

The FED Holds Rates Steady, Warns of Economic Slowdown Will Inflation Levels Spike from Tariffs?

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US Dollar Index

The US Dollar Index measures the power of the dollar compared to six other major currencies including the Euro (ER), Japanese Yen (JPY), British Pound (GBP), Canadian Dollar (CAD), Swedish Krona (SEK), and the Swiss Franc (CHF).

US Dollar Index



Data from London Stock Exchange Group/Refinitiv

a/o 1/31/2025

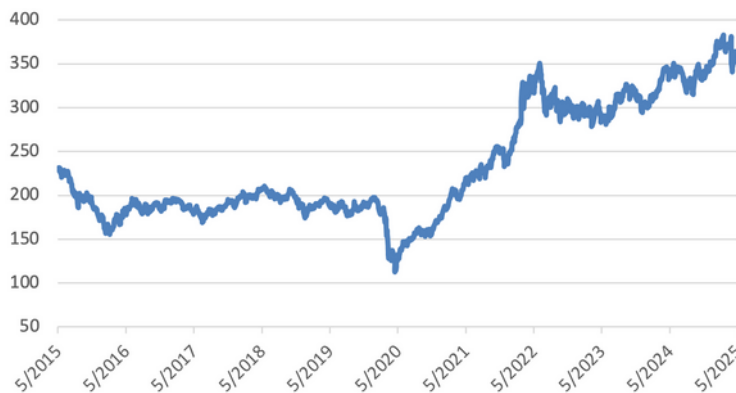
The recent economic policies, such as the tariffs on China, Canada, and Mexico, have caused uncertainty and fear of a recession in the US. Investors are consequently pulling out of their USD investments, depreciating the value of the USD. A weaker dollar means higher inflation risk and reduced purchasing and borrowing power. The US dollar's value has slightly risen after the Federal Reserve chose to hold the federal funds rate and could rise even more if trade talks between the US and China are successful. That is why the FED's monetary policy decision was incredibly important and a topic of emphasis recently. Trump's call to cut rates could have combatted the threat of inflation we are preparing for, but it would have tanked the value of the dollar even more.

It is important to remember too that the US Dollar is the world's reserve currency, due to the US government and economy being one of the safest investments. The value of the dollar has been declining since Trump has assumed office, and because of his tariff policies many investors have lost confidence in the US market, leading to a decline in the value of the dollar and overall capital allocated to US companies. Once there is more clarity in trade policy, we could very well see the recovery of the dollar in the USD index, but for now investors are weary and are liquidating their investments to save their cash, lowering the value of the dollar.

Commodity Prices

Commodity indices track the price of a basket of commodities such as wheat, gas, and oil. A commodity is a raw material or primary agricultural product that can be bought and sold, typically traded in bulk on a commodity exchange. The reason we pay so much attention to this index is because not only does it reflect inflation in these goods, but the more expensive commodities are the more government spending is allocated commodities since it is a heavily subsidized market, leaving less funds for everything else.

CRB Commodity Index



Data from London Stock Exchange Group/Refinitiv

a/o 4/31/2025

Uncertainty in the US economy creates volatility in the commodity markets. Opposite of rising prices, falling commodity prices can benefit consumers with cheaper items like gas or dairy products, but might lead to a potential slowdown in the production of affected commodities. This index is incredibly important nowadays because of trade. If we don't see any progress, commodity prices could soar. The deal with the United Kingdom could help slightly, but considering that the 10% tariff is still active and other trade partners are still being taxed, we could very well see a big spike in the cost of these goods.

S&P YTD Performance

Key Indices	5/9 Close	5/1 Close	% Change
S&P 500	5,659.91	5,604.14	(0.01%)
Nasdaq	17,928.92	17,710.74	(0.01%)
Dow Jones	41,249.38	40,752.96	(0.01%)

Data from Yahoo Finance

a/o 5/9/2025

FED Rate Holds Steady at 4.25%-4.50%

The FED meeting has concluded, and as the Macroeconomic committee predicted along with the large majority of economists the rates held steady during the May FOMC meeting. As mentioned last week, FED Chairman Powell reiterated the need for more clarity in trade policy before the FED makes changes.

