

Lowering the Bar

Lower bars are easier to hurdle—a truism in both track and field and business. That appears to be the setup for second-quarter earnings season, which officially began last week with reports from the U.S.'s largest banks. While the season is still in its early stages, expectations are low enough—just 2.8% year-over-year expected growth, compared to 13% realized growth in Q1—for most companies to surpass them.¹

In addition to low expectations, the stock market has another factor working in its favor: a weaker dollar. The first half of the year saw the U.S. dollar decline by more than 11%, its worst first-half performance since 1973.² While the drop is unwelcome for some—particularly foreign holders of U.S. assets—it tends to benefit large U.S. firms that generate a significant share of their revenue overseas. Stronger foreign currencies mean that international earnings, when converted back into dollars, will contribute more to the bottom line.

This currency effect should be most pronounced in the technology sector, where many firms rely heavily on global sales. For these companies, the weaker dollar provides an additional boost—one that could help earnings clear an already low bar.

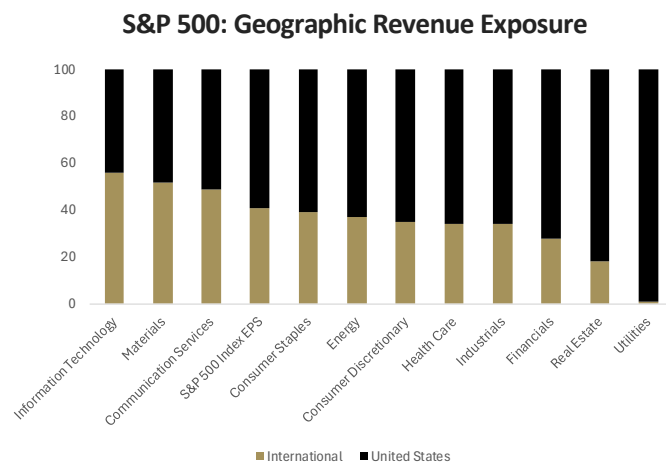


Chart Source: John Butters. "S&P Companies with More International Exposure Are Reporting Earnings Growth Above 20%." FactSet. February 18, 2025.

¹ Bloomberg Intelligence. ² Bloomberg, Trade Weighted Dollar (DXY).

Economy

Last Week

- **Consumer Price Index (June):** 0.3% HL, 0.3% Core MoM 2.7% HL, 2.9% Core YoY. Both measures higher than May.

- **Producer Price Index (June):** 0.0% HL, 0.0% Core MoM 2.3% HL, 2.6% Core YoY. Both measures lower than May.

- **Retail Sales (June):** 0.6% HL, 0.5% Control MoM First positive month of the quarter (headline).

This Week

- **Leading Economic Indicators (June):** 7/21

- **S&P US Flash PMIs (July):** 7/24

- **Building Permits & New Home Sales (June):** 7/24

- **Durable Goods (July):** 7/25

Equities

Returns (%)

Index	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	6306	0.61	1.68	7.98	16.06	18.55	15.73
Russell 1000 Growth	4382	1.49	2.52	8.76	21.09	23.89	17.08
Russell 1000 Value	1926	-0.40	0.78	6.83	11.19	12.19	13.12
FTSE High Dividend Yield*	485	-0.34	0.96	6.96	13.08	12.64	13.78
S&P Small and Mid Cap	17347	-1.08	1.78	0.45	4.23	9.84	12.30
MSCI EAFE	2649	0.22	-0.17	19.74	15.88	15.51	10.62
MSCI EM	1253	2.06	2.78	18.73	18.22	11.38	5.99

Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD
S&P 500	21.2	15.4	1.3	20
Russell 1000 Growth	28.6	17.8	0.6	15
Russell 1000 Value	16.3	13.5	2.1	10
FTSE High Dividend Yield*	13.1	13.0	3.9	5
S&P Small and Mid Cap	14.5	15.4	1.9	0
MSCI EAFE	14.6	13.5	3.1	-5
MSCI EM	12.3	11.1	2.7	-10

YTD (%)

Sectors: Industrials, Utilities, IT, Comm. Serv., Financials, Materials, Staples, Real Estate, Energy, Cons. Discr., Health Care

* Bloomberg U.S. Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

Fixed Income

Returns (%)

Index	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.63	0.37	-0.47	3.53	4.31	1.78	-1.05
U.S. Int. Gov/Credit	4.20	0.32	-0.17	3.96	5.54	3.16	0.50
U.S. Corporates	5.07	0.52	-0.31	3.85	5.16	3.30	-0.50
High Yield	7.05	0.35	0.34	4.93	9.15	8.51	5.28
Municipals (1-10)	3.27	-0.26	0.13	1.88	2.89	2.27	0.81

Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	3.86	3.94	3.72	4.24	4.49	2.97	0.15
10-yr Treasury	4.38	4.48	4.23	4.57	4.25	2.75	0.60
30-yr Treasury	4.95	5.02	4.78	4.78	4.49	2.98	1.29
SOFR	4.28	4.37	4.45	4.49	5.34	1.52	0.10
6-mo. CD rate	4.36	4.32	4.28	4.33	5.26	3.42	0.37
Prime Rate	7.50	7.50	7.50	7.50	8.50	4.75	3.25
30-yr fixed mortgage	6.79	6.75	6.80	7.28	7.16	5.65	3.13