



Summary

Equities were little changed this week after the FOMC held rates steady at a 4.25% to 4.50% target range. Treasury yields fell modestly across the curve on the FOMC's expectations of two rate cuts later this year. Oil prices, however, continued to rise following tensions in the Middle East. Retail sales declined at a faster than expected 0.9% in May, driven largely by a pullback in discretionary spending by consumers. Headline import prices remained flat month-over-month; when excluding oil, prices

increased 0.3%. Headline export prices declined 0.9%; export prices excluding agriculture declined 1.0%. Capacity utilization remained below its long-term average, currently sitting at 77.4%, with industrial production declining 0.2% in May. Both housing starts and building permits checked in below expectations in May as the housing sector remains burdened by high borrowing costs and elevated input prices. The Conference Board's Leading Economic Index (LEI) fell for

the sixth consecutive month, declining 0.1% month-over-month to 99.0 in May. Over the last six months, the index has declined 2.7%. This decline was largely driven by low consumer expectations for business conditions, rising jobless claims, weakening new manufacturing orders, and suppressed housing permits.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Retail Sales (May – Mon 08:30)	-0.9%	-0.6%	
Retail Sales ex-auto (May – Mon 08:30)	-0.3%	+0.1%	
Import Prices (May – Mon 08:30)	+0.0%	NA	Import Prices ex-oil: +0.3%
Export Prices (May – Mon 08:30)	-0.9%	NA	Export Prices ex-ag: -1.0%
Capacity Utilization (May – Mon 09:15)	77.4%	77.7%	
Industrial Production (May – Mon 09:15)	-0.2%	+0.1%	
MBA Mortgage Applications Index (06/14 – Tue 07:00)	-2.6%	NA	
Initial Claims (06/14 – Tue 08:30)	245K	253K	
Continuing Claims (06/14 – Tue 08:30)	1,945K	NA	
Housing Starts (May – Tue 08:30)	1,256K	1,356K	
Building Permits (May – Tue 08:30)	1,393K	1,411K	
FOMC Rate Decision (Jun – Tue 14:00)	4.25-4.50%	4.25-4.50%	
Net Long-Term TIC Flows (Apr – Tue 16:00)	-\$7.8B	NA	
Philadelphia Fed Index (Jun – Thu 08:30)	-4.0	+0.3	
Leading Indicators (May – Thu 10:00)	-0.1%	-0.1%	
Next Week: Indicator	Consensus Expectation*	Prior	Comment
Existing Home Sales (May – Sun 10:00)	3.94M	4.00M	
Consumer Confidence (Jun – Mon 10:00)	99.0	98.0	
MBA Mortgage Applications Index (06/21 – Tue 07:00)	NA	-2.6%	
New Home Sales (May – Tue 10:00)	700K	743K	
Durable Orders (May – Wed 08:30)	+6.6%	-6.3%	
Durable Goods excl transportation (May – Wed 08:30)	+0.1%	+0.2%	
GDP - Third Estimate (Q1 – Wed 08:30)	-0.2%	-0.2%	
GDP Deflator - Third Estimate (Q1 – Wed 08:30)	3.7%	3.7%	
Initial Claims (06/21 – Wed 08:30)	247K	245K	
Continuing Claims (06/21 – Wed 08:30)	NA	1,945K	
Personal Income (May – Thu 08:30)	+0.4%	+0.8%	
Personal Spending (May – Thu 08:30)	+0.2%	+0.2%	
PCE Prices (May – Thu 08:30)	+0.1%	+0.1%	PCE Prices Core: +0.1%
Univ. of Michigan Consumer Sentiment - Final (Jun – Thu 10:00)	60.5	52.2	

