NEAM VANTAGE POINT

Trade Winds

JUNE 2025

ECONOMIC & CAPITAL MARKET OVERVIEW

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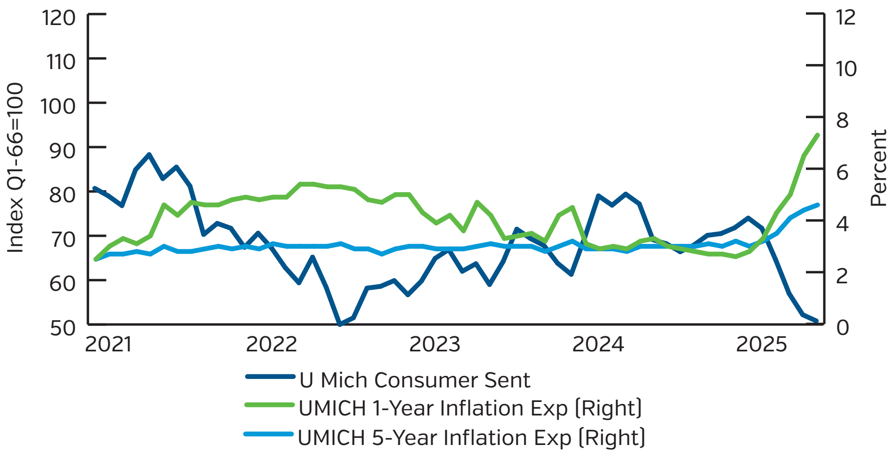
Monthly Economic Highlights

MAY OVERVIEW

With "heightened uncertainty" still dominating consumer and business sentiment, the Fed unanimously voted to maintain its benchmark rate range at 4.25-4.50%. Arguing that the economy is "still in a solid position," with unemployment at 4.2%, and inflation lower but still above its target, the Fed remains tethered to the position that upholding the status quo is the best position at this time until hard data encourages them to act otherwise. With the scale of newly enacted trade policies shifting, the Fed nonetheless believes their impact will potentially lead to "higher unemployment and inflation." Although it sees the risks to both having risen, it also recognizes that nothing is materializing "in the data yet." As a result, and with the possibility that the dual mandate goals become "in tension" if inflation and unemployment rise, the Fed believes its policy is best situated at current levels, enabling them to respond in a "timely way" once it becomes clearer how things will play out. Indeed, Fed minutes shared that participants saw the risk that inflation may be more "persistent" than previously thought and that the dual risk of higher inflation and unemployment had grown, with the committee possibly facing "difficult tradeoffs" if that were to occur. Given continued uncertainty, "moderately restrictive" policy and still "solid" labor market and growth, it made sense to take an overall "cautious" approach until "the net economic effects of the array of changes to government policies became clearer."

Exhibit 1. Consumer Sentiment: Consumer Inflation Expectations and Sentiment



Source: UMICH, Haver, NEAM

Survey evidence, while mixed, continues to highlight consumers' concerns over the direction of the economy, and in particular, concerns about rising inflation. Although headline and core inflation data have yet to show the impact of recent tariffs, consumers' views of expected inflation continue to climb in certain instances. To this point, the most recent University of

