

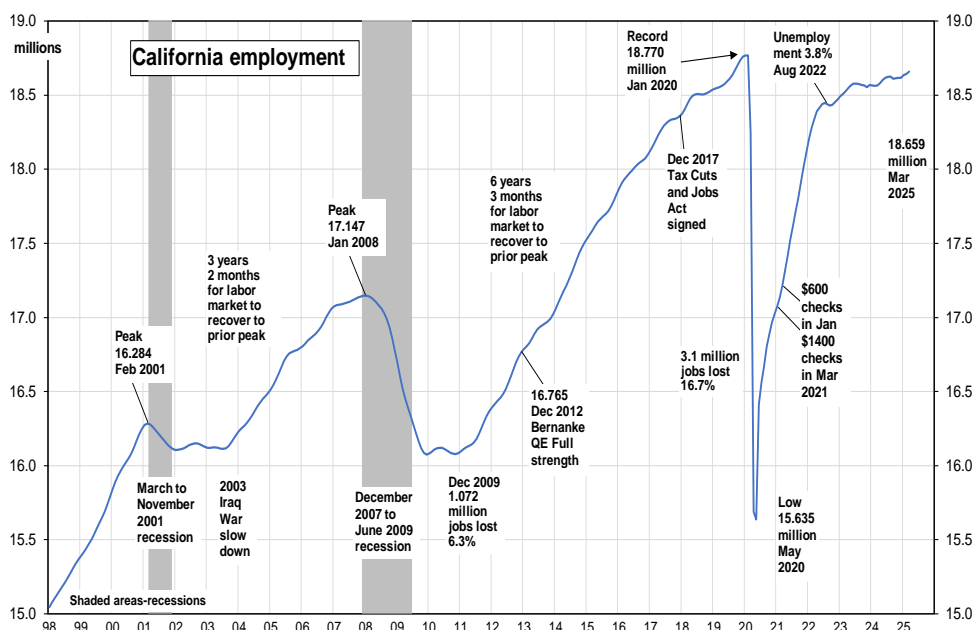
Financial Markets This Week

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CALIFORNIA DOWNGRADE

California Governor Newsom this week sued to stop the Trump 2.0 import tariffs because they hurt consumers and businesses in the state, especially agriculture and Hollywood. Tariffs threaten jobs and drive up inflation. The March labor market data for states were released Friday at 10am ET with markets closed for the Good Friday holiday. Job losses or at least the California unemployment rate have been trending up since a



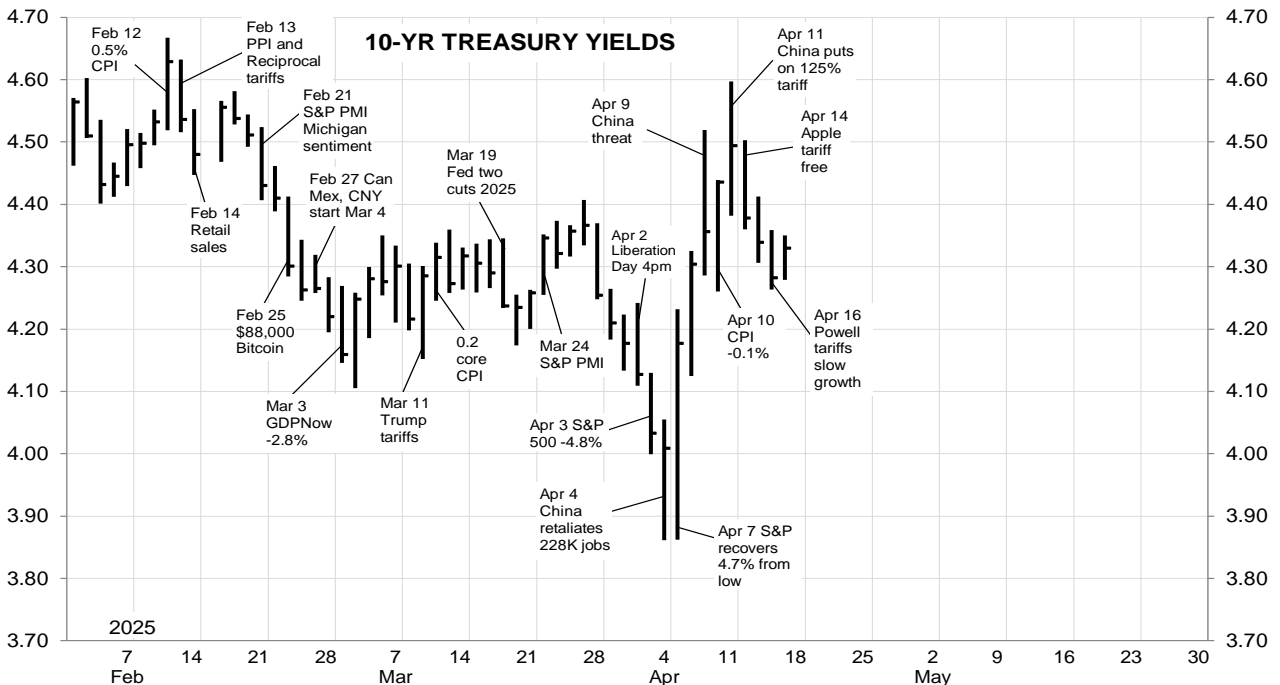
low of 3.8% was hit (lowest since at least the mid-70s) in August 2022. The Fed was tightening the screws with the Fed funds rate already at 2.5% in August 2022, and gasoline prices nationwide hit \$5 in June 2022, where California prices run a dollar higher. Unemployment was 5.5% in the September-

