Market Watch

June 9, 2025

Primary Market Drivers

Earnings & Economic Data

Last week's labor market data was mixed, as ADP Employment came in very weak (+37k vs +130k) while Nonfarm Payrolls came in rather strong (+139k vs+130k). The Unemployment Rate was in-line (4.2%), suggesting continued strength in the labor market. It's hard to draw any major conclusions on the labor market from the mixed signals, but generally speaking Friday's NFP and Unemployment data were a sigh of relief. This week, inflation data is on tap with May CPI (6/11) and PPI (6/12) scheduled for release. These reports will be watched closely as pressure builds on the Fed to take action. The Street is expecting CPI +0.2% m/m and PPI +0.2% m/m, somewhat muted expectations given all the hype of "higher inflation inbound" due to tariffs over the last few months. There are only three S&P 500 companies scheduled to report earnings this week, though expect heavy scrutiny on the tech names. We will see results from JM Smucker (SJM 6/10), Oracle (ORCL 6/11), and Adobe (ADBE 6/12).

Fed Policy

Pressure is building on Jerome Powell and the Fed to take some action following mixed labor market data and persistent low inflation despite tariff uncertainty. Central banks around the globe have been cutting rates all year, yet the Fed remains steadfast that it won't act until it sees meaningful weakness. Many are critical of the stance, pointing to the logic that by the time weakness shows up in data, it would be too late. June's meeting (6/18) has already been pegged as a certainty for no change (99.9%). July odds continue to retreat and now are just 16.5% and continue to sink each week. Thus, it appears as though we will have to wait until the Fall for the Fed to resume easing. Recent fedspeak has suggested "one cut" in 2025 is the consensus.

Tariffs

Representatives from the US and China are meeting in London this morning to resume trade talks, which have put recent tensions between the US and China at ease for the time being. It's been a see-saw of sentiment recently between the two countries, though market volatility has generally dampened following a phone call between Trump and Xi last week that set the stage for this week's negotiations. Elsewhere, we continue to wait on additional trade deals to be announced. Two weeks ago, Director of the US National Economic Council Kevin Hassett claimed the Trump administration was finalizing trade agreements with India, Japan, and Switzerland. Expect attention to remain focused on tariff developments throughout the summer.

All referenced market information, statistics, and economic data were gathered from StreetAccount, a paid subscription data service provided by FactSet Research Systems Inc.

Market Returns 6/6/2025

Category	Ticker	YTD%
Domestic Equity		
S&P 500	SPY	2.54%
Dow Jones	DIA	1.19%
Large-Cap Growth	QQQ	3.81%
Large-Cap Value	IVE	0.64%
Mid Caps	MDY	-1.73%
Small Caps	IWM	-3.88%
International Equity		
Developed Intl	EFA	18.69%
Emerging Markets	EEM	12.20%
Fixed Income		
Core Bonds	AGG	2.03%
Corporate Bonds	LQD	1.99%
High Yield Bonds	HYG	3.27%
ST Treasuries	IEI	2.80%
LT Treasuries	TLT	-0.53%
International Bonds	BNDX	1.36%

Performance data and stock chart were gathered from eSignal, a paid market screening application provided by Intercontinental Exchange, Inc.

Current Environment Summary

What's Working	What's Not	What's Next
Inflation Falling	Tariff Policy Uncertainty	**May CPI (6/11) & PPI (6/12)**
Fed Easing Cycle	Global Economic Uncertainty	**Earnings: ORCL (6/11), ADBE (6/12)**
Strong Earnings Growth	Fed Inaction / Global Easing	**US, China Trade Negotiations in London**
Strong Labor Market	Equity & Bond Market Volatility	S&P 500 2.4% from all-time highs
Consumers Still Spending	Stubborn Elevated Interest Rates	Upcoming Deals: India, Japan, Switzerland
Trade & Global Investment Deals		Elon, Trump Fallout: TSLA Reaction

Portfolio Manager Commentary

Ken Hartley, CFA

The market is working its way through another solid earnings season. The economy is continuing to defy all the "experts", you know the ones that have been calling for a recession for going on three years now. Remember, most analysts and economic forecasters are two-handed. "On the one hand this, and on the other hand that". There is a reason it's called the dismal science.

