

## WEEKLY INSIGHT

August 1, 2025

### Options Remain

Policymakers at the Federal Reserve did what most expected—nothing. This left the overnight effective borrowing rate around 4.3%. What did make the meeting notable was the “lively” debate that ended with two of the 11 voters dissenting, in favor of a rate cut of 0.25%. 1993 was the last time a meeting had two members vote against the consensus.

Policymakers decided to stay the course based upon two views:

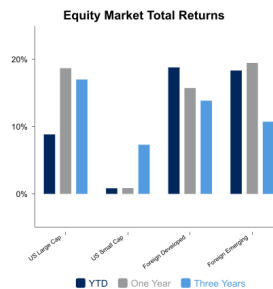
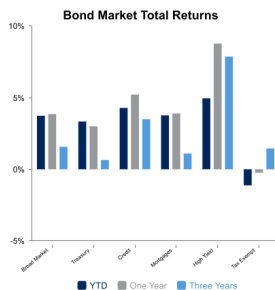
1. Labor markets remain stable, so there was no need to ease
2. The uncertain impact that higher tariffs may push inflation higher, providing a need to keep monetary policy tight.

This no move policy decision kept their options open to gather more data before the next vote. Currently, the September vote has a 50% chance for a rate cut according to Fed Funds’ futures data.

At 3.0%, second quarter GDP beat economist estimates of 2.7%, a material shift from the -0.5% first quarter reading. Again, it was the net export figure that had a substantial impact on this quarter’s GDP figure, as outsized import activity (negative to GDP) to land goods before tariffs took effect during the first quarter, flipped to net exports (positive to GDP) during the second quarter. Blending the two quarters, U.S. GDP slowed to a 1.25% annualized rate, a percentage point lower than the pace for 2024.

Weakness in the housing market continues as GDP data showed residential investment declined 4.6%, the lowest level since 2022, with spring selling some of the worst figures in over a decade. This confirmed the modest 0.6% rise of new home sales in June reported last week. Inventories of new single-family homes for sale reached the highest level since late 2007, as inventories now represent 9.8 months’ worth of sales at the current pace. The median prices of a new single-family home fell 2.9% from a year earlier.

Second quarter earnings have surprised to the upside compared to the tempered forward guidance laid out during first quarter earnings calls that focused on the economic uncertainty following the April tariff implementation. This week, U.S. equity markets were relatively unchanged as the markets waited for earnings releases of leading firms. Following Wednesday’s close, two firms representing 9% of the MSCI USA Index reported large positive upside surprises, setting a high bar for other large companies scheduled to report this week. Bond market returns were 0.3% higher for the week as the 30-year Treasury bond yield declined and corporate spreads continue to tighten relative to treasury securities.



Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper)	4.50	5.50	2.50
3-Month T-Bill	4.34	5.28	2.32
10-Year Treasury	4.37	4.03	2.65
30-Year Treasury	4.90	4.30	3.01
10-Year Corporate AA	5.10	4.97	4.48
10-Year High Yield Corp	6.39	6.41	7.06
Commodity Prices (\$)	Current	12M Ago	3YR Ago
Gold (\$/oz.)	3,275	2,448	1,766
Oil (WTI, \$/barrel)	70.00	77.91	98.62
Currencies	Current	12M Ago	3YR Ago
USD (Dollar Index Spot)	99.82	104.10	105.90
USD/EUR	0.88	0.92	0.98

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