

# Economic & Market Update

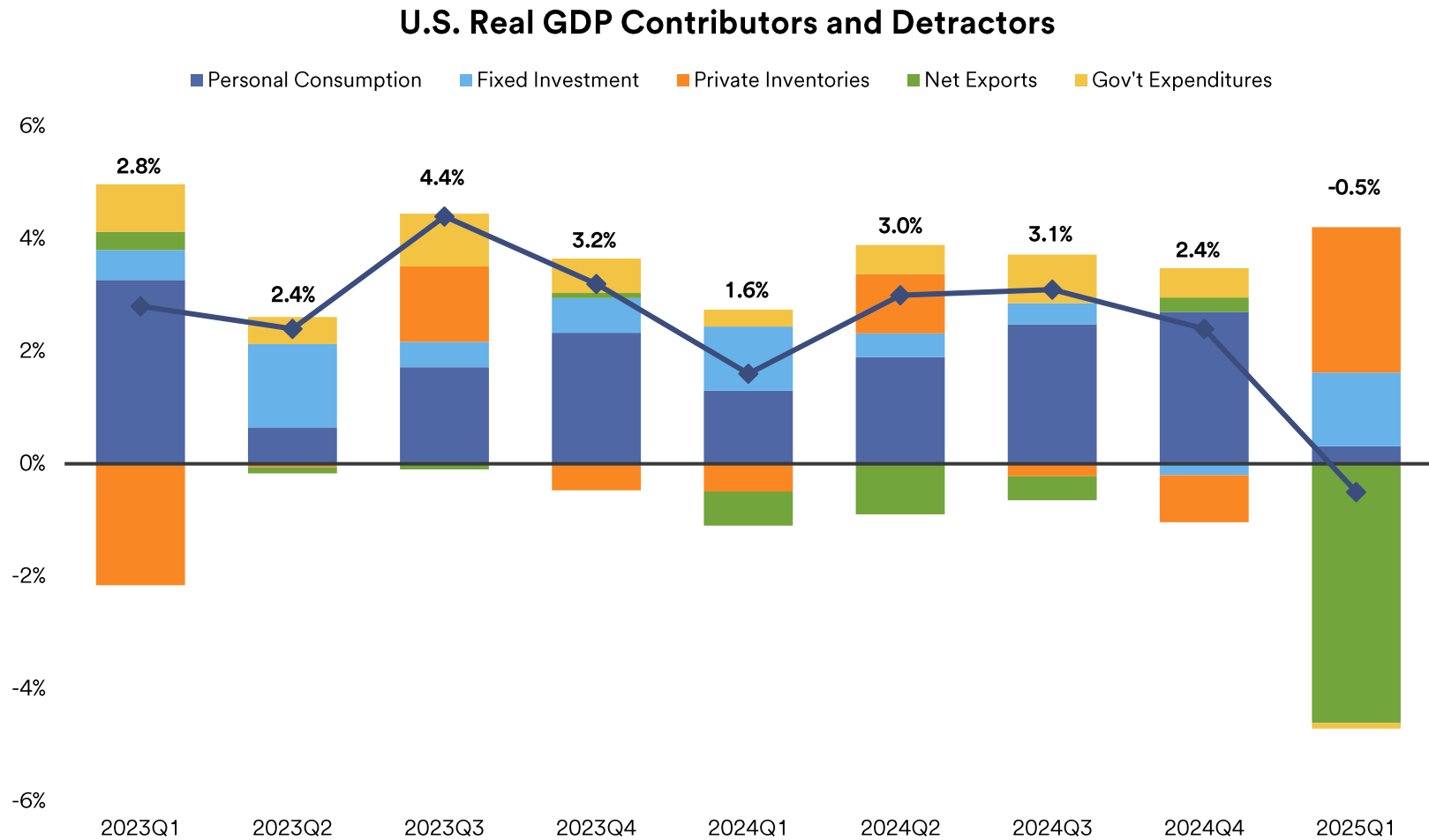
July 2025

407.406.5766

*PFM Asset Management, a division of U.S. Bancorp Asset  
Management, Inc.*

**NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE**

# U.S. Real GDP Contributors and Detractors



Source: Bloomberg Finance L.P., Bureau of Economic Analysis, as of May 2025.

# Tariffs Have Broad Economic Implications

## Tariff Implications



### Inflation

*Fed staff research<sup>1</sup> suggests each 10% increase in the effective tariff rate leads to a 0.8% increase in inflation*



### Economic Impact

*Fed staff research<sup>1</sup> suggests each 10% increase in the effective tariff rate leads to a 1.4% decrease in GDP*



### Tariff Revenues

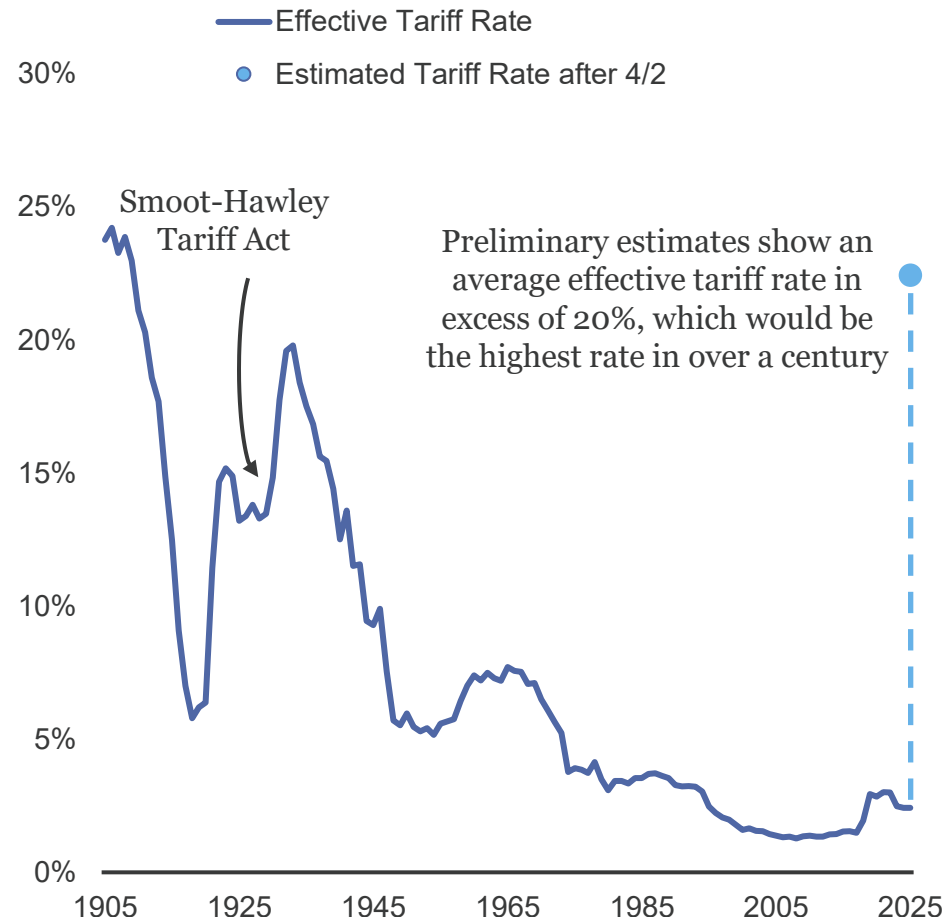
*Each \$100 billion of tariffs paid by the consumer is approximately equal to a 0.4% increase in income taxes*



### Consumer Spending

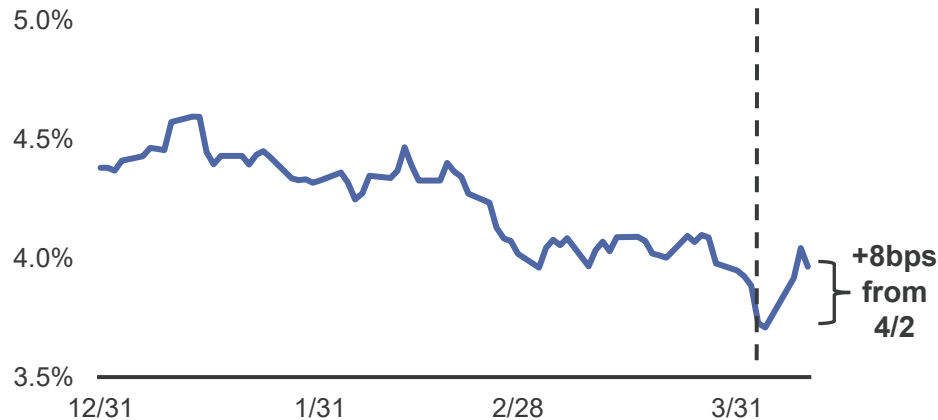
*Price increases and uncertainty could directly impact consumer confidence and spending habits*

## Effective Tariff Rate



# Markets Pull Back in Response to Tariffs

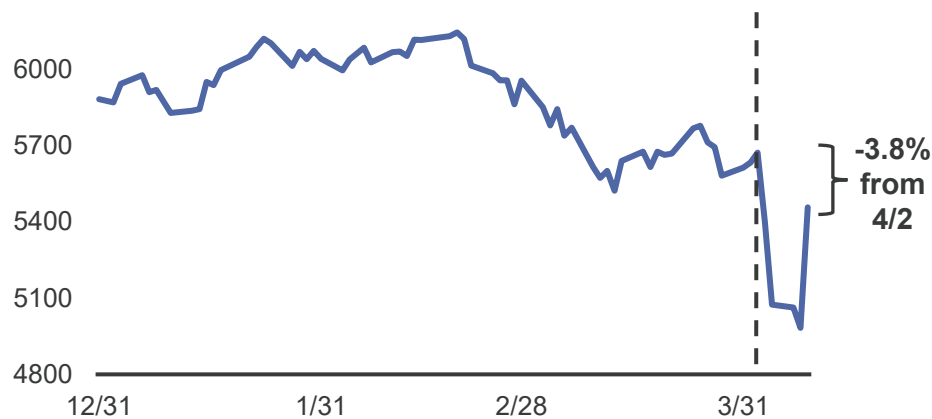
## 5-Year U.S. Treasury



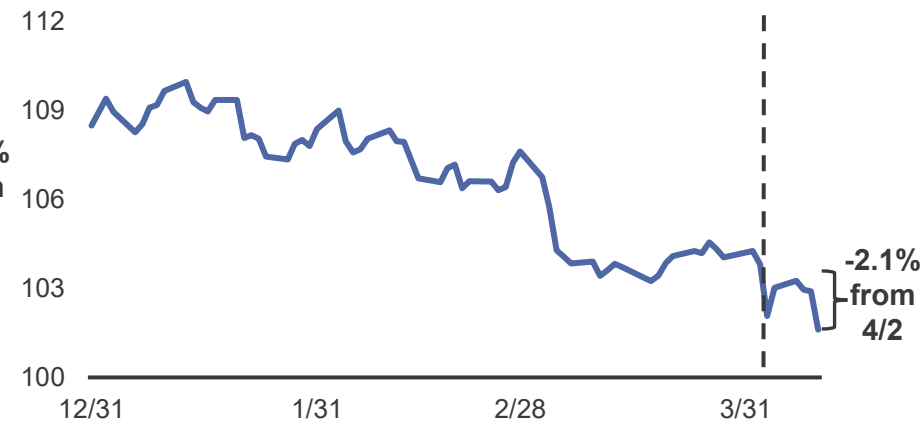
## Number of Implied 25 Bps Rate Cuts in 2025



