

Weekly Market Perspectives

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“At present, the U.S. stock market is navigating a complex macroeconomic environment of strong corporate earnings and AI-driven optimism tempered by inflationary pressures and tariff uncertainties. But, for now, investors are choosing to focus on what they can see in front of them, which is stronger-than-expected earnings growth, a durable AI secular theme, and a still firm economic backdrop.”

For Now, Markets Appear Comfortable Placing Tariff Risks To The Side

Major U.S. stock averages advanced higher last week, with the S&P 500 Index pressing toward another new high. The U.S. imposed higher tariff rates on imported goods, with some exemptions, while second quarter corporate earnings continued to surpass analyst expectations.

Key inflation data this week, along with an updated look at retail sales and University of Michigan consumer sentiment, will provide further insight into the health of the U.S. economy amid building concerns regarding slowing growth and tariff pressures.

Last week in review:

- The S&P 500 gained +2.4%. Strength was broad-based, led by Information Technology, Consumer Staples, and Materials.
- The NASDAQ Composite rose +3.9%, outperforming major indexes as Big Tech rebounded sharply.
- The Dow Jones Industrials Average rose +1.4%, while the Russell 2000 Index climbed +2.4%.
- U.S. Treasury prices faced pressure amid supply concerns, with three consecutive disappointing auctions and record issuance in four-week bills. West Texas Intermediate (WTI) crude fell after OPEC+ announced a full unwinding of voluntary cuts. Gold rose to a record high before paring gains on tariff guidance, and the U.S. Dollar Index declined.
- Market sentiment was buoyed by dovish Federal Reserve commentary from some members, which helped lift odds of a September rate cut to near 90%. However, sticky inflation and Treasury supply concerns kept a floor under rates.
- Economic data was mixed. July ISM services missed expectations, inflation expectations ticked higher in the New York Fed survey, while jobless claims showed signs of labor market softening.
- Tariff headlines leaned dovish despite new rates taking effect, with exemptions for U.S.-based chipmakers and pharmaceutical tariffs previewed. Uncertainty remains elevated around implementation, with concerns growing about investment and hiring impacts.
- Corporate earnings continued to support a largely bullish narrative, with stronger-than-expected second-quarter profit growth and AI momentum seemingly trumping growing tariff headwinds and weakening consumer trends. However, earnings beats have been rewarded less than usual this season, while misses have been punished much more severely. To us, this suggests already lofty expectations and stretched valuations could act as a governor on the broader averages moving forward if profit expectations are not met.

Markets appear comfortable placing tariff risks to the side, for now.

U.S. major averages experienced solid gains last week, with the S&P 500 Index and Nasdaq Composite reversing the previous week's declines, posting their best week since late June.

Big Tech stocks again led the rally, notably Apple, which jumped +13.3% last week – its best week since July 2020. The iPhone maker announced a \$100 billion investment in U.S. production (on top of its previously announced \$500 billion), which helped secure exemptions from White House section 232 semiconductor tariffs.

In our view, investors' bullish sentiment last week was supported by several factors, including "buy-the-dip" trading activity after the post-nonfarm payrolls selloff, dovish Fed commentary suggesting a high probability of a September rate cut, speculation over Fed Governor Chris Waller as a front-runner successor to Fed Chair Powell, and further clarity around tariff carve-outs – especially for semiconductor manufacturers investing in the U.S.

Notably, corporate earnings have shown remarkable strength during the current earnings season, with over 81% of S&P 500 companies surpassing analyst estimates. The S&P 500 Q2'25 blended earnings per share (EPS) growth rate of +11.8% year-over-year has far exceeded the +4.7% growth rate analysts expected at the end of June. In addition, we believe solid ongoing share buyback announcements and the AI secular growth narrative continue to underpin investor confidence and the overall U.S. stock market despite other macroeconomic uncertainties. Yet, at the heart of those uncertainties are growing concerns about stagflation (i.e., slowing growth and rising inflation) due to labor market anxiety, rising inflation expectations, weakening consumer signals, and ongoing tariff frictions.

