



Weekly Market Review

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Fundamentals captured the headlines last week and led the S&P 500 Index and NASDAQ Composite to close at record highs. Earnings season is now in full force with about half of the S&P 500 companies having reported Q2 earnings. Alphabet and Twitter produced some of the strongest quarterly reports to date and helped the Communication Services sector lead the market higher for the week. With 76% of companies beating on earnings and 59% beating on sales to date, quarterly earnings are projected to grow at 2% from one year ago.



The initial second-quarter GDP report was the other big headline of the week. The initial reading came in at 2.1%, beating consensus estimates of 2.0%, but underperformed first-quarter GDP growth of 3.1%. It was the tale of two economies as consumer and government spending were strong, but business investment was a drag on the economy.

The weakness in business investment came from a decrease in manufacturing and inventories. If you look back at the past three quarters, business investment was one of the most robust data points due to the rise in manufacturing production and therefore inventories increasing. This was an uncommon trend led in part by the trade war and companies wanting to increase their inventories to avoid potentially rising tariffs. Therefore, reverting back to mean levels was to be expected.

Consumer spending was the most substantial aspect of GDP as personal consumption rose 4.3%, the strongest reading since the fourth quarter of 2017. The consumer makes up about 70% of U.S. GDP, making this an encouraging number. Government spending was also a solid contributor, rising 5%, which was the most active growth rate since the second quarter of 2009. Government spending increasing at this point of the expansion is debatable as to whether it is a positive or negative factor.

Stay tuned for another packed week of potential market-moving reports. The biggest news of the week will be the Federal Reserve meeting taking place Tuesday and Wednesday. However, we also have the jobs report on Friday, Europe GDP growth released Wednesday, and the continuation of U.S./China trade talks.



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