



WEALTH ADVISORS

TRUST MATTERS.

June 2025

Point of View – Economy – Markets

Important Information

The views and opinions expressed are those of the speaker and are subject to change based on factors such as market and economic conditions. These views and opinions are not an offer to buy a particular security and should not be relied upon as investment advice. Past performance cannot guarantee comparable future results.

Important Information

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be higher or lower.

Results shown assume the reinvestment of dividends.

An investment cannot be made directly in an index.

Investments with higher return potential carry greater risk for loss.

Investing in small companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

Foreign securities have additional risks, including exchange rate changes, political and economic upheaval, the relative lack of information about these companies, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Investing in emerging markets involves greater risk than investing in more established markets such as risks relating to the relatively smaller size and lesser liquidity of these markets, high inflation rates, adverse political developments and lack of timely information.

Fluctuations in the price of gold and precious metals often dramatically affect the profitability of the companies in the gold and precious metals sector. Changes in political or economic climate for the two largest gold producers, South Africa and the former Soviet Union, may have a direct effect on the price of gold worldwide.

Bullet points for June

- Weak “soft” data (PMIs and confidence surveys)
- Strong “hard” data (jobs, income)
- Strong Q2 GDP forecasts
- 2.1% inflation (PCED)
- 2026 earnings estimates turned higher
- High P/E ratio
- Fed remains on hold

THE WALL STREET JOURNAL.

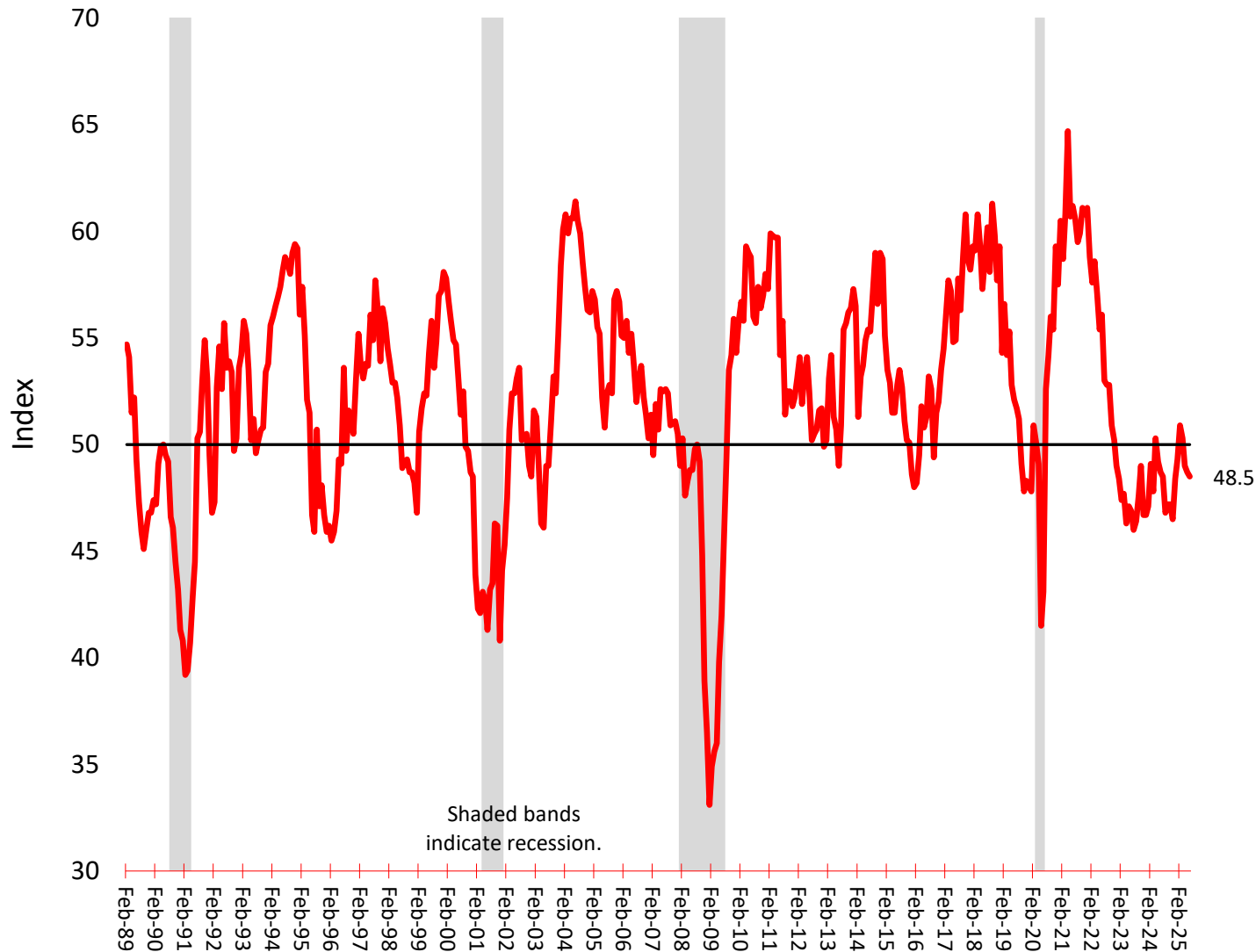
Europe's Firms Fall Far Behind In the Race to Create Big Tech

Investors and entrepreneurs say obstacles to tech growth are deeply entrenched: a timid and risk-averse business culture, strict labor laws, suffocating regulations, a smaller pool of venture capital and lackluster economic and demographic growth.

Existential dilemma

Having largely missed out on the first digital revolution, Europe seems poised to miss out on the next wave, too. The U.S. and China, flush with venture capital and government funding, are spending heavily on AI and other technologies that hold the promise of boosting productivity and living standards. In Europe, venture capital tech investment is a fifth of U.S. levels.

ISM manufacturing PMI – weak



May at 48.5.

May new orders 47.6.

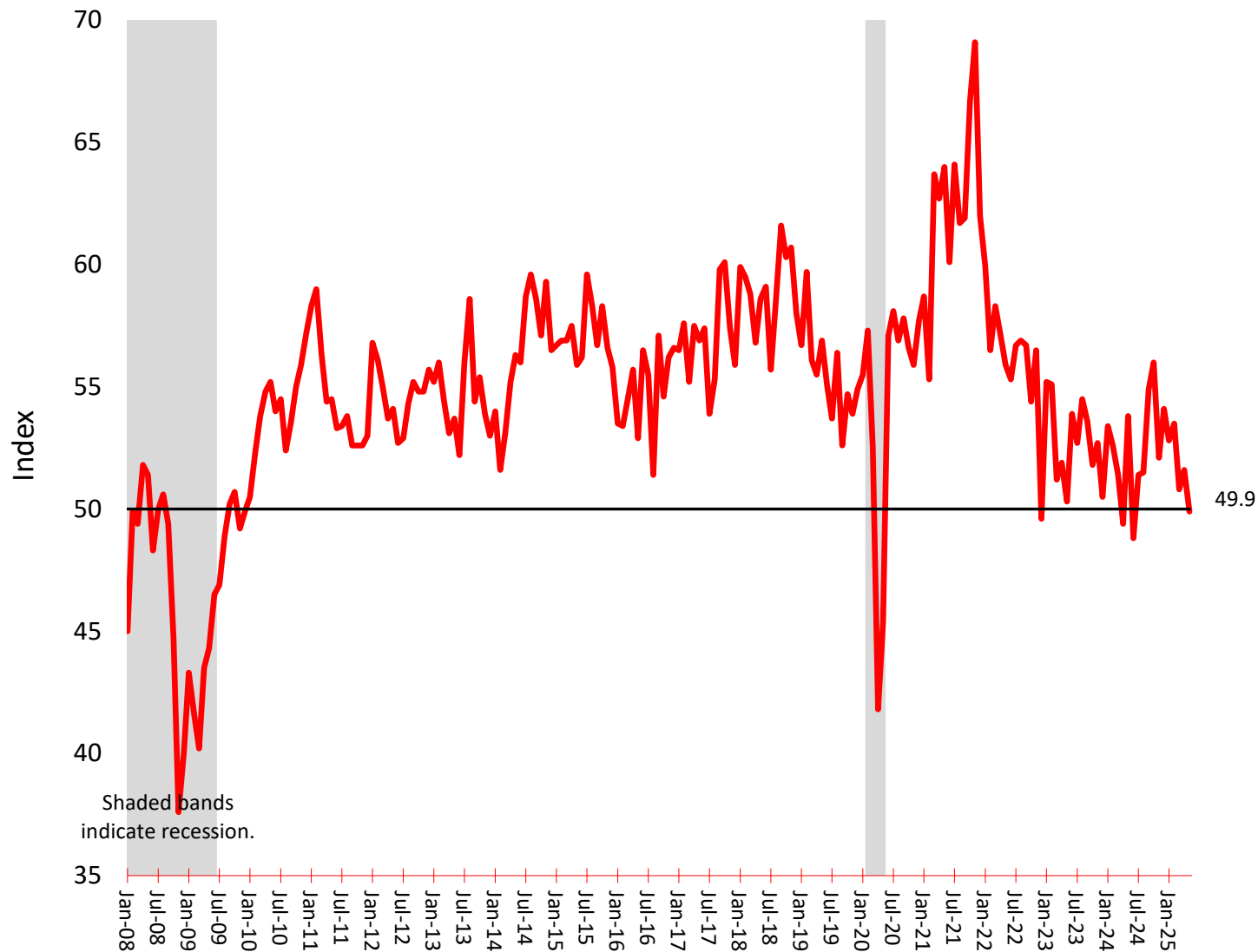
Note the historic volatility in the manufacturing PMI.

Note how this indicator has slumped well below 50 even during periods of strong economic expansion, eg. 1995, 1999, 2003, 2013, 2016.

Source: Copyright 2025, Institute for Supply Management. Data through May 2025.

ISM: "A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting. A Manufacturing PMI® above 48.7 percent, over a period of time, generally indicates an expansion of the overall economy."

ISM services PMI – weak



May at 49.9.

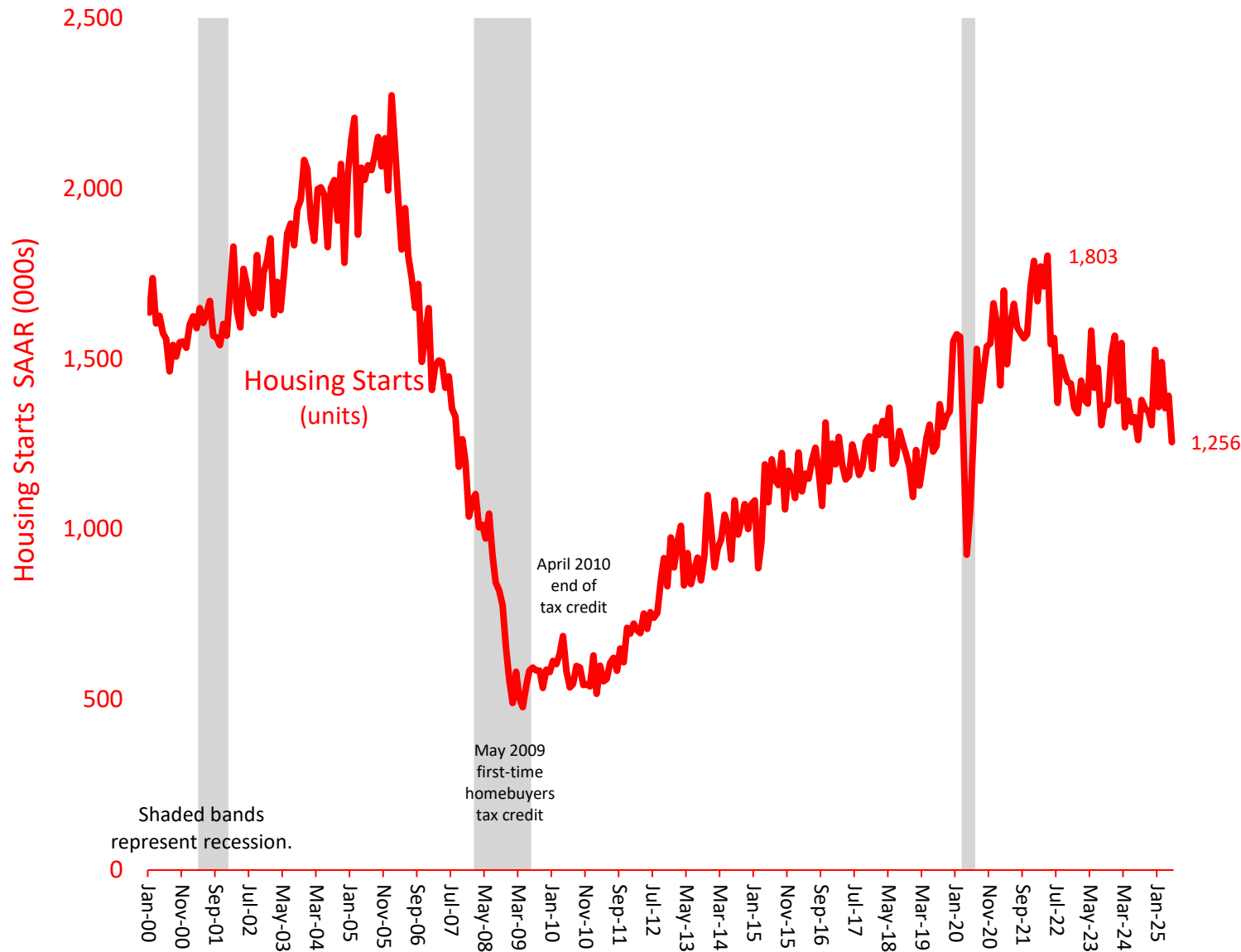
May new orders 46.4.