## S&P 500



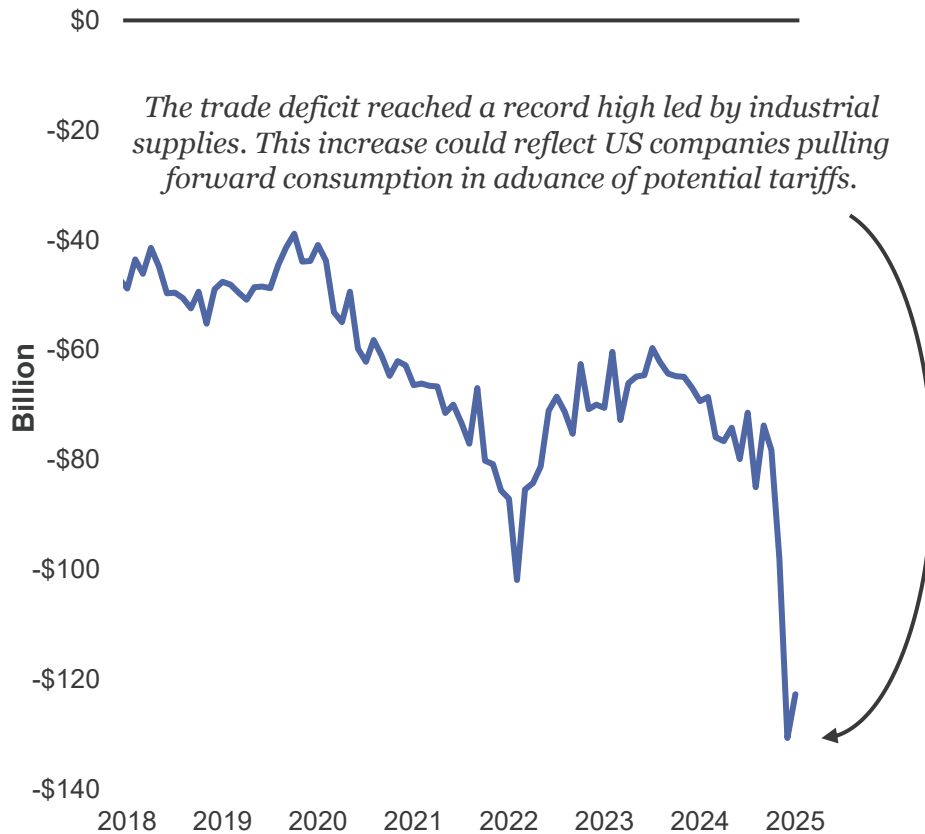
## U.S. Dollar Index



# Tariffs Drive Growth Expectations Lower

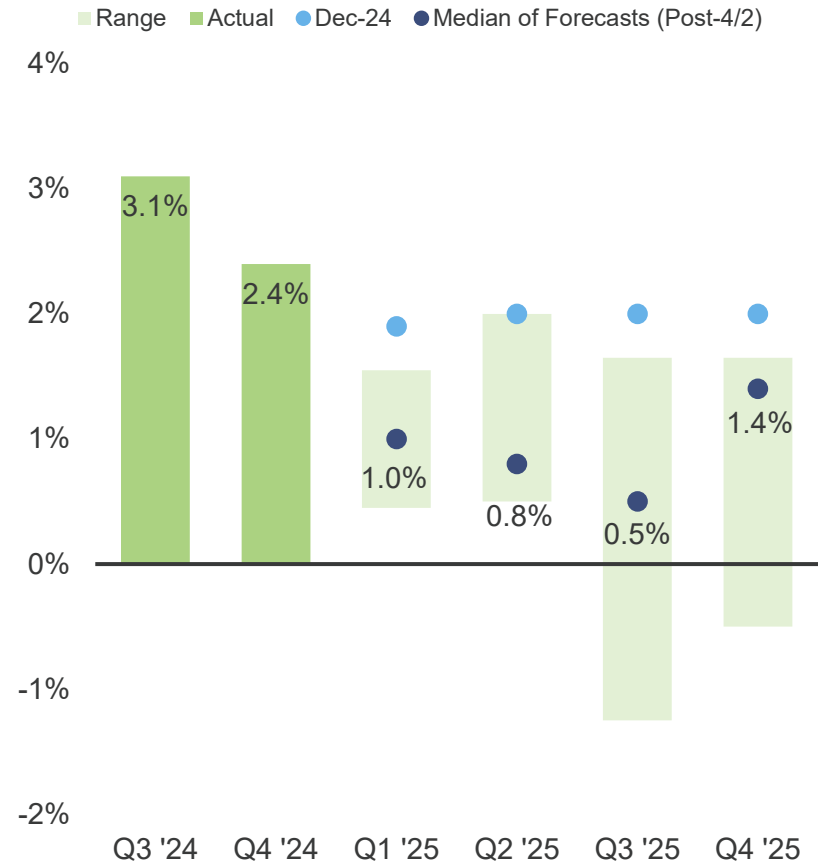
*Fed Chair Powell: “But we kind of know there are going to be tariffs and they tend to bring growth down.”*

## U.S. Trade Balance



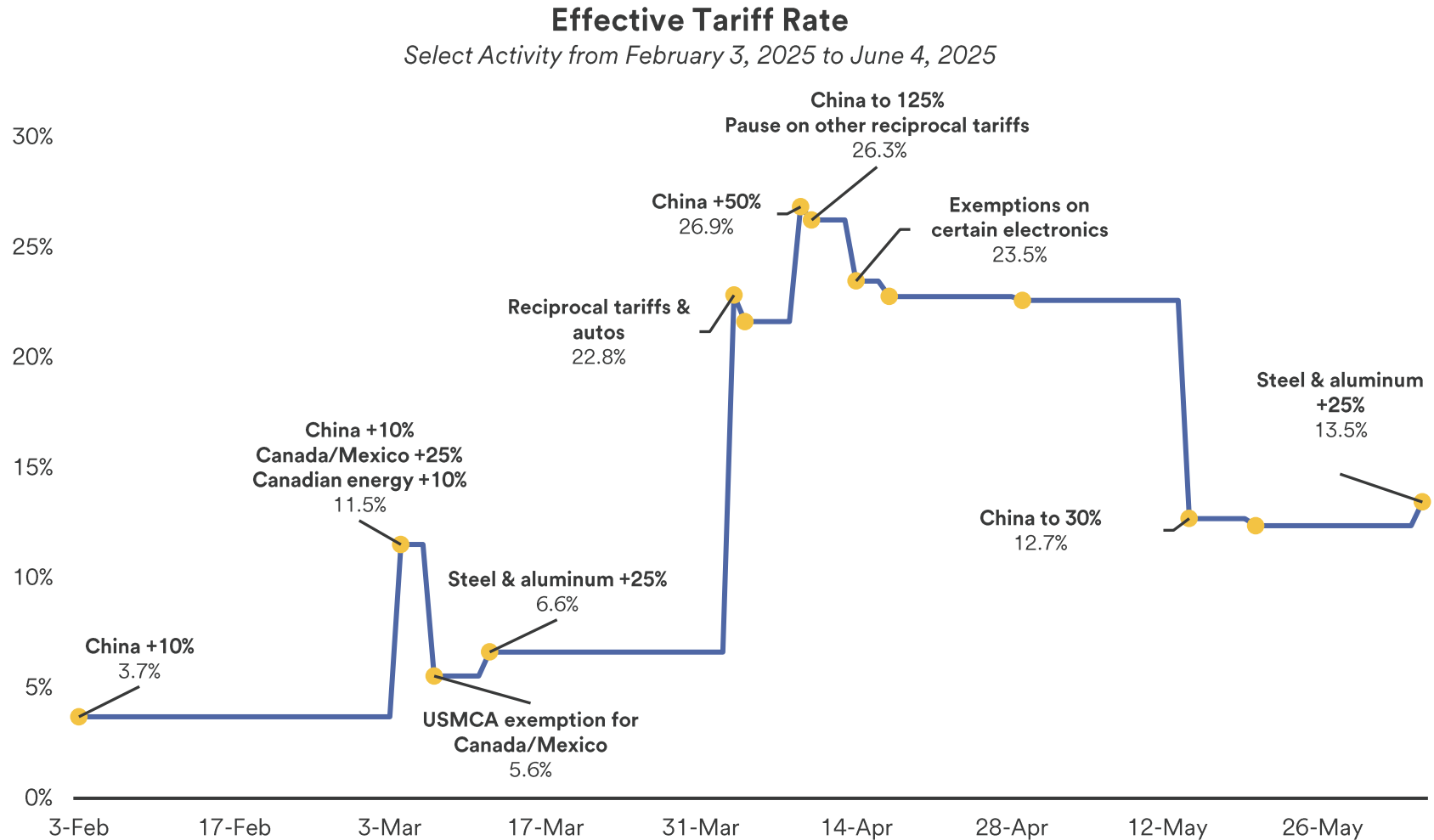
## U.S. GDP Forecasts

Annualized Rate



Source: FOMC Chair Jerome Powell Press Conference, March 19, 2025; Bloomberg Finance L.P. and the U.S. Census Bureau as of February 2025 (left). Bureau of Economic Analysis and Bloomberg Finance L.P., as of April 2025. Survey responses after April 2, 2025 included in median and forecast range (right).

# Evolution of Effective Tariff Rate



Sources: Bloomberg Finance L.P. as of June 4, 2025. Yellow dots represent activity impacting effective tariff rate.



# Latest FOMC Meeting

## FOMC Statement (edits purposely identified):

Uncertainty unemployment rate ~~has stabilized at a low level in recent months round~~ ~~remains~~ low, and labor market conditions remain solid. Uncertainty about the economic outlook has ~~increased further~~ ~~diminished but remains~~ elevated. The committee is attentive to the risks to both sides of its dual mandate ~~and judges that the risks of higher unemployment and higher inflation have risen.~~

## FOMC Press Conference:

“The U.S. economy has defied all kinds of forecasts for it to weaken, really over the last three years, and it’s been remarkable to see ... again and again when people think it’s going to weaken out. Eventually it will, but we don’t see signs of that now.”

“Today, the amount of the tariff effects, the size of the tariff effects, their duration and the time it will take are all highly uncertain. So that is why we think the appropriate thing to do is to hold where we are as we learn more.”

