

## **BLUE FOLDER ITEM**

*Blue folder items are additional back up material to administrative reports and/or public comments received after the printing and distribution of the agenda packet for receive and file.*

### **BUDGET & FINANCE COMMISSION MEETING MAY 8, 2025**

J.1 CITY TREASURER'S QUARTER 3 FISCAL YEAR 2024-2025 REPORT

**CONTACT:** EUGENE SOLOMON, CITY TREASURER

- Quarter 3 Investment and Economic Report, Meeder Investment May 2025



MAY 2025

# City of Redondo Beach





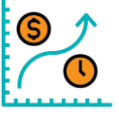
## Budget & Finance Commission

### Economic/Market Update

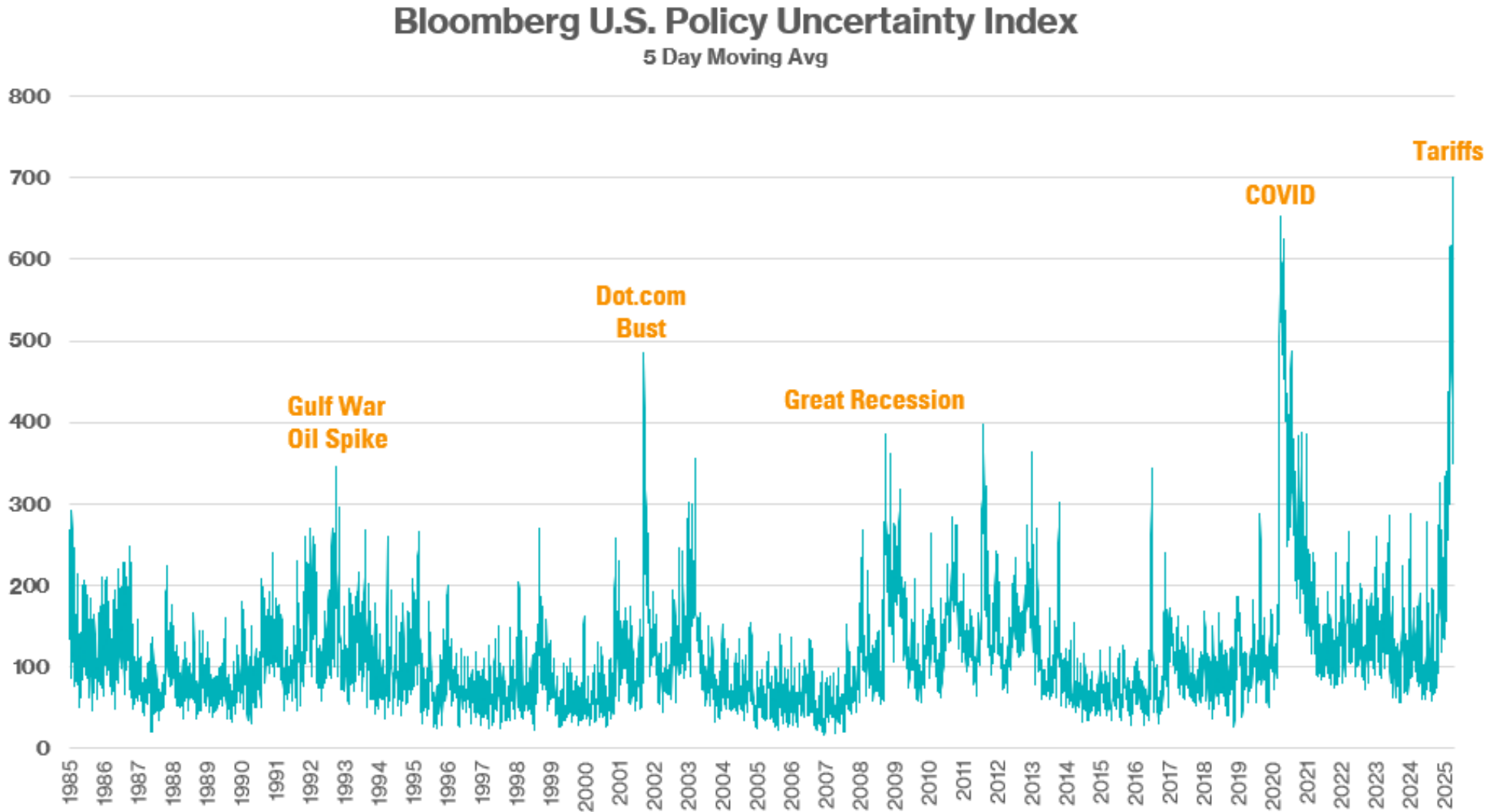


