



WEALTH ADVISORS

TRUST MATTERS.

July 2025

Point of View – Economy – Markets

Important Information

The views and opinions expressed are those of the speaker and are subject to change based on factors such as market and economic conditions. These views and opinions are not an offer to buy a particular security and should not be relied upon as investment advice. Past performance cannot guarantee comparable future results.

Important Information

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be higher or lower.

Results shown assume the reinvestment of dividends.

An investment cannot be made directly in an index.

Investments with higher return potential carry greater risk for loss.

Investing in small companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

Foreign securities have additional risks, including exchange rate changes, political and economic upheaval, the relative lack of information about these companies, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Investing in emerging markets involves greater risk than investing in more established markets such as risks relating to the relatively smaller size and lesser liquidity of these markets, high inflation rates, adverse political developments and lack of timely information.

Fluctuations in the price of gold and precious metals often dramatically affect the profitability of the companies in the gold and precious metals sector. Changes in political or economic climate for the two largest gold producers, South Africa and the former Soviet Union, may have a direct effect on the price of gold worldwide.

Bullet points for July

- OBBBA passed, projected deficit widens
- Economists nudge up their GDP forecasts
- Strong Atlanta Fed Q2 GDP forecast
- 2.3% inflation (PCED)
- 2026 earnings estimates turn higher
- Record high stock prices
- High P/E ratio
- Fed remains on hold

THE WALL STREET JOURNAL.

Economic Fallout Will Be Muted at First

The Committee for a Responsible Federal Budget, which advocates for smaller deficits, estimates if the law's various tax cuts and spending increases are made permanent, it would add \$5.5 trillion to deficits through 2034, pushing debt to 127% of GDP.

Economic data

One Big Beautiful Bill Act

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"One Big Beautiful Bill Act" Tax Policies: Details and Analysis

July 4, 2025 • 11 min read

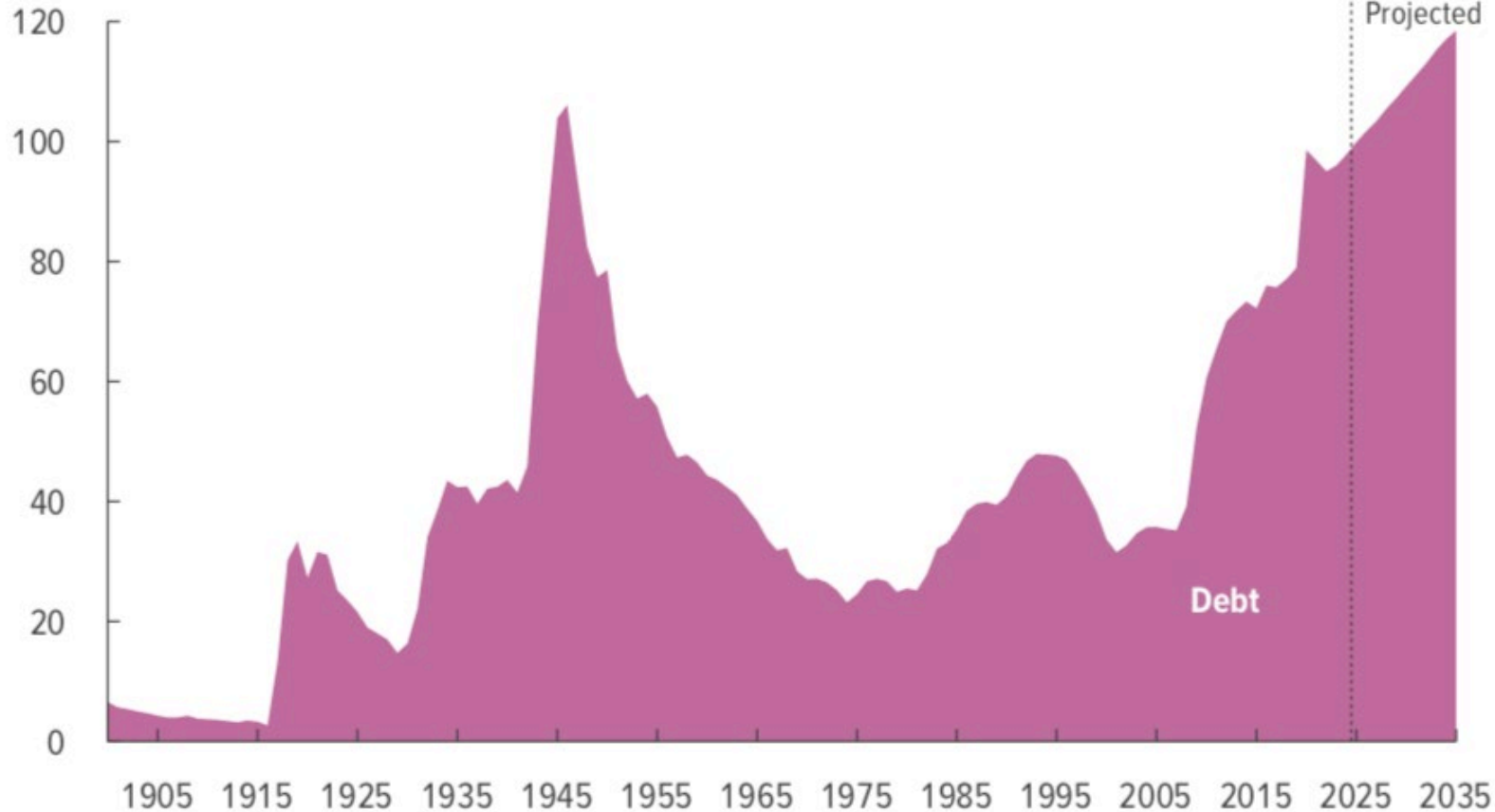
By: [Garrett Watson](#), [Huaqun Li](#), [Erica York](#), [Alex Muresianu](#), [Alan Cole](#), [Peter Van Ness](#), [Alex Durante](#)

By the end of the budget window, debt-to-GDP would rise by 9.6 percentage points, increasing from 117.1 percent in 2034 without the bill to 126.7 percent in 2034 on a conventional basis with the bill. In the long run, dynamic debt-to-GDP would increase by 13.2 percentage points from 162.3 percent under the baseline to 175.5 percent under the OBBA.

Federal deficit and debt

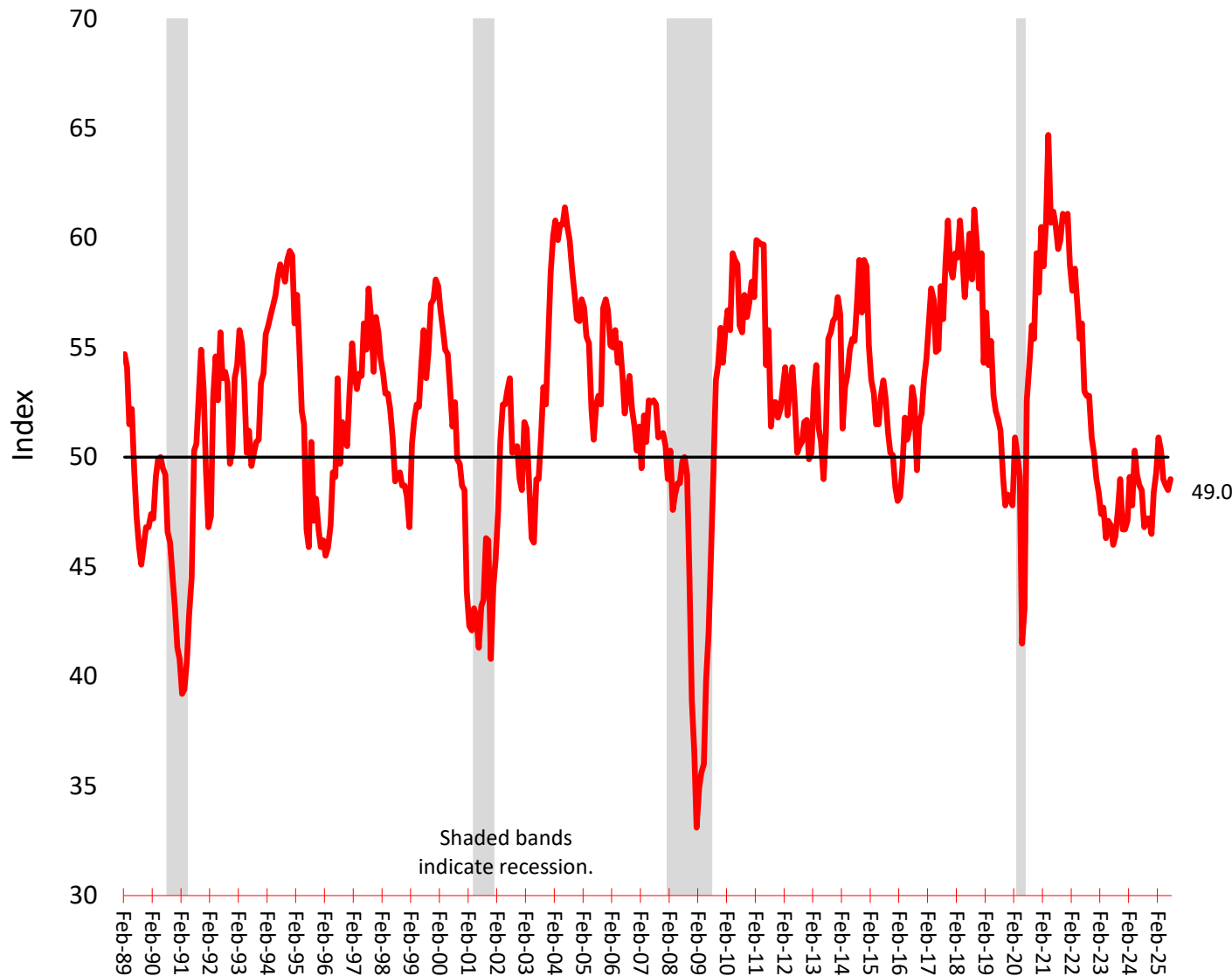
Federal debt % of GDP though 2035

Percentage of GDP



Debt/GDP grows significantly.

ISM manufacturing PMI – weak



June at 49.0.

June new orders 46.4.

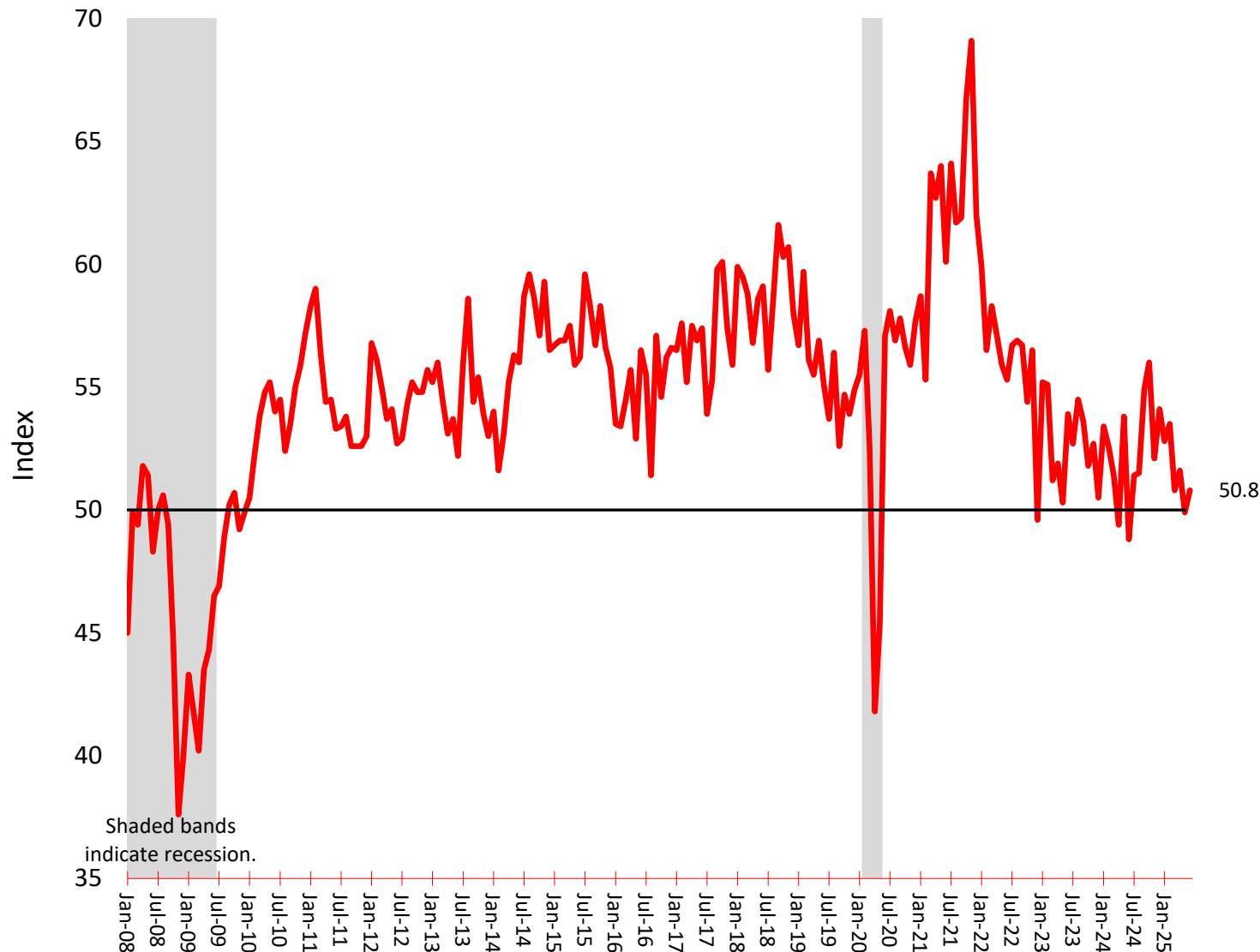
Note the historic volatility in the manufacturing PMI.

Note how this indicator has slumped well below 50 even during periods of strong economic expansion, eg. 1995, 1999, 2003, 2013, 2016.

Source: Copyright 2025, Institute for Supply Management. Data through June 2025.

ISM: "A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting. A Manufacturing PMI® above 48.7 percent, over a period of time, generally indicates an expansion of the overall economy."

ISM services PMI – weak



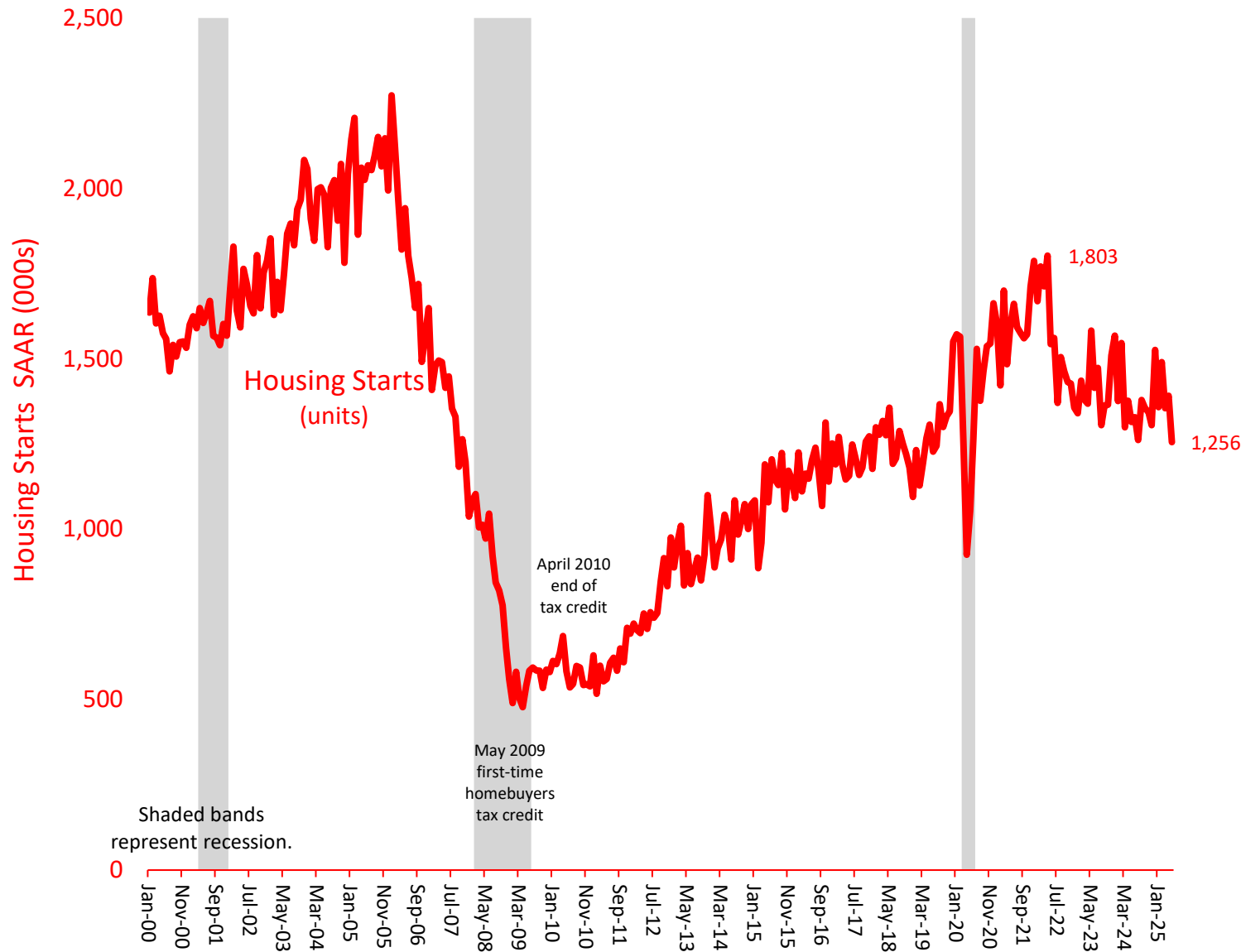
June at 50.8.

June new orders 51.3.

Services comprise 89% of the U.S. economy¹ and 91% of total nonfarm jobs.

Economic data

Housing starts



1.256 million starts in May.

May permits at 1.393 million.

“Housing starts also remain(ed) well below the projected rate of 1.6 to 1.8 million that is consistent with long-term demographics and the replacement of the existing housing stock (Herbert, McCue, and Spader 2016).”¹

Sources: BEA and U.S. Census Bureau. Data through May 2025.

¹ *Economic Report of the President*, Council of Economic Advisors, February 2018

Housing shortage – 4.5 million units



Affordability Crisis: Housing Shortage Worsened Despite Pandemic Construction Boom

The growing housing shortage is the primary reason for the affordability crisis



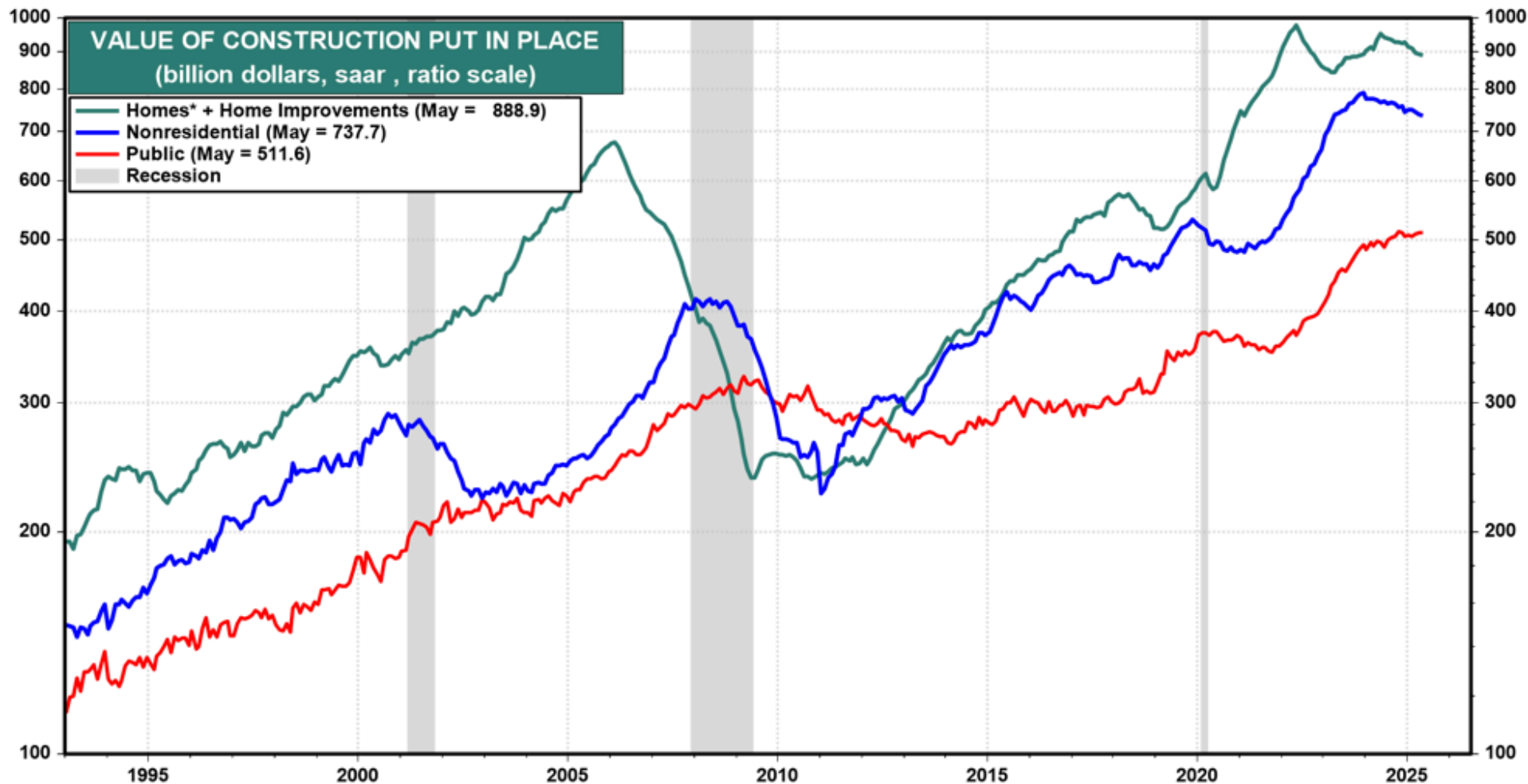
 Orphe Divounguy • JUN 18 2024

Share     

- The nation's housing deficit rose to 4.5 million in 2022, up from 4.3 million in 2021.
- Of the country's largest metro areas, Boston, Sacramento and Portland had the worst housing unit deficits.
- 2023 was the strongest year for U.S. home completions since 2007, but 1.4 million additional homes aren't enough to make a meaningful dent in the nation's existing housing shortage, due to the increase in the number of families.

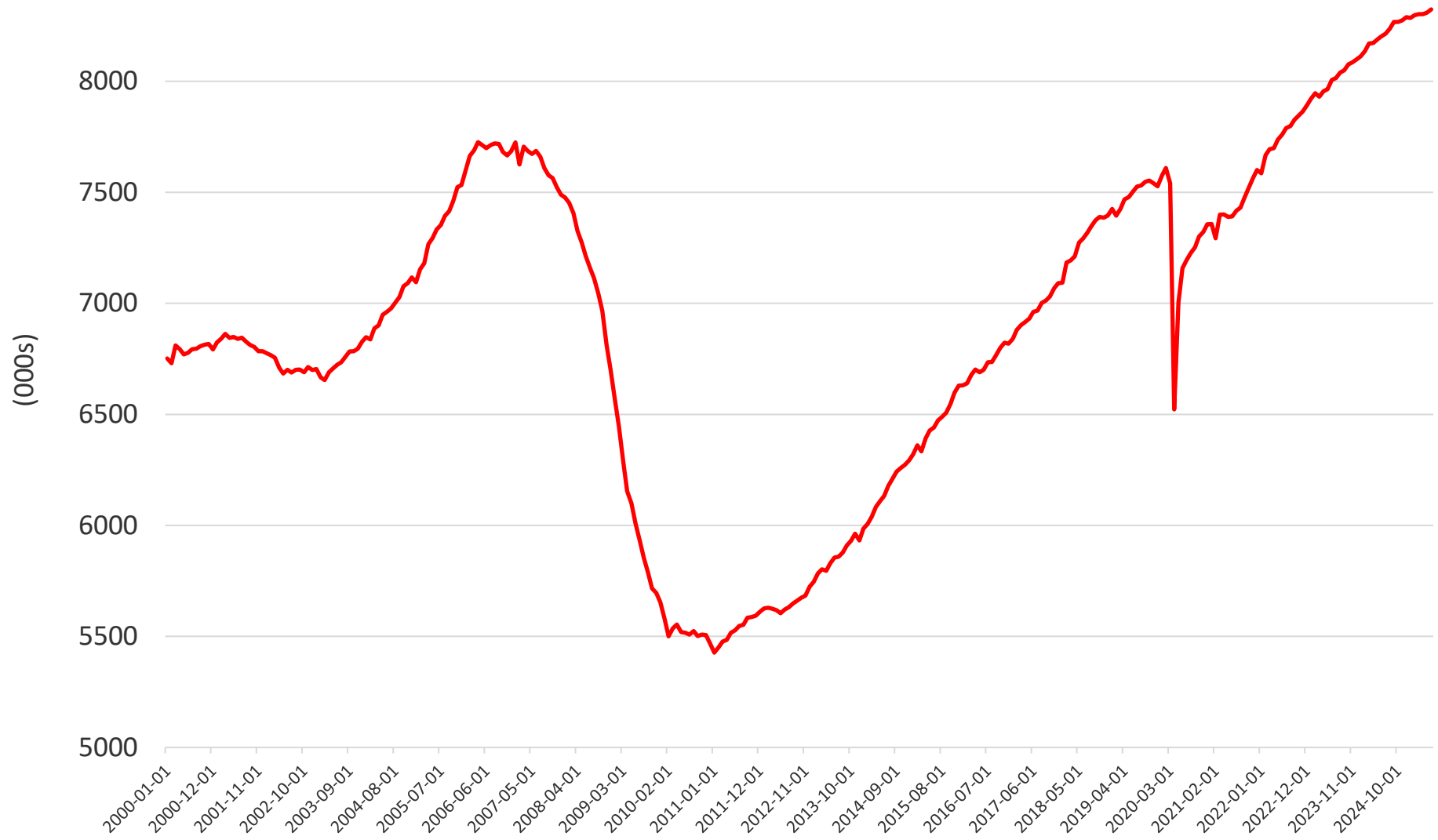
Source: *Zillow website*, August 18, 2024.

