



# AURORA

## U.S. Chartbook – 2Q25 – Left for Dead

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# Gloomy Surveys, Chaotic Policy, and Strong Hard Data

- The U.S. economy has been left for dead: consumer and business confidence have been hit by policy uncertainty (chart 9d) and we know changes in immigration and trade policy are stagflationary.
- But the **hard data remain strong**, and resilient income flows to households continue to support spending. ([chart 1a](#))
- The momentum is likely **too strong to allow a recession**. ([chart 3a](#))
- A **slowdown is still coming**, caused by precautionary savings ([chart 4b](#)), tariffs ([chart 7c](#)), and a tightening of financial conditions ([8b](#), [8c](#)).
- The Fed is boxed in by high inflation and soaring survey expectations. It may still cut in June (30% prob.), but the pricing is too dovish (86%).
- The administration has partly reversed its catastrophic rollout of the “reciprocal” tariff policy. We expect a **softer approach from here on**.
- But fundamentally, the tariff mix is **deeply suboptimal policy** and should hurt U.S. competitiveness, productivity growth, and GDP.
- April may also mark the start of the **U.S. dollar’s secular decline**.

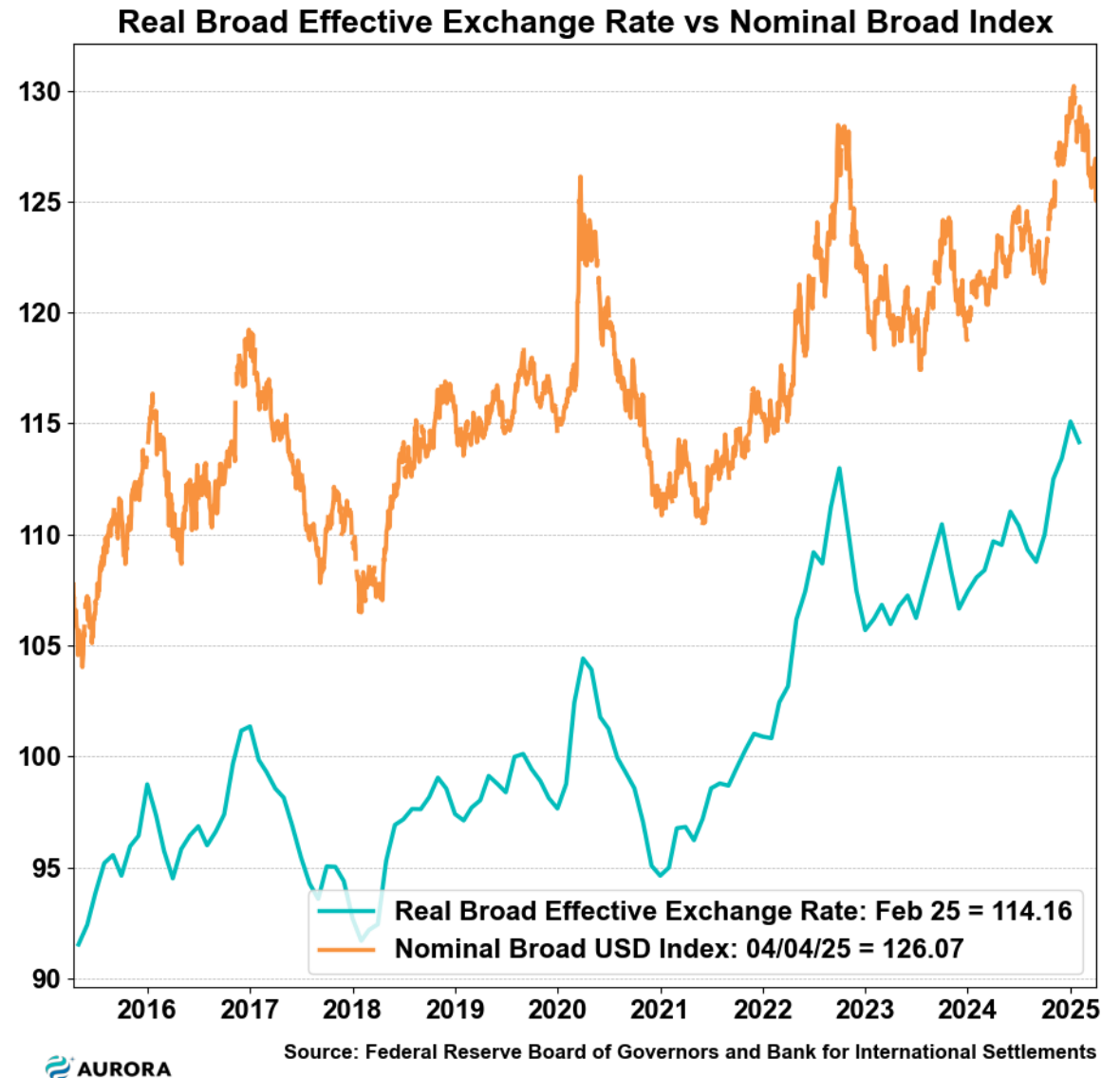
## Upcoming Events

Apr 30	PCE Release
Apr 30	GDP Release
May 01	ISM Manufacturing
May 02	Payrolls
<b>May 07</b>	<b>FOMC Meeting</b>
May 13	CPI Release
May 16	Michigan Sentiment
May 29	GDP Release
May 30	PCE Release
Jun 02	ISM Manufacturing
Jun 06	Payrolls
Jun 11	CPI Release



## Focus on: Trade Policy

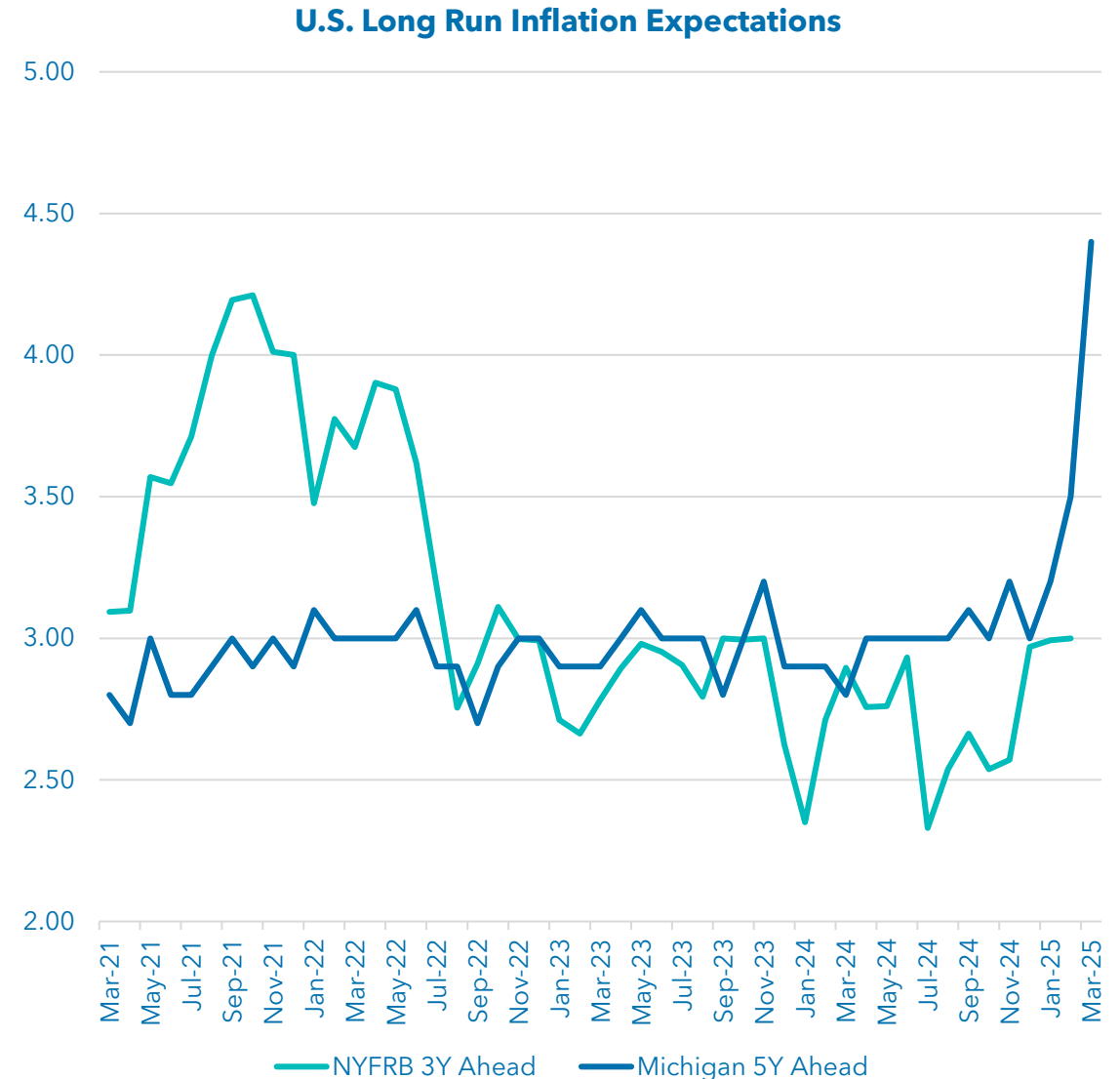
- Unusually for the U.S., trade policy has become the center of market attention. This is because U.S. trade policy has been extraordinarily bad recently.
- The “reciprocal” tariff rollout was an unqualified disaster: it was not reciprocal, it was based on bad economics and bad math, it cause market chaos, and it was swiftly, if partly, reversed.
- We view the new focus on China and carveouts for electronics as a distraction from the economic reality: tariffs are going up, which is stagflationary.
- Our base case sees the 10% global tariff largely staying in place, most USMCA goods exempted, and a de-escalation in the U.S.-China trade war.
- Canadian elections in two weeks should provide an opportunity for de-escalation as well.
- In the long run, the trajectory is adverse and unlikely to change during this administration. This is negative for U.S. productivity, and thus for U.S. equity multiples.





## Focus on: The Fed's Conundrum

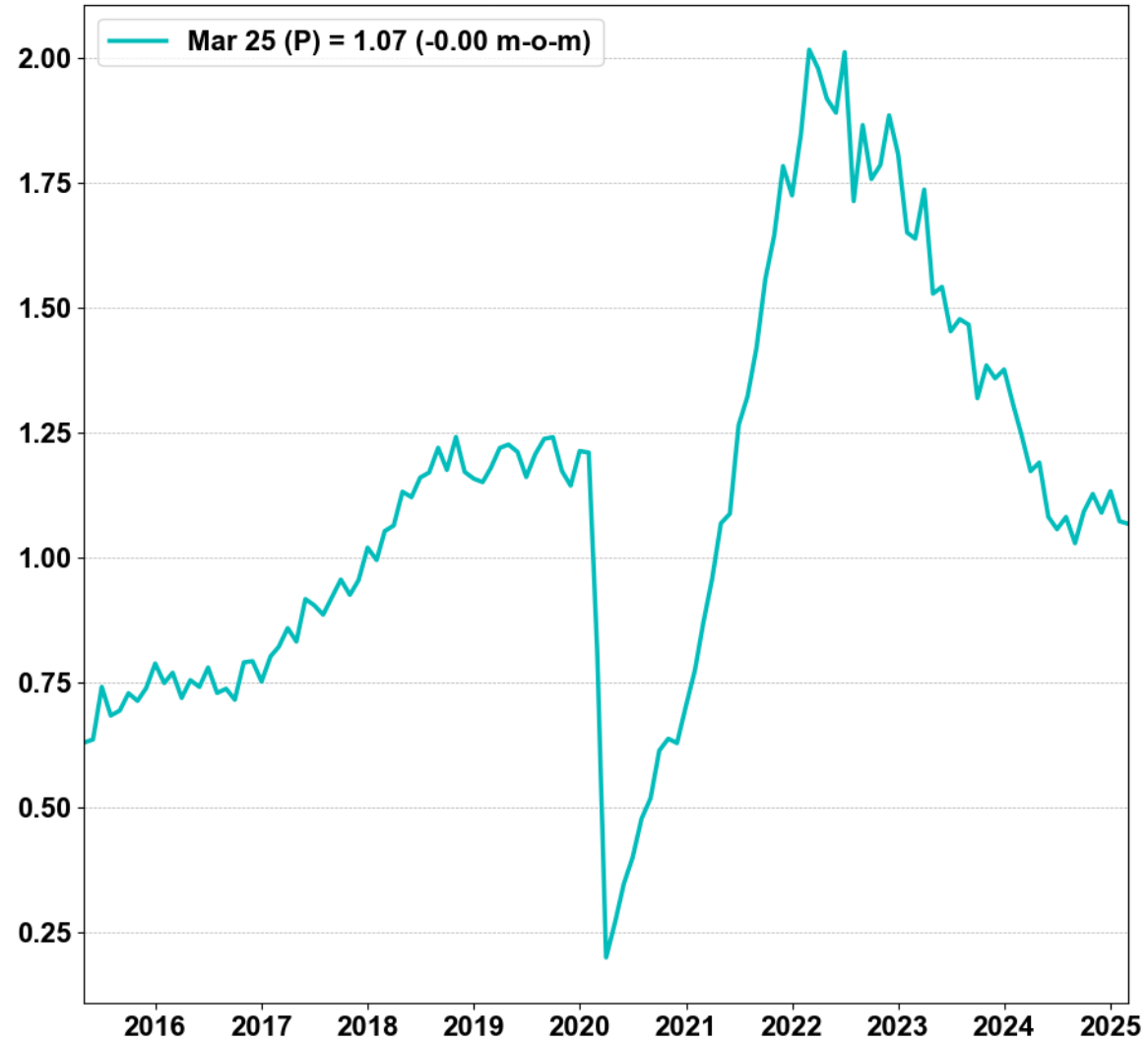
- Stagflationary shocks are bad for the Fed, because they bring its mandate into conflict: managing the slowdown endangers price stability.
- Despite Powell's assurances, the FOMC is already grappling with this.
- We maintain our out-of-consensus view that the Fed cannot afford "insurance" cuts with inflation at this level.
- We do not think inflation expectations are unanchored yet, but the Fed has failed to meet its target for four Decembers in a row and is on track to do so again.
- It is thus highly unlikely to be able to discard survey signals, even if they come with a clear partisan tilt (e.g. in Michigan surveys).



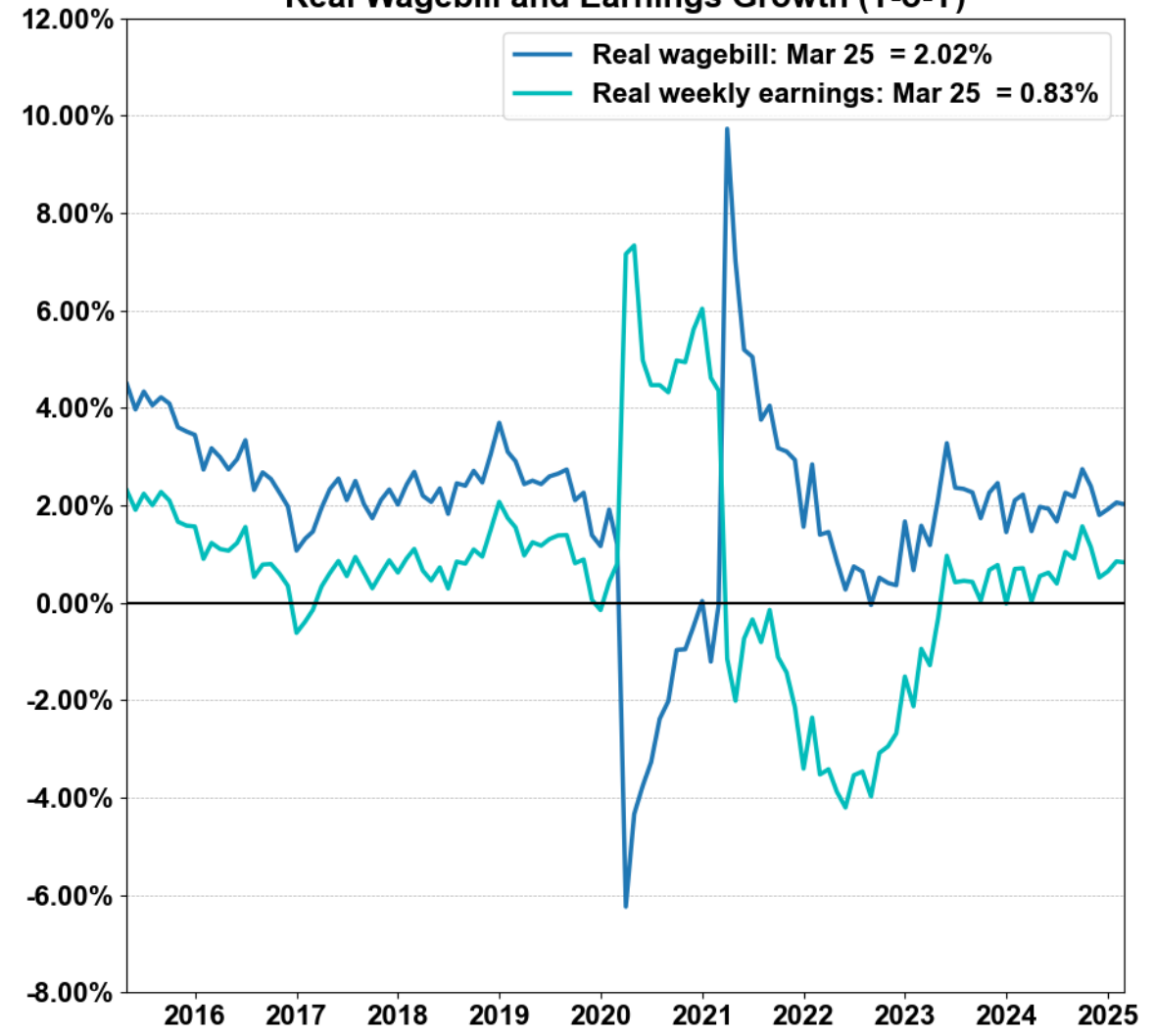


# 1a. Labor Market Overview

Vacancy/Unemployment Ratio



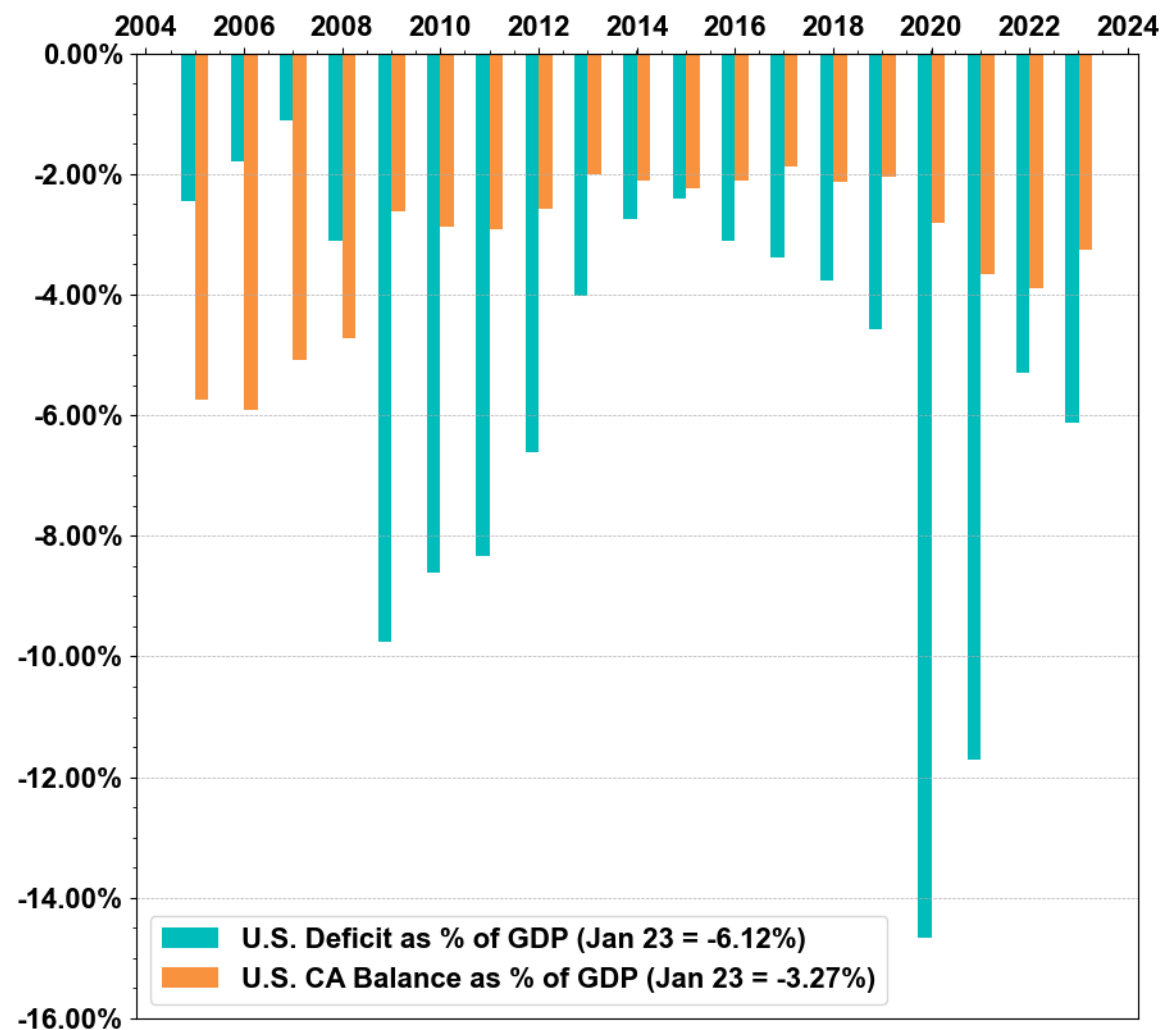
Real Wagebill and Earnings Growth (Y-o-Y)



