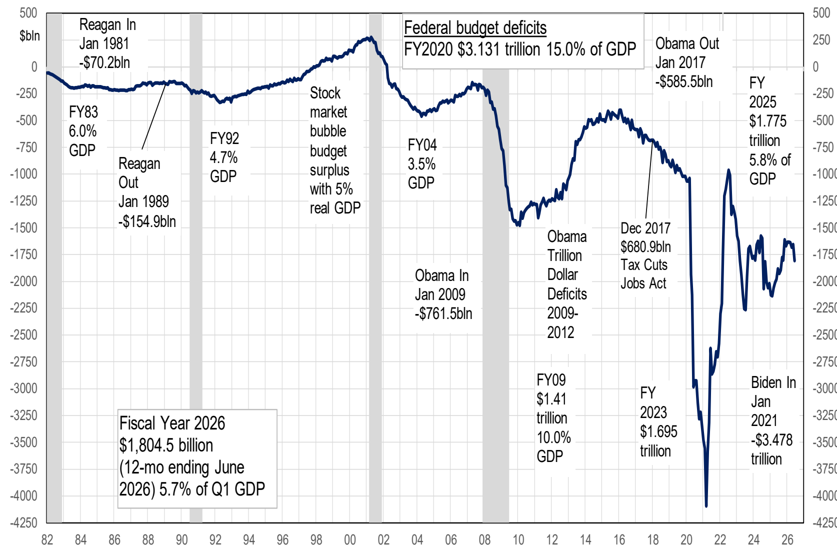
Financial Markets This Week

17 JULY 2026

Christopher S. Rupkey, CFA
Chief Economist
crupkey@fwdbonds.com

JUNE BUDGET DEFICIT



The June Federal budget results were released on Monday to little fanfare, surprising as it is three-quarters of the first full Trump 2.0 FY2026 year. The Federal budget deficit is running $1.804 trillion on a 12-month trailing sum basis in June 2026 which is 5.7% of nominal GDP, a level that is sustainable for now in that the amount of Treasury auctions to fund the red ink is being bought up without higher yields by investors global and domestic. If economists (subject matter specialists according to Fed Chairman Warsh) believe 3% is sustainable over the long haul, the deficit would need to be about $950 billion. Doing the subtraction ourselves, as the Monthly Treasury Statement omits a deficit figure, the FY2026 budget deficit is still $2.064 trillion. The White House OMB FY2027 Mid-Session Review is due any day now for an update. There a few sources, but the greatest income tax refunds in history this year, due mostly to many taxpayers not adjusting their withholding, were less than expected perhaps or at least the June Monthly Treasury Statement year-to-date refunds totaled $321.5 billion versus $295.9 billion for the comparable period a year ago. How much is it? Keep in mind retail sales released this week just for the one month of June was $768.5 billion.

Social Security In/Out

$ bln	Receipts	Payments	Red/Black
FY2019	770.282	888.080	-117.798
FY2020	825.307	940.221	-114.914
FY2021	814.034	982.673	-168.639
FY2022	911.191	1,063.897	-152.706
FY2023	1,020.442	1,192.149	-171.707
FY2024	1,076.984	1,293.782	-216.798
FY2025	1,097.382	1,411.167	-313.785
Jan 26	109.820	123.804	-13.984
Feb 26	92.460	124.453	-31.993
Mar 26	102.197	125.196	-22.999
Apr 26	120.112	125.575	-5.463
May 26	94.094	126.195	-32.101
Jun 26	103.396	126.598	-23.202

The June 2026 social security deficit was $23.2 billion, and no, the money to cover it does not come from the trust fund. Social security is already relying on general tax revenues including Treasury debt sales to fund the shortfall between social security tax collections and benefit payments to retirees. Customs duties are reversing due to the refunds, flat in May and now a $25.6 billion deficit in June. Adjusted interest subtracts the government accounts and totals $1.048 trillion the last year. Manageable. Food stamps are holding for now at $7.7 billion in June.

Selected Federal Budget Items Mostly Outlays In The News ($bln)

	Jul	Aug	Sep	Oct	Nov	Dec 25	Jan 26	Feb 26	Mar 26	Apr 26	May 216	Jun 26	12-month Total
Customs Duties	27.670	29.503	29.675	31.354	30.756	27.982	27.742	26.594	22.155	22.124	-0.042	-25.556	249.957
Food stamps	8.829	8.530	8.867	8.732	7.709	8.998	8.189	7.594	8.242	7.843	7.610	7.702	98.845
Social Security	-36.757	-35.180	-34.383	-42.329	-35.466	-30.387	-13.984	-31.993	-22.999	-5.463	-32.101	-23.202	-344.244
Gross Interest	91.913	111.466	91.270	104.404	96.255	153.922	71.888	93.483	102.644	111.601	132.623	185.200	1346.669
Adj. Interest	92.011	92.699	36.900	90.871	87.853	91.540	75.944	78.644	94.336	96.564	106.954	104.491	1048.807
Total Outlays	629.635	689.107	345.725	688.704	509.279	629.136	654.667	620.623	548.963	622.319	628.160	616.067	7182.385

