Earnings and trade deal optimism propels to record highs

The stock market extended its rally this week, with the S&P 500 and Nasdaq Composite hitting record intraday and closing highs on Friday.

The S&P 500 reached a high of 6,395.82 and closed at 6,388.64, while the Nasdaq hit 21,159.80 intraday and settled at 21,108.32.

Strong earnings fueled optimism, led by Alphabet's solid results and a notable increase in capital expenditures focused on AI development, underscoring the company's commitment to advancing artificial intelligence technologies.

This earnings strength, combined with trade deal optimism and moderating Treasury yields, supported the bullish sentiment. Progress on trade agreements with Japan and potential deals with the EU and China eased investor concerns ahead of the August 1 tariff deadline.

All 11 sectors finished higher for the week, led by health care (+3.4%), materials (+2.4%), industrials (+2.3%), communication services (+2.2%), and real estate (+2.2%). Financials (+1.7%), energy (+1.4%), and consumer discretionary (+1.2%) also posted solid gains, while defensive sectors saw modest upside: utilities (+0.9%), information technology (+0.7%), and consumer staples (+0.01%).

Looking ahead, the market faces a pivotal week with roughly 38% of the S&P 500 by market cap reporting earnings, which is more than double this week's weight. Key tech giants Microsoft, Meta, Apple, and Amazon will all post results midweek, likely shaping market direction. In addition, important jobs data and a critical Federal Reserve meeting are expected to test the current optimism.

Overall, it was a strong week for risk assets as earnings momentum and improving trade prospects propelled markets to new highs, but next week's slate of data and earnings could bring renewed volatility.

- S&P 400: +1.5% for the week/ +3.1% YTD
- S&P 500: +1.5%% for the week / +8.6% YTD
- DJIA: +1.3%% for the week / +5.6% YTD
- Nasdaq Composite: +1.0% for the week / +9.3% YTD
- Russell 2000: +0.9% for the week / +1.4% YTD

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