

Weekly market update

Chart of the week (Jul. 18, 2025)



It is uncommon for us to produce charts and commentary on individual stocks, but the performance of NVIDIA (NVDA) has been nothing short of spectacular. Regular readers of our work know that we share a bullish perspective on artificial intelligence (AI), and its potential to usher in a new era of productivity gains. Due to the United States' fiscal position, economic growth is vitally important.

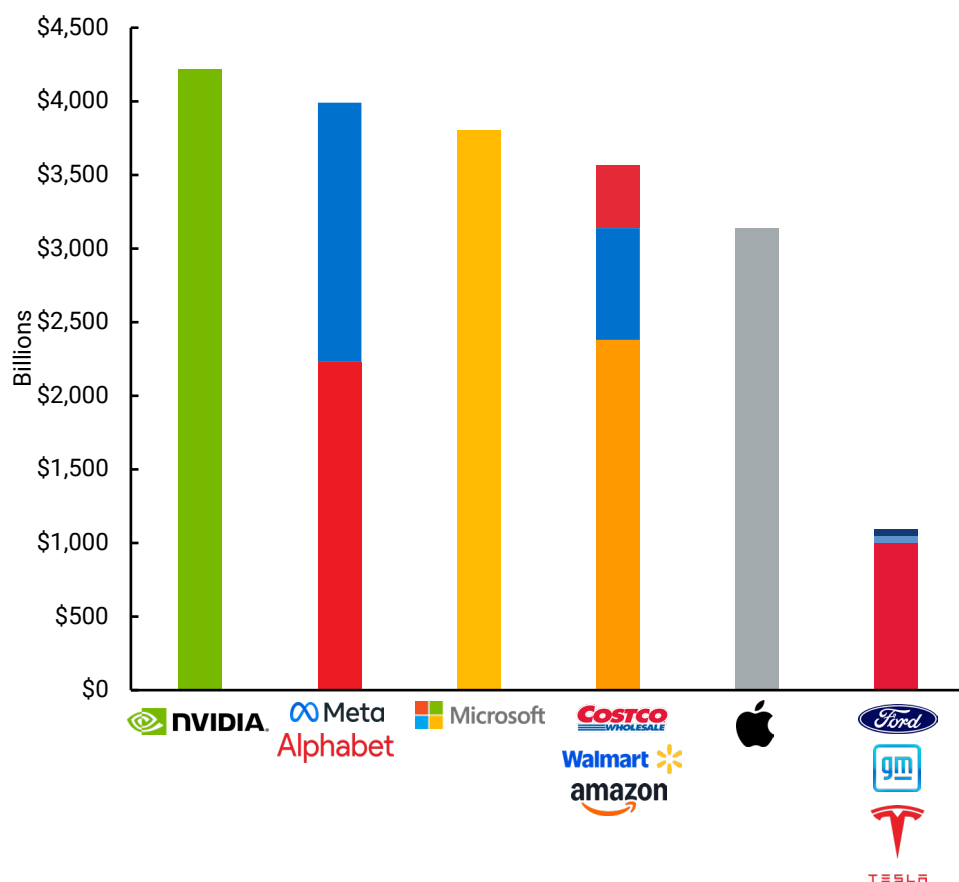
So, with NVDA cracking the \$4 trillion market cap level, the first company to ever do that, it seemed a good time to consider the impact of the AI boom from a broader market perspective. The chart we have for this week shows the market capitalization of NVDA versus a few other publicly traded companies. Microsoft (MSFT) is the closest single company in market cap and could very well move to a \$4 trillion market cap itself, with Apple (AAPL) in the chase. Still, beyond that, we see that NVDA has a market cap larger than the combined value of many leading companies within the U.S. economy.

NVDA bigger than the combination of Facebook (META) and Alphabet (GOOG)? Wow, that just seems extraordinary. Moreover, we can add Amazon (AMZN), Walmart (WMT) and Costco (COST) and still be behind the value of NVDA. And when we consider the importance of the automobile in our economy, Ford (F), General Motors (GM) and Tesla (TSLA) collectively add up to about \$1 trillion in total market capitalization. Who remembers when the saying used to be "As goes GM, so goes America"?

