



Summary

Despite the declining growth and rising inflation displayed in last week's GDP report, equities rebounded, with the S&P 500 and Nasdaq recouping all post-liberation day losses and the Dow Jones Industrial Average rising to its highest level in four weeks. Treasury yields rose across all maturities, suggesting that markets are scaling back expectations for aggressive rate cuts on evidence of persistent inflation and a strong labor market. The GDP Price Deflator increased above expectations to 3.7%. Overall real GDP growth in the first quarter contracted at an

annualized 0.3%. The employment cost index was up 0.9% in the first quarter of 2025, the same change as in the fourth quarter of 2024, and wages and salaries increased 0.8% compared to 1.0% in the previous quarter. Benefits costs jumped 1.2% during the first quarter of 2025, up from 0.8% in the fourth quarter of 2024. Personal income and spending both increased in March, up 0.5% and 0.7%, respectively. Consumer confidence fell for the fifth consecutive month to 86.0 in April, down from 93.9 in March, driven by poor consumer expectations for

business conditions, employment, and future income. Despite consumer concerns, however, the April employment report indicated a stable labor market, with the unemployment rate staying steady at 4.2% and April payrolls exceeding expectations. The ISM Manufacturing Index improved slightly in April, increasing to 48.7% but still below the 50% threshold, indicating contractionary activity in the sector. Factory orders increased 4.3% in March, largely buoyed by a 139% increase in non-defense aircraft and parts orders.

ECONOMIC RELEASES

| Last Week: Indicator | Number Reported | Consensus Expectation* | Comment |
|---|------------------------|------------------------|---------|
| Consumer Confidence (Apr – Mon 10:00) | 86.0 | 88.3 | |
| JOLTs - Job Openings (Mar – Mon 10:00) | 7.192M | NA | |
| GDP-Adv. (Q1 – Tue 08:30) | -0.3% | +0.4% | |
| GDP Deflator-Adv. (Q1 – Tue 08:30) | +3.7% | +3.1% | |
| Employment Cost Index (Q1 – Tue 08:30) | +0.9% | +0.9% | |
| Personal Income (Mar – Tue 08:30) | +0.5% | +0.4% | |
| Personal Spending (Mar – Tue 08:30) | +0.7% | +0.4% | |
| PCE Prices (Mar – Tue 08:30) | +0.0% | +0.0% | |
| PCE Prices - Core (Mar – Tue 10:00) | +0.0% | +0.1% | |
| Construction Spending (Mar – Wed 10:00) | -0.5% | +0.3% | |
| ISM Manufacturing Index (Apr – Wed 10:00) | 48.7% | 47.9 | |
| Nonfarm Payrolls (Apr – Thu 08:30) | 177K | 130K | |
| Nonfarm Private Payrolls (Apr – Thu 08:30) | 167K | 125K | |
| Avg. Hourly Earnings (Apr – Thu 08:30) | +0.2% | +0.3% | |
| Unemployment Rate (Apr – Thu 08:30) | 4.2% | 4.2% | |
| Average Workweek (Apr – Thu 08:30) | 34.3 | 34.2 | |
| Factory Orders (Mar – Thu 10:00) | +4.3% | +4.1% | |
| Next Week: Indicator | Consensus Expectation* | Prior | Comment |
| ISM Services (Apr – Sun 10:00) | 50.2% | 50.8% | |
| Trade Balance (Mar – Mon 08:30) | -\$127.5B | -\$122.7B | |
| MBA Mortgage Applications Index (05/03 – Tue 07:00) | NA | -4.2% | |
| FOMC Rate Decision (May – Tue 14:00) | 4.25-4.50% | 4.25-4.50% | |
| Consumer Credit (Mar – Tue 15:00) | \$11.0B | -\$0.8B | |
| Continuing Claims (05/03 – Wed 08:30) | NA | 1916K | |
| Initial Claims (05/03 – Wed 08:30) | 238K | 241K | |
| Productivity-Prel (Q1 – Wed 08:30) | -0.4% | +1.5% | |
| Unit Labor Costs-Prel (Q1 – Wed 08:30) | +4.0% | NA | |
| Wholesale Inventories (Mar – Wed 10:00) | +0.5% | +0.3% | |

