Market Review & Outlook

2Q 2025 | As of June 30, 2025

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Market Review

Executive Summary – June 2025

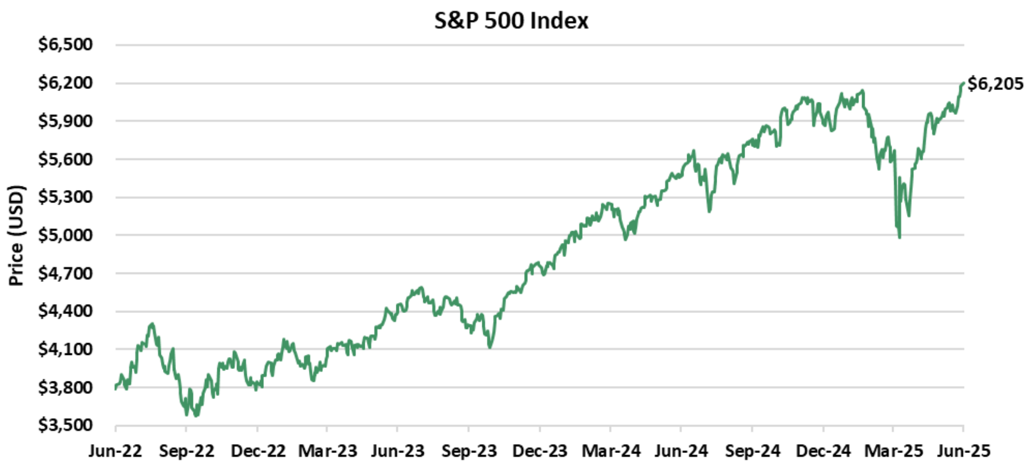
- 2Q25 saw a historic rebound from a technical correction in the S&P 500, hitting a new all time high less than 90 days after an -18.9% drawdown. The reversal started after a pause to the US reciprocal tariffs; however, significant tariffs remain in place.

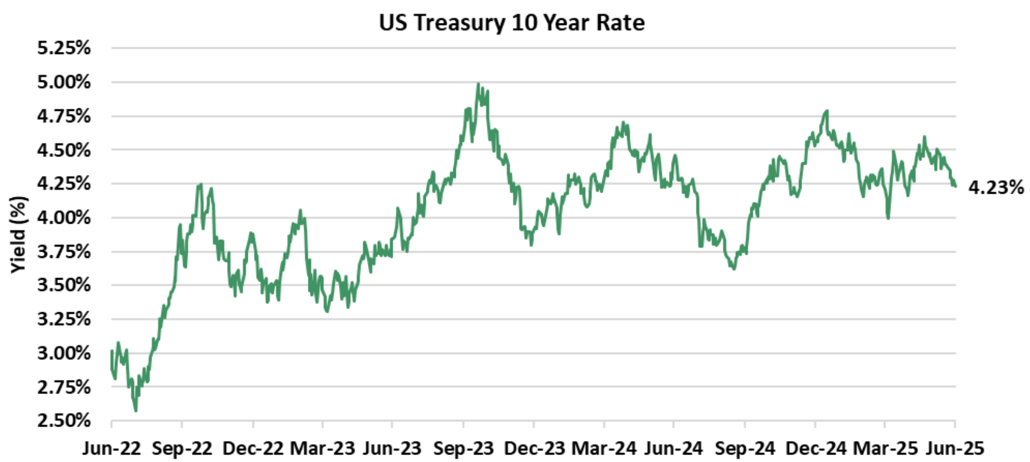
- Interest rates continued to be volatile in the quarter, higher than end of March levels, but lower than rates at the beginning of the year across the curve.

- Short term rates fell as the probability of the Fed easing rates increased, while long term yields rose amid continued heavy Treasury debt issuance.

- The Fiscal budget package passed congress that is considered marginally stimulative but does not cut the deficit.

- Economic data has been softer, but investor sentiment has been extraordinarily positive. Attention has been focused on a slowing but resilient labor market and lower inflation as key components (housing, consumption, and energy) have contributed to softer inflation. This has reinvigorated hopes for Fed rate cuts.





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Market Review

Market Scoreboard – June 2025

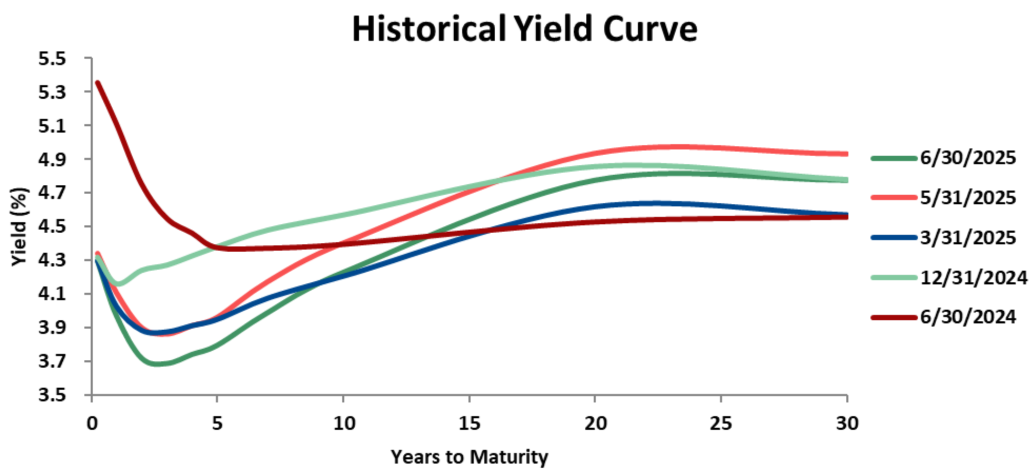
Market Summary - June 30th, 2025					
Bond Market	**MTD**	**QTD**	**YTD**	**1 Year**	**Yield**
Total Bond Market	1.5%	1.2%	4.0%	6.0%	4.5%
US Treasuries	1.3%	0.8%	3.8%	5.2%	4.1%
US MBS Index	1.8%	1.1%	4.1%	6.4%	5.0%
Corporate Bonds	1.8%	1.8%	4.2%	7.0%	5.0%
High Yield Corporates	1.9%	3.6%	4.6%	10.2%	6.8%
US TIPS (Inflation Prot.)	1.0%	0.4%	4.6%	5.7%	1.6%
Merrill Muni Index	0.8%	-0.1%	-0.6%	1.0%	3.7%
Floating Rate Corp	0.5%	1.2%	2.3%	5.3%	4.8%
International Bonds	2.2%	7.5%	10.6%	11.2%	2.5%
Commodities/Other	**MTD**	**QTD**	**YTD**	**1 Year**	**End Value**
Gold	0.4%	5.7%	25.9%	41.7%	$ 3,303
Dollar Index	-2.5%	-7.0%	-10.7%	-8.5%	$ 97
Oil (WTI)	8.9%	-6.5%	-6.3%	-13.8%	$ 65

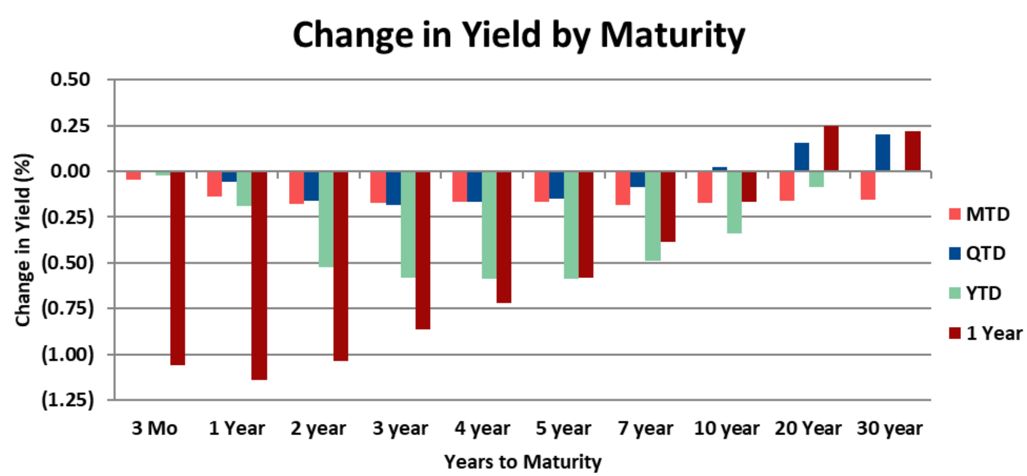
Market Summary - June 30th, 2025					
Stock Market Indices	**MTD**	**QTD**	**YTD**	**1 Year**	**End Value**
Dow Jones Avg.	4.5%	5.5%	4.5%	14.7%	$ 44,095
NASDAQ Composite	6.6%	18.0%	5.9%	15.7%	$ 20,370
Large Cap Core (S&P 500)	5.1%	10.9%	6.2%	15.1%	$ 6,205
Equal Weight S&P 500	3.4%	5.5%	4.8%	12.7%	$ 7,373
Large Cap Growth	6.3%	18.9%	8.8%	19.8%	$ 4,443
Large Cap Value	3.7%	3.0%	3.3%	9.6%	$ 1,928
Mid Cap Core	3.6%	6.7%	0.2%	7.5%	$ 3,103
Mid Cap Growth	3.4%	9.6%	0.5%	4.3%	$ 1,476
Mid Cap Value	3.7%	3.7%	-0.1%	11.0%	$ 990
Small Cap Core	5.4%	8.5%	-1.8%	7.7%	$ 2,175
Small Cap Growth	5.9%	12.0%	-0.5%	9.7%	$ 10,735
Small Cap Value	4.9%	5.0%	-3.2%	5.5%	$ 17,014
Europe	3.0%	15.2%	29.7%	27.0%	$ 562
England	1.9%	9.6%	19.9%	20.6%	$ 8,761
Japan	6.5%	18.3%	11.8%	16.3%	$ 40,487
Shanghi 300	3.8%	3.7%	3.3%	19.1%	$ 3,936
International Stocks	2.2%	12.0%	19.9%	18.3%	$ 2,655
MSCI China	3.7%	2.0%	17.3%	33.8%	$ 595
Emerging Markets	7.0%	11.4%	16.5%	16.3%	$ 48

Market Review

Fixed Income – Yield Curve – June 2025

- The yield curve steepened in Q2 with yields falling across short and intermediate term maturities reflecting Fed ease expectations, with longer maturities seeing a rise in yields reflecting significant Treasury debt issuance.
- The yield curve has continued to "normalize" as it steepens.
- Short term rates are near their long-term average levels, while longer term rates are still below their long-term average. We expect further steepening.
- Longer-term rates are still at risk of rising due to a steady stream of Treasury debt to come.





