

THE JUNE '25 SHARPE REPORT: REDUCING THE UNCERTAINTIES

ECONOMY

June was a continuation of the trend that our economy remains resilient, despite tariff and geopolitical uncertainties. The U.S. economy is still growing strong. The Atlanta Fed GDP tracker measured 2.6% growth at the end of June, now averaging ~2% this year. Inflation remains under control, May's CPI only increased 0.1% m/m, leaving the annual CPI at 2.4% y/y. More importantly, we now hover around ~2% inflation, compared to ~9% three years ago. Personal consumption expenditures (PCE) remains under control, with core PCE now sitting at 2.7% y/y. Initial jobless claims did tick up the past month, and the four-week moving average now sits around ~240k. While we certainly note the increase, we continue to monitor and believe 260k is a key level to watch. The Fed remains in wait-and-see mode. We still believe the Fed has room to cut rates; we expect them to in the Fall. GDP growth along with lower inflation provide a strong base for earnings growth moving forward.

The economy continues to check off the uncertainty boxes. Inflation has remained low, and the economy is still growing. Unemployment has slightly risen, but the Fed should cut rates soon.



Economic Data	As of Jun-25	Last Period	Last Year
GDP	2.85%	3.8%	2.25%
CPI	2.40%	2.30%	3.00%
PCE	2.30%	2.20%	2.63%
Unemployment Rate	4.20%	4.20%	4.00%
Nonfarm Payrolls	160K	177K	158K
Consumer Confidence	93.0	98.4	97.8

Source: FactSet. As of June 30, 2025.

STOCK MARKET

Equities reached all-time highs in June, continuing the staggering recovery post-Liberation Day. We saw further de-escalations in tariffs as the U.S. reached an agreement with China, also citing that deals were coming with multiple other countries, including India. We will continue to monitor tariff developments as the July 9th deadline approaches. While geopolitical escalations between Iran and Israel were certainly concerning, those were quickly reduced, and the conflict was swiftly resolved. While the uncertainties diminished, the S&P 500 and the Nasdaq hit fresh record highs to end the month, rising by 4.96% and 6.57%, respectively. Like last month, the AI tailwind prevailed, and technology led the way, rising 9.73%, while communication services also rose 7.18%. Financials and industrials also rose ~3%. Consumer staples and real estate were the only sectors which declined over the month. Corporations continue to shake off any negative tariff impacts, as earnings are growing in the double digits compared to single digit expectations. Notably, the dollar index was down 2.5% in June, lower for a sixth straight month.

Equities are at all-time highs, previous trade and geopolitical fears have become tailwinds. The AI race continues to drive growth. Technology led all sectors in June.



Equities	Jun-25	QTD	YTD
S&P 500	4.96%	10.57%	5.73%
DJIA	4.32%	4.98%	4.02%
Nasdaq Composite	6.57%	17.75%	8.12%
ACWI Ex-U.S.	1.35%	9.53%	17.08%
Russell 3000	4.56%	10.18%	5.21%

Source: FactSet. As of June 30, 2025.

BOND MARKET

Through June, U.S. Treasury yields experienced a broad rally across the yield curve. This was driven by a dovish Fed that remained on pause for a 4th straight meeting, downward revisions to 1Q25 GDP growth, and a PCE report that reinforced expectations for interest rate cuts. The June FOMC meeting ended with no change to the Federal Funds rate and expectations are for two cuts through year-end. In June, the 2-year Treasury yield fell 17 basis points to 3.71%, and the 10-year Treasury yield fell 18 basis points to 4.22%. Credit spreads narrowed across both investment-grade (5 basis points tighter to +129) and high-yield (28 basis points tighter to +343). Both investment-grade and high-yield spreads have returned to pre-Liberation Day tight.

U.S. Treasury yields rallied while the Fed remained on hold. Credit spreads continued to narrow to pre-Liberation Day tight.



