Summary

Equities rallied last week, led by a nearly 4% surge in the NASDAQ, as investor sentiment improved on better-than-expected earnings and increased expectations of rate cuts later this year. The U.S. trade balance narrowed to a deficit of $60.2 billion in June due to a massive reduction in imports; exports were dragged down by a nearly $5 billion reduction in industrial supplies and materials exports; however, this decline was offset by significant gains in other areas. Consumer credit expanded $7.4 billion in June, below expectations. Non-revolving credit remained stable, and revolving credit continued to fall, indicating consumers are shifting away from discretionary spending and towards larger planned purchases. Factory orders declined 4.8% in June, slightly less than expected, due to weaker demand for transportation equipment. Wholesale inventories increased 0.1%, below expectations, suggesting inventory levels are being carefully managed in response to slow sales growth. The ISM services index for July slipped to 50.1%, one percentage point below consensus expectations. This July reading barely holds the sector in expansionary activity, indicating that services growth—a main driver of economic resilience—is slowing. Additionally, a nearly-one percentage point decrease in the employment index accompanied with an over two percentage point increase in the price index has stoked concern over stagflation. Initial jobless claims for the week ending August 2nd came in at 226K, above the 220K consensus. While still historically low, the uptick supports the narrative of gradual labor market cooling. Continuing claims for the week ending July 26th were also elevated, at 1.974 million, suggesting a continuation of the low hiring, low firing environment. Preliminary productivity and unit labor costs data for the second quarter of 2025 were released last week, with productivity increasing above expectations to 2.4%. Unit labor costs rose 1.6%, barely above expectations, indicating modest upward pressure on wages and labor expenses, but well below gains in 2022 and 2023.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Factory Orders (Jun – Mon 10:00)	-4.8%	-5.1%	
Trade Balance (Jun – Tue 08:30)	-$60.2B	-$62.0B	
ISM Services (Jul – Tue 10:00)	50.1%	51.5%	
MBA Mortgage Applications Index (08/02 – Wed 07:00)	+3.1%	NA	
Productivity-Prel (Q2 – Thu 08:30)	+2.4%	+2.2%	
Unit Labor Costs-Prel (Q2 – Thu 08:30)	+1.6%	+1.5%	
Initial Claims (08/02 – Thu 08:30)	226K	220K	
Continuing Claims (07/26 – Thu 08:30)	1,974K	NA	
Wholesale Inventories (Jun – Thu 10:00)	+0.1%	+0.2%	
Consumer Credit (Jun – Thu 15:00)	$7.4B	$8.6B	
Next Week: Indicator	**Consensus Expectation***	**Prior**	**Comment**
CPI (Jul – Tue 08:30)	+0.2%	+0.3%	Core CPI (prior): 0.2%
Treasury Budget (Jul – Tue 14:00)	-$140.0B	$27.0B	
MBA Mortgage Applications Index (08/09 – Wed 07:00)	NA	+3.1%	
PPI (Jul – Thu 08:30)	+0.2%	+0.0%	Core PPI (prior): 0.0%
Initial Claims (08/09 – Thu 08:30)	228K	226K	
Continuing Claims (08/02 – Thu 08:30)	NA	1,974K	
Retail Sales (Jul – Fri 08:30)	+0.5%	+0.6%	Retail Sales ex auto (prior): 0.5%
Import Prices (Jul – Fri 08:30)	NA	+0.1%	Imports ex oil (prior): 0.1%
Export Prices (Jul – Fri 08:30)	NA	+0.5%	Exports ex ag (prior): 0.5%
Industrial Production (Jul – Fri 09:15)	-0.1%	+0.3%	
Capacity Utilization (Jul – Fri 09:15)	77.5%	77.6%	
Business Inventories (Jun – Fri 10:00)	+0.1%	+0.0%	
U. of Michigan Consumer Sentiment - Prelim (Aug – Fri 10:00)	61.3	61.7	

