mni

All Signal, No Noise

MARKET ANALYSIS

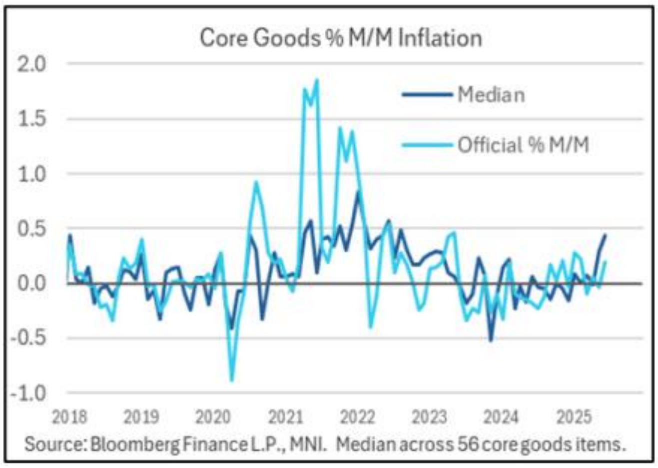
MNI U.S. Macro Weekly

MNI View: Data Leaves Fed On Sidelines For Summer

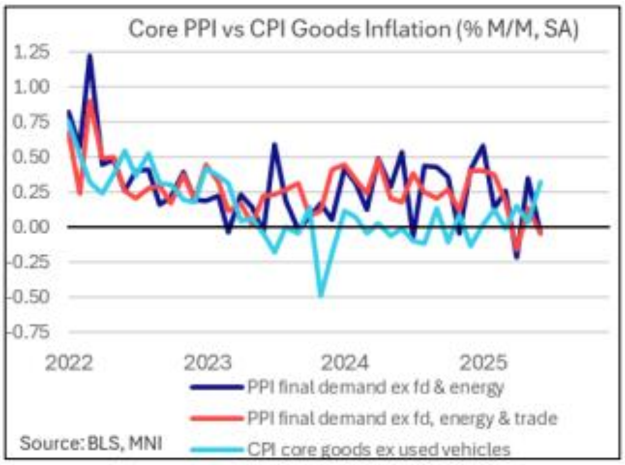
Jul 18, 2025 – By Tim Cooper and Chris Harrison

Executive Summary

- June's inflation and economic activity readings didn't settle the debate over the ongoing and eventual impact of tariffs, very likely leaving the Fed on the sidelines through the summer.
- Core CPI picked up vs May but was softer than expected, with services inflation remaining tame. But core goods prices jumped, with a pickup in key categories suggesting that tariff passthrough is underway.
- Producer and import price aggregates were on the soft side as well, but a closer read of the data showed potential pressures building, with exporters not appearing to offer discounts to offset tariffs for US buyers.
- Gov Waller continued to make his case for a rate cut on July 30th, citing the transitory nature of tariff-driven inflation and fearing falling behind the easing curve given downside risks to the labor market.
- He may be supported by Gov Bowman - but the vast majority of the Committee – including Collins, Hammack, Kugler, and Williams this week – support maintaining a restrictive stance in the meantime.
- The FOMC majority is unlikely to be swayed to a July cut by this week's data. Growth is tracking above 2% in Q2, with various data this week suggesting that the economy ended the quarter stronger than it began.
- In particular, retail sales picked up strongly in June after a weak run, with initial jobless claims declining for a 5th week and industrial production stabilizing.
- The Fed's Beige Book noted a pickup in activity from late May, while noting that the biggest price increases are yet to come. Meanwhile, regional Fed manufacturing/services surveys and the University of Michigan consumer survey pointed to a continued improvement in sentiment in July as tariff uncertainty abated.
- There was Fed drama outside of the rate cut debate too, with the biggest market moves of the week coming Wednesday on reports (later denied) that President Trump was planning to fire Chair Powell soon.
- For all that, near-term Fed Funds implied rates closed only a little higher on the week, slightly more hawkish than pre-CPI levels. July is still seen as a non-event from a rate decision perspective (1bp priced) with a cumulative 16bp for the Sept FOMC and 46bp for December.
- There were however larger declines for implied rates into 2H26 and beyond on the assumption that a new Fed Chair after Powell's term expires in May 2026 will be more overtly dovish.
- The data calendar gets quieter next week, with highlights including flash July PMIs and durable goods orders, while the pre-FOMC blackout period means we won't get any monetary policy commentary.



Source: Bloomberg Finance L.P., MNI. Median across 56 core goods items.

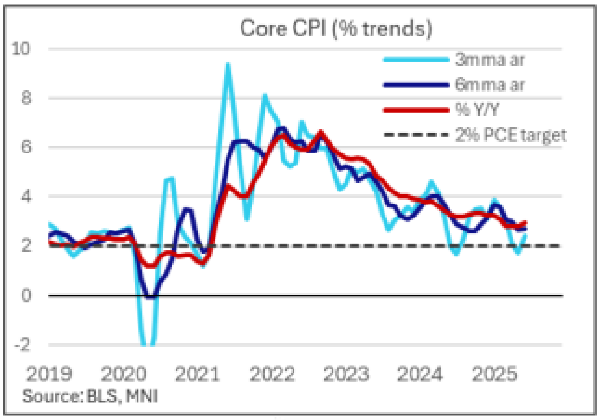


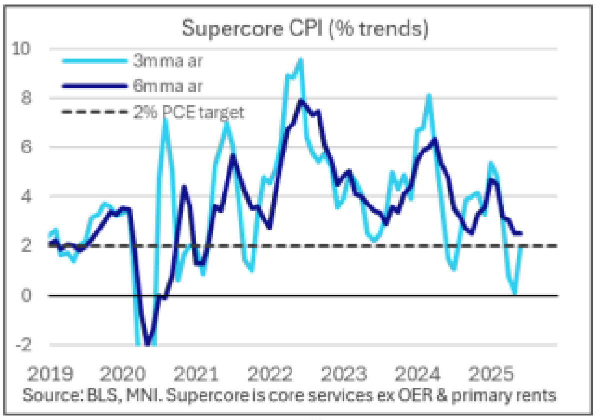
Source: BLS, MNI

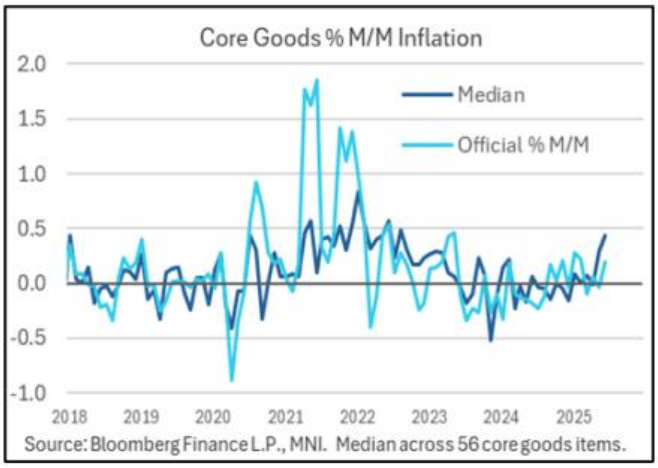
Inflation: Tariff Evidence Seeping In

- June's softer-than-expected core CPI reading (0.23% M/M vs 0.29% MNI median, 0.13% prior) came with a notable composition in light of mounting tariff pressures.
- Namely, core goods inflation was stronger than expected (0.20% M/M vs 0.19% MNI median, -0.04% prior), but that was outweighed by core services slightly on the light side (0.25% M/M vs 0.27% MNI median).
- Ex-vehicle goods inflation jumped in what is arguably the clearest sign yet that tariffs are beginning to seep through into CPI. Indeed there was a broader increase in core goods inflation for a second month, with multiple core goods areas that are seen sensitive to tariffs seeing acceleration including apparel, recreation commodities and household furnishings and supplies.
- Against this backdrop, Regional Fed banks' estimates of sticky/median Y/Y CPI rates appear to have bottomed in the spring, at least for now, at levels above pre-pandemic averages.
- That said, the June Producer Price Index report was roundly softer than expected - and certainly than feared given the context of rising tariffs - despite some upward revisions to prior. While core goods prices did indeed advance, and there continued to be problematic readings in categories such as durable goods, the rise was consistent with the increases seen over the last 6 months rather than a sudden surge.
- In short, this round of data didn't settle the question of whether tariff-related price increase would be sufficiently acute to warrant holding rates for an extended period. As noted in the July Beige Book, Fed business contacts' comments suggested "consumer prices will start to rise more rapidly by late summer."
- Post-PPI estimates of the Fed's preferred core PCE gauge centered on 0.29% M/M for June vs 0.31% after the CPI report, still an increase from the 0.25% very tentatively eyed ahead of both CPI and PPI releases.
- The Fed is set to stay on the sidelines for the summer.

See the full MNI US Inflation Insight for comprehensive analysis of both CPI and PPI releases:
https://media.marketnews.com/US_Inflation_Insight_Jul2025_9a965550eb.pdf



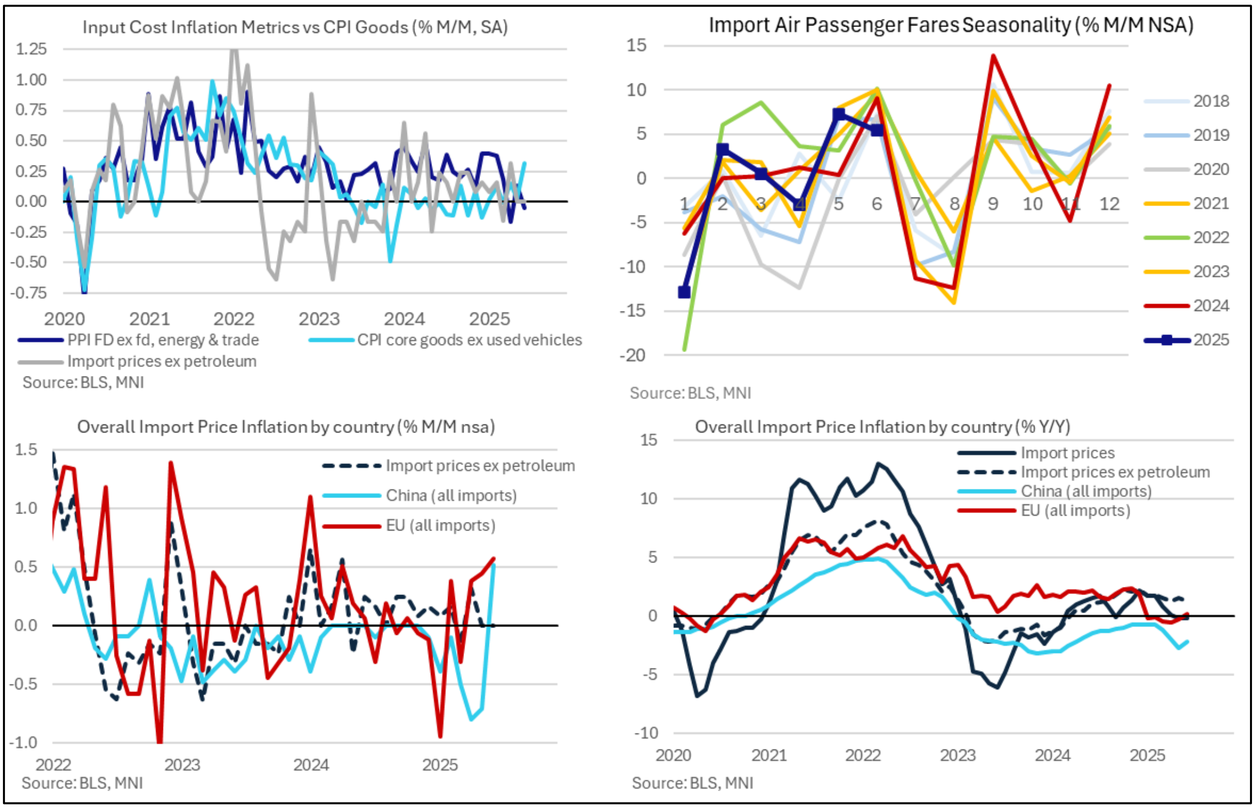




Subdued Import Prices Add To Dovish PPI Vs Hawkish CPI

The US terms of trade saw a sizeable improvement in June from a combination of stronger than expected export prices and weaker than expected import prices. The latter came despite stronger China import prices in a partial correction after what had looked like some implicit taking of a tariff hit in April and May. Looking specifically at M/M pressures in June, the relative strength in consumer prices look at odds with both yesterday's core PPI figures and today's import prices.

