WEEKLY ECONOMIC OUTLOOK

Data-driven insights from the U.S. Bank Economics Research Group | July 24, 2026

THE WEEK'S ECONOMY AT A GLANCE

The Fed waits, the data talks

This week's economic data largely reinforced the view that the U.S. economy remains on stable footing. Initial jobless claims fell to their lowest seasonally adjusted level since 1969, underscoring that layoffs remain limited despite slower hiring activity. At the same time, incoming inflation data continue to point toward moderation in June, with both headline and core PCE inflation expected to ease. Looking ahead, we expect second-quarter GDP growth to remain solid, supported by resilient consumer spending and continued business investment tied to the ongoing AI buildout. Together, the latest data suggest the economy continues to expand at a healthy pace even as inflation gradually cools. Against that backdrop, we expect the Federal Open Market Committee (FOMC) to leave interest rates unchanged at next week's meeting, though policymakers are likely to remain attentive to lingering upside inflation risks. Trade policy also returned to the headlines this week, highlighting a source of uncertainty that could complicate the inflation outlook in the months ahead.

What this means for business: *Economic conditions remain broadly supportive for businesses. Consumer spending continues to hold up, layoffs remain low, and inflation pressures appear less intense than earlier in the year. While geopolitical and trade-related uncertainties continue to present challenges, the overall backdrop remains one of steady growth. For businesses, that means demand is likely to remain intact, but success will increasingly depend on managing costs, maintaining pricing discipline, and identifying opportunities for growth in an environment that appears stable, if not spectacular.*

Quote of the week

The economy is not exactly sprinting, but it is still moving at a respectable clip despite headlines moving the guardrails. Low layoffs, cooler prices and steady spending give the Fed room to wait in July.

Beth Ann Bovino*, Chief Economist, U.S. Bank*

ECONOMIC DATA OF THE WEEK

50%

The U.S. this week announced plans to impose 50% tariffs on a broad range of Canadian imports, citing Canadian restrictions affecting U.S. automobiles, alcohol, and dairy products. The action marks the latest escalation in an ongoing trade dispute between the two countries and follows a series of tariff and non-tariff measures adopted by both sides over the past year.

Although the tariffs are not scheduled to take effect for 30 days and negotiations are expected to intensify in the coming weeks, the announcement underscores the continued uncertainty surrounding North American trade policy. Should the tariffs be implemented, they could disrupt cross-border supply chains, raise costs for affected industries, and create new challenges for businesses that rely on the seamless movement of goods across the U.S.-Canada border.

ECONOMIC REPORT OF THE WEEK

Personal Consumption Expenditures preview

Personal Consumption Expenditures (PCE) inflation likely cooled in June, extending the recent run of encouraging inflation data. Based on June's Consumer Price Index (CPI) and Producer Price Index (PPI) reports, we expect headline PCE to decline 0.1% month-over-month (MoM), lowering the year-over-year (YoY) rate to 3.6% from 4.1% in May. We expect core PCE to rise a modest 0.1% on the month, easing the annual rate to 3.3% from 3.4% previously. Lower energy prices, particularly gasoline, should weigh heavily on the headline figure, while firmer healthcare services inflation may provide some support to the core measure. That said, any energy-driven relief may prove temporary, as oil prices have moved higher in recent weeks and could reintroduce upward pressure on inflation in the months ahead.

Beyond inflation, consumer fundamentals appear solid. We expect personal income to rise 0.3% in June, while personal spending likely increased 0.4%, or 0.5% after adjusting for inflation.

Taken together, the report should point to moderating inflation alongside continued consumer resilience, supporting the Fed's wait-and-see approach as policymakers assess whether inflation is moving sustainably toward its 2% target.

U.S. Bank Economics Research Group

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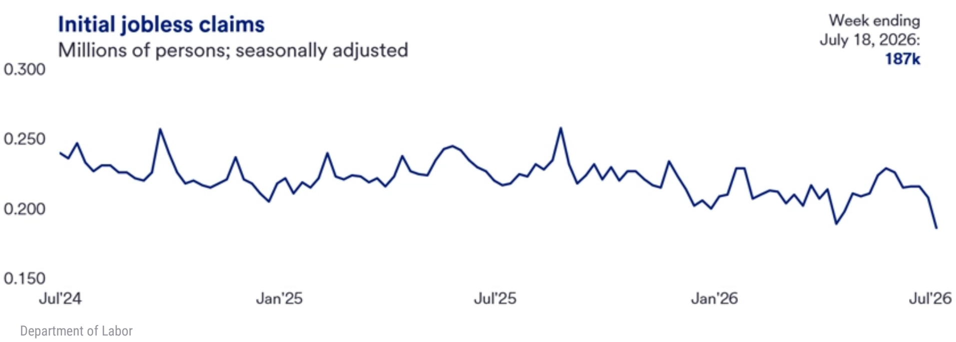
ECONOMIC TRENDS: LABOR LANDSCAPE

Initial claims: Layoffs remain low

Initial jobless claims fell unexpectedly to 187,000 in the week ending July 18, down 22,000 from the prior week and the lowest seasonally adjusted reading since 1969. Continuing claims, which provide a proxy for the number of individuals receiving unemployment benefits, were little changed at roughly 1.8 million. Together, the data suggest layoffs remain limited and labor market conditions remain broadly stable.

