



Summary

Financial markets saw a pullback this week, as all major equity indices fell about 2.5% on renewed tariff threats; and long-term Treasury yields rose amid investor concerns about the U.S. deficit. The Conference Board's leading economic index declined 1.0% in April, marking a continued downward trend and suggesting weakening economic conditions. The preliminary S&P Global U.S. manufacturing PMI improved, rising to 52.3, signaling expansion in the sector. This preliminary reading indicates industrial activity remains resilient, despite high interest rates and trade policy related economic uncertainty. The preliminary

S&P Global U.S. services PMI also checked in at 52.3, indicating the sector remains in expansionary territory. The MBA mortgage applications index declined 5.1% this week, likely driven by elevated mortgage rates and affordability issues, which have persisted since 2024. Existing home sales declined in April to a seasonally adjusted annual rate of 4.00 million, below expectations of 4.15 million, as high rates and affordability issues continue to put pressure on the housing market despite rising inventory. New home sales exceeded expectations in April, checking in at a seasonally adjusted annual rate of 743,000 sales. April's

measurement was accompanied by a significant downward revision of over 50,000 units to March's figures.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Leading Indicators (Apr – Sun 10:00)	-1.0%	-0.7%	
MBA Mortgage Applications Index (05/17 – Tue 07:00)	-5.1%	NA	
EIA Crude Oil Inventories (05/17 – Tue 10:30)	+1.33M	NA	
Initial Claims (05/17 – Wed 08:30)	227 K	232 K	
Continuing Claims (05/17 – Wed 08:30)	1,903 K	NA	
S&P Global US Manufacturing PMI - Prelim (May – Wed 09:45)	52.3	NA	
S&P Global US Services PMI - Prelim (May – Wed 09:45)	52.3	NA	
Existing Home Sales (Apr – Wed 10:00)	4.00 M	4.15 M	
EIA Natural Gas Inventories (05/17 – Wed 10:30)	+120 bcf	NA	
New Home Sales (Apr – Thu 10:00)	743 K	679 K	
Next Week: Indicator	Consensus Expectation*	Prior	Comment
Durable Orders (Apr – Mon 08:30)	-8.1%	+9.2%	
Durable Goods ex transportation (Apr – Mon 08:30)	+0.0%	+0.0%	
Consumer Confidence (May – Mon 10:00)	87.0	86.0	
MBA Mortgage Applications Index (05/24 – Tue 07:00)	NA	-5.1%	
FOMC Minutes (May 6-7 – Tue 14:00)	NA	NA	
GDP - Second Estimate (Q1 – Wed 08:30)	-0.3%	-0.3%	
GDP Deflator - Second Estimate (Q1 – Wed 08:30)	3.7%	3.7%	
Initial Claims (05/24 – Wed 08:30)	230 K	227 K	
Continuing Claims (05/24 – Wed 08:30)	NA	1,903 K	
Personal Income (Apr – Thu 08:30)	+0.3%	+0.5%	
Personal Spending (Apr – Thu 08:30)	+0.2%	+0.7%	
PCE Prices (Apr – Thu 08:30)	+0.1%	+0.0%	PCE Prices – Core: +0.1%
Chicago PMI (May – Thu 09:45)	45.0	44.6	
Univ. of Michigan Consumer Sentiment - Final (May – Thu 10:00)	50.8	50.8	

