



Summary

Markets were mixed last week as the DJIA posted modest gains and the NASDAQ slipped as Friday's rally was not sufficient to recoup losses from the tech selloff earlier in the week. Treasury yields fell broadly in response to Chair Powell's dovish Jackson Hole speech. Commodities rebounded slightly but overall pointed to lingering uncertainty in the economic outlook. The Conference Board's Leading Economic Index fell 0.1% in July, matching expectations. The index has not seen a month-over-month increase since July 2024, reinforcing signals of slower future growth. Housing starts rose to 1.428 million units in July, well above expectations; however, this was

tempered by a 2.8% drop in building permits, to a seasonally adjusted annual rate of 1.354 million, indicating weakness in future construction activity despite the promising strength in starts. Existing home sales rose to 4.1 million units, despite ongoing affordability pressures, due to limited supply and demand for the available inventory. The July FOMC minutes were released last week, with tariff-related price pressures a key focus of the meeting. Although officials were uncertain about the real effects of the tariffs, the majority agreed they present an upside risk to inflation. For the first time in 30 years, however, two FOMC governors—Michelle Bowman and

Christopher Waller—publicly dissented from the majority, advocating for a 25-basis point rate cut. The majority favored patience and emphasized that premature easing could reignite inflation. This split underscores the growing debate in the Committee about the timing and appropriateness of easing policy; it also highlights the uncertainty around the long-term consequences and persistence of tariff effects on inflation. Chair Powell's more dovish than expected speech in Jackson Hole firmed up market expectations of one or two rate cuts by the end of 2025.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Housing Starts (Jul – Tue 08:30)	1,428K	1,311K	
Building Permits (Jul – Tue 08:30)	1,354K	1,390K	
MBA Mortgage Applications Index (08/16 – Wed 07:00)	-1.4%	NA	
FOMC Minutes (Jul – Wed 14:00)	--	NA	
Initial Claims (08/16 – Thu 08:30)	235K	222K	
Continuing Claims (08/09 – Thu 08:30)	1,972K	NA	
Philadelphia Fed Index (Aug – Thu 08:30)	-0.3	+9.0	
S&P Global U.S. Manufacturing PMI - Prelim (Aug – Thu 09:45)	53.3	NA	
S&P Global U.S. Services PMI - Prelim (Aug – Thu 09:45)	55.4	NA	
Existing Home Sales (Jul – Thu 10:00)	4.01M	3.92M	
Leading Indicators (Jul – Thu 10:00)	-0.1%	-0.1%	
Next Week: Indicator	Consensus Expectation*	Prior	Comment
New Home Sales (Jul – Mon 10:00)	630K	627K	
Durable Orders (Jul – Tue 08:30)	-3.5%	-9.3%	Durable ex. trans (prior): +0.2%
Consumer Confidence (Aug – Tue 10:00)	96.3	97.2	
MBA Mortgage Applications Index (08/23 – Wed 07:00)	NA	-1.4%	
GDP - Second Estimate (Q2 – Thu 08:30)	+3.0%	+3.0%	
GDP Deflator - Second Estimate (Q2 – Thu 08:30)	+2.0%	+2.0%	
Initial Claims (08/23 – Thu 08:30)	236K	235K	
Continuing Claims (08/16 – Thu 08:30)	NA	1,972K	
Pending Home Sales (Jul – Thu 10:00)	+0.3%	-0.8%	
Personal Income (Jul – Fri 08:30)	+0.4%	+0.3%	
Personal Spending (Jul – Fri 08:30)	+0.5%	+0.3%	
PCE Prices (Jul – Fri 08:30)	+0.2%	+0.3%	
PCE Prices - Core (Jul – Fri 08:30)	+0.3%	+0.3%	
Univ. of Michigan Consumer Sentiment - Final (Aug – Fri 10:00)	58.6	58.6	

