WEEKLY ECONOMIC UPDATE JUNE 2, 2025

Stocks advanced over the short trading week, bolstered by a possible trade deal with the European Union (EU) and an upbeat corporate report from a mega-cap tech company that creates semiconductors used in the creation of artificial intelligence.

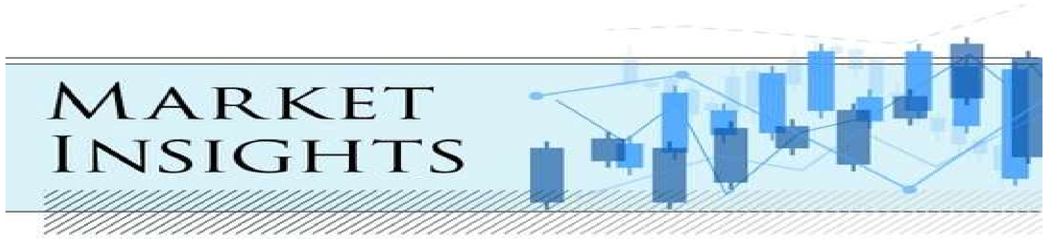
The Standard & Poor's 500 Index rose 1.87 percent, while the Nasdaq Composite Index popped 2.01 percent. The Dow Jones Industrial Average advanced 1.60 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, inched up 0.84 percent.[1,2]

EU Trades Spark Stocks

On Monday, stocks bolted out of the gate on news that the European Union agreed to speed up trade talks with the U.S. By the end of the session, the S&P 500 and Nasdaq posted gains north of 2 percent.[3]

Stocks fell following Wednesday's release of minutes from the Fed meeting in May, which showed Fed officials are cautious. Some fear that trade-related economic uncertainty could increase inflation and impact the labor market.[4,5]

On Friday, stocks were flat despite the White House accusing China of violating its trade deal. The S&P 500 added 6.2 percent and the Nasdaq 9.6 percent for the month, their best since November 2023.[6]



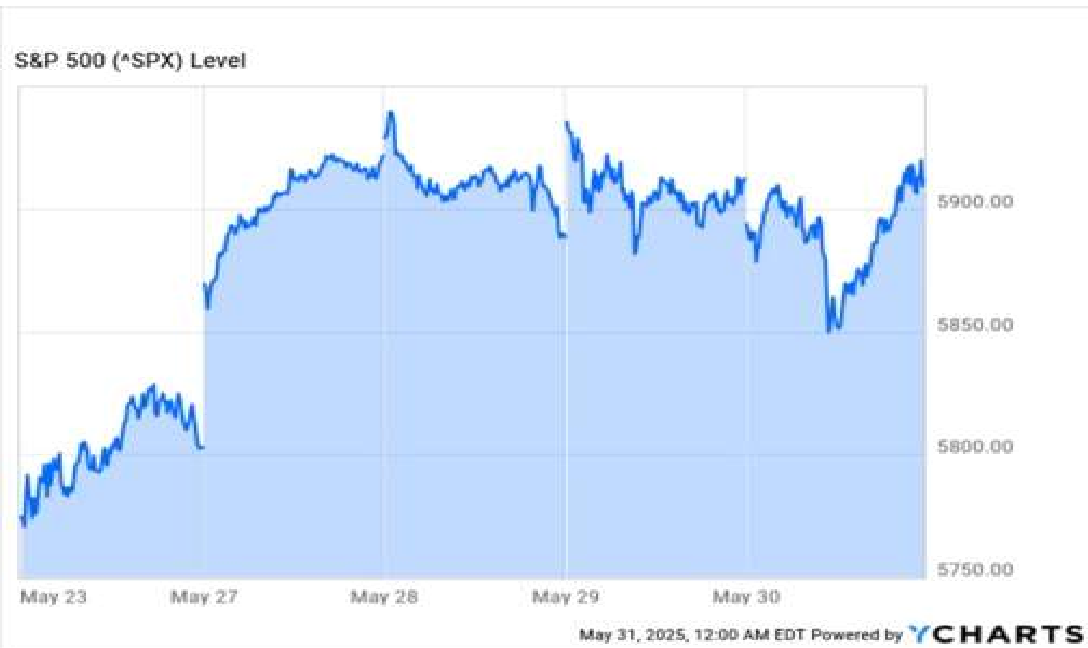
YCHARTS

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
Nasdaq Composite	9.91%	-0.43%	14.13%	109.9%
S&P 500	6.46%	1.06%	13.77%	109.5%
MSCI EAFE	5.21%	17.26%	15.20%	76.04%
Dow Jones Industrial Average	4.34%	-0.10%	11.79%	83.42%