Construction spending – booming



Construction employment – record high

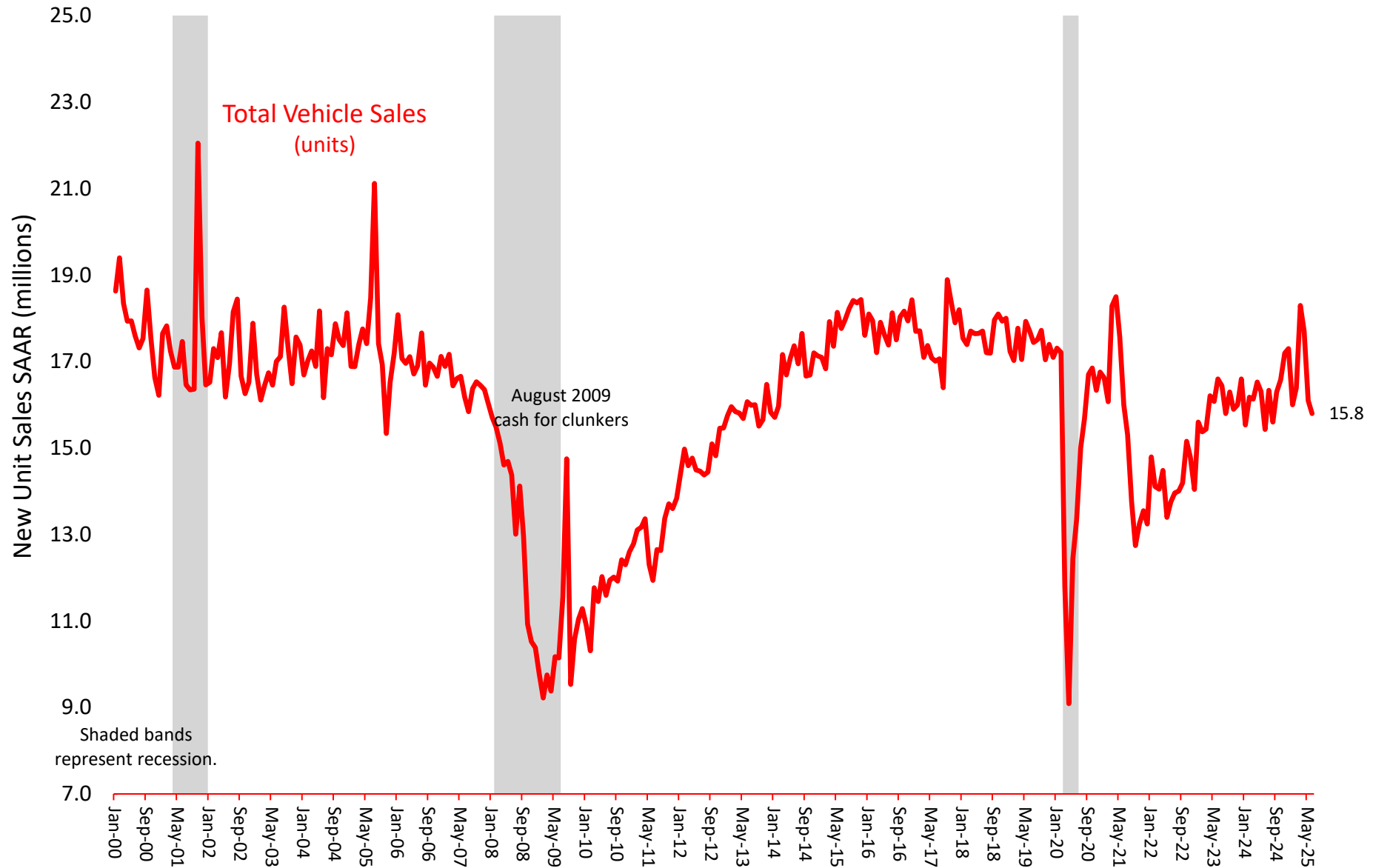
Construction employment



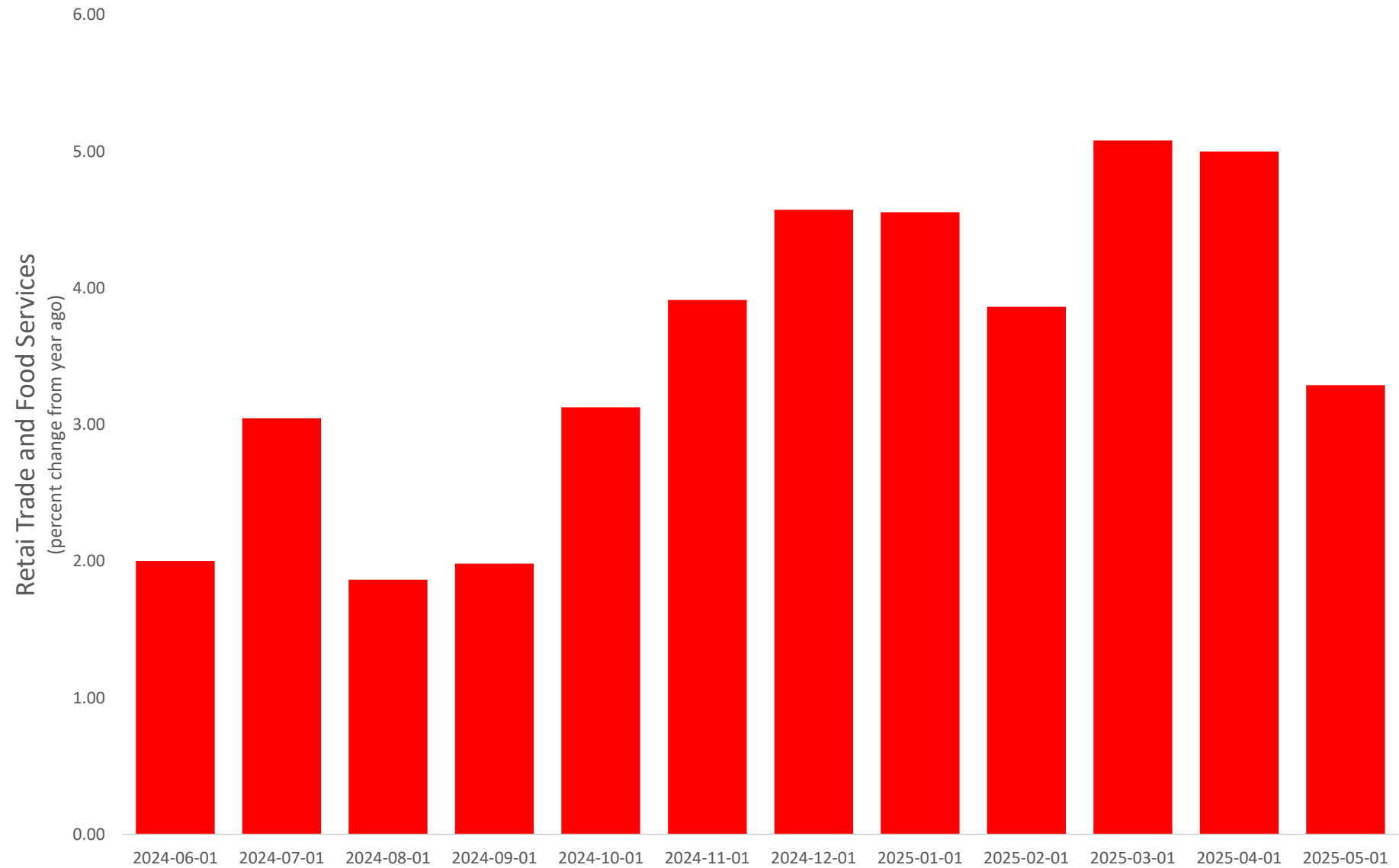
Source: BLS. Data through June 2025.

Economic data

Vehicle sales

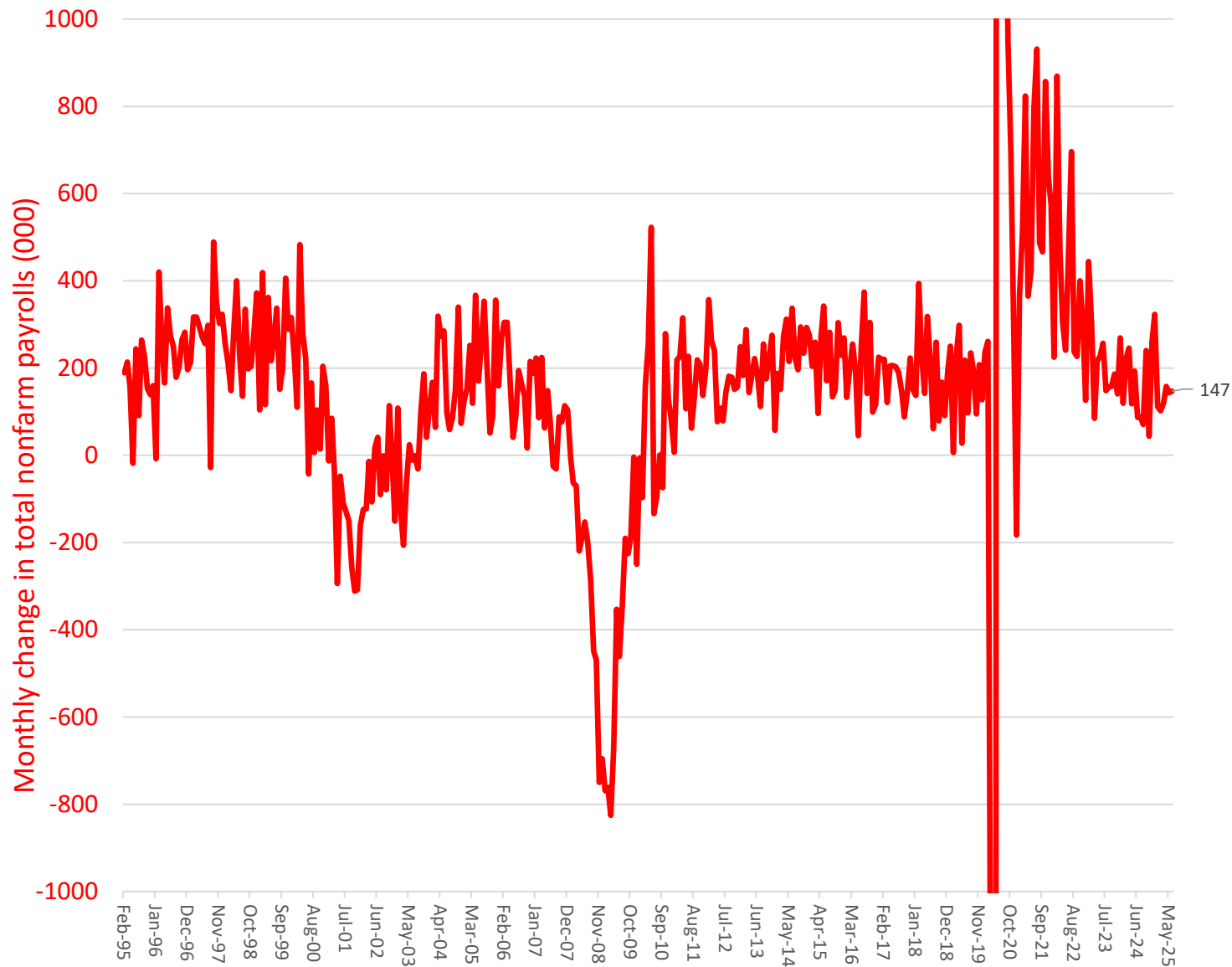


Retail sales



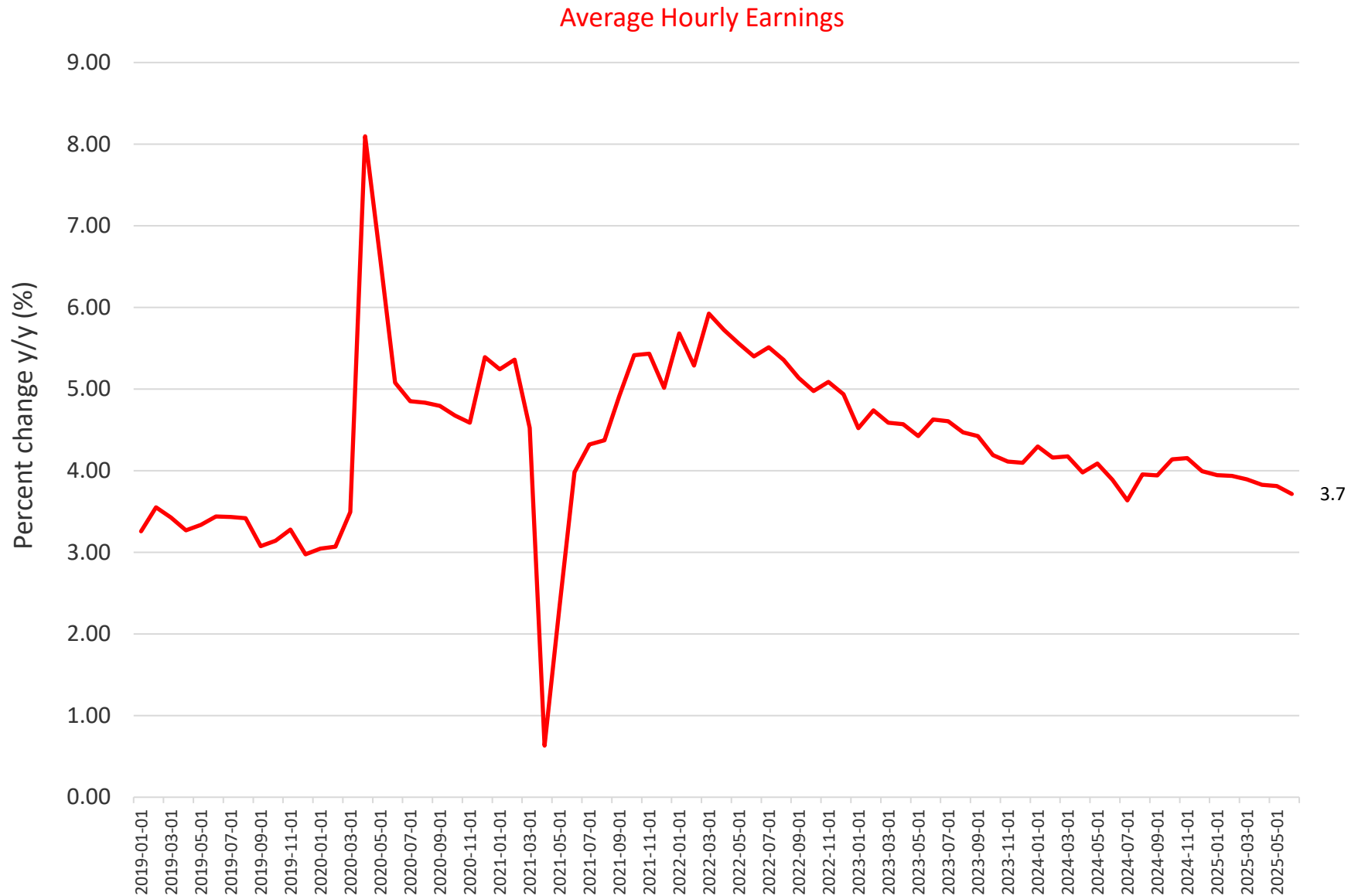
Economic data

Net new job formation



147,000 jobs gained
in June on the
establishment
survey.

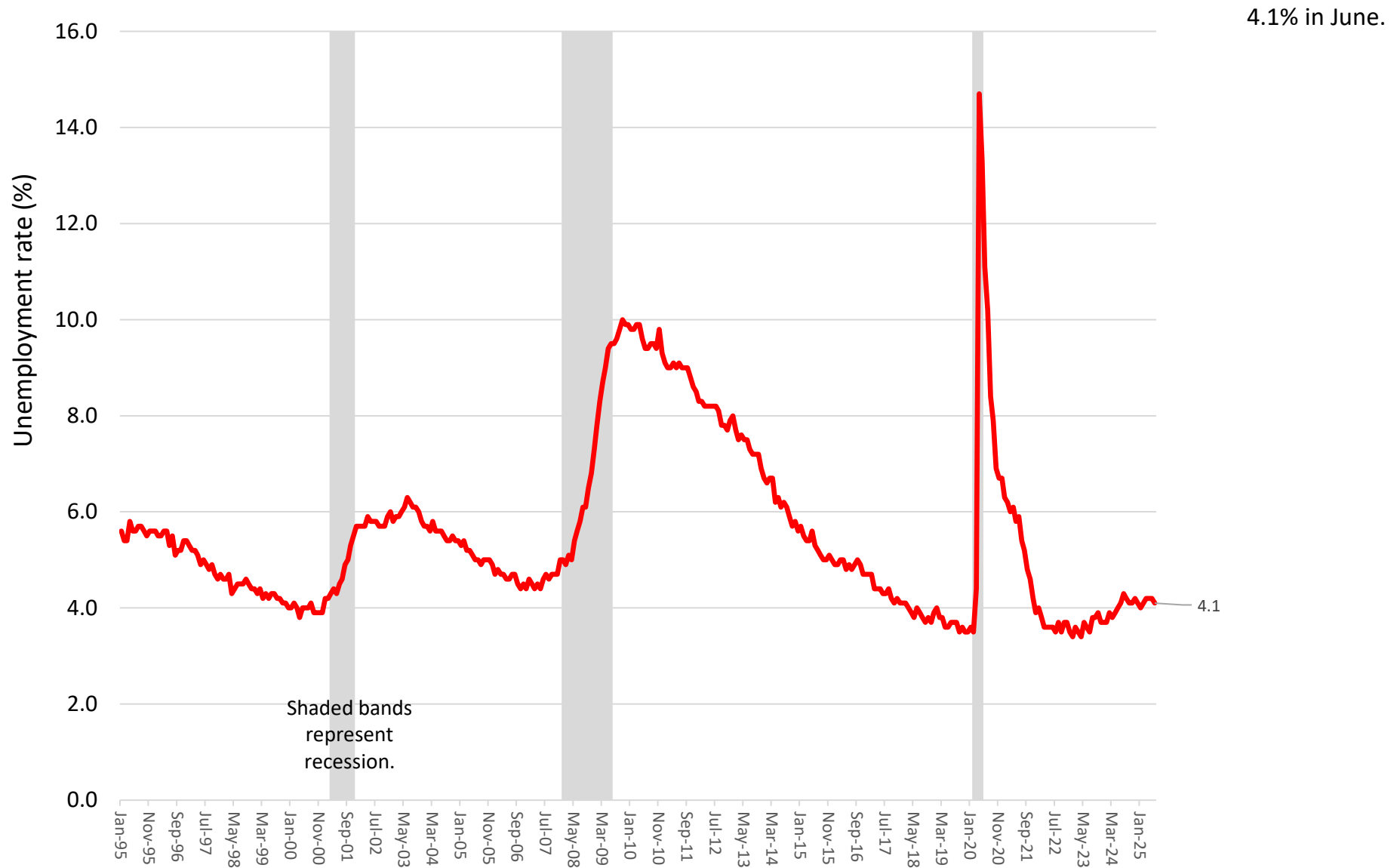
Average hourly earnings – y/y rate of change



Source: Bureau of Labor Statistics. Data through June 2025.

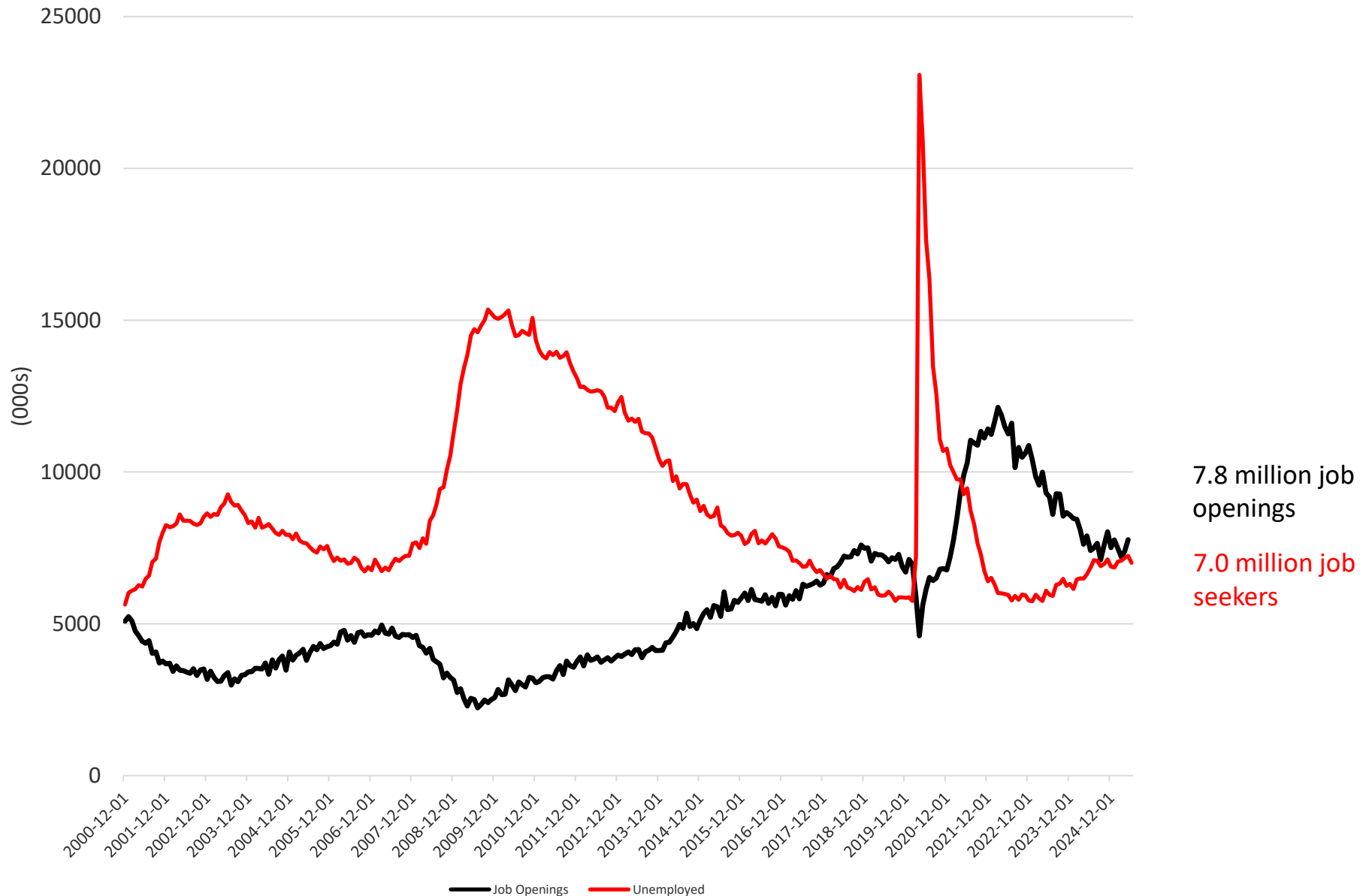
Economic data

Unemployment rate



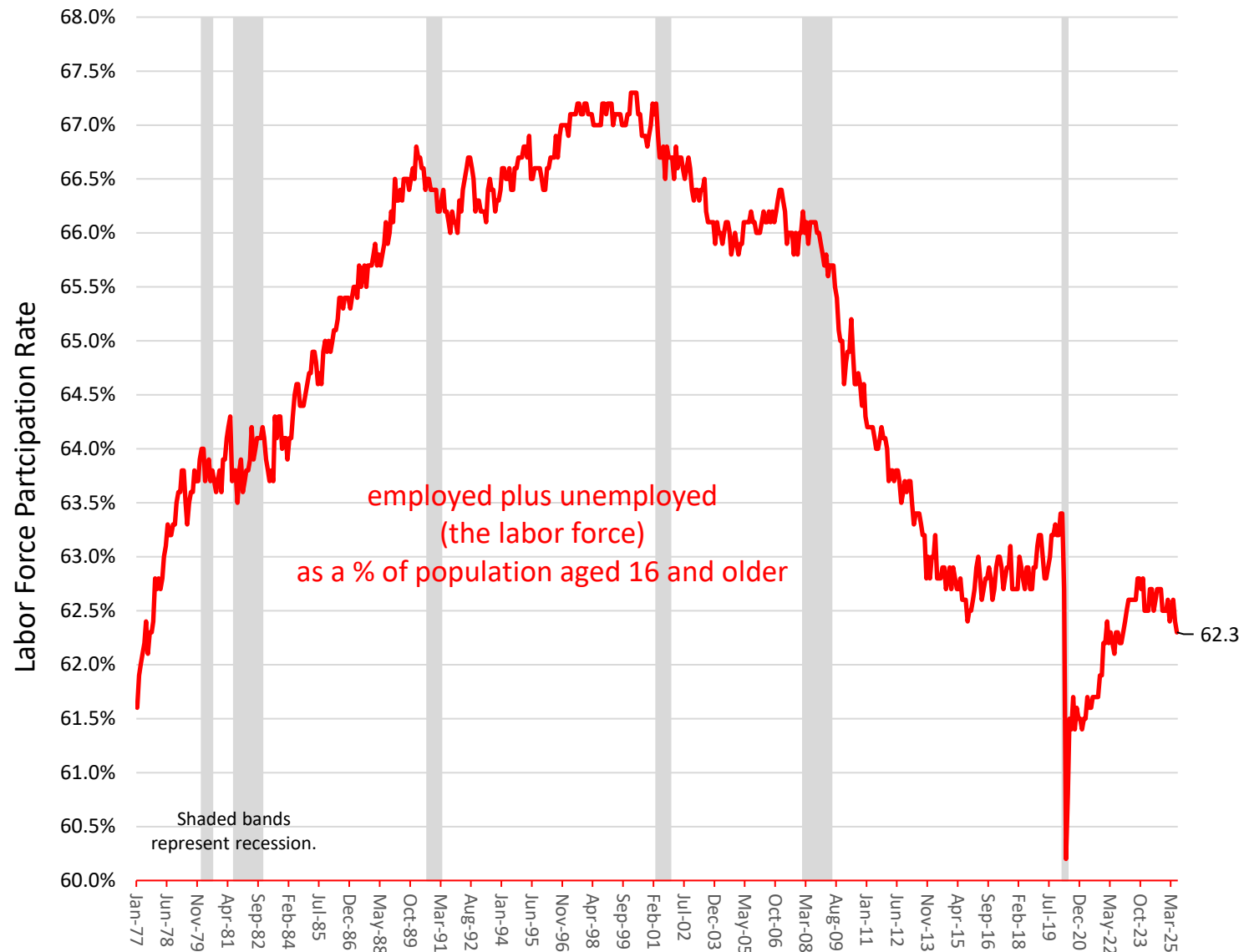
Source: Bureau of Labor Statistics. Data through June 2025.

“Excess demand” for labor – this time is different



Labor force participation rate¹ – recovered from Covid

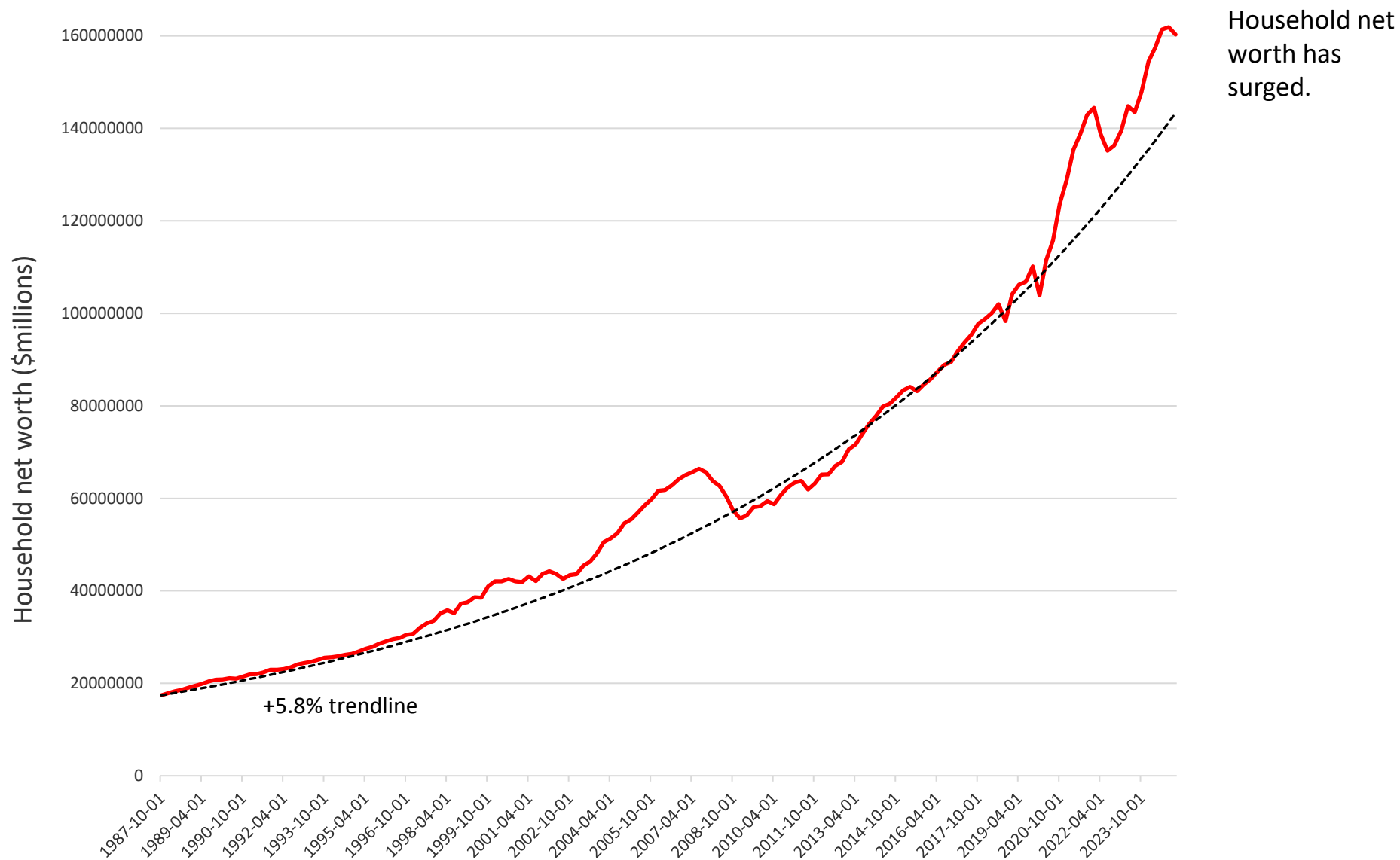
Americans were
joining and staying
in the labor force in
increasing numbers
... until Covid-19.



Source: BLS. Data through June 2025.

