WEEKLY ECONOMIC UPDATE

Summary

Stock prices and the dollar gained on Thursday after a trade deal between the United States and Vietnam was announced. A strong jobs report soothed concerns about the economy's performance during the early stages of the Trump administration's tariff campaign. All major indexes were positive on the week, with both the S&P 500 and the NASDAQ beating the previous week's record highs. The June employment situation report shows a decline in the unemployment rate to 4.1% from 4.2%. The improvement was primarily driven by a decline in labor force participation rather than an increase in hiring. Nonfarm payrolls advanced a relatively solid 147,000, but the gains were concentrated in the local government sector. Nonfarm private payrolls increased by only 74,000, short of the expected 123,000. Still, JOLTS job openings rebounded in May to a six-month high. Both new and continuing jobless claims were mostly unchanged from the previous week. Last week's labor market data solidified market expectations that the FOMC will postpone its next rate cut to fall.

Wages are cooling off, which should provide some downward pressure on inflation. June average hourly earnings were up 0.2% versus 0.4% in May. Over the last 12 months, average hourly earnings have risen 3.7% versus 3.8% for the 12 months ending in May.

Total construction spending decreased 0.3% month-over-month in May. A decline in new single-family construction (-1.8% month-over-month), was the primary factor behind the weakness in residential spending. Factory orders surged in May, led by a rebound for durable goods following the pause of reciprocal tariffs. Activity improved in both the manufacturing and service sectors, but it remained subdued. The two ISM indices remain close to the dividing line between contraction and expansion.

The trade deficit widened to $71.5 billion in May, in line with expectations.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Construction Spending (May – Tue 10:00)	-0.3%	-0.2%	
ISM Manufacturing Index (Jun – Tue 10:00)	49.0%	48.8%	
JOLTS - Job Openings (May – Tue 10:00)	7.769M	NA	
MBA Mortgage Applications Index (06/28 – Wed 07:00)	+2.7%	NA	
Nonfarm Payrolls (Jun – Thu 08:30)	147K	120K	
Nonfarm Private Payrolls (Jun – Thu 08:30)	74K	123K	
Unemployment Rate (Jun – Thu 08:30)	4.1%	4.2%	
Avg. Hourly Earnings (Jun – Thu 08:30)	+0.2%	+0.3%	
Average Workweek (Jun – Thu 08:30)	34.2	34.3	
Trade Balance (May – Thu 08:30)	-$71.5B	-$70.5B	
Initial Claims (06/28 – Thu 08:30)	233K	240K	
Continuing Claims (06/28 – Thu 08:30)	1,964K	NA	
ISM Services (Jun – Thu 10:00)	52.9	NA	
Factory Orders (May – Thu 10:00)	+8.2%	+7.9%	
Next Week: Indicator	**Consensus Expectation***	**Prior**	**Comment**
NFIB Small Business Optimism (Jun – Tue 06:00)	NA	98.8	
Consumer Credit (May – Tue 15:00)	$12.2B	$17.9B	
MBA Mortgage Applications Index (07/05 – Wed 07:00)	NA	+2.7%	
Wholesale Inventories (May – Wed 10:00)	-0.3%	+0.2%	
EIA Crude Oil Inventories (07/05 – Wed 10:30)	NA	+3.845M	
Initial Claims (07/05 – Thu 08:30)	245K	233K	
Continuing Claims (06/28 – Thu 08:30)	NA	1,964K	
EIA Natural Gas Inventories (07/05 – Thu 10:30)	NA	+55 bcf	
Treasury Budget (Jun – Fri 14:00)	-$257.5B	-$316.0B	

