

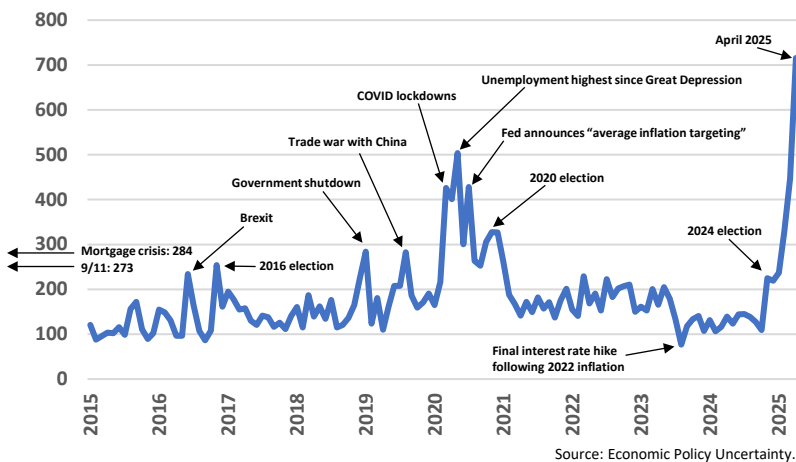
Economic & Market Watch Intelligence Brief

Briefing

- For the past year, even pessimistic forecasters were not predicting a recession in the near future. That changed in April. Since then, pessimistic forecasters have been forecasting a recession through the end of 2025. The average forecaster, however, continues to anticipate slow but positive growth (Figure 1).
- The spread between optimistic and pessimistic forecasters reflects uncertainty. As of January, optimistic and pessimistic forecasters' growth expectations differed by 2 percentage points. As of May, changes in trade policies have driven that difference to over 5 percentage points (Figure 1).
- Interestingly, disagreement about long-term Treasury yields has declined since January (Figure 2). One possibility is that, with unemployment remaining low and tariffs putting upward pressure on inflation, there are lessened expectations that the Fed will cut rates. That stability contributes to reduced uncertainty about future Treasury yields.
- As of the end of 2024, uncertainty surrounding state and federal economic policy was lowest in West Virginia and highest in Mississippi (Figure 3). However, Moody's Analytics forecasts that Mississippi's economy will grow 1.4% in 2025 versus 1.2% for West Virginia.

Chart of the Week

Economic Policy Uncertainty Index



Commentary

"Bad times" and uncertainty aren't the same thing. Unemployment may be low and economic growth may be up, yet there could be much uncertainty about whether these will continue. Similarly, the economy could be bleak, yet people might be quite sure that it will continue to be bleak. In addition, volatility and uncertainty aren't the same thing. Historically, the stock market is most volatile in October. Because we expect October volatility, its arrival isn't necessarily a source of uncertainty. In fact, a particularly stable October stock market would be uncommon and possibly cause heightened uncertainty.

Researchers typically measure uncertainty by asking businesses and households directly, "how uncertain are you about the future?" or by looking at differences among forecasters. Other things being equal, the greater the disparity in economic forecasts, the greater the uncertainty.

The Economic Policy Uncertainty (EPU) research group combines data from news coverage, changes in the tax code and disparity among economic forecasters to create measures of uncertainty surrounding economic policy for the U.S. and for individual states. By EPU's measure, uncertainty about economic policy today is greater than at the height of COVID, the peak of the mortgage crisis and 9/11.

Snapshots

Figure 1. Comparison of Real GDP Forecasts

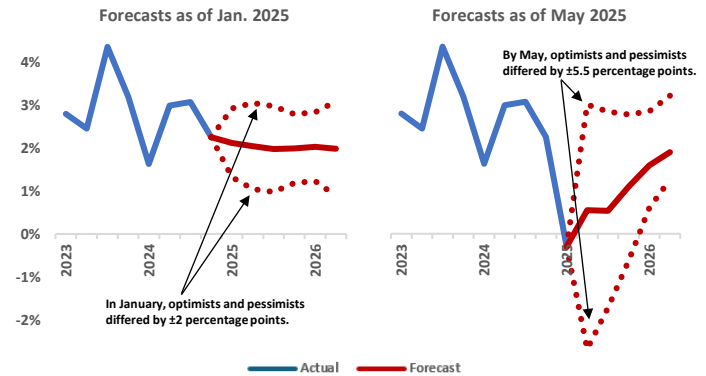


Figure 2. Comparison of 10-Year Treasury Forecasts

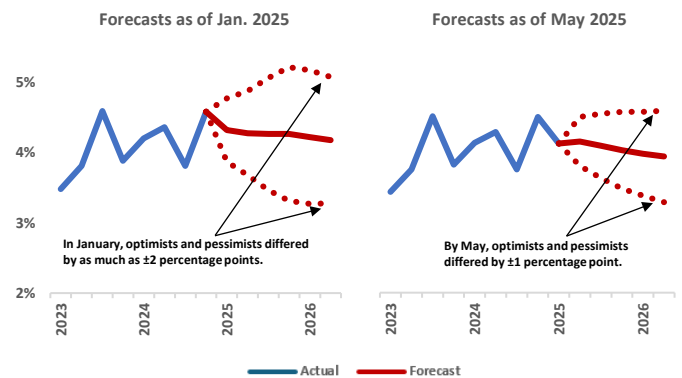
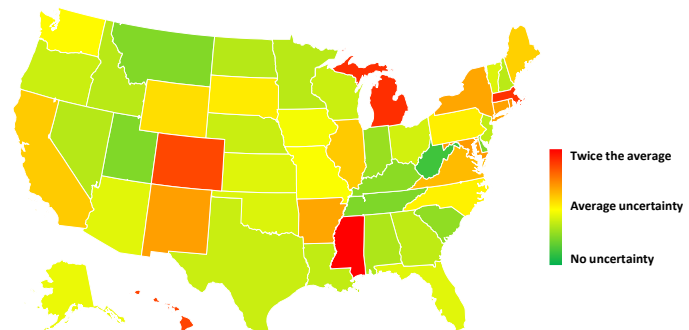


