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All Signal, No Noise

MARKET ANALYSIS

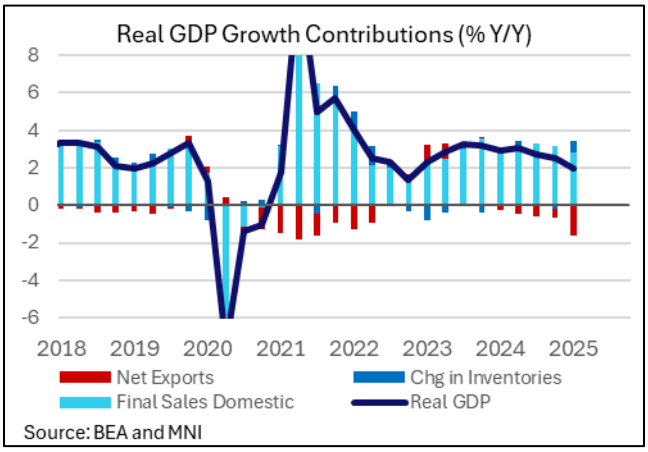
MNI U.S. Macro Weekly

MNI View: Not-So-Hot Summer For Economic Activity

Jun 27, 2025 – By Tim Cooper and Chris Harrison

Executive Summary

- Weaker private domestic demand was a key theme in the “hard” data this week. Not only was there a lower revision to Q1 GDP led by private consumption, we also saw a surprisingly sharp pullback in monthly PCE expenditure in May (a counterpoint to stronger-than-expected core PCE inflation after a soft April).
- Housing market data continued to deteriorate, and while initial jobless claims came in surprisingly low, continuing claims continued their rise, and in another warning sign for employment, the Conference Board’s consumer survey implied a further cooling in labor market conditions.
- In short, we came out of the week with the sense that economic activity was a little weaker through the first 5 months of the year than had previously been thought: the Atlanta Fed’s GDPNow estimate for Q2 fell to 2.9% from 3.4% last week and 3.8% a month ago, not a great rebound following Q1’s -0.5%.
- There was a deluge of post-June meeting Fed commentary, including Chair Powell’s congressional testimony. Most speakers again pointed to the need to wait for at least a couple more months of data before deciding whether it’s appropriate to ease rates, heavily implying that a July cut is off the table.
- The biggest single move of the week in rates though came following Gov Bowman’s comments that she could support a rate cut in July – this almost immediately added 7bp to the 2025 rate cut path. To be sure, she along with Gov Waller who last week eyed a July cut are the outliers, with no other FOMC participants appearing to see a cut before the fall (and it’s seen by markets as having <20% implied probability).
- Against this backdrop, Fed rate cut pricing increased notably this week, with an additional 13bp of cuts priced through end-year vs last Friday, and around one full 25bp cut added to the easing cycle.
- The data, the market pricing, and the Fed Speak are setting up for a resumption of the easing cycle in September (now almost 28bp priced), with the 65bp cumulative through December suggesting not just two but potentially three cuts by end-year.
- Next week’s July 4 abbreviated schedule brings one of two remaining employment reports before the July decision, and while jobs growth is seen slowing (to 110k from 139k prior), most attention may be on whether unemployment will finally tick up to 4.3% after being agonizingly close in May (4.244%).
- That said, it would take a fairly significant surprise to the weak side to reignite any chance of a July Fed rate cut. We also get multiple labor market data points in the days preceding the release, including ISM Manufacturing Employment, Challenger job cuts and ADP payrolls for June, and JOLTS job openings
- Outside of Nonfarm Payrolls, the ISM Manufacturing and Services reports for June will be the key data of the week, and both are seen improving versus May.

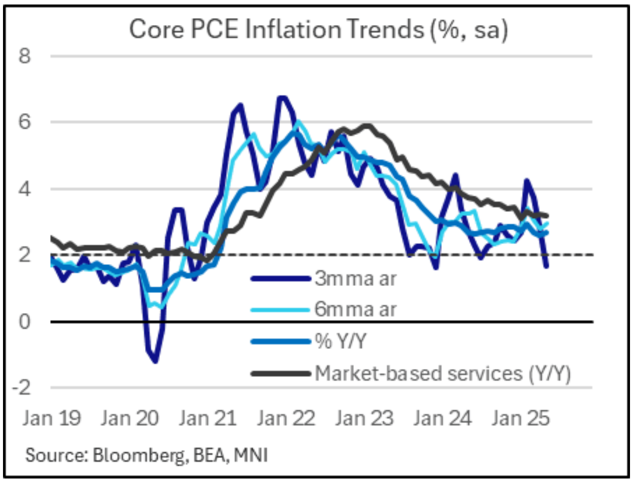


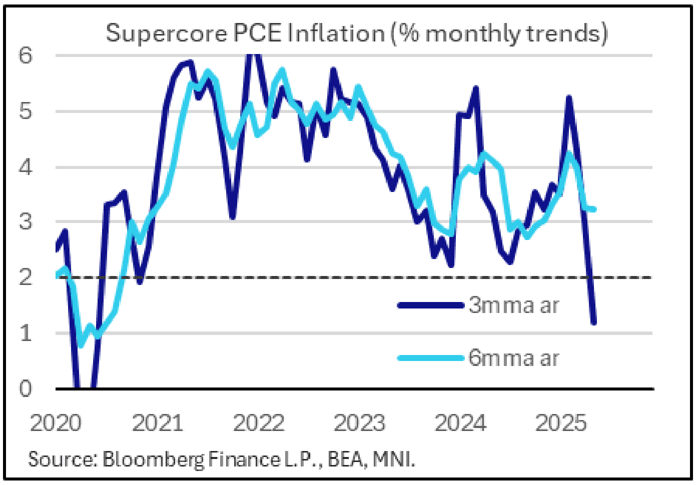
Inflation: Mixed

Core PCE Prices Above-Expected, But Supercore Momentum Softening

Core PCE inflation came in at 0.179% M/M unrounded in May after 0.136% in April (an upward rev from 0.116% prior), which was higher than expected (consensus roughly around 0.15%, implying a split between 0.1% and 0.2% rounded)) with a higher revision.

- That, too, comes after a slightly higher revision to Q1 core PCE this week (3.7% from 3.6%), reflected across all three months albeit front-loaded: January was revised up to 0.344% (was 0.326%), with Feb up to 0.476% (was 0.465%) and March to 0.095% (was 0.091%).
- The Y/Y gauge picked up to 2.68% (expectations had been for 2.6%) from 2.58% prior (upward rev from 2.52%).
- Core goods printed 0.24% M/M, down slightly from 0.27% in April but still running at a strong rate, while core services ticked up to 0.17% M/M from 0.12%.
- The core services ex-housing gauge ticked up to 0.129% M/M from 0.01% prior. But this "supercore" reading saw the 3-month annualized rate (ie quarterly) pull back sharply to 1.2% from 3.0% in April, which marked the weakest since June 2020.
- Market-Based services inflation pulled back slightly however, to a 21-month low 0.15% from 0.23% prior, the 3rd consecutive deceleration. After two months of printing above core PCE, it's printing below it again, which the Fed may take note of as it's recently placed more focus on market-based as opposed to imputed inflation.
- Headline came in at 0.136% M/M was also revised higher to 0.118% M/M in April (was 0.100%), the fastest pace in 3 months - a little on the high side of consensus (0.1% rounded, 0.10% average). Headline PCE was 2.34% Y/Y, up from 2.20% prior (and back to the same rate seen in March).
- Overall, the Fed's preferred inflation gauge was running a little hotter in Q1 than previously estimated. However, May's quarterly inflation pace of 1.7% marked the slowest such momentum since December 2023.



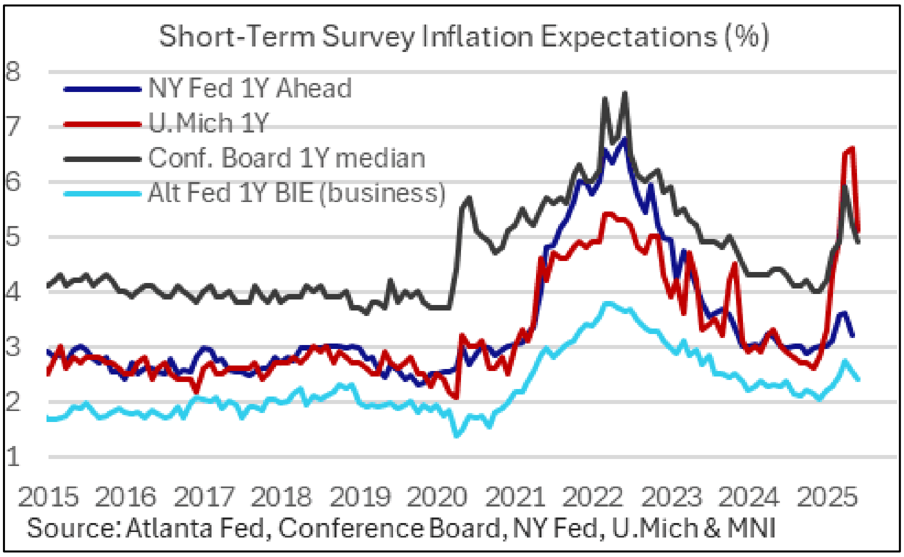


Short-Term Surveyed Inflation Expectations Pulling Back Vs Recent Peak

June's Conference Board consumer survey added another data point to the recent signs of diminishing near-term inflation expectations vs peaks in April.

- The Conference Board average 1Y inflation expectation dipped to 6.00% from 6.40%, with the median falling to 4.90% from 5.20%. Those compare to April's peaks of 7.00% / 5.90%, respectively albeit remain elevated versus levels seen before the specter of tariffs.
- The UMichigan survey's 1Y reading peaked in May at 6.60%, falling to 5.10% in June.
- Meanwhile the NY Fed's 1Y appears to have peaked in April at 3.63%, falling to 3.20% in May (their June survey is out on July 8).

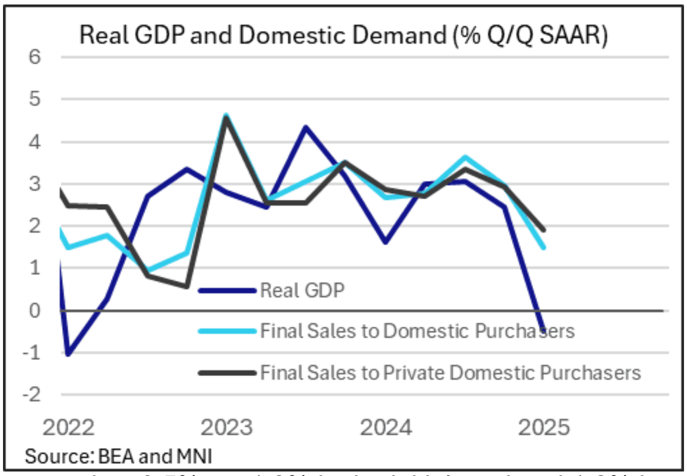
- The Atlanta Fed's 1Y business expectations, too, have pulled back, to 2.42% in June from the April peak of 2.76%.
- While FOMC officials are typically more concerned with de-anchoring longer-term expectations, there has been some concern that the sharp jump in nearer-term indices could bode ill for overall inflation dynamics. For instance Fed Gov Barr noted that "Higher short-term inflation expectations, supply chain adjustments, and second-round effects may cause some inflation persistence".
- In this regard a continued pullback in short-term inflation expectations would be likely to bolster officials' comfort to ease in the coming months.



Growth: Weaker Than Expected

GDP Revision Shows Domestic Demand On Weaker Footing Than Seen Earlier

The main takeaway from the final revision to Q1 GDP is that not only was growth overall weaker than previously estimated, but that it was domestic demand rather than idiosyncratic factors in the quarter that largely drove the lower revision. Overall the data shows consumer demand on a weaker footing than previously seen going into a volatile Q2.



- Real GDP growth is now estimated at -0.50% Q/Q SAAR, down from the prior -0.24% estimate.
- While final sales to private domestic purchasers (PDFP) - the Fed's key guide to underlying demand - continued to drive growth, it was significantly weaker than in the prior estimate, contributing 1.6pp to GDP, vs 2.1pp. That in turn was due to a sharp downward revision in personal consumption expenditures, which are now seen to have contributed just 0.3pp to GDP vs 0.8pp previously seen.
- To put this into perspective, the initial read for PDFP was 3.0%, revised down to 2.5%, but now to 1.9%, which is the weakest since Q4 2022. Private consumption is now seen as having grown just 0.5%, vs 1.8% in the initial read and 1.2% in the second. That is the weakest since Q2 2011 (excluding the sharp Q2 2020 drop due to pandemic).
- Net exports dragged on headline GDP less than expected too: -4.6pp (previously est -4.9pp), due largely to less of a subtraction from the inventories column.
- Investment, government spending, and inventories were all relatively steady vs the previous estimates.

US Real GDP Growth and Contributions (%Q/Q SAAR, pps)

	3Q24	4Q24	1Q25		
			prior	latest	rev
Real GDP	**3.1**	**2.4**	**-0.24**	**-0.50**	***-0.26***
Final Sales Dom. Purchasers	**3.7**	**3.0**	**2.02**	**1.52**	***-0.50***
(of which Private)	**2.9**	**2.5**	**2.14**	**1.62**	***-0.52***
Personal Cons	2.5	2.7	0.80	0.31	*-0.49*
Gov Cons + Invt	0.9	0.5	-0.12	-0.10	*0.02*
Fixed Invt	0.4	-0.2	1.34	1.31	*-0.03*
non-resi	0.6	-0.4	1.36	1.36	*0.00*
resi	-0.2	0.2	-0.02	-0.05	*-0.03*
Chg in Inventories	-0.2	-0.8	2.64	2.59	*-0.05*
Net Exports	-0.4	0.3	-4.90	-4.61	*0.29*
Exports	1.0	0.0	0.26	0.04	*-0.22*
Imports	-1.4	0.3	-5.16	-4.66	*0.50*

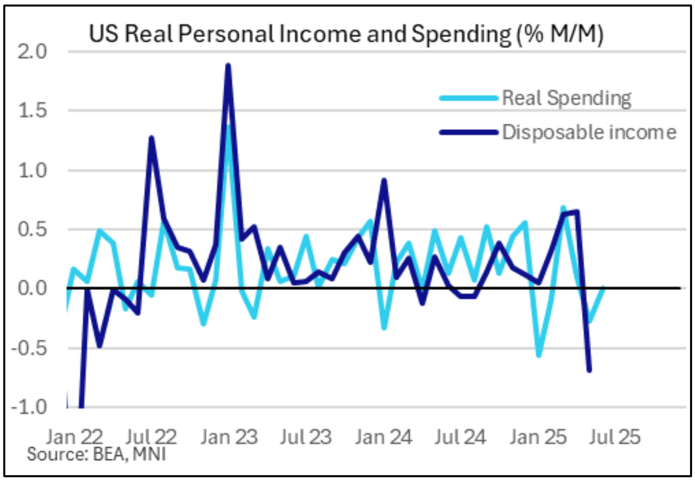
Source: BEA, Bloomberg Finance L.P., MNI

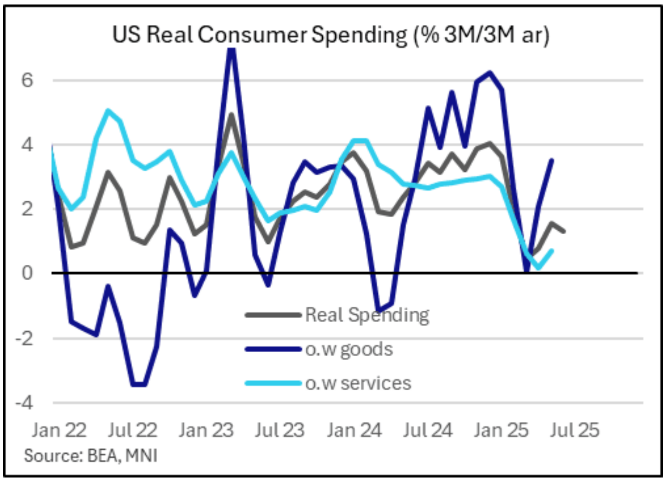
PCE: Underlying Income Growth Steady, But Consumption Worryingly Weak

May's personal spending data were much weaker than expected, compounding the downward revisions to Q1 PCE which taken together suggests US consumption activity has been weaker in H1 than previously thought. While underlying personal income growth remains solid, services spending remains worryingly weak, while the pre-tariff pulling forward of goods demand showed its inevitable reversal in May.

