

Executive Summary:

- Continued tariff turmoil has thrown investors for a loop but inflicted little actual pain as the S&P 500 shows its best May in 35 years.
- The U.S. economy and company earnings remain solid, and GDP is forecasted to improve.
- The Fed is under pressure to lower rates but is waiting for hard data before moving.
- International stocks have outperformed domestic equities as the U.S. Dollar weakens.

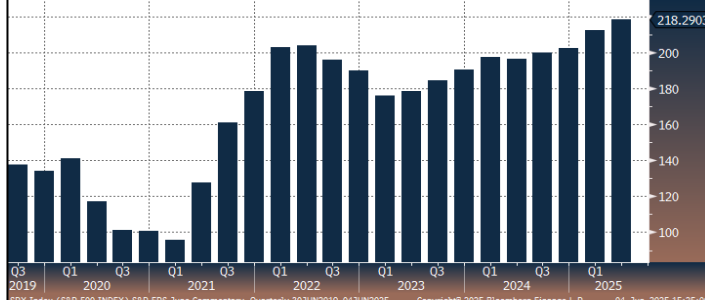
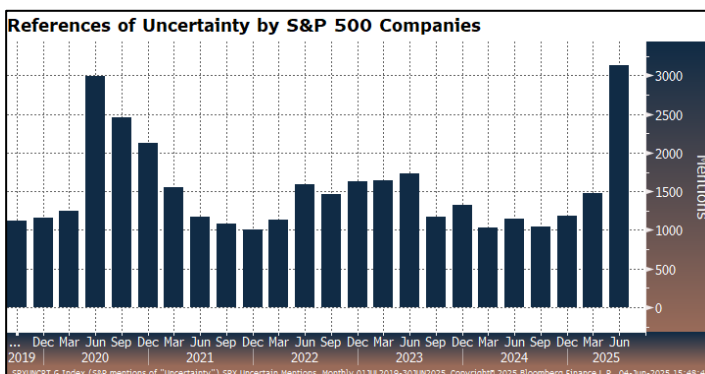
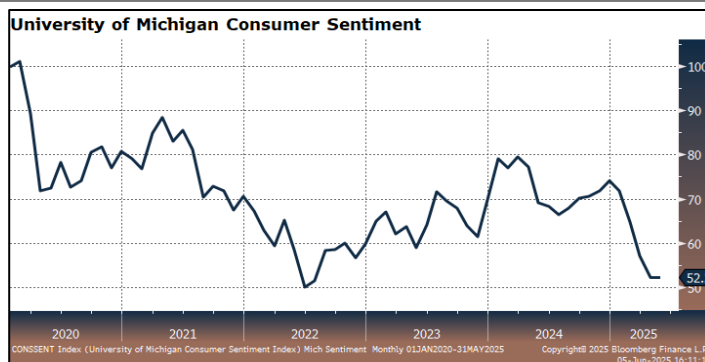
Repeatedly shifting tariff threats have had a relentless effect on investor sentiment. The University of Michigan Consumer Sentiment Index shows that consumer expectations have dropped more than 20 points YTD. In addition, the number of times companies have used the word “uncertainty” in their earnings calls has been the most since the pandemic.

Despite these concerns, the actual impact on economic numbers has been mild so far. We will watch to see if this dichotomy between soft data (expectations) and hard data (objective metrics) will converge. For our more risk-averse clients, we are positioning portfolios to be slightly more conservative. On the other hand, after a slight contraction in GDP in Q1, the Atlanta Fed is now forecasting 3.8% GDP growth for the year.

While many companies have lowered or eliminated their earnings guidance, the reported results have been solid. Consensus estimates forecast a 7% y/y increase in EPS for the S&P 500 compared with 2024. The monthly performance for the S&P 500 was the best May in the last 35 years, up over 6%, and the market is now above 2% for the year. Once again, this was primarily driven by large tech stocks.