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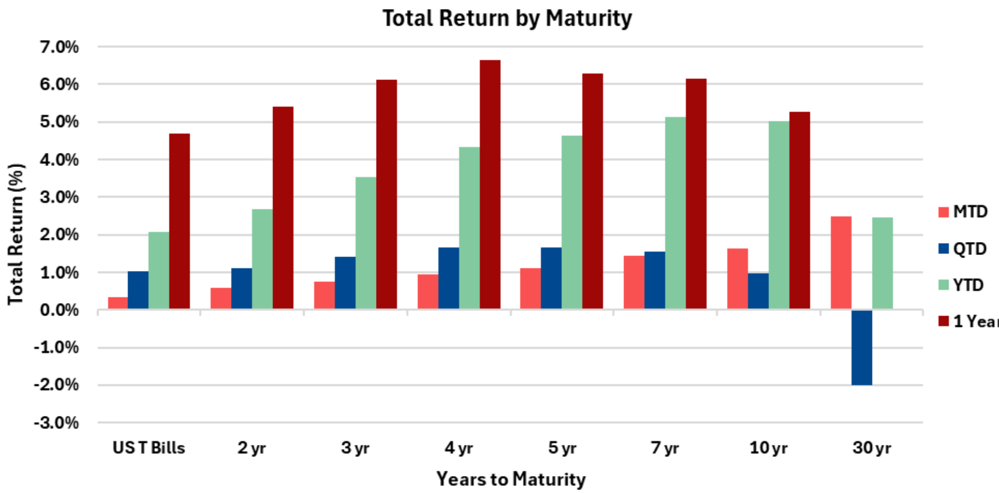
Market Review

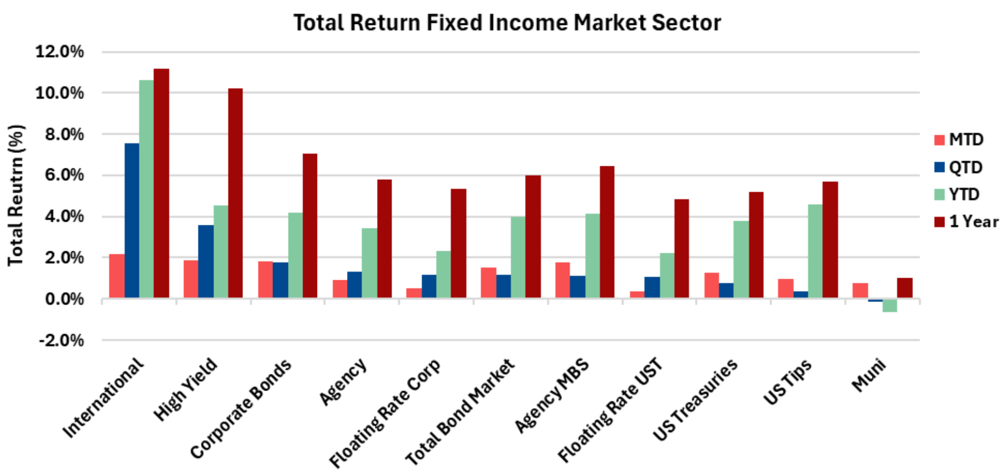
Fixed Income – Returns – June 2025

- Returns were positive across maturities this quarter amid higher income and falling rates, except for the long bond where yields rose as concern around US debt issuance continued to put upward pressure on long term interest rates.

- International bonds were the best performing sector QTD and YTD as stronger currency gains vs. the dollar boosted returns. High yield and corporate bonds recovered with equities, while mortgages continued to generate high stable income. Municipal bonds continued to struggle.

- Vectors Fixed Income strategy has been focused on intermediate term maturities and MBS.





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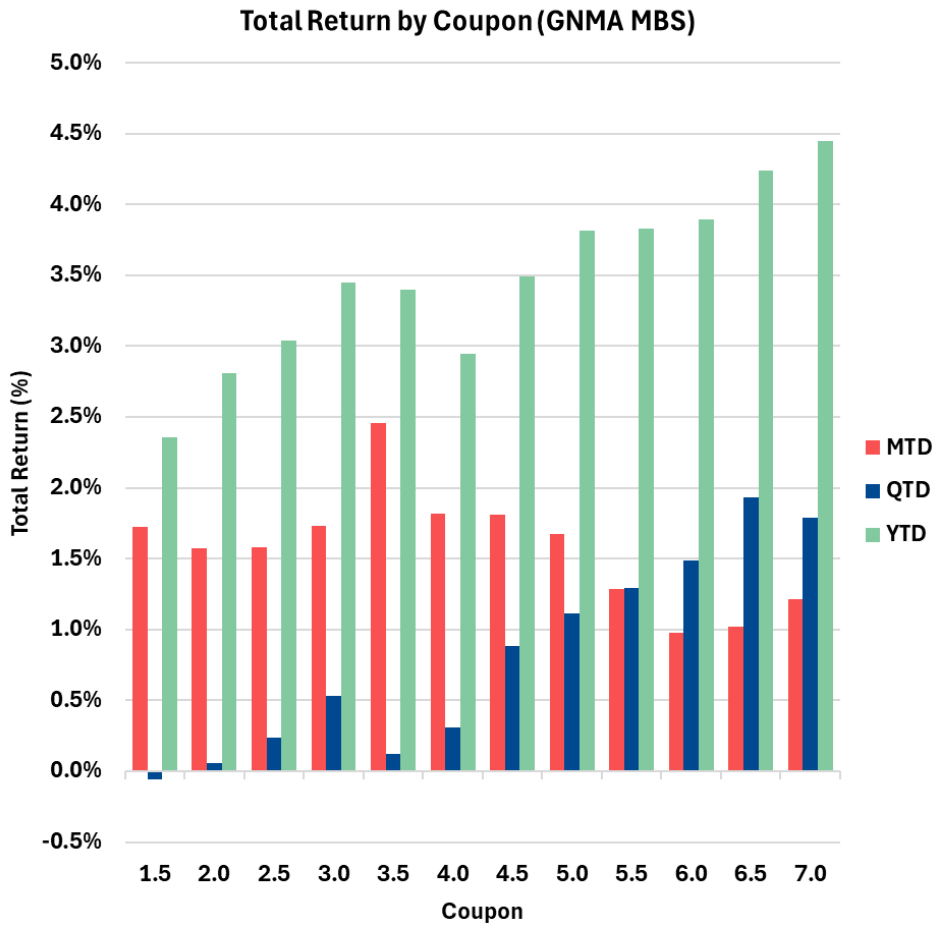
Market Review

Fixed Income – Returns – June 2025

- Lower coupon mortgages are longer in duration so have more interest rate sensitivity and underperformed in Q2.
- Higher coupon mortgages are shorter in duration but collect more income, so have generated an attractive positive return profile in Q2, and for the past year.
- Vectors strategy has focused on 4.5% through 6% coupons.



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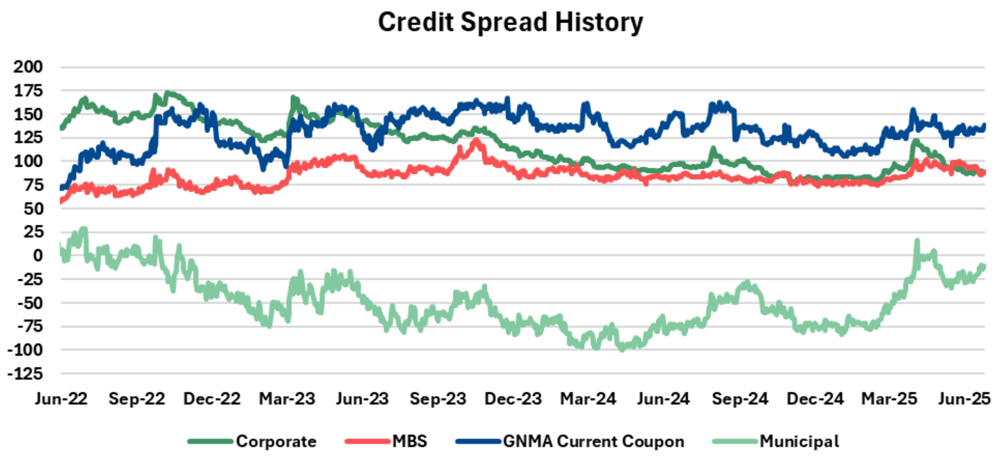
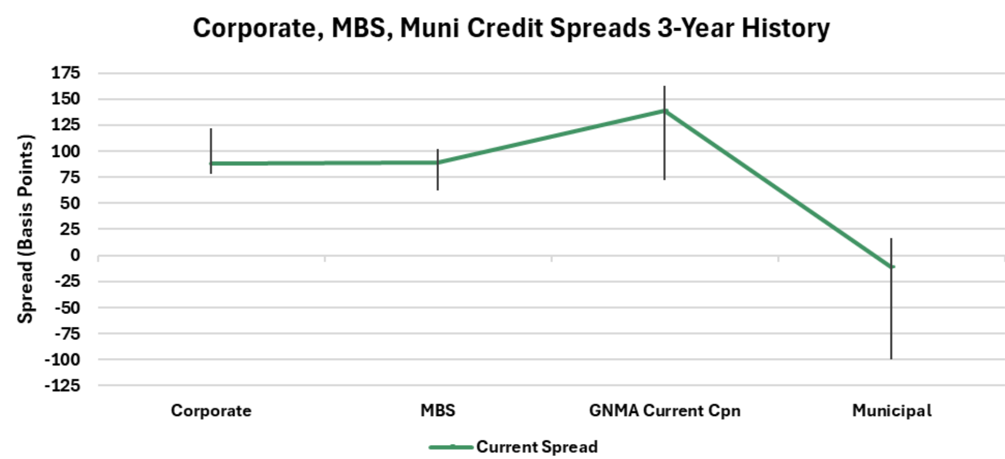
Market Review

Fixed Income – Yield Spreads – June 2025

- Corporate spreads recovered from their widening in Q1, paralleling the recovery in the equity market.
- Mortgage-backed-securities also tightened but are still historically high. Corporates have returned to historically tight spread levels.
- Municipals saw a large sell off and are now a more attractive relative value for high-tax-bracket investors.
- Vectors Fixed Income strategy is focused on GNMA current coupon and higher coupon MBS.





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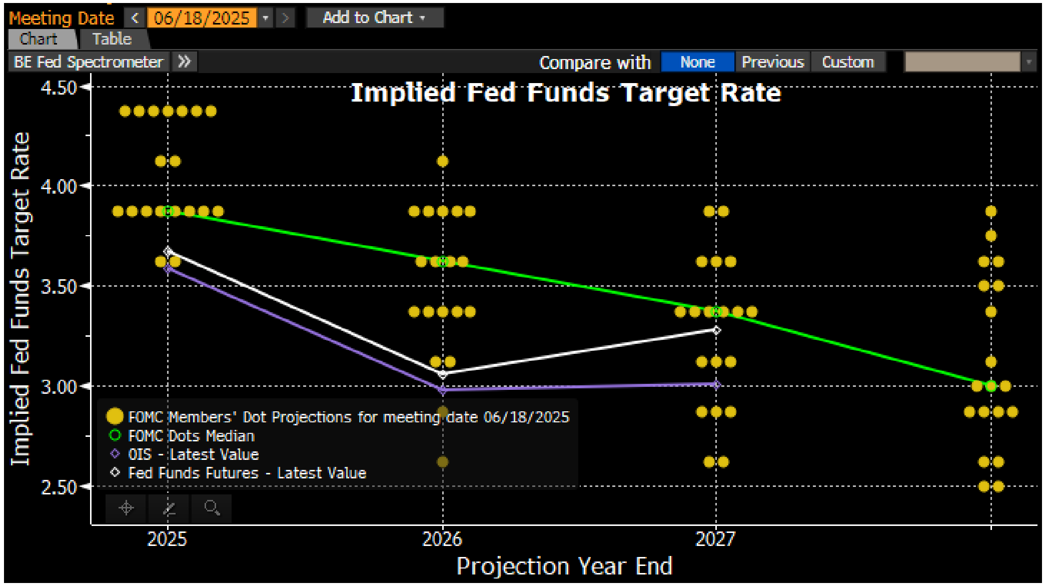
Market Review

Fixed Income – Fed Policy – June 2025

- The Feds Dot Plot shows all Fed Governors thoughts on where rates will be over time.
- The median Fed expectations are for 50 bps by the end of 2025 to 3.875, and another 25bp in 2026 to 3.625%.
- The market expects more cuts with the potential for a third cut this year.
- At the June Fed meeting, they removed one expected 25bp cut in 2026 amid an increase in inflation expectations due to tariffs. The long term expected Funds rate is 3%, unchanged from the December and March meetings.
- Market expectations of inflation are running around 2.3-2.4% over the next 2-5 years, above the feds goal of 2%.