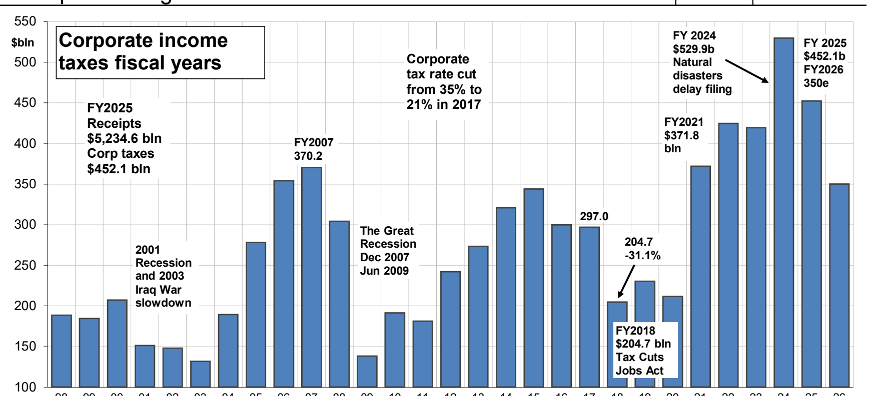
*"Social security" is a net figure: Payroll taxes minus Benefits paid, normally a deficit funded by other taxes, Treasury borrowing from market etc.

If you voted in 2024 to rein in too much government spending (77.3 million vote Trump, 75.0 million Harris, 2.9 million for “Others,” 90 million or 35% of those eligible did not vote), total budget outlays in the first three quarters of FY2026 were $5.517 trillion, 3.2% higher than a year ago. If it helps, CPI inflation before a Warsh task force deep-sixes it, rose 3.1% over the same period, so real spending is flat. As usual the three largest departments, HHS, Treasury, Social Security, are 73% of the $5.5 trillion total. The biggest cuts were at the EPA, Commerce, State Department, International Assistance. Homeland security is down; ICE increased from $7.5 billion to $17.3 billion including new luxury jets, but the storm count is down with Disaster relief expenditures falling from $40.3 billion to $20.1 billion. The Small Business Administration saw increased spending in its Disaster Loans Program however.

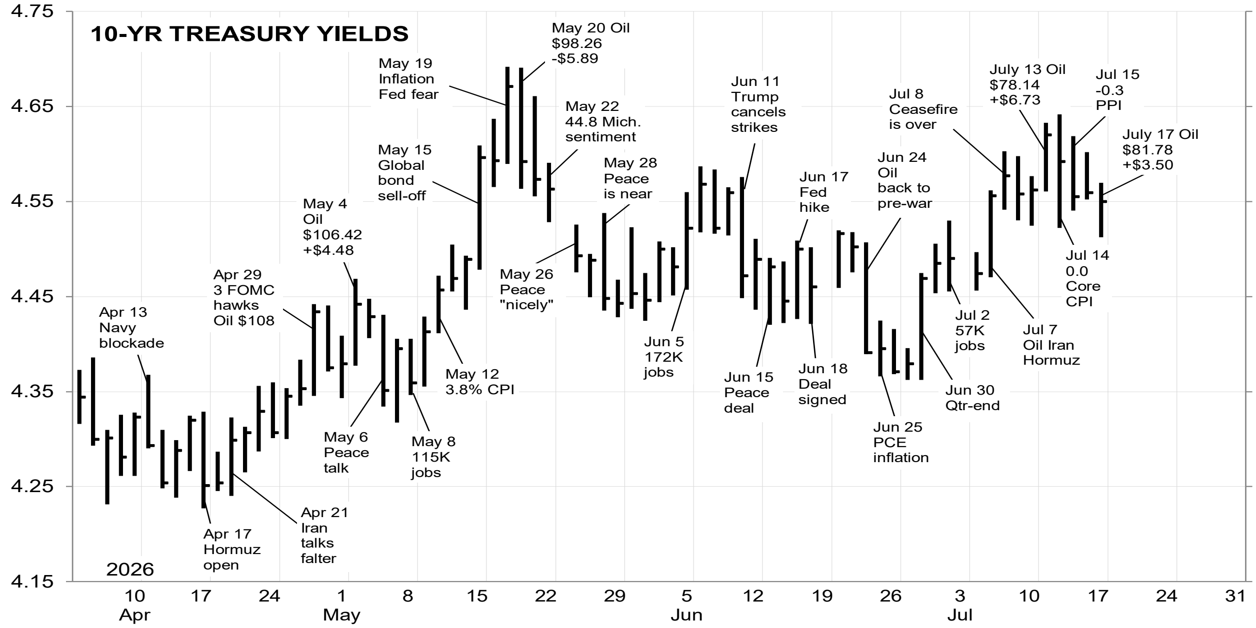
On the revenues side, corporations got some tax breaks last year that are driving FY2026 tax collections to $350 billion we estimate. This helps the $2.1 trillion budget deficit forecast, but that forecast has a very high outlays projection that is unlikely. Final table is on the debt time bomb… not as bad as you think. 88% of GDP.