Fixed Income	As of June-25	As of May-25	As of Apr-25
Federal Funds Rate	4.25-4.50%	4.25-4.50%	4.25-4.50%
2-Year Treasury Yield	3.72%	3.90%	3.60%
10-Year Treasury Yield	4.23%	4.40%	4.17%
Investment Grade Spread	+129 bps	+135 bps	+153 bps
High Yield Spread	+344 bps	+372 bps	+434 bps
30-Year Fixed Mortgage Rate	6.80%	6.95%	6.89%

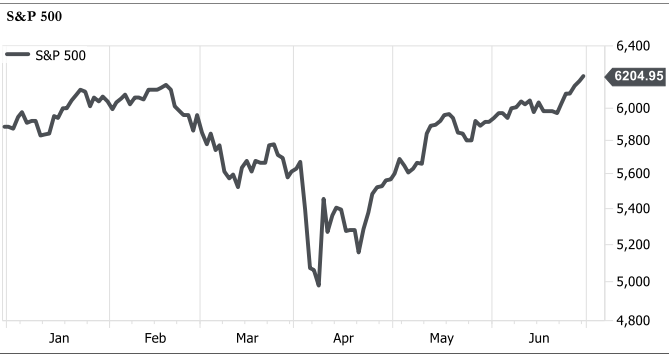
Source: FactSet. As of June 30, 2025.

*Stars signify the strength of economic and market performance in the month.

PUTTING IT ALL TOGETHER

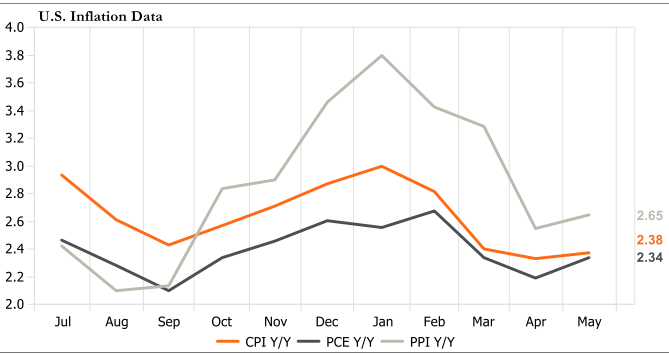
Despite all the headwinds that turned markets negative earlier this year, June was a continuation of uncertainty boxes being checked. Inflation remains under control, the economy is still growing, and the labor market has slightly weakened which should give the Fed a freer hand to cut rates soon. Equities have reached all-time highs, fueled by AI and corporations continuing to expand in the double digits despite tariff uncertainties. U.S. treasury yields experienced a broad rally through June. We are now up over 20% since April lows. Better GDP growth, lower inflation and the inevitable reduction in the Federal Funds Rate all provide a tailwind for equities to continue to rise.

S&P 500



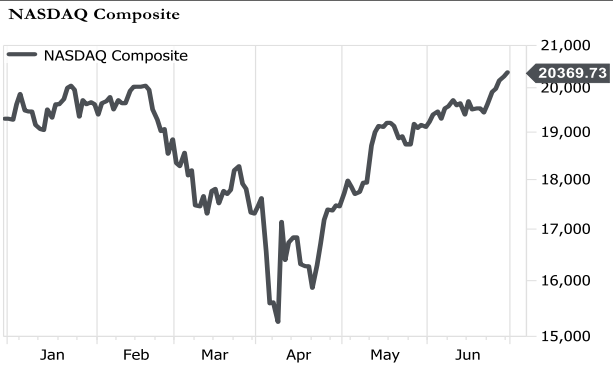
Source: FactSet. As of June 30, 2025.

U.S. Inflation Rates



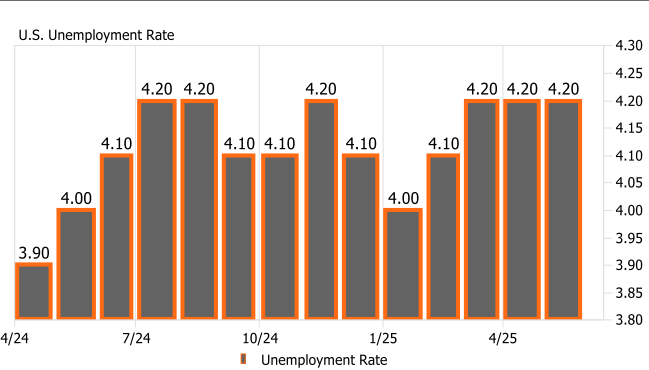
Source: FactSet. As of June 30, 2025.

