

Consumer Inflation Rises, Tariff Impact Muted



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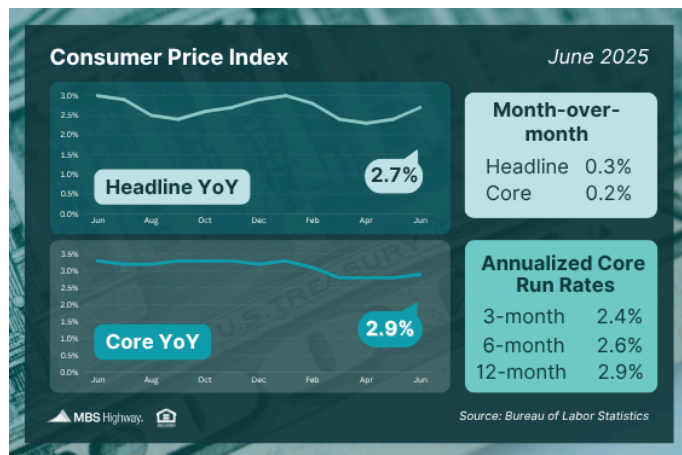


Week of July 14, 2025 in Review

Tariffs had less impact on inflation than expected, home builder confidence stayed low, and single-family construction slowed despite a bump in overall activity. Read on for more key insights.

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Consumer Inflation Rises in June, But Tariff Impact Limited



Inflation ticked up in June, with the Consumer Price Index (CPI) rising 0.3% for the month. Compared to last year, prices are up 2.7%, a slight increase from 2.4% in May. This rise was mainly due to higher energy prices, which jumped 0.9%, and a modest 0.3% increase in food costs.

Core inflation – which leaves out food and energy – rose 0.2% in June. On a yearly basis, core prices are up 2.9%, a slight increase from 2.8% in May. Both readings came in just below expectations.

Part of the annual increase in both the headline and core inflation readings is due to how inflation is calculated: lower numbers from June 2024 are no longer included in the 12-month average, and have been replaced by higher figures from this year.

What's the bottom line? While tariffs were expected to push prices higher, their impact was smaller than feared. Some goods, like home furnishings and clothing, did see increases, but car prices fell, and food prices rose only slightly.

Shelter remains the biggest factor in inflation, making up a large portion of the overall index. In June, housing costs rose modestly, and the annual rate edged down to 3.8%.

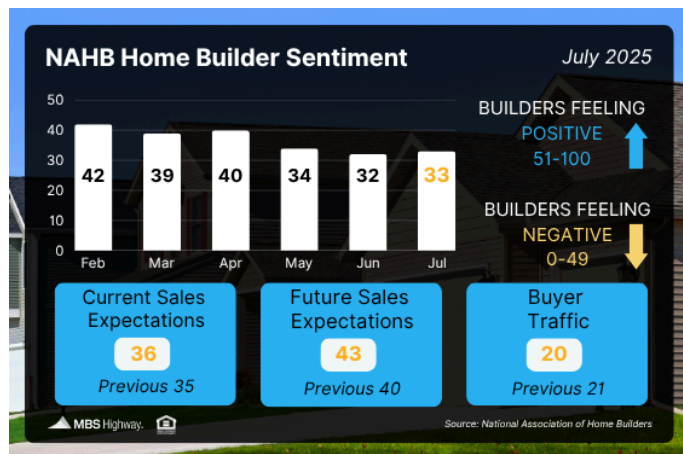
Wholesale Inflation Eases More Than Expected

At the wholesale level, prices held steady in June after an upwardly revised 0.3% increase in May. Over the past year, wholesale inflation slowed to 2.3%, down from 2.7% – the lowest level since last September. Core wholesale prices, which exclude food and energy, were also flat, with the annual rate easing to 2.6% from 3.2%.

What's the bottom line? While May's readings were revised higher, overall the report was better than feared. Some tariff-related increases showed up but weren't widespread.

These wholesale numbers matter because they influence the Fed's preferred inflation gauge – the Personal Consumption Expenditures (PCE) index. While a few shared categories, like portfolio management, saw price increases, others like healthcare and airline travel remained muted or declined. Overall, this data shouldn't spark a sharp rise in the next PCE report, which will be released on July 31.