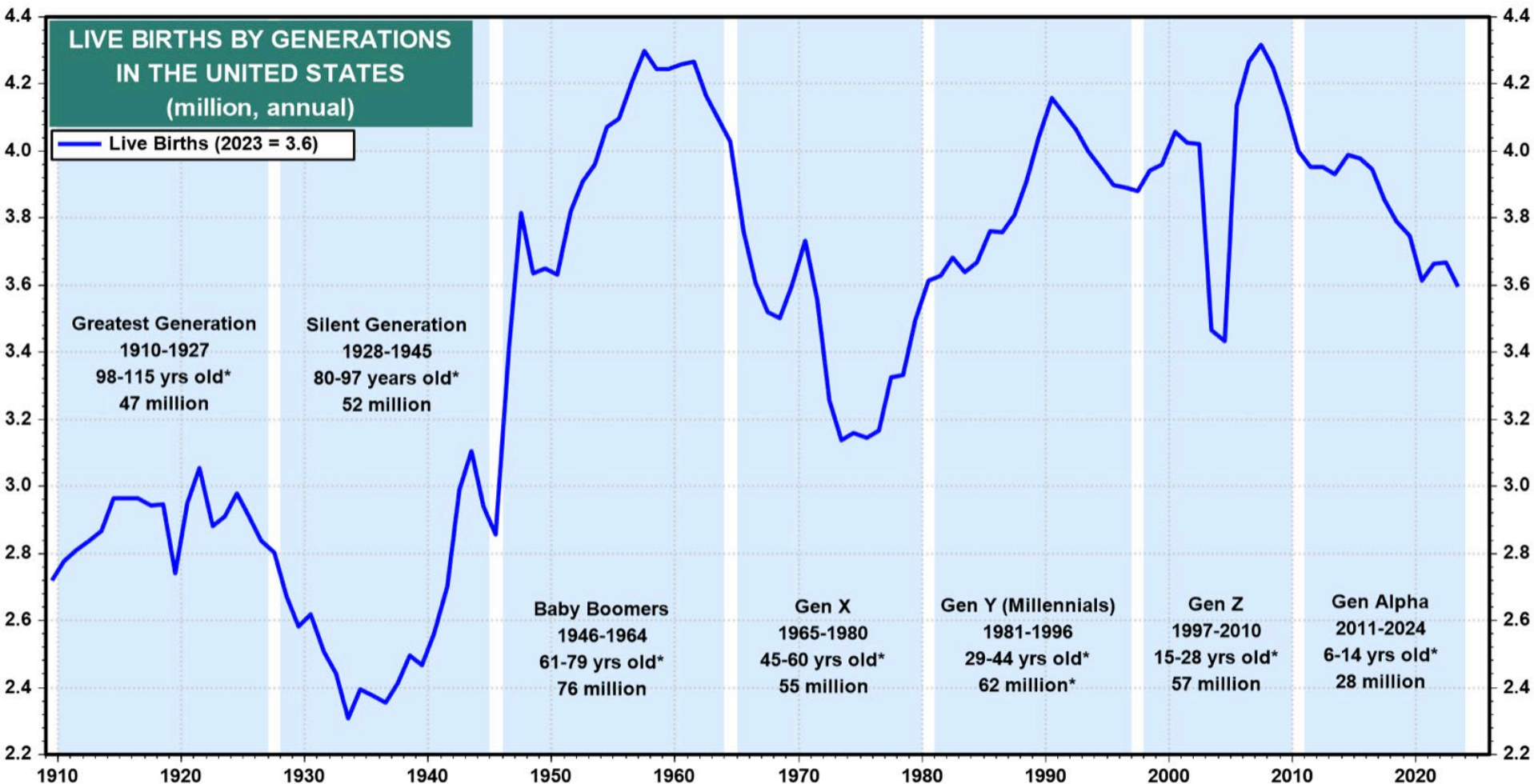
¹Labor force participation rate: the proportion of the civilian noninstitutional population 16 years of age and older either at work or actively seeking work.

Household net worth – the wealth effect



Household balance sheets

Live births in the U.S.

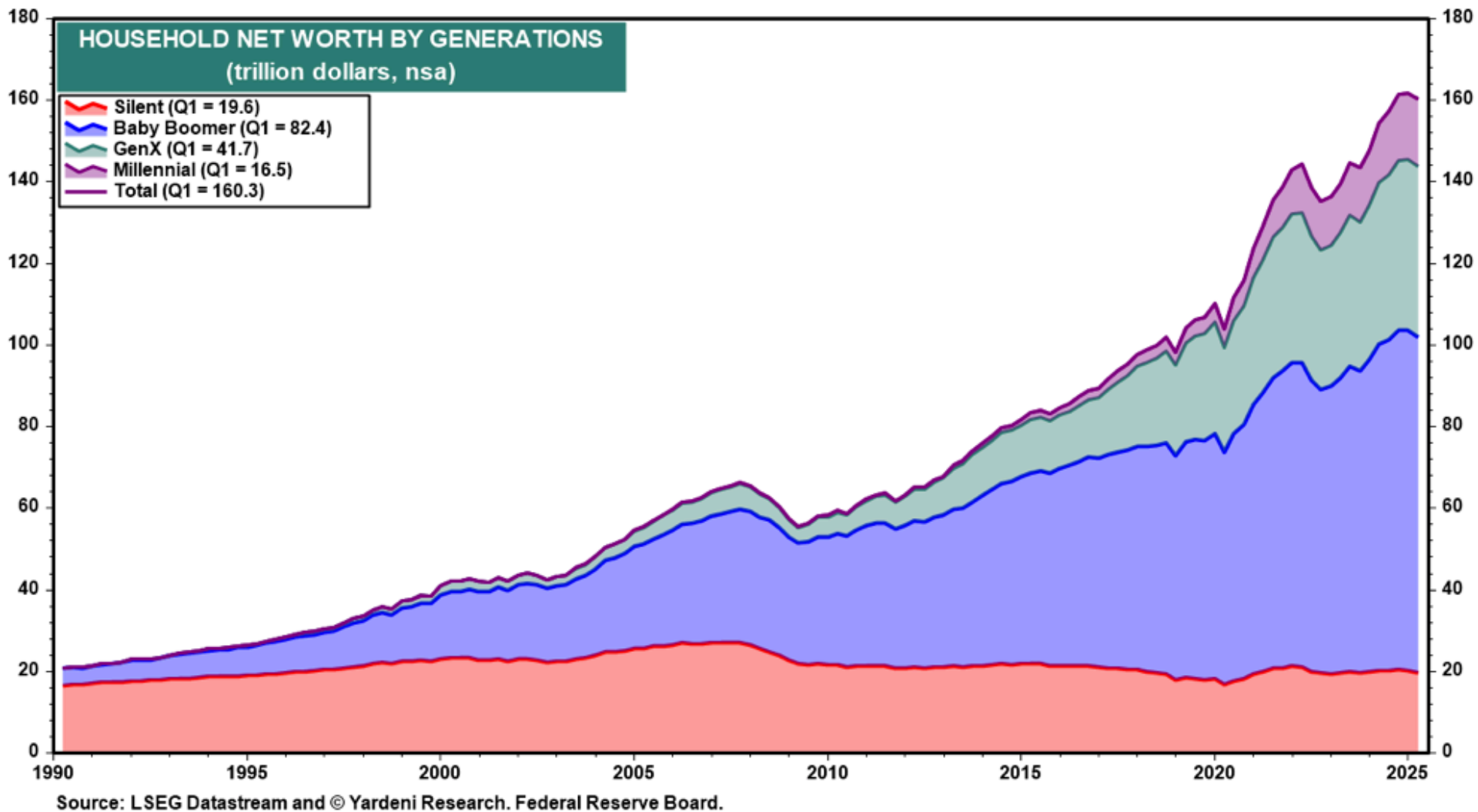


Source: LSEG Datastream and © Yardeni.com.

* Age ranges of generations during 2025.

Household balance sheets

Household net worth



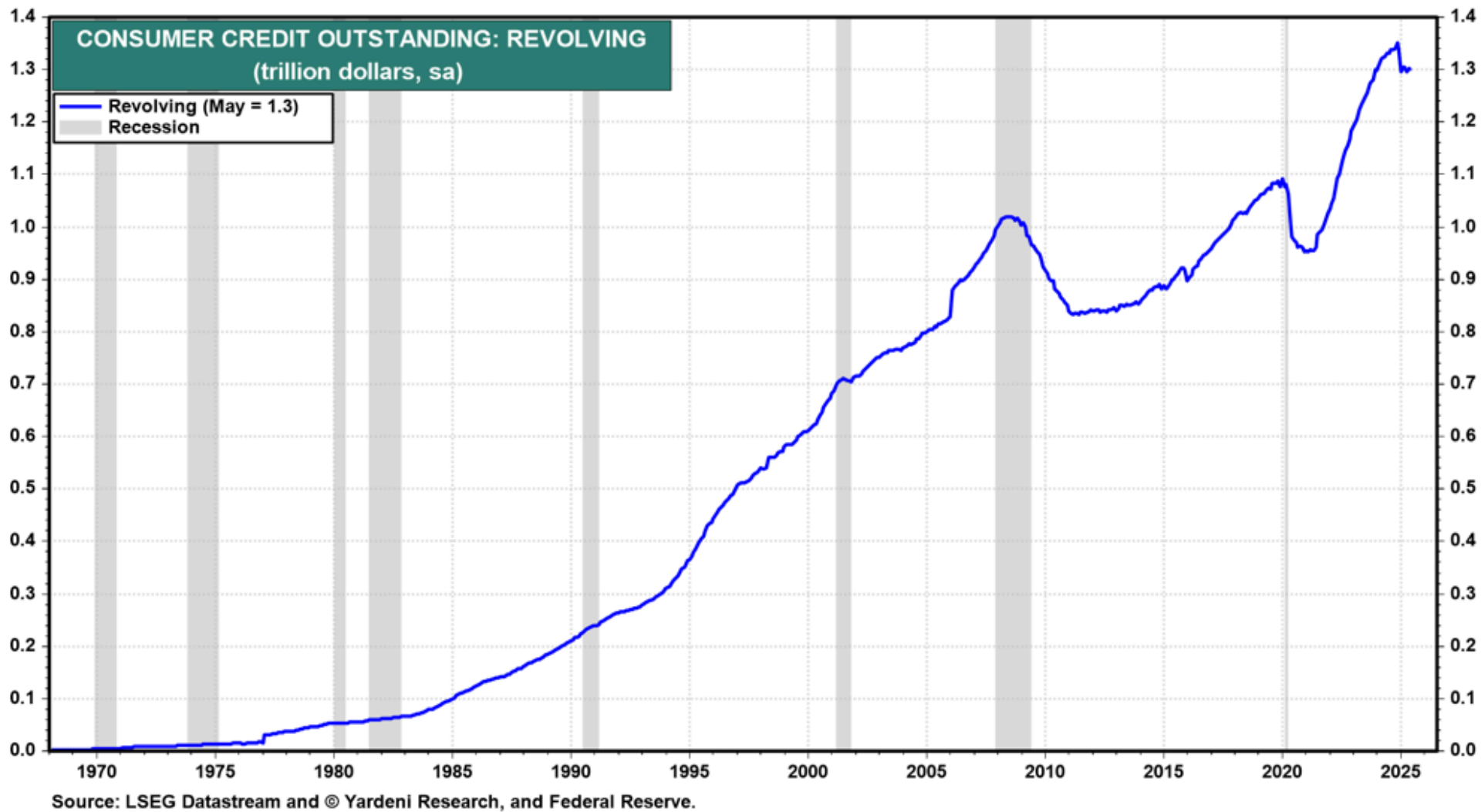
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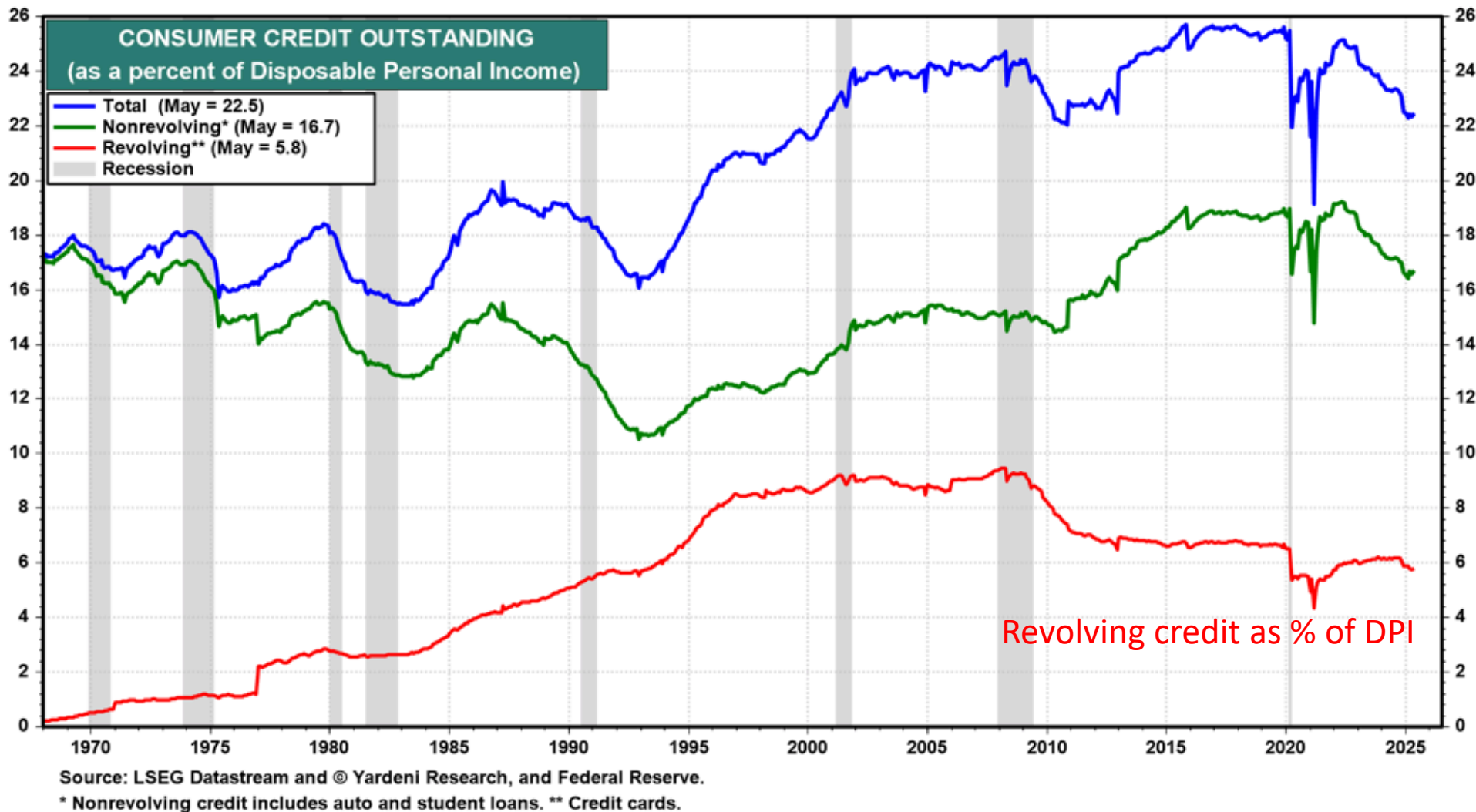
The U.S. Economy's Secret Weapon: Seniors With Money to Spend

Why has consumer spending proven so resilient as the Federal Reserve has raised interest rates? An important and little-appreciated reason: Consumers are getting older. In August, 17.7% of the population was 65 or older, according to the Census Bureau, the highest on record going back to 1920 and up sharply from 13% in 2010. The elderly aren't just more numerous: Their finances are relatively healthy, and they have less need to borrow, such as to buy a house, and are less at risk of layoffs than other consumers.

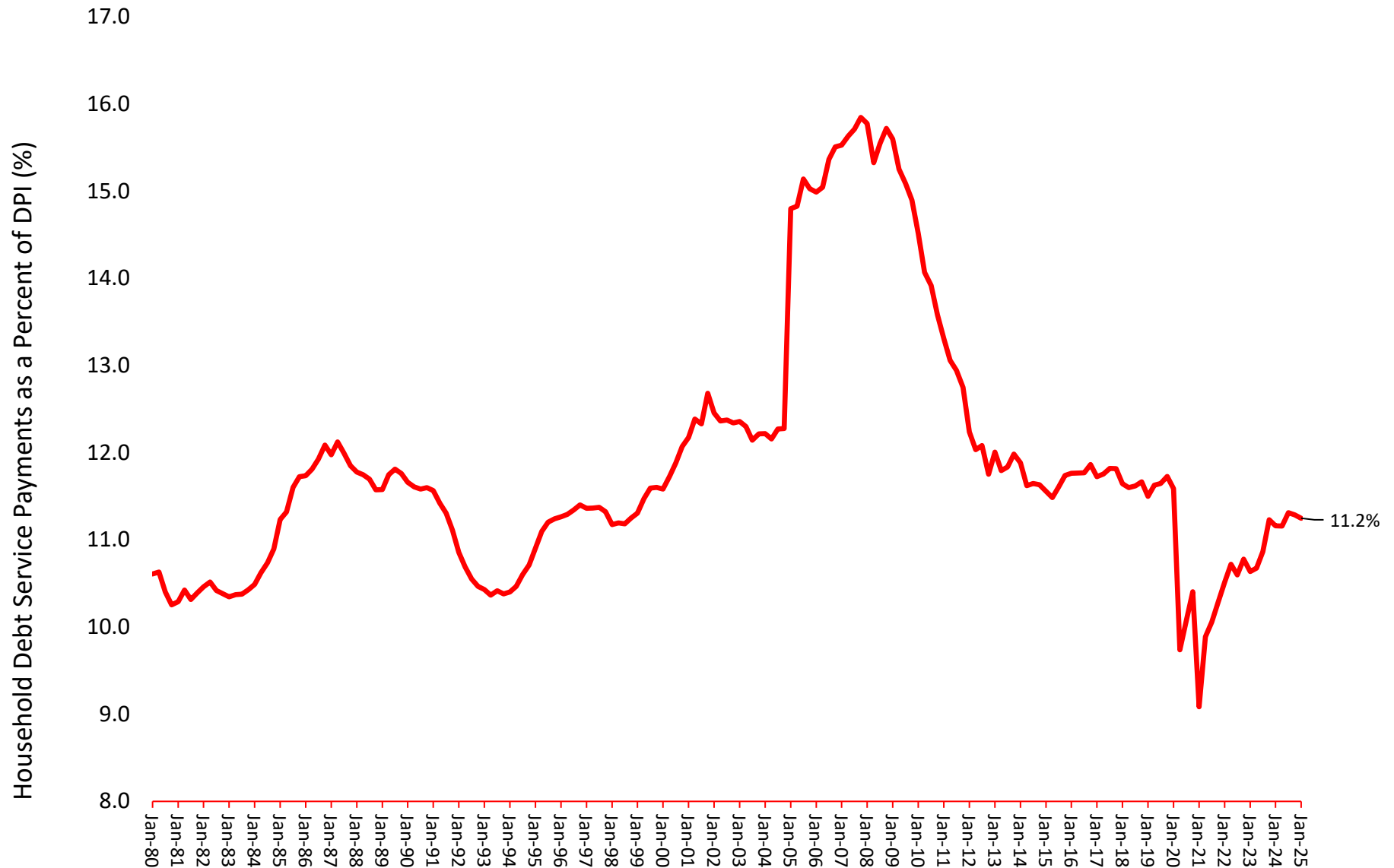
This has made the elderly a spending force to be reckoned with. Americans aged 65 and up accounted for 22% of spending last year, the highest share since records began in 1972 and up from 15% in 2010, according to the Labor Department's survey of consumer expenditures released in September.

"These are the consumers that will matter over the coming year," said Susan Sterne, chief economist at Economic Analysis Associates.





Household debt service payments as a % of DPI



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Consumers Aren't Showing Signs of Stress, Banks Say

Americans say they are getting worried about the economy and inflation, but banks say they aren't acting like it yet.

“This is consumers continuing to spend, and that is ultimately the basis of the U.S. economy,” said Alastair Borthwick, Bank of America’s chief financial officer, on a call with reporters Tuesday. “The signals at this point from the consumer are that the U.S. economy still remains in good shape.”

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Wealthier Consumers Bolster U.S. Economy

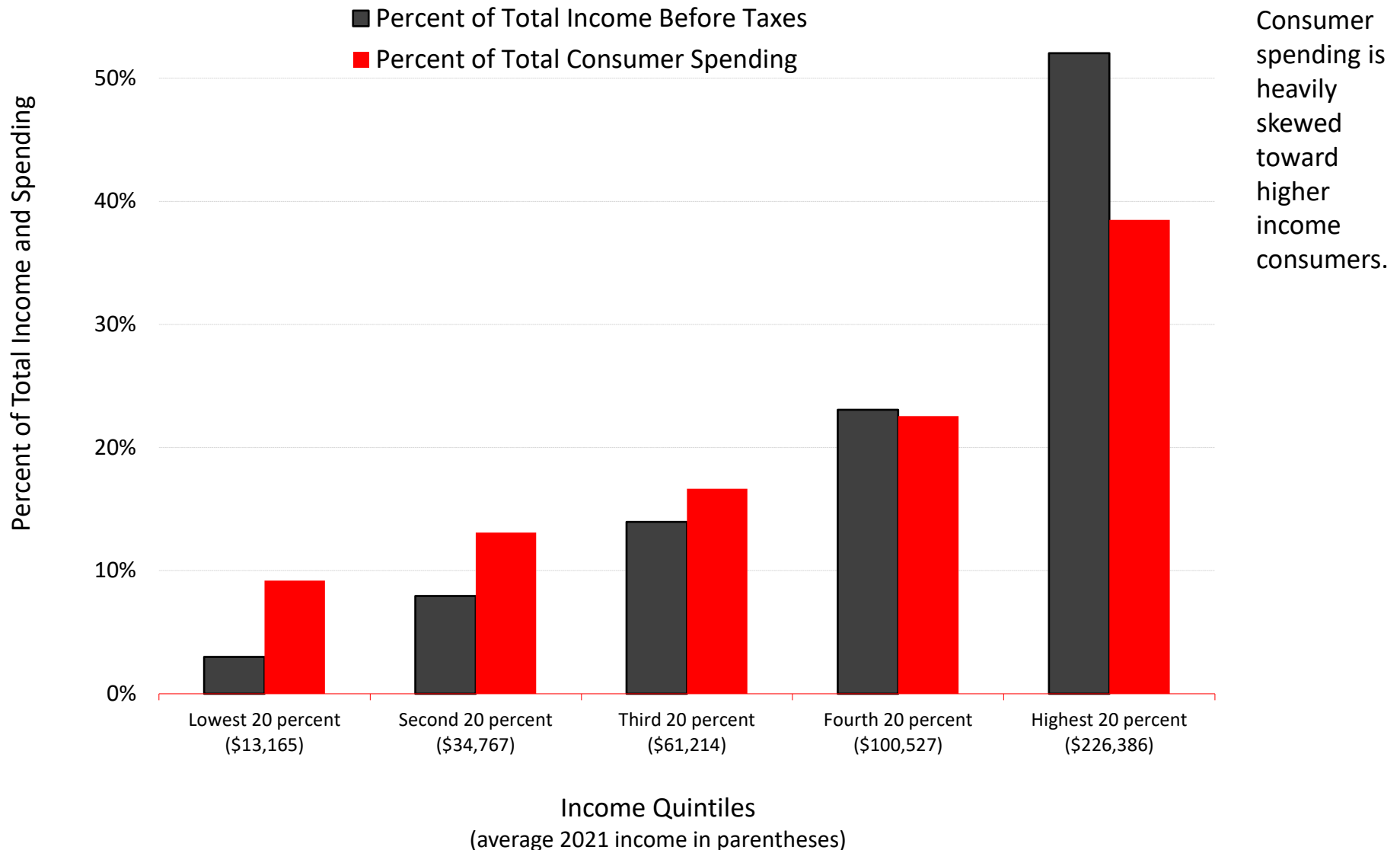
Many Americans are pinching pennies, exhausted by high prices and stubborn inflation. The well-off are spending with abandon.

The top 10% of earners— households making about \$250,000 a year or more—are splurging on everything from vacations to designer handbags, buoyed by big gains in stocks, real estate and other assets.

Those consumers now account for 49.7% of all spending, a record in data going back to 1989, according to an analysis by Moody's Analytics. Three decades ago, they accounted for about 36%.

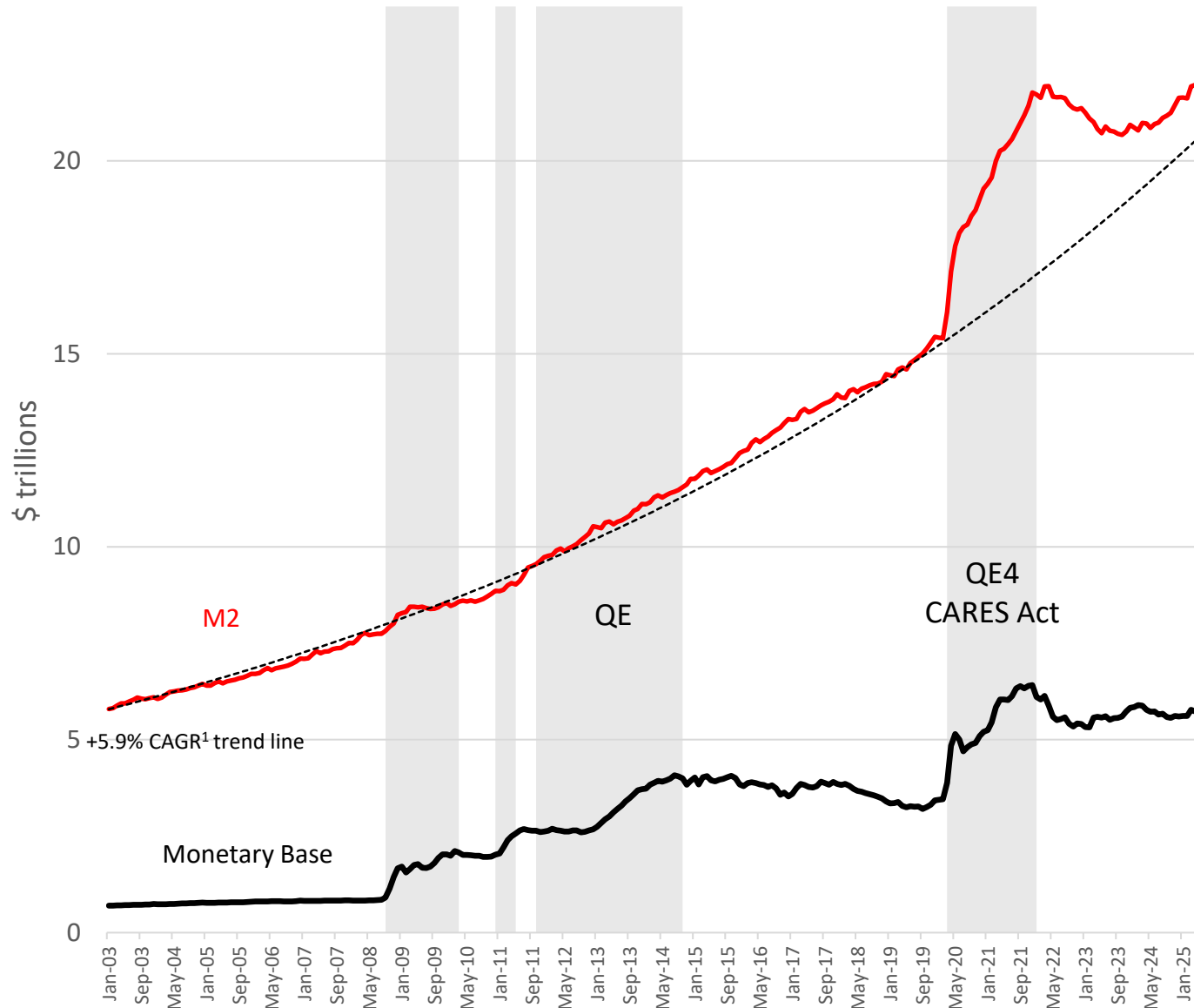
Consumer spending

Distribution of consumer income and spending



Federal Reserve policy

The monetary base and the money supply



M2: currency held by the public plus checking, savings and money market accounts.

A quadrupling of the monetary base with QE did not affect M2 growth. The CARES Act and subsequent stimulus did ... by putting money directly into consumers' and businesses' accounts.