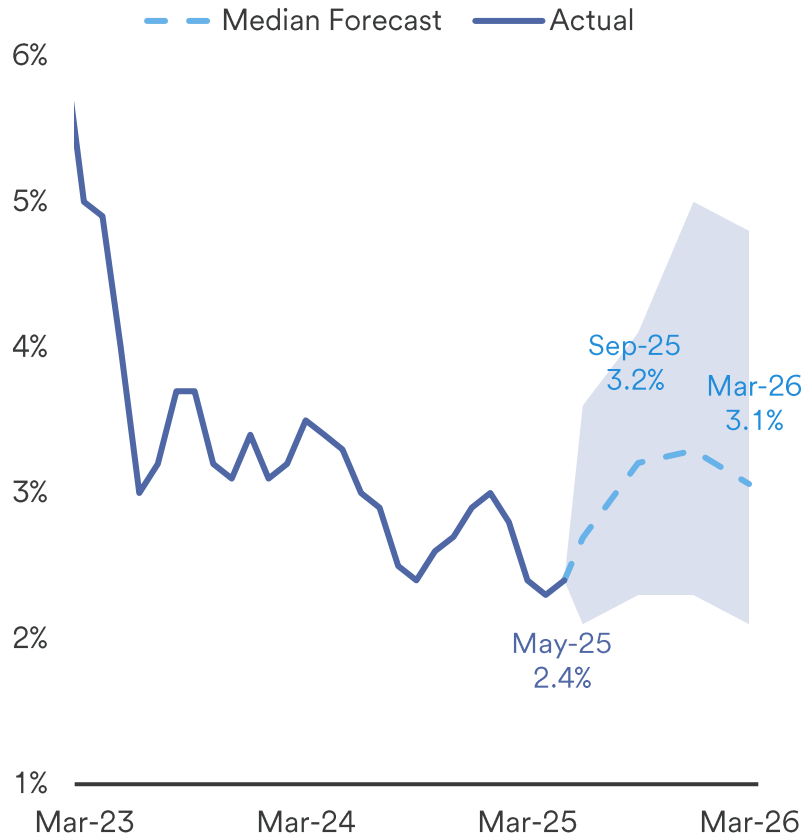
“It takes some time for tariffs to work their way through the chain of distribution to the end consumer... goods being sold at retailers today may have been imported several months ago before tariffs were imposed. So, we’re beginning to see some effects, and we do expect to see more of them over the coming months.”

“Look at labor force participation, look at wages, look at job creation. They’re all at healthy levels now. I would say you can see perhaps a very, very slow continued cooling. But nothing that’s troubling at this time.”

“No one holds these rate paths [dot plot] with a great deal of conviction. And everyone would agree that they’re all going to be data-dependent.”

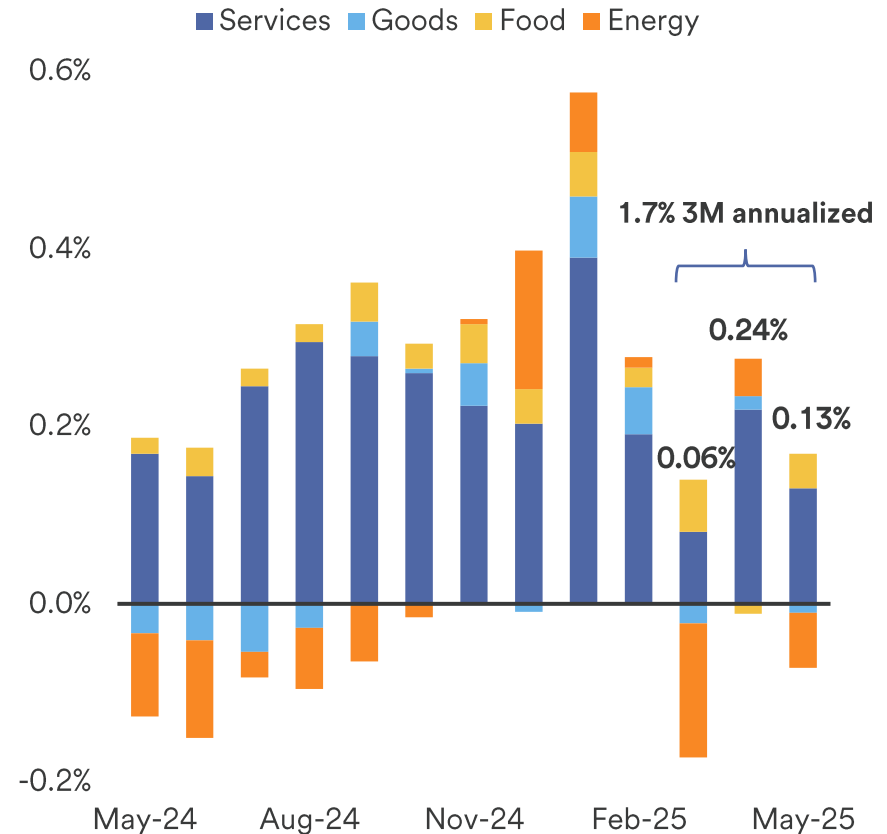
# Inflation Prints Remain Benign

## CPI Inflation (YoY)



## CPI Inflation

Contributions to Month-Over-Month Change

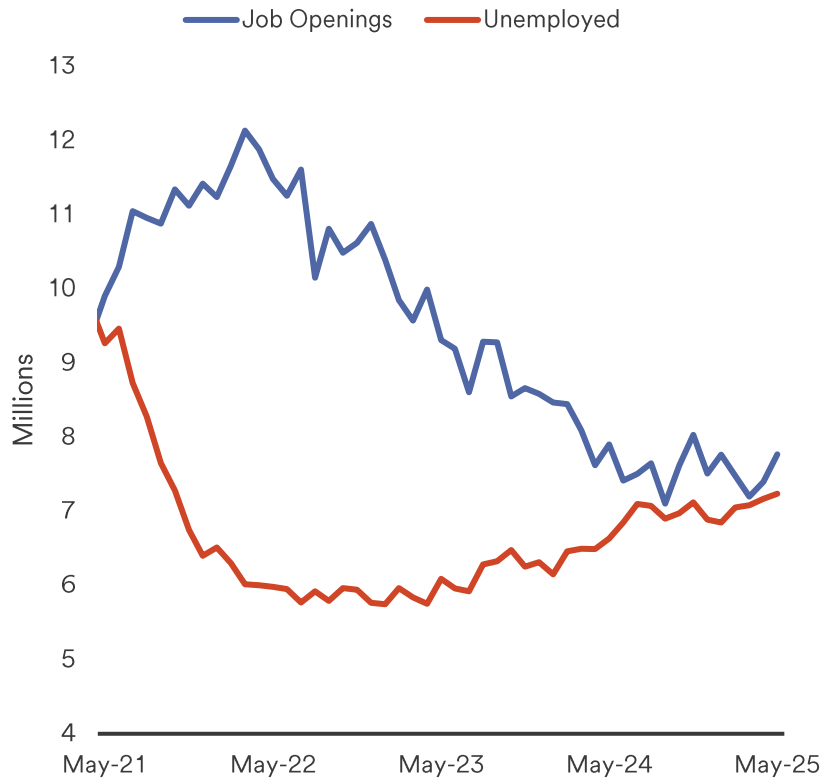


Source: Bureau of Economic Analysis and Bloomberg Finance L.P. as of May 2025. Survey responses after May 23, 2025, included in median and forecast range. Forecast range shown is the 75th and 25th percentile of responses (left).