- Personal spending fell 0.14% (+0.1% expected), a pullback from 0.21% prior (rev down 0.02pp), and the 2nd worst month since Feb 2021 (only Jan 2025 was worse). Real personal spending fell 0.28% (0.0% expected), slowing from +0.09% prior (rev down 0.04pp, reflecting the higher inflation estimate), the 3rd contraction in 4 months.
- Income saw the first sequential decline since September 2021, of -0.4% (0.7% prior rev from 0.8%), with real disposable income falling by 0.7% for the first drop since July 2024 (0.6% prior). However we should caution that the April data was boosted by a one-off Social Security payment, which didn't repeat in May - government transfer receipts contracted 2.2% M/M after April's 2.5% rise.
- The underlying growth in employee compensation, which makes up 2/3 of personal income, remained robust, at 0.4% M/M, the same as April and exactly in line with the 12-month average.
- Looking under the hood of real spending, goods spending fell by the most in 16 months, at -0.8%, with services also contracting slightly (-0.03%). We saw an upward revision to April's goods spending (to +0.05% from -0.23%) but a pretty sizeable downward rev to services at 0.12% (was 0.30%).
- Real spending momentum is picking up a little, to 1.6% on a 3M/3M annualized basis from 0.8% in April and 0.5% in March, though this is flattered by March's 0.7% rise - as that tariff front-loaded reading drops out, momentum is set to slow.
- 3M/3M annualized real goods spending actually picked up though on the back of March's strong (+1.6%) performance, to 3.5% from 2.1% for a 4-month high. Services momentum remains weak however, rising 0.7% 3M/3M ann. after 0.2%, below 1.0% for 3 consecutive months.
- Even if real consumption is flat M/M in June, Q2 will still see a pickup in Q/Q growth to 1.3% (from 0.5% in Q1), but this is still very soft for this essential component of the economy.

- A final note, on the household savings ratio ticked a little lower to 4.5% from 4.9%, figures which remained above 4% for the fourth consecutive month. This could reflect a lack of consumer confidence (also seen in multiple surveys) amid policy uncertainty, suggesting that consumers have some resources with which to make purchases if confidence returns, though we always take this volatile and often heavily-revised data series with some skepticism.

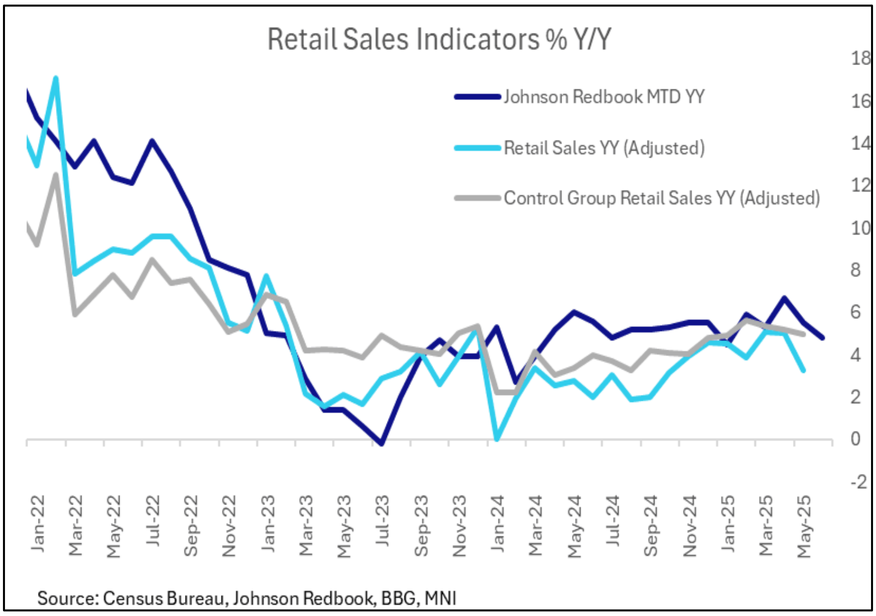




Johnson Redbook Sales Continue To Point To Slowing Retail

The Johnson Redbook retail sales index rose by 4.5% Y/Y in the week ending Jun 21, a slowdown from 5.2% the prior week and bringing month-to-date June sales gains to 4.8% Y/Y (vs a 5.7% gain targeted by retailers).

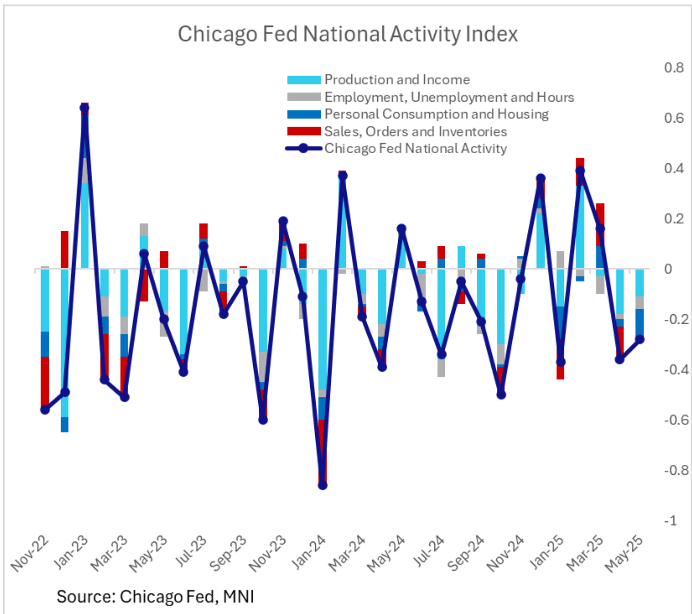
- The report anecdotes suggest that some of the softness may have been weather related though point out that sales could pick up ahead of the 4th of July holidays (note June is a "5-week" month for the purposes of this index, ending Jul 5): *"Retailers reported a softer performance following Father's Day and fell below plan on a month-to-date basis. The official start of summer was on Friday, June 20th, bringing hot weather across much of the country, leading to more people enjoying outdoor activities instead of shopping in stores. Warehouse and discount stores focused more on household essentials and consumables, with less emphasis on summer apparel and other soft goods. In response to competition from Amazon's Prime Day, major retailers announced various sales events, offering early access, extended durations, and lower prices. Sales performance is expected to improve as we approach the Fourth of July, with retailers beginning their Independence Day promotions."*
- As it stands, June would be the slowest month for Redbook gains since January and well down from 6.7% in April, in line with the broad slowdown - but not sharp drop - in retail sales activity more broadly. That said, activity looks fairly consistent with where it has been for most of the last year prior to the (arguably tariff-front-running-related) jump in March/April which is now being reversed.



Chicago Fed Indicator Points To Slowdown After Above-Average Feb/Mar

The Chicago Fed's National Activity Index (CFNAI) picked up slightly in May, to -0.28 from -0.36 in April. This reading is indicative of below-average growth (in standard deviations), indicating that after two months of solid expansion in February and March, the economy has slowed in Q2.

- This could be indicative of weaker activity following tariff-related pulling forward of production and demand at the start of the year. CFNAI is one of the more useful summaries of broader monthly economic activity, in that it uses entirely "hard" data as opposed to "soft" survey data. In this regard, of 85 "hard" indicators, 43 improved in May vs April, with 2 unchanged; that said just 28 of the 85 made positive contributions outright, with 57 dragging it down.
- While the index figures are negative, the sequential rise suggests an increase in economic growth on the month.
- The individual categories making up the index were mixed: production indicators (-0.11pp contribution, -0.18pp prior) and sales/orders/inventories (flat vs -0.14pp prior) improved, but employment (-0.05pp vs -0.02pp prior) and personal consumption/housing (-0.12pp, vs -0.03pp prior) worsened. The 3-month average fell to -0.16 from +0.06 in April.
- The CFNAI diffusion index registered -0.24 however, for the 4th consecutive monthly decline (-0.03 prior) and back to levels last seen in November 2024. Note however that readings above –0.35 still indicate economic expansion.



Q2 GDPNow Revised Down With Big Swings In Trade, Inventories

The Atlanta Fed's GDPNow estimate for Q2 has fallen to 2.9% from 3.4% in the prior update on June 18 (but still well up from the -0.5% recorded in Q1). See table below for details.

- The lower estimate comes on the back of the downgrade to Q1 GDP growth, weak personal income and consumption data out today, with mixed durable goods orders and trade data along with multiple mostly weak housing indicators.
- The real PCE growth estimate is downgraded to 1.7% Q/Q annualized (Vs 1.9% prior, and 0.5% actual in Q1), with business (equipment and nonresidential structures) investment lowered 0.1pp.
- Real residential investment is seen contracting 5.4%, vs 4.4% in the prior estimate and a contraction of 1.3% in Q1.
- However, the advance monthly data has seen a major upgrade to the expected contribution from net exports: now seen boosting GDP by 3.5 percentage points, vs 2.1pp seen prior to the GDP/trade data, and compared to the -4.6pp that weighed down Q1 growth. Imports are seen falling more quickly (-22% Q/Q vs 15% in the prior est) with exports seen contracting less acutely (-1.0% vs -2.8%).
- But that's more than offset by an increase in the envisaged drag from inventories, now seen pulling down GDP by 2.2pp vs 0.4pp in the prior estimate (and vs +2.6pp in Q1).

Atlanta Fed GDPNow estimates for 2025: Q2, growth rates and changes

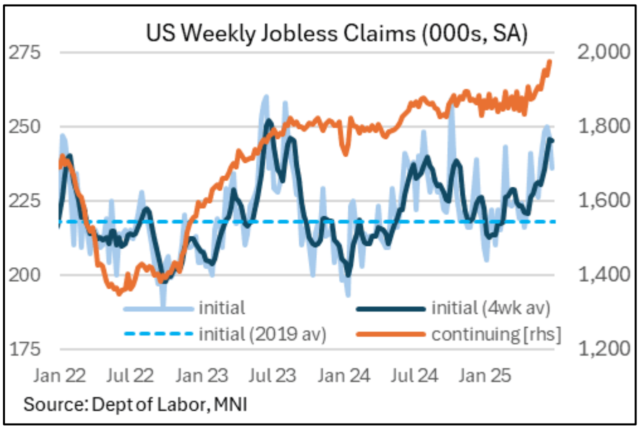
Date	Major Releases	GDP	PCE	Equip-ment	Intell. prop. prod.	Nonres. struct.	Resid. inves.	Govt.	Exports	Imports	Change in net exp.	Change in CIPI
26-Jun	Latest BEA estimate for 24:Q4	2.5	4.0	-8.7	-0.5	2.9	5.5	3.1	-0.2	-1.9	17	-49
26-Jun	Latest BEA estimate for 25:Q1	-0.5	0.5	23.7	6.0	-2.4	-1.3	-0.6	0.4	38.0	-306	152
30-Apr	Initial GDPNow 25:Q2 forecast	2.4	3.3	5.1	5.2	0.6	-1.0	2.4	1.9	5.4	-41	-15
30-May	Q1 GDP (5/29), Adv. Econ. Ind., Personal income & outlays	3.8	3.3	5.1	5.3	-1.7	-2.2	2.3	-3.5	-11.4	97	-39
4-Jun	ISM Services, Auto sales	3.5	3.0	1.8	5.3	-2.9	-0.7	2.4	-3.3	-11.3	97	-40
5-Jun	International trade	3.8	2.6	2.3	5.3	-3.0	-0.9	2.4	-2.2	-13.9	133	-40
6-Jun	Employment situation	3.7	2.5	1.6	5.0	-3.3	-1.6	2.3	-2.8	-14.4	135	-36
9-Jun	Wholesale trade	3.8	2.5	1.7	5.0	-3.3	-1.6	2.3	-2.8	-14.4	135	-32
11-Jun	CPI, Monthly Treasury Statement	3.7	2.5	1.6	5.0	-3.3	-1.6	2.1	-2.8	-14.4	135	-31
12-Jun	Producer Price Index	3.7	2.5	2.0	5.0	-3.1	-1.6	2.1	-2.8	-14.4	135	-32
17-Jun	Retail trade, Industrial production, Import/Export Prices	3.5	1.9	1.8	5.0	-3.3	-2.8	2.1	-2.8	-14.6	137	-24
18-Jun	Housing starts	3.4	1.9	1.8	5.0	-3.4	-4.4	2.1	-2.8	-14.6	137	-24
23-Jun	Existing-home sales	3.4	1.9	1.8	5.0	-3.4	-4.2	2.1	-2.8	-14.6	137	-24
25-Jun	New-home sales	3.4	1.9	1.7	5.0	-3.4	-5.4	2.1	-2.8	-14.6	138	-24
27-Jun	Q1 GDP, Adv. Econ. Ind., Adv. Manuf. (M3-1) (6/26), Pers. income & outlays	2.9	1.7	1.7	5.0	-3.5	-5.4	2.0	-1.0	-21.7	231	-127

Labor Market: Gradual Cooling Continues

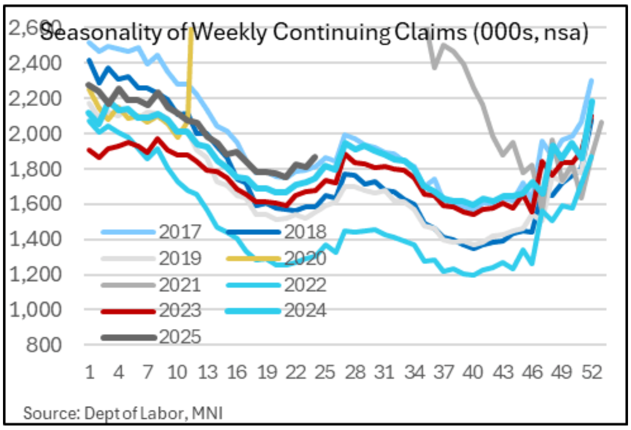
Continuing Claims At Fresh Post-2021 High Suggests Continued Cooling

Initial jobless claims fell more than expected in the week of June 21, to 236k (243k survey) in what was the 2nd consecutive weekly fall (prior 246k rev up 1k) to a 5-week low.