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



Economic Review

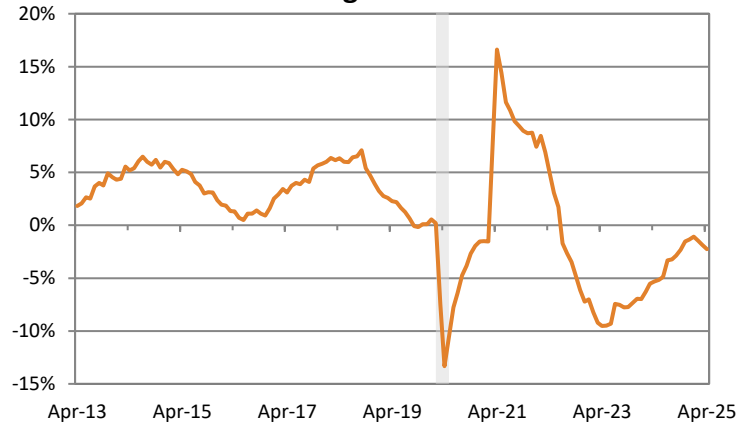
The Conference Board's LEADING ECONOMIC INDEX fell 1.0% to 99.4 in April. This is the largest month-over-month decline since March 2023, and it marks the fifth consecutive monthly decline in the index. It declined 2.0% during the six-month period ending in April 2025, the same rate of decline as the six-month period ending in April 2024. The most recent decline underscores growing concerns about the near-term trajectory of the U.S. economy. The deterioration was widespread, driven by increasingly pessimistic consumer expectations, weakening housing permits, and reduced working hours in manufacturing. While the LEI's six-month growth rate remained above the critical recession threshold, its persistent decline signals mounting economic vulnerabilities.

EXISTING HOME SALES dipped in April, falling 0.5% to a seasonally adjusted annual rate (SAAR) of 4.00 million. Compared to the same period a year ago, sales were down 2.0%, a sign that elevated mortgage rates and affordability issues continue to weigh on the housing market. Regionally, the declines were most pronounced in the West (-3.9%) and Northeast (-2.0%), while the Midwest (2.1%) saw modest gains

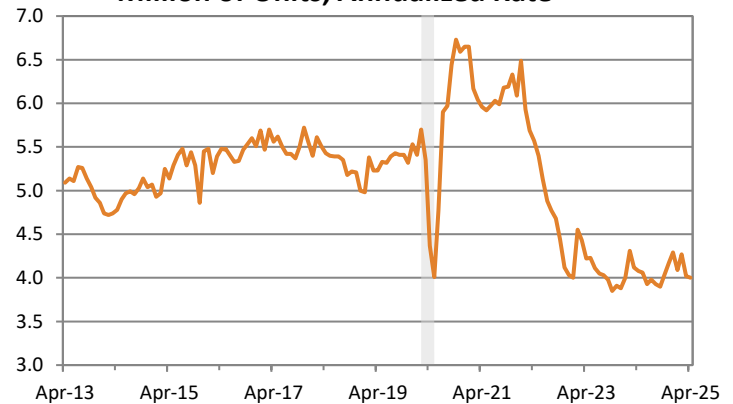
and the South remained flat. The median existing home price rose 1.8% year-over-year to a record \$414,000, marking the 22nd consecutive month of year-over-year price growth. The Northeast saw the largest price increases (6.3%) followed by the Midwest (3.6%); home prices in the South and West declined 0.1% and 0.2%, respectively. The inventory of existing homes for sale in April was up 9.0% from March to 1.45 million units, a 20.8% increase from a year prior.

NEW HOME SALES accelerated in April, climbing 10.9% to a SAAR of 743,000 units, outperforming consensus expectations. This news was accompanied by a significant downward revision to March's figure, which was reduced by over 50,000 units to 670,000. Year-over-year, new home sales were up 3.3%. The increase in April sales coincided with a 2.0% year-over-year drop in the median sales price, to \$407,200. Regionally, the Midwest sales posted the largest monthly gain, up 35.5%, while the Northeast continued to struggle, with sales plunging 14.8% from March and nearly 26% from a year ago. Despite the pickup in activity, inventory remained high with an 8.1-month supply, well above the balanced market level.

