WEEKLY ECONOMIC UPDATE

Summary

The stock market ended the week on a high note with both the S&P 500 and the NASDAQ posting new record highs, surpassing their previous records from February. The DJIA advanced 3.8% ending the week at 43,819. The third and final reading of the GDP for Q1 featured a downward revision to -0.5% from the second estimate of -0.2%, primarily due to a downward revision of consumer spending, from 1.2% to 0.5%. Consumers remain uncertain about the economy. The Conference Board's consumer confidence index slumped to 93.0 in June from 98.4 in May. The University of Michigan's consumer sentiment index for June increased to 60.7 from 52.2 in May but is still below its reading of 68.2 a year prior. Personal spending declined 0.1% in May, missing expectations of a 0.2% increase. Real personal spending declined 0.3%, which will be a drag on Q2 GDP forecasts. Existing home sales were better than expected in May, while new home sales fell short of expectations. The volume of mortgage applications increased 1.1% for the week ending June 21, boosted by declining mortgage rates and cooling prices. According to the S&P Case-Shiller home price index, home prices increased 3.4% in April compared to the same month a year ago, down from 4.1% in March. New unemployment claims remained low, but continuing claims increased to levels not seen since November 2021.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Existing Home Sales (May – Mon 10:00)	4.03M	3.94M	
S&P Case-Shiller Home Price Index (Jun – Tue 9:00)	3,4%	4.1%	
Consumer Confidence (Jun – Tue 10:00)	93.0	99.0	
MBA Mortgage Applications Index (06/21 – Wed 07:00)	1.1%	NA	Prior: -2.6%
New Home Sales (May – Wed 10:00)	623K	700K	
Durable Orders (May – Thu 08:30)	+6.6%	+6.6%	
Durable Goods -ex transportation (May – Thu 08:30)	+0.1%	+0.1%	
GDP - Third Estimate (Q1 – Thu 08:30)	-0.2%	-0.2%	
GDP Deflator - Third Estimate (Q1 – Thu 08:30)	3.7%	3.7%	
Initial Claims (06/21 – Thu 08:30)	247K	247K	
Continuing Claims (06/21 – Thu 08:30)	NA	NA	
Personal Income (May – Thu 08:30)	+0.4%	+0.4%	
Personal Spending (May – Fri 08:30)	+0.2%	+0.2%	
PCE Prices (May – Fri 08:30)	+0.1%	+0.1%	PCE Prices Core: +0.1%
Univ. of Michigan Consumer Sentiment - Final (Jun – Fri 10:00)	60.5	60.5	

Next Week: Indicator	Consensus Expectation*	Prior	Comment
Construction Spending (May – Tue 10:00)	-0.2%	-0.4%	
ISM Manufacturing Index (Jun – Tue 10:00)	48.8%	48.5%	
JOLTS - Job Openings (May – Tue 10:00)	NA	7.391M	
MBA Mortgage Applications Index (06/28 – Wed 07:00)	NA	1.1%	
Nonfarm Payrolls (Jun – Thu 08:30)	120K	139K	
Nonfarm Private Payrolls (Jun – Thu 08:30)	123K	140K	
Unemployment Rate (Jun – Thu 08:30)	4.2%	4.2%	
Avg. Hourly Earnings (Jun – Thu 08:30)	0.3%	0.4%	
Average Workweek (Jun – Thu 08:30)	34.3	34.3	
Trade Balance (May – Thu 08:30)	-$70.5B	-$61.6B	
Initial Claims (06/28 – Thu 08:30)	240K	236K	
Continuing Claims (06/28 – Thu 08:30)	NA	1974K	
Factory Orders (May – Thu 10:00)	7.9%	-3.7%	
ISM Services (Jun – Thu 10:00)	50.3%	49.9%	

