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JULY 2025

THE DOLLAR, THE DEBT, AND THE CREDIBILITY CRISIS

What Happens When the Dollar Loses Steam in the Global Economy?

The US dollar has been under pressure in the first half of 2025, sliding 10.8% by mid-year. That marks its worst start since 1973, according to the ICE U.S. Dollar Index, which fell from 108.4 in January to 96.6 by June 30. At the same time, major stock benchmarks have surged. The S&P 500 is up 24% for the year, setting new all-time highs.

A key driver of this divergence is investor appetite for risk. Robust corporate earnings, especially in technology and consumer sectors, together with expectations of Federal Reserve rate cuts, have funneled liquidity into equities. Share buybacks and strong domestic consumption have further lifted stock valuations even as bond yields remain elevated. In contrast, the dollar has weakened amid concerns over soaring federal borrowing. National debt is nearing $36 trillion and an unpredictable trade policy stoked fears of retaliation and supply-chain disruptions.

The U.S. dollar isn't just a currency—it's a benchmark of trust. A strong dollar helps keep inflation in check, reduces the cost of imports, and reinforces America's influence in global markets. Investors believe undermining Fed independence can weaken that trust—and weaken the dollar.

Global investors seeking higher real returns have rotated from dollar-denominated assets into European and emerging-market bonds and equities, where yields and growth prospects look more attractive. Meanwhile, foreign central banks have trimmed dollar reserves amid worries over U.S. fiscal credibility, further pressuring the currency's safe-haven status.

An unpredictable tariff agenda proposing duties up to 25% on key trading partners has added to those concerns. Congressional debates over a $3.3 trillion spending bill and rising debt levels have further undermined confidence in fiscal stability.

Market pricing tracked by Fed funds futures now implies three rate reductions this year, up from just one forecast in January.

That underscores expectations that currency weakness and a cooling labor market may prompt looser monetary policy to support growth.

Currency	Value 7-1-2024	Value 7-1-2025
Euro	0.931	0.847
Japanese yen	161.2	142.7
British pound	0.790	0.7284
Canadian dollar	1.369	1.362
Swiss franc	0.903	0.790
Mexican Peso	18.2653	18.7404

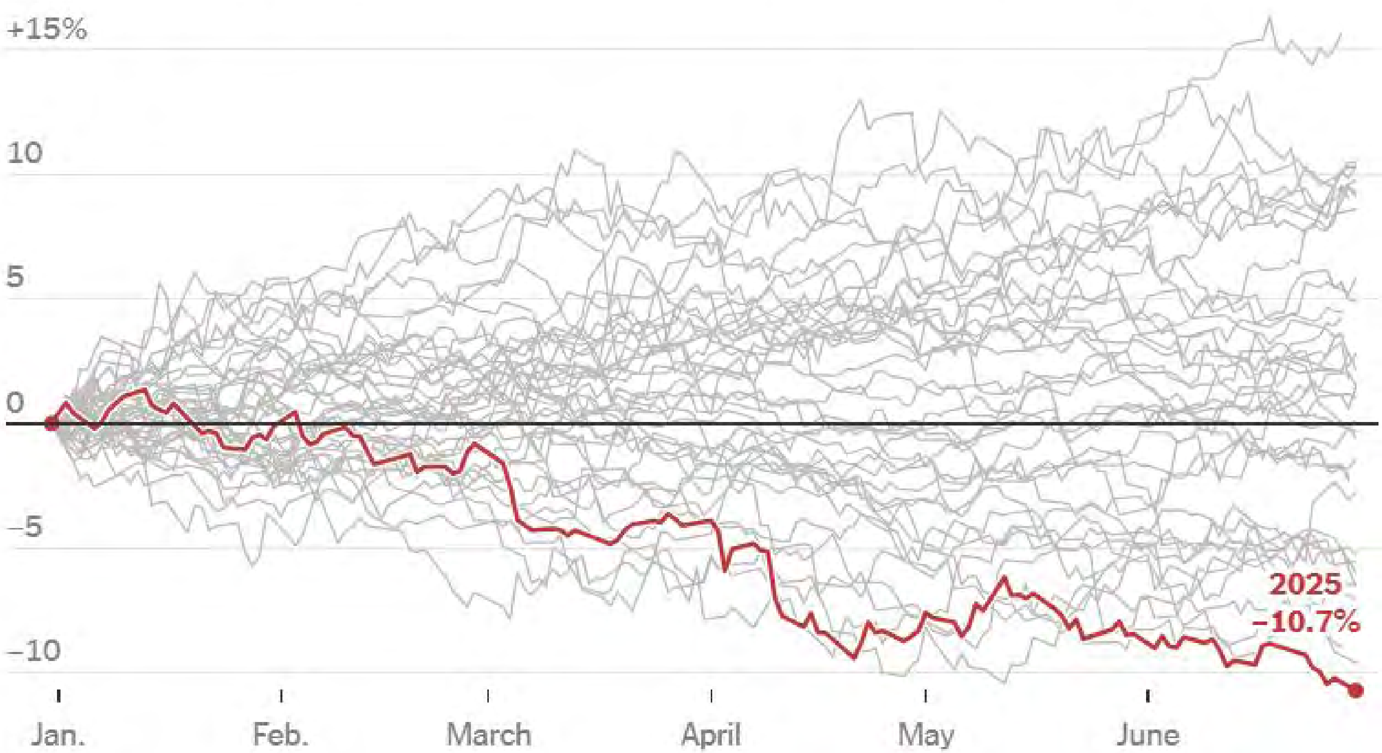
This table compares what one US dollar purchased in six major currencies over the last twelve months