Services comprise 89% of the U.S. economy¹ and 91% of total nonfarm jobs.

Source: Copyright 2025, Institute for Supply Management; data through May 2025. This data series was created in 2008. ISM: "A reading above 50 percent indicates that the services sector economy is generally expanding; below 50 percent indicates that it is generally contracting." "A Services PMI® above 50.1 percent, over time, generally indicates an expansion of the overall economy." ¹Value added as a percent of GDP.

Economic data

Housing starts



1.256 million starts in May.

May permits at 1.393 million.

“Housing starts also remain(ed) well below the projected rate of 1.6 to 1.8 million that is consistent with long-term demographics and the replacement of the existing housing stock (Herbert, McCue, and Spader 2016).”¹

Sources: BEA and U.S. Census Bureau. Data through May 2025.

¹ *Economic Report of the President*, Council of Economic Advisors, February 2018

Housing shortage – 4.5 million units



Affordability Crisis: Housing Shortage Worsened Despite Pandemic Construction Boom

The growing housing shortage is the primary reason for the affordability crisis



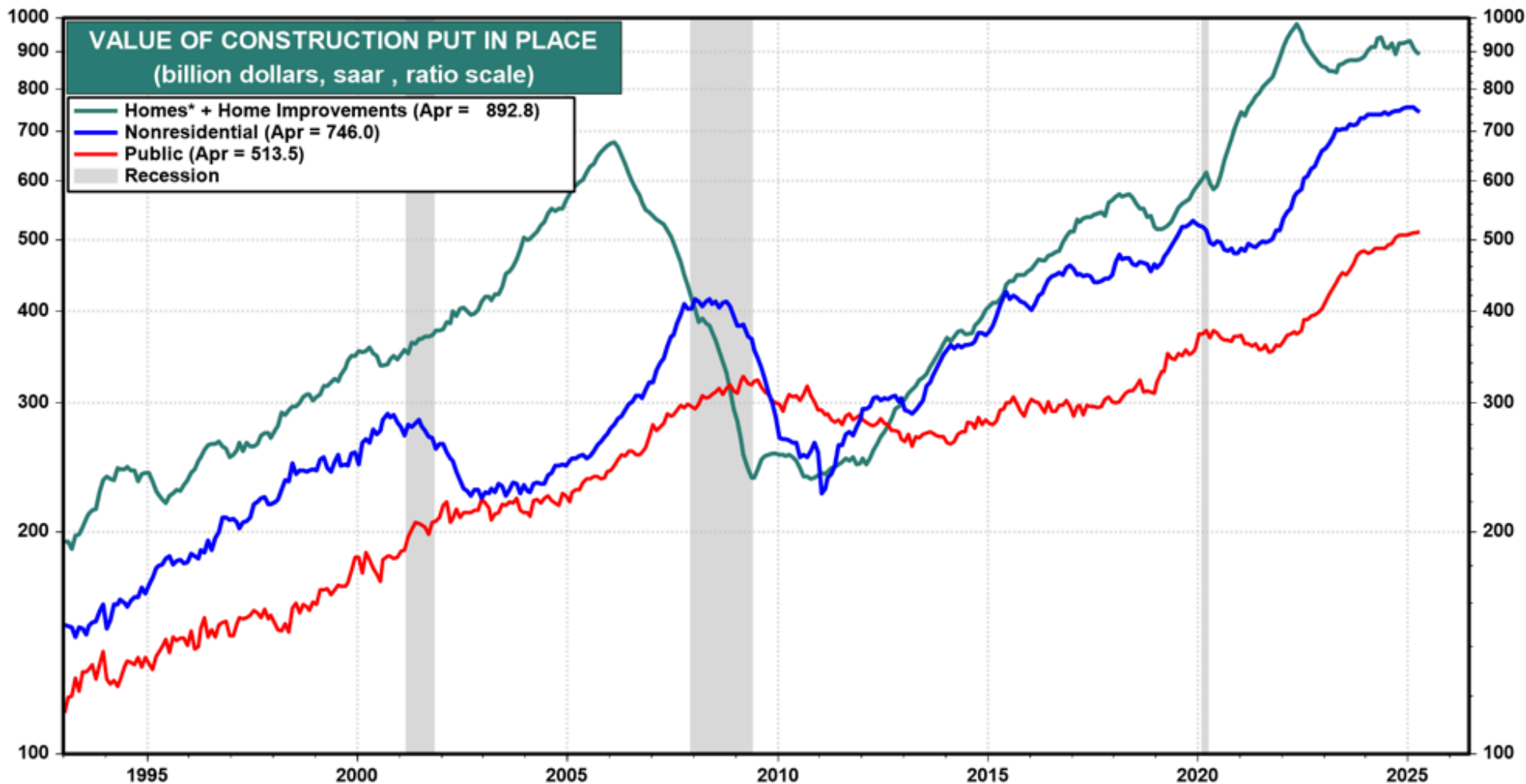
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Share     

- The nation's housing deficit rose to 4.5 million in 2022, up from 4.3 million in 2021.
- Of the country's largest metro areas, Boston, Sacramento and Portland had the worst housing unit deficits.
- 2023 was the strongest year for U.S. home completions since 2007, but 1.4 million additional homes aren't enough to make a meaningful dent in the nation's existing housing shortage, due to the increase in the number of families.

Source: *Zillow website*, August 18, 2024.

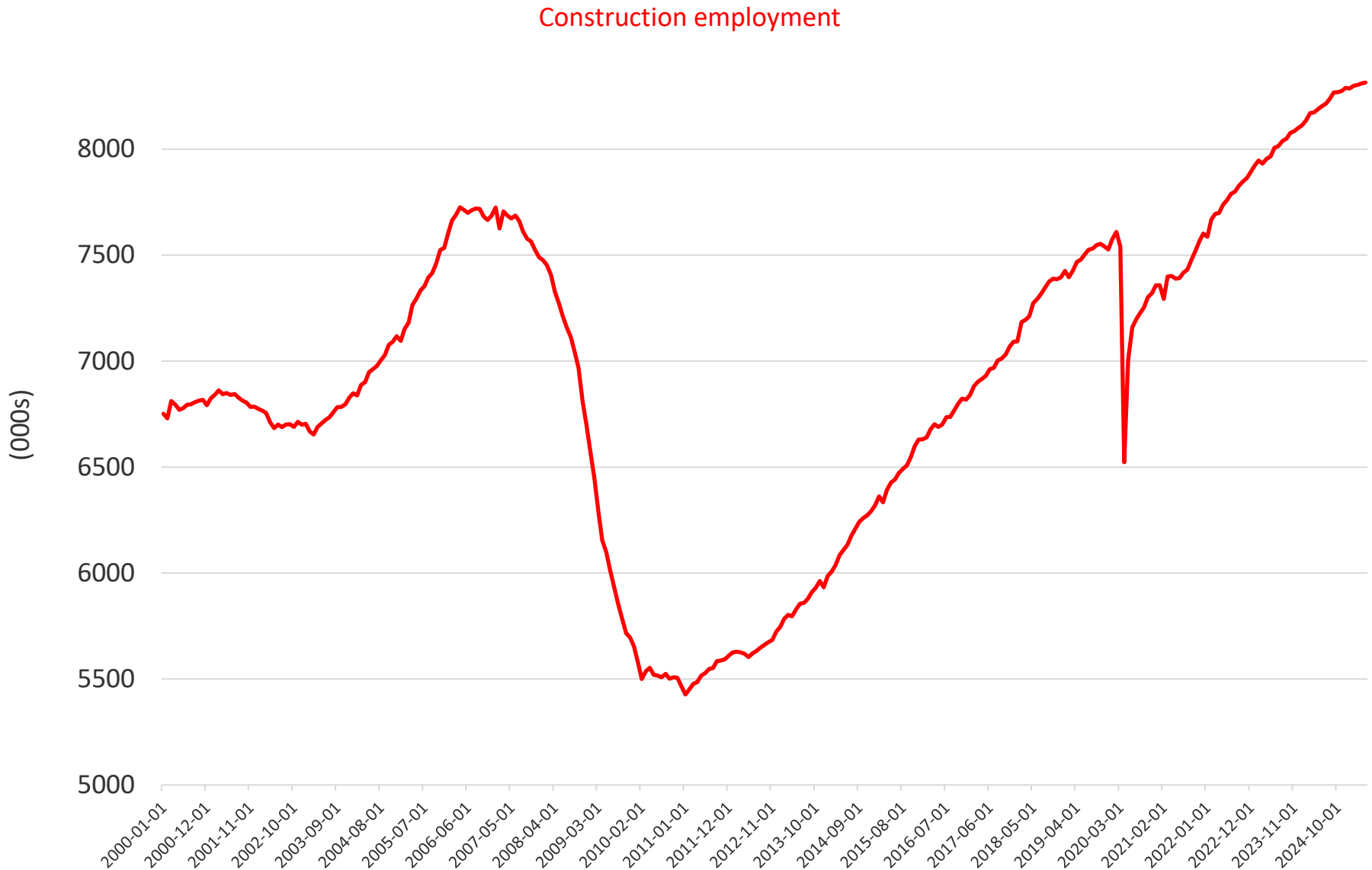
Construction spending – booming



Source: LSEG Datastream and © Yardeni Research, and US Census Bureau.

*Includes single-family and multi-family homes.

