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Weekly Market Commentary



Tariffs and Earnings Season, Part 2

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Last quarter, we took a look at [the trade environment post - "Liberation Day" and its impact on corporate earnings](#). At the time (on Apr. 21, to be exact), our observations were as follows:

1. **Tariffs:** The estimated effective tariff rate to the US consumer was roughly 28%, orders of magnitude greater than the average rate of less than 5% experienced since the 1970s.
2. **Earnings Growth:** Companies within the S&P 500 had reported year-over-year earnings growth of roughly +7%, in line with historical averages. Once the full quarter had come to a close, this figure was materially higher at +12% YoY.
3. **Uncertainty:** In light of the uncertain trade environment, a number of companies have withdrawn earnings guidance for 2025, adding the potential for increased volatility within equity markets moving forward.

Now that another quarter of trade developments is in the rearview mirror, and the current earnings season is largely complete, we wanted to provide an updated perspective on the above dynamics.

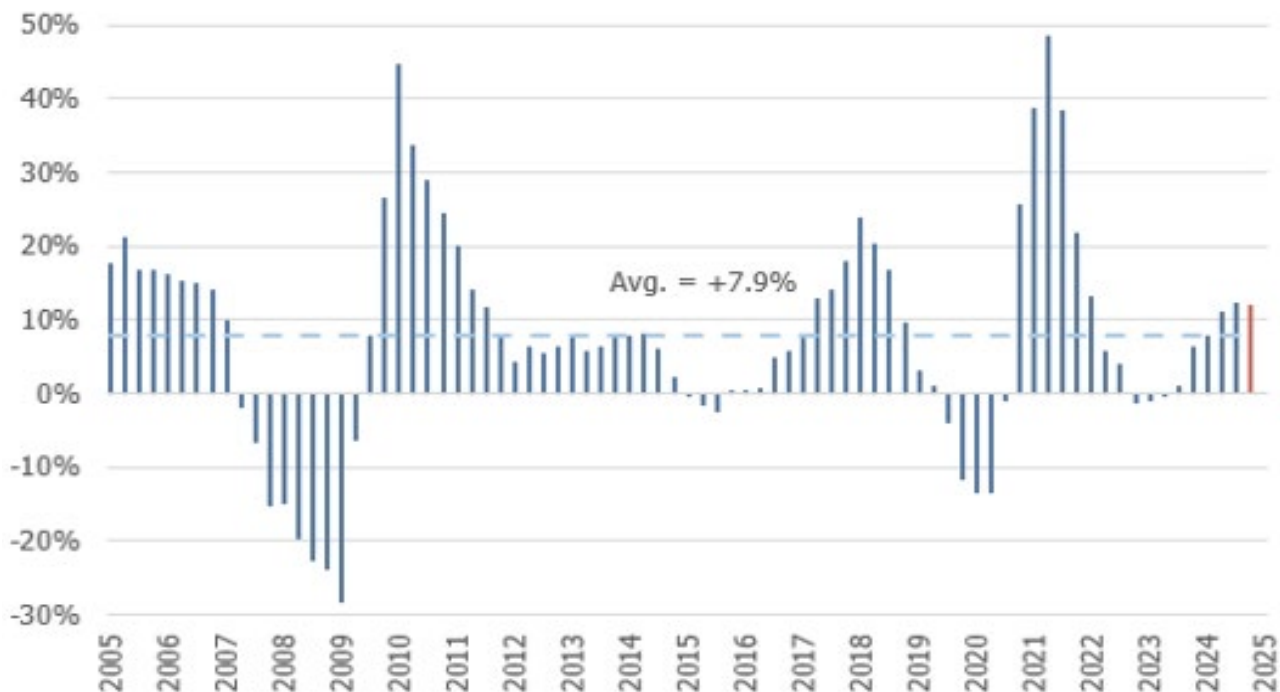
1. **Tariffs:** The past few months have seen a flurry of activity on the trade front, with the US reaching agreements with many of its largest trading partners. In aggregate, the estimated effective tariff rate to the US consumer has declined to approximately 19% (Fig. 1) yet remains significantly higher than the norm of the past few decades.
2. **Earnings Growth:** With roughly 90% of S&P 500 companies having reported Q2 results to date, earnings growth sits at +12% YoY (Fig. 2). This figure is well above the 20-year average of +8% and, if it holds, will mark the index's third consecutive quarter of double-digit earnings growth.
3. **Uncertainty:** While the trade picture remains volatile, the agreements reached over recent months have provided corporations with a degree of clarity on their operating environment moving forward. Accordingly, earnings guidance withdrawals were largely limited to the early part of last quarter. In fact, many companies that withdrew guidance during the Q1 earnings season (including Delta, American Airlines, UnitedHealth and Ford) have since restored guidance for the year.

Fig. 1: Estimated US Average Effective Tariff Rate, 2025



Source: The Budget Lab at Yale, Mill Creek as of 8/11/2025.

Fig. 2: S&P 500 Annual EPS Growth



Source: Bloomberg, FactSet, Mill Creek as of 8/11/2025.

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