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

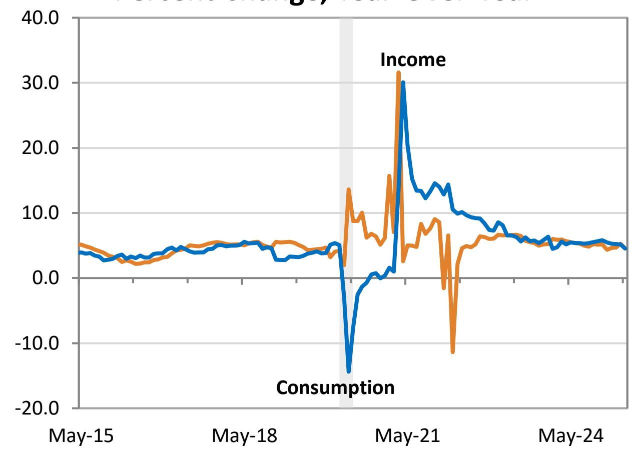
Economic Review

PERSONAL INCOME increased only 4.5% year-over-year in May, the smallest annual increase since January. After adjusting for inflation, real personal income was up only 2.1% from a year ago, down from 3.0% in April. Significant contributors to this deceleration were a decline in rental income in May compared to the previous month (-0.4%) and a decrease in personal dividend income (-0.3%). Real disposable income declined 0.7% month-over-month and was up 1.7% year-over-year versus 2.7% in April. PERSONAL SPENDING decelerated to 4.5% annually, from 5.2% in April. After adjusting for inflation, personal spending was up only 2.2%

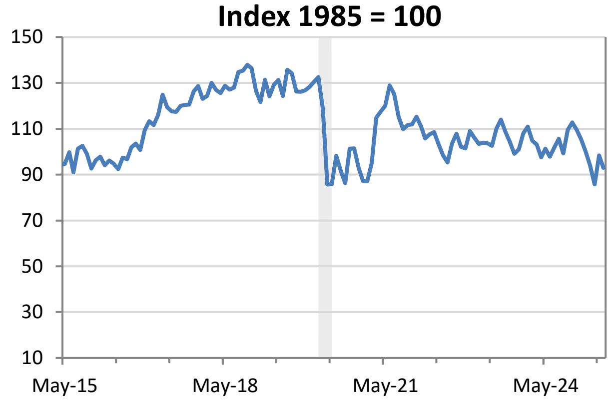
U.S. CONSUMER CONFIDENCE weakened in June. The Conference Board index dropped to 93,0 from 98.4 in May, signaling a decline in consumer optimism. The three components of the index — business conditions, employment prospects, and future income — all retreated. The decline was common across all age groups and almost all income groups. It was also shared across political affiliation, with the largest decline among Republicans. Tariffs and inflation remain the main concerns for consumers. Inflation expectations for the next 12 months have moderated since May but remain elevated at 6.0%. Plans to purchase homes have declined.

NEW HOME SALES declined 13.7% month-over-month in May to a seasonally adjusted annual rate of 623,000 units from 722,000 in April as affordability continues to discourage potential home buyers. On a year-over-year basis, new home sales were down 6.3%. The inventory of unsold new single-family homes is now the highest since 2007, indicating a challenging market for homebuilders. At the current sales pace, the supply of new homes for sale stood at 9.8 months, compared to 8.3 months in April and 8.5 months in the same period last year. We would expect prices to drop in this environment, but homebuilders are stuck between a rock and a hard place. The median sales price increased 3.0% year-over-year to $426,600, while the average sales price increased 4.6% to $522,200, driven mainly by higher production costs.

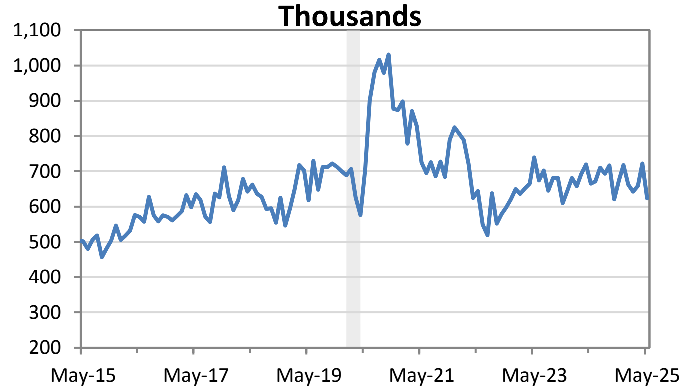
Personal Income and Consumption
Percent Change, Year-Over-Year



Consumer Confidence
Index 1985 = 100



New Home Sales
Thousands



Fed Speeches

On Tuesday, June 24, Governor Barr spoke at the Fed Listens event hosted by the Federal Reserve Bank of Kansas City. Barr briefly outlined the current economic conditions, noting strong employment and gradual disinflation, but cautioned that tariffs could raise inflation and slow growth, introducing uncertainty.