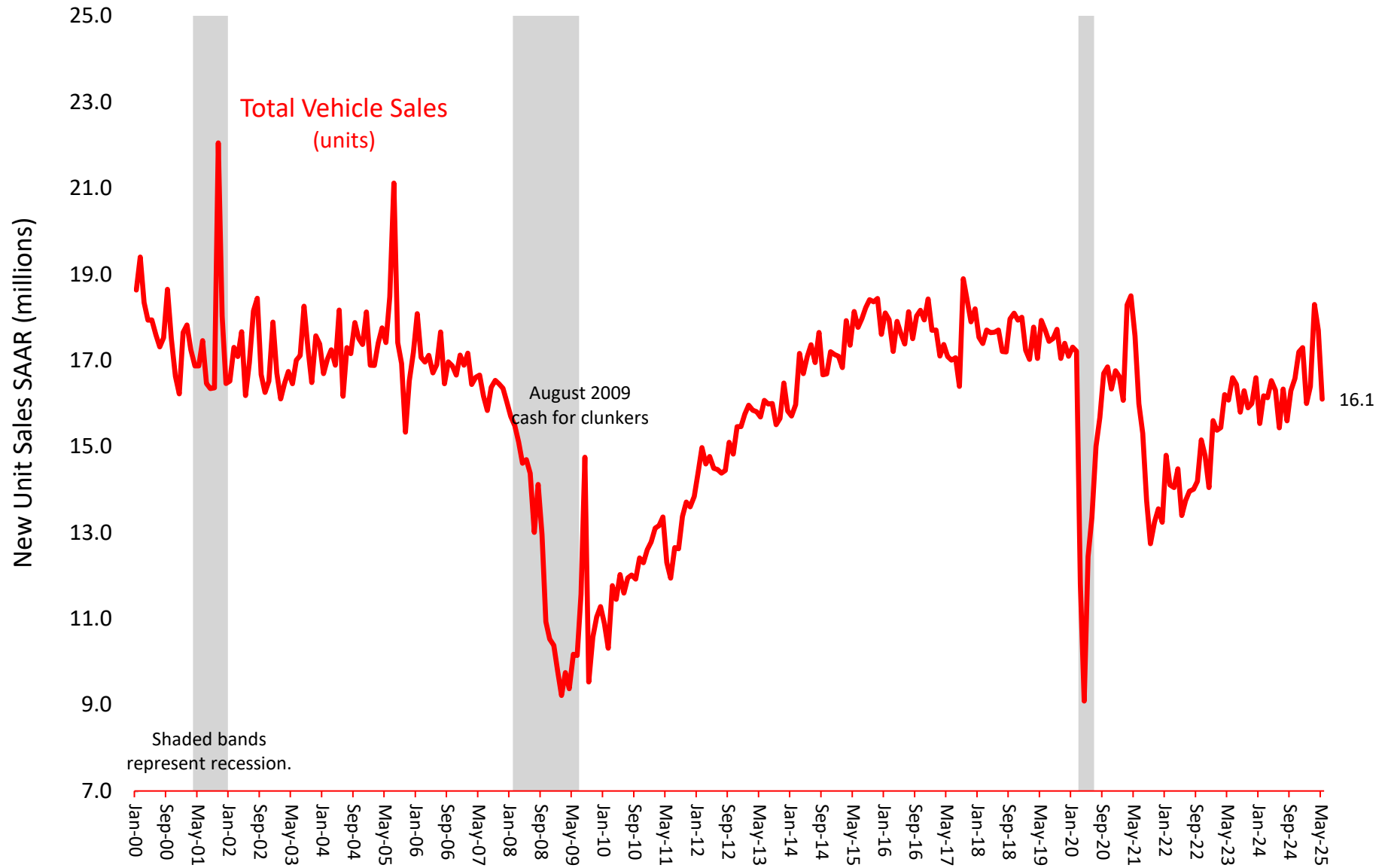
Construction employment – record high



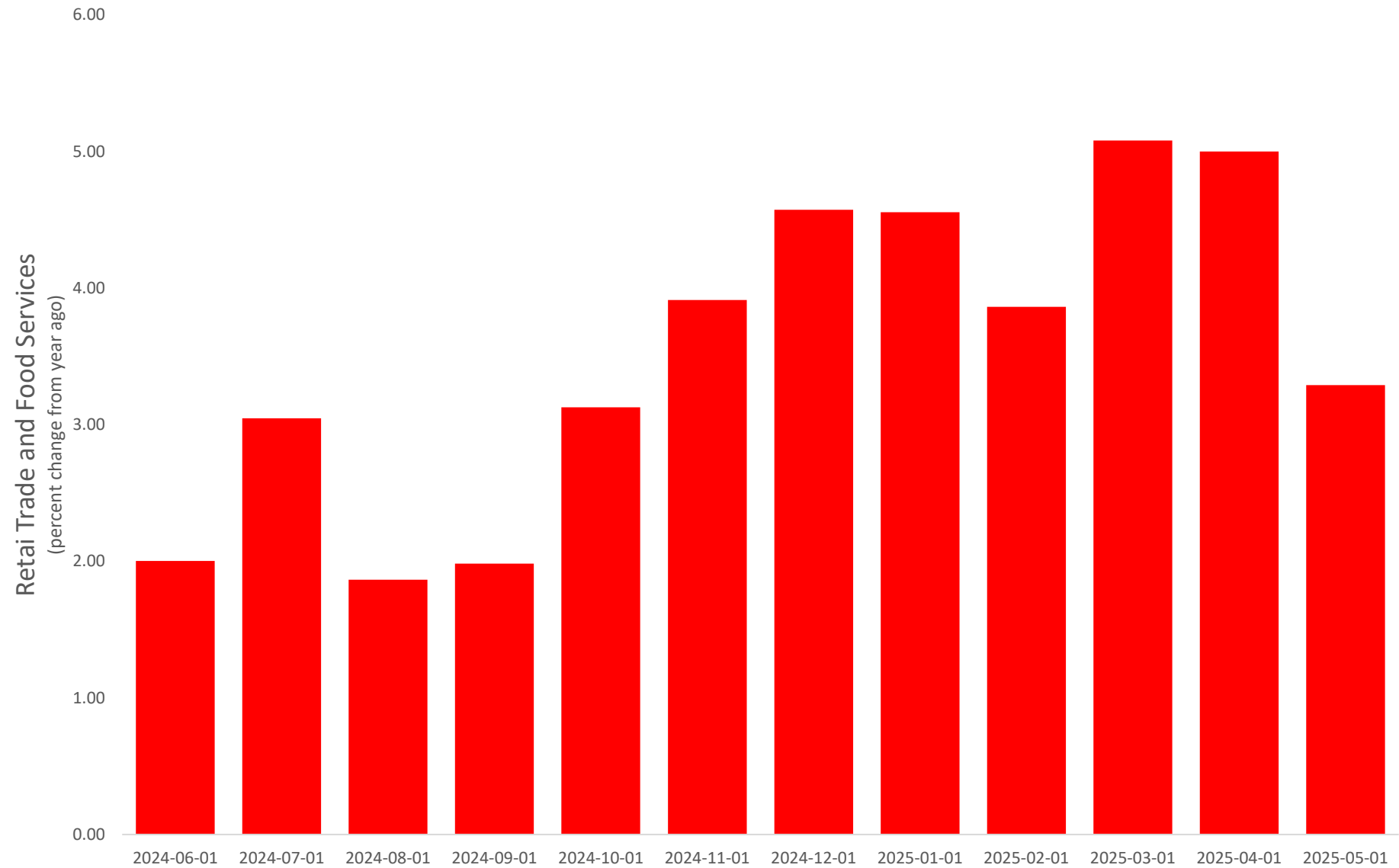
Source: BLS. Data through May 2025.

Economic data

Vehicle sales

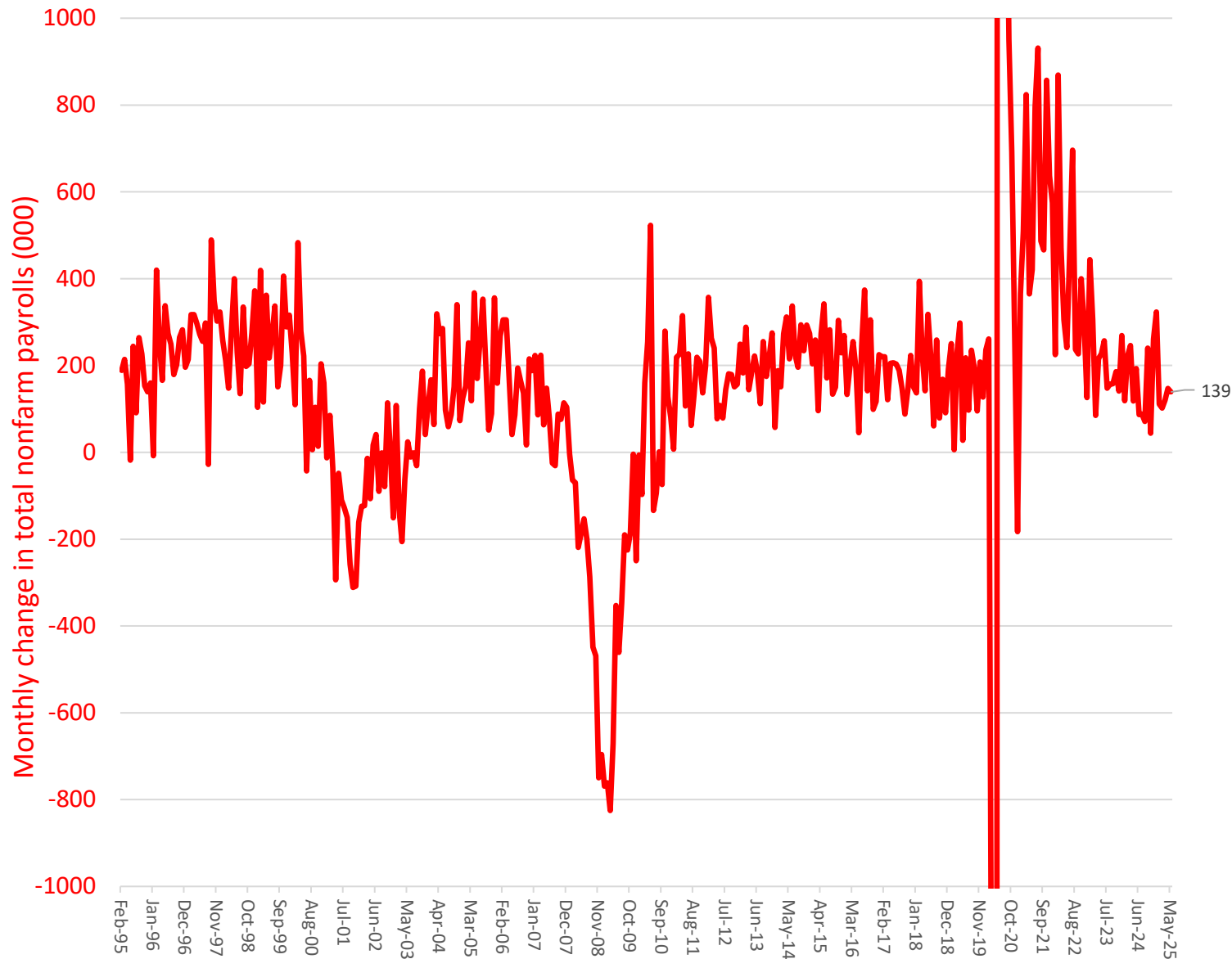


Retail sales



Economic data

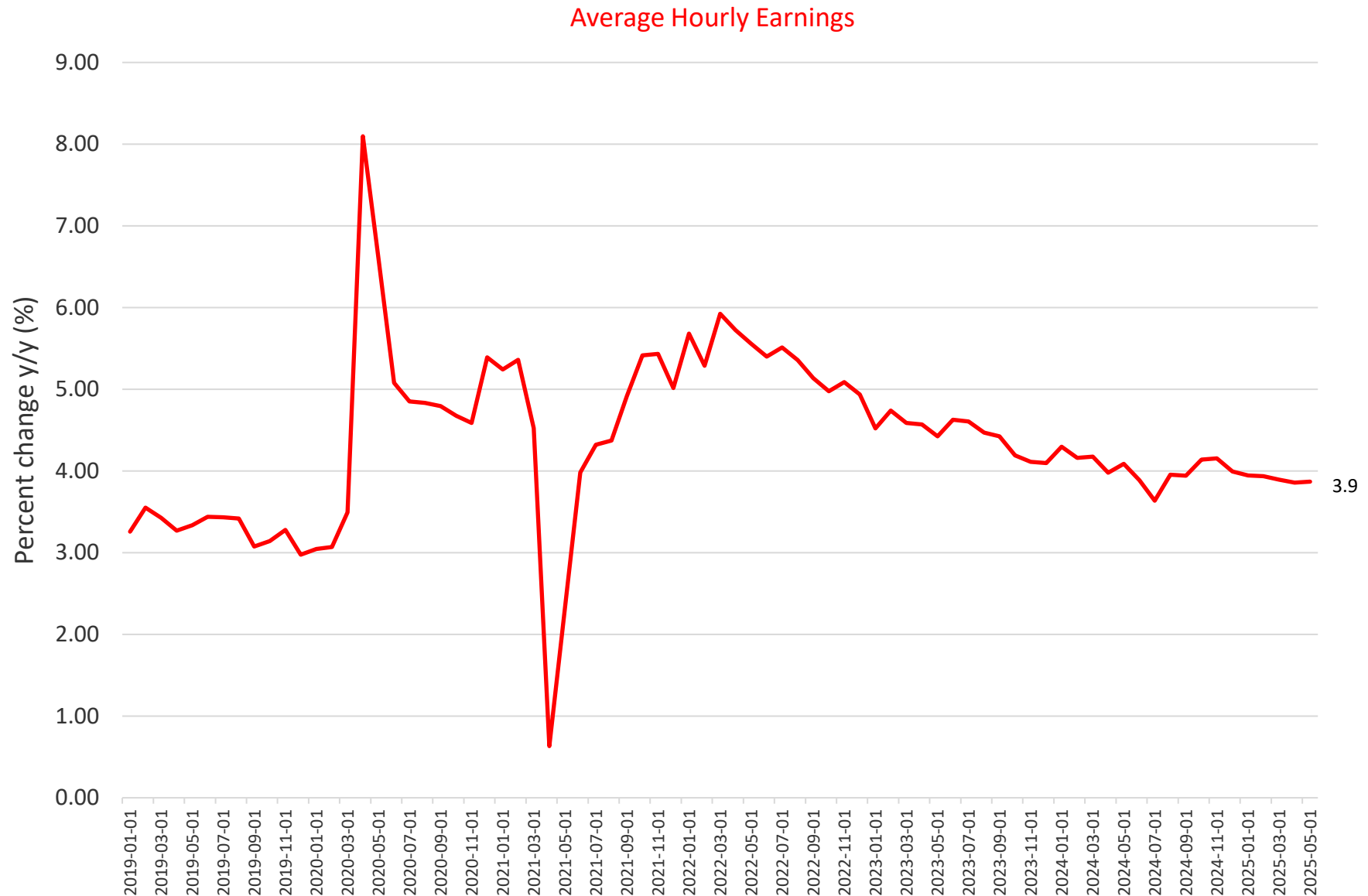
Net new job formation



139,000 jobs gained in May on the establishment survey.

