

To the Crossroads

Markets face what one strategist has called a “moment of truth”—a dramatic phrase, to be sure, but fitting given where markets stand and what lies ahead.* The S&P 500 has recently set a series of all-time highs, pushing the index to a lofty valuation of 21 times forward earnings estimates. Bonds, meanwhile, continue to deliver modest, coupon-like returns of 3–4%. All in all, it has been a pleasant summer for investors.

That run will be tested this week as markets absorb a wave of economic data and corporate earnings. Wednesday’s release of second-quarter GDP will be telling, likely reflecting a rebound from the first quarter’s contraction. That decline was driven largely by tariff-related distortions: companies rushed to import goods ahead of new tariffs, which sharply widened the trade deficit. This quarter, that effect should reverse, as imports have slowed considerably. Current estimates suggest GDP will grow 2.9% in Q2, leaving the economy expanding just over 1% for the first half of the year.

This report on slowing growth arrives alongside a packed schedule: July’s jobs data, a Federal Reserve meeting, and key earnings reports—all converging in what may be a defining stretch for markets.

Real GDP (YoY Growth)
with Atlanta Fed GDP Now Estimates

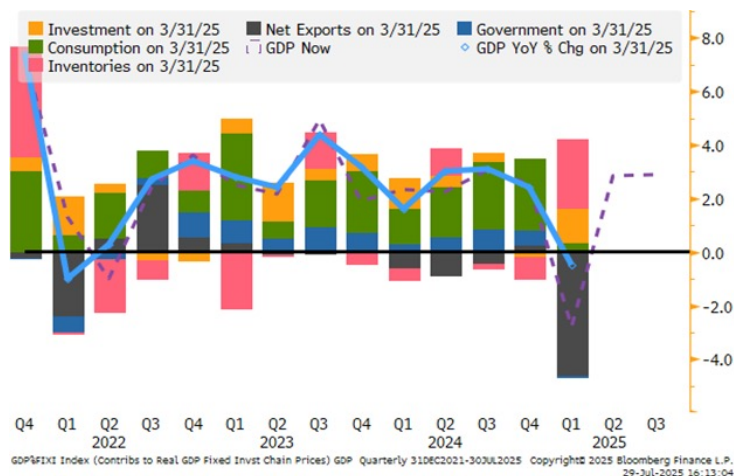


Chart source: Bureau of Economic Analysis, Atlanta Fed, Bloomberg.
* Alexandra Semenova et al. “A Data Deluge Brings a ‘Moment of Truth’ for Markets This Week.” Bloomberg. July 28, 2025.

Economy

Last Week

- **Leading Economic Indicators (June):** -0.3% vs. -0.1% one month prior

- **S&P US Flash PMIs (July):** Manufacturing: 49.5 vs. 52.9 one month ago
Services: 55.2 vs. 52.9 one month ago

- **Building Permits & New Home Sales (June):** Permits: -0.1% vs. 0.2% one month ago. Sales: +0.6% vs. -13.7% one month ago

- **Durable Goods (July):** -9.3% vs. 16.4% one month ago
Ex Transportation: 0.2% vs. 0.5% one month ago

This Week

- **GDP (Q2): 7/30**

- **FOMC Rate Decision & Press Conference: 7/30**

- **Personal Spending & PCE Inflation (June): 7/31**

- **Payrolls & Unemployment (July): 8/1**

Equities

Returns (%)

Index	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	6390	1.34	3.05	9.43	18.59	17.26	16.06
Russell 1000 Growth	4445	1.43	3.99	10.32	25.81	22.43	17.62
Russell 1000 Value	1950	1.25	2.04	8.16	11.21	11.04	13.16
FTSE High Dividend Yield*	490	1.10	2.06	8.13	13.30	11.95	14.10
S&P Small and Mid Cap	17626	1.62	3.42	2.07	3.35	8.71	12.31
MSCI EAFE	2668	0.73	0.56	20.61	17.84	14.98	10.79
MSCI EM	1255	0.19	2.98	18.96	20.32	11.30	5.84

Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD
S&P 500	21.4	15.4	1.3	20
Russell 1000 Growth	29.0	17.8	0.5	15
Russell 1000 Value	16.5	13.5	2.1	10
FTSE High Dividend Yield*	13.1	13.0	3.9	5
S&P Small and Mid Cap	14.7	15.4	1.9	0
MSCI EAFE	14.7	13.5	3.1	-5
MSCI EM	12.4	11.1	2.7	

YTD (%)

Industrials IT Utilities Comm. Serv. Financials Materials Real Estate Energy Staples 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	4.67	-0.06	-0.54	3.46	3.96	1.54	-1.08
U.S. Int. Gov/Credit	4.25	-0.07	-0.24	3.89	5.13	2.93	0.47
U.S. Corporates	5.09	0.04	-0.27	3.89	5.02	3.14	-0.49
High Yield	7.04	0.19	0.53	5.13	9.04	8.03	5.19
Municipals (1-10)	3.23	0.20	0.33	2.08	2.95	2.13	0.82

Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	3.93	3.83	3.72	4.24	4.36	2.89	0.13
10-yr Treasury	4.41	4.35	4.23	4.57	4.14	2.65	0.58
30-yr Treasury	4.96	4.92	4.78	4.78	4.40	3.01	1.24
SOFR	4.36	4.28	4.45	4.49	5.33	2.27	0.09
6-mo. CD rate	4.36	4.33	4.28	4.33	5.19	3.37	0.34
Prime Rate	7.50	7.50	7.50	7.50	8.50	5.50	3.25
30-yr fixed mortgage	6.80	6.79	6.80	7.28	7.14	5.28	3.09