# Economic Update

# FIGEY Outlook and Commentary

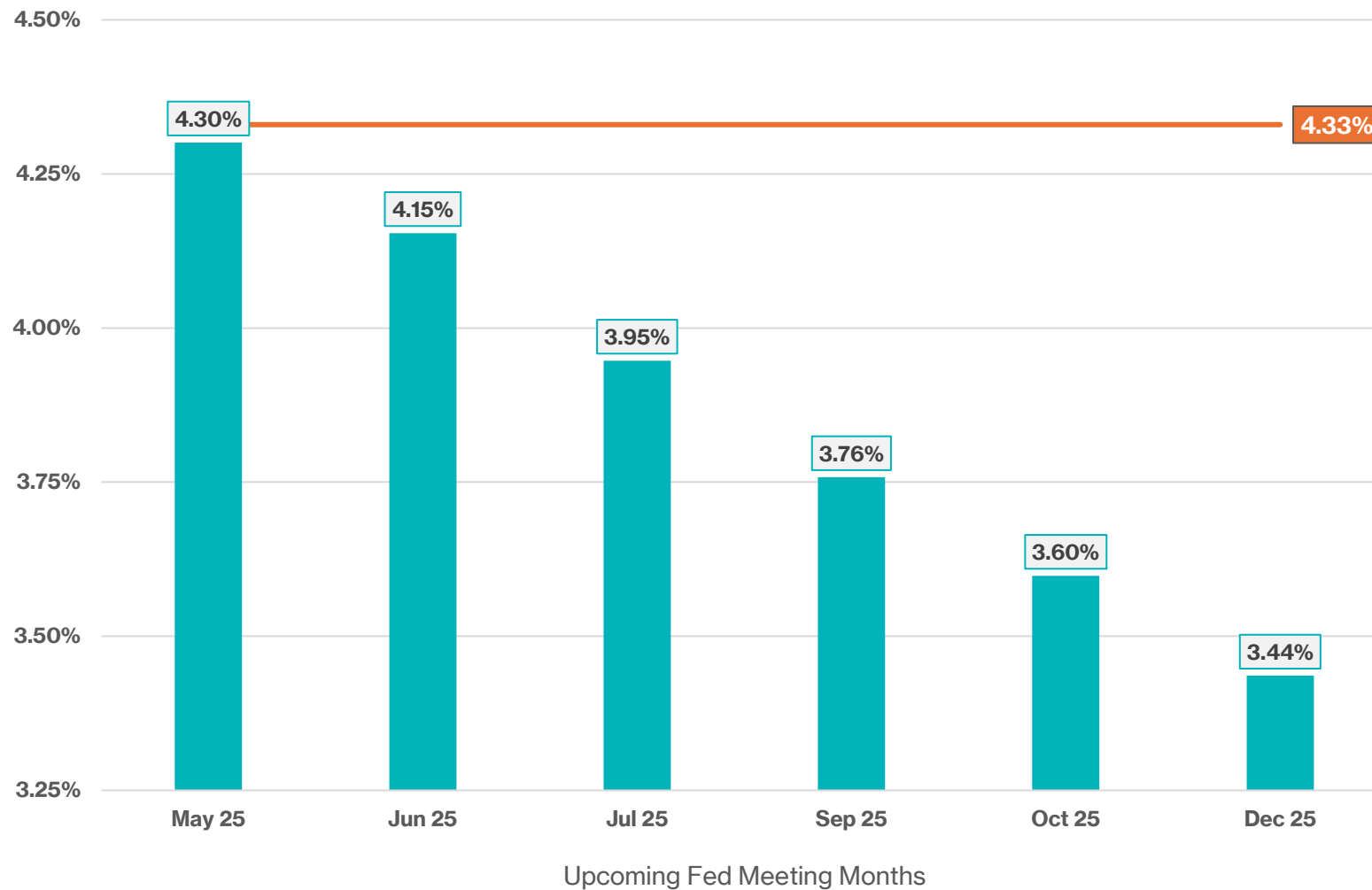
	METRIC	ANALYSIS
	<b>Fed Funds Rate</b>	The Federal Reserve is expecting to lower the Fed Funds rate 50 basis points (0.50%) in 2025. The Fed Funds futures market is pricing in approximately 90 basis points of cuts for 2025 and end the year at ~3.44%.
	<b>Inflation</b>	The Consumer Price Index (CPI) continues to remain above 2% with the current rate at 2.4% on a YoY basis. Economists surveyed by Bloomberg expect CPI YoY to average 3.0% for all of 2025.
	<b>Growth</b>	Gross Domestic Product (GDP) contracted in the first quarter of 2025 as imports subtracted from economic growth. Imports soared a record 41% for the quarter as companies rushed to bring in imports before the tariffs were to be enacted.
	<b>Employment</b>	The unemployment rate remains low but has increased moderately since last year. The current rate is 4.2%. Weekly initial unemployment (jobless) claims also remain near historically low levels.
	<b>Yields</b>	The 2-year Treasury yield has declined materially recently, primarily due to tariff announcements, but then rebounded somewhat with the 90-day tariff pause.