For exporters, a weaker dollar makes U.S. goods more competitively priced abroad and could boost overseas revenues. For importers and American travelers, it means higher costs for foreign goods and services compared with a year ago.

Looking ahead, the dollar's trajectory will hinge on the Fed's rate path and Washington's ability to rein in deficits. Restoring confidence in fiscal discipline and central-bank independence may be the only way to stem its slide even as stocks continue to ride a wave of risk-on sentiment.

The dollar's worst start to the year in decades

Percentage change in the U.S. dollar index in the first half of every year since 1986.



Notes: The ICE U.S. Dollar Index measures the dollar against a basket of major currencies: the euro, Japanese yen, British pound, Canadian dollar, Swedish krona and Swiss franc. Data is as of 4 p.m. Eastern on June 30. • Source: FactSet • By Christine Zhang

New York TImes 7-1-2025

MICHIGAN JOBS: VANISHING ACT

Michigan has had the largest year-over-year jump in unemployment in the nation and currently ranks 49th in employment.

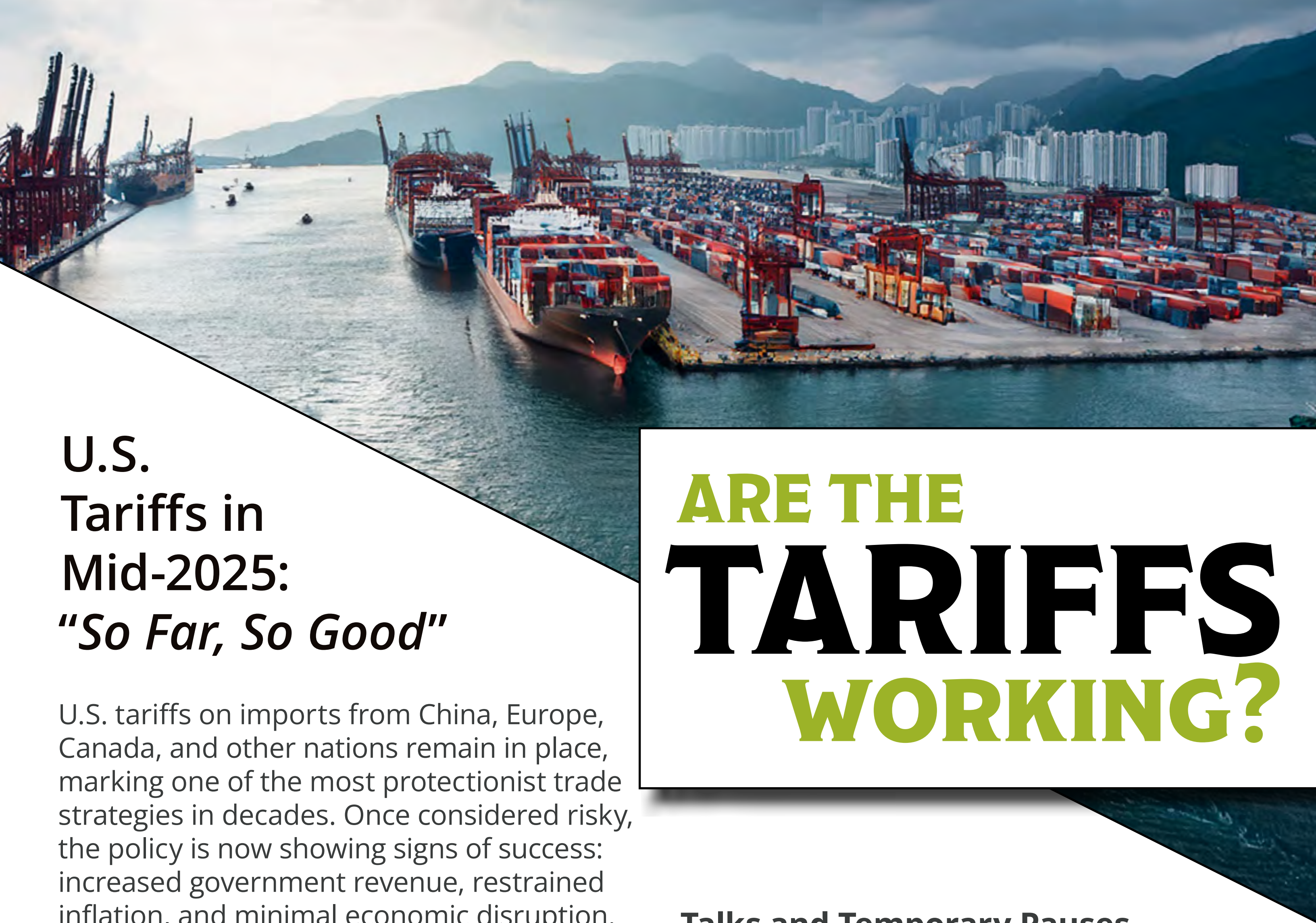
Michigan's labor market is currently navigating a challenging period, marked by persistently high unemployment rates that significantly outpace the national average. As of May 2025, the state's unemployment rate stood at 5.4 percent, positioning it as the third highest in the nation, trailing only the District of Columbia (5.9 percent) and Nevada (5.5 percent). This figure stands in stark contrast to the national unemployment rate of 4.2 percent for the same period. The state has experienced a notable deterioration in its jobless rate year-over-year, with a 1.1 percentage point increase from April 2024 to April 2025, rising from 4.2 percent to 5.5 percent. This upward trend signals a deepening challenge within Michigan's economy.

