ADP Signals Labor Market Weakness

The Fed and most investors primarily assess the labor market based on the monthly BLS employment report. To better guide those estimates, various reports, such as the monthly ADP report, can be helpful. We say ?can be? because, since the pandemic, ADP has been less correlated with the BLS than it was before the pandemic. Regardless, ADP is a more accurate gauge of the labor market, as it utilizes actual payroll records from over 400,000 businesses. In contrast, the BLS relies on surveys of approximately 150,000 companies and individuals.

ADP?s recent trend and yesterday?s data are worth noting. ADP was expected to report that the economy gained 99k jobs. Instead, they said it lost 33k jobs, the first decline in over two years. The graph below compares the three-month moving average of the change in ADP and the BLS payrolls growth. As shown, ADP job growth is averaging 18,667 new jobs a month, almost 100k less than the BLS is reporting.

While it?s easy to blame tariffs for recent weakness, the Tweet of the Day, courtesy of ZeroHedge, below shows something more concerning. According to the ADP, June saw the largest decline in service sector payrolls (-66,000) since March 2020. While 52k of the losses came from education and health, which tend to be seasonally volatile, the trend is poor. The current estimate for the BLS is +100k. ADP data argues we could get a surprise catch down. Stay tuned!

What To Watch Today

Earnings

- *No earnings releases today.*

Economy

Thursday July 03 2025			Actual	Previous	Consensus	Forecast
07:30 AM	US	Government Payrolls JUN		-1K		0.0K
07:30 AM	US	Jobless Claims 4-week Average JUN/28		245K		246.0K
07:30 AM	US	Manufacturing Payrolls JUN		-8K	-6K	15.0K
07:30 AM	US	Nonfarm Payrolls Private JUN		140K	110K	100.0K
07:30 AM	US	U-6 Unemployment Rate JUN		7.8%		7.8%
08:45 AM	US	S&P Global Composite PMI Final JUN		53	52.8	52.8
08:45 AM	US	S&P Global Services PMI Final JUN		53.7	53.1	53.1
09:00 AM	US	ISM Services PMI JUN		49.9	50.5	49.7
09:00 AM	US	Factory Orders MoM MAY		-3.7%	8%	9.5%
09:00 AM	US	Factory Orders ex Transportation MAY		-0.5%		0.9%
09:00 AM	US	ISM Services Business Activity JUN		50		49.8
09:00 AM	US	ISM Services Employment JUN		50.7		51.1
09:00 AM	US	ISM Services New Orders JUN		46.4		46.3
09:00 AM	US	ISM Services Prices JUN		68.7		69.4
09:30 AM	US	EIA Natural Gas Stocks Change JUN/27		96Bcf		

Market Trading Update

Yesterday, we presented the bull/bear case for the market. Interestingly, there was a sharp market rotation on Tuesday as momentum gave way to value stocks as shown.

