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US MARKET INTELLIGENCE | MORNING BRIEFING

JUNE 5, 2025

IDEAS & INSIGHTS – IN BRIEF

- **Broadcom (AVGO) earnings today amc:** Preview from JPM Spec Sales Josh Meyers; JPM Research analyst Harlan Sur is bullish into the print and sees underestimated growth drivers.
- **US Mkt Intel NFP Scenario Analysis**, a repost from June 2 Morning Briefing.
- **Mkt Intel thoughts** on ISM-Srvcs and views from JPM Econ.
- **ECB at 8:15am ET:** 25bp cut priced in; staff projections in focus (JPM Econ expects a sharper 2H25 slowdown, followed by modestly above-trend recovery in 2026; here).
- **Bullish equity signal: Nikos** sees the gap between the short interest of SPY and QQQ ETFs as a bullish equity signal. See below and here.

The **II Survey** is not only an important measure by which our analysts are measured internally, but also an important part of their own personal franchise. If you have found our work useful over the past year, we would really appreciate a 5-star firm vote and individual votes for all sectors that you have engaged. You can sign up to vote **HERE**, find voting instructions **HERE**, and you can find full analyst roster across the JPM Research Department **HERE**. **The Market Intelligence team (Andrew Tyler, Federico Manicardi, Ellen Wang, and Victoria Campos) would also appreciate a vote in the Best Specialist Salesperson category for Macro, if you have found our work useful.**

MORNING UPDATES

- **SPX +0.1%, NDX +0.1%, RTY +0.1%.** WTI +13bps at $62.93, NatGas -70bps to $3.69, UK NatGas +235bps to £0.8532, Gold +41bps to $3,386, Silver +333bps to $35.65, 10Y @ 4.347%, and VIX @ 17.59.
- **US:** Futs are flat. Pre-market, Mag 7 are mostly higher except for TSLA (-1.6%): AMZN +0.6%, GOOG/L +0.3%. Yield curve is largely unchanged; USD is flat. Commodities are mostly mixed with notable outperformance in silver (+3.1%). News flow since yesterday's close has been largely muted: headlines continue to focus on trade negotiation development, particularly implication on rare earth curbs (BBG and CNBC) and upcoming Trump-Xi call.

- **EU/UK**: Major markets are higher. Thematically, Defence, Semis, and Cyclicals are among the best performing baskets. Germany Factory Orders prints 0.6% MoM vs. -1.5% survey vs. 3.4% prior. UKX +0.2%, SX5E +0.4%, SXXP +0.4%, DAX +0.4%. CSI +0.2%, HSI +1.1%, NKY -0.5%, ASX -0.0%, KOSPI +1.5%.

CATALYSTS TODAY (WEEK AHEAD)

- **US MACRO DATA:** Challenger Job Cuts at 7:30am ET. Trade Balance, Nonfarm Productivity (Revision), Unit Labor Costs (Revision), Initial/Continuing Jobless Claims at 8:30am ET.
- **US EARNINGS: AVGO,** DOCU, FLYY, IOT, MDRX, MTN, RBRK, TTAN, VSCO
- **GLOBAL MACRO DATA:** (Germany) Factory Orders at 2am ET. **(Eurozone) ECB at 8:15am ET.**

EQUITY & MACRO NARRATIVE

Yesterday, equities traded within a 40bp range today and closed flat. The more notable price actions are in UST: bond yields fell 8-10bp across the curve given the 3x dovish macro data release (ADP, ISM-Srvcs and Beige Book). **Jay Barry** also added that: “It is notable that the curve did not steepen, but we think some of this can be explained by the less negative fiscal news, as CBO scoring of the One Big Beautiful Bill Act was not far from private estimates at $2.4tn over the next decade, whereas the CBO forecasts tariff revenue could raise $2.8tn over the same period if rates are made permanent ” (here)

May labor data are largely mixed so far (stronger ISM-Srvcs employment vs. miss in ADP), and Friday’s NFP should provide a clear signal. The Street sees 130k survey vs. 120k BBG whisper vs. 177k prior. We see 100k as the key threshold test on the recession narrative; **our full scenario analysis is here and below.**

