

Week in Review | Reinhart Fixed Income By Madison Investments

July 11, 2025



Trade

The Trump administration began announcing the level of reciprocal tariffs for a number of nations and also announced that these tariff levels would go into effect on August 1. Several nations would see significant increases from current levels, and Brazil would see increases even greater than those announced on April 2. Aside from reciprocal tariffs, the administration also announced 50% sectoral tariffs on copper.

Our Take: The 90-day pause on reciprocal tariffs does not look like it will produce the expected number of trade deals to reduce tariff rates. The high rate on copper will likely have an impact on many downstream products. For now, U.S. markets are sanguine about the impacts of these tariffs, but these developments indicate a greater level of disruption to the previous global trade flows.

Employment

Last week the Bureau of Labor Statistics reported that the economy added 147,000 jobs in June, exceeding expectations of a 106,000 increase. The unemployment rate fell to 4.1%. Average hourly earnings rose 0.2% for the month and are up 3.7% year-over-year. The labor force participation rate decreased from 62.4% to 62.3%.

Our Take: While the number of jobs added in June exceeded expectations, the trend of decelerating job creation continued. Thus far through 2025, an average of 130,000 jobs have been added each month. This is down from an average of 168,000 jobs per month in 2024 and 216,000 jobs per month in 2023. The fact that the unemployment rate is holding steady is a result of a shrinking labor force, likely due in large part to current immigration policies. Slowing job creation can indicate a slowing overall economy.

Fed

This week the Fed released the minutes from its June Federal Open Market Committee (FOMC) meeting, revealing a divided committee on the path forward for interest rates. While most participants agreed that some rate cuts would likely be appropriate this year, there was little consensus on timing. A couple of members supported a cut as early as July, while others argued that no cuts may be needed this year, noting current rates may not be far above neutral. The minutes also showed disagreement over the inflationary impact of tariffs. While a few officials saw the effects as temporary, most noted the risk that tariffs could have more persistent effects on inflation.

Our Take: The minutes highlight a growing divide within the Fed regarding the appropriate path for interest rates. This divergence reflects greater uncertainty about the strength of the economy and the durability of disinflation trends. Meanwhile, newly announced tariffs reinforce concerns among more cautious members about the potential for sustained inflationary pressures. For now, the Fed remains cautious in its approach, with policymakers signaling a data-dependent stance amid ongoing uncertainty.



Municipals

Philadelphia Mayor Cherelle Parker and the American Federation of State, County and Municipal Employees (AFSCME) District Council 33 reached a tentative agreement to end an eight-day strike, which began on July 1 and halted trash collections, closed libraries and pools, and led to delays in repairs throughout the city. The new three-year contract includes a 3% raise per year, with certain long-term workers receiving an additional 2% raise. The union membership will begin voting on July 14 to approve the new contract.

Our Take: AFSCME's strike in Philadelphia marks the first municipal strike in the city in 38 years. While it is good news that a longer-term work stoppage was avoided, the agreement is estimated to use \$115 million (21%) of the city's current labor reserves over five years, which could lead to fiscal strain in the future.



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