

# MONTH IN REVIEW

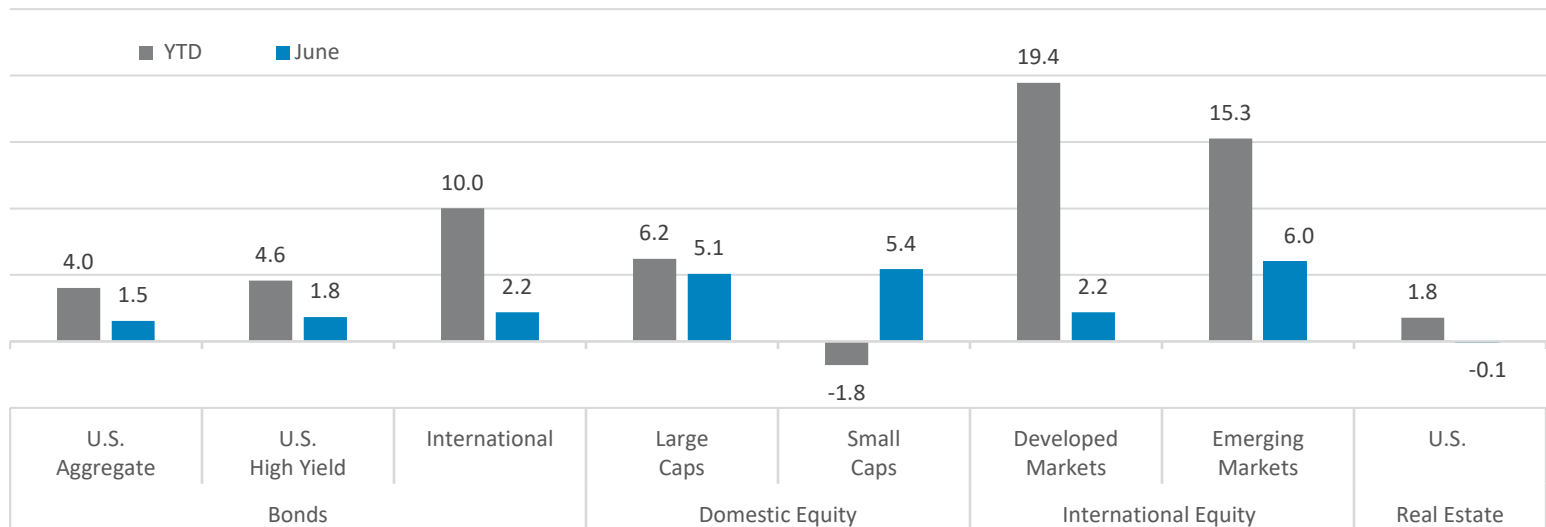


## Quick Takes

- **Stocks Higher.** U.S. equity indices were higher in June as conflict escalated and then de-escalated in the Middle East and congress tries to enact fiscal changes. The S&P 500 rose 5% and the Nasdaq 100 and the Magnificent 7 both rose over 6% as AI optimism continues to drive technology shares.
- **Inflation and Interest Rates.** The 10Y treasury yield fell in June to 4.2% as the U.S. Senate reviewed and debated the Big Beautiful Bill legislation passed by the House in May. The Fed kept interest rates unchanged and Core CPI inflation remained at 2.8%.
- **Apple's AI Woes.** Apple announced in June that it is considering using externally-developed AI models like ones offered by Open AI and Anthropic to power a new version of Siri on its devices instead of an internal model in a major reversal of the company's AI strategy.
- **Big Beautiful Bill.** The Senate reviewed the Big Beautiful Bill legislation that the House passed a version of in May. The bill extends the 2017 tax cuts and adds new tax exemptions while cutting Medicaid and other social spending and increasing spending for defense and border security.

## Asset Class Performance

Small caps outperformed large caps in June. U.S. stocks outperformed developed market stocks but underperformed emerging markets as economic data remains mixed and the Fed held interest rates steady. Stocks and real estate were generally higher in May while U.S. bonds fell.