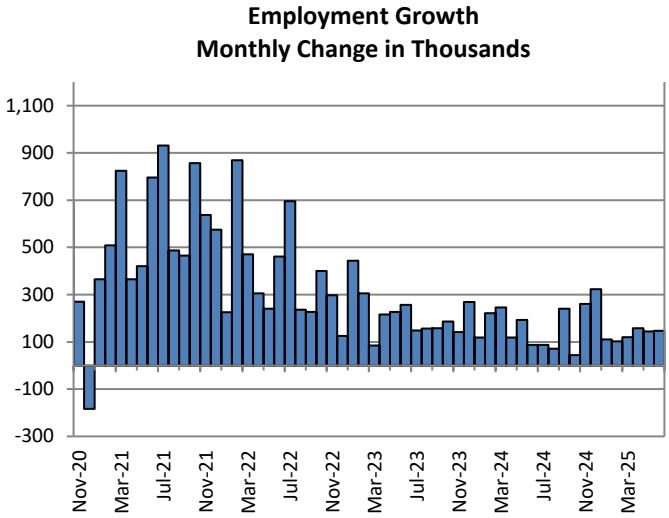
Sources: www.briefing.com and www.federalreserve.gov

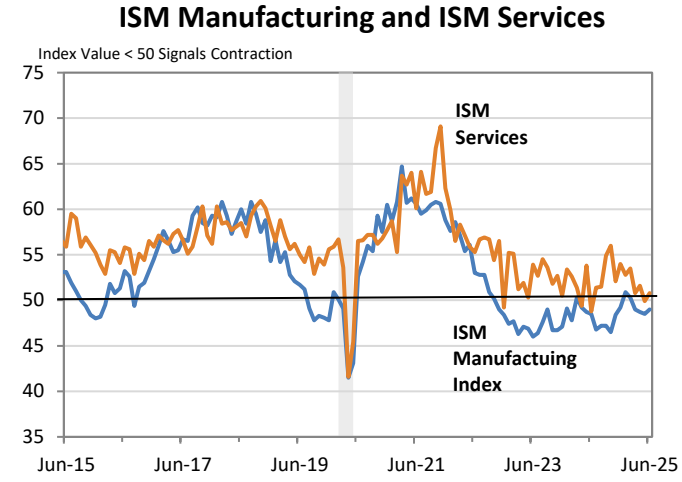
Economic Review

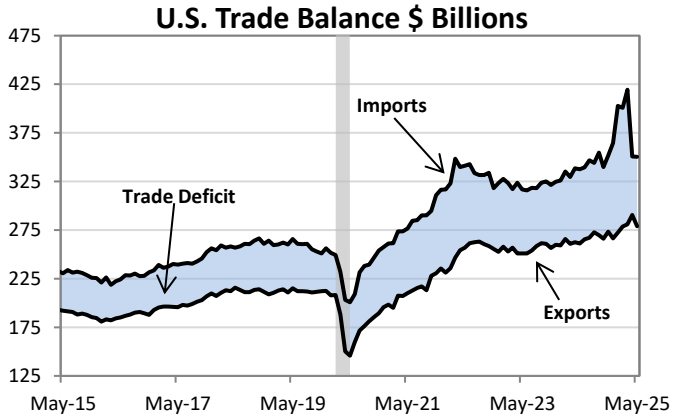
June NONFARM PAYROLLS increased a relatively solid 147,000. The higher-than-expected increase, together with an upward revision of the April and May readings, brought the 3-month average for total nonfarm payroll employment to 150,000 from 141,000. About half of the larger-than-expected increase, however, was driven by local government hiring. Job losses continued in the federal government (-7,000), where employment is down 69,000 since reaching a recent peak in January. Excluding government jobs, payroll increased only 74,000. Employment growth moderated across the board, except in construction, which saw a 15,000 increase in June, following a 6,000 increase in May. Employment in manufacturing declined 7,000, continuing its downward trend. The unemployment rate fell slightly to 4.1%; however, the labor force participation rate also fell 0.1 percentage point to 62.3%.

The ISM MANUFACTURING INDEX increased in June to 49.0% but remained below the 50% dividing line between expansion and contraction. This reading suggests that activity in the manufacturing sector contracted at a slightly slower pace than the prior month. A rise in production and new export orders drove the June improvement. The ISM SERVICES index rebounded above the 50% mark to 50.8% in June after briefly dropping to 49.9 in May. Service sector activity returned to growth, albeit at a modest rate. Employment is the only component of the index that deteriorated from May.