- Once again though, continuing claims set a fresh post-Nov 2021 high, up to 1,974k (1,937k prior ref down 8k), much higher than the 1,950k expected in the Jun 14 week. The claims rate ticked up 0.02pp to 1.29%, a post-Dec 2021 high.
- The data are very much consistent with Fed Chair Powell's largest concern about an otherwise solid labor market, as he put it last week: "The thing is, there's -- a more concerning thing is there's not a lot of layoffs, but there's not a lot of job creation...if you're out of work, it's hard to find a job. But very few people are being laid off at this point."
- There was nothing out of the ordinary seasonality-wise, with initial claims usually coming down this time of year and continuing claims edging higher through mid-year. Notable state-by-state moves in initial claims included New Jersey (up 5.8k, a typical seasonal rise), with Minnesota (-5.2k) reversing some of the unusual rise seen in prior weeks.



Source: Dept of Labor, MNI



Source: Dept of Labor, MNI

Consumer Sentiment: Remains Subdued

Conference Board Labor Differential Continues Trend Softening

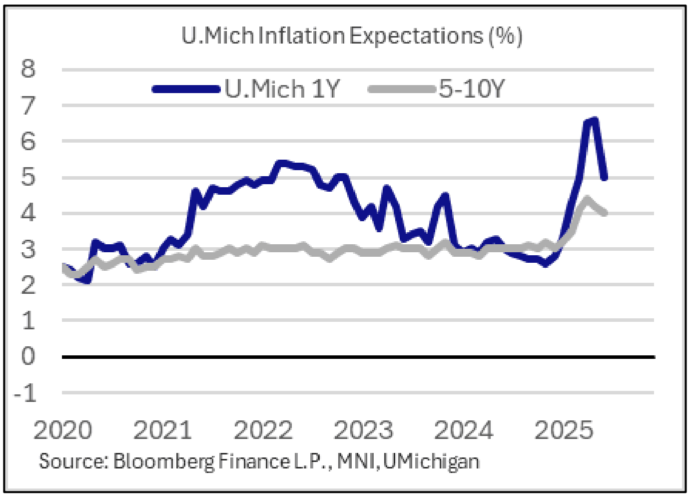
The Conference Board's consumer survey saw a deterioration in confidence in June partly on the back of a perceived further cooling in labor market conditions.

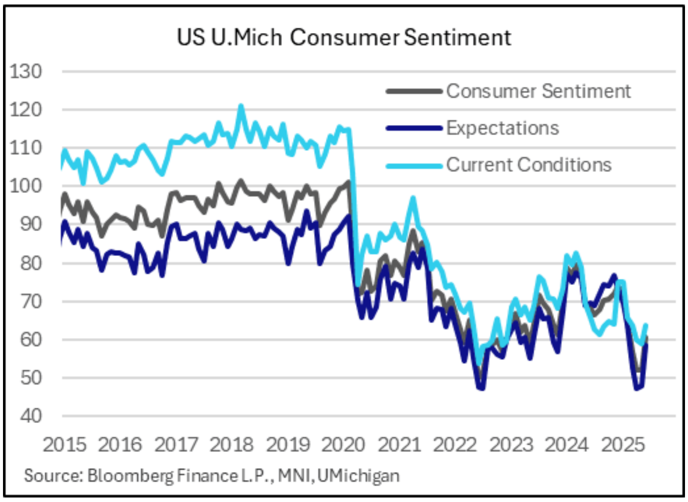
- The Conference Board consumer survey for June saw weaker than expected confidence as it eased to 93.0 (cons 99.8) after 98.4 in May.
- It continues what has been a mixed period for consumer confidence, with a multi-year high of 112.8 in January in the month of Trump's inauguration before falling to a multi-year low of 85.7 in April with tariff announcements.
- Latest confidence readings remain below the 104.5 averaged in 2024 and imply a slowdown in consumption growth but with a weak fit with hard data.
- One area of particular note within the survey was the labor differential which eased further to 11.1 in June from a marginally downward revised 12.7 (initial 13.2) in May. That's a new recent low, having last been lower in Mar 2021, and came with a similar decline in the perception of jobs plentiful to 29.2% after two months at 31%.
- Whilst this differential shouldn't be used too heavily to estimate month to month moves in the unemployment rate, it nevertheless points to a further trend increase.

Final UMichigan Slightly More Benign, But Sentiment Still Subdued

The final University of Michigan consumer survey for June saw a modest downward revision to inflation expectations to still-elevated levels, with slightly better overall sentiment than previously recorded.

- Final 1Y inflation expectations were 5.0%, down from 5.1% in the prelim and reversing the tariff-impacted April-May rise to 6.50-6.60%. It's still elevated versus high 2s late in 2024 but looks to be fading. 5-10Y expectations meanwhile were also revised down 0.1pp, to 4.0%, down from 4.2% in May and 4.4% in April but above the 2024 average of 3.0%. Expectations had been for 1Y to tick up to 5.2% with 5-10Y steady with 5-10Y steady at 4.1%, so the final figures are on the soft side of expectations.
- Overall sentiment was revised marginally higher to 60.7 from 60.5 prior, confirming the first increase in 6 months, led by an improvement in current conditions to 64.8, up 1.1 points from the prelim. Expectations were 0.3 points lower at 58.1, however.
- As such, all three have clawed their way back to a 4-month high, though remain below levels seen in most of 2023-24. All of the above continue to see a major partisan split, with Democrats seeing higher inflation and weaker confidence than Republican counterparts.
- Most of the key household finance indicators were stronger vs prelim (including household finances vs a year / 5 years ago, household finances vs next year / 5 years ahead, expectations of higher income, etc.)
- Weaker were sentiment on "country will have continuous good times" over the next 12 months, 12-month unemployment, gas prices (seen relatively higher), and "good time" to buy a major household item/vehicle/house, or sell a house.
- Latest consumer spending data shows some "hard" evidence that activity is weakening, though not nearly to the same dramatic extent as the lurch lower in confidence surveys. Overall the UMichigan report notes "consumer views are still broadly consistent with an economic slowdown and an increase in inflation to come. Consumers continue to be concerned about the potential impact of tariffs, but at this time they do not appear to be connecting developments in the Middle East with the economy."

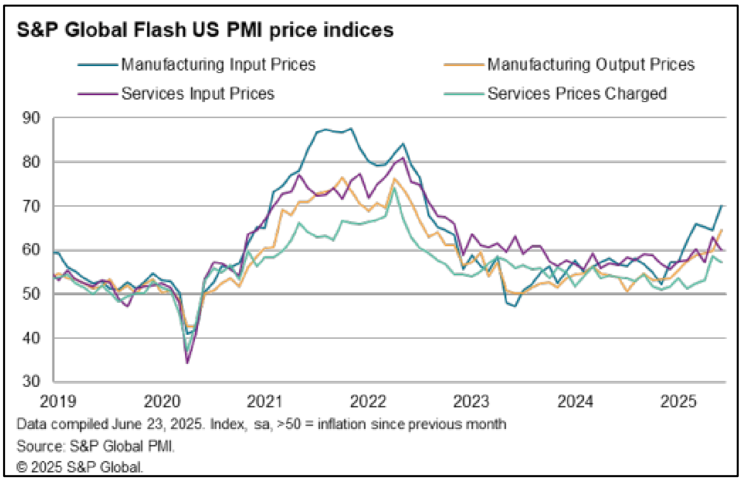




Business Sentiment: Surveys Mixed, Mostly Normalizing

Flash PMIs Cool By Less Than Expected

The S&P Global US PMIs were stronger than expected in the flash June releases as they cooled only modestly after May's improvement.



- The manufacturing PMI held steady at 52.0 for a second month (cons 51.0) after 50.2 in both March and April whilst services dipped to 53.1 (cons 53.0) after 53.7 in May.
- As noted beforehand, there has been a large disconnect with the ISM Services reading, which dropped 1.7pts to 49.9 back in May.
- The press release notes "a little" loss of momentum although workloads are rising and firms are taking on staff to the greatest degree for a year. Manufacturing inflation metrics continued to accelerate for their fastest since Jul 2022 although service inflation metrics cooled a touch. The below is taken from the S&P Global US PMI press release (full report, [here](#)).

PMI press release highlights:

- *"US business activity continued to grow in June, though the overall rate of expansion lost a little momentum to remain well below those seen late last year.*
- *Falling exports of goods and services acted as a drag on growth, in part offset by stock building by US companies, often linked to concerns over tariffs.*
- *Tariffs were also widely blamed on higher prices. These rose at an especially sharp and increased rate in manufacturing, but also continued to rise steeply in services.*
- *Companies meanwhile struggled to meet rising workloads, with backlogs of work increasing at the fastest rate for over three years and encouraging firms to take on additional staff to the greatest degree for a year. However, confidence in the outlook deteriorated slightly."*

Further detail on prices:

- *"Manufacturers' input prices and selling prices both rose at rates not seen since July 2022, as higher costs were passed on to customers. Close to two-thirds of all manufacturers reporting higher input costs attributed these to tariffs, whilst just over half of respondents linked increased selling prices to tariffs.*

- *However, prices also rose sharply in the service sector, likewise often attributed to tariffs but also reflecting higher financing, wage and fuel costs. Service sector input costs and selling prices nonetheless rose at slower rates than in May, in part reflecting more intense competition."*

Richmond Fed Regional Activity Stabilizing, Optimism Mixed (1/2)

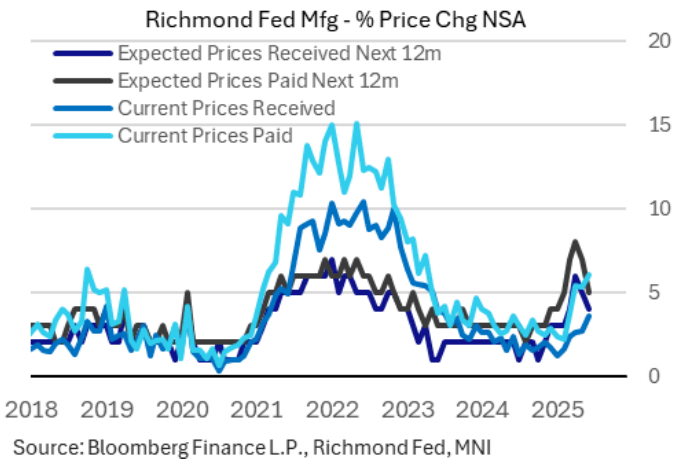
The Richmond Fed's regional manufacturing and services surveys showed a modest pickup in activity in June vs May, but remained weak versus readings seen at the start of the year. Expectations were mixed-to-positive, with regional service sector respondents notably seeing a pickup in optimism. This is reflective of broader sentiment improving from the initial shock of the early April tariff announcements but suggests that improvements will be slow so long as uncertainty remains.

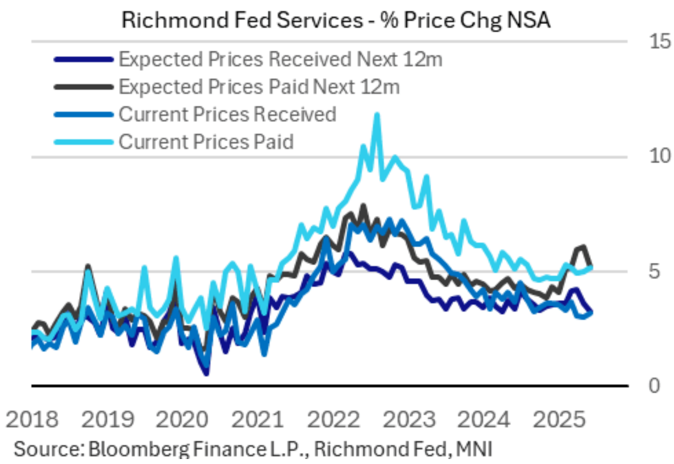
- **The composite manufacturing index** was better than expected at -7 (-9 prior) vs consensus seeing a modest deterioration to -10, reflecting improvements in shipments and new orders but a deterioration in employment. The local business conditions index likewise improved to -20 from -25 though future expectations weakened. All of the major readings remained in negative territory, though this has become the norm over the last couple of years.
- On a stronger note, 6-month expectations moved or stayed positive for several activity categories including shipments and new orders; however even here this was mixed with weakening capex and equipment spending.
- The **service sector activity survey** meanwhile saw the local business conditions index edge up to -16 from -18, with the revenues index up to -4 from -11 and the demand index rising to -7 from -8. employment and capex picked up slightly, but overall all of these indices remained weaker than Q1 levels.
  - While current conditions, as with manufacturing, improved but remained weak, the 6-month expectations jumped: revenues to 20 (was 5) with demand 13 (was 2).

Richmond Fed Survey Suggests Tariff Inflation Still Emerging (2/2)

The Richmond Fed's manufacturing and services surveys showed a divergence in inflation dynamics in June, with current prices reportedly higher but expected future inflation pulling back after recent peaks.

- Manufacturing firms saw current prices received and paid rise, but expected prices continue to pull back, while services firms saw expected future prrices increase even as current inflation pulled back.
- Starting with manufacturing, current prices paid hit a fresh 26-month high 6.1% (based on reported inflation over the last 12 months) , up from 2.2% as recently as February, while prices received rose to a 23-month high 3.6% (up from 1.2% recent low in Jan). But expected prices pulled back for a second consecutive month: paid to 5.0% (4-month low, vs 8.0% peak in April) and received 4.0% (3-month low, ve 6.0% April peak).
- For services firms, current prices ticked up, both received (3.2%, a 3-month high) and paid (5.2%, joint-highest in 4-months). Expected prices however pulled back sharply: paid to 5.2% (3-month low, down from May's recent peak of 6.0%) with received down to 3.2% (14-month low, down from 4.2% recent peak in Mar-Apr).
- We wouldn't read too much into these month-to-month dynamics but they possibly indicate that pipeline price pressures from tariffs are feeding through to regional firms, though the future inflation isn't quite as bad as had been feared immediately after April's Liberation Day announcement.
- In general, services inflation looks better-contained than that for manufactured goods.

