SOLUTIONS
Economic & Market Watch
July 14, 2025

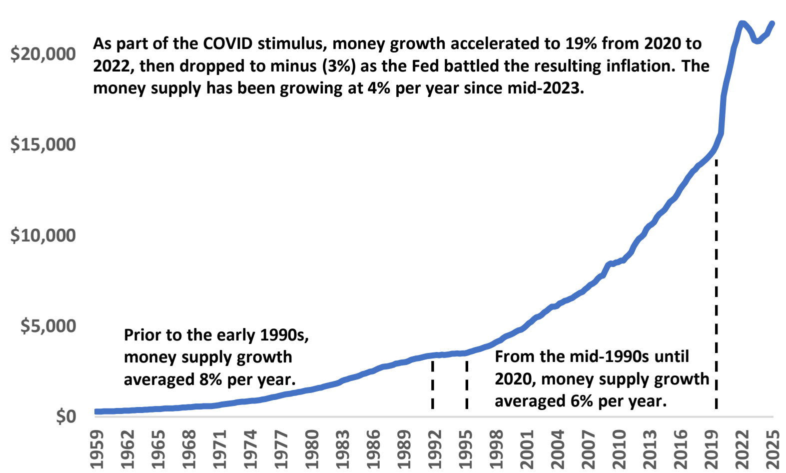
Economic & Market Watch Intelligence Brief

Briefing

- The money supply—the total value of all cash, checking, savings and other liquid deposits held by the public—recently reached an all-time high of $21.9 trillion. The monetary base, the sum of the currency in circulation and money that banks have deposited at the Federal Reserve, is the portion of the money supply the Fed directly controls. Through it, the Fed indirectly controls the money supply as the banking system uses the monetary base to create checking and other liquid deposits that constitute the bulk of the money supply (**Figure 1**).
- As the Fed grows the monetary base, the money supply will tend to grow as well. Inflation arises when the money supply grows faster than the production of goods and services. However, a comparison of recent changes in the monetary base to changes in inflation appear to show no relationship (**Figure 2**).
- The reason for the apparent lack of a relationship lies in the fact that electronic banking has made it extremely easy to move money into and out of financial markets. Now, when the Fed increases the monetary base, we get a combination of inflation (a rise in consumer prices) and upward pressure on financial assets (shown here as a rise in stock prices, **Figure 3**).

Chart of the Week

Money Supply (billions)



Commentary

In the latter half of the 20th century, the U.S. money supply grew at a steady 8% per year while the economy grew at an average of 3.5%. The 4.5 percentage-point difference approximately matches the average 4.8% consumer inflation over that period. Starting in the mid-1990s, the Fed slowed money growth to 6% annually, which reduced inflation to an average of 2.5%. But COVID emergency measures blew that discipline apart.

Between April 2020 and March 2022, the Fed grew the money supply at an annualized 19%—a surge unmatched outside wartime. Initially, inflation didn't materialize, leading some to question that the link between money growth and inflation had broken down. The inflation, however, was hiding in financial markets. Although lockdowns had closed huge swaths of the economy, the stock market rose almost 120% from April 2020 to December 2021. Why would the stock market boom during the greatest economic calamity since the Great Depression? The answer was that the new money had gone into financial markets instead of goods markets, thereby driving up stock prices instead of consumer prices. When the economy started to recover, people withdrew the money and started buying things, contributing to the 2022 inflation spike.

Snapshots

Figure 1. Components of the Money Supply

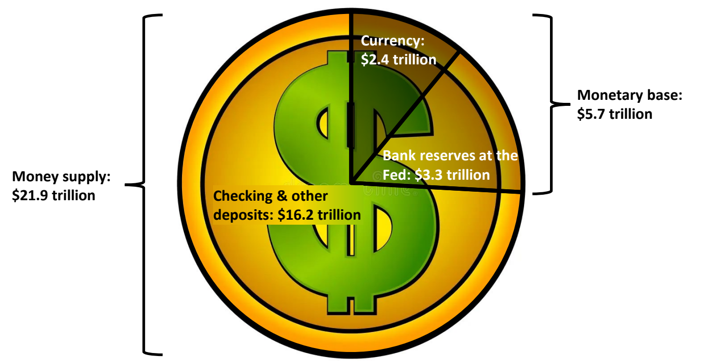


Figure 2. Money and Inflation (2012–2025)