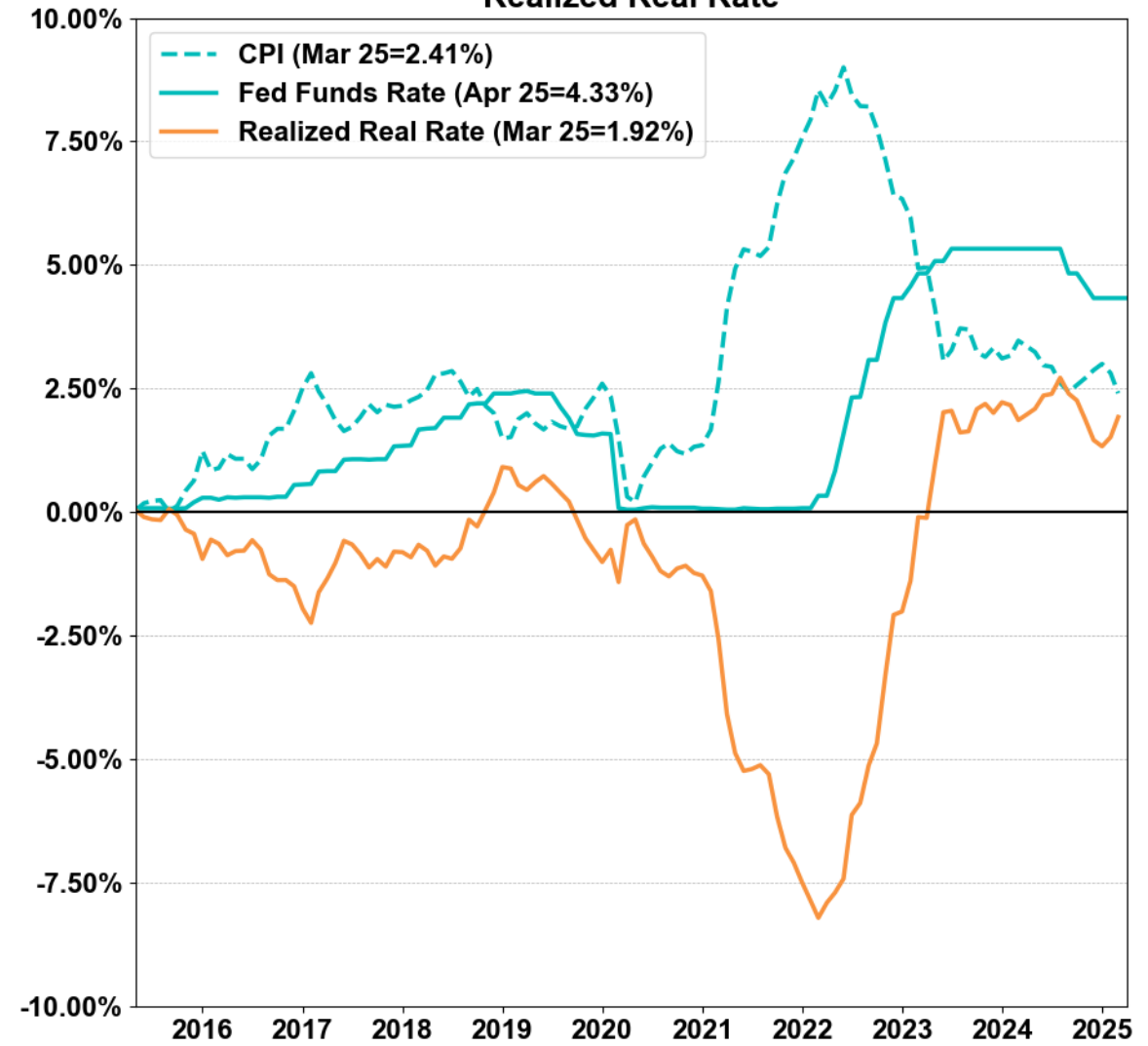


# 1b. Policy Overview

## U.S. Dual Deficits



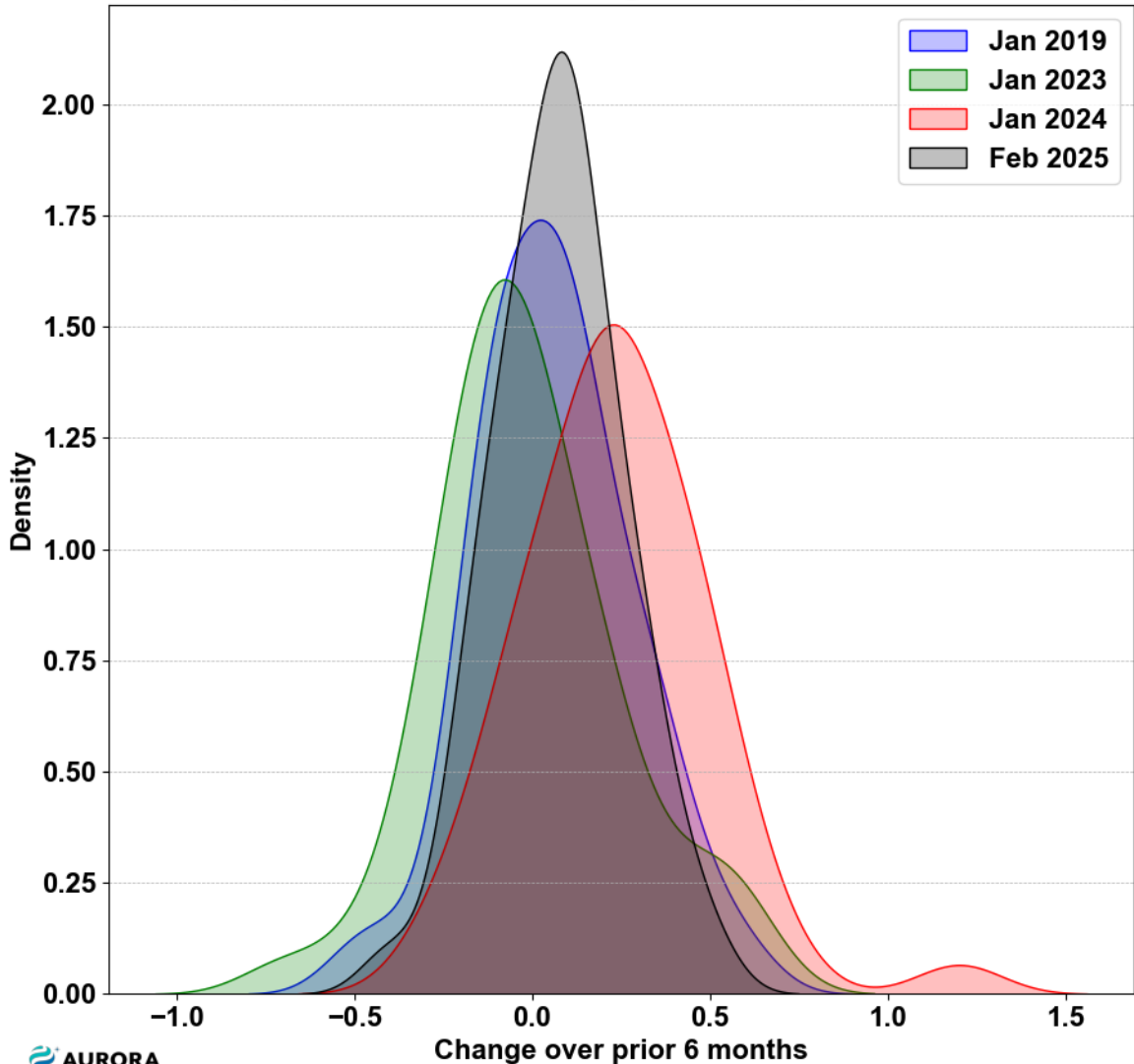
## Realized Real Rate





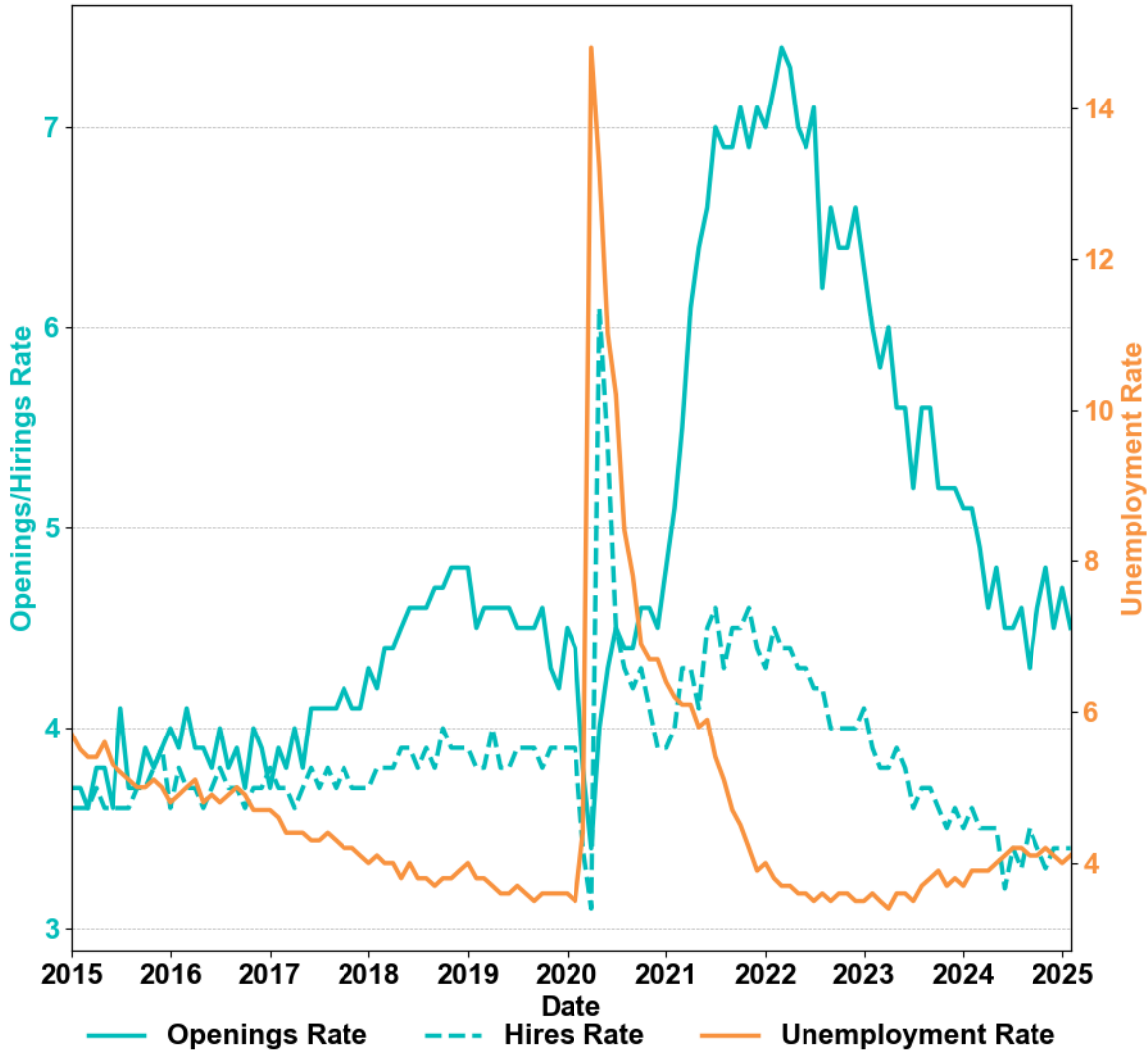
# 1c. Labor Market Continued

Unemployment Rate, 6M Change: State-by-State Distribution



Source: BLS and Aurora calculations

U.S. Labor Market Data

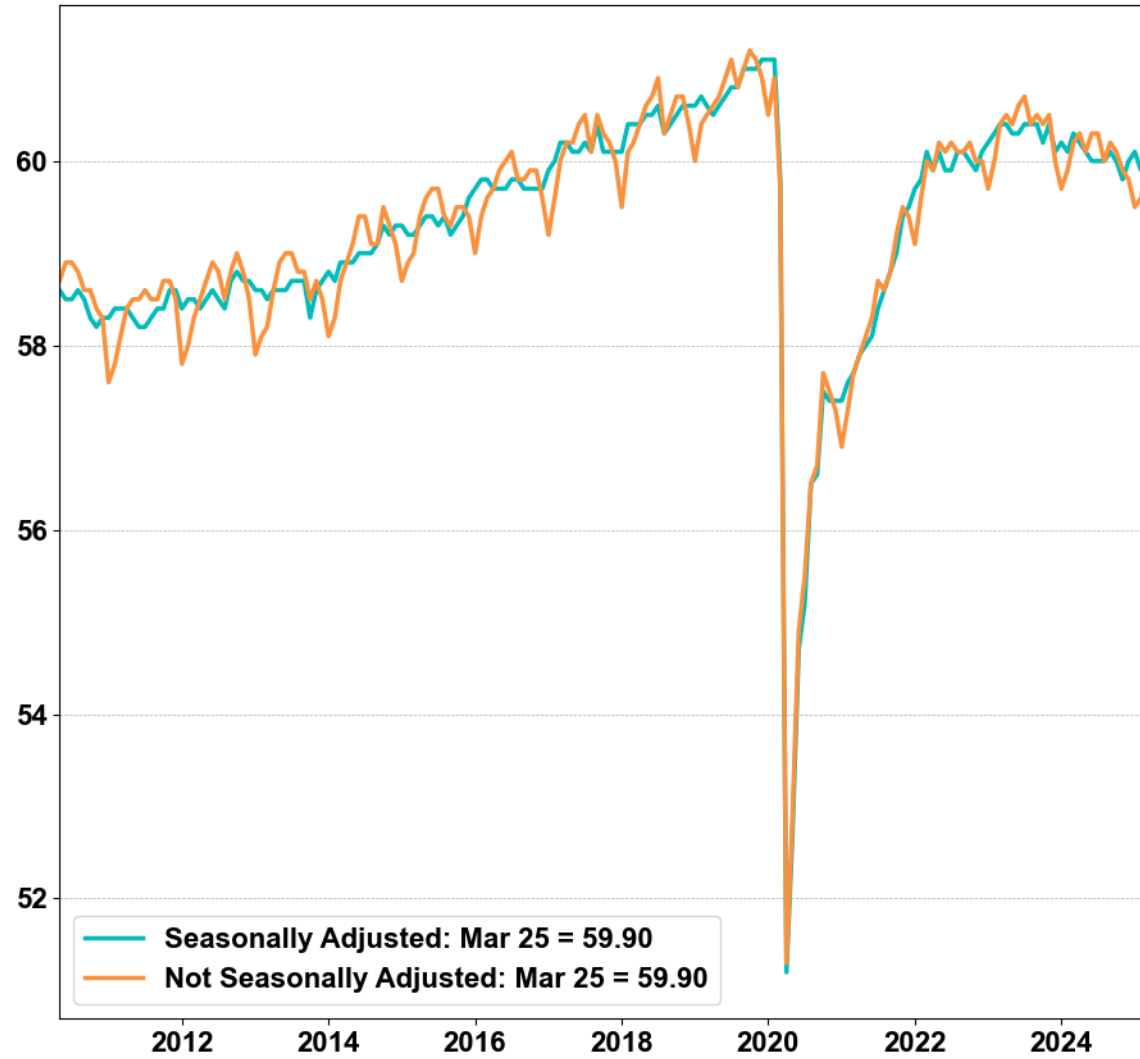


Source: BLS

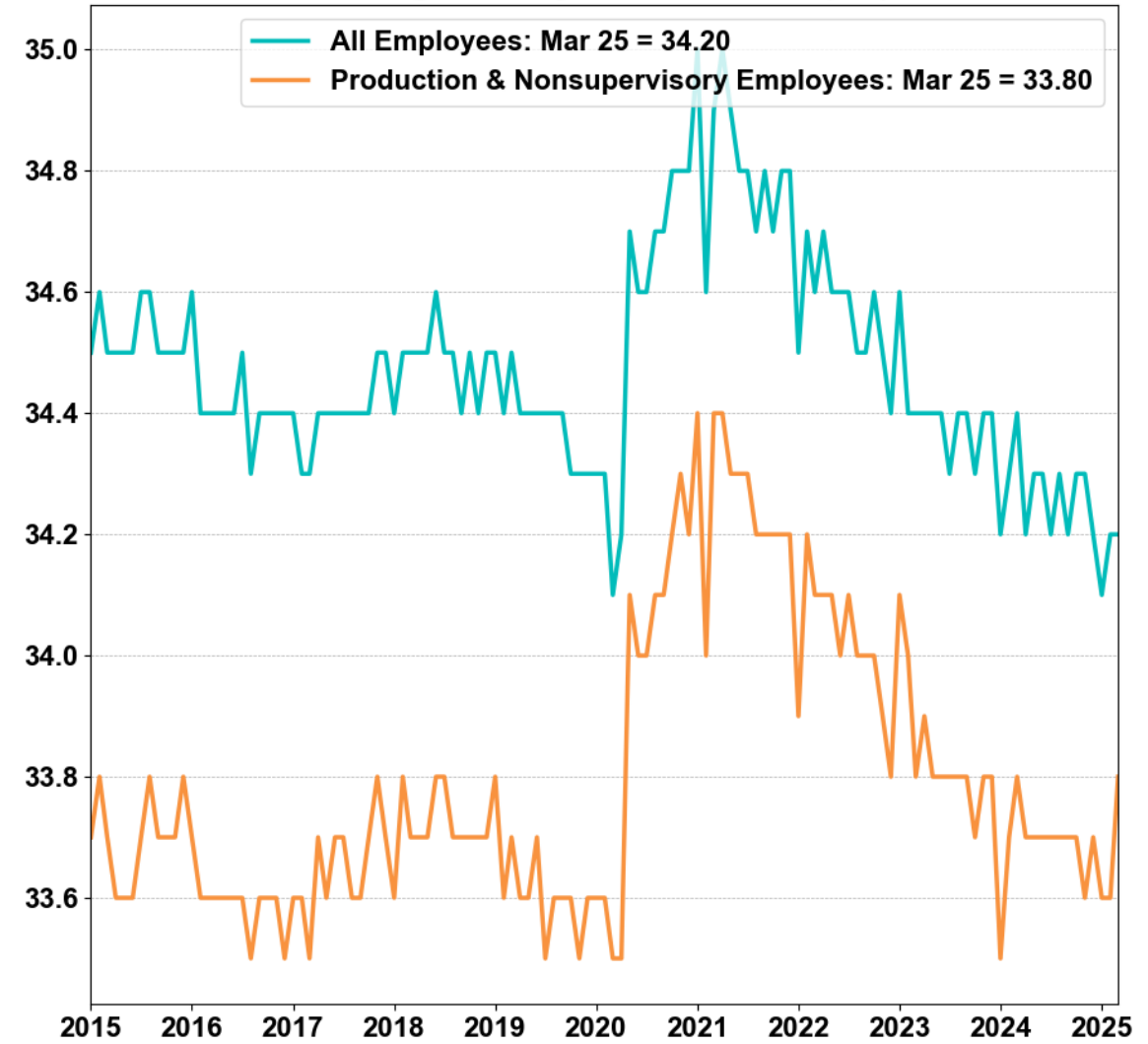


# 1d. Labor Market Continued

## U.S. Employment-Population Ratio

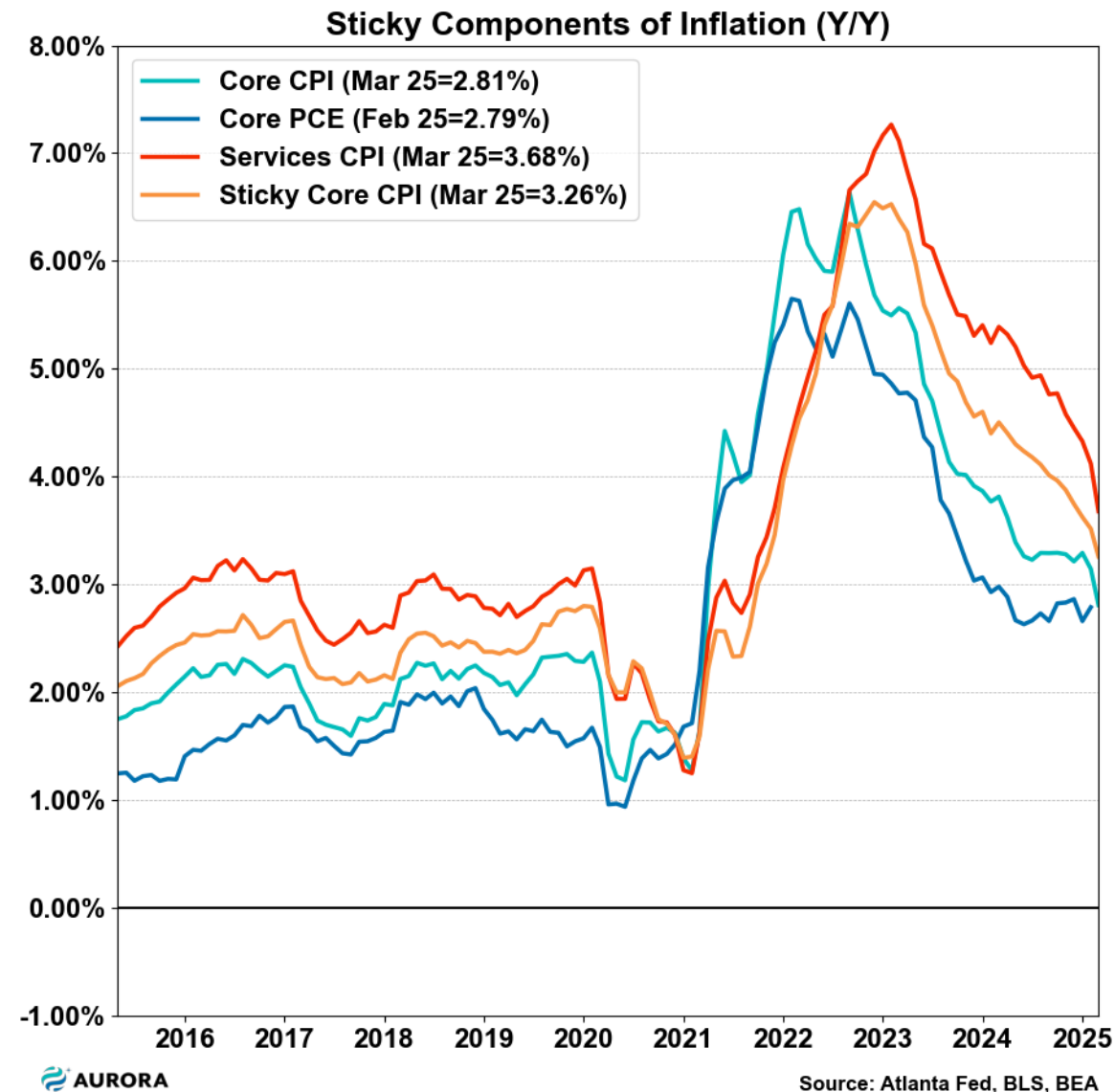
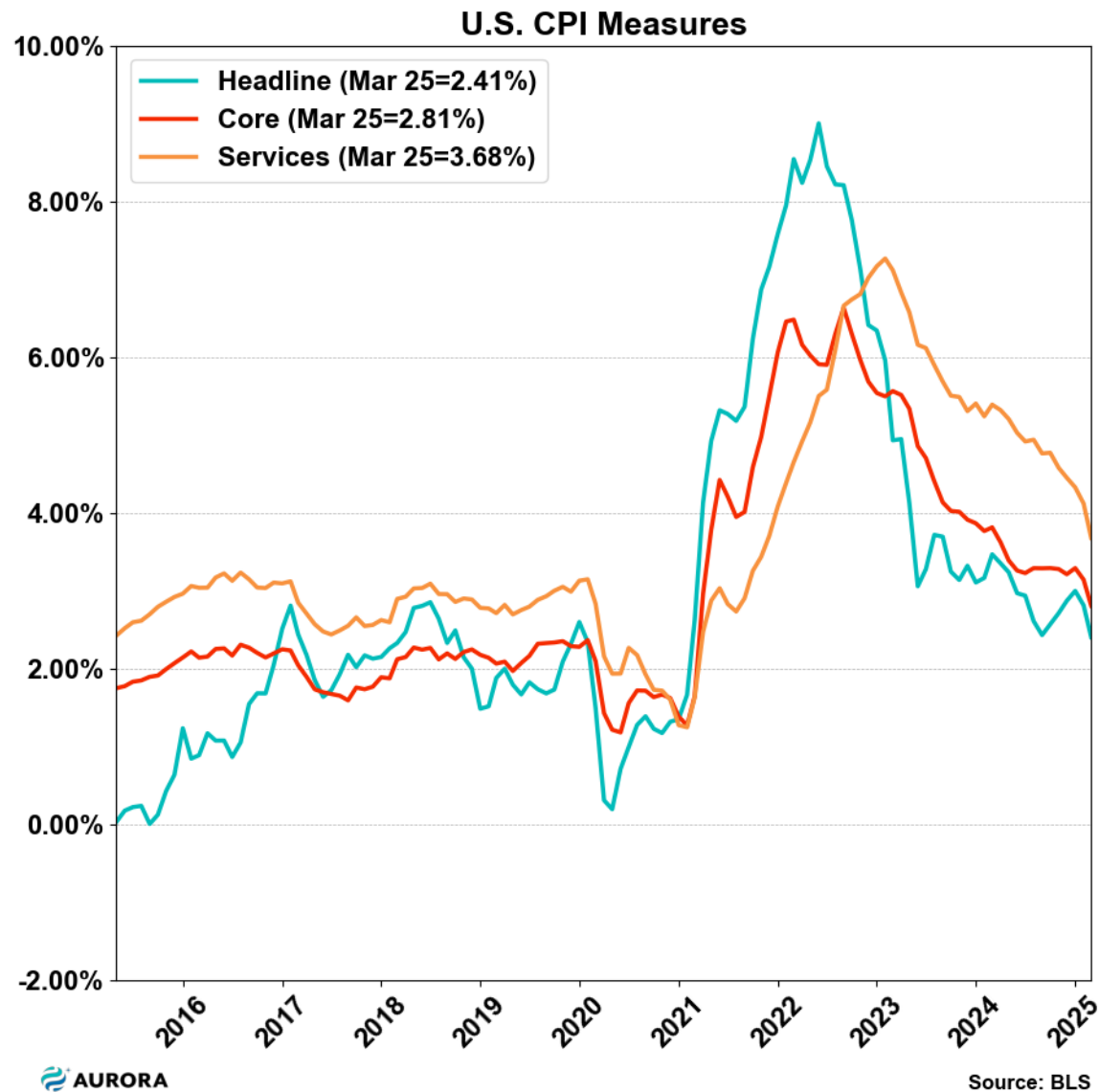


