WEEKLY ECONOMIC UPDATE JULY 27, 2026

Stocks ended last week down as Q2 corporate results, Middle East developments, and the chips trade took investors for a choppy ride.

The Nasdaq Composite Index was under the most pressure, falling 2.13 percent. The Standard & Poor's 500 Index lost 0.61 percent, while the Dow Jones Industrial Average slipped 0.38 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, rose 0.35 percent.[1,2]

A Volatile Week

After a sluggish start on Monday, stocks rebounded on Tuesday as the chips trade led the markets higher, as investors turned their attention to Q2 corporate earnings results.[3]

Then stocks stalled midweek as oil prices and bond yields rose and investors digested some initial Q2 reports. The S&P 500 ended just below the flatline, while the Dow went sideways and the Nasdaq posted a modest loss.[4]

Stocks opened lower Thursday as mixed corporate updates from two of the world's largest companies soured investor sentiment. One company said it was raising its AI spending forecast for the year, which unsettled investors who believed other companies may have to do the same.[5]

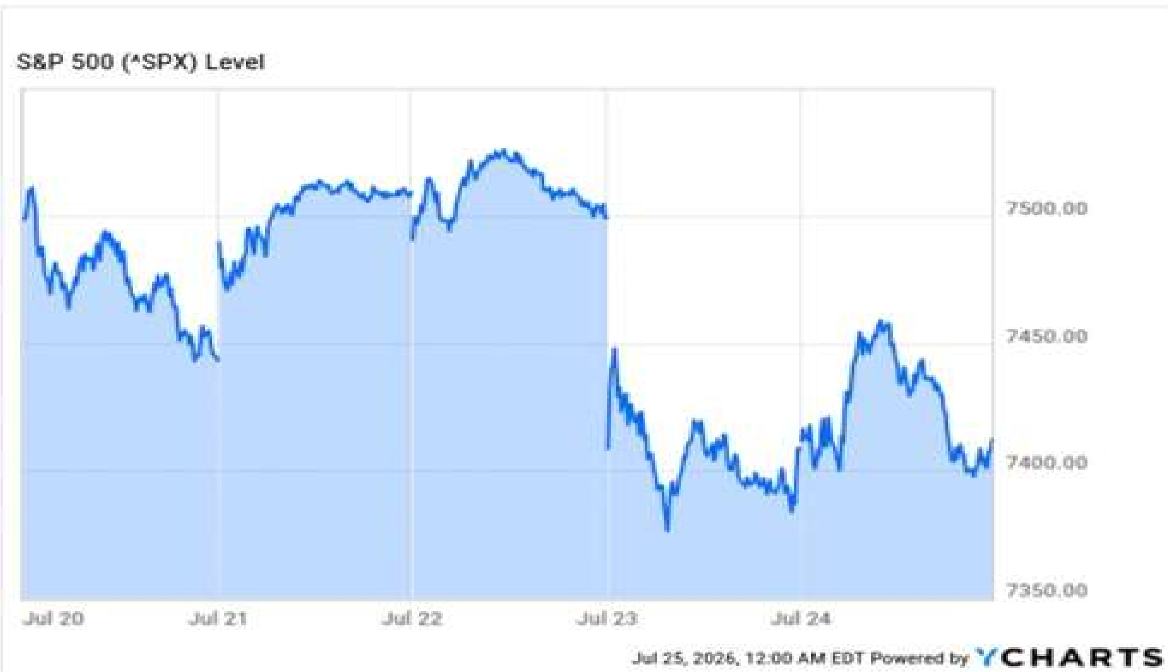
Sentiment turned positive Friday morning as investors cheered quarterly results and guidance for one big tech company. But markets retreated in the afternoon as investors fretted over oil prices.[6]

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
S&P 500	0.65%	8.92%	17.90%	80.44%
MSCI EAFE	0.63%	9.50%	18.56%	57.44%
Dow Jones Industrial Average	0.15%	8.54%	16.79%	62.20%
Nasdaq Composite	-1.74%	8.50%	20.32%	75.75%

S&P 500 Daily Close



10-Year Note Review

Indicator Name Date	Latest Value	1M Ago 3M Ago 1Y Ago	1M Change 3M Change 1Y Change
10 Year Treasury Rate 07/24/26	4.69%	4.41% 4.31% 4.43%	6.35% ▲ 8.82% ▲ 5.87% ▲

The Importance of Guidance

Last week was one of the busiest for the Q2 2026 corporate reporting season.[5]

Corporate earnings are a key driver of stock prices, so updated corporate guidance can increase market volatility. Last week, two influential companies said they intended to spend more money this year than expected, which caught investors off guard.[5]

As more Q2 corporate reports get released, expect investors to pay close attention to any spending updates for other companies.

This Week: Key Economic Data

Monday: Durable Goods.

Tuesday: Federal Open Market Committee (FOMC) meeting—Day 1. Advance Economic Indicators. Retail & Wholesale Inventories. S&P Cotality Case-Shiller Home Price Index. Consumer Confidence.

Wednesday: FOMC meeting—Day 2. Fed Interest Rate Decision.

Thursday: Gross Domestic Product (GDP), Q2. Weekly Jobless Claims. Personal Consumption Expenditures (PCE) Price Index.

Friday: Employment Cost Index. University of Michigan Consumer Survey (Final).

"Relationships are based on four principles: respect, understanding, acceptance and appreciation."

– Mahatma Ghandi

Of Note

Few financial indicators are as closely watched as the interest rate on 10-year Treasury securities. So much so, in fact, that Treasury Secretary Bessent stated in a February 2025 interview that “The president wants lower rates. He and I are focused on the 10-year Treasury and what is the yield of that.” What is the 10-year Treasury yield? What role does it play in the economy? What determines it? And what (if anything) can the Treasury do to affect it?