December 2024 period, a rise in magnitude that used to signal recession. Over the period, the state population has increased 605 thousand to 31.751 million with unemployment rising 329 thousand, 218 thousand “found” employment, and 58 thousand dropped out of the labor force. In terms of percent change for the period, the population increased 1.9%, the employment (survey) rose 1.2%, and payroll employment (measured by unemployment insurance tax records eventually) increased 1.2%. All the job categories were mostly down, with Information falling the hardest at -16.3%. Education and mostly health jobs jumped 15.2%, Leisure and Hospitality (Arts, Entertainment, Recreation increased 41 thousand to 354 thousand) rose 2.0%, and Government jobs rose 6.3%. Most of the government jobs are local, although there are/were 252 thousand working for the Federal government in March.

Jobs Since Aug 2022 3.8% Unemployment low

Thousands	Aug 22	Mar 25	Change	% Chg
Population	31,146	31,751	605	1.9
Not in Labor Force	11,980	12,038	58	0.5
Employment	18,441	18,659	218	1.2
Unemployed	725	1,054	329	45.4
Rate	3.8	5.3	1.5	---
Payroll employment	17,769	17,977	208	1.2
Construction	915.0	891.6	-23.4	-2.6
Manufacturing	1,304.0	1,223.5	-80.5	-6.2
Trade/Trans/Utilities	3,133.4	3,081.6	-51.8	-1.7
Information	631.7	528.8	-102.9	-16.3
Financial activities	836.6	785.8	-50.8	-6.1
Professional/Business	2,912.3	2,753.9	-158.4	-5.4
Education/Health	2,951.2	3,400.1	448.9	15.2
Leisure/Hospitality	1,957.7	1,997.5	39.8	2.0
Government	2,540.8	2,700.3	159.5	6.3

INTEREST RATES



The [daily trading ranges for stocks](#) way down this week versus the week before. How could they not? Some excitement on Wednesday, but it is a holiday week with bonds closing 2pm ET Thursday and all markets closed Good Friday. Same story. Equities fell 21.3% recession-magnitude February 19-April 7 and retraced 49.2% on the tariff pause for some countries on April 9, but that was it. We want to shift back to the fixed income [“fwdbonds” graph](#), but frankly, anything could happen to bonds to upset the apple cart from the fiscal policies pushed by the incoming Trump administration. If only we knew how this could end up, and of course, what if foreigners stop buying or even sell their \$8.5 trillion of Treasuries outstanding. 10,000 baby boomers born 1946-64 retiring daily want to know what to do. Well, the stock market has only fallen by 50% twice since the 70s. 50% 2X since the 70s. Repeat.

