Summary

Economic data was light, and included a slight decline in ISM services, toward neutral, while jobless claims continued to tick up a bit.

Equities gained worldwide last week, with international outpacing U.S. by a bit. Bonds were mixed, with foreign bonds benefitting from a weaker U.S. dollar. Commodities saw gains in metals, but weaker energy prices due to both supply and demand concerns.

Economic Notes

(0) The **ISM Services/Non-Manufacturing Index** declined by -0.7 of a point in July to 50.1, below an increase to 51.5 expected, with the total number showing slight expansion but just at the cusp of a neutral 50 reading. Under the hood, data was weaker, with business activity and new orders each losing at least a point, but staying in expansion, while employment fell further into contraction, and reiterating growing weakness in labor markets. However, supplier deliveries rose a bit, implying slower movement and more activity, and prices paid rose by another 2 points to nearly 70, which was the highest level in nearly three years. Tariffs were mentioned a few more times in July than in June, but less than in May, showing some stabilization of concerns, although the ISM noted that “tariff-related impacts” remained the most common topic among survey panelists. Also, that tariffs are “starting to show up in pricing,” and that they continue to delay company planning for future purchases due to “anticipation” effects. By contrast, the final **S&P Global US services PMI** for July was revised up by 0.5 of a point to 55.7, pushing even further into expansion. That was led by new business and output, rising further into expansion, while employment and input prices fell back, although continued to expand. In effect, this services data was more of the same, but finalizing tariffs (if that indeed happens) over the next few weeks could bring more stability to current feelings of corporate uncertainty.

(-) **Initial jobless claims** for the Aug. 2 ending week rose by 7k to 226k, just above the 222k median forecast. Continuing claims for the Jul. 26 week rose by 38k to 1.974 mil., above the 1.950 mil. expected. Initial claims rose a bit in MI and TX, but fell in CA, with little dramatic change around the country.

The preliminary reading of **nonfarm productivity** for Q2 showed an average annualized gain of 2.4%, beating expectations of 2.0% and reversing the prior quarter’s revised decline of -1.8%. Over the past 12 months, productivity ticked up a tenth to 1.3%. Since the fourth quarter of 2019, just prior to the pandemic, productivity has risen at an annualized rate of 1.9%. **Unit labor costs** rose 1.6% on an average annualized basis, beating expectations by about a tenth of a percent. Year-over-year, costs accelerated by 0.6% to 2.6%.

Market Notes

Period ending 8/8/2025	1 Week %	YTD %
DJIA	1.37	4.85
S&P 500	2.44	9.47
NASDAQ	3.88	11.50
Russell 2000	2.41	0.26
MSCI-EAFE	2.87	20.69
MSCI-EM	2.31	18.58
Bloomberg U.S. Aggregate	-0.18	4.40

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
8/1/2025	4.35	3.69	3.77	4.23	4.81
8/8/2025	4.32	3.76	3.84	4.27	4.85

U.S. stocks saw gains for the week, rebounding from a sharply negative prior week. By sector, gains were led by technology (largely from Apple, upon announcing U.S.-based manufacturing investments) and consumer discretionary (largely from Tesla), each up around 4%, followed by communications and consumer staples. Energy and health care saw declines of nearly a percent (with the latter exclusively due to Eli Lilly, related to GLP-1 product sensitivity). Real estate was down just slightly for the week.

Stocks were held back a bit early in the week by the poor ISM services reading, and continued investor focus on the poor labor market report the prior week, which made a Fed rate cut in Sept. even more of a foregone conclusion (even though it was anyway). In fact, there was some chatter as to whether the cut would be -0.25% or -0.50%, as seen in the Sept. meeting a year ago. There are several more data points to come out between now and then, but the speed of labor market slowing is certain to be a key Fed discussion point. Also, following the resignation of Fed Gov. Kugler late the prior week, speculation was growing around a possible replacement, who could vote as early as the Sept. meeting. The next Fed chair must be selected from a member of the board at that time, so a nominee could represent a current favorite for that role. (By Thursday, Stephen Miran, the current chair of the Council of Economic Advisors, was announced as her replacement for at least the remainder of her term ending Jan. 2026. This was seen as a move toward the dovish side, in line with what the administration had intended.)

U.S. S&P 500 earnings for the 2nd quarter have been nearing a close. Per FactSet, 90% of firms have reported, showing a 11.8% blended earnings growth rate, more than double initial expectations, which created a fairly low bar. Interestingly, despite some signs of economic slowing, there was also an 87% drop in companies mentioning 'recession' during their calls, with the most-mentioned sectors unsurprisingly including real estate, industrials, and financials. Too-early expectations for Q3 point to earnings growth at just over 7%, which would also be a bit above average, with full year earnings for 2025 growing at a rate just over 10%, which would also be considered robust.

Foreign stocks outperformed U.S. for the week, helped by a weaker dollar to some extent, with Japan and Europe outgaining the U.K. and emerging markets. The Bank of England cut rates by another -0.25% to 4.00%, on a narrow 5-4 vote (much more common than it is in the U.S., where a few dissents caused quite a stir the prior week). In EM, gains were relatively widespread, led by Brazil, South Africa, and South Korea, while India was one of the few losing ground—all were generally driven by either tariff rumor or announcements. An additional 25% tariff on India was applied, taking the total to 50%, as punishment for purchases of oil and arms from Russia. After exemptions, the total is expected to be around 30%. Tariff negotiations with Switzerland also appeared to break down, leaving headline tariff rates just under 40%.

Bonds were mixed for the week, as interest rates ticked up a bit across most of the U.S. Treasury yield curve. Government and investment-grade corporates fell back a bit, while high yield and floating rate bank loans experienced minor gains. Foreign bonds were also mixed, driven by a drop in the U.S. dollar, while emerging market debt saw strong gains as spreads continued to move to increasingly tight levels.

Commodities were mixed, with a decline in energy prices offset by gains in industrial and precious metals, as well as agriculture. Crude oil prices fell nearly -6% last week to $63/barrel, as talks between the U.S. and Russia raised hopes of a resolution to the Russia-Ukraine conflict, as well as continued production increases from OPEC+, and tariff concerns related to global demand. The price of gold rose, as reported U.S. tariffs on gold from Switzerland caused some market confusion about ultimate trading effects, although this was clarified as a non-issue later in the day Friday. This was in addition to assumed Fed rate cuts looking ahead, which potentially renders precious metals more attractive compared to bonds in relative terms.

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.

The information above has been obtained from sources considered reliable, but no representation is made as to its completeness, accuracy, or timeliness. All the information and opinions expressed are subject to change without notice. The information provided in this report is not intended to be, and should not be construed as investment, legal or tax advice; and does not constitute an offer, or a solicitation of any offer, to buy or sell any security, investment, or other product. Investment Advisory services are offered by FocusPoint Solutions, an SEC Registered Investment Advisory firm. Past Performance does not guarantee future results.

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