NASDAQ Composite



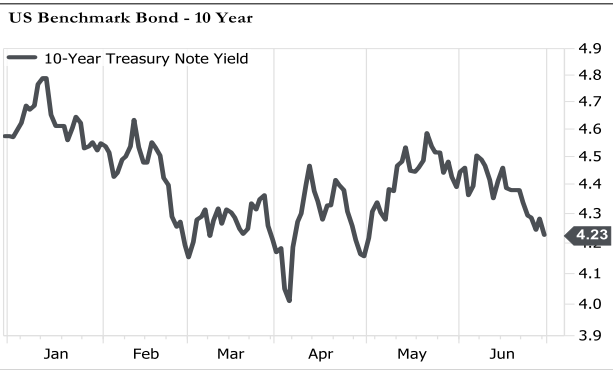
Source: FactSet. As of June 30, 2025.

U.S. Unemployment Rate



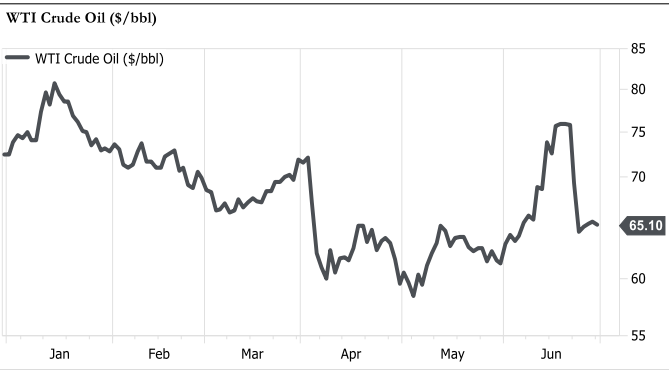
Source: FactSet. As of June 30, 2025.

10-Year Treasury Note Yield



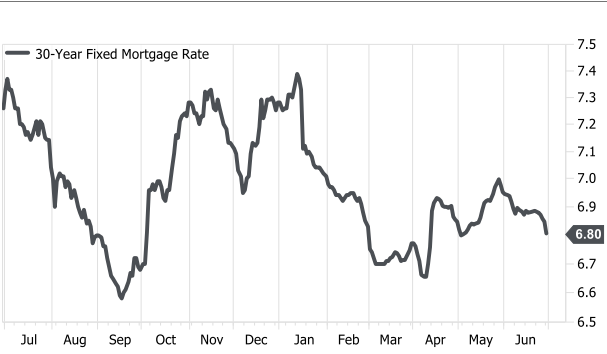
Source: FactSet. As of June 30, 2025.

WTI Crude Oil (\$/bbl)



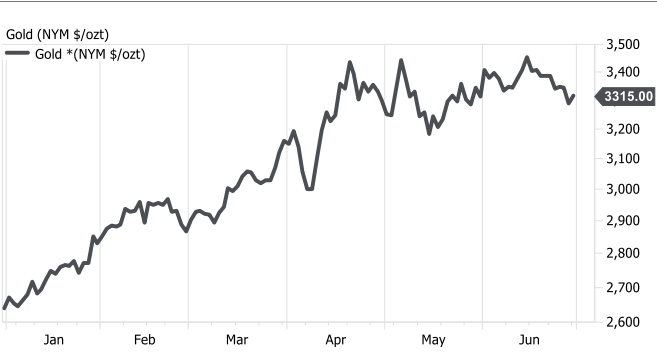
Source: FactSet. As of June 30, 2025.

30-Year Fixed Mortgage Rate



Source: FactSet. As of June 30, 2025.

Gold (NYM \$/ozt)



Source: FactSet. As of June 30, 2025.



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