Federal Government Spending ($bln) **Where to cut?**	3 Qtrs FY26 Q4 25-Q2 26	3 Qtrs FY25 Q4 24-Q2 25	Fiscal Year Changes	Fiscal Year % chg	Full Year FY 2025
TOTAL BUDGET OUTLAYS	5,517.918	5,345.519	172.399	3.2	7,009.974
Legislative	5.246	5.311	-0.065	-1.2	7.233
Judicial	7.374	7.134	0.240	3.4	9.759
Agriculture	173.556	176.544	-2.988	-1.7	227.432
Fed Crop Insurance fund	12.970	16.288	-3.318	-20.4	13.805
Food Stamps	72.760	80.108	-7.348	-9.2	106.335
Child Nutrition	27.544	27.592	-0.048	-0.2	33.375
Commerce	10.173	19.569	-9.396	-48.0	29.712
Defense	678.661	647.416	31.245	4.8	868.412
Military Personnel	174.228	159.763	14.465	9.1	206.529
Operation Maintenance	114.949	102.139	12.810	12.5	342.398
Procurement	129.666	121.817	7.849	6.4	161.960
Research Development	114.949	102.139	12.810	12.5	141.429
Military Construction	10.516	9.886	0.630	6.4	13.152
Education	45.831	100.812	-54.981	-54.5	34.718
Office of Federal Student Aid	74.004	40.344	33.660	83.4	111.227
Energy	38.198	39.526	-1.328	-3.4	52.292
Health Human Services (HHS)	1474.302	1376.007	98.295	7.1	1884.277
Medicare	938.372	862.914	75.458	8.7	862.914
Medicaid States Grants	539.910	491.381	48.529	9.9	668.139
Homeland Security	75.280	88.115	-12.835	-14.6	115.306
Housing Urban Development	51.076	53.671	-2.595	-4.8	50.533
Interior	7.966	16.037	-8.071	-50.3	22.402
Justice	33.381	32.876	0.505	1.5	44.948
Labor	43.529	45.279	-1.750	-3.9	50.383
State Unemployment Benefits	28.466	28.906	-0.440	-1.5	38.023
State	18.614	22.291	-3.677	-16.5	28.362
Transportation	83.634	85.894	-2.260	-2.6	127.583
FAA	18.100	17.796	0.304	1.7	24.806
Federal Highway Admin.	44.761	43.527	1.234	2.8	65.033
Treasury	1270.615	1150.632	119.983	10.4	1458.910
IRS	228.162	234.015	-5.853	-2.5	234.015
Premium Tax Credit HHS	113.837	111.951	1.886	1.7	129.260
Earned Income Credit	66.830	64.532	2.298	3.6	66.007
Child Tax Credit	27.940	25.949	1.991	7.7	26.567
Interest on Public Debt	1052.019	920.965	131.054	14.2	1215.614
Veterans Affairs	304.886	277.824	27.062	9.7	376.591
Corps of Engineers	8.766	9.704	-0.938	-9.7	12.124
Other Defense Civil Programs	45.940	57.890	-11.950	-20.6	76.488
Environmental Protection	12.473	32.229	-19.756	-61.3	36.976
Exec. Office of President (EOP)	-1.261	-0.598	--	--	-0.508
International Assistance	16.279	23.018	-6.739	-29.3	17.294
NASA	17.394	18.064	-0.670	-3.7	24.576
National Science Foundation	6.175	6.959	-0.784	-11.3	9.949
Personnel Management	101.838	96.559	5.279	5.5	128.239
Small Business Admin.	11.414	1.703	9.711	570.2	36.173
Social Security Admin.	1293.432	1230.237	63.195	5.1	1646.515
Retirement Benefits	1112.741	1052.402	60.339	5.7	1411.167
Federal Disability Payments	119.889	117.950	1.939	1.6	157.436
Other Independent Agencies	1.811	5.571	-3.760	--	6.788

June 2026	Marketable Treasuries $trillion	Average Rate %
Bills	6.690	3.70
Notes	16.057	3.28
Bonds	5.447	3.43
TOTAL	28.194	



INTEREST RATES



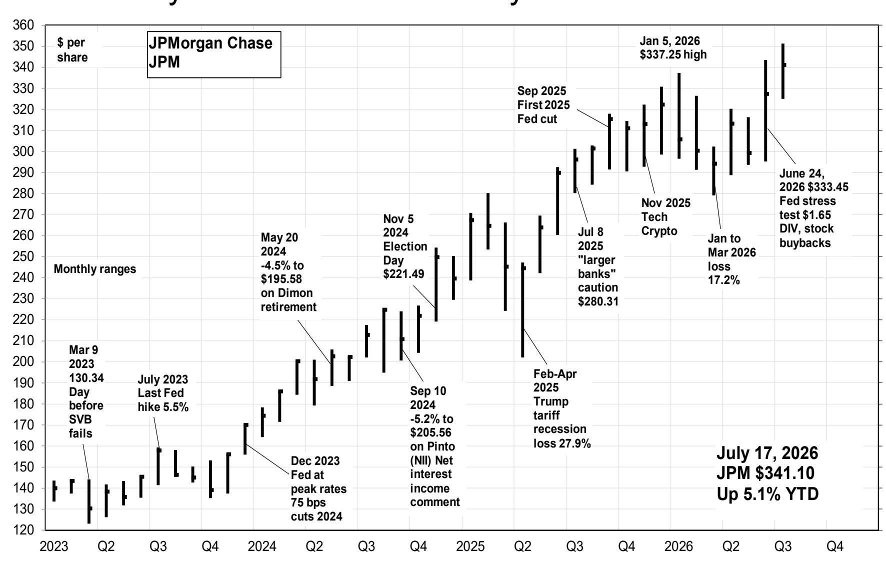
Stocks moved briefly above last week's high near 7,600 but failed. AI fears are never far away, and IBM collapsed 25.2% Tuesday after "preliminary" earnings where the company said increased AI tech spending is coming at the expense of IBM product and software sales. The Iran war is back on, and higher crude oil Monday lifted 10-yr yields. Tuesday's surprise unchanged core CPI report brought yields back down. Fed officials are still warning inflation is too high for some reason; half the FOMC minus Warsh wants higher yields. Crude oil made a new high at $81.78 for the new September front contract Friday, but 10-year yields closed the week at 4.55%, down from Tuesday's 4.64% high yield for the week for some reason. Before Tuesday morning CPI, Fed futures for September meet said 4.015%; 3.875% after. Light news calendar next week. Warsh task force needs to find new indicators.

