Richard Rose Wealth Management June 9, 2025

WEEKLY COMMENTARY **Richard Rose AIF®**

Good morning,

What's in this week's Report:

- Halfway to a Soft Landing?
- Weekly Market Preview: Does Trade Progress Actually Occur? (Where Are the Trade Deals?)
- Weekly Economic Cheat Sheet: Focus on Inflation (The Lower, the Better)

Futures are flat following a mostly quiet weekend as investors await the results of the latest U.S./China trade talks.

A meeting between U.S. and Chinese trade officials in London should end shortly, and markets are waiting for the results (the meeting could see more on Chinese efforts to curb fentanyl shipments to the U.S.).

Economically, Chinese exports missed expectations (4.8% y/y vs. (E) 6.0%), underscoring economic headwinds.

Today, the focus remains on trade, and any positive (or negative) headlines from the U.S.-China meeting in London will likely move markets. Outside of trade, the focus will be on New York. Fed 1-Year Consumer Inflation Expectations (E: 3.6%). These have cooled lately as the trade war has de-escalated, and further cooling would be a positive for markets.

Market	Level	Change	% Change
S&P 500 Futures	6,016.75	10.00	0.17%
U.S. Dollar (DXY)	99.07	-0.12	-0.12%
Gold	3,338.60	-8.00	-0.24%
WTI	65.06	0.48	0.73%
10 Year	4.504%	-0.010	-0.22%

Stocks

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

Stocks continued to power on to new multi-month highs amid fits and starts, as volatility steadily rose over the week due to mixed economic data, simmering geopolitical tensions, and lingering trade-war concerns. The S&P 500 rose 1.54% on the week.

Equities began last week with moderate gains as dovish money flows, following a soft ISM Manufacturing release, helped offset a combination of increasing trade-war tensions after Trump hiked steel tariffs to 50% and geopolitical uncertainty following a large-scale Ukrainian attack on Russia the previous weekend. Hopes for a Trump-Xi call helped the S&P 500 rise 0.41% on the day.

The rally continued on Tuesday as the April JOLTS report revealed a higher-than-expected number of job openings at the start of Q2, which alleviated concerns about the U.S. labor market and countered a downbeat manufacturing PMI from China. The S&P 500 rose 0.58%.

The market lost momentum on Wednesday as the ADP private payrolls headline fell short of estimates, rekindling job market jitters ahead of Friday's BLS report. At the same time, the ISM Services PMI unexpectedly slipped into contraction, raising concerns about the overall health of the economy. Finally, AAPL and BABA announced a delay to their AI launch plans in China due to tariffs and trade-war uncertainty, which weighed on tech and saw the S&P 500 end effectively unchanged, up 0.01%.

Stocks resumed their early-week advance on Thursday, thanks to solid economic data from overseas, particularly the better-than-expected Chinese Service PMI, which eased concerns about their economic growth prospects. At the same time, the ECB decision to cut rates 25 bps (as expected) prompted dovish money flows that supported risk assets globally. The market powered higher amid optimism for renewed trade talks after President Trump and China's Xi held what both called a productive phone call. However, markets started to reverse as ECB headlines revealed the June meeting was not as dovish as initially thought, while a social media spat between President Trump and Elon Musk triggered a risk-off move in afternoon trade. The S&P 500 fell 0.53% on the day.

Equities gapped higher at the open on Friday as rumors of a Trump-Musk phone call eased pressure on mega-cap tech stocks, which had been hit hard late Thursday. Economic data was good out of Europe, but it was a solid headline beat to the May jobs report that sent the S&P 500 ripping beyond 6,000 in early trade. The rally quickly lost momentum as traders digested the week of mixed economic data and ongoing uncertainty about trade talks. The S&P 500 wavered between gains and losses before ending up 1.03%.

Halfway to a "Soft Landing"

The S&P 500 has reclaimed positive territory for 2025 and closed Friday at a more than three-month high, roughly 2% from the February record. As of Friday's close, the S&P 500 also reaffirmed it is in a measurable bull market as the index settled the week more than 20% above the early April closing low, which was notably below the psychological 5,000 mark.

But has this rapid recovery been warranted, and is the rally sustainable? That is the most important question to ask right now as the stock market has rallied to a key tipping point just below the record highs where bullish exhaustion and a failed attempt at new highs could result in a resurgence in volatility and ultimately a breakdown potentially severe enough that we could see the 52-week lows from early April revisited.

To answer that question, we must examine the core fundamental factor for markets: the economy. Much of the 2024 stock market advance that carried the major indexes to record highs in Q4 and into early 2025 was founded on the expectation that the Fed was poised to achieve an elusive "soft landing," in which higher policy rates slow growth and influence inflation to trend back towards target without triggering a recession.

Based on the YTD economic data in 2025, the Fed is halfway there as the labor market has measurably cooled based on non-farm payroll growth declining from +407K in 2022, to +251K in 2023, to +186K in 2024, to +124K YTD in 2025. Simultaneously, the Core CPI inflation rate has cooled from a peak annual average of 5.9% in 2022, 4.7% in 2023, 3.2% in 2024, and 2.8% YTD in 2025. Regarding the Fed's dual mandate, policymakers have so far threaded the needle by slowing growth but avoiding a recession as inflation cools.