*Sources: www.briefing.com and www.federalreserve.gov



Economic Review

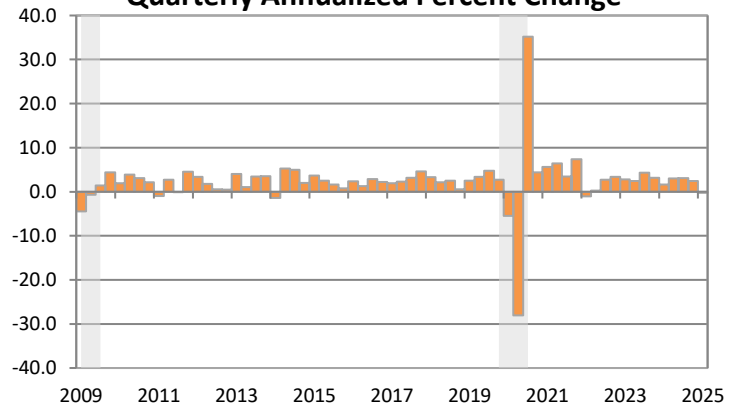
The Advance first quarter GDP report showed real annualized growth contracting 0.3% against expectations of expansion. This change was primarily driven by a 41.3% jump in imports, likely due to consumers and businesses making purchases before tariffs were implemented. High inflation has persisted and potentially worsened in the first quarter of 2025; the GDP price deflator jumped 3.7%. Tariffs are poised to drive inflation rates even higher, raising significant concerns about inflationary pressures in 2025. Gross private domestic investment rebounded after slowing significantly in the fourth quarter, increasing an annualized 21.9% in 2025 and contributing 3.6 percentage points to growth. Personal consumption expenditures increased 1.8% in the first quarter, down from 4.0% in the fourth quarter of 2024. The personal savings rate increased to 4.0% in the first quarter of 2025 from 3.7% previously.

PERSONAL INCOME increased 0.5% month-over-month in March, slowing slightly from a 0.7% increase in February. PERSONAL SPENDING exceeded expectations, increasing 0.7% in March following a 0.5% increase in February, likely due to consumers attempting to avoid future tariff increases. Both

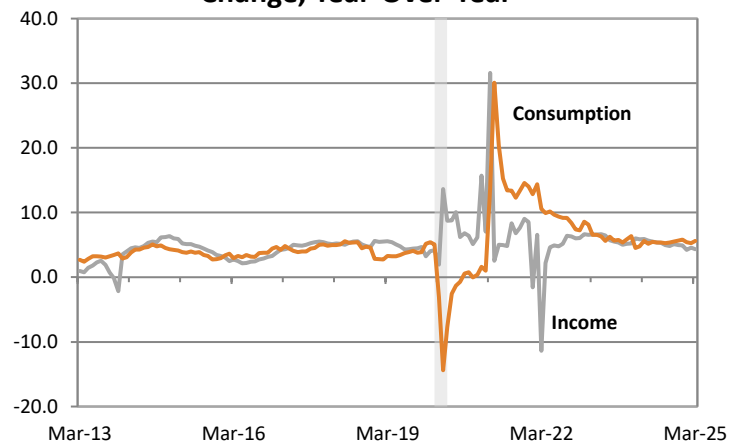
the PCE price index and core-PCE price index were flat month-over-month. The PCE price index was up 2.3% year-over-year, and the core-PCE price index was up 2.6%; both decelerating from February's readings. Real disposable income was up 0.5% month-over-month and 1.7% year-over-year; real personal spending increased 0.7% month-over-month in March and 3.3% year-over-year.

The EMPLOYMENT report showed a stable labor market in April despite recent economic uncertainty associated with current trade policy. Both nonfarm and private sector payrolls exceeded expectations in March, increasing by 177,000 and 167,000 respectively. The UNEMPLOYMENT RATE remained flat at 4.2%; persons unemployed 27 weeks or more represented 23.5% of the unemployed, an increase from March. The labor force participation rate increased slightly by 0.1 percentage point to 62.6%. Average hourly earnings increased 0.2% in April and rose 3.8% over the last 12 months. The average workweek increased slightly to 34.3 hours.

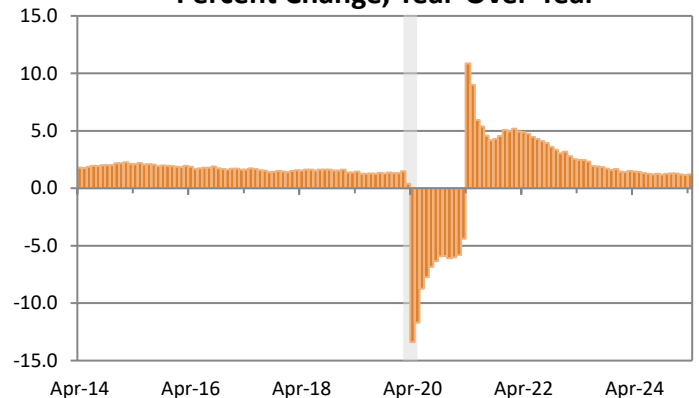
Real Gross Domestic Product Quarterly Annualized Percent Change