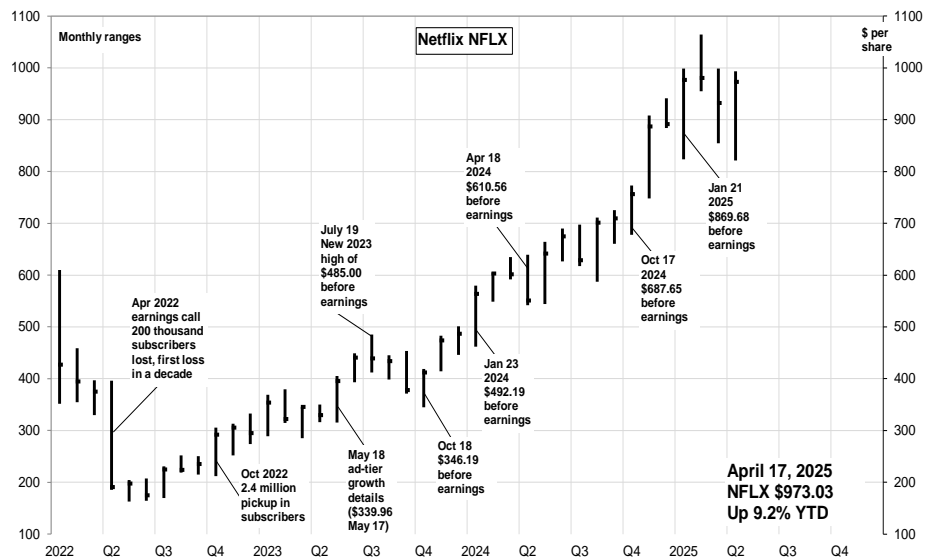
Netflix (NFLX) stops reporting memberships

The stock rallied 1.2% on Thursday; reported earnings after the bell and was up about 3% in after hours trading, crossing \$1,000, with markets closed Good Friday. The S&P 500 fell 21.3% February high to April 7 low and Netflix fell 22.9%. Operating income was only up 27.1% YOY after 50%-plus numbers the prior two earnings reports.

Netflix results

Quarter	Operating Income	Member ships Paid	Net Additions
3.31.25	3,346,999	NA	NA
12.31.24	2,272,766	301.63	18.91
9.30.24	2,909,477	282.72	5.07
6.30.2024	2,602,837	277.65	8.05
3.31.2024	2,632,534	269.60	9.33
12.31.2023	1,496,109	260.28	13.12
9.30.2023	1,916,394	247.15	8.76
6.30.2023	1,827,183	238.39	5.89
3.31.2023	1,714,317	232.50	1.75