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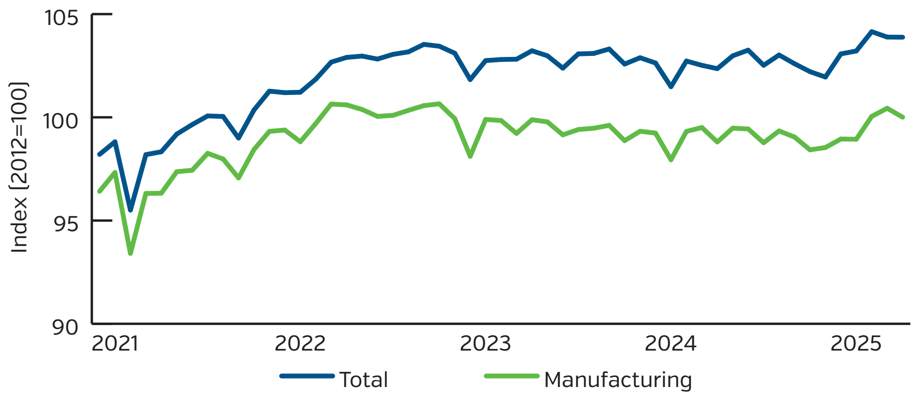
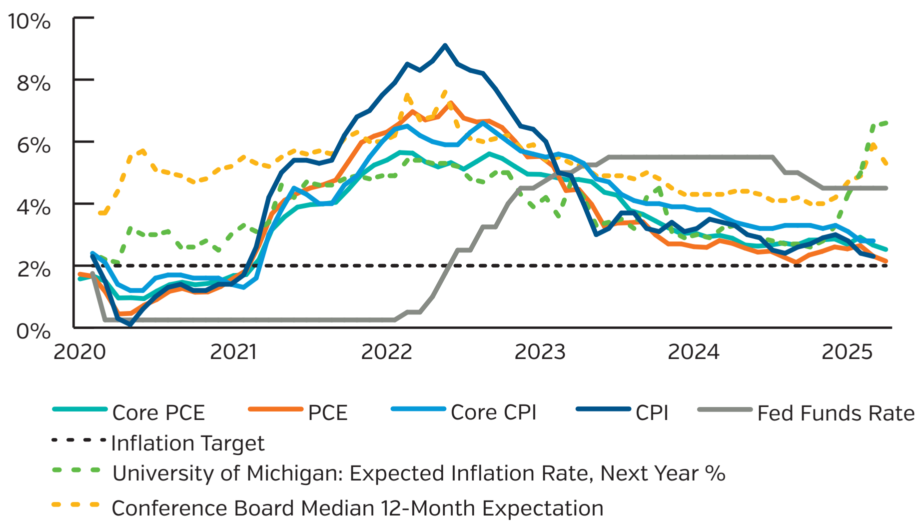
Michigan consumer sentiment survey revealed that consumers see year ahead inflation rising to 7.3% over the next 12 months and 4.6% over a longer range. The report also states that much of the polling period took place before the pause of higher tariffs on China. Inflation concerns, in addition to falling personal incomes and concerns over the economy in general, are causing sentiment levels to fall to the lowest they've been in years, comparable to June 2022, a period during which inflation hit recent peaks, and the Fed continued to raise its benchmark rate in response.

Exhibit 2. Industrial Production



Source: FRB, Haver, NEAM

Exhibit 3. Inflation



Source: FRB, BEA, BLS, UMICH, CB, Haver, NEAM

Providing some light however, the Conference Boards' consumer confidence index rebounded significantly. A good deal of the polling came after the pause on higher Chinese tariffs, in contrast to the Michigan survey, and inflation expectations, while high, diminished slightly.

Industrial production was flat for the month of April, with a larger gain in utilities offsetting declines in manufacturing and mining. The negligible move, and decline last month, contrasted with a positive start to the year. Elsewhere, core durable goods orders and shipments fell -1.3% and -0.1%, respectively, last month after upward revisions to the previous month. Although improving in some cases, manufacturing surveys at both the regional and national level continue to point to challenges in the sector, while the Beige Book shared that "activity was little changed or had declined" in many districts. After hitting a recent peak at the end of last year, small business optimism fell for the fourth consecutive month, with business confidence impacted by ongoing uncertainty and plans for capital investment declining.

Inflation once again came in at or below market expectations. At the headline level, prices increased +0.2% in April (+2.3% year-over-year), with increases in natural gas and electricity prices leading a reversal in energy prices which outweighed a decline in the food sector. At the core level, the pace of price gains edged up to +0.2% (+2.8% year-over-year), led by gains in core services with modest additions from core goods. Core goods prices increased +0.1% for the month, with gains in medical care, household furnishings, education, and recreational commodities such as video and audio equipment more than compensating for declines in apparel and used vehicle prices. Core service price gains jumped +0.3%, with the majority of gains in shelter augmented by higher car and truck rental along with motor vehicle insurance which together offset declines in airfares, recreation and education services. Elsewhere, changes in the core PCE figures landed in line with expectations as well. However, as the decision to hold the federal funds range at its current level will attest, despite the lower prints, the Fed is still waiting to see the impact of recently enacted tariff policies, the effects of which are expected to appear in the coming months.

CAPITAL MARKET IMPLICATIONS

Despite heightened uncertainty due to fiscal concerns and ongoing trade tension, targeted pauses to higher tariff levels during the month helped equity markets gain while Treasury yields increased across the curve.

