Summary

Markets reflected cautious optimism last week, with continued strength in tech stocks and modest gains in the S&P 500. Long-term Treasury yields rose on concerns over fiscal pressures and reignited trade tensions. Oil prices declined and the dollar strengthened, signaling shifting global demand dynamics and sustained U.S. monetary tightness. The consumer price index (CPI) rose 0.3% in June, slightly above expectations, and core CPI increased 0.2%. The producer price index (PPI) was flat in June, below consensus expectations, and indicated that inflationary pressures on producers may be easing. Industrial production increased 0.3% in June, driven by an increase in the output of utilities. Manufacturing output also increased 0.1% in June, while mining decreased 0.3%, and capacity utilization rose slightly to 77.6%, although it remains 2 percentage points below its long-run average. Retail sales jumped in June, increasing 0.6% month-over-month, with retail sales excluding autos rising 0.5%. Import prices rose 0.1% in June; prices excluding oil also rose 0.1%. Export prices, both including and excluding agriculture, increased 0.5%. Business inventories remained flat in May, slightly above the expected -0.1%. Housing starts increased to 1.321 million units in June, and building permits rose to 1.396 million, both exceeding expectations. The preliminary University of Michigan consumer sentiment survey ticked up slightly to 61.8. Although low historically, the slight gain shows marginal improvement in household outlooks, likely aided by slowing inflation and a stable labor market.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
CPI (Jun – Tue 08:30)	+0.3%	+0.2%	Core CPI: +0.2%
PPI (Jun – Wed 08:30)	+0.0%	+0.2%	Core PPI: +0.0%
Industrial Production (Jun – Wed 09:15)	+0.3%	+0.1%	
Capacity Utilization (Jun – Wed 09:15)	77.6%	77.4%	
Fed's Beige Book (Wed 14:00)	--	NA	
Retail Sales (Jun – Thu 08:30)	+0.6%	+0.2%	Retail Sales ex-auto: +0.5%
Initial Claims (07/12 – Thu 08:30)	221K	230K	
Continuing Claims (07/12 – Thu 08:30)	1,956K	NA	
Import Prices (Jun – Thu 08:30)	+0.1%	NA	Import Prices ex-oil: +0.1%
Export Prices (Jun – Thu 08:30)	+0.5%	NA	Export Prices ex-ag. +0.5%
Business Inventories (May – Thu 10:00)	+0.0%	-0.1%	
Housing Starts (Jun – Fri 08:30)	1,321K	1,300K	
Building Permits (Jun – Fri 08:30)	1,397K	1,383K	
U. of Michigan Consumer Sentiment - Prelim (Jul – Fri 10:00)	61.8	61.5	

Next Week: Indicator	Consensus Expectation*	Prior	Comment
Leading Indicators (Jun – Mon 10:00)	-0.1%	-0.1%	
MBA Mortgage Applications Index (07/19 – Wed 07:00)	NA	-10.0%	
Existing Home Sales (Jun – Wed 10:00)	4.00M	4.03M	
EIA Crude Oil Inventories (07/19 – Wed 10:30)	NA	-3.86M	
Initial Claims (07/19 – Thurs 08:30)	225K	221K	
Continuing Claims (07/12 – Thurs 08:30)	NA	1,956K	
S&P Global U.S. Manufacturing PMI - prelim (Jul – Thurs 09:45)	NA	52.9	
S&P Global U.S. Services PMI - prelim (Jul – Thurs 09:45)	NA	52.9	
New Home Sales (Jun – Thurs 10:00)	650K	623K	
EIA Natural Gas Inventories (07/19 – Thurs 10:30)	NA	+46 bcf	
Durable Orders (Jun – Fri 08:30)	-11.0%	+16.4%	
Durable Goods ex transportation (Jun – Fri 08:30)	-0.2%	+0.5%	