Source: Bloomberg, as of July 7, 2025. Asset-class performance is presented by using total returns for an index proxy that best represents the respective broad asset class. U.S. Bonds (Barclays U.S. Aggregate Bond TR), U.S. High Yield (Barclays U.S. HY 2% Issuer-Capped TR), International Bonds (Barclays Global Aggregate ex USD TR), Large Caps (S&P 500 TR), Small Caps (Russell 2000 TR), Developed Markets (MSCI EAFE NR USD), Emerging Markets (MSCI EM NR USD), Real Estate (FTSE NAREIT All Equity REITS TR).

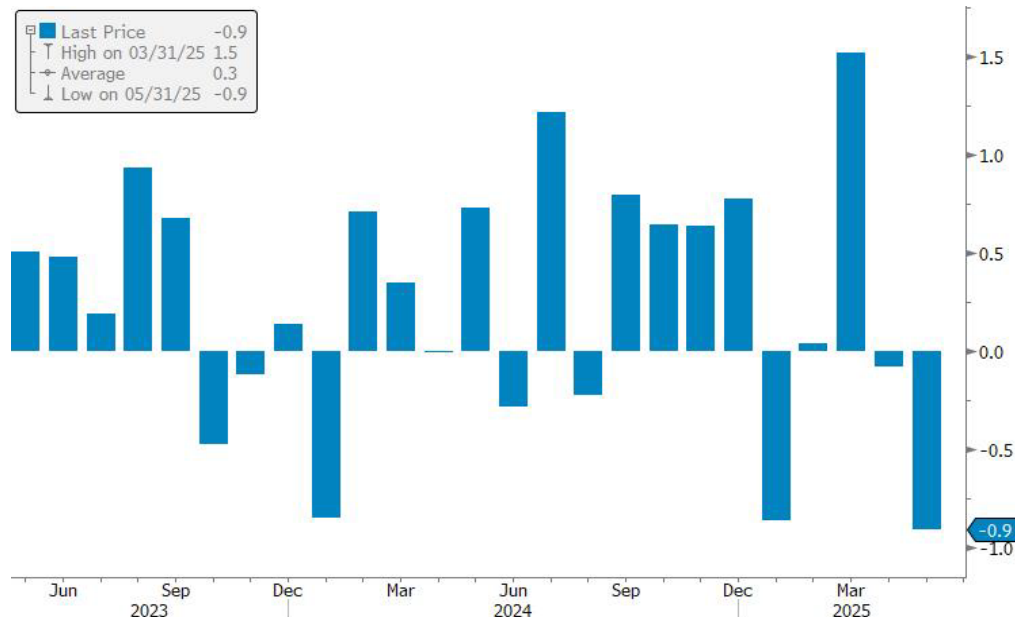
June 2025

# Markets & Macroeconomics

## Consumer spending declines and the Fed keeps rates unchanged

### Retail Sales Advance MoM

Retail sales fell 0.9% MoM in May, the largest decline since March 2023



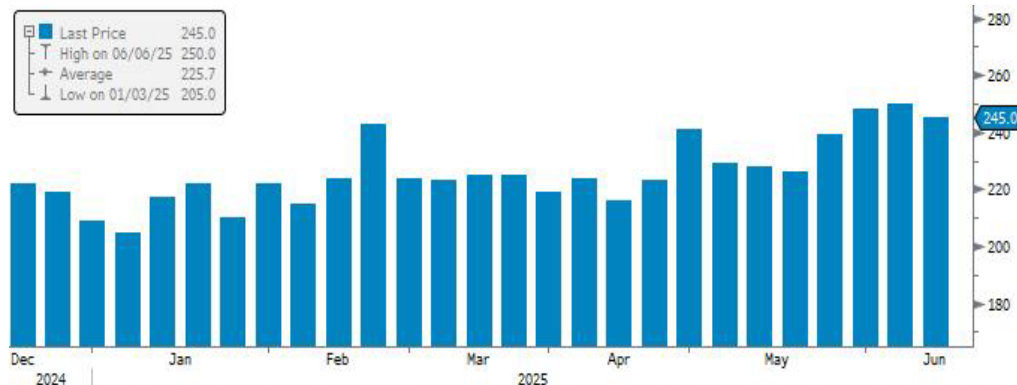
Source: Bloomberg, U.S. Census Bureau

U.S. consumers have become increasingly cautious on spending as retail sales declined in May by 0.9% from April levels marking the second consecutive monthly decline and the largest month-over-month decline in over two years. Motor vehicle and parts stores, food and beverage services, and building and garden materials experienced particularly large declines. Core CPI inflation remained flat, although was below expectations, in May coming in at 2.8% while headline CPI inflation came in at 2.4%. Shelter, medical care services, and education services inflation eased slightly in May while transportation services, transportation commodities, and household furnishings and supplies experienced acceleration in their inflation rates year-over-year, although these changes were slight. Food and energy inflation both accelerated during the month, although energy inflation remained negative. Core PCE inflation came in slightly higher than forecasted