Oper. Income 000s, Membership millions



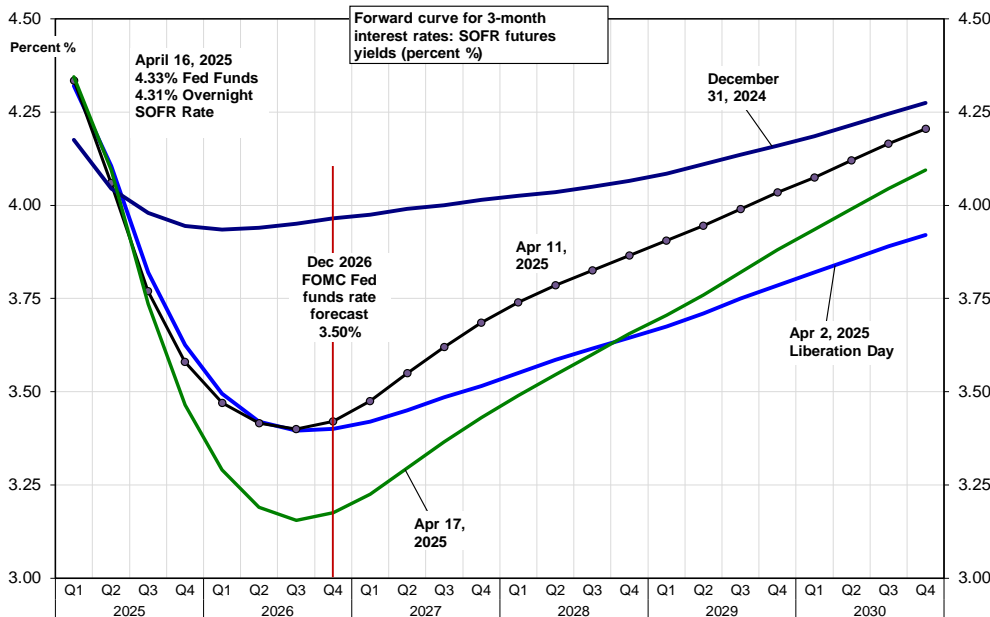
FEDERAL RESERVE POLICY

The Fed meets May 6-7, 2025 to consider its monetary policy. Powell gave an [economic outlook](#) at 130pm Wednesday, April 16 at the Economic Club of Chicago followed with questions. He was nice enough to share his PCE inflation estimate after last week's CPI/PPI. Core PCE inflation for March will come back down to 2.6% year-year on Wednesday, April 30 at 10am ET. He was also nice enough to share in Q&A that the Administration's trade policies are likely to push unemployment up as the economy slows and inflation is likely to go up as "tariffs find their way and some part of those tariffs come to be paid by the public." ([13 minutes in](#)) The Fed's goals on unemployment and inflation are likely to move away from the Fed's goals for the rest of this year he added. And also that the tariffs were larger than the Fed and private forecasters had ever imagined. Didn't take long. The President at 612am the next morning, ahead of the ECB rate cut announcement tweeted that Powell should cut rates too and his "termination cannot come fast enough." Later news came out saying he discussed this with former Fed Governor Warsh. Stay tuned.

Selected Fed assets and liabilities						Change from 3/11/20 to Apr 16
Fed H.4.1 statistical release billions, Wednesday data	16-Apr	9-Apr	2-Apr	26-Mar	3/11/20*	1694.228
Factors adding reserves						0.000
U.S. Treasury securities	4217.259	4219.496	4219.049	4237.419	2523.031	1694.228
Federal agency debt securities	2.347	2.347	2.347	2.347	2.347	0.000
Mortgage-backed securities (MBS)	2188.873	2188.999	2188.999	2188.999	1371.846	817.027
Repurchase agreements	0.003	0.000	0.000	0.000	242.375	-242.372
Primary credit (Discount Window)	2.713	2.726	2.154	2.234	0.011	2.702
Bank Term Funding Program	0.000	0.000	0.000	0.000		
FDIC Loans to banks via Fed	0.000	0.000	0.000	0.000		
Paycheck Protection Facility	1.821	1.831	1.834	1.853		
Main Street Lending Program	7.063	7.301	7.294	7.285		
Term Asset-Backed Facility (TALF II)	0.000	0.000	0.000	0.000		
Gold stock	11.041	11.041	11.041	11.041	11.041	0.000
Central bank liquidity swaps	0.103	0.094	0.095	0.086	0.058	0.045
Federal Reserve Total Assets	6778.1	6778.4	6774.3	6791.2	4360.0	2418.113
3-month Libor % SOFR %	4.31	4.42	4.37	4.35	1.15	3.160
Factors draining reserves						
Currency in circulation	2377.963	2378.330	2376.726	2373.074	1818.957	559.006
Term Deposit Facility	0.000	0.000	0.000	0.000	0.000	0.000
U.S. Treasury Account at Fed	638.783	315.189	301.624	315.970	372.337	266.446
Treasury credit facilities contribution	3.461	3.461	3.461	3.461		
Reverse repurchases w/others	54.772	168.115	233.488	241.371	1.325	53.447
Federal Reserve Liabilities	3497.294	3294.102	3347.276	3340.689	2580.036	917.258
Reserve Balances (Net Liquidity)	3280.845	3484.345	3427.049	3450.550	1779.990	1500.855
Treasuries within 15 days	58.916	58.181	62.513	54.915	21.427	37.489
Treasuries 16 to 90 days	210.658	215.022	210.743	216.641	221.961	-11.303
Treasuries 91 days to 1 year	419.053	417.235	417.119	421.797	378.403	40.650
Treasuries over 1-yr to 5 years	1434.751	1445.551	1445.359	1463.220	915.101	519.650
Treasuries over 5-ys to 10 years	537.198	530.638	530.587	528.686	327.906	209.292
Treasuries over 10-years	1556.684	1552.870	1552.728	1552.159	658.232	898.452
Note: QT starts June 1, 2022	Change	4/16/2025	6/1/2022			
U.S. Treasury securities	-1553.520	4217.259	5770.779			
Mortgage-backed securities (MBS)	-518.573	2188.873	2707.446			

Fed Policy-key variables	2025			2026	2027	Long Term
	Fed funds	3.9	3.4	3.1	3.0	3.0
PCE inflation	2.7	2.2	2.0	2.0	2.0	
Core inflation	2.8	2.2	2.0	2.0	2.0	
Unemployed	4.4	4.3	4.3	4.2	4.2	
GDP	1.7	1.8	1.8	1.8	1.8	

March 2025 median Fed forecasts



Two 25 bps rate cuts are expected by September.