- Import price inflation was softer than expected in June at 0.1% M/M (cons 0.3) after a downward revised -0.4% (initial 0.0%) in May.
- The surprise came mostly away from oil moves as well, with import prices ex petroleum at 0.0% M/M (cons 0.2) after a downward revised 0.0% (initial 0.2%).
- The breakdown of import prices by major country was interesting, especially for China where they increased 0.5% M/M for the strongest rise since Dec 2021 (and the first increase since Oct 2022).
- It does however follow outsized declines of -0.8% M/M in April and -0.7% M/M in May in what had been signs that Chinese exporters were implicitly taking some of the tariff hit.
- China remains a source of deflation on a trend basis though, with imports prices at -2.2% Y/Y.
- Combined with surprisingly firm export prices, at 0.5% M/M (cons 0.0) in June after -0.6% (initial -0.9%), and there was strong improvement in the terms of trade.
- As for core PCE implications, passenger fares from import prices increased a non-seasonally adjusted 5.4% M/M in June vs an average of 9.7% M/M in the previous four Junes. We very roughly guess that could see core PCE estimates trimmed perhaps 1 or 2bps from a median marginally under 0.30% M/M although it depends on what was already penciled in as there had already been signs of weakness in airfares in other inflation data. We wouldn't be surprised if the perceived impact was even smaller."

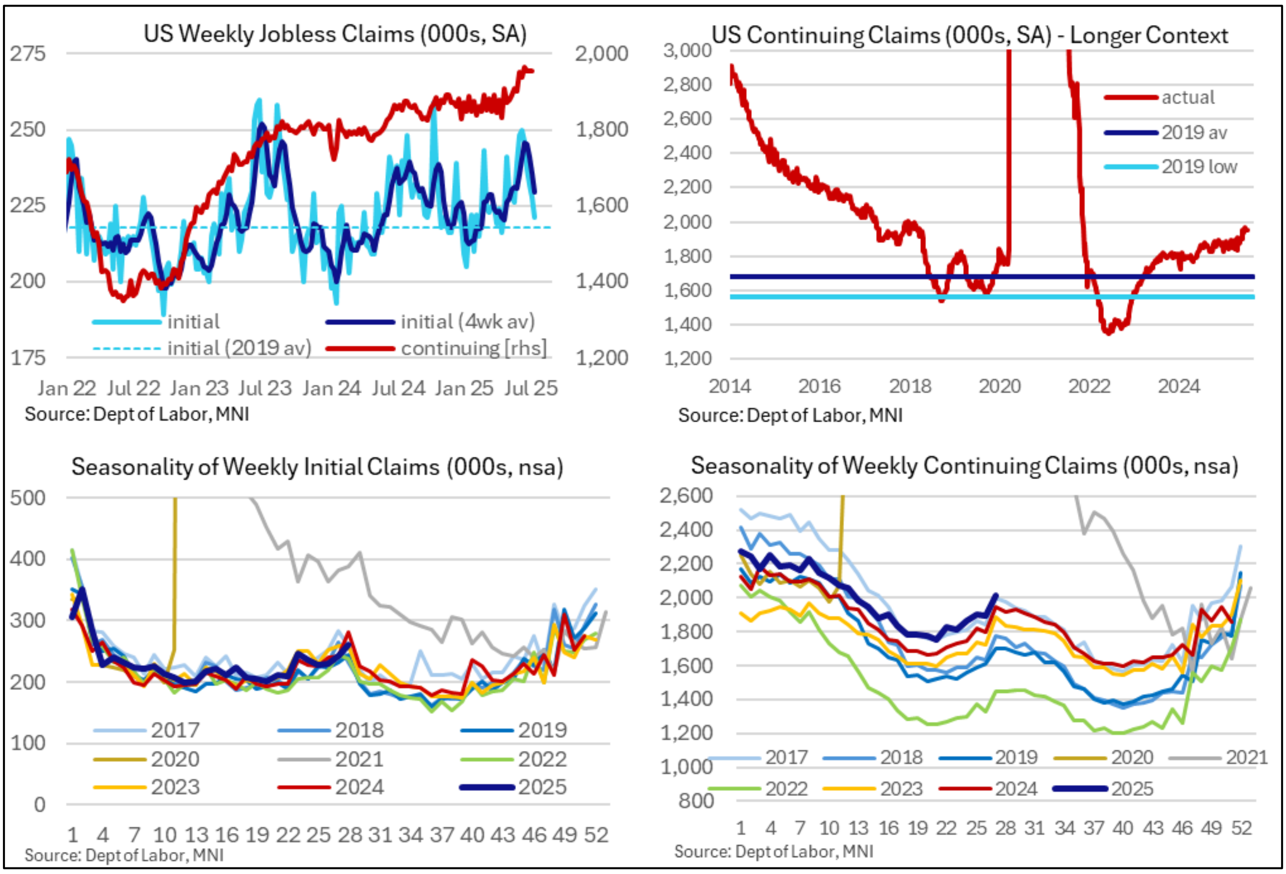


Labor Market: Jobless Claims Continue Recent Improvement

Jobless Claims Surprise Lower, Including Payrolls Ref Period For Initial

The latest weekly jobless claims report was better than expected for both initial and continuing claims, extending improvements in initial claims (and this time for a payrolls reference period) whilst continuing claims stabilization rather than extend what had been a sharp rise back in June. It broadly continues to chime with a 'low firing, low hiring' labor market.

- Initial jobless claims: 221k (sa, cons 233k) in the week to Jul 12 – a payrolls reference period – after a marginally upward revised 228k (initial 227k).
- It sets up a more favorable comparison with last month's payrolls report, with the 221k vs 246k a month ago for back more in keeping with the 226k in May and 216k in April.
- It's a fifth consecutive weekly decline for the weekly rate whilst the four-week average also continues to trend lower with 230k after 236k the week prior and 246k a month ago at what was its highest since Aug 2023.
- Continuing claims: 1956k (sa, cons 1965k) in the week to Jul 5 after a downward revised 1954k (initial 1965k).
- It extends some stabilization in continuing claims after what had been a swift climb to a new 3+ year high of 1964k in mid-June.
- The claims rate remains at a well-centered 1.3%, with 1.28% for three weeks now, having tipped into 1.3% territory back in mid-May for the first time since Dec 2021.
- Non-seasonally adjusted levels tell a familiar story: initial claims are within non-pandemic ranges for the time of year, and of some note now a little below the 2024 level, whilst continuing claims are right at the top of the 'normal' ranges.



Growth: Q2 Tracking Trimmed Further

GDPNow Q2 Residential Investment Estimate Dims Further (Jul 18):

The Atlanta Fed's GDPNow estimate for Q2 GDP edged very slightly lower in its July 18 update (to 2.36% vs 2.39% on July 17), the lowest since the initial estimate on April 30th.

- The latest update incorporates what MNI identified as a weak residential construction report for June (despite the "beat" in housing starts versus expectations).
- Indeed the only GDPNow revision was to residential investment, which fell to -7.0% from -6.4%, close to the -7.1% low estimate of the quarter and well down from the initial estimate for the quarter of -1.0%. It would also be a pullback vs -1.3% in Q1 and the worst quarter since Q4 2022.
- This implies a 0.3pp drag on overall GDP growth in the quarter. Given continued weakness in building permits, and elevated mortgage rates, we don't expect any meaningful recovery in residential investment for the rest of the year.
- The previous July 17 update of 2.39% had dipped from 2.58% in the last full update on July 9. The 0.19pp decline between updates was attributable to weaker expected contributions from personal consumption expenditures and net exports.

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
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
1-Jul	ISM Manuf., Construction spending	2.5	1.5	0.9	4.9	-5.4	-6.9	2.0	-1.6	-22.2	232	-126
2-Jul	Auto sales	2.4	1.4	-0.5	4.9	-5.4	-7.1	2.0	-1.8	-22.3	233	-126
3-Jul	International trade, ISM Services, M3-2 Manuf., Employment Situation	2.6	1.6	-0.6	5.1	-5.2	-6.4	2.3	-3.3	-22.9	230	-122
9-Jul	Wholesale trade	2.6	1.6	-0.6	5.1	-5.2	-6.5	2.3	-3.3	-22.9	230	-123
11-Jul	Monthly Treasury Statement	2.5	1.6	-0.6	5.1	-5.2	-6.5	2.1	-3.3	-22.9	230	-123
15-Jul	Consumer Price Index	2.5	1.6	-0.6	5.1	-5.2	-6.5	2.1	-3.3	-22.9	230	-123
16-Jul	PPI, Industrial production	2.7	1.7	-0.5	5.1	-5.0	-6.3	2.1	-3.2	-22.8	229	-122
17-Jul	Retail trade, Import/Export Prices	2.4	1.5	-0.5	5.1	-5.0	-6.4	2.1	-3.6	-22.4	221	-122
18-Jul	Housing starts	2.4	1.5	-0.5	5.1	-5.0	-7.0	2.1	-3.6	-22.4	221	-122

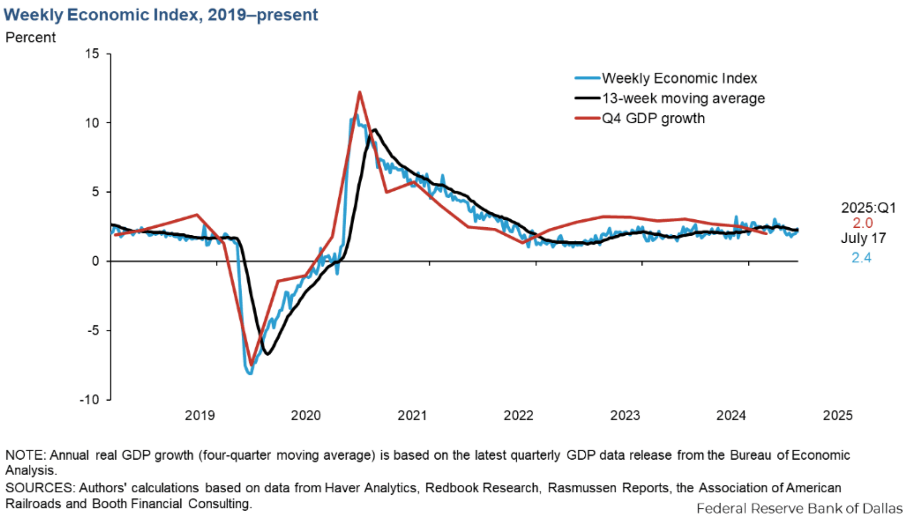
Source: Atlanta Fed

Dallas Fed Weekly Activity Index Points To Steady Growth

The Dallas Fed's Weekly Economic Index continued to show solid quarterly growth since the recent trough in late May, coming in at 2.37% in the week ended July 12. That's a slight slowdown vs 2.63% the prior week but kept the 13-week moving average at 2.21%, a slight uptick from 1.99% in Q1 2025 on the same basis.