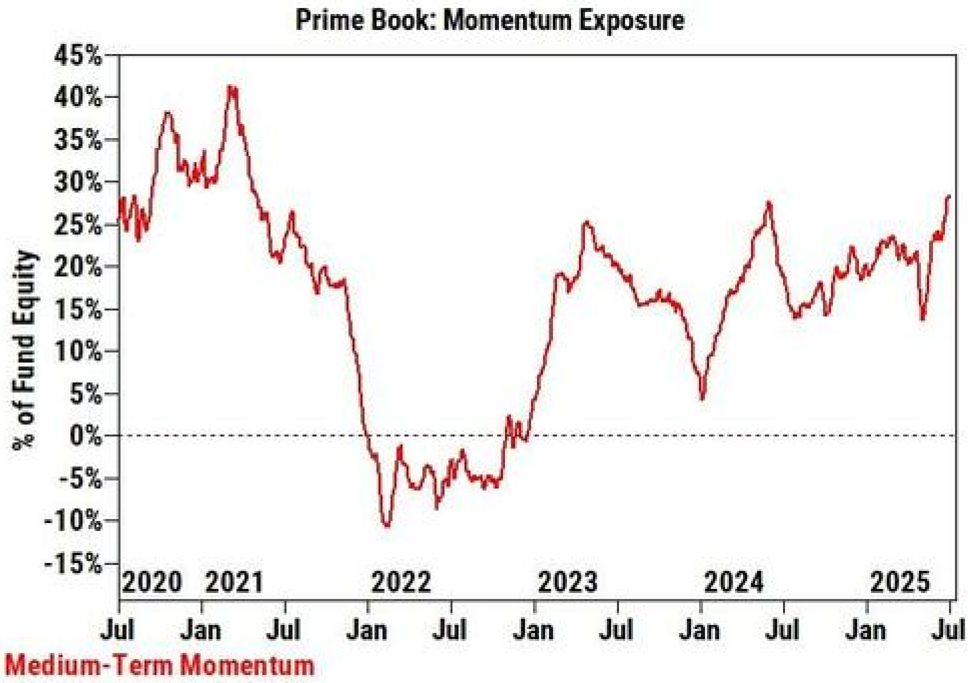
Name	Ticker	Q2 2025
AI Winners vs AI At Risk	**GSPUARTI**	**32.5%**
Secular Growth vs Bond Proxies	GSPUSGBO	30.7%
New Tech vs Expensive Defensives	GSPUNEXT	29.9%
Cyclicals/Defensives ex-Commodities	GSPUCYDE	15.5%
Infrastructure vs Hedge	GSPUINFS	12.6%
Hi Growth Hi Margin vs Lo Margin	GSPUHGMP	11.9%
Nat Gas vs Oily Energy	**GSPUNATO**	**11.7%**
Republican Policy Pair	GSP24REP	11.2%
Low Income Consumer vs Housing	GSPULOHO	9.0%
China vs US Sales Exposure	GSPRCHSL	8.6%
HF VIP vs VIP Short	GSTHVIPP	8.5%
China ADR/HK listing vs ADR-only	GSPUCADR	2.3%
Strong vs Weak Balance Sheet	GSPRLEVR	2.2%
Corporate Tax Factor	GSPUTAXP	0.8%
High vs Low Free Cash Flow	GSPUFCFP	-1.7%
GLP-1 Exposed vs At Risk	GSPUGLPP	-2.6%
MF OWs vs UWs	GSPRMUTL	-3.2%
High Stable vs Low Variable Gross Margin	GSPUGMPT	-3.9%
Small Cap Hi vs Lo Profitability	GSPUPROF	-4.9%
Goods vs Services Spending	GSPUSPND	-5.4%
AI Power vs AI Hardware ex-Power	GSPUAIPO	-5.8%
SPX Equal Weight vs Cyclicals	GSPUEWCY	-5.8%
Hedge Fund VIPS vs Most Short	GSPRHVMS	-6.4%
MegaCap Tech vs Non Profitable Tech	GSPUMENP	-6.5%
Software vs Semis	GSPUSOSE	-10.2%
Low vs High Stock Based Comp	GSPUSBCP	-10.7%
Commercial vs Clinical Biotech	GSPUHCVC	-13.4%
Long Value vs Secular Growth	**GSPUVLSG**	**-18.7%**
L/S Stagflation	GSPUSTAG	-19.8%
China vs US Internet	GSPRUCIT	-21.9%

1-Jul	Ticker	Name
3.9%	**GSPUVLSG**	**Long Value vs Secular Growth**
1.3%	GSPUSPND	Goods vs Services Spending
1.3%	GSPUGLPP	GLP-1 Exposed vs At Risk
1.4%	GSPUSBCP	Low vs High Stock Based Comp
0.9%	GSPUCADR	China ADR/HK listing vs ADR-only
0.4%	GSPUFCFP	High vs Low Free Cash Flow
-0.2%	GSPUSTAG	L/S Stagflation
-0.4%	GSPUMENP	MegaCap Tech vs Non Profitable Tech
0.1%	GSPUHCVC	Commercial vs Clinical Biotech
0.1%	GSPUTAXP	Corporate Tax Factor
0.3%	GSPRMUTL	MF OWs vs UWs
0.5%	GSPUHGMP	Hi Growth Hi Margin vs Lo Margin
0.3%	GSPUPROF	Small Cap Hi vs Lo Profitability
0.1%	GSPRCHSL	China vs US Sales Exposure
0.4%	GSPUCYDE	Cyclicals/Defensives ex-Commodities
-0.4%	GSPRHVMS	Hedge Fund VIPS vs Most Short
-0.5%	GSPUEWCY	SPX Equal Weight vs Cyclicals
-0.2%	GSPRUCIT	China vs US Internet
-1.2%	GSPUGMPT	High Stable vs Low Variable Gross Margin
-1.4%	GSPUSOSE	Software vs Semis
-1.1%	GSTHVIPP	HF VIP vs VIP Short
-0.8%	GSPUINFS	Infrastructure vs Hedge
-1.5%	GSPUAIPO	AI Power vs AI Hardware ex-Power
-1.9%	GSPRLEVR	Strong vs Weak Balance Sheet
-1.9%	GSP24REP	Republican Policy Pair
-2.2%	GSPUSGBO	Secular Growth vs Bond Proxies
-2.3%	GSPULOHO	Low Income Consumer vs Housing
-2.0%	GSPUNEXT	New Tech vs Expensive Defensives
-3.4%	**GSPUARTI**	**AI Winners vs AI At Risk**
-6.9%	**GSPUNATO**	**Nat Gas vs Oily Energy**

While many headlines suggested that the rotation meant the *?MoMo?* trade was over, it was just the beginning of the month?s portfolio rebalancing. Managers went into the end of the quarter holding their best performers, and after booking the gains for the quarter, rebalanced those holdings on the 1st.