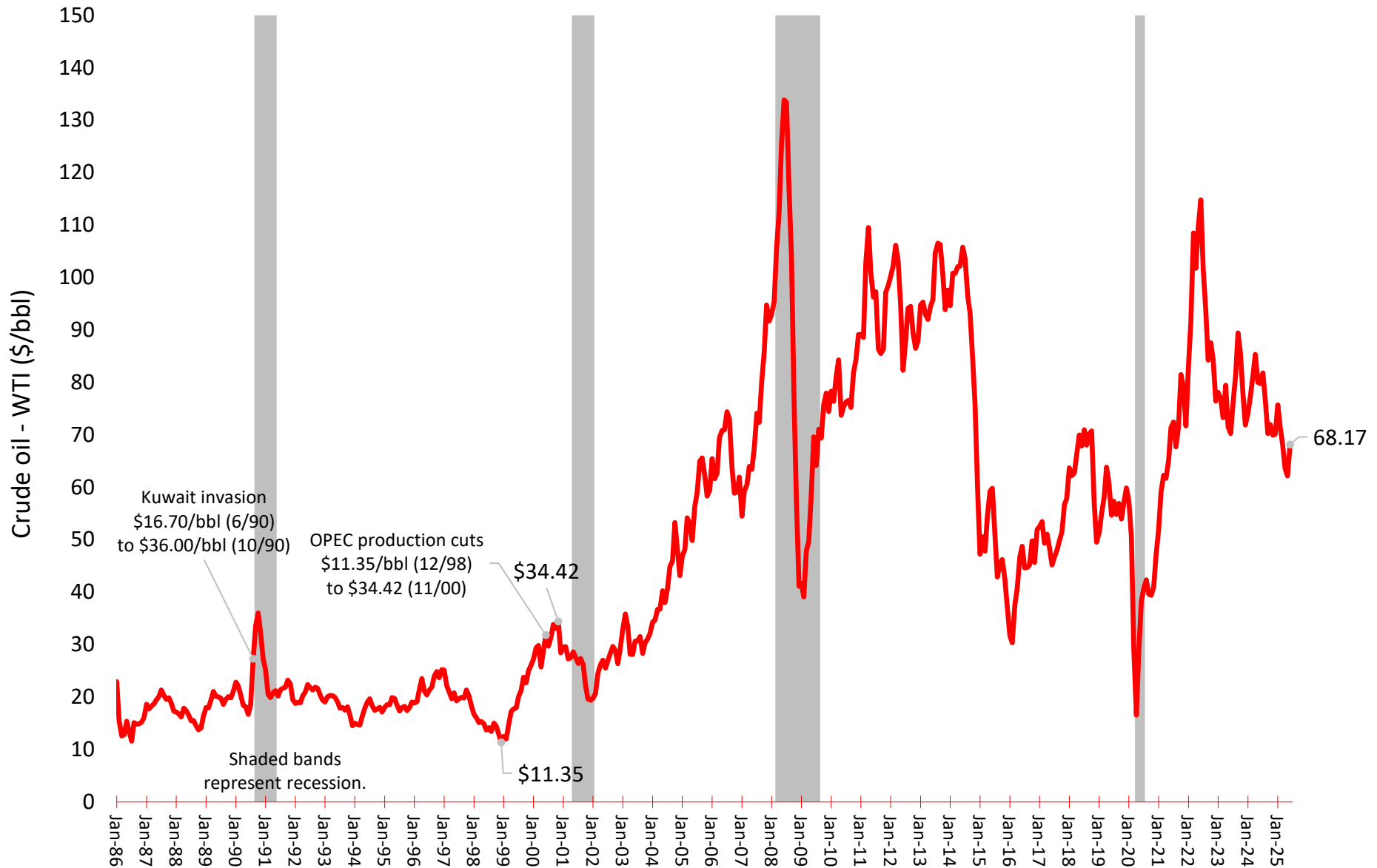
Monetary base: currency in circulation plus reserve balances (deposits held by banks in their accounts at the Federal reserve).

Source: Federal Reserve, statistical release H.6. Data through May 2025.

¹CAGR = compound annual growth rate.

Oil

WTI spot crude oil prices



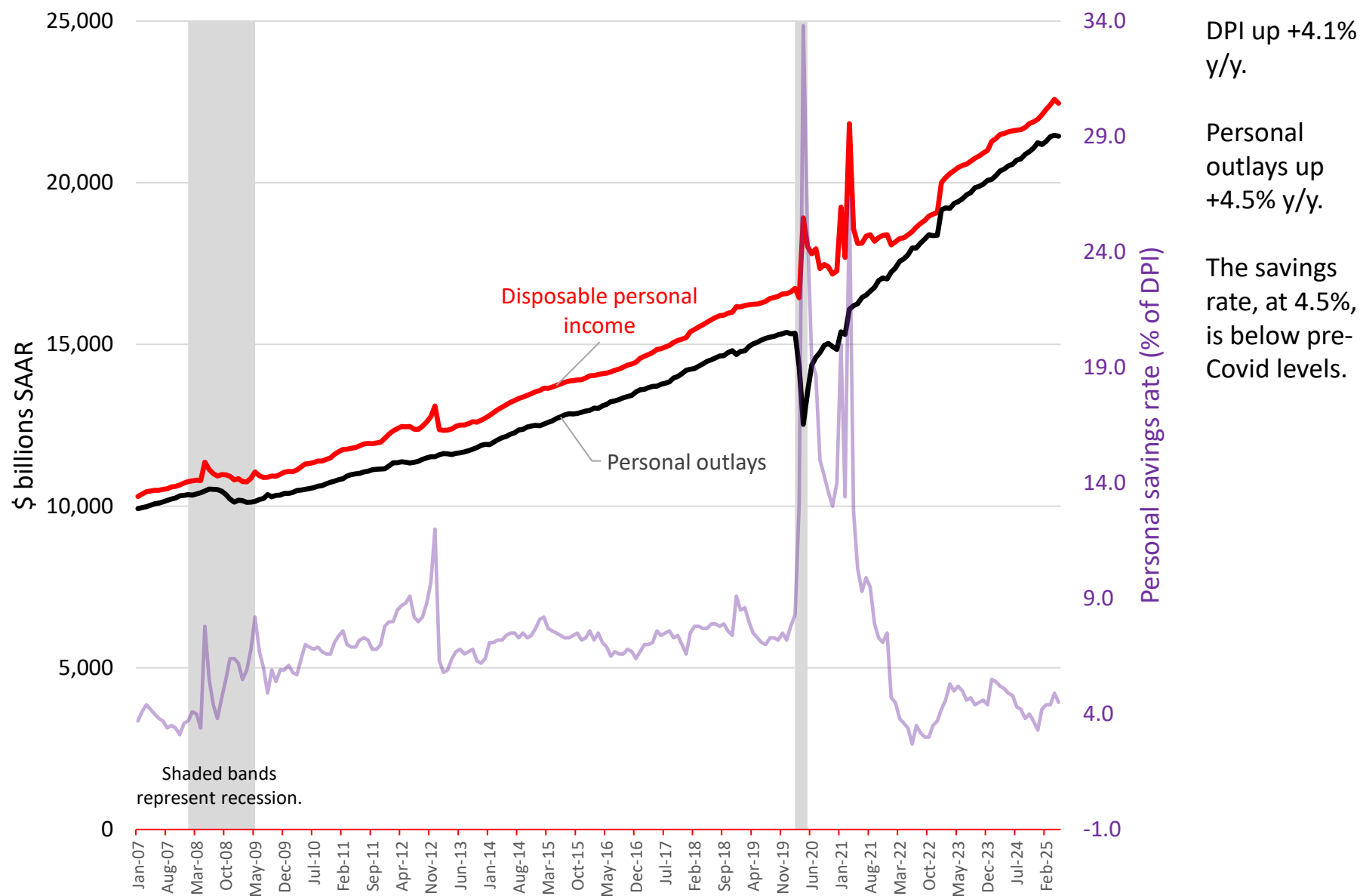
Source: U.S. Energy Information Agency. Data through June 2025.

Oil

Gasoline prices

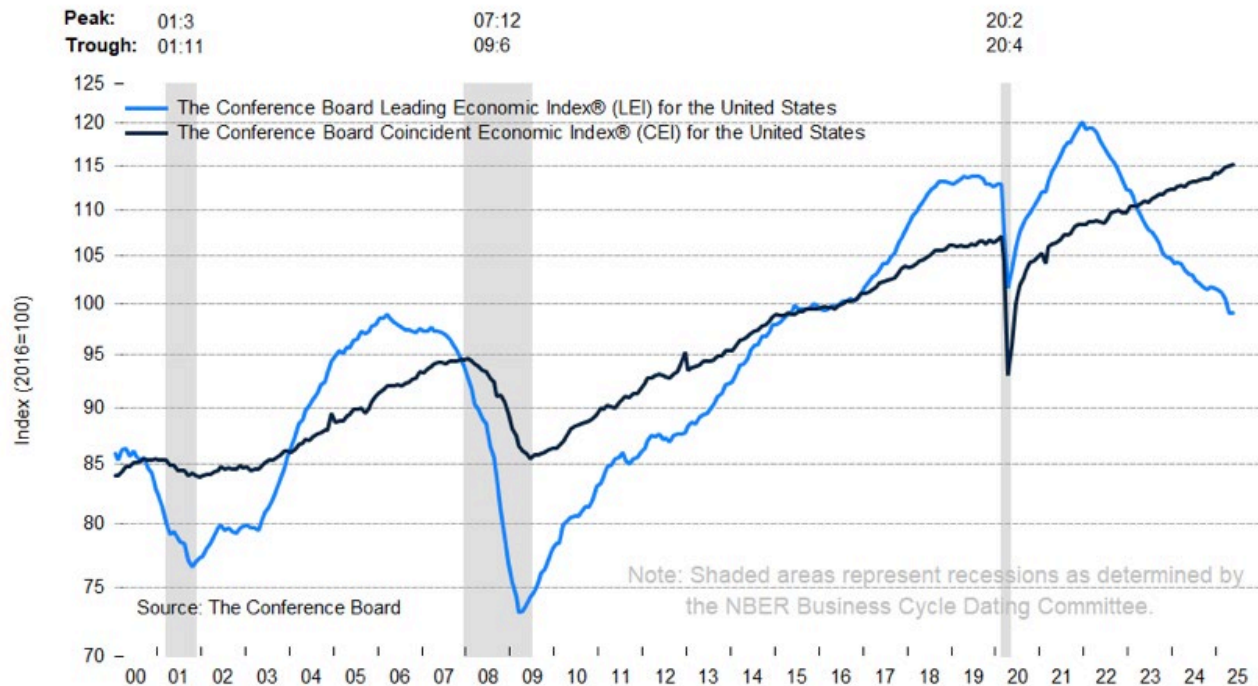


Disposable personal income, spending and saving



U.S. index of leading economic indicators

The LEI declined marginally in May



“The Conference Board does not anticipate recession, but we do expect a significant slowdown in economic growth in 2025 compared to 2024, with real GDP growing at 1.6% this year and persistent tariff effects potentially leading to further deceleration in 2026.”

The Conference Board Leading Economic Index® (LEI) components: 1) average weekly hours worked, manufacturing; 2) average weekly initial unemployment claims; 3) manufacturers' new orders – consumer goods and materials; 4) ISM index of new orders; 5) manufacturers' new orders, nondefense capital goods; 6) building permits – new private housing units; 7) stock prices, S&P 500; 8) Leading Credit Index™; 9) interest rate spread; 10-year Treasury minus fed funds; 10) index of consumer expectations.
Source: ©The Conference Board. Data through May, released June 20, 2025.

GDP forecast

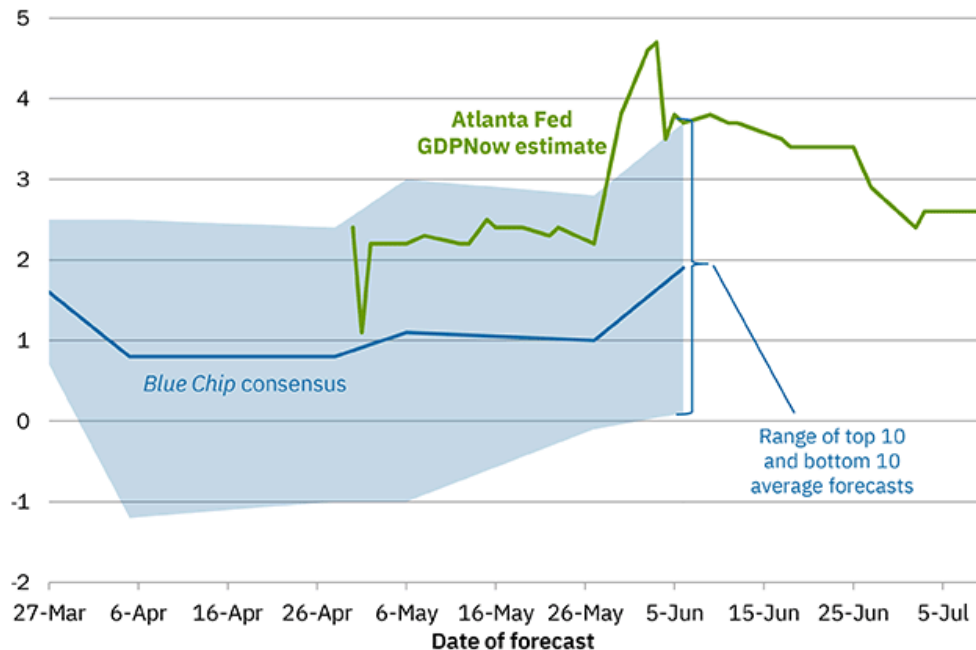
Atlanta Fed's GDPNow forecast – 2nd quarter

Latest estimate: 2.6 percent — July 09, 2025

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2025 is **2.6 percent** on July 9, unchanged from July 3 after rounding. After this morning's wholesale trade report from the US Census Bureau, the nowcast of second-quarter real residential fixed investment growth decreased from -6.4 percent to -6.5 percent, while the nowcast of the contribution of inventory investment to annualized second-quarter real GDP growth decreased from -2.13 percentage points to -2.15 percentage points.

The next GDPNow update is **Thursday, July 17**. Please see the "Release Dates" tab below for a list of upcoming releases.

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q2 Quarterly percent change (SAAR)



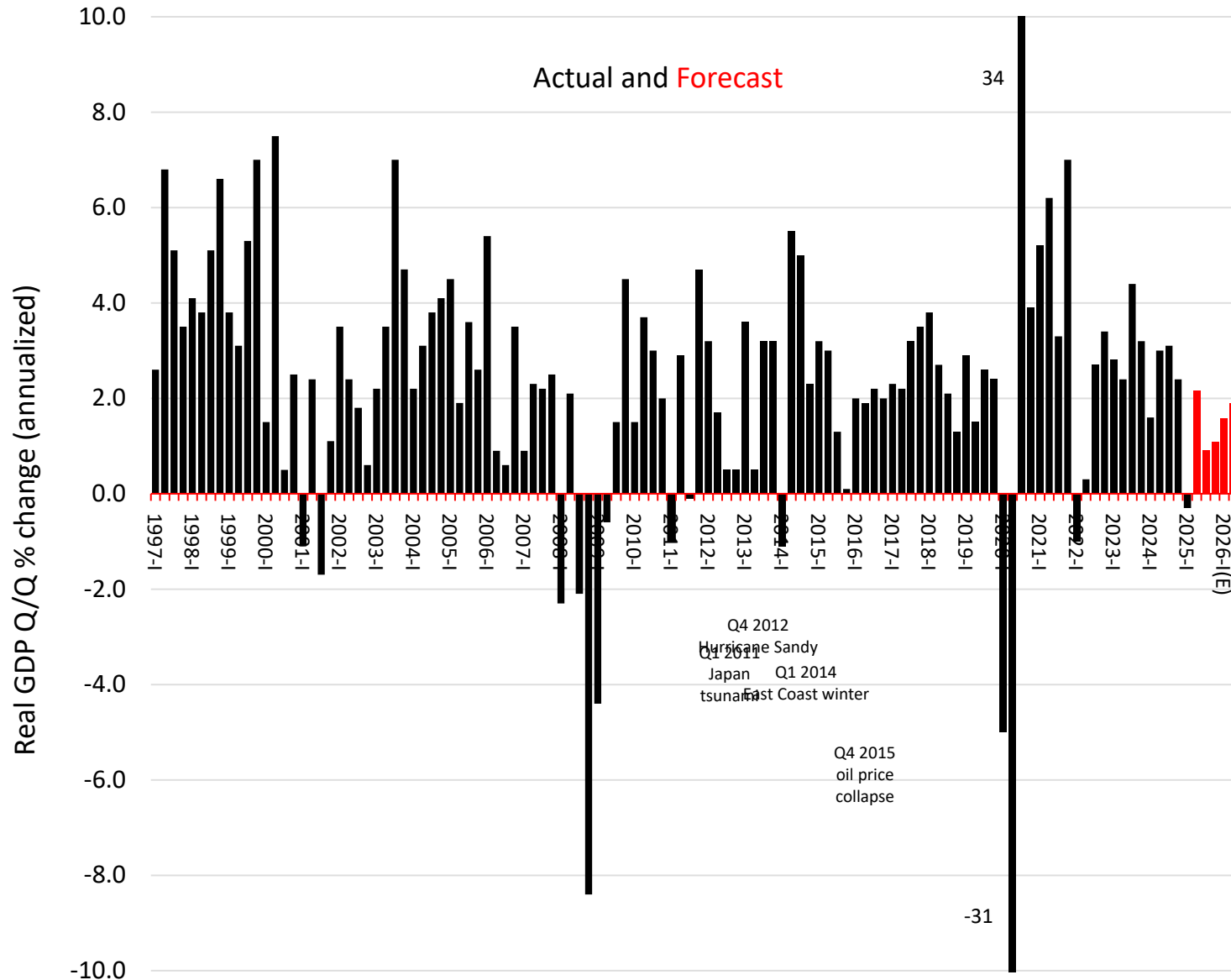
Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Source: Federal Reserve Bank of Atlanta July 9, 2025.

Consensus GDP forecast

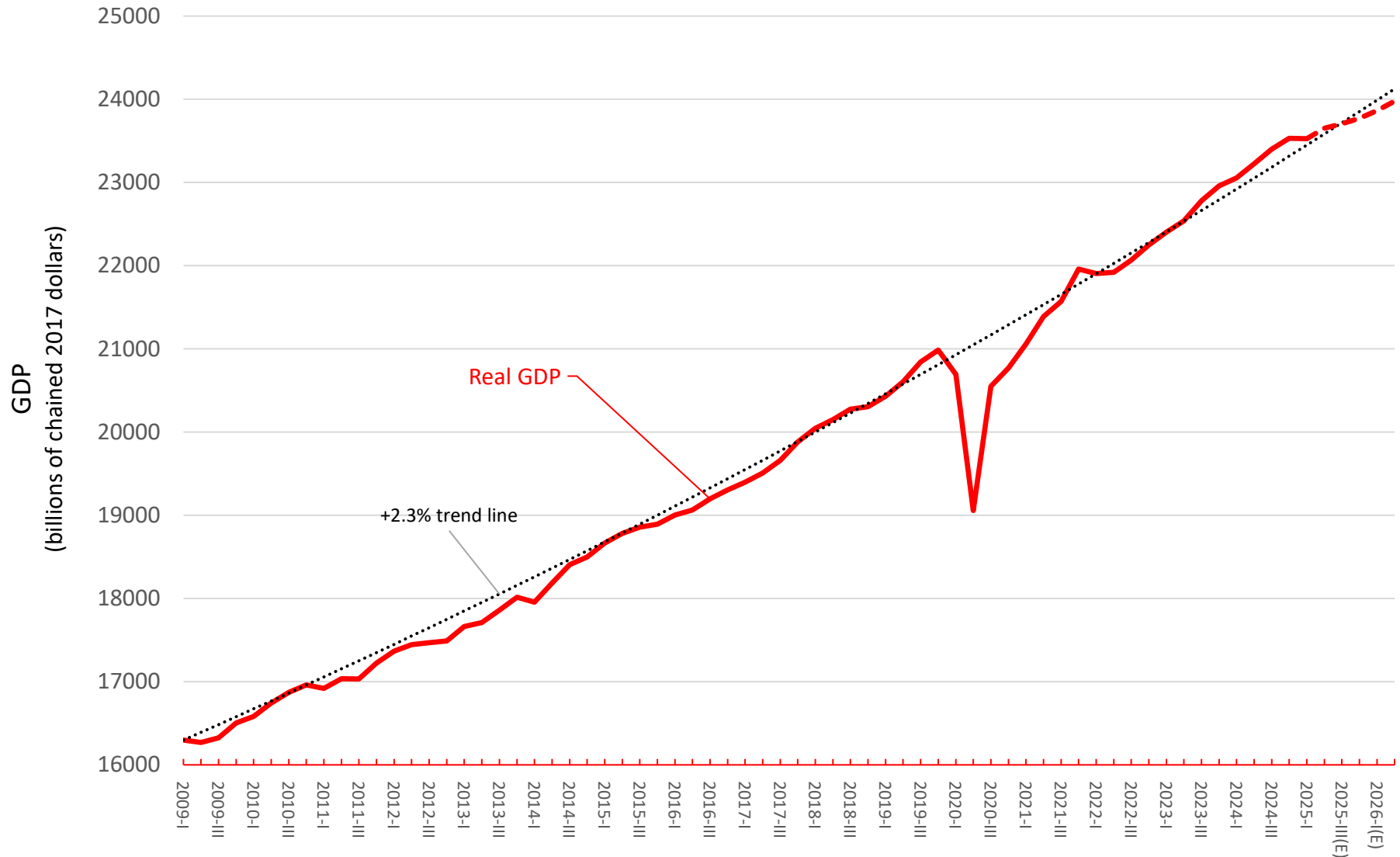
GDP



The 69 economists surveyed in July raised their forecasts from the April survey and see continued growth ahead.

GDP forecast

2.3% trend rate of growth



Sources: Bureau of Economic Analysis, actual quarterly data through March 2025. Dotted line represents the forecast from *The Wall Street Journal* survey released July 2025.

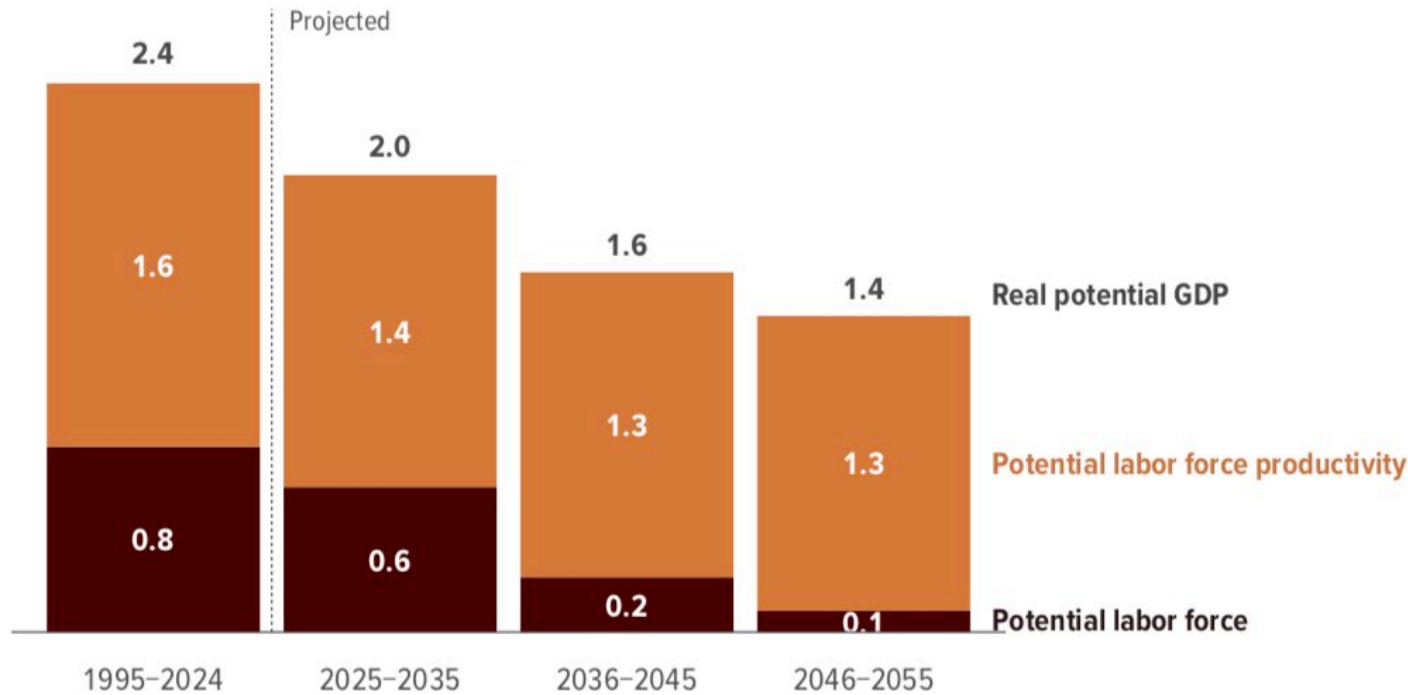
GDP growth potential = Δ productivity + Δ labor force

CBO's potential growth calculations

Figure 3-3.

Average Annual Growth of Real Potential GDP and Its Components

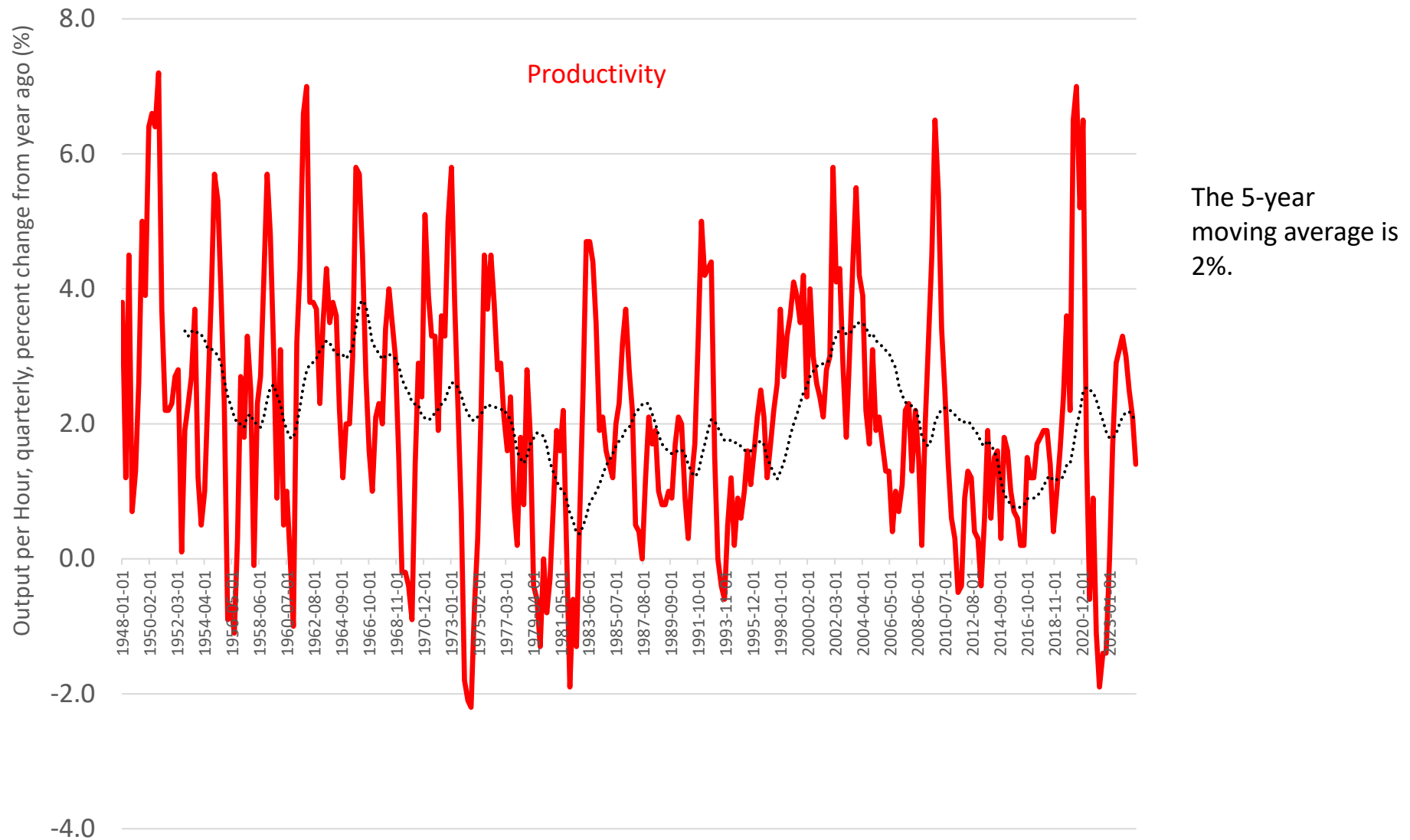
Percent



Real potential GDP is projected to grow more slowly from 2025 to 2055 than it has, on average, over the past 30 years. That decline is explained by slower projected growth in the size and productivity of the potential labor force.

Economic growth

Productivity



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Productivity Boom Drives U.S. Growth

Inflation and the labor market are both cooling, but a subtle force has powered strong U.S. economic growth, nonetheless. Americans keep finding ways to get more done at work.

So far this year, the quarterly productivity of U.S. workers has grown by at least 2% compared with a year earlier. The three months through Sept. 30 were the fifth straight quarter of such growth. Over the past five years, quarterly year-over-year productivity growth has averaged 2.1%, a sharp improvement from growth over the 10 years prior.

“This is a hugely important development because it increases the productive capacity of the economy and allows more rapid economic growth without overheating,” Kugler said Tuesday.

Stock Market

- recovery from sharp sell-off and record highs
- stocks vs. recessions
- “parabolic” is normal
- 2025/2026 earnings estimates
- P/E multiple

S&P 500 Index 📄

S&P 500 Index (0S&P5)

Last Updated: 4:00 PM ET 07/11/25 Volume 258,126,700 +6% \$6259.75 -19.60 -0.31%

Index Scale

2532.69 2872.87 2940.91 2346.58 2728.81 3027.98 3393.52 2191.86 3588.11 4278.94 4818.62 4637.30 4114.65 4325.28 3636.87 3491.58 4195.44 3808.86 4607.07 4103.78 5119.26 6147.43 4835.04

-27.5% (bear market) +24.3% (2023) +23.3% (2024) -21.3%

RS

NYSE Volume in 100

Volume(00)

Dec 17 Mar 18 Jun 18 Sep 18 Dec 18 Mar 19 Jun 19 Sep 19 Dec 19 Mar 20 Jun 20 Sep 20 Dec 20 Mar 21 Jun 21 Sep 21 Dec 21 Mar 22 Jun 22 Sep 22 Dec 22 Mar 23 Jun 23 Sep 23 Dec 23 Mar 24 Jun 24 Sep 24 Dec 24 Mar 25 Jun 25 Sep 25 Dec 25

Quotes delayed 20 minutes. Ownership data provided by LSEG and Estimate data provided by FactSet. marketsurge@investors.com

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Stock market

Mag-7 vs. S&P 493



Source: Standard & Poor's and Investor's Business Daily. Data through July 11, 2025.