AVGO EARNINGS PREVIEW (JOSHUA MEYERS)

- Sentiment: AVGO has been the most crowded semis long for the past 5 months, and remains quite crowded (though crowdedness has fallen a bit into earnings, with shorts picking up a bit) - a function of both the high level of excitement around the AI ASIC reference platform Harlan first flagged last fall (which makes AVGO the unquestioned and dominant leader in the space) and of a view that the stock still feels - to many - unshortable. Our buyside survey revealed a modest, though not unreasonable optimism that AI Semis will drive small upside to revenue (though not margin). Investors are optimistic about the TPUv6p ramp, and not only has supply chain noise around loss of future SKUs quieted, but optimism around new projects seems to be picking up.

Other, smaller watch-points will be recoveries in Networking, Wireless and Broadband. A key question from investors is how to position for this “transition quarter”… Harlan is clear in today’s note that the ramp has already started, so if he’s right the setup here seems to be for an upside surprise

- Positioning Score (1 = max short/UW, 10 = max long/OW): 9 (risk here is that very few folks are short)
- Implied Move:6.7%
- Yesterday **Harlan Sur** wrote this well-received note detailing underestimated (at least based on our calls through the day) growth drivers in AVGO’s 3nm TPU ASIC and MTIA ramps, and the Tomahawk 6 launch they seemed to tease on LinkedIn (including launch of the Tomahawk 6 F1 stand-up chip). Today he officially previews April-Q results due Thursday amc (which I previewed separately here). Harlan continues to see a strong demand profile for those AI products (both custom ASIC & networking), along with stabilization in non-AI semi (enterprise, server/storage, broadband & wireless) and improvements in profitability of VMWare – all driving slightly better-than-our/consensus revenue/earnings/FCF expectations – and July-Q revenue +5~7%QoQ. Harlan’s expectations for both earnings and the guide are ahead of even my own optimistic Buyside Earnings Bars – for the revenue guide he thinks we could get close to $16.1b (versus $15.75b consensus and our $15.93b Buyside Bar), backed by AI Semis (GOOGL TPU6 3nm ramp) Revenue of $5b+, ahead of $4.8b consensus and our $4.95b Buyside Bar. He sees this one TPU6 SKU (“the most powerful custom XPU AI accelerator in the world”) driving >$15b lifetime revenues. Also helped by strong networking demand and the start of shipments of the next-gen Tomahawk 6, Harlan expects $19~20b (+60%YoY) F25 I revenues. Outside of AI, cyclical trends are improving (with potential upside in wireless), and VMWare renewals are strong (with conversion/upsell to its higher-ASP VCF full stack solution). **AVGO remains his top pick, and he’s optimistic into the print.**

AVGO	F2Q25 Rev ($b)	F2Q25 Infra Software ($b)	F2Q25 AI Semis Rev ($b)	F2Q25 EBITDA %	F3Q25 Rev Guide ($b)	F3Q25 AI Semis Rev ($b)	F3Q25 EBITDA % Guide
Company Guide	$ 14.90	$ 6.50	$ 4.40	66.0%			
Street Consensus	**$ 14.96**	**$ 6.56**	**$ 4.38**	**66.2%**	**$ 15.74**	**$ 4.78**	**66.5%**
Survey Mean	**$ 15.08**	**$ 6.58**	**$ 4.51**	**66.2%**	**$ 15.93**	**$ 4.95**	**66.6%**
Source: JPM Spec Sales Survey, Bloomberg, Factset							

NFP SCENARIO ANALYSIS – we published below in June 2 Morning Briefing

Feroli’s full NFP preview is **here**. He sees 125k jobs being added, which is in line with the Street’s; a step down from last month’s 177k print. For the unemployment rate (U.3) he sees 4.2%, in line with the Street’s estimate. For Average Hourly Earnings, he sees +0.2% MoM and +3.6% YoY.