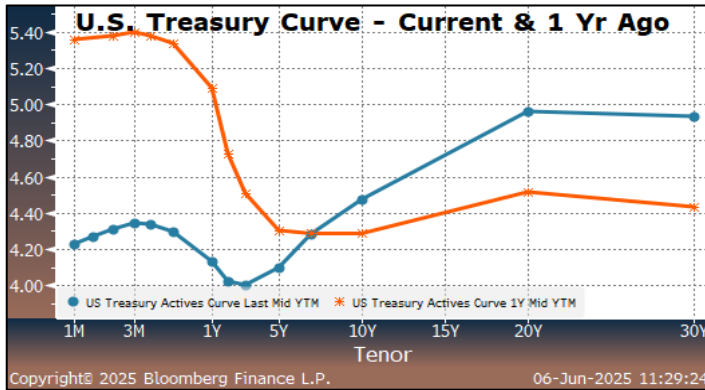
2025 has brought a resurgence in the performance of international equities, something that diversified investors have been anticipating for a while. Notably, the EAFE international index is up over 17% this year. One impetus for this relative outperformance has been a “Sell America” trend that has gained some momentum; the U.S. dollar is down more than 8% YTD.

The unwinding of an inverted Treasury yield curve continues as short-term rates have fallen somewhat while longer-term rates have increased. This has kept



mortgage rates elevated which has been a challenge for the housing market. We expect Fed members to continue their cautious approach to rate cuts, even with the added external political pressure. While inflation has been declining, the Fed appears to be waiting for clear evidence of weakness in the job market before making its next move. There are some signs of cooling there, such as a higher number of layoffs and fewer jobs created, though the overall unemployment rate has remained steady at 4.2%.

Thanks for allowing us to be a part of your financial journey. Here's to a great summer!



SECTORS	2024	YTD	EQUITY INDICES	2024	YTD	COMM. & CURRENCIES	LAST CLOSE	YTD
S&P 500 COMM SVC	40.23%	6.75%	S&P 500 INDEX	25.00%	2.47%	WTI CRUDE FUTURE Jul25	63.37	-7.53%
S&P 500 CONS DISCRET IDX	30.14%	-6.46%	DOW JONES INDUS. AVG	14.99%	1.23%	BRENT CRUDE FUTR Aug25	65.34	-8.90%
S&P 500 CONS STAPLES IDX	14.87%	6.75%	NASDAQ COMPOSITE	29.60%	1.51%	NATURAL GAS FUTR Jul25	3.68	4.97%
S&P 500 ENERGY INDEX	5.72%	-1.63%	S&P 400 MIDCAP INDEX	13.89%	-1.80%	LME COPPER 3MO (\$)	9,739.50	11.08%
S&P 500 FINANCIALS INDEX	30.50%	6.36%	RUSSELL 1000 GROWTH INDX	33.35%	1.61%	Gold Spot \$/Oz	3,352.65	26.98%
S&P 500 HEALTH CARE IDX	2.58%	-1.96%	RUSSELL 1000 VALUE INDEX	14.35%	3.46%	Silver Spot \$/Oz	35.65	24.77%
S&P 500 INDUSTRIALS IDX	17.30%	10.30%	RUSSELL MIDCAP RT INDEX	15.34%	2.42%	Euro Spot	1.14	10.10%
S&P 500 INFO TECH INDEX	36.61%	1.62%	RUSSELL 2000 INDEX	11.52%	-4.13%	British Pound Spot	1.36	8.13%
S&P 500 MATERIALS INDEX	-0.04%	5.44%	MSCI ACWI ex US	5.53%	15.62%	Japanese Yen Spot	143.53	8.55%
S&P 500 REAL ESTATE IDX	5.23%	3.41%	MSCI EAFE	4.44%	18.58%	DOLLAR INDEX SPOT	98.74	-8.59%
S&P 500 UTILITIES INDEX	23.43%	7.32%	MSCI EM	7.99%	11.33%			

Source: Bloomberg As of: 6/6/2025

Bloomberg Barclays Bond Indices	2023	2024	YTD	Effective Duration	Avg. Maturity	Yield-to-Worst	Key Rates	
U.S. Aggregate	5.53%	1.25%	2.57%	6.15	8.44	4.71%	Effective Fed Funds	4.33%
Intermediate	5.24%	3.00%	3.03%	3.88	4.34	4.31%	2-yr Treasury	4.03%
Global Agg ex USD	5.72%	-4.22%	8.36%	7.00	8.55	2.67%	10-yr Treasury	4.48%
Inv Grade Corporate	8.52%	2.13%	2.53%	6.95	10.47	5.21%	10-yr German Bund	2.57%
U.S. Corporate High Yield	13.45%	8.19%	3.01%	3.30	4.68	7.42%	Prime Rate	7.50%
Tax Exempt							30 Year Fixed Mortgage	6.92%
Muni 1-10 Yr Blend (1-12)	4.61%	0.91%	1.05%	4.11	6.24	3.42%		

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