TRUST AND ASSET MANAGEMENT MARKET OUTLOOK JUNE 2025

MARKET UPDATE

(all values as of 5.30.2025)

Stock Indices:

Dow Jones	42,270
S&P 500	5,911
Nasdaq	19,113

Bond Sector Yields:

2 Yr Treasury	3.89%
10 Yr Treasury	4.41%
10 Yr Municipal	3.31%
High Yield	7.26%

YTD Market Returns:

Dow Jones	-0.64%
S&P 500	-0.51%
Nasdaq	-1.02%
MSCI-EAFE	17.30%
MSCI-Europe	21.20%
MSCI-Pacific	10.50%
MSCI-Emg Mkt	8.90%
US Agg Bond	2.45%
US Corp Bond	2.26%
US Gov't Bond	2.44%

Commodity Prices:

Gold	3,313
Silver	33.07
Oil (WTI)	58.22

Currencies:

Dollar / Euro	1.13
Dollar / Pound	1.34
Yen / Dollar	144.85
Canadian / Dollar	0.72

Macro Overview

Some economists believe that the Fed's reluctance to lower rates may jeopardize economic momentum as consumer expenditures continue to be sensitive to elevated interest rates. The most recent Consumer Price Index (CPI) data released confirms that inflation has been continuously falling for the past year as unemployment has been slowly increasing since the beginning of 2024. The Federal Reserve determines any adjustment in rates based on inflation and employment data.

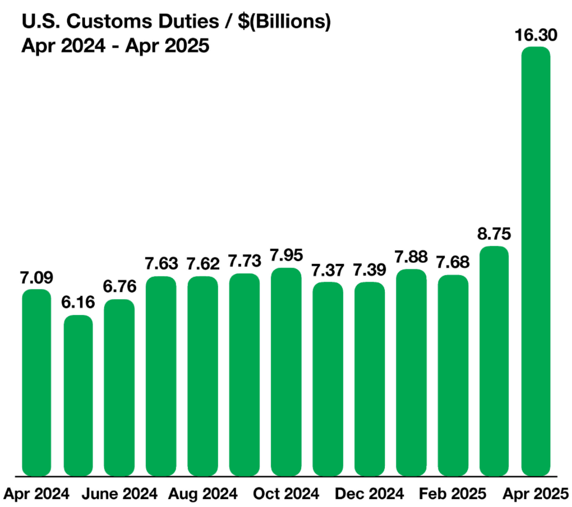
Many economists and analysts believe that consumers could possibly see higher prices as the tariffs work through inventory as some companies begin to pass along the cost of tariffs on to consumers. It is expected that inventories with assessed tariffs will reach consumers in the summer if not the fall of this year. Certain retailers have thus far absorbed most of the costs from tariffs which have resulted in smaller profit margins for companies, helping to alleviate inflationary concerns.

Equity markets received some reprieve in May as a provisional trade deal was agreed upon with China and the implementation of numerous tariffs were postponed for 90 days. Because of volatile markets and unnerved allies, the President is expected to extend tariff negotiations as the administration searches for trade deals with allies and adversaries alike.

U.S. government debt was downgraded by credit-rating agency Moody's, stripping the U.S. of its last remaining triple-A credit rating from a major rating firm. The downgrade follows similar downgrades by Fitch in 2023 and S&P in 2011. The downgrade is expected to possibly raise the cost of borrowing for the U.S. federal government.

Labor department data revealed that consumer spending advanced 1.2%, down from an initial estimate of 1.8%, the weakest pace in almost two years. Major retailers reported that consumers have become more price sensitive and value oriented over the past few months. Several analysts and economists believe that the Federal Reserve's stance to hold rates steady is a deterrent to already strained consumer expenditures.

Revenue from newly imposed tariffs in early April nearly doubled to $16.3 billion, up from $8.75 billion in March. Duties collected were imposed on a wide range of products including raw and finished products from a multitude of countries. Monthly tariff revenue has been averaging roughly $7.5 billion for the past twelve months.