JPMorgan Chase (JPM) up 5.1% YTD

Earnings released Tuesday before the bell, and the stock rallied 2.5% to a new high, in a wide-ranging day. It closed $334.53 on Monday. Peace talk and lower oil prices helped the stock rally in June. News of half the FOMC favoring rate hikes this year at the June 17 meeting did not do much. After the Fed stress tests were announced at 4pm on June 24, the bank raised its dividend from $1.50 to $1.65 and also announced buybacks. The annual dividend yield is 1.9% off of Friday's close.

JPM results (billions)

Quarter	Net Income	Provision for Credit Losses	Stock price Qtr end
6.30.2026	21.155	2.515	327.33
3.31.2026	16.494	2.507	294.16
12.31.2025	13.025	4.655	322.22
9.30.2025	14.393	3.403	315.43
6.30.2025	14.987	2.849	289.91
3.31.2025	14.643	3.305	245.30
12.31.2024	14.005	2.631	239.71
9.30.2024	12.898	3.111	210.86
6.30.2024	18.149	3.052	202.26

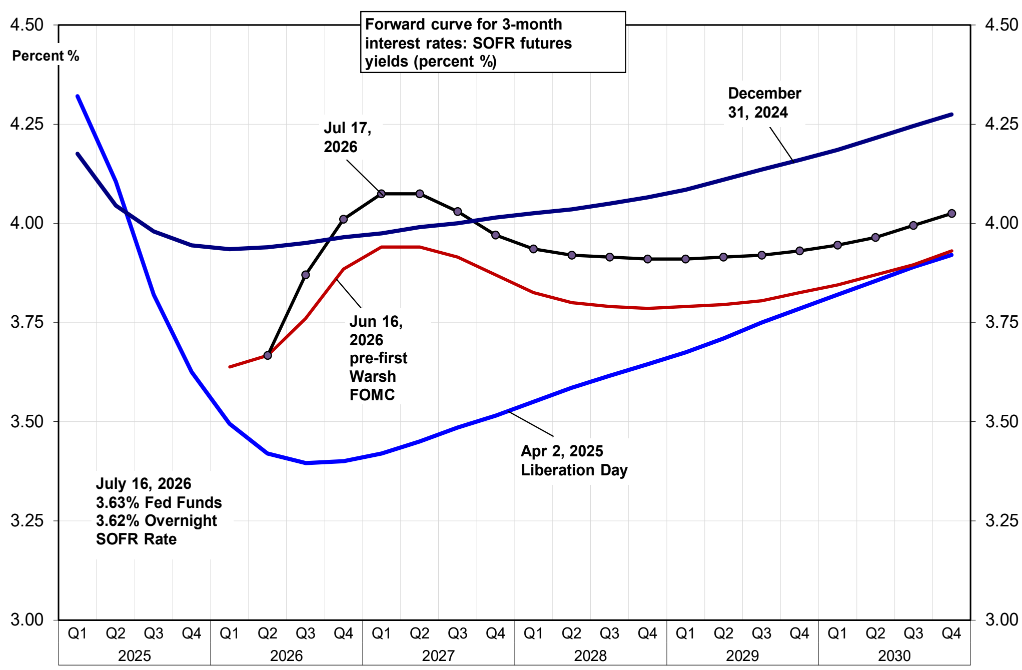


FEDERAL RESERVE POLICY

The Fed meets July 28-29, 2026 to consider its monetary policy. The war is on again; higher energy prices are increasing inflation risks according to some in the markets. On the other hand, CPI and PPI inflation fell for the month of June in this week's reports. The nation's chief economist was questioned for hours on Tuesday and Wednesday during his semiannual Monetary Policy Report testimony. Day 1 on Tuesday before the House was his "mission accomplished" quote. He was not declaring victory after CPI fell 0.4% and core CPI was 0.0% in June released earlier at 830am. Next day PPI fell 0.3%, and Warsh volunteered to Senate Committee Chairman Scott: "We have gotten data on CPI and PPI any central bank would be happy to have the data going in the right direction. My view is these are all imperfect measures of the state of underlying inflation." Senator Kennedy (R-LA) asked whether these CPI/PPI inflation data were temporary or permanent and did not get an answer. Okay. Nobody home. I guess we will all just have to do Fed watching ourselves. We think they hold off on rate hikes with core CPI commodities going nowhere. Fed rate is in neutral.

