



## Summary

The Fed's decision to hold interest rates steady at 4.25-4.50% last week contributed to a slight pullback in equities and a modest rise in short-term Treasury yields, reflecting tempered expectations for near-term rate cuts. Meanwhile, 10-year Treasury yields rose slightly this week but were still down over the past 13 weeks, suggesting investors remain concerned about slowing growth and policy-related uncertainty. The trade balance widened significantly in March with the deficit increasing to a record-setting \$140.5 billion, driven by a surge in imports as consumers and businesses attempted

to avoid the upcoming Liberation Day tariffs. The ISM services index checked in at 51.6%, representing an expansion in the service sector. Consumer credit saw a modest increase of \$10.2 billion in March, below consensus expectations. Revolving credit increased, but at a slower pace than non-revolving credit. This may indicate that consumers are shifting away from discretionary spending financed by short-term debt held on credit cards and focusing on planned, large budget items, such as automobiles or housing. The preliminary estimates for productivity in the first quarter of 2025

declined at a larger-than-expected seasonally adjusted annual rate (SAAR) of 0.8%; the first decline since the second quarter of 2022. Preliminary unit-labor costs soared, increasing at a 5.7% SAAR due to a 4.8% increase in hourly compensation and the 0.8% decrease in productivity. Low productivity exacerbates existing inflation risks, which the Fed has indicated they will be particularly responsive to in the upcoming year. Wholesale inventories rose modestly by 0.4% but were still below consensus expectations.

## ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
ISM Services (Apr – Sun 10:00)	51.6%	50.2%	
Trade Balance (Mar – Mon 08:30)	-\$140.5B	-\$127.5B	
MBA Mortgage Applications Index (05/03 – Tue 07:00)	+11.0%	NA	
FOMC Rate Decision (May – Tue 14:00)	4.25-4.50%	4.25-4.50%	
Consumer Credit (Mar – Tue 15:00)	\$10.2B	\$11.0B	
Initial Claims (05/03 – Wed 08:30)	228K	238K	
Continuing Claims (05/03 – Wed 08:30)	1,879K	NA	
Productivity-Prel (Q1 – Wed 08:30)	-0.8%	-0.4%	
Unit Labor Costs-Prel (Q1 – Wed 08:30)	+5.7%	+4.0%	
Wholesale Inventories (Mar – Wed 10:00)	+0.4%	+0.5%	
Next Week: Indicator	Consensus Expectation*	Prior	Comment
Treasury Budget (Apr – Sun 14:00)	NA	-\$160.5B	
Core CPI (Apr – Mon 08:30)	+0.3%	+0.1%	
CPI (Apr – Mon 08:30)	+0.3%	-0.1%	
MBA Mortgage Applications Index (05/10 – Tue 07:00)	NA	11.0%	
Retail Sales (Apr – Wed 08:30)	+0.2%	+1.4%	
Retail Sales ex-auto (Apr – Wed 08:30)	+0.5%	+0.5%	
PPI (Apr – Wed 08:30)	+0.3%	-0.4%	
Core PPI (Apr – Wed 08:30)	+0.3%	-0.1%	
Initial Claims (05/10 – Wed 08:30)	226K	228K	
Continuing Claims (05/10 – Wed 08:30)	NA	1,879K	
Industrial Production (Apr – Wed 09:15)	+0.3%	-0.3%	
Capacity Utilization (Apr – Wed 09:15)	77.9%	77.8%	
Business Inventories (Mar – Wed 10:00)	+0.2%	+0.2%	
Housing Starts (Apr – Thu 08:30)	1,383K	1,324K	
Building Permits (Apr – Thu 08:30)	1,450K	1,467K	
Import Prices (Apr – Thu 08:30)	NA	-0.1%	Import Prices ex-oil: +0.1%
Export Prices (Apr – Thu 08:30)	NA	+0.0%	Export Prices ex-ag.: -0.1%

\*Sources: [www.briefing.com](http://www.briefing.com) and [www.federalreserve.gov](http://www.federalreserve.gov)



