

The Tariff is in the Mail

A resurgence of tariff announcements put a pause in the recent rally. For the week, the S&P 500 Index was -0.3%, the Dow Jones Industrials -1.0%, and the NASDAQ -0.4%. The Materials, Financials, and Technology sectors led the S&P 500 Index for the week, while the Communication Services, Utilities, and Consumer Discretionary sectors lagged. The 10-year U.S. Treasury note yield increased to 4.340% at Friday's close versus 4.284% the previous week.

The U.S. sent letters to several countries informing them of new tariff rates going into effect on August 1st. This was likely meant to speed negotiations among countries that haven't addressed trade issues. Some headline volatility is likely to persist as last-minute negotiations continue for the next few weeks. Mexico, as an example, has expressed confidence it will reach an agreement on a lower tariff level than the 30% it was notified of last week.

Key economic data for this week include the June Consumer Price Index (CPI) and Producer Price Index (PPI) reports. This is the final inflation data ahead of the Federal Open Market Committee (FOMC) meeting on July 30th, since the June Personal Consumption Expenditures (PCE) Price Index isn't scheduled for release until July 31st. The FOMC is expected to hold interest rates steady at its July meeting. CME Fed funds futures forecast 0.25% rate cuts at the September and December meetings.

The second quarter earnings reporting period begins this week. Forty-two companies in the S&P 500 Index are scheduled to report earnings. Current expectation for the S&P 500 Index is earnings grow at 4.8% year-over-year with revenue growth of 4.2%. Full-year 2025 earnings are expected to grow by 9.0% with revenue growth of 5.0%.

In our *Dissecting Headlines* section, we look at the sector level forecast for the second quarter earnings period.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-0.3%	7.2%	Aggregate Bond Index	-0.3%	3.1%
Dow Jones Industrial Average	-1.0%	5.3%	U.S. Dollar Index	0.7%	-9.8%
NASDAQ 100	-0.4%	8.9%	WTI Crude Oil	2.2%	-4.6%
Russell 2000 (Small Cap Index)	-0.6%	0.9%	Gold	0.9%	27.9%
International Stocks (MSCI ex-US)	-0.5%	18.4%	Real Estate (US REIT Index)	-0.4%	0.4%

Sources: S&P Global, FactSet

Dissecting Headlines: Second Quarter Earnings

With the backdrop of trade negotiations and analyzing economic data for clues to potential Federal Reserve policy changes, we have the focus on second quarter earnings reports. The companies in the S&P 500 Index are collectively forecast to see 4.8% year-over-year earnings growth and 4.2% revenue growth.

The overwhelming contribution of the earnings growth to the Index comes from two sectors, the Communication Services sector with a forecast of 29.6% earnings growth for the quarter and the Technology sector with 16.6% growth. Earnings in these sectors is being driven by several factors to include AI infrastructure spending, enterprise digital transformation, cybersecurity, and software and streaming subscription revenue. They are also likely seeing operating leverage as revenue grows above trend.

Four sectors should see positive, but more modest earnings growth. Those are the Utility sector with 4.0% earnings growth for the quarter, Health Care with 3.3% growth, Financials with 2.4% growth, and Real Estate with 1.0% growth.

The remaining five sectors are forecast to see a decline in year-over-year earnings growth for the quarter. These are Industrials at -0.8%, Consumer Staples at -3.3%, Materials at -3.5%, Consumer Discretionary at -5.4%, and Energy at -25.0%.

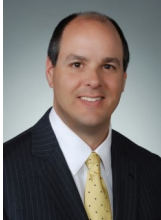
Key topics that may impact forward projections include the impact of tariffs, interest rates and inflation, staffing levels, and the health of the consumer. Performance and outlook versus expectations should be the major driver of stock prices at the company level.

The NovaPoint Team



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Joe has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a portfolio manager at Spectrum Advisory Services and GMT Capital in Atlanta, and Epoch Investment Partners in New York. He has also worked as an equity research analyst at Merrill Lynch and ABN Amro. Before beginning his investment career, Joe was an Infantry officer in the U.S. Army. Joe holds a BS from the U.S. Military Academy at West Point and an MBA from the University of Chicago. He is both a Chartered Financial Analyst (CFA) and a Chartered Market Technician (CMT).



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Frederick has over 30 years of experience in the investment management industry. Prior to joining NovaPoint, Frederick was a Partner and Investment Advisor at Brightworth where he advised high net worth investors. Frederick began his investment career in 1991 at Balentine & Co where he rose to Partner. He also co-founded and served as Chief Investment Officer at Wright Investment Management and at Smith & Howard Wealth Management. Prior to beginning his investment career, Frederick served as an Engineer officer in the U.S. Army. He holds a BS from the U.S. Military Academy at West Point and an MBA from Emory University. Frederick is a Chartered Financial Analyst (CFA).



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