



## Summary

Markets softened this week, with equities declining modestly and long-term Treasury yields rising, reflecting investor unease about inflation and renewed trade policy uncertainty.

Consumer credit increased by \$5.1 billion in June, well below the \$12.2 billion expectation and May's reading of \$16.9 billion. The sharp deceleration suggests consumers may be pulling back on borrowing, reflecting cautious sentiment and growing pressure from higher interest rates on credit cards and loans. The NFIB small business optimism index fell slightly to 98.6 from 98.8 in May. This is slightly above the average of 98, indicating optimistic sentiment among small business

owners. June's decline was driven primarily by an increased number of respondents reporting excess inventories. The MBA mortgage applications index surged in the week of July 5<sup>th</sup>, potentially due to a drop in mortgage rates. Despite the weekly jump in applications, the housing market remains constrained by affordability issues. Wholesale inventories were down 0.3% month-over-month in May, in line with consensus expectations; and total inventories were up 1.4% compared to May 2024. Initial jobless claims (227,000) were slightly below the consensus expectation of 245,000. Despite low levels of joblessness, continuing claims are on the rise, indicating

difficulty for the unemployed to find work. The Treasury budget posted a \$27.0 billion surplus in June, in stark contrast to the expected deficit of \$257.5 billion. This surplus was driven by strong tax receipts in June.

## ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
NFIB Small Business Optimism (Jun – Tue 06:00)	98.6	NA	
Consumer Credit (May – Tue 15:00)	\$5.1B	\$12.2B	
MBA Mortgage Applications Index (07/05 – Wed 07:00)	+9.4%	NA	
Wholesale Inventories (May – Wed 10:00)	-0.3%	-0.3%	
EIA Crude Oil Inventories (07/05 – Wed 10:30)	+7.07M	NA	
Initial Claims (07/05 – Thu 08:30)	227K	245K	
Continuing Claims (06/28 – Thu 08:30)	1,965K	NA	
EIA Natural Gas Inventories (07/05 – Thu 10:30)	+53 bcf	NA	
Treasury Budget (Jun – Fri 14:00)	\$27.0B	-\$257.5B	
Next Week: Indicator	Consensus Expectation*	Prior	Comment
CPI (Jun – Tue 08:30)	+0.2%	+0.1%	Core CPI: +0.3%
PPI (Jun – Wed 08:30)	+0.2%	+0.1%	Core PPI: +0.2%
Industrial Production (Jun – Wed 09:15)	+0.1%	-0.2%	
Capacity Utilization (Jun – Wed 09:15)	77.4%	77.4%	
Fed's Beige Book (Wed 14:00)	NA	NA	
Retail Sales (Jun – Thu 08:30)	+0.2%	-0.9%	Retail Sales ex-auto: +0.3%
Initial Claims (07/12 – Thu 08:30)	230K	227K	
Continuing Claims (07/12 – Thu 08:30)	NA	1,965K	
Import Prices ex-oil (Jun – Thu 08:30)	NA	+0.3%	
Export Prices ex-ag. (Jun – Thu 08:30)	NA	-1.0%	
Philadelphia Fed Index (Jul – Thu 08:30)	-0.2	-4.0	
Business Inventories (May – Thu 10:00)	-0.1%	+0.0%	
Housing Starts (Jun – Fri 08:30)	1,300K	1,256K	
Building Permits (Jun – Fri 08:30)	1,383K	1,393K	
U. of Michigan Consumer Sentiment - Prelim (Jul – Fri 10:00)	61.5	60.7	