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Europe's Firms Fall Far Behind In the Race to Create Big Tech

Investors and entrepreneurs say obstacles to tech growth are deeply entrenched: a timid and risk-averse business culture, strict labor laws, suffocating regulations, a smaller pool of venture capital and lackluster economic and demographic growth.

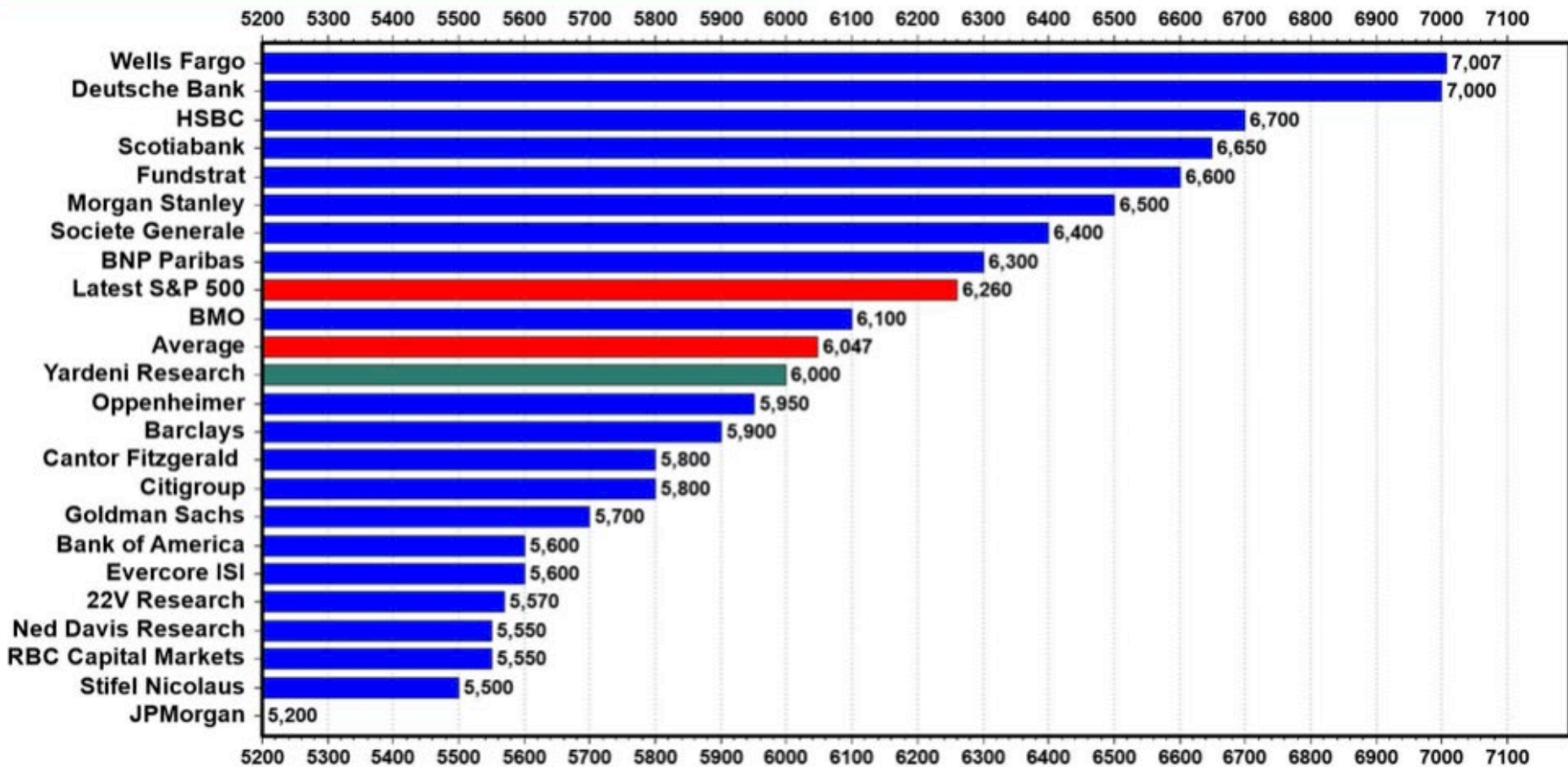
Existential dilemma

Having largely missed out on the first digital revolution, Europe seems poised to miss out on the next wave, too. The U.S. and China, flush with venture capital and government funding, are spending heavily on AI and other technologies that hold the promise of boosting productivity and living standards. In Europe, venture capital tech investment is a fifth of U.S. levels.

Stock market

S&P 500 – strategists 2025 targets

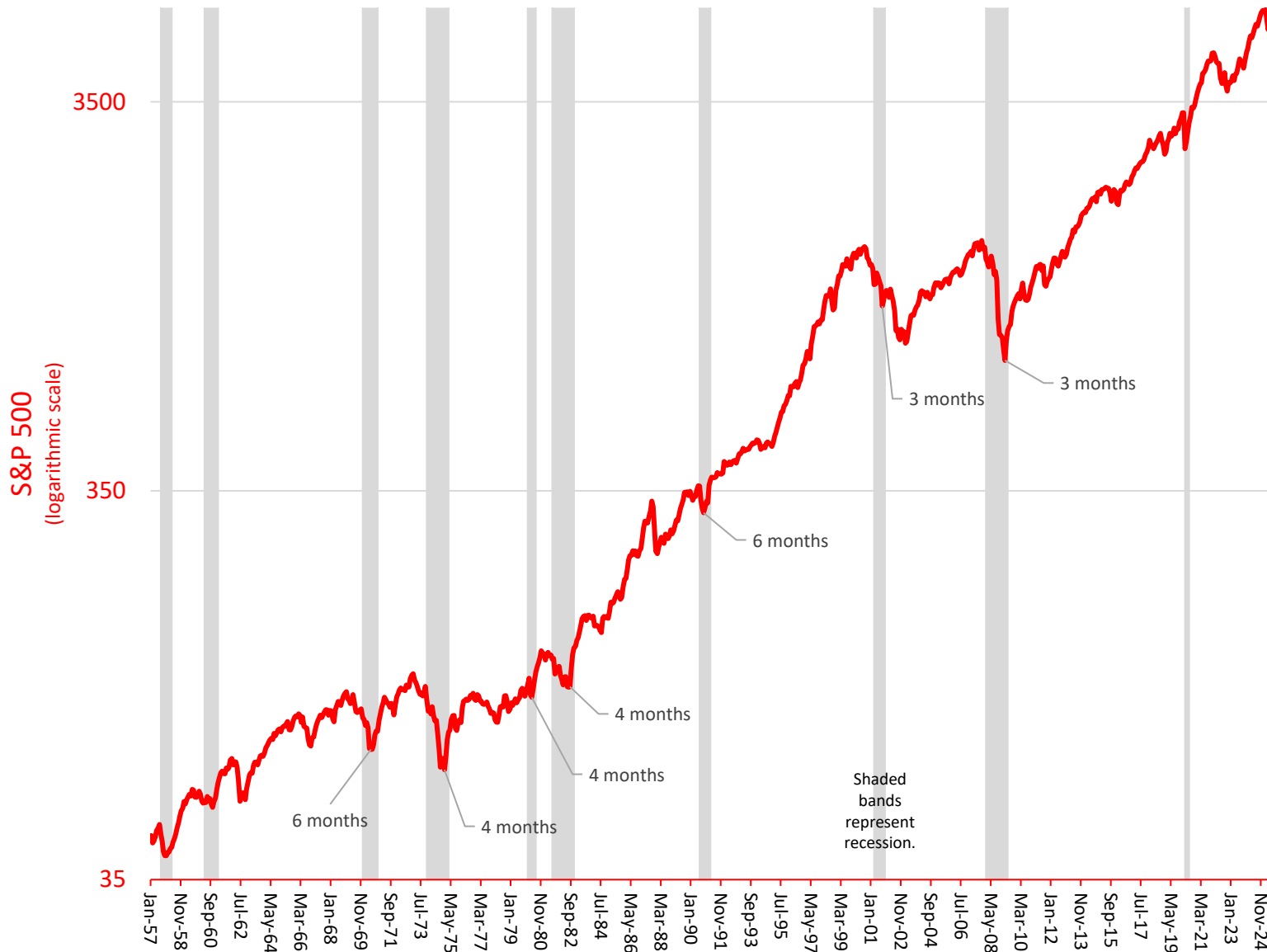
S&P 500: WALL STREET'S 2025 YEAR-END PRICE TARGETS (as forecasted in April 2025)



Source: LSEG Datastream and © Yardeni Research. Bloomberg.

Stock market

S&P 500 vs. recessions



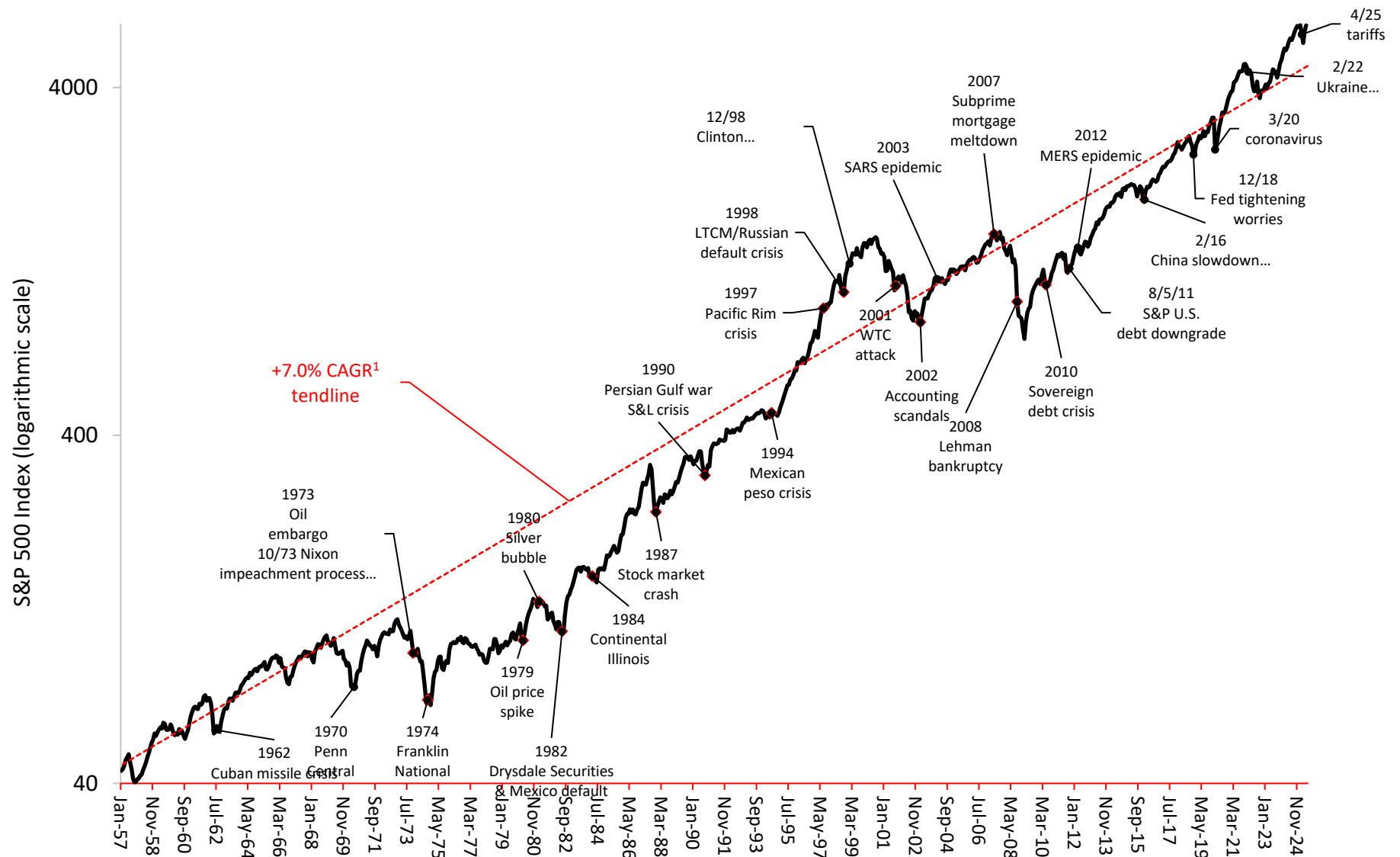
Big declines are associated with recessions.

Stocks often bottom months before recession-end.

Source: Standard and Poor's Corporation, National Bureau of Economic Research. Data through June 2025.

Stock market

S&P 500 and crises

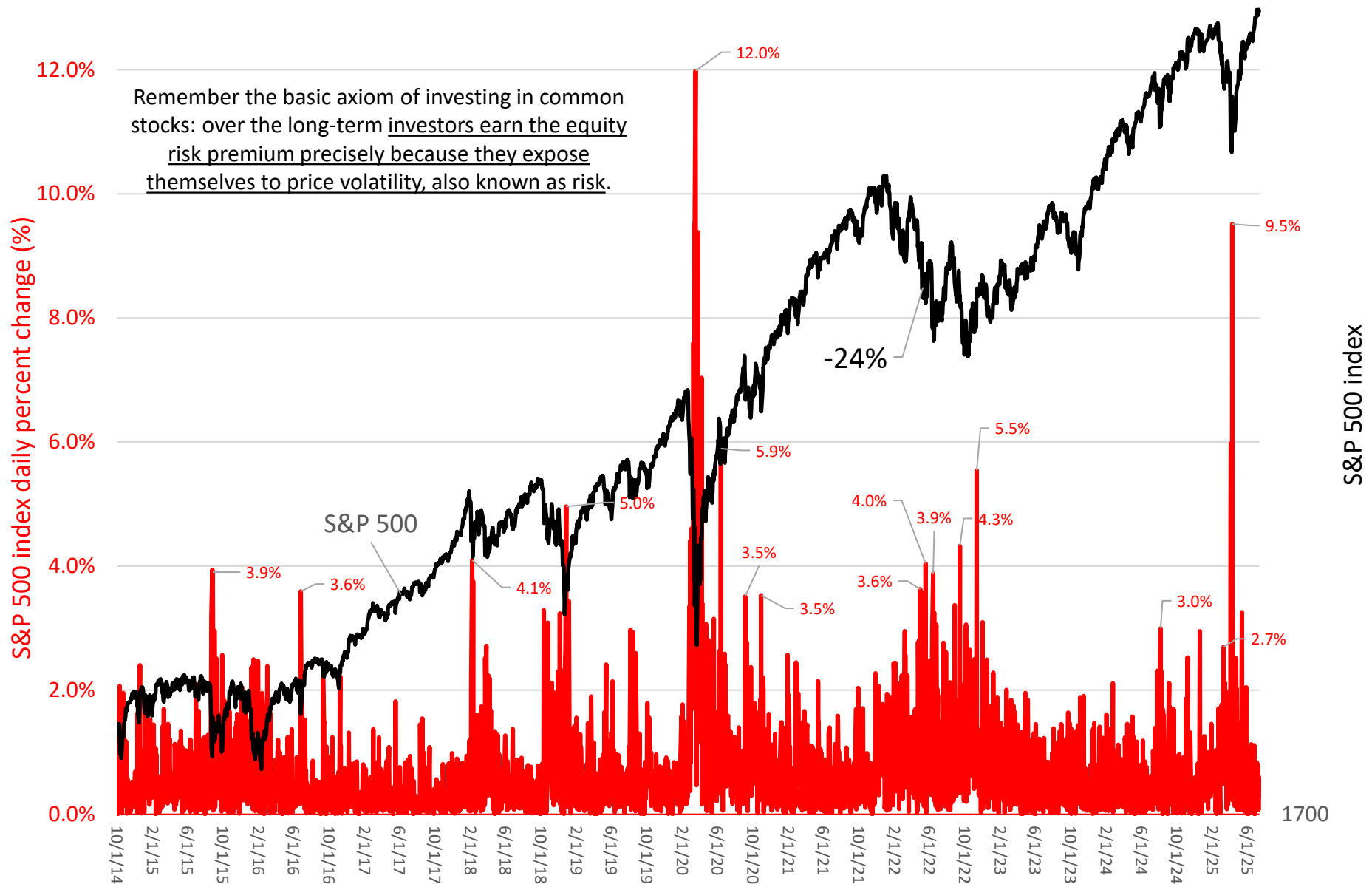


Source: Standard and Poor's. Data through June 2025. ¹ Compound annual growth rate.

Stock market

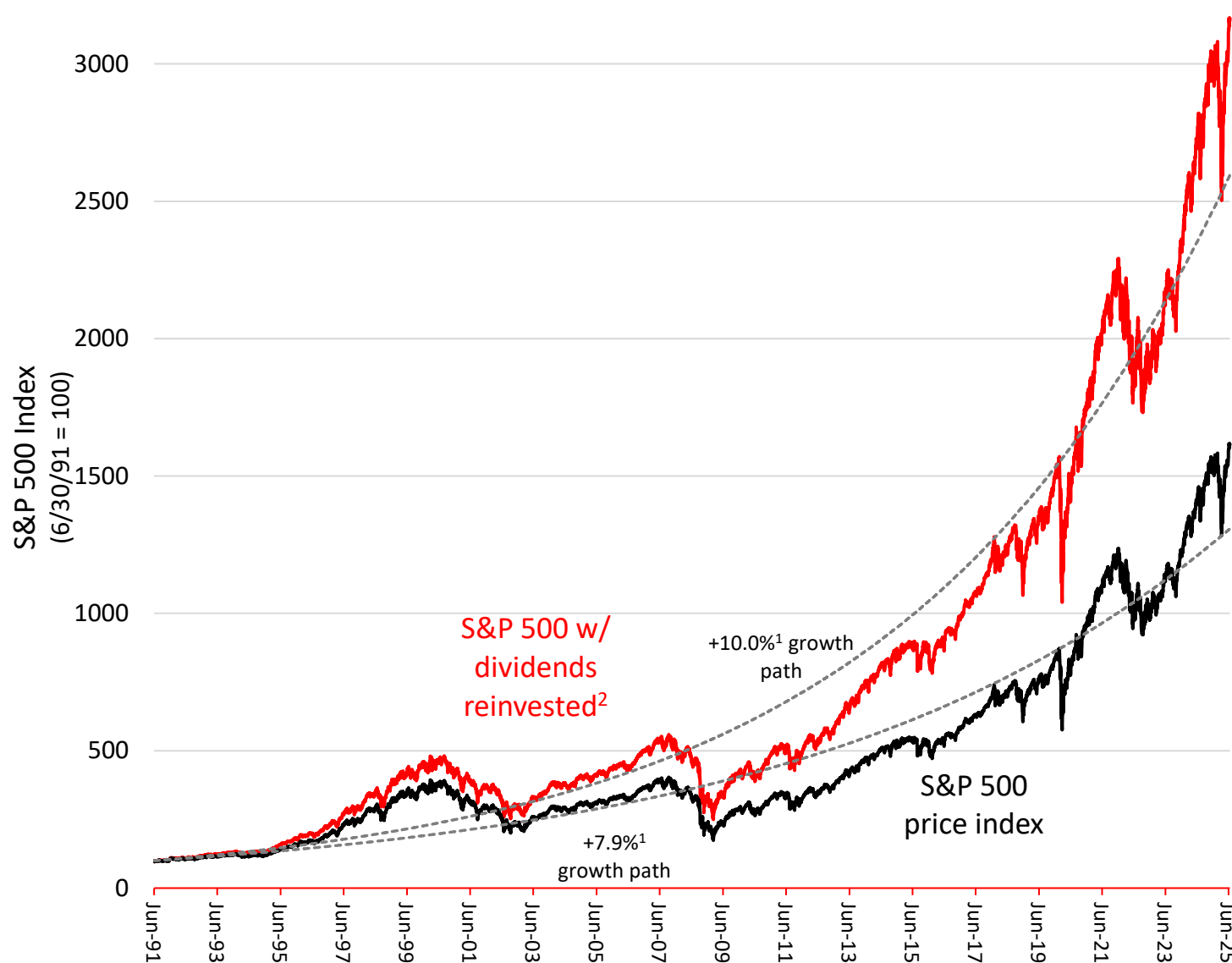
S&P 500 volatility

Remember the basic axiom of investing in common stocks: over the long-term investors earn the equity risk premium precisely because they expose themselves to price volatility, also known as risk.

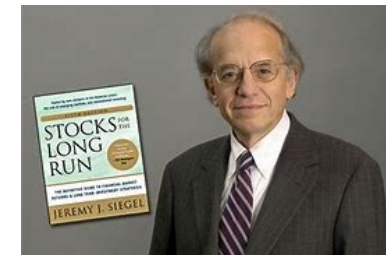


Stock market arithmetic

Total return = 7.9% earnings-driven price + 2.1% dividends reinvested



+10% per year S&P 500 total return over the last 30 years is in line with the stock market's long-term returns going back to 1926, or back even further to 1871.³



Source: Standard and Poor's. Data through July 11, 2025.¹ Compound annual growth rate. ² S&P 500 total return index.

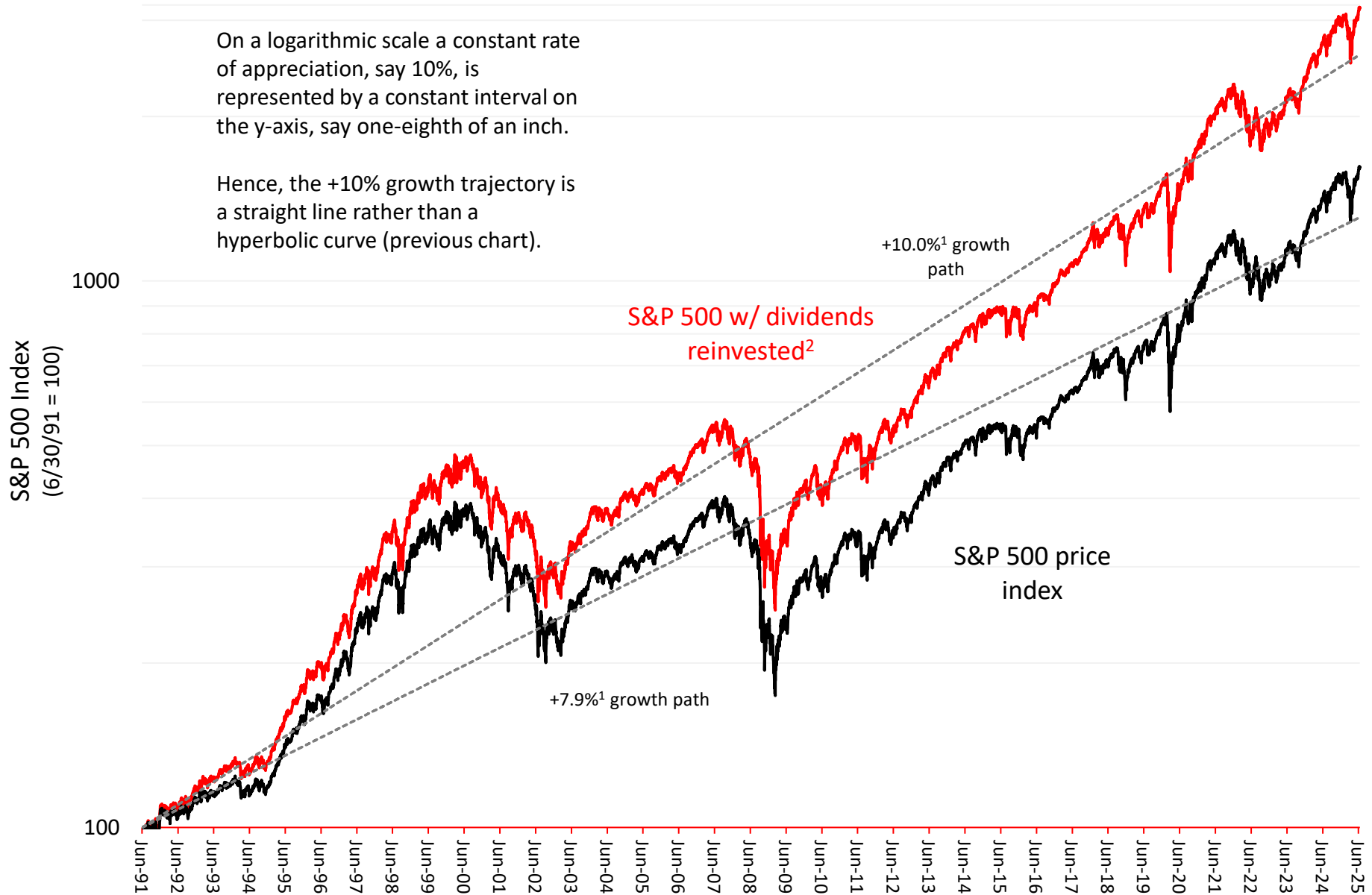
³ per Professor Jeremy Siegel's seminal *Stocks for the Long Run*, first published in 1994.

Stock market arithmetic

Total return = 7.9% earnings-driven price + 2.1% dividends reinvested

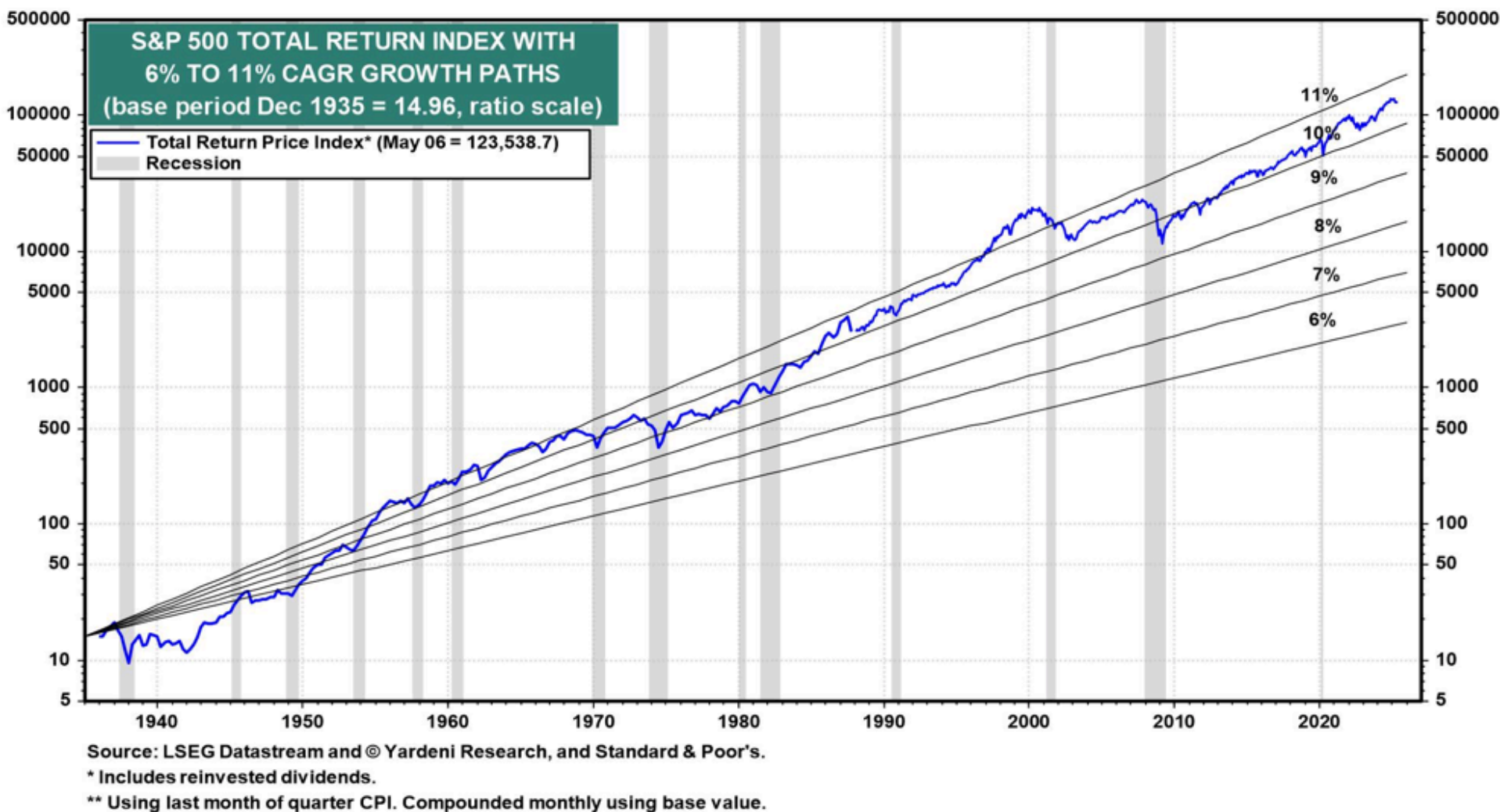
On a logarithmic scale a constant rate of appreciation, say 10%, is represented by a constant interval on the y-axis, say one-eighth of an inch.