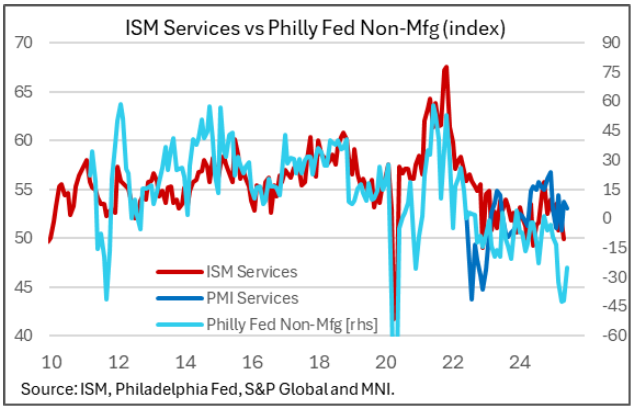


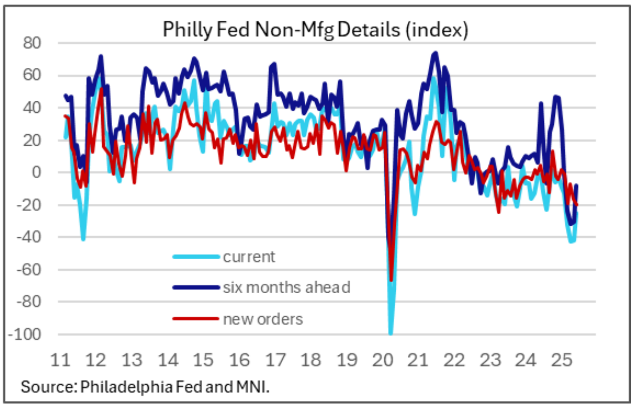


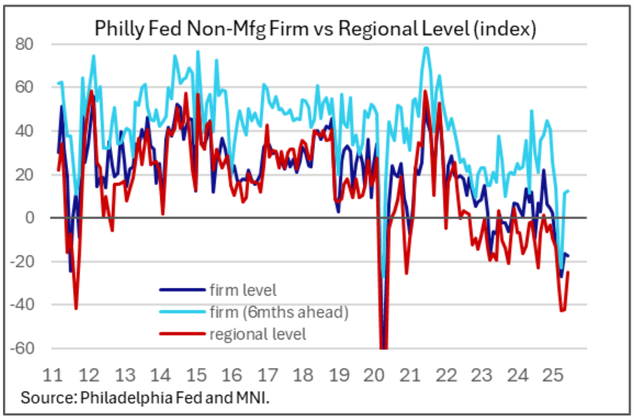
Philly Fed Non-Mfg Improves As Regional Weakness Dialled Back

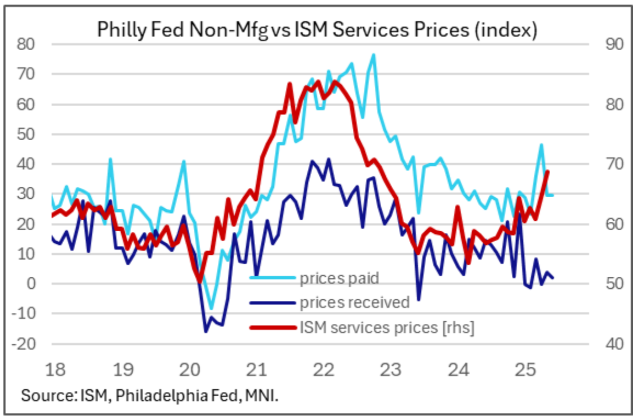
The Philly Fed non-manufacturing survey saw firms dial back particularly negative views on the regional economy to one closer to their own experiences. Some details were weak however, such as new recent lows for new orders along with the prices received index almost in balance.

- The Philly Fed non-manufacturing index improved to -25.0 in June after two particularly weak readings of -41.9 in May and -42.7 in April (both the weakest since the series started in 2011 aside from two months at the depths of the pandemic).
- For context though, this is the highest since February and compares poorly with an average -8.0 in 2024, -10.4 in 2023 and +3.7 in 2022.
- Recent swings in sentiment have been more pronounced for this measure of regional perceptions, whilst the firm-own activity index has been steadier. This own look at activity was little changed at -17.3 after -16.3 in May having recovered from lows of -26.7 in April after tariff announcements (also the lowest in the series aside from Apr/May 2020).
- The details behind these headline figures were mixed, but new orders weakness was notable, falling from -16.3 to -20.1 for its lowest since Apr 2023 and before that the pandemic.
- This new orders weakness contrasts with yesterday's flash PMIs, which indicated a softening but one that remains in positive territory: "The ongoing expansion reflected a further rise in new orders, which have now risen continually for 14 months, though the rise in orders dipped slightly in June to remain well below the strong gains seen at the turn of the year. Similar gains in inflows of new work were recorded in the manufacturing and service sectors and, in both cases, growth was driven by rising domestic demand."
- As for price components, prices paid held steady at 29.7 in June after 29.6 in May, off April's 46.5 for levels close to last year's 28.3 average. However, there's still sign of feed through to prices received with the index at 2.2 after 4.0 in May, down from the 11.4 averaged last year.





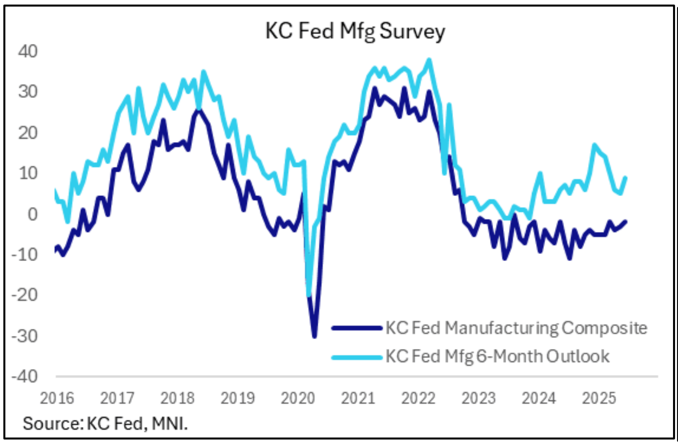


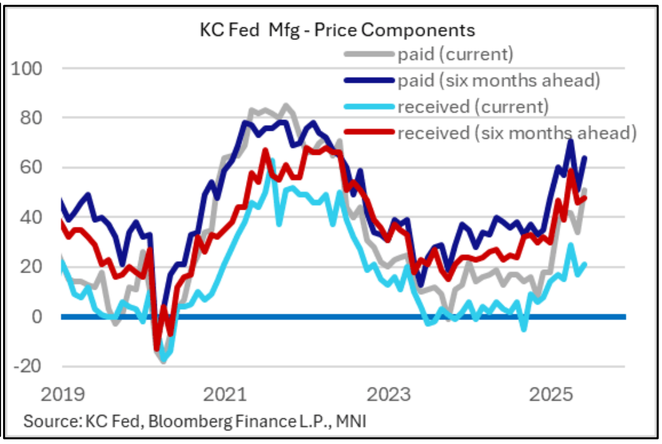


KC Fed Manufacturing Edges Higher With Optimism Up, But Prices Soaring

The Kansas City Fed's monthly manufacturing survey composite index showed a second consecutive improvement to -2 (-3 prior, -4 April), vs an expected deterioration to -5. While the level of the index is indicative of a continued decrease in activity amid tariff uncertainty, anticipated 6-month ahead activity improved to a 4-month high 9 (5 prior) suggesting that firms increasingly expect the worst to be past.

- Per the report, "Production, volume of shipments, and supplier delivery time all increased modestly. However, backlog of orders, new orders, and both employment indexes declined." That's on a sequential basis - vs the year before, all categories were sharply weaker.
- One major exception to that is in prices: current prices paid jumped to a 36-month high 51 from 34 prior, with current prices received edging up 4 points to 21. And anticipated prices paid in 6-months rose sharply too, up 13 points to 64, albeit off April's 36-month high 71. 6-month ahead prices received edged up 2 points to 48, below April's 33-month high 59.
- Tariffs and other government policy shifts were of course still a major theme. A set of special questions around tariffs showed 32% of regional firms "have paused ongoing capital investment as a result of uncertainty, while a quarter have reduced job postings and 21% have reduced employee headcount. Further, 11% have cancelled ongoing capital investment, 13% reported they have taken other measures".
- Overall, regional Fed manufacturing survey composite indices have been mixed in June, with NY's deteriorating, Philly's steady, and Richmond and KC improving modestly. We'll publish a preview of June's ISM Manufacturing reading (due out Tuesday Jul 1) on Monday, after the Dallas Fed's survey and MNI Chicago PMI are released.

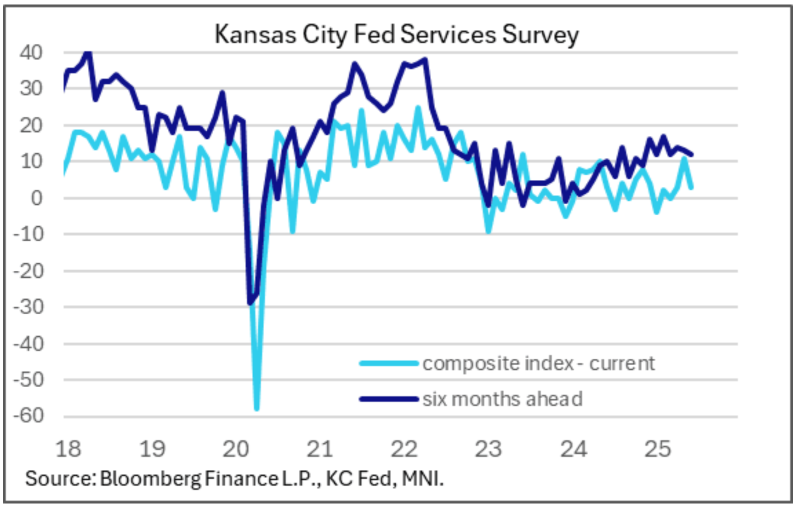




KC Services Pulls Back In June To More Normal Levels

The Kansas City Fed's Services survey showed a decline in the month-over-month composite index to 3 in June, reversing the rise to 11 in May from 3 in April. The 6-month outlook edged lower for a 2nd month, to 12, from 13 prior and 14 in April - all are considered expansionary.

- The June readings are largely within the ranges over the preceding couple of years, with the notable exception of May's outsized surge to a 23-month high.
- Per the report, "Growth in consumer services from last month eased while staying steady for business services. Particularly, the wholesale and healthcare sectors saw declines, while the restaurant, leisure/hospitality, and real estate sector grew. Almost all month-over-month indexes were positive, but most readings were lower than last month."
- The improvement in the KC index was something of an outlier in May, so the pullback to a more reasonable level shouldn't be too much of a concern despite its inconsistency with improvements in other regional Fed non-manufacturing surveys released so far for June, including New York, Philadelphia, and Richmond (Dallas's is out next Tuesday).
- That aligns with consensus expectations for the June ISM Services index (released Thursday Jul 3) to rise to 50.5 from 49.9 in May. We will preview the ISM on Tuesday Jul 1 after the Dallas data is out.

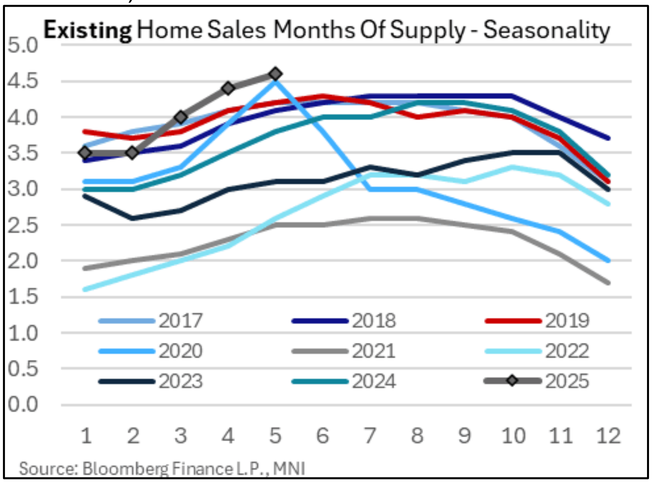


Housing: Weakness Across The Board

More Warning Signs In Housing Despite Existing Home Sales Pickup

Existing home sales unexpectedly ticked up in May to a 4.03M seasonally-adjusted annual pace, from 4.00M in April (and vs 3.95M survey).

- While the lack of further deterioration is a slightly brighter note for a beleaguered housing market, existing sales were down 0.7% Y/Y and remain well below pre-pandemic levels (and indeed are running about the same rate as the worst point of the initial part of the pandemic in 2020).
- And even more notably from a loosening perspective, despite the stabilization of sales, inventory rose even faster than sales for the 5th consecutive month.
- Current inventory (1.54 million units, up 6.2%) now represents 4.6 months of sales, which is not just very high for May but also the most for any month since 2016 (this is on a not-seasonally-adjusted basis but the comparison still stands - see chart below).
- This compares with under 2.0 months at the tightest point of the roaring pandemic housing market. Inventory has risen 35% this year so far.
- Median prices are up 1.3% Y/Y but this is the slowest rise since June 2023, and as we've noted previously, price discovery is limited given a lack of transactions taking place.
- NAR Chief Economist Lawrence Yun is quoted in the release as saying "the relatively subdued sales are largely due to persistently high mortgage rates."
- That said, the fact that mortgage rates are steady/rising and existing homeowners (most of whom locked in low fixed rates) are listing anyway suggests increasing pressure on the market. Unless something changes quickly, the residential sector will be a negative factor for the economy through the rest of the year.



New Home Sales Drop Adds To Evidence Of Housing Market Deterioration

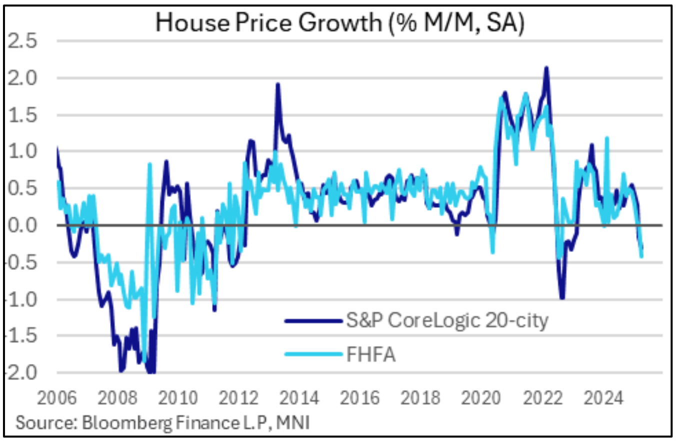
New home sales fell to an 18-month low in May, with the 13.7% M/M drop to 623k (seasonally-adjusted, annual rate) adding to evidence that overall US housing market activity is deteriorating. Sales weakened across 3 of 4 US regions, dropping 21% M/M in the South (which makes up more than half of national sales).