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



Economic Review

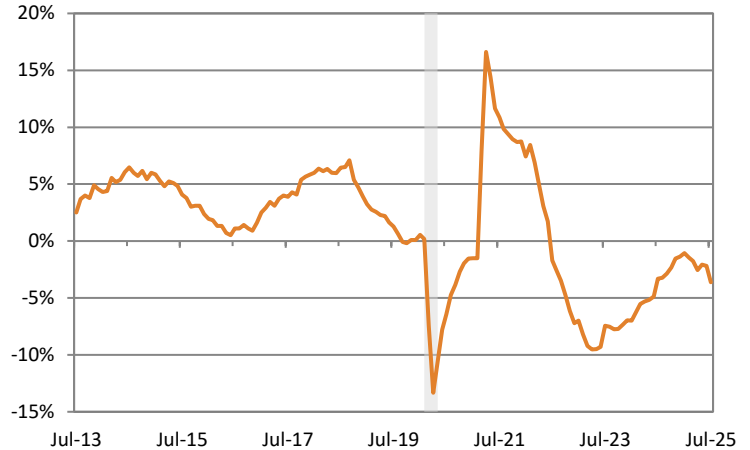
The Conference Board's LEADING ECONOMIC INDEX slipped again in July, falling 0.1% to 98.7 after a 0.3% decline in June. The index has now contracted 2.7% over the first half of 2025. This is a slight improvement from the rate of decline in the six-month period ending in June 2025 (-2.7%) but over double the rate during the same period a year ago. The July downturn reflected a continued weakness in consumer expectations and new manufacturing orders, partially offset by rising stock prices and a notable improvement in initial jobless claims, which had been a drag in recent months. Although the LEI once again triggered a technical recession signal, the Conference Board maintained its outlook for slowing, but positive, growth in 2025, projecting real GDP to rise 1.6% before moderating to 1.3% in 2026.

HOUSING STARTS rose 5.2% in July to a seasonally adjusted annual rate of 1.428 million, above expectations. The gain reflected a 9.9% surge in multi-unit construction to 489,000 units, alongside a more modest 2.8% increase in single-family starts, which reached 939,000. Regionally, single-family construction was uneven, with a strong increase in the South (+13.2%) offsetting declines in the

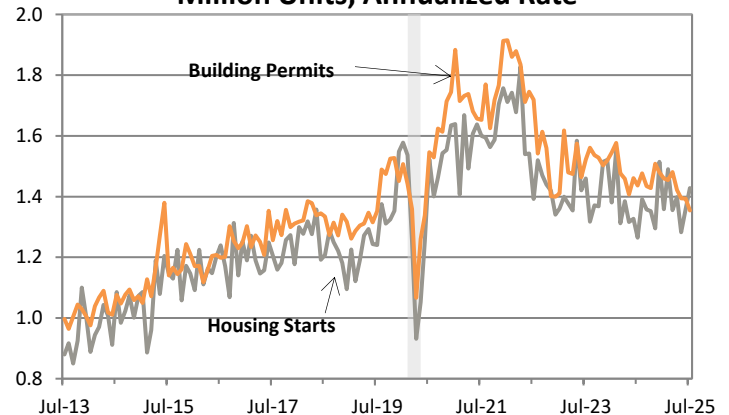
Midwest (-15.0%), West (-7.1%), and Northeast (-8.3%). BUILDING PERMITS fell 2.8% to 1.354 million, as a drop in multi-unit permits (-8.2%) outweighed a small increase in single-unit permits (+0.5%). The number of homes under construction edged up 0.1% to 1.357 million, though single-unit dwellings under construction slipped 1.0%.

EXISTING HOME SALES climbed 2.0% in July to a seasonally adjusted annual rate of 4.01 million, surpassing expectations and marking a modest 0.8% increase from a year earlier. The median price of existing homes rose slightly by 0.2% to \$422,400, continuing an unbroken 25-month streak of annual gains. Price trends were similarly uneven, with declines in the South and West, while the Northeast and Midwest registered modest increases. Inventory levels edged higher to 1.55 million units, up 15.7% year-over-year and the largest since May 2020. This translated to 4.6 months of supply at the current sales pace, up from a year prior but still short of the 6.0 months typical of a balanced market. First-time buyers retreated to 28% of purchases, while all-cash sales climbed to 31%, underscoring affordability pressures in a high-rate environment.