- The current 13-week average, which is effectively covering the past quarter, is consistent with a GDP Q/Q SAAR reading in the high 2s% as we enter Q3.
- That said, we would use this as an indicator of the general pace of activity rather than a point estimate, and in this regard it suggests no discernible slowdown in growth and indeed potentially a pickup from the soft middle of Q2.
- Reminder that the indicator uses 10 high-frequency indicators: "To measure consumer behavior, we include the Redbook same-store retail sales index and the Rasmussen Consumer Index. To measure labor market conditions, we include initial and continuing unemployment insurance claims, the American Staffing

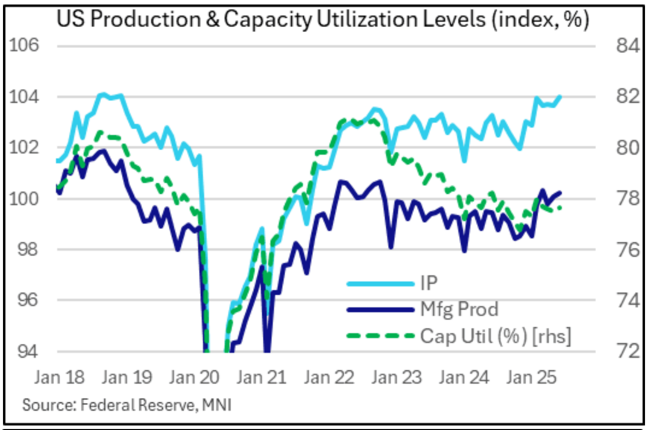
Association Index of temporary and contract employment, and federal tax withholding data from Booth Financial Consulting. For production, we include U.S. steel production from the American Iron and Steel Institute, U.S. electricity output data from the Edison Electric Institute, a measure of fuel sales based on Energy Information Administration data, and total railroad traffic from the Association of American Railroads."

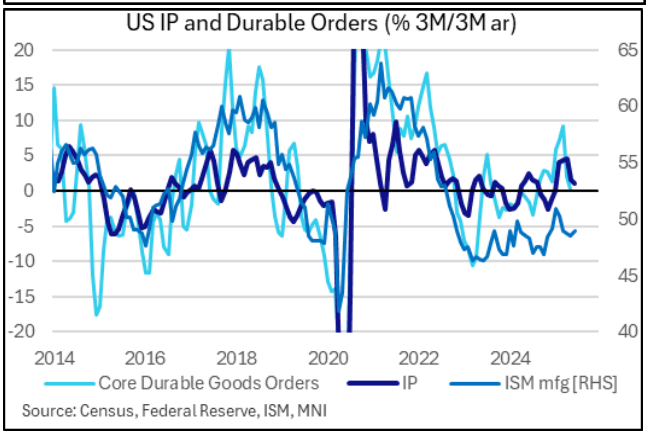


Industrial Production Picks Up In June, But Momentum Remains Weak

Industrial production rose by 0.3% M/M in June (0.1% expected), a figure that looks even more solid when considering the upward revision to prior (May 0.0%, albeit very slightly negative unrounded at -0.03%, rev from -0.2%).

- To be sure, the volatile utilities sector played an outsized role in the pickup, rising 2.8% after falling 2.5% in May. But manufacturing production was better than expected too - up 0.1% M/M (0.0% expected, with a 0.2pp upward revision to prior to 0.3%)), helping offset a 0.3% contraction in mining (+0.1% prior).
- Capacity utilization unexpectedly rose to 77.6% (expected unchanged at 77.4%, rev up to 77.5% in May).
- While momentum in the industrial sector remains weak, this was the biggest rise in IP since February. And all major market groups (consumer goods, business equipment, nonindustrial supplies, and materials) all saw expansions for the first time since February.
- On a 3M/3M annualized basis, IP is rising at just a 1.1% clip, the slowest since January; that's 2.1% for manufacturing, slowest since February. Both have slowed considerably since February/March in what seems to be tariff front-running effects dissipating.
- Overall, industrial / manufacturing production looks to be stabilizing at a weak level amid a period of considerable tariff policy-related uncertainty that has caused output to fluctuate. We note that motor vehicle and parts production fell 2.6% in June (+4.6% in May), with production of electrical equipment, appliances, and components down 2.5% (after +2.4%), suggesting mixed sectoral dynamics at best.





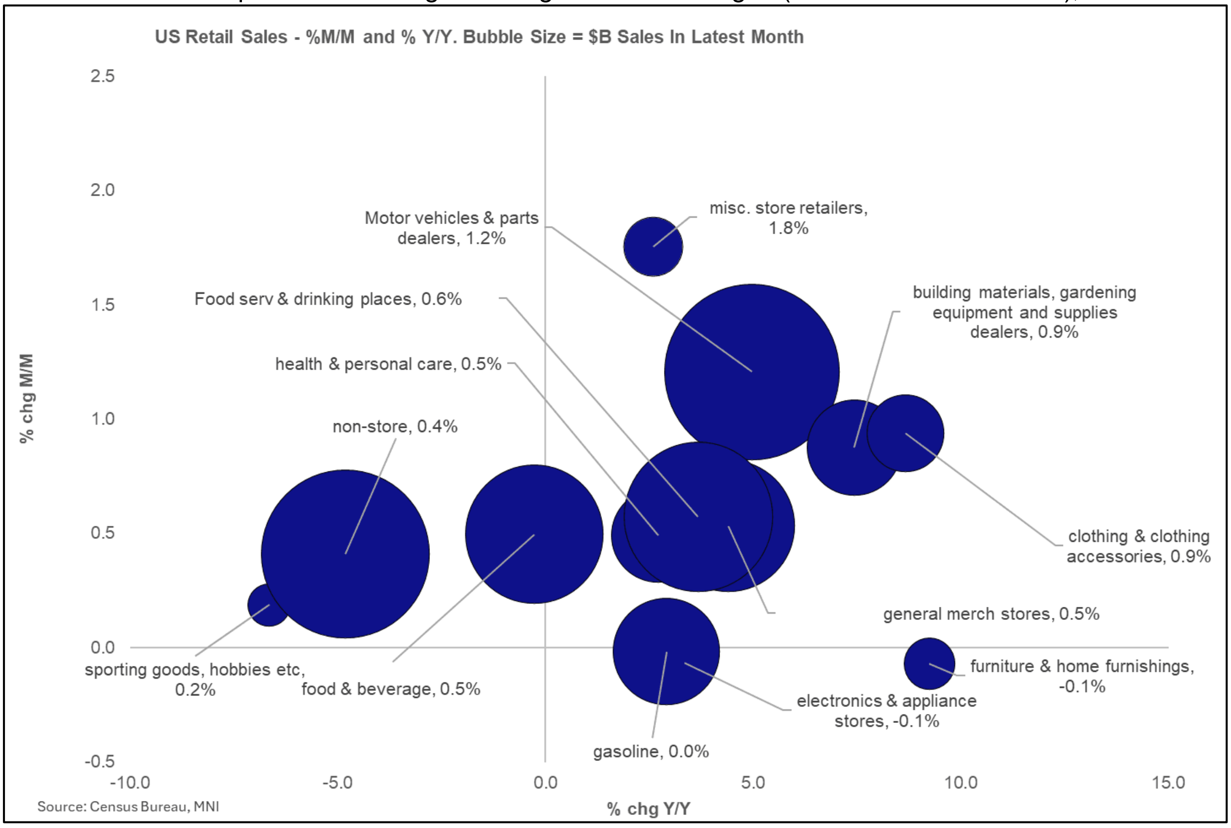
- ISM manufacturing picked up to a 3-month high 49.0 in June, while core durable goods orders picked up strongly in May (+1.7%), boding well for upcoming output/business investment. But momentum in the latter (0.4% 3M/3M annualized) remains very weak, and the ISM remains slightly contractionary.

Consumption: Retail Sales Strength

June Retail Sales Surge Led By Ex-Control Group Categories

Retail sales were more solid than expected in June.

- It was expected that the GDP-input Control Group category would come in stronger than the other main aggregates, due in large part to anticipated weakness in auto sales, but this did not play out: Control was actually one of the weaker parts of this report relatively speaking, rising 0.5% M/M - above expectations of 0.3%, but this was offset by a 0.2pp downward rev to 0.2% in May.
- And - surprisingly - each of the ex-control group retail sales categories: motor vehicles (1.4% M/M after -4.2%; most had expected flat/negative, with the broader motor vehicles/parts rising 1.2%), building/gardening materials (0.9% after -2.7%), gasoline (0.0% after -1.3%) and food services/drinking places (0.6% after -0.1%) - all recovered after May contractions (albeit gasoline may have been a little on the low side of expectations).
- That meant headline sales came in well above-expected at 0.6% M/M (0.1% consensus), with May unrevised at -0.9%. But ex-auto/gas impressed at 0.6% (0.3% expected, 0.1pp upward revision to May to 0.0%) and ex-auto 0.5% (0.3% expected, 0.1pp upward revision to May to -0.2%).
- In notable major categories, non-store retail grew robustly once more at 0.4% M/M (0.4% prior; has risen for 5 consecutive months), with clothing stores, miscellaneous store retailers (1.8%) and general merchandise stores (0.5%) seeing another month of growth, and food and beverage (0.5%) and health and personal care (0.5%) up after a contractionary May.
- Only two categories saw M/M declines: electronics and furniture stores both saw modest falls in sales (-0.1% after negative Mays).
- Overall retail sales have now recovered a significant part of the dip since March's tariff front-running surge, with Control Group and Ex-autos/gas setting new all-time highs (all in SA/nominal terms),



Redbook Continues To Point To Solid Retail Sales At Start Of Q3

The Johnson Redbook Retail Sales Index has picked up in July where it left off in June, rising 5.2% Y/Y in the week ending July 12 (marking 5.2% Y/Y for the month-to-date given the June retail month ended July 5).