at 2.7% and the headline figure came in at 2.3%. In the labor market, the U.S. added 139K jobs in May, mostly in education and health services and leisure and hospitality. Professional and business services experienced a decline of 18K jobs month-over-month as businesses laid off administrative and support staff. The manufacturing also

### Initial Jobless Claims

Initial jobless claims have been steadily rising in recent weeks



Source: Bloomberg, Department of Labor

shed 8K jobs and mining and logging each cut 1K positions in May. April's job additions figure was revised down from 177K new positions to 147K jobs. Initial jobless claims have also been rising in recent weeks, although they declined in the final week of June, with the 4-week moving average now at 245.0K claims. The labor force participation rate fell slightly in May from 62.6% to 62.4% and the unemployment rate remained unchanged at 4.2%. On June 18<sup>th</sup>, the Fed announced that it was maintaining its policy rate at 4.25-4.50% with the consensus among FOMC participants being that the policy rates will be cut by 50 bps from current levels by the end of 2025. The Fed also reduced its GDP growth outlook for 2025 to 1.4% and increased its PCE inflation projection to 3% with tariffs driving inflation expectations higher.

**Bottom Line:** The Fed continued to maintain its policy rate in place at the June meeting and reduced estimates for GDP growth while increasing its inflation forecast. Consumers cut back in May while inflation remained unchanged. Initial jobless claims have increased in recent weeks amid slower job growth.

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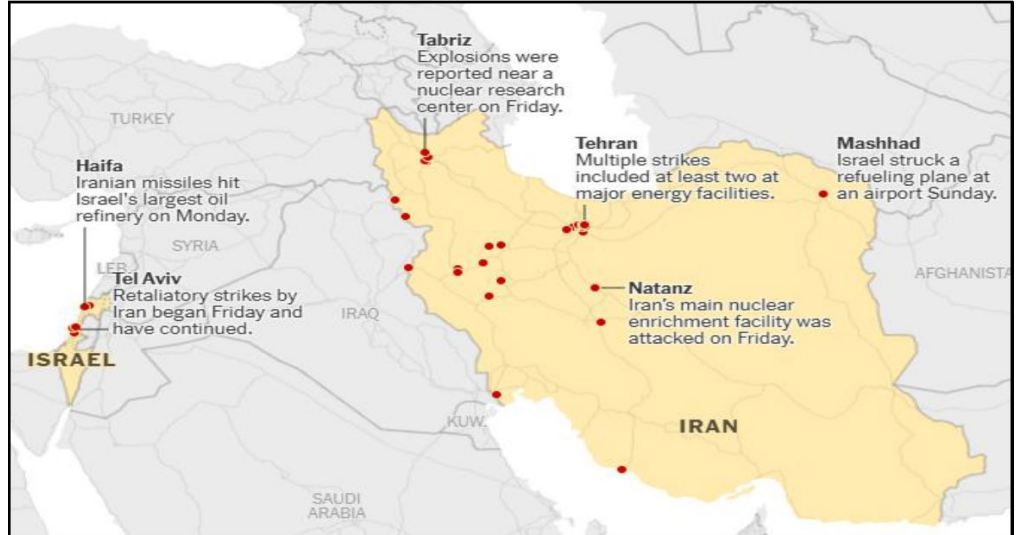
## What's Ahead