The TRADE DEFICIT widened to $71.5 billion in May from $60.3 billion in April. The increase was the result of a $11.6 billion drop in exports, while imports remained largely unchanged. Industrial supplies and materials led the drop in exports (- $10.0 billion), including a $5.5 billion decrease in non-monetary gold. Imports of automotive vehicles, parts, and engines increased $3.4 billion, while imports of consumer goods and imports of industrial supplies and materials decreased $4.0 billion and $0.9 billion, respectively. The goods deficit increased $11.2 billion to $97.5 billion, while the services surplus was flat at $26.0 billion. The May report shows a shift in trade flows, with an increase in the trade deficit with the European Union, Mexico, Canada, and Vietnam, while the deficit with China narrowed.







Fed Speeches

On July 1st, Charmain Powell joined the world's leading central bankers for a panel discussion in Sintra, Portugal. Concerns about trade, growth, and inflation dominated the meeting. Overall, Chairman Powell reiterated that he believes the U.S. economy is in a good place; but the effects of tariff policy have not yet been reflected in inflation, and he and his colleagues expect higher readings this summer. Therefore, while Powell still foresees rate cuts this year, he stated that the Fed is in no rush for a decision.

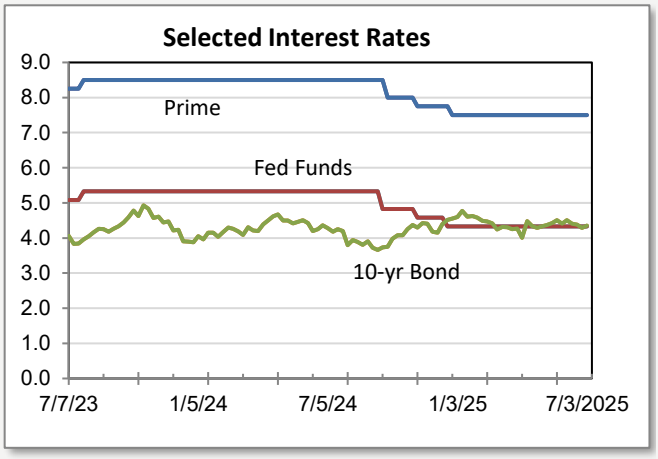
> *"We think the prudent thing to do is to wait and learn more. For now, we're waiting."*

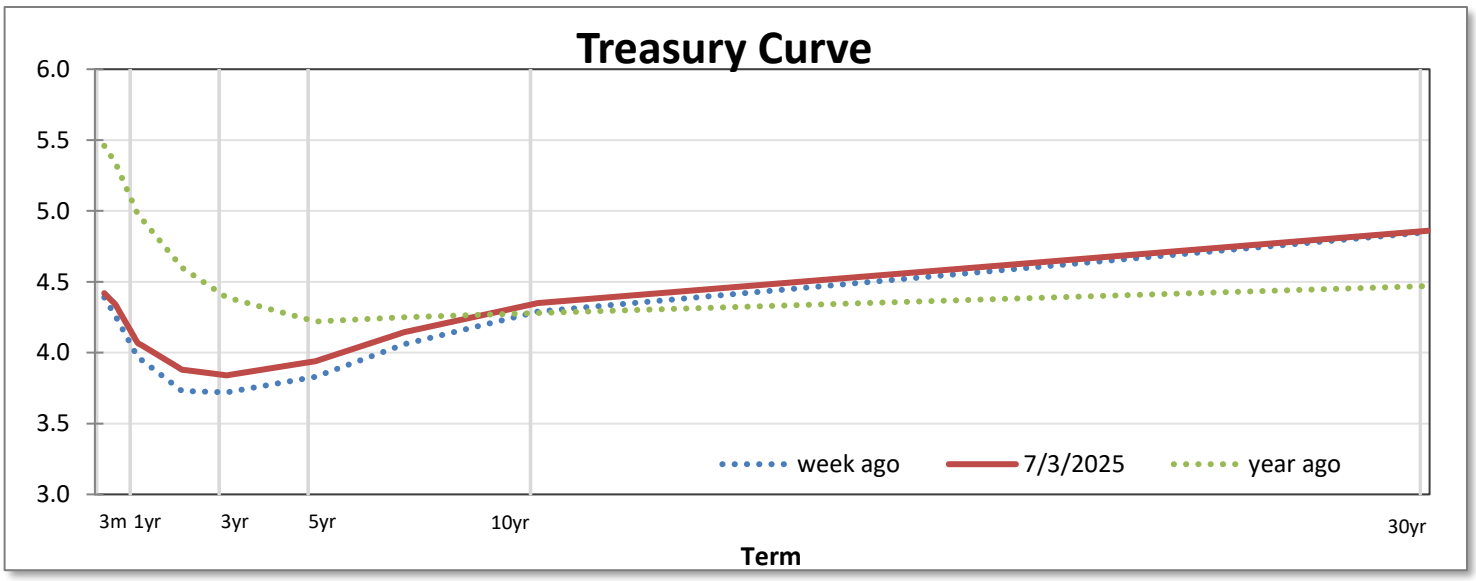
European Central Bank (ECB) President Christine Lagarde stated that inflation in Europe is "at target" around 2%. Similarly, Bank of Korea (BOK) Governor Rhee stated that core inflation has stabilized and does not currently pose a concern. Inflation remains elevated in the U.K., but the Bank of England (BoE) Governor Bailey suggested interest rates are on a "downward path". He pointed out that UK household and corporate debt levels are lower than expected. This implies that monetary policy may be less restrictive than thought, limiting its impact on inflation.