## Average Weekly Hours Worked (SA)





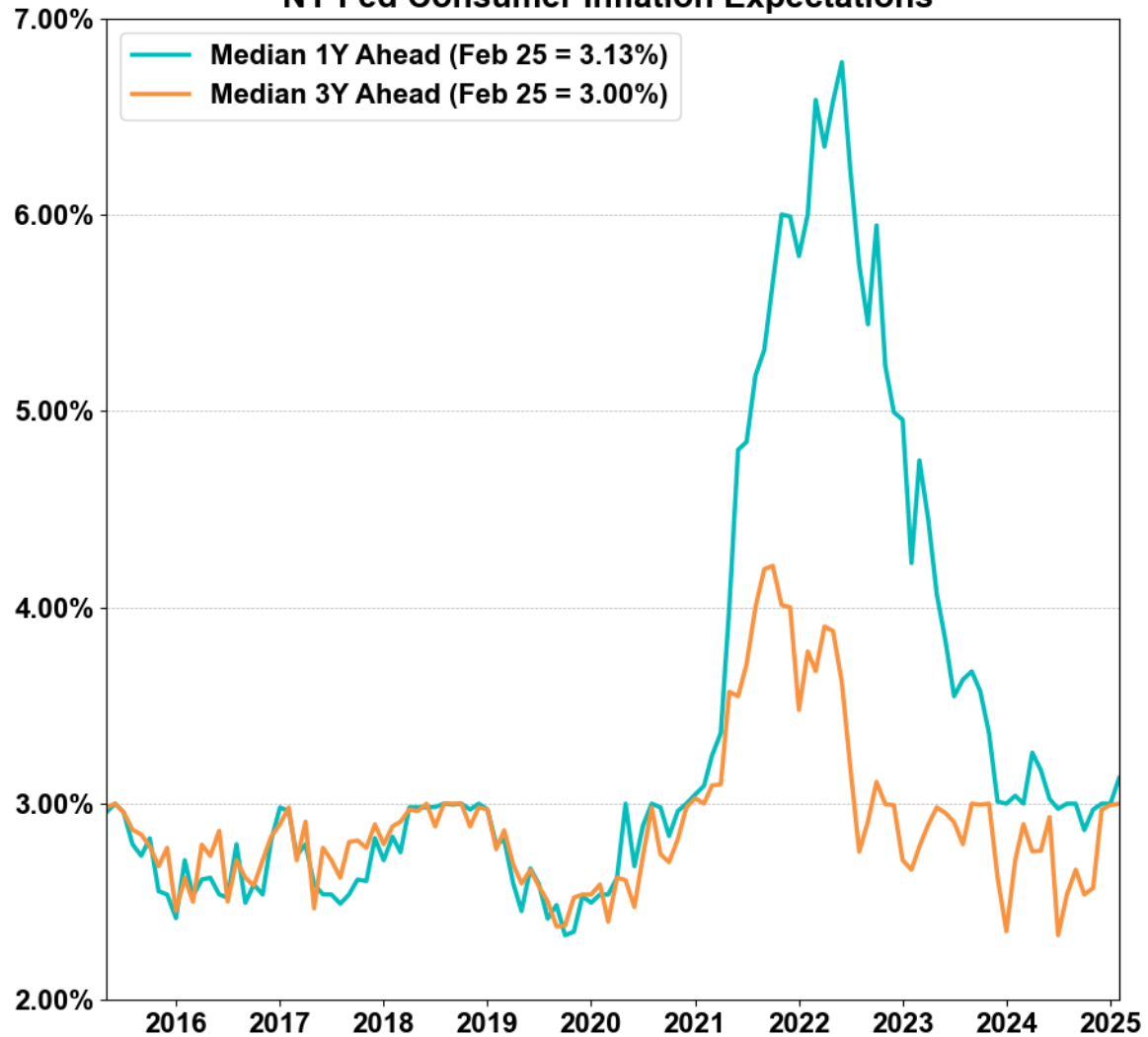
## 2a. Inflation



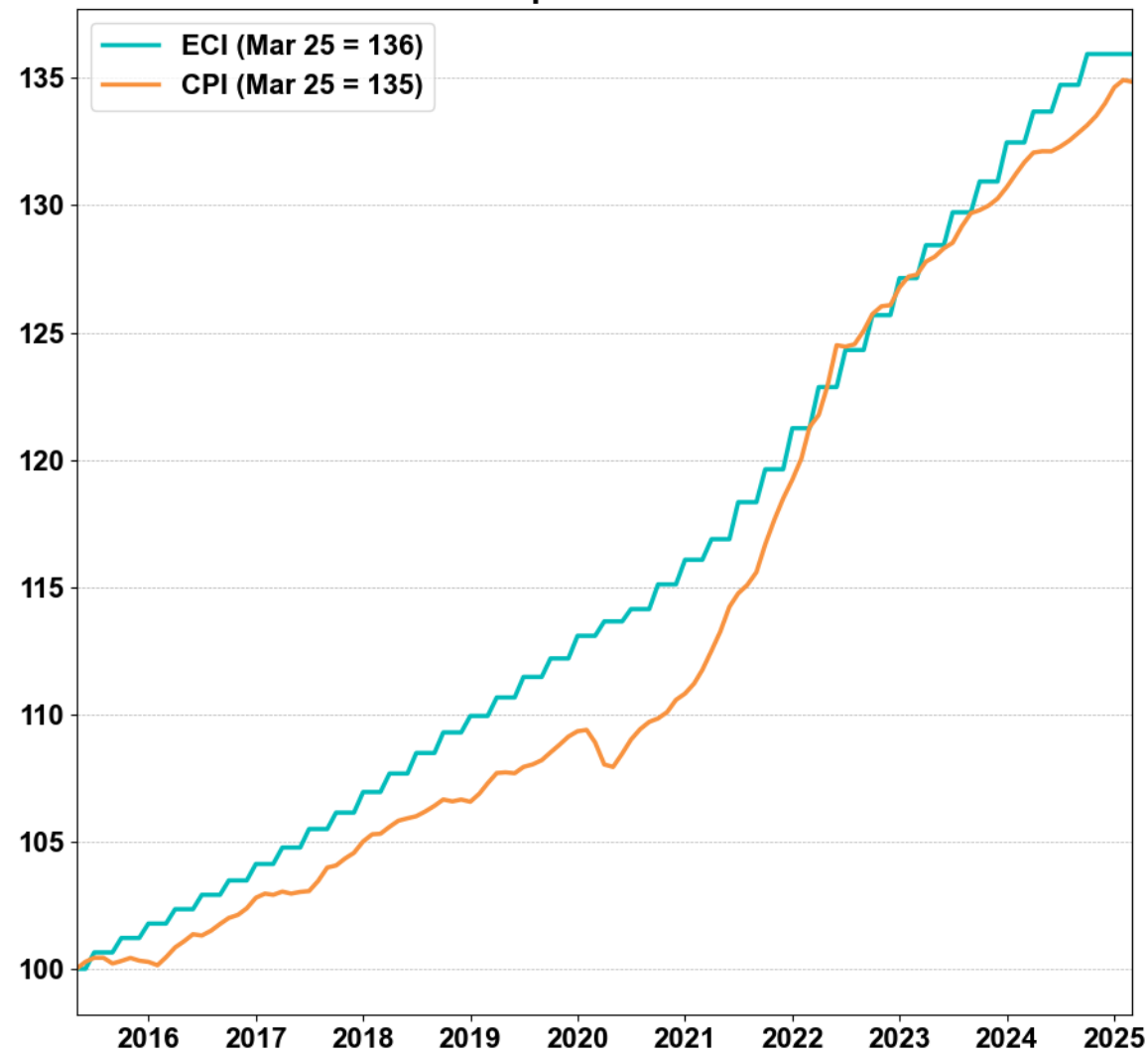


## 2b. Inflation

### NY Fed Consumer Inflation Expectations



### Total Compensation vs. Price



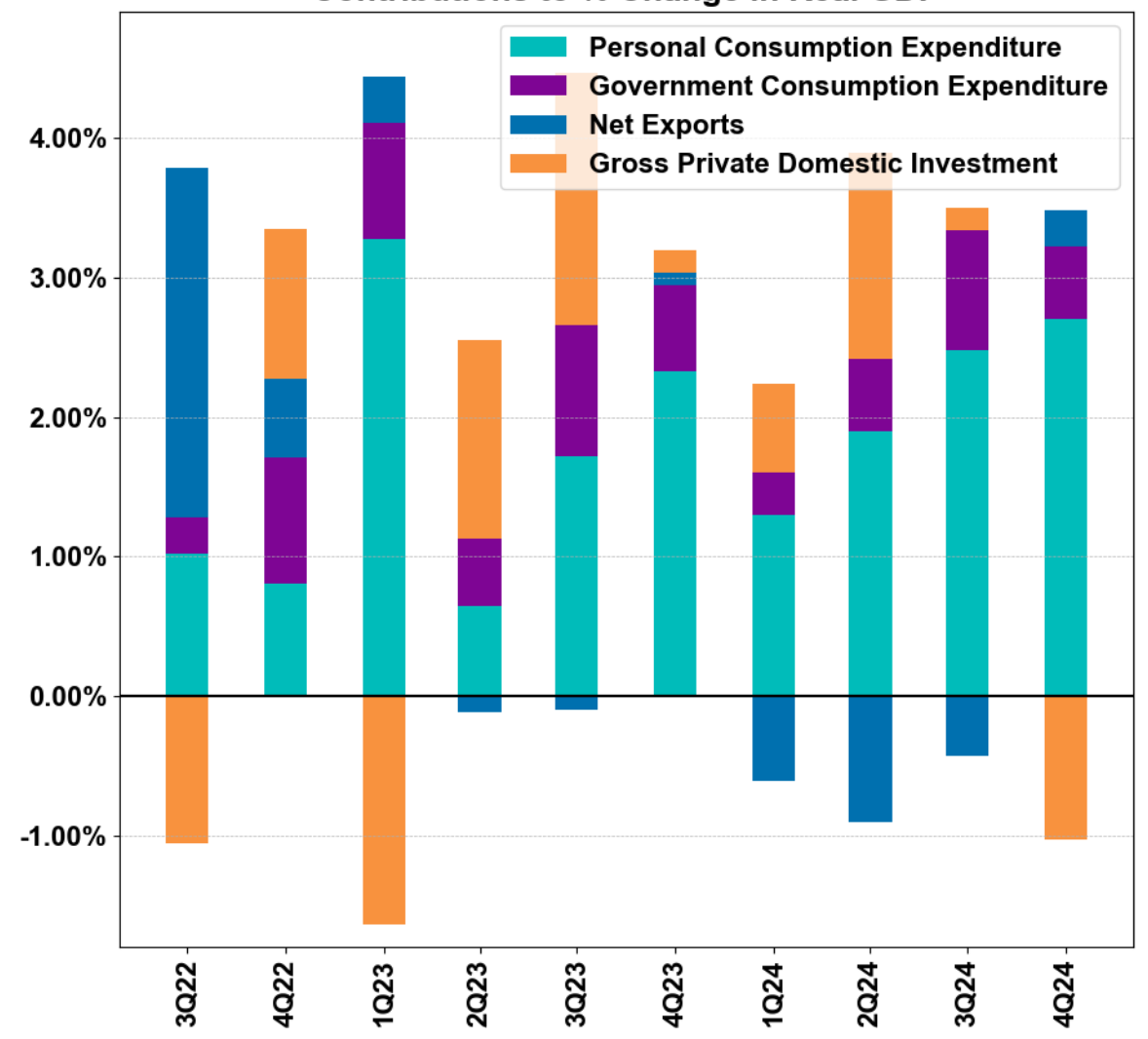


## 3a. GDP

Real GDP Growth (Q/Q, SA)

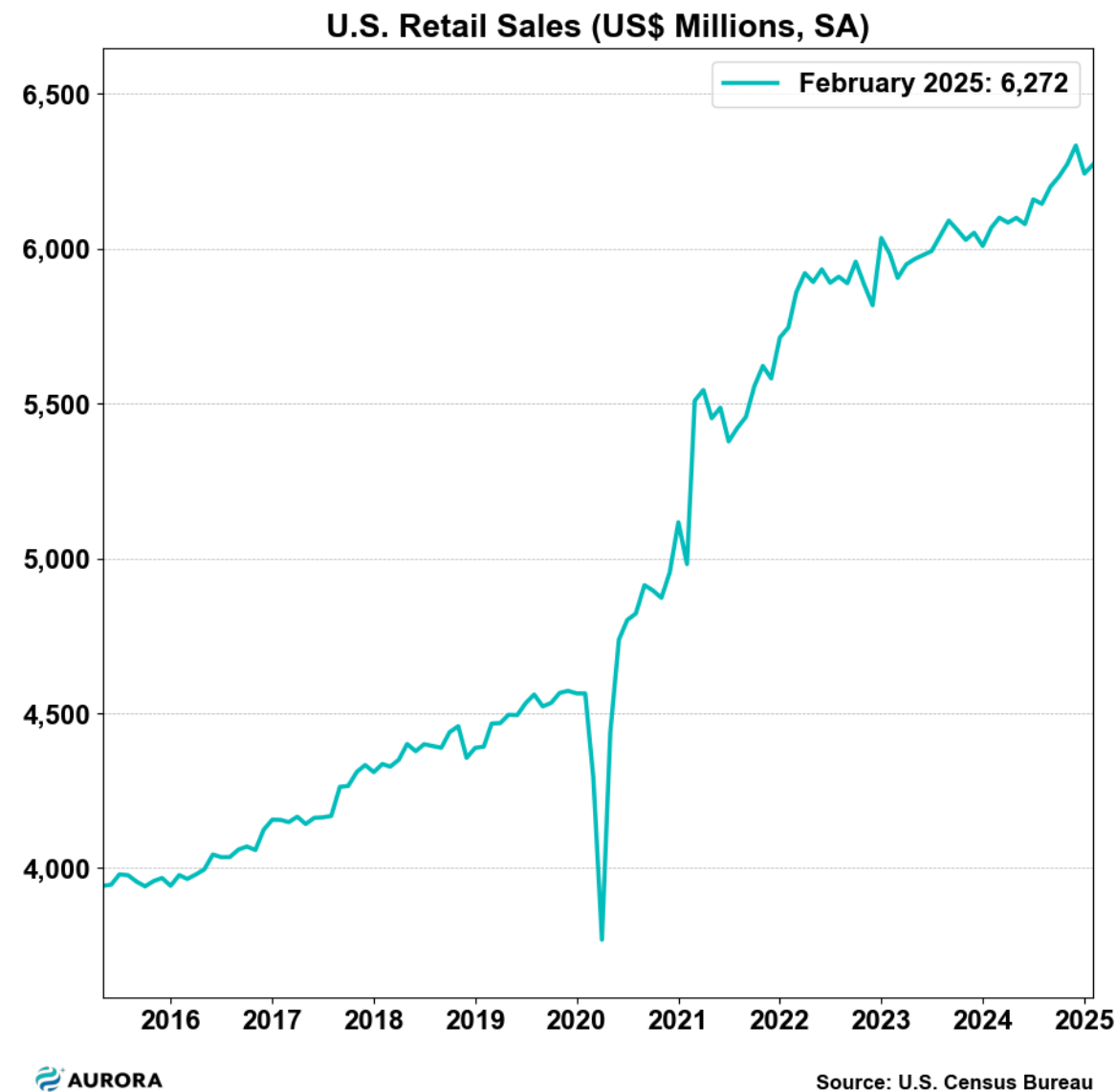
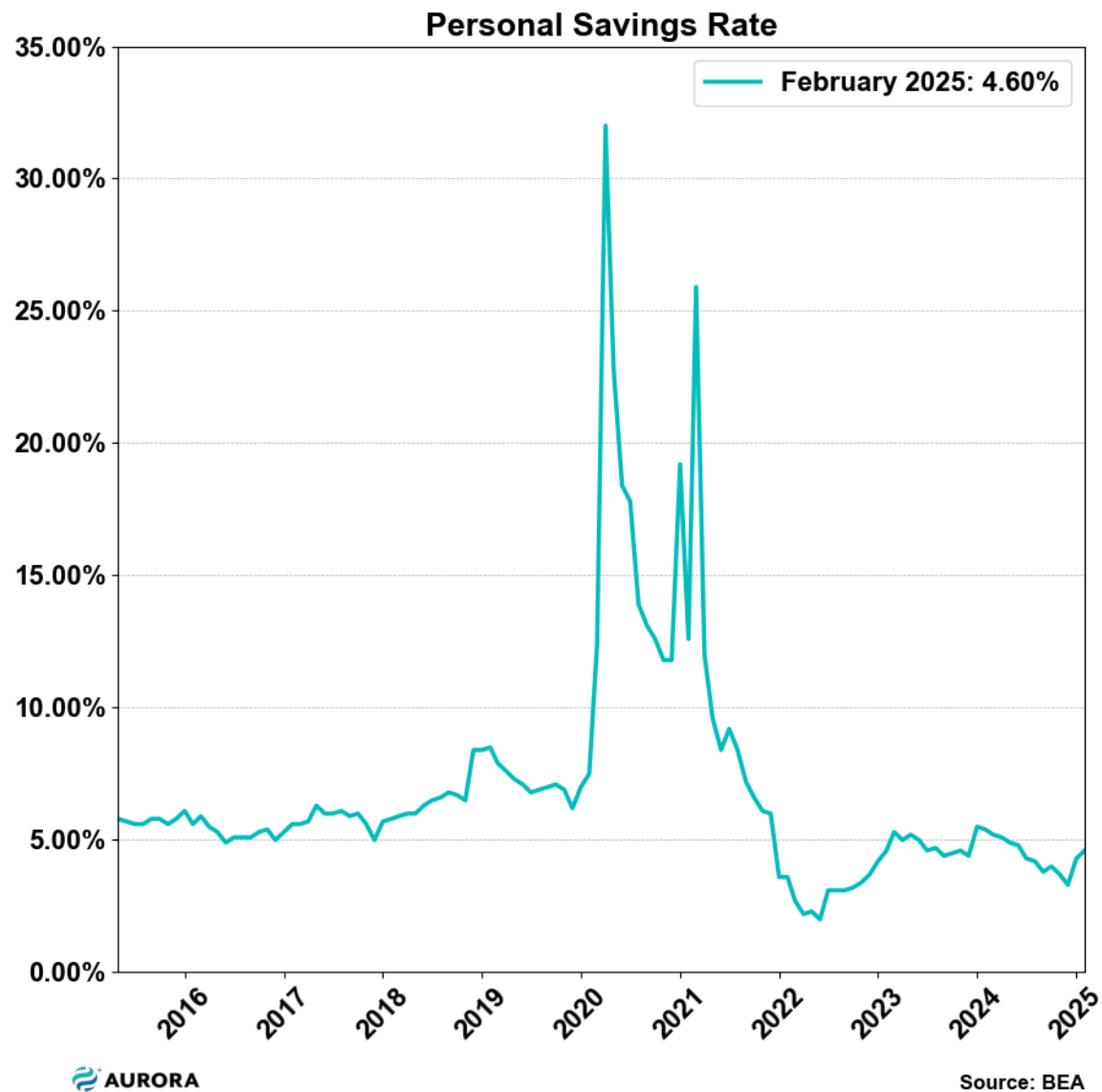


Contributions to % Change in Real GDP



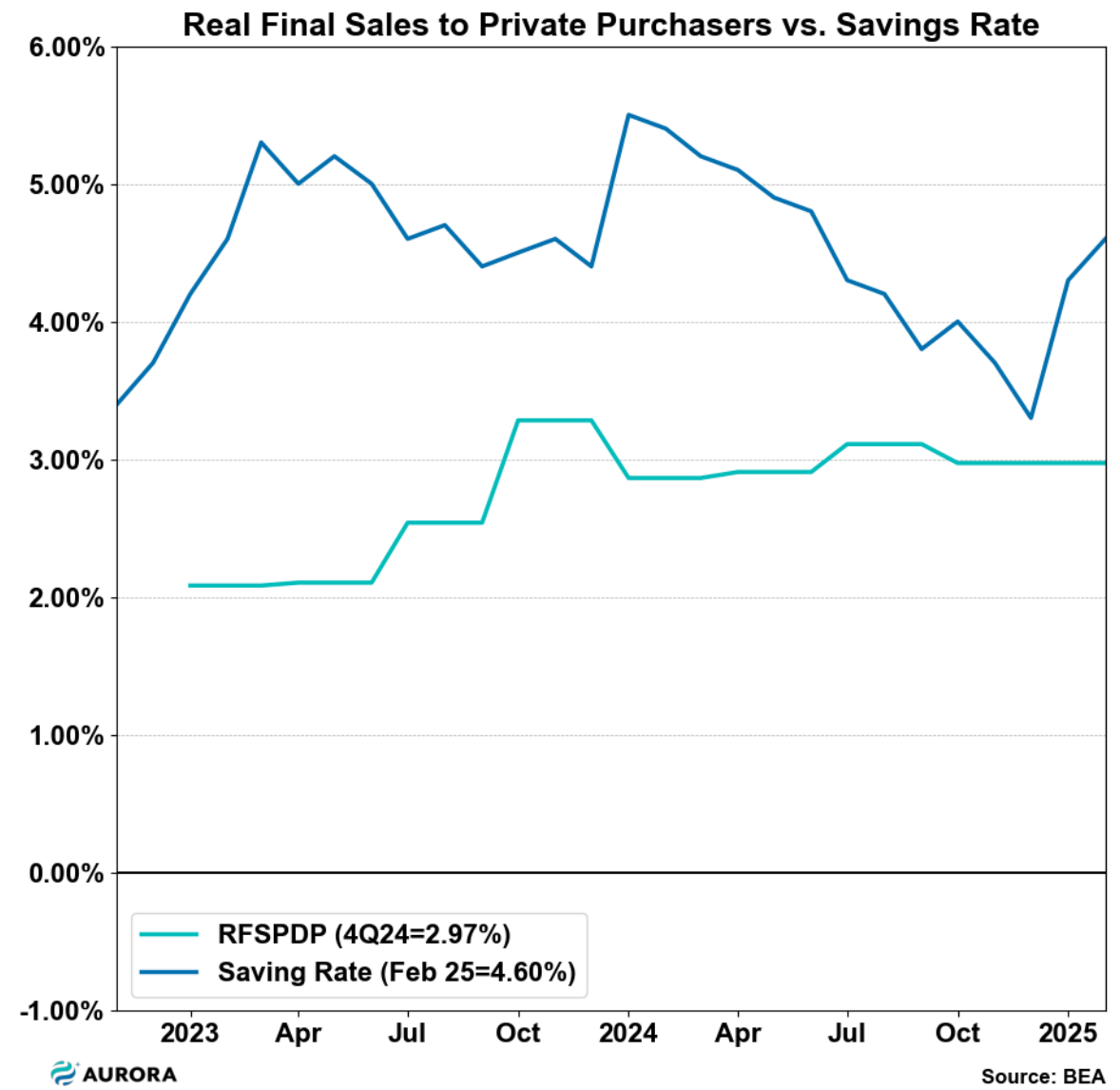
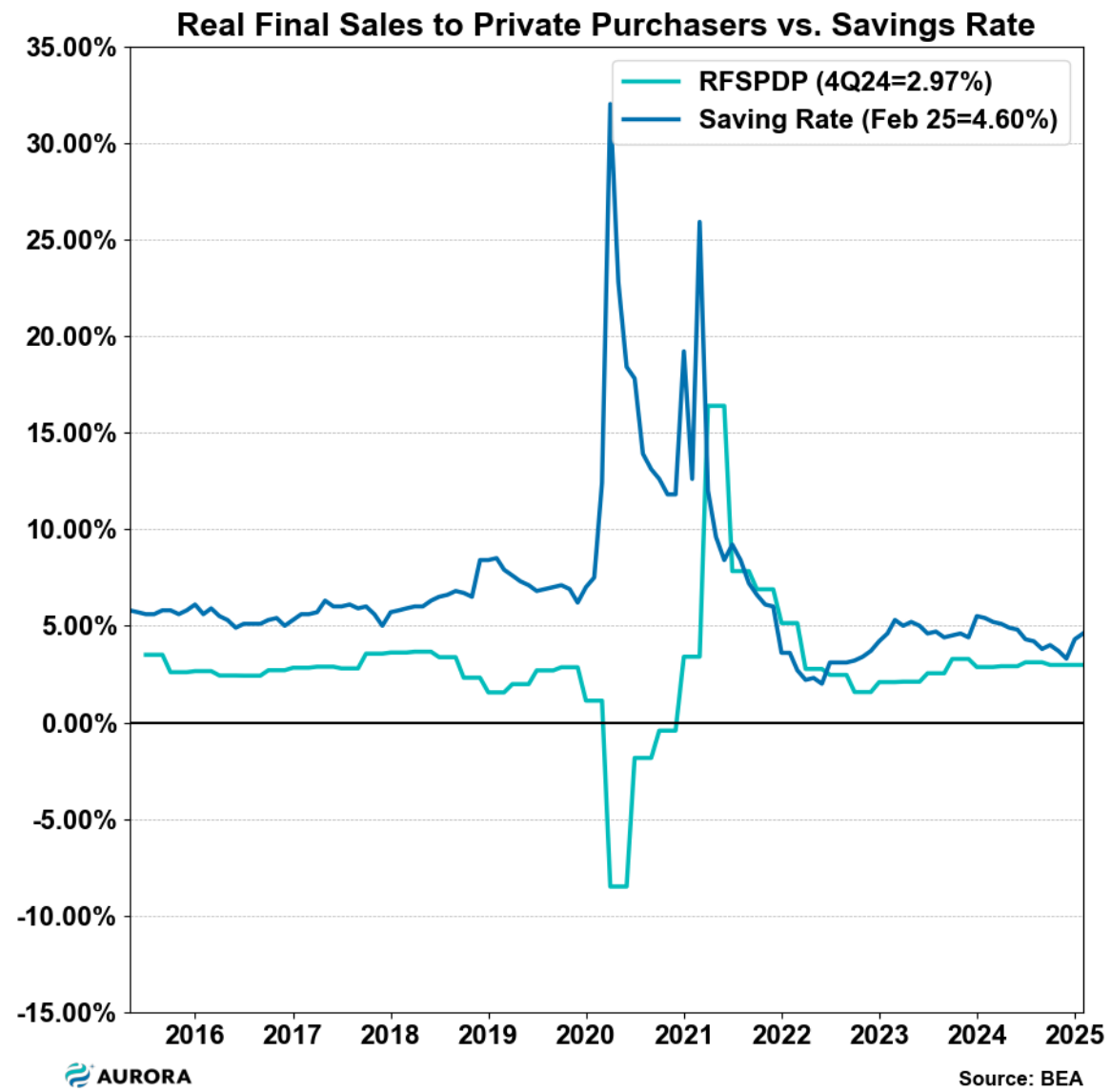