UNEMPLOYMENT	MAR	APR	MAY
Kalamazoo	4.9	4.5	5.3
Battle Creek	6.2	5.7	6.2
Grand Rapids	4.8	4.4	5.0
Detroit	5.3	3.7	4.6
Michigan	5.5	5.5	5.4
USA	4.1	4.2	4.2

The primary drivers of Michigan's elevated unemployment are deeply rooted in the ongoing, structural transformation of its traditional industries, particularly the automotive and broader manufacturing sectors. These sectors are grappling with the pervasive effects of automation, production slowdowns, and significant layoffs. Beyond manufacturing, industries such as professional and business services and retail trade have also contributed to job losses.

Looking ahead to the second half of 2025, economic forecasts for Michigan project a substantial deceleration in overall growth. Payroll employment is anticipated to remain largely flat or experience only marginal gains, with some projections indicating a potential peak in the unemployment rate at 6.0 percent in early 2026 before a gradual decline. Despite these challenges, growth is expected in more resilient, non-cyclical industries such as healthcare, leisure and hospitality, and government. These sectors are projected to account for the vast majority of new job creation, offering a crucial, albeit partial, offset to declines in traditional industrial strongholds.

This clear divergence, particularly the significant year-over-year increase in Michigan's rate against a relatively stable national backdrop, strongly suggests that Michigan is grappling with distinct, potentially structural, economic headwinds. This implies that the root causes of its elevated unemployment are likely specific to the state's industrial composition and economic dynamics, rather than being solely attributable to general macroeconomic trends.



ARE THE TARIFFS WORKING?

U.S. Tariffs in Mid-2025: *"So Far, So Good"*

U.S. tariffs on imports from China, Europe, Canada, and other nations remain in place, marking one of the most protectionist trade strategies in decades. Once considered risky, the policy is now showing signs of success: increased government revenue, restrained inflation, and minimal economic disruption.

Heavy Tariffs, Global Reactions

Imports from China face an average U.S. tariff above 50 percent, with nearly all goods affected. China retaliated with 33 percent duties on U.S. exports. Meanwhile, tariffs on allies have also risen. Steel and aluminum duties doubled to 50 percent, and new auto tariffs reached up to 25 percent. European goods could soon face tariffs as high as 50 percent if no trade agreement is reached.

The European Union is proposing a 10 percent mutual tariff baseline in response. Canada dropped plans for a digital tax and entered trade talks, signaling optimism despite warnings of counter-tariffs if no deal is reached by late July. The United Kingdom has already secured a tariff exemption on British steel.

Talks and Temporary Pauses

A 90-day truce with China paused tariff hikes that would have pushed rates to 126 percent. A broader pause on new tariffs for other countries runs through July 9. This deadline has intensified negotiations. U.S. officials point to Canada's concessions and EU engagement as early signs that the pressure is working.