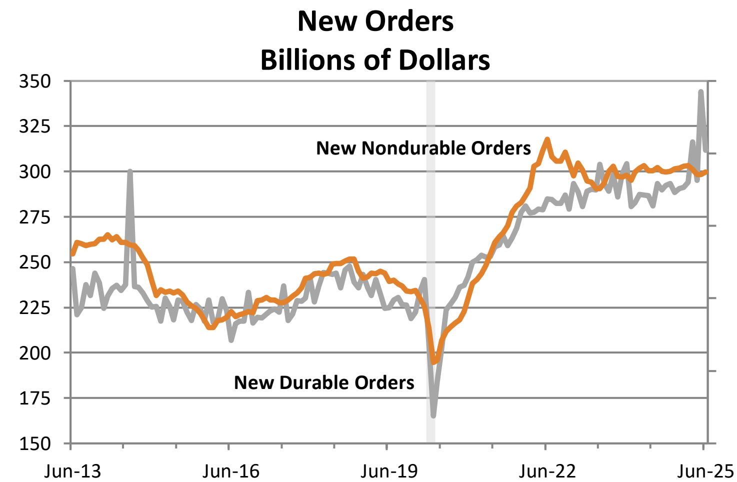
**Sources: www.briefing.com and www.federalreserve.gov*

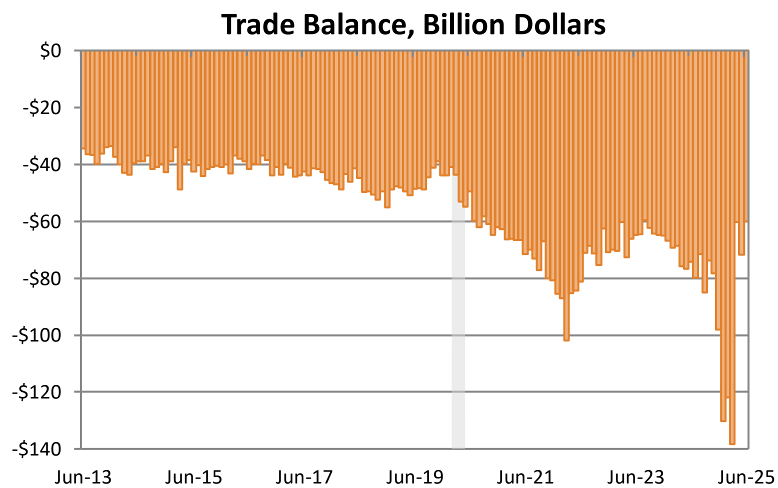
Economic Review

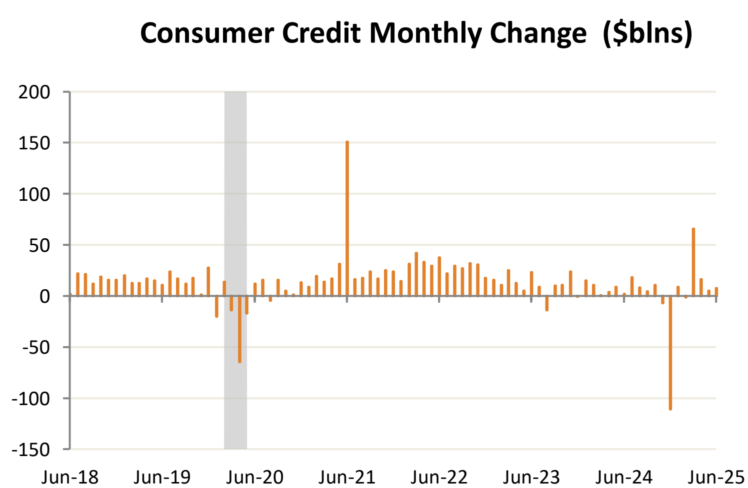
FACTORY ORDERS declined 4.8% in June, largely reflecting a steep drop in transportation equipment orders (−22.4%) following May's surge. Excluding transportation, orders rose 0.4%. Shipments of manufactured goods climbed 0.5%, a slight acceleration from the prior month. Nondurable goods orders posted a 0.5% increase, while durable goods orders fell sharply (9.4%) due to transportation. Nondefense capital goods excluding aircraft, a key measure of business investment, fell 0.8% after a strong 1.9% gain in May; sustained softness in this category could signal caution among businesses about future demand, which would weigh on manufacturing growth.

