Weekly Commentary with Professor Jeremy J. Siegel

Corporate Guidance Key as Tariffs Threats Resurface

7/14/2025

Markets continued their strong run last week before pulling back slightly as a flurry of tariff rhetoric hit the wires. It’s important to understand markets are rallying because they assume these tariff threats are more political posturing than lasting economic policy. If the market truly believed the new tariffs would be implemented in full, we would not be near all-time highs.

We are entering a key earnings period that will begin to showcase how firms are navigating the bite of tariffs. The most important insight from these earnings reports won’t be the backward-looking Q2 numbers, but rather the forward guidance firm’s issue for the third quarter.

Delta gave us an important glimpse into this dynamic. While the airline revised guidance down from January levels, it still came in above the more pessimistic tariff-adjusted outlook it offered at the height of the trade scare. That subtle optimism sparked a very strong rally in the airline sector, which had been pricing in the worst scenario.

We are beginning to see companies quantify potential damage from tariffs, though these estimates remain based on previously announced rates—not the most recent escalation threats. The official impact will start to show in July data, but those numbers won’t be released until August or even September. In the meantime, we’ll have to watch high-frequency indicators like jobless claims and credit card spending. This week’s claims ticked down toward the midpoint of our 200-240k range, though continuing claims remain high, suggesting firms aren’t aggressively hiring or firing. The message is clear: caution has set in but not panic.

The real risk is that rising tariffs will continue to sap purchasing power just as economic momentum is already slowing. While I don’t see a recession looming, growth is undeniably weaker than what we saw through much of 2024.

GDP and employment gains moderated meaningfully. In my view, the Federal Reserve remains too tight under these conditions. The long bond is sending a powerful signal—it’s sitting around 4.3-4.4%, reflecting no real inflation threat. In fact, ex-tariff inflation is falling. That’s why I continue to argue that the Fed Funds Rate should around 100 basis points lower than current levels.

Fed Governor Chris Waller agrees rates are overly restrictive, perhaps by as much as 150 basis points, but he noted that he remains in the minority at the Fed with this view. With Powell under increasing pressure from Trump, we could see political developments add to the uncertainty. Talk of an early replacement for Powell would be unprecedented and disruptive. Yet barring a major downturn in the data, the July 30th FOMC meeting is likely to be a no-change event.

Elsewhere, we’re seeing renewed strength in cryptocurrencies, with Bitcoin pushing to new all-time highs. The move reflects a growing sentiment toward diversifying portfolios with alternative assets in the face of growing fiscal and geopolitical uncertainty, while speculating also on a more positive regulatory framework from the U.S.

Please see the WisdomTree Glossary for definitions of terms and indexes.