*Sources: www.briefing.com and www.federalreserve.gov



Economic Review

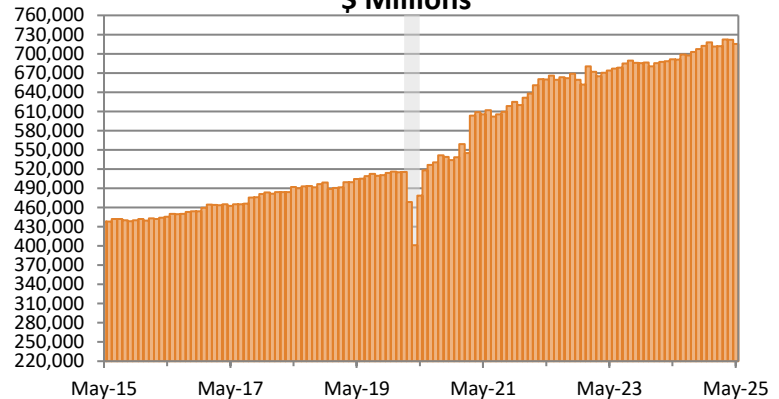
Consumers reduced their retail spending in May, with RETAIL SALES falling more than expected, declining 0.9%, following a downwardly revised decline of 0.1% in April. Retail sales excluding autos declined 0.3% in May, suggesting growing consumer caution in the face of lingering inflation and tighter financial conditions related to policy uncertainty. Auto sales plunged 3.5%, and building materials (-2.7%), food and beverage (-0.7%), and gasoline station sales (-2.0%) also posted sharp declines. The significant decline in auto sales implies consumers are becoming more cautious and reducing discretionary spending and large purchases.

Despite the pause on reciprocal tariffs in early April, industrial production declined 0.2% in May, missing expectations of a 0.1% increase. While April's output was revised slightly upward, the May report showed that gains in manufacturing (0.1%) and mining (0.1%) were insufficient to offset a steep 2.9% decline in utility output. Total industrial production increased 0.6% year-over-year in May. The overall CAPACITY UTILIZATION rate slipped down to 77.4%, below consensus expectations. This measurement is 2.2 percentage points less than the long-

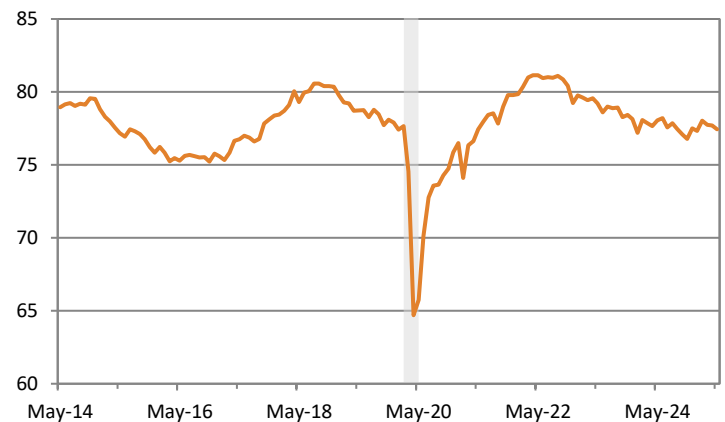
term average for the sector, indicating that it is operating below historical norms.

HOUSING STARTS plummeted in May, falling 9.8% to a seasonally adjusted annual rate (SAAR) of 1.256 million units, the lowest level since May 2020. This decline was steeper than consensus expectations and was driven largely by a collapse in multi-unit construction, which fell nearly 30% from April (multi-unit permits declined 0.8% month-over-month). The Northeast saw the largest decline in starts of any region at almost 10% month-over-month, while the West saw the most significant increase at 10.2%. Building permits, a leading indicator of future activity, declined 2.0% to a SAAR of 1.393 million, also below consensus expectations. All regions observed a month-over-month decrease in single-unit housing permits, with the most significant occurring in the West (-5.1%).