Fed funds futures call Fed policy	
Current target: April 17 -- 4.50%	
Rate+0.17 Contract	Fed decision dates
4.315 Jul 2025	May 7, Jun 18*
3.910 Oct 2025	Adds Jul 30, Sep 17*
Last trade, not settlement price	
*Not strictly true, Jul 2025 could be 1 day at a new rate; 2 days new rate for Oct 2025	

Next up: March PCE inflation report Wednesday, April 30 at 10am ET

Monthly % Changes	2025		2024										2024		
	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan
Core CPI inflation	0.1	0.2	0.4	0.2	0.3	0.3	0.3	0.3	0.2	0.1	0.1	0.3	0.4	0.4	0.4
Core PCE inflation		0.4	0.3	0.2	0.1	0.3	0.3	0.2	0.2	0.2	0.1	0.3	0.3	0.2	0.5
Core PCE YOY	2.6e	2.8	2.7	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.7	2.9	3.0	2.9	3.1
Core CPI YOY	2.8	3.1	3.3	3.2	3.3	3.3	3.3	3.2	3.2	3.3	3.4	3.6	3.8	3.8	3.9

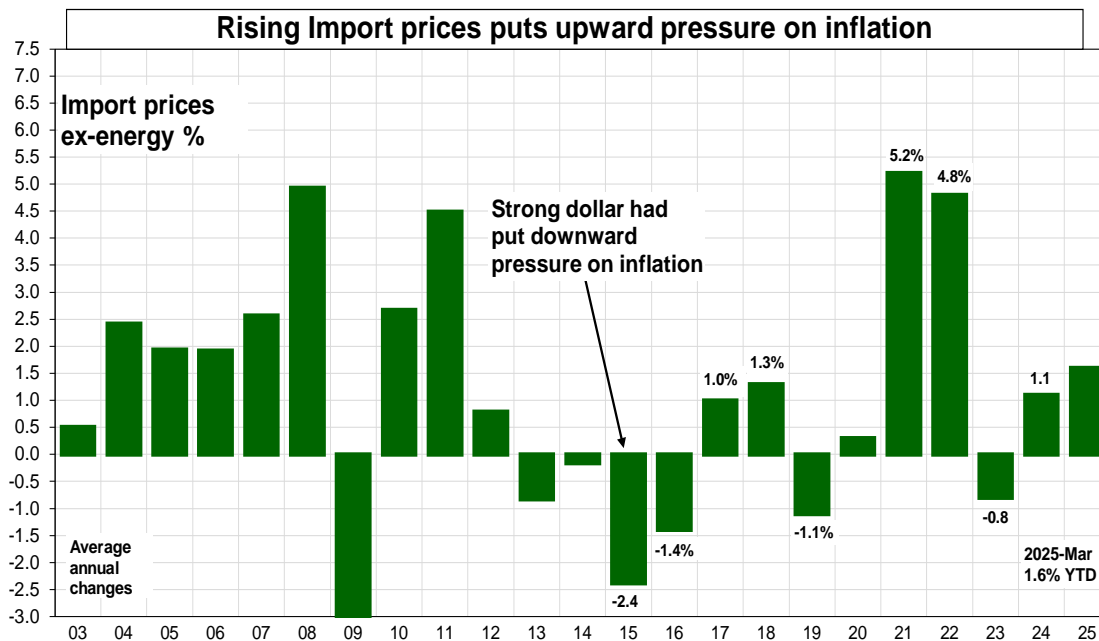
OTHER ECONOMIC NEWS

Import prices steady, dragged down by fuel (Tuesday)

Breaking economy news. Import prices fell 0.1% in March as fuel imports fell 2.3% in March after rising 2.7% in January and 1.6% in February. The US trade war with the world has dropped the price of crude oil dramatically on fears global growth will stall if not go into reverse.

Nonfuel Imports prices-- Monthly Percent Changes NSA												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2023	0.2	0.4	-0.5	-0.1	0.0	-0.3	-0.1	-0.2	-0.2	-0.2	0.1	0.1
2024	0.6	0.1	0.2	0.6	-0.2	0.2	0.2	0.0	0.2	0.2	0.1	0.0
2025	0.0	0.1	0.1									

Net, net, import prices are steady in March before the dam breaks and the tariff effect comes into play with the potential for shortages and substitution effects on the part of companies to get around the Administration's America First policies. Nonfuel import prices which do not include the cost of tariffs bolted-on upon arrival rose 0.1% in March and in February as well. While it cannot be fully known who will pay the import tariffs, either exporters overseas or manufacturers and ultimately consumers in the U.S., there is likely to be a very painful and costly transition for the U.S. economy as Trump 2.0 tries to turn back the clock and go back to making things in America. Stay tuned. Import prices are not adding much to inflation for now, but the future outlook remains very much in doubt and not in a good way.



