

July 28, 2025

Weekly Viewpoint

The Bull Run Continues but Watching for a Pause to Refresh

Performance for Week Ending 7.25.2025

The Dow Jones Industrial Average (Dow) finished up 1.3 percent, the Standard & Poor's 500 Index (S&P 500) added 1.5 percent, and the Nasdaq Composite Index (Nasdaq) tacked on 1.0 percent. Sector breadth was positive, with all 11 of the S&P sector groups closing higher. The health care sector (3.4 percent) was the best performer followed by materials (+2.4 percent) and industrials (+2.3%).

Index*	Closing Price 7.25.2025	Percentage Change for Week Ending 7.25.2025	Year-to-Date Percentage Change Through 7.25.2025
Dow	44901.92	1.3%	5.5%
S&P 500	6388.64	1.5%	8.6%
Nasdaq	21108.32	1.0%	9.3%

Market Observations: 7.21.2025–7.25.2025

The S&P 500 ended the week at a new all-time high for the fourth time in the last five weeks. Driving the gains was a trade deal reached with Japan, solid second quarter earnings reports, and growing confidence Federal Reserve Chair Powell will complete his term and a trade deal will be reached with the European Union in the near future.

A Pause to Refresh Coming? As noted last week, the recent market strength has pushed the S&P 500 into technically “overbought” territory, a condition that often leads to a period of near-term profit taking. In addition, the CBOE Volatility Index (aka the fear index) has fallen below 15, suggesting growing complacency among investors. The 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. Over the last 10 years, the S&P 500 has posted an average gain of 5.3 percent during the final three months of the year.

Q2 Earnings: Through Friday, 167 companies in S&P 500 had released second quarter results, with nearly 84 percent beating expectations. Aggregate earnings for this group are up 8.3 percent from a year ago, about double what analysts were forecasting at the start of reporting season. At the sector level, the biggest upside surprises are coming from the energy and financials sectors. In terms of year-over-year growth, financials (20.5 percent) and technology (16.8 percent) currently lead the pack.

Economic Roundup: New homes sales in the U.S. remained weak in June as builders' heavier use of sales incentives failed to motivate buyers put off by high costs. Contract signings on new single-family homes increased 0.6% to an annualized rate of 627,000 last month, according to the Census Bureau. That fell short of economists' 650,000 median estimate. The S&P Global flash report showed that U.S. business activity expanded in July at the fastest rate this year as services strength more than offset a contraction in manufacturing. The July composite output index rose to 54.6 from 52.9 last month, with figures above 50 indicating expansion. Elsewhere, weekly jobless claims fell by 4,000 to 217,000 in the week ended July 19, outperforming the Bloomberg survey forecast of 226,000. Although layoffs remain limited, businesses have postponed major hiring or layoffs decisions amid ongoing policy uncertainty. Continuing claims, however, continued to inch higher.

The Week Ahead: It will be one of the busiest weeks in recent memory with a packed schedule of data and earnings releases, a Fed meeting, and the August 1 tariff deadline. The focal point will be Friday's monthly payroll report, with Bloomberg economists forecasting July nonfarm payroll growth of 110,000 and a rise in the unemployment rate to 4.2 percent from 4.1 percent in June. Additional labor market insights will come from the job openings and ADP reports on Tuesday and Wednesday, respectively. Also on Wednesday, the first release of second quarter GDP is expected to show a rebound to 2.4 percent after contracting by 0.5 percent during the first quarter. The Fed's preferred inflation barometer, the core PCE, will be released on Thursday.

This week, 154 members of the S&P 500—including nine Dow Jones Industrial Average members and Mag-7 components Microsoft, Apple, and Amazon—are set to report earnings. Trade deals will also be in focus, with Friday's August 1st tariff deadline approaching. The focus, in particular, will fall on U.S.-China talks in Stockholm on July 28-29, and potential announcements with the European Union.

The Fed will hold its Federal Open Market Committee meeting on Tuesday and Wednesday where they are expected to hold rates steady for the fifth consecutive meeting, largely maintaining its policy outlook.

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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