WEEKLY ECONOMIC UPDATE

Summary

Markets turned sharply lower last week with equity indices declining and Treasury yields falling across the curve, as renewed tariffs increased uncertainty, and weak employment data signaled slowing growth and increased expectations of future rate cuts. Nonfarm payroll employment rose a disappointing 73,000 with a large 258,000 downward revision to May and June totals. The unemployment rate rose to 4.2% in July. JOLTS job openings decreased slightly to 7.437 million in June, with sharp declines in the accommodation and food services and health care sectors. Construction spending declined 0.4% in June, underperforming expectations and reflecting weakened activity in both residential and nonresidential construction. Real GDP grew at an annualized rate of 3.0% in the second quarter due to a sharp decline in imports. The GDP price deflator rose 1.9%, indicating progress on inflation cooling efforts. Both personal income and spending increased 0.3% in June, with both the PCE price index and core PCE up 0.3%. Consumer confidence beat expectations, rising to 97.2 in July due to improving consumer expectations about future business and labor market conditions, despite growing uncertainty and weaker economic data. The ISM manufacturing index declined to 48.0%, indicating the sector is falling deeper into contraction. University of Michigan final consumer sentiment report checked in at 61.7 in July, remaining historically low due to persistent consumer concerns about prices, interest rates, and growth.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Consumer Confidence (Jul – Tue 10:00)	97.2	95.5	
JOLTS - Job Openings (Jun – Tue 10:00)	7.437M	NA	
MBA Mortgage Applications Index (07/26 – Wed 07:00)	-3.8%	NA	
GDP-Adv. (Q2 – Wed 08:30)	+3.0%	+2.5%	
GDP Deflator-Adv. (Q2 – Wed 08:30)	+2.0%	+2.6%	
FOMC Rate Decision (Jul – Wed 14:00)	4.25-4.50%	4.25-4.50%	
Personal Income (Jun – Thu 08:30)	+0.3%	+0.3%	
Personal Spending (Jun – Thu 08:30)	+0.3%	+0.4%	
PCE Prices (Jun – Thu 08:30)	+0.3%	+0.3%	PCE Prices Core: +0.3%
Initial Claims (07/26 – Thu 08:30)	218K	220K	
Continuing Claims (07/19 – Thu 08:30)	1,946K	NA	
Employment Cost Index (Q2 – Thu 08:30)	+0.9%	+0.8%	
Nonfarm Payrolls (Jul – Fri 08:30)	73K	102K	
Nonfarm Private Payrolls (Jul – Fri 08:30)	83K	110K	
Unemployment Rate (Jul – Fri 08:30)	4.2%	4.2%	
Avg. Hourly Earnings (Jul – Fri 08:30)	+0.3%	+0.3%	
Average Workweek (Jul – Fri 08:30)	34.3	34.2	
Construction Spending (Jun – Fri 10:00)	-0.4%	+0.1%	
ISM Manufacturing Index (Jul – Fri 10:00)	48.0%	49.5%	
Univ. of Michigan Consumer Sentiment - Final (Jul – Fri 10:00)	61.7	61.8	

Next Week: Indicator	Consensus Expectation*	Prior	Comment
Factory Orders (Jun – Mon 10:00)	-5.1%	+8.2%	
Trade Balance (Jun – Tue 08:30)	-$62.0B	-$71.5B	
ISM Services (Jul – Tue 10:00)	51.5%	50.8%	
Productivity-Prel (Q2 – Thu 08:30)	+2.2%	-1.5%	
Unit Labor Costs-Prel (Q2 – Thu 08:30)	+1.5%	+6.6%	
Initial Claims (08/02 – Thu 08:30)	220K	218K	
Continuing Claims (07/26 – Thu 08:30)	NA	1,946K	
Wholesale Inventories (Jun – Thu 10:00)	+0.2%	-0.3%	
Consumer Credit (Jun – Thu 15:00)	$8.6B	$5.1B	

