



St. Louis, Missouri

WEEK OF JUNE 9, 2025

Market Update

U.S. stocks rose on strong semiconductor performance, AI momentum, and trade optimism. Tesla lagged on EV credit risks. Cyclical led despite policy uncertainty. Yields climbed as firm wage data and hawkish European Central Bank (ECB) comments tempered Federal Reserve (Fed) rate cut expectations.

Quick Hits

1. **Beyond the headlines:** Where should the U.S. take its medicine?
2. **Report releases:** The May job report showed that a solid 139,000 jobs were added during the month.
3. **Financial market data:** Continued AI spending moved markets higher despite Tesla's struggles.
4. **Looking ahead:** The focus this week will be on consumer sentiment and inflation.

Beyond the Headlines: Where Should the U.S. Take Its Medicine?

The world's richest person, the president, and the head of the Fed made their cases.

A rare debate has emerged among the most powerful voices in America's economy—Elon Musk, President Donald Trump, and, to a lesser extent, Fed Chair Jerome Powell—about the future of government spending, interest rates, and the overall health of the economy.

Musk, known for founding Tesla and SpaceX and later serving as a contracted advisor to the Trump administration on government spending, warned that the U.S. is spending far more than it can afford. He pointed to rising deficits—the growing gap between what the government spends and what it collects—and said the country is traveling a dangerous path. Musk argued that President Trump's proposed "big, beautiful bill," which would extend tax cuts and increase spending, has been projected by some to add trillions to the national debt. In his view, the U.S. must rein in spending now before confidence in the dollar and U.S. debt starts to weaken.

President Trump sees it differently. He believes fiscal stimulus—through lower taxes and targeted spending—is necessary to support jobs, encourage business investment, and keep the U.S. economically competitive. His view is that a stronger economy will lead to higher tax revenues, which can eventually help offset the cost of current spending. In the case of tariffs, these are higher foreign tax revenues that would come at the cost of higher prices if demand stayed the same.

Powell has taken a more neutral but cautious stance, though he has stated that U.S. debt is on an unsustainable path. As head of the central bank, Powell controls interest rates—the tool used to influence inflation, borrowing, and

investment. The Fed believes rates should follow the data until inflation returns to the central bank's 2 percent target. Elevated rates relative to other countries support a strong U.S. dollar and attract foreign buyers of U.S. Treasury bonds, helping fund the government's growing debt. This, however, comes at the cost of higher borrowing rates within the U.S., which can slow the economy.

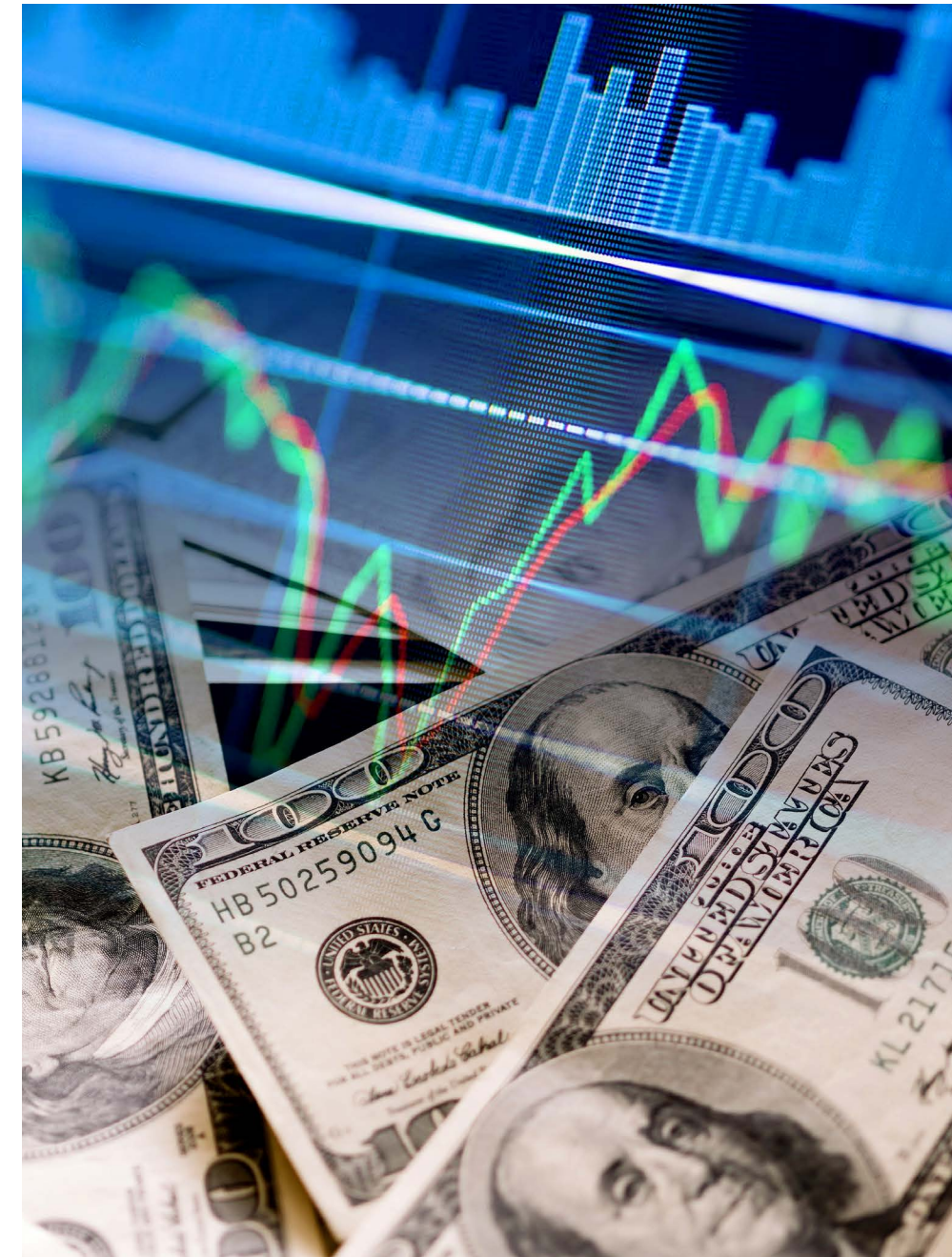
Each leader offers a different prescription. Musk pushes for long-term fiscal responsibility. Trump prioritizes near-term growth and business activity. Powell aims to ensure financial stability and avoid a return of inflation.