Current Fed Funds Rate
4.31

10 Year Tip	10 Year UST	Implied Inflation Premium
1.93	4.23	**2.30**

5 Year Tip	5 Year UST	Implied Inflation Premium
1.47	3.80	**2.32**

2 Year Tip	2 Year UST	Implied Inflation Premium
1.29	3.72	**2.42**

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Market Review

Fixed Income – Fed Policy – June 2025

- The Fed lowered growth expectations again for 2025-2027, including from 1.7% to 1.4% in 2025. This is understandable given the softer economic data that has been coming in.
- The Fed sees unemployment slightly higher at 4.5% in 2025. In the event of a slowdown this could rise, with some economists projecting unemployment above 5%.
- The Fed increased inflation expectations again primarily due to tariffs, but has also stated they would be "transitory".
- The Fed has gone against their previous declaration of not making policy on potential fiscal and other government policies, by explicitly factoring in a risk of higher inflation due to the impact of tariffs and trade by the new administration.

Federal Reserve Median Economic Projections
As of 6/18/2025

Change in GDP	Actual	2025	2026	2027	Longer Run
June 2025 Projection		1.4	1.6	1.8	1.8
March 2025 Projection		1.7	1.8	1.8	1.8
December 2024 Projection		2.1	2.0	1.9	1.8
Actual Q1 2025	**2.1%**				
Unemployment Rate					
June 2025 Projection		4.5	4.5	4.4	4.2
March 2025 Projection		4.4	4.3	4.3	4.2
December 2024 Projection		4.3	4.3	4.3	4.2
Actual May 2025	**4.2%**				
PCE Inflation					
June 2025 Projection		3.0	2.4	2.1	2.0
March 2025 Projection		2.7	2.2	2.0	2.0
December 2024 Projection		2.5	2.1	2.0	2.0
Actual April 2025	**2.1%**				
Core PCE Inflation					
June 2025 Projection		3.1	2.4	2.1	
March 2025 Projection		2.8	2.2	2.0	
December 2024 Projection		2.5	2.2	2.0	
Actual April 2025	**2.5%**				
Projected Policy Path- Fed Funds					
June 2025 Projection		3.9	3.6	3.4	3.0
March 2025 Projection		3.9	3.4	3.1	3.0
Actual June 2025	4.4%				

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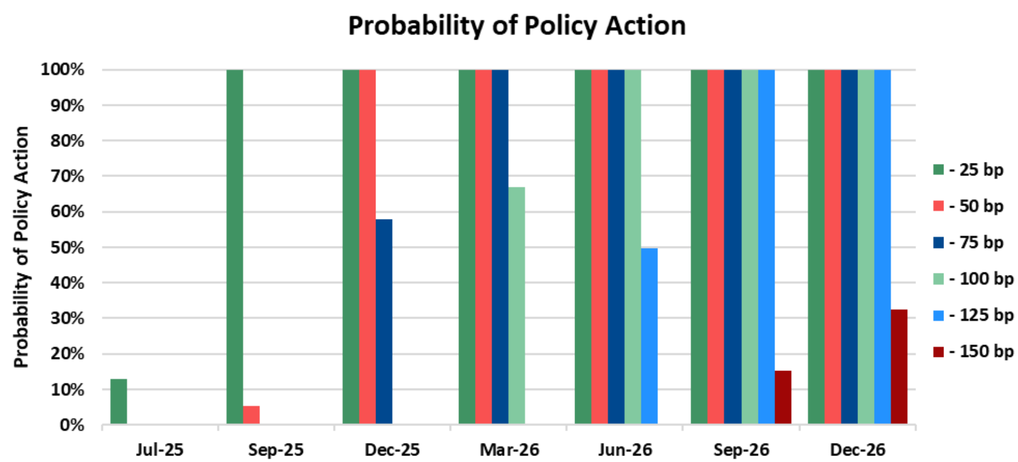
Market Review

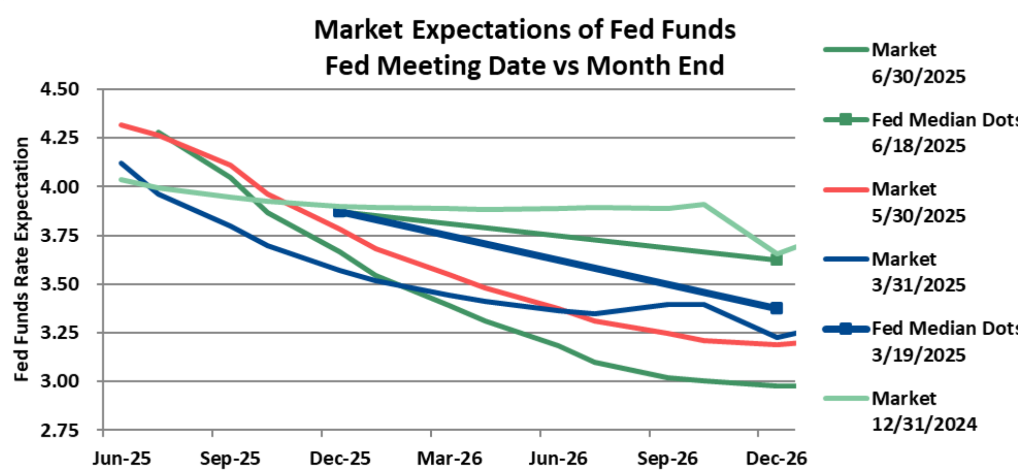
Fixed Income – Fed Policy – June 2025

- The market is now pricing in two 25bp cuts in 2025, and just under 60% probability of a 3rd cut in 2025, down from 90% in March, but now expects more cuts in 2026 toward the long-term target of 3%.

- The most recent June Fed meeting occurred amid softer economic data and amid uncertainty around trade policies. The fed maintained its expectations of 2 cuts in 2025, but one less cut in 2026 purely due to tariff uncertainty.

- Current market interest rates are now close equilibrium with the economy, and market expectations seem reasonable for 2-3 cuts this year if our expectations of continued disinflation and economic moderation come to fruition.

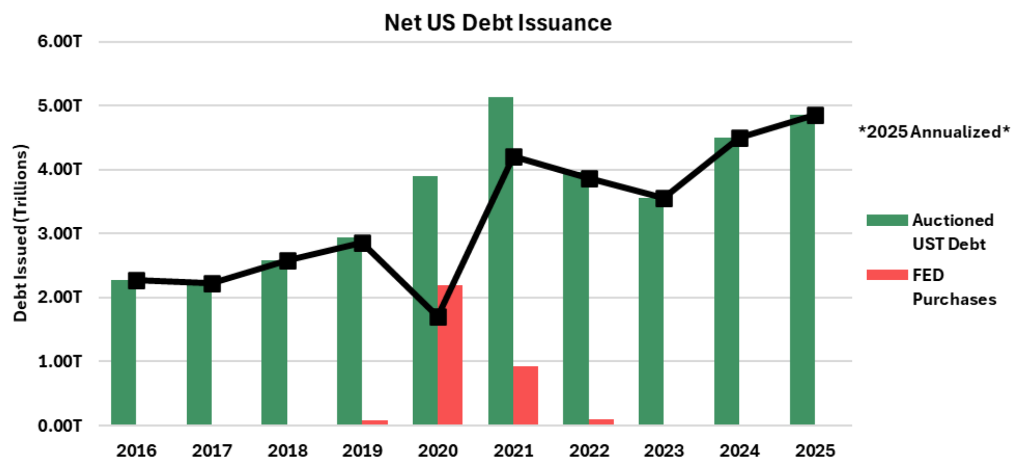


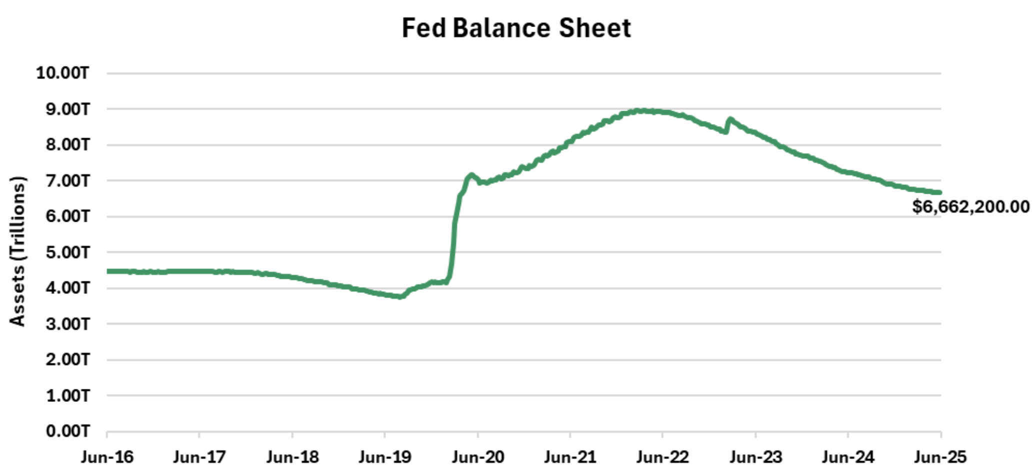


Market Review

Fixed Income – Fiscal Policy – June 2025

- The US Treasury has auctioned off around $4.5 Trillion in Debt in 2024. After the second quarter of 2025, annualized debt issuance is $4.8 trillion.
- Interest payments on Treasury debt will exceed $1 Trillion in 2025.
- The Federal Reserve has continued to work down its balance sheet, reducing previous quantitative easing, but has much further to go. The Fed still holds about $6.66 Trillion in US Debt.
- The Fed recently declared they will be reducing the amount of run off in the portfolio – another potential policy error.





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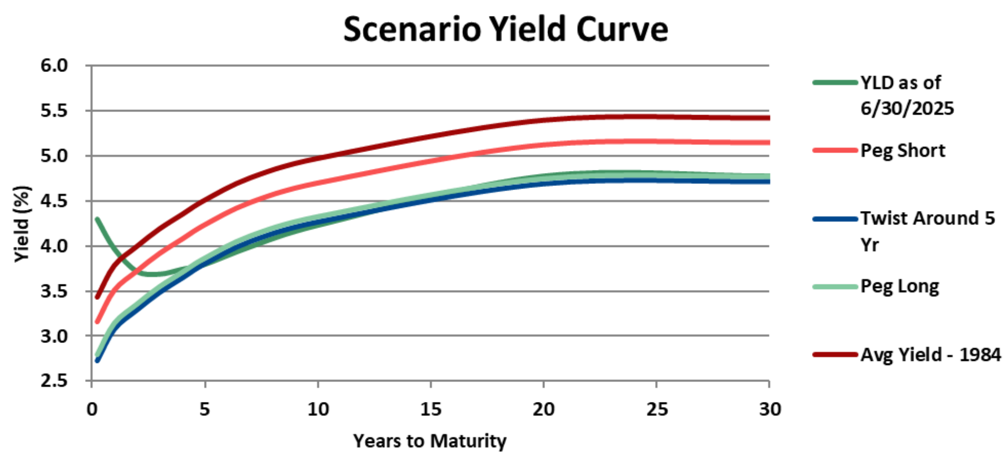
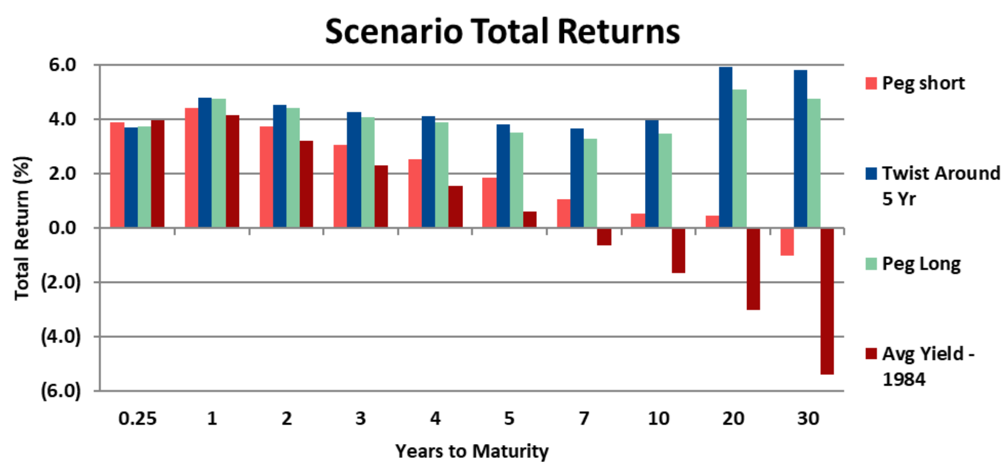
Market Review
Fixed Income – Yield Curve – June 2025