The following scenario analysis is NOT A PRODUCT OF JPM RESEARCH, this is a trading desk view from **JPM US Market Intelligence**.

- **[5%] Above 170k. SPX gains 50bps to 2.5%.** The first tail outcome and the reason for the widest range of outcomes is dependent on the bond market reaction. For example, a 170k print could be written off, to a certain extent, to hiring needs around the demand pull-forward or a seasonal blip. A 250k print would likely be received as an economic re-acceleration with no material impact from the trade war (at least on labor) forcing the bond market to reset yields higher, removing one or both of the rate cuts priced into the market.
- **[25%] Between 140k – 170k. SPX gains 1.5% – 2%.** This is the Goldilocks print.
- **[40%] Between 115k – 135k. SPX gains 25bps – 1%.** The base case and even the lower end of the range is enough to keep this rally going, subject to the move in the unemployment rate. A move to 4.3% would likely push performance to the lower end of the range with the outlook on the pace of unemployment rate increasing 10-20bps per month, potentially accelerating higher as we see the full impact of the trade war. Though, any outlook is muddled given the near-weekly changes to trade policy.
- **[25%] Between 100k – 115k. SPX loses 1.25% to gains 50bps.** The market's next true test is when we see NFP print below 100k since many would then point to a recession as a foregone conclusion. The other parts of the print, including the unemployment rate and wage growth factor in here, too. The worst outcome would be a 100k print, unemployment increasing to 4.3% or 4.4% with declining wages.
- **[5%] Below 100k. SPX loses 2% – 3%.** The second tail outcome would likely end the current bull run. Recessions are the typical reason why bull markets end and a sub-100k print would put the entire market on 'recession watch'.
- **WHAT ARE OPTIONS PRICING?** For options expiring on June 6, the market is pricing ~175bps move, as of market close on May 30.
- **US MKT INTEL ON NFP** – The risks are skewed to the upside as we think we are in a 'good news is good news' type of macro environment. Positioning suggests that investors are net bearish waiting for what they believe is inevitable decline in the economy due the trade war; some think the US is trending toward a recession or, worse, a stagflationary outcome which keeps the Fed on the sidelines. Further, the rush to pass a deficit expanding tax/budget bill would leave the US with no fiscal reserves to rescue the economy from a recessionary or stagflationary outcome. Our tactical view is more sanguine as we see more economic resilience, in the near-term.

Labor-market report				
Sa				
	Feb	Mar	Apr	May
Payroll employment				
(ch, m/m, 000s)	102	185	177	125
Private payrolls	107	170	167	115
Goods-producing	24	9	11	10
Construction	12	7	11	10
Manufacturing	8	3	-1	0
Service-providing	78	176	166	115
Private service-providing	83	161	156	105
Wholesale trade	7	-1	6	
Retail trade	-4	22	-2	
Professional services	15	3	17	
Temporary help	-2	-3	4	
Education/health	65	74	70	
Leisure and hospitality	-34	38	24	
Government	-5	15	10	10
Average weekly hours	34.2	34.3	34.3	34.3
Index, hrs worked (%m/m)	0.3	0.4	0.1	0.1
Hourly earnings (%m/m)	0.2	0.3	0.2	0.2
(%oya)	3.9	3.8	3.8	3.6
Unemployment rate (%)	4.1	4.2	4.2	4.2
Participation rate (%)	62.4	62.5	62.6	62.5

Source: JPM Economics

JPM ECON ON TODAY'S MACRO DATA

- **ADP** (here) – The ADP employment report showed only a 37k increase in private sector payrolls in May, continuing a trend of softer numbers, with this report now showing gains of less than 100k in three of the last four months. In contrast, the BLS report did not show a similar slowdown through April, with its 3-month average (148k) actually stronger than the 12-month average (130k). In addition, over the last 12 months the average absolute miss between first prints of ADP and BLS has been 73k. Consequently, while there may be some downside risk to our forecast for BLS private payrolls to rise 115k in May (125k total) it's hard to be certain of that from today's ADP report.
- **ISM-SRVCS** (here) – Turning to the ISM report, today's headline print fell on the back of a ~4 point decline in business activity and a ~6 point drop in new orders and is just one of four instances of contraction in the ISM services composite since COVID. The employment measure, however, improved across both surveys, which is a positive indicator for the payroll report later this week, though note the relationship between the surveys and month-to-month job gains is loose.
- **BEIGE BOOK** (here) – The Fed's May Beige Book, based on responses collected through May 23, said that "economic activity has declined slightly" since the April report, which had collected