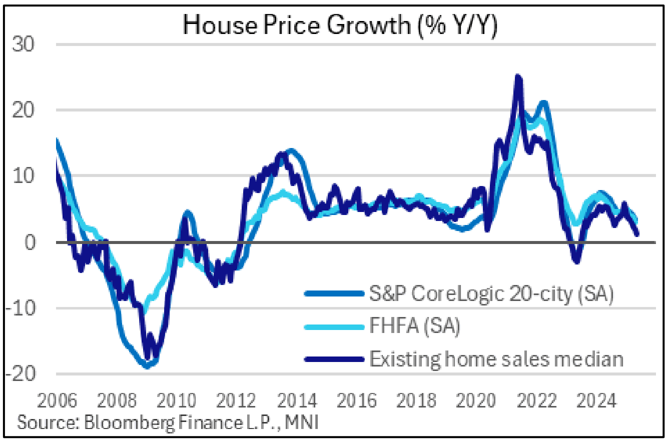
- Median prices - which aren't seasonally-adjusted - fell 2% Y/Y and have declined on that basis in 10 of the last 12 months. To put into perspective on a multi-year horizon, median prices were $407k in May 2025, compared to $429k in May 2022 and $316k in May 2020 (early pandemic).
- There are 507k new units for sale, the most since October 2007. The current pace of sales is equivalent to 9.8 months of supply, a 32-month high, up from <4 at the tightest periods of the pandemic in 2021 when demand was rampant.
- Supply of both existing and new homes is picking up sharply, with an increasing overhang in the latter beginning to look increasingly perilous - the latest NAHB report showing a continued increase in homebuilders (37%) cutting prices to bring in buyers amid high sustained mortgage rates. While new home sales are only 13% of overall sales (existing are the remaining 87%), they make up 25% of houses for sale on the market.
- This puts Thursday's pending home sales into focus, as a leading indicator of existing home sales, and following weak NAHB and building permits/starts data for May. It looks increasingly clear that residential investment will drag on GDP in 2025.

House Prices Starting To Sag Amid Broader Market Weakness

The latest release of monthly house prices for April showed weakness is picking up, in something of a lag from poor sales activity and a nascent pickup in net supply.

- FHFA prices unexpectedly fell 0.4% M/M (SA), after 0.0% prior - the weakest monthly change since June 2022 (0.0% consensus). Meanwhile the S&P CoreLogic 20-City index showed a 0.31% M/M fall (-0.02% consensus, -0.16% prior) for the weakest print since December 2022.
- FHFA prices were up 3.0% Y/Y, slowest since May 2023, with the S&P 20-City's 3.4% the softest since August 2023.
- This is hardly a crisis for existing homeowners, with nominal prices up over 50% from pre-pandemic levels on both indices.
- But further weakness ahead looks likely - for example as we noted Monday, existing home inventory (1.54 million units, up 6.2%) now represents 4.6 months of sales, the most for any month since 2016, and prices appear to be rolling over.
- The overriding dynamic here is persistently high mortgage rates, which now appear to be coinciding with a loosening labor market that is starting to force some homeowners to sell, or at least consider their options.



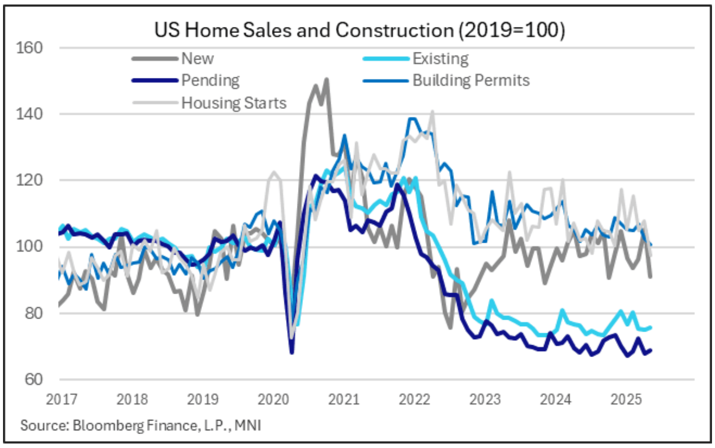


Pending Home Sales Pick Up, But Remain Weak Overall

Pending home sales picked up slightly in May from a weak April, with the National Association of Realtors' index rising 1.8% M/M SA (0.1% expected) after -6.3%. On a Y/Y NSA basis, sales were 0.3% lower than the year before (-3.6% in April).

- Activity picked up across all four US regions, after all four had seen declines in April.

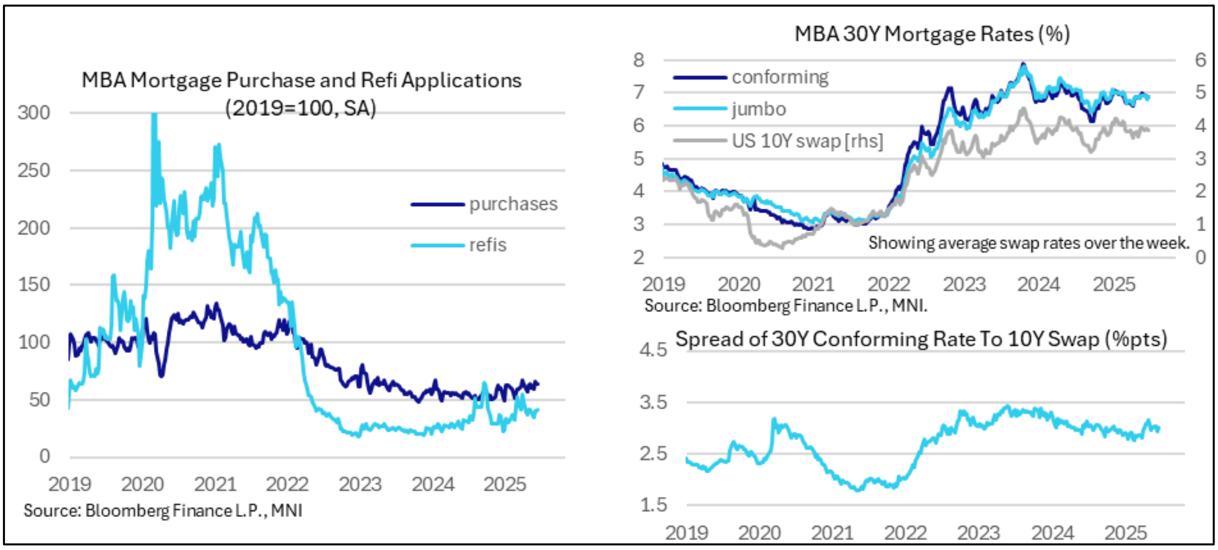
- This is a leading indicator of existing home sales, and probably the most positive housing market data we've seen of late - most has been indicative of worsening conditions in sales, prices, and construction activity.
- Even so, the pending sales index remains at levels below those of late 2024, when lower mortgage rates had tentatively begun to get both buyers and sellers off the sidelines. Activity is currently under 70% of pre-pandemic levels and is effectively moving sideways.
- We continue to see little reason to expect an improvement in residential sector activity unless there is a decisive drop in mortgage rates.



Mortgage Applications Mixed For Purchases vs Refis

MBA composite mortgage applications were little changed last week when accounting for usual volatility, although extended a recent patch of weakness for new purchases relative to refinancing activity.

- Mortgage applications increased 1.1% (sa) last week after -2.6% and 12.5%.
- Unusually, new purchase applications underperformed refis for a fourth straight week, dipping -0.4% (after -3.0% and 10.3%) vs a 3.0% increase for refis (after -2.1% and 15.6%).
- That said, new purchases are still at 64% of 2019 averages vs refis at 41% for broader context.
- The 30Y conforming rate increased 4bp after a 9bp decline, with mixed implications for spreads considering average 10Y swap rates dipped 4bps last week vs no change the week prior.
- It left a 30Y mortgage rate to 10Y spread of 302bp, close to its recent average having eased after widening to 315bps in late April following tariff-driven uncertainty.
- That's still wider than the 285bp averaged in Q1 in a net tightening in conditions, which could be reflecting some more pessimistic looking housing data more broadly.



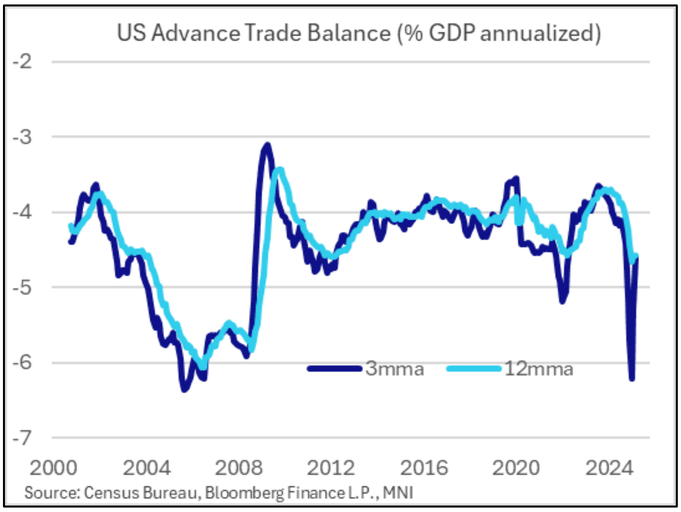
External: Current Account Deficit Balloons

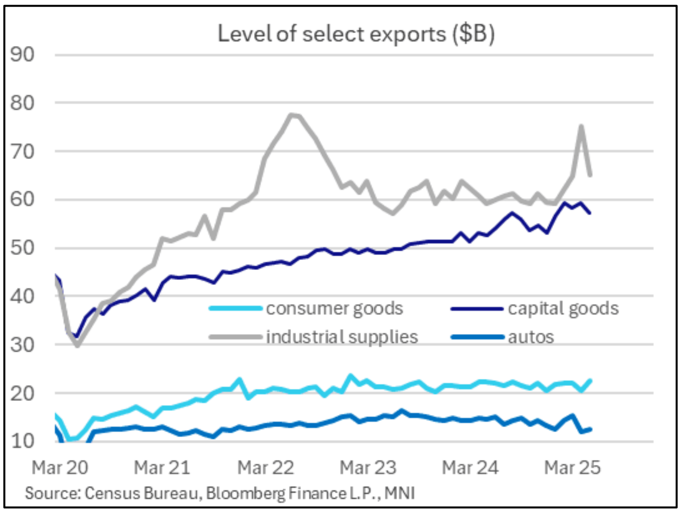
Trade Deficit Re-Widens In May As Exports See Historic Pullback

The advance goods trade deficit was bigger than anticipated in May, with the $96.6B shortfall comfortably exceeding the $86.1B survey. This is likely to weigh slightly on Q2 GDP estimates, with weakness in exports particularly concerning.

- This was the 2nd smallest deficit in the last 14 months (April's $87.0B was the other) though, and brings the 3-month moving average of the deficit down to roughly 4.6% of GDP vs the 6.2% peak in March which represented a significant pre-tariff front-loading of imports, including gold.
- But in May, it wasn't imports that drove the widening shortfall - those were steady at $275.8B (vs $275.9B in March), albeit with some volatile category-by-category dynamics highlighted by a 12% rise in auto imports (after -20%), offsetting a 6.2% drop in consumer goods (-32.0% prior). Indeed consumer goods imports hit a 12-month low (all seasonally-adjusted) at $65.6B, continuing to unwind after a record in March close to $103B.
- Instead it was exports that suffered in May, dropping 5.2% M/M - which was the biggest drop since the Global Financial Crisis in 2008, outside of the initial pandemic fallout in April 2020. The major contracting export categories were industrial supplies and materials (including petroleum), down 13.6% (+16.0% in April), with capital goods shipments falling 3.3% (after 1.7%).
- We'll have to wait for the final goods and services trade release on July 3 for the breakdown in individual categories (for example to see to what extent weaker oil exports for example weighed in May as opposed to other industrial products) and a country-by-country breakdown but the magnitude of the pullback in exports is potentially concerning if it turns out they were weighed down by foreign trade retaliation (eg Canada) and thus a "new normal".

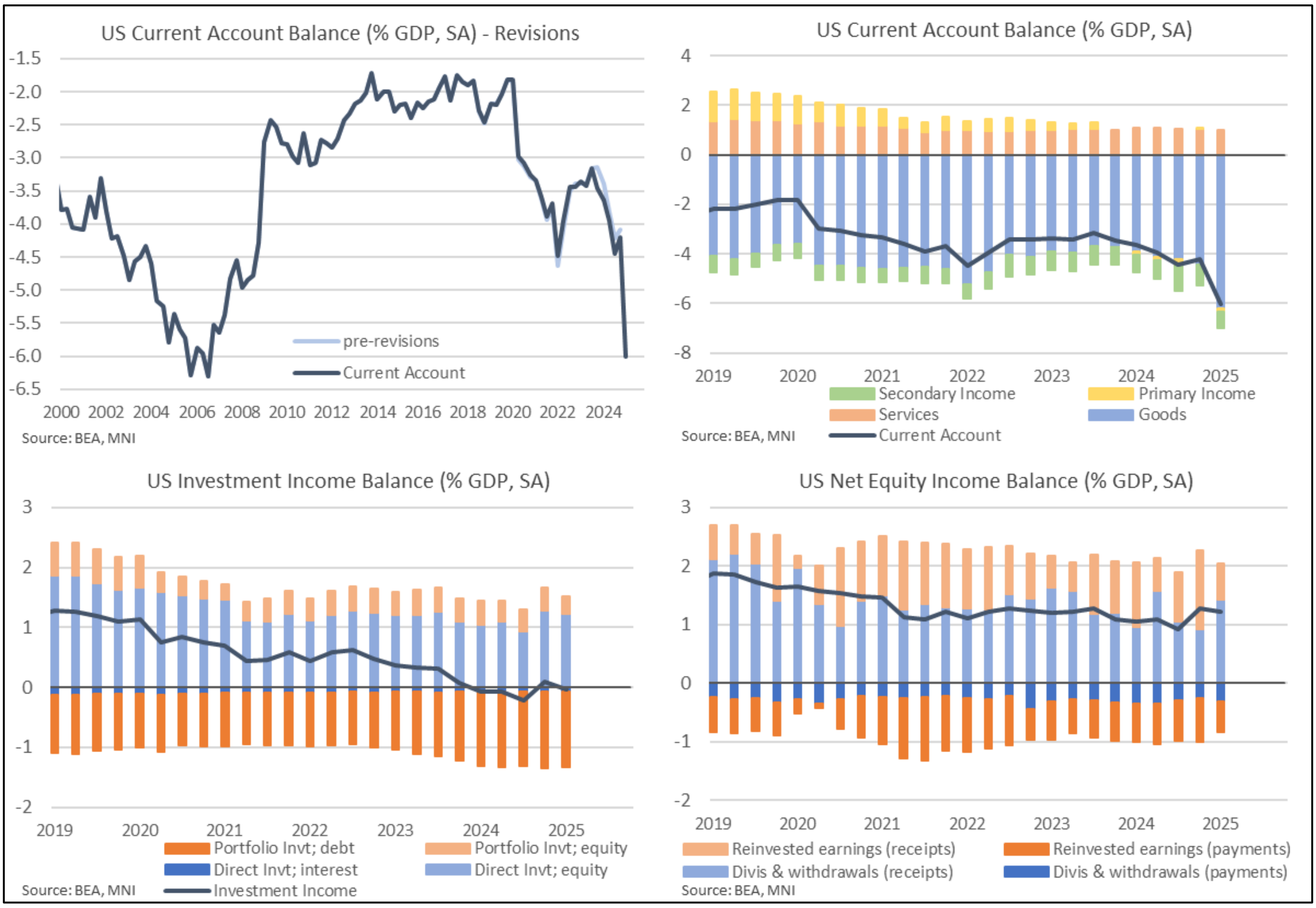
- That said, it looks for now - as with imports - a normalization after the pre-tariff spike (note US auto exports remain around their weakest levels since mid-2021). It will probably be a couple of more months at least before volatility shakes out.