Looking even broader at sector weightings within the S&P 500, it gets even more interesting. NVDA alone accounts for approximately 7.6% of the S&P 500 index. As an aside, the weightings of NVDA, MSFT and AAPL are all above 5%. Why is that a problem? For many active managers, position size limits are part of their risk management process, and historically, anything above 5% has been considered risky from a fiduciary standpoint. This means many active managers, by policy, have an underweight to what have been the best-performing stocks in the index. However, back to the sector weights, NVDA on its own is larger than the entire utility sector (2.4% of the S&P 500), the energy sector (3.1%) and consumer staples sector (5.4%). In fact, NVDA is now approaching the weight of the entire healthcare sector, which has a 9.25% weighting in the S&P 500.

There is nothing inherently bad about the structure of the market today. Yes, it is concentrated with the top 10 stocks making up over 35% of the entire index market cap. However, this is being driven by growth, and unlike the late 1990s and early 2000s, during the internet boom, these companies are hugely profitable and generating significant cash flows. Since the beginning of the year, the multiple on these stocks as a group has declined, as earnings growth has been faster than the level of price appreciation. This might limit the downside risk, as cash flows and earnings are not speculative, but one could also say it seems likely that the rate of growth might slow going forward. The reality is that we do not know the full implications of AI's impact on our economy, businesses and markets. It might be less than currently thought, meaning future returns on some of the stocks involved may be disappointing. On the flipside, it might be even bigger than we know, which would mean today's prices may look like a bargain. What a great time to be alive.

Nvidia's Record Valuation in Context



Weekly market update

Commentary (Jul. 18, 2025)



Domestic Equities

- The S&P 500 Index and the Nasdaq Composite both hit new record highs during the week and ended the week with gains. The Russell 2000 Index finally recovered all of its losses and now up about 1% year-to-date, two months after large-cap indices recovered.
- Earnings season kicked off last week with several big banks and consumer companies reporting. The financials earnings have been overwhelmingly better-than-expected, and the consumer-focused companies have pointed to a resilient economy.
- In addition to earnings, investors are focused on trade announcements ahead of the August 1 tariff-pause expiration, and any moves regarding Fed Chair Powell. Although President Trump has backed away from threats to fire Powell this week, Fed governor Christopher Waller, who has been pushing for a rate cut this month, said he would accept the top job at the bank if offered.

International Equities

- Foreign investors continue to face increased uncertainty due to tariff-related concerns, while also monitoring the ongoing feud between President Trump and Federal Reserve Chairman Jerome Powell.
- Developed markets fell during the week as stock markets across Europe declined. European stocks drifted lower after the U.S. administration threatened to impose a 30% tariff on European Union (EU) goods, raising concern over a potential economic slowdown. In response, the EU announced it will suspend the implementation of its trade countermeasures to allow more time for trade negotiations.
- Emerging market stocks rose, primarily driven by strength in Asian markets. China's GDP grew 5.3% percent in the first half of 2025. Its economy benefited from a rush to stockpile goods ahead of the impending tariffs. However, that export momentum could fade as the country faces the full impact of higher tariffs in the second half of the year.

Bonds

- The U.S. Treasuries were mixed for the week, with the belly of the curve ending the week lower while the long-end was higher. U.S. Treasury yields initially rose on a hotter-than-expected headline line CPI print for June, and strong retail sales, but later reversed on weaker-than-expected PPI data and calls by Fed Governor Waller for a rate cut in July.
- Long-term inflation expectation continued to trend higher, with 10 and 30-year U.S. Treasury breakevens climbing to their highest level since February of this year.
- Corporate credit yields and risk premiums narrowed marginally for the week, with leverage loans and convertible bonds delivering the best returns.
- Municipal bonds lagged U.S. Treasuries for the week as investors continued to digest the impact that Trump's budget bill will have on the market. Hospital and healthcare system bonds led the market lower, with investors appearing worried that Medicaid cuts will negatively impact operating margins and reimbursements for issuers within the sector.