The U.S. TRADE DEFICIT narrowed sharply to $60.2 billion in June, improving from May's $71.7 billion deficit. Imports fell by $12.8 billion, led by an $8.4 billion decline in consumer goods, a $2.7 billion drop in industrial supplies and materials, and a $1.3 billion decrease in automotive imports. Exports slipped $1.3 billion overall, as a $4.8 billion decline in industrial supplies and materials was offset by gains in capital goods (+$2.0 billion) and consumer goods (+$1.0 billion). On an inflation-adjusted basis, the real goods trade deficit fell 9.3% to $84.6 billion, bringing the Q2 average nearly 40% below Q1 levels.

Consumers remained cautious in June, with longer-term borrowing for big-ticket items staying steady, but revolving debt remaining subdued. This indicates consumers may be continuing to limit discretionary spending and short-term debt, due to concerns about future economic strength. Overall, CONSUMER CREDIT increased by $7.4 billion in June, marking a modest pickup from May's $5.1 billion gain but coming in just shy of expectations. June's growth was entirely driven by nonrevolving credit, primarily auto and student loans, which rose by $8.4 billion. In contrast, revolving credit, such as credit cards, declined by $1.1 billion, suggesting households pulled back on short-term borrowing. On a quarterly basis, consumer credit grew at a 2.3% annual rate in Q2, with nonrevolving credit advancing at an annual rate of 2.9% and revolving credit up just 0.7%. June's 1.8% annualized pace highlights a cautious consumer backdrop.







Fed Speeches

In an August 1, 2025 statement, Federal Reserve Vice Chair for Supervision Michelle W. Bowman explained her dissent from the July FOMC decision to leave the federal funds rate unchanged. Bowman argued for a 25-basis-point cut, citing slowing economic growth, reduced inflationary pressures outside of temporary tariff effects, and emerging weakness in the labor market.

> *"Taking a proactive approach… would avoid an unnecessary erosion in labor market conditions and reduce the chance… [of] a significantly larger policy correction at a future date."*

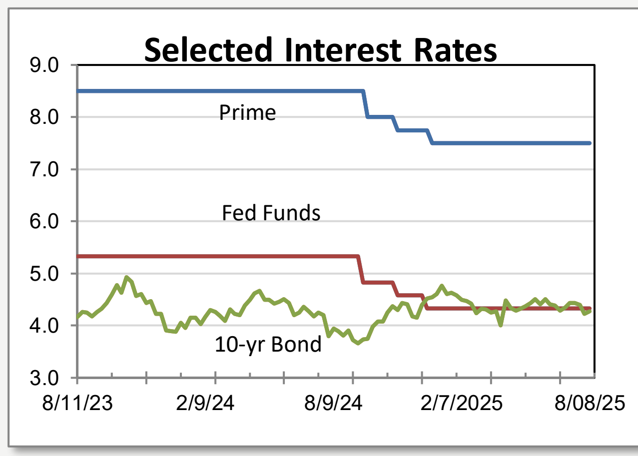
Bowman described the U.S. economy as resilient but clearly losing momentum in 2025 compared to the strong gains in 2024. While payroll growth continues and unemployment remains low, she noted the labor market has become "less dynamic" with hiring concentrated in a narrow set of industries and a drop in the employment-to-population ratio. Consumer spending and residential investment have slowed sharply, reflecting the combined effects of high interest rates, weaker income growth, and constrained household balance sheets.