The focus here at Clarus is earnings, earnings, earnings! It can become quite easy to fall for all the static in the economic news lately. It's almost like there is a concerted effort among some large bank CEO's and billion-dollar hedge fund managers to constantly emote about the economy by drawing analogies to weather or comparisons to "The Great Depression". The current round of tariff negotiations has little in common with the Smoot Hawley tariff bill of the 1920's. Whatever your political persuasion, you need to rise above the noise and focus on the economy and the fundamentals driving global trade.

Now, this is not to say that there aren't any concerns about the global economy. Here are a few that are holding my attention: Chinese real estate, the collapse of green energy adaptation, rising delinquency rates for people with student loans and the ability of the US Treasury continuing to issue debt at unsustainable levels. There is an auction of 10-year US Treasury Notes this week. It will be interesting to see how well it is bid and at what levels, given the current market. The Treasury is working hard to reduce the maturity of the securities they issue. There must be a level where the buyers say, "enough already!".

For those looking for some issues to follow that feel like the old "soap opera" dramas from daytime television. What better way than to stay glued to the breakup of President Trump and Elon Musk. You had to know at some point there wasn't enough room for two egos of that size in the long run. However, both men seem to have the best interest of the United States in mind. My hope is that they can reduce the temperature a bit and find a way to achieve some of the intended outcomes that can benefit our country.

Don Moenning

As of this writing, the S&P 500 is just a +2.25% gain away from new all-time highs. Another strong earnings season from big tech, tariff tensions dissipating, large-scale foreign investment in the US, and resilient consumer and labor market data have all played a role in pushing the index back towards a new record. Despite the noisy geopolitical landscape and daily sentiment swings, equities look primed for another leg higher should we get some good news this week. I believe there are a handful of potential catalysts on hand:

1) The US and China have delegates meeting in London this morning to resume trade negotiations, a positive step following rising tensions over the last few weeks. I expect the market to react in real time early this week to the discussions. There is also a rumor circulating that Trump has authorized Treasury Secretary Scott Bessent to negotiate away recent restrictions on the sale of technology and a variety of other products to China. If true, this would be a significant de-escalation and open the door for a full-scale deal to be inked. We will know more shortly, but this market remains locked in on these two countries figuring it out, so any additional progress or agreement is the most immediate bullish catalyst.

2) May CPI and PPI will be released on Wednesday and Thursday, respectively. We've all heard the song and dance that tariffs would spark serious inflation, though we have not seen that in the data. If May CPI and PPI come in soft or in-line (both are expected to rise a modest +0.2% m/m), one has to wonder "if not now, when?" The inflation fear narrative driven by the financial media will be tested this week. If the data doesn't harbor any surprises, I think the market will start to shift its focus back to the Fed and their supposed "easing cycle." Recall, the Fed has been on a pause for months while the rest of the worlds' central banks cut rates, primarily due to "uncertainty" surrounding tariffs. Another non-event of inflation data could be perceived as more of a green light for the Fed by investors, so keep an eye on those two releases.

3) Two weeks ago, Director of the US National Economic Council Kevin Hassett claimed the Trump administration was finalizing trade agreements with Japan, India, and Switzerland. The soundbite was short on details, but introducing another deal on top of the significant amount of foreign investment in the US would be a strong candidate to push equities to new highs. I'm not banking on Hasset's unproven claims as a reason for the bulls to charge forth, but it's a catalyst to keep on the radar.

4) Oracle (ORCL) and Adobe (ADBE) report earnings on Wednesday and Thursday after the bell, respectively. If one or both truly deliver a fantastic announcement, this could further exacerbate recent exuberance in Tech, which has entered back into the market following another strong earnings season across the board.

I'll be watching all of the above closely over the next few days. I hope everyone has a great week!

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