Figure 3. Economic Policy Uncertainty by State (Q4 2024)



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Economic & Market Watch Dashboard

Key Indicators

INTEREST RATES¹

		2025				2026	
	Current	Q2	Q3	Q4	Q1	Q2	
Fed Funds Target ² (%)	4.50	4.50	4.25	4.00	3.75	3.75	
SOFR (%)	4.30	4.10	3.85	3.60	3.40	3.20	
2Y UST (%)	4.01	3.75	3.60	3.50	3.45	3.35	
5Y UST (%)	4.11	3.85	3.80	3.75	3.70	3.65	
10Y UST (%)	4.53	4.20	4.15	4.10	4.10	4.05	
30Y UST (%)	5.00	4.55	4.50	4.45	4.40	4.40	

ECONOMY

		2025				2026	
	Current	Q2	Q3	Q4	Q1	Q2	
PCE Inflation (YoY %)	2.3	2.6	2.3	2.5	2.4	2.5	
CPI Inflation (YoY %)	2.4	3.2	2.6	2.7	2.8	2.8	
Real GDP (QoQ %)	(0.3)	0.5	0.5	1	1.1	1.6	
Unemployment (%)	4.2	4.0	4.2	4.1	4.1	4.2	
Consumer Spending (QoQ %)	1.8	0.8	0.7	1	1.4	1.6	
Industrial Production (YoY %)	1.3	0.0	(0.4)	(0.2)	1.1	0.7	

Equities & Currency

	Current	Year ago
DJIA	42,481	39,807
Nasdaq	19,013	16,795
S&P 500	5,917	5,308
US Dollar Index	\$1,225.29	\$1,246.48

Commodities

	Current	Year ago
Crude Oil (Per Barrel)	\$62.30	\$79.30
Natural Gas (Per MMBtu)	\$3.17	\$2.75
Coal (Per Short Ton)	\$9.90	\$14.22
Gold (Per Ounce)	\$3,228.80	\$2,426.20
Corn (Per Bushel)	\$4.47	\$4.61
Soybean (Per Bushel)	\$10.47	\$12.47

Industry

	Current	Year ago
Natural Gas Storage (Billion Cubic Feet)	2,255	2,630
U.S. Daily Power Consumption (MWh)	11,795,077	10,890,059
World Container Index (Per 40ft)	\$2,233	\$4,072

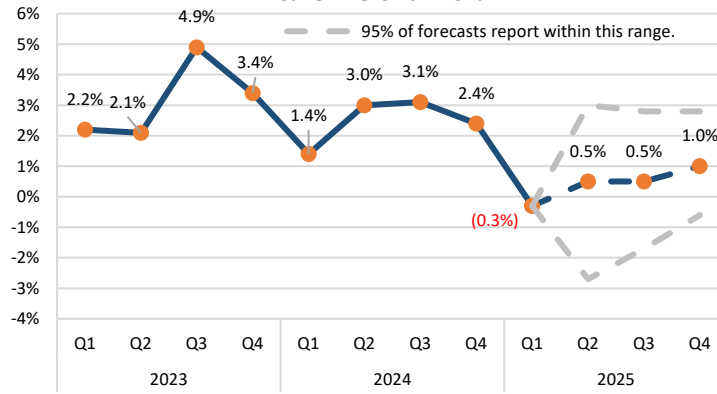
¹ Unless otherwise indicated, forecasts are from the Blue Chip Professional Forecasters.² Target rate forecast is based on futures market contracts.

Source: Blue Chip Financial Forecasts, Trading Economics, Moody's Analytics, Statista, Trading Economics, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Energy Information Administration, U.S. Treasury Department, Federal Reserve Bank of Atlanta, Federal Reserve Bank of New York, Federal Reserve Bank of St. Louis, International Monetary Fund, World Bank, University of Michigan, The Conference Board.

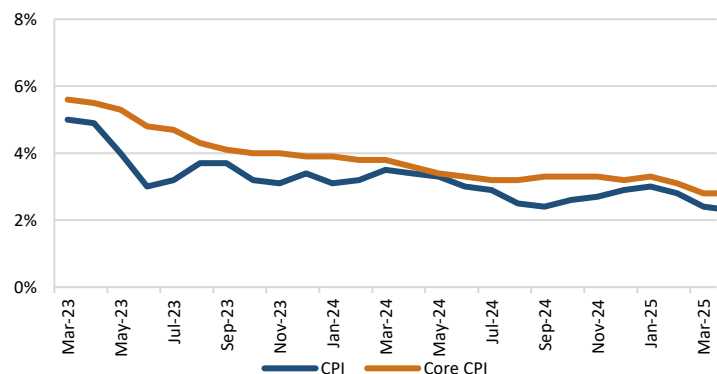
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Forecasts

Real GDP Growth Trend



Headline vs. Core Inflation



10-Year US Treasury vs. Fed Funds Trend