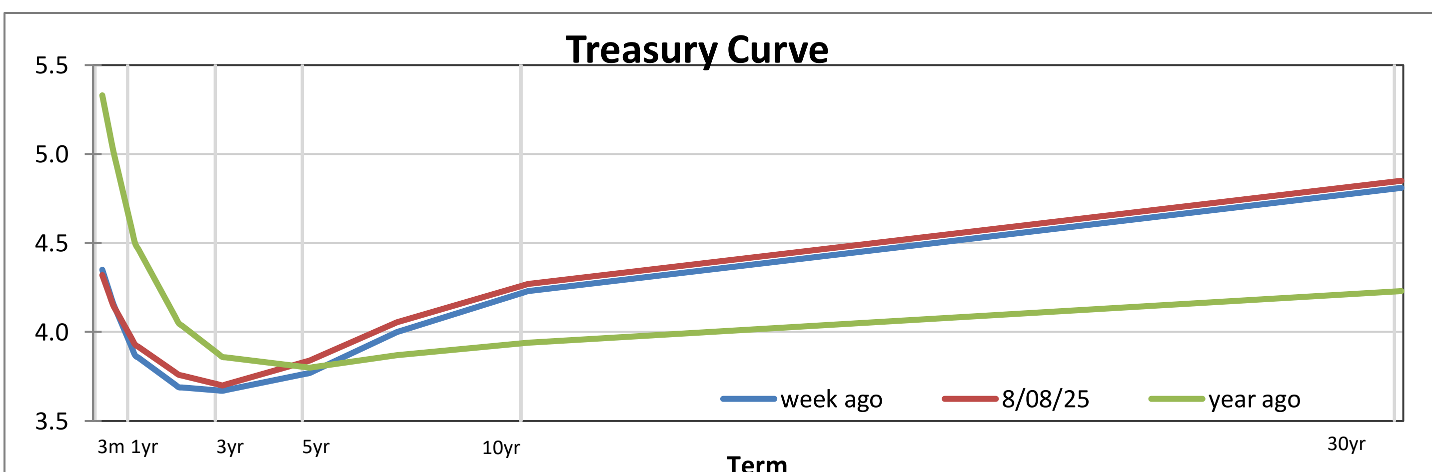
On inflation, Bowman stressed that progress toward the Fed's 2% target has been meaningful once temporary tariff-related price increases are excluded. Core PCE inflation, absent these tariff effects, would have been under 2.5% in June, its lowest level in more than a year. This slowdown in price pressures is consistent with softer demand and the labor market no longer driving inflation.

Bowman warned that delaying rate cuts could force the Fed into a sharper policy reversal later if economic conditions worsen.

Financial Markets

Equities surged last week, with the NASDAQ climbing nearly 4% and the S&P 500 gaining 2.4%, supported by continued momentum in technology and growth sectors; the DJIA rose 1.3% week-over-week. Short-term Treasury yields dropped last week, suggesting stable near-term assets, while the longer maturities moved higher as investors adjusted to the recent FOMC rate decision. Municipal bonds moved in the opposite direction, with yields falling across the board; the 30-year mortgage rate also declined nine basis points, a significant weekly drop. Oil prices fell nearly 5% last week, although it remained 9.1% higher than the price 13-weeks ago. Gold prices continued to climb as uncertainty about tariffs on bullion rippled through the market. Gold prices increased 1% last week and are up 2.2% from prices 13-weeks ago.





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 8/08/2025	As of 8/04/2025	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)	4.35	4.39	(4)	4	6
Fed Funds (Wed close)	4.33	4.33	0	0	0
TREASURIES (BE) (Changes in BPs)					
3 Months	4.32	4.35	(3)	(9)	(2)
6 Months	4.15	4.16	(1)	(16)	(13)
1 Year	3.93	3.87	6	(16)	(12)
2 Years	3.76	3.69	7	(14)	(12)
5 Years	3.84	3.77	7	(15)	(16)
10 Years	4.27	4.23	4	(16)	(10)
30 Years	4.85	4.81	4	(11)	2
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.28	2.33	(5)	(24)	(62)
5-Year Muni	2.42	2.47	(5)	(21)	(60)
10-Year Muni	3.17	3.20	(3)	54	(15)
30-Year Muni	4.61	4.63	(2)	1	18
30-Year Conventional Mortgage	6.63	6.72	(9)	(9)	(13)
MARKET INDICATORS (Changes in %)					
DJIA	44,175.61	43,588.58	1.3	(0.4)	7.1
S&P 500	6,389.45	6,238.01	2.4	2.1	12.9
NASDAQ	21,450.02	20,650.13	3.9	4.2	19.6
CRB Futures	362.92	364.11	(0.3)	(2.8)	0.7
Oil (WTI Crude)	63.88	67.16	(4.9)	(4.7)	9.1
Gold	3,397.75	3,363.48	1.0	1.3	2.2
Yen / Dollar	147.74	147.40	0.2	2.0	1.9
Dollar / Euro	1.16	1.16	0.5	(0.4)	3.5