Yesterday, we saw the AI leaders lead the charge once again as managers added to those holdings heading into earnings season, which begins with the financials late next week.

Despite the more bearish commentators who keep looking for any catalyst for a pullback, the momentum trade continues to be the market driver from the ?*Liberation Day?* lows.



With that stated, the market is indeed overbought on several levels, with the deviation from the 50-DMA becoming more extended. We will likely see a pullback towards the recent breakout levels to turn that previous resistance level into support. However, those pullbacks will likely be bought with professional investors still trailing the market and underexposed.

MACD (12, 26, close, 9) 10.52 90.49 79.97
100.00
0.00
-100.00
-200.00
S&P 500, 1D O6193.88 H6224.61 L6188.29 C6223.35 +25.34 (+0.41%)
Moving Average Triple (50, 100, 200, Simple) 5867.64 5777.30 5839.48
CMF (20) 0.10
Resistance
Support
6400.00
6223.35
6143.43
5966.89
5800.00
5600.00
5400.00
5200.00
5000.00
4800.00
0.35
0.30
0.25
0.20
0.15
0.10
0.05
0.00
-0.05
-0.10
RSI (14, EMA, 9) 72.54 68.18
70.00
60.00
50.00
40.00
30.00
20.00
Apr
15
May
15
Jun
16
Jul
TradingView

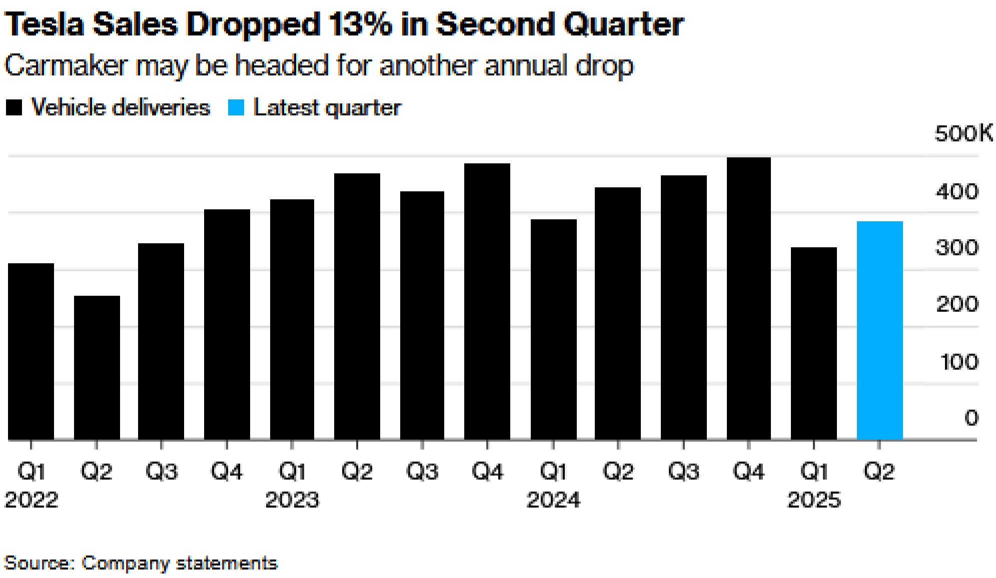
Continue to hold long exposure in portfolios as there are few catalysts for a pullback, particularly with expectations for earnings vastly lowered. We continue to think that the next potential for a more significant correction (3-5%) will not come until later this summer. However, as is always the case, the unexpected happens, so continue to manage portfolio risk accordingly.

Tesla Car Sales Stagnate

Tesla (TSLA) reported a 13.5% decline in global vehicle deliveries for the second quarter, with 384,122 vehicles delivered compared to 443,956 the previous year. The decline follows a similar 13% drop in the first quarter. As things stand now, Tesla is on course for a second consecutive annual sales decline.

Its weakness, as shown below courtesy of Bloomberg, is driven by a combination of factors, including an aging vehicle lineup, increased competition from other automakers, and, more recently, a backlash against CEO Elon Musk?s political stances. To help improve its revenue, Tesla is rapidly advancing its robo taxi business and promises more affordable models. Neither has impacted sales to this point. While those may help on the sales front, new headwinds in the form of intense competition from China and the likely rollback of regulatory credits may offset any gains it can make.

