SMITH SHELLNUT WILSON
AN AFFILIATE OF 61BANK

Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"You may have to fight a battle more than once to win it." Margaret Hilda Thatcher

MARKETS

Macro Recap: Congress narrowly passed the Trump administration's budget and domestic policy legislation, sending the measure to the White House for the President's signature. The Senate approved the bill on Tuesday following a 50-50 tie, which was broken by the Vice President's deciding vote. The House of Representatives followed on Thursday, passing the bill by a narrow margin of 218 to 214.

Equity markets posted their strongest daily gains of the week on Thursday, buoyed by a June employment report that modestly exceeded expectations. The U.S. economy added 147,000 jobs in June, surpassing consensus forecasts of approximately 117,000. Additionally, job growth figures for the previous two months were revised upward, reversing a recent trend of downward revisions. The unemployment rate edged down to 4.1% from 4.2% in May.

However, some underlying data points were less robust. Private-sector payrolls rose by only 74,000, and there were slight declines in both the average workweek and the year-over-year growth rate of average hourly earnings.

Despite strengthening in response to the upbeat employment report, the U.S. dollar remained near its lowest level since early 2022 against a basket of major currencies. The dollar ended the second quarter down more than 5%, and as of Thursday, it had declined 10% year-to-date.

Equity Recap: The S&P 500 and NASDAQ continued their upward momentum, building on record highs set the previous week. The DJIA also approached its all-time high, ending Thursday within 0.4% of that mark. For the holiday-shortened trading week, all three major indexes posted gains of approximately 2.0%.

Despite market volatility earlier in the quarter—particularly in April due to tariff-related concerns—U.S. equity markets closed the second quarter with strong overall performance. The S&P 500 advanced 10.6% for the quarter, driven by robust monthly gains of 6.2% in May and 5.0% in June. As of the quarter's close on Monday, the index was up 5.5% year-to-date.

Bond/Rate Recap: U.S. Treasury yields moved higher this week in response to the stronger-than-expected June employment data. The yield on the 2-year Treasury note rose 14 basis points to 3.88%, while the 10-year note yield increased by six basis points to 4.35%.

The jobs report also had a notable impact on interest rate expectations. Market participants significantly reduced the likelihood of a rate cut at the upcoming July FOMC meeting. The probability of a 25-basis-point rate cut fell to 4.7%, down sharply from 23.8% the day before the report's release.

Week Ahead: Investor attention will turn to corporate earnings as U.S. companies prepare to kick off the second-quarter reporting season. As of Thursday, analysts surveyed by FactSet projected that companies in the S&P 500 would report average earnings growth of approximately 5.0% for the quarter. If realized, this would mark the slowest pace of earnings growth since the fourth quarter of 2023, reflecting tempered expectations amid a mixed economic backdrop.

INDICES

	July 3 Close	June 30 Open	Weekly Change	Dec 31 2024	YTD Change
DJIA	44,829	43,819	2.3%	42,544	5.4%
S&P 500	6,279	6,173	1.7%	5,882	6.8%
NASDAQ	20,601	20,273	1.6%	19,311	6.7%
Russell 2000	2,249	2,173	3.5%	2,230	0.9%
KBW Bank Indx	145.4	138.7	4.8%	127.5	14.1%
Bitcoin	$108,547	$107,449	1.0%	$93,714	15.8%
Oil (WTI)	$67.08	$65.52	2.4%	$71.72	-6.5%
Gold	$3,311	$3,274	1.1%	$2,625	26.1%
Prime	7.50	7.50	0.00	7.50	0.00
Effective Fed Funds	4.33	4.33	0.00	4.33	0.00
3m Tbill	4.35	4.29	0.06	4.31	0.04
2yr UST	3.87	3.75	0.13	4.24	-0.37
10yr UST	4.36	4.28	0.08	4.57	-0.21
2-10yr UST Spread	48	53	-4	33	16
2y AAA Muni/10y UST	66.4%	70.2%	-3.8%	66.5%	0.0%
10y AAA Muni/10y UST	73.8%	75.4%	-1.6%	68.4%	5.4%
5yr Inflation Forecast	2.40	2.32	0.07	2.42	-0.02

Week Ahead

- **Monday:** No major reports
- **Tuesday:** Consumer credit, Small business optimism index
- **Wednesday:** FOMC minutes from June 17-18 meeting
- **Thursday:** Weekly unemployment
- **Friday:** Federal budget

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