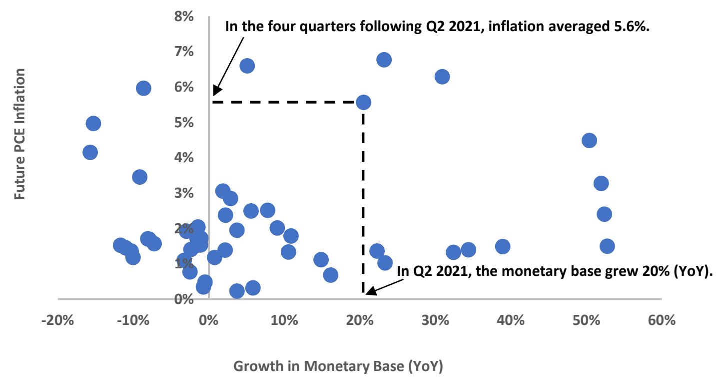
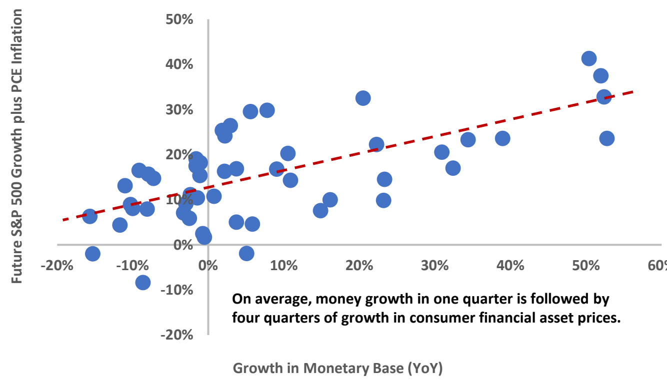


Figure 3. Money and Inflation-plus-Equities (2012–2025)



The Economic & Financial Research Team

John Suter, VP

Antony Davies, Director

Sam Kem, Sr. Analyst

Email: EconomicResearch@nrucfc.coop

Economic & Market Watch Dashboard

Key Indicators

INTEREST RATES[1]

	Current	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3
Fed Funds Target[2] (%)	4.50	4.25	4.00	3.75	3.50	3.50
SOFR (%)	4.31	4.07	3.83	3.60	3.42	3.20
2Y UST (%)	3.88	3.71	3.58	3.50	3.45	3.42
5Y UST (%)	3.97	3.91	3.82	3.77	3.74	3.71
10Y UST (%)	4.42	4.29	4.23	4.20	4.18	4.16
30Y UST (%)	4.97	4.75	4.69	4.66	4.62	4.60

ECONOMY

	Current	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3
PCE Inflation (YoY %)	2.1	3.6	3.0	2.8	2.4	2.3
CPI Inflation (YoY %)	2.4	3.7	3.2	2.9	2.6	2.5
Real GDP (QoQ %)	(0.5)	0.5	0.8	1.4	1.7	1.9
Unemployment (%)	4.2	4.4	4.6	4.7	4.7	4.7
Consumer Spending (QoQ %)	0.5	0.7	0.8	1.5	1.7	1.8
Industrial Production (YoY %)	0.6	0.9	0.8	1.1	0.6	0.7

Equities & Currency

	Current	Year ago
DJIA	44,360	40,212
Nasdaq	20,589	18,473
S&P 500	6,257	5,631
US Dollar Index	$1,200.59	$1,252.12