Current Account Deficit Unsurprisingly Surged In Q1, Net Incomes Steady

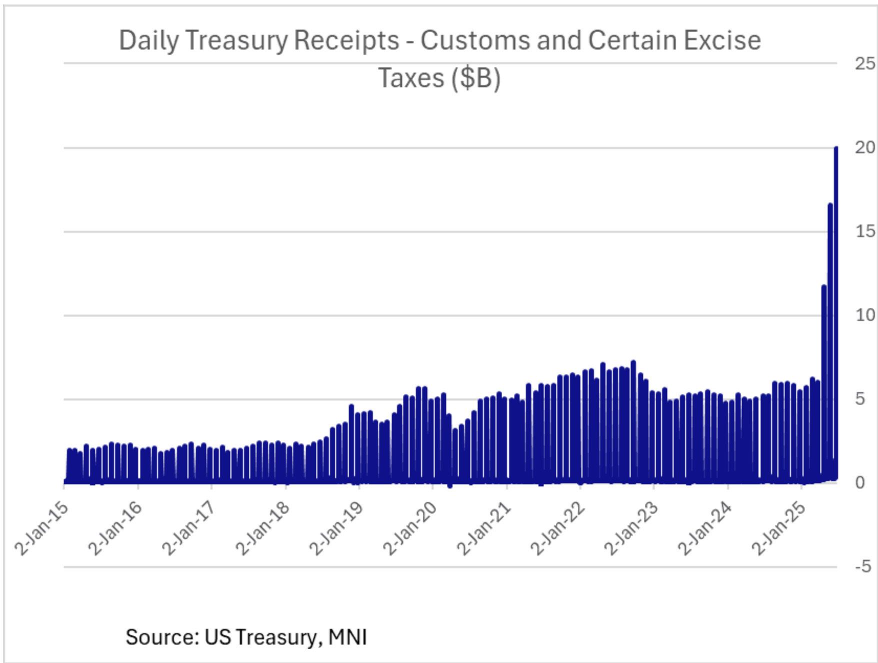
- The current account deficit was larger than expected in Q1 at $450bn (cons $445.5bn) after an upward revised $312bn (initial $304bn) in Q4 as part of some large upward revisions concentrated in incomes.
- It left a deficit at a huge 6.0% GDP in Q1 after 4.2% GDP in Q4, with upward revisions to the CA deficit worth an average 0.2pp of GDP through 4Q23-4Q24.
- However, monthly trade data suggest a significant shrinking in Q2 deficits following unprecedented tariff front-running in Q1, most pronounced in gold and pharmaceutical imports.
- Indeed, the goods deficit jumped from 4.4% GDP in Q4 to 6.2% GDP in Q1, whilst the services surplus was unchanged at 1.0% GDP.
- Income accounts were little changed on the quarter, with a primary income deficit of 0.1% GDP after 0.0% in Q4 and a secondary income deficit of 0.7% GDP after 0.8% in Q4.
- There were some mixed developments within primary income though, with net dividend & equity withdrawal receipts rising to 1.1% GDP from 0.7% but reinvested earnings net receipts drying up with 0.1% GDP after an unusually strong 0.6% GDP in Q4. Net equity receipts were little changed over all though, at 1.2% GDP vs 1.3% GDP in Q4.



Tariff Revenues Continue To Soar Post-Liberation Day

Treasury's daily statements show a fresh record for tariff receipts: $19.95B on Jun 24, which compares to $11.7B on the equivalent "peak" day of collections in April and $16.5B in May. (This represents the date in which most corporates pay the import duties).

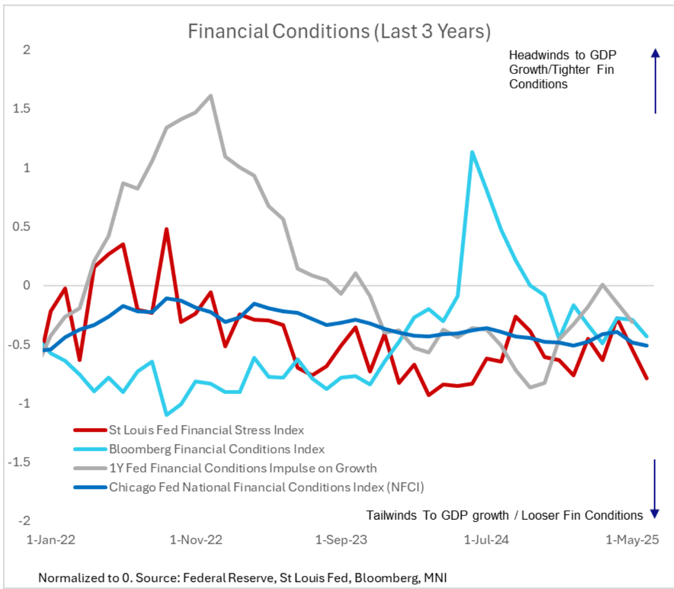
- Receipts are on pace to come in at about $28B in the month. Q2 will have seen about $70B in collections or about $280B/annualized.
- Most estimates of the tariff revenue impact on the US deficit are between $2.0T-$3.0T over the next decade - the CBO estimates $2.5T over 2025-2035 or roughly $250B/year before accounting for inflation and dynamic economic effects.
- This implies that the pace of tariff collections is at or near the peak but there is no denying that the ramp-up in revenues since April's "Liberation Day" announcements has been sizeable.



Financial Conditions Ease Since April

The Chicago Fed's National Financial Conditions Index (NFCI) was unchanged at -0.51 in the week ending June 20 in the latest update out Jun 25. This marks the "easiest" financial conditions since early 2022 by this measure ("negative values have been historically associated with looser-than-average financial conditions").

- The NFCI didn't really show that much tightness through the April equity / bond sell-off, merely returning to August 2024 levels. That's similar to other metrics such as Bloomberg's FCI, and echoes the St Louis Fed's Financial Stress index which has similarly retraced in an easing direction since April.
- The Fed's own financial conditions estimates - also updated Jun 25 - barely got back to the "zero" level in March indicating financial conditions becoming a headwind to growth - the 1-year lookback impulse on growth was as "loose" in May as it's been in 4 months.
- Most FOMC participants describe current policy as "moderately/modestly/slightly" restrictive, with some eyeing policy as being increasingly close to neutral already. While restrictiveness does appear in some segments of the economy (most prominently housing), the broader scope of financial conditions certainly don't suggest any undue tightness.



Post-FOMC Fedspeak: Bowman & Waller Isolated In Dovish Pivot, Powell Continues To Preach Patience

- President Trump continues his outright attacks Fed independence. The night ahead of Powell’s House committee testimony: “I hope Congress really works this very dumb, hardheaded person, over. We will be paying for his incompetence for many years to come. THE BOARD SHOULD ACTIVATE.”

- Bowman surprisingly joins Waller in heavily leaning towards a July rate cut, with a cynical interpretation that both are vying for the Fed Chair position when Powell's role expires May 2026.
- Powell in Congressional testimonies again implies that September is the next live meeting. He notes many rate paths are possible but headlines are somewhat selective on the dovish side.
- A slew of appearances from other FOMC members suggests a broader consensus sees no rush to cut rates, including another senior member in NY Fed's Williams.
- Some are however wary of a faster moderation in the labor market.

Trump Continues To Criticise Powell (Jun 23 overnight)

U.S. President Trump continues critique of Fed Chair Powell on Truth Social, writing "“Too Late” Jerome Powell, of the Fed, will be in Congress today in order to explain, among other things, why he is refusing to lower the Rate. Europe has had 10 cuts, we have had ZERO. No inflation, great economy - We should be at least two to three points lower. Would save the USA 800 Billion Dollars Per Year, plus. What a difference this would make. If things later change to the negative, increase the Rate. I hope Congress really works this very dumb, hardheaded person, over. We will be paying for his incompetence for many years to come. THE BOARD SHOULD ACTIVATE. MAKE AMERICA GREAT AGAIN!"

Powell: Many Rate Paths Are Possible, Depends On Data

Treasuries rise and the USD pulls back on headlines that Chair Powell appears to suggest earlier rate cuts are possible "*POWELL: LOWER INFLATION, WEAKER LABOR COULD MEAN EARLIER CUT" (Bloomberg). However the full context of this was that he was asked whether he concurs with Gov Waller about a potential path for "good news" to lead to rate cuts, Powell keeps the option conditionally open but not an unsolicited comment or an endorsement - and indeed he also notes potential for later cuts too.

- "I wouldn't comment on any other FOMC members comments one way or the other, but I will say this, I think many paths are possible here, and certainly the one you mentioned is a possible one. We could see inflation come in not as strong as we expect. And if that were the case, that would tend to suggest cutting sooner. We could see the labor market weakening, and that would also suggest cutting sooner. On the other hand, if we see inflation coming in higher or if the labor market were to, to remain strong, then we would probably be moving later. So I think a range of possible paths are possible and certainly the one you mentioned is one of them in."

Powell: Reluctant To Cut Due To Anticipated "Meaningful" Inflation Pickup (Jun 24)

Chair Powell says that the main reason the Fed isn't cutting rates like its global peers, and despite softer incoming inflation data, is because inflation is forecast to pick up in "meaningful" fashion later this year (again this is a big difference in outlook with now-doves Waller and Bowman who are looking for cuts to resume as they don't see such an inflation pickup as their base case):

- "So the you're right that if you just look in the rear view mirror and look at the existing data that we've seen, you can make a good argument that that would call for us to be at a neutral level, which would be, you know, a couple of cuts, or maybe more, kind of thing. The reason we're not is the forecast by all Professional Forecasters that I know of on the outside and the Fed, do expect a meaningful increase in inflation over the course of this year."

Powell Again Implies That September FOMC Is Next Live Meeting (Jun 24)

When asked at his House testimony about when we will see the inflation hit from tariffs, Powell implies that a cut isn't coming in July but there could be enough data by September's meeting to decide then (similar to his messaging at last week's FOMC press conference):

- "The things that are being sold at retail now, they might have been put into into inventory before the tariffs in February or March. So we think we should start to see this over the summer, in the June numbers, and in the July numbers. And if we don't... it may turn out that the pass through is less or more than we think. And I think we're going to be learning...we'll get an inflation number for June, we'll learn something, then we'll get it for July, as we go through the summer, we should start seeing this and if we don't, I think we're perfectly open to the idea that the passthrough will be less than we think, and if so, that'll matter for our policy."

VC Bowman Eyes July Cut Amid Inflation Progress, Labor Market "Fragility" (Jun 23)

Fed Vice Chair Bowman, one of the most hawkish FOMC members coming into the year (and a permanent voter), appears to now be on the most dovish end of the spectrum in suggesting she conditionally would support a rate cut as soon as the next meeting in July. This doesn't appear to be a widely shared view on the Committee (only expressed by Gov Waller so far) but it is a jarring shift in view.

- The last time we heard from her on current monetary policy was between the January and March meetings. At that time, she said she didn't think the Fed funds rate was "exerting meaningful restraint" (it hasn't changed since then at 4.25-4.50%) and had dissented against the 50bp cut to start the cycle in September, though in fairness even in late January she had seen inflation would be beginning to decline by year-end.
- In short, while she now argues "we have not seen significant economic impacts from trade developments or other factors" with a labor market remaining "solid", she also sees growth "slowing" with it "possible" that this is translating into weaker labor market conditions. And overall, she appears very optimistic on the trajectory of inflation, that while she recognizes upside risks she is "not yet seeing a major concern" over tariffs and has seen a pickup in core PCE goods "more than offset by a considerable slowing in core PCE services inflation".
- In short, "With inflation on a sustained trajectory toward 2 percent, softness in aggregate demand, and signs of fragility in the labor market, I think that we should put more weight on downside risks to our employment mandate going forward."
- She says that "If inflation remains near its current level or continues to move closer to our target, or if the data show signs of weakening in labor market conditions, it would be appropriate to consider lowering the policy rate, moving it closer to a neutral setting."
- "the data have not shown clear signs of material impacts from tariffs and other policies. I think it is likely that the impact of tariffs on inflation may take longer, be more delayed, and have a smaller effect than initially expected...we should recognize that inflation appears to be on a sustained path toward 2 percent and that there will likely be only minimal impacts on overall core PCE inflation from changes to trade policy."
- In sum: "Before our next meeting in July, we will have received one additional month of employment and inflation data. If upcoming data show inflation continuing to evolve favorably, with upward pressures remaining limited to goods prices, or if we see signs that softer spending is spilling over into weaker labor market conditions, such developments should be addressed in our policy discussions and reflected in our deliberations. Should inflation pressures remain contained, I would support lowering the policy rate as soon as our next meeting in order to bring it closer to its neutral setting and to sustain a healthy labor market. In the meantime, I will continue to carefully monitor economic conditions as the Administration's policies, the economy, and financial markets continue to evolve."

Bowman And Waller Setting Up For A July Dissent (Jun 23)

Though both Gov Waller and Vice Chair Bowman have come out after the June meeting and declared tentative support for a rate cut in July, this still appears to be a minority view.

- They might be the two biggest doves on 2025 rates. While the SEP is not a perfect guide to guessing policy preferences, there were two 3.6% (75bp in cuts) dots in the June projections (see MNI's tabulation below) and those were the most dovish entries. We doubt opinions have changed much in less than a week, so we would think given they are looking at a July cut that they could well be looking for 3 cuts over the last 4 meetings of the year (Jul / Sep / Oct / Dec).
- Cynically speaking, both might be adopting dovish stances in angling for the top job at the Fed, with the White House's announcement of the candidate to replace Chair Powell next May possible at some point in the coming months. Waller is almost certainly in that conversation, though Bowman hasn't been seen as a major contender having just been given the Supervision job.
- But that said, their (stated) difference on policy with the majority of the Committee appears to be on fundamental grounds, centering on a) the impact of tariffs and b) the timeframe in which those impacts can be seen.

