WEEKLY ECONOMIC UPDATE JULY 21, 2025

Stocks were mixed last week, battling through tariff talk while responding to upbeat quarterly corporate reports and a trove of updates on the economy.

The Standard & Poor's 500 Index rose 0.59 percent, while the Nasdaq Composite Index added 1.51 percent. The Dow Jones Industrial Average decreased 0.07 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, skidded 0.46 percent.[1,2]

Economic News

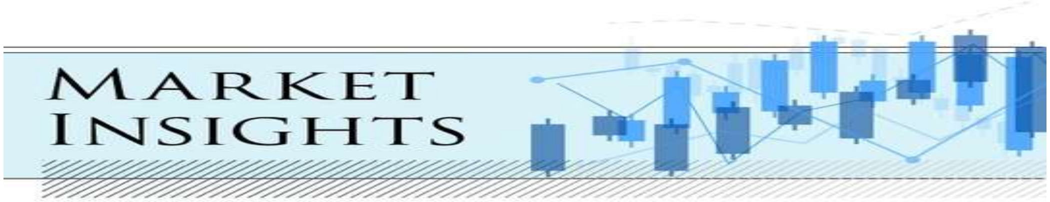
All three major market averages posted modest gains to start the week as investors appeared to shrug off tough talk on trade from the White House over the weekend.[3]

Stocks mostly fell after news that inflation warmed up a bit last month, albeit in line with economists' expectations. A narrow, chip-led rally developed after a megacap chipmaker said it received assurances from the White House of its ability to sell products in China, pushing the Nasdaq modestly higher.[4]

Stocks continued their climb over the next session following news that consumer spending rebounded last month as trade talk slowed. The S&P 500 posted another record close amid several companies beating expectations as they reported quarterly financials.[5,6]

Markets went slightly lower on Friday despite news that consumer sentiment rose last month. The consumer sentiment

report also showed a drop in concerns about tariff-induced inflation.[7]



