

CPI's Controlled Descent

The key datapoint this week is the Consumer Price Index report. While inflation reflects a modest increase from last month, there are no signs that price pressures are spreading across the economy. Markets will likely treat this as just another datapoint rather than a turning point. The outlook remains for a steady policy path with rates rangebound.

Headline inflation rose 0.3 percent month-over-month, pushing year-over-year inflation to 2.7 percent. The stickier core inflation rose 0.2 percent and reached 2.9 percent annually. Most of the increase came from goods categories such as appliances and furniture, which showed modest tariff pass-through. These gains were offset by continued softness in airfares and used car prices, helping to keep broader inflation contained.

Inflation is trending lower but remains above the Fed's 2 percent target. Fed members must balance the risk of reigniting inflation against the risk of choking off growth. The June FOMC minutes showed a divided Fed, and this single datapoint is unlikely to provide the clarity needed for a summer rate cut.

With no meaningful surprise in the CPI release, markets are likely to treat the report as the continuation of a trend. For now, inflation appears contained enough to allow the Fed to be patient and keep rate volatility low.

CPI & Contributions by Category

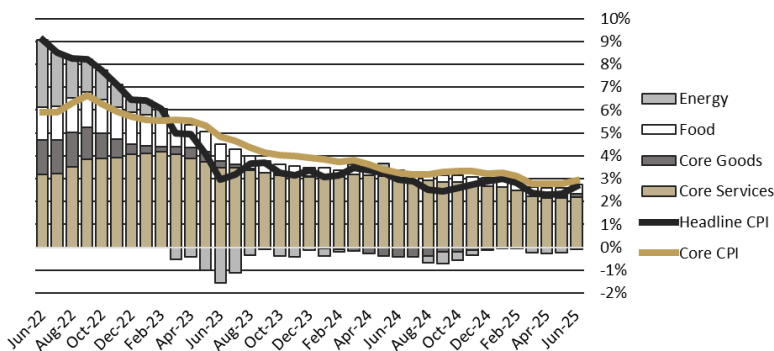


Chart Source, Bloomberg 7/15/25.

Economy

Last Week

-NFIB Small Business Optimism (June): 7/8

98.6 vs. 98.6 survey

-FOMC Meeting Minutes: 7/9

Continue to see divided Fed. More hawkish tone than in speeches.

-Initial & Continuing Jobless Claims: 7/10

Stable to positive result. 227k vs. 235k expected.

This Week

-CPI & Core CPI (June): 7/15

-Retail Sales Advance (June): 7/17

-Initial & Continuing Jobless Claims: 7/17

Equities

		Returns (%)					
Index	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	6269	0.64	1.06	7.33	13.10	19.17	15.86
Russell 1000 Growth	4318	0.86	1.02	7.17	14.61	24.91	17.35
Russell 1000 Value	1935	0.39	1.19	7.26	12.39	12.49	13.11
FTSE High Dividend Yield*	487	0.21	1.30	7.32	14.35	13.23	14.18
S&P Small and Mid Cap	17538	1.13	2.89	1.55	5.97	11.72	12.83
MSCI EAFE	2643	-0.11	-0.39	19.47	12.86	17.10	10.68
MSCI EM	1229	0.26	0.70	16.33	12.41	11.72	5.79

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD									
				YTD (%)									
S&P 500	21.1	15.4	1.3	20									
Russell 1000 Growth	28.6	17.8	0.6	15									
Russell 1000 Value	16.4	13.5	2.1	10									
FTSE High Dividend Yield*	13.1	13.0	3.9	5									
S&P Small and Mid Cap	14.7	15.4	1.9	0									
MSCI EAFE	14.5	13.5	3.1	-5									
MSCI EM	12.1	11.1	2.8										

* Bloomberg U.S. Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

Fixed Income

Index	Yield	Returns (%)					
		1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.68	-0.14	-0.84	3.15	3.59	2.05	-1.03
U.S. Int. Gov/Credit	4.26	-0.02	-0.49	3.62	5.04	3.34	0.48
U.S. Corporates	5.15	-0.25	-0.83	3.31	4.15	3.66	-0.38
High Yield	7.15	-0.13	-0.01	4.56	9.10	9.27	5.56
Municipals (1-10)	3.22	0.11	0.38	2.14	3.29	2.43	0.94

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	Levels (%)		
					1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	3.90	3.89	3.72	4.24	4.42	3.13	0.16
10-yr Treasury	4.44	4.40	4.23	4.57	4.16	2.92	0.63
30-yr Treasury	4.98	4.93	4.78	4.78	4.37	3.08	1.33
SOFR	4.33	4.34	4.45	4.49	5.35	1.54	0.13
6-mo. CD rate	4.36	4.32	4.28	4.33	5.24	3.39	0.39
Prime Rate	7.50	7.50	7.50	7.50	8.50	4.75	3.25
30-yr fixed mortgage	6.75	6.73	6.80	7.28	7.17	5.75	3.14