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ECONOMIC REVIEW¹

- The Institute for Supply Management (ISM) Manufacturing index for May registered 48.5, falling short of the 49.3 consensus and indicating a third straight month of contraction in the industrial sector. A reading above 50 signals expansion, while a reading below 50 indicates contraction.
- The ISM Services reading for May slipped to 49.9, unexpectedly dipping below the neutral 50 level and signaling a surprise contraction after nearly a year of steady expansion.
- April's JOLTS report showed job openings rose to 7.39 million in April, the first increase in three months, surpassing economists' expectations; hires also edged up to 5.57 million.
 - Layoffs climbed to 1.79 million, the highest since October 2024, while the quit rate held at 2.0%, and 3.2 million voluntary departures signaled more cautious worker sentiment.
- The US trade deficit narrowed in April to \$61.6 billion, driven by a record drop in imports following a tariff-related surge during the prior month, indicating front-loaded demand is easing and leading to a recovery in Q2 GDP.
- ADP's Employment Report showed May private sector hiring came in at just 37,000 jobs, well below projections, marking one of the slowest monthly gains in over two years.
- May's Challenger report revealed that U.S. companies announced 93,816 job cuts, a 47% jump from a year earlier, pointing to a widening trend of workforce reductions across multiple sectors.
- Total non-farm payroll showed U.S. employers added 139,000 jobs in May, slightly above the consensus estimate, paired with sharp downward revisions to job gains in March and April.
 - Wage growth rose 0.3% month over month and 3.8% year over year, both in line with expectations, but down from previously higher levels. The unemployment rate remained unchanged at 4.2%.

How does the most recent economic data impact you?

- Slowing payroll growth, downward revisions, weaker ADP data, and cooling wage growth all point to a labor market that's losing momentum but not collapsing. The sharp drop in imports and narrowing trade deficits suggest that front-loaded demand is fading, potentially stabilizing GDP growth in Q2.
- Markets may view the easing in labor and wage pressures positively as it reduces the risk of the Federal Reserve (Fed) remaining on hold. However, contraction in both ISM indexes and weakening private sector hiring could raise concerns about the durability of corporate earnings and forward consumer demand.
- With inflation moderating and now joined by signs of labor softening and a normalization in trade flows, the Fed has more room to consider rate cuts. However, officials are likely to wait for more consistent disinflation and broader economic confirmation given tariff uncertainty. September remains a likely pivot point for a rate cut.



A LOOK FORWARD¹

- Investors will turn their attention this week to inflation and sentiment with May's Consumer Price Index, Producer Price Index, and June's University of Michigan Consumer Sentiment being released.

How does this week's slate of economic data impact you?

- Inflation has moderated from its peak, and upcoming data will be key in assessing whether the disinflation trend is maintaining momentum toward the Fed's 2% target, especially amid new tariff-related cost pressures and softening consumer sentiment.



MARKET UPDATE²

Market Index Returns (%) as of 6/6/2025	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	1.54	7.20	2.62	13.73	14.72	15.18
NASDAQ	2.20	13.04	1.44	14.79	17.98	15.63
Dow Jones Industrial Average	1.23	2.20	1.31	12.17	11.00	11.73
Russell Mid-Cap	1.58	6.27	2.66	13.42	9.03	11.51
Russell 2000 (Small Cap)	3.23	6.23	-3.84	6.66	5.11	8.63
MSCI EAFE (International)	0.73	10.16	17.72	13.46	11.85	10.07
MSCI Emerging Markets	2.28	8.05	11.21	12.95	6.47	5.94
Bloomberg Barclays US Agg Bond	-0.44	-0.76	2.00	4.54	1.59	-0.89
Bloomberg Barclays High Yield Corp.	0.32	1.99	3.01	9.21	7.20	5.21
Bloomberg Barclays Global Agg	-0.08	2.49	5.20	6.63	1.34	-1.37



OBSERVATIONS

- Major U.S. stock indexes moved higher on the week, with the S&P 500 up +1.54%, the NASDAQ gaining +2.20%, and the Dow Jones rising +1.23%, as markets responded positively to tech strength and stable economic data.
- Small caps outperformed all other domestic equity segments as the Russell 2000 surged +3.23% amid improving risk appetite.
- International developed markets posted modest gains, with the MSCI EAFE index rising +0.73% on signs of economic stabilization in Europe and Japan.
- Emerging markets rallied +2.28% for the week (MSCI EM), boosted by gains in Asian equities and improving global trade sentiment.
- US bonds declined -0.44% (Bloomberg US Agg.), pressured by rising Treasury yields, while international bonds (Bloomberg Global Agg.) slipped -0.08% as global fixed income markets faced rate pressure.
 - US high yield corporate bonds gain +0.32%, reflecting strong credit appetite amid resilient economic conditions.