Hence, the +10% growth trajectory is a straight line rather than a hyperbolic curve (previous chart).



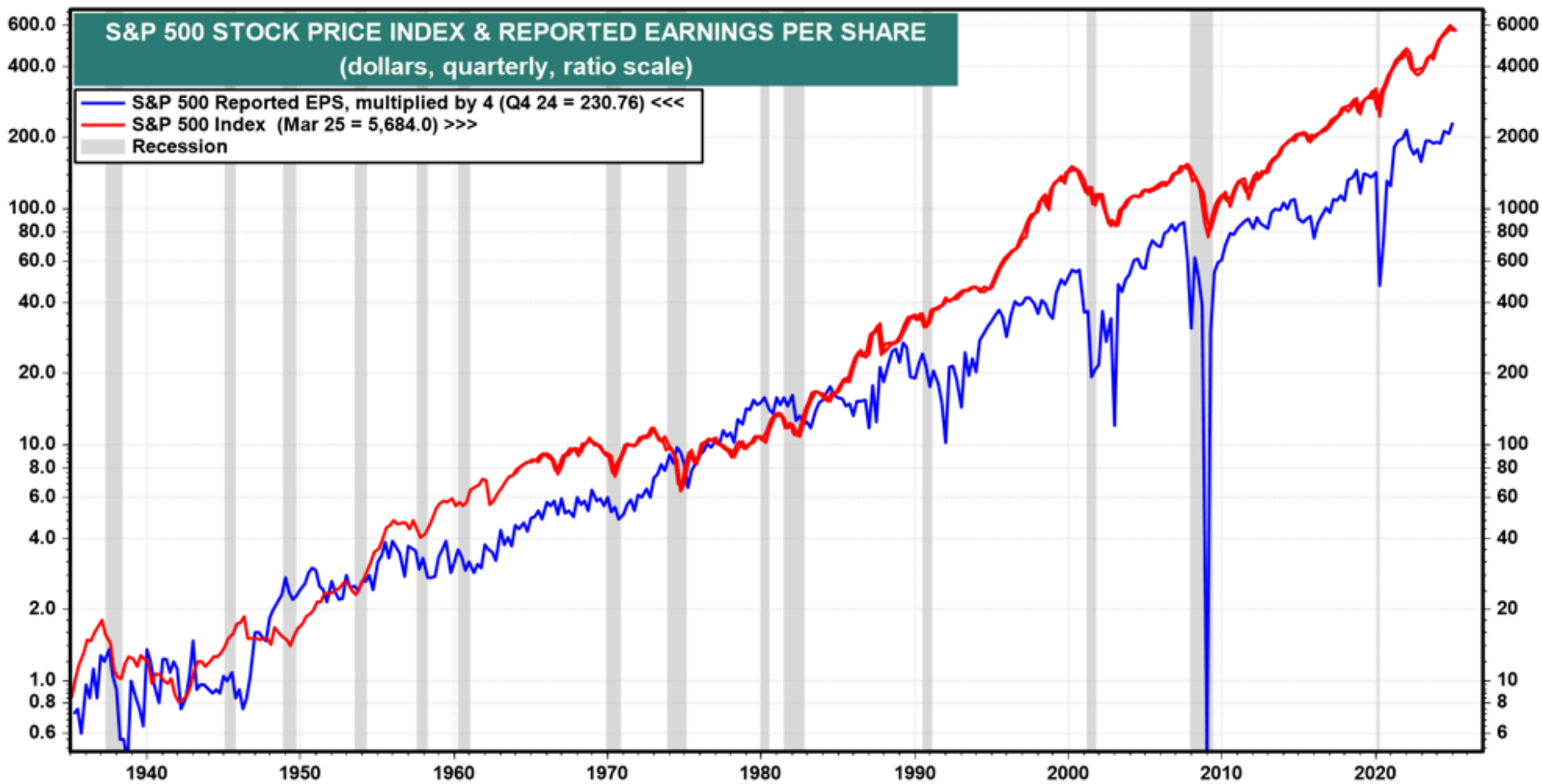
Stock market arithmetic

S&P 500 total return



Stock market arithmetic

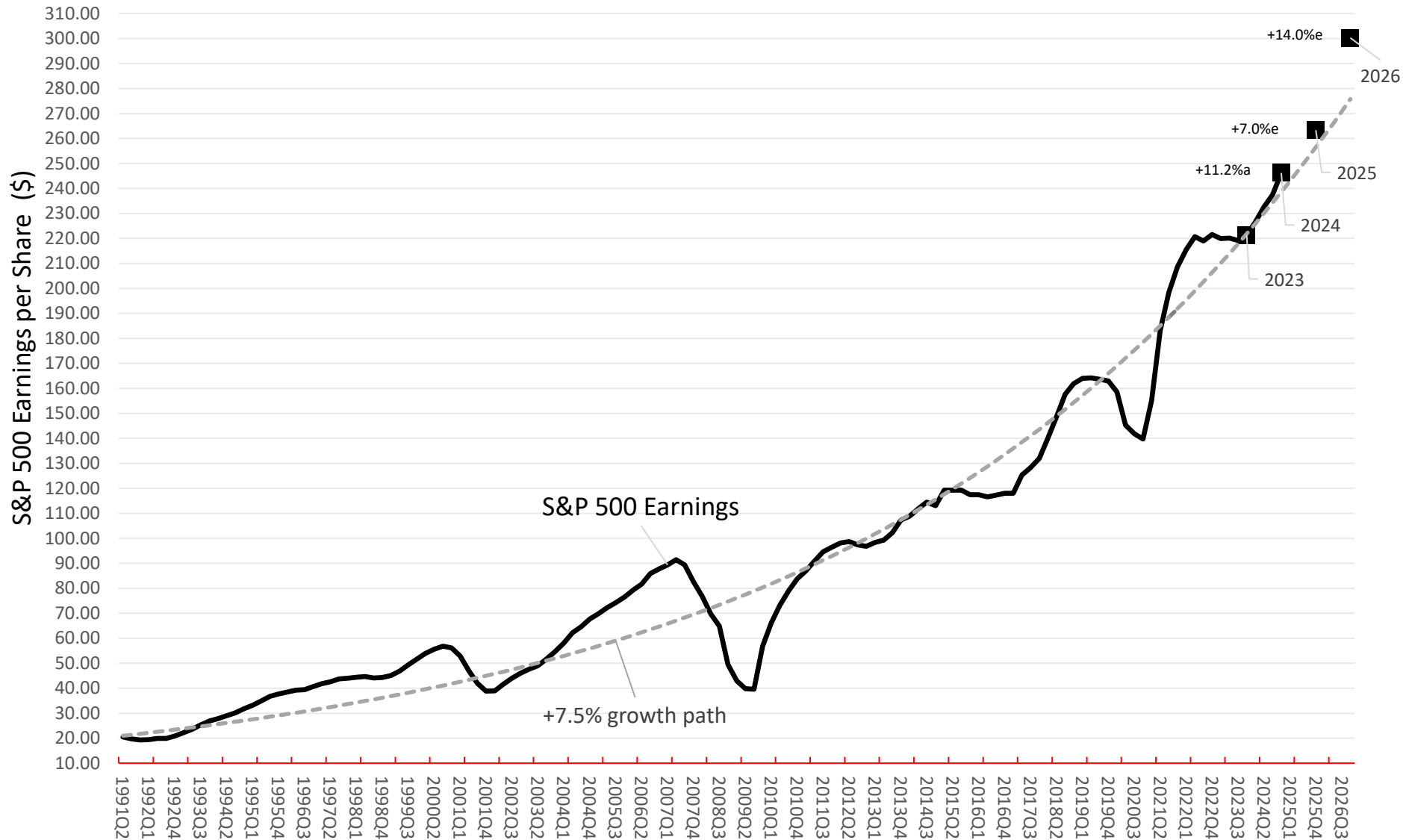
89 years of S&P 500 earnings growth



Source: LSEG Datastream and © Yardeni Research.

Earnings

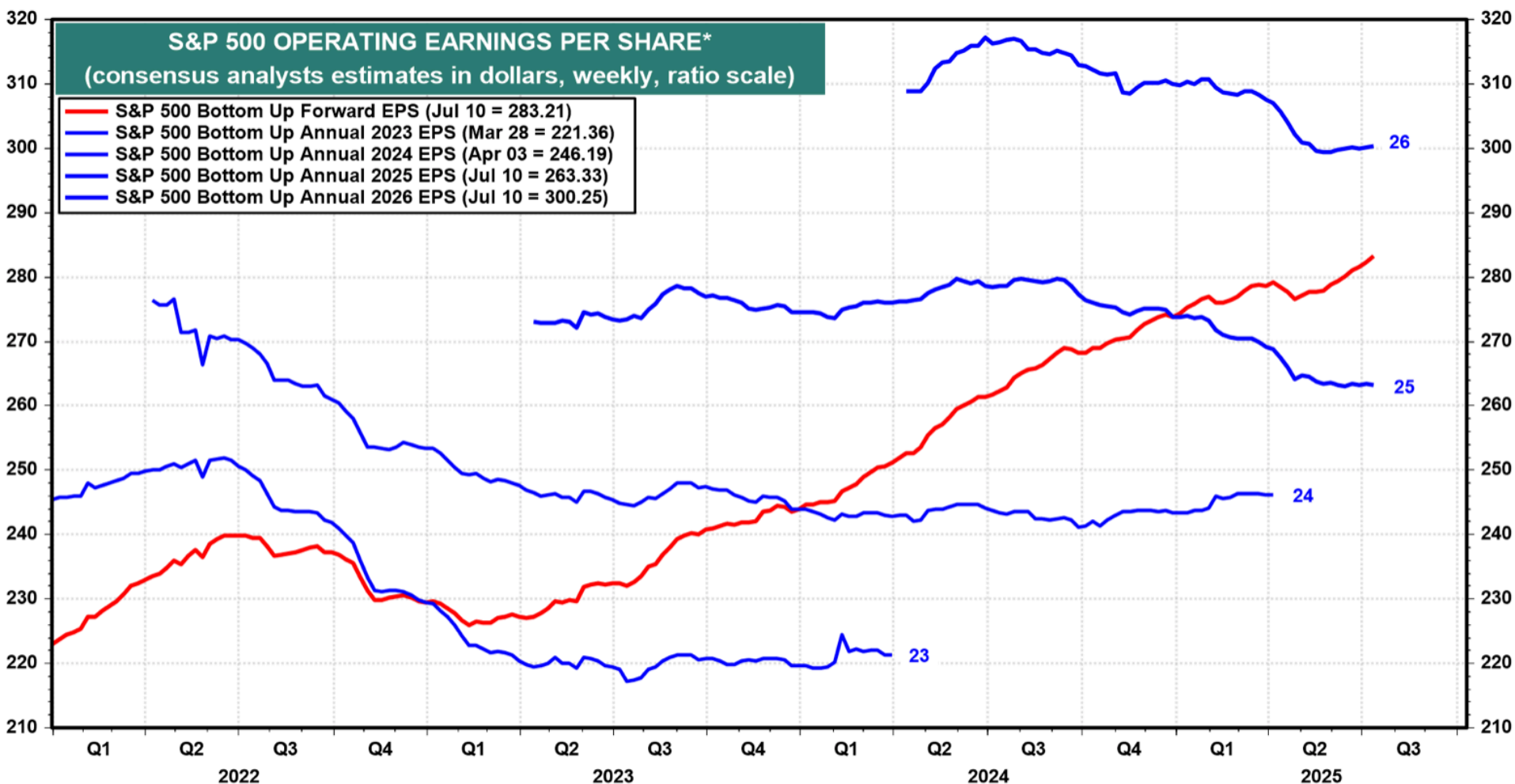
S&P 500 earnings – actual and I/B/E/S estimates



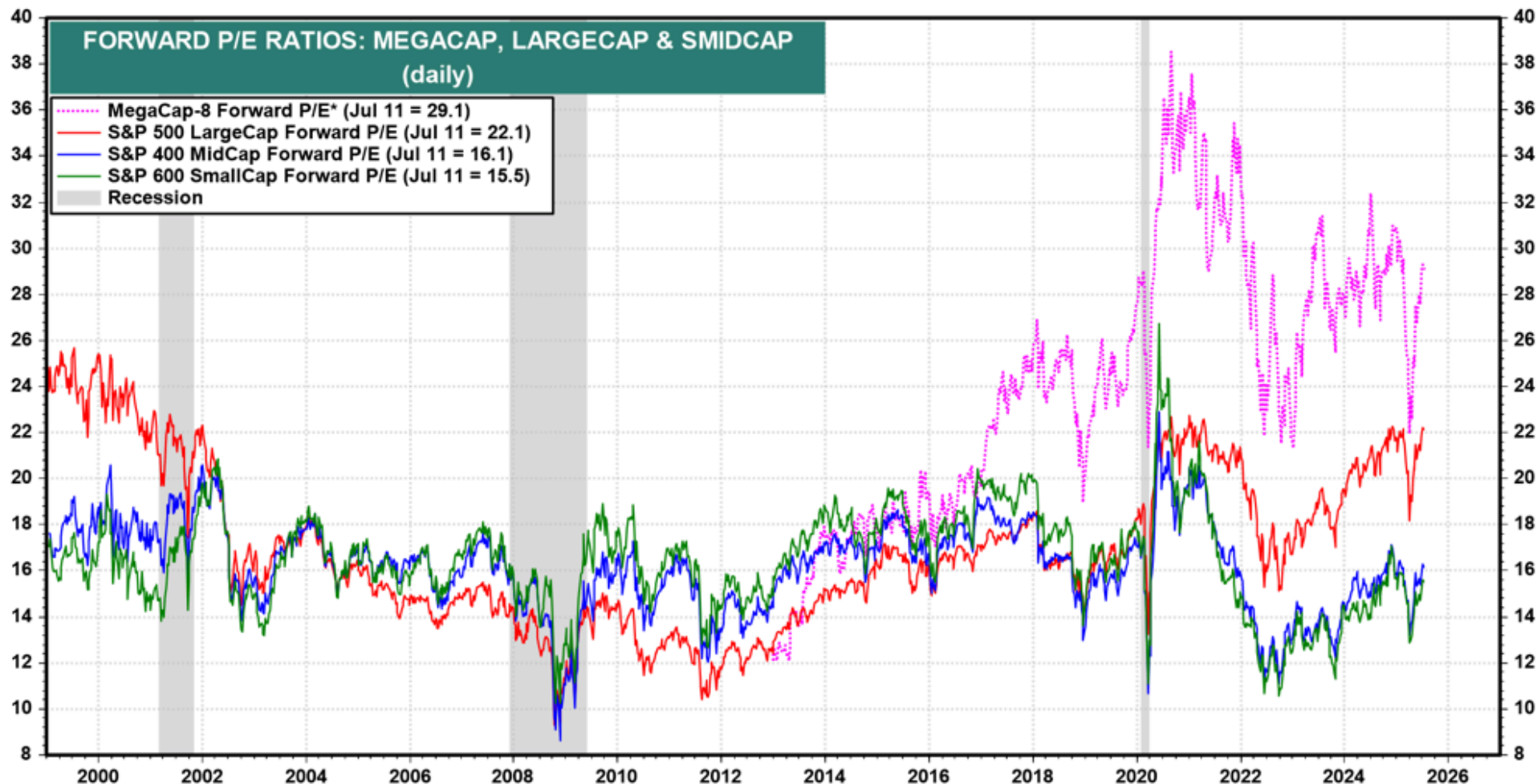
2023 (actual), 2024 (actual), 2025 (estimated) and 2026 (estimated) bottom-up S&P 500 operating earnings per share as of July 11, 2025: for 2023(a), \$221.36; for 2024(a), \$246.19; for 2025(e), \$263.33; for 2026(e), \$300.25. Sources: Yardeni Research, Inc. and Thomson Reuters I/B/E/S for actual and estimated operating earnings from 2015. Standard and Poor's for actual operating earnings data through 2014.

Earnings

S&P 500 earnings – trend in analysts' estimates



S&P 500 index forward P/E ratio



Source: LSEG Datastream and © Yardeni Research, and Standard & Poor's.

* MegaCap-8 stocks include Alphabet, Amazon, Apple, Meta, Microsoft, Netflix, NVIDIA, and Tesla. Both classes of Alphabet are included.

S&P 500 index forward P/E ratio



Source: LSEG Datastream and © Yardeni Research and Standard & Poor's.

* Price divided by 52-week forward consensus expected operating earnings per share.

Bond Yields

- Normal yields by historic comparison

Bond yields

U.S. Treasury bond yields

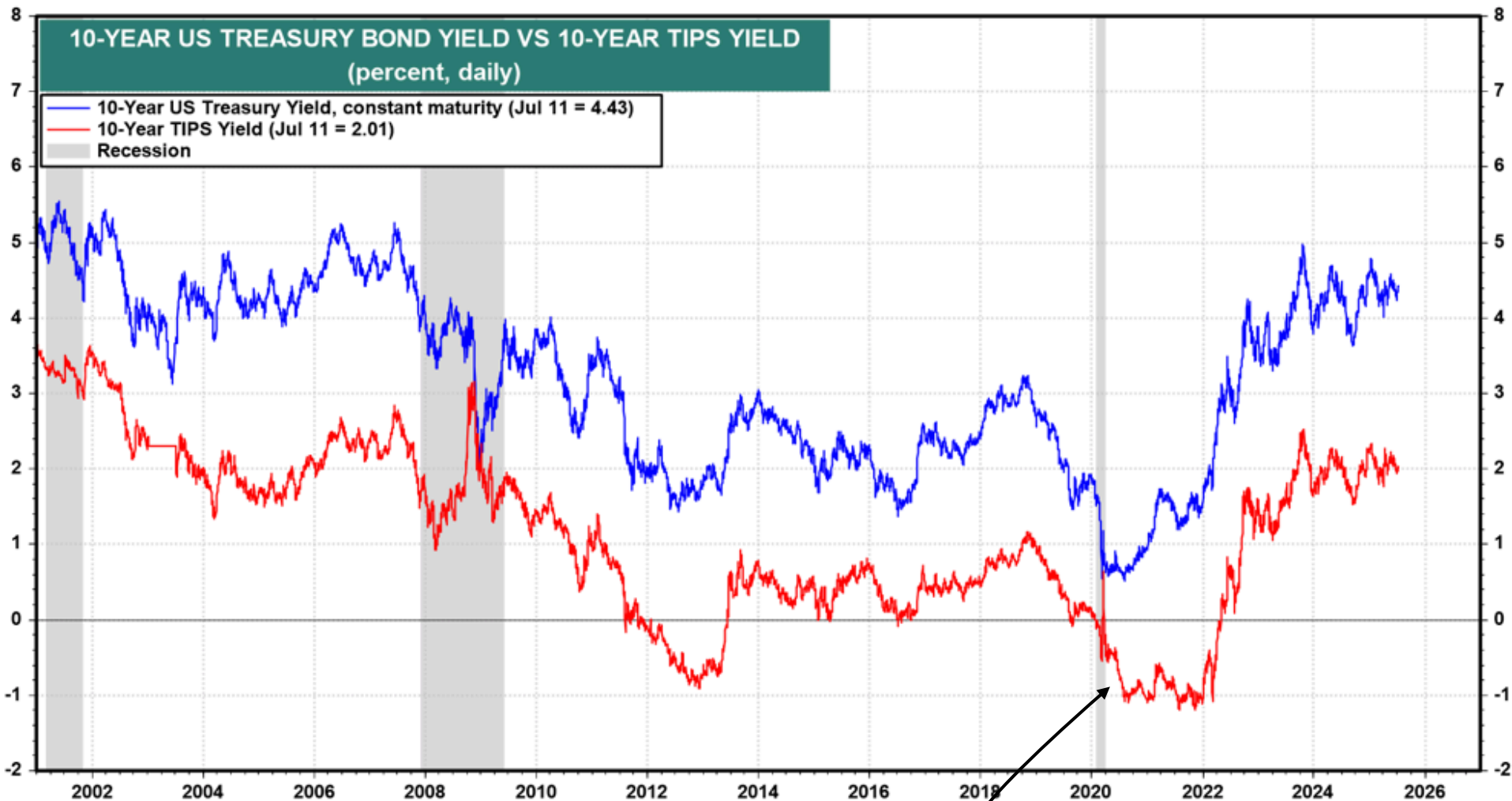


Rising from the lowest long-term interest rates in U.S. history.

Source: Online Data Robert Shiller, data through 2016; 10-year U.S. Treasury bond yield data from 2017; data through June 2025.

Bond yields

U.S. Treasury bond and TIPS yields



Source: LSEG Datastream and © Yardeni Research. Federal Reserve Board.

Negative real returns
didn't make sense.

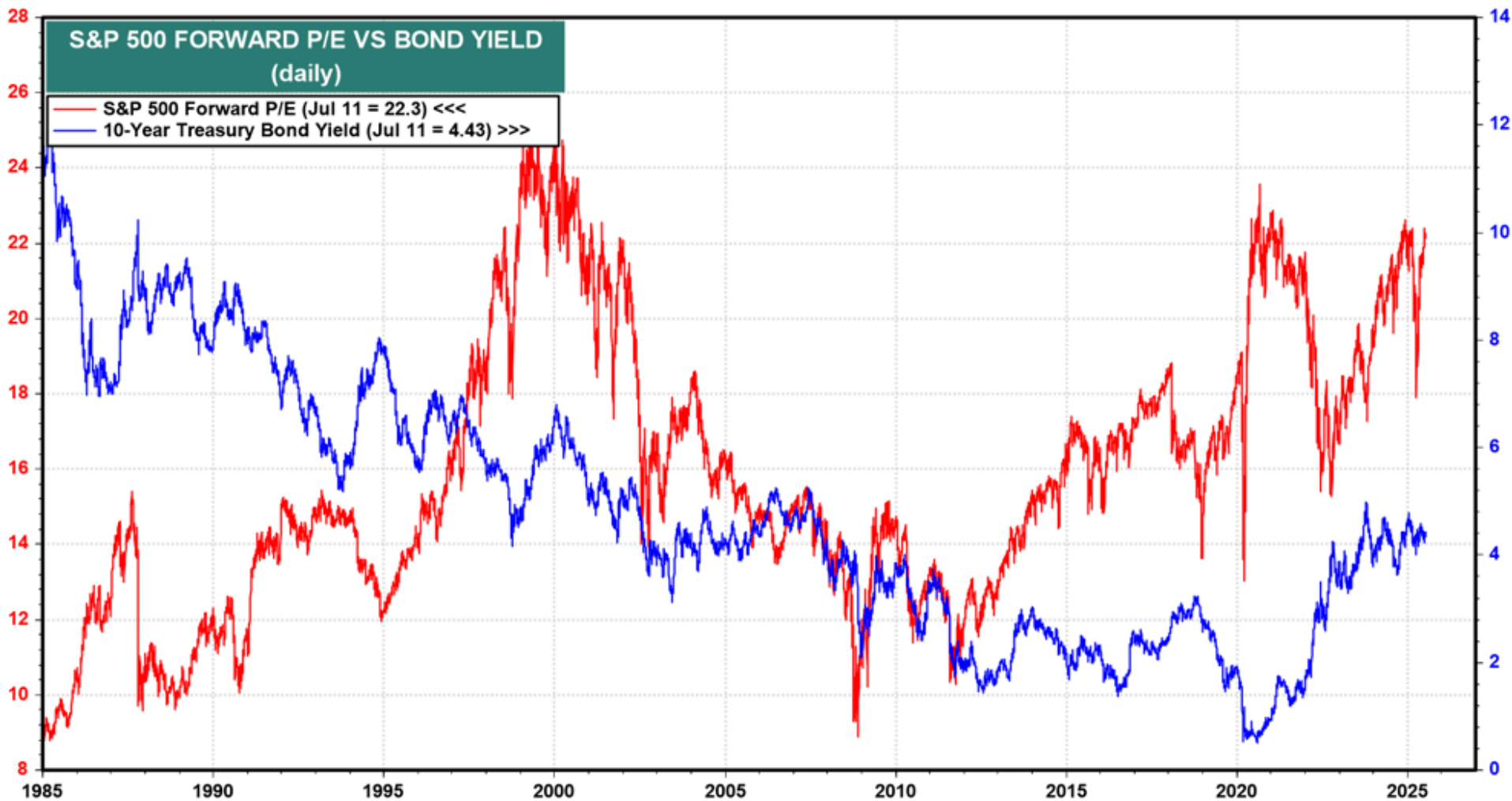
Stock market

Bond yields vs. P/E ratios

BARRON'S

Bond Yields Are Rising. Why That's a Problem for Stocks.

S&P 500 index forward P/E ratio vs. bond yield



Source: LSEG Datastream and © Yardeni Research and Standard & Poor's, IBES, and Federal Reserve.