### Israel, US strike Iran in an effort to take out the country's nuclear facilities

The conflict between Israel and Iran has had an iron grip on headlines throughout the month of June as investors assessed and reassessed the impacts on global markets. In the second half of May, signs of a potential conflict between the two nations began to present themselves. Israel has been carrying out major attacks in the Gaza strip against Hamas, the US designated terrorist organization responsible for the attack on October 7, 2023 that killed about 1,200 Israelis and took many others hostage. The war in Gaza has been responsible for about 60,000 Palestinian deaths since it began after the attack. Hamas leaders had met with Iranian officials in the final two weeks of May in Tehran. At the same time, Iranian officials were participating in talks with the U.S. around its nuclear program. By May 21, talks began to fall through although the two sides agreed to keep negotiating. As the talks fell through, news reports were indicating that Israel was preparing for a strike on Iran, sending oil prices sharply higher. Iran responded by urging UN officials to put diplomatic pressure on Israel and threatened retaliation if they chose to strike. In early June, Israel carried out strikes in Beirut in neighboring

#### Israel's Strikes against Iran

Attacks from 6/20 to 6/23



Source: U.S. Naval Institute

Lebanon in an attempt to destroy an underground weapons manufacturing operation run by Hezbollah, a terrorist organization supported by Iran. It was the biggest strike on Lebanon by Israel since the two countries agreed to a ceasefire in November. Iran, meanwhile, was continuing to enrich large amounts of uranium despite talks with the U.S. and indicated that they had obtained access to files containing sensitive information

about Israel's nuclear program. On June 12, Israel launched strikes against Iran targeting its nuclear facilities and military infrastructure. These attacks continued for many days and reportedly killed 224 people in Iran by the fourth day, including senior military leaders in the country. Iran retaliated with strikes against Israel that killed 24 and injured hundreds by the fourth day. The U.S. first pushed for a diplomatic solution to the conflict, but that changed on June 21 when President Trump announced that U.S. forces had struck Iran's Natanz, Fordow, and Isfahan nuclear facilities. Iran retaliated on June 23 with a barrage of missiles fired at a U.S. military base in Qatar, but all of the missiles were intercepted in Qatar and the base was evacuated before the attack as Iran had given notice to both Qatar and the U.S. On June 24, Israel and Iran agreed to a fragile ceasefire. Oil prices fell and stocks rallied as the conflict subsided and Iran and Israel both demonstrated a desire to de-escalate.

**Bottom Line:** Iran is a key energy producer in the Middle East and further conflict could send oil prices higher, but a fragile peace has been reached for now.

#### WTI Crude Price in June

Oil prices rose sharply in the first three weeks of June as tensions rose



Source: Bloomberg

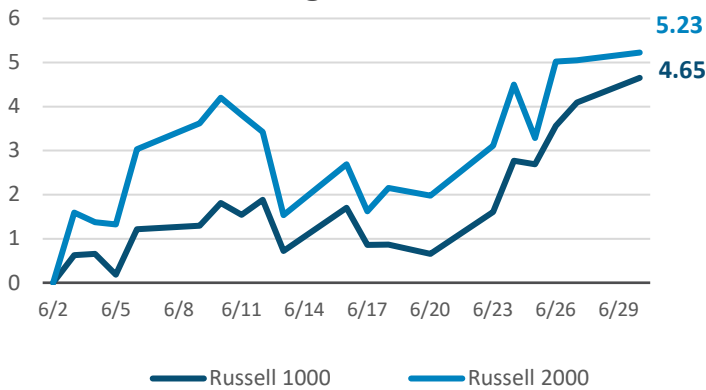
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# Equity Themes

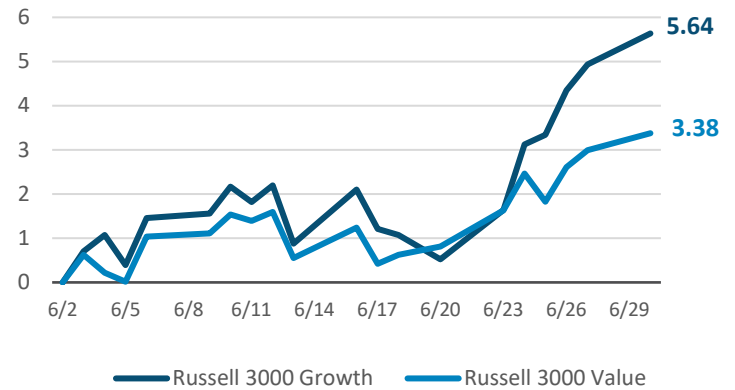
## What Worked, What Didn't

- **Small Outperformed Large while Growth Outperformed Value.** Market participants moved more into small caps and growth stocks in June as investors added risk on the de-escalation of the conflict between the Iran and Israel.
- **High Beta and Momentum Outperformed.** High beta outperformed low volatility and quality outperformed momentum in June.
- **Domestic Over International, Developed Over Emerging.** Domestic equities outperformed international stocks in June. Emerging markets outperformed developed markets during the month.