- Our expectations of a twisting normalization of the yield curve have come to fruition.
- The yield curve is now positively sloped beyond 2 years, providing higher yields for longer maturities.
- In most scenarios returning the yield curve to its long-term average slope, including returning all yields to their average levels since 1984, 1–5-year maturities are most attractive, performing best in most scenarios.
- There is a risk continued Treasury issuance puts upward pressure on long term rates.
- We feel that a return to average yields since 1984 is a reasonable base case scenario; however, a slowing economy and continued disinflation could shift all rates lower, providing a twist around the 5-year scenario.





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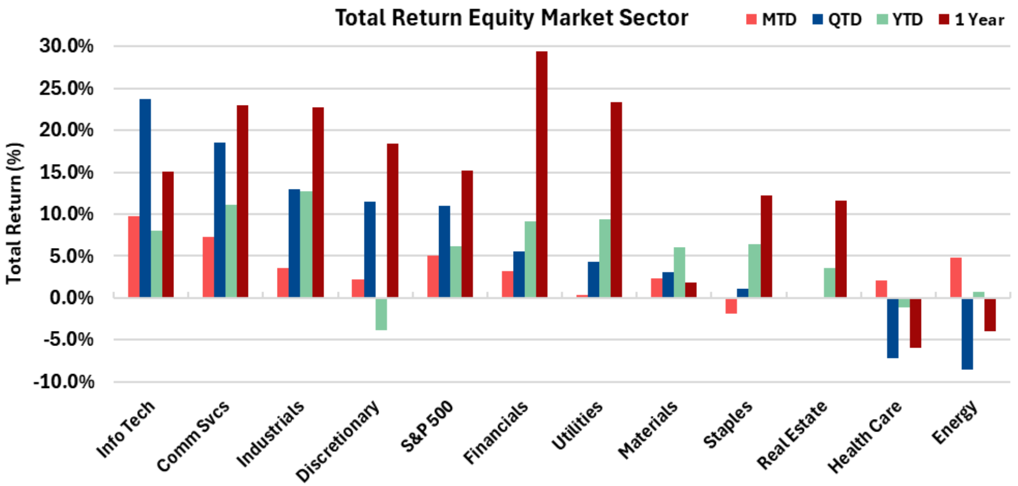
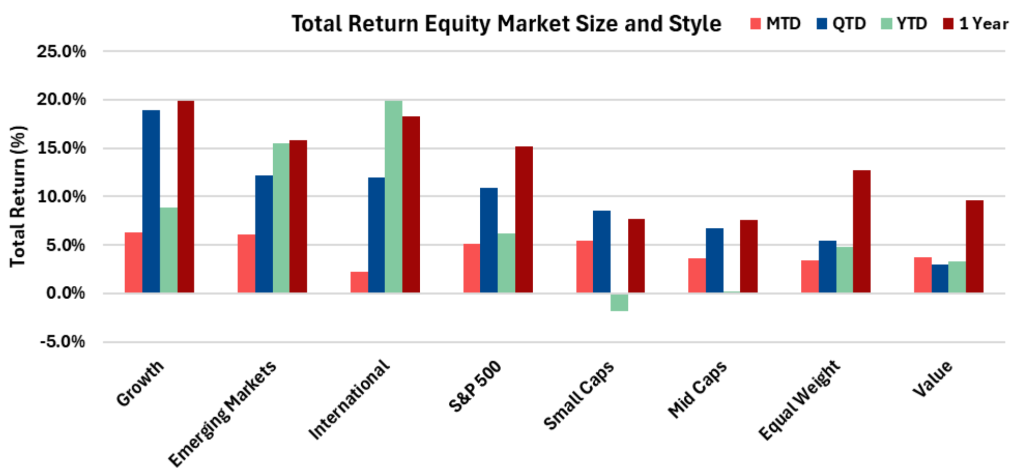
Market Review

Equity Market – Returns – June 2025

- Growth sectors rebounded in Q2, and defensive Value sectors lagged as we returned to a risk-on environment amidst the pause to US reciprocal tariffs. Info Tech performed the best, followed by communications, industrials, and discretionary.
- Health Care and Energy sold off as markets repriced these defensive assets. The US budget bill affected Health Care stocks and falling oil prices drove Energy stocks lower.
- Growth Stocks had the strongest performance in Q2, followed by Emerging Markets and International where returns were boosted by a weaker dollar. Value lagged significantly.
- Small and Mid caps participated in the recovery, but less than Large caps.





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Market Review

Equity Market – S&P 500 Top 10 – June 2025

- The top 10 rebounded in Q2, apart from Apple and Berkshire Hathaway. Their weight almost returned to start-of-year levels as the market weighted index overtook the equal weighted index YTD.

- Positive performers in the top 10 YTD are Nvidia, Microsoft, Amazon (flat), Meta, Broadcom, and Berkshire Hathaway.

- Negative performers in the top 10 YTD are Apple, Alphabet, Tesla.

Top 10 Holdings Vs. Rest of S&P 500

Company	Name	Next Twelve Month P/E Ratio	6-30-2025 % Weight in SPX	3-31-2025 % Weight in SPX	12-31-2024 % Weight in SPX	MTD Return	MTD Contribution	QTD Return	QTD Contribution	YTD Return	YTD Contribution	YTD as of 4/8/2025
NVDA	NVIDIA Corp	32.3	7.3%	5.4%	6.6%	16.9%	0.9%	45.8%	2.5%	17.7%	1.2%	-28.3%
MSFT	Microsoft Corp	34.0	7.0%	6.2%	6.3%	8.0%	0.5%	32.7%	2.0%	18.5%	1.2%	-15.7%
AAPL	Apple Inc	29.3	5.8%	6.6%	7.6%	2.2%	0.1%	-7.5%	-0.5%	-17.9%	-1.4%	-31.1%
AMZN	Amazon.com Inc	34.2	3.9%	3.8%	4.1%	7.0%	0.3%	15.3%	0.6%	0.0%	0.0%	-22.2%
META	Meta Platforms Inc	28.2	3.1%	2.6%	2.6%	14.1%	0.4%	28.2%	0.7%	26.3%	0.7%	-12.7%
AVGO	Broadcom Inc	35.9	2.5%	1.6%	2.2%	14.1%	0.2%	65.0%	1.0%	19.5%	0.4%	-32.5%
GOOGL	Alphabet Inc Class A	19.2	2.0%	2.0%	2.2%	2.7%	0.1%	14.1%	0.3%	-6.7%	-0.1%	-23.5%
TSLA	Tesla Inc	136.6	1.7%	1.6%	2.3%	-8.3%	-0.1%	22.6%	0.4%	-21.3%	-0.5%	-45.1%
BRK/B	Berkshire Hathaway Inc	23.1	1.7%	2.1%	1.7%	-3.6%	-0.1%	-8.8%	-0.2%	7.2%	0.1%	8.7%
GOOG	Alphabet Inc Class C	19.2	1.6%	1.6%	1.8%	2.7%	0.0%	13.7%	0.2%	-6.6%	-0.1%	-22.9%
Top 10 of SPX	Top 10 S&P 500		36.6%	33.4%	37.3%	6.9%	2.3%	21.0%	7.0%	3.8%	1.4%	-24.1%
Rest of SPX	Bottom 490 S&P 500		63.4%	66.6%	62.7%	4.2%	2.8%	5.9%	3.9%	7.6%	4.8%	-9.6%
SPX Returns	Market Weight S&P 500		100.0%	100.0%	100.0%	5.1%	5.1%	10.9%	10.9%	6.2%	6.2%	-15.0%
SPW Returns	Equal Weight S&P 500		100.0%	100.0%	100.0%	3.4%	3.4%	5.5%	5.5%	4.8%	4.8%	-12.2%

Market Review

Equity Market – S&P 500 Relative Valuation – June 2025

- After the tariff-pause induced rally, the S&P 500 hit new all-time highs at the end of Q2, but it was on an expanded multiple, not an increased expectation in earnings growth, which has fallen to just 6.3% for the next-twelve months.

- Market pricing of risk around trade policy has declined despite many of the reciprocal tariffs still being at elevated levels and the 90-day pause coming close to an end with only a few deals struck.

- Current earnings expectations could continue to be revised down if economic data continues to be soft. A 3% earnings growth scenario at the 10-year average multiple only supports a $5008 S&P 500. In the event a real economic slowdown comes to fruition this relief rally could be very short lived.

	Actual Growth		Estimated Growth			
Headline EPS	Last 12 Months	11.4%	Next Twelve Months	6.3%	3.0%	0.0%
S&P 500	Actual EPS	$254.35	Estimated EPS	$270.42	$261.98	$254.35
Scenario	Trailing P/E	Price	Forward P/E	Price		
6/30/2025	**24.4**	**$6,205**	**22.9**	**$6,205**	$6,011	$5,836
5-Year Average	22.3	$5,675	20.7	$5,595	$5,420	$5,262
10-Year Average	20.3	$5,167	19.1	$5,169	$5,008	$4,862
15-Year Average	18.5	$4,713	17.4	$4,714	$4,567	$4,434
20-Year Average	17.8	$4,538	16.6	$4,502	$4,362	$4,235

Market Review

Equity Market – Equal Weight Relative Valuation – June 2025

- The equal weighted index should also see slower growth but is more diversified across sectors and has a lower downside risk in the scenario that valuations return to long-term averages.
- Earnings growth expectations have also come down, but the earnings multiple is much closer to long-term averages creating less down-side risk.
- Due to lower concentration risk, the equal weight lets us retain a higher equity exposure while minimizing the risk in scenarios involving a market correction.

	Actual Growth		Estimated Growth			
Headline EPS	Last 12 Months	5.0%	Next Twelve Months	5.8%	3.0%	0.0%
S&P 500 Equal Weight	Actual EPS	$397.02	Estimated EPS	$419.86	$408.93	$397.02
Scenario	Trailing P/E	Price	Forward P/E	Price		
6/30/2025	**18.6**	**$7,373**	**17.6**	**$7,373**	$7,181	$6,972
5-Year Average	19.3	$7,667	17.5	$7,334	$7,143	$6,935
10-Year Average	18.4	$7,305	17.2	$7,208	$7,021	$6,816
15-Year Average	17.7	$7,011	16.4	$6,895	$6,716	$6,520
20-Year Average	17.7	$7,009	16.6	$6,984	$6,803	$6,605

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Market Review

Equity Market – Small/Mid Cap Relative Valuation – June 2025

- Small and mid caps earnings growth has lagged and have underperformed YTD but are cheap compared to large caps on a relative valuation basis.
- It is possible for small and mid caps to continue to underperform while trade policy remains uncertain, and a risk of economic slowdown continues to be priced in.
- However, at these valuations small and mid cap stocks are set up to outperform in a return to a stronger macroeconomic environment.

