Richard Rose Wealth Management July 6, 2026

WEEKLY COMMENTARY **Richard Rose AIF®**

Good morning,

What's in this week's Report:

- Why Aren't Bond Yields Falling?
- Weekly Market Preview: Can Tech Stabilize and the "Rest" of the Market Extend the Rally?
- Weekly Economic Cheat Sheet: FOMC Minutes Wednesday (How Hawkish is the Fed?)

Futures are modestly higher on a continued decline in oil prices and following a mostly quiet weekend of news.

Oil prices are down modestly as OPEC+ again boosted production quotas, reminding markets that, away from U.S./Iran tensions, oil supplies are set to rise in the coming years.

Economically, EU data was solid, with German Manufacturers' Orders beating estimates while EU retail sales were in line.

Focus today will be on economic data via the ISM Services PMI (E: 54.2) and Fed speak from Waller (11:00 a.m. ET), and the more Goldilocks the data (solid growth/falling prices) and commentary (pushing back on inflation fears) the better for markets.

Market	Level	Change	% Change
S&P 500 Futures	7,560.50	32.25	0.43%
U.S. Dollar (DXY)	100.83	0.21	0.21%
Gold	4,155.81	30.11	0.73%
WTI	68.29	-0.40	-0.58%
10 Year	4.461%	-0.018	-0.40%

Stocks

Last Week (Needed Context as We Start a New Week)

Stocks traded decidedly mixed last week as rotational money flows and calendar-induced rebalancing through the end of the first half dominated the tape, leaving the top performers of 2026 lagging through Thursday's close while the YTD laggards handily outperformed. The S&P 500 gained 1.78% on the week.

The stock market began last week with a solid and largely broad-based bid last Monday as investors barely batted an eye at another yen-intervention-induced bout of volatility to steadily grind higher as the U.S. and Iran agreed to yet another ceasefire and quickly scheduled a fresh round of peace talks in Qatar to take place as early as Tuesday. News that the Supreme Court shot down President Trump's attempt to remove Fed Governor Cook from her role bolstered the idea of Fed independence, which supported a 1.18% gain in the S&P 500.

The early-week rally continued on Tuesday as dip buyers and “window dressing” portfolio managers chased some of the recently beaten-down, but still market-leading, tech and semiconductor names higher into the end of the month and quarter. Investors also took a soft Consumer Confidence release in stride as JOLTS data was better than anticipated, leaving the net economic outlook largely Goldilocks. The S&P 500 rose 0.79% to cap off the index’s best quarter since 2020.

Volatility picked up to start the third quarter on Wednesday as investors weighed a soft ADP print against a largely Goldilocks ISM Manufacturing Index release for June (a sharp drop in the Prices index was the key factor). Still, the data was viewed as Goldilocks, and stocks recovered from morning losses to turn positive in the afternoon. The broad market turned lower late in the day as a calendar-induced bout of profit-taking and repositioning weighed on the equity space, with the S&P 500 giving up gains to end down 0.22%.

Stocks gapped higher at the open on Thursday as short-duration Treasuries lurched higher in reaction to the soft June BLS headline (+57K jobs vs. E: +114K) that also included a -74K downward revision to headline employment growth in April and May. The dovish reaction to the weak jobs print helped offset renewed weakness in tech during the Asian session (the KOSPI dropped another 8% Thursday) and the S&P 500 tested 7,550 resistance midmorning. However, market-based fed funds rate expectations failed to signal a material dovish shift in the policy outlook, and the S&P 500 bled lower into the afternoon before closing out the holiday-shortened trading week up an incremental fraction of a percentage point.

<u>Why Aren’t Bond Yields Falling?</u>

Last week was holiday-shortened and lightly attended, but despite the distractions, something notable happened in markets: the 10-year Treasury yield rose solidly, even amid soft economic data.

Now, before reading too much into this, we must take into account holiday trading disruptions (light staffing on trading desks and low volumes). Still, last week, the 10-year yield should have declined further and confirmed the bullish thesis for stocks: namely, that oil will drop, inflation fears will recede, rate-hike worries will go away, and growth will remain solid, supporting risk assets.

But right now, Treasuries aren’t confirming that script. Last week’s events (stable oil prices near pre-war levels, a decline in the ISM prices index, and the soft jobs report) should have sent the 10-year yield close to or below 4.30%, not upwards to 4.50% (the 10-year yield rose 12 basis points last week).

If this persists (that the 10-year yield does not further “confirm” the bullish outlook for investors on inflation and growth), that will be a signal that the bond market is more worried about structural inflation, and that means a (much) greater chance for not just one rate hike, but an entire rate hike cycle.

