

August 4, 2025

Weekly Viewpoint

Markets Fall Hard Following a Soft Jobs Report

Performance for Week Ending 8.1.2025

The Dow Jones Industrial Average (Dow) finished down 2.9 percent, the Standard & Poor's 500 Index (S&P 500) lost 2.4 percent, and the Nasdaq Composite Index (Nasdaq) shed 2.2 percent. Sector breadth was negative, with nine of the 11 S&P sector groups closing lower. The materials sector (-5.4 percent) was the biggest loser while utilities (1.5 percent) posted the best gain.

Index*	Closing Price 8/1/2025	Percentage Change for Week Ending 8/1/2025	Year-to-Date Percentage Change Through 8/1/2025
Dow	43588.58	-2.9%	+2.5%
S&P 500	6238.01	-2.4%	+6.1%
Nasdaq	20650.13	-2.2%	+6.9%

Market Observations: 7.27.2025–8.1.2025

The S&P 500 ended the week sharply lower after the weaker-than-expected July payroll report fueled concerns the U.S. economy may be headed toward recession. Adding to the negative tone was hawkish comments from Federal Reserve (Fed) Chair Powell, who said that the central bank has “made no decisions” about a potential policy change in September. Tariff worries also moved to the front burner after President Trump unveiled a slew of new tariffs, that are set to kick in later this week.

Fed Meeting: As widely expected, the Federal Open Market Committee (FOMC) left interest rates unchanged at the conclusion of last week's meeting, although there were two dissenting votes by Fed governors for the first time since 1993, both looking for a 25 basis point rate reduction: Fed Vice Chair for Supervision Bowman and Fed Governor Waller both voted against the decision to leave the target range unchanged, an expected move given their comments over recent weeks that the FOMC should begin to lower rates at this meeting. During the subsequent press conference, Powell leaned into the view that the Fed is well-positioned for now, given lingering uncertainties surrounding Trump's tariffs and their economic impact.

Q2 Earnings: Through Friday, 329 companies in S&P 500 had released second quarter results, with over 82

percent beating expectations. Aggregate earnings for this group are up 8.5 percent from a year ago, about double what analysts were forecasting at the start of reporting season. At the sector level, the biggest upside surprises are coming from the consumer discretionary and financials sectors. Financials (20.5 percent) and communication services (18.5 percent) currently lead the pack in terms of growth.

Economic Roundup: Real gross domestic product (GDP) grew 3.0 percent during the second quarter after falling by an unrevised 0.5 percent in the first quarter. A 2.3 percent rise had been expected by economists in a Bloomberg survey. Despite the increase, annualized growth averaged only 1.2 percent in the first half of this year, less than half the gain during 2024. Consumer spending—which accounts for two-thirds of GDP—grew 1.4 percent, the tamest growth in consecutive quarters since the pandemic. Meanwhile, the Labor Department reported that nonfarm payrolls (NFP) increased by 73,000 in July and the unemployment rate rose to 4.2 percent from 4.1 percent in June. The NFP reading fell well short of the consensus forecasts—which called for net monthly job gains of 104,000, though the report did meet expectations for the unemployment rate to tick up to 4.2 percent. The increase in private payroll of 83,000 also fell short of the consensus forecast of 100,000 and the labor force participation rate declined once again. Including a downward revision to the past two months, payrolls have risen by just 35,000 on average over the last three months, the weakest pace of hiring since the onset of the pandemic. The ADP Research Institute reported that nonfarm private sector payrolls rebounded in July, rising 104,000 after unexpectedly declining by a revised 23,000 in June. Meanwhile, job openings fell 275,000 in June to 7.437 million according to the Job Openings and Labor Turnover Survey, the first monthly decline in three months. On the inflation front, the personal consumption expenditures (PCE) price index rose 0.3 percent sequentially in June, as expected, lifting the year-over-year rate to 2.6 percent from 2.4 percent, according to the Bureau of Economic Analysis. The core PCE price index, the Fed's preferred inflation gauge that excludes the more volatile food and energy prices, climbed 0.3 percent in June, as expected, after a 0.2 percent gain in May. The year-over-year rate remained at 2.8 percent.

The Week Ahead: Tariff developments will remain in the spotlight during the upcoming days as last week's new set of U.S. tariffs will become payable on Aug. 7. That potentially keeps the door open for more agreements and adjustments ahead of the deadline. Turning to the data calendar, focal reports include the ISM services index, factory orders, and the trade balance report. Meanwhile, 123 members of the S&P 500—including Dow Jones Industrial Average components Caterpillar, Amgen, Walt Disney, and McDonalds. It will be a light week for Fed speeches with just four presentations on the calendar.

Definitions

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally defined as the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Nasdaq Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

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