Economics

- On Tuesday, the Consumer Price Index (CPI) showed a year-over-year increase of 2.7%, slightly above last month's reading of 2.4% and the consensus estimate of 2.6%. Core CPI, which excludes food and energy, rose 2.9%, a modest uptick from last month's 2.8% and in line with expectations.
- On Thursday, jobless claims came in at 221,000, lower than the previous week's figure of 228,000 and below the consensus estimate of 233,000. The labor market continues to demonstrate stability despite concerns about a potential slowdown.
- Retail sales posted a month-over-month increase of 0.6%, surpassing estimates of 0.1% and rebounding from last month's decline of 0.9%. The resilience of the U.S. consumer remains a bright spot as economists assess the potential impact of tariffs.

Weekly Market Update

For Week Ending July 18, 2025

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	44,342.19	-0.1%	5.2%	11.0%
S&P 500 Index	6,296.79	0.6%	7.8%	15.1%
NASDAQ Composite	20,895.66	1.5%	8.6%	17.7%
S&P 400 Midcap Index	3,171.55	0.0%	2.5%	6.0%
S&P 600 Smallcap Index	1,364.85	-0.8%	-2.2%	-0.1%
MSCI EAFE	9,603.44	-0.3%	18.8%	13.8%
MSCI Emerging Markets	677.31	1.7%	18.0%	15.5%
Bloomberg US Agg	2,259.42	0.0%	3.2%	3.7%
Bloomberg Municipal 5 Yr	508.01	0.0%	2.7%	3.9%
Bloomberg US Corporate	3,403.88	0.2%	3.5%	4.5%
Bloomberg Glb Agg ex US Hdg	601.61	0.1%	1.5%	4.7%
Bloomberg High Yield	2,809.24	0.1%	4.7%	8.8%
MSCI US REIT Index	2,308.11	0.1%	-0.1%	2.6%
Bloomberg Commodity Index	260.01	1.3%	9.0%	11.1%

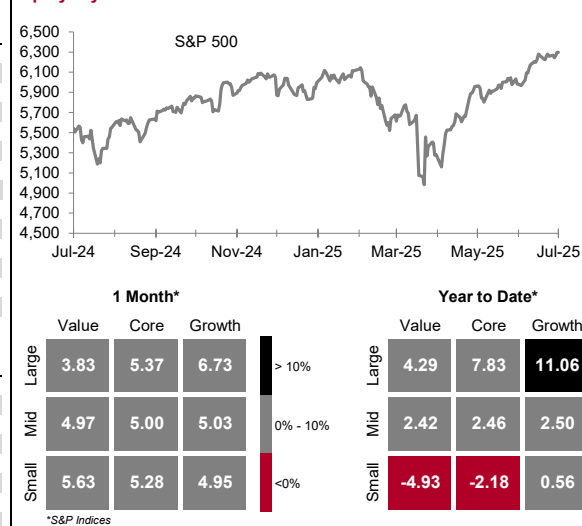
	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	4.50%	4.50%	4.50%	5.50%
3-Month Treasury	4.33%	4.33%	4.31%	5.33%
1-Year Treasury	4.06%	4.07%	4.14%	4.86%
2-Year Treasury	3.87%	3.89%	4.24%	4.47%
5-Year Treasury	3.95%	3.97%	4.38%	4.12%
7-Year Treasury	4.16%	4.17%	4.48%	4.14%
10-Year Treasury	4.42%	4.41%	4.57%	4.20%
30-Year Treasury	4.99%	4.95%	4.78%	4.42%

Consumer Rates				
30-Year Mortgage	6.78%	6.73%	7.28%	5.83%
Prime Rate	8.25%	8.25%	8.25%	9.25%
SOFR	4.30%	4.31%	4.49%	5.34%