Revenue Boom, Modest Inflation

Tariff collections reached $81.4 billion in fiscal 2025 so far, a 65 percent increase from the same period last year. These revenues now exceed collections from all excise taxes, including alcohol and tobacco. The Congressional Budget Office estimates the tariff program could reduce the deficit by $2.8 trillion over the next decade.

Inflation has stayed lower than expected. The CBO projects tariffs will add just 0.4 percentage points to annual inflation in 2025 and 2026. While imported shoes and clothing rose in price by about 14 to 15 percent, broader inflation has remained controlled. Fed Chair Jerome Powell said only “some effects” from tariffs are starting to show up in prices.

Mild Drag, Manufacturing Bump

The economy continues to grow, with unemployment steady near 4 percent. GDP growth may slow by 0.5 points in 2025, but sectors like steel and machinery are seeing modest gains. U.S. manufacturing is projected to grow 1.3 to 1.5 percent as reduced import competition helps domestic producers.

More products are labeled “Made in USA” or sourced outside China, signaling supply chain restructuring—not collapse. Critics once forecast disaster, but halfway through 2025, cautious optimism holds. Tariffs may still pose long-term risks, but the strategy appears to be working. Turns out, the ones yelling about economic apocalypse were just making noise.

THEY’RE STILL SHOWING UP—BUT THEY’VE ALREADY CHECKED OUT

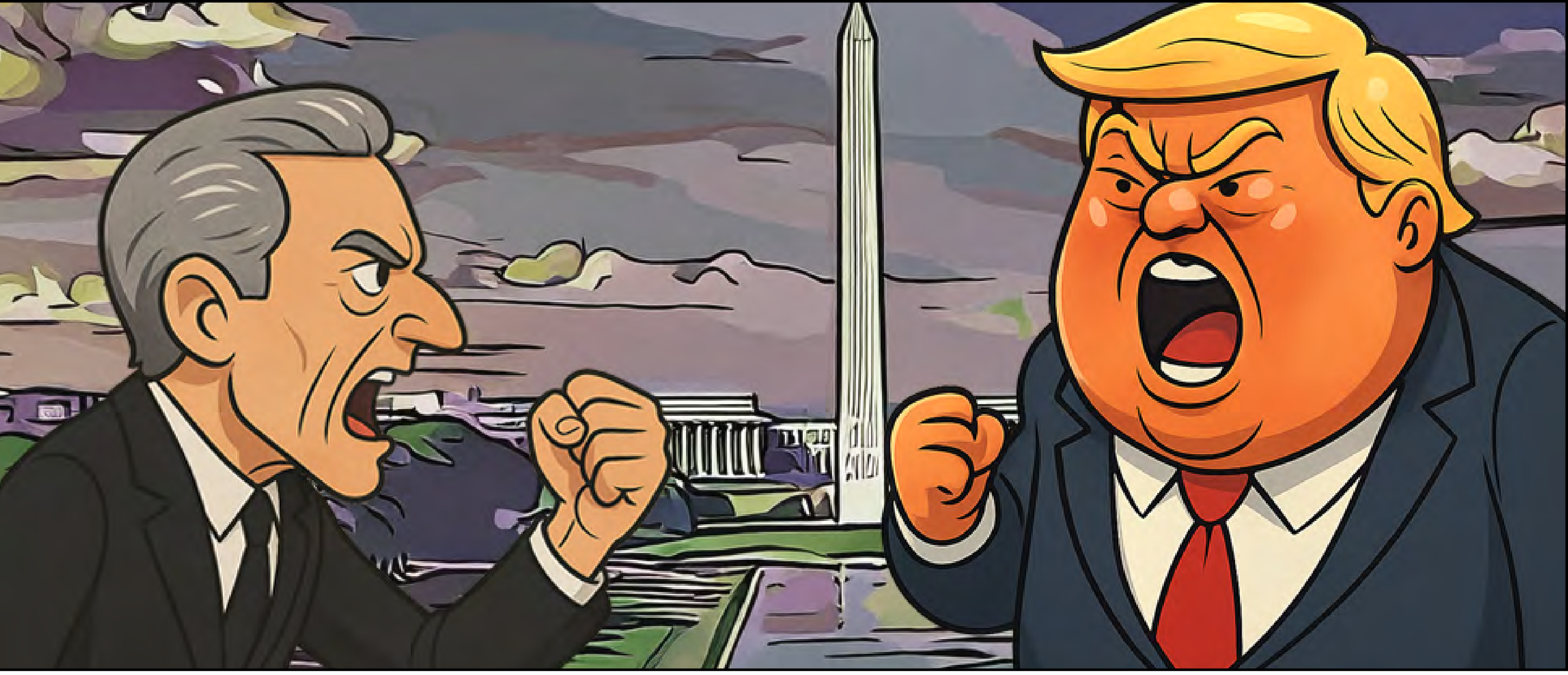
A new form of workplace disengagement is gaining traction, and most employers aren’t seeing it until it’s too late. It’s called “quiet cracking.” Unlike burnout or quiet quitting, it doesn’t start with exhaustion or withdrawal. It begins with subtle feelings of being overlooked, undervalued, and uncertain about the future.

