Summary

In a holiday-shortened week, economic data included improvement in both ISM manufacturing and services surveys. The monthly employment situation report was positive at the surface, but skewed by a few categories within it, muting the impact.

Equities experienced gains in the U.S., largely due to tax legislation passing, while international stocks were mixed. Bonds fared positively, as credit spreads tightened. Commodities gained with higher prices in oil and precious metals.

Economic Notes

(0/+) The **ISM manufacturing PMI** ticked up by 0.5 of a point in June to 49.0, a bit stronger than the expected 48.8 reading, but remaining slightly in contraction for the fourth straight month. Under the hood, conditions were mixed, with new orders falling over a point to around 46, as did employment by two points to 45. However, production rose nearly 5 points back into expansion at over 50. Prices paid rose by a fraction of a point to just under 70, which continues to show robust inflation on the manufacturing input end. The release mentioned tariffs 'only' 16 times, relative to 22 times the prior month, which accounts for some progress. It was noted by respondents that ongoing trade and newer geopolitical uncertainty made it "difficult" to make "near-term supply plans" and as well as raised "pressure to material costs." The final **S&P Global US manufacturing PMI** for June was revised up by 0.9 of a point to 52.9, above the 52.0 level expected, and keeping it in slight expansion. This was led by gains in output, new orders, and employment, which were all revised higher and remained in expansionary territory.

(+) The **ISM services/non-manufacturing PMI** for June rose by 0.9 of a point to 50.8, in keeping with expectations and moving back into expansion. This represented the 11th reading above 50 over the past year. Gains were seen in business activity and new orders (both back into expansion), while employment fell a few points back into slight contraction at 47. Prices paid fell a point but remained sharply expansionary. Per the ISM, the June number "is a welcome return to expansion, although slow growth and economic uncertainty were frequently referenced by respondents." Also, "Price increases impacting costs of operations were mentioned more frequently this month." While the Middle East provide a new source of stress, "there was no indication of related supply chain disruptions." As has been the case for a while, "The most common topic among survey panelists continued to be concerns about impacts related to tariffs." That said, tariffs were mentioned a mere 9 times, compared to 14 times in May. But, on the positive side, "after several slow months, business is starting to increase." The final **S&P Global US services PMI** for June, on the other hand, was revised down by -0.2 to 52.9, but remained solidly in expansion.

(-) **Construction spending** for May fell by -0.3%, just a bit beyond the -0.2% decline of the prior month and that expected by consensus. While public residential rose by over a percent, private residential and non-residential each fell by around a half-percent. As construction costs rose by 0.2%, spending fell by about a half-percent in real terms.

(+) The **JOLTS** job openings rose by 374k to 7.769 mil., well above the median forecast estimate of 7,300 mil. an upwardly revised 7,395k in April, above expectations. The increase in the number of job openings in May was largely driven by the leisure and hospitality industry (279k). By flow, the job openings rate rose by 0.2% to 4.6%, while the hiring rate fell by -0.1% to 3.4%. On the departure side, the layoff rate fell by a tenth to 1.0%, while the quits rate rose a tenth to 2.1%.

(0) **Initial jobless claims** for the Jun. 28 ending week fell by -4k to 233k, below the 241k median forecast. Continuing claims for the Jun. 21 week were unchanged at 1.964 mil., just above the expected drop to 1.962 mil. Claims were mixed, with the largest states driving the marginal change, with higher claims in IL and lower in CA. Seasonal patterns around this time of year continue to affect the data, but there have been no volatile spikes as of late.

(+/0) The employment situation report for June came in better than expected on a headline basis, although the details were mixed, and a bit less impressive. **Nonfarm payrolls** rose by 147k, exceeding the 106k expected, and slightly better than the prior month, including 16k in upward revisions for the prior two months. Primary drivers included a 80k rise in state/local government employment (which could be affected by seasonal adjustments having to do with the school year ending, as employment normally declines), healthcare/social assistance (59k), leisure/hospitality (20k), and construction (15k); however, manufacturing fell (-7k). The **unemployment rate (U-3)** fell by a tenth to 4.1%, despite expectations of a rise to 4.3%. The U-6 underemployment rate also fell a tenth to 7.7%. Some of that included a labor size reduction, related to immigration enforcement efforts and a smaller number of foreign-born workers. That survey also included a sharp decline in self-employed workers, but a rise in multiple job holders. **Average hourly earnings** rose by 0.2%, a tenth below expectations and half the pace of the prior month. The year-over-year increase decelerated by -0.1% to 3.7%. **Average weekly hours** also dipped a tenth to 34.2.