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



## Economic Review

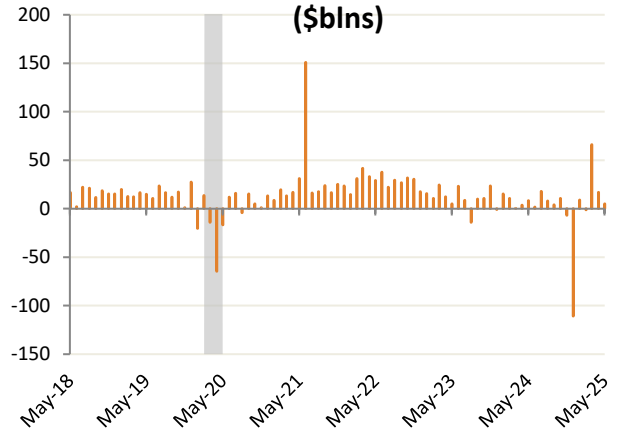
**CONSUMER CREDIT** increased \$5.1 billion in May, far below consensus expectations and the downwardly revised \$16.9 billion increase in April, indicating renewed consumer caution. Consumer credit increased at a seasonally adjusted annual rate of 1.2% in May, down from 4.0% in April. Revolving credit, typically credit card debt, decreased by \$3.5 billion to \$1.299 trillion and decreased at an annual rate of 3.2%. In contrast, nonrevolving credit—long term loans such as auto or housing loans—increased by \$8.6 billion and increased at an annual rate of 2.8%. This divergence in trends indicates a shift away from short-term borrowing as consumers adjust their spending in response to growing uncertainty.

The **TREASURY BUDGET** showed a surplus of \$27.0 billion in June, compared to a deficit of \$70.965 billion in the same period a year ago. The surplus reflects receipts of \$526.445 billion exceeding outlays of \$499.435 billion, marking the first monthly surplus since April. Individual income taxes contributed the largest portion of receipts at \$236 billion, followed by social insurance and retirement receipts at \$183 billion, and corporate income taxes at \$68 billion. For outlays, top expenditures included Social

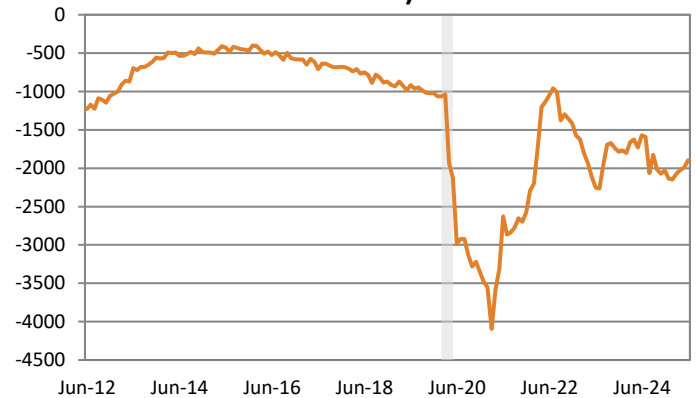
Security (\$141 billion), net interest on the debt (\$84 billion), and health expenditures (\$80 billion). Despite the monthly surplus, the fiscal year-to-date deficit rose to \$1.337 trillion, up from \$1.273 trillion at the same point last year, an increase of 5.0% year-over-year. The 12-month trailing deficit declined slightly to \$1.897 trillion, down from \$1.990 trillion in May.

**INITIAL JOBLESS CLAIMS** declined 5,000 to 227,000 for the week ending July 5, beating expectations of 245,000 and marking a second straight week of improvement. The four-week moving average also edged down to 235,500, a decrease of 5,750. The four-week moving average for continuing claims increased by 3,500 to 1.955 million, the highest since late 2021. The report highlights a gradually softening labor market characterized by a low-hiring low-firing environment: while employers remain reluctant to initiate large-scale layoffs, those who do lose jobs are facing increasing difficulty finding new ones. Still, the labor market remains relatively stable overall, with no indications of widespread job deterioration.

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



**Federal Budget (\$blns, Trailing Twelve Months)**



**Initial Unemployment Claims Thousands, 4-Week Moving Average**





## Fed Speeches

In his June 2025 speech at the Federal Reserve Bank of Dallas, Governor Christopher J. Waller provided a comprehensive and direct assessment of the Federal Reserve's balance sheet. Waller addressed the common misconception that the current \$6.7 trillion balance sheet reflects discretionary largesse, emphasizing instead that the size is largely due to structural changes like quantitative easing and a shift to an ample-reserves regime.