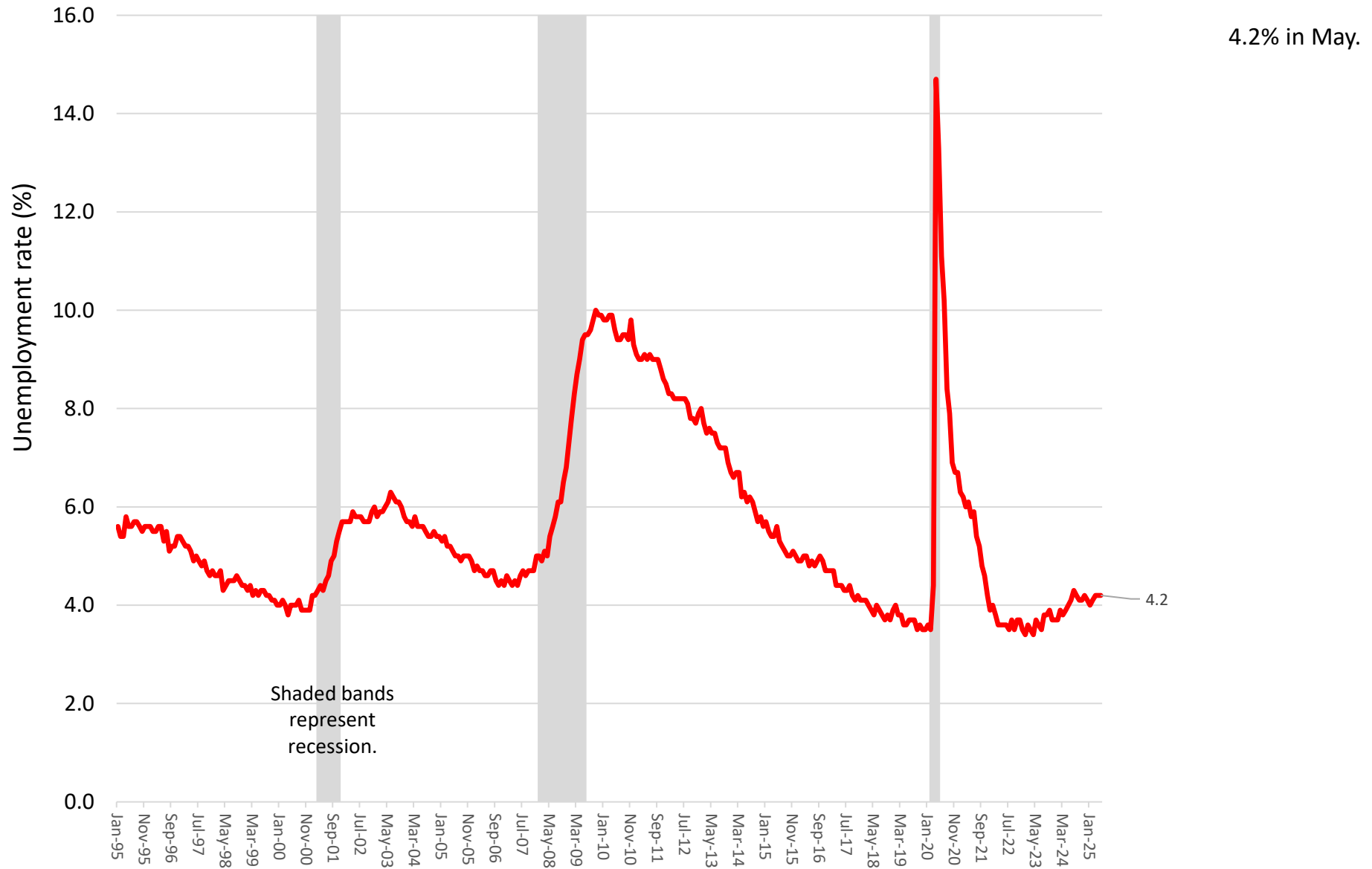
-1,000 jobs lost in the Government category.

Average hourly earnings – y/y rate of change

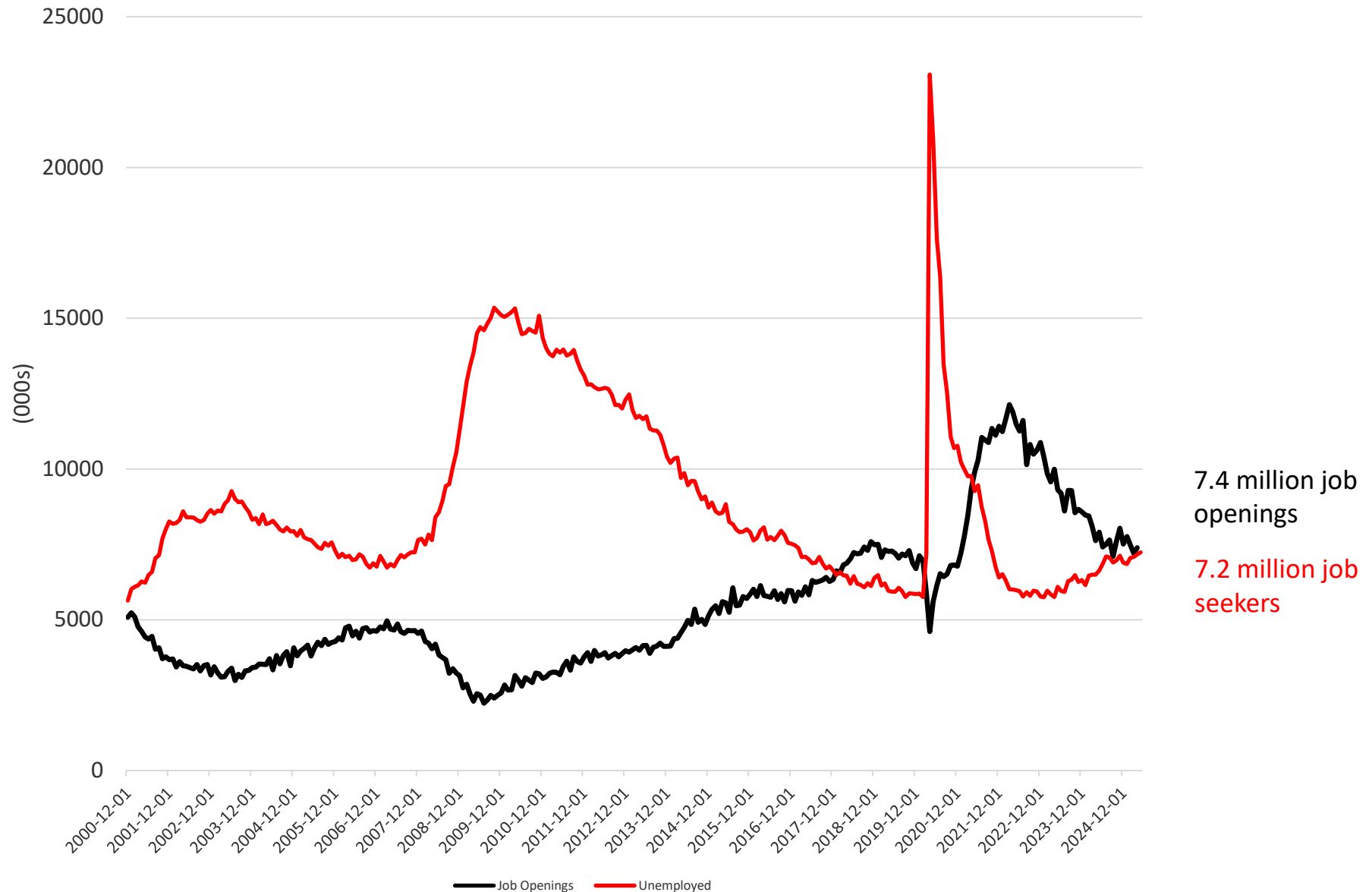


Source: Bureau of Labor Statistics. Data through May 2025.

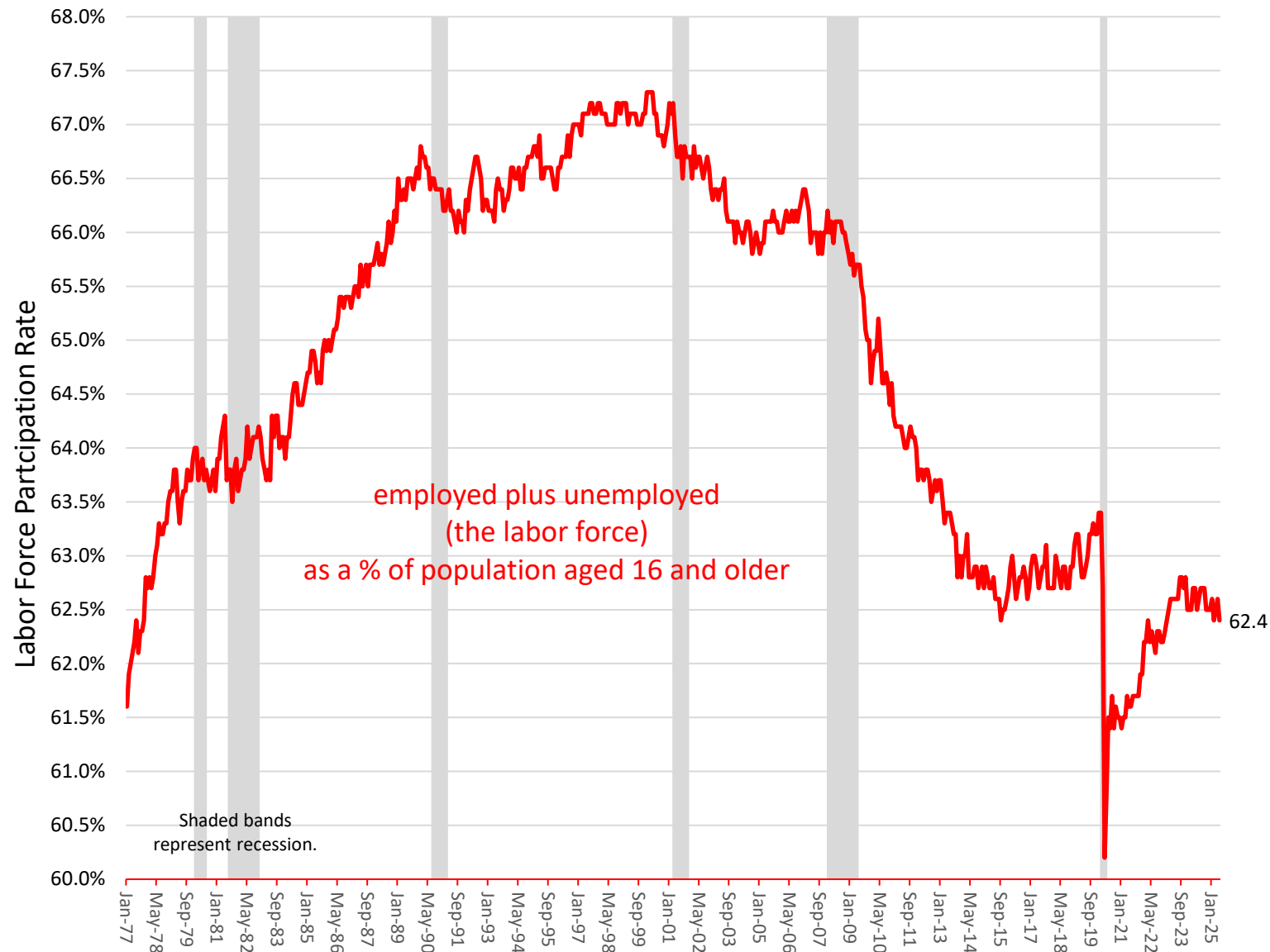
Unemployment rate



“Excess demand” for labor – this time is different



Labor force participation rate¹ – recovered from Covid

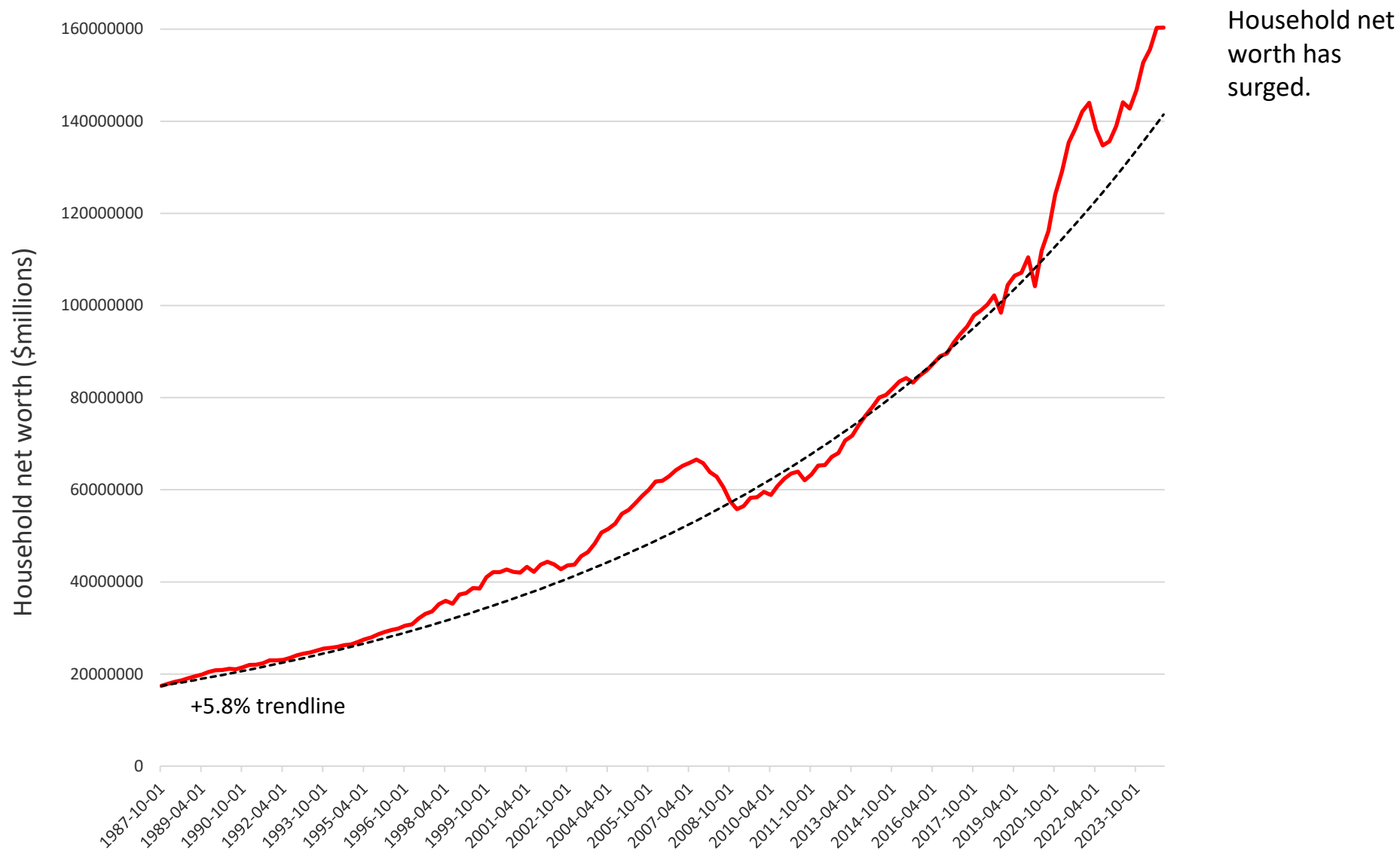


Americans were joining and staying in the labor force in increasing numbers ... until Covid-19.