On the economic front, July ISM services data missed expectations, showing contraction in employment and an increase in prices paid rising to the highest levels since October 2022. The latest New York Fed Survey of Consumer Expectations revealed rising inflation expectations at both the one-year and five-year horizons. And while initial jobless claims last week were lower than expected, continuing claims reached their highest level since November 2021, reinforcing concerns about a slowing labor market.

Importantly, we believe tariff policy out of Washington remains a significant wildcard dynamic for markets at the moment. New (higher) tariff rates on goods headed to American shores from a host of countries took effect last week and will likely push the U.S. effective tariff rate to its highest levels in nearly a century. According to June International Trade Commission data, the average U.S. tariff rate stood at 9.0%, up 6.8% since December. That's the fastest pace of increase on record, including during the Smoot-Hawley tariff era in the early 1930s.

More acutely, President Trump announced a 100% tariff rate on semiconductor imports, but promised exemptions for companies investing in U.S. production, benefiting firms like Apple and NVIDIA. Additionally, a phased-in pharmaceutical tariff was previewed, potentially rising to as much as 250% over the next one to one-and-a-half years. Despite these measures, details on implementation and exemptions remain clouded, contributing to ongoing uncertainty that is likely to keep affecting business investment and hiring decisions outside of AI growth. Hence, the "wildcard" dynamic that trade and tariffs could play on markets and the economy over the intermediate term. And finally, on the tariff front last week, President Trump also imposed an additional 25% levy on goods coming from India, bringing total tariffs to 50%, citing India's purchases of Russian oil, which has strained US-India trade relations.

Bottom line: At present, the U.S. stock market is navigating a complex macroeconomic environment of strong corporate earnings and AI-driven optimism tempered by inflationary pressures and tariff uncertainties. But, for now, investors are choosing to focus on what they can see in front of them, which is stronger-than-expected earnings growth, a durable AI secular theme, and a still firm economic backdrop. However, there is growing evidence that tariff-related pressures are beginning to form under the surface. This week's key inflation data and reads on the consumer could challenge investors' rather complacent view of the potential risks to growth. Yet, until there is more concrete evidence of tariff impacts, investors appear comfortable putting those risks to the side for now.

The week ahead:

- U.S. consumers likely faced rising prices in July. Tuesday's July Consumer Price Index is expected to show core consumer inflation ticked higher on a month-over-month basis versus June, with the year-over-year rate expected to climb to +3.0%, the highest level since February and a full percentage point above the Fed's +2.0% target. The headline reading is expected to tick lower, helped by easing gasoline prices. The July Producer Price Index will be released on Thursday.
- On Friday, July retail sales and preliminary August University of Michigan (U of M) consumer sentiment reports are due. Retail sales could see a lift from Amazon Prime Day but could be constrained by a decline in gasoline sales. Consumer sentiment is expected to rise versus July levels.

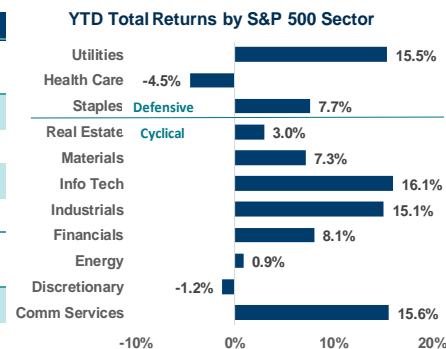
- With 90% of second quarter S&P 500 earnings reports complete, the earnings season will substantially slow this week, with just eight companies scheduled to report results. Cisco Systems, Deere & Co., and Applied Materials will be some of the week's key reports.