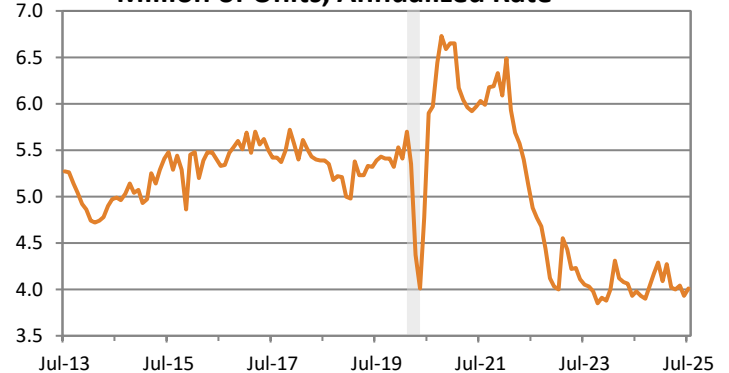
U.S. Leading Economic Index



Total Housing Starts and Permits Million Units, Annualized Rate



Existing Home Sales Million of Units, Annualized Rate





Fed Speeches

At Jackson Hole, Chair Jerome Powell delivered his annual remarks at the Kansas City Fed's long-standing economic symposium, a venue that has historically served as a stage for major shifts in Federal Reserve policy communication. Since the early 1980s, this gathering of central bankers, academics, and policy-makers has been used to outline evolving frameworks and to signal turning points in monetary strategy. Against this backdrop, Powell's message carried added weight as he sought to balance progress in curbing inflation with rising risks to employment.

Powell emphasized that the labor market, though still near full employment, has entered a more fragile state. With real GDP growth slowing to just 1.2% in the first half of 2025 and payroll job gains dropping to an average of 35,000 per month, he warned that the current stability masks underlying weakness. Powell explains,

"It is a curious kind of [stability] that results from marked slowing in both the supply and demand for workers."

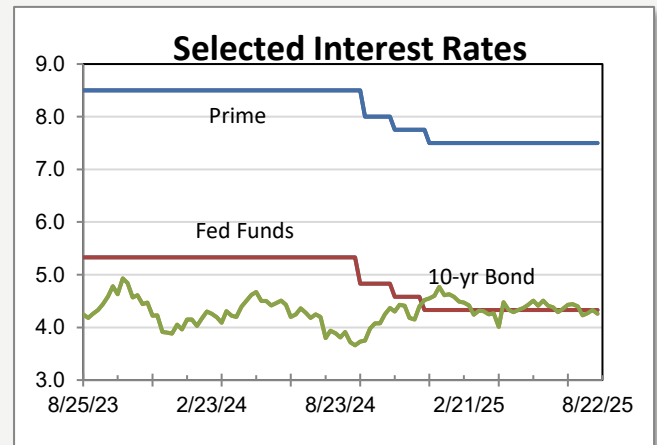
While unemployment remains low at 4.2%, the sharp loss of momentum in hiring and labor force growth signals potential downside risks to employment.

On inflation, Powell noted that headline and core measures have moderated from post-pandemic highs, but tariff-related pressures are driving renewed price increases in goods. He made clear that while such shocks may be temporary, the Fed will not allow them to evolve into persistent inflationary pressures. He emphasizes the central bank's vigilance to preserving anchored inflation expectations, saying,

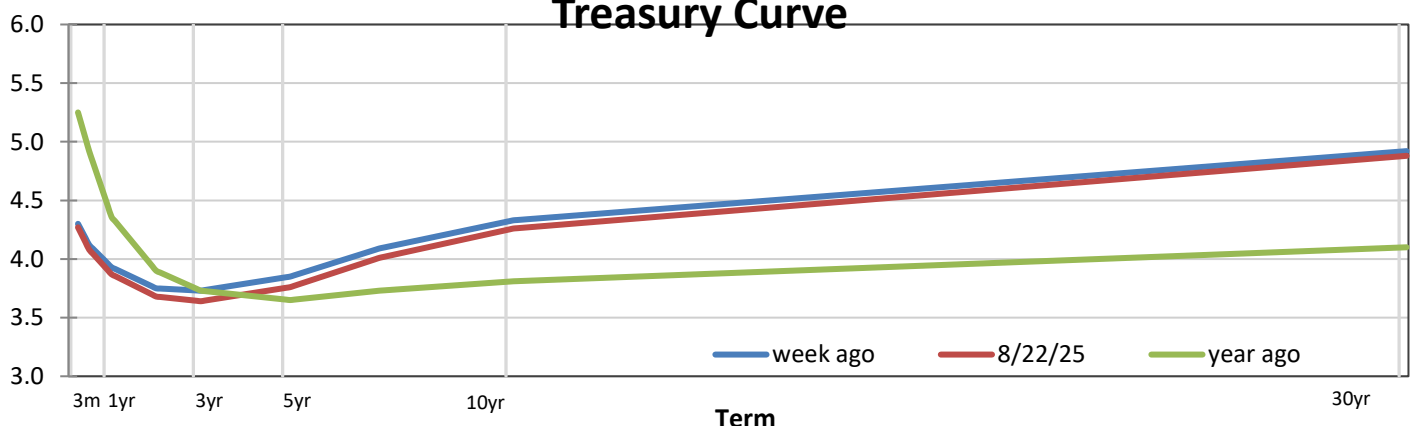
"Come what may, we will not allow a one-time increase in the price level to become an ongoing inflation problem."