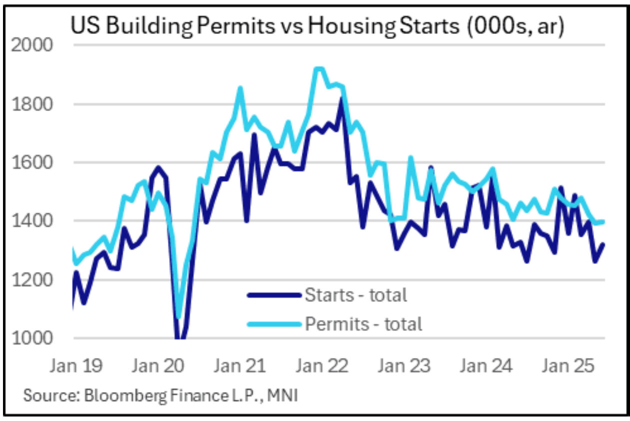
- That's on the light side vs retailers' revised target of a 5.7% gain, but keeps sales roughly steady at above 5% on a Y/Y nominal clip, suggesting a solid start to the month for broader retail sales.
- The report makes note of competitive and weather factors potentially impacting July retail sales: *"July marks the end of the second quarter for most retailers, prompting many to ramp up promotional clearances to make space for early fall presentations. Retailers, including e-commerce businesses, are launching various promotional events to compete with Amazon's extended 96-hour Prime Day sales, which have increased from the usual 48 hours. Shoppers took advantage of these sales to stock up on essentials and prepare for the back-to-school rush. Meanwhile, severe weather is impacting businesses in the South, with some retailers in central Texas having to close due to flooding and severe weather conditions."*
- The Redbook same-store index rose 5.8% in June, following a 4.3% gain in May and a 4.4% gain in April.

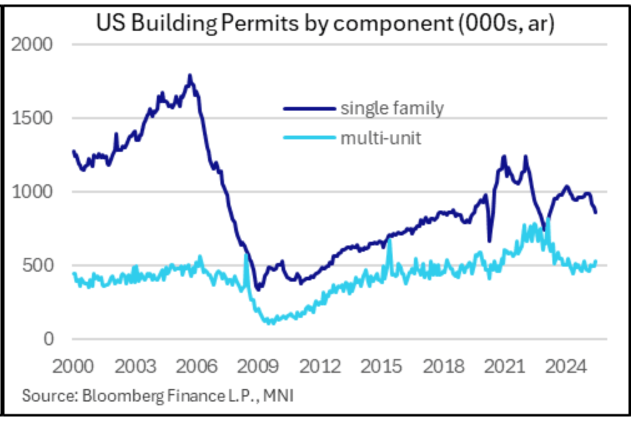
Housing: Downbeat

Single-Family Housing Activity Continues To Deteriorate

Residential construction activity slightly surprised to the upside in June, with starts partially rebounding from a very weak May and permits unexpectedly increasing. Overall activity remains very weak, however.

- Starts came in at 1,321k (1,300k expected, 1,263k prior upwardly rev by 7k), with permits up 3k to 1,397k.
- The overall trends are unambiguously poor though: while this is a rebound of sorts for starts, May was the weakest month since 2019 (ex-start of pandemic), in what looks increasingly like a weather-hit month, and the 3M/3M annual growth rate is -19.4% with Y/Y -0.5%.
- Building permits remained below the 1,400k mark for a 2nd consecutive month for the first time since the pandemic, and are 2% below year-before levels.
- Single-family home activity had been keeping the broader sector relatively buoyant as multi-unit construction faded over the last couple of years, but that appears to be at an end.
- Single-family permits (a leading indicator of construction) fell to 866k from 899k prior, a fourth consecutive month of contraction to the lowest level since June 2020.
- Multi-unit permitting actually spared broader blushes, rising to 531k from 495k for one of the highest readings of the last couple of years, but this is the more volatile of the two series and remains well below the 600-800k range seen in the pandemic re-opening boom.
- As the June National Association of Home Builders (NAHB) survey showed, sentiment for new construction is as weak as it gets, with price-cutting at the highest in 3 years and prospective buyer traffic at post-2020 lows.
- Residential activity will drag on GDP in 2025, and with input costs (both labor and materials amid immigration crackdowns/tariffs) likely to remain buoyant, an improvement in affordability is likely to depend on whether mortgage rates start coming down later this year.

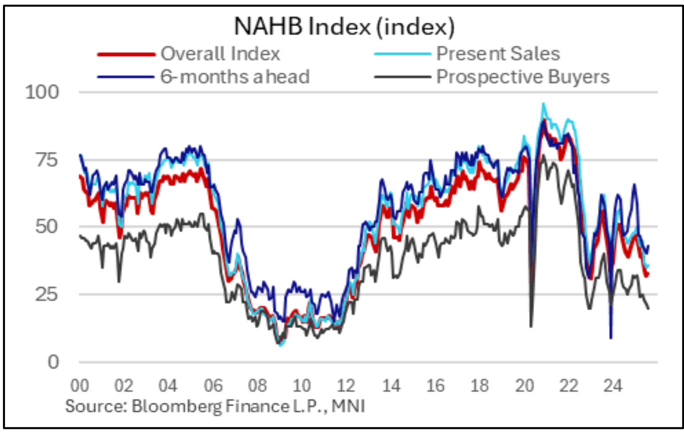


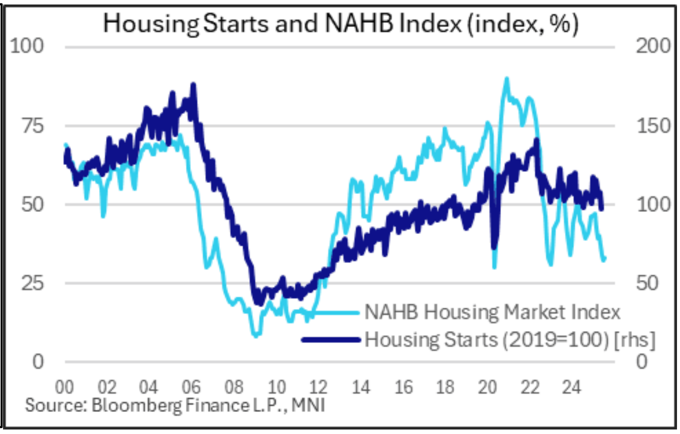


Homebuilder Sentiment Steadies, But Price Cutting Ticks Up

The July National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index sentiment survey showed a third month of sentiment steadying at very weak levels, coming in at 33 (after a 30-month low 32 Jun, 34 May). Per the report, "Builder confidence for future sales expectations received a slight boost in July with the passage of the One Big Beautiful Bill Act but elevated interest rates and economic and policy uncertainty continue to act as headwinds for the housing sector."

- The future sales index was a little better, picking up to 43 from 40 (an 18-month low) in June.
- But despite an improvement in 3 of 4 national regions, weakness in the South meant national present sales remained moribund, up 1 point overall to 36 (June's 35 was the lowest since June 2012 (worse than the Covid pandemic low).
- And prospective buyer traffic deteriorated 1 point to 20, joint-lowest since April 2020 (the start of the Covid pandemic).
- Against this backdrop, more homebuilders cut prices: 38% of builders, the highest in the brief series' history going back to 2022 and up from 37% in June. The average price reduction was 5% (unchanged every month since November), with sales incentives used by 62% (unch from June).
- The continued malaise in NAHB sentiment continues to point to weakness in already beleaguered residential investment, which is set to be a drag on GDP this year. Indeed, "Single-family housing starts will post a decline in 2025 due to ongoing housing affordability challenges", per NAHB Chief Economist Robert Dietz as cited in the report.





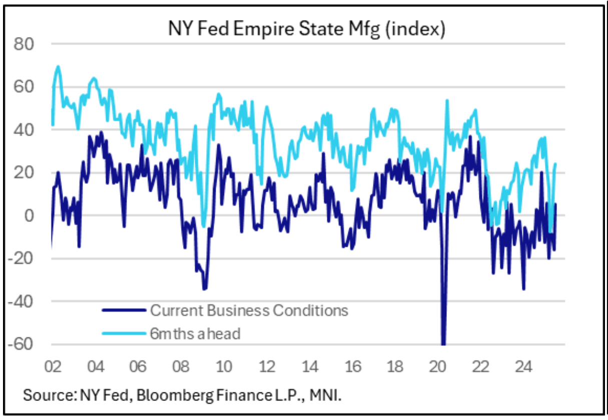
Business Sentiment: Improving But Inflation Elevated

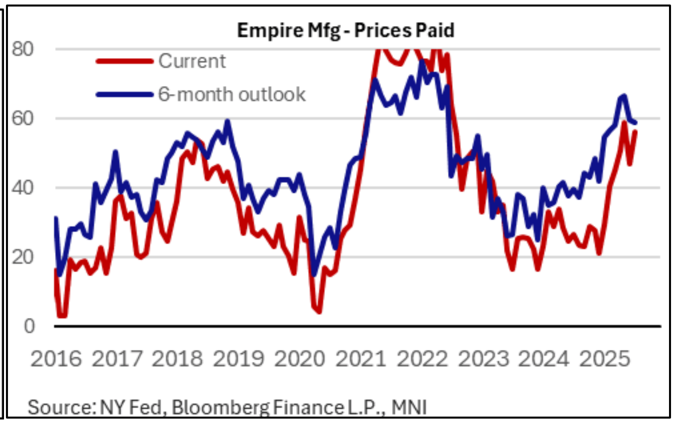
Empire Manufacturing Shows Signs Of Stability, But Inflation Elevated

The New York Fed's Empire State Manufacturing Survey for July was stronger than expected, with the headline general business conditions index jumping 21.5 points to 5.5 (-9.5 expected). This marked the first positive reading since February and a slightly above-average reading vs the last 5 years.

- To be sure, this is more indicative of a recovery than a nascent boom. There seems to have been significant relief over the alleviation of some tariff policy uncertainty, which of course was responsible for sentiment deteriorating between March and June - though this may not repeat in August's report if the US fails to reach "deals" with major key trading partners for the NY region including Canada.
- July's was a roundly constructive Empire report across subcategories. Per the report, "New orders edged higher and shipments increased. Delivery times lengthened, and supply availability continued to worsen. Inventories grew significantly. Employment expanded for a second consecutive month, and the average workweek also increased. ... Capital spending plans grew. Firms remained fairly optimistic about the outlook."
- Indeed, one of the survey highlights was that employment was the highest since 2022, rising 4.2 pts to 9.2.

- Less positive: inflationary pressures remained relatively acute, and in a potential warning sign, supply availability deteriorated (-11.0 from -8.3).
- Current prices paid resumed their uptrend, at 56.0 after falling to 46.8 in June from the recent peak of 59.0 in May, though current prices received dipped to 25.7 from 26.6. Future prices paid (6-months ahead) moderated for a 2nd month, down 0.9 points to 58.7; future prices received ticked up 0.9 points to 42.2 but both remain well below their April-May peaks.

