

Producer Prices Make a Splash

Among inflation reports, the monthly Producer Price Index (PPI) tends to receive less attention than the Consumer Price Index (CPI). While CPI reflects changes in consumer-level prices, the PPI tracks price movements at the producer level. Because it captures costs earlier in the production chain, the PPI is often viewed as a leading indicator of inflation. Last week, however, this typically overlooked report drew outsized attention for what it might signal about the direction of consumer prices.

Economists had anticipated a modest 0.2% month-over-month increase. Instead, the July PPI rose 0.9% from the prior month and 3.3% year-over-year, pointing to more significant pricing pressures. Particularly notable was a sharp jump in services prices, which climbed 1.1% in July—the largest monthly increase since March 2022.

The PPI release also coincided with fresh data from the U.S. Treasury showing tariff revenues of \$113 billion over the past three months, nearly six times higher than during the same period last year.* The question of “who ultimately pays these tariffs” remains unresolved. Yet for many investors, last week’s PPI suggested that tariff costs may increasingly filter through to consumers, with broader inflationary effects still to come.

U.S. Producer Price Index – Services
 % Change, Month-Over-Month

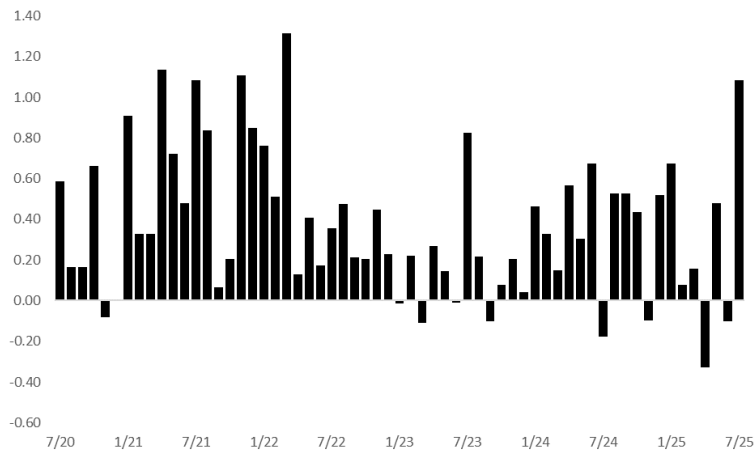


Chart source: Bureau of Labor Statistics, Bloomberg.

* U.S. Treasury, Federal Budget Net Receipts Customs NSA, through July 31, 2025.

Economy

Last Week

- **Consumer Price Index (July):** 0.2% HL, 0.3% Core MoM
 2.7% HL, 3.1% Core YoY. Slight acceleration in core CPI.

- **Producer Price Index (July):** 0.9% HL, 0.9% Core MoM
 3.3% HL, 3.7% Core YoY.

- **Retail Sales (July):** 0.5% HL, 0.5% Control MoM
 Relatively unchanged from one month prior.

This Week

- **Housing Starts & Permits (July):** 8/19

- **FOMC Meeting Minutes (July):** 8/20

- **S&P Flash U.S. PMIs (August):** 8/21

- **Leading Economic Index (July):** 8/21

Equities

Returns (%)

Index	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	6411	-0.49	3.49	9.90	15.80	16.43	15.23
Russell 1000 Growth	4456	-1.67	4.30	10.64	21.06	21.28	16.01
Russell 1000 Value	1954	0.80	2.40	8.55	10.55	10.38	13.11
FTSE High Dividend Yield*	495	0.47	2.93	9.05	13.34	11.17	14.14
S&P Small and Mid Cap	17627	0.23	3.53	2.19	5.30	7.82	11.92
MSCI EAFE	2742	1.87	3.51	24.16	18.13	16.36	11.24
MSCI EM	1271	1.14	4.44	20.67	18.37	11.40	6.24

Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD
S&P 500	21.4	15.4	1.3	20
Russell 1000 Growth	28.7	17.9	0.5	15
Russell 1000 Value	16.6	13.5	2.1	10
FTSE High Dividend Yield*	13.3	13.0	3.9	5
S&P Small and Mid Cap	14.7	15.4	1.9	0
MSCI EAFE	15.2	13.5	3.0	0
MSCI EM	12.6	11.1	2.7	0

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

Fixed Income

Returns (%)

Index	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.53	0.05	0.45	4.49	2.66	2.45	-0.81
U.S. Int. Gov/Credit	4.09	0.09	0.58	4.74	4.44	3.61	0.63
U.S. Corporates	4.95	0.14	0.87	5.08	3.63	4.06	-0.12
High Yield	6.99	0.17	0.99	5.60	8.21	8.05	5.18
Municipals (1-10)	3.09	0.01	1.09	2.86	2.92	2.77	0.95

Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	3.75	3.68	3.72	4.24	3.93	3.24	0.14
10-yr Treasury	4.31	4.24	4.23	4.57	3.80	2.98	0.65
30-yr Treasury	4.91	4.83	4.78	4.78	4.08	3.22	1.38
SOFR	4.33	4.33	4.45	4.49	5.31	2.28	0.07
6-mo. CD rate	4.36	4.11	4.28	4.33	4.91	3.50	0.20
Prime Rate	7.50	7.50	7.50	7.50	8.50	5.50	3.25
30-yr fixed mortgage	6.65	6.70	6.80	7.28	6.86	5.78	3.02