



Weekly Review—August 8, 2025

Current Conditions – The Challenge

Fed policy makers are in a conundrum as weaker than expected employment and stronger than expected inflation show that the economy is in a rather precarious position. As explained in last week's Commentary, the Bureau of Labor Statistics (BLS) reported that the economy added 73k jobs in July – well below the expected gain of 110k. Equally, if not more concerning, May and June's reported job growth was revised materially lower by a combined 258k jobs. On the inflation front, the Fed's favored inflation gauge (core Personal Consumption Expenditures Price Index – PCE) continues its recent upward trend as prices rose 2.8% in June vs. May's 2.7% annualized increase – moving farther from the Fed's target of 2%. Based on this key economic data, employment and inflation appear to be moving in unfavorable directions.

Fed Policy – Their Theoretical Response

Fed Chairman Powell as previously said that if the central bank is caught in a situation where economic conditions are pushing data further away from fulfilling both of its dual mandate goals of 2% long-term inflation and maximum employment, it would orient its monetary policy to support whichever is further from the Fed's goal. Policy makers will see one more round of key employment and inflation data before their next FOMC meeting which is scheduled for September 17.

Current Market Expectations

While the magnitude of policy response remains uncertain, investors continue to expect the Fed to cut overnight rates. Based on last week's unfavorable data, the downward trajectory of expected benchmark rates steepened. Futures pricing prior to last week's unfavorable announcements suggested only one 25bp cut by year end with a long-term neutral rate at 3.125%. After the unfavorable data, investors have now priced in two 25bps cuts this year with a terminal rate just below 3%. Regardless of whether the Fed drops rates one or two or even three times this year, the writing is on the wall. Prepare for lower benchmark rates...

Looking forward

Expect market volatility to continue as investors remain challenged in determining how current monetary, fiscal, trade, immigration & foreign policies (i.e., the whole kit and caboodle of policies) will further impact the economic outlook. *Fun fact: Bloomberg's probability of recession within the next twelve months stands at 35%, up from the start of the year's 20%.*

Please feel free to reach out to us with your capital market-related questions. Always lots to discuss!

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NEW ISSUE MUNICIPAL CALENDAR

Date	Amount (\$)	Description	Maturity
08/11/2025	\$950,000	Inman, KS	2026–2040
08/12/2025	\$26,905,000	Topeka, KS Series A	2026–2045
08/12/2025	\$1,555,000	Clearwater, KS	2026–2045
08/12/2025	\$9,730,000	Topeka, KS Series B	2026–2045
08/12/2025	\$7,820,000	Perk City KS Temp Notes	2028
08/12/2025	\$8,485,000	Park City, KS	2026–2045

Economic Release	Data Period	Date	Survey	Actual	Prior
Factory Orders	Jun	08/04/2025	-4.8%	-4.8%	8.3% (rev up)
Durable Goods Orders	Jun (F)	08/04/2025	-9.3%	-9.4%	-9.3%
Trade Balance	Jun	08/05/2025	-\$61.0b	-\$60.2b	-\$71.7b (rev down)
S&P Global US Services PMI	Jul (F)	08/05/2025	55.2	55.7	55.2
ISM Services Index	Jul	08/05/2025	51.5	50.1	50.8
MBA Mortgage Applications	Aug 1	08/06/2025	NA	3.1%	-3.8%
Initial Jobless Claims	Aug 2	08/07/2025	222k	226k	219k (rev up)
Continuing Claims	Jul 26	08/07/2025	1,950k	1,974k	1,936k (rev down)
Wholesale Inventories MoM	Jun (F)	08/07/2025	0.2%	0.1%	0.2%
Consumer Credit	Jun	08/07/2025	\$7.500b	\$7.371b	\$5.129b (rev up)

KEY INDICES				MUNI AA—BQ		CMO Spreads to Treasuries		
	Current	Last Month	One Year Ago				PAC	Vanilla
Prime Rate	7.50	7.50	8.50	3 Mo.	2.12	1-Year	N/A	+50
Discount Rate	4.50	4.50	5.50	6 Mo.	2.21	2-Year	62	67
Fed Funds Rate	4.33	4.33	5.33	1-Year	2.28	3-Year	83	93
Interest on Reserve Bal.	4.40	4.40	5.40	2-Year	2.30	5-Year	102	112
SOFR	4.35	4.33	5.33	3-Year	2.32	MBS Current Coupon Yields		
11th Dist COFI (ECOFC)	2.95	2.93	3.24	5-Year	2.45	GNMA 30 Yr.	5.38%	
1-Yr. CMT	3.93	4.11	4.48	7-Year	2.83	FNMA 30 Yr.	5.41%	
Dow	44,175.61	44,240.76	39,446.49	10-Year	3.32	FNMA 15 Yr.	4.63%	
NASDAQ	21,450.02	20,418.46	16,660.02	30-Year	4.80			
S&P 500	6,389.45	6,225.52	5,319.31					
Bond Buyer	5.20	5.20	3.85					

Treasuries & New Issue Agencies (Spread to Treasuries)										
	3 Mo.	6 Mo.	1-Yr.	2-Yr.	3-Yr.	5-Yr.	7-Yr	10-Yr	20-Yr	30-Yr
Treasuries	4.13	3.98	3.76	3.75	3.72	3.82	4.02	4.28	4.83	4.86
Bullets				3	2	0	10	20		
NC-6 Mo.				45	65	75	75	78		
NC-1 Year				20	40	55	58	60		
NC-2 Year					3	25	30	39		

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