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Treasury Yields Dip as Investors Await Key Economic Data Before Potential Fed Moves

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U.S. Treasury yields dipped slightly on Friday as investors paused to digest a string of strong economic indicators while awaiting additional data that could influence upcoming decisions by the Federal Reserve. Despite robust corporate earnings and rising equity markets, caution remains over the timing and scale of any future monetary policy shifts.

The yield on the 10-year U.S. Treasury note eased by roughly two basis points, settling near 4.24%, while the two-year yield declined to approximately 4.12%. This movement follows better-than-expected figures for retail sales and weekly jobless claims, data that suggest the economy remains resilient and could delay the anticipated start of interest rate cuts.

U.S. stock markets continued to post record highs, driven by solid earnings from major corporations including PepsiCo, United Airlines, and Taiwan Semiconductor Manufacturing Company. Tech stocks extended their rally, buoyed by ongoing demand in sectors tied to artificial intelligence, semiconductors, and cloud computing.

While inflation has moderated from its 2022 peak, the Federal Reserve has remained cautious about shifting its policy stance prematurely. Although San Francisco Federal Reserve President Mary Daly recently suggested that up to two rate cuts could occur before the end of 2025, Fed officials are expected to rely heavily on upcoming data before committing to any move.

In the coming weeks, investors will closely watch the release of the July Federal Open Market Committee minutes, additional inflation reports, and updates on consumer spending and job market performance. These data points will likely shape expectations heading into the Fed's next policy meeting.

Internationally, stock markets across Asia followed the U.S. upward trend, with gains seen in key indices. However, Japan's Nikkei dipped slightly, and the yen weakened ahead of national elections, highlighting persistent geopolitical and political risks.

In the background, some analysts have voiced concern about potential political interference with the central bank. President Donald Trump's public criticisms of Fed Chair Jerome Powell have reignited speculation about leadership changes during his current term. According to economists at several major banks, the potential removal of Powell could rattle bond markets and weigh heavily on the dollar.

For now, the markets appear to be in a holding pattern, supported by steady economic data and corporate earnings, but also wary of inflationary pressure and global uncertainty. Investors are watching carefully for signals that will determine whether rate cuts remain on the table later in 2025.