Selected Fed assets and liabilities						Change
Fed H.4.1 statistical release						from
billions, Wednesday data	15-Jul	8-Jul	1-Jul	24-Jun	3/11/20*	3/11/20
Factors adding reserves						to Jul 15
U.S. Treasury securities	4509.941	4502.749	4492.235	4488.106	2523.031	1986.910
Federal agency debt securities	2.347	2.347	2.347	2.347	2.347	0.000
Mortgage-backed securities (MBS)	1948.337	1948.398	1948.398	1961.590	1371.846	576.491
Repurchase agreements	0.102	0.000	0.001	0.004	242.375	-242.273
Primary credit (Discount Window)	4.755	5.771	7.778	7.894	0.011	4.744
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	0.016	0.019	0.019	0.019		
Main Street Lending Program	0.628	0.628	0.628	0.626		
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	0.135	0.170	0.250	0.035	0.058	0.077
Federal Reserve Total Assets	6794.6	6787.1	6775.6	6787.1	4360.0	2434.543
~~3-month Libor %~~ SOFR %	3.64	3.58	3.66	3.62	1.15	2.490
Factors draining reserves						
Currency in circulation	2471.831	2474.567	2474.926	2473.044	1818.957	652.874
Term Deposit Facility	0.000	0.000	0.000	0.000	0.000	0.000
U.S. Treasury Account at Fed	795.976	749.244	807.359	901.845	372.337	423.639
Treasury credit facilities contribution	0.000	0.000	0.000	0.000		
Reverse repurchases w/others	0.151	3.347	1.001	4.534	1.325	-1.174
Federal Reserve Liabilities	3694.121	3649.723	3698.603	3832.655	2580.036	1114.085
Reserve Balances (Net Liquidity)	3100.448	3137.377	3077.019	2954.465	1779.990	1320.458
Treasuries within 15 days	79.092	89.001	81.609	105.602	21.427	57.665
Treasuries 16 to 90 days	387.252	379.529	343.382	349.873	221.961	165.291
Treasuries 91 days to 1 year	514.583	498.247	531.768	508.915	378.403	136.180
Treasuries over 1-yr to 5 years	1429.248	1432.105	1431.865	1425.477	915.101	514.147
Treasuries over 5-yrs to 10 years	484.048	490.642	490.590	485.491	327.906	156.142
Treasuries over 10-years	1615.718	1613.225	1613.020	1612.748	658.232	957.486
Note: QT starts June 1, 2022	Change	7/15/2026	6/1/2022			
U.S. Treasury securities	-1260.838	4509.941	5770.779			
Mortgage-backed securities (MBS)	-759.109	1948.337	2707.446			
**March 11, 2020 start of coronavirus lockdown of country						

Fed Policy-key variables	2026	2027	2028	Long Term
Fed funds	3.8	3.6	3.4	3.1
PCE inflation	3.6	2.3	2.0	2.0
Core inflation	3.3	2.5	2.1	
Unemployed	4.3	4.3	4.2	4.2
GDP	2.2	2.3	2.2	2.0
June 2026 median Fed forecasts				



All but 8 bps of a 25 bps rate hike to 4.0% is discounted by the September 2026 meeting. The market is forging its own path on expectations as Warsh would like to see.

Fed funds futures call Fed policy		
Current target: July 17-- 3.75%		
Rate+0.12	Contract	Fed decision dates
3.920	Oct 2026	July 29, Sep 16*
4.060	Jan 2027	Adds Oct 28, Dec 9*
4.100	Feb 2027	Adds Jan 27
*Oct 2026 could be 3 days at a new rate		
*Jan 2027 could be 4 days at a new rate		

Next up: June PCE inflation Thursday, July 30 830am ET

Monthly	2026						2025								
% Changes	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr
Core CPI inflation	0.0	0.2	0.4	0.2	0.2	0.3	0.2	na	na	0.2	0.3	0.3	0.2	0.1	0.2
Core PCE inflation	0,2e	0.3	0.3	0.3	0.4	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2
Core PCE YOY	3.3e	3.4	3.3	3.3	3.0	3.1	3.0	2.8	2.8	2.8	2.9	2.9	2.8	2.8	2.6
Core CPI YOY	2.6	2.9	2.8	2.6	2.5	2.5	2.6	2.6	na	3.0	3.1	3.1	2.9	2.8	2.8