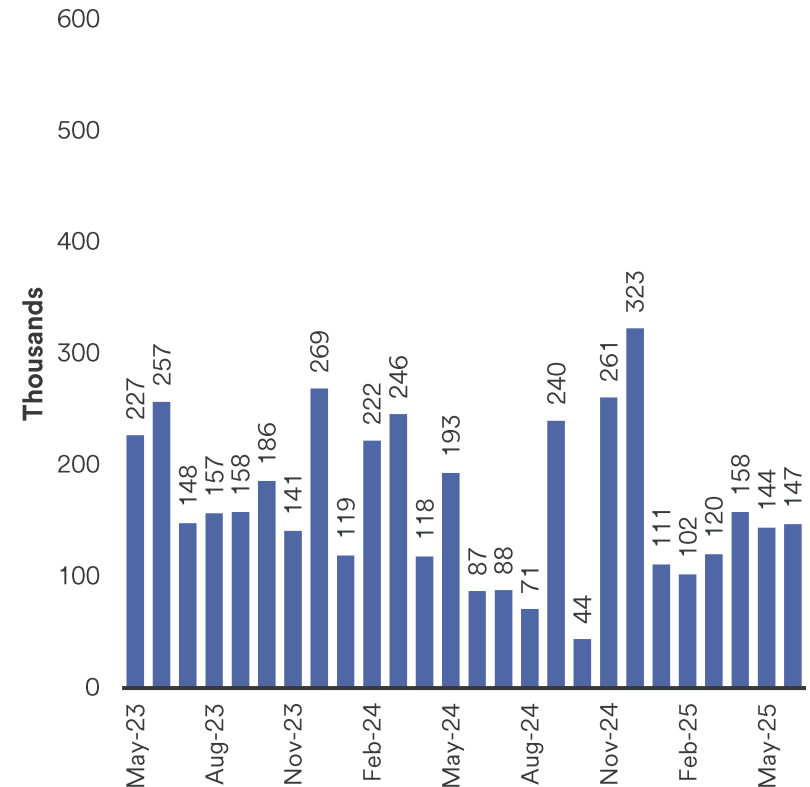


# Labor Market: Job Openings and Changes to Nonfarm Payrolls

## Job Openings vs. Unemployed Workers



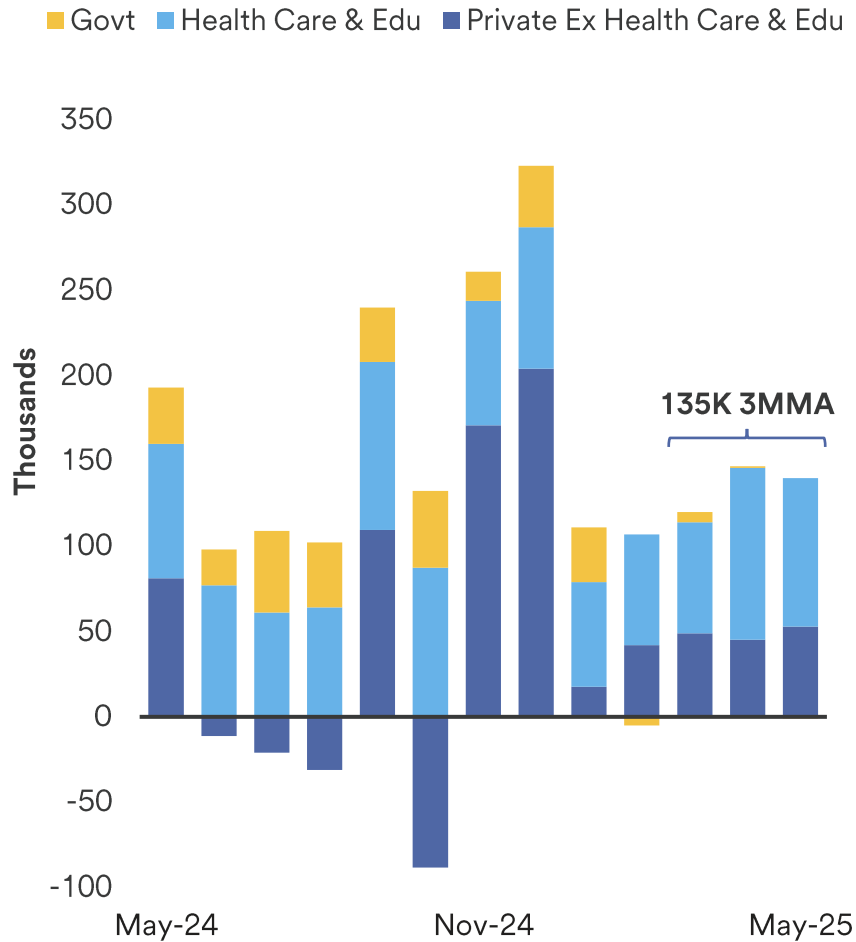
## Monthly Change In Nonfarm Payrolls



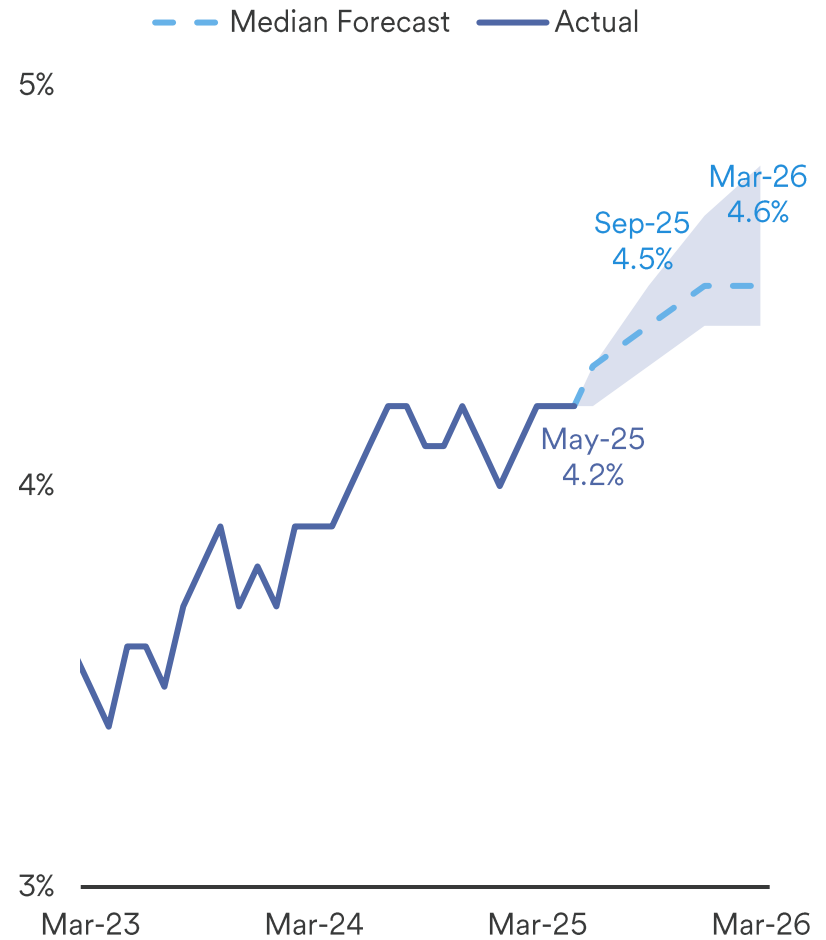
Source: Bureau of Labor Statistics and Bloomberg Finance L.P. Monthly change in nonfarm payrolls and unemployed workers as of June 2025. Job openings as of May 2025. Data is seasonally adjusted.

# The Labor Market Remains Resilient

## Monthly Change In Nonfarm Payrolls



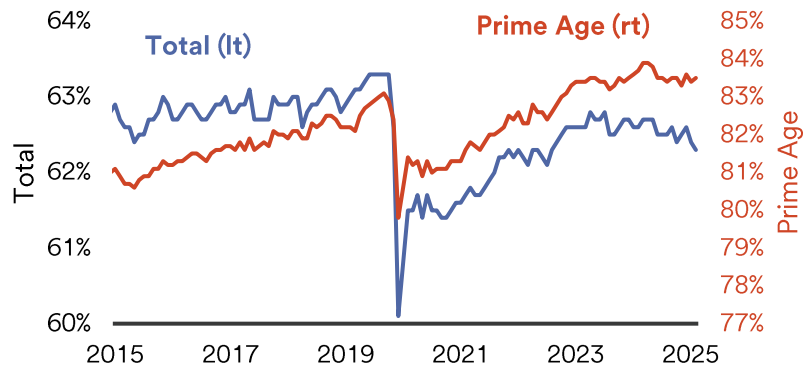
## Unemployment Rate



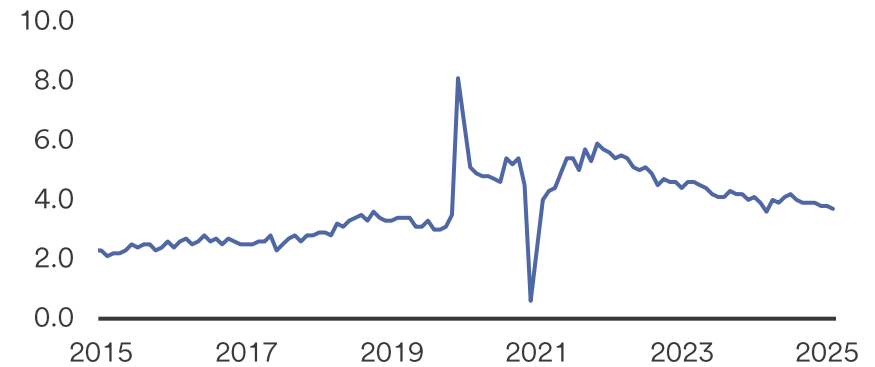
Source: Bureau of Labor Statistics and Bloomberg Finance L.P. as of May 2025. Survey responses after May 23, 2025, included in median and forecast range. Forecast range shown is the 75th and 25th percentile of responses (right).

# Employment Indicators

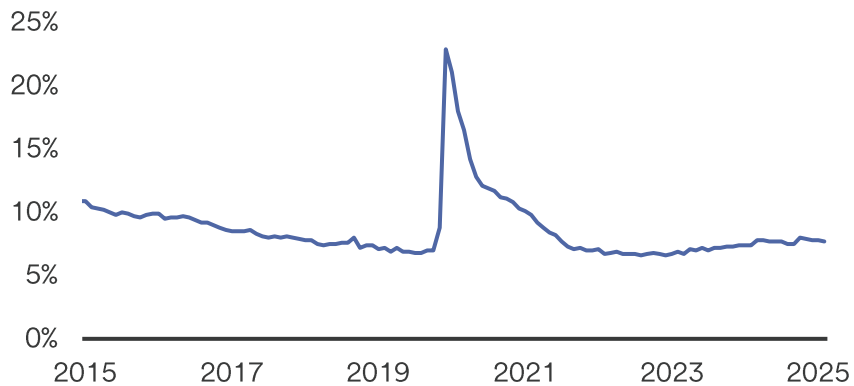
## Labor Force Participation Rate



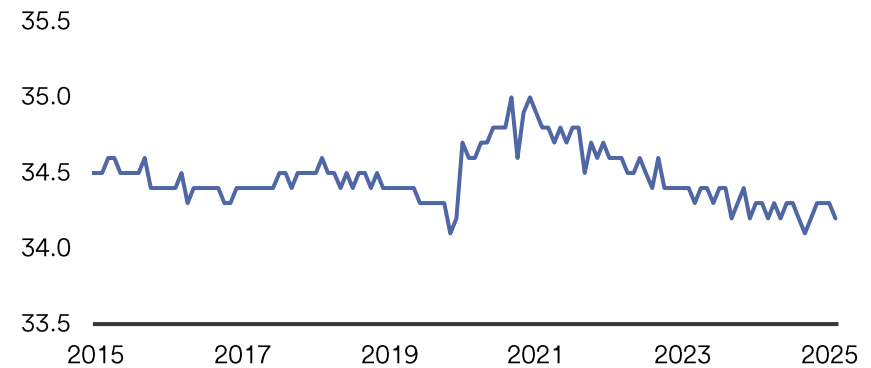
## Avg. Hourly Earnings (YoY %)



## U-6 Underemployment Rate (%)



## Total Private Sector Average Weekly Hours



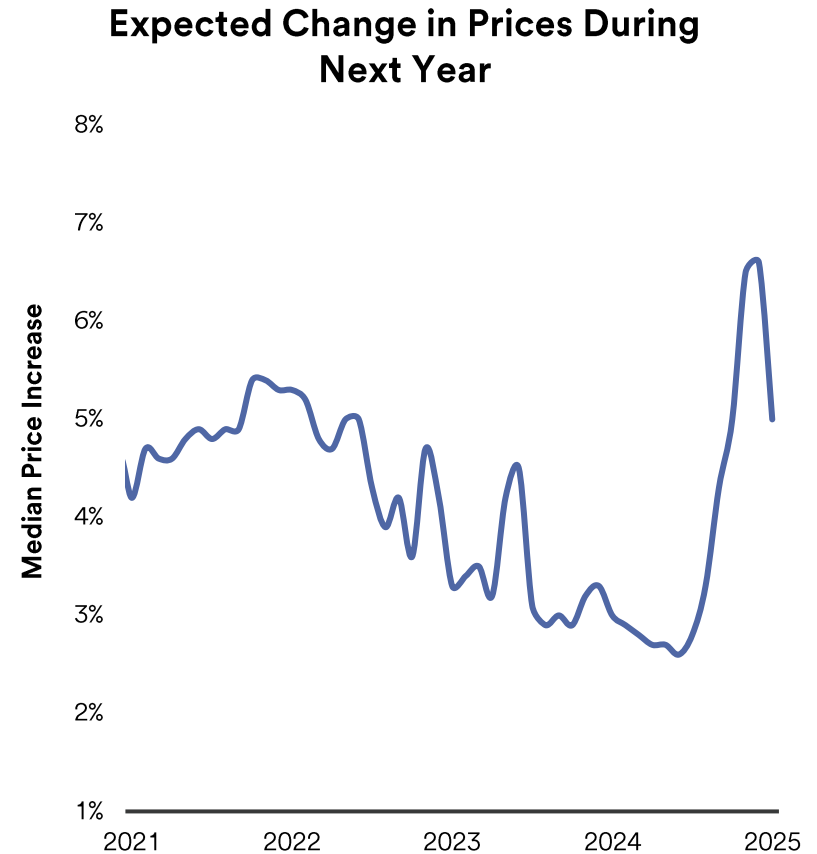
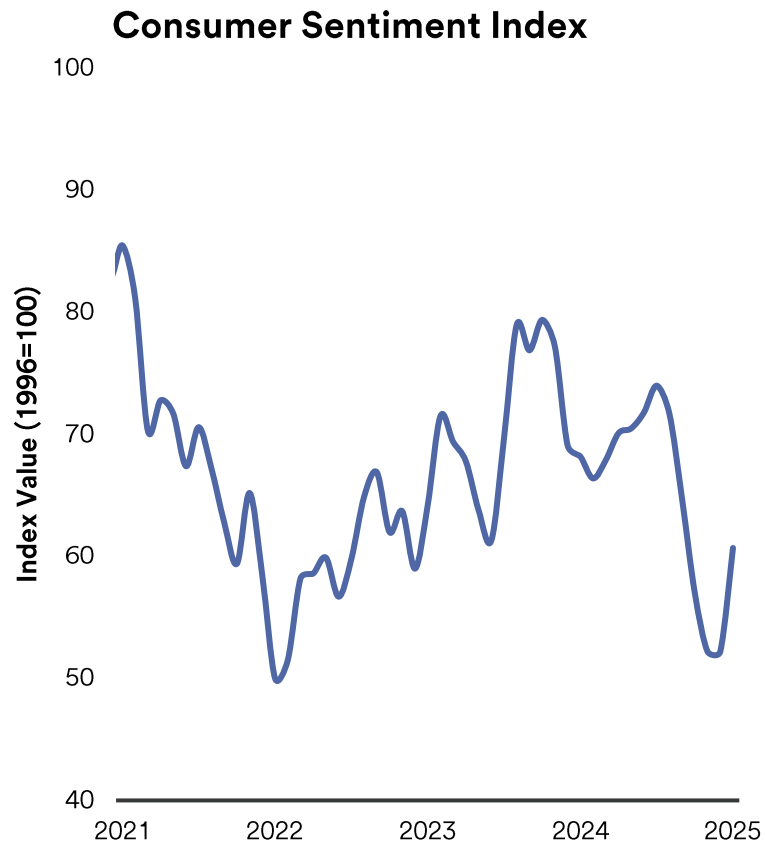
Source: Bloomberg Finance L.P., as of June 2025. BLS defines "prime-age" as individuals ranging from 25 - 54 years of age.