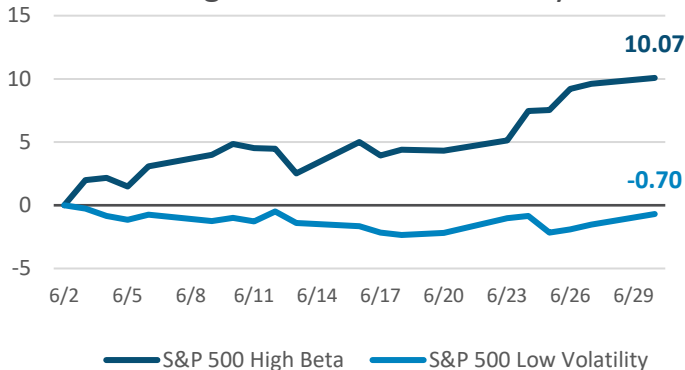
Large vs Small



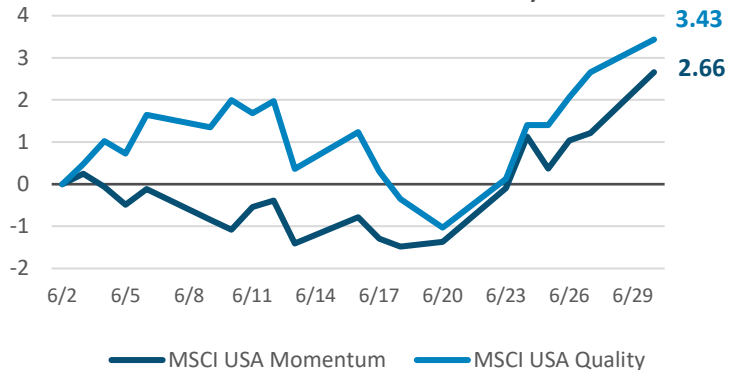
Growth vs Value



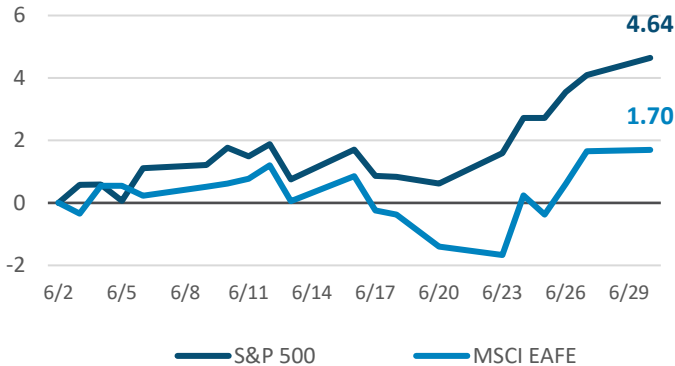
High Beta vs Low Volatility



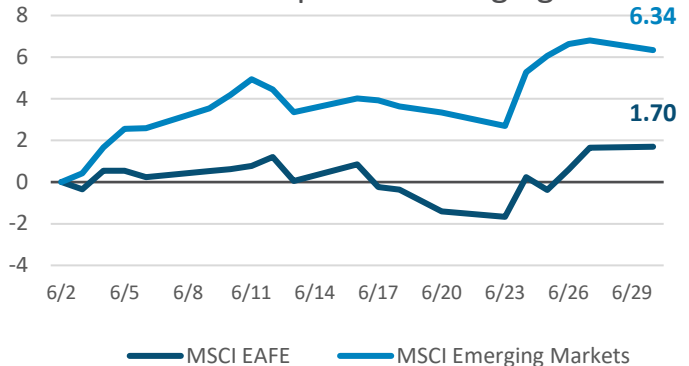
Momentum vs Quality



Domestic vs. International



Developed vs. Emerging



Source: Bloomberg.