# Tariff Turmoil



# Fed Funds

## 2025 Fed Funds Rate Per Futures Market by Fed Meeting Months



- The last Federal Reserve cut of the Fed Funds rate was Dec 2024.
- From the Fed's last meeting in Mar 2025, they are expecting to cut the Fed Funds rate by .50% or 50 basis points by the end of 2025.



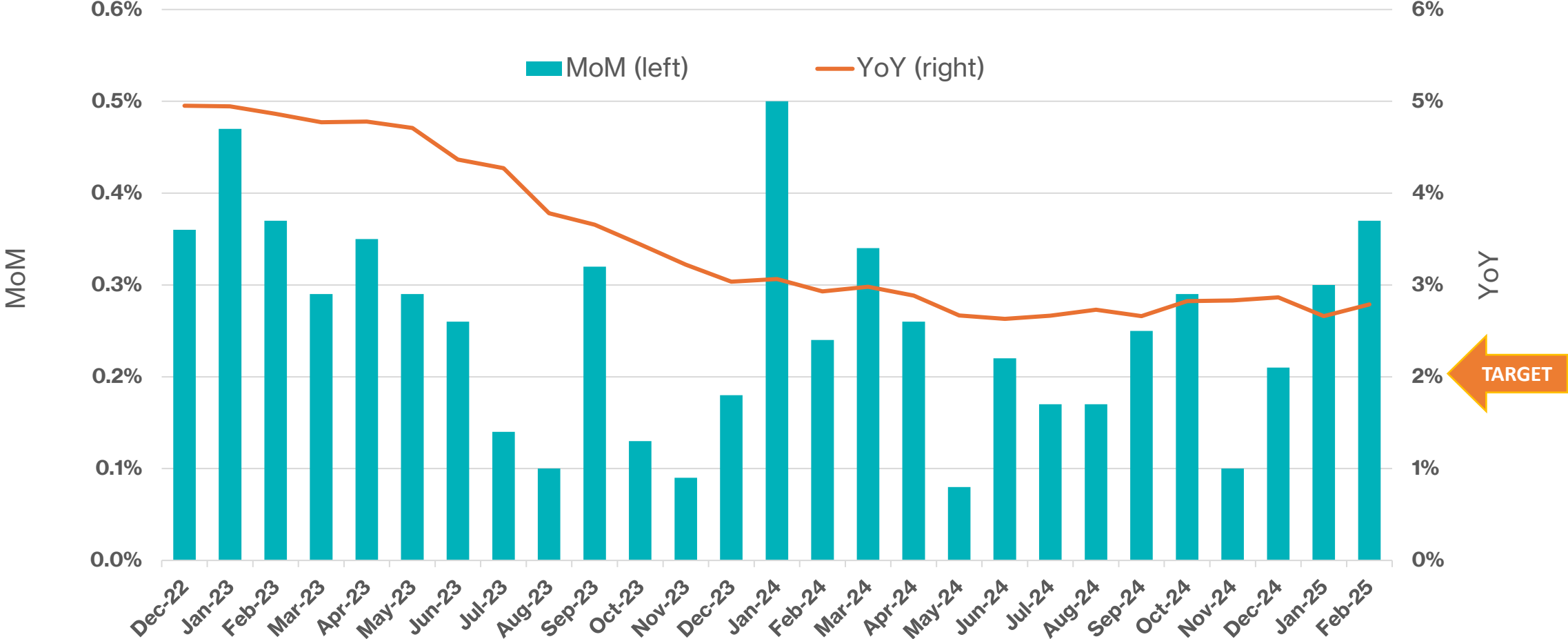
SOURCE: CHATGPT

- The Fed has a dual mandate.
- Full Employment: ~4.5% to 5.5% unemployment rate.
- Stable Prices: Core PCE 2%
- Growth is slowing and inflation may increase due to tariffs.
- If the Fed cuts rates, does that risk higher inflation?
- If the Fed holds rates steady, does that risk a recession and higher unemployment?