## 4a. Consumption





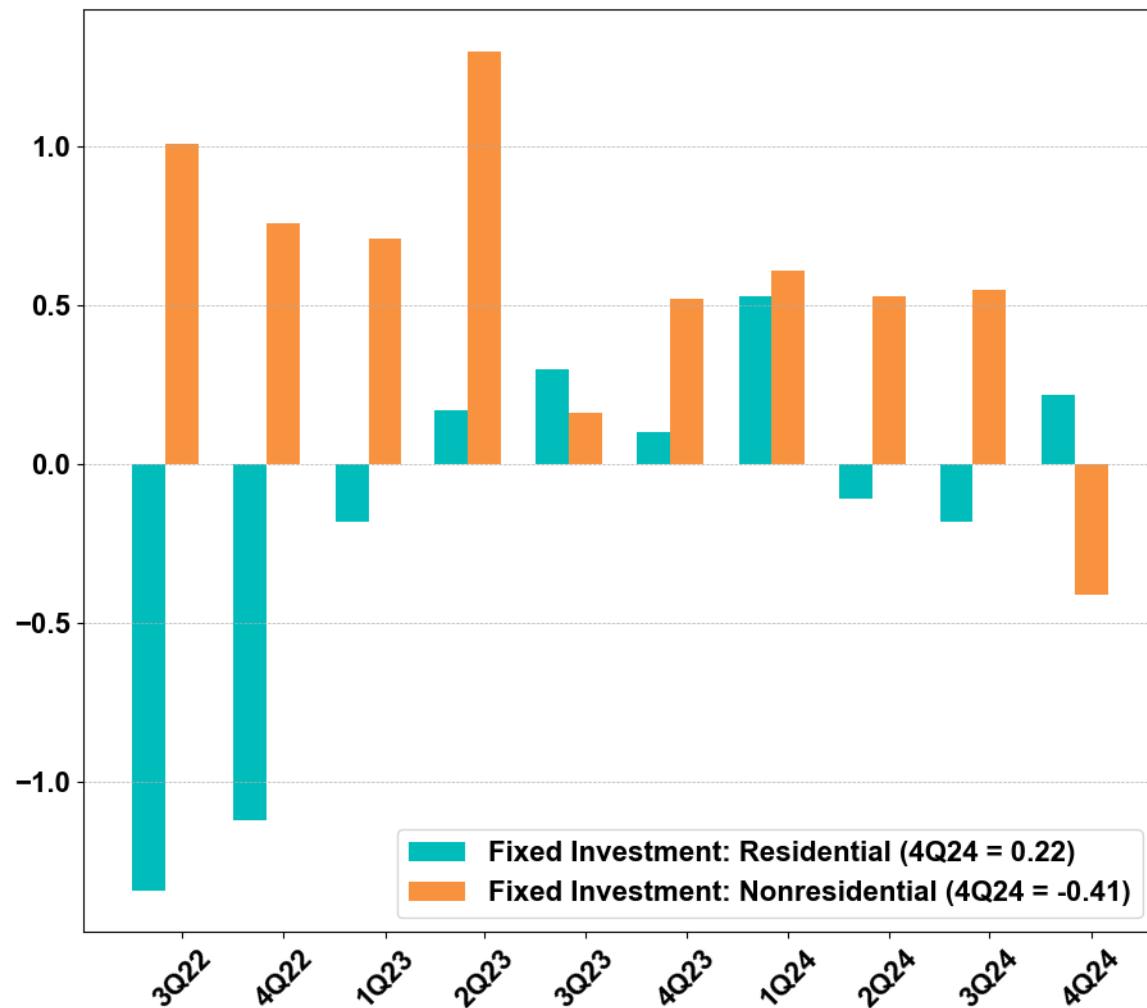
## 4b. Consumption



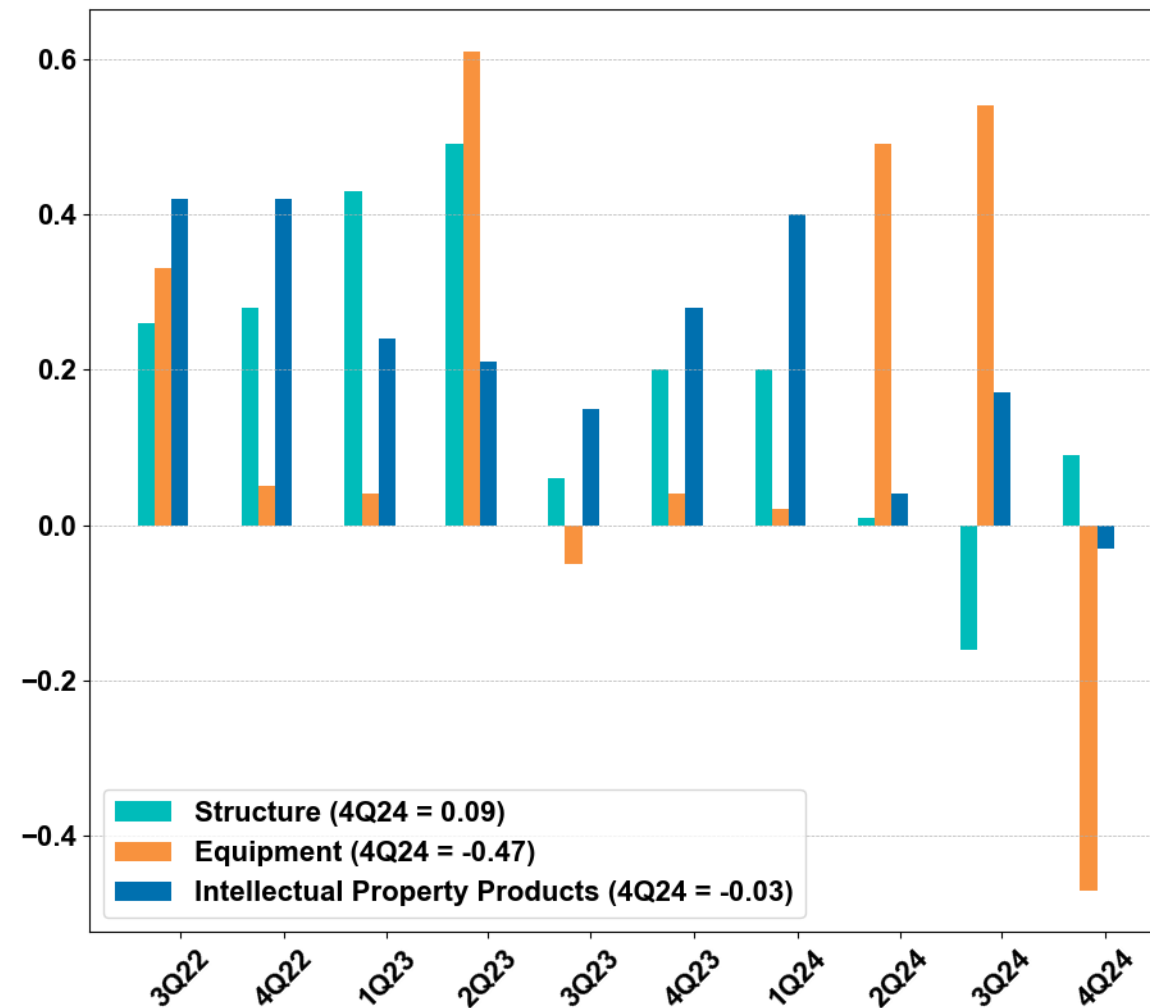


## 5a. Investment contributions to GDP

Contributions to Change in Real GDP (p.p.):  
Gross Private Domestic Investment

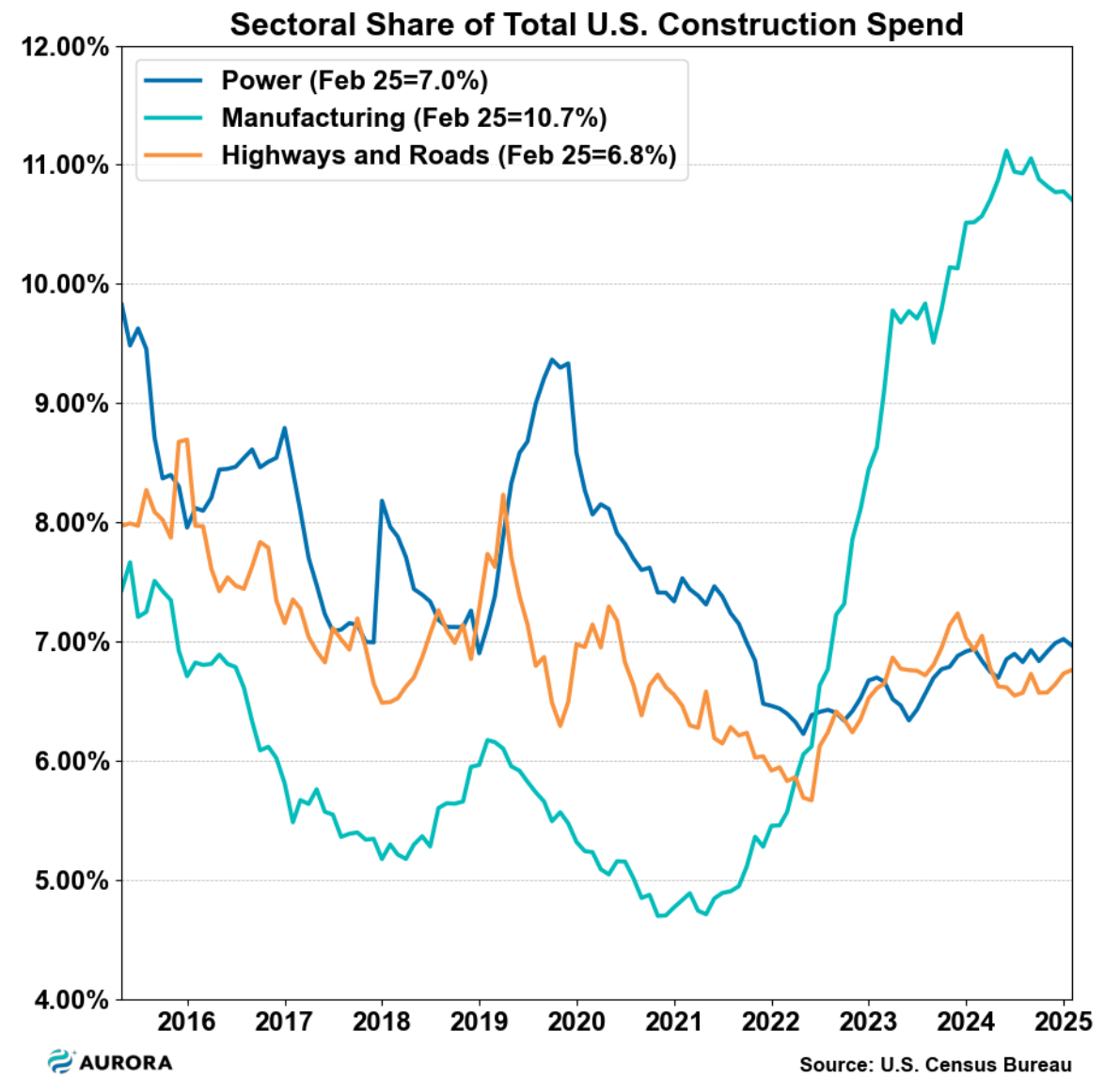
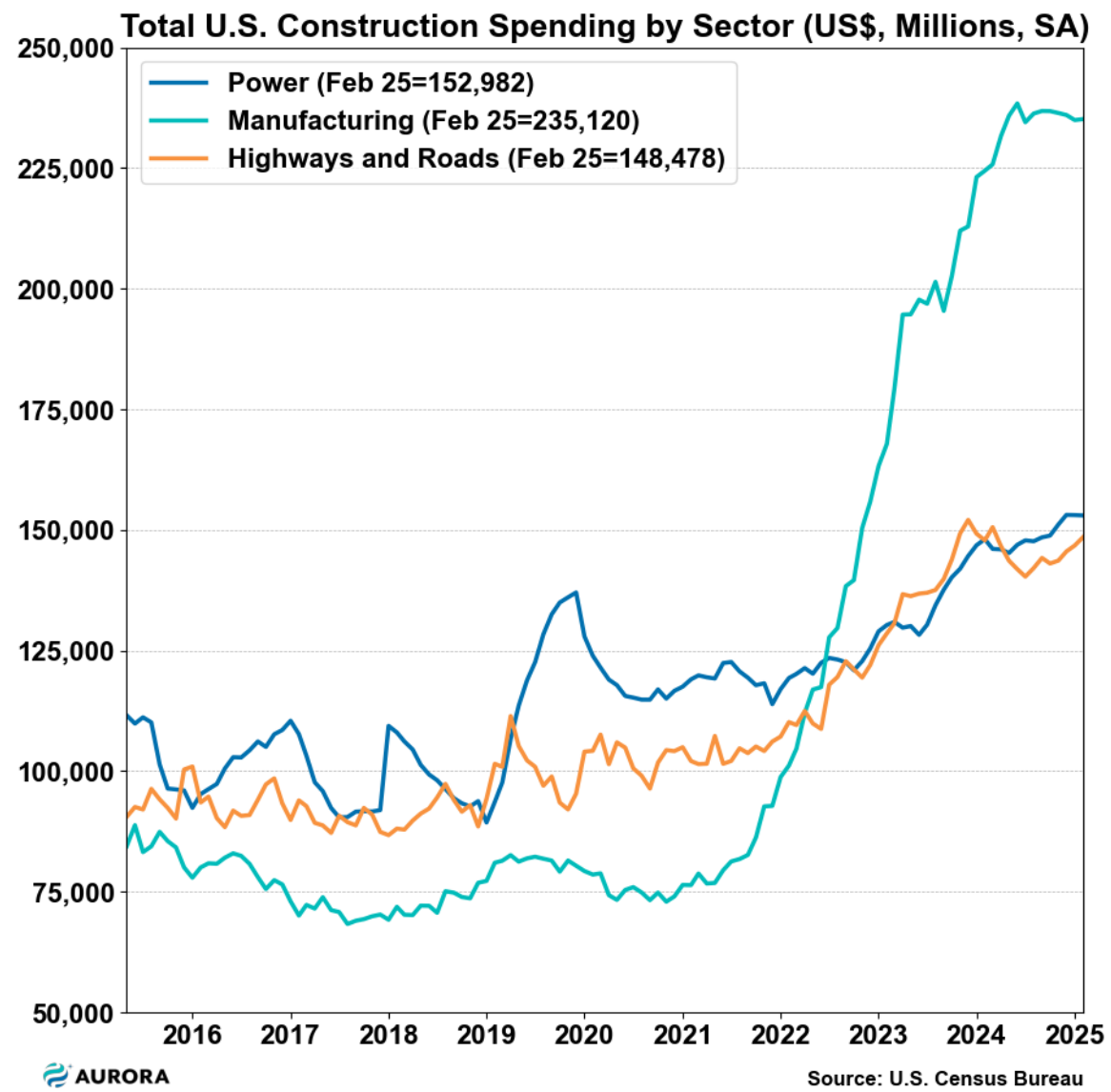


Contributions to Change in Real GDP (p.p.):  
Gross Private Domestic Investment: Fixed - Nonresidential





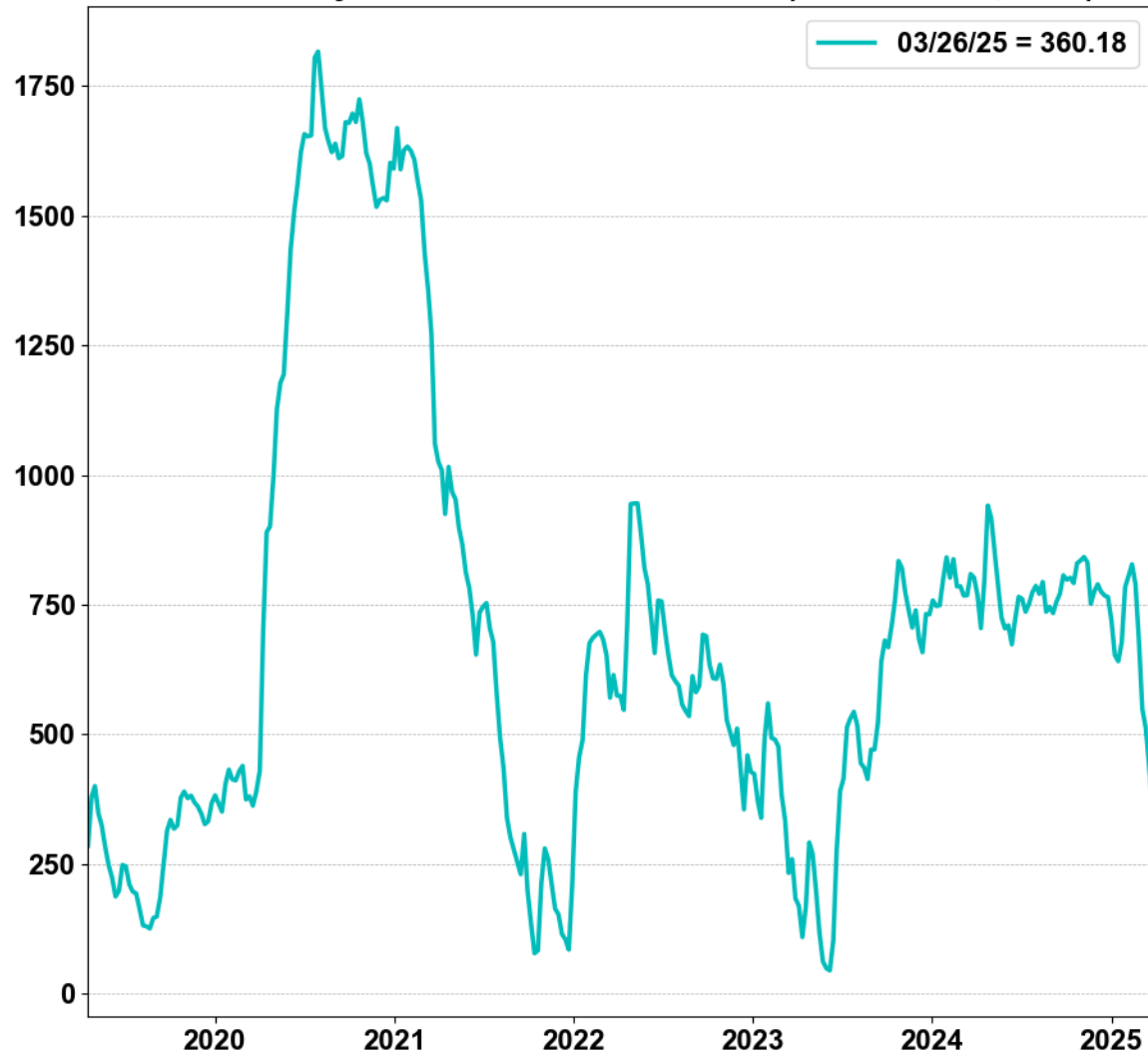
## 5b. Construction Spending



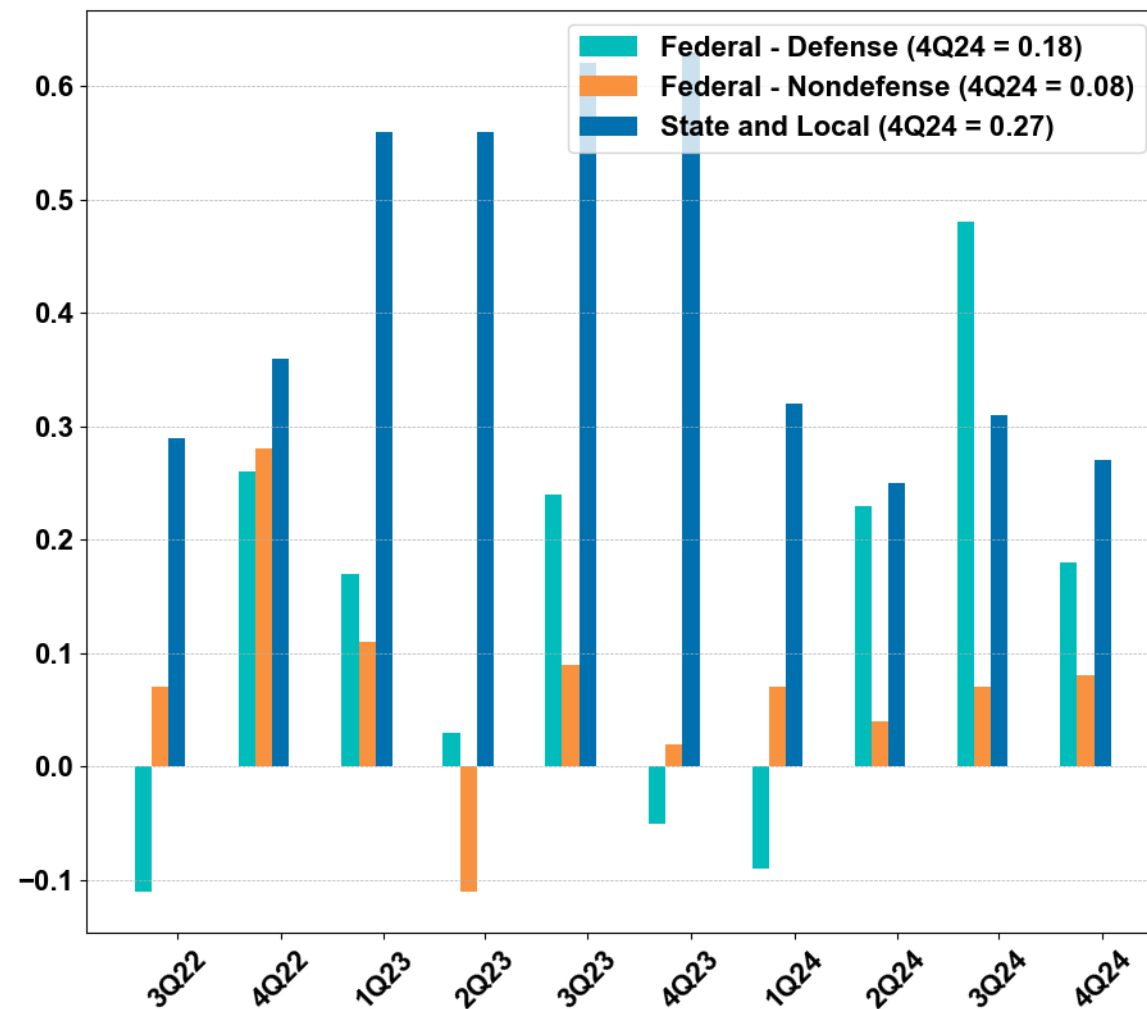


## 6. Government Spending

U.S. Treasury General Account Balance (US\$ Billions, NSA)



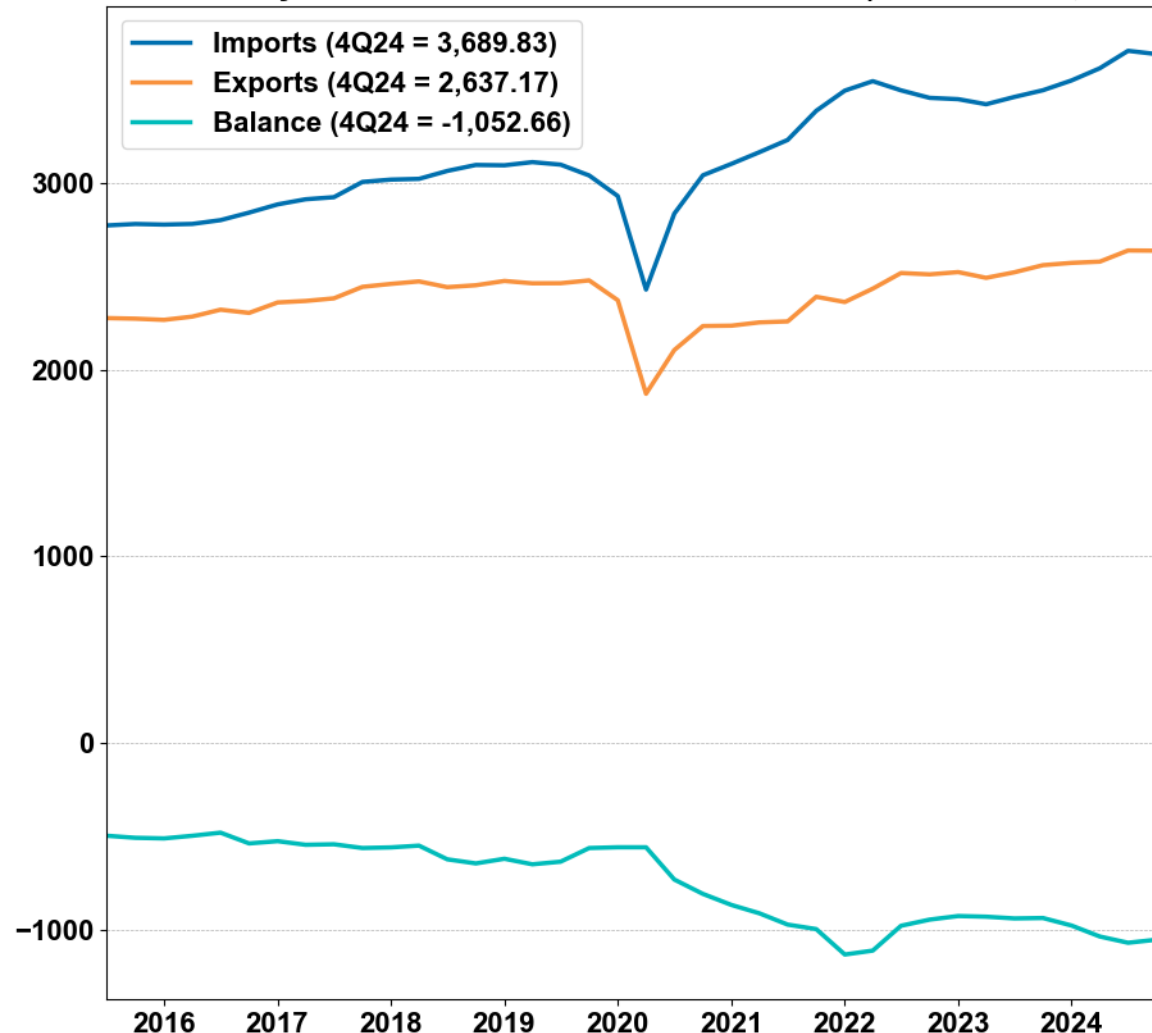
Contributions to Change in Real GDP (p.p.):  
Government Consumption Expenditures and Gross Investment



