Weekly Commentary with Professor Jeremy J. Siegel

Jobs Report Better Than Feared

7/7/2025

The headline employment figure came in stronger than expected and better than feared following the weak ADP report, but the details were far from a blockbuster.

Private sector hiring came in light, and both average hours worked and wages showed restraint, offering no new inflationary pressures. Government hiring added 70,000 jobs, mostly state and local government. Meanwhile, the household employment survey added 200,000 jobs, but only after a staggering 800,000 drop in the prior month, so we remain down on a two-month basis. All in all, this report was "okay"—not strong enough to change the path of monetary policy and certainly not weak enough to force the Fed's hand toward a cut this month.

The bond markets were clearly positioned for a weaker report, which explains the 10 basis point spike in the 10-Year yield after the data hit. Even so, yields remain well below 4.5%, and the yield curve is still either flat or inverted. That's consistent with the sluggish money supply growth we continue to see. In fact, very recent deposit data was especially weak. There is no evidence whatsoever of reaccelerating inflationary pressure from the monetary side, which remains one of the most important metrics I monitor. The Fed should be paying more attention to this weakness, but the optics of a 4.1% unemployment rate—improving relative to expectations—make it difficult in their minds to justify a cut in July. With no more employment reports before the July 30th FOMC meeting, and inflation readings unlikely to show a sharp deterioration, the Fed will keep rates steady for now.

Equity markets found encouragement, not because employment showed strength, but because it did not show further deterioration. The S&P 500 rose, and while higher yields tempered gains, the broad takeaway was that economic activity is holding up.

The passage of the tax bill ahead of the holiday was well factored into consensus expectations and thus didn't move markets, but it remains a favorable development for capital investment. Immediate expensing versus complicated depreciation schedules is a major win for productivity and a tailwind for corporate earnings going forward. This is a pro-capital bill, despite the poor messaging from the GOP. The Democrats have successfully turned the narrative toward entitlement cuts, but politically, this won't matter in the near term with the election still 16 months away.

Next week has very little significant economic data. Attention will shift to tariff deals. The new trade deal with Vietnam is another positive for near-shoring and a significant win for Mexico and Canada. The early reports on the structure of this deal limits backdoor access for Chinese goods and ensures that North American supply chains are favored, which should support regional manufacturing. The tariff issue looms, but I maintain that any country actively negotiating will avoid punitive increases. It's all about showing up at Trump's table.

We're closely watching for a potential shift in market leadership. July has opened strongly for smaller caps, but I believe the stage is set for a longer-lasting rotation. Companies able to leverage AI for productivity gains—particularly in financials and traditional industries—are poised to outperform. If users begin to invest in cost-saving technologies under the pressure of higher tariffs or wage costs, value could finally have its day.

Please see the WisdomTree Glossary for definitions of terms and indexes.