Source: BLS. Data through May 2025.

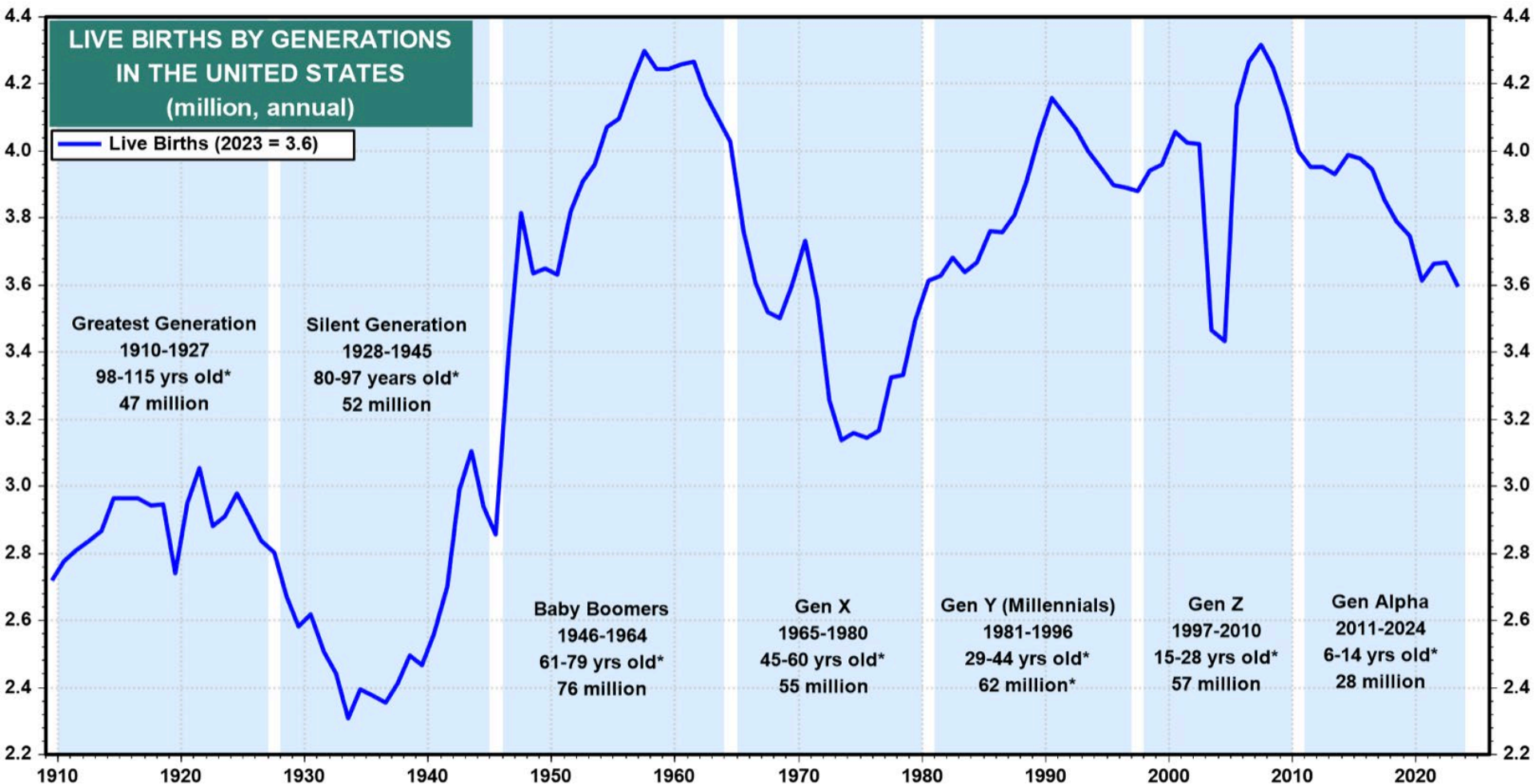
¹Labor force participation rate: the proportion of the civilian noninstitutional population 16 years of age and older either at work or actively seeking work.

Household net worth – the wealth effect



Household balance sheets

Live births in the U.S.

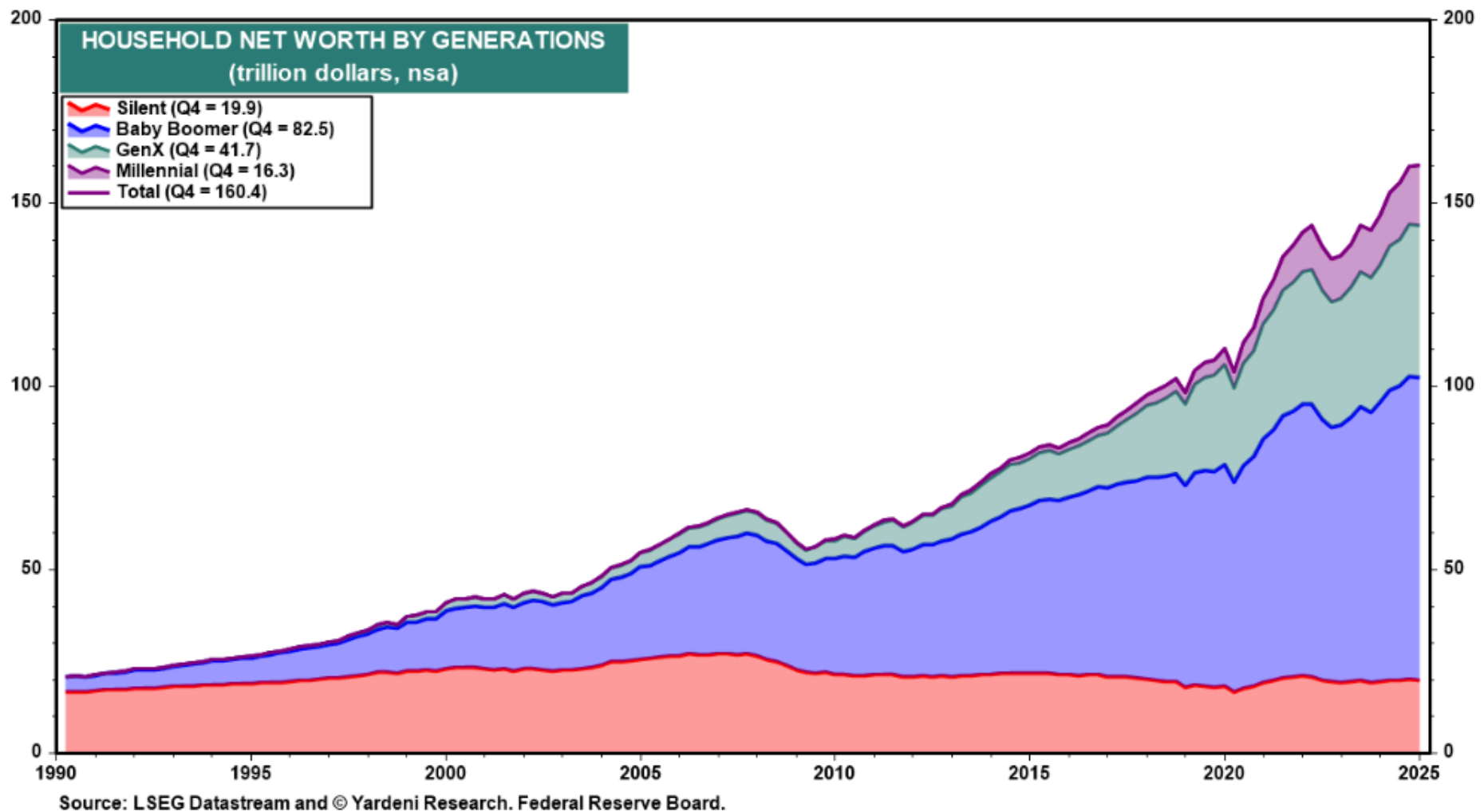


Source: LSEG Datastream and © Yardeni.com.

* Age ranges of generations during 2025.

Household balance sheets

Household net worth



THE WALL STREET JOURNAL.

The U.S. Economy's Secret Weapon: Seniors With Money to Spend

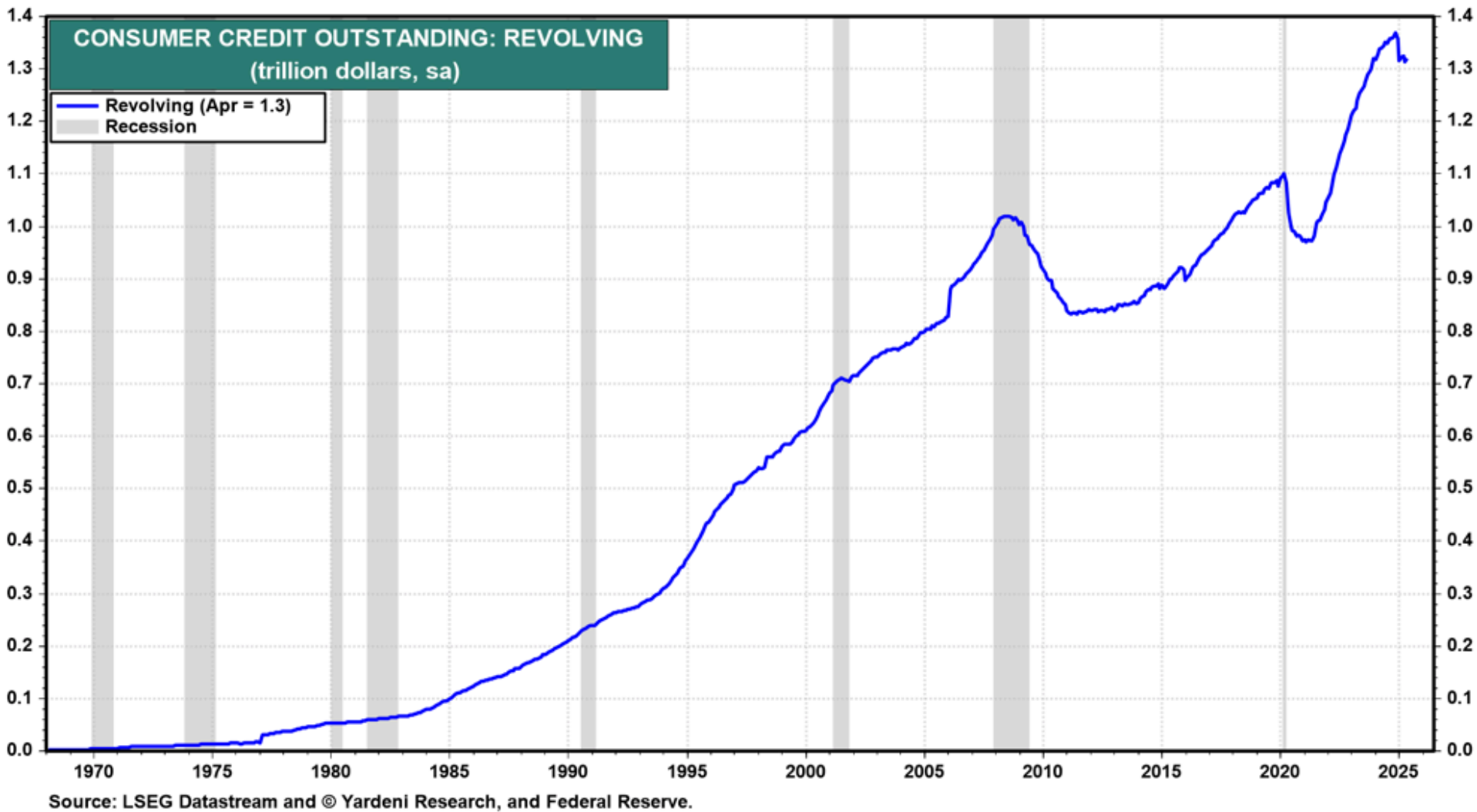
Why has consumer spending proven so resilient as the Federal Reserve has raised interest rates? An important and little-appreciated reason: Consumers are getting older. In August, 17.7% of the population was 65 or older, according to the Census Bureau, the highest on record going back to 1920 and up sharply from 13% in 2010. The elderly aren't just more numerous: Their finances are relatively healthy, and they have less need to borrow, such as to buy a house, and are less at risk of layoffs than other consumers.