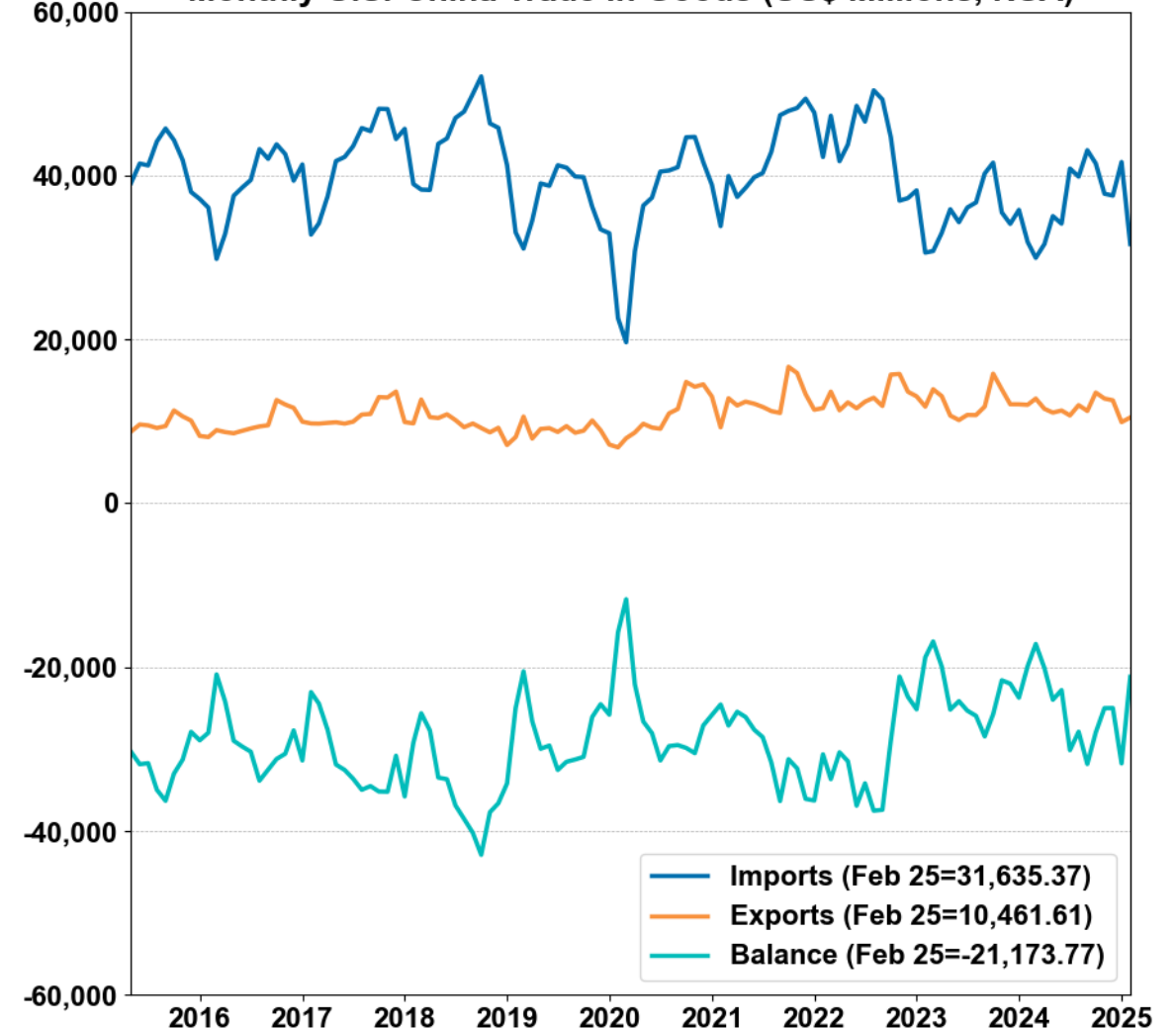


## 7a. International Trade

Real Quarterly U.S. Trade in Goods and Services (US\$ Billions, SAA)

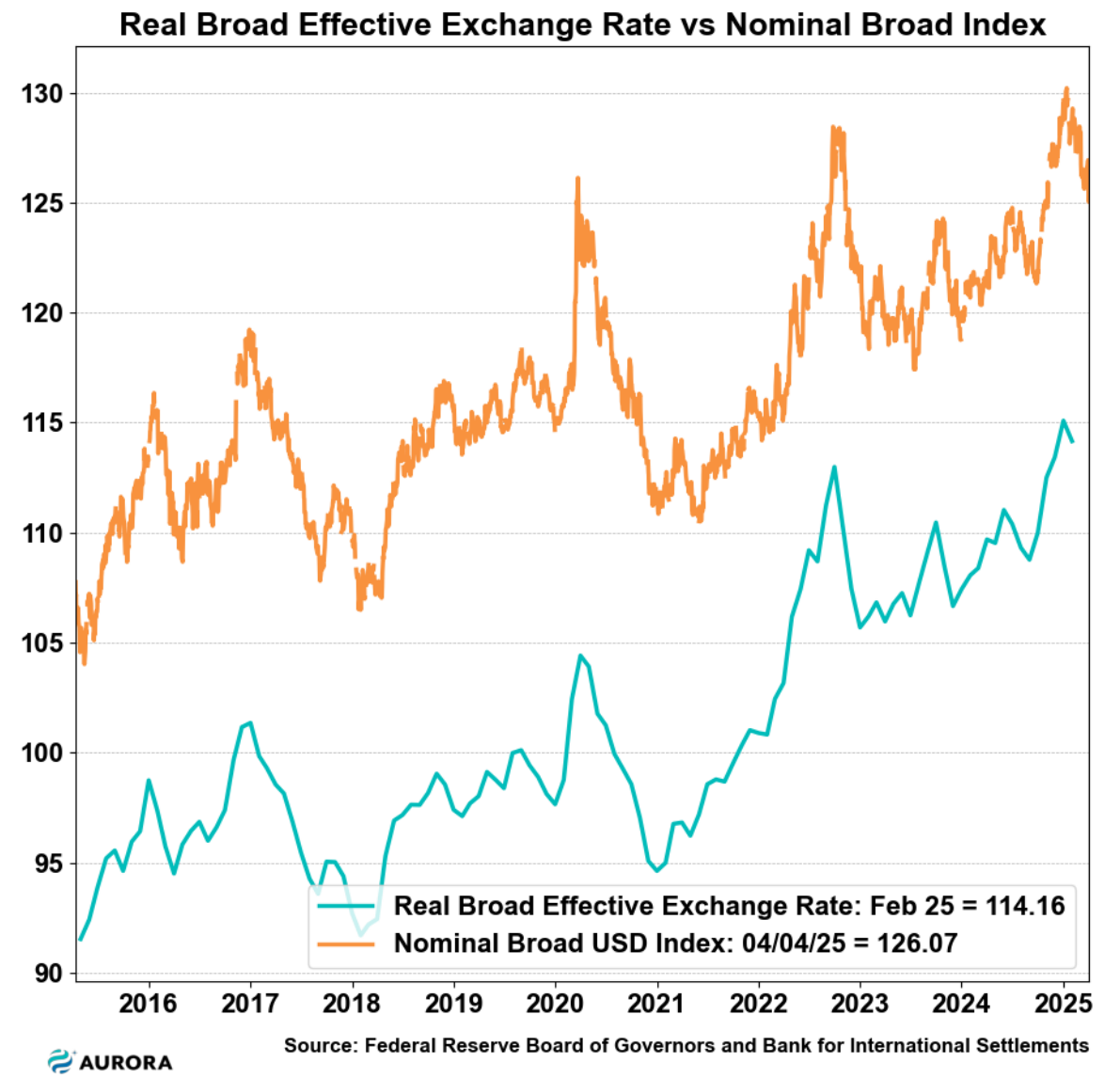
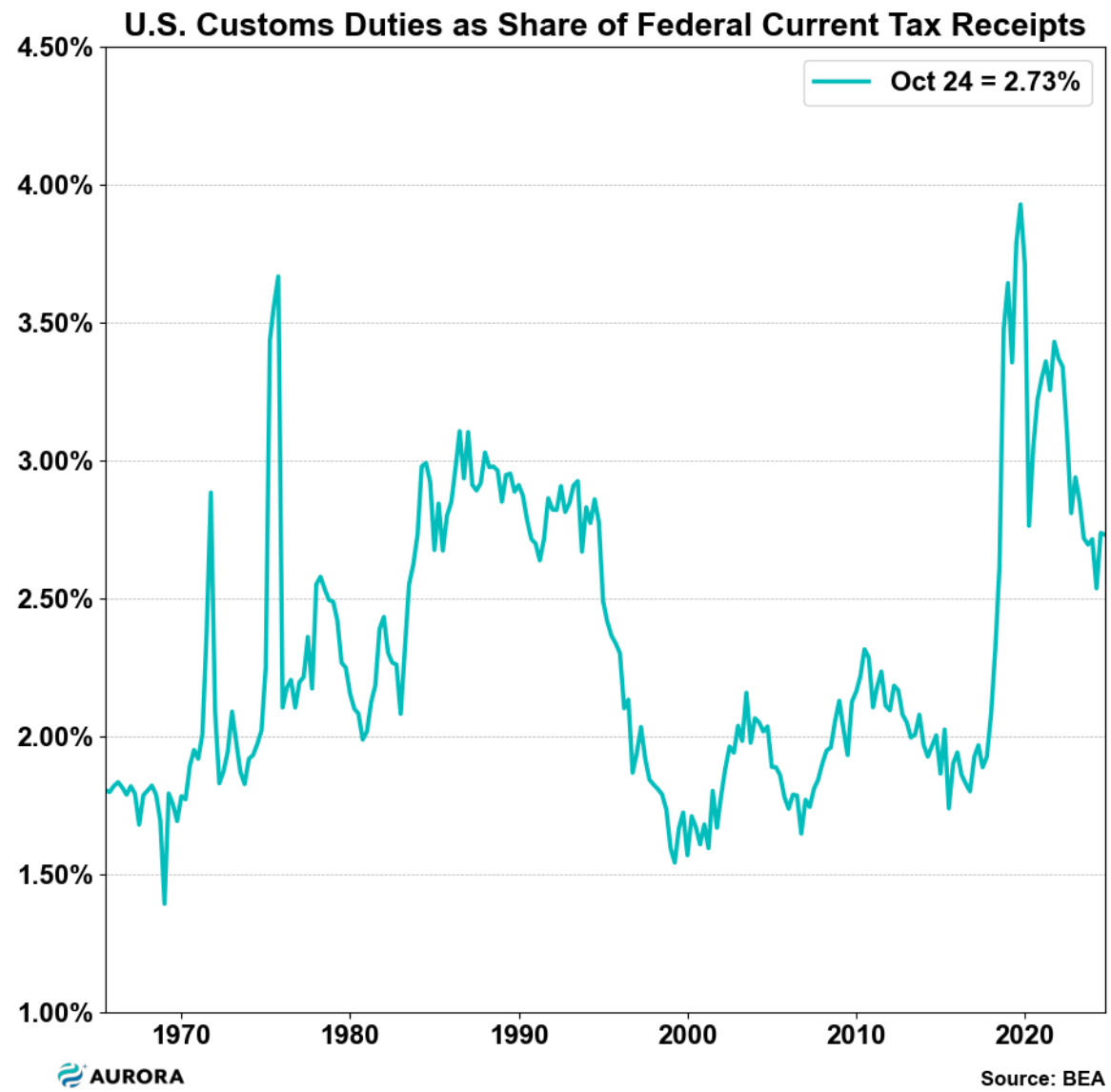


Monthly U.S.-China Trade in Goods (US\$ Millions, NSA)



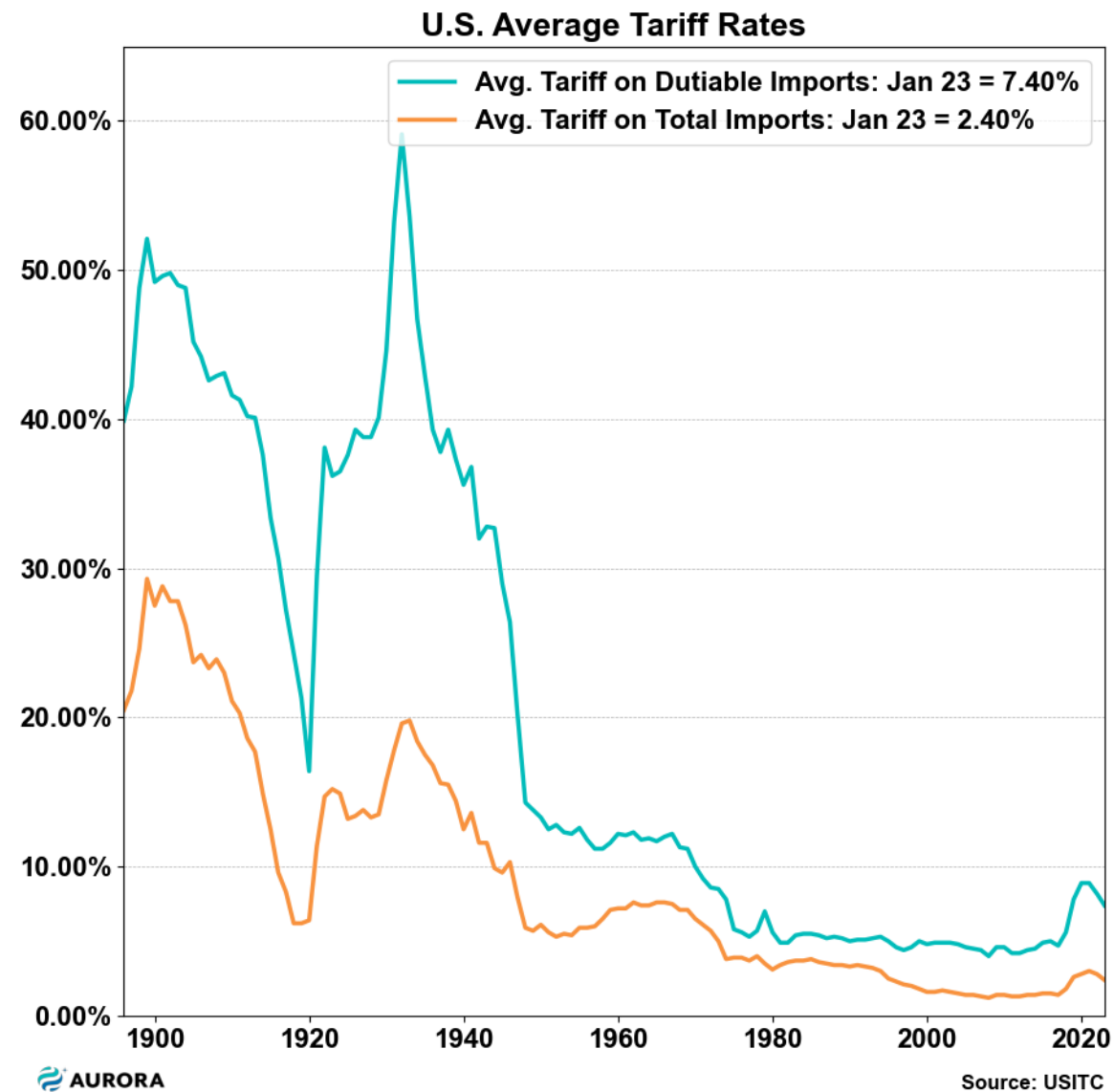
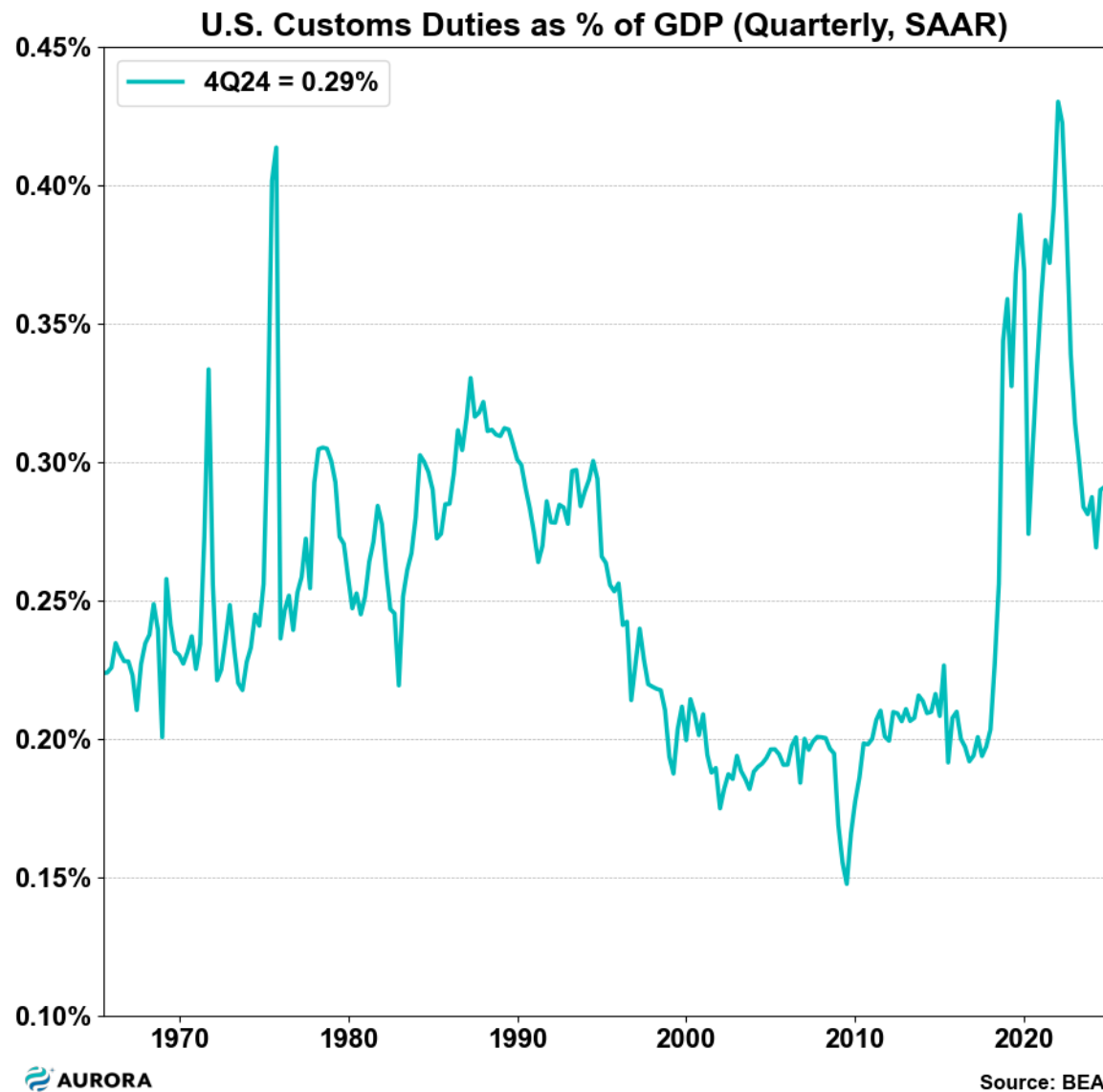