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

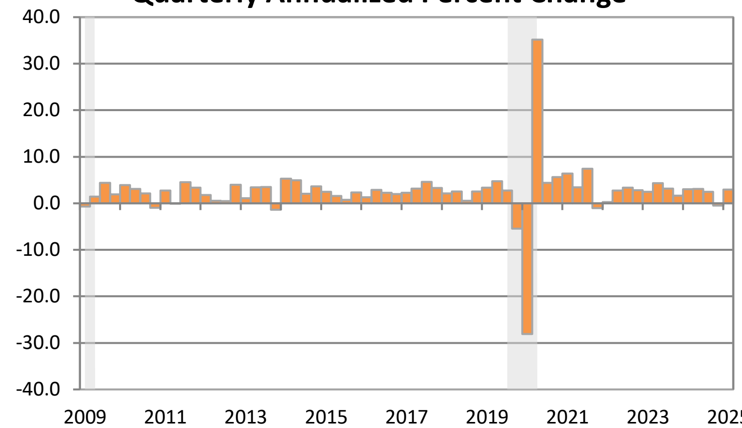
Economic Review

The advance 2nd quarter report showed REAL GDP increased at a 3.0% annualized rate, exceeding expectations and rebounding from a 0.5% decline in the first quarter. The stronger-than-expected growth was driven almost entirely by a 30.3% drop in imports, which are a subtraction in GDP accounting. Net exports contributed 4.99 percentage points to the headline figure. Personal consumption growth remained modest at 1.4%, adding 0.98 percentage points to growth, while government spending contributed marginally. Gross private domestic investment declined 15.6%, pulling overall growth down by 3.09 percentage points. Within investment, residential investment fell 4.6%, while nonresidential equipment spending rose 4.8%.

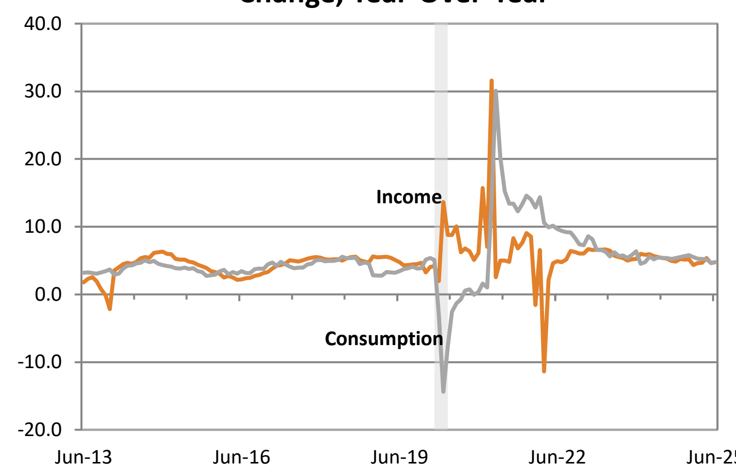
PERSONAL INCOME increased 0.3% in June, matching expectations and recovering from a 0.4% drop in May. Personal spending also rose 0.3%, slightly below expectations; May's reading was revised up to 0% from a previously reported decline. Real disposable income was flat month-over-month and rose 1.7% year-over-year, while real personal consumption edged up 0.1% in June and up 2.1% year-over-year. The personal savings rate remained steady at 4.5%. The PCE price Index rose 0.3% in June, bringing the year-over-year rate up to 2.6%. Core PCE increased 0.3% month-over-month and remained steady at 2.8% year-over-year. The PCE price index for goods was up 0.3% month-over-month and up 0.6% year-over-year; the PCE price index for services remained flat at 3.5% year-over-year. Slower wage growth and modest consumption gains suggest that while consumers remain resilient, high prices and cooling income growth are beginning to weigh on real purchasing power.

The July EMPLOYMENT SITUATION report showed another month of weakening labor market conditions, with payrolls rising by just 73,000—well below expectations—and significant downward revisions to May and June totaling 258,000 jobs. The unemployment rate rose to 4.2%, and the broader U-6 measure of underemployment rose to 7.9%. Long-term unemployment also increased, with 24.9% of unemployed individuals out of work for 27 weeks or longer (up from 23.3% in June). Labor force participation decreased slightly by 0.1 percentage point to 62.2%. Wage growth remained stable, up 0.3% in July and 3.9% since July 2024.

