

Retail Sales Up in July, Boosted by E-Commerce Surge

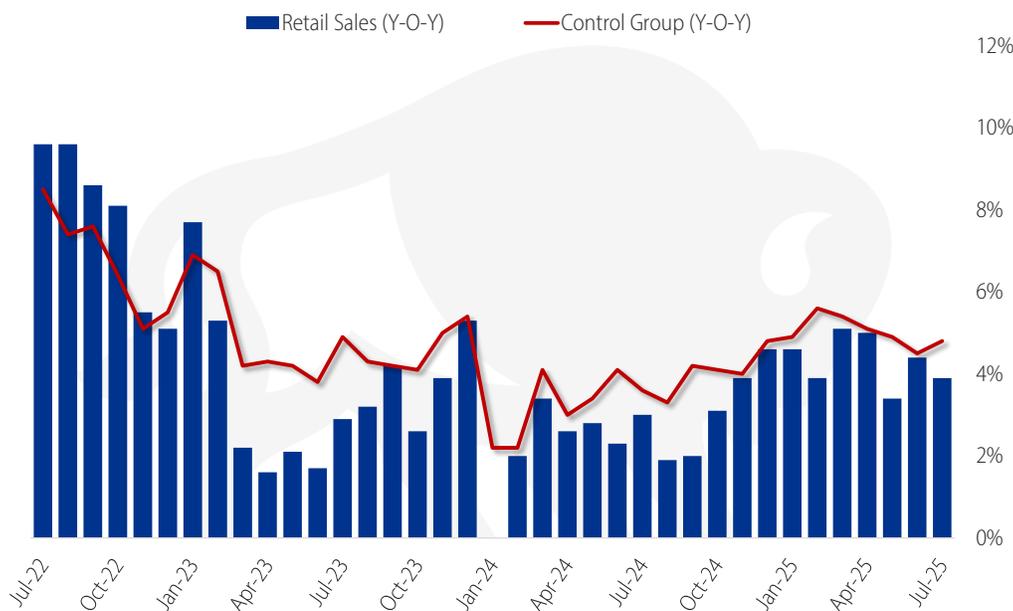
Retail sales and food services rose 0.5% in July, slightly below expectations but supported by a strong upward revision to June's already solid report. The July figure came in just shy of the 0.6% pre-release estimate. While the data is nominal and not adjusted for inflation, it reinforces the view that a 50-basis point rate cut in September is increasingly unlikely, for now.

Core retail sales, which exclude autos, gas, building materials, and food services, also rose 0.5%, beating the 0.4% forecast. This component feeds directly into GDP calculations and should support upward adjustments to growth estimates. Of the 13 major categories, nine posted gains, with notable strength in autos and e-commerce. Weakness was concentrated in building materials and food services, with the latter declining 0.4% after a 0.6% gain in June. The restaurants and bars category, the only services-related component, serves as a proxy for discretionary spending and showed signs of softening.

A major contributor to July's e-commerce strength was Amazon's extended four-day Prime Day event. Online spending across all U.S. retailers surged 30% year-over-year to \$24 billion, surpassing the last two Black Fridays combined. The average household spent \$156, with two-thirds of items priced under \$20, reflecting cautious consumer behavior amid lingering trade uncertainty. Similar digital events at Walmart and Target added to the momentum.

While Prime Day lifted overall retail activity, it also highlighted shifting consumer priorities. Shoppers favored household essentials over big-ticket items, with only 3% of purchases exceeding \$100.

Retail Sales (Year-over-Year Percent Change)



Source: US Census Bureau

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Since the July jobs report, yields have fallen across the curve, twos are down around 25 basis points, and the long end is off by high single to low double digits. July's retail data suggests a firmer start to second-half consumer spending, as easing concerns around trade policy and a rebound in equity markets have helped restore some confidence. While the labor market is cooling, the broader economic picture isn't weak enough to justify aggressive rate cuts. Yesterday's hotter-than-expected PPI report added to inflation concerns, reinforcing the Fed's cautious stance.

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It's a busy Friday for data. The volatile Empire Manufacturing survey surprised to the upside with an 11.9 reading versus a flat 0.0 expectation. Import prices rose 0.4% for the month, well above the 0.1% survey, though there were downward revisions to previous months and the index remains down 0.2% YoY. Also, on the docket this morning is the University of Michigan's August preliminary Survey of Consumers.

Market Indications as of 8:47 A.M. Central Time

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| DOW | Up 194 to 45,105 (NEW HIGH) |
| NASDAQ | Down -71 to 21,640 (HIGH: 21,713) |
| S&P 500 | Up 4 to 6,473 (NEW HIGH) |
| 1-Yr T-bill | current yield 3.89%; opening yield 3.89% |
| 2-Yr T-note | current yield 3.72%; opening yield 3.73% |
| 3-Yr T-note | current yield 3.69%; opening yield 3.69% |
| 5-Yr T-note | current yield 3.81%; opening yield 3.81% |
| 10-Yr T-note | current yield 4.29%; opening yield 4.29% |
| 30-Yr T-bond | current yield 4.90%; opening yield 4.88% |

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