## 7b. International Trade





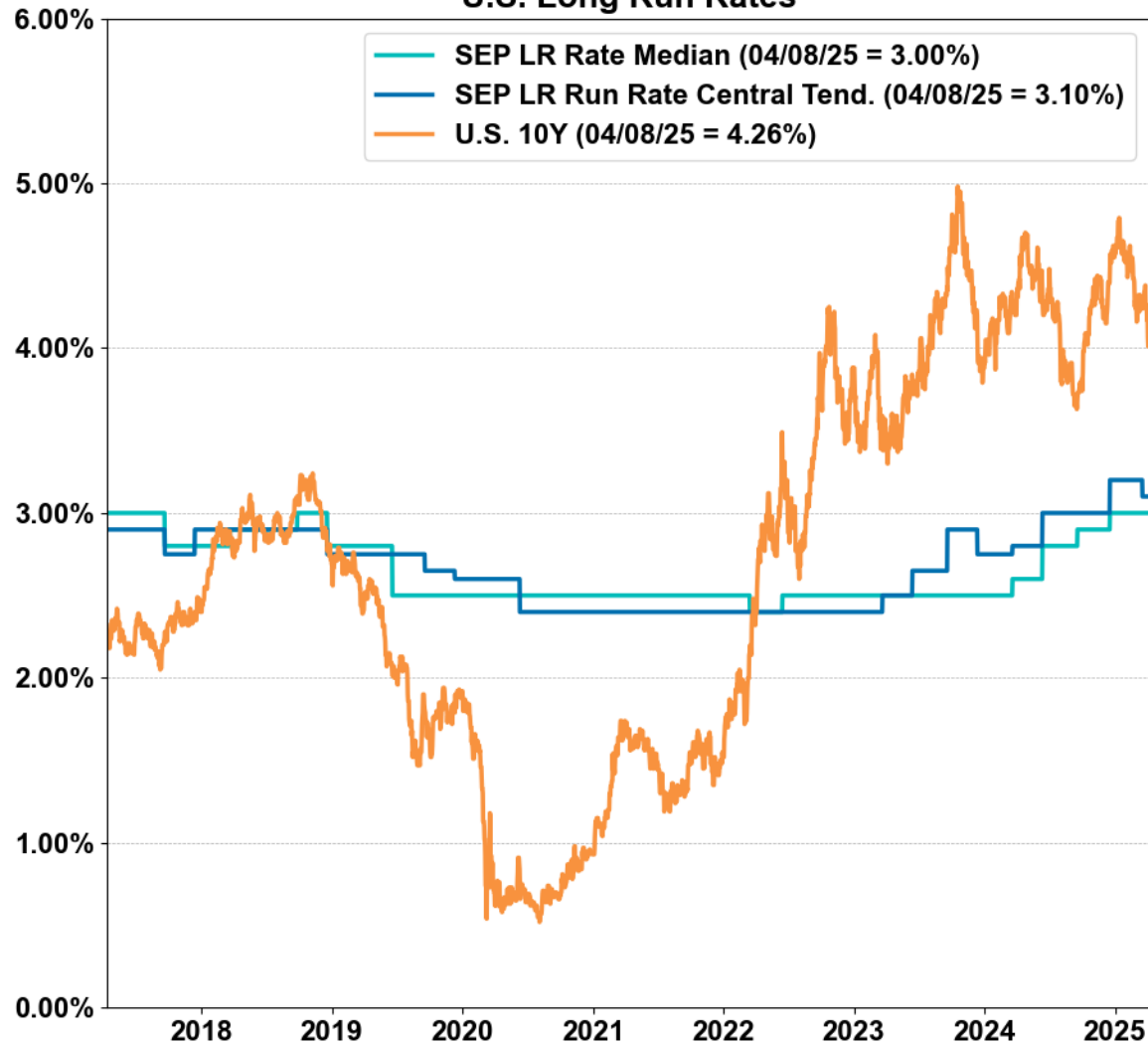
## 7c. International Trade



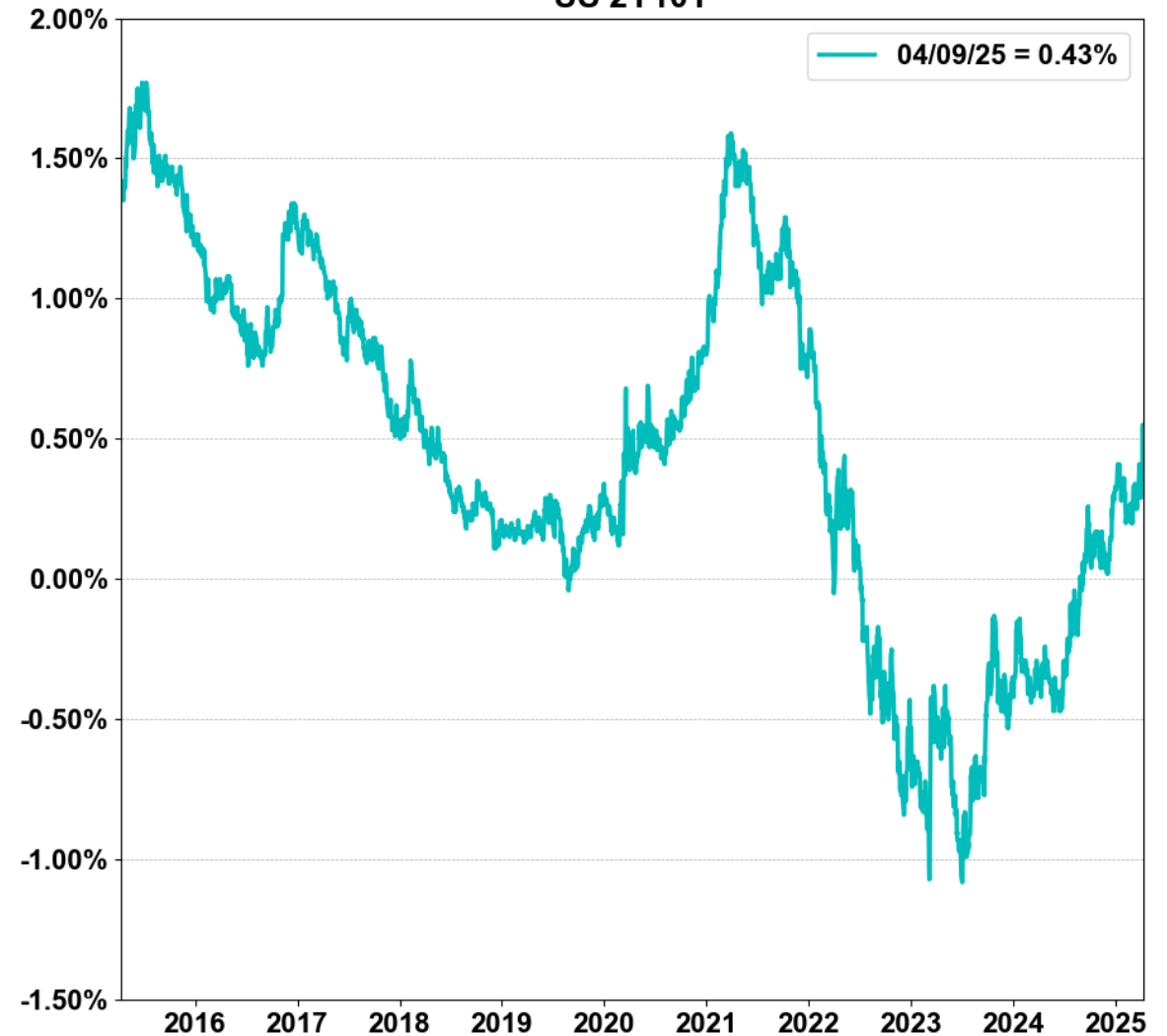


## 8a. Financial Markets

### U.S. Long Run Rates



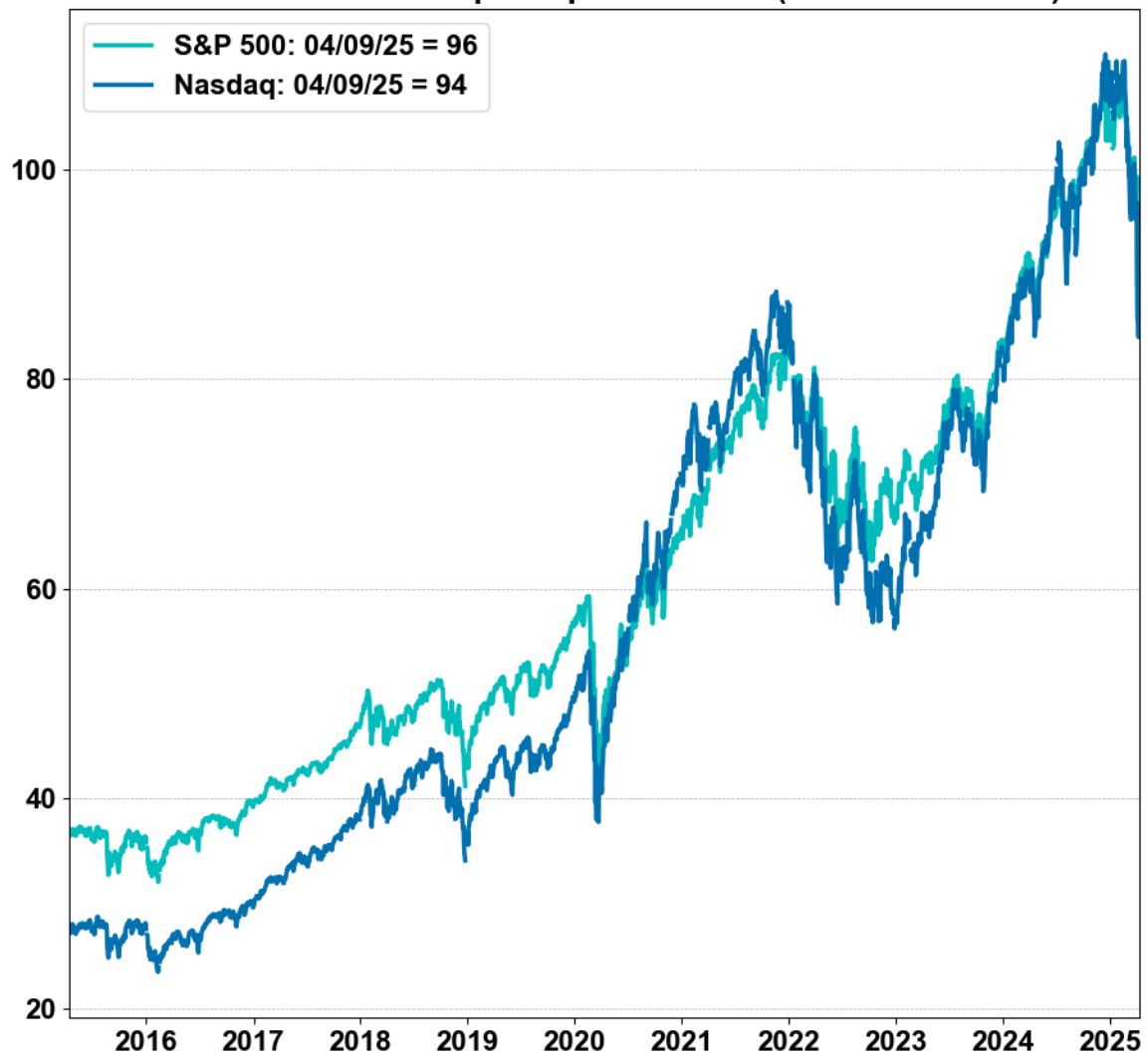
### US 2Y10Y



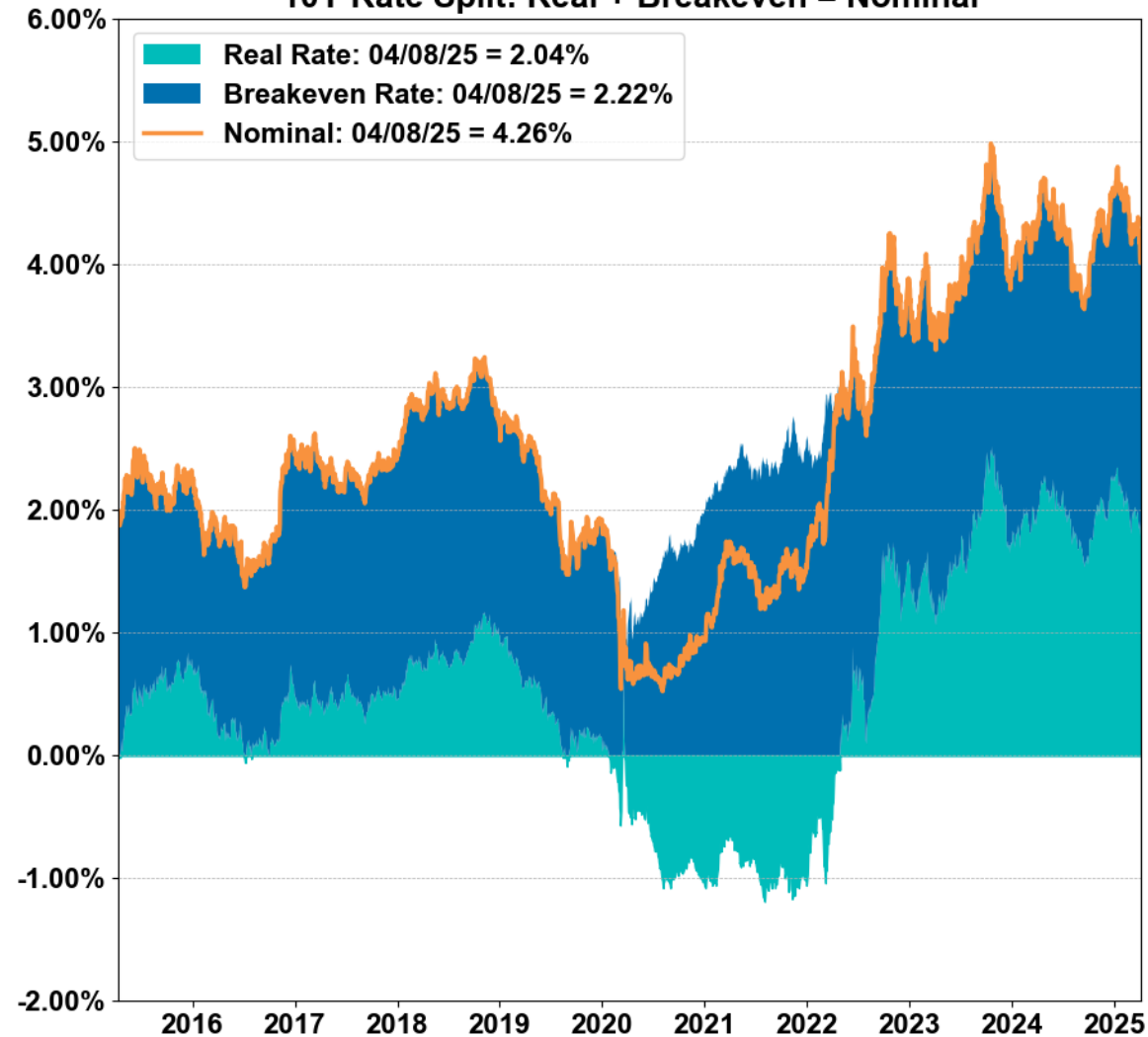


## 8b. Financial Markets

S&P 500 and Nasdaq Composite Index (11/04/2024 = 100)



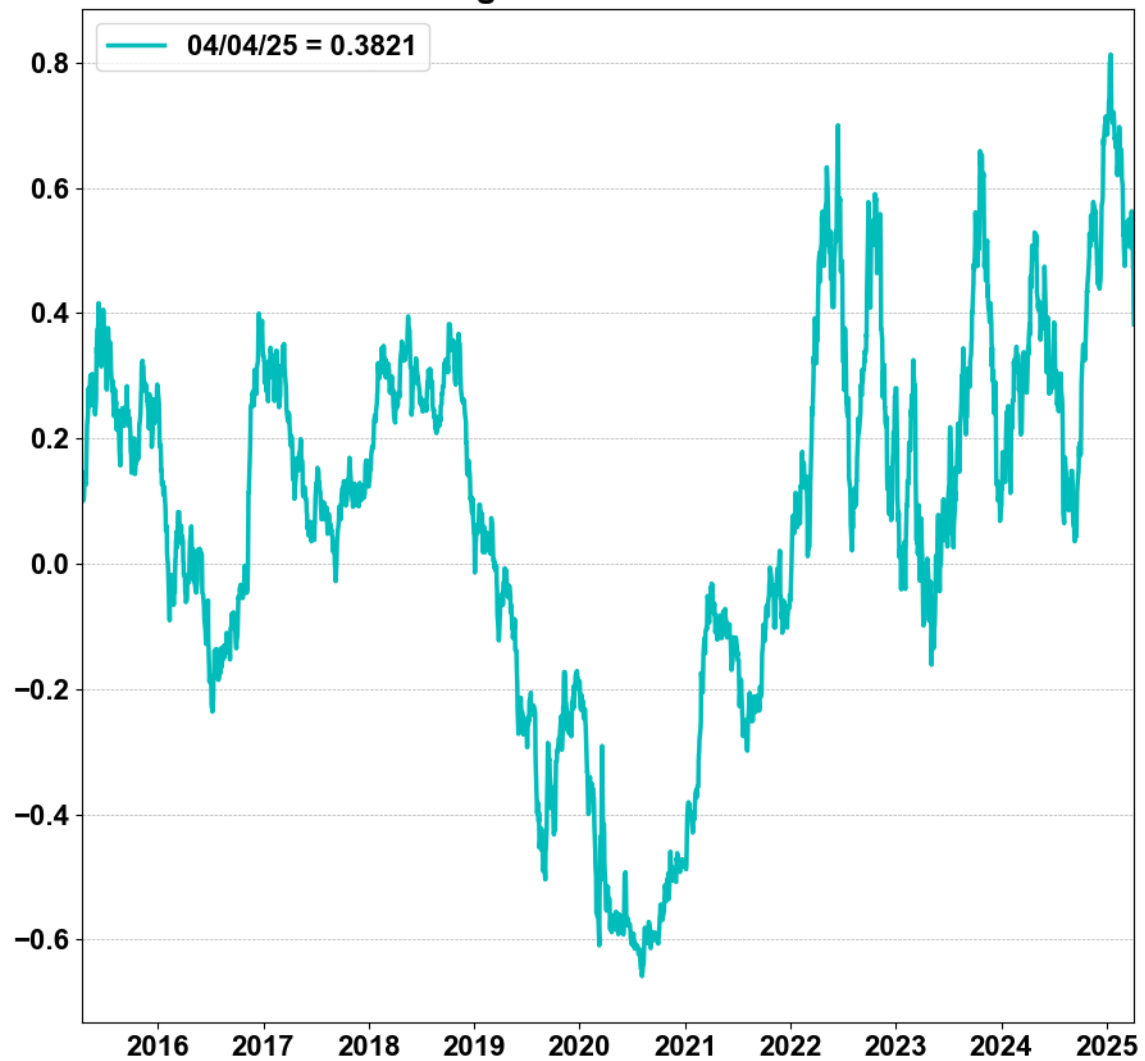
10Y Rate Split: Real + Breakeven = Nominal



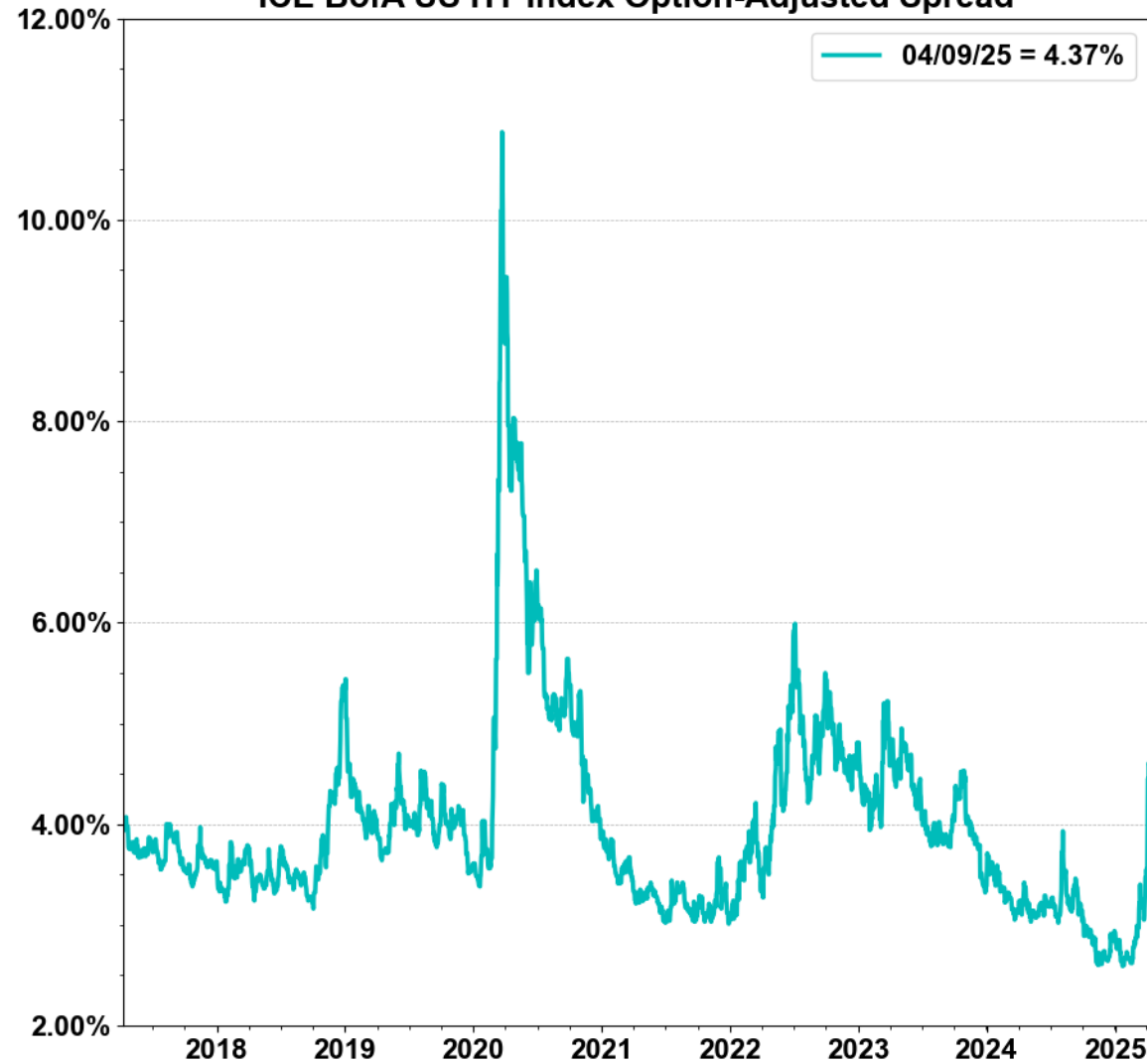


## 8c. Financial Markets

Kim-Wright 10YR Term Premium



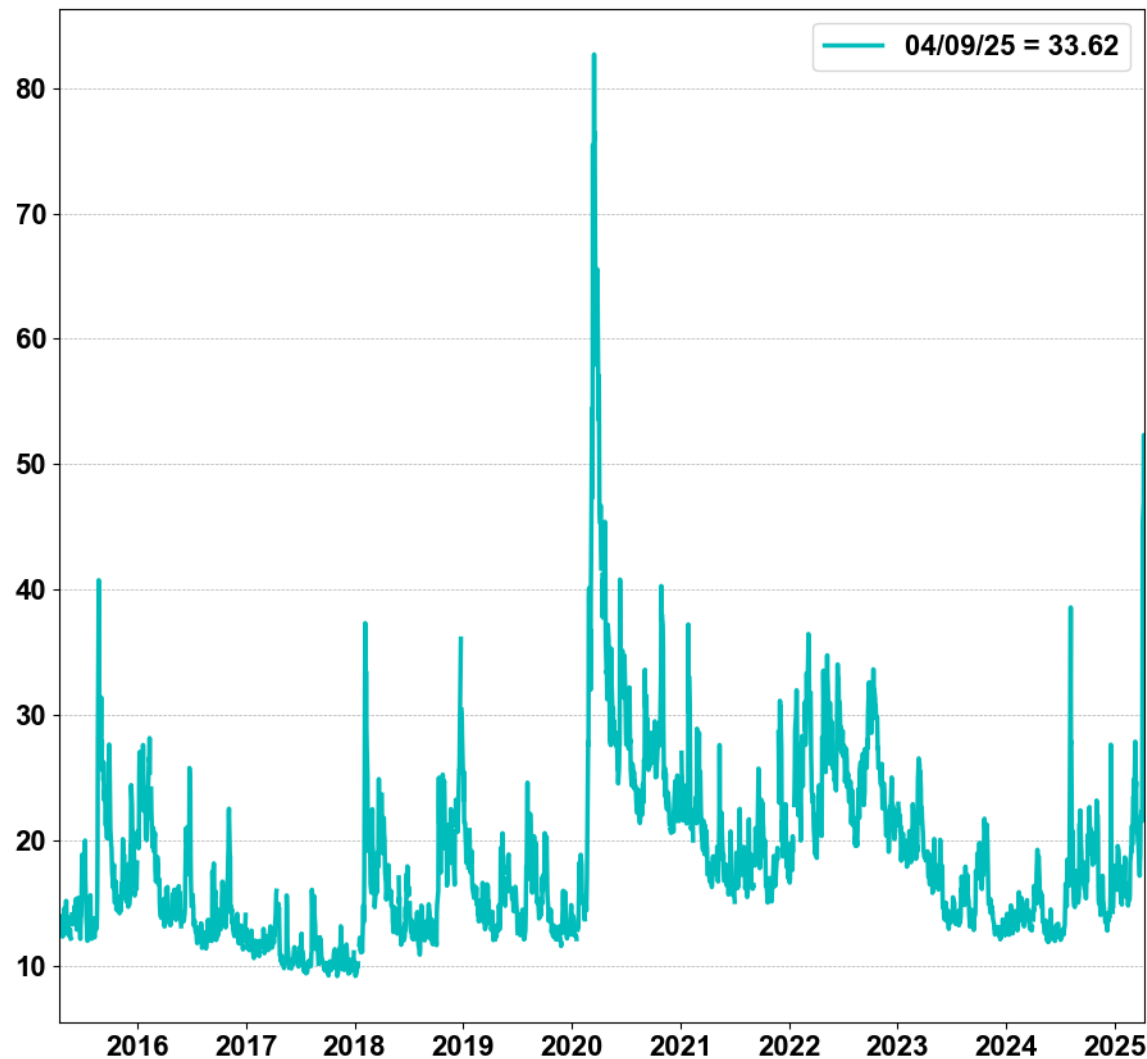
ICE BofA US HY Index Option-Adjusted Spread