- Gov Waller has said repeatedly that his base case is for the tariffs to have a one-off impact on inflation, despite the risk that inflation is more persistent - arguments that Bowman, who has largely been silent on the issue for the last 5 months, appears to echo in her commentary. And both take the position that tariffs have not had a notable impact on inflation so far in the data, and that cuts could be necessary to bolster a labor market that is showing signs of deterioration.
- Contrast this with Powell last week who repeated that while the next easing "could come quickly", they would learn "a great deal more over the summer on tariffs".
- Indeed Bowman's comments about softening services PCE offsetting higher goods PCE sounded similar to Powell's last week. But Powell went on to emphasize that "we're beginning to see some effects [on core goods inflation]. We expect to see more". Bowman doesn't fully disagree but emphasizes the overall services vs goods impact, saying today "there will likely be only minimal impacts on overall core PCE inflation from changes to trade policy".
- It does raise the question of what kind of evidence would be sufficient by the July 30 decision for the Committee to cut rates. There's only going to be one more CPI report and one more nonfarm jobs figure by then. That's probably not to convince a patient FOMC majority to support an easing. That sets things up for two prominent dissents to a rate hold at the July meeting.
- But with Bowman not needed to be convinced of a need for easing, there is a much clearer path to rate cuts in the ensuing three meetings: we would guess most of the Board are in the 2-cut median camp already.

Entirely Appropriate To Maintain Modestly Restrictive Stance – Williams (Jun 24)

NY Fed's Williams (permanent voter), typically towards the more dovish end of the FOMC, says maintaining the modestly restrictive policy stance is entirely appropriate in a keynote address titled "The Totality of the Data" (link). It's a view that most on the FOMC appear to have with two notable exceptions in Gov Waller and VC Supervision Bowman.

- "Maintaining this modestly restrictive stance of monetary policy is entirely appropriate to achieve our maximum employment and price stability goals. It allows for time to closely analyze incoming data, assess the evolving outlook, and evaluate the balance of risks to achieving our dual mandate goals".
- He cited a New York Fed survey of the Second District which finds three quarters of respondents passed along at least some of their higher costs to consumers. "Almost a third of manufacturers and nearly half of service firms reported fully passing along all tariff-related cost increases."
- Williams described consumer spending as resilient and the labor market as solid, saying growth will fade to 1% this year and the unemployment rate rise to 4.5%.
- His remarks will be followed by Q&A.
- Recall that earlier today, Fed Chair Powell at the semi-annual testimony again implied that a cut isn't coming in July but there could be enough data by September's meeting to decide then (similar to his messaging at last week's FOMC press conference).

Gov Barr Sees Policy Well-Positioned With Tariff Inflation Impact Ahead (Jun 24)

In opening remarks at a Fed Listens event Tuesday, Fed Gov Barr (permanent voter) appears to be aligned with Chair Powell in expecting inflation to pick up in future due to tariffs (**text here**). Additionally, he makes note of concern over inflation persistence.

- Judging from his brief comments, he is not part of the evidently small minority (so far, Gov Waller and VC Bowman) who see tariff-related inflation as likely transitory and unlikely to be high enough to preclude cuts as soon as the July meeting.
- Barr: *"The economy is currently on a sound footing, with low and steady unemployment, and disinflation having continued at a gradual, albeit uneven, pace toward our 2 percent target. Looking forward, however, I expect inflation to rise due to tariffs. Higher short-term inflation expectations, supply chain adjustments, and second-round effects may cause some inflation persistence. At the same time, tariffs may cause the economy to slow and unemployment to rise. There is still considerable uncertainty about tariff policies and*

their effects. Monetary policy is well positioned to allow us to wait and see how economic conditions unfold."

- This is rare commentary on monetary policy for Barr, who until the end of February was the Fed's Vice Chair for Supervision (he's since been replaced by Bowman).

Schmid Also Believes Best To Hold While Monitoring The Economy (Jun 24)

Kansas Fed's Schmid ('25 voter) affirmed Chair Powell's comments to the Senate that it is best to watch and wait to assess the impact of tariffs and policy on the economy given its resilience, especially the labour market, rather than rushing to ease monetary policy. He will be monitoring price data for signs of a broad-based rise in pressures.

- While Schmid is pleased to see lower inflation, he remains wary regarding recent memory of high inflation and that it could drive price expectations higher and the pass through of increased import costs to customers.
- "Certainly, with the inflation of the past couple of years still in people's minds, I will be carefully watching the monthly price data for signs of broad-based price increases that might further challenge an already fragile price-setting psychology," Schmid noted. (Bloomberg)
- He believes that policy setting should remain focussed on the economic outlook.
- The Fed's dual mandate of price stability and full employment are likely to clash with import duties adding to inflation but weighing on business conditions. However, Schmid said that it's uncertain "when and by how much" this will occur.
- He repeats he would also like to see a measure of core inflation that includes food [with the Kansas Fed's district more attuned to agriculture]..

Boston's Collins Still Eyes Cuts Resuming This Year (Jun 25)

Boston Fed's Collins ('25 voter, leans dovish) sounds as patient as before on rate cuts in a speech Wednesday (**link**). She continues to see rate cuts later this year from the currently "modestly restrictive" stance but like the vast majority of her colleagues, she highlights prevailing uncertainty and wants to see more data before coming to that conclusion. Some key quotes:

- "calibrating appropriate policy is challenging in contexts when projections of inflation call for a tighter policy stance while forecasts of real activity call for a looser one. The overall solid current conditions enable the Fed to take the time to carefully assess the incoming data and their implications for the economic outlook and the balance of risks to inflation and economic activity. Indeed, the recent back-and-forth in tariff policy, and the potential for more changes to come, validate the careful approach I call "active patience" that the Fed has taken since the beginning of the year."
- "While I continue to expect it will be appropriate to resume gradual policy normalization later this year, my outlook could change significantly as events unfold, and the economic impact of changes in various government policies comes into sharper focus. Much will depend on whether the "price shock" from tariffs dissipates quickly, without derailing inflation expectations, and on whether the associated slowdown in real activity is limited. For now, however, I see the current monetary policy stance as modestly restrictive, and well positioned to address a range of possible outcomes."
- "I continue to see upside risks to my outlook for inflation and downside risks to my outlook for economic growth and the labor market. And I do not rule out scenarios with larger and more persistent tariff effects on inflation."

Collins A 1 or 2 Cutter (Jun 26)

Separately, Collins had already said this week she'd expected to cut later this year, but in a Bloomberg interview Thursday she all but ruled out support for a July cut:

- "We're only going to have really one more month of data before the July meeting... I expect to want to see more information than that." She says "that could mean one rate cut, it's possible it means more than that, but I think the data will really need to tell us...I am not seeing an urgency."
- That could place her on the slightly more hawkish side of the June Dot Plot (10 saw 2 or more cuts) but it's unclear whether she actually penciled in 1 or more cuts (we would assume 1 or 2).

Tariff Impact Hasn't Been As Feared On Inflation – Goolsbee (Jun 23)

Chicago Fed's Goolsbee ('25 voter, dove) said at an event in Milwaukee that the impact of tariffs hasn't been as was feared the day after Apr 2 reciprocal tariff announcements.

- He notes seeing some "burden-sharing" in the broader response to tariffs, spread 1/3 on the suppliers, 1/3 the producer and 1/3 the consumer.
- "Now we're trying to figure out is this all there is or is there about to be something showing up in the inflation data."
- Bloomberg adds "*GOOLSBEE: IF TARIFF DIRT IN AIR CLEARS, SHOULD PROCEED WITH CUT" - bbg, similar to prior comments from Goolsbee.
- He is very worried about moving in a stagflationary direction, with both sides of the Fed mandate worsening at the same time, "but that's very different from saying this is stagflation".

"Groundhog Day" For Cleveland's Hammack With No "Imminent" Cuts (Jun 24)

Cleveland Fed Pres Hammack ('26 voter, hawk) is not eyeing "imminent" (ie July) rate cuts, seeing policy as "only modestly restrictive" (repeating her previous language) and with only "very modest cuts" required to get back to neutral. Some key quotes (**speech link here**):

- "When clarity is hard to come by, waiting for additional data will help inform the path ahead. It may well be the case that policy remains on hold for quite some time before the Committee initiates very modest cuts to return policy to a neutral setting...Given the resilience of the economy thus far, the risks from maintaining the current policy setting appear low, and I don't see a weakening in the economy that would merit imminent rate cuts, though I remain attentive to that possibility."
- "Looking ahead, if both sides of our mandate come under pressure, then holding the policy rate steady for some time may be the best choice to balance the risks coming from further elevated inflation and a slowing labor market." She says again, "I would rather be slow and move in the right direction than move quickly in the wrong one."
- She notes on recent market/geopolitical developments: "If long-term rates stay elevated, it means higher borrowing costs for households and firms. If the weakening in the dollar persists, it can add pressure on consumer prices on top of the direct effects of the tariffs. Rising oil prices could affect inflation and growth prospects."
- Indeed she links the latter to the broader risks of higher entrenched inflation and expectations from tariffs: "it is certainly possible that increases in tariffs could have only a short-lived effect. But coming after an extended period of elevated inflation, consumers and businesses may respond differently to this event than might otherwise have been the case. Additionally, recent increases in oil prices pose an upside risk to the stability of inflation expectations, given the typical relationship between increases in gasoline prices and inflation expectations in the United States".
- On inflation she sounds cautious despite recent progress, saying that "we have some distance to go before we sustainably reach our 2 percent inflation objective": "While the recent inflation data have been encouraging, they are backward-looking and may not capture very recent developments."
- Her speech compares the current stance of waiting for more data to the Bill Murray comedy Groundhog Day. Hammack says: "Unlike in an American rom-com, I see no neat and tidy way for monetary policy to make a 93-minute exit from its current holding pattern. Until we get to that moment, I appreciate that hearing me repeatedly say that we need to wait for more data must feel like your own version of Groundhog Day."

Hammack Confirms That She's Towards Top of SEP Dot Plot Range (Jun 24)

- Q: You referred to policy being close to neutral. Are you close to the top of the SEP range (the policy rate is about 50bps above the top end) or do you have a shorter-term neutral rate in mind?
- Cleveland Fed's Hammack ('26 voter): You do correctly read that I'm towards the top of that range. So yes, that's why I think we are pretty close to neutral.

Inflation Progress Has Been Slow And Tariffs Having Lagged Impact – Hammack (Jun 24)

Cleveland Fed's Hammack ('26 voter) in a panel discussion along with ECB's Lane and BoE's Ramsden gives some additional color behind her view that she isn't eyeing "imminent" rate cuts.

- "I do believe that we are still modestly restrictive, and only very modestly restrictive."
- "You know, there are a wide range of estimates for the neutral rate in the US that would range from 2% to 4.6% and so that's a pretty wide bucket." [She said in prepared remarks that she saw estimated only "very modest cuts" required to get back to neutral]
- "I agree that the recent inflation readings that we've seen over the past few months have been very encouraging. I think it puts us in a core in something like a two, five to six type number."
- "But we have to remember is that that's the progress that we've made has been very slow. Yes, those newer numbers seem good, and we've seen some progress, particularly in the housing, services inflation category, which had been very sticky. And so it's good to see that we're making progress there."
- "I cited the tariff impact in the steel industry because I think that's one of the cleanest tariffs that we have to look at. And when we look at that, you do see that that impact happened, but it's really over a three month period of time. You know, if you start with April 9 as the date that the tariffs were effective, we're still not quite three months on from when they've been in place. And so I think we do need more time to understand how those are going to play through in the data and what impacts they could have."
- "Now, it could be that it's a one time price level shift that you know economic research would tell you we should look through. But it could be that, given the nature of the on, off, some of the shifts, some of the other policy dynamics, it could be that it's more persistent."
- "And it could be that after four years of above target inflation, even though we continue to make good progress, that it could be more persistent to investors inflation expectations, and that's something that, to me, I think bears more watching Before we take action."

Hammack Sees Reasonably Stable Labor Market, Attentive To Quick Softening (Jun 24)

Cleveland Fed's Hammack ('26 voter) has a similar view to Fed Chair Powell on the labor data, with it reasonably stable but some weariness that it can turn quickly. US immigration policy could be a barrier to longer-term growth which is something to be watched.

- "The shift in immigration policy could have a material impact in terms of how we're interpreting [labor] data. So if you look at sort of the breakeven payrolls number that we had needed last year would have been significantly higher than what we'll need this year. We factor that in as we're looking at the weekly claims data and other numbers."
- "The tricky thing with the labor market is that when it tends to weaken, it tends to weaken quickly. And so you have to be very attentive to it. You have to be watching it carefully as I am for those signs."
- "Right now we've had very good stability in the employment side."
- "When I'm out in the district talking with businesses, whether I'm in Toledo or Worcester or Pittsburgh or all the great cities that we have in the Midwest, what I get is really a sense from business leaders that they worked incredibly hard to find and train workers over the past several years coming out of the pandemic, and they're very loathe to let them go. And so we are in this slow hiring, slow firing world, where you're not seeing a lot of layoffs, but if you don't have a job, it's much harder to get a job."
- "The VU ratio is one that we continue to track closely, and we're still running right around our pre pandemic number. It's come down very significantly from where we had been in the pandemic. But I don't see the labor market as being a source of inflation for the US economy right now. And based on the data that I'm seeing right now, it looks like our labor picture is reasonably stable, partly because of the immigration implications."
- "It could be a barrier to growth longer term. So that's something that we do need to watch, because if growth weakens, and you could see follow on implications for the labor market as well, but, right now, I think the labor market looks reasonably stable and very healthy in the US."

De-Dollarization Trend Not New, Could See More Of A Basket Approach - Hammack

Hammack was asked how she has read the exchange rate response since Liberation Day and broader de-dollarization and portfolio flows:

- “This trend has been going on for quite some time. So it's important to remember that this is not necessarily new. What's new is the correlation shift that we're witnessing. That's really the different piece, the fact that we saw bond yields go up, and you saw this depreciation in the dollar. I mean, that was sort of the more notable impact.”
- “If you look at portfolios over the past, 10 and 20 years, foreign reserve portfolios they've already dropped pretty significantly in terms of the concentration of US dollars as a share of assets.”
- “I think that is a trend that may continue. I don't know that there will be another single currency that will replace the role that the dollar has played, it could be that you have more of a basket approach, but I think it's certainly something that's important to watch.”
- “We at the Fed do not have the purview of the dollar. That's really the domain of the Treasury Department, but the implications of what markets are doing, because it contributes to financial conditions, is something that we do watch to understand how those are going to transmit into households and businesses and what those impetuses will mean on that side. […] It is certainly something that we're attuned to and trying to pay attention to.”