(Sources: U.S. Depart. of Labor, Federal Reserve, Treasury Depart., U.S. Commerce Depart., Moody's)

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Stocks Stage Comeback In May – Domestic Equity Overview

Profit margin contraction is a growing concern as numerous U.S. companies are absorbing the costs of tariffs in order to maintain marketshare and avoid customer discontent. Such a dynamic could actually minimize inflationary pressures and lead to a reduction in interest rates by the Federal Reserve, as consumers dodge paying higher prices brought on by tariffs.

U.S. equities staged a recovery from lows reached in May due to optimism surrounding easing tariff tensions. Earnings remain in focus as companies started to report revenue and sales results since the implementation of tariffs in early April. Second quarter earnings, which are scheduled to be released in July and August, are expected to reveal how much tariffs may have hindered profitability.

(Sources: Dow Jones, S&P, Nasdaq, Bloomberg)

Rates Remain Stubborn In May – Bond Market Overview

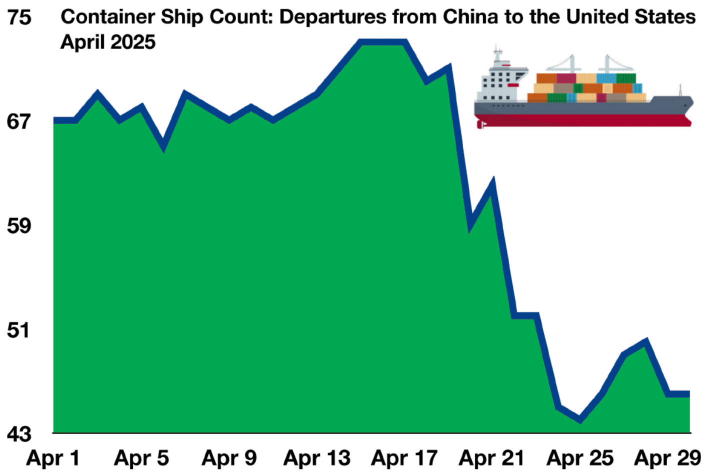
Concerns over the Treasury bond market surpassed those of proposed tariffs in May as the downgrade in U.S. debt by credit-rating agency Moody's drove yields higher as Treasury prices dropped. Concurrently, a disappointing Treasury auction in May stoked fears about falling demand for U.S. debt resulting in rising government bond yields.

Consumer loan rates haven't seen much if any reprieve, with hope that the Fed will eventually reduce rates to alleviate the current duress among consumers. The average 30 year fixed conforming mortgage rate stood at 6.89% at the end of May, below the 7% threshold which the housing market follows very closely.

(Sources: Treasury Dept., Moody's, S&P, Fitch)

Shipping Container Volume Drops – Global Trade

Shipping container volume headed to the U.S. from China has dropped by roughly 50% since the announcement of the tariffs, posing a threat of shortages and elevated prices for American consumers. It takes about 30-50 days for goods and products to reach the U.S. west coast from China via ocean cargo transport. The drop in volume is the result of importers anticipating higher tariff costs on imports into the U.S.



A drop in trans-pacific shipments eventually leads to a drop in inventory of goods which may lead to higher short term prices until shipments resume. The most recent 90 day postponement in instituting new tariffs may conversely increase container shipments as importers race to avoid any new tariffs. The full impact of tariffs hasn't yet hit retailers in part because many companies stockpiled inventories ahead of tariffs and postponed shipments from China. So far, the economic impact of tariffs has been muted in the U.S., with unemployment and inflation holding steady.