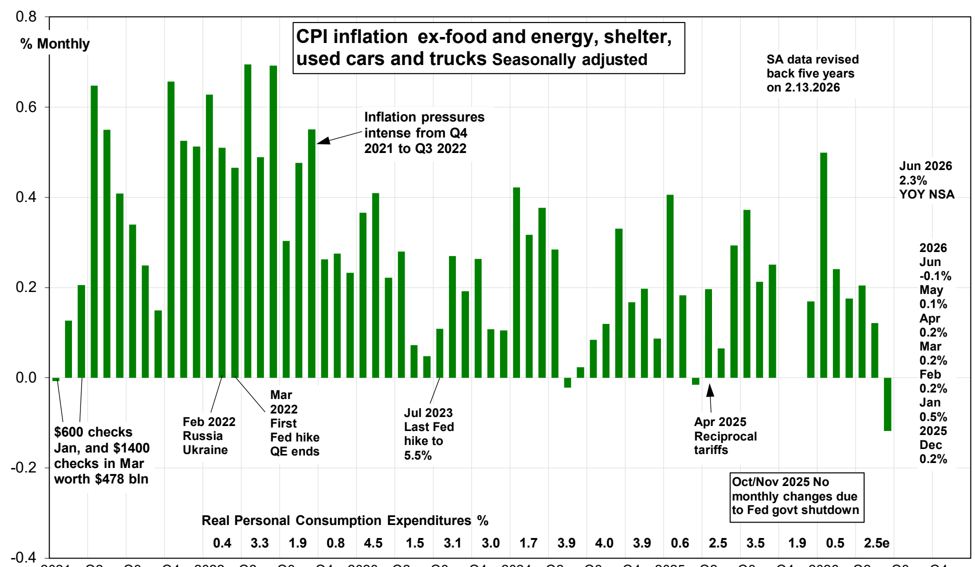
OTHER ECONOMIC NEWS

Dec 25		Monthly Percent Changes			YOY %
Weight	CPI inflation	Apr 2026	May 2026	Jun 2026	Jun 2026
100.0	Total	0.6	0.5	-0.4	3.5
13.698	Food	0.5	0.2	0.2	3.0
8.325	Food at home	0.7	0.1	0.2	2.7
5.373	Food away from home	0.2	0.3	0.2	3.4
6.383	Energy	3.8	3.9	-5.7	15.7
2.895	Gasoline	5.4	7.0	-9.7	26.7
79.919	Ex-food & energy	0.4	0.2	0.0	2.6
3.838	New vehicles	-0.2	-0.3	0.0	0.5
2.759	Used cars/trucks	0.0	0.1	-0.2	-1.8
2.368	Clothing	0.6	0.3	-0.6	3.9
1.489	Medical care goods	-0.4	-0.7	-0.2	-2.1
35.625	Shelter	0.6	0.3	0.1	3.3
26.204	Owner equiv. rent	0.5	0.3	0.3	3.3
6.315	Transportation	0.3	-0.6	-0.3	3.4
6.935	Medical care services	0.0	0.5	-0.1	2.9
	Special: Where inflation might come back down to				
60.744	Services ex-energy	0.5	0.3	0.0	3.2
19.176	Commodities (core)	0.0	-0.1	-0.1	0.8

No CPI inflation (Tuesday)

Breaking economy news. CPI inflation went into reverse with falling energy prices. Import tariffs not evident to the casual eye with Commodities less food and energy commodities down again, and clothing falling 0.6%. Maybe the customs duties refunds ($49.2 billion in June) allowed merchants to cut prices for everyday Americans. We hope BLS 2.0 calculations are all in order. The press release write-up included household furnishings and operations, recreation and personal care among the indexes in all items less food and energy they say fell in June, only a table in the report says these prices rose. The CPI report was also interesting as Fed governor Waller said he would be watching it closely as inflation is too high, like he has a rate hike bias. Stay tuned.

No wonder why Warsh has a data task force looking for more secret sauce economic indicators, he does not appear capable of understanding the indicators that are out there. We cannot figure out why he did not have something more/better to say about the stunning 830am CPI report today when he was grilled on the Semiannual Monetary Policy Report before the House. It's not just one data point. Monthly core commodities price percent changes, commodities most directly impacted by import tariffs, have been either flat or down a tenth all year long, except for 0.1s in February/March. Certainly looks like a trend. Warsh has been criticized for his reluctance to say exactly how he is going to get inflation down, but it won't matter if we continue to get numbers like this. Maybe the best course of action for Fed 2.0 is to leave rates alone at 3.75% and don't touch them again this year.



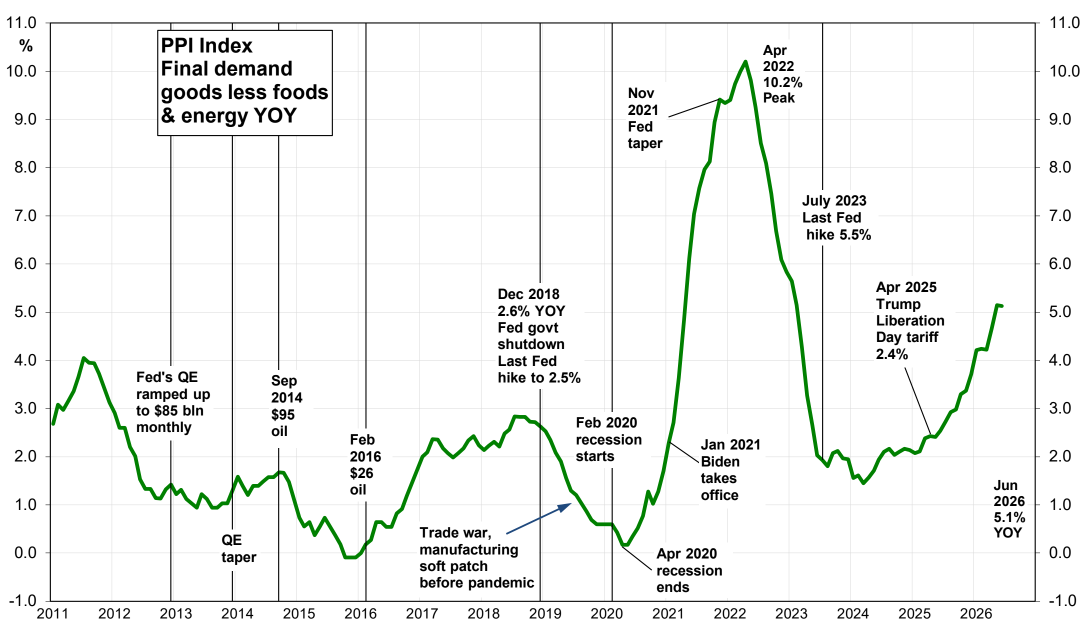
Net, net, hang onto your hats and buy stocks and buy bonds as a big fat deflation report for the consumer has hit the market's expectations right between the eyes. Core inflation was unchanged as shelter prices unexpectedly slowed to a crawl with an increase of just 0.1%. That can't last. The upward import tariff effect on consumer store-bought goods has vanished with core commodity prices falling 0.1% the last two months. Inflation, what inflation the market is screaming. Gone, poof in the blink of an eye. You can take those Fed rate hikes off the table for now as the current neutral Fed funds rate of 3.75% is perfectly balanced for the upside and downside risks to the economy and inflation. Bet on it. The markets are.