According to TalentLMS, 54 percent of U.S. employees say they’ve experienced **quiet cracking.** One in five experience it regularly. These workers still show up, do their jobs, and may even seem content. But under the surface, motivation is slipping. They stop sharing ideas, take fewer risks, and gradually disconnect from work they once enjoyed. The impact is real. Gallup reports global disengagement costs employers $8.8 trillion annually. Quiet cracking may not hit KPIs immediately, but it drags down productivity, creativity, and retention.

How can you prevent it? Start with training. Employees who received job-specific learning in the past year were more likely to feel secure and valued. Learning paths should be structured, ongoing, and shaped with employee input.

Also, train managers to listen. Nearly half of quiet crackers say their manager ignores concerns Regular one-on-ones can surface problems early.

Finally, recognize performance. A simple thank-you goes a long way. Quiet cracking is a warning. Catch it early—and reverse the slide.



PRESIDENT AND FEDERAL RESERVE CHAIR CONTINUE SPAR OVER INTEREST RATES

Central bank maintains steady rates despite White House demands, citing concerns over elevated inflation, slower economic growth, and the potential impact of tariffs.

President Donald Trump is reportedly preparing to name a successor to Federal Reserve Chair Jerome Powell well ahead of Powell's term expiration in May 2026, a strategy that could reshape U.S. monetary policy long before any formal handoff. Sources indicate Trump may unveil his choice as early as this fall, some seven months before the chairmanship becomes vacant, an unusually early move that underscores his impatience with the Fed's cautious approach.

Several names have emerged at the top of Trump's list, including former Fed governor Kevin Warsh, current Governor Christopher Waller, and economist Kevin Hassett. All are viewed as dovish candidates likely to push for steeper rate cuts in 2026. Markets are already pricing in about three quarter-point reductions next year, far exceeding the Fed's current forecast of just one cut.

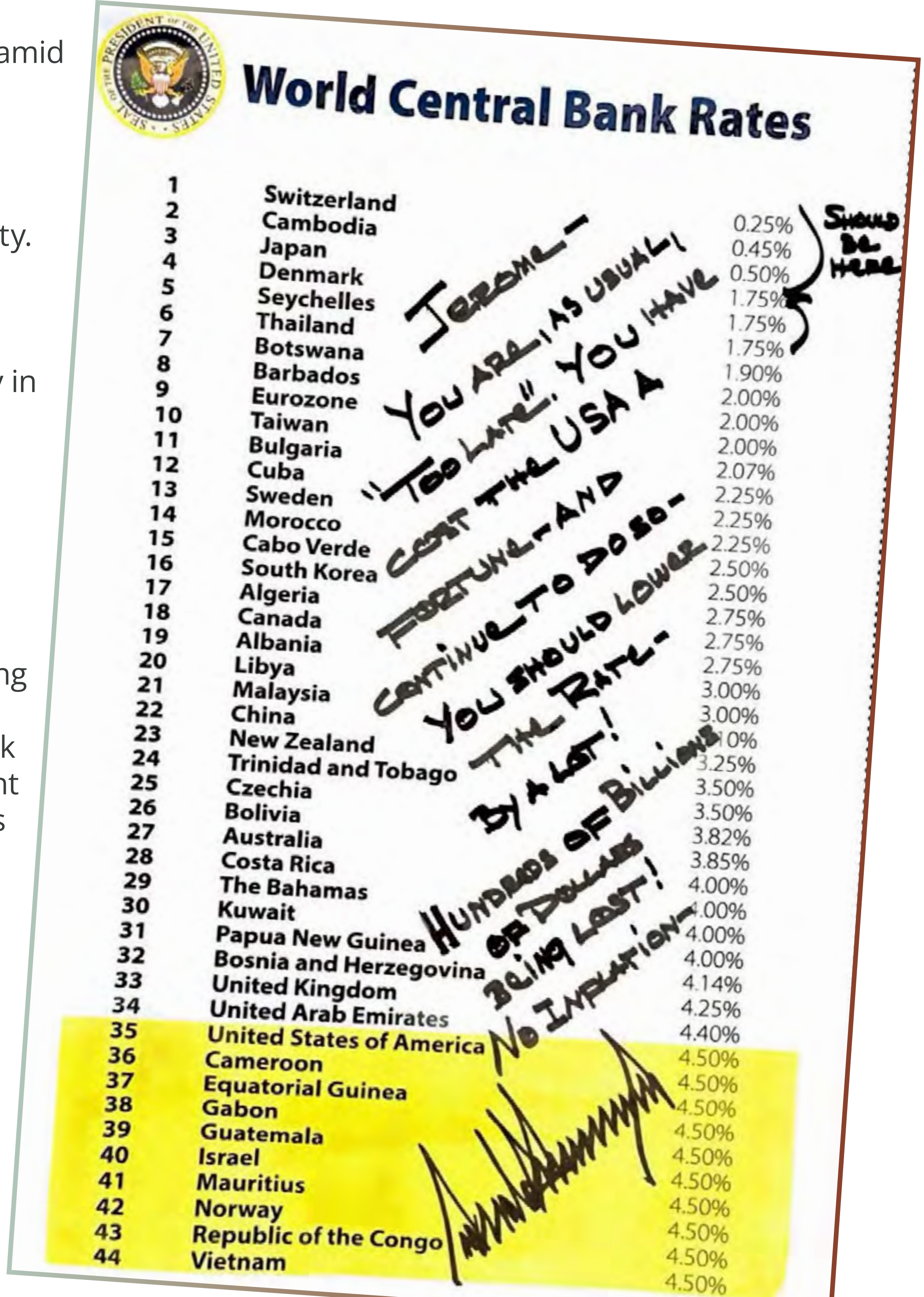
WHO DOES JEROME POWELL ANSWER TO?