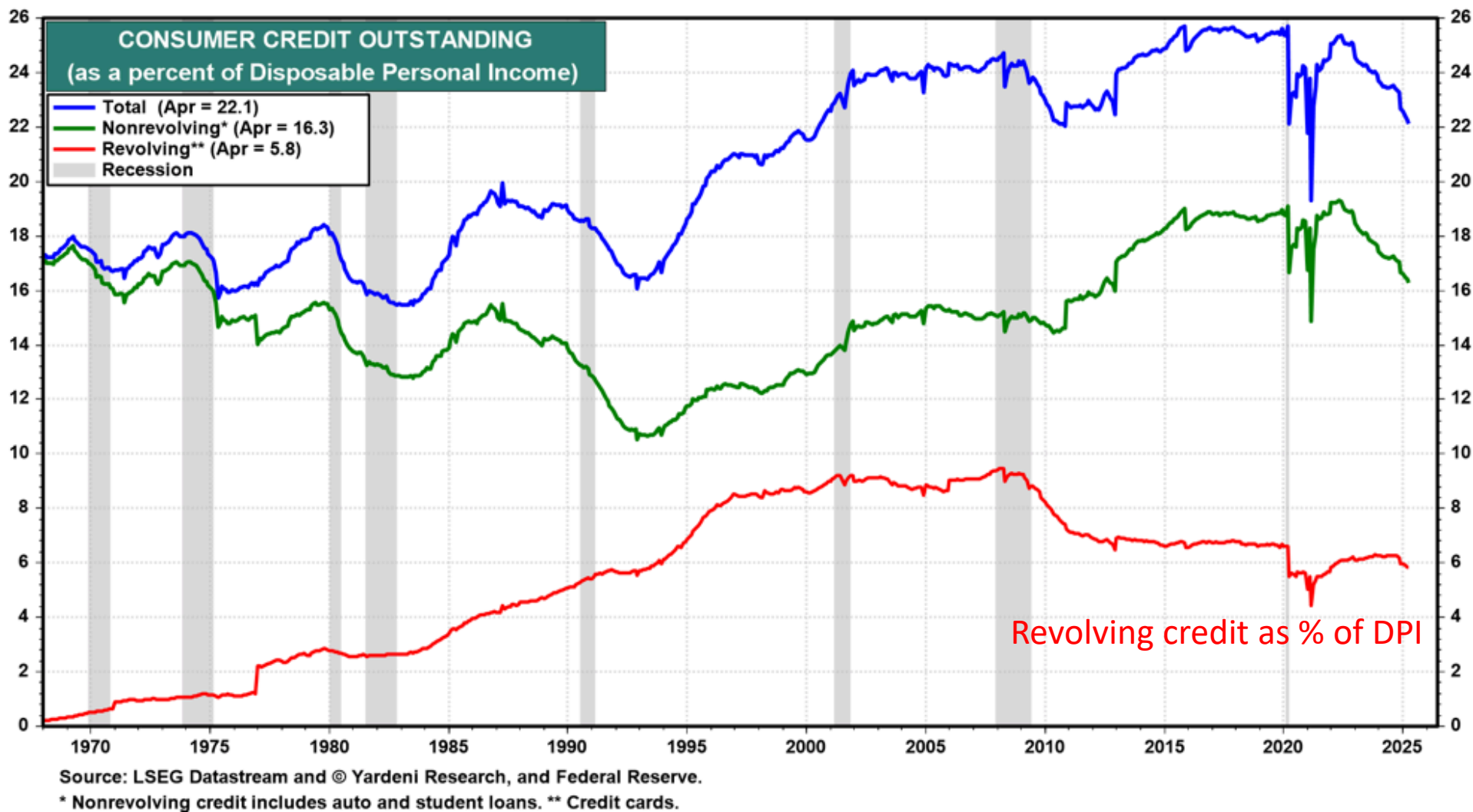
This has made the elderly a spending force to be reckoned with. Americans aged 65 and up accounted for 22% of spending last year, the highest share since records began in 1972 and up from 15% in 2010, according to the Labor Department's survey of consumer expenditures released in September.

"These are the consumers that will matter over the coming year," said Susan Sterne, chief economist at Economic Analysis Associates.

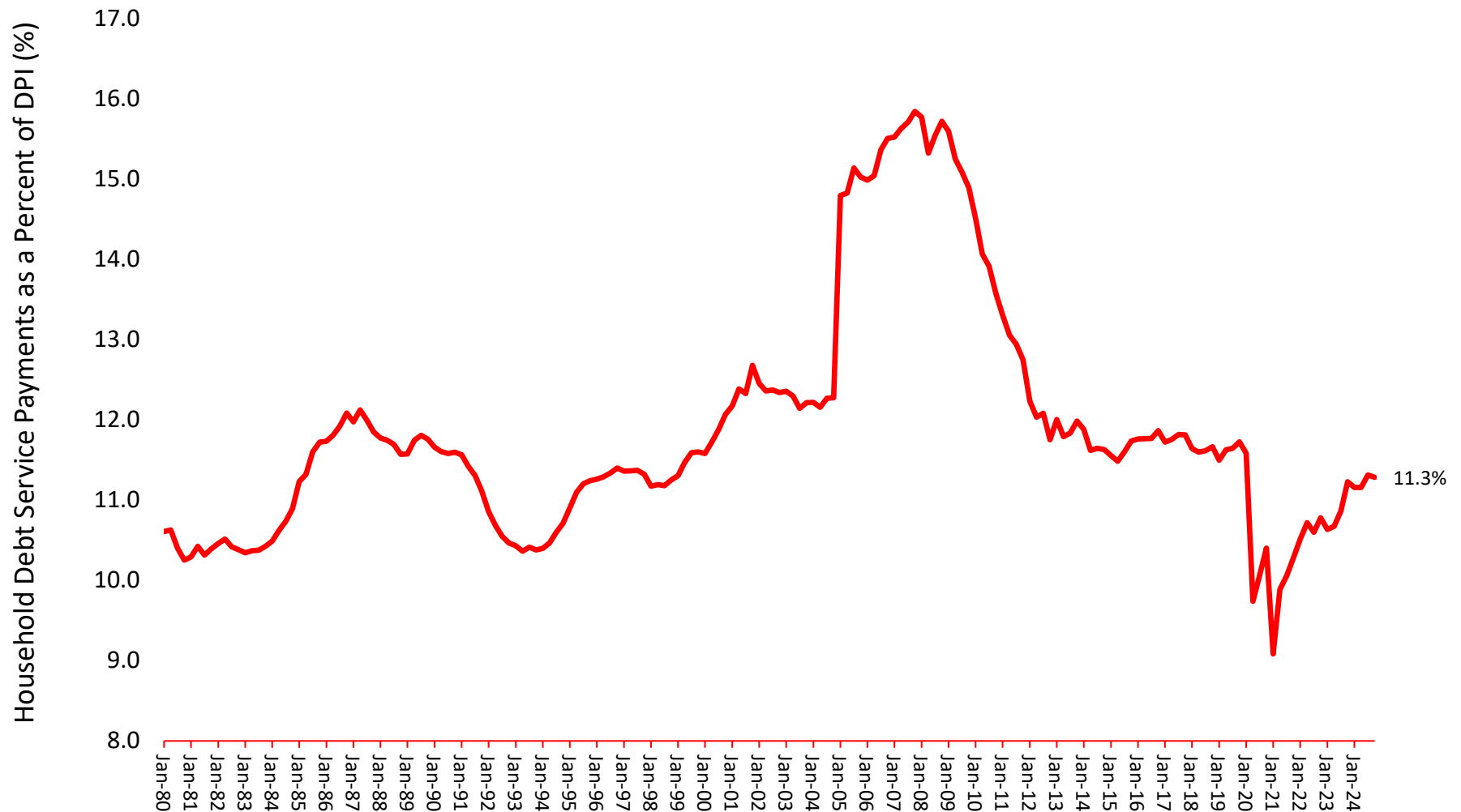
Household balance sheets

Consumer credit





Household debt service payments as a % of DPI



THE WALL STREET JOURNAL.

Consumers Aren't Showing Signs of Stress, Banks Say

Americans say they are getting worried about the economy and inflation, but banks say they aren't acting like it yet.

“This is consumers continuing to spend, and that is ultimately the basis of the U.S. economy,” said Alastair Borthwick, Bank of America’s chief financial officer, on a call with reporters Tuesday. “The signals at this point from the consumer are that the U.S. economy still remains in good shape.”

THE WALL STREET JOURNAL.

Wealthier Consumers Bolster U.S. Economy

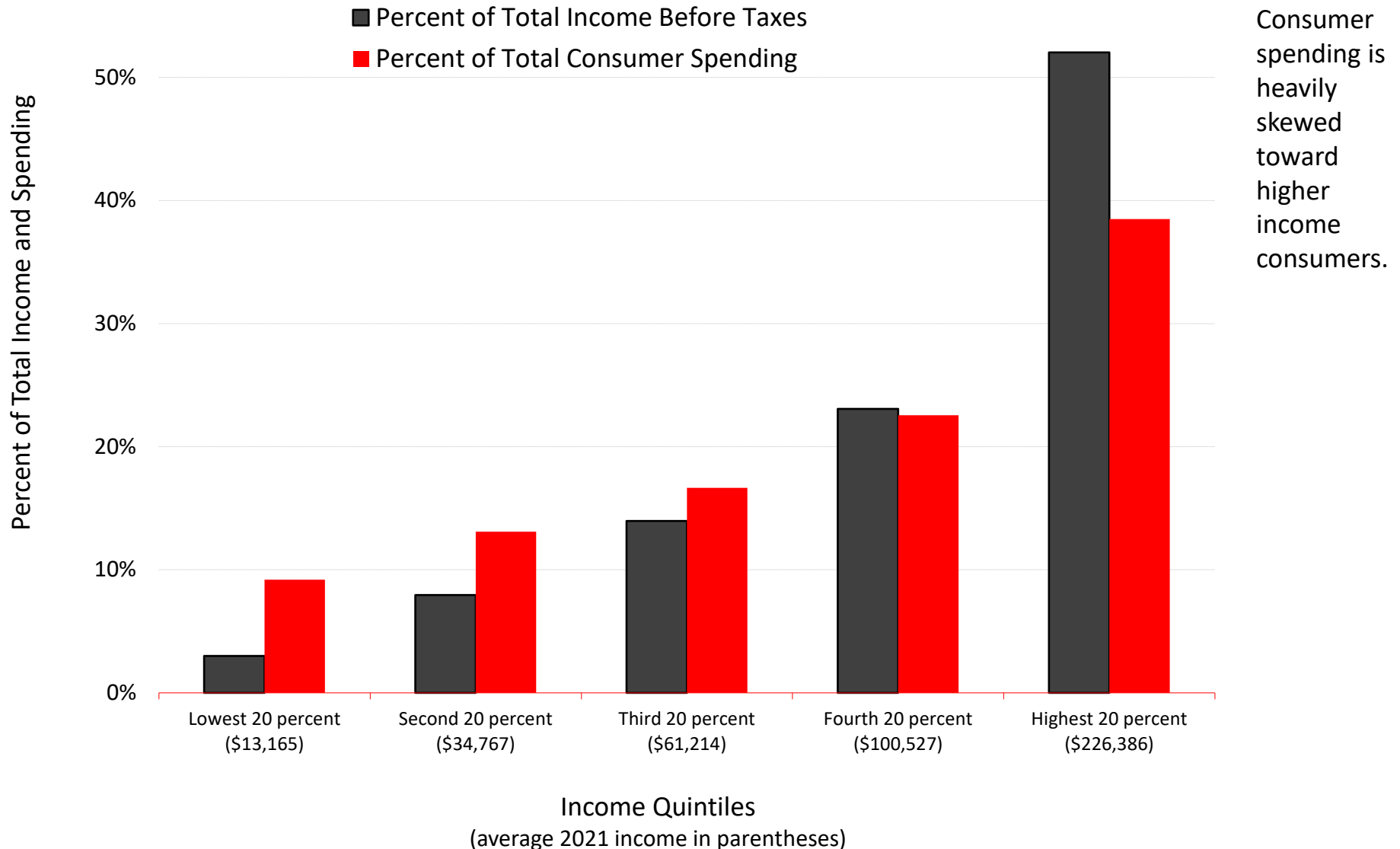
Many Americans are pinching pennies, exhausted by high prices and stubborn inflation. The well-off are spending with abandon.