(Sources: Commerce Dept., The Port of Los Angeles)

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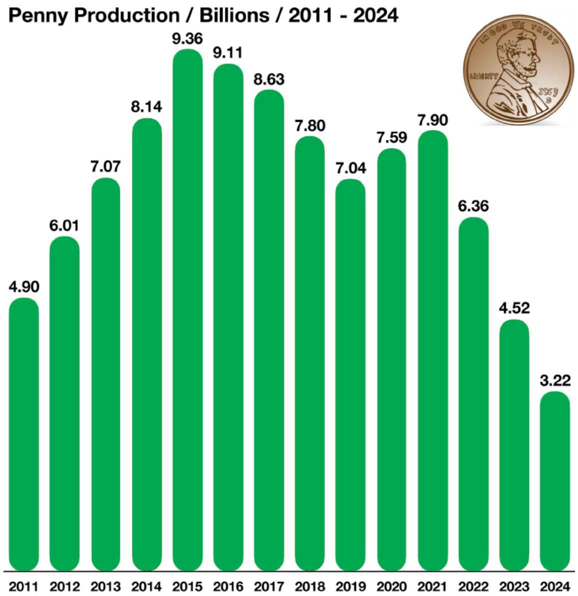
The Penny Makes No Sense Any Longer – Currency Overview

The Treasury Department this past month announced that it would cease producing pennies in 2026. After 233 years of minting pennies, the 1 cent coin will no longer be produced and eventually fade out of the money supply and circulation. The penny, though worth only a cent, costs nearly 4 cents to make. Congress sets the rules for currency production, including the size and composition of coins, and can discontinue or eliminate coins. But the Treasury has the power to halt the production of new coins. Withproductioncostsrising,theU.S.government lostmore than $85 million last year on the roughly three billion pennies it produced.



As pennies eventually vanish from circulation, there won't be enough pennies to use in everyday cash transactions, so businesses will be required to round up or down to the nearest 5 cents, the Treasury announced. The rise in copper prices over the past few decades led to a drastic material change to the penny in 1982, when the composition of materials was altered to 97.5% zinc and only 2.5% copper. Before 1982, copper made up over 95% of a penny. During World War II, pennies were made from steel in 1943, in order to conserve copper for war efforts.

(Sources: The Treasury Department, U.S. Mint)

What A Credit Downgrade For U.S. Debt Means – Fiscal Policy Initiatives

The U.S. government, similar to consumers across the country, is subject to an ongoing surveillance of current financial circumstances. Credit scores determine the financial ability of consumers to make payments and repay debt, translated into credit scores. Three credit-rating firms determine the country's so-called credit score, S&P, Fitch, and Moody's. In August 2023, Fitch downgraded U.S. debt from AAA to AA+, following a downgrade by S&P in 2011 from AAA to AA+. This past month, Moody's announced a downgrade of U.S. debt from Aaa to Aa1, making it the third credit-rating agency to downgrade the nation's debt. U.S. debt is made up of Treasury securities, which is how the U.S. government essentially funds ongoing expenditures, the national debt, and fiscal policy initiatives. Treasury bonds are the primary method for the U.S. government to borrow money from domestic and foreign institutions and individuals. Moody's based its downgrade on "successive U.S. administrations and Congress failing to agree on measures to reverse the trend of large annual fiscal deficits and growing interest costs". Moody's also noted that "the U.S. retains exceptional credit strengths such as the size, resilience and dynamism of its economy and the role of the U.S. dollar as global reserve currency". The concern is that the most recent credit downgrade may lead to higher borrowing costs for the U.S. government, adding to already pensive fiscal challenges and accumulated debt owed to borrowers. Comparatively, countries that currently have the highest credit rating by the three credit-rating agencies include Australia, Canada, Denmark, Germany, and Switzerland. U.S. debt held by the public now stands at nearly $28.9 trillion, or just under 100% of annual gross domestic product. The rise in interest rates since the 2020 Covid-19 pandemic has raised the cost of servicing that debt, to the point that the U.S. now pays more in interest payments than it does on defense.