	Actual Growth		Estimated Growth	
Headline EPS	Last 12 Months	1.3%	Next Twelve Months	2.4%
S&P Midcap 400	Actual EPS	$183.91	Estimated EPS	$188.35
Scenario	Trailing P/E	Price	Forward P/E	Price
10-Year Average	17.9	$3,295	16.7	$3,153
15-Year Average	18.1	$3,321	16.6	$3,122
6/30/2025	**16.9**	**$3,103**	**16.5**	**$3,103**
20-Year Average	18.0	$3,302	16.2	$3,044
5-Year Average	17.3	$3,178	16.0	$3,008

	Actual Growth		Estimated Growth	
Headline EPS	Last 12 Months	-4.0%	Next Twelve Months	4.3%
S&P Smallcap 600	Actual EPS	$82.48	Estimated EPS	$86.01
Scenario	Trailing P/E	Price	Forward P/E	Price
10-Year Average	19.1	$1,576	17.1	$1,468
15-Year Average	19.5	$1,609	17.1	$1,467
20-Year Average	19.1	$1,579	16.7	$1,438
5-Year Average	17.9	$1,476	15.5	$1,336
6/30/2025	**16.2**	**$1,334**	**15.5**	**$1,334**

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Market Review

Equity Market – International Relative Valuation – June 2025

- International stocks (MXEA) and emerging markets (MXEF) have performed well YTD as the dollar weakened, and US stocks underperformed global stocks.
- You would expect earnings growth to slow globally in the event of a slowdown in spending coming from the US.
- However, their cheaper valuation makes them an attractive hedge to a potentially weaker dollar amid new trade policies, with less downside risk than US large caps.

	Actual Growth		Estimated Growth	
Headline EPS	Last 12 Months	3.1%	Next Twelve Months	6.9%
International	Actual EPS	$159.40	Estimated EPS	$170.39
Scenario	Trailing P/E	Price	Forward P/E	Price
6/30/2025	**16.7**	**$2,655**	**15.6**	**$2,655**
5-Year Average	16.0	$2,551	15.0	$2,559
10-Year Average	15.8	$2,522	14.9	$2,544
15-Year Average	15.4	$2,459	14.3	$2,437
20-Year Average	15.8	$2,525	14.2	$2,418

	Actual Growth		Estimated Growth	
Headline EPS	Last 12 Months	11.4%	Next Twelve Months	13.8%
Emerging Markets	Actual EPS	$80.43	Estimated EPS	$91.52
Scenario	Trailing P/E	Price	Forward P/E	Price
6/30/2025	**15.2**	**$1,223**	**13.4**	**$1,223**
5-Year Average	14.7	$1,182	12.9	$1,181
10-Year Average	13.8	$1,110	12.5	$1,143
20-Year Average	13.5	$1,084	12.1	$1,109
15-Year Average	13.2	$1,059	11.9	$1,085

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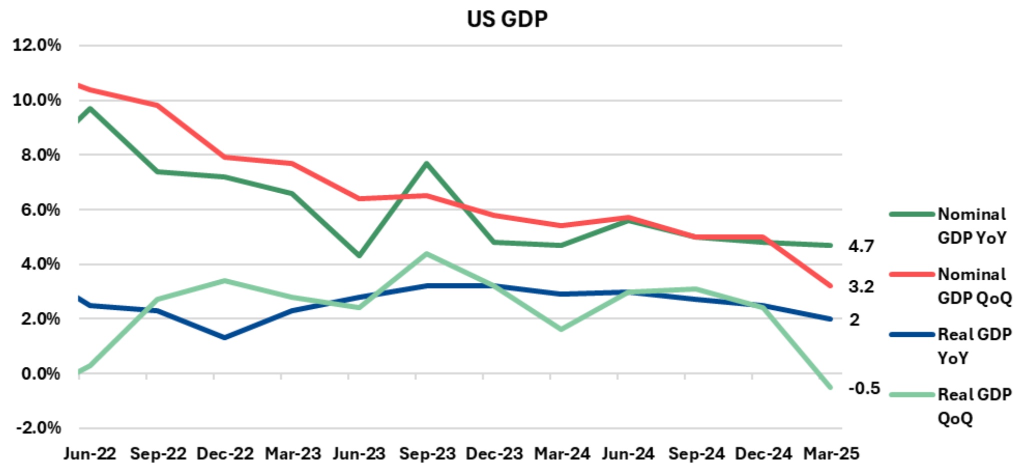
Economic Environment

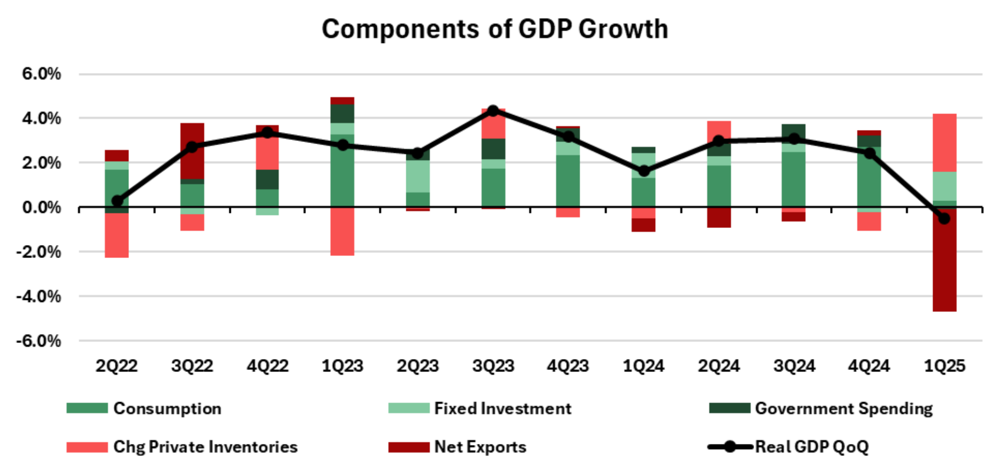
Economic Activity – June 2025

- Nominal GDP is still a healthy 4.7% year-over-year but has steadily declined from the stimulus driven peak in growth following the COVID-19 pandemic.

- Consumer spending is no longer the largest contributor to GDP. This is the first time since 2Q23.

- Net exports drove GDP to -0.5% QoQ as merchants rushed to import inventories ahead of the implementation of new reciprocal tariffs.





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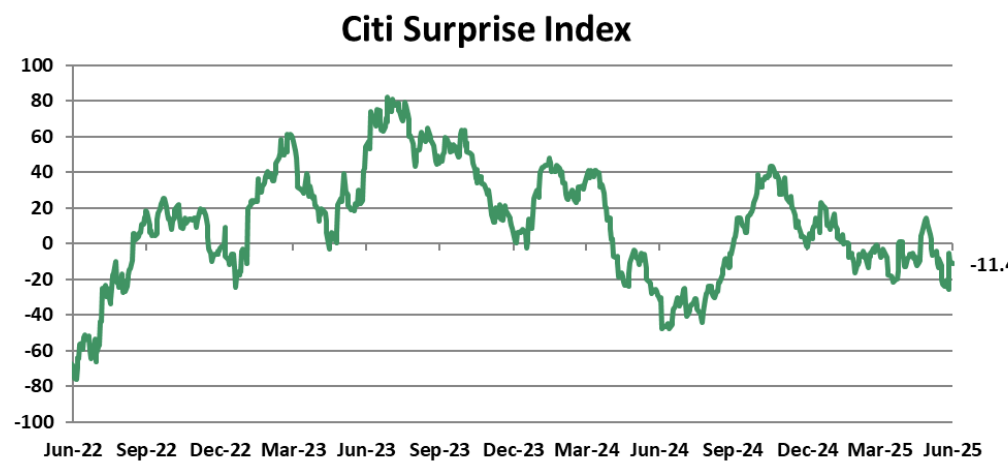
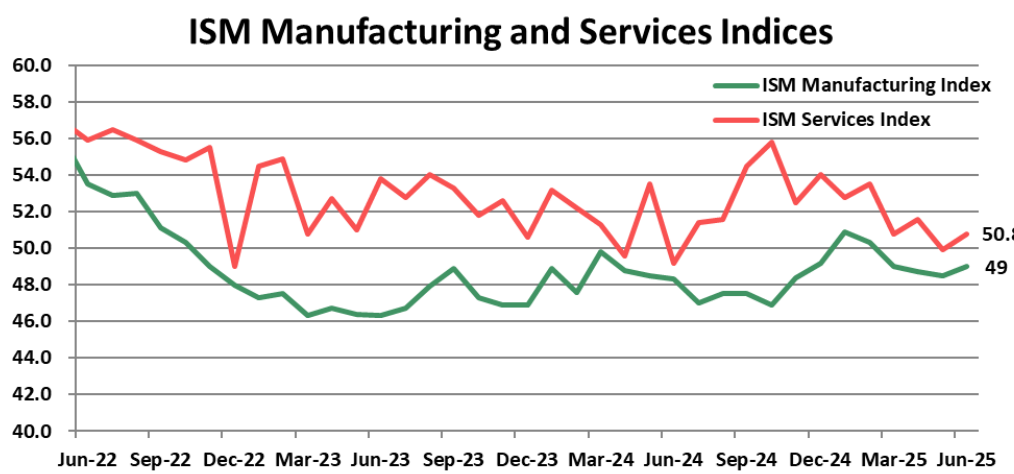
Economic Environment
Economic Activity – June 2025

- The Citi surprise index is back to negative levels after more soft data in Q2.
- Both ISM manufacturing and services have trended down over the last 3 years, with services remaining more robust and manufacturing more sluggish.
- Despite continued soft economic data, risk assets have rebounded to new all-time highs on a solid Q1 earnings season and pause in reciprocal tariffs.