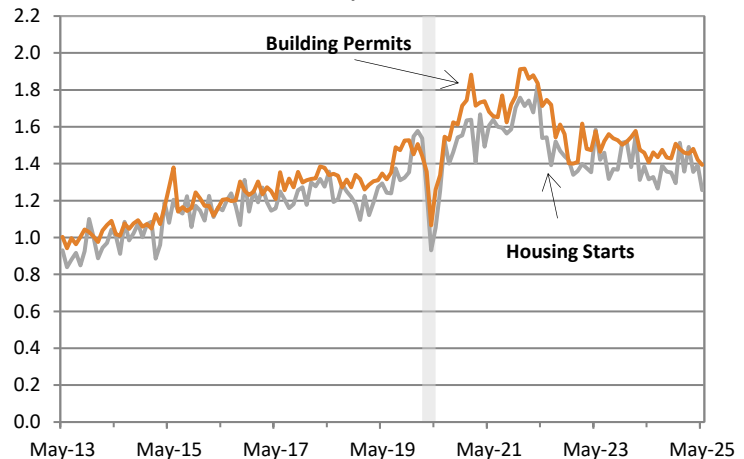
Retail Sales
\$ Millions



Capacity Utilization Rate for Manufacturing



Total Housing Starts and Permits
Million Units, Annualized Rate





Fed Speeches

On Wednesday, June 18, 2025, the Federal Open Market Committee voted to maintain the benchmark federal funds rate in a range of 4.25% to 4.5%, holding steady for a third consecutive meeting. The Fed also affirmed its commitment to continue reducing its balance sheet through ongoing runoff of Treasury and agency securities, with no adjustments to the pace announced in March.

The Committee acknowledged that recent volatility in trade data, particularly swings in net exports, had complicated the analysis of first-quarter activity. Federal Reserve Chair Jerome Powell acknowledged in a post-meeting conference that the economy has not yet seen the full effect of tariffs, and therefore continued uncertainty is expected. However, underlying indicators

continue to suggest solid economic growth and sustained strength in labor market conditions. Officials are expecting two rate cuts later in 2025. Chairman Powell says,

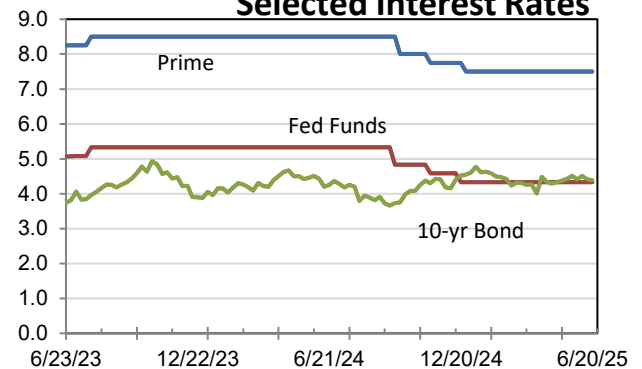
"For the time being, we are well positioned to wait to learn more about the likely course of the economy before considering any adjustments to our policies."

Fed officials maintained a cautious tone, reiterating their data-dependent approach and noting their willingness to adjust policy if risks arise that could threaten progress toward the Fed's dual mandate. The statement's language surrounding risk remained largely unchanged, reflecting ongoing concern about inflation trends and their persistence.