No PPI inflation either (Wednesday)

Breaking economy news. PPI inflation fell 0.3% in June, market was looking for 0.0%, and the May 1.1% increase is now just 0.6%. Fed 2.0 is interested in better economic data, but there is the actual data and the interpretation of the data. Warsh keeps talking about the last inflation crisis during the pandemic that the Fed got wrong. Looking back at the graph of PPI Final demand goods less foods and energy, it is interesting to note that core goods here peaked at a 10.2% rate in April 2022, a month after the Fed first 25 bps rate hike from 0.25 to 0.50 percent. Core PCE inflation that Fed 1.0 used to target was 5.3% year-on-year in April 2022. How bad is PPI inflation? The graph here says 5.1% year-over-year, about half as bad as it was in 2022.

Monthly % SA		Final demand goods				Final demand services			
2026	Total final demand	Total	Foods	Energy	**Less foods and energy	Total	Trade	Transportation and warehousing	Other
Jan	0.6	-0.1	-1.3	-1.7	0.7	0.9	2.0	1.0	0.3
Feb	0.5	1.0	2.3	2.0	0.4	0.3	-0.3	0.8	0.5
Mar	0.8	2.0	-0.6	10.5	0.3	0.3	0.5	2.1	0.0
Apr	1.1	1.9	0.2	7.2	0.7	0.7	1.3	3.7	0.1
May	0.6	2.3	0.5	8.4	0.7	-0.1	-2.3	2.0	0.7
Jun	-0.3	-1.4	-0.6	-6.4	0.2	0.2	0.4	-0.1	0.1
		**Final demand goods, less foods and energy is old-fashioned PPI							

Net, net, the improvement in the inflation outlook is better than markets thought as Producer price inflation is also in retreat in June, along with a sharp downward revision to May, which means producers will not need to pass on their higher costs to consumers in the near term. Energy prices reversed sharply falling 6.4% in June after May's 8.4% jump and there is renewed concern about the war in the Middle East, but other producer prices have fallen outside of energy with transportation and warehousing down 0.1%, the first drop since June 2025, and old-fashioned PPI which goes by the long name of Final demand goods less foods and energy slowed to a manageable 0.2% rise in June. Stay tuned. The Fed's war with inflation isn't over by any means, as Fed Chair Warsh made plain in yesterday's testimony, but there is good news from the front and the odds of Fed rate hikes should continue to recede as inflation at the factory level is trending lower, and producers will not be passing on their higher costs to the consumer level as much as we previously thought.



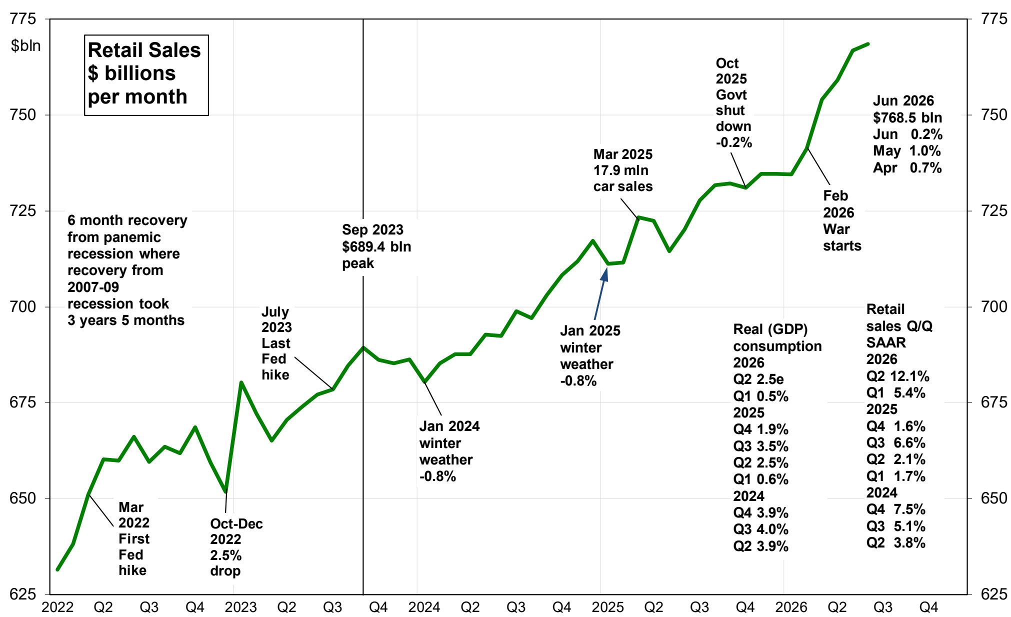
Retail sales solid (Thursday)

Breaking economy news. Retail sales rose 0.2% in June, dragged lower by the falling price of gasoline impacting gas station sales. Retail sales were very strong at 12.1% for the second quarter, but ex-gas retail sales were quite a bit less so will keep real consumption expenditures at 2.5% in the Q2 2026 real GDP report due to be released Thursday, July 30 at 830am ET. The only services in the retail sales report are for eating and drinking places and these slowed to 0.1% in June from a 1.2% jump in May. Services are 69% of nominal consumer spending so the retail sales report is incomplete always.