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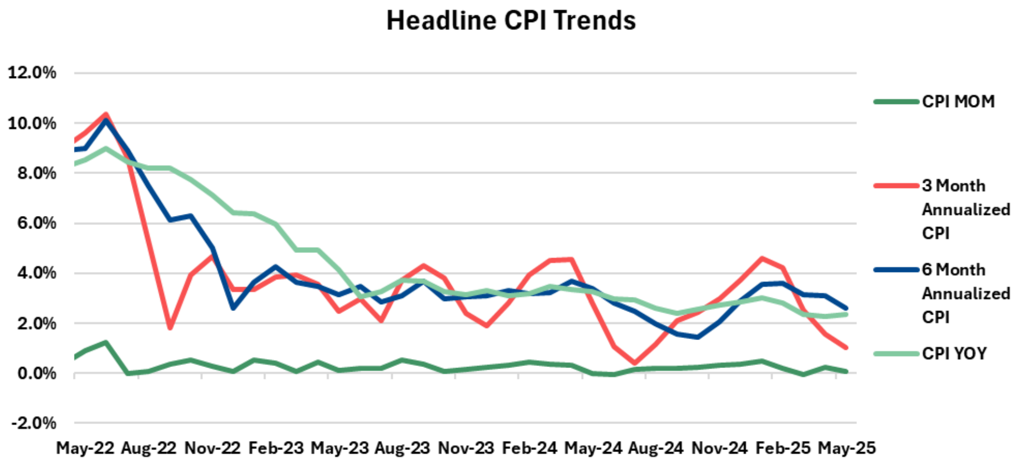
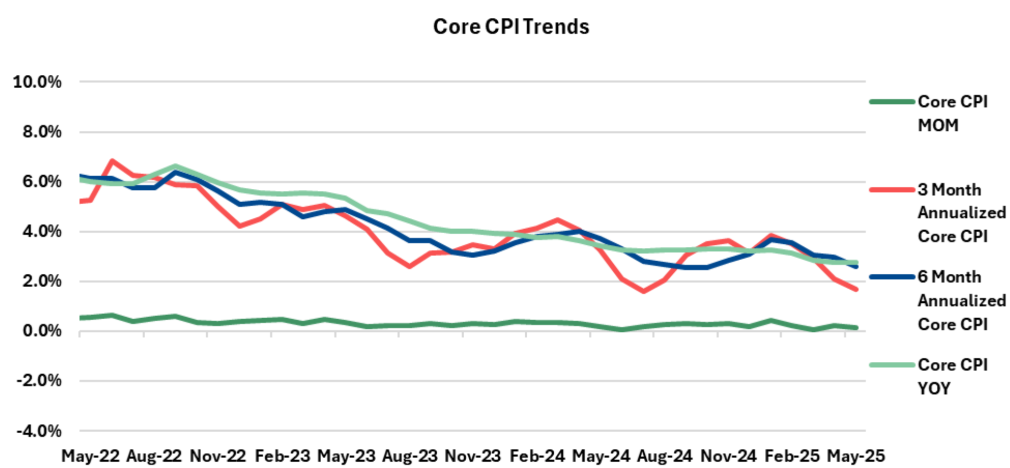
Economic Environment

Inflation – June 2025

- Inflation continues to soften, with 3-month annualized headline CPI dropping well below 2%.
- We feel inflation will continue to recede regardless of tariffs.
- Consumer and business rejection of higher pricing has brought down inflation pressures, including retail consumption and housing.
- The Fed's inflation target remains at 2%, and they have publicly stated that they see tariffs as a near term risk to inflation.





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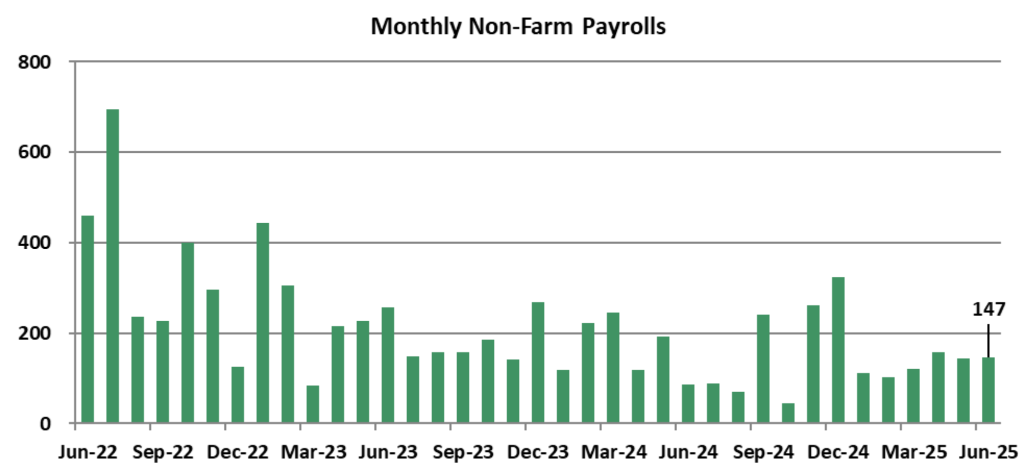
Economic Environment
Labor Market – June 2025

- The unemployment rate has maintained a level of over 4% and is holding steady as the job market seems to have stabilized. The most recent print came as a strong surprise and took pressure of the Fed to cut rates sooner.

- Monthly payrolls additions have been volatile, but continue at strong levels, certainly stronger than market expectations. Jobs have been primarily in government, health care, and social services sectors.

- Layoffs continue in technology, and have spread to some other cyclical economic sectors, while new jobs are getting harder to find.



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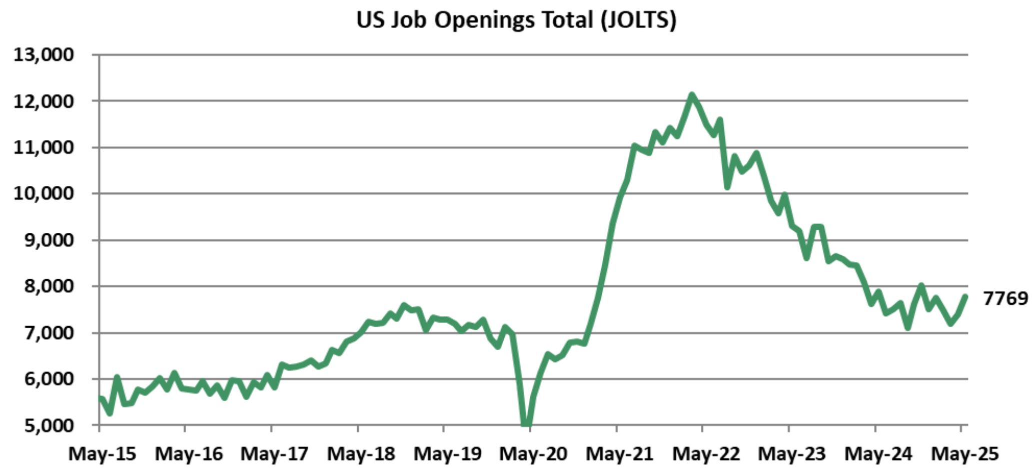
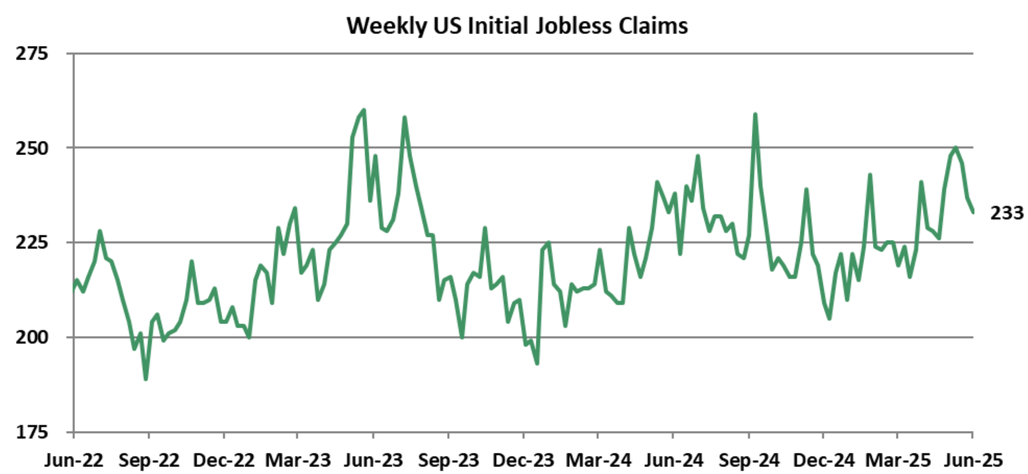
Economic Environment

Labor Market – June 2025

- Steady employment gains have reduced stress in the job market, bringing down the number of jobs openings.
- Job openings have reverted to near pre pandemic levels (with a healthy economy) and recently ticked up. The quits rate continues to decline.
- Weekly unemployment claims have remained steady at a low rate, suggesting limited layoffs; however, the continuing claims information is escalating, suggesting it is taking longer for those that are laid off to find new work.





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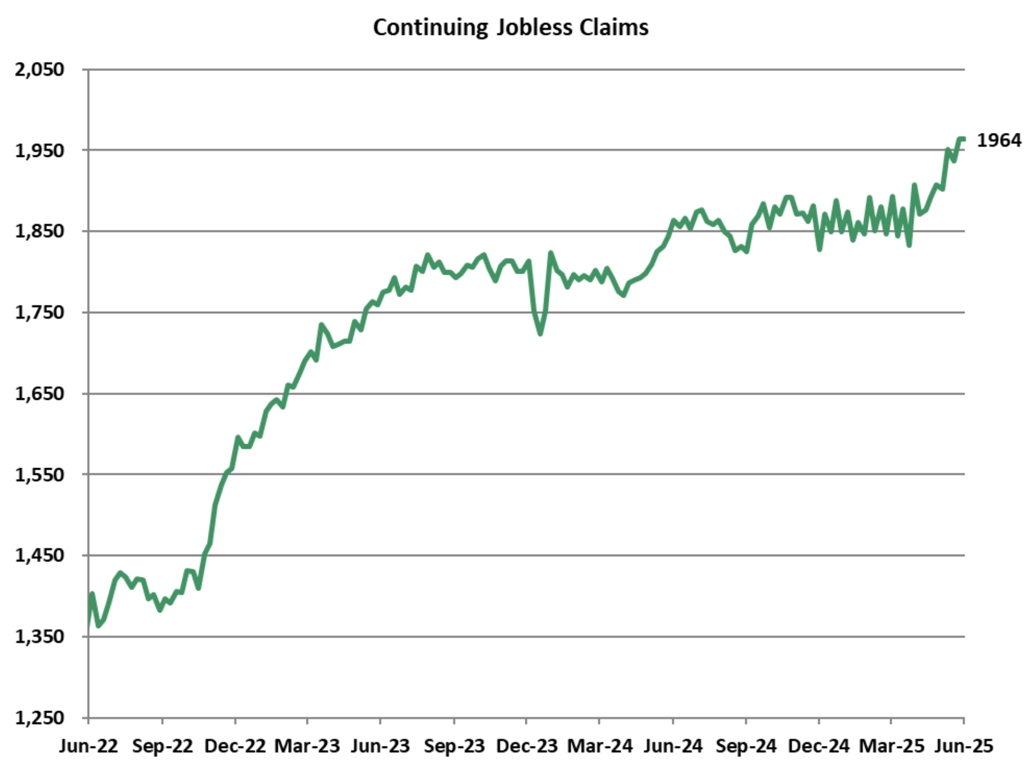

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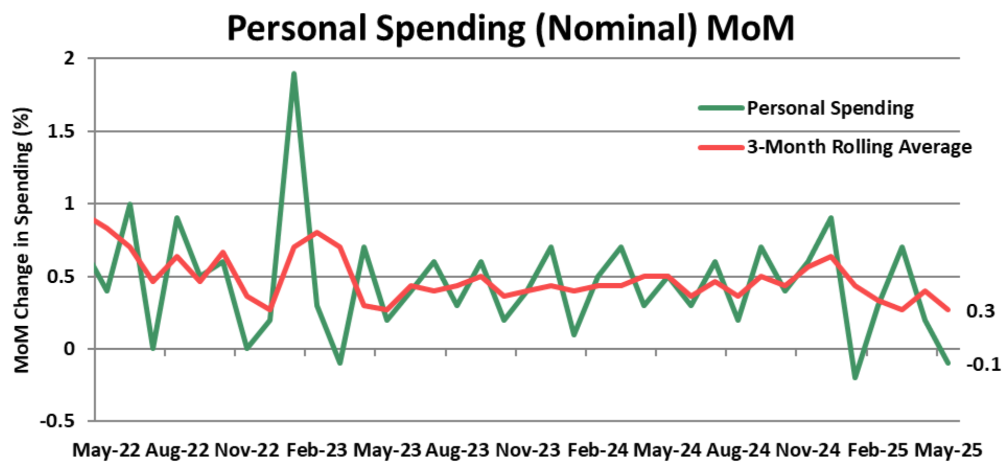
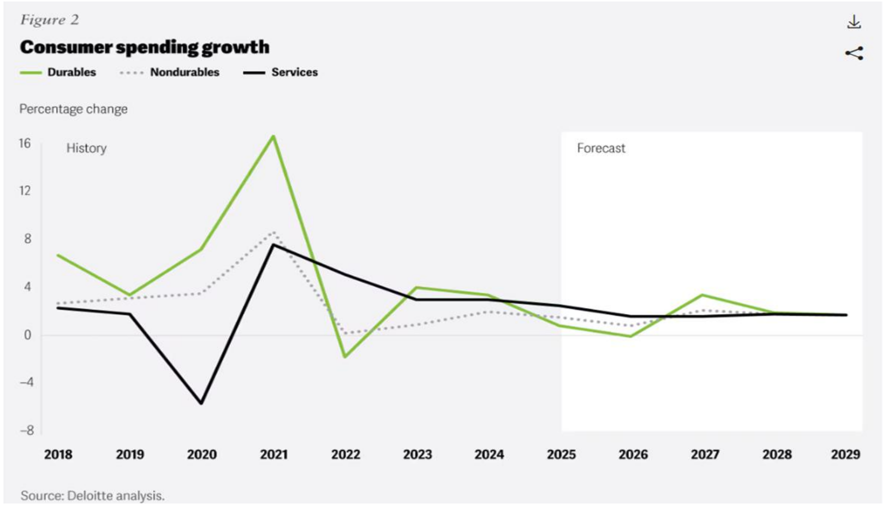
Economic Environment

Economic Activity – June 2025

- Personal Spending (nominal) on a month-over-month basis turned negative again in the most recent printing.
- Expectations for consumer spending growth is low to flat for durables, non-durables and services through 2029.
- This has flowed through to GDP already as consumption lost its spot as the largest contributor and could be a driver of lower GDP growth going forward.