## Economic Review

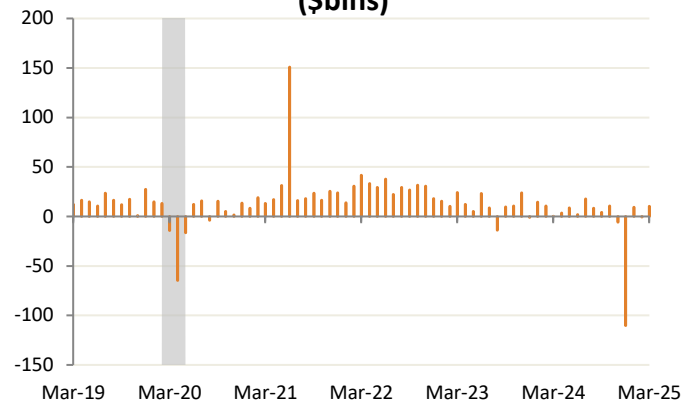
**CONSUMER CREDIT** increased \$10.2 billion in March, or at a seasonally adjusted annual rate (SAAR) of 2.4%, outpacing the first quarter SAAR increase of 1.5% and reversing February's 0.1% decline of \$0.6 billion. Despite this increase in overall credit, revolving credit remained relatively low, increasing at an SAAR of 1.7%, below the preliminary first quarter measurement of 2.3%. Non-revolving credit, which is debt from long-term loans such as auto or home loans, increased at a 2.7% SAAR, following a reduction of 0.1% in February.

The **TRADE BALANCE** widened to a record-setting \$140.5 billion deficit in March, surpassing expectations of a more moderate deficit increase of \$127.5 billion. Imports increased by \$17.8 billion in March as consumers and businesses attempted to circumvent future tariffs. Exports also increased in March, rising by \$0.5 billion. The spike in imports was led by a \$22.5 billion increase in consumer goods, driven by a \$20.9 billion increase in pharmaceutical preparations. Imports of capital goods increased \$3.7 billion, and imports of automobiles and parts increased \$2.6 billion. Exports of industrial supplies and materials increased \$2.2 billion, and exports of

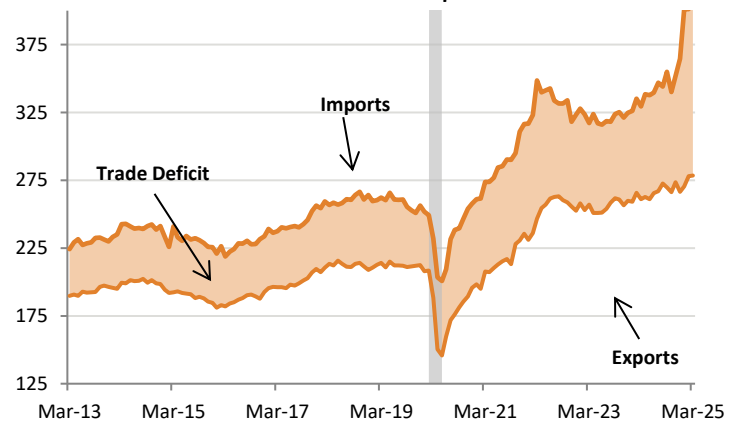
automotives and parts increased \$1.2 billion. Exports of capital goods decreased \$1.5 billion in March. The real goods deficit increased 10.2% in March.

The **ISM SERVICES INDEX** increased to 51.6% in April from 50.8% in March. This represents an acceleration in economic activity in the sector and moves the index farther away from the 50% threshold between contractionary and expansionary activity. The services sector has been in expansionary territory for 56 of the 59 months since the 2020 Covid-19 pandemic lows. The prices paid index, which expresses inflation, also jumped from 60.9 in March to 65.1 in April, the highest reading since January 2023. The new orders index and supplier deliveries index both moved deeper into expansionary territory, while the business activity/production index slowed but remained in expansion. The employment index and backlog of orders index both remained in contractionary territory, albeit moving closer to the 50% threshold.