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

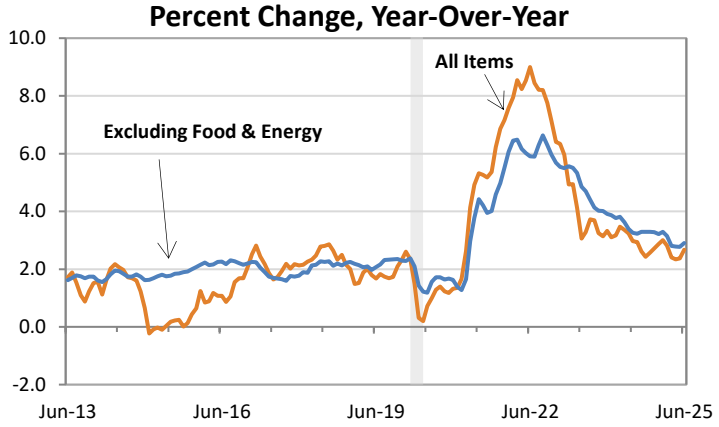
Economic Review

The CONSUMER PRICE INDEX increased 0.3% in June, up from a 0.1% increase in May. This month-over-month increase was suppressed by significant decreases in used and new vehicle prices. The year-over-year inflation rate rose to 2.7%, from 2.4% in the prior month. The core CPI increased 0.2% in June and 2.9% year-over-year, reflecting a modest acceleration from 2.8% in May. While shelter inflation eased slightly (+0.2%), tariff-related categories like apparel (+0.4%) and household furnishings (+1.0%) showed renewed pressure. Energy prices rose 0.9%, led by a 1.0% gain in motor fuel. Food prices increased 0.3%. Offsetting pressures came from falling used car and truck prices (−0.7%) and declining new vehicle prices (−0.3%).

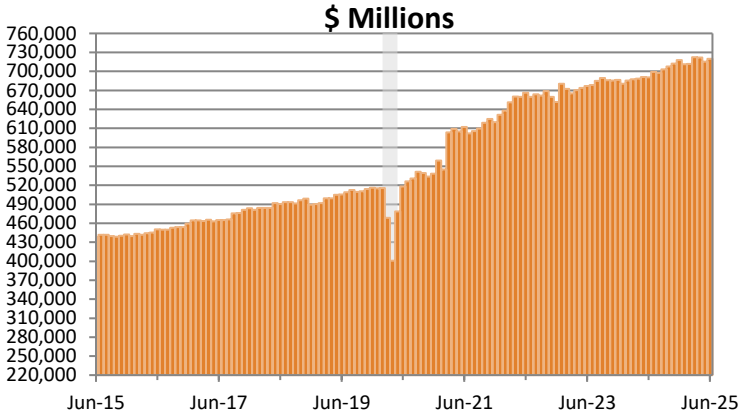
RETAIL SALES rose 0.6% in June, reversing the 0.9% decline in May and exceeding consensus expectations. Discretionary categories drove the growth in June, suggesting consumers remain resilient to recent volatility, with multiple categories rebounding from suppressed activity in May. Sales excluding autos increased 0.5%, following an upward revision to a 0.2% decline in May. The June rebound was broad-based, with discretionary categories such as autos (+1.2%), apparel (+0.9%), and building materials (+0.9%) showing strong gains. General merchandise sales increased 0.5%, and food services and drinking places rose 0.6%, indicating renewed strength in consumer spending. Gasoline sales were flat, and furniture sales edged down 0.1%.

HOUSING STARTS increased 4.6% in June to a seasonally adjusted annual rate of 1.321 million, slightly above expectations; however, the gain was driven entirely by multi-unit construction, which rose 30.0%. Single-unit starts fell 4.6%, with declines across all regions, most significantly in the West (−6.3%) and South (−5.1%). BUILDING PERMITS increased 0.2% to an annual rate of 1.397 million, also exceeding expectations, though single-unit permits declined 3.7%. The number of homes under construction edged down 0.4% to 1.361 million. With existing home inventory still constrained and affordability strained by elevated prices, high mortgage rates, declining single-unit starts, and falling single-unit permits, a relief for buyers in the owner-occupied market remains out of reach.