S&P 500 Daily Close



10-Year Note Review

Indicator Name Date	Latest Value	1M Ago 3M Ago 1Y Ago	1M Change 3M Change 1Y Change
10 Year Treasury Rate 05/30/25	4.41%	4.17% 4.24% 4.55%	5.76% ▲ 4.01% ▲ -3.08% ▼

Inflation Update

The Fed's preferred inflation measure—the Personal Consumption and Expenditures (PCE) Index—was released on Friday, showing only a modest uptick in prices in April.[7]

PCE increased 0.1 percent for the month, putting the annual rate at 2.1 percent—the lowest since September 2024.

On the Expenditures side, the report shows a higher consumer saving rate as they navigate economic uncertainty.[8]

This Week: Key Economic Data

Monday: ISM Manufacturing. Construction Spending. Dallas Fed President Lorie Logan speaks.

Tuesday: Factory Orders. Job Openings.

Wednesday: ADP Employment Report. ISM Services. Fed Beige Book.

Thursday: Trade Deficit. Productivity Gains.

Friday: Employment Report. Consumer Credit.

"If "con" is the opposite of "pro," what is the opposite of "Congress?"

Of Note

The market for Treasury securities is sending an increasingly troubling signal. As of last week, investors were demanding about 90 extra basis points in yield to compensate for the added risk of lending longer-term to the US government. In October, before the election of President Donald Trump, the 10-year term premium was close to zero.

Why the declining appetite for Treasuries? For one, yields on competing government bonds have risen: Japan’s 10-year note offers 1.5%, up from less than 1% in early October. Then there’s Trump’s trade war. Instead of appreciating, as one would expect amid rising tariffs, the dollar’s trade-weighted value has declined about 5% since the president took office in January, indicating waning foreign demand for US financial assets.

No less important is the US government’s dire and deteriorating fiscal position. The budget deficit was 23% larger in the first seven months of this year than in the same period last year. The Congressional Budget Office estimates that Trump’s “One Big Beautiful Bill Act” will add $2.3 trillion to the deficit over 10 years — and that’s based on some improbably optimistic assumptions. It’ll be much larger if there’s a recession, borrowing costs keep rising, popular tax cuts (such as on tips and overtime) are extended rather than ending in 2029, trade policies undermine productivity or immigration crackdowns curtail labor supply.

A mere 10-basis-point increase in the interest rate on US government debt would add $351 billion to the 10-year deficit. A mere 10-basis-point annual shortfall in productivity growth or labor-force growth would add $388 billion or $184 billion, respectively.

The sustained red ink could create a pernicious negative feedback loop, in which budget deficits and borrowing costs push each other ever higher. Clearly this couldn't go on forever. Only a fiscal retrenchment, like the austerity that the bond market imposed upon the administration of then-President Bill Clinton in the 1990s, could break the vicious cycle.

One tipping point might be a stand-off between the House and Senate on the Trump administration's spending and taxation plans. If legislators don't agree to increase the federal government debt limit, the Treasury will probably run out of funds to meet its obligations sometime in August. If they do increase the limit, debt issuance will soar as the Treasury scrambles to both finance the deficit and rebuild its cash balance at the Federal Reserve. Either way, the market's faith in America will face a severe test.[9]

Footnotes and Sources

1. WSJ.com, May 30, 2025
2. Investing.com, May 30, 2025
3. WSJ.com, May 27, 2025
4. CNBC.com, May 28, 2025
5. CNBC.com, May 29, 2025
6. WSJ.com, May 30, 2025
7. MarketWatch.com, May 30, 2025
8. MarketWatch.com, May 30, 2025
9. advisorperspectives.com/articles/2025/05/30/bond-markets-faith-america-facing-test?topic=active-fixed-income

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

Please consult your financial professional for additional information.