GUGGENHEIM investments

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Weekly Viewpoint

Q2 Earnings Season Is Off to a Solid Start

Performance for Week Ending 7.18.2025

The Dow Jones Industrial Average (Dow) finished down 0.1 percent, the Standard & Poor's 500 Index (S&P 500) added 0.6 percent, and the Nasdaq Composite Index (Nasdaq) jumped 1.5 percent. Sector breadth was positive, with seven of the 11 S&P sector groups closing higher. The technology sector (2.1 percent) was the best performer while energy (-3.9 percent) was the weakest.

Index*	Closing Price 7.18.2025	Percentage Change for Week Ending 7.18.2025	Year-to-Date Percentage Change Through 7.18.2025
Dow	44342.19	-0.1%	4.3%
S&P 500	6296.79	0.6%	7.1%
Nasdaq	20895.66	1.5%	8.2%

Market Observations: 7.14.2025–7.18.2025

The S&P 500 ended the week higher, its third gain in the past four weeks, buoyed by solid performance from the technology sector, a favorable start to second quarter earnings season, and a batch of constructive June economic data. The recent strength in the market has pushed the S&P 500 into technically "overbought" territory, so a period of near-term profit taking wouldn't be surprising. Favorable seasonals during the first few weeks of July are also about to shift, with the August/September period being the weakest back-to-back months over the past 20 years. However, that weakness has historically set up the best three-month run of the year. In addition, investors are on edge over the looming Aug. 1 tariff deadline, which threatens higher levies for many U.S. trading partners, and could result in some portfolio derisking.

Fed Speak: At an event hosted by the Money Marketeers of NYU, Federal Reserve (Fed) Governor Waller argued that the Federal Open Market Committee (FOMC) should cut rates by 25 basis points at its July meeting for three reasons: first, he expects tariffs to only provide a one-time boost to price levels; second, he cited the potential for below-potential gross domestic product growth, an unemployment rate near the

FOMC's longer-run estimate, and headline inflation slightly above 2 percent as evidence that the policy rate should be "close to neutral, not restrictive;" and third, Waller is seeing signs that there are growing downside risks to the labor market, including private payroll growth that is currently near stall speed. San Francisco Fed President Daly said the outlooks for two rate cuts this year is "reasonable." The question is not whether the Fed will ease in July or September, but the direction of travel for rates should be reduced as price pressures come down. On the other side of the debate, Fed Governor Kugler said rates should remain steady amid tariff-driven inflation risks and labor market strength. She warned that recent price data suggest broadening inflation pressures, with tariffs likely to amplify the trend.

Q2 Earnings: So Far, So Good: Through Friday, 57 companies in S&P 500 had released second quarter results, with 86 percent beating expectations. While it's still early, aggregate earnings for this group are up 10.5 percent from a year ago, solidly ahead of the projected 4.8 percent projected year-over-year growth rate for the overall quarter. At the sector level, the biggest upside surprises came from the financials and consumer discretionary sectors. In terms of year-over-year growth, communication services (39 percent) and technology (21 percent) currently lead the pack.

Beige Book: The Fed's Beige Book report was released last week. According to the report, U.S. economic activity increased slightly between late May and early July, but activity was uneven across the Fed's 12 regional districts, with five reporting slight or modest gains, five with flat activity, and the remaining two districts noting modest declines in activity, an improvement over the prior report, in which half of districts reported at least slight declines in activity. Businesses remain cautious due to heightened uncertainty, while consumer spending declined in most districts. At the same time, manufacturing activity was lower, and home sales were little changed in most areas. Employment rose slightly as uncertainty restrained hiring, and more districts noted a shortage of skilled workers, with a reduction in the availability of foreign-born workers. Wages increased modestly and reports of layoffs were limited. Prices were up in all districts, with seven of the 12 reporting moderate price growth and the other five seeing it as modest. Input costs were higher due to tariffs, with many firms passing on some of the costs to consumers.

Economic Roundup: On the inflation front, the Labor Department reported that the headline consumer price index (CPI) increased by 0.3 percent month over month in June as inflationary pressures for household furnishings, energy, recreational goods, and apparel were only partly offset by an easing in costs for shelter and medical goods. Core CPI—which excludes food and energy prices—rose 0.2 percent, below the consensus expectation of a 0.3 percent gain and the fifth consecutive month core CPI undershot estimates. Meanwhile, the producer price index (PPI) was flat in June following a 0.3 percent increase in May, below the 0.2 percent gain expected in a survey compiled by Bloomberg. After excluding food and energy prices, core PPI held steady, below the 0.2 percent gain expected and following a 0.4 percent increase in the previous month.

In terms of manufacturing, the Empire State Manufacturing Index of General Business Conditions jumped nearly 22 points to 5.5 in July from -16.0 in June and was well ahead of economists' expectations. The unexpected positive reading in July indicated that business activity in New York State increased for the first month since February. Elsewhere, U.S. industrial production rose 0.3 percent in June, compared with expectations for a 0.1 percent increase in a survey compiled by Bloomberg, and following an upwardly revised flat reading in May.

On the consumer front, June's retail sales report increased by 0.6 percent month over month, a broad-based rebound that should help ease concerns about a pullback in consumer spending following the uncertainty created by President Trump's back-and-forth tariff announcements. The reading was well above consensus expectations, which called for headline retail sales to grow by 0.1 percent and represented an improvement from the sharp spending decline of -0.9 percent last month.

The Week Ahead: Some 104 members of the S&P 500 are scheduled to release earnings results. Among this group will be five members of the Dow Jones Industrial Average, including Verizon and Coca Cola. Two members of the Magnificent Seven, Alphabet and Tesla, are scheduled to report on Wednesday. The focal points of this week's data calendar will be existing home sales on Wednesday, jobless claims, and the S&P flash manufacturing and services PMIs on Thursday, and durable goods orders on Friday. Fedspeak will be nonexistent as Fed members will be subject to blackout rules ahead of the July 29–30 FOMC meeting.

Definitions

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally defined as the leaders in their industry. It has been a widely followed indicator of the stock market since Oct. 1, 1928.

Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Nasdaq Composite Index is a broad-based capitalization-weighted index of stocks in all three Nasdaq tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of Feb. 5, 1971.

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