responses through April 14. In the prior report activity had been "little changed," so this represents a worsening in the trend, with now six of the 12 Districts reporting "slight to moderate declines" vs. four Districts previously reporting "slight to modest declines." Correspondingly, employment was "little changed" in the latest survey vs. "little changed to up slightly" before, although only two Districts (Boston, Philadelphia) now reported outright declines compared to three previously (Minneapolis, Philadelphia, San Francisco). As with the message from the services surveys earlier today, this report underscores that underlying conditions could be soft even if the 2Q GDP report shows a sizable increase. Given that the May 12 tariff pause on China came fairly late in the response cycle it's possible that that policy change did not yet have much effect on activity in the survey period.

NIKOS: GAUGING CAPITAL FLOW TAXES – his full note is [here]()

- The provisions in Section 899 have generated considerable uncertainty given the potential for broad application and discretion afforded to the Treasury Secretary.
- While portfolio income from bonds issued by US entities are largely exempt, dividends, rents and income from bonds issued by non-US entities are not and Section 899 could in principle affect up to $350bn of annual investment income, and with a 20% rate around $70bn of tax could potentially be raised.
- But past experience suggests that even modest taxes on capital can result in notable shifts due to altering incentives of both investors and issuers, and of the theoretical up to $70bn that Section 899 could conceivably raise, only a portion would likely eventually be raised as foreign issuers are incentivized to migrate to Eurobond markets and US companies could shift further away from returning capital to shareholders as dividends in favor of buybacks.
- We are skeptical of the hypothesis that unwinding previous cross border borrowing in euros or yen played a significant role in this year's dollar weakness.
- We view the gap that has opened between the short interest of SPY and QQQ ETFs as a bullish equity market signal.
    - The cautious stance of macro managers has also been reflected in the short interest of SPY ETF which opened a gap vs the short interest of its QQQ counterpart, as shown in Figure 10. Such a gap is not unusual during equity market corrections. A similar gap between the short interest of the SPY and QQQ ETFs had opened during the pandemic of March 2020 or during the equity market correction of 2022. In both instances, that gap proved a bullish equity market signal as it got eventually closed with the short interest of the SPY ETF declining towards that of the QQQ ETF.

NEWS LINKS

- Trump Signs Travel Ban for 12 Countries Including Afghanistan (BBG)
- Trump's Late-Night Lament Over Xi Deepens Impasse in Trade Fight (BBG)
- The Rare-Earth Fight Imperiling US-China Trade Peace, Explained (BBG)
- What Germany's Merz wants to tackle in Trump meeting (CNBC)
- Auto industry sounds the alarm as China's rare earth curbs start to bite (CNBC)
- Shein and Temu see U.S. demand plunge on 'de minimis' trade loophole closure (CNBC)
- British firms shrug off US tariffs, BoE survey shows (RTRS)
- German industrial orders rise points to cyclical recovery (RTRS)
- China May services activity grows despite US tariff concerns, Caixin PMI shows (RTRS)
- Procter & Gamble to Cut 7,000 Jobs (WSJ)