Personal Income and Consumption Percent Change, Year-Over-Year



Employment Growth Percent Change, Year-Over-Year



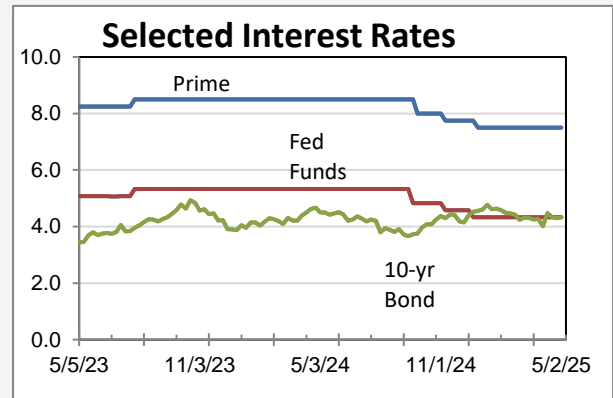


Fed Speeches

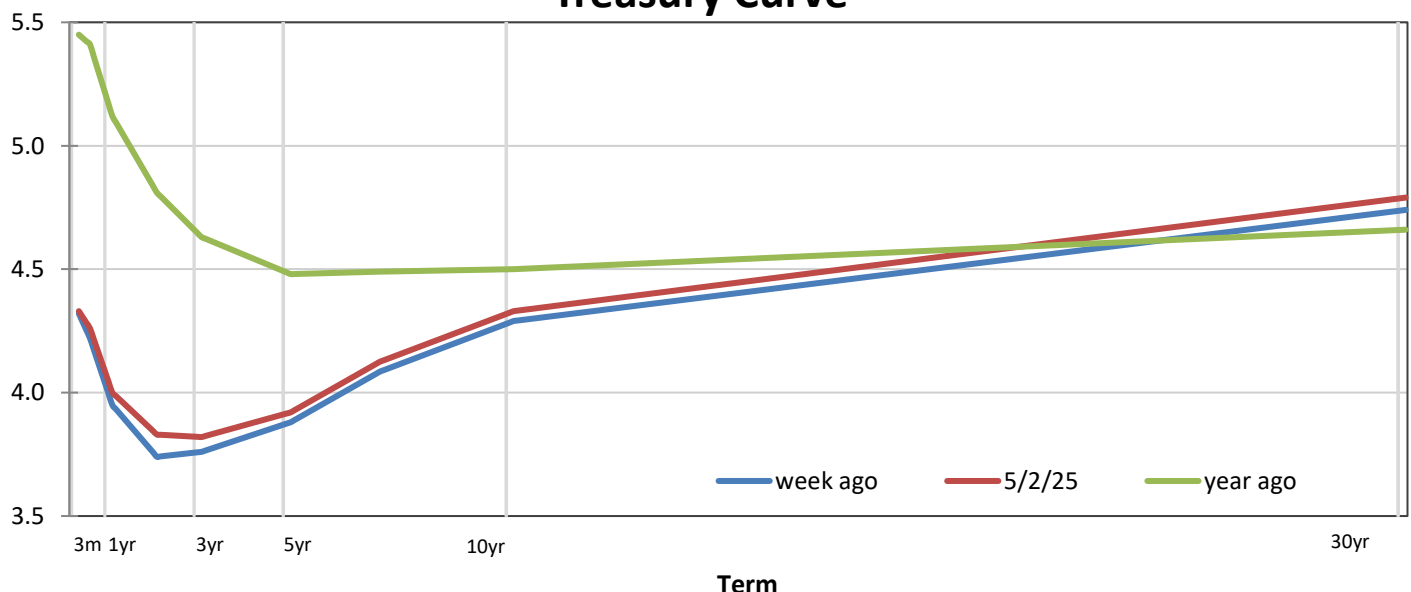
There were no speeches, testimony, or interviews by Federal Reserve officials last week relevant to monetary policy. This is due to the Federal Open Market Committee meeting this week.