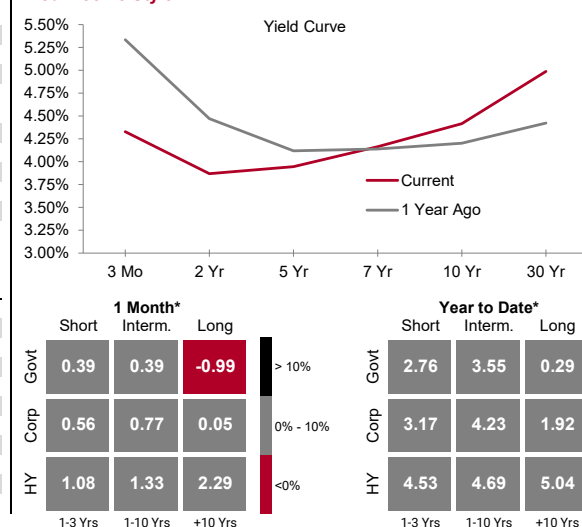
Commodities				
Gold (spot)	3,349.94	3,355.59	2,624.50	2,445.08
Crude Oil WTI	67.34	68.45	71.72	82.82
Gasoline	3.15	3.16	3.06	3.50
Natural Gas	3.57	3.31	3.63	2.13
Copper	5.58	5.56	4.03	4.27

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	20.39	22.28	5.59	1.67
S&P 500	22.27	24.64	5.32	1.30
S&P 500 Value	18.25	19.47	3.42	2.07
S&P 500 Growth	27.50	31.97	10.20	0.64
NASDAQ	28.75	34.28	7.37	0.71
S&P Midcap 400	16.79	17.21	2.60	1.71
S&P Smallcap 600	15.67	16.48	1.85	2.42
MSCI EAFE	15.20	16.51	2.09	3.10
MSCI Emerging Markets	12.95	15.54	2.01	2.71

Equity Style



Fixed Income Style



Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	2.7%	3.0%
CPI Core Inflation	2.9%	3.3%
Personal Consumption Exp (PCE) Core	2.7%	2.7%
Jobs		
Unemployment Rate (U3)	4.1%	4.1%
Broader Unemployment Rate (U6)	7.7%	7.4%
JOLT Survey (in millions)	7.77	7.90
Jobless Claims (000's)	221	240
Change in Non-Farm Payroll (000's)	147	87
Average Hourly Earnings (Y/Y % Change)	3.7%	3.9%
Consumer & Spending		
Consumer Confidence (Conf Board)	93.0	97.8
Consumer Spending (\$ Bil)	20,593	19,697
Consumer Credit (\$ Bil)	5,048	5,027
Retail Sales (\$ Bil)	720	693
Housing		
Housing Starts (000's)	1,321	1,327
Case-Shiller Home Price Index	329.61	320.88
U.S. Productivity		
Real Gross Domestic Product (\$ Bil)	23,513	23,054
Quarter over Quarter Change	-0.5%	1.6%
Year Over Year Change	2.0%	2.9%
ISM Manufacturing	49.00	48.30
Capacity Utilization	77.64	78.20
Markit US Composite PMI	52.90	54.80
U.S. General		
Leading Economic Indicators	99.0	103.1
Trade Weighted Dollar Index	120.3	123.1
EUR / USD	1.16	1.09
JPY / USD	148.81	157.37
CAD / USD	0.73	0.73
AUD / USD	0.65	0.67

S&P 500 Sector Returns

	1 Month	YTD
Industrials	6.82%	15.71%
Utilities	4.66%	12.21%
Information Technology	9.39%	12.11%
Financials	4.97%	9.58%
Communication Services	3.11%	9.52%
Materials	3.86%	8.20%
Consumer Staples	0.72%	5.61%
Real Estate	0.90%	4.52%
Energy	-1.84%	2.07%
Consumer Discretionary	5.73%	-1.57%
Health Care	-0.56%	-3.27%

Source: Bloomberg

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