

Weekly Market Recap

Markets moved cautiously this week, with major U.S. stock indexes trading in tight ranges. Technology stocks led the way, with the Nasdaq outperforming, while value-oriented sectors and smaller companies underperformed. Overseas, Emerging Markets are outperforming their Developed Market counterparts. In the bond market, rising long-term Treasury yields caused longer-maturity bonds to trade lower, while shorter-maturity bonds were flat. Corporate bond performance was mixed, with high-yield bonds holding steady as investment-grade traded lower. Commodities were also quiet, with gold unchanged and oil prices ticking higher. Bitcoin hit a record early in the week, and the U.S. dollar strengthened.

Five Main Points

1. Inflation Rises, But Not Rapidly

Consumer prices rose more than expected in June, driven partly by higher prices on imported goods affected by tariffs. This included items like sporting goods and household furnishings. Core inflation, which excludes food and energy, rose by a smaller amount as shelter inflation eased further. Meanwhile, producer prices remained flat, with falling services prices offsetting a rise in goods prices. Why it matters: Inflation is still under control, but progress is slowing, especially for goods prices. The recent uptick makes it unlikely the Federal Reserve will cut rates at its upcoming meeting in July.

2. Industrial Activity Sees a Narrow Rebound

Industrial production rose modestly in June after being flat for two months. The increase was mainly due to higher utility output during a heat wave, while other areas like mining and auto manufacturing declined. Overall, industrial activity grew at a slower pace in Q2 compared to earlier in the year. Why it matters: The industrial rebound that started late last year is intact, but the expansion appears to have lost momentum in recent months.

3. Retail Sales Show Encouraging Recovery

June retail sales climbed by 0.6%, reversing a sharp decline seen in May. The gains were spread across categories, including cars, clothing, and building materials. Spending at restaurants and online retailers also increased, while home-related categories saw slight declines. Why it matters: The solid report helps ease concerns that consumer spending was stalling. While growth is slowing, Americans are still spending.

4. Economy Slows, But Not Enough for an Interest Rate Cut

Taken together, June's economic data releases suggest the economy is cooling gradually. Job growth, industrial activity, and consumer spending have all slowed from earlier in the year, but none are signaling contraction. Meanwhile, the early effects of tariffs are beginning to show up in prices. Why it matters: The Federal Reserve is unlikely to cut interest rates in July. Any future rate cuts will likely depend on whether inflation continues to ease and whether economic growth slows more meaningfully.

5. Markets Remain Calm Despite Policy Uncertainty

Although trade policy remains uncertain, financial markets are showing few signs of stress. Measures of expected volatility in stocks, bonds, and other assets have fallen in recent months, suggesting investors anticipate relatively stable conditions. Why it matters: Markets appear to be brushing off policy risks for now, but this sense of calm could be tested if trade policy tensions rise again.

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