In the constant effort to win reelection, elected officials often lean toward more spending, not less. But these decisions carry long-term consequences.

What happens next will shape more than just economic headlines. The choices made today could affect investor risk appetite, global demand for U.S. debt, the cost of borrowing, the Fed's ability to cut rates in the future, fiscal stimulus options, future tax levels, and more.

These debates are worth monitoring because they may affect your financial plan.

Musk pushes for long-term fiscal responsibility. Trump prioritizes near-term growth and business activity. Powell aims to ensure financial stability and avoid a return of inflation.



Report Releases: June 2–6, 2025

Institute for Supply Management (ISM) Manufacturing Index May (Monday)

- Manufacturing activity fell for the fourth consecutive month, leaving the index in contractionary territory.
- Expected/prior month ISM Manufacturing index: 49.5/48.7
 - Actual ISM Manufacturing index: 48.5



ISM Services Index May (Wednesday)

- Service sector activity came in below expectations and the prior month's reading.
- Expected/prior month ISM Services index: 52.0/51.6
 - Actual ISM Services index: 49.9



Trade Balance April (Thursday)

- The U.S. trade deficit shrank more than expected, falling to \$61.6 billion, due primarily to a 16.3 percent drop in imports.
- Expected/prior U.S. trade balance: -\$68.6B/-\$140.5B
 - Actual U.S. trade balance: -\$61.6B



Employment Report May (Friday)

- After several periods of cratering consumer sentiment, June's preliminary reading is expected to remain relatively stable.
- Expected/prior change in nonfarm payrolls: 126,000/147,000
 - Actual change in nonfarm payrolls: 139,000
 - Expected/prior unemployment rate: 4.2%/4.2%
 - Actual unemployment rate: 4.2%



>> The Takeaway

- Although manufacturing was stronger than expected, services slipped into contractionary territory last month.
- The jobs report was stronger than expected despite a weak ADP employment report.

Financial Market Data

Equity

U.S. equities rallied for the second week in a row, with the S&P 500 now up 20 percent from April lows and within 3 percent of February’s record. Semiconductors, industrial metals, Chinese technology, cruise lines, and higher-risk stocks outperformed, whereas staples, apparel, and media lagged. Tesla fell 14.7 percent on EV credit risk. Trade optimism rose after the U.S. and China agreed to restart talks, though skepticism remains. Oil jumped 6.2 percent as OPEC+ output came in below expectations. AI updates from TSM and Broadcom, along with Meta Platforms’ nuclear energy deal, bolstered sentiment. Deficit concerns and legislative uncertainty remain key overhangs as markets await upcoming inflation data.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.54%	1.54%	2.61%	13.60%
Nasdaq Composite	2.20%	2.20%	1.45%	14.56%
DJIA	1.23%	1.23%	1.31%	11.92%
MSCI EAFE	0.73%	0.73%	18.19%	13.32%
MSCI Emerging Markets	2.29%	2.29%	11.35%	13.52%
Russell 2000	3.23%	3.23%	-3.84%	5.47%

Source: Bloomberg, as of June 6, 2025

Fixed Income

U.S. Treasuries sold off late in the week, reversing an early rally sparked by soft ADP payrolls, weak ISM services, and elevated jobless claims. The 2-year yield rose 13 basis points (bps) to 4.04 percent. The 30-year again approached 5 percent, pressured by stronger-than-expected May payrolls and hotter wage growth. Hawkish ECB commentary and progress on U.S.-China trade talks also added upward pressure. Markets are now pricing in just under two Fed rate cuts by year-end. Meanwhile, growing concerns over fiscal deficits, reconciliation delays, and foreign demand for long-duration debt remain key overhangs ahead of this week’s Consumer Price Index (CPI) release and \$169 billion in Treasury auctions.

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-0.45%	2.00%	3.69%
U.S. Treasury	-0.76%	1.97%	3.24%
U.S. Mortgages	-0.81%	1.88%	3.75%
Municipal Bond	-0.09%	-1.05%	0.71%

Source: Bloomberg, as of June 6, 2025

>> The Takeaway

- U.S. equities climbed as AI optimism, trade progress, and cyclical outperformance outweighed Tesla weakness and fiscal policy uncertainty.
- Treasuries sold off as strong payrolls, firm wage growth, and hawkish ECB commentary tempered Fed rate cut expectations.

Looking Ahead

This week, the focus will be on consumer sentiment and inflation.

- The week kicks off Monday with the May survey of consumer expectations by the **New York Fed**. The survey has shown 1-year forward inflation expectations of 3.6 percent the past two months.
- On Wednesday, May's CPI will be released. Headline and core CPI are expected to accelerate modestly.
- On Thursday, May's **Producer Price Index (PPI)** will be released. Producer prices are expected to increase after experiencing some relief in the prior month.
- Finally, on Friday, we will see the preliminary **University of Michigan consumer sentiment survey** for June. After several periods of cratering sentiment, the preliminary reading is expected to be relatively stable.





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companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent. One basis point (bp) is equal to 1/100th of 1 percent, or 0.01 percent.

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