Clarifying on this year’s USD weakness in a follow-up:
- “It’s important to remember that this de-globalization trend has been in place over a number of years. It's not new to the beginning of this year. It's been in place, certainly as we went through COVID, definitely with the war in Russia and Ukraine. And so there have been trends that have been pushing us in this direction.
- And so this theme of investors kind of resetting their assets and expectations, there had been a significant overweight in markets that built up within the dollar. And so what we're seeing right now is not a move to abandon the dollar.
- I think what you're seeing is a move towards getting towards more of a neutral weight. I think most investors would tell you their portfolios are still overweight dollars, and they still see the highest growth potential globally, in the US as well.
- And so I don't I think it's important to put it in context, because yes, there are some shifts that we've seen in the in the underlying numbers, but I don't think we need to be overly dramatic about the trends that we're seeing.”

Kashkari: "Plausible" To Cut Amid 2+% Inflation If Labor Market Weakens (Jun 24)

Minneapolis Fed Pres Kashkari (2026 voter) doesn't really comment on current monetary policy in a town hall Q&A session. Asked "do you see a scenario when where inflation is not at 2%, but rates still have to come down?", Kashkari responds in "balanced" fashion similar to Chair Powell's commentary at last week's FOMC meeting and in prior appearances:
- "In the case where, let's say, inflation is still too high and the unemployment the labor market is weak, that's a particularly challenging environment for a central bank because our two goals are in tension. They're not balancing each other out. We're kind of missing on both sides of our mandate. In that situation, if the labor market were to deteriorate very quickly or dramatically, I could imagine a scenario where we say, hey, we need to adjust rates to support the labor market. We have said when our two goals are in tension, we will take a balanced approach. What does a balanced approach actually mean? It's going to depend on what's happening in the economy in that time. I'm not forecasting this. I'm just saying it is a plausible scenario."

Bostic Reiterates No Rush To Cut Rates (Jun 24)

Atlanta Fed’s Bostic (non-voter) told Reuters in an interview:
- “I think we have some space and time” to watch how the tariff and other policy debates evolve, Bostic says
- He reiterates his pre-FOMC view that he sees the Fed only needing to approve a single quarter-point rate cut late in 2025, based on his view that economic growth will fall to around 1.1% this year and inflation returning to nearly 3% by year’s end.
- “I would see the last quarter of the year is sort of when I would expect we would know enough to move”.
- “Business leaders have lowered the probability of the doomsday scenario” in which tariffs and prices skyrocket and demand wanes.

Richmond's Barkin Typically Patient On Rates, Eyeing Tariff Inflation Risks (Jun 26)

Richmond Fed President Barkin (non-2025 FOMC voter, leans hawkish) sounds wary of tariffs' impact on inflation in coming months' data in his first prepared remarks since the June FOMC (link), bolstering the view that he is among the more patient members of the Committee in terms of envisioning future cuts.

- He sees the economy as generally solid, with continued strength in the US consumer in particular, and sees policy as "well positioned" for addressing risks to both sides of the dual mandate: "At our last meeting, the FOMC held the federal funds rate steady. The fog is dense for us too, and there is little upside in heading too quickly in any one direction. Given the strength in today’s economy, we have time to track developments patiently and allow the visibility to improve. When it does, we are well positioned to address whatever the economy will require."
- This echoes his previous post-meeting commentary in which he has said he sees nothing urgent in the data warranting to warrant rushing to cut rates at this point, with tariff-related inflation risk still lingering.
- In his essay he comes out on the cautious end of Fed members' analyses on future inflation as a result of tariffs: "I do believe we will see pressure on prices....To date, these increases have had only modest effects on measured inflation, but I anticipate more pressure is coming."
- He relates an anecdote suggesting he'll have to see at least data through the summer before making a judgment on rates, echoing comments made by Chair Powell in June's press conference: "A large retailer told me that the lack of much increase in his May prices reflected the lack of much increase in his input costs when he purchased those products in February, under the then prevailing lower tariff levels. It takes months for his goods to move through inventory to his customers. To see the impact of the big tariff increases in April and May, he suggested we wait and see July and August prices."
- Though he doesn't expect inflation to near the pandemic reopening highs, in part because "Businesses that attempt to raise prices further should meet active resistance", by the same token "cost reduction would likely mean headcount reduction, suggesting that the current low hiring, low firing environment might come under threat."

SF's Daly Eyes Rate Cuts Resuming In The Fall

SF Fed President Daly (non-2025 FOMC voter, leans dove) appeared to be in the dovish half of the FOMC with her comments on Bloomberg TV Tuesday, setting her up to support the next easing perhaps by the mid-September meeting or failing that, October.

- "My modal outlook has been for some time that we would begin to be able to adjust the rates in in the fall and I haven't really changed that view... It's both sides of our mandate that have really come into frame since we brought inflation down from the the really high levels to something that's closer to our target. Ultimately, we have to watch both sides and that's what I'm doing, and then the fall looks promising for a rate cut."
- This implies that she maintains her previously stated view (from both the December and March SEPs) of 50bp of cuts by end-2025. Recall that in the June Dot Plot, 9 members had 0-1 cuts, with 10 seeing 2-3 cuts amid a 2-cut median.
- She echoes other FOMC participants in calling policy in a "good place". And as far as the debate over tariff passthrough impacts on inflation, she sounds relatively unconcerned, or at least, open-minded to various scenarios that include limited impact: "It's not my modal, but it's increasingly possible, is that this just doesn't amount to as much as the models and history would tell us, because businesses find ways to absorb the cost, and they split it out in the production chain, and ultimately consumers pay less.

Kaskhari Is A Two-Cutter For 2025 (But With Nuance) (Jun 27)

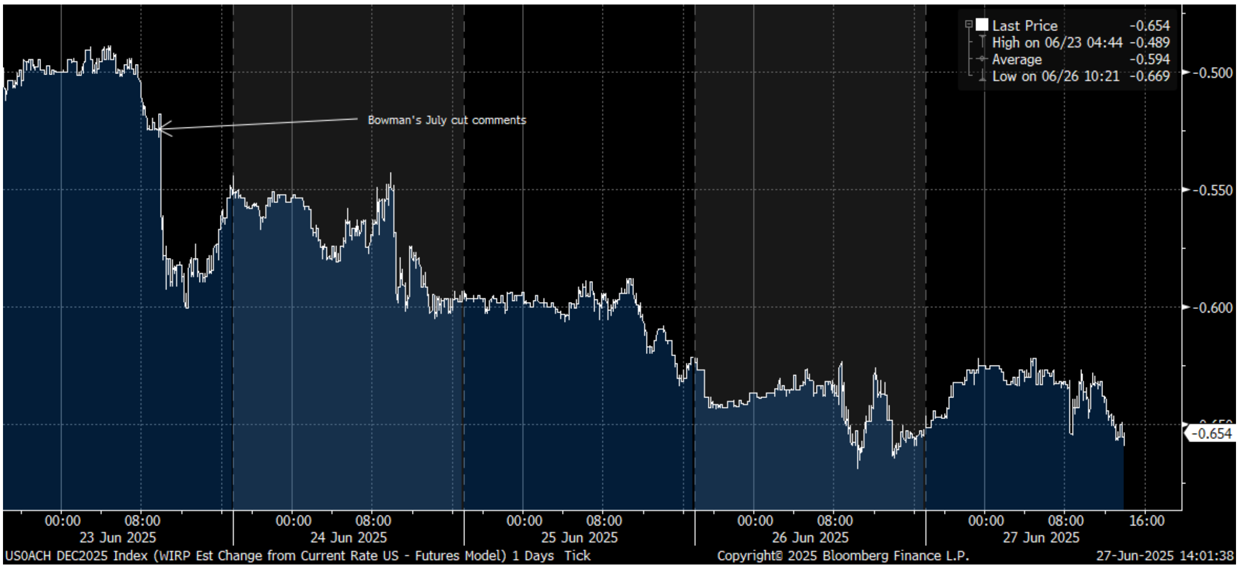
Minneapolis Fed President Kashkari (non-2025 FOMC voter but votes in 2026) writes **in an essay** out Friday that he has maintained his expectation for two 25bp rate cuts by end-2025, which he says is an unchanged view over his last 3 dot plots submissions. Note that he basically precludes the notion of a July rate cut, similar to the vast majority of FOMC speakers we've heard from since the June meeting. However, his overall June Dot Plot submission is among the most dovish on the Committee.

- However, Kashkari's outlook for rates is a little more nuanced than others we've seen - he effectively suggests that the Fed could cut later this year but condition future cuts on further evidence that the effects of tariffs weren't showing up in inflation.
- He writes "Since March, we have seen much larger than expected tariffs announced and then modestly pulled back, suggesting that an inflation boost is likely coming. At the same time actual inflation data indicate renewed progress toward our inflation target. These opposing signals have led me to maintain my outlook for two cuts over the remainder of 2025, implying a possible first cut in September, barring some surprising development before then. If we were to cut in September and then the effects of tariffs showed up this fall, I believe we should not be on a preset easing course. If the data called for it, we could hold the policy rate at the new level until we gained greater confidence that inflation was headed back to our target."
- He also sees a further 3 cuts in 2026 (to 3.1%) and another in 2027 (to 2.9%) with his longer-run rate at 2.9%. These projections make his submissions some of the most dovish on the Committee. Just 4 (including Kashkari) of 19 members saw rates at 3.1% or below in the June SEP. 4 (including Kashkari) of 19 members currently see 2.9% L-R rates, with 4 below that (median 3.0%), while 3 (including Kashkari) see 2027 end-year rates of 2.9%, with just 2 below that (median 3.4%).

STIR: Bowman Sets A Dovish Tone

Rate cut pricing increased notably this week, with an additional 13bp of cuts priced through end-year vs last Friday, and around one full 25bp cut added to the easing cycle. September is now firmly viewed as the likely choice for the next cut (almost 28bp priced), with the 65bp cumulative through December suggesting not just two but potentially three cuts by end-year. The biggest single move of the week came following Gov Bowman’s comments that she could support a rate cut in July – this almost immediately added 7bp to the 2025 rate cut path.

Meeting	Current FF Implieds (%), LH	Cumulative Change From Current Rate (bp)	Incremental Chg (bp)	Last Week's Close (Jun 20)	Chg Since Then (bp)
Jul 30 2025	4.28	-4.8	-4.8	4.29	-0.6
Sep 17 2025	4.05	-27.7	-22.9	4.13	-7.2
Oct 29 2025	3.88	-45.2	-17.5	3.99	-11.0
Dec 10 2025	3.68	-64.9	-19.7	3.82	-13.4
Jan 28 2026	3.56	-76.7	-11.8	3.73	-16.2
Mar 18 2026	3.42	-91.3	-14.6	3.61	-19.1
Apr 29 2026	3.34	-99.5	-8.2	3.54	-20.3
Jun 17 2026	3.21	-112.2	-12.7	3.42	-21.2



Cumulative cuts for Dec 2025 FOMC. Source: Bloomberg Finance L.P. (Times as GMT)

The US Macro Week Ahead: Payrolls Leads Thursday's Pre-July 4 Data Deluge

Employment Report: Market closures for Independence Day on Friday mean an already heavy docket on Thursday will be made even busier with June nonfarm payrolls pulled forward a day. The early consensus is for a 110k payroll gain, down from 139k prior.

- With material changes in immigration flows under the Trump administration, breakeven rates of payrolls growth are likely much lower than last year. It should keep focus on the unemployment rate as a broad barometer of labor market slack even if it's from the noisier household survey. May saw the unemployment rate edge higher from 4.19% to 4.244% for a new recent high, only just avoiding being rounded up to 4.3% - current consensus is for the rounded figure to reach 4.3% in June. The median FOMC participant lifted their 4Q25 forecast from 4.4% to 4.5% in the June SEP, and now sees it staying there in 4Q26 vs the 4.3% from the March projection round, so it would take a fairly significant surprise to the weak side to reignite any chance of a July Fed rate cut.
- FOMC members have on balance been noting the relative stability of the labor market but are attentive to a softening. Some warn that a softening could build quickly once it starts owing to the already subdued hiring rates as part of the "low firing, low hiring" nature. Fed Governor Waller, a permanent voter who has in recent months moved to the most dovish end of the spectrum, argued for cutting rates possibly in July before the labor market "tanks".
- So far, higher frequency indicators such as weekly jobless claims (and continuing claims increasingly so) have pushed higher in recent weeks, leaving a marked increase compared to the reference periods for the past few payrolls reports. ADP employment growth has also been trending lower although nonfarm payrolls growth has tended to be a little more resilient.
- Of course we also get multiple labor market data points in the days preceding the release, including ISM Manufacturing Employment, Challenger job cuts and ADP payrolls for June, and JOLTS job openings (albeit a little stale given it's May).

ISM Manufacturing / Services: Outside of Nonfarm Payrolls, the ISM Manufacturing and Services reports for June will be the key data of the week, and both are seen improving versus May.

- While the Manufacturing reading (released Tuesday)is seen edging higher to 48.8 vs 48.5 in May, this is still in contractionary territory, consistent with mixed regional Fed manufacturing survey composite indices for the month (New York's deteriorating, Philadelphia's steady, and Richmond and Kansas City improving modestly) as trade policy uncertainty lingers.
- Meanwhile most regional Fed non-manufacturing surveys released so far for June have shown sequential improvement, including New York, Philadelphia, and Richmond, with Kansas City's pulling back from an outlying multi-month high. Overall regional activity and the PMI Services reading (above 53 for 2 consecutive months) align with consensus expectations for the ISM Services index (released Thursday) to rise to 50.7 in June from 49.9 in May (which was its first sub-50 reading in 11 months).

Date	ET	Impact	Event
30 Jun	0945	***	MNI Chicago PMI
30 Jun	1000		Atlanta Fed's Raphael Bostic - MNI Connect
30 Jun	1030	**	Dallas Fed manufacturing survey
30 Jun	1300		Chicago Fed's Austan Goolsbee
01 Jul	-	***	Domestic-Made Vehicle Sales
01 Jul	0855	**	Redbook Retail Sales Index
01 Jul	0930		Fed Chair Jerome Powell
01 Jul	0945	***	S&P Global Manufacturing Index (final)
01 Jul	1000	***	ISM Manufacturing Index
01 Jul	1000	*	Construction Spending

01 Jul	1000	***	JOLTS jobs opening level
01 Jul	1000	***	JOLTS quits Rate
01 Jul	1000	*	Construction Spending
01 Jul	1030	**	Dallas Fed Services Survey
02 Jul	0700	**	MBA Weekly Applications Index
02 Jul	0815	***	ADP Employment Report
03 Jul	0830	***	Jobless Claims
03 Jul	0830	***	Employment Report
03 Jul	0830	**	Trade Balance
03 Jul	0945	***	S&P Global Services Index (final)
03 Jul	0945	***	S&P Global US Final Composite PMI
03 Jul	1000	***	ISM Non-Manufacturing Index
03 Jul	1000	**	Factory New Orders
03 Jul	1100		Atlanta Fed's Raphael Bostic