This week's CPI data will be critical in shoring up expectations that the Fed is continuing to work towards achieving success with the other half of its dual mandate, returning the rate of inflation to its 2% target. This is crucial, as it could make or break the prospects for the S&P 500 to rally to new highs. A "hot" CPI print could reintroduce risks of a higher-for-longer Fed policy rate, or even rate hikes, as the Fed seeks to achieve its mandated 2% inflation goal.

Such a development would likely severely dampen sentiment amid surging concerns about a higher-for-longer, or even increased Fed policy rate that would all but certainly tip the economy into a recession in the months or quarters ahead. As such, it would be prudent to refrain from chasing this rally any further and wait for the data to confirm that a soft landing is still the most likely path forward for the economy.

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

Last Week

Economic data sent mixed signals, as there was increasingly convincing evidence of slowing domestic economic activity in a handful of survey-based releases, such as the ISM Manufacturing and Services reports, and high-frequency labor market statistics, like weekly jobless claims. Conversely, the May jobs report came in solid with a headline job adds number comfortably above estimates, albeit with a warm wage inflation component that leaves upside inflation risks in play.

Practically speaking, the market's outlook for the economy didn't change significantly due to last week's data, as concerns about global growth weakness persist, while tariffs have reignited inflation concerns worldwide. However, the large majority of the important "hard data" continues to suggest that the economy is "ok," and showing historic resilience in 2025 despite a massive (and growing) sense of uncertainty.

Looking at the specific data points from last week, the ISM Manufacturing Index was released last Monday and fell discouragingly from 48.7 to 48.5, missing the estimate of 49.1. The JOLTS data hit the wires on Tuesday with a surprise increase from 7.2 million to 7.391 million, topping estimates that called for a pullback to 7.1 million, which bolstered views that the labor market was remaining resilient ahead of the BLS report. ADP Employment was released on Wednesday morning, with the Private Payrolls headline falling short of estimates of 110K to drop to just 37K, a multi-year low. Shortly thereafter, the ISM Services PMI was released, and expectations of a moderate increase from 51.6 to 52.0 were dashed as the headline index unexpectedly declined to 49.9, signaling that the services sector fell into contraction in May (albeit barely). Thursday, initial jobless claims unexpectedly rose 8,000 to 247,000, the highest since before the November election, while continuing claims held near multi-year highs above 1.9 million, marking the first material signs of potential weakness emerging in the U.S. jobs market. Additionally, trade balance data revealed that the deficit collapsed in April, mainly due to the impact of tariffs and the trade war, while the Q1 Productivity and Costs release highlighted upside risks to wage inflation.

Finally, the primary economic data point of the week, the May BLS Employment Situation, came in better than expected on the headline. The market responded favorably as fears surrounding the aforementioned "cracks" forming in the labor market were quelled mainly by the 139,000 job additions last month (E: 129,000). The solid headline notably offset an upside surprise in wage inflation, which held steady at 3.9% vs. (E) 3.7% y/y.

Economic uncertainty remains historically elevated amid the still-unknown impact of the trade war, which remains far from resolved, even after optimism surrounding the Trump-Xi phone call last week and fresh pledges from the EU to speed up the proposal process. Uncertainty aside, the economy remains in decent-to-good shape, based on the latest available data, including the solid May jobs report. As such, equity markets are continuing to climb the wall of worry amid soft-landing bets. Looking ahead, it will be important to identify areas where signs of weakness have emerged, such as the ISMs and other survey-based reports, as well as jobless claims. If these metrics stabilize in the weeks and months ahead, it will cast doubt on a soft landing; further deterioration of those metrics will cast doubt on a soft landing.

Important Economic Data This Week

This week is a critical week for the other half of the dual mandate, inflation, especially considering the June Fed meeting is looming next week. "Inflation week" will begin with a fresh set of CPI and PPI data, as well as the University of Michigan Consumer Sentiment 1-year inflation expectations figure, which has materially moved markets in the past.

CPI/Core CPI data will be most important this week, with releases scheduled for Wednesday morning (8:30 a.m. ET). The consensus estimate is for a modest rise from 2.8% to 2.9% year-over-year (y/y) in the Core CPI figure and an increase to 2.5% from 2.3% year-over-year (y/y) in the headline CPI print. This May inflation data will be widely seen as a proxy for how tariffs are impacting price pressures in 2025, so the risk is for a "hot" print to reignite concerns that the trade war is acting as an upward influence on inflation. The same dynamic will be true for PPI Thursday (8:30 a.m. ET) and the 1-Year Inflation Expectations in the Consumer Sentiment release Friday (10:00 a.m. ET).

Aside from inflation reports, initial jobless claims warrant continued attention after last week's jump to multi-month highs was seen as a "crack" in the labor market. In contrast, a new high in continuous claims (a proxy for the unemployment rate) would raise concerns that the unemployment rate is set to increase in the official June BLS data.

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