> *"Higher short-term inflation expectations, supply chain adjustments, and second-round effects may cause some inflation persistence. At the same time, tariffs may cause the economy to slow and unemployment to rise. There is still considerable uncertainty about tariff policies and their effects. Monetary policy is well-positioned to allow us to wait and see how economic conditions unfold."*

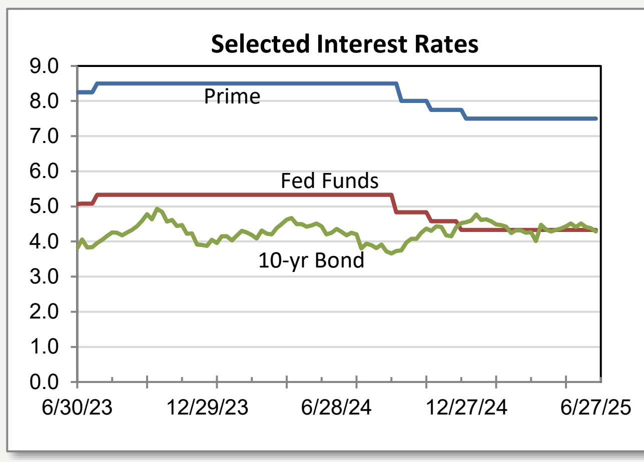
Barr reinforces the Fed's dual mandate of maximum employment and stable prices. He also emphasized the importance of incorporating regional perspectives into the formulation of national monetary policy:

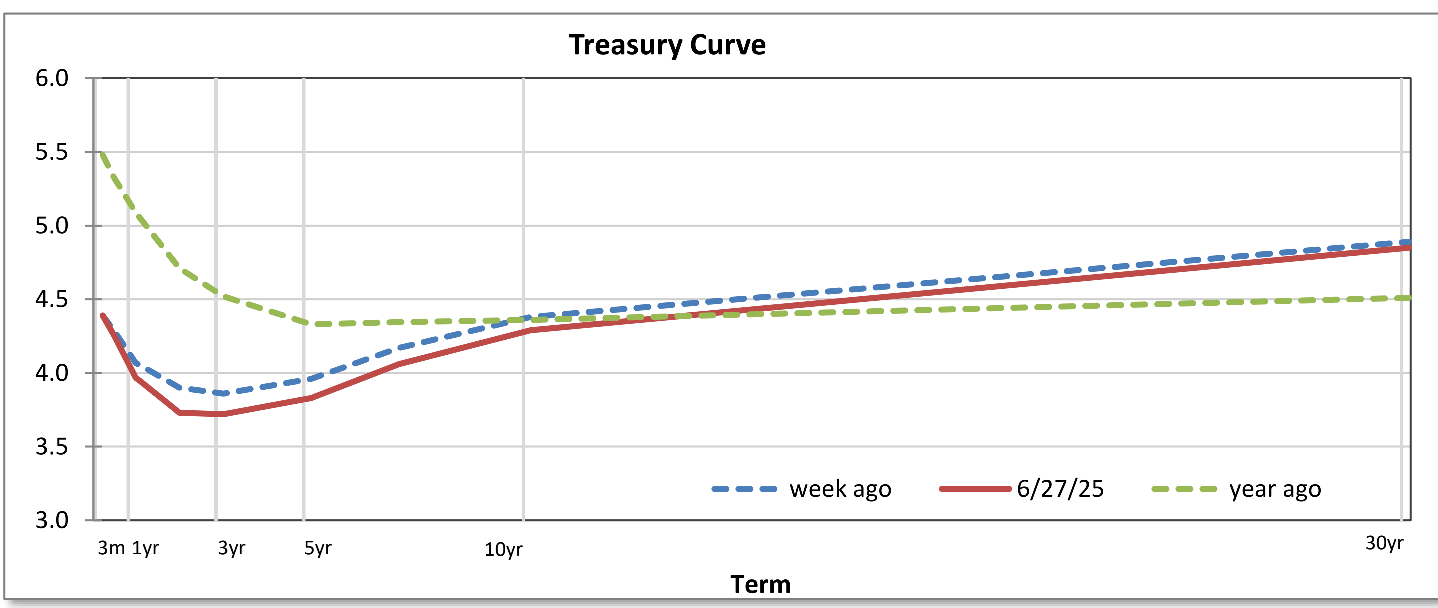
> *"Your experience, and the experiences of your customers and the other people you serve, is an important input into the strategy the Fed will decide on for our long-term monetary policy framework."*