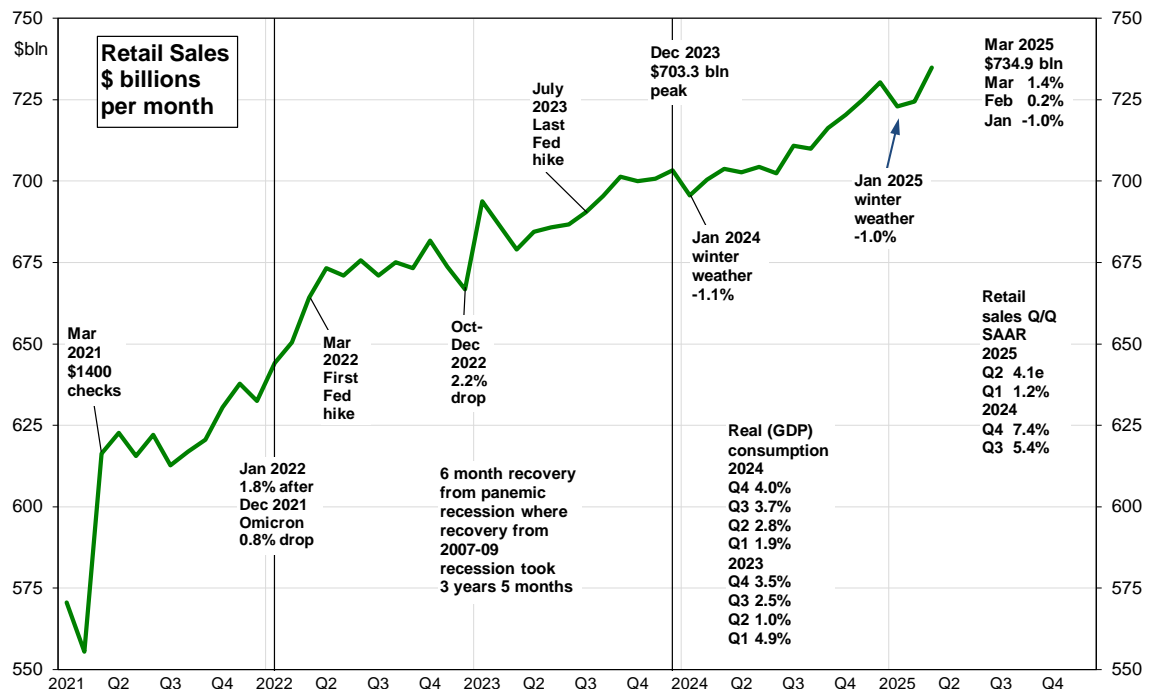
Retail blow out sale (Wednesday)

Breaking economy news. Retail sales were stronger than expected with a 1.4% gain in March, even if it would have been up just 0.5% if not for the huge jump in autos of 5.3% to get ahead of the tariffs. Retail sales finished the quarter strong which means Q2 retail sales are up 4.1% already even before we get April, May, June data. This is the second year in a row that cold January weather led to a drop in retail sales, but the recovery this year looks more solid. Stay tuned. It is hard to tell what is tariff effect and what is real, but then you could say that about other economic reports and the markets as well.

	\$million		Percent Changes %		
	Mar	Total	Mar	Feb	Year/year
Total Retail Sales	734,870	100.0	1.4	0.2	4.6
Motor vehicles/parts	143,928	19.6	5.3	-1.6	8.8
Furniture/furnishings	11,670	1.6	-0.7	0.8	7.7
Electronics/appliances	7,737	1.1	0.8	0.5	1.8
Building materials/garden	41,404	5.6	3.3	-0.4	2.6
Food & beverage	85,233	11.6	0.2	0.2	3.6
Health/personal care	38,921	5.3	0.7	2.0	7.2
Gasoline stations	51,461	7.0	-2.5	-0.8	-4.3
Clothing/accessories	26,679	3.6	0.4	-0.2	5.4
Sporting goods, books	8,383	1.1	2.4	-0.3	2.7
General merchandise	78,011	10.6	0.6	0.0	3.8
Department stores	10,660	1.5	-0.3	-1.6	-2.5
Miscellaneous retailers	16,218	2.2	0.7	1.5	4.7
Nonstore retailers (internet)	126,877	17.3	0.1	3.2	4.8
Eating & drinking places	98,348	13.4	1.8	-0.8	4.8
[Total ex-autos/gas]	539,481	73.4	0.8	0.8	4.5

Net, net, these are simply blow out numbers on March retail sales where the rush is on like this is one gigantic clearance sale. Consumers are expecting sharply higher prices the next year and are clearing the store shelves and picking up bargains while they can.