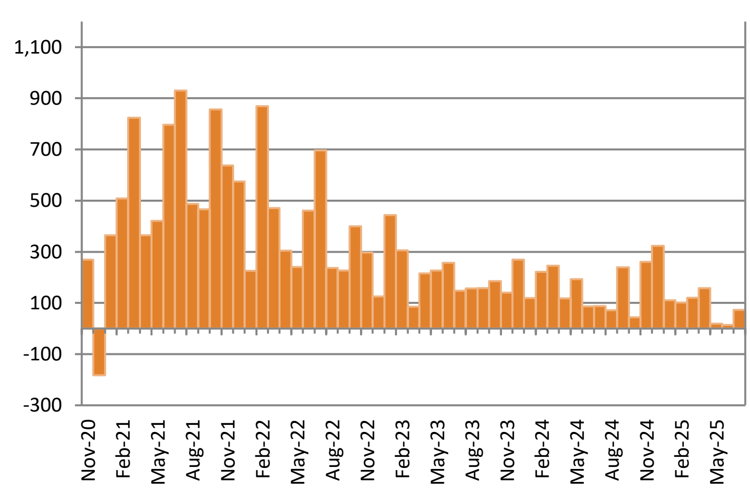
Real Gross Domestic Product
Quarterly Annualized Percent Change



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



Employment Growth
Monthly Change in Thousands



Fed Speeches

On Wednesday, July 30, 2025, the Federal Open Market Committee voted to keep the federal funds target range at 4.25% to 4.50%, continuing a pause in rate adjustments amid signs of economic deceleration. While data prior to this week's meeting remained solid, recent indicators showed a moderation in economic activity in the first half of the year, primarily attributed to swings in net exports. Headline inflation remains elevated, though the Committee emphasized its ongoing commitment to returning inflation to its 2% target over time.

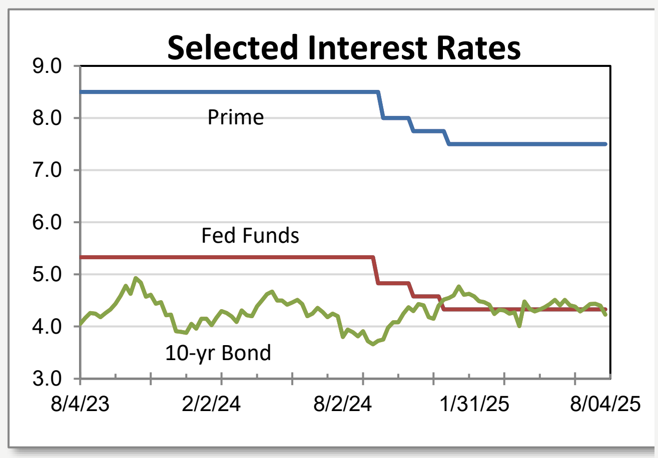
The statement reflected growing caution within the Committee. Although uncertainty about the economic outlook remains high, policymakers stressed that they are attentive to the conflicting aspects of their dual mandate. Notably, the vote was not unanimous. Governors Michelle Bowman and Christopher Waller dissented, favoring a 25-basis-point rate cut. Waller had publicly argued for an immediate reduction in July, citing a softening labor market and slowing economic momentum as justification:

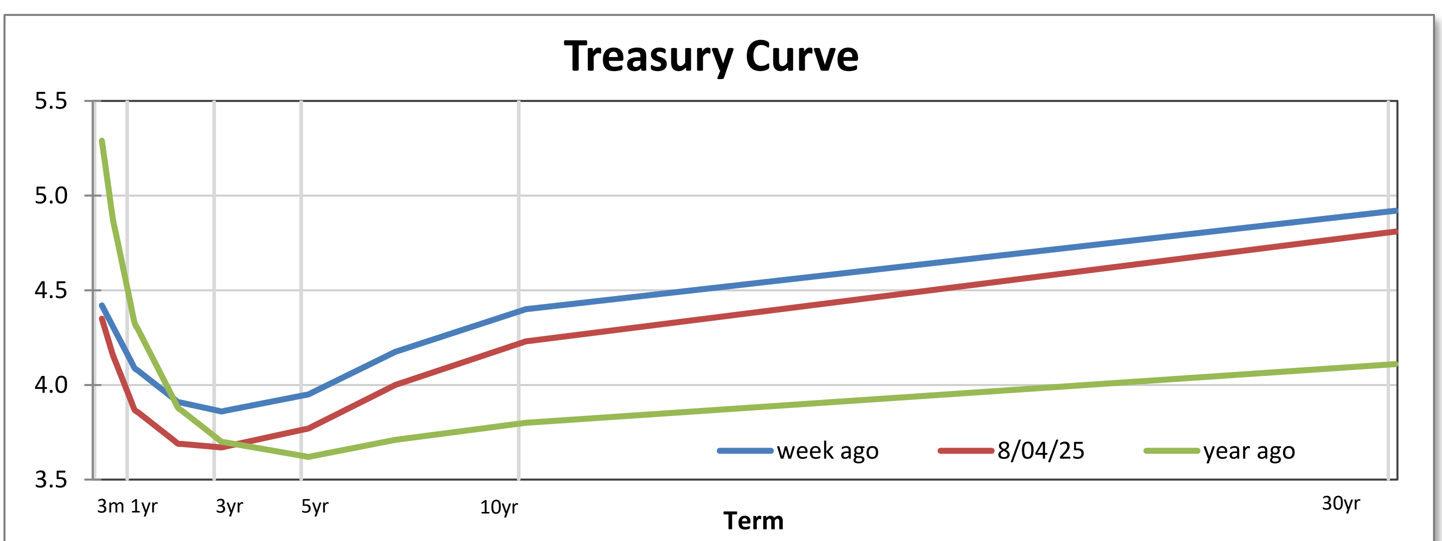
"If the slowing of economic and employment growth were to accelerate… waiting until September or later would risk us falling behind the curve."

