

## A busy week ends on a record-high note

The stock market had a strong week of trading in which a ceasefire between Israel and Iran, positive earnings reports, better-than-expected economic data, and some rate cut hopes culminated in the S&P 500 and Nasdaq Composite eclipsing and finishing with record highs.



Geopolitical headlines stirred the markets to open the week following news that the U.S. destroyed three Iranian nuclear facilities on Sunday; but reports that Qatar was notified by Iran preemptively of a counterstrike on a U.S. airbase in the region garnered optimism from the market that a resolution to the conflict was ahead. President Trump announced a ceasefire between the two nations that was initially violated but has since held.

Tuesday marked the first day of Fed Chair Powell's semiannual monetary policy report before Congress. Mr. Powell reiterated his wait-and-see approach to a rate cut, but conceded that many paths are possible, one of which is that inflation could be cooler than expected, which would suggest the Fed could cut sooner.

The response from the market to the Fed Chair's testimony was optimistic, especially given that his comments followed comments on Monday from Fed Governor Bowman who said she could support a rate cut in July if inflation pressures remain contained. Hopes of an easier monetary policy increased further on Thursday when The Wall Street Journal reported that President Trump is considering naming Fed Chair Powell's replacement for when his terms ends in May 2026 by September or October, if not sooner.

Mega-cap stocks paced the market's gains this week. The impact of the mega-cap stocks also manifested itself in the outperformance of the communication services (+6.2%), information technology (+4.7%), and consumer discretionary (+4.4%) sectors, all of which house mega-cap components. The strong performance of the tech sector was bolstered by an impressive earnings report and outlook from Micron.

Micron's report translated into more gains for the white-hot semiconductor group. The Philadelphia Semiconductor Index surged 6.4% this week, leaving it up 29.9% for the second quarter. NVIDIA has been a key player in that move and was a key story stock throughout the week as it broke out to a new all-time high and stole the title of being the largest company in the S&P 500 by market capitalization.

The mega-cap stocks may have been the leaders this week, but there was broad-based support that featured fine performances from the small-cap and mid-cap spaces, and from value stocks as well as growth stocks. The energy sector (-3.5%) was the worst performing sector this week. Oil prices dropped approximately 12% to \$65.07 per barrel, as the Israel-Iran ceasefire assuaged concerns about potential supply disruptions in the Middle East. The real estate sector (-0.8%) also underperformed, trading in the shadow of some relatively weak existing and new home sales data.

Those reports were part of an economic calendar that featured a decline in consumer confidence in June, a surge in durable goods orders in May, a dip in weekly initial jobless claims, a downward revision to Q1 GDP, and a decline in real personal spending and an uptick in the year-over-year rates for the PCE Price Index and core-PCE Price Index in May. The decline in real personal spending didn't stop the consumer discretionary sector from advancing on Friday, as it found support in the 15% gain in Dow component Nike following its earnings report and outlook. Earlier in the week, the sector was also bolstered by an encouraging earnings report and outlook from cruise line operator Carnival.

Friday's session also featured some added volatility, with President Trump announcing that trade talks with Canada have been terminated due to its 400% tariff rate on dairy products and digital services tax. The president added that the U.S. will let Canada know the tariff it will be paying to do business with the U.S. Stocks sold off on that news, but true to form, sprung back on buy-the-dip interest.

Separately, there was plenty of reporting throughout the week on the Senate's negotiations over the "One Big, Beautiful Bill." The Senate, reportedly, has an aim to hold a vote on the bill this weekend, and Treasury Secretary Bessent told CNBC that he thinks there is a very good chance of the bill making it to the president's desk by July 4.

- Nasdaq +4.2% for the week / +5.0% YTD
- DJIA +3.8% for the week / +3.0% YTD
- S&P 500 +3.4% for the week / +5.0% YTD
- Russell 2000 +3.0% for the week / -2.6% YTD
- S&P 400 +2.6% for the week / -0.6% YTD

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