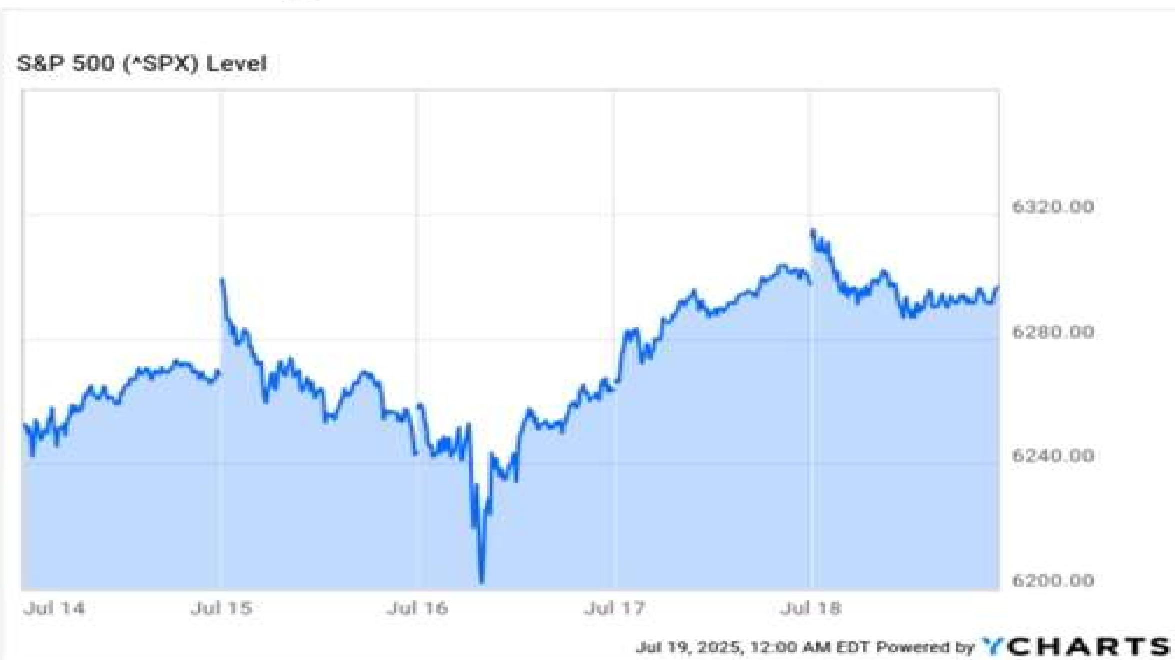
YCHARTS

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
Nasdaq Composite	7.02%	8.55%	16.86%	106.5%
Dow Jones Industrial Average	5.44%	5.52%	9.87%	83.99%
S&P 500	5.34%	7.84%	14.20%	110.6%
MSCI EAFE	1.01%	18.80%	13.03%	65.56%

S&P 500 Daily Close



10-Year Note Review

Indicator Name Date	Latest Value	1M Ago 3M Ago 1Y Ago	1M Change 3M Change 1Y Change
10 Year Treasury Rate 07/18/25	4.44%	4.38% 4.34% 4.20%	1.37% ▲ 2.30% ▲ 5.71% ▲

Splitting the Difference

Two themes developed with fresh economic data released last week: inflation and consumers.

First, June inflation data painted a mixed picture. While consumer prices rose at a 2.7 percent annual clip last month (faster than May's 2.4 percent rate), wholesale inflation was flat. So while retail prices were a concern, wholesale prices currently suggest a muted effect from tariffs.[8,9]

The second theme revolved around consumers, who continued to be a source of strength for the economy. Retail sales recovered in June, and while they were still lower than at year-end, consumer sentiment rose to its highest level since February.[10]

This Week: Key Economic Data

Monday: Leading Economic Indicators.

Tuesday: Fed Chair Powell banking conference speech. Fed Official Michelle Bowman speaks.

Wednesday: Existing Home Sales. Treasury Buyback.

Thursday: Jobless Claims (weekly). Services & Manufacturing PMI. New Home Sales. Fed Balance Sheet.

Friday: Durable Goods.

Quote of the Week

"God is a comedian playing to an audience that is too afraid to laugh"

– Voltaire

Of Note

The recent madness at the NYC polls might have been brewed down at the bottom of Manhattan at 33 Liberty Street. That is to say, the mad money printers at the Federal Open Market Committee have pleasured the top 1% with such an outrageous windfall of ill-gotten wealth that it may well be brewing a populist uprising that could threaten the very foundations of capitalist prosperity.

A rising tide of wealth gains over the past 35 years did not even remotely lift all boats, as would happen under a regime of sound money.

- Bottom 50%: 5.4X
- Top 1%: 10.1X
- Top 0.1%: 12.5X

Stated in whole dollars, the 67.5 million households in the bottom 50% gained *$4.3 trillion* of net worth—even as the 1.35 million households in the top 1% gained *$45.5 trillion*, of which *$21 trillion* went to the 135,000 households at the tippy-top in the highest 0.1%.

Moreover, when you break the data down to a per-household level, the rising tide proves to be dramatically uneven indeed. In 2025 constant dollars, the real net worth of the average top 0.1% household grew nearly *three times faster* than the net worth of the average household in the bottom 50% over the same 35-year period.

Stated in absolute dollars, the real wealth of the average household among the bottom 50% increased by *$21,000* over the past one-third of a century. By contrast, the real net worth of the average household among the top 0.1% rose by *$117 million.* That's about 5,600X more.

To be sure, capitalism is meant to generate large—even huge—net worth differences between the top wealth producers and those at the average or the bottom tiers of the economic scale. But there is absolutely no reason for this inherent gap, as evident in the 1990 figures, to expand so dramatically during just the last 35 years.