# Wage Growth and Inflation



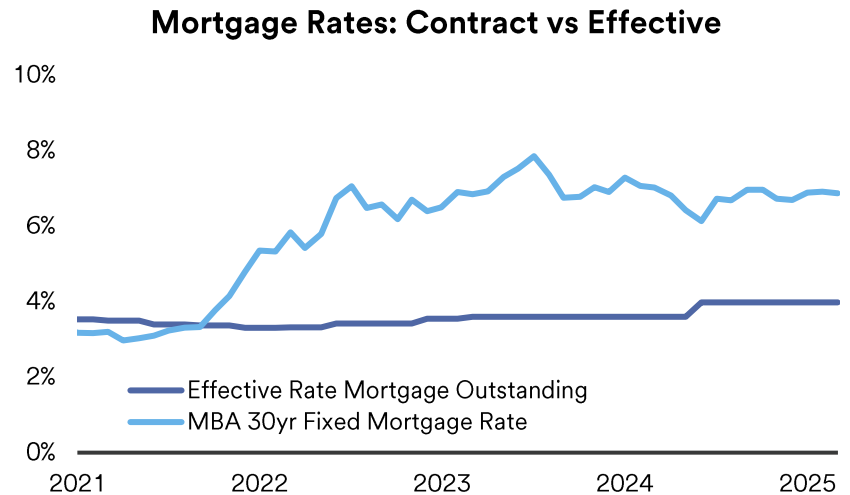
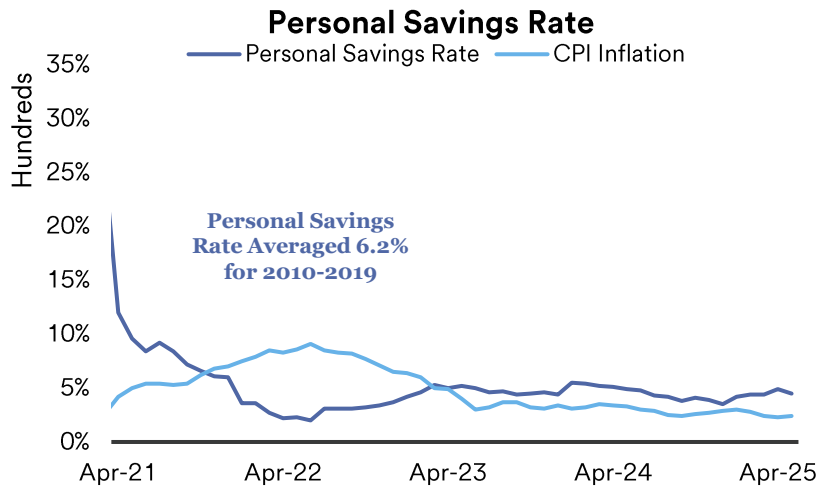
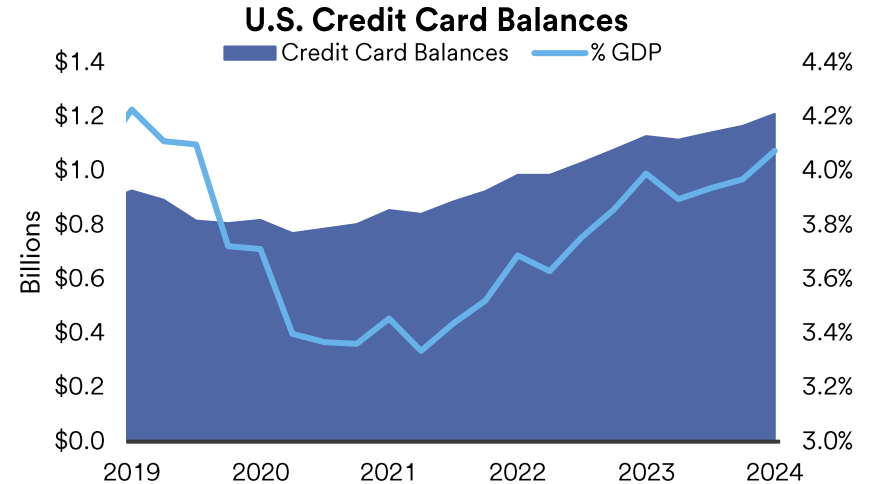
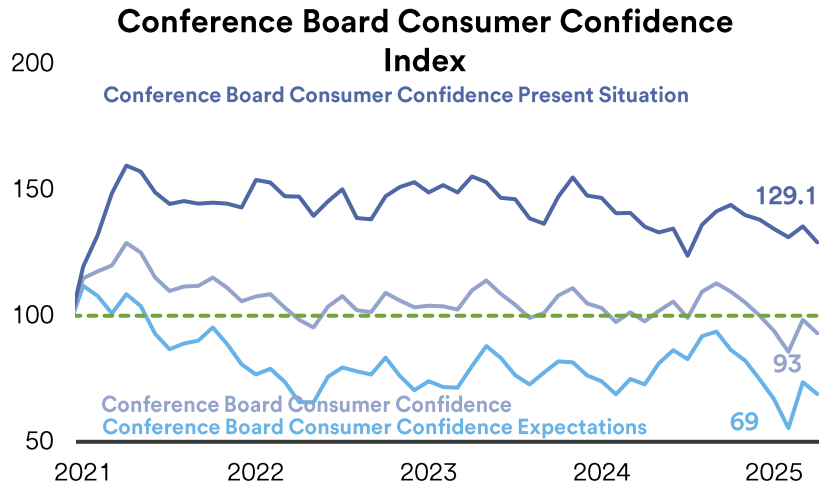
Source: Bloomberg Finance L.P., Bureau of Labor Statistics, and Atlanta Federal Reserve Economic Data, as of February 2025.

# Consumer Sentiment



Source: Bloomberg Finance L.P., University of Michigan Consumer Sentiment and underlying index components, as of June 2025.

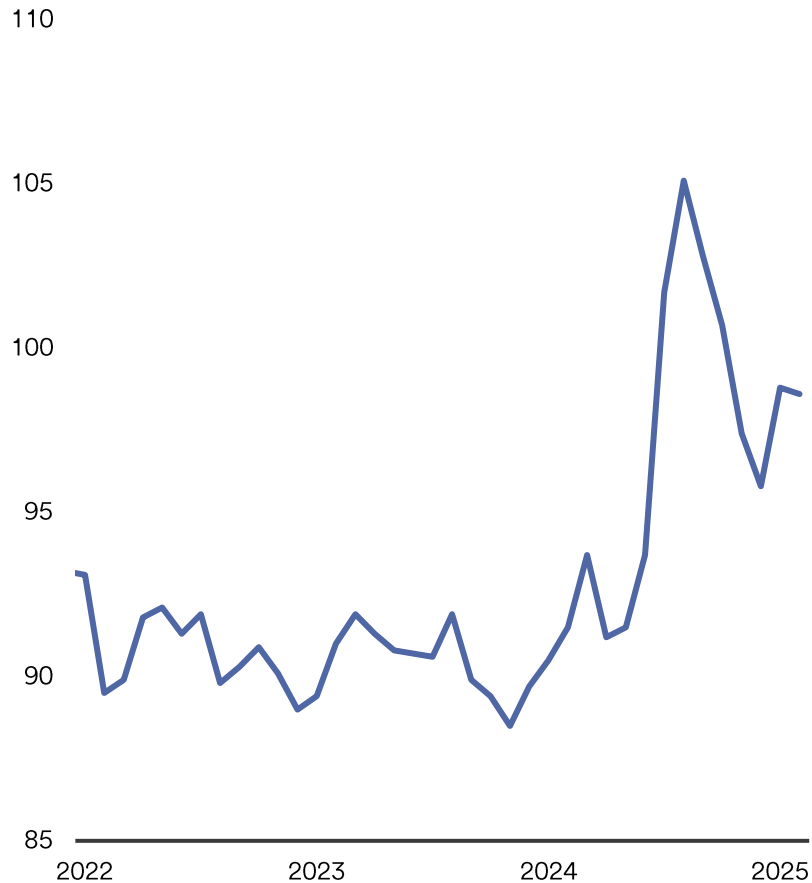
# The Consumer: An Overview



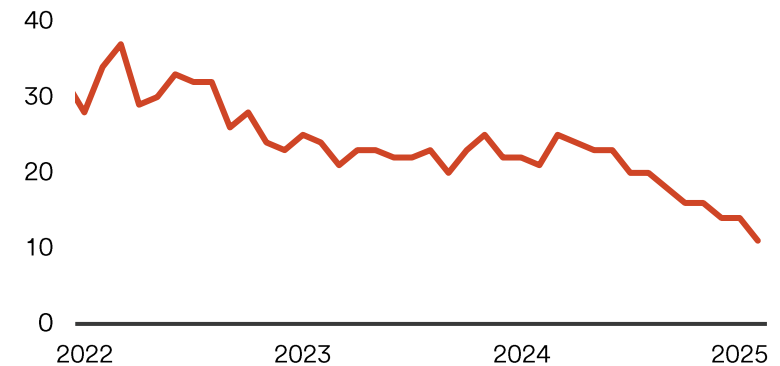
Source: Conference Board Consumer Confidence Index – Bloomberg CONCEXP Index, CONCCONF Index and CONCPST Index. U.S. Credit Card Balances – Bloomberg GDP CUR\$ Index, Board of Governors of the Federal Reserve System. Personal Savings Rate – Bloomberg PIDSDPS Index and CPI YOY Index. Mortgage Rates: Contract vs Effect – Bloomberg USMIRATE Index and MB30 Index.