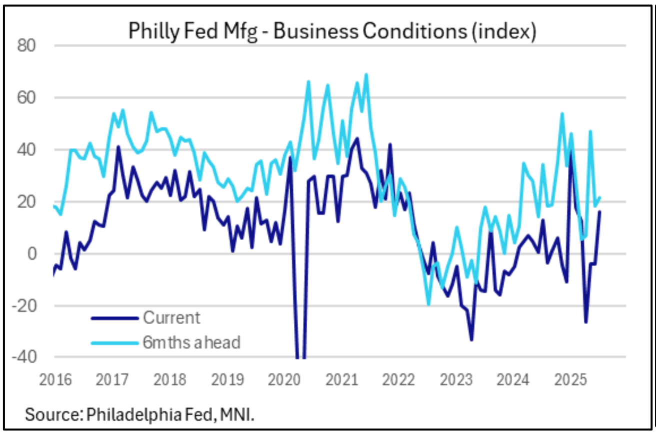


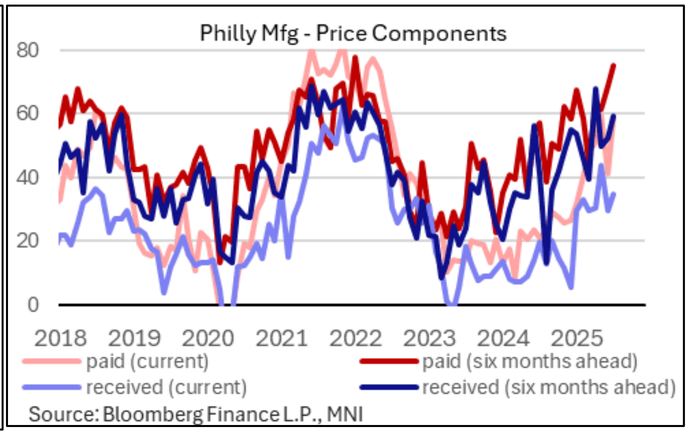


Philly Fed Manufacturing Sentiment Improves, But Inflation Fears Rise

The Philadelphia Fed's Manufacturing Business Outlook Survey saw a strong recovery in sentiment in July, with the General Business Conditions Index rising to 15.9 from -4 in the prior two months. This was the highest reading in 5 months and the first positive number in 4, and above the 5-year average.

- It greatly exceeded expectations (Bloomberg consensus was for -1.0), thus mirroring the Empire State Manufacturing survey, and suggested that there is broadening relief over the alleviation of some tariff policy uncertainty. However, the inflation components of the survey suggest some concern over price pressures remains warranted.
- Improvements were seen across subcategories, with shipments and new orders at 5-month highs, and employment reversing higher from a sharp drop in June, and the 6-month ahead outlook improved 3.2 points to 21.5, up from single-digits in Mar-Apr to a level consistent with more typical conditions.
- The closely-watched Capex 6-month plans ticked up 2.6 points to 17.1, remaining within the middle of its longer-term range.
- Overall the report's subcategories equate roughly to a 51 level when translating to the ISM manufacturing survey.
- But the prices categories brought significant upside surprises: current prices paid jumped 17.4 points to to 58.8, rebounding to just below May's 25-month high 59.8. Prices received ticked up 5.3 points to 38.8. The diffusion index shoed 61% of firms reported increases in input prices, 2% decreases, and 31% no change.
- And expected prices paid in 6-months hit a fresh 42-month high 75.3 (up 6.4 points), with expected prices received up 6.9 points to 59.4 (just below April's 67.7 peak).
- While the Empire survey's current prices paid had a notable uptick, its other price categories didn't.

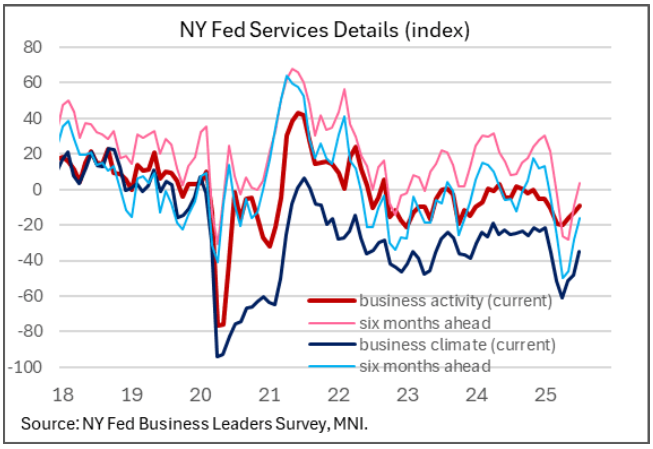


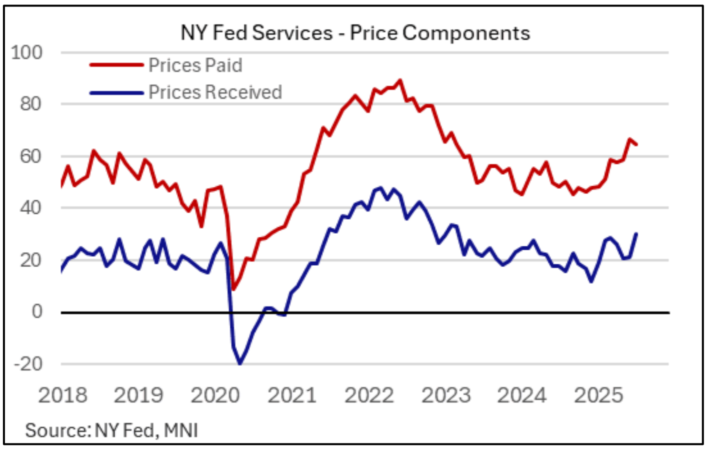


NY Fed Services See Cautious Improvement In Activity And Sentiment

The NY Fed's monthly survey of regional service firms (the Business Leaders Survey) was greatly improved in July vs prior months, with the headline general activity index rising to a 6-month high -9.3 from -13.2 prior. The business climate reading likewise hit a 6-month best -34.6 (-48.3 prior).

- While the current measures are still in negative territory, suggesting that activity continues to weaken, the 6-month outlook for general activity turned positive (3.7 after -9.3) for the first time in 5 months, with improvements across business climate and capex expectations as well.
- Per the survey, "Employment edged slightly higher, and wage growth picked up. Supply availability worsened, but less so than last month."
- And there was a little easing in prices paid, falling 2 points to 64.5 (after June's 2+ year high). Prices received conversely rose 9.1 points to a fresh 2-year high 30.1.
- There are no anecdotal comments included in the NY Fed's surveys but it's safe to say that a decline in pessimism and uncertainty over the tariff policy outlook suggests the worst readings in this survey are in the past, though there likewise is little sign of a pickup in activity vs the start of the year.
- This has been a decent proxy for national ISM Services which solely based on this report is set to venture slightly further into 50+ (ie expansionary) territory in July.



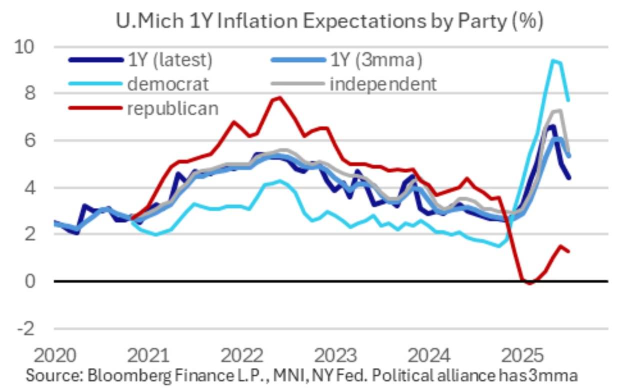


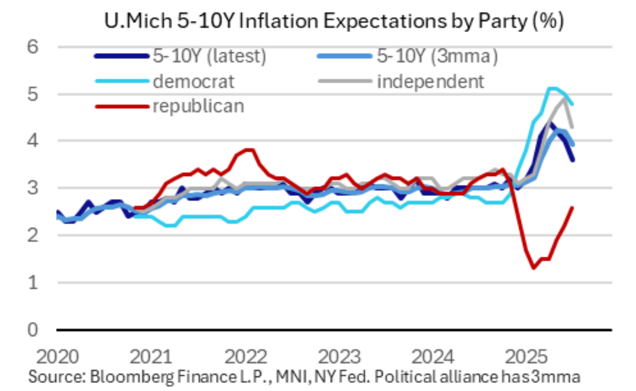
Consumer Sentiment: Inflation Expectations Receding

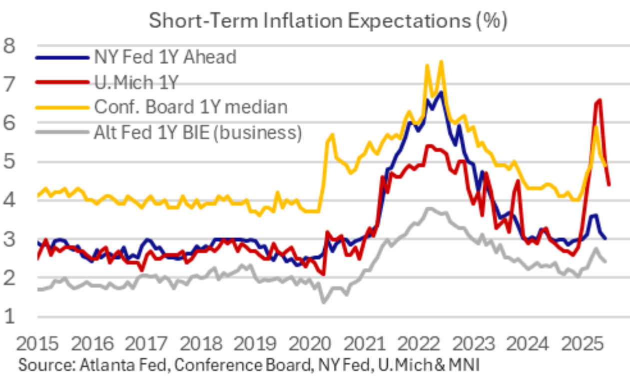
Surprise Drop In U.Mich Inflation Expectations Faded

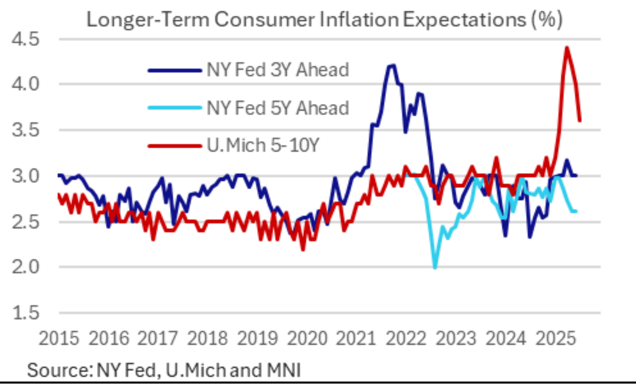
- The U.Mich consumer survey saw inflation expectations surprise lower in the preliminary July survey, with the 1Y at 4.4% (cons 5.0 after 5.0 in June) and 5-10Y at 3.6% (cons 3.9 after 4.0 in June).

- The 1Y is the lowest since January and the 5-10Y is the lowest since February.
- Markets have largely ignored the miss though, which we think aligns with some concerns over the signal from it.
- The breakdown by political leaning in particular shows some signs of further normalization after huge discrepancy around the initial imposition of tariffs, with democrats and independents’ expectations surging and republican expectations sliding.
- A reminder when looking at the charts below that the readings by political party are shown with a three-month average, although in the past there appears to have been some weight changes between months which can confuse when it comes to comparing with changes in the aggregate value.
- The U.Mich survey has generally seen a more pronounced spike in inflation expectations than its counterparts, with the year-ahead reading in the Conference Board survey coming closest to it.