Retail spending, actual dollars, each month

	$million	% to	Percent Changes %		
	Jun	Total	Jun	May	Year/year
Total Retail Sales	768,553	100.0	0.2	1.0	6.7
Motor vehicles/parts	143,529	18.7	1.9	1.1	5.7
Furniture/furnishings	11,323	1.5	0.0	1.6	0.0
Electronics/appliances	8,249	1.1	0.8	-0.2	5.6
Building materials/garden	41,785	5.4	0.1	-0.3	3.5
Food & beverage	85,449	11.1	-0.2	0.2	1.0
Health/personal care	39,917	5.2	-0.8	0.4	0.2
Gasoline stations	60,587	7.9	-5.3	2.6	19.8
Clothing/accessories	27,864	3.6	-0.3	0.9	4.8
Sporting goods, books	9,071	1.2	1.3	0.8	15.2
General merchandise	79,478	10.3	0.1	0.4	3.5
Department stores	3,325	0.4	0.1	1.0	3.7
Miscellaneous retailers	16,139	2.1	-0.3	3.3	6.0
Nonstore retailers (internet)	142,665	18.6	1.9	1.4	14.2
Eating & drinking places	102,497	13.3	0.1	1.2	3.8
[Total ex-autos/gas]	564,437	73.4	0.4	0.8	5.7

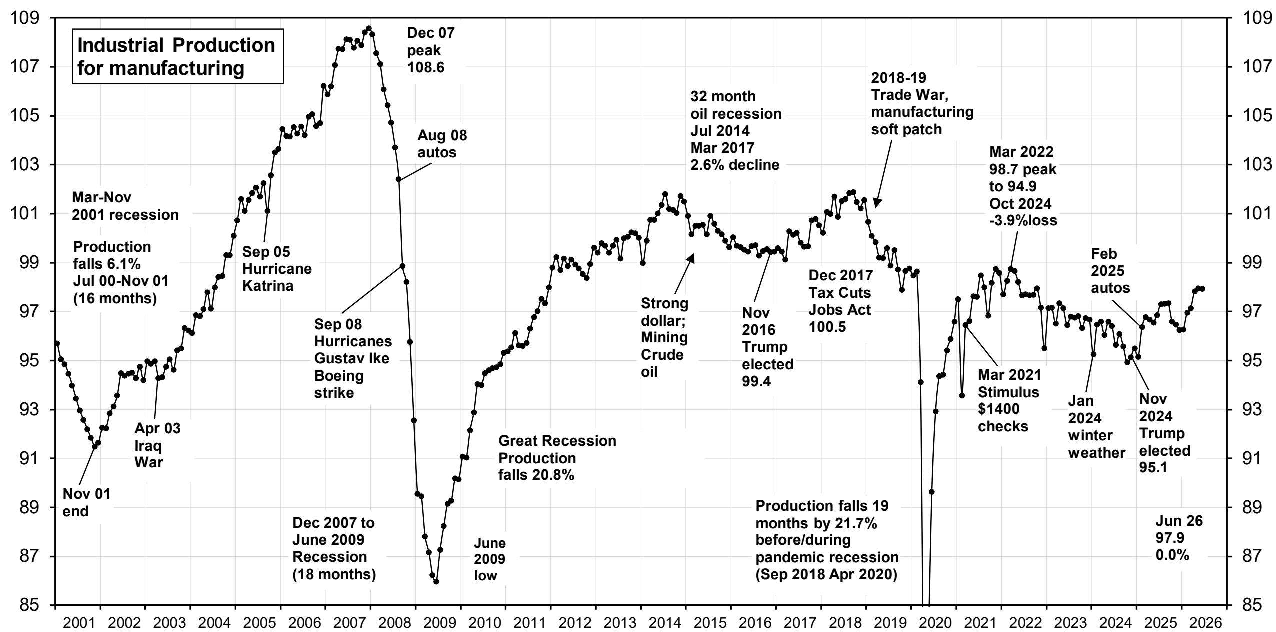
Net, net, consumers continue to shop at malls and stores at a solid pace for a second month as the headline increase in retail sales is brought down only because of the decline in gasoline prices in June. Fed officials do not have to worry about demand overheating the economy and are likely to hold off on an interest rate hike when they meet at the end of July. Only half of the Committee wanted higher rates this year when they met in June anyway. Retail sales rose 0.2% in June, but were up 0.7% taking out gasoline station sales. For May the results were an increase of 1.0% and 0.9% ex-gas. For the services side of spending, food services and drinking places rose just 0.1% in June after a stronger 1.2% in May, so summer is getting off to a slow start. Stay tuned. The economy shows no sign of slowing down to the stall speed if consumers have anything to say about it. We estimate real consumption expenditures rose 2.5% for the second quarter even as the Iran war starting February 28 continues to flash worrying headlines almost every other day.



Industrial production flat (Friday)

Breaking economy news. Factory production has stalled for a second month so the Administration's dream of making it all here in America has not become a reality yet. There has been volatility recently in the production data, but the gains being made are mostly from information processing, defense and space equipment, equipment parts, as well as the in the transit category under business equipment that includes vehicle output and aircraft. Industrial production is also considered as output generally and if so it is just 1.3% higher than a year ago as opposed to year-over-year nominal GDP growth of 6.1% in Q1 2026. Industrial production is increasing, but just modestly following a jump in April. Stay tuned. Factories are not being built yet, and what construction there is is mostly for data centers.

Percent changes			Industrial Production Jun 2026		
Apr	May	Jun	YOY		Weight
0.8	0.1	0.1	1.1	Total Index	100.0
0.7	0.1	0.0	1.1	Manufacturing	75.9
1.3	1.1	0.4	2.2	Mining	11.7
0.8	-0.7	0.4	0.3	Utilities	12.4
			Manufacturing payroll jobs 12.6 million -38K YOY 9.3% of Private Payroll Jobs		



Analyst Certification

The views expressed in this report accurately reflect the personal views of the research staff at FWDBONDS LLC, the primary analysts responsible for this report, about the subject securities or issuers referred to herein, and no part of such analysts' compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed herein.