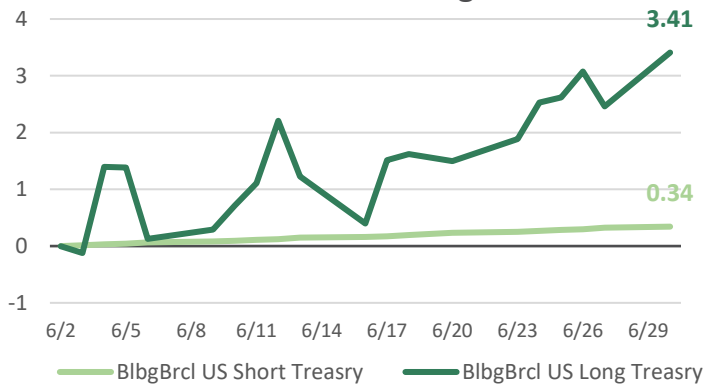
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## Bond Themes

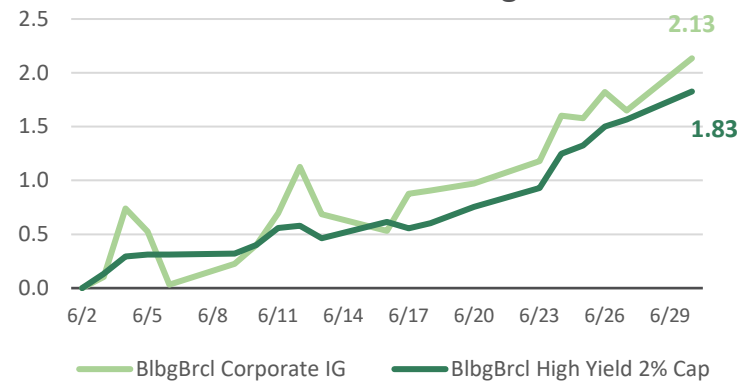
### What Worked, What Didn't

- **Short Duration Outperformed while High Yield Beat Investment Grade.** Long duration treasuries performed better in June outperforming short duration. Investment grade outperformed high yield during the month.
- **Credit Tops Duration while Treasuries Beat TIPS.** In June, duration outperformed credit while treasuries outperformed TIPS despite elevated inflation expectations.
- **Munis Beat Taxable and International Outperforms Domestic.** Taxable bonds significantly outperformed municipal bonds, while U.S. bonds outperformed their international peers in June.