The top 10% of earners— households making about \$250,000 a year or more—are splurging on everything from vacations to designer handbags, buoyed by big gains in stocks, real estate and other assets.

Those consumers now account for 49.7% of all spending, a record in data going back to 1989, according to an analysis by Moody's Analytics. Three decades ago, they accounted for about 36%.

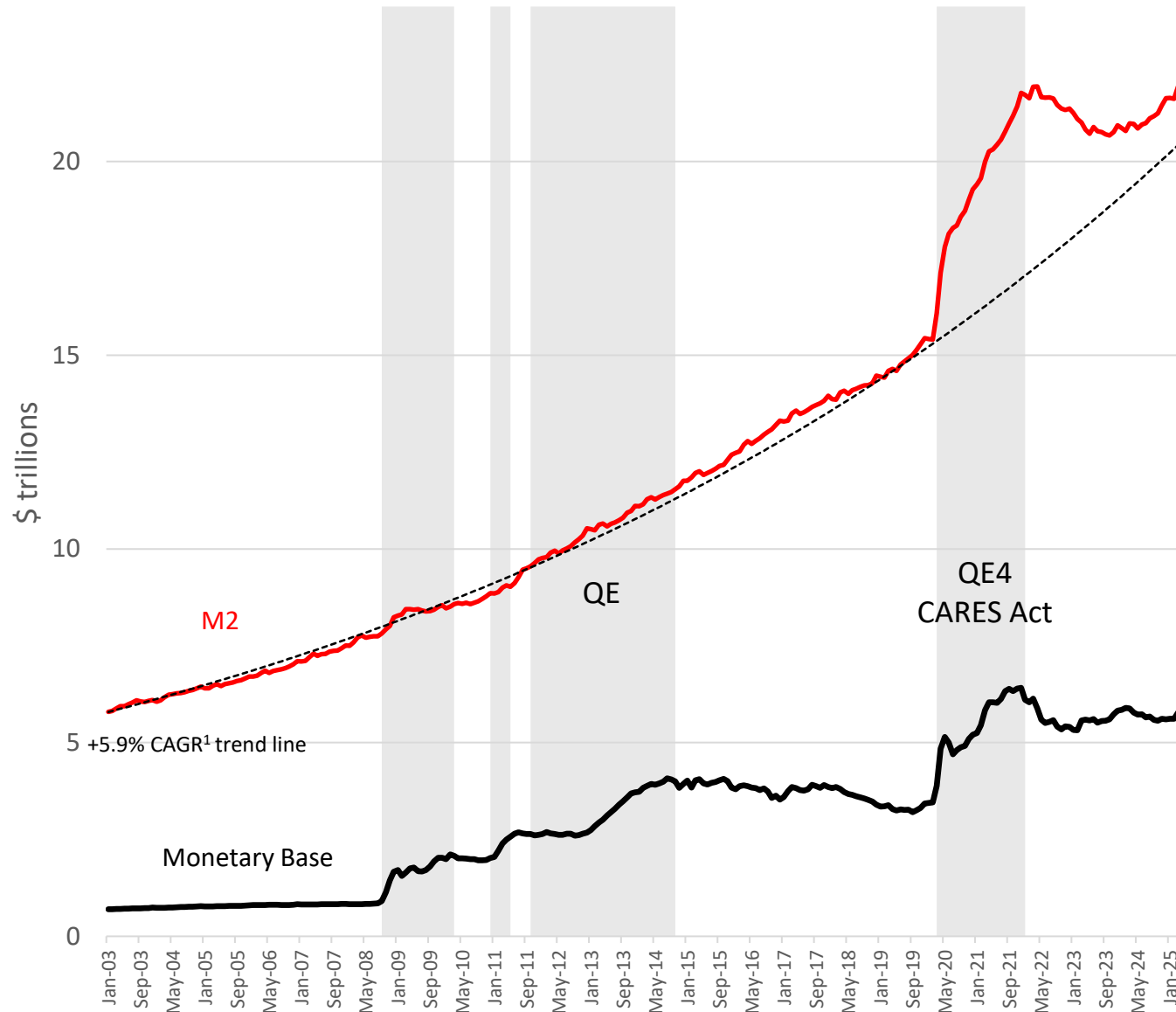
Consumer spending

Distribution of consumer income and spending



Federal Reserve policy

The monetary base and the money supply



M2: currency held by the public plus checking, savings and money market accounts.

A quadrupling of the monetary base with QE did not affect M2 growth. The CARES Act and subsequent stimulus did ... by putting money directly into consumers' and businesses' accounts.

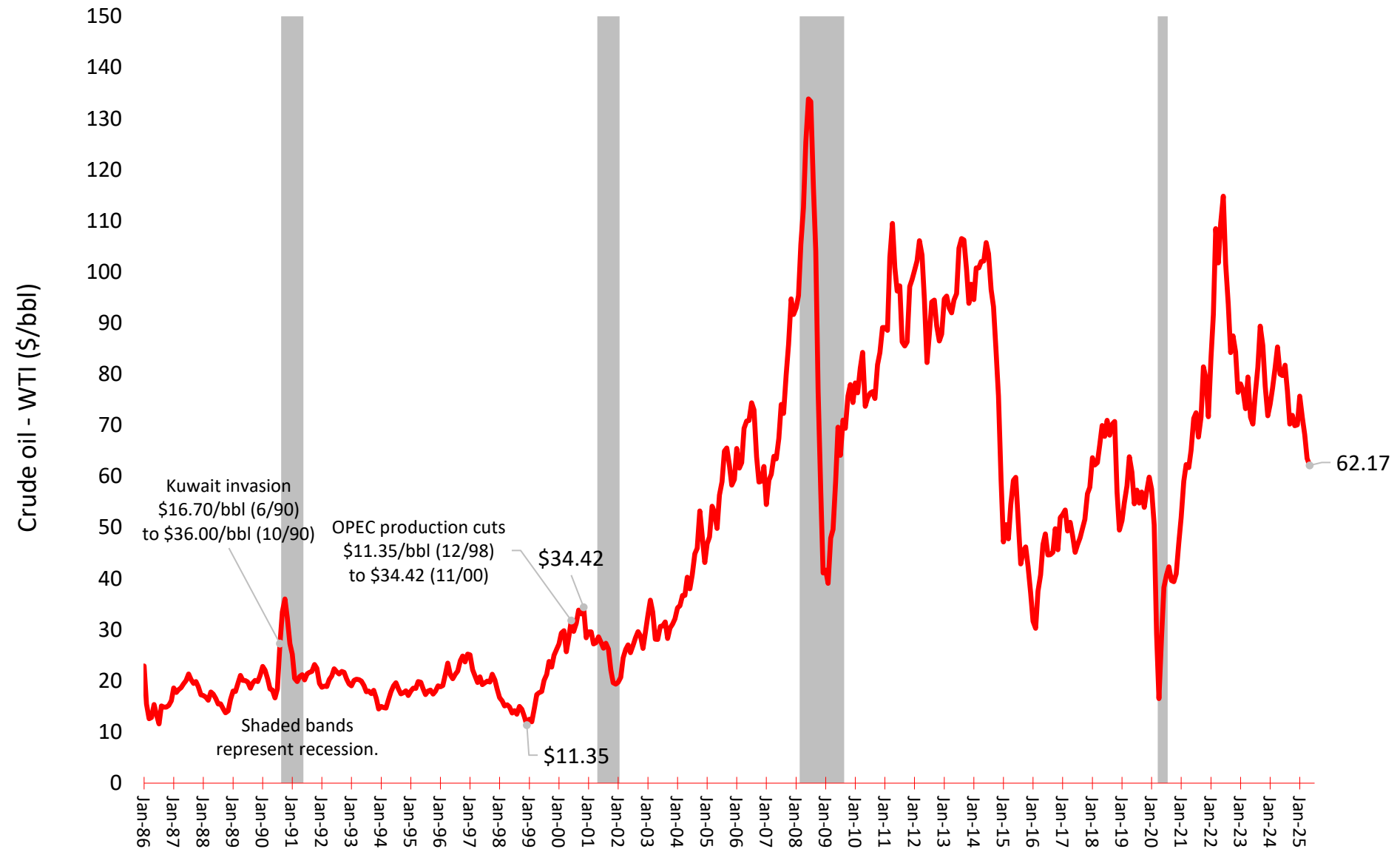
Monetary base: currency in circulation plus reserve balances (deposits held by banks in their accounts at the Federal reserve).

Source: Federal Reserve, statistical release H.6. Data through April 2025.

¹CAGR = compound annual growth rate.

Oil

WTI spot crude oil prices



Source: U.S. Energy Information Agency. Data through May 2025.