## Core PCE Price Index (excluding food & energy)

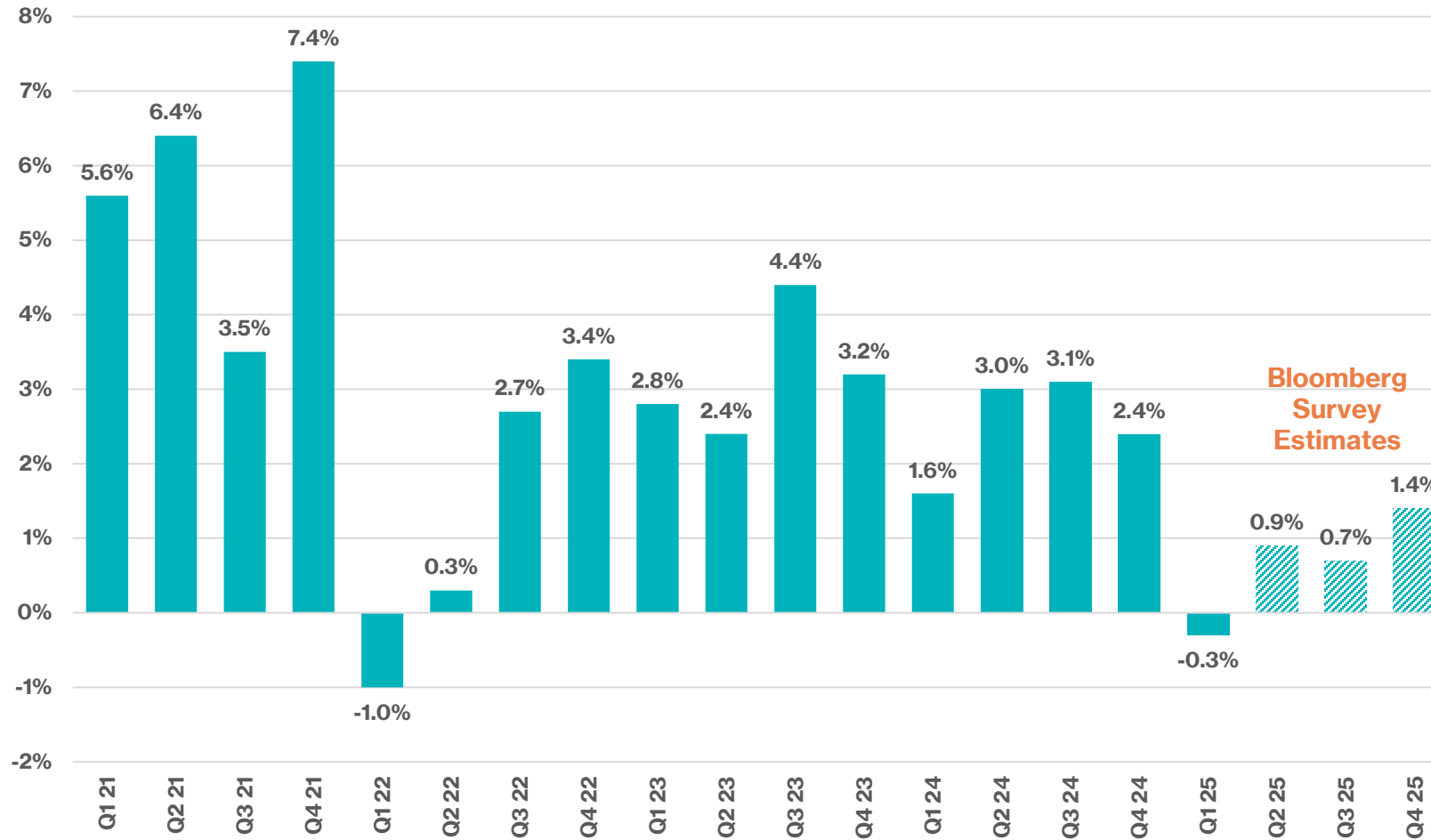


SOURCE: BLOOMBERG



# Growth

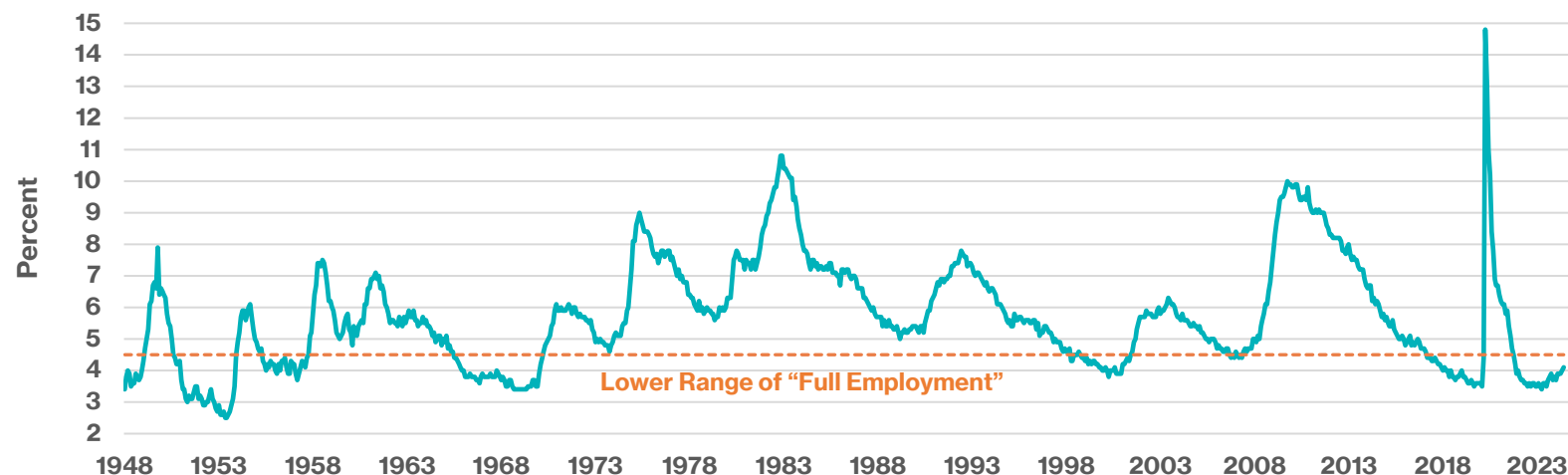
Real GDP QoQ



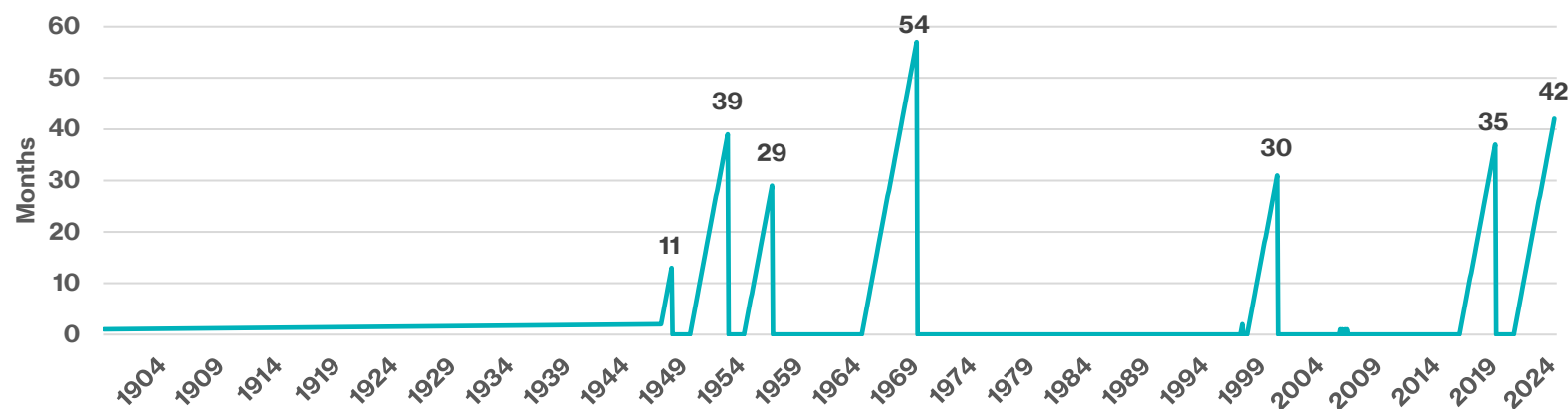
- The US economy contracted in the first quarter of 2025 for the first time since 2022 on a monumental pre-tariffs import surge and softer consumer spending, a first snapshot of the ripple effects from President Donald Trump's trade policy.
- Net exports subtracted nearly 5 percentage points from GDP, the most on record, and consumer spending advanced at a 1.8% pace, the weakest since mid-2023.
- Economic forecasters surveyed by Bloomberg see a 40% chance of a recession over the next year.