It is not quite a going out of business sale, but it will be a close call as thousands of American businesses will be rendered unprofitable and may need to be shuttered because of the tremendous economic harm caused by import tariffs that boost costs that cannot be passed on to consumers.



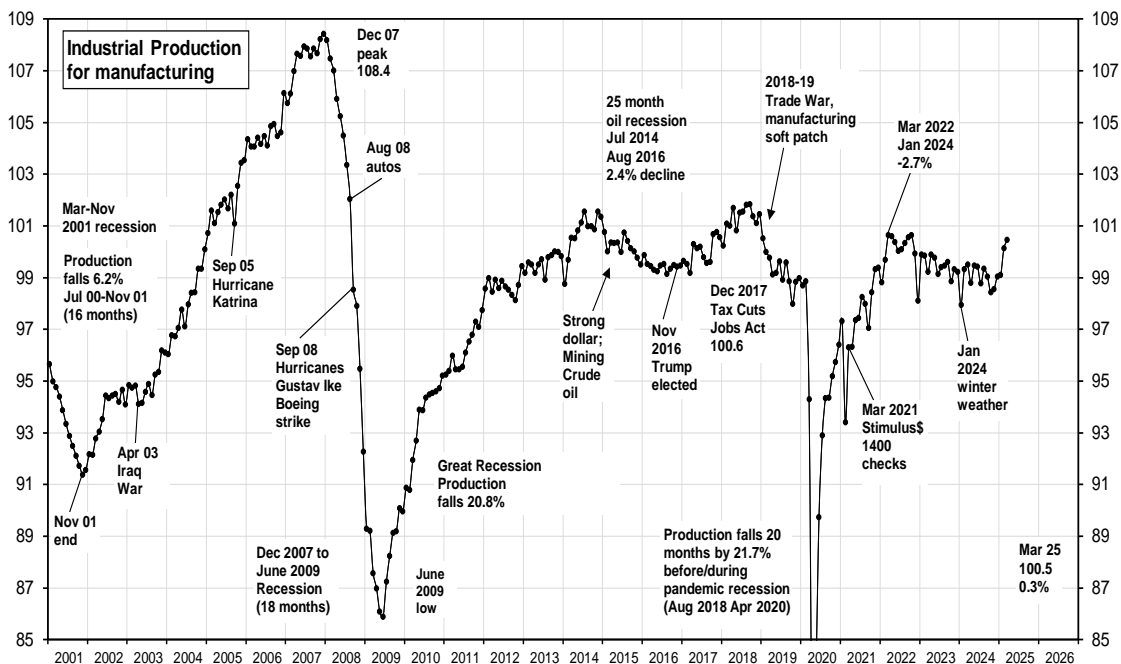
Factory output inching higher (Wednesday)

Breaking economy news. Industrial production fell 0.3% in March due to the -5.8% unwind of utility output that increased sharply due to colder than seasonal temps in December (+4.6%) and January (+4.5%). Manufacturing industrial production (factories) rose 0.3% in March and was revised to up 1.0% in February; last month's preliminary gain of 0.9% largely held and was boosted halfway by motor vehicles and parts as automakers try to adjust to import tariffs.

Net, net, we don't know if this is the dawn of a new wave of reindustrialization in America, but factory output continues to inch up from recent lows in October last year before the national elections. Whether or not the increase in manufacturing industrial production represents automakers trying to fill the dealer lots before the tariffs hit or not, it appears the overall modest production gains will be permanent. Industrial production is a key indicator

Percent changes			Industrial Production	
Jan	Feb	Mar	March 2025	
0.2	0.8	-0.3	YOY	Weight
0.1	1.0	0.3	<u>1.3</u> <u>Total Index</u>	<u>100.0</u>
-2.2	1.7	0.6	1.0 Manufacturing	74.8
4.5	-1.5	-5.8	1.0 Mining	14.4
			4.4 Utilities	10.9
			Manufacturing payroll jobs	
			12.8 million -74K YOY	
			9.4% of Private Payroll Jobs	

of economic recession, so as long as output is moving up, the cliffs of recession are likely to be held at bay. Stay tuned. The import tariff threat remains, but if it is a time bomb just waiting to go off and send the economy down, it sure has a long fuse. It could take months before we get a true read on what consumers and businesses are actually doing instead of all the worries they are voicing. For now, the economy won't stop, until spending and production drop. Bet on it.