BY THE NUMBERS

- Inside the Lifesaving Power of Doppler Weather Radar³:** The U.S. operates a network of 160 high-resolution Doppler radars known as NEXRAD, which was installed in 1988 and updated in 2012. These radars emit microwave pulses that bounce off precipitation particles, allowing meteorologists to detect not only the presence of precipitation but also its intensity and movement. Each radar unit can scan the atmosphere up to 1300 times per second, providing detailed vertical profiles of storm systems. This capability enables the detection of severe weather phenomena such as tornadoes and downbursts, significantly increasing warning times and reducing fatalities. However, concerns have been raised about potential outages due to staffing cuts and misinformation, which could compromise the effectiveness of these critical forecasting tools.
- Vietnam Ends Its Longstanding Two-Child Policy: On June 4⁴,** 2025, Vietnam officially abolished its longstanding two-child policy, allowing families to decide freely on the number of children they wish to have. This decision comes in response to a steady decline in the national fertility rate, which dropped from 2.11 children per woman in 2021 to 1.91 in 2024, falling below the replacement level of 2.1. Urban areas, such as Ho Chi Minh City, have experienced even lower rates, with 1.39 children per woman in 2024. The country's working-age population, currently comprising nearly 70% of its over 100 million citizens, is expected to peak by 2042, raising concerns about future labor shortages and economic challenges. To encourage higher birth rates, the government has introduced incentives, including six months of fully paid maternity leave and free education up to high school.

Economic Definitions

ADP Report: The ADP National Employment Report is an independent estimate of the change in U.S. nonfarm, private employment derived from actual, anonymous payroll data of client companies served by ADP.

Challenger Report: The Challenger Report, formally known as the Challenger, Gray & Christmas Job Cut Report, is a monthly publication that tracks the number of planned job cuts announced by US-based companies. It provides insight into corporate downsizing trends and labor market conditions across various industries. The report is based on publicly available announcements and is considered a leading indicator of employment shifts, often signaling potential changes in labor market momentum before they appear in government employment data.

Consumer Price Index - CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

ISM Manufacturing Index: The ISM Manufacturing Index, also known as the Manufacturing Purchasing Managers Index (PMI), is a widely followed gauge of US manufacturing activity, published monthly by the Institute for Supply Management. It is derived from surveys of purchasing managers across various manufacturing industries and reflects changes in production, new orders, employment, supplier deliveries, and inventories. A reading above 50 indicates expansion in the manufacturing sector, while a reading below 50 indicates contraction.

ISM Services Index: The ISM Services Index is a monthly economic indicator published by the Institute for Supply Management that measures activity in the US services sector, including industries such as finance, healthcare, retail, and transportation. Based on a survey of purchasing and supply executives, the index assesses key components including business activity, new orders, employment, and supplier deliveries. A reading above 50 indicates expansion in the services sector, while a reading below 50 signals contraction.

Job Openings and Labor Turnover Survey – JOLTS: This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

Nonfarm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

Producer Prices - PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

University of Michigan Consumer Sentiment Index: Consumer confidence tracks sentiment among households or consumers. The results are based on surveys conducted among a random sample of households. Target Audience: a representative sample of US households (excluding Alaska and Hawaii). Surveys of Consumers collects data on consumer attitudes and expectations, summarized in the Consumer Sentiment, in order to determine the changes in consumers' willingness to buy and to predict their subsequent discretionary expenditures. This Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices. Components of the Index of Consumer Sentiment are included in the Leading Indicator Composite Index. Unit: Index (Q1 1966=100)

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

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¹ Data obtained from Bloomberg as of 6/6/2025.

² Data obtained from Morningstar as of 6/6/2025.

³ [How Doppler Radar Lets Meteorologists Predict Weather and Save Lives | Scientific American](#)

⁴ [Vietnam ends its longstanding 2-child policy | NPR Illinois](#)

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