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Economic Environment

Economic Activity – June 2025

- ➢ Credit card delinquencies are rising, nearing levels seen after the global financial crisis. These delinquencies are a driver of lower consumer spending.

- ➢ While delinquencies are not yet at levels seen post global financial crisis, total outstanding credit card balances have hit historic highs, accelerating drastically after the pandemic.

Credit card delinquencies rising

The share of credit card balances 90+ days overdue is at its highest level since 2011, reflecting financial pressure on borrowers.

Source: NY Federal Reserve

Total outstanding credit card balances, 2008 to present

Source: New York Fed Consumer Credit Panel/Equifax. Note: Values, which are in billions, are seasonally adjusted.

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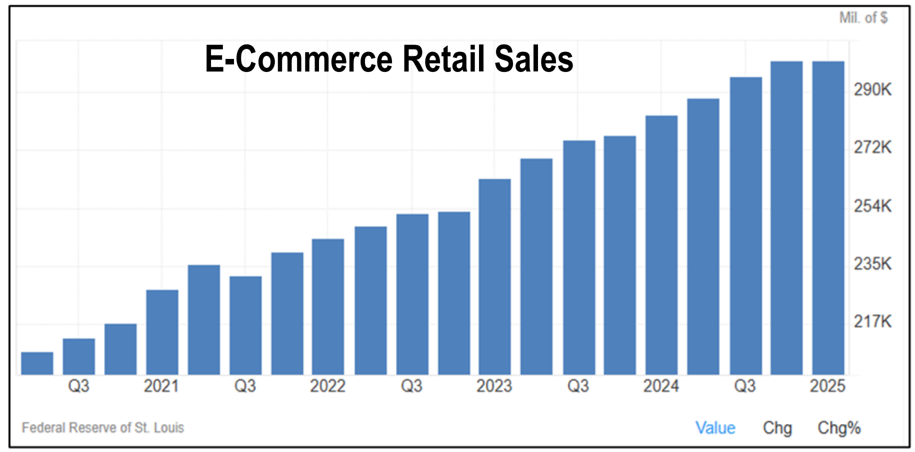
Economic Environment

Economic Activity – June 2025

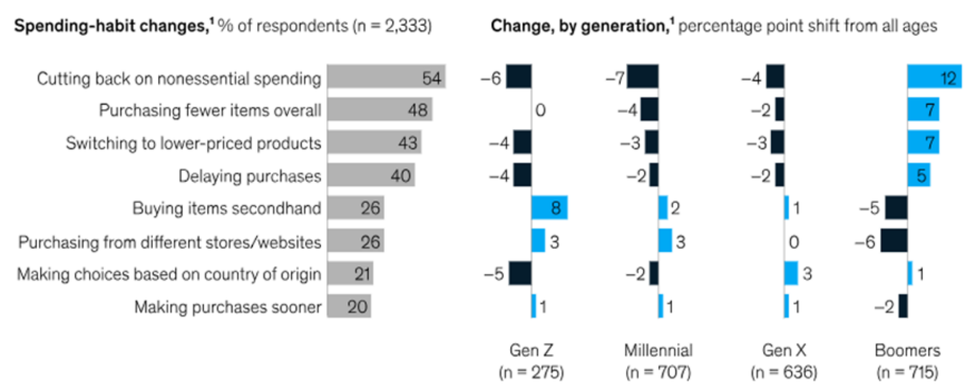
- E-Commerce retail sales failed to grow quarter-over-quarter for the first time since Q3 2021.

- Consumers have stated they expect to cut back on nonessential spending as seen in lower consumption growth. This is the case for Gen Z, Millennials, and Gen X, but not Baby Boomers who have been the biggest beneficiaries of higher asset prices.



Among consumers who expected to change their behavior, more than half planned to cut back on nonessential spending.

Tactics adopted by US consumers who expect to change spending habits due to recent tariff news



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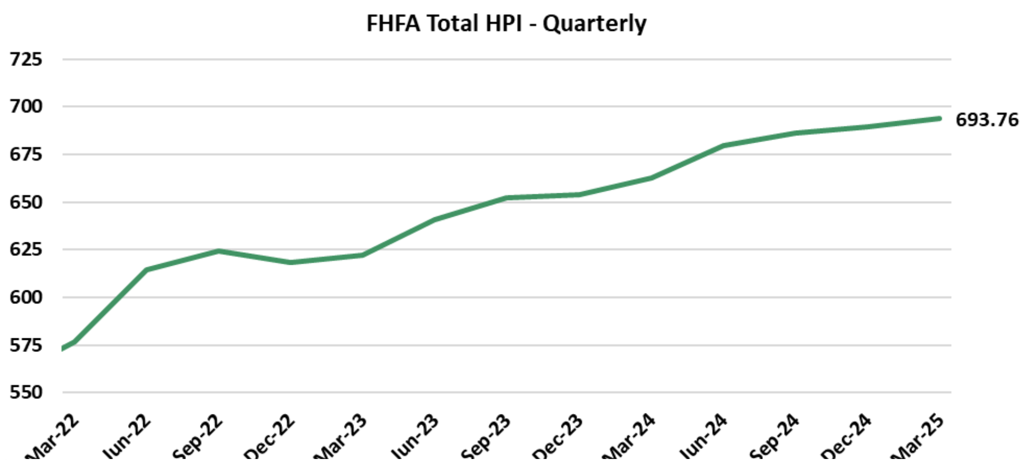
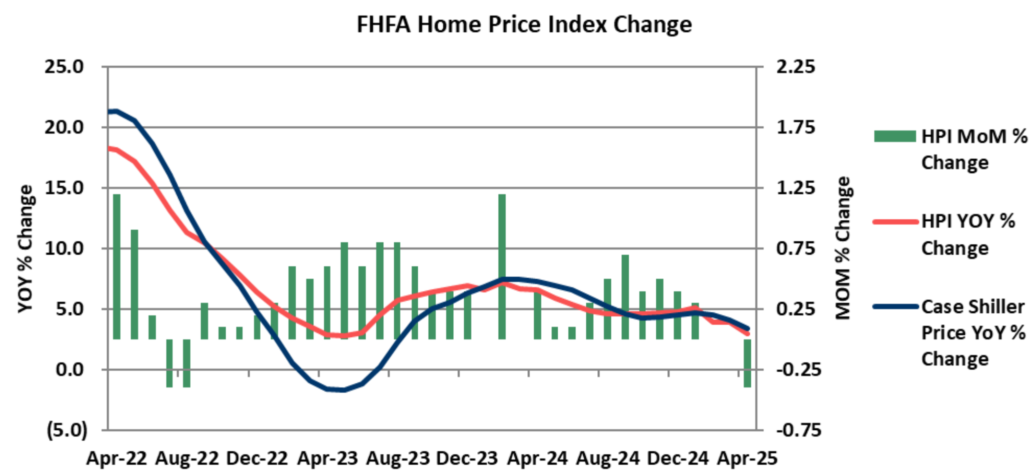
Economic Environment
Housing – June 2025

- Home prices remain near record high levels from previous low rates, strong demand, and limited supply, curbing new home purchases.
- Supply had been limited as sellers were reluctant to give up their locked in low rate.
- Home prices stabilized and recently begun to fall amid continued high rates and reluctant buyers.
- Higher prices have had a significant impact inflation, and stalling/falling home price appreciation may finally flow through to lower overall inflation.





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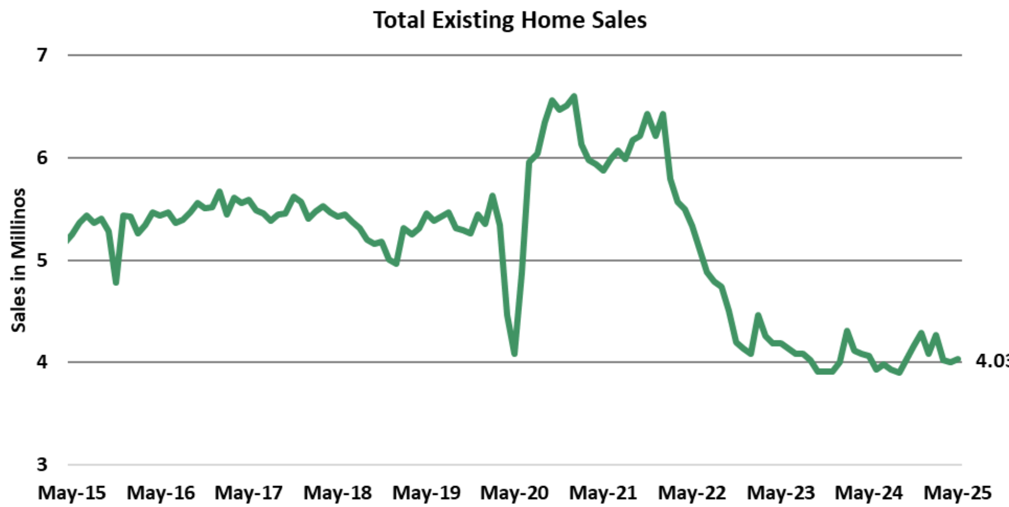
Economic Environment

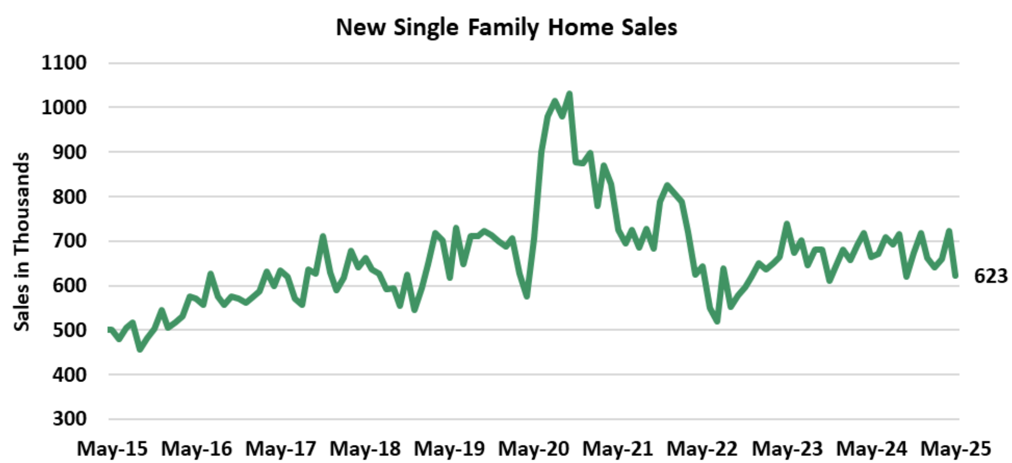
Housing – June 2025

- Existing home sales remain at suppressed due to low affordability due to high prices and still high interest rates.