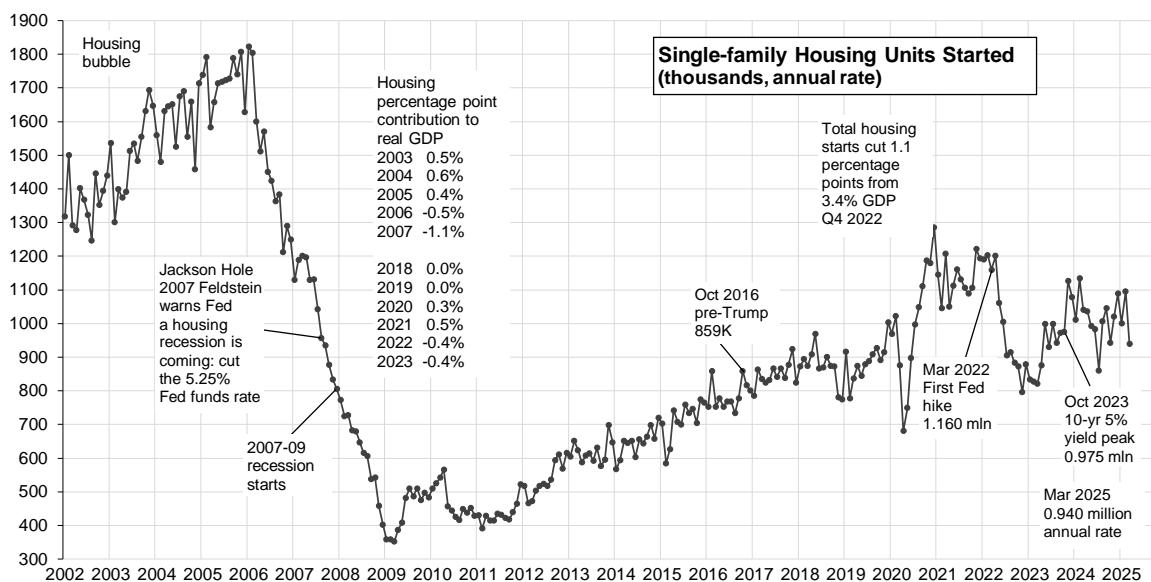
Starts down, permits up (Thursday)

Breaking economy news. Housing starts and permits data for March. Permits have been somewhat steadier increasing 1.6% in March and roughly unchanged from a year ago. Housing starts have been affected by the cold winter weather in January this year, rebounding in February and falling back 11.4% in March. If there was a rush to build before the higher construction costs from import tariffs come through, it was not seen in the March data with single-family starts falling in every region except the Midwest.

Housing Permits Total, Single-Family, Multi-Family

	United States			Northeast		Midwest		South		West	
000s	Total	1 unit	Multi	Total	1 unit	Total	1 unit	Total	1 unit	Total	1 unit
Mar 2025	1482	978	445	121	70	219	130	830	573	312	205
Feb 2025	1459	998	404	116	62	242	128	806	593	295	215
Mar 2024	1485	984	449	146	56	204	133	794	577	341	218
% Chgs											
Mar/Feb	1.6	-2.0	...	4.3	12.9	-9.5	1.6	3.0	-3.4	5.8	-4.7
Mar/Mar	-0.2	-0.6	...	-17.1	25.0	7.4	-2.3	4.5	-0.7	-8.5	-6.0

Net, net, housing starts are down in March, but despite the confusion on construction costs posed by the Administration’s tariff policy, and the general pessimism of home builders, single-family home permits remain remarkably steady. Permits for multifamily structures are at the best levels since December, increasing 10.1% to 445 thousand in March. If the on-again, off-again tariffs were generating considerable uncertainty for major builders, they would not be seeking permits for multifamily projects. Mortgage rates have risen sharply since the Fed began tightening in early 2022 and yet it is remarkable that residential housing construction appears to have bottomed at admittedly very low levels. Maybe help for the nation’s housing markets is on the way as the President is urging Powell to follow the ECB’s interest rate cut today with one of their own. Stay tuned. Story developing.



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