That said, seasonal factors likely contributed to the sharp decline in initial claims. In recent years, unadjusted claims have typically fallen in late July and early August, but some of that seasonal improvement appears to have arrived earlier than usual this year. While the seasonally adjusted figure likely overstates the strength of the improvement, the underlying message remains unchanged: the labor market continues to exhibit a low-hire, low-fire dynamic, with layoffs remaining low by historical standards.



ECONOMIC TRENDS: INFLATION OUTLOOK

FOMC preview: On hold, but not on vacation

Softer-than-expected June inflation and continued signs of labor market stability should give the FOMC confidence to leave the federal funds target range unchanged at 3.50% to 3.75% at its July 28-29 meeting.

While policymakers continue to view inflation as uncomfortably high, recent data suggest that price pressures may be gradually easing even as labor markets remain stable. Although the Fed's preferred inflation gauge, the PCE price index, will not be released for June until the day after the meeting concludes, officials will rely on estimates based on CPI, PPI and other incoming data. In our view, the latest readings support the committee remaining patient as it evaluates whether inflation is on a sustainable path toward its 2% objective.

Recent Fed communication has largely reinforced that message. In their final public appearances before the blackout period, policymakers generally welcomed the improvement in inflation data while continuing to emphasize upside inflation risks. Our view remains that the federal funds rate will stay on hold through 2027 and at its cycle low, possibly its exit rate, for the cycle. That said, recent commentary makes clear that officials still view tightening, not rate cuts, as the more plausible response should a move from the current target range become necessary.

While we expect no change in rates, there will likely be at least one dissent. The June dot plot showed nine participants projecting at least one rate hike before year-end, though those projections include non-voters and were submitted before the release of the softer June CPI report. Among voting members, most appear likely to favor holding rates steady for now. Chair Warsh has provided little direct forward guidance, but previous remarks highlighting progress on inflation suggest support for remaining on hold. Governors Waller, Cook, and Jefferson have all maintained relatively hawkish tones in recent weeks, yet each appears likely to view June's inflation data as sufficient to justify patience at this meeting.

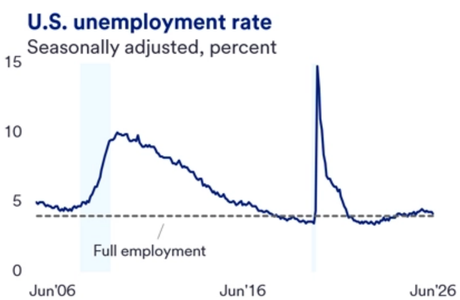
The most likely dissenting vote comes from Dallas Fed President Lorie Logan. Logan has argued that financial conditions are currently accommodative and recently stated that "modestly higher interest rates would better balance the outlook and risks" facing the economy.

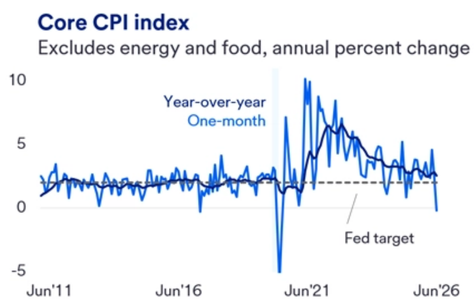
ECONOMIC TRENDS: INFLATION OUTLOOK

FOMC preview: On hold, but not on vacation *continued*

Notably, those comments came after the June CPI release, suggesting that one favorable inflation report was not enough to alter her assessment. Her remarks underscore that, while most policymakers appear comfortable remaining on hold, some still question whether current policy is positioned to ensure inflation returns sustainably to target.

Bottom line: We expect the July meeting to deliver another hold, but perhaps not a unanimous one. A dissenting vote in favor of a 25-basis-point hike would underscore that some policymakers remain unconvinced that inflation is on a sustainable path back to target.





Bureau of Labor Statistics

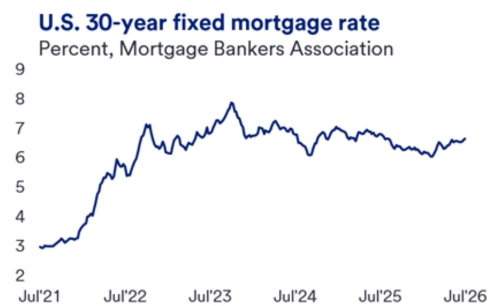
ECONOMIC TRENDS: HOUSING SECTOR

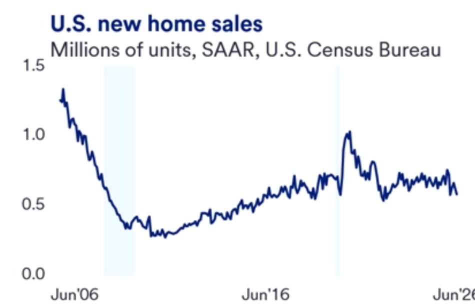
New home sales: Signs of stabilization

New home sales increased 1.6% in June to a seasonally adjusted annual rate of 628,000, modestly above May's pace but still 5.6% below their year-ago level. The inventory of new homes available for sale fell to 486,000 units, down 3.2% from a year earlier, though supply remains elevated at 9.3 months at the current sales pace.