Market Notes

Period ending 7/4/2025	**1 Week %**	**YTD %**
DJIA	2.34	6.33
S&P 500	1.75	7.50
NASDAQ	1.63	7.06
Russell 2000	3.58	1.57
MSCI-EAFE	0.18	19.61
MSCI-EM	0.83	16.74
Bloomberg U.S. Aggregate	-0.09	3.56

U.S. Treasury Yields	**3 Mo.**	**2 Yr.**	**5 Yr.**	**10 Yr.**	**30 Yr.**
12/31/2024	4.37	4.25	4.38	4.58	4.78
6/27/2025	4.39	3.73	3.83	4.29	4.85
7/4/2025	4.42	3.88	3.94	4.35	4.86

U.S. stocks saw gains last week, with little trade news and unsurprising economic data for the most part, but investors were watching the progress of the Congressional budget reconciliation bill, which was passed by the Senate on Tues. and the House Thurs. afternoon. This seemed to help equity sentiment along with the decent jobs report that continues to show tariff fears haven't done too much damage to the economy (and earnings). Despite little trade news, the 90-day tariff pause is due to expire this coming week on Jul. 9, with market expectations for an extension. Stock earnings report for Q2 will begin mid-month, with an expected deceleration from the robust Q1 pace.

Every sector ended in the positive last week, led by materials up nearly 4%, then the diverse group of financials and technology. Bringing up the rear was a slight decline in communications. Real estate gained nearly 2%, despite higher interest rates.

Foreign stocks were mixed, with minimal gains in Europe and the U.K. offset by a small decline in Japan, as trade negotiations with the U.S. appeared to stall. Comments from the ECB again pointed to their policy targets having now been reached, lowering the chances for future cuts in the near-term. Emerging markets outperformed, with stronger rises in Turkey, Brazil, and South Korea; Chinese stocks fell back slightly.

Bonds were mixed to higher for the week. U.S. Treasuries fell back as interest rates ticked up, but tighter spreads pushed investment-grade and high yield corporate bonds higher, along with floating rate bank loans. Foreign bonds also gained, as the U.S. dollar weakened slightly and emerging markets benefited from a pro-risk environment.

Commodities gained broadly last week, led by energy and precious metals, and lesser movement elsewhere. Crude oil rose over 2% last week to $67/barrel, in a relatively calm week after the sharp drop from $75 in mid-June at the height of the Middle East Israel-Iran tensions. However, natural gas spot prices fell by -9%, along with higher inventory builds and mixed weather impacts.

Have a good week.

Ryan M. Long, CFA
Director of Investments
FocusPoint Solutions, Inc.

Sources: FocusPoint Solutions, American Association for Individual Investors (AAII), Associated Press, Barclays Capital, Bloomberg, Citigroup, Deutsche Bank, FactSet, Financial Times, First Trust, Goldman Sachs, Invesco, JPMorgan Asset Management, Marketfield Asset Management, Morgan Stanley, MSCI, Morningstar, Northern Trust, PIMCO, Standard & Poor's, StockCharts.com, The Conference Board, Thomson Reuters, T. Rowe Price, Univ. of Michigan, U.S. Bureau of Economic Analysis, U.S. Federal Reserve, Wall Street Journal, The Washington Post. Index performance is shown as total return, which includes dividends. Performance for the MSCI-EAFE and MSCI-EM indexes is quoted in U.S. Dollar investor terms.

Notes key: (+) positive/encouraging development, (0) neutral/inconclusive/no net effect, (-) negative/discouraging development.

REDSTONE
CAPITAL MANAGEMENT

Kevin Canterbury – Managing Director

kevin@redstonecapitalmanagement.com Direct: 480 685 2931