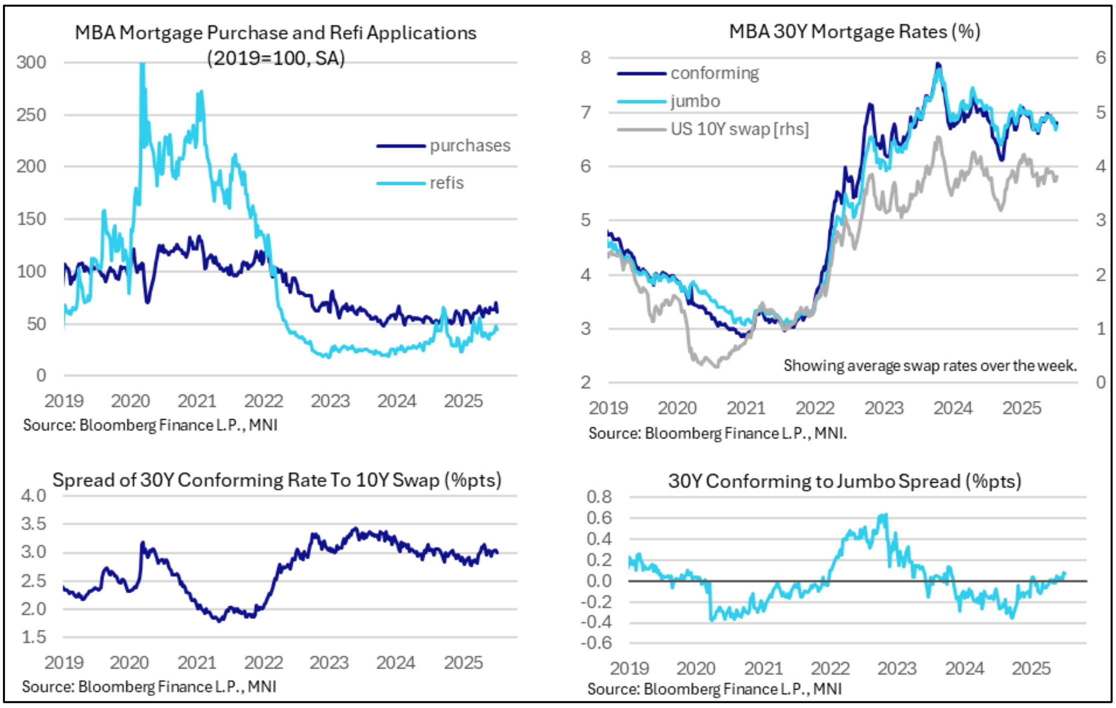


Credit/Household Finances: Mortgage Activity Dips

Mortgage Activity Retreats On Mild Uptick In Rates

- MBA composite mortgage applications fell -10% last week (sa) to reverse the 9.4% increase the week prior.
- New purchase applications returned to being the larger drag when it comes to recent week on week changes, slipping -11.8% vs -7.4% for refis.
- Applications remain depressed but at familiar levels, with composite applications at 54% of 2019 averages, comprising of new purchases at 62% and refis at 44%.
- The drop in mortgage activity came on a relatively small increase in the 30Y conforming rate, +5bp to 6.82% after the 6.77% the week prior had been the lowest since early April.
- With the average 10Y swap rate over last week rising 9bp, there was a mild narrowing in the mortgage to US swap rate spread, although it’s roughly holding around the 300bp mark since mid-May. For context, it widened to 315bp in late April/early May in fallout from US reciprocal tariff concerns although remains wider than the 280-290bps seen prior to April.

- Going against this marginal tightening point, at least compared to pre-reciprocal tariff levels, is the continued trading of 30Y jumbos inside regular rates, by 7bps after a shift to 8bp the prior week for its most since Oct 2023.
- Rates could further weigh on mortgage activity in next week's release, with the 10Y swap currently 8bp higher than last week's average.



Fedspeak: A Dovish Waller Doubles Down, Others More Cautious With Price Increases Ahead

- Governor Waller doubled down on his preference for a cut in two weeks, firmly against market pricing
- He subsequently warns the next Fed Chair needs credibility or rates will rise. He would accept the role but hasn't been approached.
- Governor Kugler thinks it's appropriate to hold rates as inflation is likely to accelerate, with NY Fed's Williams also supporting maintaining a restrictive stance.
- Cleveland Fed's Hammack reiterates that monetary policy is already close to neutral, urging patience
- The most important finding from the Beige Book is that the biggest price increases are yet to come: "Contacts in a wide range of industries expected cost pressures to remain elevated in the coming months, increasing the likelihood that consumer prices will start to rise more rapidly by late summer."

Dovish Waller Doubles Down On July Cut, More Cuts This Year (Jul 17)

Governor Waller (permanent voter, dove) late on Thursday clearly doubled down on his dovish stance, starting his speech with "My purpose this evening is to explain why I believe that the FOMC should reduce our policy rate by 25 basis points at our next meeting." It's not a new approach from Waller but continues to stand out along with Bowman amidst the Fed's independence being threatened by President Trump's call for 1% rates. For context, see FED: Waller Sees Rate Cuts As Early As July, Pushing Back On Powell (Jun 20) and FED: Bowman And Waller Setting Up For A July Dissent (Jun 23). A reminder that Waller is likely one of the two June SEP dots for three cuts this year, with a particularly divided FOMC considering there were also seven dots looking for zero cuts.

Excerpts from the speech (found in full here):

- "The risks to the economy are weighted toward cutting sooner rather than later. If the slowing of economic and employment growth were to accelerate and warrant moving toward a more neutral setting more quickly, then waiting until September or even later in the year would risk us falling behind the curve of appropriate policy."

- If headline inflation data report modest, temporary increases from tariffs that are not unanchoring inflation expectations and the economy continues to grow slowly, he would support "further 25 basis point cuts to move monetary policy toward neutral" later this year.
- “The data imply the policy rate should be around neutral, which the median of FOMC participants estimates is 3%, and not where we are - 1.25 to 1.50 percentage points above 3%. While I sometimes hear the view that policy is only modestly restrictive, this is not my definition of 'modestly.'"

Subsequent Q&A:

- Want to cut rates to give a little more stimulus
- Nothing wrong with taking out an insurance cut
- Evidence suggests the neutral rate isn’t far from 3%
- The Trump administration hasn’t talked to be about the Fed chair job

Gov Waller: Next Fed Chair Needs Market Credibility Or Rates Will Rise (Jul 18)

Gov Waller on BBG TV continues to make his pre-communications blackout case for a rate cut on July 30th. Repeating his arguments from his speech late Thursday on the transitory nature of tariff-driven inflation and downside risks to the labor market, he elaborates on his thinking about a possible dissent at the upcoming meeting; whether September is too late to start resuming rate cuts; and on the impact of the selection of the next Fed Chair.

- Asked if he is willing to dissent to a hold: "I never want to commit to an action before the meeting. If everybody committed before, you do not need to have the meeting to have a discussion. The goal is to go to the meeting, sit down, listen to all sides. People try to convince me of their views and I try to convince them of my views and make a decision on what you think is the right outcome, how the data is coming in. I don't think I can be any more clear as to what my position is and why I think we need to do this. It is how I read the data and how I think about going forward." "It is often the case that you dissent if you think it very clear at this moment in time this is the important thing to do. If you are going to go "I am going to dissent at every meeting no matter what happens" then you do not have to show up, everybody knows what you're going to do. It is important to make sure if you dissent you do it carefully and you have the right reasons and it is not going to turn into a serial dissenting case. That is how I take my job seriously. I would only think about doing this; I dissented on the balance sheet slow down earlier this year. That is the situation we are in now."
- Asked about whether starting to cut in September is too late, Waller says: "That is the debate. What does it mean to wait six weeks? Is it that critical? Probably not. It could be. But there is also the reverse. Why wait until September? Do I want to wait and risk something happening? This is what I saw last summer. We left [rates on hold in] July and then we got a very weak labor market report, the unemployment rate jumped 0.2 percent. Payrolls were down from where they were and people were screaming last August, "You should have cut in July!" It is always one month. We live in a world in which we have to respond to real-time data to get a sense of where the economy is going. I've always said if you worry about long and variable lags, which everybody talks about, the whole point of that is to get ahead of it, not wait for it to happen and then policy action that takes quarters or months down the road to have any impact."
- Asked if President Trump's call for lower Fed rates threaten de-anchoring inflation expectations, Waller says: "I have not seen much in the way of market expectations being unanchored in any ways you want to measure. In the near term they might go up, but in the longer term I'm not seeing it. Either the market is dismissing all of this as chatter and noise, or at some point if something happens it becomes much more serious than you might see a discrete jump and that will be a problem for everybody."
- Says re the selection of the next Chair: "You will have to have somebody with credibility with the markets or you will see inflation expectations spike. You will not get lower interest rates, you will get higher interest rates. We have seen this everywhere around the world. Scott Bessent knows this. This is not something that is lost on anybody."
- Asked if he would take the Chair's job if the President asked: "If the President contacted me and said he wanted me to serve, I would do it. He has not contacted me. If he says, "Chris, I want you to do the job," I will say yes. He is not talking to me. It is a hypothetical."
- Asked if tariffs if stretched out could cause upside inflation: "If there is a constant sequence of higher and higher tariffs that will get this rolling impact on prices, that is true. If it is just a question of delaying it, that does not change my argument. Whether you see the spike in July or in June or August or September, when it happens is irrelevant for the economics. That is a nonstarter. Firms could also just spread it out in

smaller increments over several months. The total effect ends up being the same. They just get there later and it will be smaller amounts. The bigger thing is if we continually get another wave of tariffs and other waves of tariffs, that is when things become more problematic thinking about what will happen with inflation."

Cleveland's Hammack: Close To Neutral Already, Important To "Wait And See" (Jul 14)

Cleveland Fed President Hammack (non-2025 voter, hawk) reiterated her patient approach to any future policy easing in an interview with Fox Business Monday.

- To put the following quotes in context, she has previously cited a wide range of estimates of neutral rates from 2% to 4.6%, and it's not surprising she's not supporting a July cut (leaving Board members Waller and Bowman firmly in the minority on that front, apparently):
- "I do think we're pretty close to where the neutral rate is and so I see an economy that's resilient. I see one that's working really well, and I don't see a need to really reduce [interest rates] unless we see material weakening on the labor side...The modestly restrictive stance that we have right now is important because inflation is still running above our target."
- "I think wait and see is the best place for us to be because I think we don't know exactly what [tariff] impacts are going to be...I think it's important that we wait and see how all of the new policies that have been put forward are going to impact inflation" because "we're not there yet on the inflation side of the mandate."

Boston's Collins: Tariffs To Move Economy Away From Favorable Conditions (Jul 15)

Boston Fed President Collins (2025 voter) reiterated in a speech Tuesday that she advocates an "actively patient" approach to policymaking. **Speech text here**. Note that she'd already implied in a previous appearance that she was one of two FOMC participants to only pencil in 1 cut in 2025, putting her slightly on the hawkish side of the median (recall 10 of 19 participants in June saw 2 or more cuts).