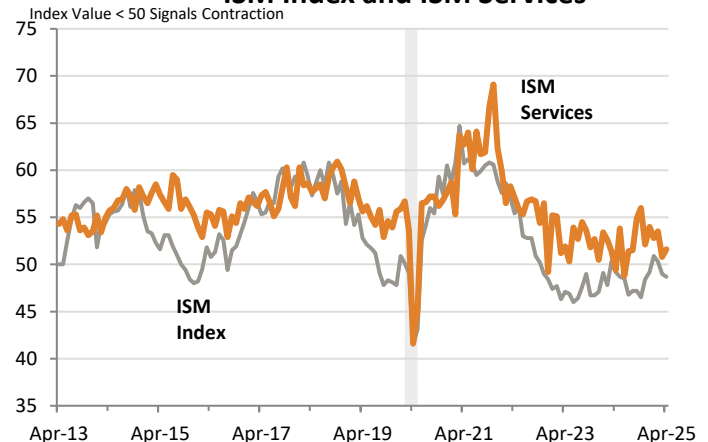
### Consumer Credit Monthly Change (\$blns)



### U.S. Trade Balance \$ Billions



### ISM Index and ISM Services





## Fed Speeches

On Wednesday, May 7<sup>th</sup>, 2025, the Federal Open Market Committee maintained the benchmark federal funds rate in a range of 4.25% to 4.5%. The FOMC unanimously decided to hold the rates unchanged pending more information about the rapidly changing economic situation.

In its statement, the Federal Reserve described the economic situation as characterized by solid growth and a strong labor market but hindered by persistently elevated inflation rates. As long as inflation remains high and the labor market remains stable, the Fed's monetary policy stance will remain unchanged in the pursuit of the dual mandate of maximum employment and price stability.

The Fed acknowledged that while economic conditions

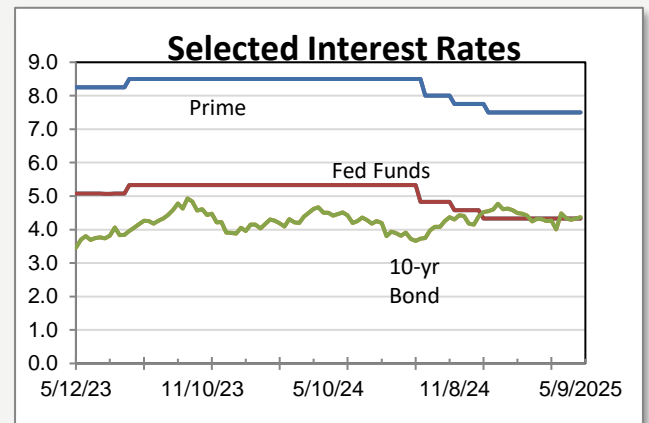
remain stable, economic activity for the first quarter of 2025 showed signs of softening. This does not suggest a preemptive rate cut, however. Heightened economic uncertainty, due to trade policy, confuses the situation, especially in regard to inflation. Fed Chair Jerome Powell has refuted the possibility of early rate cuts, noting,

*"It's not a situation where we can be preemptive, because we actually don't know what the right responses to the data will be until we see more data."*

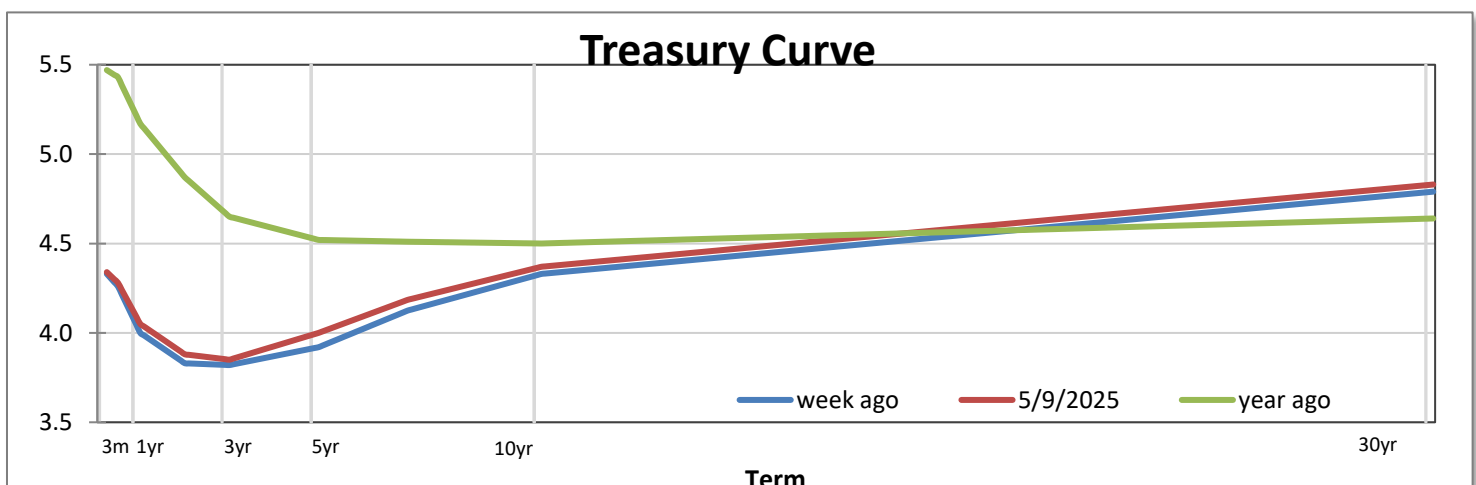
This sentiment reflects the Fed's broader commitment to a data-dependent monetary policy framework, ensuring policy decisions remain grounded in observed economic trends, rather than speculation.