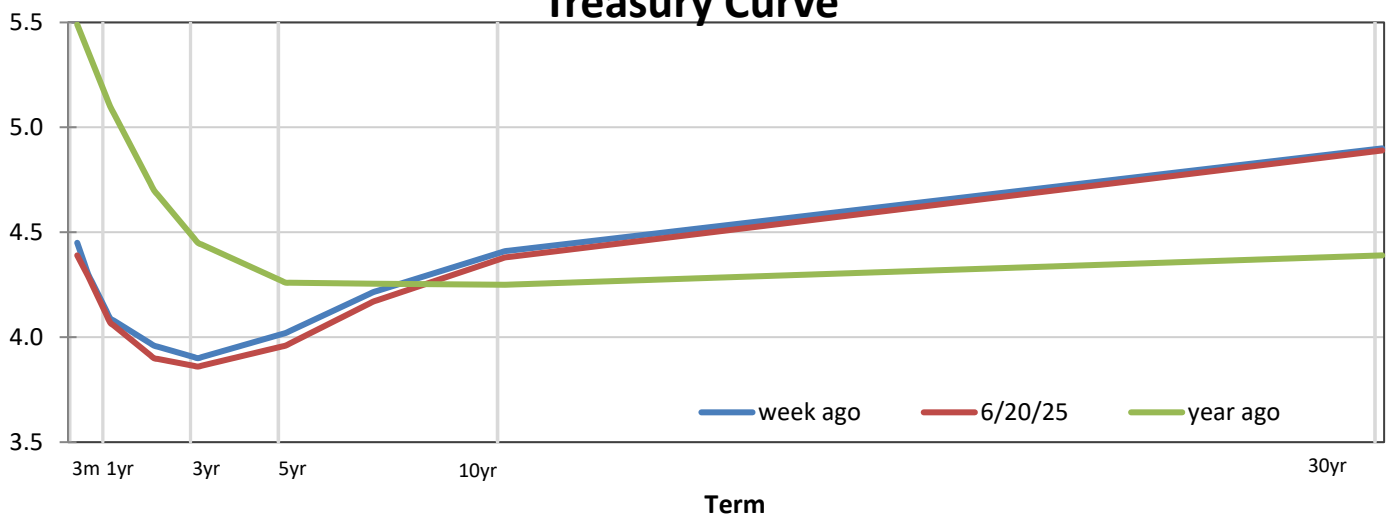
Financial Markets

The stock market was flat last week, with the NASDAQ posting small gains at 0.2% week-over-week, the DJIA remaining unchanged, and the S&P 500 declining 0.2%. This mixed movement among the indices may indicate caution from investors following geopolitical tensions and the announcement of no changes to the federal funds rate by the FOMC. Treasury yields declined modestly across maturities last week, led by a 6 basis point drop in the 2-year and 5-year Treasury note yields, as investors assess the FOMC's expectations of two cuts later this year. Oil prices continued their rapid climb as geopolitical tensions in the Middle East put pressure on the oil supply chain. WTI increased nearly 3% from the previous week and was up almost 20% compared to the price per barrel 4 weeks ago.

Selected Interest Rates



Treasury Curve





Interest Rate Forecast*

During the Fed's May policy meeting, the Federal Open Market Committee (FOMC) left the federal funds target rate unchanged at 4.25% to 4.50%. In the statement released following the meeting, the FOMC stated, "The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run.

Uncertainty around the economic outlook has increased further. The Committee is attentive to the risks to both

sides of its dual mandate and judges that the risks of higher unemployment and higher inflation have risen." This

statement emphasized the persistent economic uncertainty that has continued since the last meeting.

Avg. for:	Prime	Fed Funds	SOFR	6-Mo. T-Bill	2-Yr. Note	10-Yr. Treasury	30-Yr Bond	30-Yr Mortgage
2 nd Qtr '25	7.50	4.33	4.33	4.24	3.89	4.37	4.80	6.75
3 rd Qtr	7.44	4.28	4.27	4.24	3.92	4.37	4.73	6.64
4 th Qtr	7.25	4.13	4.12	4.17	3.88	4.34	4.64	6.45
1 st Qtr '26	7.08	3.96	3.95	4.01	3.90	4.28	4.53	6.26
2 nd Qtr	6.92	3.79	3.79	3.86	3.91	4.20	4.44	6.13

June 2025

FINANCIAL MARKET SUMMARY

	As of 6/20/2025	As of 6/13/2025	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	7.50	7.50	0	0	0
Secured Overnight Financing Rate (SOFR)	4.28	4.28	0	2	(1)
Fed Funds (Wed close)	4.33	4.33	0	0	0
TREASURIES (BE) (Changes in BPs)					
3 Months	4.39	4.45	(6)	3	6
6 Months	4.29	4.30	(1)	(6)	3
1 Year	4.07	4.09	(2)	(8)	3
2 Years	3.90	3.96	(6)	(10)	(4)
5 Years	3.96	4.02	(6)	(12)	(4)
10 Years	4.38	4.41	(3)	(13)	13
30 Years	4.89	4.90	(1)	(15)	30
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.67	2.70	(3)	(20)	12
5-Year Muni	2.78	2.81	(3)	(19)	(1)
10-Year Muni	3.27	3.29	(2)	30	19
30-Year Muni	4.55	4.56	(1)	(1)	37
30-Year Conventional Mortgage	6.81	6.84	(3)	(5)	14
MARKET INDICATORS (Changes in %)					
DJIA	42,206.82	42,197.79	0.0	1.5	0.5
S&P 500	5,967.84	5,976.97	(0.2)	2.8	5.3
NASDAQ	19,447.41	19,406.83	0.2	3.8	9.4
CRB Futures	383.47	379.93	0.9	5.7	3.3
Oil (WTI Crude)	74.93	72.98	2.7	19.9	11.5
Gold	3,368.39	3,432.34	(1.9)	0.3	11.5
Yen / Dollar	146.09	144.07	1.4	0.3	(1.7)
Dollar / Euro	1.15	1.15	(0.2)	1.4	6.5



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