- Inflation still FED's 2% target, and tariffs could impact progress
- No change to Balance Sheet policy
- FED issues major warning of economic slowdown

Chairman Powell also wanted the public to understand that before the tariffs became a threat to the economy, the economy was in good condition, with inflation trends cooling. Unemployment is still relatively high, but it hasn't changed drastically since the pandemic years so the FED wasn't planning on being quick to stimulate economic growth. Now since inflation seems to be a huge fear factor in the coming months, there is a lot of pressure on the FED to make the appropriate decision, and we will be monitoring economic conditions to keep everyone updated on overall health.

The United Kingdom and the United States Announce Major Trade Deal

The United Kingdom and the United States have agreed to lower tariffs on British imports of cars, steel and aluminum, which is big for any industry that uses steel and aluminum. The deal isn't quite sealed yet, but this news is the first step closer 'economic security' in trade and is in the works. The British Prime Minister Keir Starmer claimed that the deal would protect more jobs than if they took on the cost of the tariffs, which means an economic slowdown is still foreseeable in their economy. A 10 % tariff blanket tariff on British products will still be in effect. Experts claim that this is only a small boost to Britain's economy. Their economy was already on the brink of a recession, so it makes sense that they were quicker to come to an agreement. UK's auto industry's consumer base is 25% American, so the US consumer base is a large part of their economy.

This trade deal is a great step forward addressing the United Kingdom's most important import industry, however economic stability is the pressing issue for the UK, who's main concern is the recovery of their already struggling economy.

US Treasury Secretary and Trade Rep. Meet with Chinese Reps. to Discuss Trade Deals

Representatives from the US met with Chinese trade officials in Switzerland to discuss possible resolve in trade in this last weekend. Although no deals are set in stone, US Treasury Secretary Scott Bessent described "substantial progress" as tension is not as high as some may paint it to be. News on the meeting will be made public Monday, May 12th, and we will cover important points in next week's report. It is important to note that the result of tariffs in the prices of goods and services hasn't materialized yet, so if trade deals are made sooner than later we could possibly avoid the brunt of the tariffs, but as always, only time will tell. A deal with China would be substantial, as we currently are sitting at a 145% tariff on Chinese goods and they are sitting on a 135% tariff on American goods.

Economic Health	Month/Period	Actual	Prior	% Change
CPI (%)	April	2.4%	2.8%	(14.3)
PPI (%)	April	3.4%	3.3%	3.0
Unemployment (%)	April	4.2%	4.1%	2.5
Jobless Claims (in 1,000's)	April	241	224	7.6
GDP (%)	Q1	-0.3%	2.3%	(113.0)
Housing Starts (in 1,000's)	April	1,342	1,501	(10.6)
Euro/Dollar (in \$'s)	April	1.14	1.08	(5.6)

Data from London Stock Exchange Group/Refinitiv/Yahoo Finance/FRED/Bureau of Economic Analysis

a/o 5/9/2025

As emphasized by the FED, the economy has been in good condition and we won't see the full effect of tariffs on data yet since the majority of these economic indicators are backwards looking.

Backwards looking data reflects data from the prior month to when it was released. This only means it will take longer for entities like the FED to get clarity on what impact issues like tariffs may have.

Misery Index



Data from London Stock Exchange Group/Refinitiv/FRED

a/o 5/9/2025

The Misery Index is an indicator of overall economic sentiment. This index can be created for any economy, but this one reflects the past 5 years of the US economy. It is a sum of the country's employment and inflation. The higher the index, the more hardship we can assume the US population is experiencing. Of course higher levels mean higher inflation and unemployment, so the correlation to "Misery" is apparent. This index was created in the 1960's, and as subjective it is, it is the easiest way to gauge health economic since CPI and unemployment are incredibly important indicators.

Consumer Indices	Month/Period	Actual	Prior	% Change
Consumer Confidence	April	86.0	92.9	(7.4)
Consumer Sentiment	April	52.2	57.0	(8.4)
Commodity Prices	April	288.8	309.3	(6.6)
CORE PCE (%)	April	2.6%	2.8%	(7.1)
Disposable Personal Income (%)	April	1.7%	1.3%	30.8

Data from London Stock Exchange Group/Refinitiv/Yahoo Finance/FRED/Bureau of Economic Analysis

a/o 5/9/2025

Due to economic uncertainty, we have noticed consistent downwards trends in major consumer feeling indices. These indices are telling us that the general US population is saving in an effort to prepare for the possible rise in prices and a rise in unemployment that comes with less spending and job cuts. In all, everyone is worried and everyone wants some clarity.