CIO OFFICE MORNING MARKET WRAP

4 July 2025

Yesterday's strong US jobs report prompted traders to drop bets on a July rate cut. Payrolls increased by 147,000, beating most forecasts. Revisions added 16,000 jobs over the previous two months, raising the three-month average to 150,000. Unemployment fell to 4.1% from 4.2%. However, June's job growth was driven largely by government hiring, with private payrolls up just 74,000—below expectations and the weakest since October. Private sector work hours dropped to 34.2, near the cycle's low, according to JPM.

Expectedly, front-end yields increased sharply. The 2-year jumped by 10 bps. 10-year yields rose by 7 bps as the curve bear-flattened. Equity markets rejoiced with S&P 500 and Nasdaq up 0.8% and 1%, respectively. Except Healthcare, all the other sectors were positive.

The US Congress passed the One Big Beautiful Bill Act, which now awaits presidential approval. The CBO projects this bill will add over $450bn to annual deficits in the next four years. After accounting for tariffs and fiscal conventions, economists forecast the deficit will rise by almost 1 percentage point from FY25 to FY26, reaching about 7% of GDP. But this will not provide any fiscal acceleration to the economy according to Jay Barry.

Markets this morning:
The US markets are closed today. However, President Trump's threat to release letters to other counties on tariffs today has impacted markets negatively. Hong Kong stocks are down 0.6%. Mainland China equities are up 0.4%. Nikkei is down 0.1%. Oil trades at $68.5 and Gold is at $3,339.

Upcoming key events/data:
There is no top tier data upcoming today. From Eurozone, we get Germany's Factory Orders, Next week we get the FOMC meeting minutes on Wednesday and NY Fed 1-year expectation number on Monday.

Best Regards,

Chief Investment Office
Wealth Management
Emirates NBD.

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