Federal Reserve’s “Beige Book,” Pending Home Sales, Housing Starts, Building Permits, Industrial Production, and the preliminary figures for the University of Michigan’s Consumer Confidence surveys. Look for new Fed Chair Kevin Warsh to testify before the Congress this upcoming Tuesday.

**** See Important Disclosures on following page

Sources:

- 1) JP Morgan Asset Management
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- 8) LPL Research
<https://www.lpl.com/research/blog/weekly-market-performance-july-2-2026.html>

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