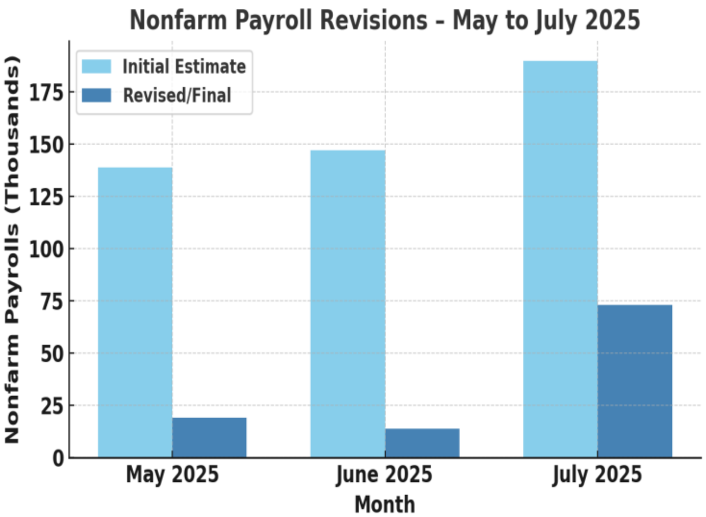
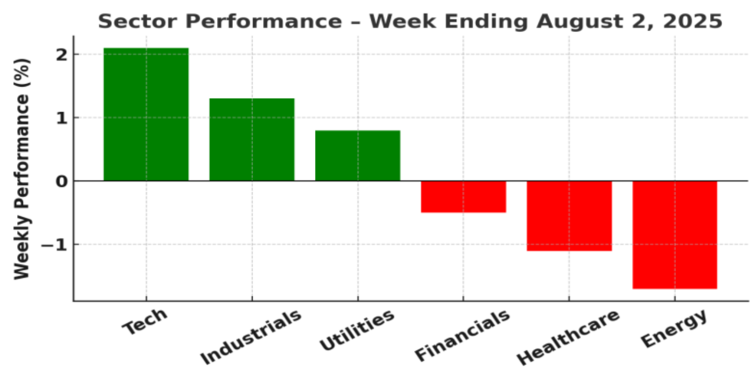
PARAMOUNT ASSOCIATES

THE TREMLETT BRIEF

Job Growth: Sharp Revisions Signal Cooling Labor Market



Recent BLS updates revised job gains down sharply: **May** was adjusted **from 139,000 to 19,000** and **June** from **147,000 to just 14,000**. **July** payrolls **came in at 73,000**, undershooting expectations. The combined **downward revision of 258,000 jobs** across May and June is one of the steepest in years, reinforcing the narrative of a slowing labor market. Markets dropped sharply following the July jobs report and major downward revisions to May and June payrolls, with equities falling up to 2% and bond yields retreating as investors priced in a likely Fed rate cut by September. The unexpectedly weak labor data signaled a cooling economy and shifted sentiment toward policy easing.

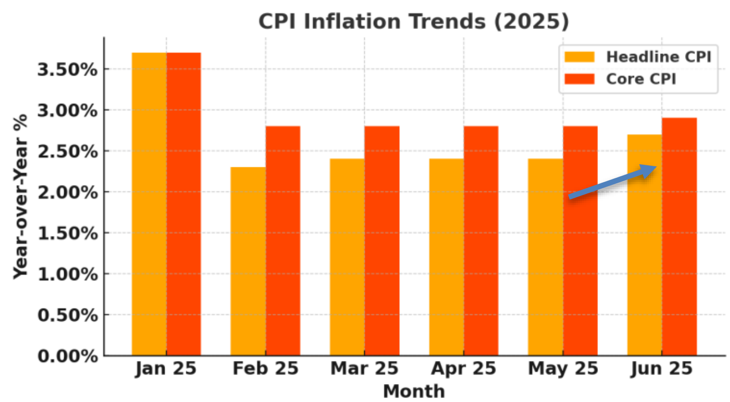


Market Narrowness and Policy-Driven Gains

Despite strong index performance, most of the gains are coming from a few dominant players. Breadth remains narrow, and the **average stock lags well below its high**. This masks economic uncertainty and policy shifts that continue to reshape sector behavior and investor sentiment.

Policy Disruptions: Tariffs and Labor Supply

Tariffs surged from **2.5% to nearly 15%** on average this year, with a **peak projection of 30%.** This is expected to drive consumer prices higher and stoke inflation. On the labor front, immigration declines have constrained workforce growth, adding pressure to wage inflation and impacting job creation. While **unemployment** remains low (**around 4.2%**), hiring is slowing. Headline inflation held steady at 2.4% from March through May before rising to 2.7% in June, **signaling renewed price pressure**. Core CPI also increased slightly from 2.8% to 2.9%, driven by **persistent costs in services and housing**.

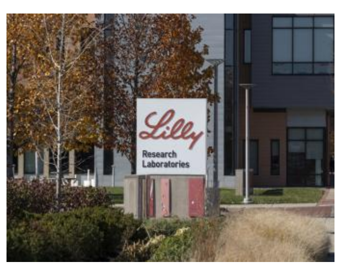


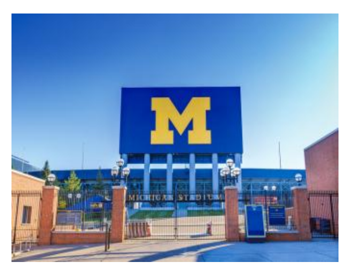
Looking Ahead

Markets are likely to experience modest GDP growth with the consensus is clearly moving lower. most forecasts now anticipate **GDP growth below 1% by Q4 2025**, reflecting weakened labor demand, tariff spillovers, and cooling consumption. The **Fed's path is cautious**, with rate decisions hinging on sustained inflation moderation. It may take more than a few weak job reports for the Fed to feel confident enough to begin cutting rates.

Market & Earnings Watch: August 5–9

Aug 6: U.S. trade tariffs take effect
Aug 6: ISM Services PMI (July)
Aug 6: Eli Lilly (LLY) earnings
Aug 7: Walt Disney Co. (DIS) earnings
Aug 7: Initial Jobless Claims
Aug 9: Univ. of Michigan Consumer Sentiment (Prelim)





-Scott Tremlett, CEO/Chief Investment Officer