WEEKLY ECONOMIC DATA / EARNINGS

US CALENDAR

ECONOMICS

- **JUN 2 –** PMI-Mfg (Revision) at 9:45am ET. **ISM-Mfg (New Orders/Employment/Prices Paid)** at 10am ET. Construction Spending at 10am ET. **Powell speaks at IFD conference at 1pm ET.**
- **JUN 3 –** Factory Orders at 10am ET. Durable/Cap Goods Orders (Revision) at 10am ET. JOLTS Job Openings at 10am ET. Wards Total Vehicle Sales.
- **JUN 4 –** Mortgage Applications at 7am ET. ADP Employment Change at 8:15am ET. PMI-Srvcs and PMI-Composite (Revision) at 9:45am ET**. ISM-Srvcs (New Orders/Employment/Prices Paid)** at 10am ET. Fed Releases Beige Book at 2pm ET.
- **JUN 5 –** Challenger Job Cuts at 7:30am ET. Trade Balance, Nonfarm Productivity (Revision), Unit Labor Costs (Revision), Initial/Continuing Jobless Claims at 8:30am ET.
- **JUN 6 – NFP, Unemployment Rate and Average Hourly Earnings** at 8:30am ET. Consumer Credit at 3pm ET.

EARNINGS (JPM US Earnings Calendar here**;** US Analyst Focus List here)

- **JUN 2 –** CPB, CRDO, MDRX, MDRX
- **JUN 3 –** CRWD, DG, FERG, GWRE, HPE, HQY, OLLI
- **JUN 4 –** AGX, DLTR, FIVE, MDB, MDRX
- **JUN 5 – AVGO,** DOCU, FLYY, IOT, MDRX, MTN, RBRK, TTAN, VSCO

- **JUN 6 –** N/A

GLOBAL CALENDAR

- **JUN 2 –** (United Kingdom) Nationwide House PX at 2am ET. **(China) Caixin PMI-Mfg at 9:45pm** ET.
- **JUN 3 – (Eurozone) CPI at 5am ET. South Korea presidential election.**
- **JUN 4 –** (Canada) Bank of Canada Rate Decision at 9:45am ET. **(China) Caixin PMI-Srvcs at 9:45pm ET.**
- **JUN 5 –** (Germany) Factory Orders at 2am ET. **(Eurozone) ECB at 8:15am ET.**
- **JUN 6 –** (Germany) Industrial Production at 2am ET. (France) IP at 2:45am ET. (Eurozone) GDP (revision) at 5am ET. **(Canada) Employment and Unemployment Rate at 8:30am ET.**

NEAR TERM CATALYSTS – CPI (Jun 11, Jul 15), ISM-Mfg (Jun 2, Jul 1), ISM-Srvcs (Jun 4, Jul 3), PMI-Mfg (Jun 23, Jul 24), PMI-Srvcs (Jun 23, Jul 24), NFP (Jun 6, Jul 3), PCE (Jun 27, Jul 31), Retail Sales (Jun 17, Jul 17). **FED DATES:** Jun 18, Jul 30.

POLITICAL CATALYSTS

- **LATE-MAY (TBD) –** Japan's tariff envoy to visit US next week again, sources say (Nikkei)
- **JUN TBD** – Potential Trump-Xi Summit ("U.S., China Discuss a Trump-Xi Summit for June" WSJ)
- **JUN 13-15 –** G7 Summit: Japan PM Ishiba eyes the tariffs outcome at G7 Summit.
- **JUN 24-25 –** NATO Summit 2025 (Poland says Trump committed to NATO and will be at Hague summit, per Reuters)
- **JUN/JUL** – CBO warned that debt ceiling x-date can be as early as late May (BBG); **Jay Barry** sees mid-July (here); if no action is taken, CBO projects Aug-Sep X-date.
- **JUL 4** – Bessent sets July 4 Tax Bill Goal (BBG).
- **JUL 9** – The 90-day reciprocal tariff and 50% EU tariffs pause ends.
- **AUG** – Bessent said debt limit measures could run out in August (BBG).
- **AUG 12 –** The 90-day China tariff pause ends.
- **SEP 30 –** End of FY25, a hard deadline for passing the reconciliation bill. JPM Strategist Amy Ho and Joyce Chang sees passage by the August recess as a more realistic target.
- **OCT 18 –** JCPOA (Iran nuclear deal) is set to expire.

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Market Intelligence

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