Exhibit 4. U.S. Historical Yield Curves

	Dec 2021	Dec 2022	Dec 2023	Dec 2024	May 2025
Fed Funds Range	0.00-0.25%	4.25-4.50%	5.25-5.50%	4.25-4.50%	4.25-4.50%
2-Year	0.73%	4.43%	4.25%	4.24%	3.90%
5-Year	1.26%	4.00%	3.85%	4.38%	3.96%
10-Year	1.51%	3.87%	3.88%	4.57%	4.40%
30-Year	1.90%	3.96%	4.03%	4.78%	4.93%

Source: Bloomberg, NEAM

Capital Markets

FIXED INCOME RETURNS

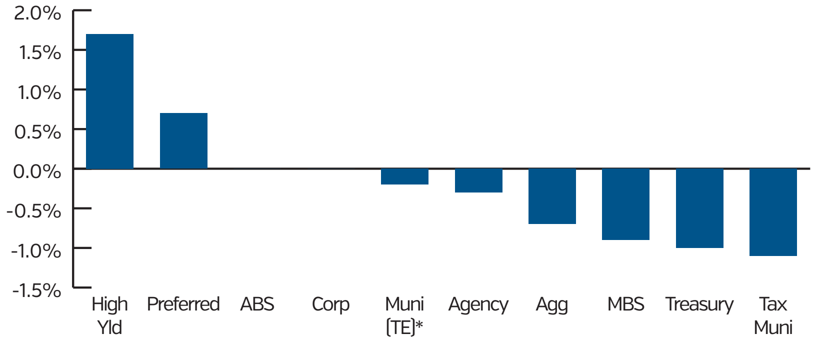
Renewed concerns over deficits, combined with select pauses in the recently imposed stringent tariff regime, sent Treasury yields higher across the curve, while credit spreads moved sharply tighter.

Exhibit 5. Fixed Income Returns

	May	3-Month	YTD
Bloomberg Barclays U.S. Aggregate	-0.72%	-0.29%	2.45%
Blended ICE/ BofAML Preferred Stock	0.71%	-2.22%	-0.33%
ICE BofA US Taxable Muni - Broad	-1.11%	-1.69%	1.75%
ICE BofA Municipals Master (TE)	-0.20%	-2.41%	-1.06%
Bloomberg Barclays U.S. MBS (fixed rate)	-0.91%	-0.65%	2.41%
Bloomberg Barclays U.S. ABS	0.02%	0.74%	2.05%
Bloomberg Barclays U.S. Agency	-0.31%	0.69%	2.52%
Bloomberg Barclays U.S. Treasury	-1.03%	-0.17%	2.51%
Bloomberg Barclays U.S. Corporates	-0.01%	-0.33%	2.26%
Bloomberg Barclays High Yield	1.68%	0.62%	2.68%

Source: Barclays, Bloomberg, NEAM

Exhibit 6. Domestic Fixed Income Sector: Month-to-Date Total Returns (5/31/25)



** Taxable Equivalent*
Source: Bloomberg, Barclays, ICE BofAML, NEAM

EQUITY TOTAL RETURNS

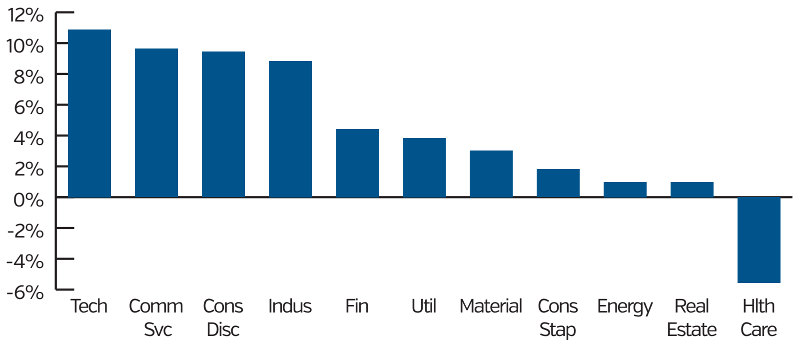
Despite ongoing uncertainty, a targeted easing of tariffs, particularly with respect to China, provided relief during the month and helped send equity markets north with the S&P, Dow and Nasdaq all finishing the month higher.

Exhibit 7. Equity Total Returns

	May	3-Month	YTD
S&P 500	6.29%	-0.37%	1.06%
NASDAQ	9.65%	1.62%	-0.73%

Source: Bloomberg, NEAM

Exhibit 8. Domestic Equity Returns: Month-to-Date Total Returns (5/31/25)



Source: Bloomberg, NEAM

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