That matters to us because 1) it means higher rates/borrowing costs and 2) because the last time the Fed consistently hiked rates, the stock market dropped hard (2022).

To be clear, we’re not there yet. But the movement in the 10-year yield last week was the opposite of what the data would have suggested, and when that happens, I pay attention. For now, it could just be a short-term, low-volume-led disruption, so it doesn’t mean much yet. However, if the 10-year yield stays stable or (worse) keeps rising above 4.50%, it’ll become a direct headwind for stocks and imply a rate-hike cycle is much more likely than investors expect (which would be a clear negative for the market that isn’t priced in).

Economic Data (What You Need to Know in Plain English)

Last Week

Economic data slightly underwhelmed last week but was still good enough to be considered Goldilocks, and the data wasn't bad enough to raise stagflation risks (so growth expectations should remain solid while inflation worries didn't get worse).

The key report last week was the May jobs report, which disappointed expectations but fell within our "Just Right" scenario analysis. Headline job adds were just 57k, the lowest level in months and well below the 114k expectation. The unemployment rate fell slightly, however, to 4.2% vs. (E) 4.3% while wages were in line at 3.5% y/y.

The soft headline jobs adds number was a disappointment. Still, that number has to be taken in the context of other labor market data that remains solid, including JOLTS last week (7.59MM vs. (E) 7.3MM), the ADP jobs report (98k jobs added) and weekly jobless claims (215k vs. (E) 216k).

Point being, yes, the headline jobs reading was soft and showed lackluster jobs growth. Still, for a market that feels confident in the stability of growth and is nervous about a hawkish Fed, the jobs number wasn't perfect. Still, it was good enough not to make investors more worried about economic growth and not strong enough to make rate hikes more likely, so it was mostly Goldilocks.

The second big economic report from last week, the ISM Manufacturing PMI, also slightly missed expectations. But like the jobs report, it was still solid (and this report showed some positive news on inflation).

The headline reading slipped to 53.3 vs. (E) 53.9 while New Orders, the leading indicator in the report, also declined to 56.0 from 56.8. Stepping back, those are all healthy readings, solidly above 50 (signaling expansion), and there's nothing in the report to suggest economic growth suddenly worsened in May.

Turning to inflation, there was encouraging data: the price index dropped to 73.0 from 82.1, a solid decline that will make people excited that the worst of the inflation spike has passed now that oil prices are declining (and that will also reduce rate-hike fears over time). However, before we get too excited, we need to remember that the price index was at 59.0 in January (before the war), so while it did solidly decline, the reality is that it's still substantially elevated compared to pre-war levels, and seeing that index drop closer towards 60 (and below) will be an important step to inflation expectations easing.

Bottom line, the jobs report was a disappointment relative to expectations. Still, it wasn't bad enough to worry about economic growth, while some encouraging price data anecdotally suggests the inflation peak may be behind us. If more data proves that out over the next several weeks, then rate-hike fears will drop (which will be a mild positive for stocks).

Important Economic Data This Week

There are two events on the calendar this week that could move markets, with one focused on growth and the other on the Fed (and rate-hike expectations).

The most important economic report this week comes today via the ISM Services PMI. The service sector PMI doesn't get quite as much attention as the manufacturing PMI, but it's more important as the service sector of the economy is much larger than manufacturing. So, we need to see continued strength in this number (meaning staying comfortably above 50) to keep pushing back on any slowdown fears.

Additionally, the price index will be closely watched given the drop we saw in May in the manufacturing price index. A similar solid drop will further imply that the worst of the inflation spike is behind us, which should again marginally lower rate-hike fears (although it'll take better data from major inflation reports such as CPI and the Core PCE Price Index to really reduce inflation concerns).

The other event this week is the release of the FOMC minutes from the May meeting. Normally, the minutes are not a market-moving event, but given the substantial changes in Fed communication and tone (remember the very short statement and Warsh sounding a bit hawkish), the minutes of the meeting will be closely watched for clues as to 1) How divided the Fed is currently and 2) How much a rate hike was discussed (were just a "few" people in favor, or "many"?).

The Fed is a bit of an unknown right now for markets, and the minutes will help us understand how the meeting went. If the minutes imply a lower risk of rate hikes in 2026, that will be a mild positive. However, if the minutes reveal a more broadly hawkish Fed, expect at least a mild headwind on stocks and bonds.

Bottom line, there aren't a lot of economic/Fed events this week, but they do have the potential to move markets and either (positively) imply solid growth, falling inflation, and a Fed that isn't too hawkish, or (negatively) imply growth is losing momentum, inflation is buoyant, and the Fed is hawkish.

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