# Employment

## U.S. Unemployment Rate

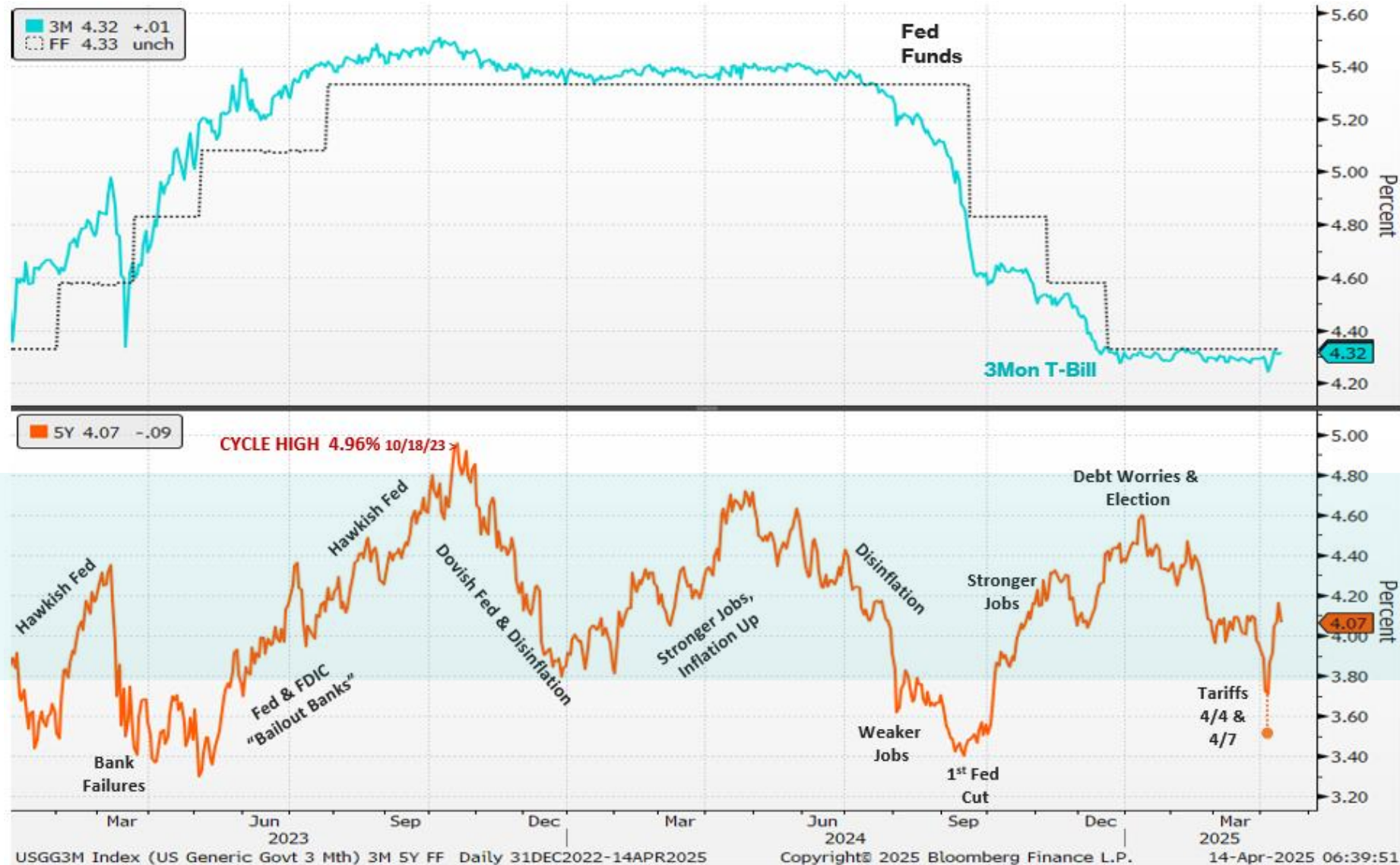


## U.S. Unemployment Rate: Consecutive Months Below 4.5%



- Many economists consider the range of full employment between 4.5% and 5.5%.
- The US unemployment rate has been below 4.5% for 42 consecutive months; second best in history since after World War II.
- Fed Chair Powell stated recently that labor market conditions remain solid.
- This strong job market has been a reason the Fed has expressed patience regarding rate cuts.

# Yields



- Shorter rates are more correlated with Fed policy.
- Longer rates are more correlated with growth, inflation, and employment expectations (FIGEY).

Expected Range >>

# Disclosures



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