

This Week's Key Events

1. **Zelensky Meeting with Trump in US** – Monday (12:00 Central Time).
 - a. Hearing Zelensky is required to wear a suit this time. After that meeting, Trump meets with seven European leaders. The European leader's objectives are: "guarantees, stop the killing and go for a trilateral meeting," one diplomat told CNBC, speaking anonymously because of the sensitivity of the matter.
2. **July Fed Meeting Minutes** – Wednesday
3. **August S&P Manufacturing PMI data** – Thursday
4. **August S&P Composite PMI data** – Thursday
5. **July Existing Home Sales data** – Thursday
6. **Fed Chair Powell Speaks – Friday** (Day 2 of the Jackson Hole Symposium).
 - a. With a >90% chance of a cut priced in for the Sept meeting, the big question will be whether or not Powell's speech gives us a little more insight going into Sep17 Fed decision.

Powell Has Reason to Hedge Jackson Hole Signal as Data Zigzags (Bloomberg)

- Jerome Powell's annual speech in Jackson Hole, Wyoming can be an opportunity to flag policy shifts, but the economy isn't giving him a clear signal to cut interest rates.
- According to Jonathan Pingle, chief US economist at UBS Securities, Powell will likely point to lower rates at the next meeting, but precondition it on a very data-dependent message.
- Powell's speech may also touch on the Fed's framework review, with Powell expected to offer insight into the latest thinking about this important guide to longer-run policy, according to Michael Pugliese, senior economist at Wells Fargo.

The latest rate cut, rate hike expectations by year end:

Rate cuts by year-end

- **Fed:** 55 bps (84% probability of *rate cut* at the upcoming meeting)
- **ECB:** 11 bps (93% probability of no change at the upcoming meeting)
- **BoE:** 15bps (94% probability of no change at the upcoming meeting)
- **BoC:** 22 bps (64% probability of no change at the upcoming meeting)
- **RBA:** 37 bps (66% probability of no change at the upcoming meeting)
- **RBNZ:** 41 bps (97% probability of *rate cut* at the upcoming meeting)
- **SNB:** 9 bps (88% probability of no change at the upcoming meeting)

Rate hikes by year-end

- **BoJ:** 16 bps (87% probability of no change at the upcoming meeting)

The Fed is expected to cut rates. Don't expect mortgage rates to follow <https://finance.yahoo.com/news/the-fed-is-expected-to-cut-rates-dont-expect-mortgage-rates-to-follow-113631022.html>

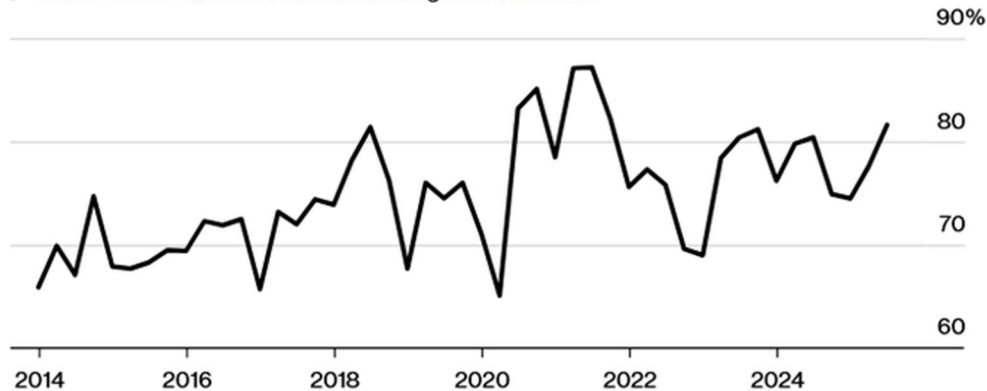
S&P 500 Earnings Review and Forecast

Goldman Sachs says S&P 500 companies beat forecasts this earnings season, with Q2 EPS up 11% vs. 4% expected. About 60% beat estimates by wide margins, one of the strongest seasons on record. Firms offset tariffs by cutting costs, reshaping supply chains, and passing prices to consumers, while a weaker dollar boosted sales. Analysts warn smaller companies may face more risk from slowing sales growth.