*"If our balance sheet had grown at the same rate as nominal GDP since 2007, it would be around \$1.7 trillion today—not \$6.7 trillion."*

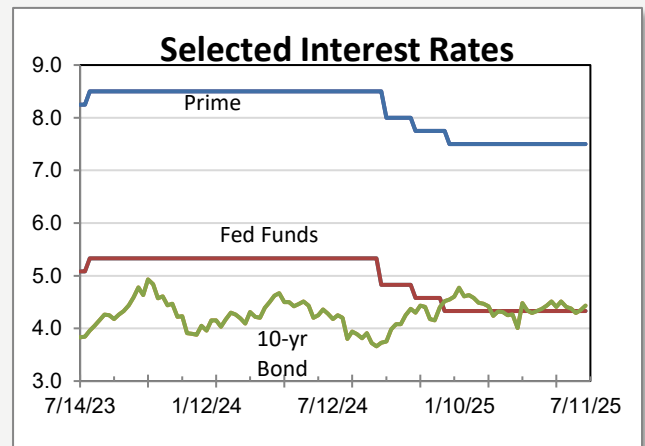
Waller explained, underscoring the scale of emergency interventions in the post COVID-crisis era. A key thrust of Waller's argument was that much of the

balance sheet expansion—especially the nearly \$3 trillion accounted for by U.S. currency in circulation and the Treasury's account—is beyond the Fed's control. These factors, coupled with new liquidity regulations that increased banks' demand for reserves, justify a larger footprint.

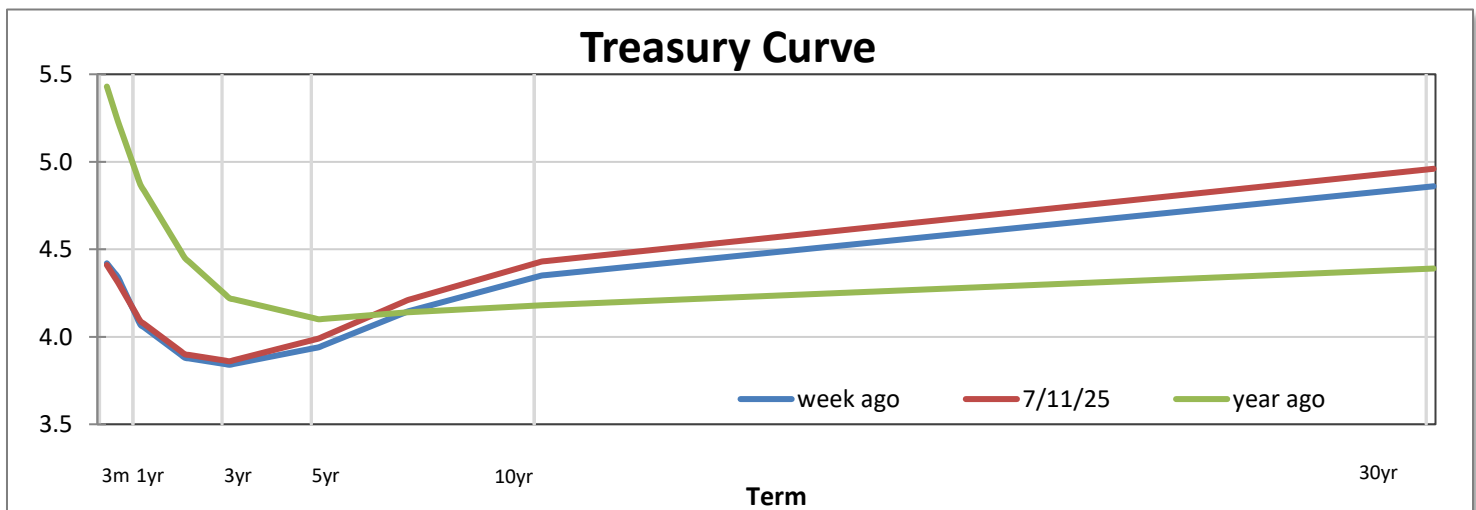
However, Waller drew a clear distinction between the size of the balance sheet and its composition. He criticized the concentration of long-duration assets, particularly agency mortgage-backed securities, as exposing the Fed to interest rate risk and undermining operational efficiency. Rather than selling off assets aggressively, he suggested a gradual realignment toward shorter-term Treasury bills to better match the characteristics of the Fed's liabilities, especially interest-bearing reserves.

