

**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.

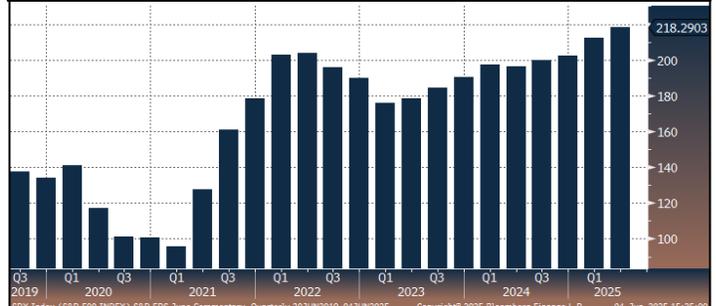
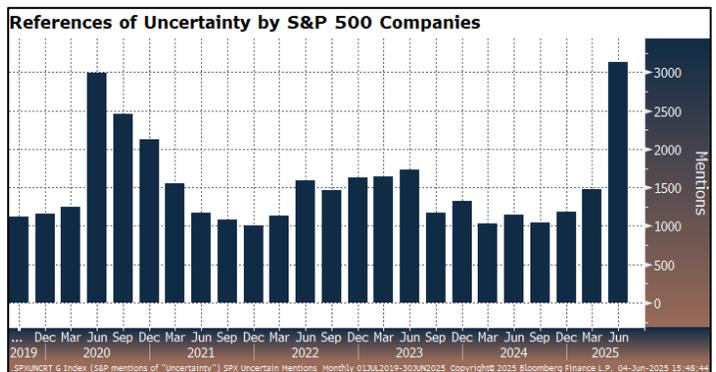
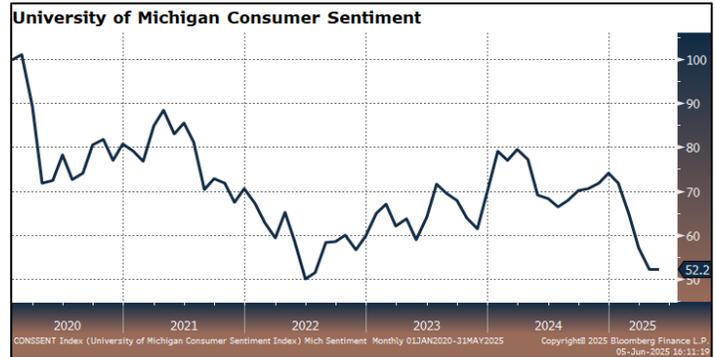
Repeatedly shifting tariff threats have had a relentless effect on investor sentiment. The University of Michigan Consumer Sentiment Index shows that consumer expectations have dropped more than 20 points YTD. In addition, the number of times companies have used the word “uncertainty” in their earnings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

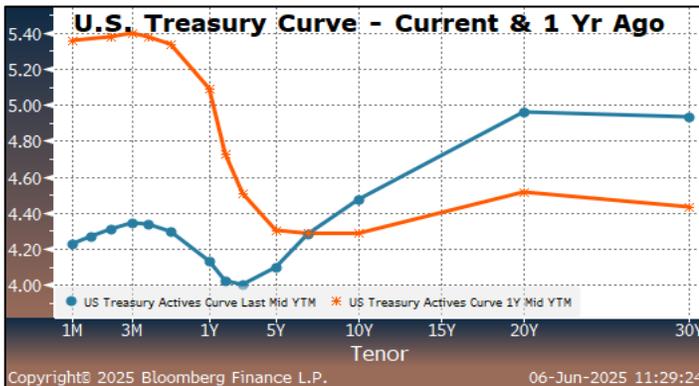
2025 has brought a resurgence in the performance of international equities, something that diversified investors have been anticipating for a while. Notably, the EAFE international index is up over 17% this year. One impetus for this relative outperformance has been a “Sell America” trend that has gained 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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