# Business Optimism Index

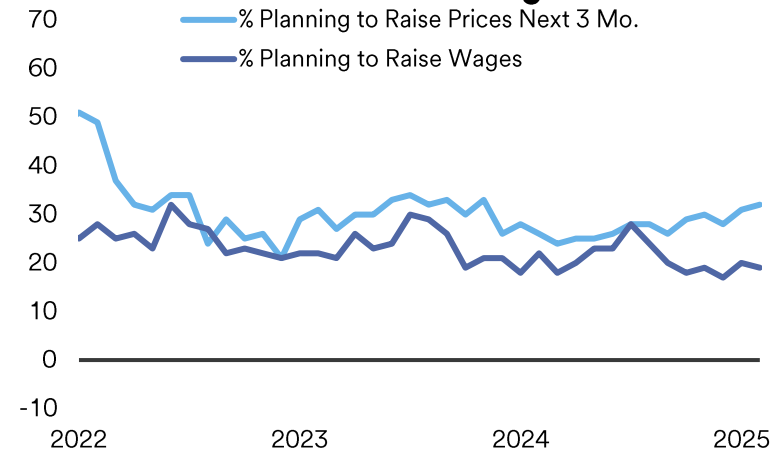
## NFIB Small Business Optimism Index



## Inflation Single Most Important Problem

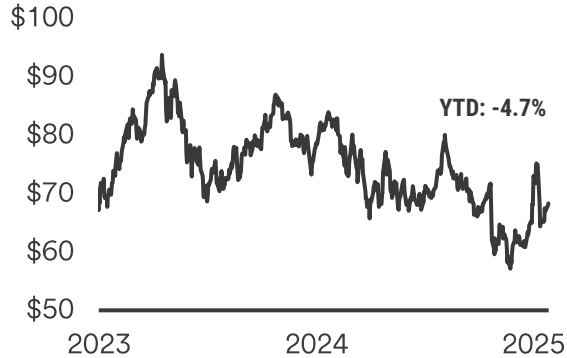


## Small Business Selling Prices

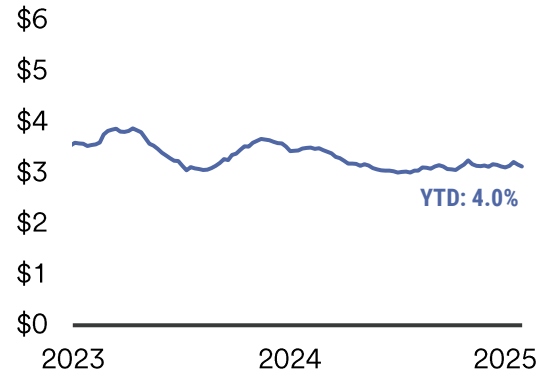


# Energy Prices

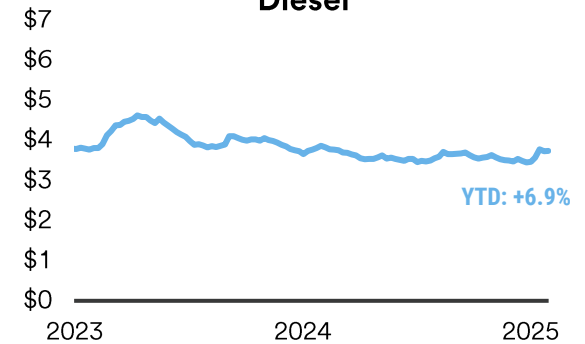
**WTI Crude Oil (per barrel)**



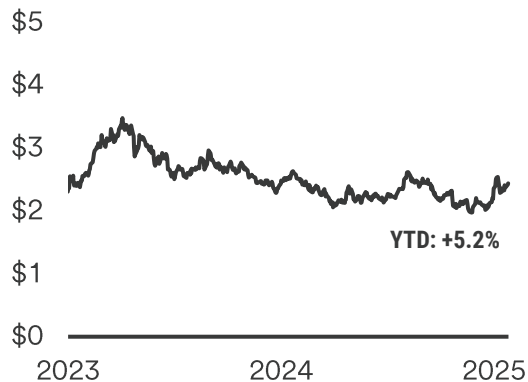
**Retail Gasoline (per gallon)**



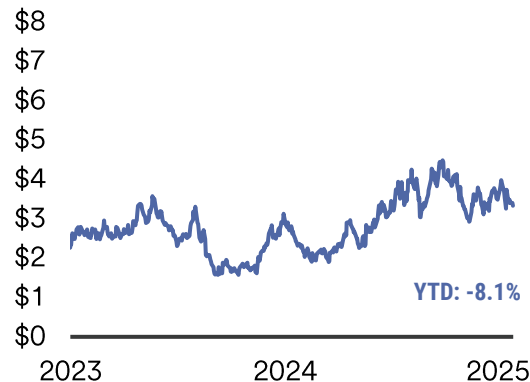
**Average Retail Price US Diesel**



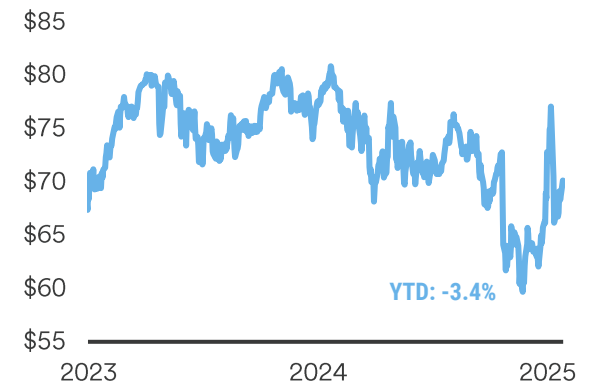
**Heating Oil (per gallon)**



**Natural Gas (per MMBtu)**



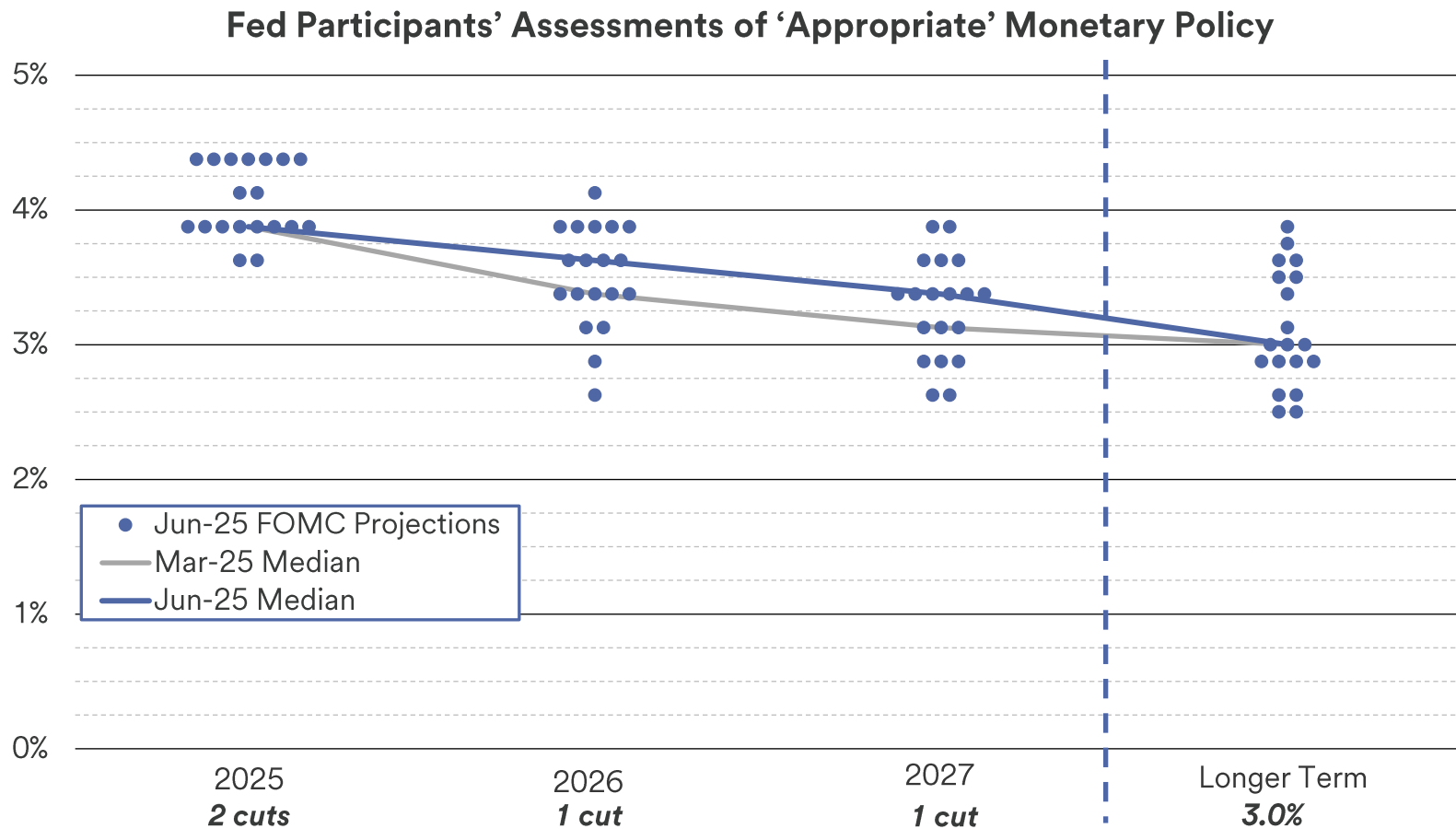
**BRENT Crude Oil (per barrel)**



Source: Bloomberg Finance L.P.. Retail Gasoline and Diesel, as of July 7, 2025. All others as of July 8, 2025.  
Note: MMBtu: Metric Million British Thermal Unit

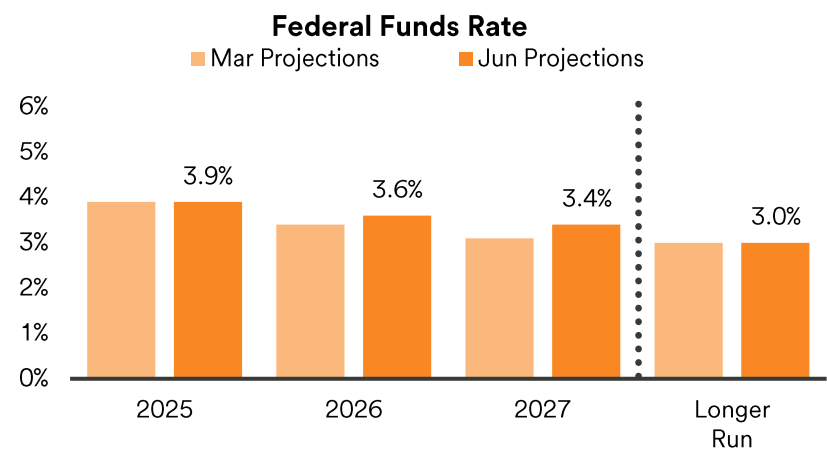
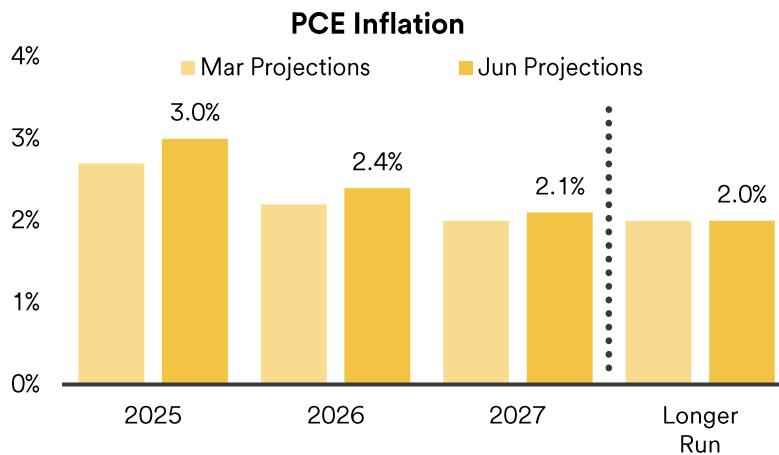
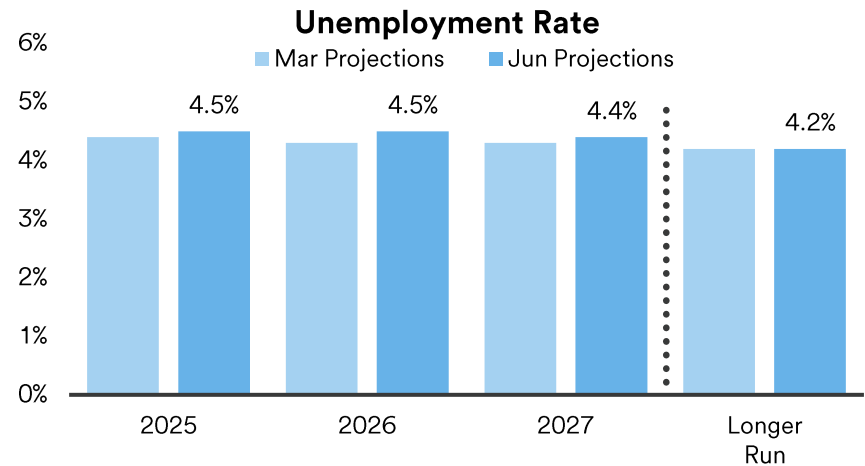
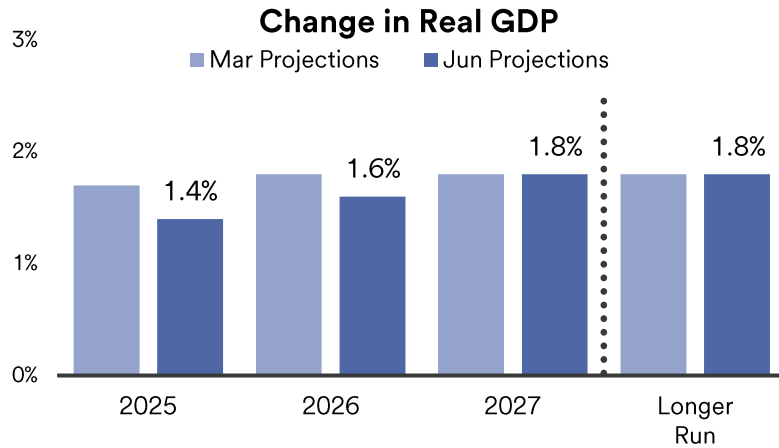


