

July 17, 2025

Good morning,

While stocks continue to shrug off tariff concerns, the bond market may be telling another story. Bond yields have crept up over the past several weeks pushing bond prices lower. With consumer inflation readings for June coming in higher than expected, we may be starting to see the impacts of tariffs finally reaching store shelves. The bond market is signaling its concern about tariff driven inflation. A Fed rate cut is off the table for July and perhaps September. In the meantime, Fed Chair Powell continues to get heat from President Trump who wants big rate cuts immediately.

Trump has made it very clear that he wants Powell gone but can only fire him for “cause”. Now the White House wants to investigate the cost overruns for the Fed building renovations which started in 2018 - during Trump’s first term, and the President stated it’s a legitimate reason to fire Powell. The President has set the table to blame Powell if the economy falters for any reason. An attempt to remove Powell from his job before his term ends in May 2026 would undercut the Fed’s long-standing independence from day-to-day politics and could lead to higher inflation, higher interest rates, and a weaker economy.

The USDA estimates that 42% of farm workers are undocumented immigrants. During COVID, these workers were considered “essential”. Many of them have been working on US farms for decades, and now those same folks are being targeted for deportation. Do we risk rising food prices, or worse, food shortages? It may be too early to tell, but the farming community is concerned, and Washington should pay attention. These workers are still essential.

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As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Have a great weekend,

*Wade*

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