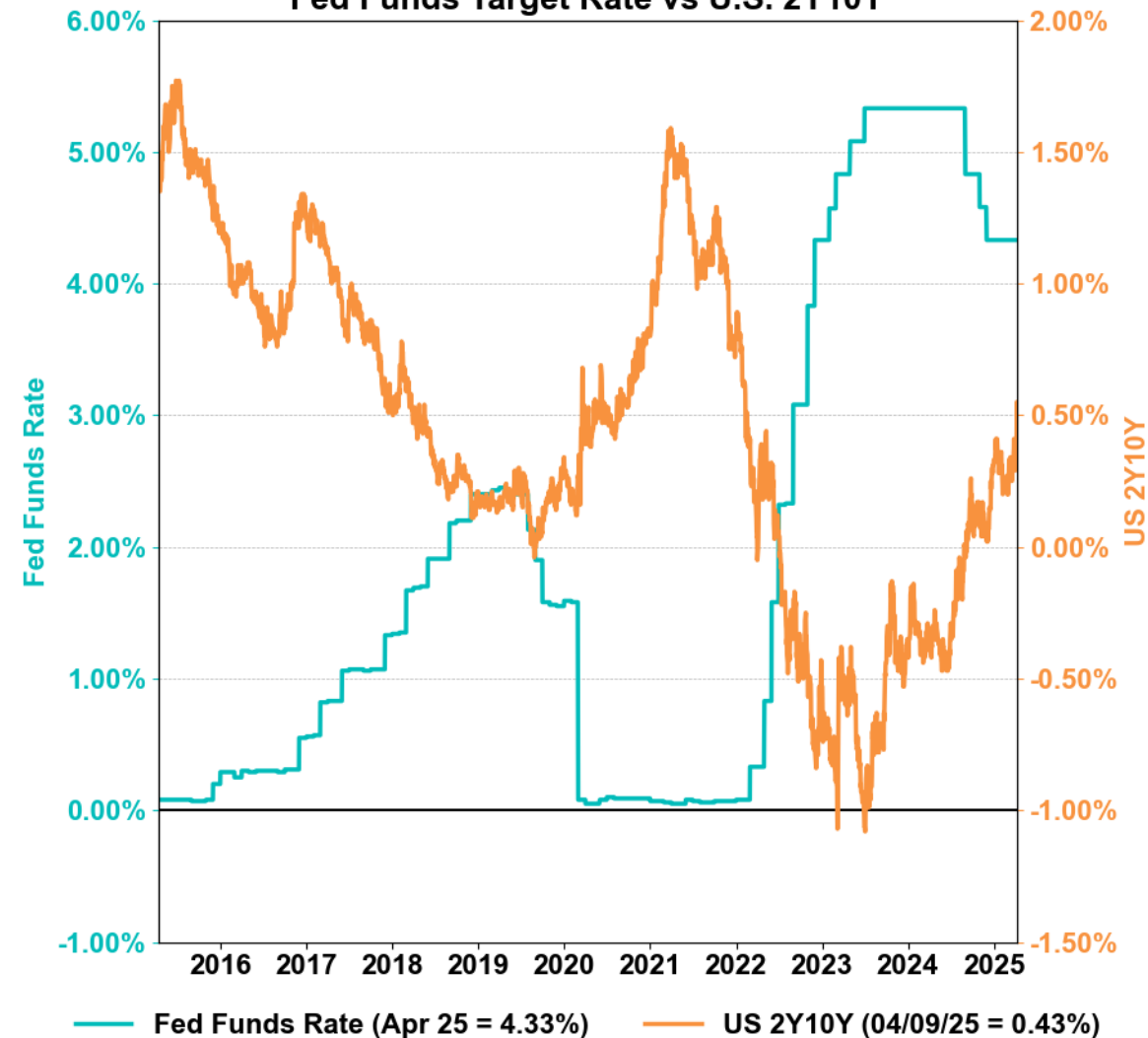


## 8d. Financial Markets

VIX

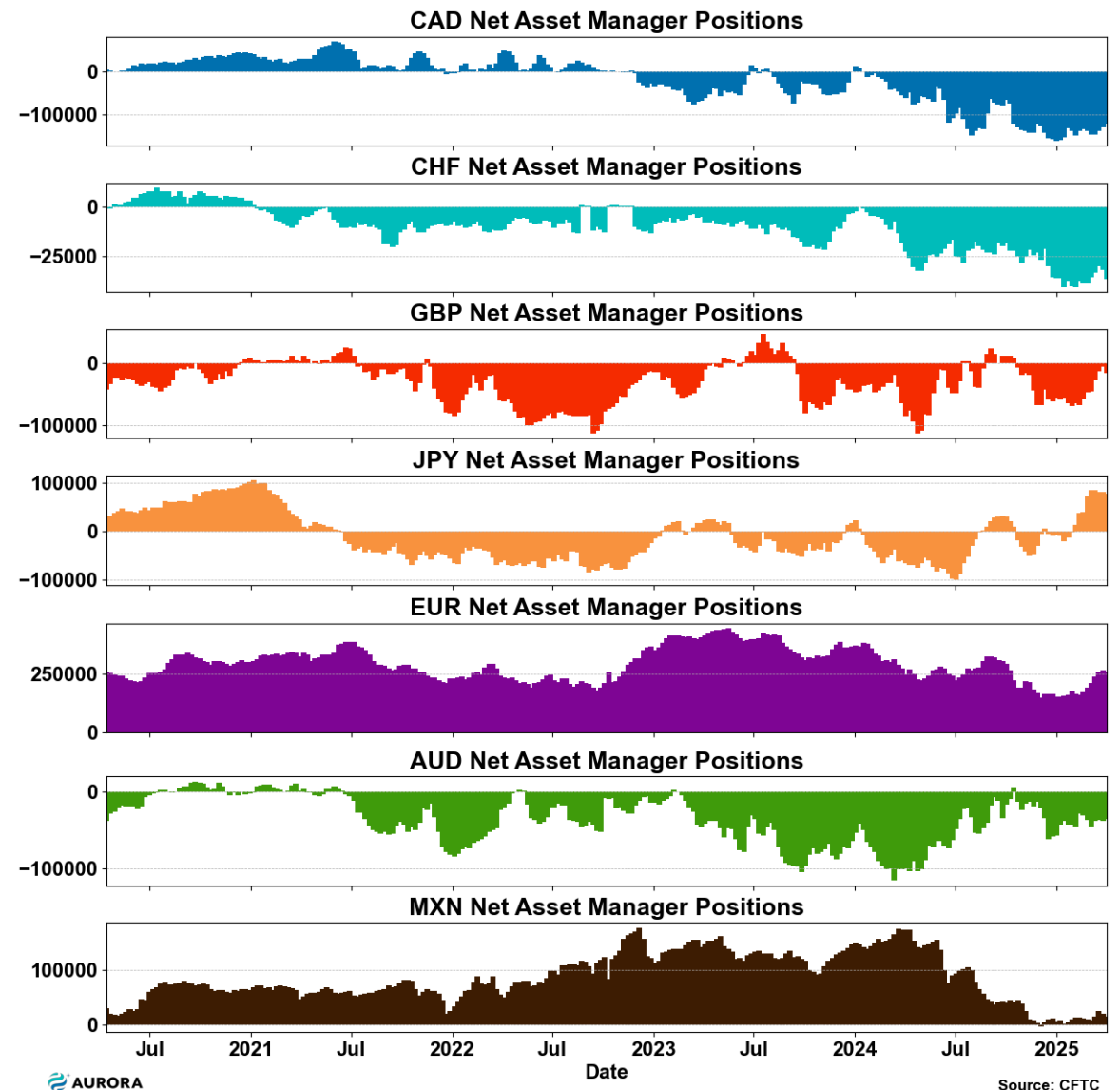
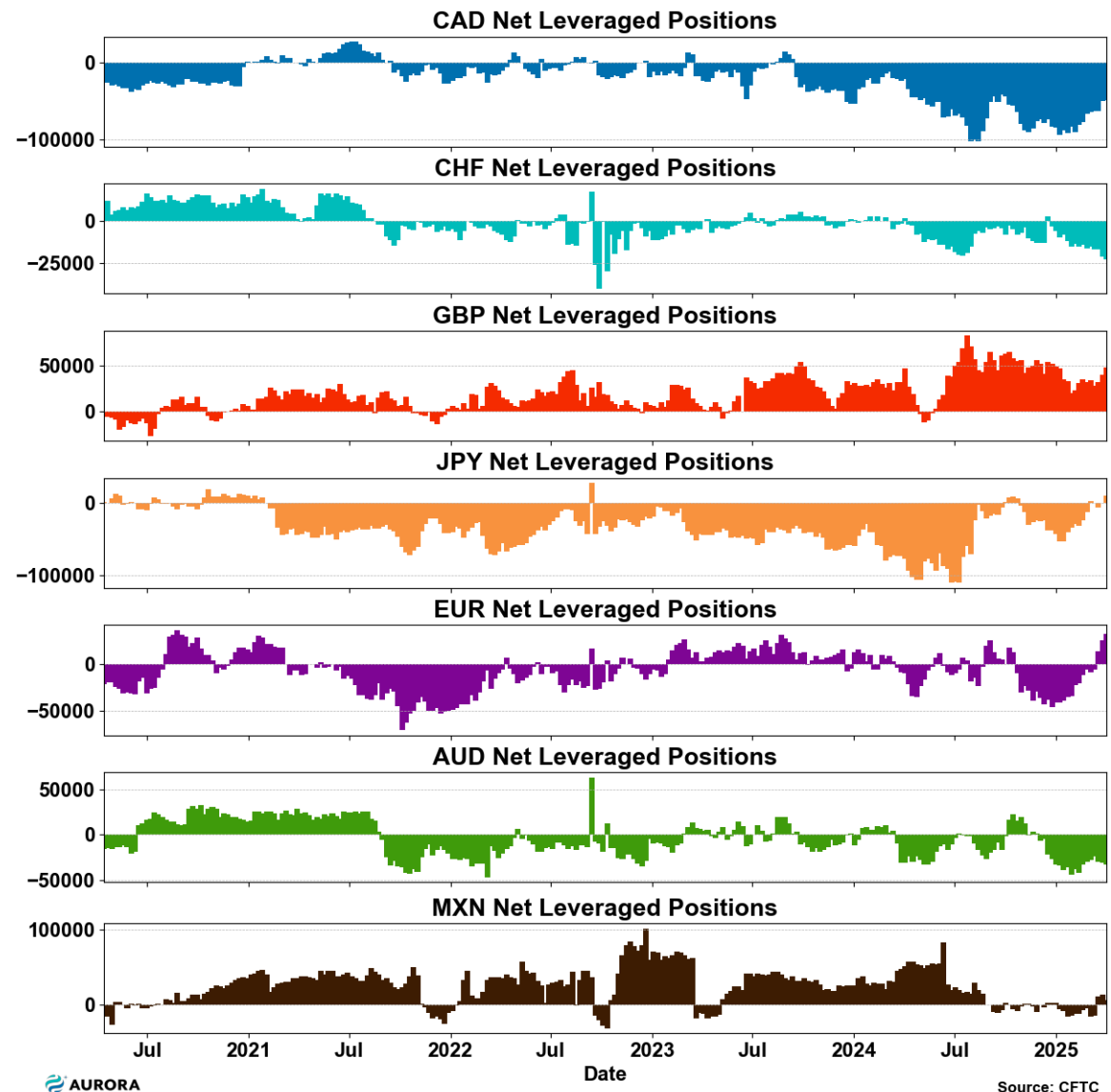


Fed Funds Target Rate vs U.S. 2Y10Y





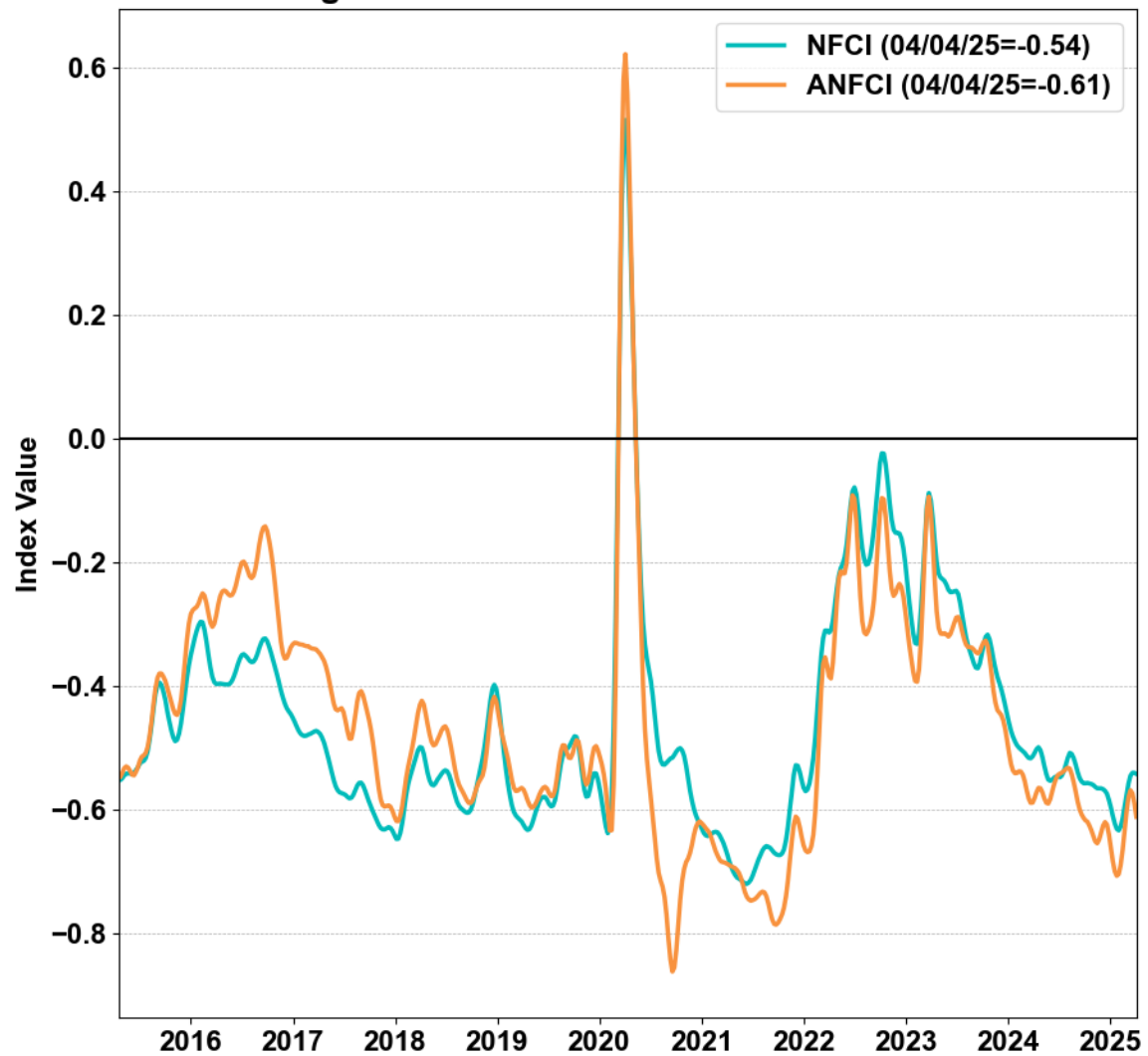
## 8e. Financial Markets



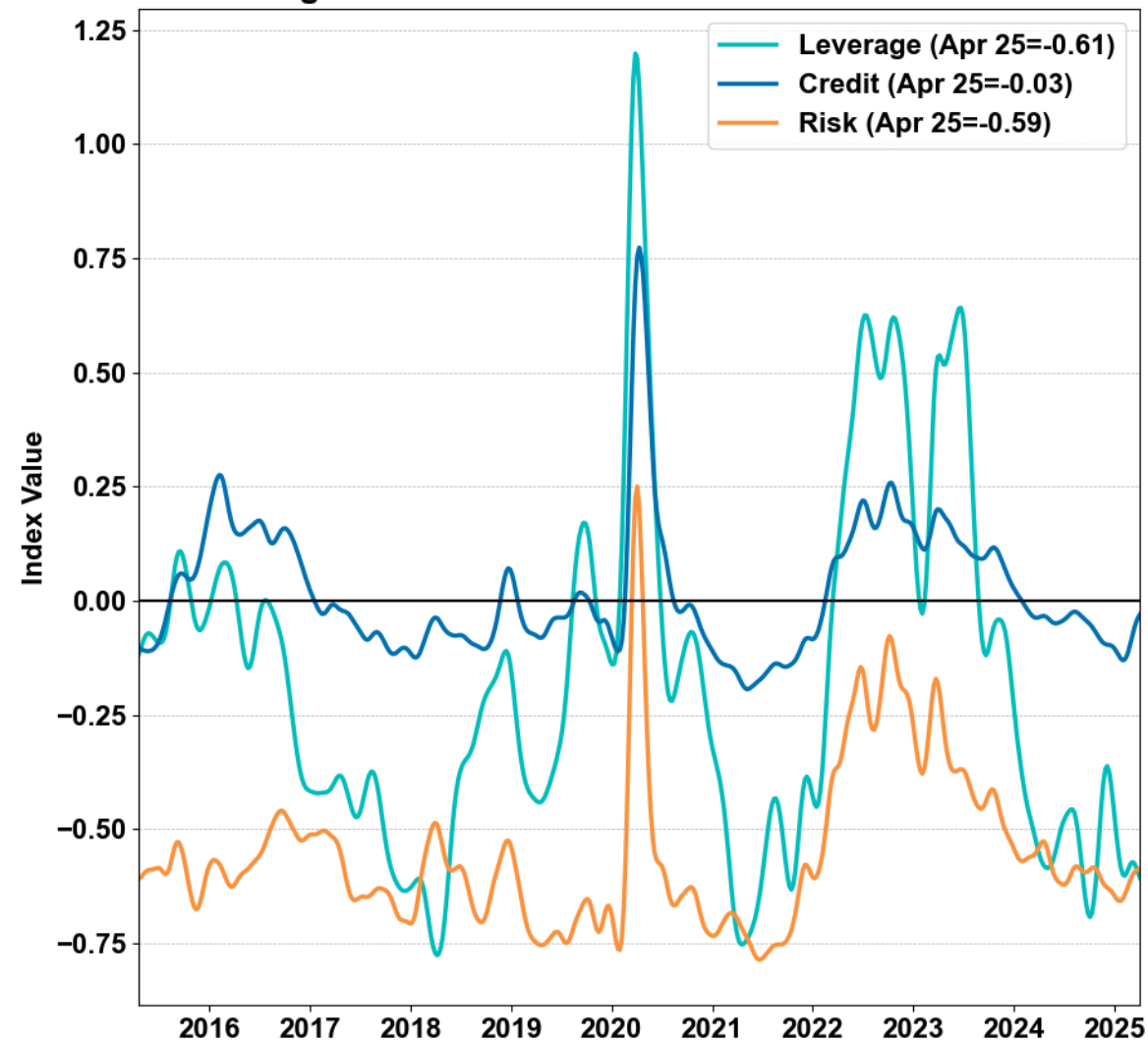


## 9a. Financial Condition Indicators

Chicago Fed National Financial Condition Indices



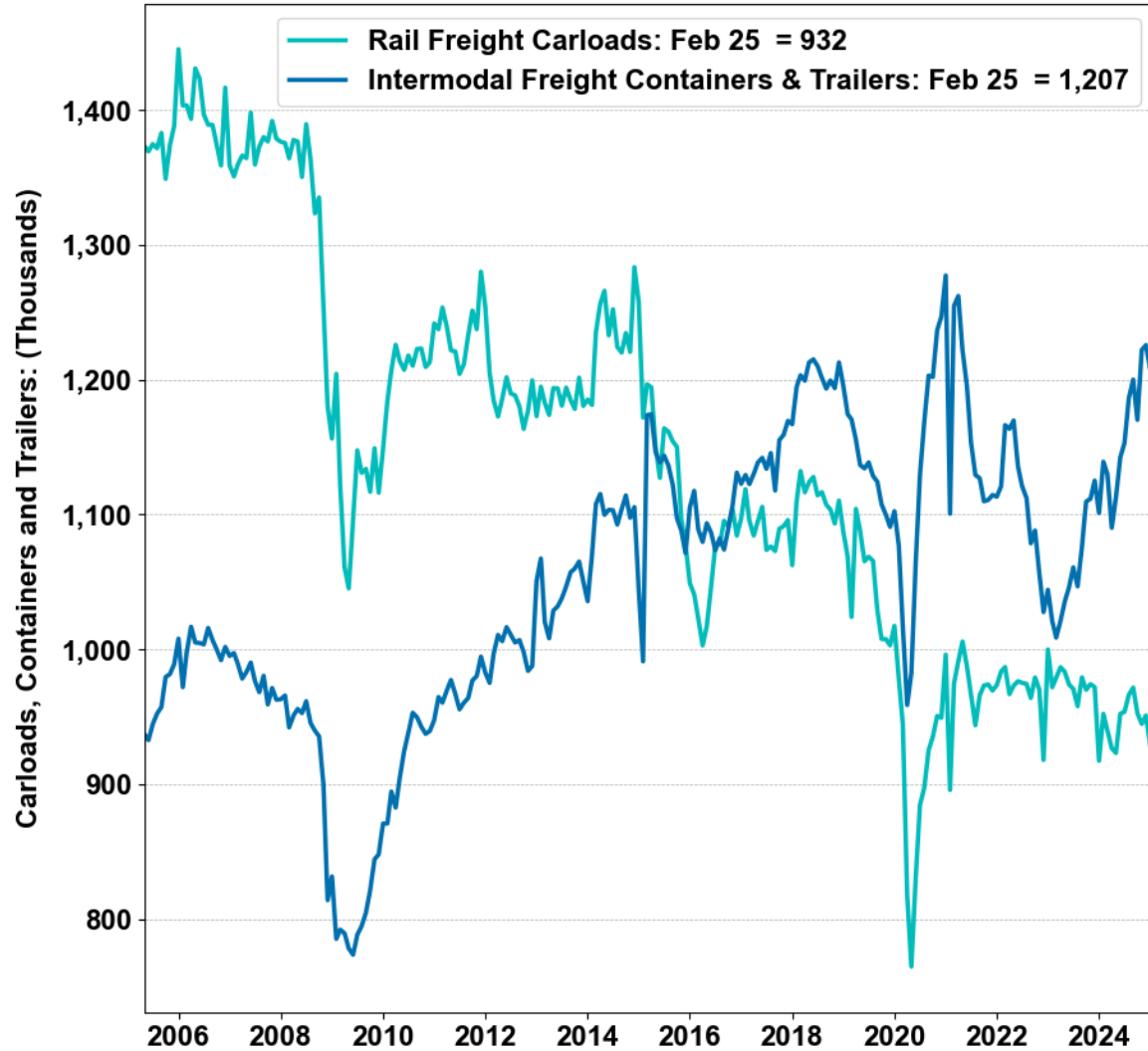
Chicago Fed National Financial Condition Sub-Indices



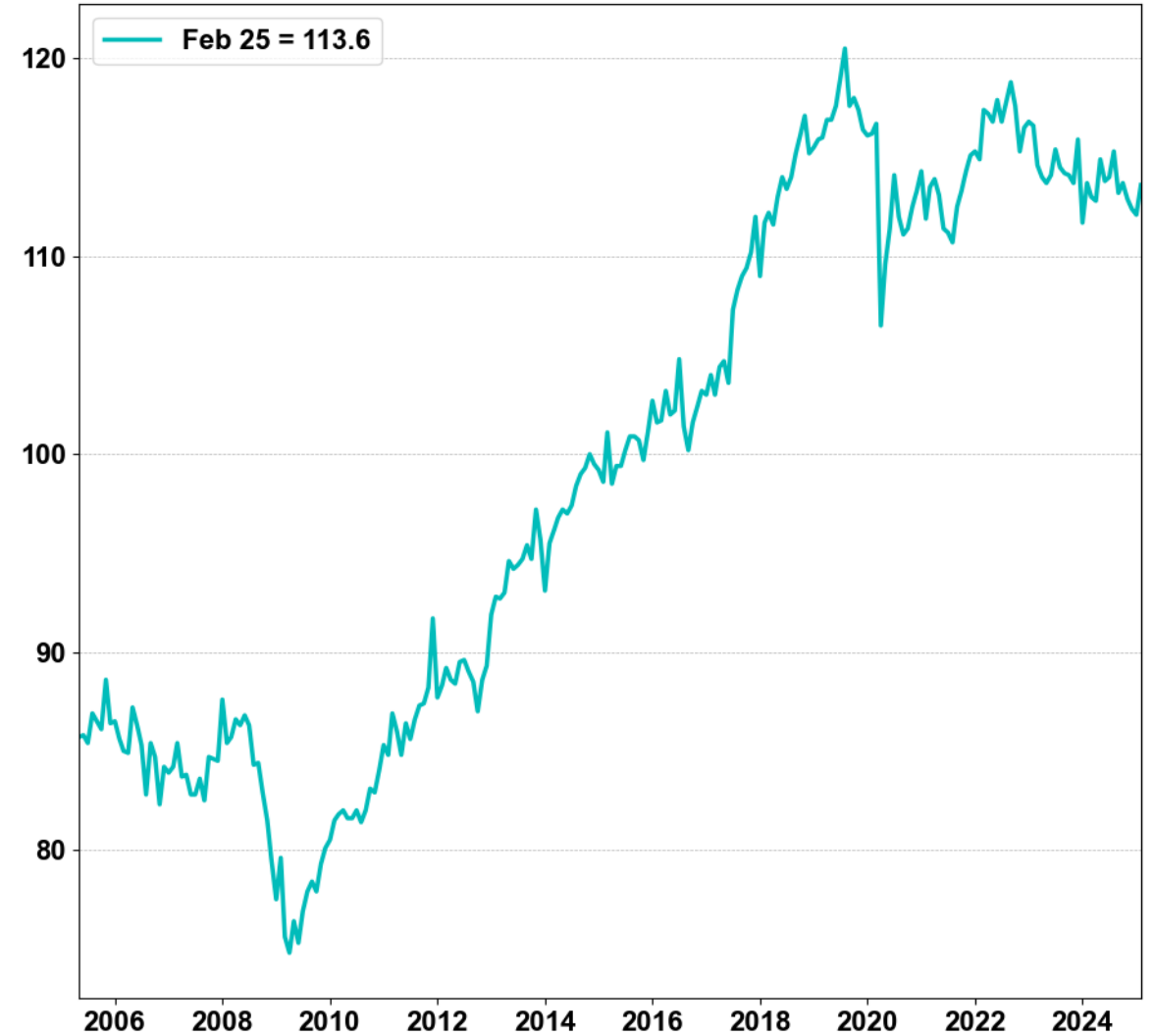


## 9b. Freight Transportation Indicators

U.S. Monthly Rail Data



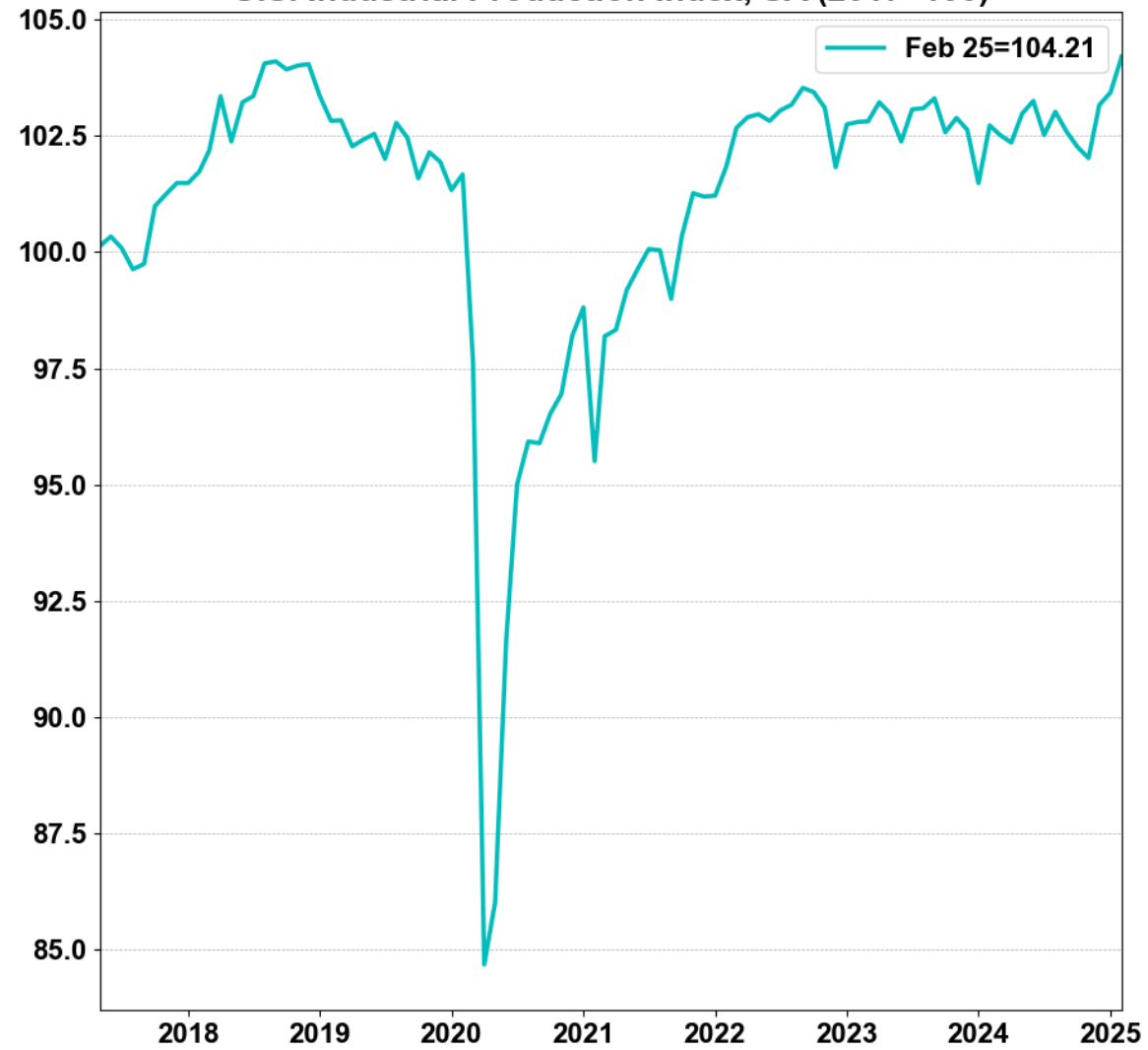
U.S. Truck Tonnage Index (2015=100)