## Financial Markets

The Fed announced interest rates would remain unchanged on Wednesday, leading to a pause in the slow rebound of the stock market—the DJIA was down 0.2%, NASDAQ down 0.3%, and the S&P 500 ended the week down 0.5%. While all three indices remain notably higher compared to four weeks ago, only the NASDAQ has rebounded to pre-Liberation Day levels. Short-term Treasury yields increased slightly week-over-week, indicating lower expectations of imminent rate cuts following the May FOMC meeting. Despite rising this week, 10-year Treasury yields have fallen over the past 13-weeks, indicating investors remain concerned about slowing growth and expect rate cuts later in the year. Municipal yields fell slightly week-over-week, but the 30-year maturity yield was up 50 basis points over the past 13-weeks, potentially due to investor expectations of long-term inflation risks.



## Treasury Curve





## Interest Rate Forecast\*

During the Fed's May policy meeting, the Federal Open Market Committee (FOMC) left the federal funds target rate unchanged at 4.25% to 4.50%. In the statement released following the meeting, the FOMC stated, "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 further. The Committee is attentive to the risks to both

sides of its dual mandate and judges that the risks of higher unemployment and higher inflation have risen." This

statement emphasized the persistent economic uncertainty that has continued since the last meeting.

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

April 2025

## FINANCIAL MARKET SUMMARY

	As of 5/9/2025	As of 5/2/2025	Weekly Change	4-Week Change	13-Week Change
<b>MONEY MARKETS (Changes in BPs)</b>					
Prime	7.50	7.50	0	0	0
Secured Overnight Financing Rate (SOFR)	4.29	4.39	(10)	(8)	(7)
Fed Funds (Wed close)	4.33	4.33	0	0	0
<b>TREASURIES (BE) (Changes in BPs)</b>					
3 Months	4.34	4.33	1	0	(1)
6 Months	4.28	4.26	2	7	(2)
1 Year	4.05	4.00	5	1	(20)
2 Years	3.88	3.83	5	(8)	(41)
5 Years	4.00	3.92	8	(15)	(34)
10 Years	4.37	4.33	4	(11)	(12)
30 Years	4.83	4.79	4	(2)	14
<b>MUNICIPALS- AAA G.O. &amp; Mortgage (Changes in BPs)</b>					
2-Year Muni	2.90	2.91	(1)	(19)	27
5-Year Muni	3.02	3.03	(1)	(25)	28
10-Year Muni	3.32	3.34	(2)	5	35
30-Year Muni	4.43	4.43	0	(23)	50
30-Year Conventional Mortgage	6.76	6.76	0	14	(13)
<b>MARKET INDICATORS (Changes in %)</b>					
DJIA	41,249.38	41,317.43	(0.2)	2.6	(6.9)
S&P 500	5,659.91	5,686.67	(0.5)	5.5	(6.1)
NASDAQ	17,928.92	17,977.73	(0.3)	7.2	(8.2)
CRB Futures	360.31	354.13	1.7	2.0	(3.0)
Oil (WTI Crude)	61.02	58.53	4.3	(2.2)	(15.9)
Gold	3,324.98	3,238.17	2.7	2.8	16.2
Yen / Dollar	145.37	145.02	0.2	(1.0)	(6.3)
Dollar / Euro	1.13	1.13	(0.4)	(0.9)	8.9



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