Economic Update Report 5.2.2025

All Eyes on the FOMC as Meeting Day Approaches
Will the Consumer Continue to stay Resilient?

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FED Funds Rate

The Federal Funds Rate is the rate at which banks can loan each other money. This rate is controlled by the Federal Open Markets Committee (FOMC) and their role is to monitor the economic and financial health of the United States. Taking all these factors into mind, they then make necessary changes to the FED funds rate to control important items like inflation, unemployment, and economic growth.

What implications does this have in our economy and why is it so important? What the FED can do is lower or hike the interest rates based on economic demands. These demands include the state of inflation and unemployment of any given time in the US. The FED's preferred inflation indicator is the "CORE PCE" (Personal Consumption Expenditures) Index, which tracks the growth of US goods and services, excluding food and energy price since they are deemed to volatile. What happens when the FED hikes/cuts rates you may ask?

- When Fed raises their Fed Funds Rate:
  - Borrowing becomes more expensive
  - Credit card and loan rates increase
  - Inflation pressure cools
- When Fed lowers rate:
  - Cheaper borrowing consumption and investment
  - Stimulated economic activity

The movement of rates affects all sorts from mortgage rates, stock market valuations, US currency strength, etc.

CORE PCE Index by Yr

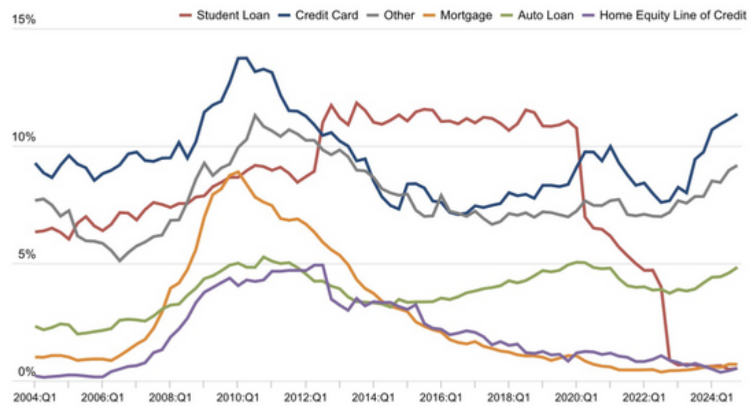
Data from Federal Reserve Bank of St. Louis a/o 3/31/2025

As of 5/2/2025, the rate sits at 4.25-4.50%. The FOMC is having their monthly meeting May 6-7th where we find out if monetary policy will shift to bear the impact of Trump's tariffs.

Consumer Credit

Taking into account the economy before all the tariff anxiety wreaked havoc on the global confidence and financial markets, we will look into how the debt consumption is performing in recent history. Consumer credit reflects one's ability to pay back a debt. We as young adults are more familiar with credit cards or loans as forms of purchasing with debt.

% of Balance 90+ Days Delinquent



Data from FRBNY Consumer Credit Panel/Equifax a/o 3/31/2025

By monitoring the levels of where the debt lies in the perspective of the consumer, we can make ties with consumer sentiment levels to understand if the consumer has the capacity to continue spending in the near future. With larger amounts of debt being in credit cards and less in bigger debt liabilities like Mortgages, we can assume the consumer might be experiencing a peak and is losing purchasing power. With inflation being a rising concern coupled with weak consumer confidence levels, we could very well see a drastic slowdown in consumer spending and consumption of US goods and services. We already saw GDP come in at a negative, which is a common indicator of the start of economic periods where growth is slowed.

S&P YTD Performance

Key Indices	4/30 Close	4/1 Close	% Change
S&P 500	5,569.06	5,633.07	(1.13%)
Nasdaq	17,446.34	17,449.89	(0.00%)
Dow Jones	40,669.36	41,989.96	(3.15%)

Data from Yahoo Finance a/o 4/30/2025

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