The Fed Chair is nominated by the President and confirmed by the Senate for a four-year term.

While appointed by elected officials, the Chair answers to Congress, not the White House. The Fed's structure, with long terms and separate funding - ensures independence. This allows it to prioritize stable prices and employment over political agendas.

Investors have grown uneasy amid the flurry of political signaling. Even as major indices hit new highs, traders warn that rapid policy shifts and succession speculation risk adding volatility. “Investors remain wary of rapid-fire, sometimes chaotic policymaking,” notes Reuters, pointing out the rally’s fragility in the face of such uncertainty.

Trump has highlighted that many central banks abroad maintain far lower borrowing costs than the U.S. Fed. His recent handwritten letter to Powell included a chart showing the European Central Bank’s deposit rate at 2.00%, the Bank of Japan’s benchmark overnight call rate at 0.5%, and the Swiss National Bank’s policy rate at zero percent, levels he argues are “a fortune” cheaper than America’s current 4.25%–4.50% range.



World Central Bank Rates

1	Switzerland	0.25%
2	Cambodia	0.45%
3	Japan	0.50%
4	Denmark	1.75%
5	Seychelles	1.75%
6	Thailand	1.75%
7	Botswana	1.90%
8	Barbados	2.00%
9	Eurozone	2.00%
10	Taiwan	2.00%
11	Bulgaria	2.07%
12	Cuba	2.25%
13	Sweden	2.25%
14	Morocco	2.25%
15	Cabo Verde	2.50%
16	South Korea	2.50%
17	Algeria	2.75%
18	Canada	2.75%
19	Albania	2.75%
20	Libya	3.00%
21	Malaysia	3.00%
22	China	[illegible]10%
23	New Zealand	3.25%
24	Trinidad and Tobago	3.50%
25	Czechia	3.50%
26	Bolivia	3.82%
27	Australia	3.85%
28	Costa Rica	4.00%
29	The Bahamas	4.00%
30	Kuwait	4.00%
31	Papua New Guinea	4.00%
32	Bosnia and Herzegovina	4.14%
33	United Kingdom	4.25%
34	United Arab Emirates	4.40%
35	United States of America	4.50%
36	Cameroon	4.50%
37	Equatorial Guinea	4.50%
38	Gabon	4.50%
39	Guatemala	4.50%
40	Israel	4.50%
41	Mauritius	4.50%
42	Norway	4.50%
43	Republic of the Congo	4.50%
44	Vietnam	4.50%

Should be here

Jerome – You are, as usual, "Too Late". You have cost the USA a fortune – and continue to do so – You should lower the rate – by a lot! Hundreds of Billions of Dollars being lost! No Inflation –

Copy of the note sent to Chairman Powell from President Trump on June 29th, 2025.

A well-timed rate cut could invigorate U.S. growth, easing borrowing costs for businesses and consumers while helping to temper federal borrowing expenses. But if slashed too soon or too deeply, it risks reigniting inflation or fostering asset bubbles. The ECB itself lowered its deposit rate by 25 basis points in June to 2.00%, a move that shows the tightrope central banks walk when adjusting policy.