Meanwhile, the median sales price declined to $398,300, down 3.3% from May and down 2.7% from a year ago. The decline in prices suggests builders continue to rely on incentives and pricing adjustments to support demand amid ongoing affordability challenges.

Bottom line: June's increase in new home sales offers a modest sign of stabilization following several months of weak housing activity, but the broader housing market remains constrained by elevated mortgage rates and affordability pressures. Although lower prices and builder incentives appear to be supporting demand, sales remain soft by historical standards and below year-ago levels. The report suggests housing activity may be stabilizing, but elevated mortgage rates and affordability constraints remain significant headwinds to a broader housing recovery.





Census, Mortgage Bankers Association

ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: The Fed's turn, then the data's

After a lighter economic calendar this past week, activity picks up considerably in the days ahead. The primary focus will be Wednesday's **FOMC rate decision** and Chair Warsh's press conference. We expect the committee to leave the federal funds target range unchanged at 3.50% to 3.75%, supported by softer June inflation, stable long-term market-based inflation expectation readings, and continued signs of labor market stability.

ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: The Fed's turn, then the data's *continued*

Unlike the June meeting, no updated Summary of Economic Projections (SEP) will be released, placing greater emphasis on the policy statement and Chair Warsh's comments. Markets will be listening closely for clues as to how he is interpreting recent inflation progress and whether concerns about upside inflation risks remain elevated.

Inflation will remain in focus Thursday with the release of the **June Personal Consumption Expenditures (PCE)** report**,** the Fed's preferred measure of inflation. Based on June's CPI and PPI reports, we expect headline PCE to decline 0.1% MoM, lowering the YoY rate to 3.6%, while core PCE is expected to rise a modest 0.1%, bringing the annual rate down to 3.3%. Lower energy prices likely provided meaningful relief during June, though that benefit may prove short-lived given the recent rebound in oil prices.

Thursday will also bring the advance estimate of **second-quarter GDP**, providing the first comprehensive look at economic activity during the spring and early summer months. We expect real GDP to increase 2.2% at a seasonally adjusted annual rate, roughly matching the 2.1% pace recorded in the first quarter. Consumer spending likely accelerated following a softer start to the year, while business investment should remain a key source of support, driven largely by ongoing AI-related spending. A report near our forecast would reinforce the view that economic growth remains resilient despite lingering inflation pressures.

ECONOMIC DATA CALENDAR THIS WEEK

What we're watching this week, including release dates and projections from the U.S. Bank Economics Research Group.

U.S. economic calendar - July 27 through July 31

Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
7/27/2026	7:30 a.m.	**Durable goods orders (MoM)**	Jun P	**1.5**	1.5	-4.5
		Durable goods ex Transportation (MoM)	Jun P	**0.9**	0.9	1.4
		Capital goods orders nondefense ex. Aircraft	Jun P	**0.9**	0.9	1.4
7/28/2026	7:30 a.m.	**Advance Goods Trade Balance**	Jun	**-95.5**	-100.0	-105.9
		Retail Inventories (MoM)	Jun			0.6
		Wholesale Inventories (MoM)	Jun P			0.1
	8 a.m.	**S&P/Case-Shiller home prices (MoM)**	May			0.0
		FHFA home prices (MoM)	May			-0.1
	9 a.m.	**Conf. Board Consumer Confidence**	Jul	**92.0**	92.3	91.2
7/29/2026	1 p.m.	**FOMC rate decision (Upper Bound)**	29-Jul	**3.75**	3.75	3.75
		FOMC press conference	29-Jul			
7/30/2026	7:30 a.m.	**Personal income (MoM)**	Jun	**0.3**	0.3	0.7
		Personal spending (MoM)	Jun	**0.4**	0.4	0.7
		PCE Deflator (MoM)	Jun	**-0.1**	-0.1	0.4
		PCE Deflator (YoY)	Jun	**3.6**	3.6	4.1
		Core PCE Deflator (MoM)	Jun	**0.1**	0.1	0.3
		Core PCE Deflator (YoY)	Jun	**3.3**	3.3	3.4
		Initial Jobless Claims	25-Jul	**208.0**	205.0	187.0
		GDP (QoQ % Annualized)	2Q A	**2.2**	2.3	2.1
7/31/2026	7:30 a.m.	**Employment cost index (QoQ)**	2Q A	**0.9**	0.8	0.9
	8:45 a.m.	**Chicago PMI**	Jul			56.7
	9 a.m.	**U. Mich. Consumer sentiment**	Jul F	**54.0**	54.2	54.4

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 7/24/2026.

Disclosures