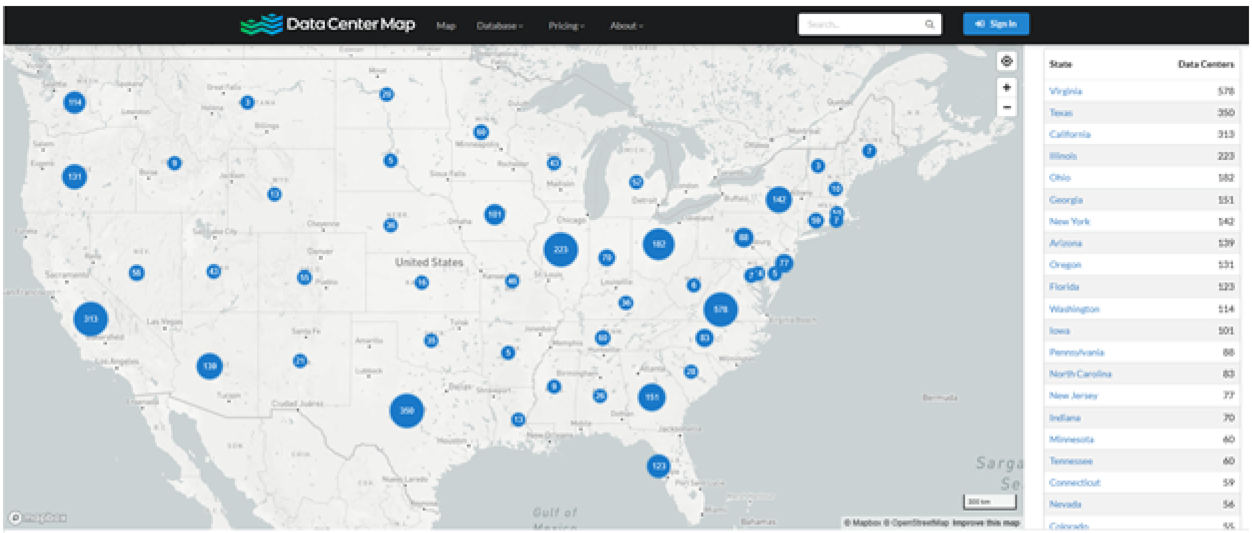
The second graph below shows that the share price of Tesla has stagnated alongside its sales. That said, it still has much more expensive valuations than its chief competitors.



Behind The Meter Solutions- Investment Guide

Part 1 of this article ***(Fueling AI Data Centers: Behind The Meter Solutions)*** explained how data centers are leveraging the abundance and relative affordability of natural gas to fuel Behind the Meter (BTM) power generators. Part Two advances the discussion to investing in this promising innovation.

This article looks past the data center operators and focuses on the natural gas pipelines and the manufacturers of natural gas power plant equipment. We also highlight a couple of well-traded ETFs with exposure to Behind the Meter solutions and a company with a unique product for on-site power generation. Lastly, we address some key considerations and risks associated with such investments.



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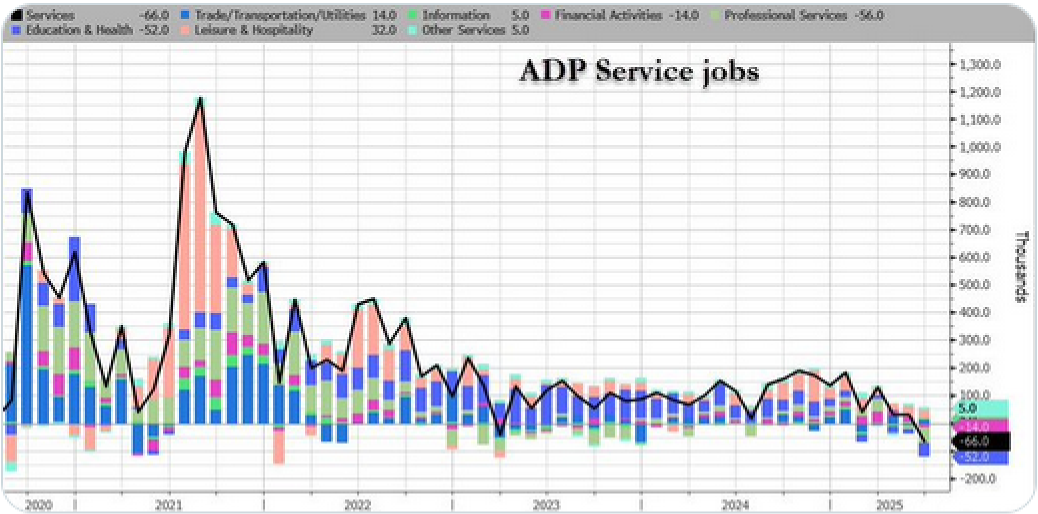
Tweet of the Day

zerohedge @zerohedge · 20m

According to **ADP**, June had the biggest drop in service jobs since the US economy shut down in March 2020 for covid, driven by just two categories of jobs.



?Want to achieve better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.?](#)

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