Treasury securities are debt instruments issued by the U.S. government to finance its budget deficit. Treasury securities come in a range of maturities (the time until the principal is repaid) from four weeks to 30 years. The 10-year Treasury yield (the “yield to maturity”) is what an investor would earn if they purchased a 10-year bond and held it to maturity. But treasuries are tradeable, and this allows investors to sell them in a secondary market before the maturity date. The prices of bonds, both at the time of their initial issuance and in the secondary market, vary inversely with yields since a bond represents a promise to pay a fixed amount in the future and the lower the price paid for that bond the higher the yield.

The market for Treasury debt is vast and active. As of the end of 2024, there were $28 trillion in Treasury securities outstanding, dwarfing the $9 trillion in bonds issued by corporations and banks. Ownership of Treasuries is widespread: mutual funds own $3 trillion; households, $2.8; banks, $1.5; state and local governments, $1.7. Private investors, central banks and governments outside the U.S. own $8.7 trillion in Treasuries. The Fed holds $4 trillion.

The 10-year Treasury rate affects the cost of financing the government's debt. The high level of accumulated government debt, together with increases in interest rates, meant that interest payments on the debt made up about 13 percent of federal spending in 2024 which was more than spending on defense. Although the government deficit – the extent to which government expenditures surpass government revenues — has come down from its pandemic high, it remains high relative to the historical average and it is projected to keep increasing under current policy over the next three decades as an aging population will require significant federal support for both income and healthcare.

The 10-year Treasury rate also affects the private sector's borrowing costs. The 10-year Treasury yield serves as a benchmark for a wide range of interest rates that have a direct effect on household spending as well as business investment. When the yield on the 10-year Treasury rises, borrowing costs across the economy tend to increase as well. The opposite happens when the 10-year Treasury yield drops. The interest rates with the most direct effects on expenditures are those on home mortgages and corporate bonds, both of which closely track the 10-year Treasury yield.

Expectations of future short-term rates are the single biggest factor affecting long-term rates, including the 10-year Treasury yield. The Fed sets the federal funds rate, the interest rate banks lend reserves to each other overnight, and through this it indirectly controls, for all intents and purposes, other short-term interest rates. The Fed tightens monetary policy by raising the federal funds rate to slow the economy when it is overheating and cuts the rate to stimulate spending when the economy falters. The 10-year yield is in turn strongly influenced by expectations of the future path of short-term interest rates. Consequently, the 10-year rate tends to be high, relative to the funds rate, when investors expect tighter monetary policy in the future. Conversely, declines in the 10-year rate, relative to the federal funds rate, often foreshadow looser policy.

The real, inflation-adjusted return on 10-year Treasury bonds also depends on the amount of bonds the government sells to finance its budget deficit. Just as with anything sold in a market, an increase in the supply of something relative to its demand lowers its price. A growing gap between government spending and government revenues means that the government needs to continually increase the supply of Treasuries to cover the shortfall. Demand from investors for Treasuries might not rise as fast as the increase in the supply of Treasuries, causing the price of Treasuries to fall. Since bond yields are inversely related to their price, this in turn will lead to higher yields. For this reason, all else equal government budget deficits tend to increase the 10-year yield. Consequently, the Treasury's role in reducing the 10-year yield would work through reducing the budget deficit – but, of course, this would require the President and the Congress to bring about changes in tax and spending policies.

Increases in perceived default risk or political instability could also raise the Treasury yield. Brinksmanship surrounding increases in the debt ceiling prompted the Fitch rating agency to downgrade federal government debt from AAA (its highest rating) to AA+ (its second highest) in 2023, reflecting concerns of "expected fiscal deterioration" and "an erosion of governance." (Standard and Poor's had downgraded federal debt 12 years previously, for similar reasons.) The two agencies' downgrades were largely symbolic and did not materially affect perceived default risk or yields; but growing doubts about the government's commitment to timely repayment could lead to further downgrades, higher interest rates, and disruptions to the many financial markets that rely on Treasury interest rates as risk-free benchmarks.

Although the market for 10-year Treasuries serves as a key barometer of the economy's health, it is not always easy to decipher. Because multiple factors influence bond yields on any given day, it can often be difficult to interpret changes in the bond yield in isolation. For example, the 10-year Treasury yield fell by 0.63 percentage points from mid-January to early March 2025. The decline could reflect an ebbing of inflationary concerns or more optimistic views about the new administration's potential for reducing the government deficit. However, over the same period participants in the market for federal funds futures came to expect an additional quarter-point reduction in the target federal funds rate in the following months, so an anticipated economic slowdown is the more likely explanation.

The bond market provides a real-time referendum on macroeconomic policy. Bond yields, notably the 10-year Treasury rate, contain information on the credibility of the Fed's inflation target, the demands placed on financial markets by government budget deficits, and the likelihood of an economic downturn. The ability of monetary and fiscal policy to keep Treasury yields low in the long term is limited. The Fed can keep the rate low by maintaining its commitment to price stability. And to push the rate down, or at least to prevent it from rising, the federal government needs to stabilize the budget deficit. Moreover, the government must eschew political gamesmanship in budget and debt ceiling negotiations, lest it precipitate a fiscal crisis. Were this to happen, bond yields could rise sharply—as they did in the U.K. in late September 2022, when the Conservative government unveiled its plan for dramatic tax cuts, which caused the bond yield to soar 0.65 percentage points within the span of just two days. Given the central role played by the 10-year Treasury rate in the financial system, an abrupt spike of this magnitude would seriously disrupt the entire economy.[8]

Footnotes And Sources

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