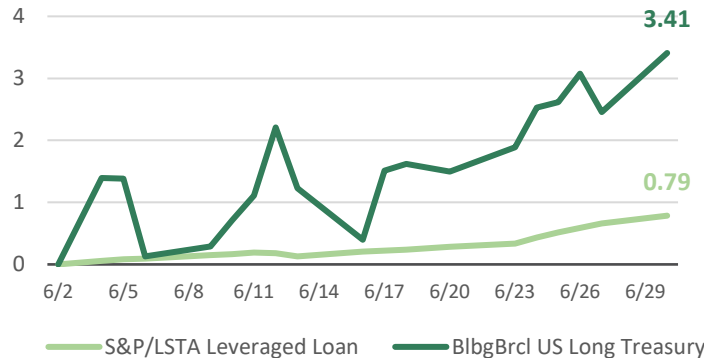
Short Duration vs Long Duration



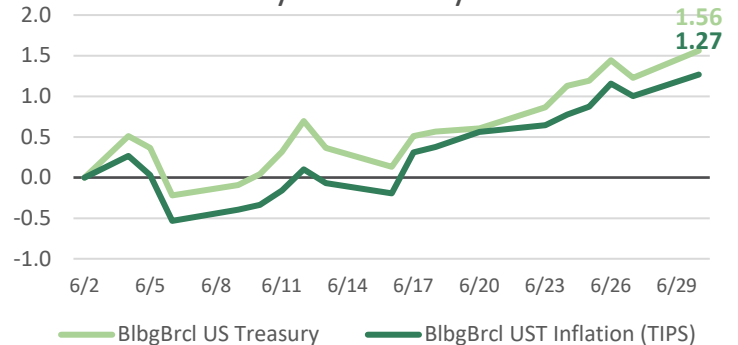
Investment Grade vs High Yield



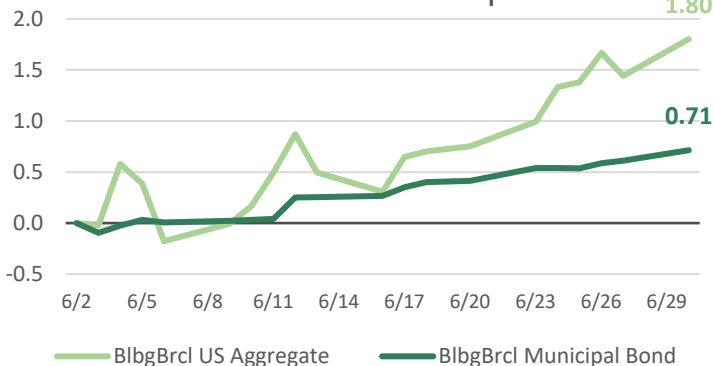
Credit vs Duration



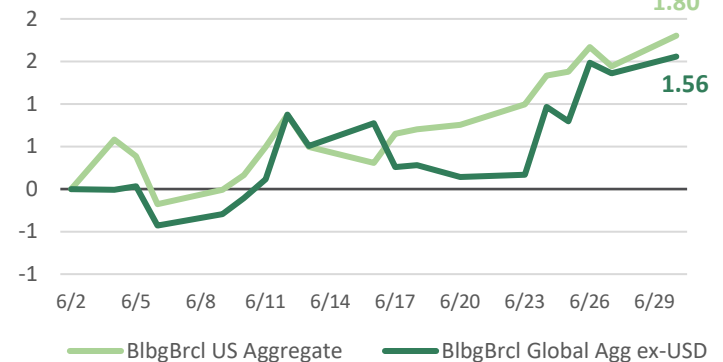
Treasury vs Treasury Inflation



Taxable vs. Municipal



Domestic vs. International

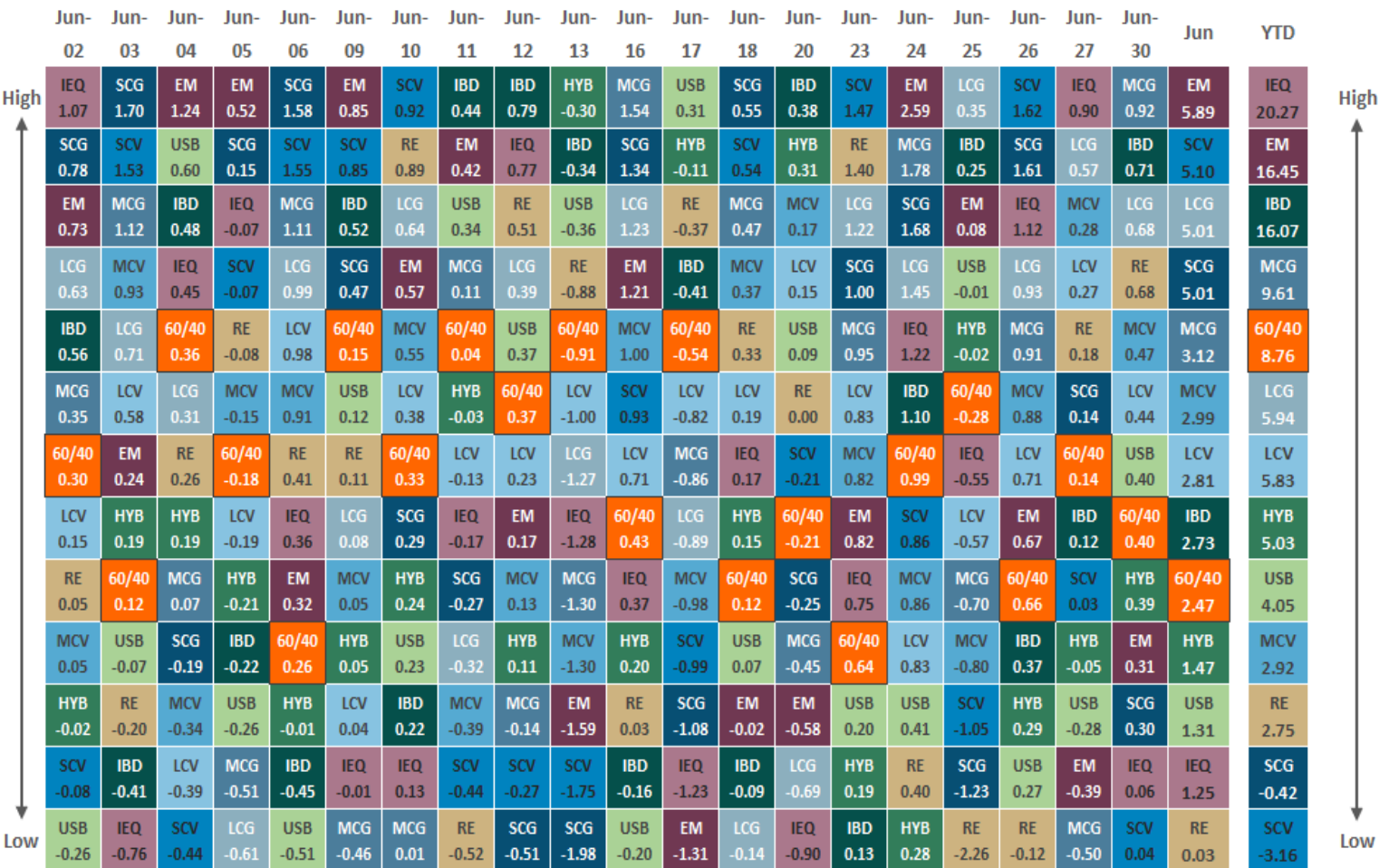


Source: Bloomberg.

# June 2025

## Asset Class Performance

**The Importance of Diversification.** From period to period there is no certainty what investment will be the best, or worst, performer. Diversification mitigates the risk of relying on any single investment and offers a host of long-term benefits, such as less portfolio volatility, improved risk-adjusted returns, and more effective compounding.



### Legend

60/40 Allocation  
(60/40)

Large Growth  
(LCG)

Large Value  
(LCV)

Mid Growth  
(MCG)

Mid Value  
(MCV)

Small Growth  
(SCG)

Small Value  
(SCV)

Intl Equity  
(IEQ)

Emg Markets  
(EM)

U.S. Bonds  
(USB)

High Yield Bond  
(HYB)

Intl Bonds  
(IBD)

Real Estate  
(RE)

Source: Sources for this market commentary derived from Bloomberg. Asset-class performance is presented by using market returns from an exchange-traded fund (ETF) proxy that best represents its respective broad asset class. Returns shown