Your Weekly Investment
Insights
July 13, 2025

VERDENCE / RIA+

Key Takeaways:

- Earnings season set to kick off this week.
- S&P 500 is expected to report second consecutive quarter of 20%+ earnings growth.
- Info tech is expected to lead earnings helped by semiconductors.
- Energy to benefit from the war with Iran.
- Earnings have high bar to beat this year.

2Q26 Earnings Season Kicks Off – Can the Surge Continue?

S&P 500 companies will begin reporting 2Q26 earnings this week with the major banks taking center stage (e.g., JPMorgan, Bank of America). According to FactSet, it is estimated that S&P 500 earnings grew 23.6% (YoY) in 2Q26.[1] If this comes to fruition, it would mark the second consecutive quarter of growth above 20% (YoY).[1] It is important to recognize that historically analysts downgrade estimates throughout the quarter. However, in 2Q26 analysts upgraded their estimate by 3.4%, compared to a typical cut of ~4% over the past 20 years. In this weekly insights, we provide a preview of what to expect in 2Q26 earnings season.

- **Most of sectors upgraded:** According to Factset, seven of the 11 S&P 500 sectors have seen earnings estimates increase over 2Q26 led by energy and info tech. The sector with the largest downgrade has been healthcare.
- **Financials:** While earnings growth for the financial sector is expected to decelerate from 2Q26, it should be robust and the second biggest contributor to S&P 500 earnings growth. We will closely monitor loan growth, especially in commercial/industrial loans and credit cards. In addition, are they benefitting from a healthy IPO market and volatile trading market.
- **Info tech:** Info tech is expected to contribute the most (+63% YoY) to S&P 500 earnings for 2Q26. If we strip out tech earnings, S&P 500 earnings would grow 12% (YoY) compared to 23.6% (YoY). We will watch investors' appetite for capex spending. Google, Amazon, Meta, and Microsoft are expected to spend ~$725 billion this year. We will watch if investors continue to reward companies for their AI investment.
- **Energy:** The average price of crude oil has increased 45% in 2Q26 compared to 2Q25. As a result, energy earnings have seen the largest increase of all 11 S&P 500 sectors since the start of 2Q26 (to 123% YoY from 48% YoY on March 31).[1] However, it is important to understand that the energy sector earnings are highly concentrated in just a few names (e.g., Exxon Mobil, Chevron). If one of these companies disappoints, it can sway the entire sector's earnings.

The Bottom Line:

Earnings have been the primary source of the return for the S&P 500 this year. To put this in perspective, the price to earnings multiple has contracted year to date (-13%) while earnings are expected to grow more than 20% in each quarter this year. We find if difficult to justify the expectations for earnings. These elevated earnings estimates may not be reflecting the ongoing turmoil in the Middle East, inflation continuing to weigh on the consumer and the possibility of a Fed rate hike. We also believe the dependence on the hyperscalers for earnings will not hold indefinitely. When that concentration unwinds through a broadening of earnings or a reset in expectations for the leaders, S&P 500 earnings growth could look very different than it does today. In addition, we can not pinpoint when but investors may not continue to reward companies for the excessive spending on AI without showing true monetization. With markets at record highs, in our view this leaves more downside than upside risk as we enter earnings season.

Peter McGratty | Director
pmcgratty@ria.plus

Weekly Economic Recap –
Fed Confirms Hawkish Tone

Service sector activity in the U.S. slowed in June according to the ISM Services Index but has been in expansion territory (a reading above 50) for the past two years. Nine of the 10 components in the Index are in expansion territory but seven of the components saw weakness in June led by inventories, prices paid and overall business activity.

Minutes from the June FOMC meeting showed that the committee remains divided on the path for rate hikes. Nine of the 18 participants expect at least one rate hike this year while eight expect no change. In the Minutes, the committee noted AI infrastructure demand as a risk to higher inflation.

The U.S. trade deficit widened more than expected in May to the widest since the Liberation Day impact in April 2025. Imports rose more than exports as companies pulled forward buying ahead of additional tariffs.

Existing home sales unexpectedly declined in June by the most in three months (-2.4% MoM). The south led the weakness followed by the midwest and west. The northeast saw an increase in sales. Mortgage rates remaining near a one year high and home prices that continue to climb are hampering affordability.

Key Takeaways:

- Service sector slows but still robust.
- FOMC Minutes confirm hawkish tilt.
- Existing home sales unexpectedly decline.
- Global equities higher but concentrated in the U.S.
- Bond yields surge with oil prices.
- Geopolitical tensions drive commodities higher.