Critics warn that early succession announcements and overt White House pressure threaten the Fed’s independence. The central bank’s dual mandate of price stability and maximum employment relies on credibility; any perception of political sway could undermine its ability to manage inflation expectations and economic growth effectively.

While Trump’s authority to appoint Fed chairs is clear, history shows he does not always control the outcome. The pressing question is whether the Fed, under Powell or his successor, can maintain its course in the face of mounting political crosswinds.

FORD NAVIGATES TURBULENT WATERS WHILE BUILDING MARSHALL EV BATTERY PLANT

Ford Motor Company is navigating a complex and often turbulent political and economic landscape, particularly concerning its significant investments in Michigan's burgeoning electric vehicle (EV) and battery sector. At the heart of this navigation is Ford's unwavering commitment to its $3 billion battery plant in Marshall, Michigan, even as federal incentives for such projects come under threat from the current administration and Congress. As of this writing, the plant is about 60% complete according to MLive.

The Marshall plant, located near I-94 and I-69 in Michigan, is designed to produce batteries for Ford's electric vehicles using technology licensed from Contemporary Amperex Technology Ltd. (CATL), a Chinese company. This reliance on Chinese technology has put the plant at odds with proposed Republican policy, championed by President Trump, that could bar federal support for battery plants using Chinese technology or materials. Ford had initially decided to build the factory two years prior, anticipating that federal tax credits from the Inflation Reduction Act would offset a significant portion of the cost, potentially about a quarter of the plant's total expense. Losing these credits would have a "very material" effect on the plant's financial performance, according to a Ford executive.

Despite this looming financial challenge, Ford remains committed to the Marshall facility. Lisa Drake, Ford's vice president for technology platform programs and EV systems, stated the company's resolve to move forward "*even if such restrictions were signed into law*". She emphasized, "*We don't want to back off on this facility. When we invest, we stick behind our investments. Ford is a company that will weather the storm until we get there*". This commitment is significant for Michigan, as the plant is scheduled to start production next year and is expected to create 1,700 jobs. These jobs are seen as vital, with Drake noting, *"It's 1,700 jobs. They don't come around all that often".*

Ford also revealed that without the promised credits from the Biden-era law, they would "*probably have built the plant outside the United States*". The plant has already faced direct impacts from tariffs imposed by the administration, with manufacturing machinery for the plant, currently in transit from China, subject to higher tariffs.

Ford's approach to tariffs reveals a strategic duality. Publicly, Ford "supports the administration's goal to strengthen the U.S. economy by growing manufacturing". CEO Jim Farley has been "very effusive about tariffs," stating that Ford truly believes in U.S. manufacturing. The company claims a significant advantage due to its strong domestic production base, assembling "over 300,000 more vehicles in the U.S. than our closest competitor" last year, including 100% of all its full-size trucks. Furthermore, Ford states that 85% of its steel and 100% of its sheet

Ford's Blue Oval Battery Plant in Marshall, MI is 60% complete at the end of June 2025.

LG Pivots on EV Battery Production in Holland

While Ford walks a tightrope in Marshall, another EV battery manufacturer in Michigan has shifted course in response to changing government policy. LG Energy Solution has restructured its $1.4 billion expansion in Holland, Michigan, to prioritize energy storage production over electric vehicle batteries.

Originally planned for EV battery manufacturing, the facility's focus shifted as U.S. electric vehicle sales slowed—EVs accounted for less than 10% of all U.S. car sales in 2024. Now, the Holland plant is the first in North America to produce lithium iron phosphate (LFP) cells specifically for energy storage systems. These cells support the U.S. power grid by storing energy generated from renewable sources like wind and solar, and help meet the growing power demand from data centers and artificial intelligence operations.

This strategic move allows LG to diversify while maintaining its core EV battery business, which continues to grow, particularly among non-Tesla automakers. The facility is expected to produce up to 16.5 gigawatt hours of LFP cells annually and employ between 1,500 and 1,700 workers by 2027.

The expansion was backed by significant support from the Michigan Economic Development Corporation, including a $132.6 million renaissance zone agreement.

aluminum are already purchased domestically. Farley believes this U.S. footprint puts Ford in the "pole position" in the "new environment" shaped by tariffs.

However, the reality of tariffs presents financial headwinds for Ford. The company expects tariffs to "eat $1.5 billion of its EBITDA this year with an overall $2.5 billion headwind," leading them to suspend their guidance for the year due to this uncertainty.