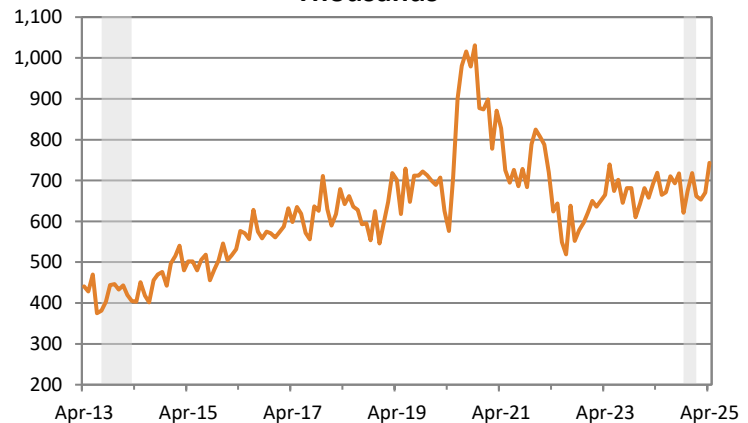
U.S. Leading Economic Index



Existing Home Sales Million of Units, Annualized Rate



New Home Sales Thousands





Fed Speeches

In her May 23rd speech at the Women in Macro Conference, Governor Lisa D. Cook offered a historical and forward-looking reflection on the intersection of financial stability and macroeconomic policy, drawing a direct link between the structure of financial systems and the execution of monetary policy. While financial stability is often discussed in isolation from monetary strategy, Cook made clear that stability is foundational to the Federal Reserve's dual mandate:

"Financial stability supports the objectives assigned to the Federal Reserve, including full employment and stable prices, a safe and sound banking system, and an efficient payments system."

This relationship highlights how vulnerabilities in credit markets, asset valuations, or institutional liquidity can distort the transmission of

monetary policy and compromise its effectiveness.

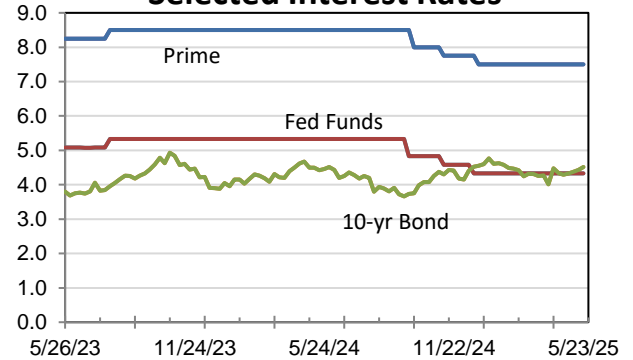
Governor Cook also emphasized the role of interest rate dynamics in amplifying systemic vulnerabilities, particularly during stress episodes. The March 2023 banking crisis and the April 2025 market volatility both revealed how rapid rate increases can precipitate liquidity strains and asset revaluations. These developments complicate the Fed's policy calculus, as aggressive tightening—intended to combat inflation—can inadvertently trigger instability.

Governor Cook's speech illustrates the vital feedback loop between financial stability and monetary policy effectiveness. Her comments serve not just as a research agenda, but as a framework for understanding how future rate decisions must be grounded in a vigilant assessment of evolving market structures and institutional vulnerabilities.

