



American Express and Charles Schwab Surpass Earnings, U.S. Index of Consumer Sentiment Rises, Dovish Fed Signals, and Trump's Eurozone Tariffs to Reach 15%-20%.

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The U.S. and European stock markets ended the week mostly down after reports surfaced that President Donald Trump is pressing for steeper tariffs on European goods. On Wall Street, the Dow Jones Industrial Average declined **0.32%**, while the **S&P 500** fell **0.01%**, and the **Nasdaq Composite** closed slightly up **0.05%**.

The Financial Times is reporting that President Trump is insisting on a **minimum tariff of 15% to 20%** as part of any trade agreement with the European Union. The report, citing sources familiar with the negotiations, also noted that Trump is holding firm on an **August 1 deadline**, after which he plans to impose **30% tariffs** if no deal is reached. The EU is racing to secure an agreement in time to avoid the sweeping duties.

Additionally, investors note that U.S. consumer sentiment rose to **61.8 in July**, up **1.8%** from the previous month, reflecting steady confidence. **Housing starts** increased to **1.321 million**, a **4.59%** gain, while **building permits** inched up to **1.397 million**. The data signals continued resilience in both consumer outlook and housing activity.

Wall Street reacts to a wave of positive earnings surprises and data that affirm the economy's steady footing. American Express delivered strong earnings, showcasing the ongoing strength of affluent consumer spending, and Charles Schwab reported standout Q2 growth, with revenue up 25%. Bond yields drifted slightly lower, and the US dollar softened, following dovish remarks from Federal Reserve Governor Christopher Waller, who suggested that a near-term rate cut may be warranted if inflation pressures continue to moderate.

Resilient Growth + Softening Inflation = "Goldilocks" Setup

Economic data released this week painted a "just right" picture of the US economy. Jobless claims ticked down again, signaling a stable labor market. Retail sales for June outpaced expectations, indicating that consumers remain engaged despite macroeconomic uncertainties. Notably, inflation continues to appear well-contained, with recent price increases in goods and services subdued by easing pressures in categories such as travel and healthcare.

This balanced mix of growth and moderating inflation has helped reinforce a constructive outlook for corporate earnings. Early second-quarter earnings results have delivered upside surprises, with companies surpassing estimates by an average of 8%, *leading analysts to revise projected S&P 500 earnings growth to 10%, up from 4% just weeks ago.*

Fed Outlook: A Divided View, But a Clearer Path Emerging

While the data supports an optimistic economic and earnings narrative, uncertainty persists around the Federal Reserve's next move. Governor Waller's comments introduced the possibility of a July rate cut, emphasizing the need to act before labor conditions soften. However, market participants continue to place higher odds on a September cut, currently estimated at around 60%.

Inflation remains a variable in the Fed's equation, as does the strength of the labor market. For now, the Fed will maintain a patient stance, awaiting additional evidence that inflation is sustainably easing. Nonetheless, with policy rates elevated, we anticipate one to two rate cuts in the second half of 2025, followed by a more gradual easing cycle into 2026.

Bottom Line

Markets are being supported by a favorable confluence of factors: stronger-than-expected earnings, resilient consumer demand, and signs that inflation may be cooling. While uncertainty around the Fed's timing remains, the broader backdrop appears supportive for risk assets in the second half of the year.

GDPNow Update:

- The GDPNow for the second quarter was updated today, falling to 2.40%, down from 2.60% a 7.69% decrease.

Corporate Earnings Parade:

- **American Express Co (AXP):** reported 2Q25 revenues of \$17,856 billion, up 9%, net income of \$2,885 billion, down 4%, and earnings per share of \$4.08, meeting estimates. Amex has a stock price target of \$318.02, closing today at \$307.95.
- **Charles Schwab Corp (SCHW):** reported 2Q25 revenues of \$5,857 billion, up 25%, net income of \$2,126 billion, up 60%, and earnings per share of \$1.08, meeting estimates. Schwab has a stock price target of \$100.53, closing today at \$95.80.

Economic Data Highlights:

- **U.S. Index of Consumer Sentiment:** rose to 61.80, up from 60.70 last month, increasing 1.81%.
- **U.S. Housing Starts:** rose to 1.321M, up from 1.263M last month, up 4.59%.
- **U.S. Building Permits:** rose to 1.397M, up from 1.394M last month.
- **Germany Producer Price Index YoY:** fell -1.30%, compared to -1.20% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 547.00, down 0.03 points or 0.01%.
- **FTSE 100:** Closed at 8,992.12, up 19.48 points or 0.22%.
- **DAX Index:** Closed at 24,289.51, down 81.42 points or 0.33%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 44,342.19, down 142.30 points or 0.32%.
- **S&P 500:** closed at 6,296.79, down 0.57 points or 0.01%.
- **Nasdaq Composite:** closed at 20,895.66, up 10.01 points or 0.05%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,115.55, up 88.67 points or 2.20%.
- **Birling Capital US Bank Index:** closed at 7,538.69, up 89.58 points or 1.20%.
- **US Treasury 10-year note:** closed at 4.44%.
- **US Treasury 2-year note:** closed at 3.88%.

Second Quarter 2025

Date	GDPNow 2Q25	Change
4/30/2025	2.40%	Initial Forecast
5/1/2025	1.10%	-54.17%
5/6/2025	2.20%	100.00%
5/8/2025	2.30%	4.55%
5/15/2025	2.50%	8.70%
5/16/2025	2.40%	-4.00%
5/27/2025	2.20%	-8.33%
5/30/2025	3.80%	72.73%
6/2/2025	4.60%	21.05%
6/5/2025	3.80%	-17.39%
6/9/2025	3.80%	0.00%
6/17/2025	3.50%	-7.89%
6/18/2025	3.40%	-2.86%
6/27/2025	2.90%	-14.71%
7/1/2025	2.50%	-13.79%
7/3/2025	2.60%	4.00%
7/9/2025	2.60%	0.00%
7/18/2025	2.40%	-7.69%

US Index of Consumer Sentiment; US Housing Starts; US Building Permits & Germany Producer Price Index YoY





Wall Street Recap

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