While tariffs are causing disruption, Ford has been cautious about publicly denouncing the president's directives, especially after the administration's rebuke of a Walmart CEO for suggesting tariffs would lead to higher prices. Ford has had to raise prices on several models, though they emphasize tariffs played only a small part. To mitigate impacts, Ford now ships vehicles to Canada and Mexico via bonded carriers that are exempt from U.S. tariffs.

Impact on the Michigan Auto Industry

The implications of these developments for the Michigan auto industry are substantial. The 1,700 jobs at Ford's Marshall plant are a direct economic benefit. However, the broader policy landscape poses risks. Dave Green, director of the UAW region covering Ohio and Indiana, warned that repealing clean vehicle tax credits could reduce electric vehicle sales by as much as 40% by 2030, potentially resulting in "the idling of existing assembly plants and the cancellation of many planned E.V. battery manufacturing facilities". This could threaten "high-quality and family supporting" jobs that have recently unionized.

While Ford's strong domestic manufacturing base positions it uniquely to weather some tariff storms, the potential loss of EV incentives and the broader impact on the EV market could still lead to industry-wide challenges affecting Michigan's auto workforce.

Ford's Marshall plant is charging ahead - even as politics threaten to pull the plug. Tariffs bite, tax breaks wobble, but Ford won't flinch. Yet.

CONSTRUCTION:
60% BUILT

TOTAL PROJECT COST:
$3 BILLION

JOBS PROMISED:
1,700

TAX CREDITS AT RISK:
$750 MILLION

TARIFFS HIT TO PROFIT:
$1.5 BILLION EBITDA

FORD'S ADVANTAGE
85% US STEEL
100% US ALUMINUM

TOTAL TARIFF DRAG
$2.5 BILLION
TOTAL IMPACT OF TARIFFS ON FORD

THE HIDDEN STRUGGLES OF WORKING HOUSEHOLDS IN MICHIGAN

Many Michigan employers may be unaware that in 2023, 555,965 households—14 percent of the state's 4.1 million—lived below the federal poverty level. Another 1,117,590 households (27 percent) earned too little to cover basic expenses. In total, 41 percent of all households fell below the ALICE (Asset Limited, Income Constrained, Employed) threshold.

These workers keep our communities running. They are cashiers, orderlies, personal care aides, delivery drivers, and others. Yet 14 of the 20 most common occupations in Michigan pay under $20 per hour, and 30 percent of workers in those roles struggle to afford life's essentials.

A single adult in Michigan needs $28,740 per year just to survive. A family of four needs $74,556. These figures are far above the federal poverty thresholds of $14,580 and $30,000. Despite this, wage growth has lagged. Between 2010 and 2023, the number of households in poverty dropped by only three percent, while the number of ALICE households grew by 18 percent.

Housing is a major burden. Sixty-nine percent of renter households below the ALICE threshold spend at least 30 percent of their income on rent and utilities. Forty-two percent spend half or more. These costs force impossible trade-offs every month. Only 31 percent of these families have enough savings to cover three months of expenses, leaving them one emergency away from crisis. Disparities are even worse for some groups: 62 percent of Black households and 75 percent of single-female-headed families experience financial hardship.

There are signs of progress. Modest wage growth has pushed earnings above pre-pandemic levels. Poverty has declined by three percent since 2010. Employers now have access to interactive maps and district-level data through the ALICE Mapping Tool, helping them identify where hardship is concentrated in their workforce. Leading companies are piloting solutions such as living wages, flexible scheduling, onsite or subsidized child care, transportation stipends, and emergency savings programs. These initiatives support retention, productivity, and community stability.

When employers recognize that many of their workers may be living at or below the poverty line, they can take steps that not only improve lives but also reduce turnover and boost engagement. Partnering with local housing and childcare advocates is a strong place to start.

Michigan’s job market is under pressure. Unemployment is rising faster here than anywhere else in the country. Manufacturing is slowing. Tariffs are reshaping costs.

And yet, this is not collapse. It is a reset.

Sectors like healthcare, government, and hospitality are growing. Ford is pushing ahead with its $3 billion battery plant. LG is pivoting toward energy storage. Wages are still outpacing inflation. Consumer sentiment is holding steady. The economy is not booming, but it is holding.

At the same time, a quieter risk is emerging. Workers are not quitting outright. They are checking out. Training, manager support, and regular recognition can stop that slide before it spreads.

This is not the time to freeze. It is the time to adapt.

The most resilient employers are not waiting for stability. They are planning ahead, reskilling teams, and building operations that can bend without breaking.

WSI has been through hard cycles before. We have helped companies ride out downturns, labor shortages, and everything in between. Whether you are hiring, restructuring, or just trying to stay ready in a volatile market, we can help.

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