- Collins writes: "In my view, the economy continues to be in a good place overall, close to the Congressionally mandated objectives of price stability and full employment. However, going forward, I expect to see some upward pressures on inflation, as well as some downward pressures on employment and economic growth."
- She acknowledges that "services inflation has continued to moderate, especially on a 12-month basis, despite continued unevenness. This moderation reflects a more balanced labor market". But core goods inflation "has picked up some, recently, and is currently running above the rates that prevailed before the pandemic. Some of these recent movements in goods inflation are likely tariff-related".
- She notes that "most" firms "plan to pass along some – even if not necessarily all – of the tariff costs" (pointing to ISM data - see table below) while the "typical household has the resources to at least partly offset a tariff-induced loss in purchasing power".
- She concludes that "it seems likely that core PCE inflation will be in the vicinity of 3 percent by year's end, before resuming its decline. Concerning the labor market side of our mandate, tariffs should slow demand and hiring, though not necessarily by a large amount." Overall, "it seems likely that the economy will move away, at least temporarily, from the favorable conditions I have just described. Tariff policy is the main driver, with higher broad-based tariffs than last year likely leading to a rise in inflation, higher unemployment, and slower GDP growth."
- On the labor market not being a significant source of inflationary pressures, "when adjusted for productivity, the pace of [Employment Cost Index] growth has been running around 2 percent recently, which is consistent with the Fed's 2 percent inflation target. Therefore, even though some indicators show wages still rising somewhat faster than before the pandemic, given recent productivity developments, I do not see wage growth as placing additional pressure on inflation."

Gov. Kugler: Appropriate To Hold Rates As Inflation Likely To Accelerate (Jul 17)

Gov Kugler continues to sound very patient on the next rate easing in a speech **Thursday**: - we have her penciled in as one of the 7 FOMC members who don't see any rate cuts this year. In short, she remains concerned about the incoming inflation impact from tariffs, and elevated short-run inflation expectations. Keep in mind she'll almost certainly be replaced in January when her term as governor expires.

- On her view that rates should be on hold "for some time": "Inflation.. remains above the FOMC's 2 percent goal and is facing upward pressure from implemented tariffs. Moreover, I judge that inflation is likely to increase further as tariff effects build up during the rest of the year...Given the stability in the employment side of our mandate, with the unemployment rate still at historically low levels, elevated short-run inflation expectations, and goods inflation rising due to the upward pressure from tariffs, I find it appropriate to hold our policy rate at the current level for some time. This still-restrictive policy stance is important to keep longer-run inflation expectations anchored. "
- She also highlights signs of tariff passthrough in this week's CPI and PPI reports, and in her speech offers several reasons to expect "that larger effects of tariffs are still coming": "I see firmer core goods inflation as already partially reflecting the pass-through of increased tariffs, which has been shown by research done at the Fed.18 In addition, CPI and PPI reports released in the past two days show that increases in core goods prices were more broad-based in the month of June."
- Re the reasons to expect future price increases: "While many forecasters may have been expecting a sooner and sharper increase in overall inflation, there are many reasons to think that larger effects of tariffs are still coming. First, businesses built up inventories ahead of anticipated tariff increases, giving them leeway to still sell goods at pre-tariffed prices. Second, given the many changes in implemented tariff policies, businesses may not yet be passing the higher tariffs to their selling prices because they are waiting for greater clarity. Third, businesses, especially larger ones, may also be waiting to capture market share from others that hike prices sooner. Fourth, the current environment of still-elevated short-run inflation expectations makes it easier for workers to seek higher wages and business to charge higher prices, which could increase the persistence of price hikes going forward. Fifth, tariff rates could increase further, as seen in newly proposed reciprocal tariffs for several countries and the new tariffs on copper introduced last week, putting further upward pressure on prices."

Williams Supports Maintaining Restrictive Stance (Jul 16)

NY Fed's Williams (permanent voter) said Wednesday he supports holding interest rates steady and pointed to recent inflation data that he said are only beginning to show increased price pressures.

- "The combination of continued uncertainty, a solid labor market, and inflation still above our 2% goal led the FOMC to decide to leave the target range for the federal funds rate unchanged at 4.25 to 4.5% at its most recent meeting last month," he said in prepared remarks.
- "Maintaining this modestly restrictive stance of monetary policy is entirely appropriate to achieve our maximum employment and price stability goals," Williams said. "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."
- The most recent data show a solid labor market but job growth and labor supply are slowing, Williams, the vice chair of the FOMC, said. Inflation has continued on a bumpy downward path toward the central bank's 2% longer-run goal, he said, estimating the 12-month percent change in headline PCE inflation in June at 2.5% and core inflation at 2.75%.
- But Williams expects tariffs and uncertainty to restrain spending and reduced immigration to slow labor force growth. He sees GDP growth of about 1% this year and for unemployment to rise from the current 4.1% to around 4.5% by yearend.

July Beige Book: Economic Activity Improved, But Pessimism Persists

July's Beige Book notes that "economic activity increased slightly from late May through early July." Most Fed Districts reported flat growth: 7 were in that category (Boston, Cleveland, Atlanta, St Louis, Minneapolis, Kansas City, San Francisco), with 3 reporting slight/modest growth (Richmond, Chicago, Dallas) and 2 seeing modest declines (New York, Philadelphia). See table below for summary of current conditions.

- This is a notable improvement from June when 3 reported flat growth, 3 slight/mild growth, and 6 slight/modest/moderate slowdowns/declines (NY and Philly remain in the latter category).
- That said, there wasn't much positivity on a sector-by-sector basis amid "ongoing caution by businesses", with consumer spending declining in "most Districts" and flat/slowing activity in most other sectors. Additionally, only 2 districts saw an expected improvement in activity going forward.
- **Per the Beige Book: "**Uncertainty remained elevated, contributing to ongoing caution by businesses. Non auto consumer spending declined in most Districts, softening slightly overall. Auto sales receded modestly on average, after consumers had rushed to buy vehicles earlier this year to avoid tariffs. Tourism activity was mixed, manufacturing activity edged lower, and nonfinancial services activity was little changed on average but varied across Districts. Loan volume increased slightly in most Districts. Construction activity slowed somewhat, constrained by rising costs in some Districts. Home sales were flat or little changed in most Districts, and nonresidential real estate activity was also mostly steady. Activity in the agriculture sector remained weak. Energy sector activity declined slightly, and transportation activity was mixed. The outlook was neutral to slightly pessimistic, as only two Districts expected activity to increase, and others foresaw flat or slightly weaker activity."

District-By-District Descriptions of Current Conditions - July 2025 Beige Book

	Econ Act	Employment	Inflation (Selling Prices)
Boston	Roughly flat	Expanded slightly	Increased modestly
NY	Decline modestly	Up slightly	Moderate
Phil	Decline modestly	Declined slightly	Increased modestly
Cle	Flat	Increased slightly	Increased modestly
Richmond	Grew modestly	Increased slightly	Moderate
Atl	Little changed	Relatively unchanged	Rose moderately
Chicago	Increased slightly	Increased modestly	Rose moderately
Stl	Unchanged	Unchanged	Increased moderately
Minn	Flat	Grew slightly	Eased (modest overall)
KC	Mostly unchanged	Grew slightly	Rose moderately
Dallas	Up slightly	Unchanged	Rose moderately
San Fran	Stable	Slightly lower	Increased modestly

Source: Federal Reserve, MNI. MNI's characterization is derived from the individual Fed reports, not the overall summary

Beige Book: Inflation Seen Rising More Rapidly By Late Summer

The July Beige Book's description of inflation suggested relatively steady price pressures compared with the June report, though it seems that what were previously "plans" to pass through tariff-related costs to customers have begun to materialize.

- In probably the most important finding for the FOMC, the biggest price increases are yet to come: "Contacts in a wide range of industries expected cost pressures to remain elevated in the coming months, increasing the likelihood that consumer prices will start to rise more rapidly by late summer."
- District-by-district, 4 Feds reported selling prices increased "modestly" (Boston, Philadelphia, Cleveland, San Francisco), 7 "moderately" (New York, Richmond, Atlanta, Chicago, St Louis, Kansas City), one "eased" (Minneapolis) and one "steady" (Dallas).
- The table below summarizes the recent evolution of the Beige Book's inflation characterization. (Our characterization is derived from the individual Fed reports, not the overall summary.)
- From the July report: "Prices increased across Districts, with seven characterizing price growth as moderate and five characterizing it as modest, mostly similar to the previous report. In all twelve Districts, businesses reported experiencing modest to pronounced input cost pressures related to tariffs, especially for raw materials used in manufacturing and construction. Rising insurance costs represented another

widespread source of pricing pressure. Many firms passed on at least a portion of cost increases to consumers through price hikes or surcharges, although some held off raising prices because of customers' growing price sensitivity, resulting in compressed profit margins. Contacts in a wide range of industries expected cost pressures to remain elevated in the coming months, increasing the likelihood that consumer prices will start to rise more rapidly by late summer."

Inflation - Nature of reported price increases plus passthrough & tariff considerations:

	Distribution of price increases		Passthrough	Tariffs
	Moderate	Modest		
Dec 4, 2024		Only modest	Greater difficulty passing costs to both consumers and businesses	Several districts indicated tariffs pose significant upside risk to inflation
Jan 15, 2025		Modestly overall, from flat to moderate		Some noted potential for higher tariffs to contribute to 2025 price increases
Mar 5, 2025	Moderately in most districts but several reported uptick in pace vs previous		Multiple districts noted difficulty passing input costs on to customers...	... but most expected tariffs to raise future prices. Isolated reports of pre-emptive increases
Apr 23, 2025	Six characterized as moderate	Six characterized as modest (on net similar to March)	Most businesses expect to pass through additional costs but reports of margin compression with tepid demand in some sectors	Adding tariff surcharges or shortening pricing horizons amidst trade policy uncertainty
Jun 4, 2025	Eight characterized as moderate	Two characterized as modest, one steady, one slightly	Contacts that plan to pass along tariff-related costs expect to do so within three months	All District reports indicated that higher tariff rates were putting upward pressure on costs and prices
Jul 16, 2025	Seven characterized as moderate	Four characterized as modest, one eased, one steady	"Many firms" passed on at least a portion of cost increase though some held off due to customer price sensitivity	All Districts report businesses experiencing modest-to-pronounced input cost pressures related to tariffs, especially for raw materials in manufacturing and construction

Source: Federal Reserve, MNI. MNI's characterization is derived from the individual Fed reports, not the overall summary

Beige Book: Hiring Looking Solid Despite Lingering Uncertainty

The July Beige Book characterizes the labor market in fairly mixed fashion, though generally stable to slightly-positive across most Fed Districts compared with the June beige book. Arguably this is the most solid Beige Book on the employment front since the start of the year, though businesses continued to report holding off on hiring plans "until uncertainty diminished" . Wages were seen as flat-to-moderate.

- The biggest shift is that 7 of 12 Districts are now reporting employment increases (Boston, NY, Cleveland, Richmond, Chicago, Minneapolis, Kansas City), vs 3 in June's report; the number reporting flat/unchanged fell to 3 (Atlanta, St Louis, Dallas) from 7; the number seeing decreases remained at 2 (Philadelphia, San Francisco).
- Labor market conditions were overall seen mixed-to-looser in some respects, with tighter immigration policy and skilled worker shortages reducing supply, but on the other hand availability improving "for many employers" amid reduced worker turnover.
- Per the report: "Hiring remained generally cautious, which many contacts attributed to ongoing economic and policy uncertainty. Labor availability improved for many employers, with further reductions in turnover rates and increased job applications. A growing number of Districts cited labor shortages in the skilled

trades. Several Districts also mentioned reduced availability of foreign-born workers, attributed to changes in immigration policy. Employers in a few Districts ramped up investments in automation and AI aimed at reducing the need for additional hiring. Wages increased modestly overall, extending recent trends, with reports that ranged from flat wages to moderate growth. Although reports of layoffs were limited in all industries, they were somewhat more common among manufacturers. Looking ahead, many contacts expected to postpone major hiring and layoff decisions until uncertainty diminished."

