

## Markets Cheer, Labor Lags

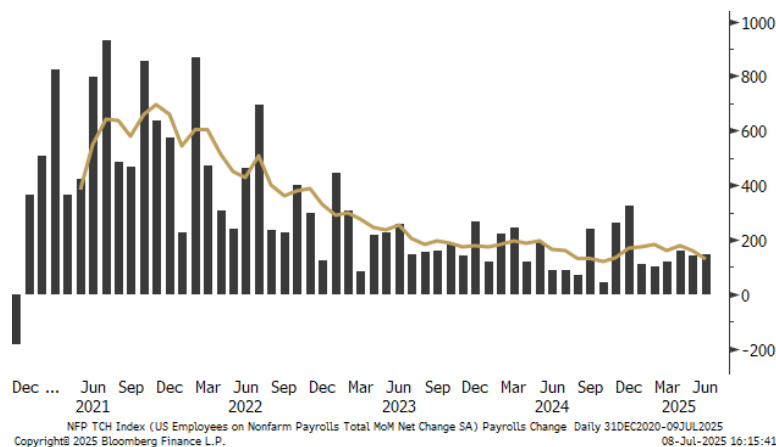
The S&P 500 closed at another all-time high last week, lifted by a stronger-than-expected June payrolls report that showed the U.S. economy added 147,000 jobs. The unemployment rate also declined by 0.1 percentage point to 4.1%, offering an additional upside surprise.

That's where the good news ends. As we've noted in previous updates, the labor market has been gradually cooling throughout the year. Despite these two positive headlines, the June report offered little evidence that this trend has reversed.

The drop in the unemployment rate was not due to more people finding work, but rather fewer people actively looking. The labor force has shrunk by 755,000 over the past two months. Meanwhile, the June data showed a decline in average weekly hours worked, slowing wage growth, and an increase in the average duration of unemployment, which now stands at 23 weeks.

Altogether, the details beneath the surface of the report continue to point to a weakening—not strengthening—labor market.

**Monthly Change Non-Farm Payrolls  
with 6-month rolling average**



Bloomberg, Bureau of Labor Statistics.

Anna Wong. "US REACT: Unemployment Falls for the Wrong Reasons, Again."

Bloomberg. July 3, 2025

### Economy

#### Last Week

- **ISM Manufacturing:** 49.0 vs. 48.5 one month prior

- **JOLTS Job Openings:** 7.8 mln vs. 7.4 mln one month prior

- **ISM Services:** 50.8 vs. 49.9 one month prior

- **Payrolls & Unemployment Rate:** +147K vs, 139K one month prior  
Unemployment 4.1% vs. 4.2% one month prior

#### This Week

- **NFIB Small Business Optimism (June):** 7/8

- **FOMC Meeting Minutes:** 7/9

- **Initial & Continuing Jobless Claims:** 7/10

### Equities

Index	Level	1 Week	Returns (%)				5-Year Ann.
			QTD	YTD	1 Year	3-Year Ann.	
S&P 500	6230	0.43	0.43	6.65	13.39	18.61	16.17
Russell 1000 Growth	4281	0.16	0.16	6.25	13.19	23.81	17.09
Russell 1000 Value	1928	0.80	0.80	6.85	15.04	12.39	14.01
FTSE High Dividend Yield*	486	1.08	1.08	7.09	16.87	12.97	14.80
S&P Small and Mid Cap	17345	1.74	1.74	0.41	9.64	11.06	13.40
MSCI EAFE	2646	-0.28	-0.28	19.61	15.57	16.46	11.29
MSCI EM	1226	0.44	0.44	16.03	14.17	10.24	5.69

#### Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD			
S&P 500	21.0	15.4	1.3	15	Industrials	Comm. Serv.	Utilities
Russell 1000 Growth	28.2	17.8	0.6	10	Financials	IT	Staples
Russell 1000 Value	16.3	13.5	2.1	5	Materials	Real Estate	Energy
FTSE High Dividend Yield*	13.1	13.0	3.9	0	Health Care	Cons. Discr.	
S&P Small and Mid Cap	14.5	15.4	1.9	-5			
MSCI EAFE	14.4	13.5	3.1				
MSCI EM	11.4	11.1	2.8				

\* Bloomberg U.S. Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

### Fixed Income

Index	Yield	1 Week	Returns (%)				5-Year Ann.
			QTD	YTD	1 Year	3-Year Ann.	
U.S. Aggregate	4.65	-0.70	-0.70	3.29	4.59	2.40	-0.94
U.S. Int. Gov/Credit	4.24	-0.47	-0.47	3.64	5.65	3.47	0.51
U.S. Corporates	5.11	-0.59	-0.59	3.56	5.26	4.11	-0.19
High Yield	7.05	0.13	0.13	4.70	10.11	9.41	5.73
Municipals (1-10)	3.24	0.27	0.27	2.02	3.70	2.48	0.98

#### Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	3.90	3.77	3.72	4.24	4.63	3.11	0.16
10-yr Treasury	4.38	4.24	4.23	4.57	4.30	3.08	0.67
30-yr Treasury	4.92	4.77	4.78	4.78	4.49	3.25	1.40
SOFR	4.33	4.44	4.45	4.49	5.34	1.53	0.10
6-mo. CD rate	4.36	4.23	4.28	4.33	5.33	3.13	0.27
Prime Rate	7.50	7.50	7.50	7.50	8.50	4.75	3.25
30-yr fixed mortgage	6.74	6.80	6.80	7.28	7.26	5.75	3.20