Commodities

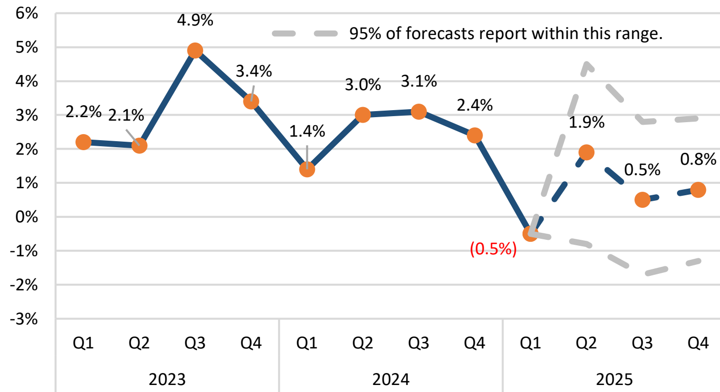
	Current	Year ago
Crude Oil (Per Barrel)	$68.08	$81.91
Natural Gas (Per MMBtu)	$3.48	$2.16
Coal (Per Short Ton)	$11.20	$13.50
Gold (Per Ounce)	$3,351.70	$2,422.50
Corn (Per Bushel)	$4.20	$4.21
Soybean (Per Bushel)	$10.02	$10.75

Industry

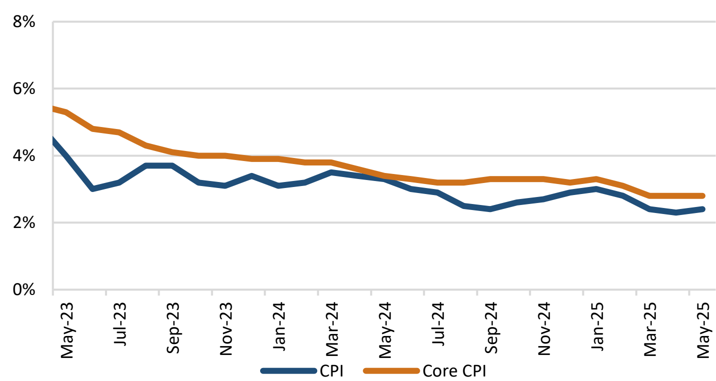
	Current	Year ago
Natural Gas Storage (Billion Cubic Feet)	3,006	3,190
U.S. Daily Power Consumption (MWh)	14,063,904	14,139,721
World Container Index (Per 40ft)	$2,672	$5,318

Forecasts

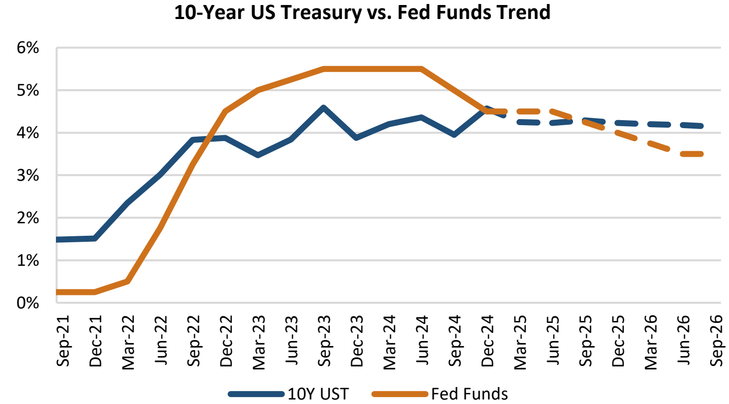
Real GDP Growth Trend



Headline vs. Core Inflation



10-Year US Treasury vs. Fed Funds Trend



[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.

Disclaimer: These materials are being provided to you as a service to our members for informational purposes only, and are not advice or recommendations of any kind. By receiving these materials, you agree not to share the materials outside of you cooperative, that CFC is not providing any representation or warranty regarding the information in these materials, and that CFC is not responsible for the consequences of any decisions made or actions taken in reliance on these materials. SOFR and EFFR are subject to the Terms of Use posted at newyorkfed.org. The New York Fed is not responsible for publication of SOFR or EFFR by CFC, does not sanction or endorse any particular republication, and has no liability for your use.