Needless to say, what has also expanded insensibly and aberrantly during the last 35 years is the Fed's balance sheet relative to the underlying output and income of the US economy. To wit, since 1990, the GDP has grown by *5X*, from $6.0 trillion to $29.7 trillion.

At the same time, however, the Fed's balance sheet has exploded by *24X*, rising from $300 billion in 1990 to a recent peak of $9.0 trillion and still $7.1 trillion after three years of QT.

There is no mystery as to where all the excess central bank credit ended up during that three-decade interval. It was ultimately absorbed by the financial markets in the form of relentlessly inflating financial asset prices.

And the mechanism by which this occurred is not hard to identify, either. To wit, the Fed's "put" under the stock market and its repeated financial bailouts dramatically reduced the risk of gambling in financial assets, even as it has drastically lowered the carry cost of ultra-leveraged speculation.

For want of doubt, the most concentrated form of leveraged speculation in the financial markets is represented by the notional value of outstanding futures, options, and other financial derivatives. According to GROK 3, the aggregated value of financial derivatives stood at about $15 trillion in 1990 but has since soared to $750 trillion.

The most favored instruments of financial speculations and leveraged gaming have expanded by the stunning sum of *$735 trillion* or *50X* during the last 35 years. So, if you want to know where all the excess central bank credit relative to national income ended up, the derivatives market is the place to look.

Needless to say, there is also no mystery as to why financial asset inflation ends up in the bank accounts at the tippy top of the economic ladder. It happens that 53% of financial assets are held by the top 1% and upwards of 90% by the top 10%.

By contrast, the distribution of residential real estate at market value is not nearly as skewed. Accordingly, only 13% of housing assets are held by the top 1% and just 45% are held by the top 10% of households.

As it happens, Wall Street is far more amenable to central bank-enabled leverage and gambling than are the Main Street markets in residential real estate. During the same 35-year period since

1990, the market value of owner-occupied real estate (blue line) has risen from $7.1 trillion to $48.1 trillion or by *7X*.

By contrast, household equity holdings have soared by nearly *24X* since 1990, rising from $2.0 trillion to $46.6 trillion. That is to say, the top households own a *two times larger* share of the equities than residential real estate, even as the market value of the former has soared *3.5X faster* than the latter.

At the end of the day, that is not surprising either. More than two centuries ago, Richard Cantillon postulated that the first sectors to get the inflationary money gain the most as it eventually diffuses its way through the entire economy. Self-evidently, the sites of first landing when the Fed runs its printing presses red hot are the Wall Street bond dealers and the financial traders and gamblers who form their ecosystems.

Stated differently, one of the very worst inventions of modern times was the Fed's Open Market Committee, which operates cheek-by-jowl with the traders and gamblers down in the canyons of Wall Street. Like most other government institutions, the FOMC has been captured by the gamblers lock, stock, and barrel, thereby accounting for the anomalous distribution of post-1990 wealth gains demonstrated above.

As we have frequently averred, therefore, free (bad) central bank money is the mother of inflationary windfalls on Wall Street and the atrophying prosperity on Main Street.

Perhaps the potential election of a quasi-communist mayor at the very epicenter of today's monetary debauchery is a warning that root-and-branch reform of the Keynesian central banking model initiated by Alan Greenspan in 1987 cannot wait much longer—lest Mamdani clones begin to crop up all across the land.[11]

Footnotes and Sources

1. WSJ.com, July 18, 2025

2. Investing.com, July 18, 2025

3. CNBC.com, July 14, 2025

4. WSJ.com, July 15, 2025

5. CNBC.com, July 16, 2025

6. CNBC.com, July 17, 2025

7. CNBC.com, July 18, 2025

8. WSJ.com, July 15, 2025

9. MarketWatch.com, July 16, 2025

10. MarketWatch.com, July 17, 2025

11. brownstone.org/articles/zohran-mamdani-bastard-son-of-33/

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The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. The Nasdaq Composite is an index of the common stocks and similar securities listed on the Nasdaq stock market and considered a broad indicator of the performance of stocks of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

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