Stock Market Recap							
Benchmark	Total Returns			LTM PE		Yield %	
	Weekly	MTD	YTD	Current	5-Year Median	Current	5-Year Median
S&P 500 Index: 6,389	2.4%	0.8%	9.5%	27.9	25.2	1.2	1.4
Dow Jones Industrial Average: 44,176	1.4%	0.1%	4.8%	23.8	22.2	1.6	1.9
Russell 2000 Index: 5,513	2.4%	0.3%	0.3%	64.2	43.7	1.4	1.3
NASDAQ Composite: 21,450	3.9%	1.6%	11.5%	41.3	38.3	0.6	0.7
Best Performing Sector (weekly): Info Tech	4.3%	2.1%	16.1%	44.4	33.8	0.5	0.8
Worst Performing Sector (weekly): Energy	-1.0%	-2.7%	0.9%	15.3	11.0	3.4	3.7

Source: Factset. Data as of 08/08/2025

Bond/Commodity/Currency Recap			
Benchmark	Total Returns		
	Weekly	MTD	YTD
Bloomberg U.S. Universal	-0.1%	0.6%	4.6%
West Texas Intermediate (WTI) Oil: \$63.88	-6.6%	-9.2%	-11.8%
Spot Gold: \$3,397.77	1.0%	3.3%	29.5%
U.S. Dollar Index: 98.18	-1.0%	-1.8%	-9.5%
Government Bond Yields	Yield Chg		
	Weekly	MTD	YTD
2-year U.S. Treasury Yield: 3.76%	7 bps chg	-18 bps chg	-49 bps chg
10-year U.S. Treasury Yield: 4.27%	6 bps chg	-9 bps chg	-31 bps chg

Source: Factset. Data as of 08/08/2025. bps = basis points



Source: S&P Global, Factset. Data as of 08/08/2025

These figures are shown for illustrative purposes only and are not guaranteed. They do not reflect taxes or investment/product fees or expenses, which would reduce the figures shown here. An index is a statistical composite that is not managed. It is not possible to invest directly in an index. Past performance is not a guarantee of future results.

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Diversification does not assure a profit or protect against loss.

There are risks associated with **fixed-income** investments, including credit (issuer default) risk, interest rate risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer term securities.

International investing involves certain risks and volatility due to potential political, economic, social, or currency instabilities and different financial and accounting standards. These risks are enhanced for **emerging markets**.

Stock investments involve risk, including loss of principal. High-quality stocks may be appropriate for some investment strategies. Ensure that your investment objectives, time horizon and risk tolerance are aligned with investing in stocks, as they can lose value.

The products of **technology** companies may be subject to severe competition and rapid obsolescence, and their stocks may be subject to greater price fluctuations.

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The **S&P 500 Index** is a basket of 500 stocks that are considered to be widely held. The S&P 500 index is weighted by market value (shares outstanding times share price), and its performance is thought to be representative of the stock market as a whole. The S&P 500 index was created in 1957 although it has been extrapolated backwards to several decades earlier for performance comparison purposes. This index provides a broad snapshot of the overall US equity market. Over 70% of all US equity value is tracked by the S&P 500. Inclusion in the index is determined by Standard & Poor's and is based upon their market size, liquidity, and sector.

The **NASDAQ Composite** index measures all NASDAQ domestic and international based common type stocks listed on the Nasdaq Stock Market.

The **Dow Jones Industrial Average** (DJIA) is an index containing stocks of 30 Large-Cap corporations in the United States. The index is owned and maintained by Dow Jones & Company.

The **Russell 2000 Index** measures the performance of the small-cap segment of the US equity universe. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. The Russell 2000 includes the largest 2000 securities in the Russell 3000.

The **US Dollar Index** (USDIX) indicates the general international value of the USD. The USDIX does this by averaging the exchange rates between the USD and major world currencies. This is computed by using rates supplied by approximately 500 banks.

West Texas Intermediate (WTI) is a grade of crude oil commonly used as a benchmark for oil prices. WTI is a light grade with low density and sulfur content.

University of **Michigan Consumer Sentiment Survey** is a rotating panel survey based on a nationally representative sample of households in the U.S. that measures how consumers feel about the economy, personal finances, business conditions, and buying conditions.

The **ISM Services PMI** (formerly the Non-Manufacturing NMI) is compiled and issued by the [Institute of Supply Management](https://www.ism-usa.org/) (ISM) based on survey data. The ISM services report contains the economic activity of more than 15 industries, measuring employment, prices, and inventory levels; above 50 indicating growth, while below 50 indicating contraction.

The New York Fed's Survey of Consumer Expectations (SCE) gathers information on consumer expectations regarding inflation, household finance, the labor and housing markets, and other economic issues.

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