are net of fund fees for and do not necessarily represent performance of specific mutual funds and/or exchange-traded funds recommended by the Prime Capital Financial. The performance of those funds in June may be substantially different than the performance of the broad asset classes and to proxy ETFs represented here. U.S. Bonds (iShares Core U.S. Aggregate Bond ETF); High-Yield Bond (iShares iBoxx \$ High Yield Corporate Bond ETF); Intl Bonds (SPDR® Bloomberg Barclays International Corporate Bond ETF); Large Growth (iShares Russell 1000 Growth ETF); Large Value (iShares Russell 1000 Value ETF); Mid Growth (iShares Russell Mid-Cap Growth ETF); Mid Value (iShares Russell Mid-Cap Value ETF); Small Growth (iShares Russell 2000 Growth ETF); Small Value (iShares Russell 2000 Value ETF); Intl Equity (iShares MSCI EAFE ETF); Emg Markets (iShares MSCI Emerging Markets ETF); and Real Estate (iShares U.S. Real Estate ETF). The return displayed as "Allocation" is a weighted average of the ETF proxies shown as represented by: 30% U.S. Bonds, 5% International Bonds, 5% High Yield Bonds, 10% Large Growth, 10% Large Value, 4% Mid Growth, 4% Mid Value, 2% Small Growth, 2% Small Value, 18% International Stock, 7% Emerging Markets, 3% Real Estate. 080223006 - MAH

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