(Sources: Moody's, S&P, Fitch, U.S. Treasury Department)

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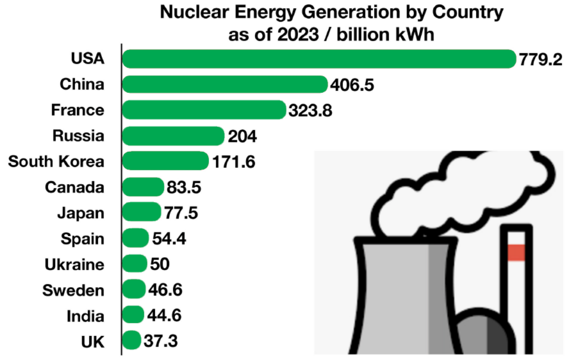
Global Nuclear Energy Generation On The Rise – Energy Sector Overview

Recent advancements and modernizations in the use of nuclear power have stoked demand for the energy generation source worldwide. Adding to already growing energy demand is the expansion and evolvement of Artificial Intelligence (A.I.), which is expected to increase consumption of electricity significantly. Nuclear power accounts for about 10% of electricity generation globally, rising to almost 20% in advanced economies. It has historically been one of the largest global contributors of carbon-free electricity. Recent deregulation in the U.S. is allowing for the improvement and expansion of existing and new nuclear facilities.

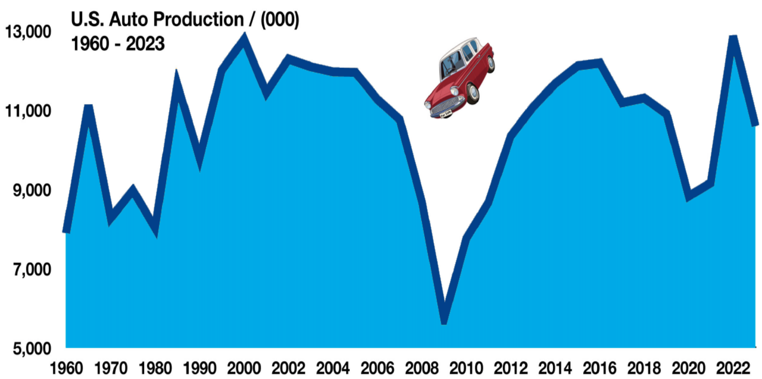
Power generation from a total of nearly 420 active nuclear reactors worldwide is set to reach a record high in 2025, as Japan restarts production, maintenance items are completed in France, and new reactors begin commercial operations in various regions, including China, Europe, India and Korea. In addition, more than 60 nuclear reactors are currently under construction, representing over 70 gigawatts (GW) of capacity, and governments' interest in nuclear power is at its highest level since the oil crisis in the 1970s, in order to meet the rising demand for electricity.



(Sources: International Energy Agency, World Nuclear Association)

As Automobiles Have Become More Expensive, Used Cars Are In Growing Demand – Auto Market Industry Overview

The supply of used cars nationwide has fallen to levels not reached since the height of the pandemic, when new car production was essentially at a standstill. The onslaught of proposed tariffs on imported autos along with a drop in domestic new car production has created a shortage of inventory along with rising prices. Adding to the shortage of used cars is the fact that car owners are holding on to their cars for more years, with the average age of a car on the road exceeding 12.5 years, versus 11 years in 2011.



Adding to the shortage issues has been the gradual decrease in auto production in the United States. For decades, the production of automobiles built and assembled in the U.S. has fallen, creating unpredictable supply shortages and at times surpluses. Car buyers have become increasingly diligent and value oriented when purchasing autos, many of which are finding more value with used rather new car models.

(Sources: Federal Reserve Bank of St. Louis, United States Department of Transportation)

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Market Returns: All data is indicative of total return which includes capital gain/loss and reinvested dividends for noted period. Index data sources MSCI, DJ-UBSCI, WTI, IDC, S&P. The information provided is believed to be reliable, but its accuracy or completeness is not warranted. This material is not intended as an offer or solicitation for the purchase or sale of any stock, bond, mutual fund, or any other financial instrument. The views and strategies discussed herein may not be appropriate and/or suitable for all investors. This material is meant solely for informational purposes, and is not intended to suffice as any type of accounting, legal, tax, or estate planning advice. Any and all forecasts mentioned are for illustrative purposes only and should not be interpreted as investment recommendations.

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