

### Week in Review

#### Equity Markets:

US stock markets posted a banner week amidst the ongoing earnings season and its particularly robust results. The S&P 500 Index gained 3.59% last week. Meanwhile, the Dow Jones Industrial Average delivered a 2.96% gain, and the Nasdaq generated a stellar 5.19% weekly return.<sup>1</sup> Last week's performance led to new all-time highs for both the S&P 500 and the DJIA while the Nasdaq remains 1.5% below its peak, which was reached this past June. All of this was helped by a decline in oil prices while negotiations continued towards the reopening of the Strait of Hormuz.<sup>2</sup>

Earnings Season for the Second Quarter continues, with 88% of S&P 500 components having reported. Of these, 86% have generated a positive earnings surprise while 76% delivered positive revenue surprises. The blended year/year earnings growth rate stands at 50.4%; should that hold, it'll be the highest earnings growth rate since the Second Quarter of 2021. This has led the S&P 500's Forward 12-Month Price/Earnings Ratio back up to 20.0, rising above its 5-Year Average [19.9] while still above its 10-Year Average [19.0].<sup>3</sup>

#### Fixed Income Markets:

The Nonfarm Payrolls Report registered 23,000 net job losses this past July, a large miss from the 80,000 new job gains expected. The Bureau of Labor Statistics also readjusted May's and June's results to the downside, indicating a weaker jobs market than first thought. This weakness led to decreased expectations for the Federal Reserve to raise interest rates when they meet again in September.<sup>4</sup>

The decreased expectations for a September interest rate hike helped prompt a broad bond rally. Yields on US Treasuries fell, reversing the bear-steepening of the past few weeks. The Bloomberg Aggregate US Bond Index gained 0.60% last week following the NFP report. Investment-Grade Corporates rose 0.66% while High-Yield Bonds gained 0.73%.<sup>5</sup>

#### Economic Updates:

The ADP Private Payrolls report registered only 44,000 new private sector hires in July, showing continued weakness in employment markets like the Nonfarm Payrolls report. That said, there's no indications of layoffs broadly accelerating.

The ISM Purchasing Managers' Indices reflected resilient business activities in the broader economy. Manufacturing PMI rose to 55.6 in July, its highest reading since May 2022. July's Services PMI read at 54.1, with strong new orders but falling employment. The Prices Index hit 70.3, its highest reading in three years.

### Looking Ahead

#### Equity Markets:

The current Earnings Season is mostly complete, and Wall Street appears to be satisfied. We've seen a broader spectrum of positive EPS announcements beyond the momentum focus upon Technology and Communications Services while also recognizing continued advancement in Artificial Intelligence. Concerns remain over inflation, as well as the Iran War.

Investors should take moments like these, amidst robust earnings seasons, to speak with their Investment Advisors. It's an optimum time to revisit both one's portfolio allocations and risk tolerances, to ensure that your financial plans remain on the right path.

#### Fixed Income Market

Oil remains a primary determinant of fixed income pricing. There is a reasonable chance that the Iran War could see a reopening of the Strait of Hormuz, which would begin to alleviate the current global energy crisis as crude oil returns to market. However, drafted terms of this new deal have read perilously towards the US' interests. Near-term attention has remained centered upon the price of oil, which has risen this Monday morning.<sup>6</sup>

The CME Group's FedWatch tool indicates a nearly 50/50 chance that the Federal Open Market Committee will raise interest rates when they next meet in September.<sup>7</sup> This comes as the Federal Reserve reflects upon their dual mandate of 2% inflation alongside maximized employment. Following the Nonfarm Payrolls report, their next focus must be upon inflation.

#### Economic Updates:

The upcoming week sees two major inflation metrics being announced: the Consumer Price Index on Wednesday, and the Producer Price Index on Thursday. These will give further consideration towards the likelihood of the Federal Open Market Committee's actions regarding interest rates when they meet next month.<sup>8</sup>

Other scheduled announcements for the upcoming week include Existing Home Sales; Retail Sales; NFIB Small Business Optimism; Business Inventories; and the preliminary University of Michigan Consumer Sentiment Survey for August.

\*\*\*\* See Important Disclosures on following page

## Sources:

- 1) JP Morgan Asset Management  
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- 4) T. Rowe Price  
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- 7) CME Group  
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- 8) LPL Research  
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