Financial Markets

Following better-than-expected corporate earnings, equities regained some lost ground last week, with the DJIA (3.0%), S&P 500 (2.9%), and NASDAQ (3.4%) increasing week-over-week. Treasury yields increased across maturities, indicating the market may not expect aggressive rate cuts following reports last week of a steady labor market and persistent inflation. The two-, five-, and ten-year maturities, however, are still below their yields 13 weeks ago, indicating investor concerns about slowing growth remain. The 30-year conventional mortgage rate fell 5 b.p. this week but remains elevated from the rate 4 weeks ago. Oil prices fell an additional 7.6%, now down 21.6% from the price 13-weeks ago.



Treasury Curve





Interest Rate Forecast*

During the Fed's March policy meeting, the Federal Open Market Committee (FOMC) left the federal funds target rate unchanged at 4.25% to 4.50% while slowing the pace of decline of its securities holdings from \$25 billion to \$5 billion/month. In the statement released following the meeting, the FOMC said, "The Committee seeks to

achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty around the

economic outlook has increased. The Committee is attentive to the risks to both sides of its dual mandate."

Language about employment and inflation goals being roughly in balance was removed.

| Avg. for: | Prime | Fed Funds | SOFR | 6-Mo. T-Bill | 2-Yr. Note | 10-Yr. Treasury | 30-Yr Bond | 30-Yr Mortgage |
|-------------------------|-------|-----------|------|--------------|------------|-----------------|------------|----------------|
| 2 nd Qtr '25 | 7.50 | 4.33 | 4.33 | 4.31 | 4.05 | 4.31 | 4.59 | 6.67 |
| 3 rd Qtr | 7.39 | 4.26 | 4.26 | 4.31 | 4.10 | 4.32 | 4.57 | 6.64 |
| 4 th Qtr | 7.25 | 4.13 | 4.12 | 4.18 | 4.09 | 4.32 | 4.55 | 6.44 |
| 1 st Qtr '26 | 7.00 | 3.88 | 3.87 | 3.96 | 4.07 | 4.22 | 4.44 | 6.21 |
| 2 nd Qtr | 6.83 | 3.71 | 3.70 | 3.80 | 3.93 | 4.09 | 4.39 | 6.07 |

April 2025

FINANCIAL MARKET SUMMARY

| | As of 5/2/2025 | As of 4/25/2025 | Weekly Change | 4-Week Change | 13-Week Change |
|---|-------------------|--------------------|------------------|------------------|-------------------|
| MONEY MARKETS (Changes in BPs) | | | | | |
| Prime | 7.50 | 7.50 | 0 | 0 | 0 |
| Secured Overnight Financing Rate (SOFR) | 4.39 | 4.29 | 10 | 0 | 3 |
| Fed Funds (Wed close) | 4.33 | 4.33 | 0 | 0 | 0 |
| TREASURIES (BE) (Changes in BPs) | | | | | |
| 3 Months | 4.33 | 4.32 | 1 | 5 | 2 |
| 6 Months | 4.26 | 4.22 | 4 | 12 | (2) |
| 1 Year | 4.00 | 3.95 | 5 | 14 | (17) |
| 2 Years | 3.83 | 3.74 | 9 | 15 | (39) |
| 5 Years | 3.92 | 3.88 | 4 | 20 | (44) |
| 10 Years | 4.33 | 4.29 | 4 | 32 | (25) |
| 30 Years | 4.79 | 4.74 | 5 | 38 | (4) |
| MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs) | | | | | |
| 2-Year Muni | 2.91 | 2.97 | (6) | 46 | 20 |
| 5-Year Muni | 3.03 | 3.13 | (10) | 40 | 20 |
| 10-Year Muni | 3.34 | 3.13 | 21 | 71 | 28 |
| 30-Year Muni | 4.43 | 4.52 | (9) | 41 | 47 |
| 30-Year Conventional Mortgage | 6.76 | 6.81 | (5) | 12 | (19) |
| MARKET INDICATORS (Changes in %) | | | | | |
| DJIA | 41,317.43 | 40,113.50 | 3.0 | 7.8 | (7.2) |
| S&P 500 | 5,686.67 | 5,525.21 | 2.9 | 12.1 | (5.9) |
| NASDAQ | 17,977.73 | 17,382.94 | 3.4 | 15.3 | (8.4) |
| CRB Futures | 354.13 | 363.79 | (2.7) | 1.0 | (3.8) |
| Oil (WTI Crude) | 58.53 | 63.33 | (7.6) | (15.3) | (21.6) |
| Gold | 3,238.17 | 3,312.87 | (2.3) | 6.6 | 15.7 |
| Yen / Dollar | 145.02 | 143.71 | 0.9 | (3.2) | (7.0) |
| Dollar / Euro | 1.13 | 1.14 | (0.6) | 3.0 | 9.0 |



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