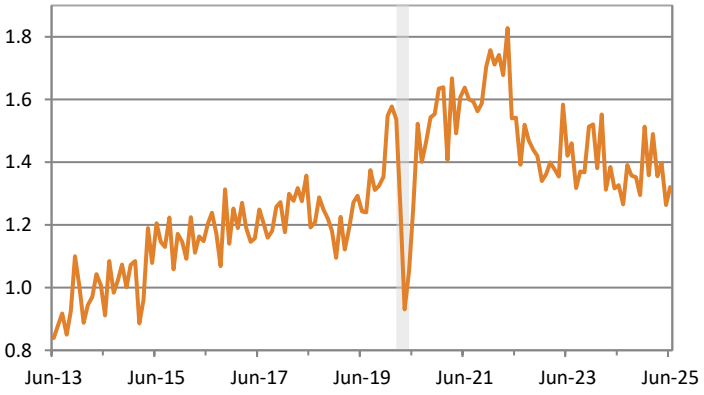
Consumer Price Index
Percent Change, Year-Over-Year



Retail Sales
$ Millions



Total Housing Starts
Million Units, Annualized Rate



Fed Speeches

In a July 17th speech to the Money Marketeers of New York University, Governor Christopher J. Waller made a case for the Federal Reserve to begin cutting interest rates, starting with a 25 basis point reduction at its next meeting. Waller argued that the risks to the Federal Reserve's employment mandate have increased markedly, while inflation pressures are likely temporary and contained. With the current target rate 125 to 150 basis points above what the Fed considers neutral, Waller concluded that monetary policy is overly restrictive and should be recalibrated.

Waller notes that economic growth has slowed significantly and forward-looking data points to continued sluggishness. Consumer spending has also moderated. He warns that current employment numbers are masking a slow-down in hiring, and after accounting for expected data revisions, we may see weakening in the labor market. On inflation, Waller was emphatic that recent price increases tied to tariffs do not reflect underlying economic fundamentals.

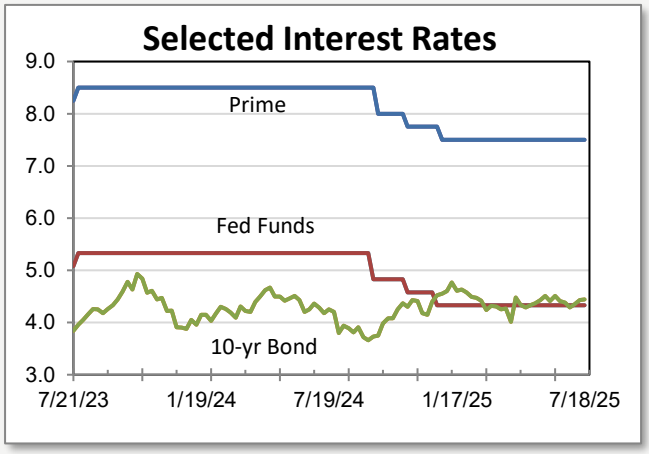
In closing, Waller cautioned against waiting too long to act. While many officials anticipate multiple rate cuts this year, he argued that an early move in July would provide flexibility later, especially if labor market deterioration intensifies.