Weekly Market Recap –
Global Equities Higher but Concentrated in the U.S.

Equities: The MSCI AC World Index was higher for the third time in four weeks but the gains were primarily led by the U.S. and technology. Both small and midcap stocks declined in the U.S. In addition, all the major international markets we monitor also declined led by Europe as tensions between the U.S. and Iran were reignited.

Fixed Income: The Bloomberg Aggregate Index was lower for the second consecutive week as renewed tensions in the Middle East sent oil prices and inflation expectations higher. Long term Treasuries led the weakness as the 10YR and 30YR yield climbed to near year to date highs. High yield and Treasury Inflation Protected Securities were flat for the week.

Commodities/FX: The Bloomberg Commodity Index saw its biggest one week rally in more than two months led by crude oil prices. Crude prices rose the most in eight weeks as the Strait of Hormuz is shut down as the U.S. and Iran end the ceasefire.

Yields Approaching Year to Date Highs

Footnotes: Data is as of July 10, 2026.
Data Source: FactSet Research Systems, Verdence Capital Advisors.

Peter McGratty | Director
pmcgratty@ria.plus
Past performance is not indicative of future returns.

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Global Equities Rally but Concentrated in the U.S.

U.S. Equities	Current	1WK	1MO	3MO	1YR	YTD
Dow Jones Industrial Average	52,637	-0.5%	5.5%	10.3%	19.9%	10.5%
S&P 500	7,575	1.3%	4.3%	11.4%	22.0%	11.3%
Russell 1000 Growth	4,991	2.2%	3.7%	11.2%	16.3%	5.1%
Russell 1000 Value	2,427	0.0%	5.3%	11.7%	27.3%	18.3%
Russell 2500	5,191	-0.8%	4.8%	12.2%	29.9%	20.7%
Russell 2000	2,978	-0.6%	5.1%	13.6%	33.3%	20.8%
Nasdaq	26,282	1.7%	4.5%	14.9%	28.2%	13.4%

International Equities	Current	1WK	1MO	3MO	1YR	YTD
MSCI AC World (USD)	1,127	0.3%	3.7%	9.3%	23.2%	11.9%
MSCI EAFE (USD)	3,125	-1.4%	3.2%	3.5%	20.1%	9.8%
MSCI Europe ex UK (USD)	3,447	-2.1%	3.0%	4.2%	15.4%	7.6%
MSCI Japan (USD)	5,561	-1.0%	4.3%	7.6%	34.9%	16.9%
MSCI UK (USD)	1,672	-1.2%	2.4%	-0.9%	19.9%	7.4%
MSCI EM (USD)	1,691	-1.7%	1.7%	10.0%	39.8%	21.7%
MSCI Asia ex Japan (USD)	1,120	-1.8%	1.8%	12.8%	41.6%	23.8%

Fixed Income	Current Yield	1WK	1MO	3MO	1YR	YTD
U.S. Aggregate	4.8%	-0.4%	0.1%	-0.2%	3.6%	0.0%
U.S. Govt/Credit	4.8%	-0.4%	0.1%	-0.2%	3.2%	-0.1%
U.S. 10 Year Treasury	4.6%	-0.5%	0.2%	-0.8%	2.8%	-1.0%
U.S. TIPS (1-10YR)	4.4%	0.0%	0.0%	0.2%	3.6%	1.3%
U.S. High Yield	7.2%	0.0%	0.8%	1.3%	5.9%	2.1%
EM Bonds (USD)	6.1%	-0.2%	0.6%	1.4%	7.4%	1.7%
Municipal Bonds	3.7%	-0.3%	0.3%	0.9%	6.5%	1.9%

Commodities	Current	1WK	1MO	3MO	1YR	YTD
Bloomberg Commodity Index	326	3.1%	-2.9%	-3.1%	27.8%	17.9%
Crude Oil (USD/bbl)	$73.9	7.7%	-11.0%	-25.2%	5.4%	16.4%
Gold ($/oz)	$4,119.9	-2.6%	-5.9%	-14.4%	21.4%	-6.0%
Copper	$623.4	1.9%	-0.5%	5.9%	12.4%	9.7%
Wheat	$640.3	3.9%	7.0%	5.8%	3.9%	16.9%
U.S. Dollar	101	0.1%	1.2%	2.6%	3.1%	2.6%
VIX Index	15.0	-6.9%	-32.4%	-21.8%	-4.8%	0.5%

Footnotes: Data is as of July 10, 2026.
Source: Bloomberg Finance LP, Verdence Capital Advisors.

[1]: https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_070226.pdf

Peter McGratty | Director
pmcgratty@ria.plus

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