- New home sales are at a more normal level compared to history as inventory continues to increase.

- New home sales are occurring due to builder buy downs of mortgage rates and discounting prices.





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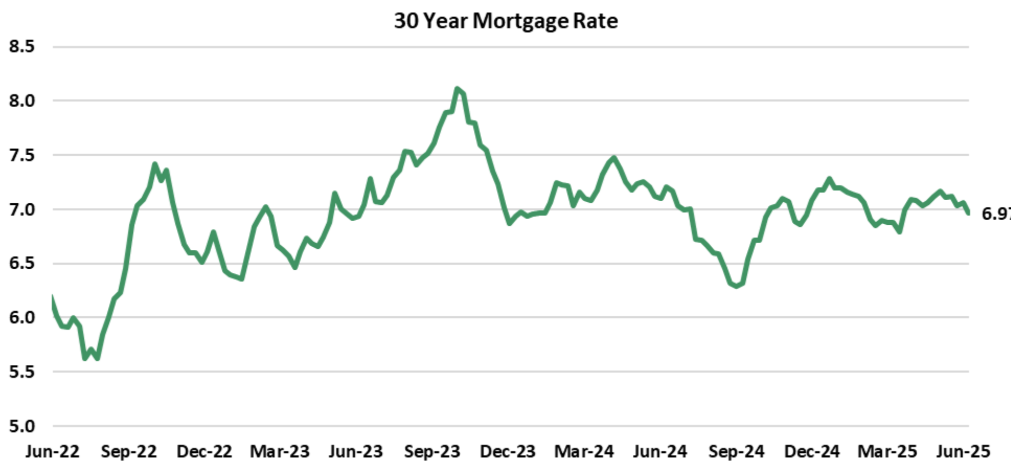
Economic Environment

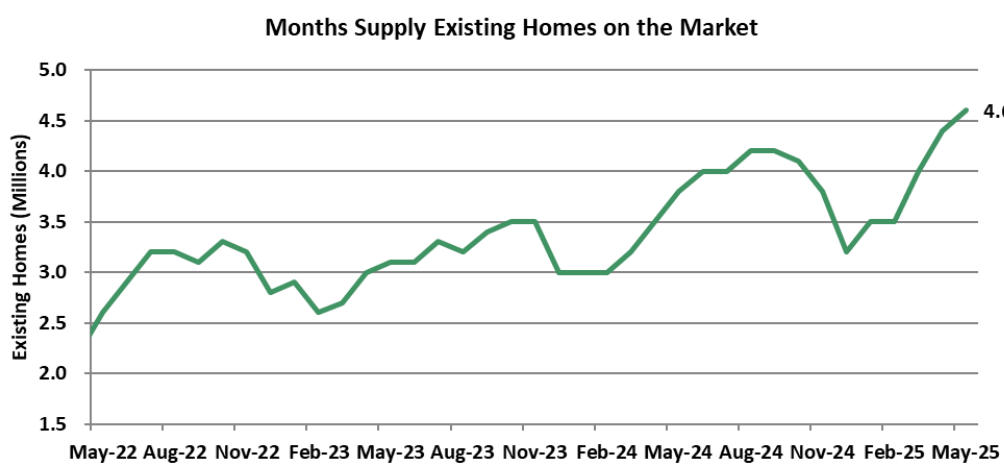
Housing – June 2025

- Mortgage rates have remained elevated as it became clear that this Fed cut cycle would take longer than initially anticipated by the market. and finished the quarter just under 7%.

- There has been an increase in the supply of homes in the market as higher home prices and rates slowed purchases, and new homes were built.

- Interest rates have been volatile in a range near that have kept mortgage rates higher than most outstanding mortgages, combined with high home prices has also limiting housing turnover.





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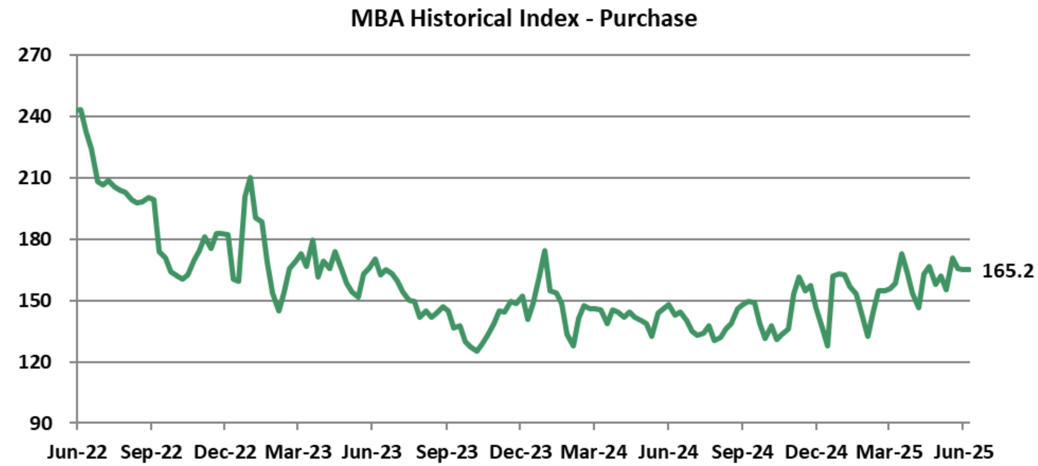
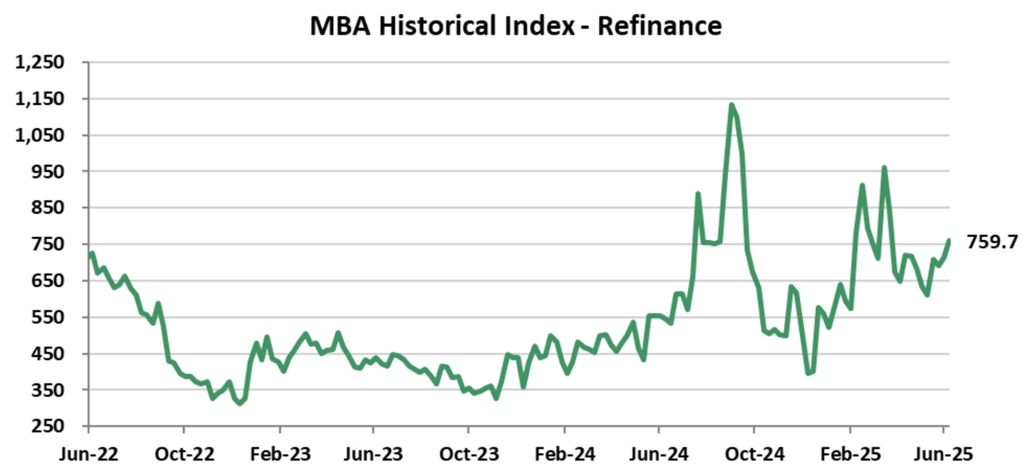
Economic Environment

Housing – June 2025

- Refinances ticked up again as the rate fell below 7%, again supporting that this is a key level to spur additional activity.
- Perhaps higher inventory and stable/lower prices have begun to generate some home purchase activity, but it is not from first time home buyers yet.
- The housing market behavior suggests a rate closer to 6%, and/or lower prices is needed to spur significant activity.
- As rates dip on hopes for Fed ease amid lower inflation, some refi activity has picked up.





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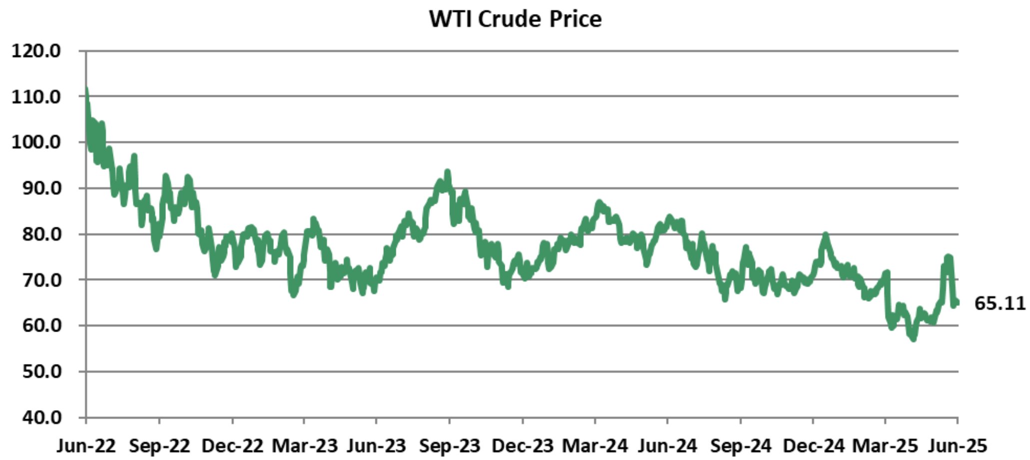
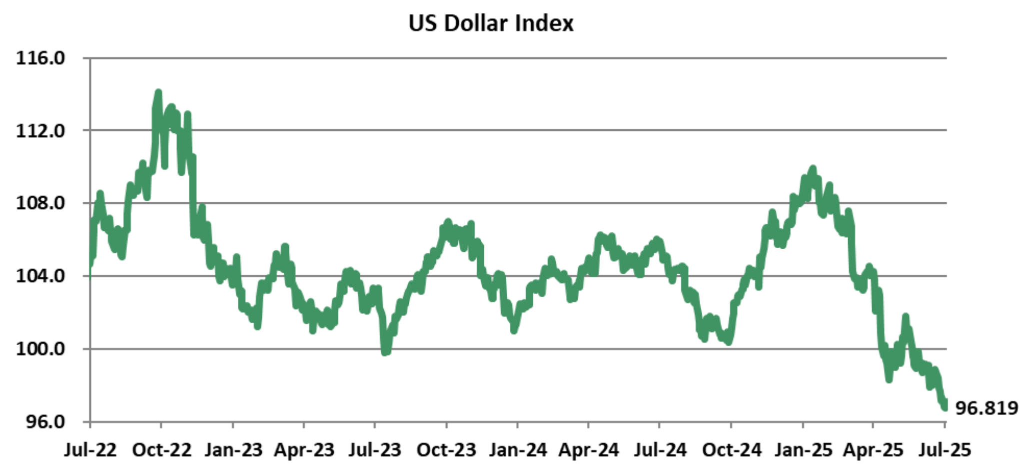
Economic Environment

Oil Prices and The Dollar – June 2025

- Dynamics of energy and oil prices are about to materially change with the new Trump administration.
- Oil prices have declined amid expectations of higher production and slower economic conditions. They spiked upon the escalation of the conflict between Israel and Iran, before falling again after a temporary ceasefire was initiated by President Trump.
- Natural Gas will take on a greater role in energy going forward including production and exporting of liquified natural gas.
- The dollar has retreated from January highs amid changes in US trade policy.
- The dollar may continue to weaken until uncertainty around trade policy subsides, but may also weaken as US rates fall.





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