Federal Reserve

- Rate cuts on hold
- Boosted its inflation forecast
- Cut its GDP growth forecast
- Dot plot points to 3-1/4% terminal rate
- Dis-inverting yield curve

Federal Reserve

Central tendency forecasts

For release at 2:00 p.m., EDT, June 18, 2025

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, June 2025

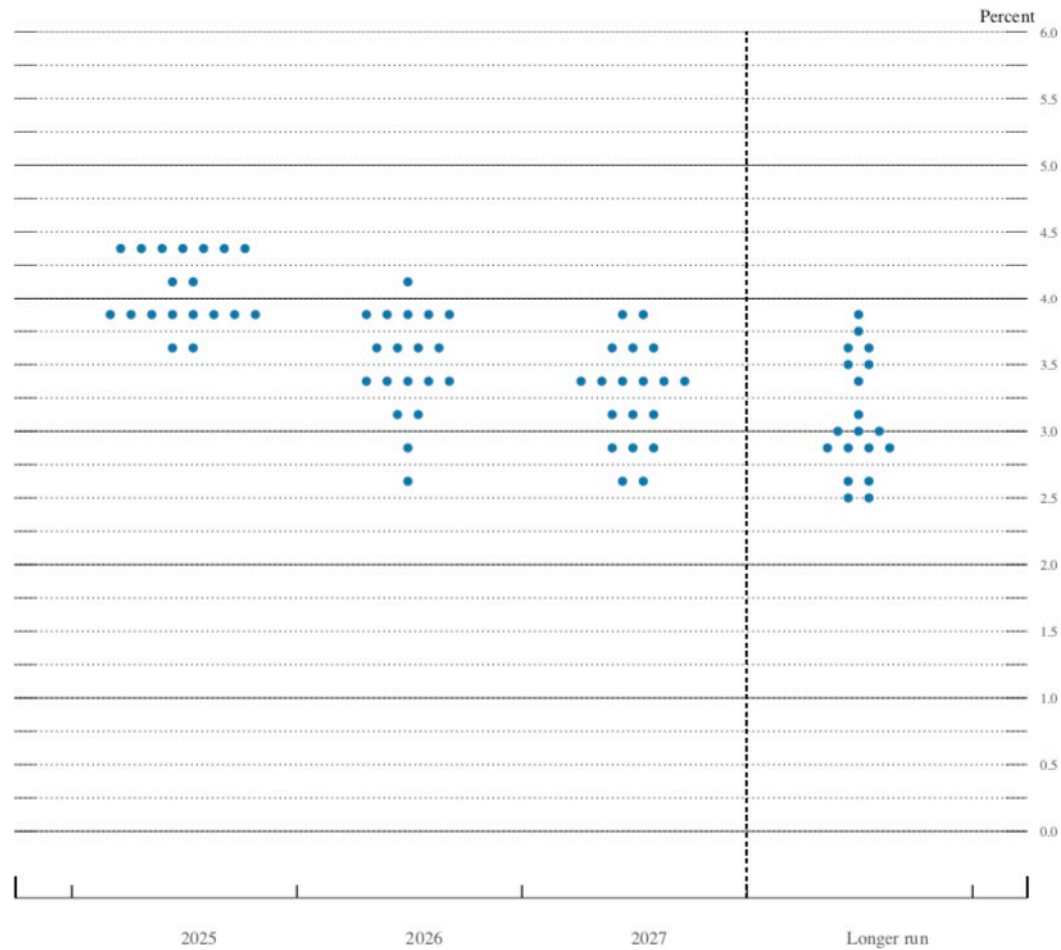
Percent

Variable	Median ¹				Central Tendency ²				Range ³			
	2025	2026	2027	Longer run	2025	2026	2027	Longer run	2025	2026	2027	Longer run
Change in real GDP	1.4	1.6	1.8	1.8	1.2–1.5	1.5–1.8	1.7–2.0	1.7–2.0	1.1–2.1	0.6–2.5	0.6–2.5	1.5–2.5
March projection	1.7	1.8	1.8	1.8	1.5–1.9	1.6–1.9	1.6–2.0	1.7–2.0	1.0–2.4	0.6–2.5	0.6–2.5	1.5–2.5
Unemployment rate	4.5	4.5	4.4	4.2	4.4–4.5	4.3–4.6	4.2–4.6	4.0–4.3	4.3–4.6	4.3–4.7	4.0–4.7	3.5–4.5
March projection	4.4	4.3	4.3	4.2	4.3–4.4	4.2–4.5	4.1–4.4	3.9–4.3	4.1–4.6	4.1–4.7	3.9–4.7	3.5–4.5
PCE inflation	3.0	2.4	2.1	2.0	2.8–3.2	2.3–2.6	2.0–2.2	2.0	2.5–3.3	2.1–3.1	2.0–2.8	2.0
March projection	2.7	2.2	2.0	2.0	2.6–2.9	2.1–2.3	2.0–2.1	2.0	2.5–3.4	2.0–3.1	1.9–2.8	2.0
Core PCE inflation ⁴	3.1	2.4	2.1		2.9–3.4	2.3–2.7	2.0–2.2		2.5–3.5	2.1–3.2	2.0–2.9	
March projection	2.8	2.2	2.0		2.7–3.0	2.1–2.4	2.0–2.1		2.5–3.5	2.1–3.2	2.0–2.9	
Memo: Projected appropriate policy path												
Federal funds rate	3.9	3.6	3.4	3.0	3.9–4.4	3.1–3.9	2.9–3.6	2.6–3.6	3.6–4.4	2.6–4.1	2.6–3.9	2.5–3.9
March projection	3.9	3.4	3.1	3.0	3.9–4.4	3.1–3.9	2.9–3.6	2.6–3.6	3.6–4.4	2.9–4.1	2.6–3.9	2.5–3.9

Federal Reserve Dot plot

For release at 2:00 p.m., EDT, June 18, 2025

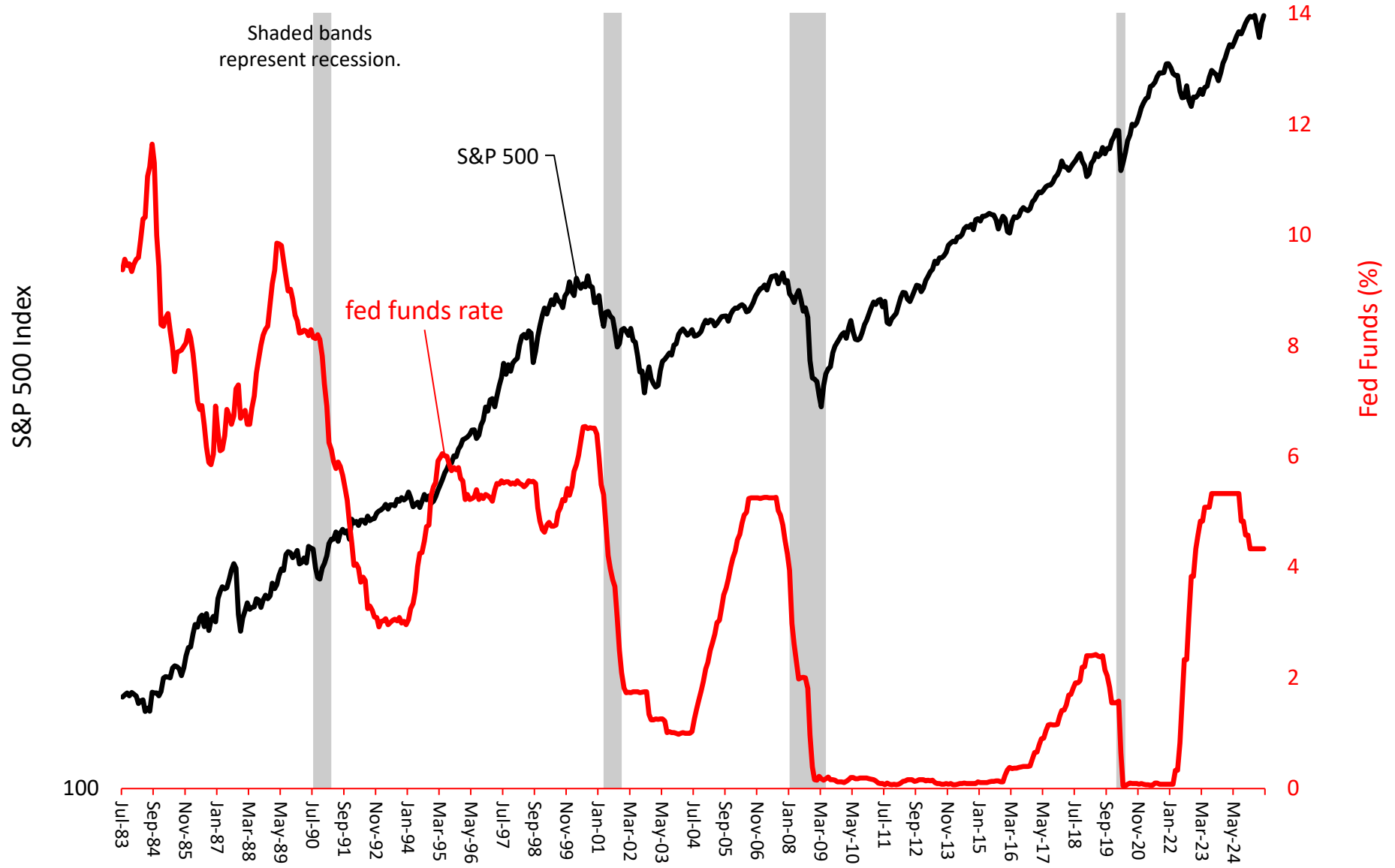
Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



Source: Federal Reserve, June 18, 2025.

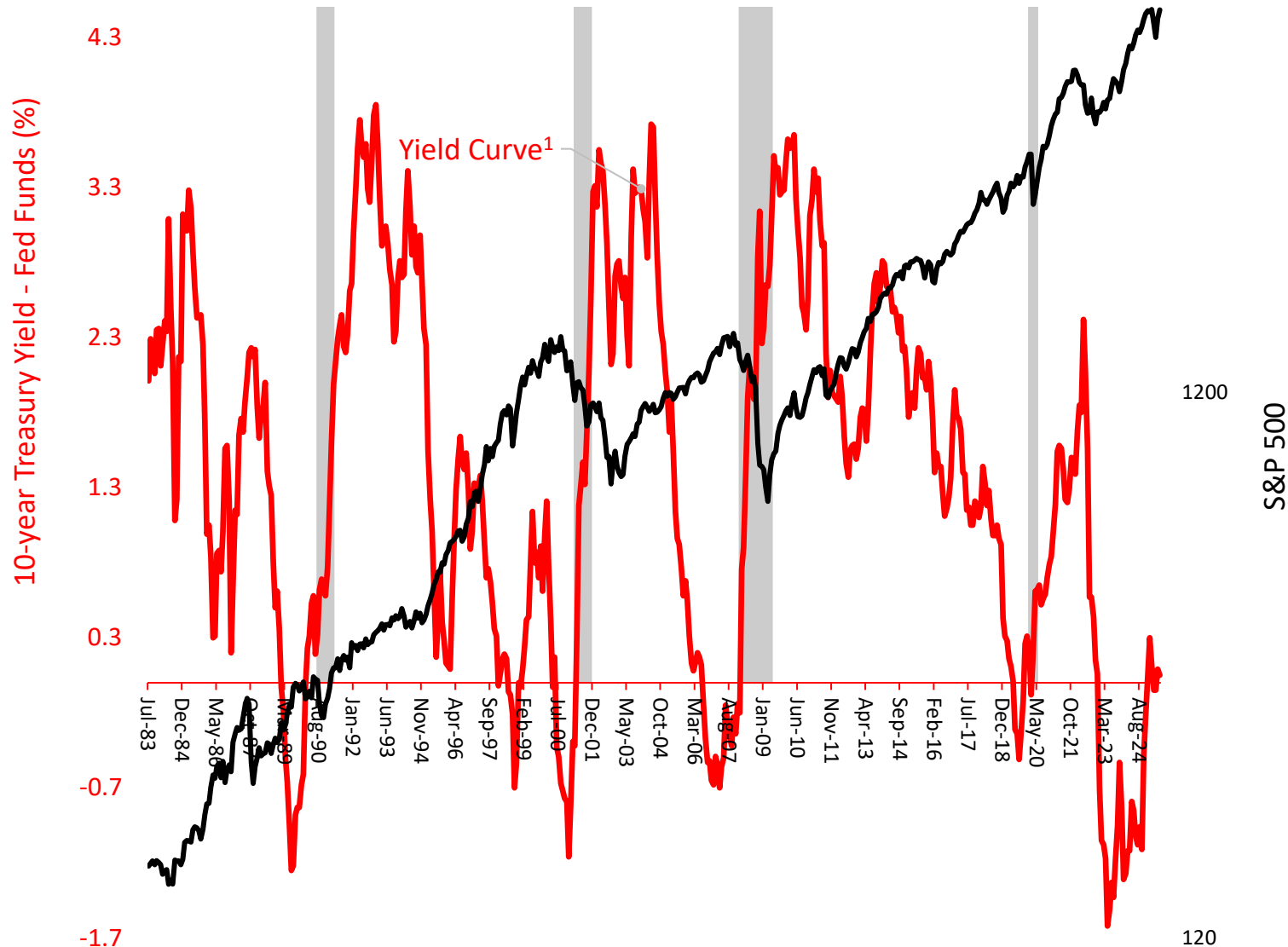
Stock market

S&P 500 vs. fed funds rate



Federal Reserve policy

Yield curve vs. the S&P 500



When the yield curve has inverted the economy has usually turned down into recession with a lag of a year or more.

Today, the yield curve is dis-inverting.

Sources: NBER, Federal Reserve and Standard & Poor's. Data through June 2025.

¹The interest rate on the 10-year Treasury bond (long term) minus the fed funds rate (short term).

Inflation

- Year-over-year headline CPI +2.7%, +2.9% core
- Year-over-year headline PCED +2.3%, +2.7% core
- Inflation expectations (TIPS spread)

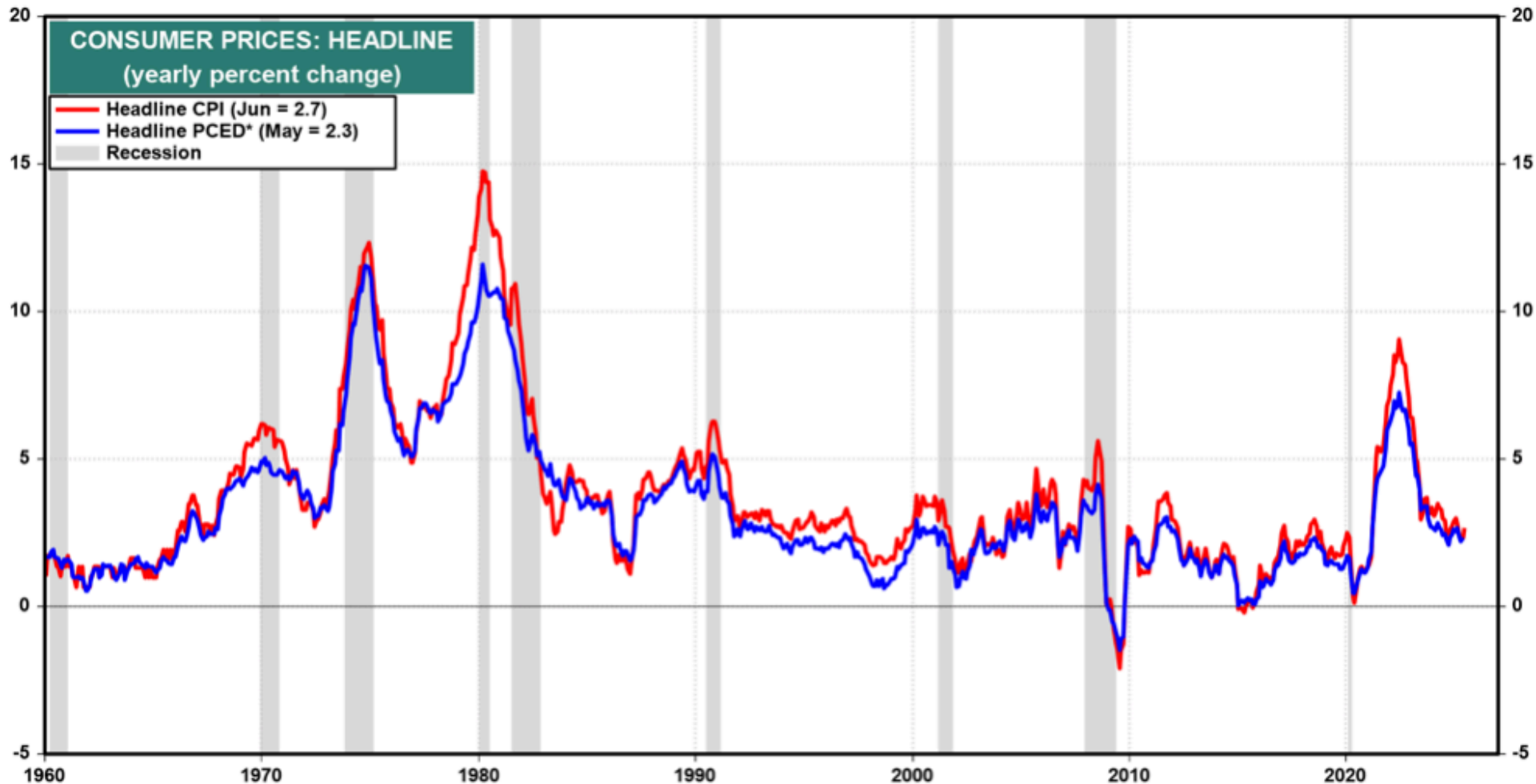
THE WALL STREET JOURNAL.

Walmart Price Increases Set Stage For Others

Walmart's announcement suggests a dam is breaking, and a flood of higher prices could soon follow. "If Walmart is doing it, everybody else is probably going to be doing it—if not already, they will be in the future," said Alan Detmeister, a UBS economist.

Inflation

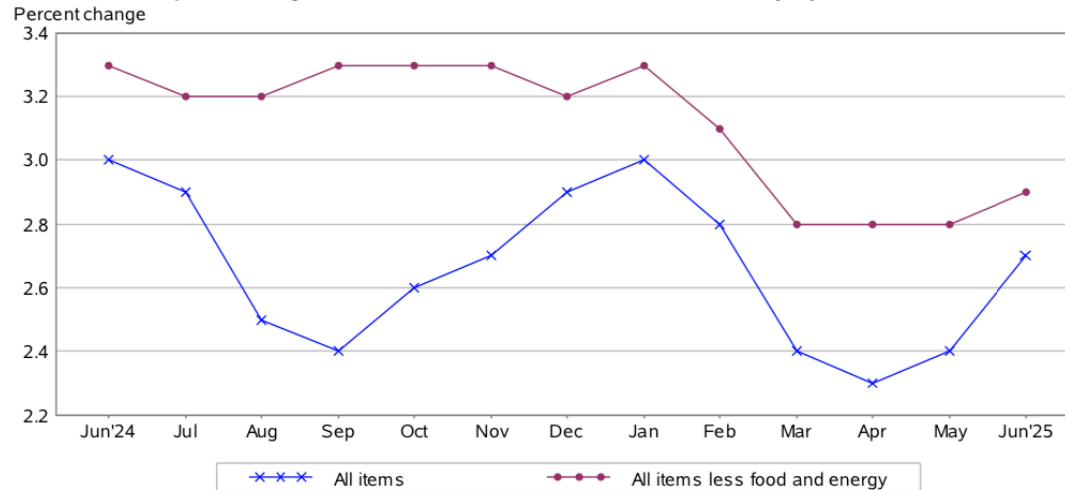
CPI and PCED



Inflation

CPI – headline and core

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, June 2024 - June 2025



Core CPI up +2.9%
y/y in June.

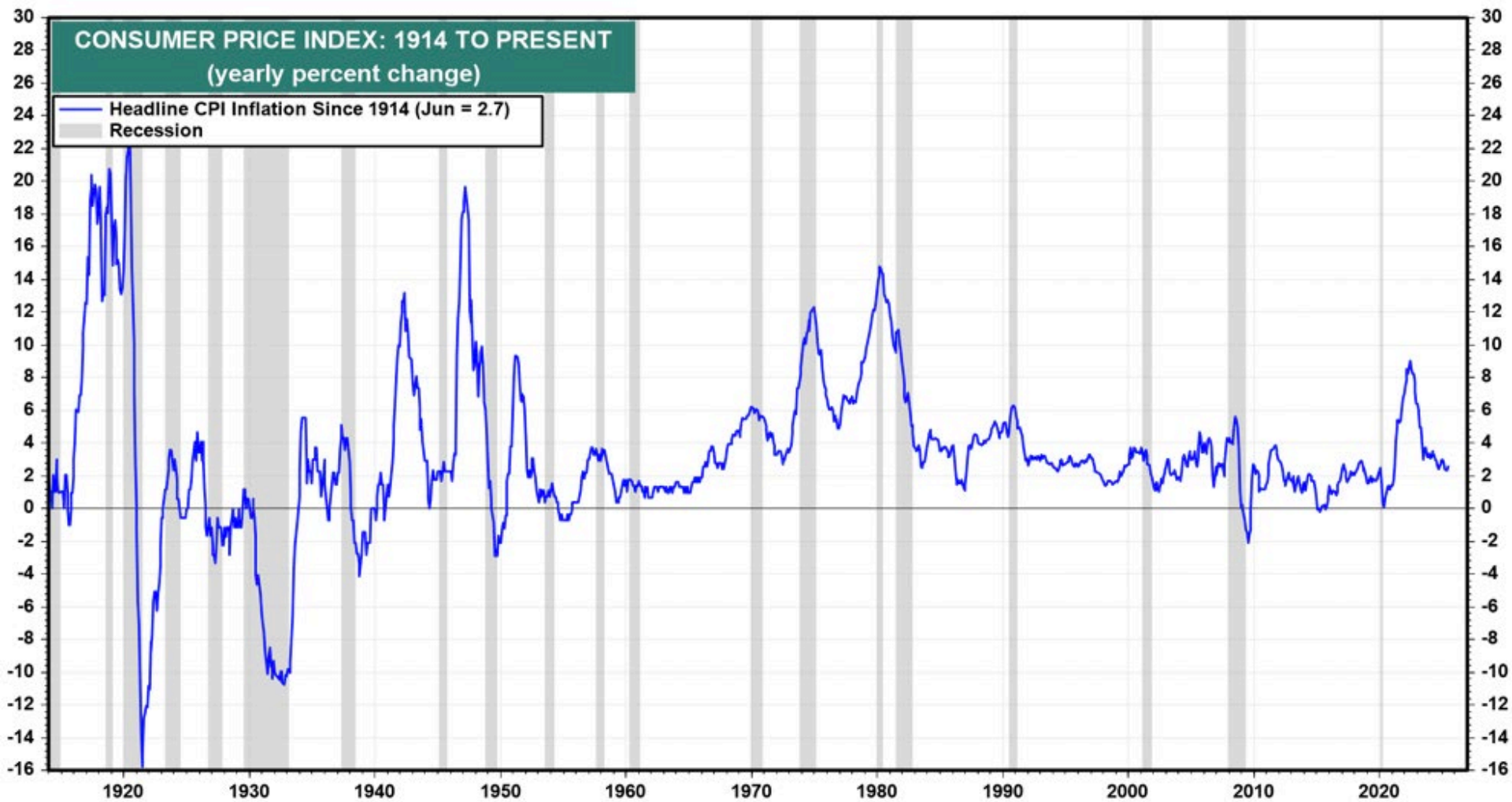
Headline CPI
up +2.7% y/y in
June.

Table A. Percent changes in CPI for All Urban Consumers (CPI-U): U.S. city average

	Seasonally adjusted changes from preceding month							Un- adjusted 12-mos. ended Jun. 2025
	Dec. 2024	Jan. 2025	Feb. 2025	Mar. 2025	Apr. 2025	May 2025	Jun. 2025	
All items.....	0.4	0.5	0.2	-0.1	0.2	0.1	0.3	2.7
Food.....	0.3	0.4	0.2	0.4	-0.1	0.3	0.3	3.0
Food at home.....	0.3	0.5	0.0	0.5	-0.4	0.3	0.3	2.4
Food away from home ¹	0.3	0.2	0.4	0.4	0.4	0.3	0.4	3.8
Energy.....	2.4	1.1	0.2	-2.4	0.7	-1.0	0.9	-0.8
Energy commodities.....	3.9	1.9	-0.9	-6.1	-0.2	-2.4	1.0	-7.9
Gasoline (all types).....	4.0	1.8	-1.0	-6.3	-0.1	-2.6	1.0	-8.3
Fuel oil.....	2.1	6.2	0.8	-4.2	-1.3	0.9	1.3	-4.7
Energy services.....	0.8	0.3	1.4	1.6	1.5	0.4	0.9	7.5
Electricity.....	0.2	0.0	1.0	0.9	0.8	0.9	1.0	5.8
Utility (piped) gas service.....	2.8	1.8	2.5	3.6	3.7	-1.0	0.5	14.2
All items less food and energy.....	0.2	0.4	0.2	0.1	0.2	0.1	0.2	2.9
Commodities less food and energy commodities.....	0.0	0.3	0.2	-0.1	0.1	0.0	0.2	0.7
New vehicles.....	0.4	0.0	-0.1	0.1	0.0	-0.3	-0.3	0.2
Used cars and trucks.....	0.8	2.2	0.9	-0.7	-0.5	-0.5	-0.7	2.8
Apparel.....	0.1	-1.4	0.6	0.4	-0.2	-0.4	0.4	-0.5
Medical care commodities ¹	0.0	1.2	0.1	-1.1	0.4	0.6	0.1	0.2
Services less energy services.....	0.3	0.5	0.3	0.1	0.3	0.2	0.3	3.6
Shelter.....	0.3	0.4	0.3	0.2	0.3	0.3	0.2	3.8
Transportation services.....	0.5	1.8	-0.8	-1.4	0.1	-0.2	0.2	3.4
Medical care services.....	0.2	0.0	0.3	0.5	0.5	0.2	0.6	3.4

Source: BLS. Data through June 2025.

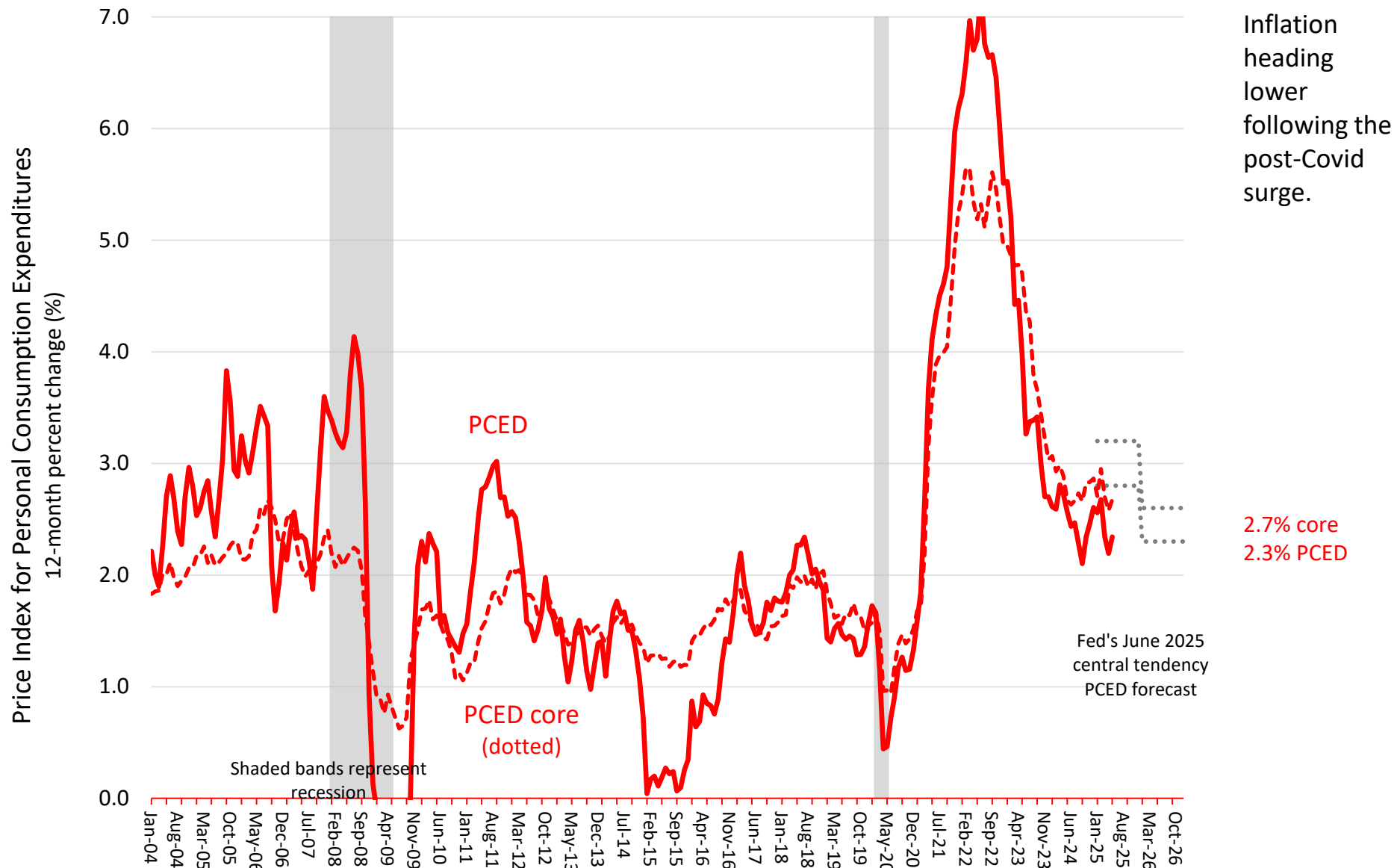
Inflation CPI



Source: LSEG Datastream and © Yardeni Research.

Inflation

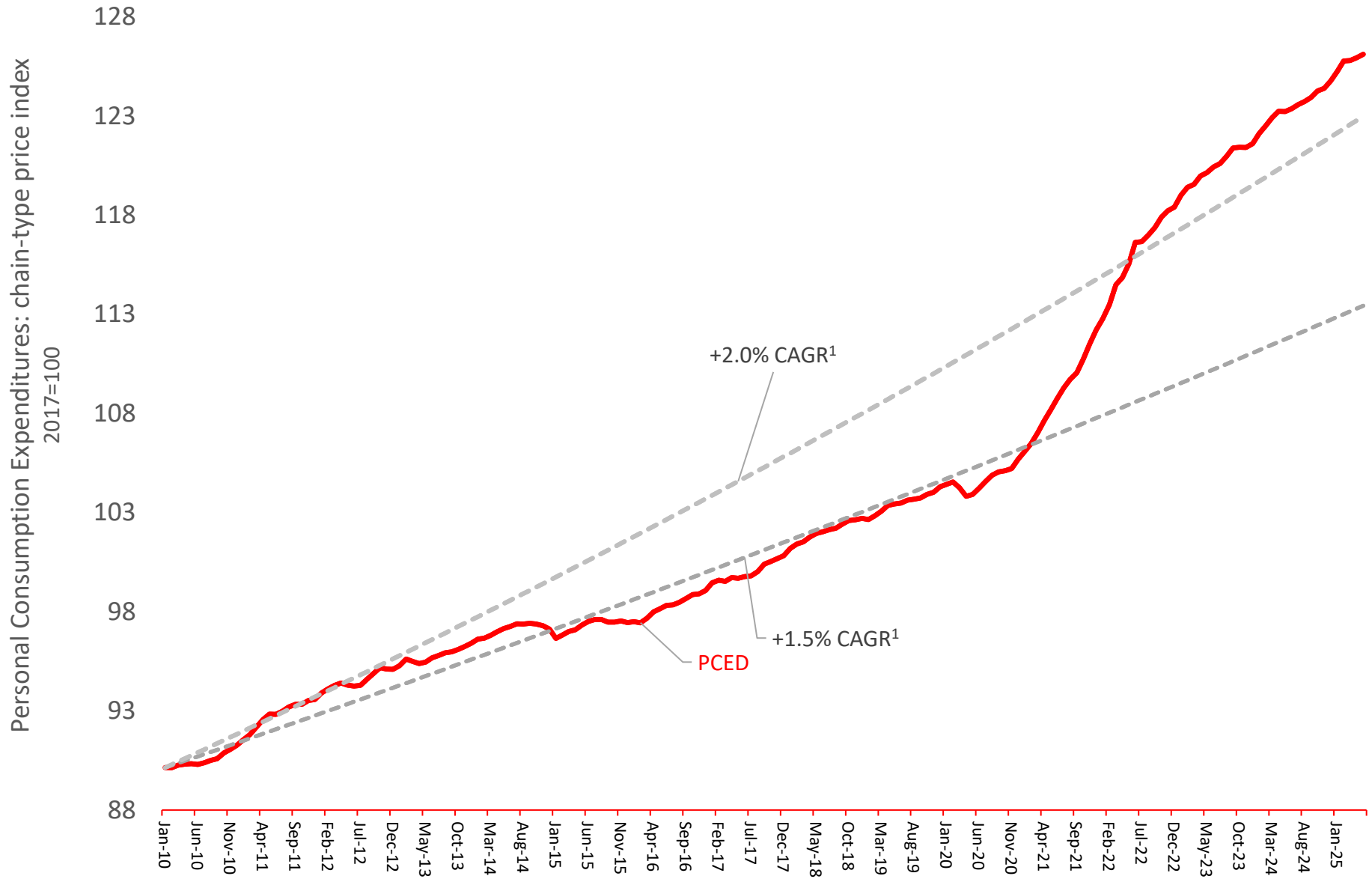
PCED – headline and core



Source: NBER, Federal Reserve Bank of St. Louis. Data through May 2025.