The policymakers were asked about the neutral rate of interest, the rate at which monetary policy neither restricts nor boosts economic activity. Bank of Japan (BOJ) Governor Ueda stated that interest rates are most likely to be below neutral in Japan. Powell notes that right now, U.S. interest rates in a range of 4.25%-4.50%, are likely "modestly restrictive."

Financial Markets

The stock market made gains again last week, with the Dow Jones advancing 2.3%, and the S&P 500 and the NASDAQ adding 1.7% and 1.6% to the previous week's record highs. Treasury yields spiked following the passage of a massive fiscal bill that is projected to add $4 trillion to the federal budget deficit. Medium-term Treasuries, which are the most sensitive to policy, led the hike. The 30-year conventional mortgage rate dropped 10 basis points, sitting at 6.67% on Thursday. Oil prices rose 2.3% after the U.S. imposed new restrictions on Iranian oil. On the Forex market, the U.S. dollar lost ground against the euro but advanced 0.2% against the yen on market expectations of a rate hike by the Bank of Japan.





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 7/03/2025	As of 6/27/2025	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)	4.40	4.39	1	11	1
Fed Funds (Wed close)	4.33	4.33	0	0	0
TREASURIES (BE) (Changes in BPs)					
3 Months	4.42	4.39	3	(1)	14
6 Months	4.34	4.26	8	3	20
1 Year	4.07	3.97	10	(7)	21
2 Years	3.88	3.73	15	(16)	20
5 Years	3.94	3.83	11	(19)	22
10 Years	4.35	4.29	6	(16)	34
30 Years	4.86	4.85	1	(11)	45
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.58	2.63	(5)	(17)	13
5-Year Muni	2.68	2.73	(5)	(17)	5
10-Year Muni	3.21	3.22	(1)	36	26
30-Year Muni	4.56	4.53	3	(2)	54
30-Year Conventional Mortgage	6.67	6.77	(10)	(18)	3
MARKET INDICATORS (Changes in %)					
DJIA	44,828.53	43,819.27	2.3	4.8	17.0
S&P 500	6,279.35	6,173.07	1.7	4.6	23.8
NASDAQ	20,601.10	20,273.46	1.6	5.5	32.2
CRB Futures	368.57	368.08	0.1	(0.0)	5.1
Oil (WTI Crude)	67.00	65.52	2.3	10.2	(3.0)
Gold	3,326.12	3,274.33	1.6	0.5	9.5
Yen / Dollar	144.90	144.65	0.2	0.6	(3.3)
Dollar / Euro	1.18	1.17	0.3	3.2	7.2