With inflationary pressures now viewed as increasingly tied to temporary tariff effects, and risks to employment mounting, the Fed appears poised to shift toward a more accommodative stance in the coming months. While monetary policy remains restrictive, the July statement and growing internal dissent suggests the Fed is moving closer to a pivot, especially if labor market conditions weaken further and inflation expectations stay anchored.

Financial Markets

The equities market reversed course last week as renewed tariffs and weak economic data signaled growing uncertainty and slowing growth. The DJIA had the steepest decline of 2.9% with the S&P 500 (-2.4%) and the NASDAQ (-2.2%) following. This movement coincided with a sharp rally in Treasuries with prices rising and yields across all maturities posting declines. The 1-year bill and 2-year note, which are very sensitive to monetary policy, both declined 22 basis points, reflecting renewed expectations that there will be a rate cut by the Fed later this year. Oil rebounded 3.3% after a momentary decline the previous week; it remains 2.5% higher than the price four weeks ago. Gold prices increased slightly by 0.8%; it remains 1.1% higher than four weeks ago and 3.9% higher than 13 weeks ago. The U.S. dollar slipped against major currencies, a move consistent with the repricing of interest rate expectations.





Interest Rate Forecast*

During the Fed's July 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	7.43	4.28	4.28	4.27	3.88	4.41	4.92	6.68
4th Qtr	7.25	4.13	4.12	4.17	3.92	4.38	4.77	6.49
1st Qtr '26	7.08	3.96	3.96	4.00	3.92	4.32	4.66	6.31
2nd Qtr	6.91	3.79	3.79	3.85	3.90	4.25	4.51	6.13
3rd Qtr	6.75	3.63	3.62	3.70	3.77	4.08	4.33	5.91

August 2025

FINANCIAL MARKET SUMMARY

	As of 8/01/2025	As of 7/25/2025	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)	4.39	4.30	9	(1)	0
Fed Funds (Wed close)	4.33	4.33	0	0	0
TREASURIES (BE) (Changes in BPs)					
3 Months	4.35	4.42	(7)	(7)	2
6 Months	4.16	4.31	(15)	(18)	(10)
1 Year	3.87	4.09	(22)	(20)	(13)
2 Years	3.69	3.91	(22)	(19)	(14)
5 Years	3.77	3.95	(18)	(17)	(15)
10 Years	4.23	4.40	(17)	(12)	(10)
30 Years	4.81	4.92	(11)	(5)	2
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.33	2.44	(11)	(25)	(58)
5-Year Muni	2.47	2.57	(10)	(21)	(56)
10-Year Muni	3.20	3.33	(13)	52	(14)
30-Year Muni	4.63	4.77	(14)	7	20
30-Year Conventional Mortgage	6.72	6.74	(2)	5	(4)
MARKET INDICATORS (Changes in %)					
DJIA	43,588.58	44,901.92	(2.9)	(2.8)	5.5
S&P 500	6,238.01	6,388.64	(2.4)	(0.7)	9.7
NASDAQ	20,650.13	21,108.32	(2.2)	0.2	14.9
CRB Futures	364.11	372.39	(2.2)	(1.2)	2.8
Oil (WTI Crude)	67.16	65.04	3.3	2.5	6.0
Gold	3,363.48	3,336.81	0.8	1.1	3.9
Yen / Dollar	147.40	147.66	(0.2)	1.9	2.6
Dollar / Euro	1.16	1.17	(1.3)	(1.4)	2.5