June 2025
Macro Commentary

With another Independence Day behind us, there have been a few new inputs to gauge. Congress passed the OBBB (One Big Beautiful Bill) on July 4. The tariff deadline goes into effect on July 8 with lots of negotiations continuing into the final hour. The tariff deals (or lack thereof) will have profound effects on the macro outlook.

From the 30,000 foot view, one can still see the weak soft data and firm hard data. Non-farm payrolls came out on July 3 and showed lower unemployment (all due to reductions in the labor force), weaker private sector jobs, and better state and local government hiring. After ADP printed a negative number (-33k), the market breathed a sigh of relief and immediately rallied stocks and sold interest rates. The moves (especially in interest rates) were overblown in my opinion. While I am not outright bearish on the economy, I do think it is fraying at the edges. The size of the tariffs should have an outsized impact. If the majority of the imports stay in the 10-20% range, the impact could remain muted. If the tougher negotiating exporters get slapped with 40%+, it would be a substantial drag. As stated last month, overall purchasing power is getting diminished. Caution is warranted and, especially, the stock market keeps humming along. As you can see in the chart below, the Citi surprise index is certainly not near its low. It is still negative which indicates that the market has been a bit optimistic of late. Attention is being paid especially to the hard data. Also, with earnings season kicking off in earnest in mid-July, the market and I will be hyper-focused on not just the data but the statements associated with the reports.

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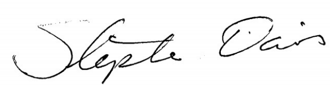
Switching gears to precious metals, silver has been catching up to gold to some degree, but is still cheap on a ratio basis. Chart below:

With the US deficits showing no signs of shrinking, the currency debasement should continue to support precious. With silver being so cheap on gold, it is the preferred vehicle for now.

Sincerely,



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