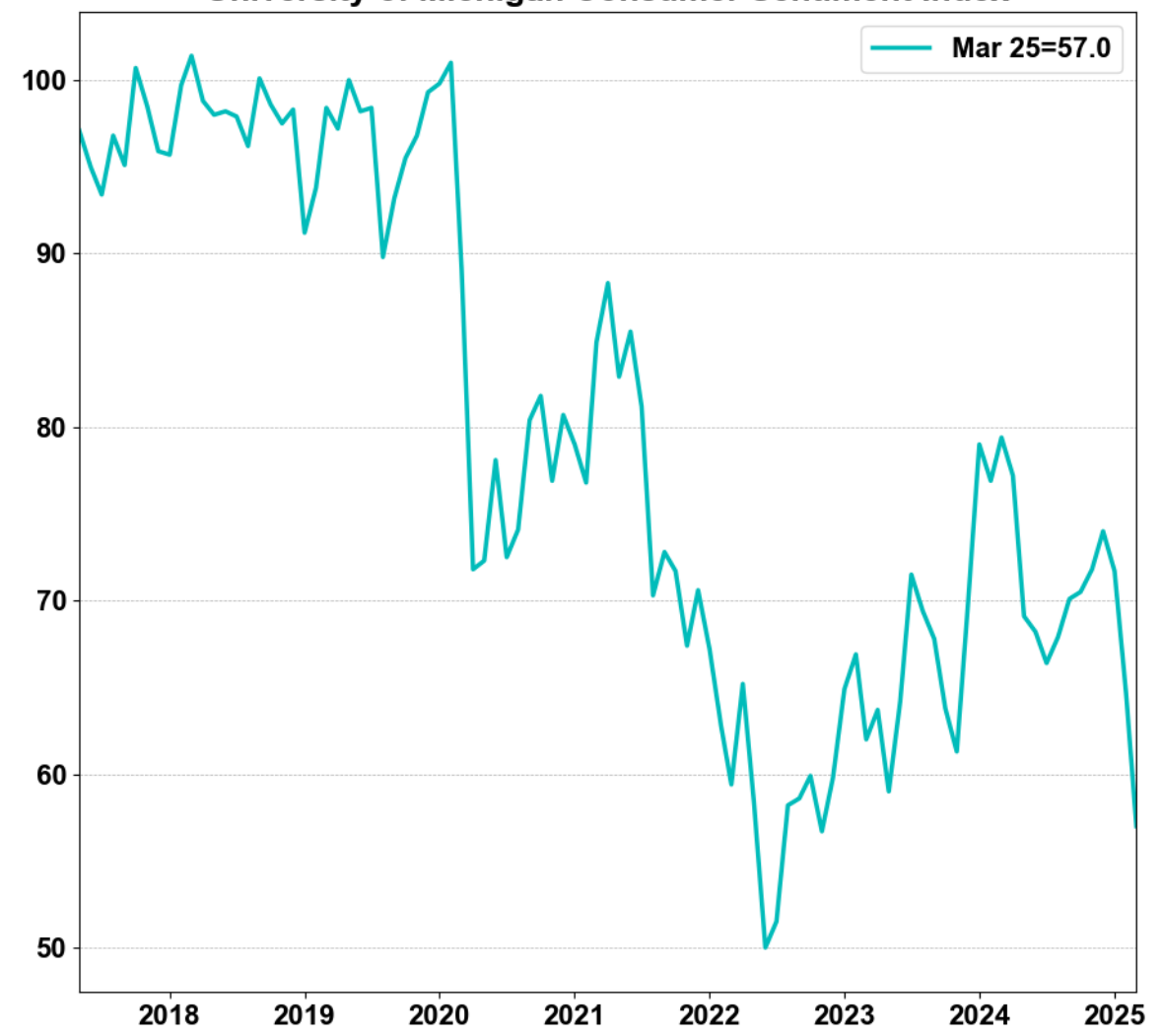


## 9c. Other Economic Indicators

U.S. Industrial Production Index, SA (2017=100)

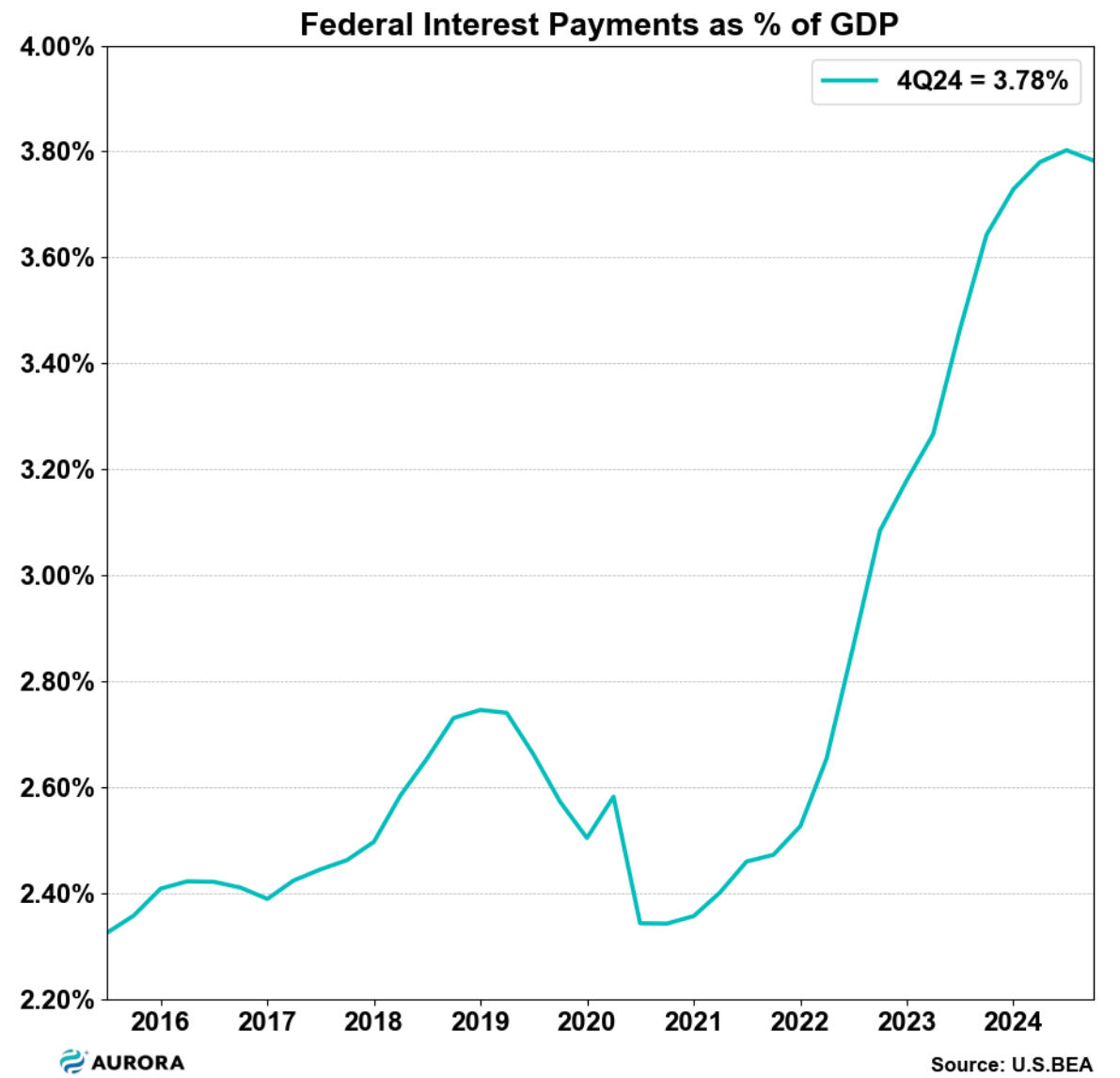
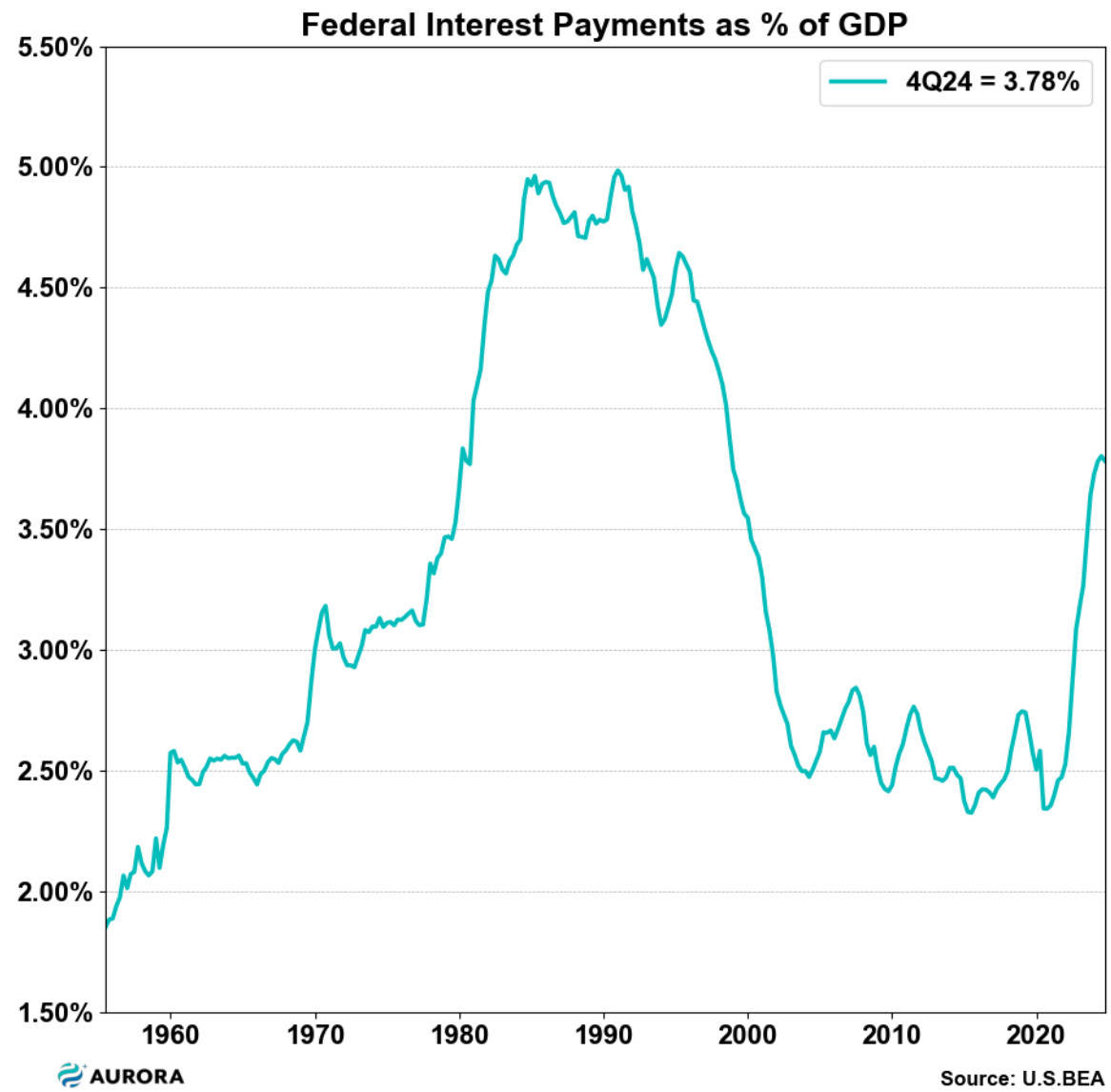


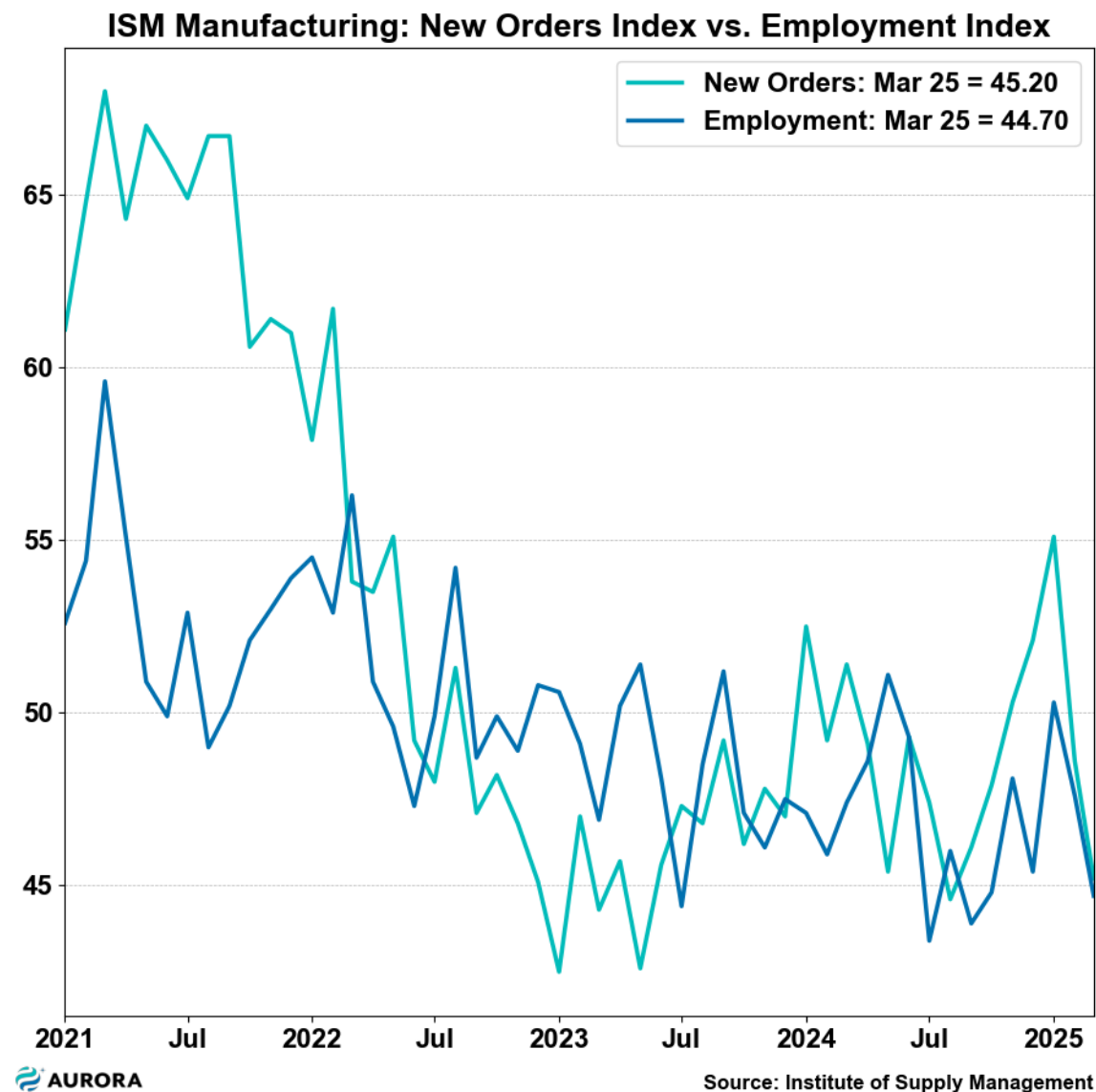
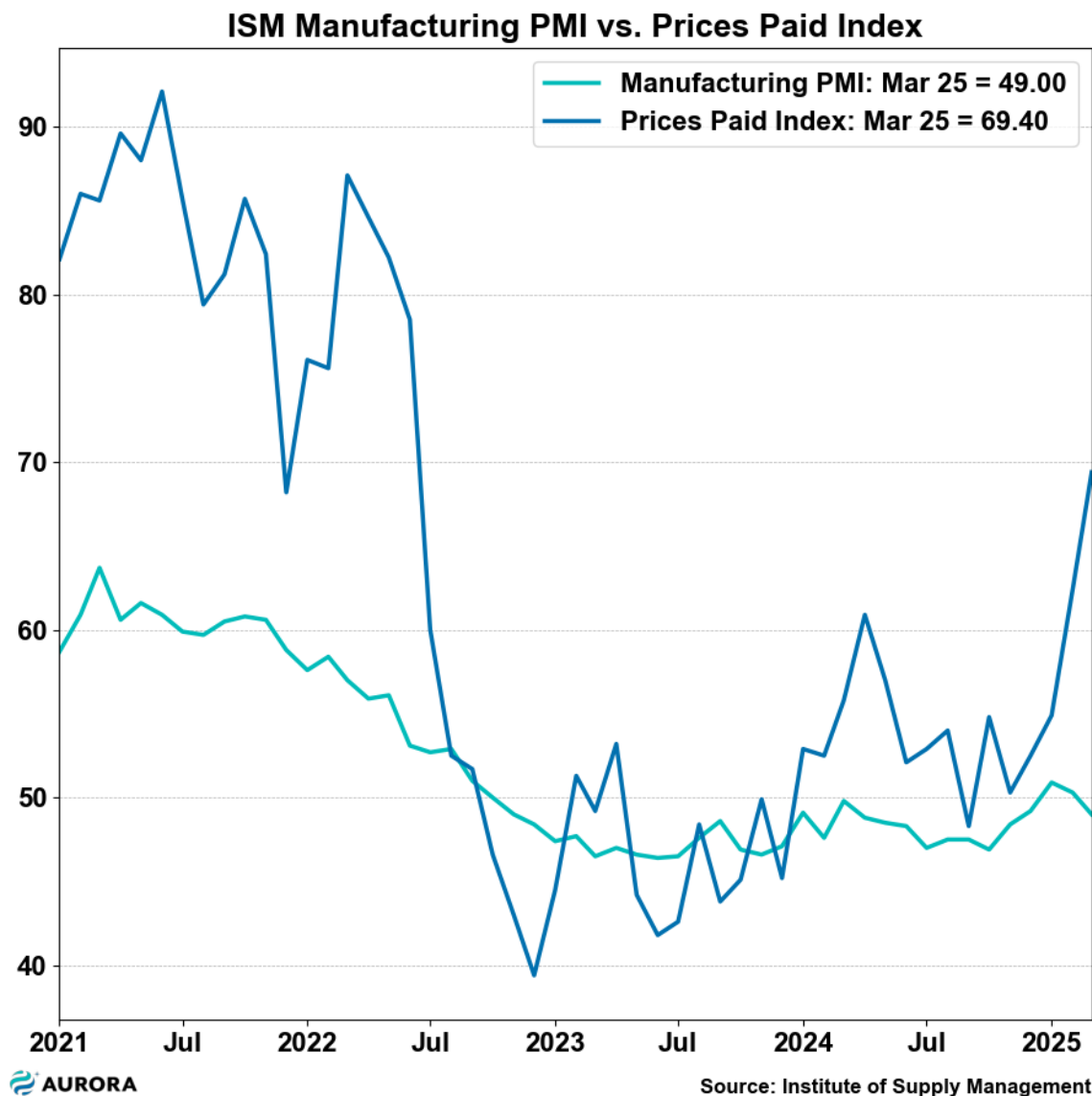
University of Michigan Consumer Sentiment Index





## 9d. Other Economic Indicators

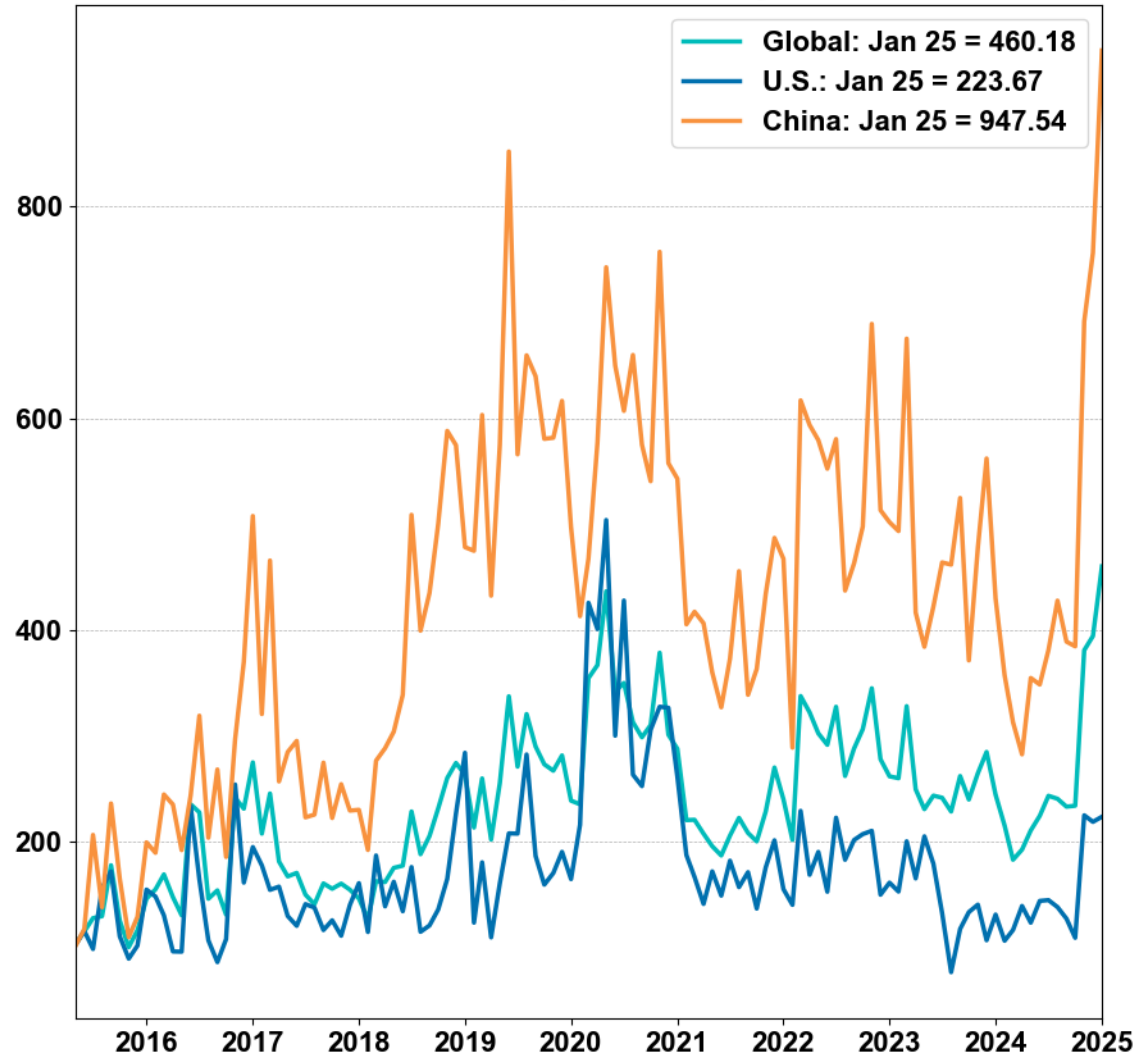




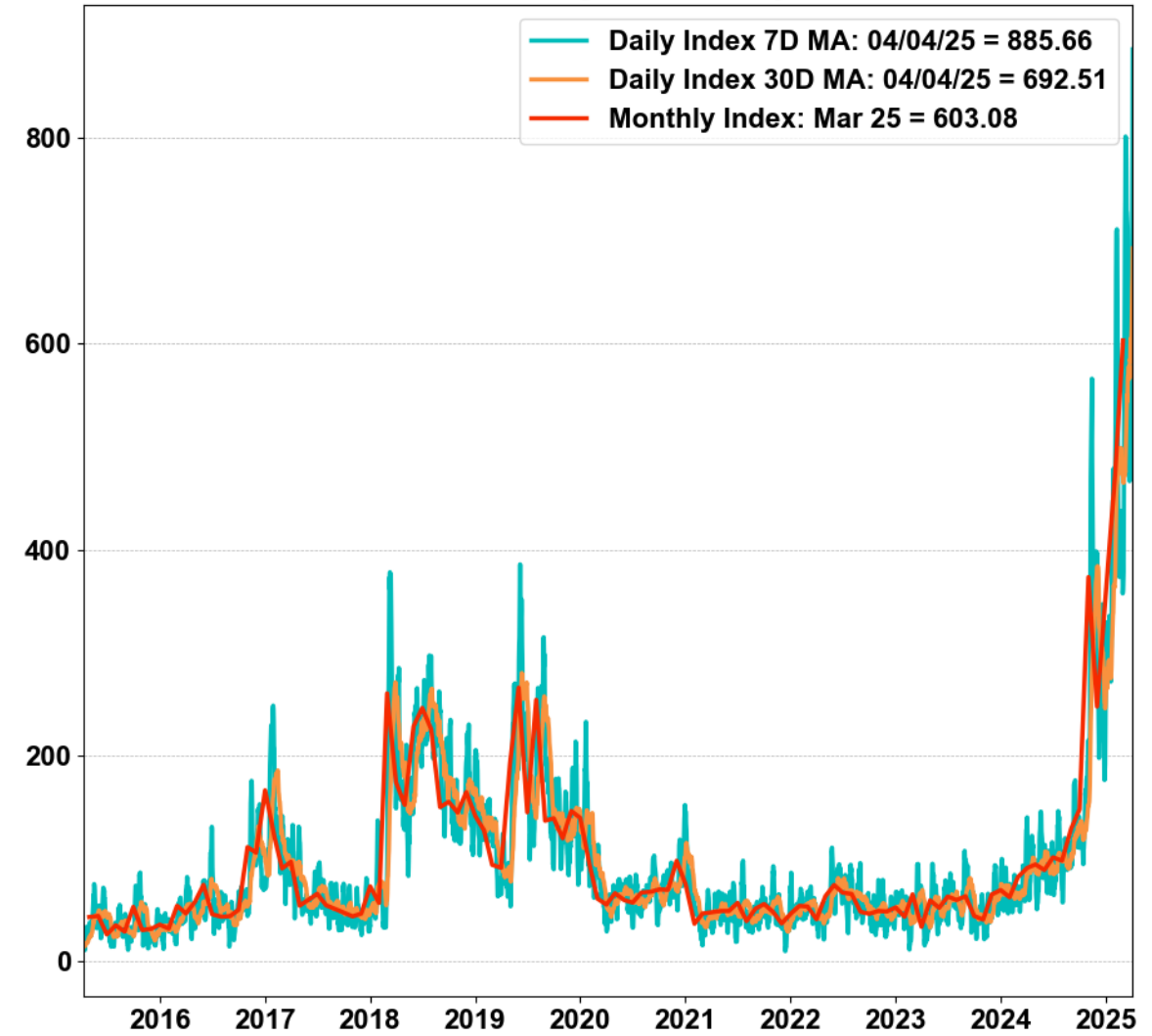


## 9d. Other Economic Indicators

### Economic Policy Uncertainty Index



### U.S. Trade Policy Uncertainty Index





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