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MARKET VIEW WEEKLY

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ECONOMIC REVIEW¹

- U.S. retail sales fell 0.9% in May, missing the consensus estimate of -0.6%, marking the second consecutive monthly drop and the steepest decline since January.
 - Core (Control Group) sales, excluding autos, gas, food service, and building materials, rose 0.4%, slightly above expectations of a 0.3% gain, signaling some underlying consumer resilience.
- Building permits dropped -2.0% month-over-month (MoM) in May, registering 1.393 million units, below the consensus estimate of around 1.420 million.
- Housing starts plunged 9.8% MoM, falling to 1.256 million units in May, the lowest since May 2020, substantially missing expectations and signaling deep builder hesitancy.
- The Federal Reserve (Fed) held the federal funds rate steady at 4.25% to 4.50% for a fourth consecutive meeting in June, in line with expectations, while maintaining projections for two rate cuts by year-end, despite growing division among policymakers over the path forward.
 - Chair Powell emphasized a “wait and see” stance amid tariff-induced uncertainty, with the Fed forecasting weaker growth, higher inflation, and rising unemployment, a complex backdrop that continues to pit inflation concerns against emerging signs of economic slowdown.²

How does the most recent economic data impact you?

- The sharper-than-expected drop in retail sales and weakness in housing starts suggest consumers are growing more cautious in response to high interest rates, persistent cost pressures, and tariff uncertainty.
- The five-year low in housing starts and slump in permits indicate a sustained pullback in residential investment, with ripple effects likely to hit GDP growth and earnings in housing adjacent industries.
- While the Fed held rates steady and still projects two rate cuts this year, a widening split among FOMC members highlights growing uncertainty around the timing and necessity of policy easing.



A LOOK FORWARD¹

- This week, investors will focus on the Fed's preferred inflation gauge, the Personal Consumption Expenditures (PCE) Index, as the most influential release, alongside key updates on the housing market through existing home sales, new home sales, and pending home sales.

How does this week's slate of economic data impact you?

- Earlier this month, May's CPI and PPI reports showed tentative signs of cooling inflation, with both consumer and producer prices coming in softer than expected. While encouraging, the data didn't meaningfully shift the Fed's cautious stance at the June meeting.
- This week's PCE release will be closely watched for confirmation of the softening trend. A cooler reading would add conviction to the disinflation narrative and support expectations for potential policy easing later this year, while a firmer print could keep markets cautious.
- The housing reports will provide insight into rate sensitivity across the housing sector. Although less impactful on markets, these reports provide valuable context on consumer demand within the broader context of the real economy.



MARKET UPDATE³

Market Index Returns (%) as of 6/20/2025	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-0.12	6.68	2.12	10.68	18.38	15.76
NASDAQ	0.22	12.61	1.05	10.72	21.62	15.22
Dow Jones Industrial Average	0.07	0.94	0.06	9.71	13.62	12.48
Russell Mid-Cap	0.60	5.64	2.05	11.91	13.55	12.43
Russell 2000 (Small Cap)	0.44	5.15	-4.82	5.74	9.18	9.71
MSCI EAFE (International)	-1.46	8.37	15.81	14.55	14.55	10.21
MSCI Emerging Markets	-0.02	8.84	12.02	12.11	8.20	6.10
Bloomberg Barclays US Agg Bond	0.26	0.16	2.95	4.30	2.75	-0.89
Bloomberg Barclays High Yield Corp.	0.29	2.44	3.47	9.17	9.00	5.42
Bloomberg Barclays Global Agg	-0.09	3.24	5.96	7.13	2.73	-1.37



OBSERVATIONS

- For the holiday-shortened trading week, the major U.S. indices delivered mixed results amid light trading and a modest economic calendar. The S&P 500 slipped slightly down -0.12%, while the NASDAQ Composite edged up +0.22%, and the Dow Jones Industrial Average posted a marginal gain of +0.07%.
- Mid- and small-cap equities outperformed large caps, with the Russell Mid-Cap gaining +0.60% and the Russell 2000 advancing +0.44%, suggesting a modest rotation towards domestic cyclical and broader market participation.
- International equities lagged, with the MSCI EAFE falling -1.46% and the MSCI Emerging Markets Index slipping -0.02% as global investors weighed geopolitical tensions and currency headwinds.
- In fixed income, U.S. bonds posted modest gains, with the Bloomberg U.S. Aggregate Bond Index rising +0.26%, while high-yield corporates gained +0.29%.
 - Global bonds were more muted, with the Bloomberg Global Aggregate down -0.09% under pressure from a stronger dollar in global growth uncertainty.



BY THE NUMBERS

- **From £500 to a Turner Treasure: Lost Masterpiece Heads to Sotheby's⁴:** A long-lost painting by J.M.W. Turner, once misattributed and sold for just £524.80 in early 2024, has now been correctly identified and is expected to fetch between £200,000 and £300,000 at Sotheby's this July. Titled *The Rising Squall, Hot Wells from Saint Vincent's Rock, Bristol*, the painting was originally exhibited in the Royal Academy in 1793 when Turner was only 18. Hidden for over a century in a private UK collection, the work resurfaced after cleaning revealed Turner's signature beneath a layer of darkened varnish. Experts have unanimously confirmed its authenticity, calling it the earliest known exhibited oil painting by Turner. The dramatic revaluation has sparked institutional interest, including a loan request from Tate Britain for a forthcoming exhibition featuring Turner and Constable.
- **Jaws @ 50: The Blockbuster That Changed Everything⁵:** As *Jaws* marks its 50th anniversary, the film is celebrated not just as a thriller but as the blueprint for the modern summer blockbuster. Directed by 27-year-old Steven Spielberg, the movie overcame a chaotic shoot and mechanical shark failures to earn nearly \$480 million globally. It's unprecedented \$7.9 million opening weekend across just 464 theaters shocked the industry and redefined Hollywood's approach to wide releases and event marketing. The film's iconic score by John Williams and Spielberg's decision to conceal the shark helped build suspense and audience anticipation, turning its limitations into strengths. Today, *Jaws* remains a cultural and cinematic landmark, credited with launching the summer movie season and reshaping film history.

Economic Definitions

Building Permits: This concept tracks the number of permits that have been issued for new construction, additions to pre-existing structures or major renovations. These statistics are based on the number of construction permits approved.

Consumer Price Index - CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Existing Home Sales: This concept tracks the sales of previously owned homes during the reference period. Total existing home sales include single-family homes, townhomes, condominiums, and co-ops. All sales are based on closings from Multiple Listing Services.

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

New Home Sales: This concept tracks sales of newly constructed homes during the reference period. The Implicit US index is calculated by dividing the number of houses sold in the US by the seasonally adjusted number of homes sold in the US.

Pending Home Sales: This concept tracks signed real estate contracts for existing single-family homes, condos, and co-ops that have not yet closed. As such it is a leading indicator for existing home sales.

Personal Consumption Expenditures PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and then multiplying the result by 100.

Producer Prices - PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

Retail Sales: Retail sales (also referred to as retail trade) track the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

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¹ Data obtained from Bloomberg as of 6/20/2025.

² [Fed maintains wait-and-see approach with rate hold - Central Banking](#)

³ Data obtained from Morningstar as of 6/20/2025.

⁴ [From £500 to a Turner Treasure: Lost Masterpiece Heads to Sotheby's | theartnewspaper.com](#)

⁵ [Jaws @ 50: The Blockbuster That Changed Everything | Variety.com](#)