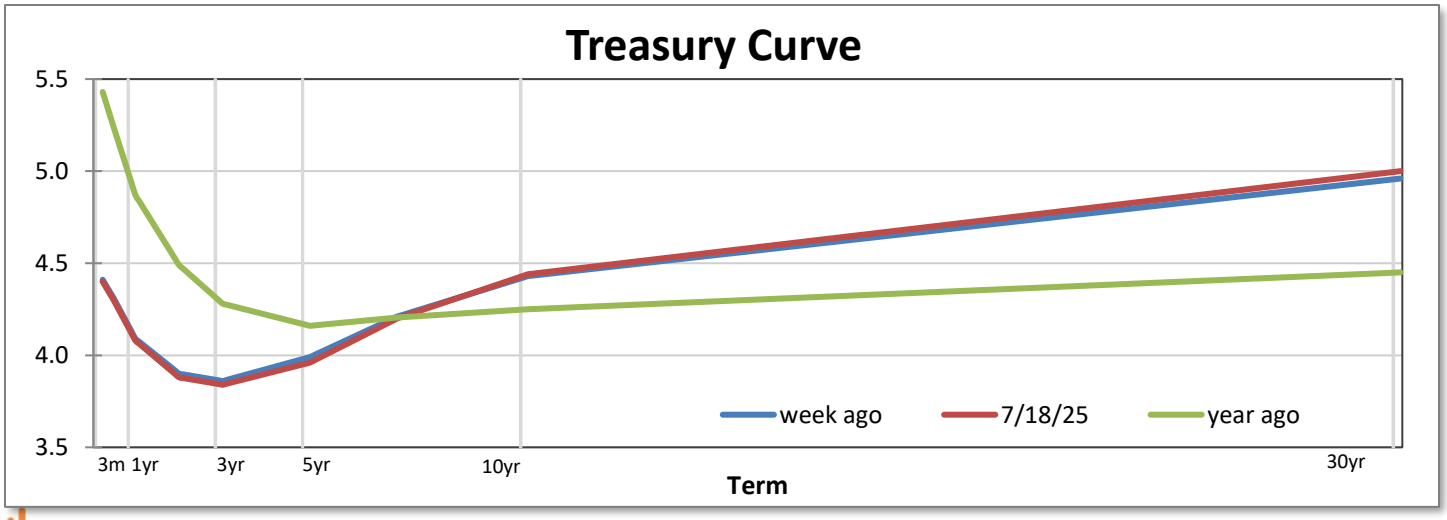
> "*If we cut our target range in July and subsequent employment and inflation data point toward fewer cuts, we would have the option of holding policy steady for one or more meetings*."

Waller's remarks signal a growing consensus within the Federal Reserve that the balance of risks has shifted and that monetary easing may be warranted sooner rather than later.

Financial Markets

Markets showed measured optimism last week, with NASDAQ rising 1.5% and the S&P 500 by 0.6%. The DJIA fell slightly by 0.1%. The NASDAQ is now over 28% higher than its level 13-weeks ago, indicating continued strength in innovation and growth sectors. Treasury yields diverged across the curve, with modest declines along the 5-year and lower maturities and modest increases in the yields of the 10-year note (+1 bp) and 30-year bond (+4 bps). The increase in yields for longer maturities suggests concerns about renewed trade tensions and the U.S. fiscal outlook. Oil prices fell 1.6% this week and nearly 8% over the past month, reversing earlier gains and hinting at softer demand and stabilizing supply conditions. Gold remained steady, while the U.S. dollar firmed up, supported by relatively tighter U.S. monetary conditions compared to global peers.





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 7/18/2025	As of 7/11/2025	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)	4.34	4.31	3	6	3
Fed Funds (Wed close)	4.33	4.33	0	0	0
TREASURIES (BE) (Changes in BPs)					
3 Months	4.40	4.41	(1)	1	6
6 Months	4.30	4.31	(1)	1	8
1 Year	4.08	4.09	(1)	1	9
2 Years	3.88	3.90	(2)	(2)	7
5 Years	3.96	3.99	(3)	0	1
10 Years	4.44	4.43	1	6	10
30 Years	5.00	4.96	4	11	20
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.50	2.52	(2)	(17)	(44)
5-Year Muni	2.62	2.63	(1)	(16)	(48)
10-Year Muni	3.36	3.18	18	58	(6)
30-Year Muni	4.81	4.60	21	26	30
30-Year Conventional Mortgage	6.75	6.72	3	(6)	(8)
MARKET INDICATORS (Changes in %)					
DJIA	44,342.19	44,371.51	(0.1)	5.1	13.3
S&P 500	6,296.79	6,259.75	0.6	5.5	19.2
NASDAQ	20,895.66	20,585.53	1.5	7.4	28.3
CRB Futures	376.85	373.34	0.9	(1.7)	4.4
Oil (WTI Crude)	67.34	68.45	(1.6)	(7.7)	9.5
Gold	3,349.94	3,355.59	(0.2)	(0.5)	0.7
Yen / Dollar	148.81	147.43	0.9	3.3	3.6
Dollar / Euro	1.16	1.17	(0.5)	0.9	2.3