# The Latest Fed “Dot Plot”



Source: Federal Reserve; Bloomberg Finance L.P.. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end. As of June 2025.

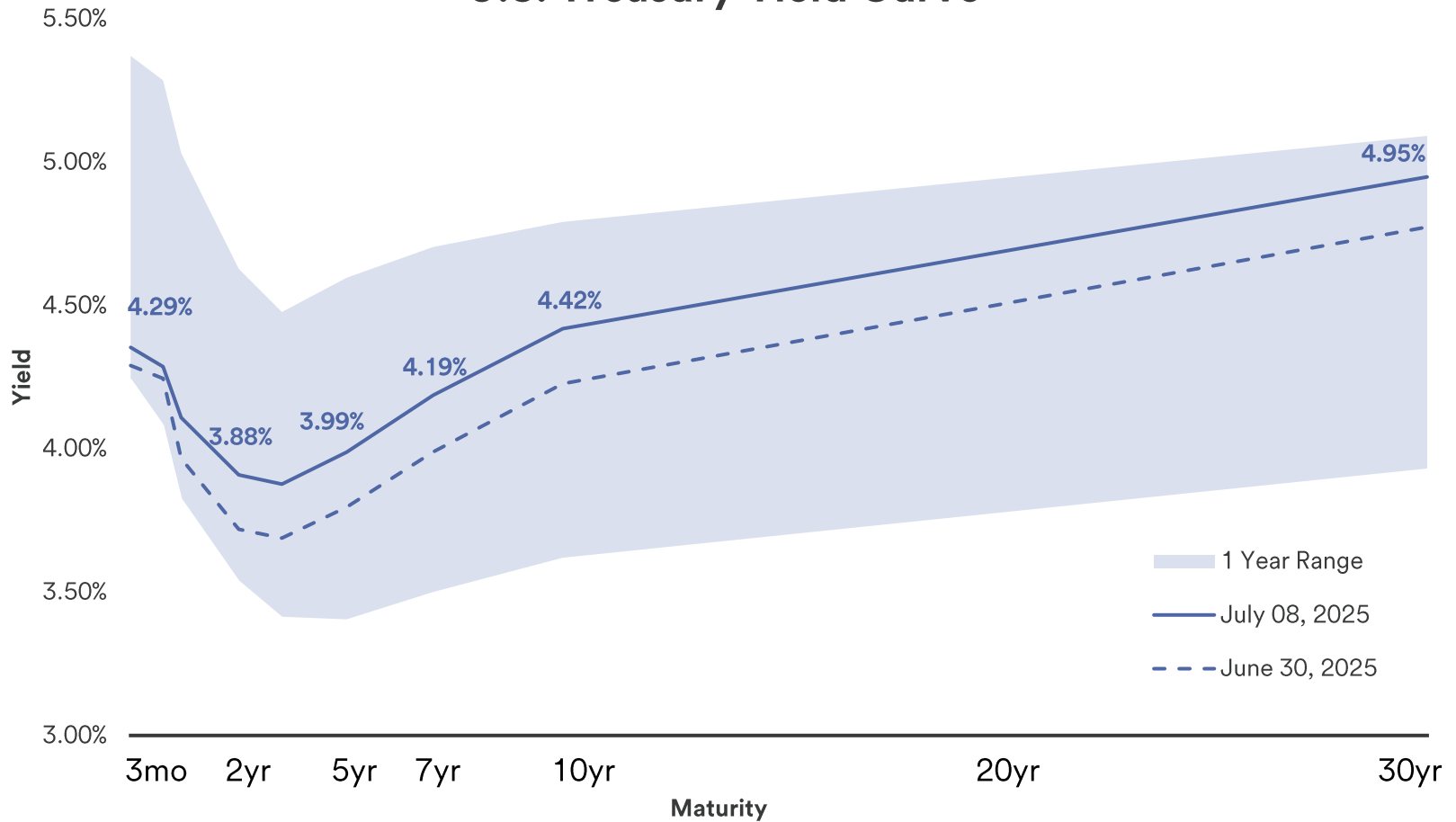
# Fed's Updated Summary of Economic Projections



Source: Federal Reserve, latest economic projections as of June 2025.

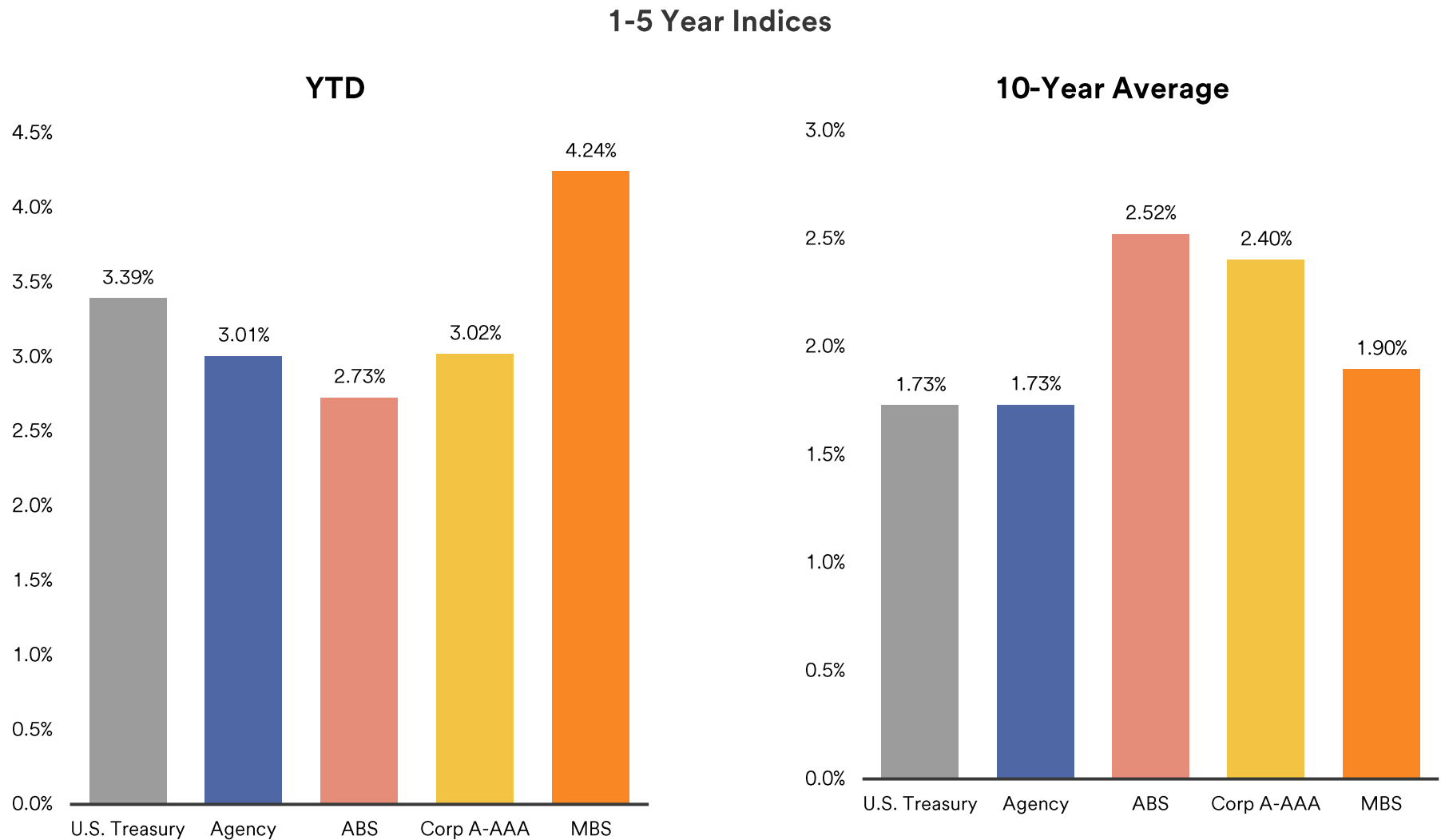
# Treasury Curve

## U.S. Treasury Yield Curve



Source: Bloomberg Finance L.P., as of 7/08/2025.