Inflation

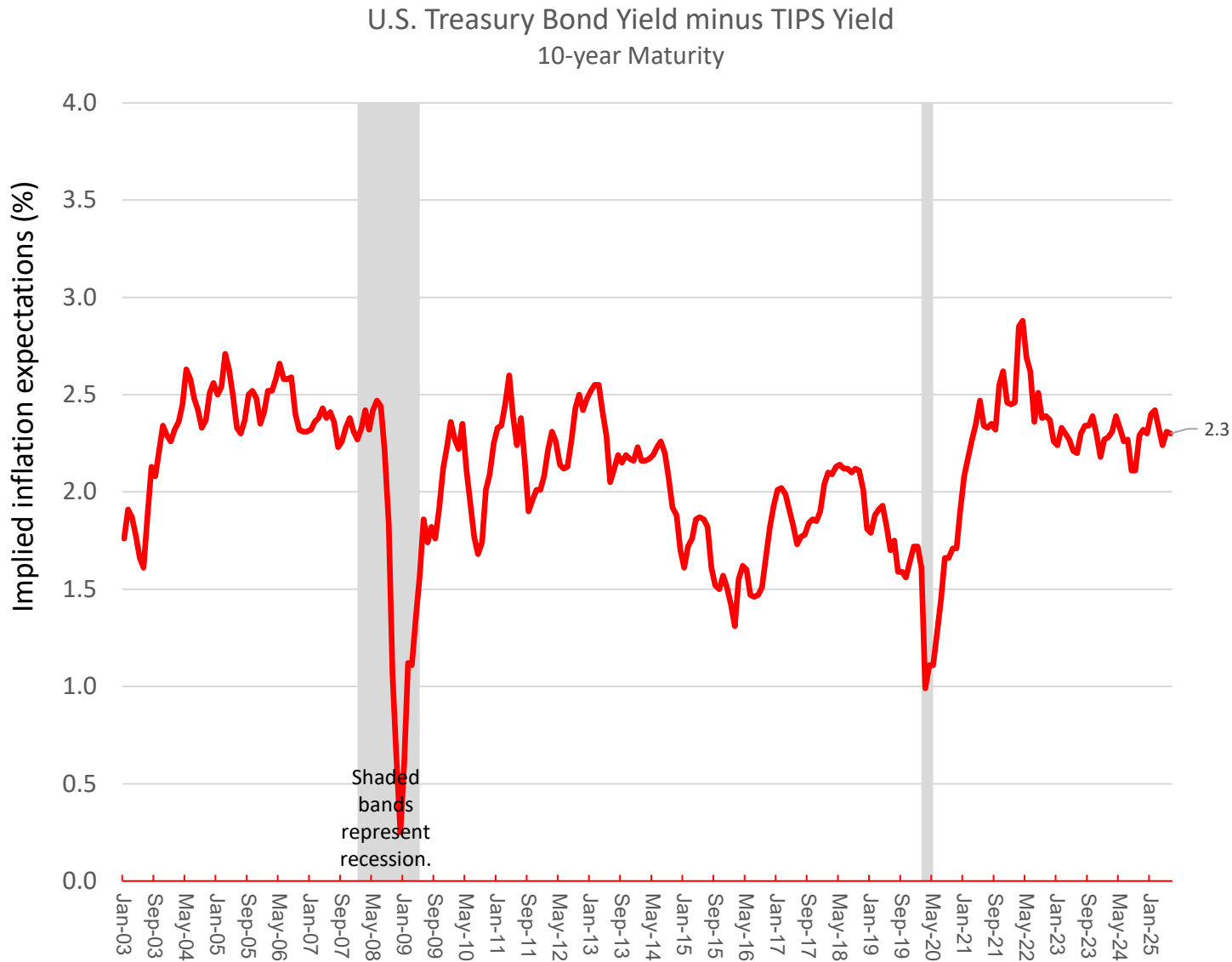
PCED – headline



Source: Federal Reserve Bank of St. Louis. Data through May 2025.

Inflation

Inflation expectations



The difference between the nominal 10-year Treasury bond yield and the TIPS yield gives the market's opinion for a 10-year inflation forecast.

Federal deficit and debt

Federal revenues and outlays through 2035

Percentage of GDP

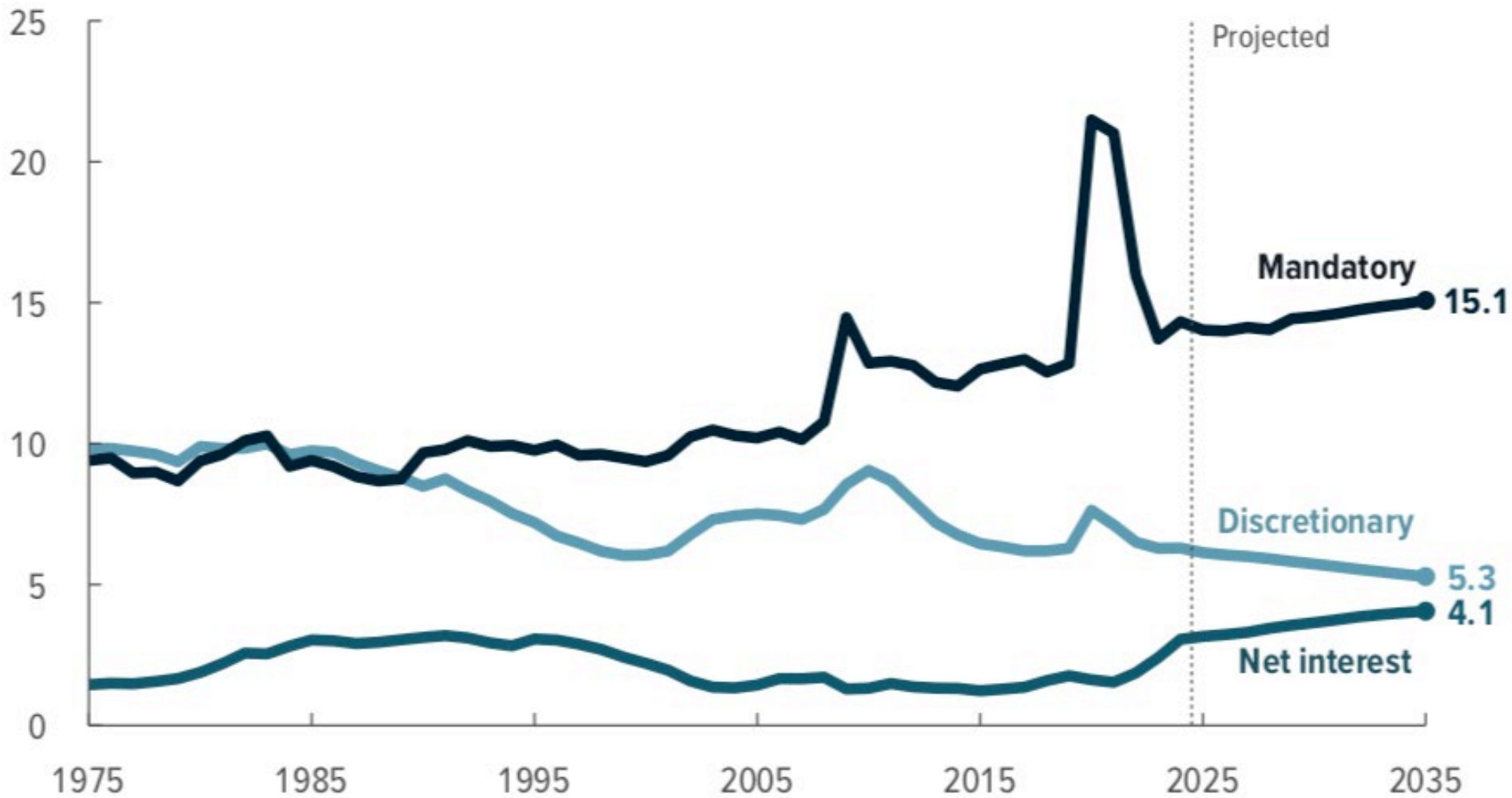


Source: Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035*, released January 2025.

Federal deficit and debt

Federal outlays through 2035

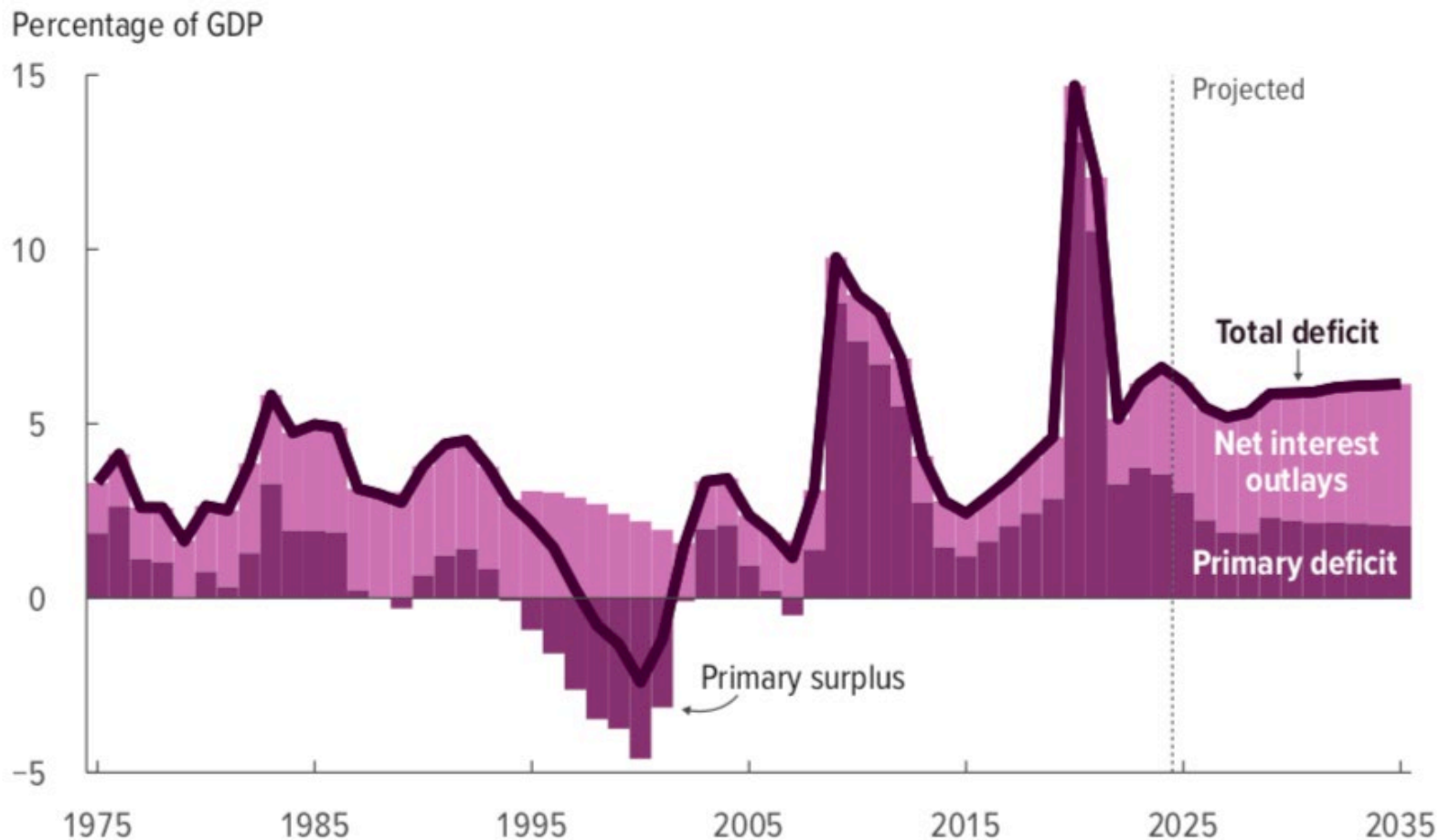
Percentage of GDP



Source: Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035*, released January 2025.

Federal deficit and debt

Federal deficits % of GDP though 2035

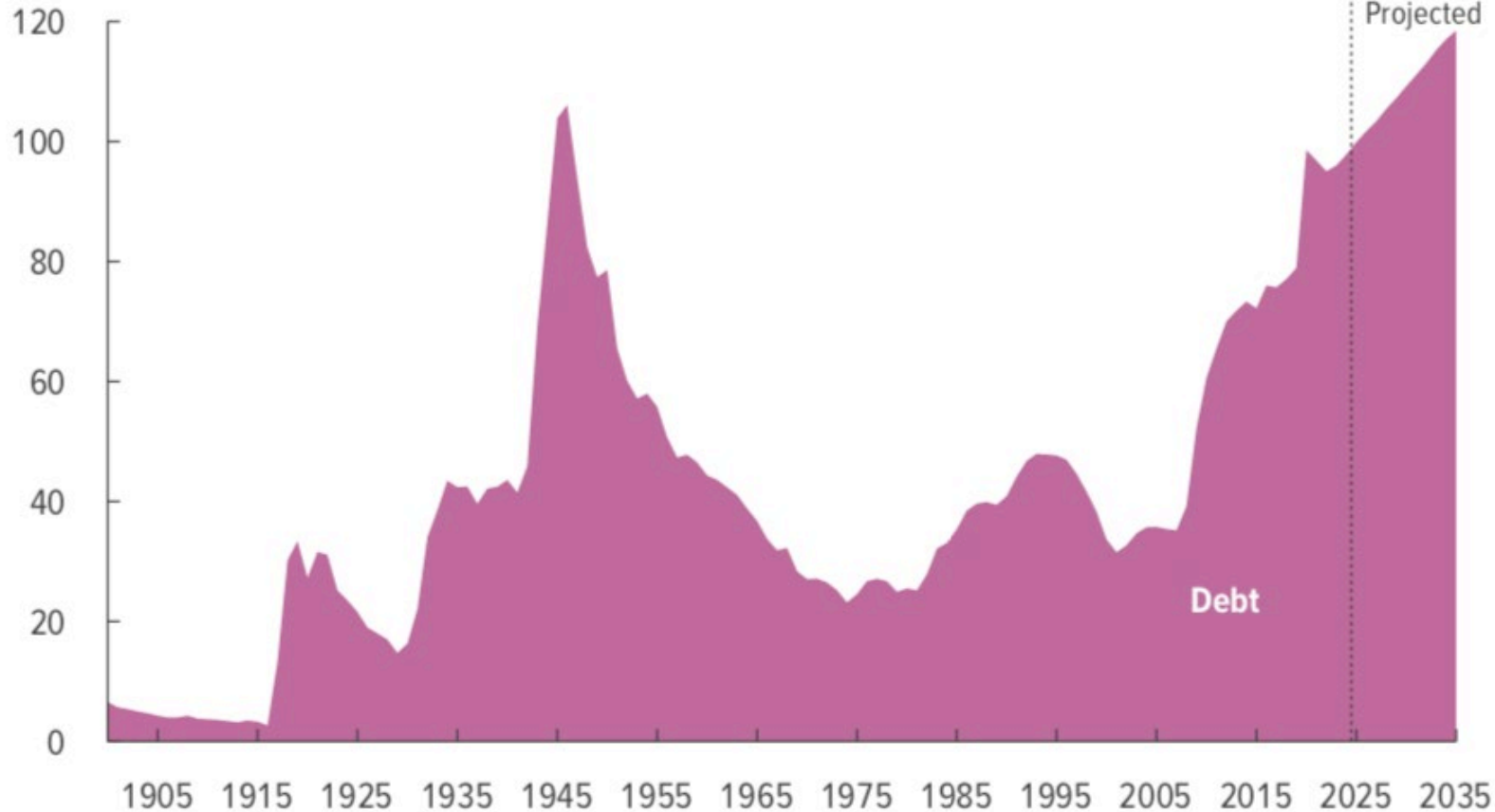


Net interest becomes the major part of deficits.

Federal deficit and debt

Federal debt % of GDP though 2035

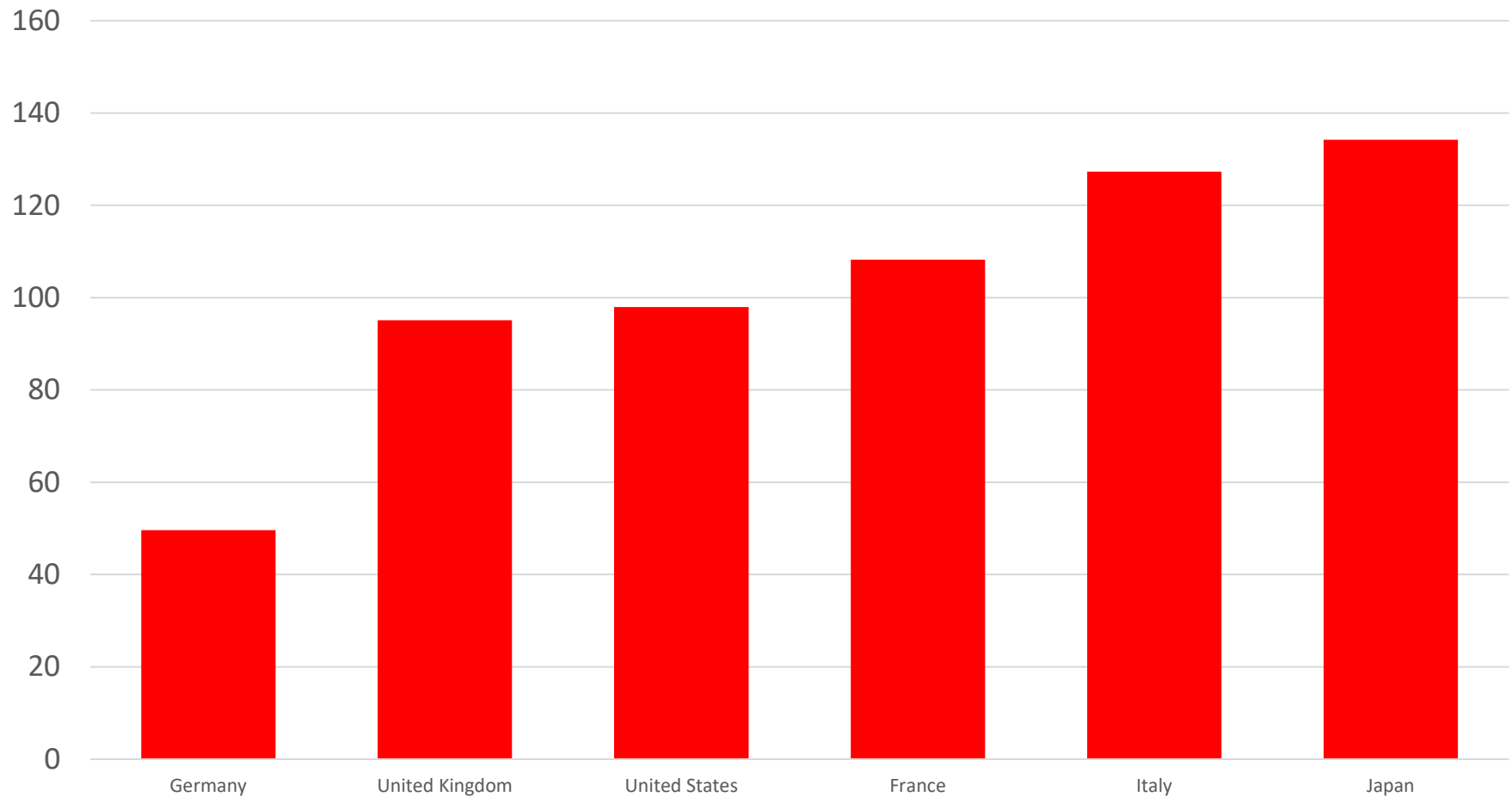
Percentage of GDP



Debt/GDP grows significantly.

Net debt % of GDP selected countries

Net Government Debt % of GDP
2025 estimates



THE WALL STREET JOURNAL.

The Social Security Crisis is Coming

... the Social Security system's trustees in late June sent a signal so alarming that America can't ignore it: Unless lawmakers do something, the system's trust fund will be exhausted in the first quarter of 2033—sooner than earlier reports predicted. The crisis will trigger large cuts in benefits to current and new beneficiaries.

If lawmakers acted tomorrow, restoring Social Security's long-term solvency would require a 22% benefit cut for future beneficiaries, a payroll tax increase to 16%, up from the current 12%, or a combination of benefit cuts and tax hikes.

If we waited until the trust fund was depleted, we would have to cut benefits by nearly 26%, or the payroll tax would have to rise to nearly 17%.

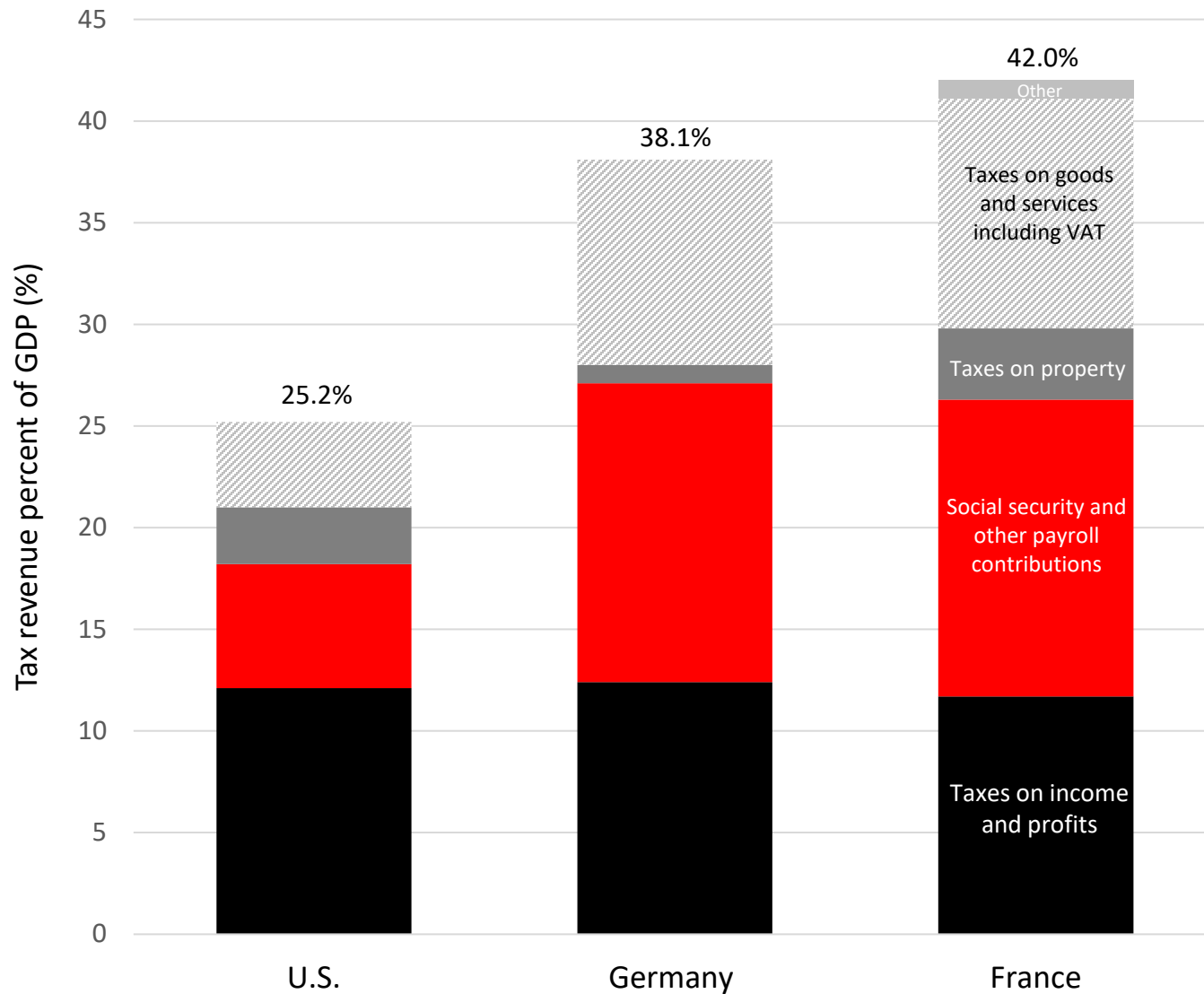
THE WALL STREET JOURNAL.

Big Tax Hikes Are Coming

... These demographic and political realities point to the same conclusion: that increased revenue will be needed to secure these programs for the long term. Americans may be reluctant to see their taxes go up, but they will be even less willing to see their Social Security and Medicare benefits go down.

... Unless the actuaries are too pessimistic, the next president will be forced to address this issue, and so will a Congress that by and large has forgotten how to legislate across party lines.

Tax structure U.S. vs. France and Germany

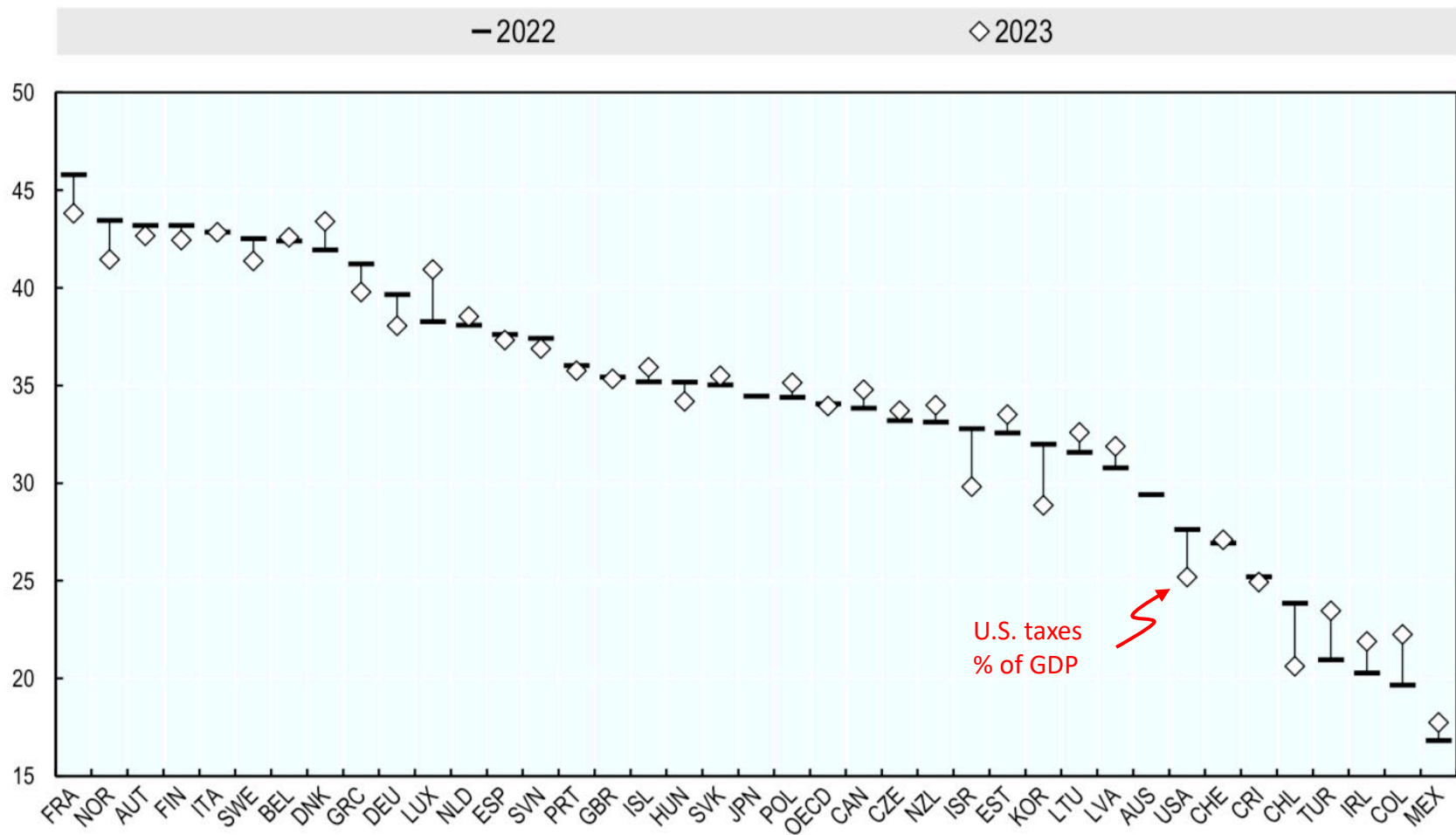


The U.S. has a much lower total tax burden and takes a very different approach to raising tax revenues compared to most other developed economies.

Taxes % of GDP – 38 OECD countries

Figure 1.4. Tax-to-GDP ratios in 2022 and 2023p

Percent of GDP



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