## Financial Markets

After several weeks of gains, major equity indices edged lower this week on renewed trade policy uncertainty, with the DJIA falling 1.0% and smaller declines among the S&P 500 (-0.3%) and the NASDAQ (-0.1%). The Treasury yield curve steepened, led by gains in the 10- and 30-year maturities (an increase of 8 and 10 basis points, respectively). Short-term Treasury and municipal yields fell, indicating increased demand for short-term debt in the face of longer-term rate uncertainty. Commodities were a source of strength, with oil climbing 2.2% on the week and nearly 10% over the past quarter. The continued rally in crude underscores energy market tightness, which could complicate the Federal Reserve's inflation outlook. Gold also advanced, suggesting that investors are hedging against renewed volatility and inflation surprises.



## Treasury Curve





## 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
3 <sup>rd</sup> Qtr '25	7.44	4.28	4.27	4.26	3.95	4.41	4.88	6.74
4 <sup>th</sup> Qtr	7.25	4.13	4.12	4.17	3.93	4.38	4.76	6.52
1 <sup>st</sup> Qtr '26	7.08	3.96	3.96	4.00	3.93	4.32	4.65	6.30
2 <sup>nd</sup> Qtr	6.91	3.79	3.79	3.85	3.91	4.24	4.50	6.12
3 <sup>rd</sup> Qtr	6.75	3.63	3.62	3.70	3.78	4.08	4.32	5.90

July 2025

## FINANCIAL MARKET SUMMARY

	As of 7/11/2025	As of 6/03/2025	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)	4.31	4.40	(9)	3	(6)
Fed Funds (Wed close)	4.33	4.33	0	0	0
<b>TREASURIES (BE) (Changes in BPs)</b>					
3 Months	4.41	4.42	(1)	(4)	7
6 Months	4.31	4.34	(3)	1	10
1 Year	4.09	4.07	2	0	5
2 Years	3.90	3.88	2	(6)	(6)
5 Years	3.99	3.94	5	(3)	(16)
10 Years	4.43	4.35	8	2	(5)
30 Years	4.96	4.86	10	6	11
<b>MUNICIPALS- AAA G.O. &amp; Mortgage (Changes in BPs)</b>					
2-Year Muni	2.52	2.58	(6)	(18)	(57)
5-Year Muni	2.63	2.68	(5)	(18)	(64)
10-Year Muni	3.18	3.21	(3)	37	(41)
30-Year Muni	4.60	4.56	4	4	(6)
30-Year Conventional Mortgage	6.72	6.67	5	(12)	10
<b>MARKET INDICATORS (Changes in %)</b>					
DJIA	44,371.51	44,828.53	(1.0)	5.2	10.3
S&P 500	6,259.75	6,279.35	(0.3)	4.7	16.7
NASDAQ	20,585.53	20,601.10	(0.1)	6.1	23.1
CRB Futures	373.34	368.57	1.3	(1.7)	5.6
Oil (WTI Crude)	68.45	67.00	2.2	5.7	9.7
Gold	3,355.59	3,326.12	0.9	(2.2)	3.7
Yen / Dollar	147.43	144.90	1.7	1.8	0.4
Dollar / Euro	1.17	1.18	(0.6)	1.2	3.0



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