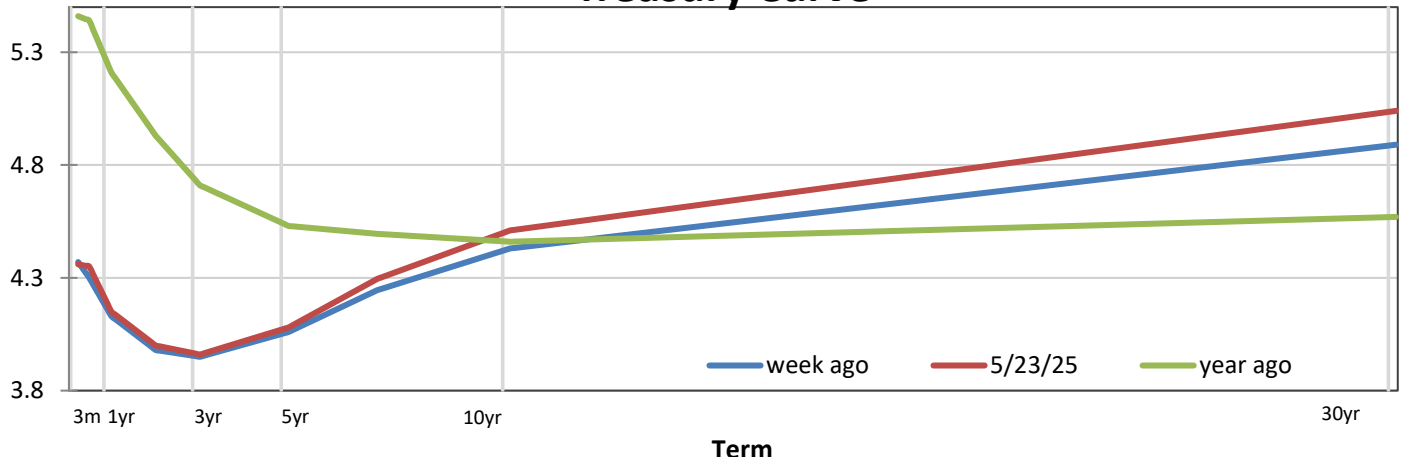
Financial Markets

All three major equity indices declined last week (DJIA and NASDAQ both by 2.5% and S&P 500 by 2.6%) as new tariffs were threatened on the European Union and smartphone manufacturers. Despite this, they remained elevated from their previous levels four weeks ago. While short-term Treasury yields remained relatively stable, long-term treasury yields increased. Most notably, the 30-year maturity jumped 15 basis points week-over-week and remains 37 basis points above its value 13 weeks ago. This sharp rise reflects investor concerns about a swelling U.S. deficit and increasing inflation expectations. The 30-year convention mortgage rate rose a further 5 basis points as long-term Treasury yields remained elevated, putting further pressure on the housing industry. Municipal bond yields diverged this week, with short-term rates edging down slightly and longer-term yields rising, continuing a steep upward trend over the past 13 weeks, reflecting that policy uncertainties and deficit concerns at a national level can have financial impacts at a local level.

Selected Interest Rates



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 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 5/23/2025	As of 5/16/2025	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)	4.26	4.31	(5)	(3)	(7)
Fed Funds (Wed close)	4.33	4.33	0	0	0
TREASURIES (BE) (Changes in BPs)					
3 Months	4.36	4.37	(1)	4	4
6 Months	4.35	4.30	5	13	5
1 Year	4.15	4.13	2	20	0
2 Years	4.00	3.98	2	26	(19)
5 Years	4.08	4.06	2	20	(18)
10 Years	4.51	4.43	8	22	9
30 Years	5.04	4.89	15	30	37
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.87	2.88	(1)	(10)	23
5-Year Muni	2.97	2.99	(2)	(16)	23
10-Year Muni	3.37	3.31	6	24	39
30-Year Muni	4.56	4.45	11	4	58
30-Year Conventional Mortgage	6.86	6.81	5	5	1
MARKET INDICATORS (Changes in %)					
DJIA	41,603.07	42,654.74	(2.5)	3.7	(4.2)
S&P 500	5,802.82	5,958.38	(2.6)	5.0	(3.5)
NASDAQ	18,737.21	19,211.10	(2.5)	7.8	(4.0)
CRB Futures	362.79	361.77	0.3	(0.3)	(3.6)
Oil (WTI Crude)	61.53	62.49	(1.5)	(4.9)	(12.9)
Gold	3,357.51	3,203.65	4.8	1.3	14.4
Yen / Dollar	142.56	145.70	(2.2)	0.1	(6.4)
Dollar / Euro	1.14	1.12	1.8	0.0	8.6



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