Finally, he reminded the audience that although the Fed's monetary policy significantly impacts sectors where credit is vital, other factors also play a role in setting interest rates.

Financial Markets

The stock market posted major gains last week after a ceasefire between Iran and Israel following the US strike on Iranian nuclear sites. The Dow Jones advanced 3.8%, the S&P 500 rose 3.4%, and the NASDAQ surged 4.2%. The de-escalation of geopolitical tensions in the Middle East led to a 12.6% drop in oil prices, which closed the week at $65.52 per barrel. Treasury yields declined across maturities last week. The 10-year benchmark lost nine basis points, pushing mortgage rates down. The 30-year conventional rate averaged 6.77% on Friday. On the Forex market, the US dollar continues to weaken against major currencies as fresh data showed moderating inflation and cooling economic activity, pointing to interest rate cuts in the second half of the year.





Interest Rate Forecast*

During the Fed's June 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, "In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 4.25% to 4.50%. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities."

Avg. for:	Prime	Fed Funds	SOFR	6-Mo. T-Bill	2-Yr. Note	10-Yr. Treasury	30-Yr Bond	30-Yr Mortgage
3rd Qtr '25	7.44	4.28	4.27	4.26	3.95	4.41	4.88	6.74
4th Qtr	7.25	4.13	4.12	4.17	3.93	4.38	4.76	6.52
1st Qtr '26	7.08	3.96	3.96	4.00	3.93	4.32	4.65	6.30
2nd Qtr	6.91	3.79	3.79	3.85	3.91	4.24	4.50	6.12
3rd Qtr	6.75	3.63	3.62	3.70	3.78	4.08	4.32	5.90

July 2025

FINANCIAL MARKET SUMMARY

	As of 6/27/2025	As of 6/20/2025	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)	na	4.28	na	na	na
Fed Funds (Wed close)	4.33	4.33	0	0	0
TREASURIES (BE) (Changes in BPs)					
3 Months	4.39	4.39	0	3	6
6 Months	4.26	4.29	(3)	(10)	0
1 Year	3.97	4.07	(10)	(14)	(7)
2 Years	3.73	3.90	(17)	(16)	(16)
5 Years	3.83	3.96	(13)	(13)	(15)
10 Years	4.29	4.38	(9)	(12)	2
30 Years	4.85	4.89	(4)	(7)	21
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.63	2.67	(4)	(16)	(7)
5-Year Muni	2.73	2.78	(5)	(15)	(19)
10-Year Muni	3.22	3.27	(5)	34	(3)
30-Year Muni	4.53	4.55	(2)	(1)	22
30-Year Conventional Mortgage	6.77	6.81	(4)	(12)	12
MARKET INDICATORS (Changes in %)					
DJIA	43,819.27	42,206.82	3.8	3.7	5.4
S&P 500	6,173.07	5,967.84	3.4	4.4	10.6
NASDAQ	20,273.46	19,447.41	4.2	6.1	17.0
CRB Futures	368.08	383.47	(4.0)	3.5	(1.3)
Oil (WTI Crude)	65.52	74.93	(12.6)	6.5	(4.0)
Gold	3,274.33	3,368.39	(2.8)	(0.5)	6.1
Yen / Dollar	144.65	146.09	(1.0)	1.5	(3.1)
Dollar / Euro	1.17	1.15	1.7	3.3	8.2