Financial Markets

The DJIA continued its upward climb last week, increasing 1.5% week-over-week, with the S&P 500 also showing growth, up 0.3%. The riskier, tech-heavy NASDAQ declined 0.6% last week as a selloff of tech stocks early in the week overshadowed Friday's rally. Treasury yields declined across the entire curve, with the five-year maturity seeing the largest weekly decline, followed by the two- and ten-year maturities, suggesting markets are pricing in rate cuts after Jackson Hole speeches signaled a more dovish stance. Municipal yields followed Treasuries at the lower end but diverged among the ten- and thirty-year bond yields, implying investor concern over credit risks and long-term financing costs. The mortgage rate held steady at 6.58% and was down 28 basis points from 13-weeks ago. The prices of both oil and gold rose, with oil increasing 1.6% and gold rising 1.1% from its value a week ago. The prices of both commodities have fluctuated in recent weeks due to global economic uncertainty in the face of American trade policy.



Treasury Curve





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
3 rd Qtr '25	7.43	4.28	4.28	4.27	3.88	4.41	4.92	6.68
4 th Qtr	7.25	4.13	4.12	4.17	3.92	4.38	4.77	6.49
1 st Qtr '26	7.08	3.96	3.96	4.00	3.92	4.32	4.66	6.31
2 nd Qtr	6.91	3.79	3.79	3.85	3.90	4.25	4.51	6.13
3 rd Qtr	6.75	3.63	3.62	3.70	3.77	4.08	4.33	5.91

August 2025

FINANCIAL MARKET SUMMARY

	As of 8/22/2025	As of 8/15/2025	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)	4.32	4.34	(2)	2	6
Fed Funds (Wed close)	4.33	4.33	0	0	0
TREASURIES (BE) (Changes in BPs)					
3 Months	4.27	4.30	(3)	(15)	(9)
6 Months	4.08	4.12	(4)	(23)	(27)
1 Year	3.87	3.93	(6)	(22)	(28)
2 Years	3.68	3.75	(7)	(23)	(32)
5 Years	3.76	3.85	(9)	(19)	(32)
10 Years	4.26	4.33	(7)	(14)	(25)
30 Years	4.88	4.92	(4)	(4)	(16)
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.22	2.26	(4)	(22)	(65)
5-Year Muni	2.39	2.41	(2)	(18)	(58)
10-Year Muni	3.22	3.19	3	65	(15)
30-Year Muni	4.66	4.64	2	(11)	10
30-Year Conventional Mortgage	6.58	6.58	0	(16)	(28)
MARKET INDICATORS (Changes in %)					
DJIA	45,631.74	44,946.12	1.5	1.6	9.7
S&P 500	6,466.91	6,449.80	0.3	1.2	11.4
NASDAQ	21,496.54	21,622.98	(0.6)	1.8	14.7
CRB Futures	370.83	365.03	1.6	(0.4)	2.2
Oil (WTI Crude)	63.78	62.80	1.6	(5.3)	2.1
Gold	3,372.19	3,336.19	1.1	1.1	0.4
Yen / Dollar	146.94	147.19	(0.2)	(1.3)	0.9
Dollar / Euro	1.17	1.17	0.2	(0.2)	3.2



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