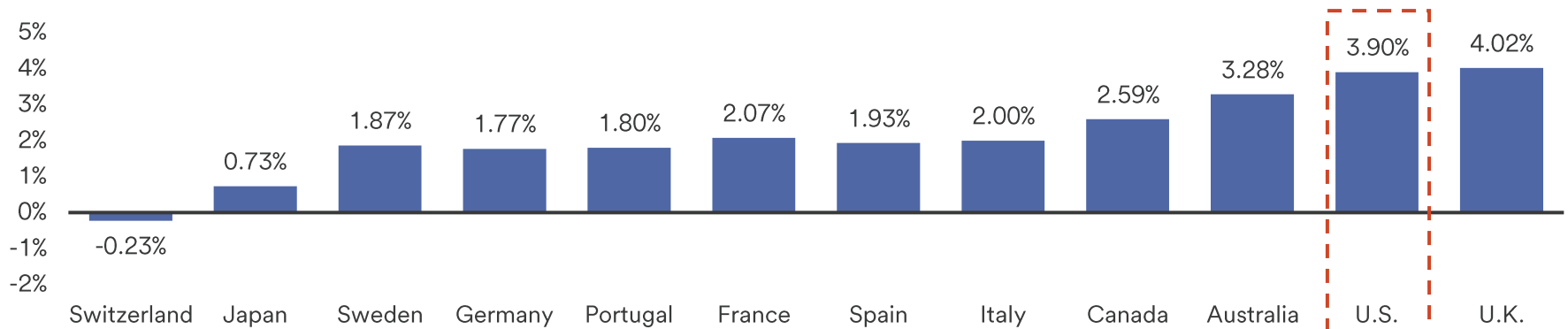
# 1-5 Year Indices Return



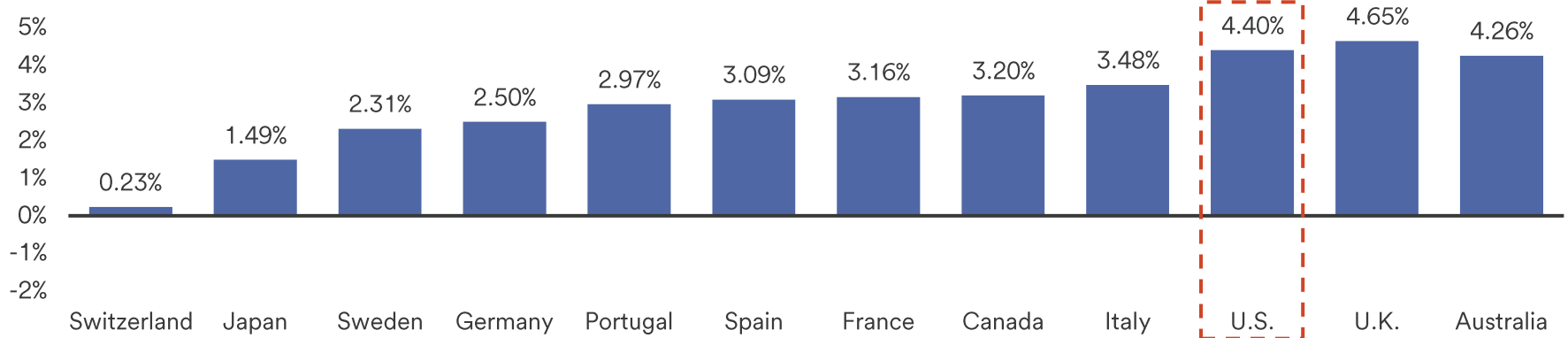
Source: ICE BofA Indices. ABS indices are 0-5 year, based on weighted average life. As of 06/30/2025.

# Global Interest Rate Environment

## 2-Year Bond Yields

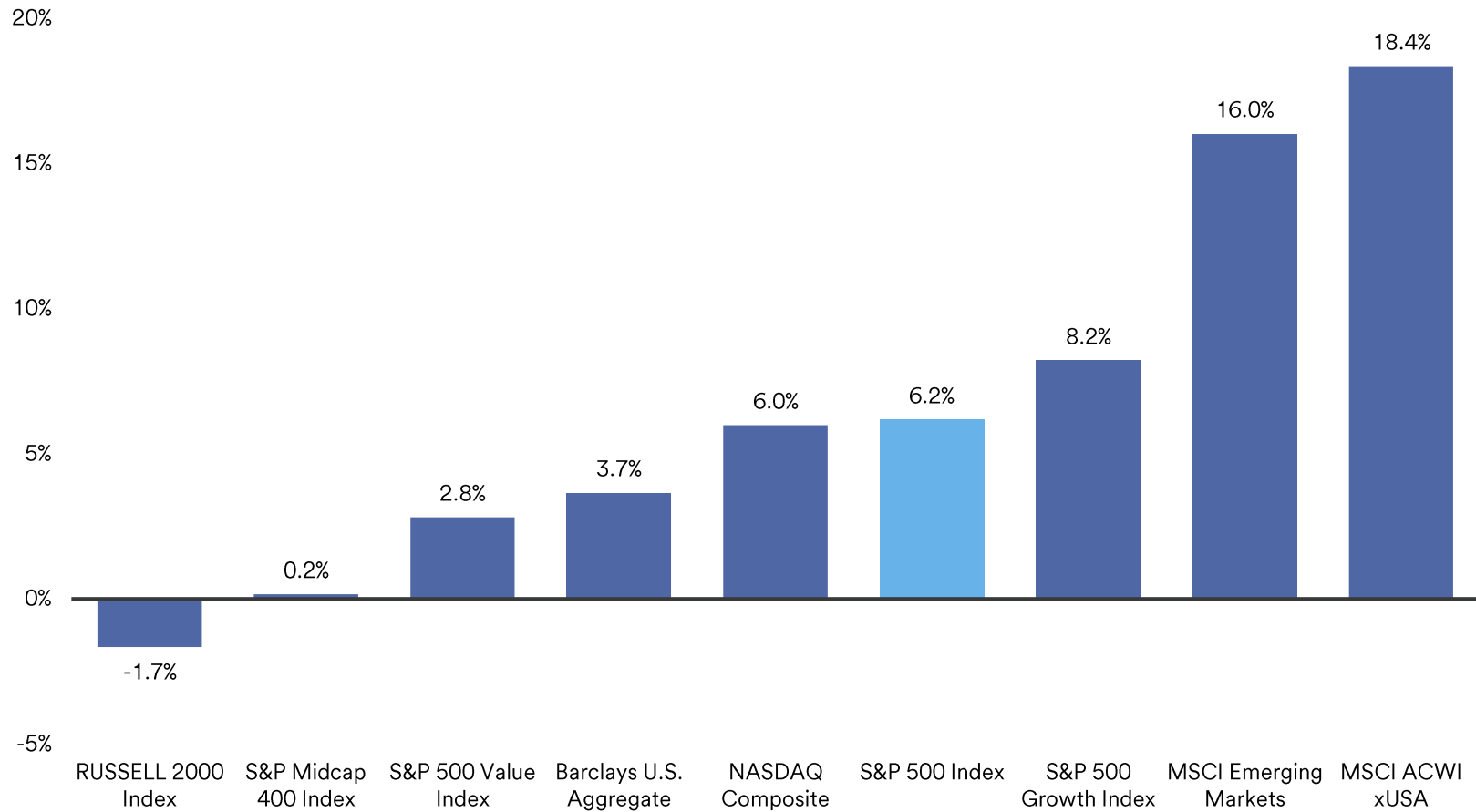


## 10-Year Bond Yields



# Total Return

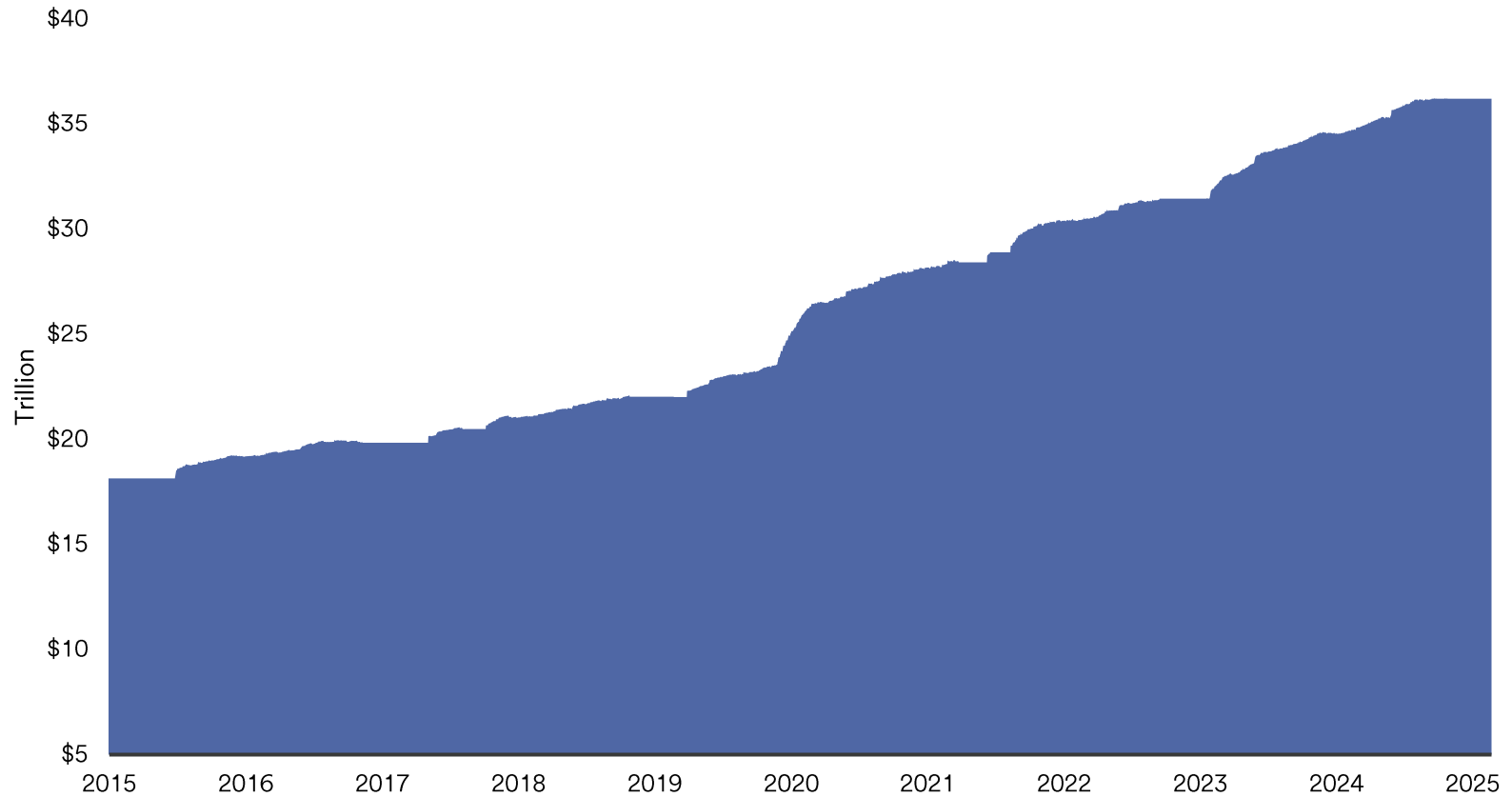
## YTD Total Return



Source: Bloomberg Finance L.P., as of 6/30/2025.

# U.S. National Debt Surpasses \$36 Trillion

**Total Public Debt Outstanding**



Source: Bloomberg Finance L.P., U.S. Department of Treasury, as of 06/26/2025.

# Disclaimer

*The views expressed within this material constitute the perspective and judgment of U.S. Bancorp Asset Management, Inc. at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon current opinion as of the date of issue and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. No representation is made as to its accuracy or completeness.*

*Indexes shown are not available for investment. The index data reference herein is the property of the index provider and / or its licensors. The index provider assumes no liability in connections with its use and does not sponsor, endorse or recommend the products or services contained herein. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.*

*PFM Asset Management serves clients in the public sector and is a division of U.S. Bancorp Asset Management, Inc., which is the legal entity providing investment advisory services. U.S. Bancorp Asset Management, Inc. is a registered investment adviser, a direct subsidiary of U.S. Bank N.A. and an indirect subsidiary of U.S. Bancorp. U.S. Bank N.A. is not responsible for and does not guarantee the products, services, or performance of U.S. Bancorp Asset Management, Inc.*

**NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE**