Economic & Market Watch Intelligence Brief

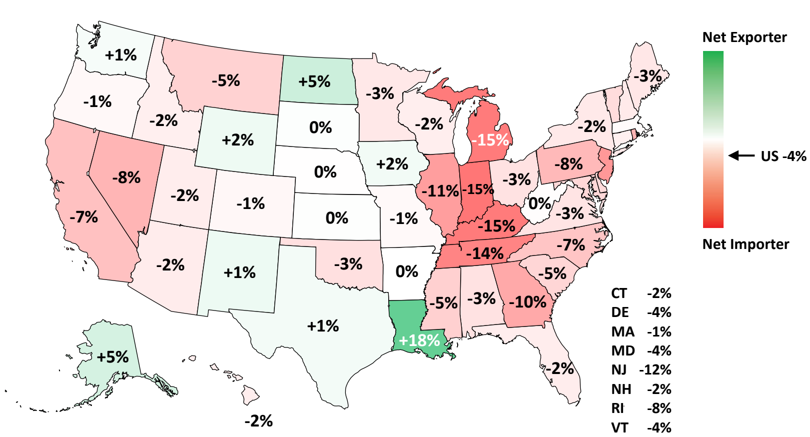
July 13, 2026

Briefing

- In Q1 2026, Americans imported goods and services worth 13.6% of U.S. gross domestic product (GDP), down from 13.9% in Q1 2024, and exported goods and services worth 11.0% of GDP (unchanged from 2024). The result was a trade deficit equal to 2.6% of GDP (down 0.3 percentage points versus 2024, **Figure 1**).
- Dollars that flow out of the U.S. due to the trade deficit come back into the U.S. in the form of foreign investment. Foreign governments, businesses and people purchase U.S. stocks and bonds and establish or purchase production facilities in the U.S. This makes entrepreneurship (or, rather, the fruits of entrepreneurship) one of America's major exports. Accountants, however, officially classify this as capital inflows, meaning that America's greatest export isn't actually counted as an export (**Figure 2**).
- The U.S. had an $820 billion annualized trade deficit in the first quarter of 2026. That's down slightly from $822 billion in Q1 2024. Thirteen states had trade surpluses. Texas had a $39 billion trade surplus (its largest export market is Mexico). Louisiana had a $60 billion trade surplus (its largest export market is China). Canada is the export market for the majority of states, followed by Mexico, then China (**Figure 3**).

Chart of the Week

Net Goods Exports as Fraction of State GDPs (2025)



Commentary

What distinguishes trade from other transactions is that the buyer and seller stand on opposite sides of a political boundary. Countries have trade deficits or trade surpluses with each other just as your household has a trade deficit with the local grocery store and a trade surplus with your employer.

In the same way that a person invests in human capital to specialize their production of labor (accountants don't usually grow their own food and farmers don't usually do their own taxes), a country invests in physical capital to specialize its production of goods and services.

In restricting trade, tariffs protect some domestic industries but harm others. Consider two ways to produce a car: (1) Push materials through a Michigan factory and get cars out the other end, or (2) Send Iowa corn across the ocean and bring back cars. Tariffs on Japanese cars protect Michigan car makers by making it harder for Japan to sell cars to Americans. But the harder it is for Japan to sell cars to Americans, the fewer dollars the Japanese earn with which to buy corn from Iowa farmers. Tariffs benefit American businesses and workers who compete with foreign products, but they harm American businesses and workers who export to foreign markets.

Snapshots

Figure 1. Trade Balance (per GDP)

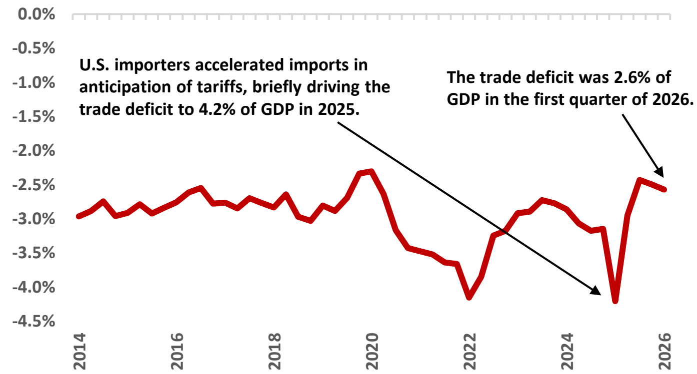


Figure 2. Foreign Direct Investment in the US (per GDP)

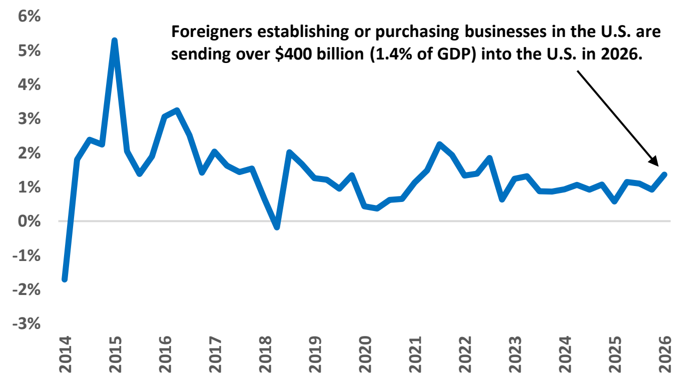
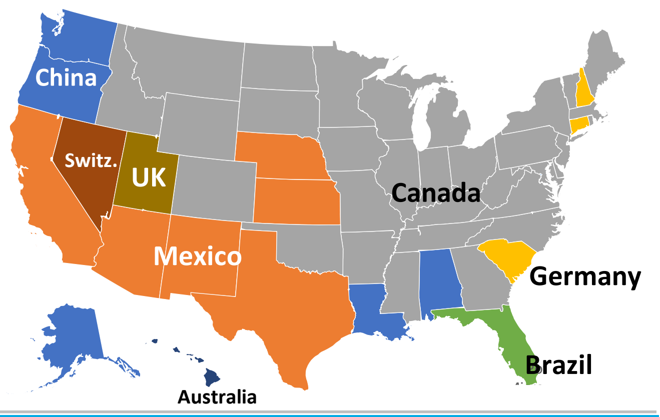


Figure 3. Top Destinations of State Exports



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Key Indicators

INTEREST RATES[1]

	Current	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3
Fed Funds Target[2] (%)	3.75	4.00	4.00	4.25	4.25	4.25
SOFR (%)	3.55	3.64	3.64	3.59	3.50	3.42
2Y UST (%)	4.23	3.98	3.89	3.80	3.74	3.68
5Y UST (%)	4.33	4.08	4.02	3.97	3.93	3.90
10Y UST (%)	4.58	4.44	4.39	4.35	4.33	4.32
30Y UST (%)	5.08	4.94	4.86	4.87	4.86	4.85

ECONOMY

	Current	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3
PCE Inflation (YoY %)	4.1	2.8	2.5	2.5	2.3	2.1
CPI Inflation (YoY %)	4.2	2.9	2.5	2.4	2.3	2.2
Real GDP (QoQ %)	2.1	1.9	1.9	2.0	2.1	2.1
Unemployment (%)	4.2	4.3	4.3	4.3	4.3	4.3
Consumer Spending (QoQ %)	0.5	1.7	1.9	1.9	2.0	2.0
Industrial Production (YoY %)	1.7	1.4	1.2	1.6	1.7	1.7

Equities & Currency

	Current	Year ago	YoY Δ
DJIA	52,746	44,469	18.6%
Nasdaq	26,011	10.640	26.0%
S&P 500	7,551	6,267	20.5%
US Dollar Index	$1,218.55	$1,207.45	1.7%

Commodities

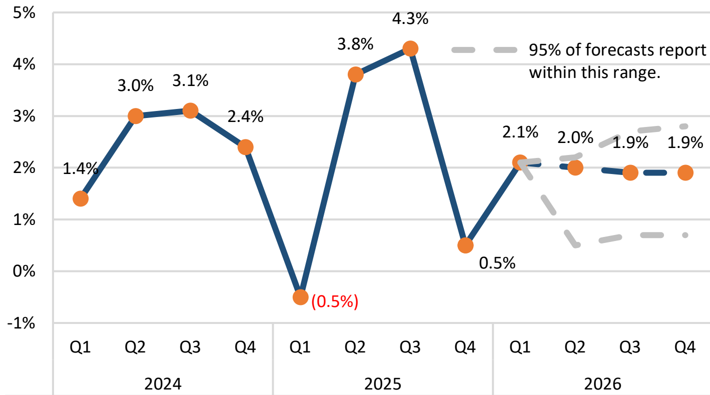
	Current	Year ago	YoY Δ
Crude Oil (Per Barrel)	$73.74	$66.98	10.0%
Natural Gas (Per MMBtu)	$2.85	$3.47	(10.2%)
Coal (Per Short Ton)	$12.86	$11.11	14.8%
Gold (Per Ounce)	$4,036.00	$3,342.80	20.8%
Corn (Per Bushel)	$4.39	$4.00	9.2%
Soybean (Per Bushel)	$12.00	$10.01	20.0%

Industry

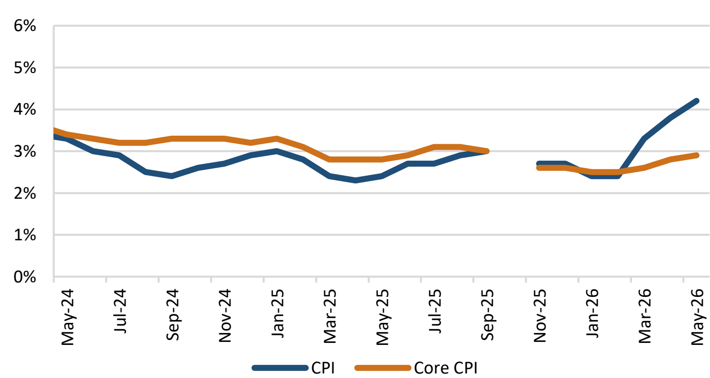
	Current	Year ago	YoY Δ
Natural Gas Storage (Billion Cubic Feet)	2,983	2,998	(0.5%)
U.S. Daily Power Consumption (MWh)	13,324,149	13,334,709	(0.8%)
World Container Index (Per 40ft)	$4,639	$2,672	72.6%

Forecasts

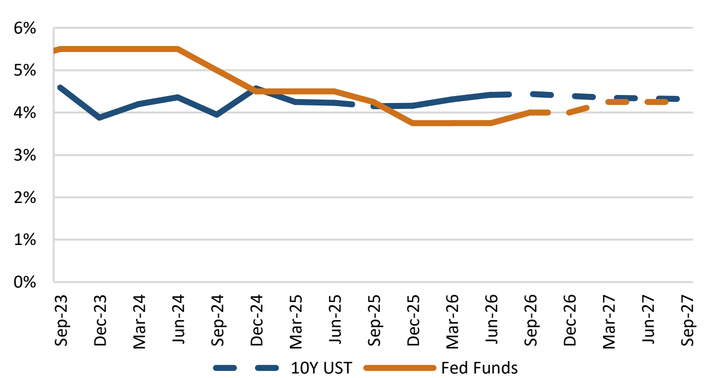
Real GDP Growth Trend



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.

Sources: © Oxford Economics, Blue Chip Financial Forecasts, Trading Economics, Moody's Analytics, Statista, Oxford 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.