Slight Uptick in Builder Confidence Amid Ongoing Market Strains

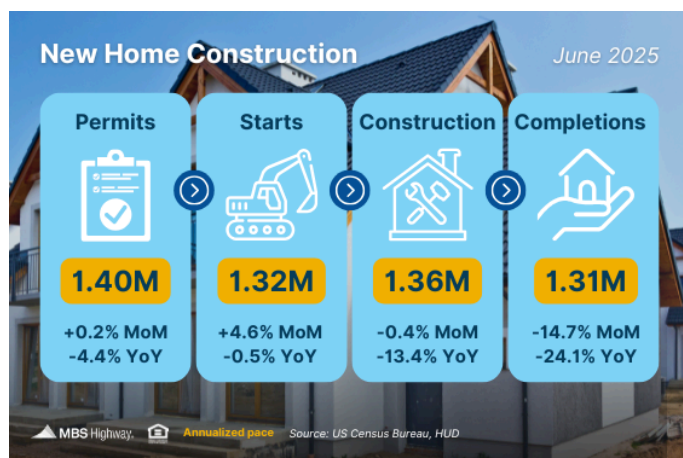


Home builder confidence saw a slight rise in July, moving from 32 to 33, according to the National Association of Home Builders. While this marks a small step in the right direction, it's still well below the 50-point level that signals market growth – and continues a 15-month stretch of weak sentiment.

Among key indicators, buyer traffic reached its lowest point since 2022, though builders reported small improvements in both current and expected future sales.

What's the bottom line? Builders remain cautious due to high interest rates and ongoing economic uncertainty, both of which continue to dampen confidence and limit activity.

Single-family Home Construction Softens



June saw a 4.6% increase in overall Housing Starts, but this was entirely driven by multi-family projects. Single-family construction dropped 4.6%. Similarly, overall Building Permits rose slightly by 0.2%, yet single-family permits declined by 3.7%.

Completions fell across the board for both housing types.

What's the bottom line? New construction isn't keeping pace with demand. Housing starts (1.3 million), permits (1.4 million), and completions (1.3 million) all fall short of the 1.8 million new households formed annually, on average, over the past five years – contributing to an ongoing supply shortage that continues to support home values.

Stronger Spending and a Mixed Jobs Picture

Retail sales jumped 0.6% in June, bouncing back from May's 0.9% drop. Some of the biggest gains were seen at car dealerships, clothing stores, home improvement centers and restaurants.

A key measure of retail sales – known as the “control group,” which excludes categories like autos, gas, building materials, and food services – also beat forecasts with a 0.5% gain, though May’s figures were revised lower. This data is important because it directly affects economic growth numbers for the second quarter.

On the jobs front, new unemployment claims fell to 221,000, the lowest since early April. However, the number of people continuing to receive unemployment benefits rose slightly to 1.956 million. This figure has stayed above 1.9 million for eight straight weeks, suggesting many job seekers are still struggling to find work quickly.

Family Hack of the Week

July 23 marks the official National Peanut Butter and Chocolate Day, though any day is perfect for enjoying these No-Bake Chocolate Peanut Butter Bars from Allrecipes. Yields 2 dozen.

Melt 1/2 cup butter in a pan over low heat. Add 2 1/2 cups confectioners' sugar, 2 cups peanut butter, 1/2 cup packed brown sugar and 1 teaspoon vanilla. Mix well until combined. Press mixture firmly into a 9x13-inch pan.

Place 2 cups of semisweet chocolate chips in a large bowl over a bain-marie or double boiler set to a low simmer. Stir until the chocolate is fully melted, then spread evenly over the peanut butter layer. Cool until completely hardened, at least 1 hour before cutting into bars.

What to Look for This Week

We'll see key housing market updates with the Existing Home Sales report for June due on Wednesday, followed by the New Home Sales report on Thursday. Also on Thursday, look for the latest Jobless Claims data.

Technical Picture

Mortgage Bonds tested a key support level at their 25-day Moving Average on Friday. If that level doesn't hold, the next support is the nearby 100-day Moving Average. Meanwhile, the 10-year Treasury yield broke above its 50-day Moving Average. We need to stay cautious, as there's significant potential for yields to move higher from here.