S&P 500 Firms Enjoy Best Season in About Four Years

Shares of firms beating earnings estimates is highest since 3Q 2021

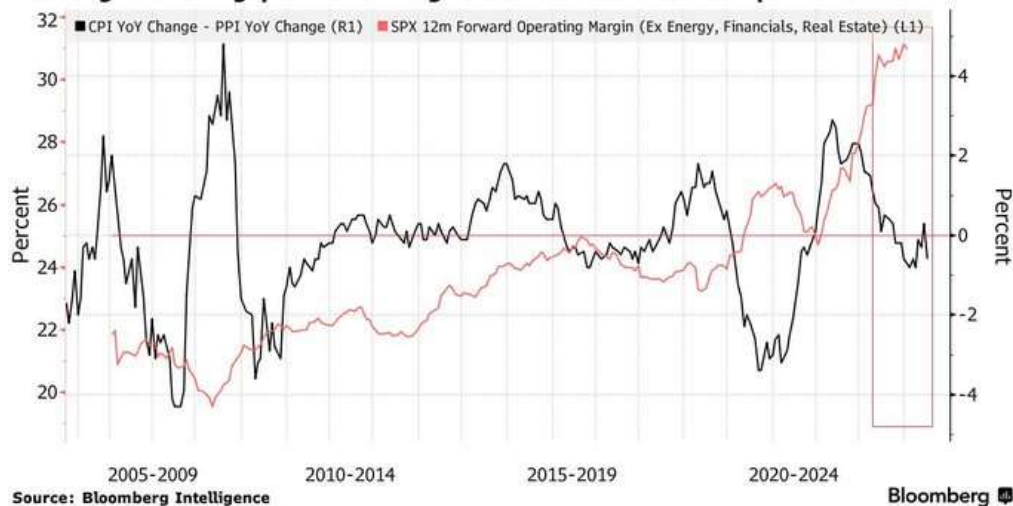
✓ Share of S&P 500 constituents beating EPS estimates



Speaking of Goldman...Business Insider reported late last week that “Goldman Sachs says the risk of stock-market decline has suddenly spiked.” Goldman is the second major investment bank warning of a correction. BoA put out the first warning about a week earlier.

Monitoring Margins

Widening CPI-PPI gap hints at margin strain for S&P 500 companies



Yen Carry Trade Unwind Threatens Global Markets (Seeking Alpha)

- Rates in Japan are rapidly rising, with inflation running over target.
- Pressure is also mounting for the Fed to cut rates.
- 10-year spreads are contracting and nearing a big level of technical support.
- If the spread contracts, the USD/JPY could fall, leading to a stronger Japanese Yen.

The yen carry trade may be at risk of finally breaking. The USD/JPY has been above the 140 level since the summer of 2023. Now, rising rates in Japan are threatening to send the USD/JPY sharply lower, strengthening the yen and potentially triggering a major shift across global assets. Mounting pressure for the Fed to cut rates and for the BOJ to raise rates has left the market in a tense position, with interest rate spreads and the Japanese Yen at risk. Inflation rates in Japan are running above the BOJ's target rates, while a solid economic report was released earlier this week, showing annualized second-quarter GDP growth of 1%, which was significantly better than expected. Meanwhile, US Treasury Secretary Scott Bessent recently noted that the BOJ was behind the curve on rate hikes. Coupled with a weak US non-farm payroll report and calls for rates from US President Trump, the Fed finds itself in a tough spot.

NTG Macro Minute commentary provided by Mark Sigman. For questions or comments, Mark can be reached at msigman@nesvick.com or on Trillian at msigman@nesvick.com.

Thanks for reading.

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