

7/7/2025

The Week Ahead



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THINGS TO WATCH

Tariff Deadline

The Trump administration's 90-day delay on reciprocal tariffs expires Wednesday, as negotiations continue with dozens of trading partners. Trump said last week that duties will range from 10% to 20% on the low end and 60% to 70% on the high end. He stressed that other countries will begin paying the duties on August 1. Markets may see volatility this week as investors reassess profit, inflation, and growth expectations amid shifting trade headlines.

Summer Rate Cut on Ice

The June 17–18 FOMC minutes, set for release Wednesday, are expected to show policymakers are split between weighing tariff-driven inflation concerns against a weaker growth outlook. While the median forecast still points to 0.50% of rate cuts this year, the June dot plot revealed deep divisions. Chair Powell later noted rates would likely be lower if not for anticipated summer tariff effects. With just one consumer price index (CPI) report before the FOMC's July 29-30 meeting, Fed officials are unlikely to have sufficient evidence to justify a summer rate cut.

Did Small Business Sentiment Improve in June?

The NFIB's June survey, due tomorrow, may show rising optimism among small business owners in June ahead of the One Big Beautiful Bill Act's passage. After peaking at a 6-year high of 105.1 in December, the index fell to a 6-month low of 95.8 in April amid tariff angst before rebounding to 98.8 in May. The bill offers significant tax benefits for small businesses, including a larger Qualified Business Income deduction for pass-throughs, higher capital expensing limits, and reinstatement of immediate expensing of R&D.

July: Unassuming but Strong

The S&P 500's average return in July from 1946 through 2024 is 1.24%, behind only November (1.60%), December (1.54%), and April (1.36%). A robust S&P 500 performance this July would follow particularly strong gains in May (6.15%) and June (4.96%). In the ten years since 1946 when the S&P 500 gained more than 1.5% in both May and June, the average return for July was 1.95%.

LAST WEEK'S ECONOMIC DATA

	LATEST	3MO PRIOR	CHANGE
ISM Manufacturing PMI	49.0	49.0	-
ISM Services PMI	50.8	50.9	▼
JOLTS Job Openings (Millions)	7.77	7.48	▲
Non-Farm Payrolls (Thousands)	147	120	▲
Unemployment Rate	4.1%	4.2%	▼
Average Hourly Earnings (Y/Y)	3.7%	3.9%	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	44828.53	2.34%	6.33%	16.11%
NASDAQ	20601.10	1.63%	7.07%	14.09%
S&P 500	6279.35	1.75%	7.49%	14.92%
MSCI EAFE	2658.13	0.20%	20.44%	16.02%
BB U.S. Aggregate	2266.97	-0.01%	3.62%	5.37%

KEY BOND RATES

	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	4.35%	4.34%	5.38%
10-Year Treasury	4.35%	4.36%	4.36%

REPORTS DUE THIS WEEK

	LATEST
NFIB Small Business Optimism	98.8
Initial Jobless Claims (Thousands)	233
Continuing Jobless Claims (Thousands)	1,964

Total returns are as of 7/3/25. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

NUMBERS OF THE WEEK

755,000

The U.S. civilian labor force shrank by 755,000 in May–June to a 5-month low of 170.38 million. This was the largest 2-month drop since January 2024 and the ninth steepest in 20 years. Likely drivers of stalling labor force growth include discouraged younger workers, sharply reduced migration under the Trump administration, and Baby Boomer retirements. A smaller labor force could be an underappreciated driver of the unemployment rate dipping to a 5-month low of 4.12% in June.

20%

Last Wednesday, President Trump announced the framework of a US-Vietnam trade deal, which includes a 20% tariff on all Vietnamese goods imported to the US and a 40% levy on all items deemed by the US Customs Bureau to be “trans-shipped” through the country. Trump said Vietnam agreed to drop all tariffs on US imports. The Trump administration had originally imposed a 46% duty on Vietnam as part of the “Liberation Day” reciprocal tariffs announced on April 2.

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