Labor market - The distribution of Districts reporting increases, no change or decreases in headcount:

	Increase	No Change	Decrease
Jul 17, 2024	Most saw flat or up slightly, a few saw modest growth		
Sep 4, 2024	5 (slight or modest)	Generally flat or up slightly	
Oct 23, 2024	More than half reported slight or modest	The remainder reported little or no change	
Dec 4, 2024	Employment levels were flat or up only slightly across Districts		
Jan 15, 2025	6 (slight)	6	
Mar 5, 2025	4 (slight)	7	1 (slight)
Apr 23, 2025	1 (modest), 4 (slight)	4	3 (slight)
Jun 4, 2025	1 (modest), 2 (slight)	7	2 (slight)
Jul 16, 2025	1 (modest), 6 (slight)	3	2 (slight)

Source: Federal Reserve, MNI. MNI's characterization is derived from the individual Fed reports, not the overall summary

Politics: Reports Trump Considering Imminent Firing Of Powell Rowed Back

- The Trump administration persisted in voicing dissatisfaction with Chair Powell's decision to keep rates on hold in recent months. Previous pressure on USD assets had subsided but quickly re-emerged as speculation about Powell's possible removal intensified.
- This speculation reversed after the President publicly pushed back against such suggestions, underscoring his sensitivity to adverse market reactions.
- A member of the Senate Banking Committee later communicated that he does not expect the President to fire Powell. He highlighted the critical importance of central bank independence for financial markets and suggested there is no legal basis for the President to remove the Fed Chair.
- At the same time, a legal expert stressed that Powell could contest a potential firing in court by arguing he was being pushed out unjustly, setting the stage for a difficult and public legal fight, likely to reach the Supreme Court.

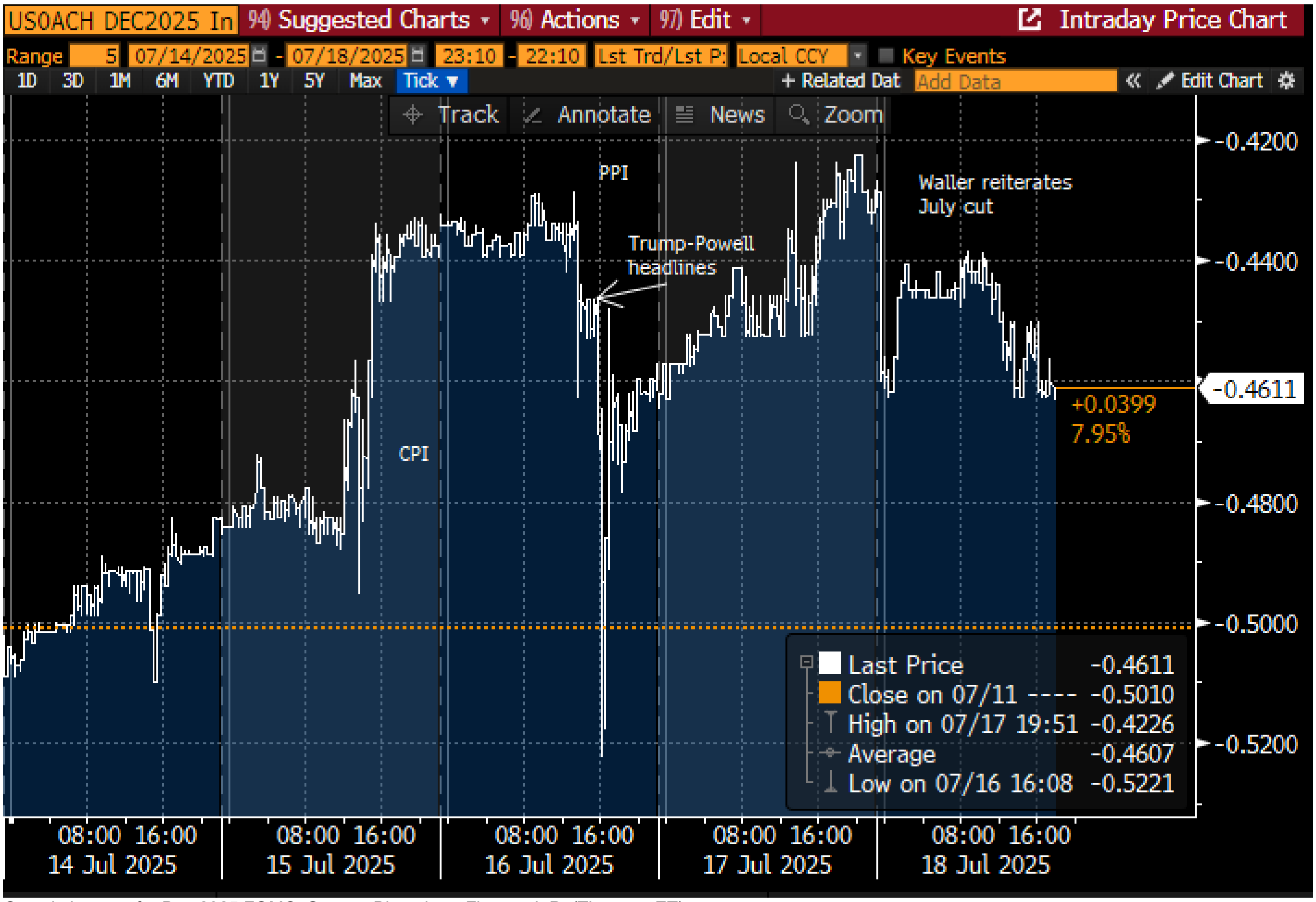
STIR: 2025 Rates Slightly More Hawkish After CPI But Increasingly Dovish A Year Out

Fed Funds implied rates are closing a little higher on the week, slightly more hawkish than pre-CPI levels. July is still seen as a non-event from a rate decision perspective (1bp priced) with a cumulative 16bp for the Sept FOMC and 46bp for December. There are however larger declines for implied rates into 2H26 and beyond on the assumption that a new Fed Chair after Powell's term expires in May 2026 will be more overtly dovish.

FOMC-dated Fed Funds futures implied rates

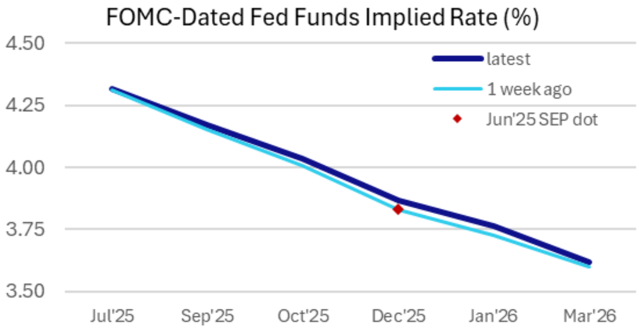
Meeting	Latest			pre US PPI (Jul 17)			*chg in rate*	pre CPI (Jul 16)			*chg in rate*
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)	*bp*	%	step (bp)	cum. (bp)	*bp*
Effective	4.33			4.33				4.33			
Jul'25	4.32	-1.2	-1.2	4.32	-1	-0.7	*-0.5*	4.32	-1	-1	*0.0*
Sep'25	4.17	-14.9	-16.1	4.20	-13	-13.4	*-2.7*	4.17	-15	-16	*0.2*
Oct'25	4.04	-13.2	-29.3	4.06	-13	-26.7	*-2.6*	4.02	-14	-31	*1.4*
Dec'25	3.87	-16.9	-46.2	3.90	-17	-43.5	*-2.7*	3.84	-18	-49	*2.4*
Jan'26	3.76	-10.5	-56.7	3.80	-10	-53.3	*-3.4*	3.74	-10	-59	*2.0*
Mar'26	3.62	-14.6	-71.3	3.67	-13	-66.4	*-4.9*	3.61	-14	-72	*0.9*

Source: Bloomberg Finance L.P., MNI.

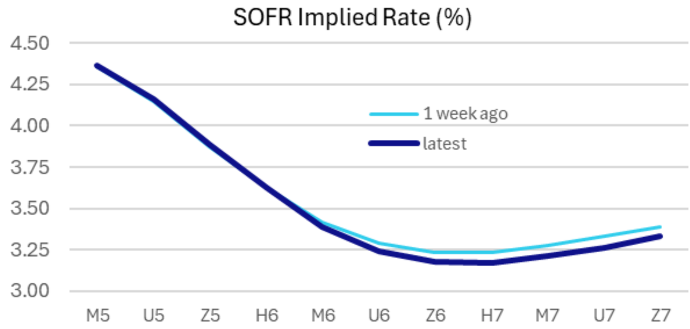


Cumulative cuts for Dec 2025 FOMC. Source: Bloomberg Finance L.P. (Times as ET)

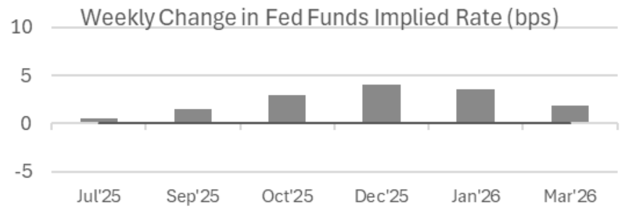
Week-on-week moves:

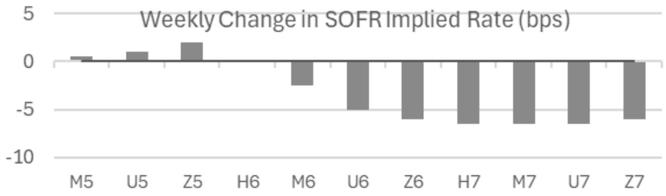


Source: Bloomberg, MNI. SEP median dot shows implied effective basis with current spread to lower bound



Source: Bloomberg, MNI.





The US Macro Week Ahead: A Quieter Data Week Headlined By Flash PMIs

It's a quiet economic calendar next week, headlined by flash PMIs, durable goods orders, home sales and a latest weekly update for jobless claims. With the start of the FOMC blackout, Fed Chair Powell's welcome remarks on Tuesday won't touch on monetary policy.

Date	ET	Impact	Event
22 Jul	0830	**	Philadelphia Fed Nonmanufacturing Index
22 Jul	0830		Fed Chair Jerome Powell Welcome Remarks (within FOMC blackout)
22 Jul	0855	**	Redbook Retail Sales Index
22 Jul	1000	**	Richmond Fed Survey
22 Jul	1300		Fed Vice Chair Michelle Bowman
23 Jul	0700	**	MBA Weekly Applications Index
23 Jul	1000	***	NAR existing home sales
24 Jul	0830	***	Jobless Claims
24 Jul	0945	***	S&P Global Manufacturing PMI (July flash)
24 Jul	0945	***	S&P Global Services PMI (July flash)
24 Jul	1000	***	New Home Sales
24 Jul	1100	**	Kansas City Fed Manufacturing Index
25 Jul	0830	**	Durable Goods New Orders