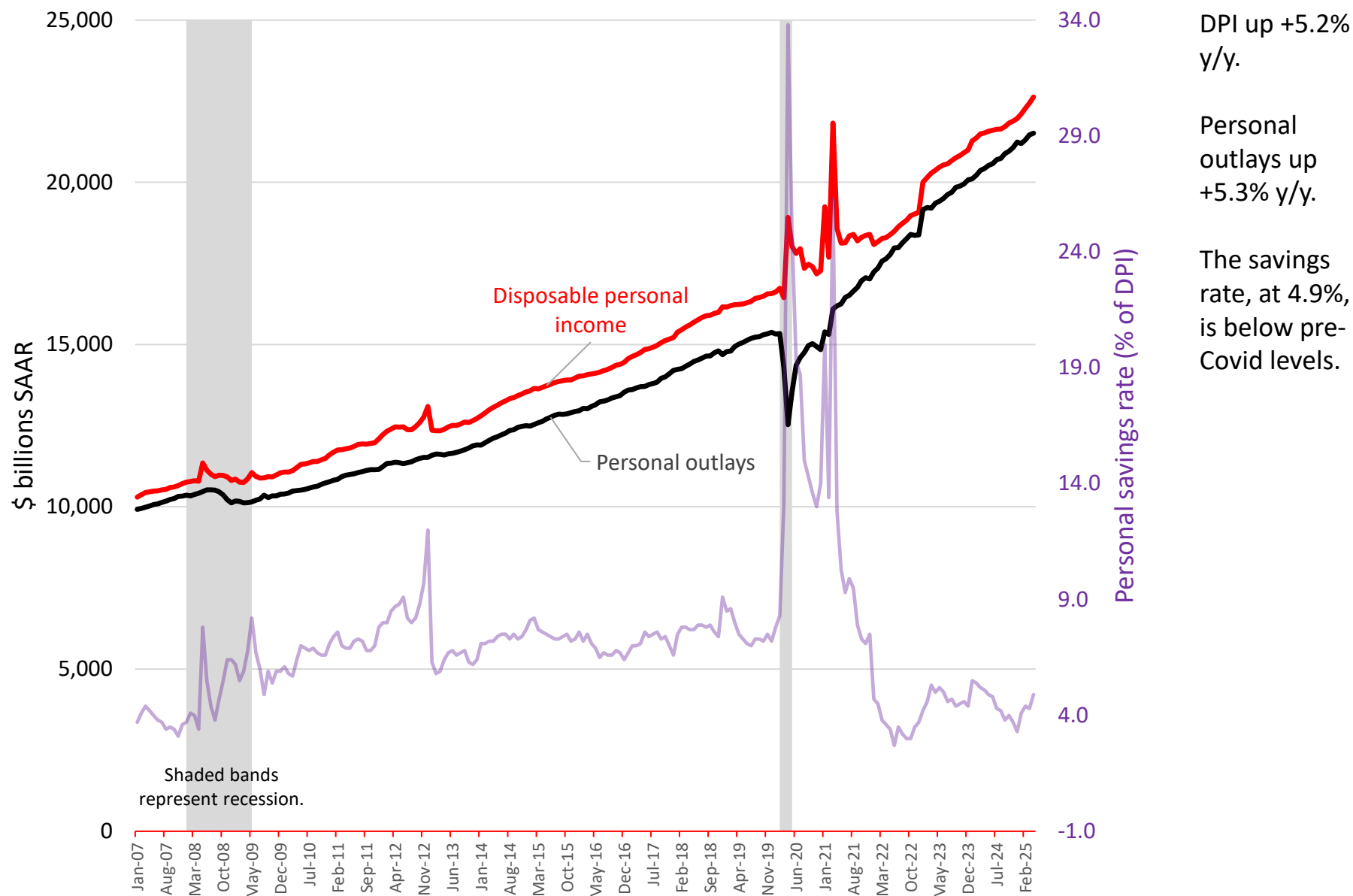
Oil

Gasoline prices



Consumer income

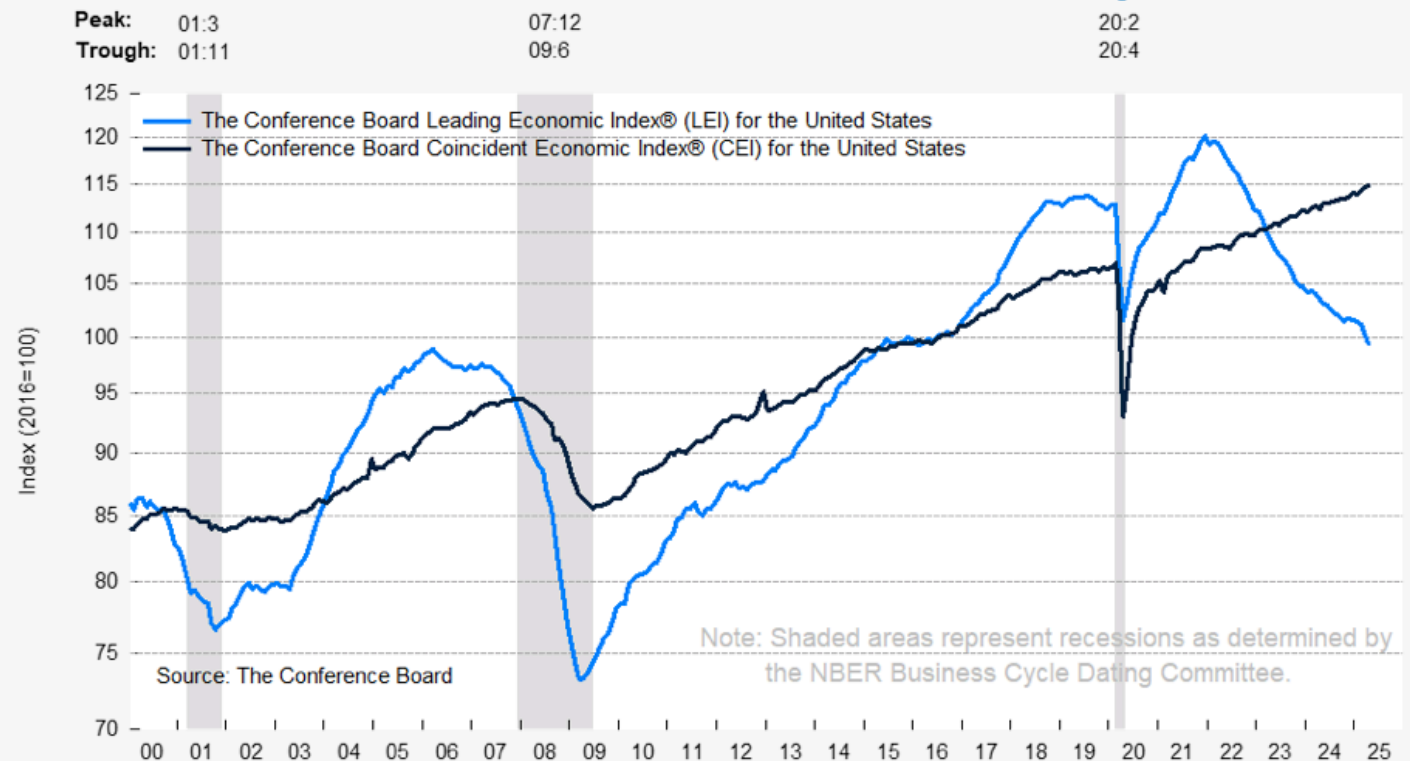
Disposable personal income, spending and saving



Source: Bureau of Economic Analysis, monthly data through April 2025.

U.S. index of leading economic indicators

The LEI fell for the fifth consecutive month in April



“...The Conference Board currently forecasts US real GDP to grow by 1.6% in 2025, down from 2.8% in 2024, with the bulk of the impact of tariffs likely to hit the economy in Q3.”

The Conference Board Leading Economic Index® (LEI) components: 1) average weekly hours worked, manufacturing; 2) average weekly initial unemployment claims; 3) manufacturers' new orders – consumer goods and materials; 4) ISM index of new orders; 5) manufacturers' new orders, nondefense capital goods; 6) building permits – new private housing units; 7) stock prices, S&P 500; 8) Leading Credit Index™; 9) interest rate spread; 10-year Treasury minus fed funds; 10) index of consumer expectations.

Source: ©The Conference Board. Data through April, released May 19, 2025.

GDP forecast

Atlanta Fed's GDPNow forecast – 2nd quarter

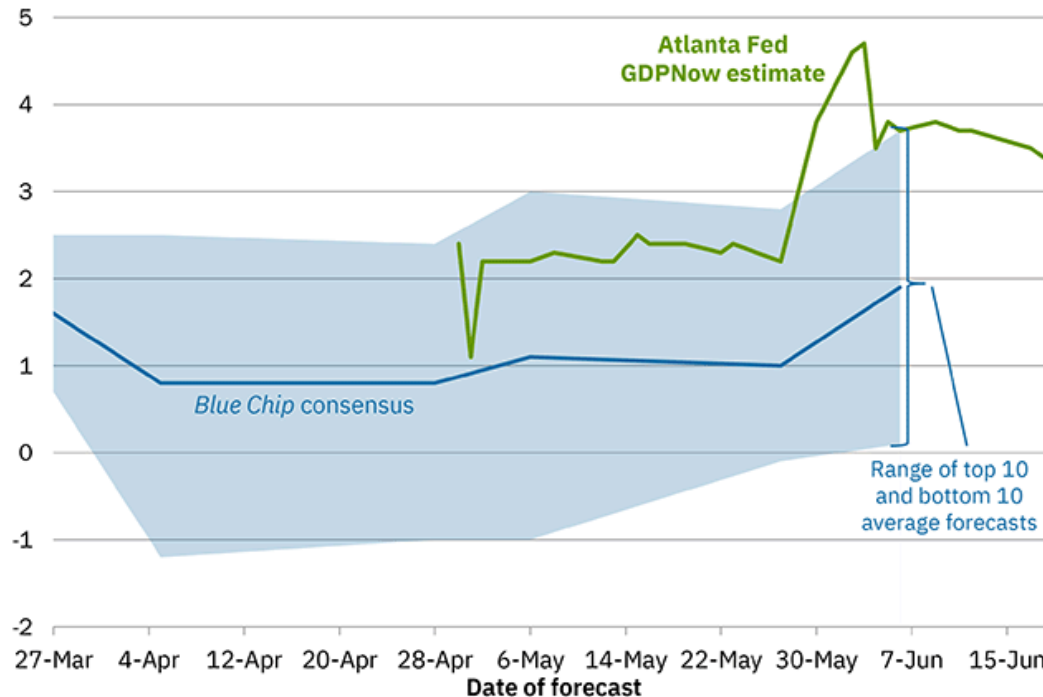
Latest estimate: 3.4 percent — June 18, 2025

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2025 is **3.4 percent** on June 18, down from 3.5 percent on June 17. After this morning's housing starts report from the US Census Bureau, the nowcast of second-quarter real residential fixed investment growth decreased from -2.8 percent to -4.4 percent.

The next GDPNow update is **Friday, June 27**. Please see the "Release Dates" tab below for a list of upcoming releases.

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q2

Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Source: Federal Reserve Bank of Atlanta June 18, 2025.

GDP forecast

NY Fed's Nowcast – 2nd quarter

Jun 13, 2025

- The New York Fed Staff Nowcast for 2025:Q2 is 2.3%, with the 50% probability interval at [1.3, 3.5] and the 68% interval at [0.8, 3.9]. The Staff Nowcast is 2.5% for 2025:Q3.
- News from this week's data releases left the 2025:Q2 estimate largely unchanged and increased the 2025:Q3 estimate by 0.1 percentage point.
- A positive surprise from CPI data drove the increase for 2025:Q3.

[Read More](#)

[2025:Q3](#) | [2025:Q2](#) | [2025:Q1](#) | [2024:Q4](#)

Latest Release Jun 13, 2025

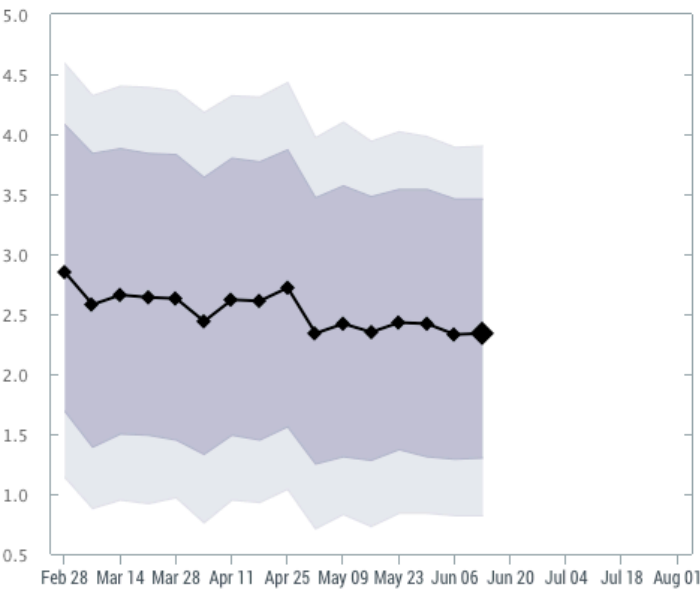
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New York Fed Staff Nowcast

◆ The New York Fed Staff Nowcast 68% probability 50% probability ○ Advance GDP estimate □ Latest GDP estimate

Percent (annual rate)

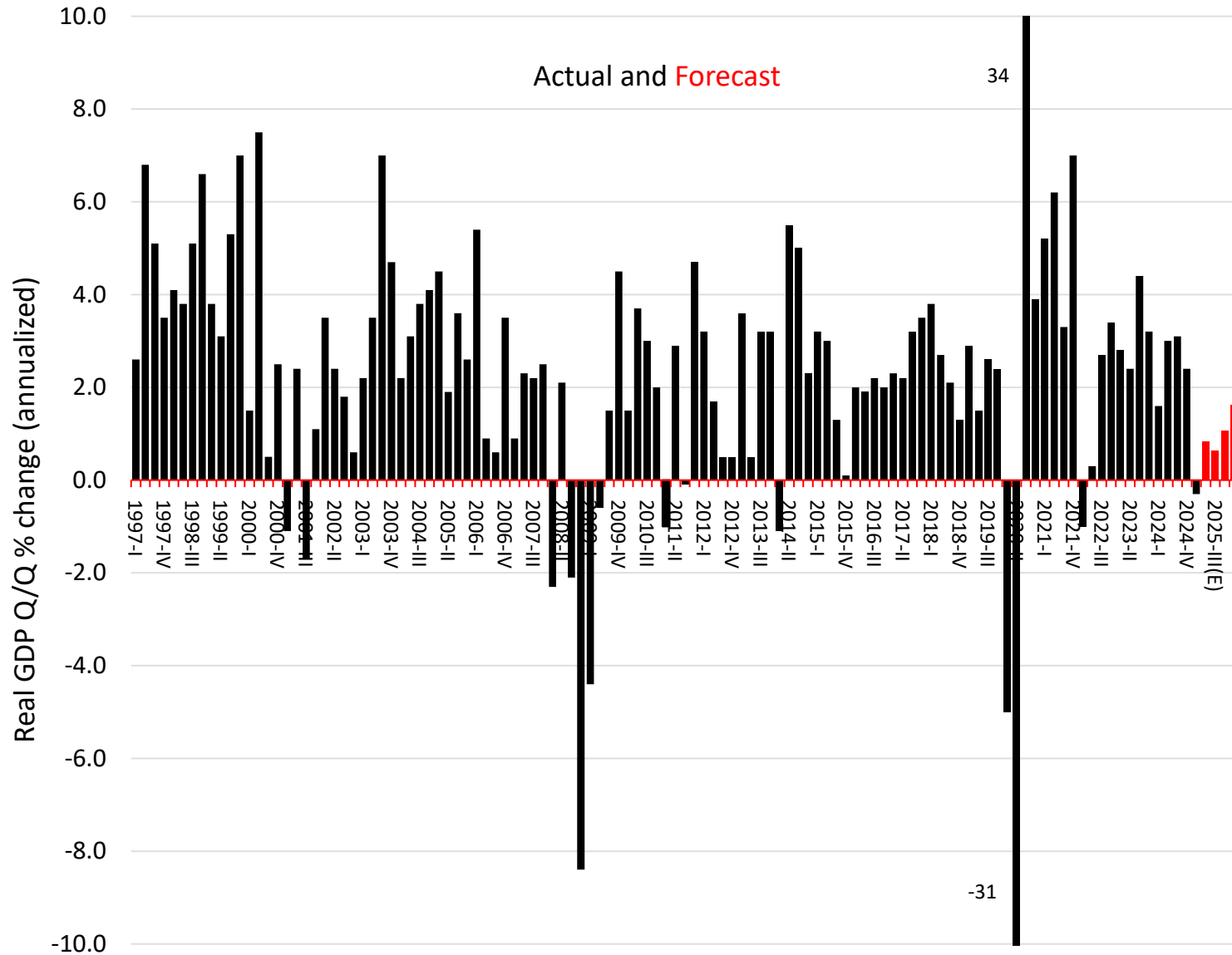


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The New York Fed Staff Nowcast (Jun 13, 2025)		
Release Date	Series	Value
Jun 13	◆ Nowcast	2.34
	68% probability	0.82, 3.9
	50% probability	1.3, 3.46
Jun 06	◆ Nowcast	2.33
	68% probability	0.82, 3.89
	50% probability	1.29, 3.46

Consensus GDP forecast

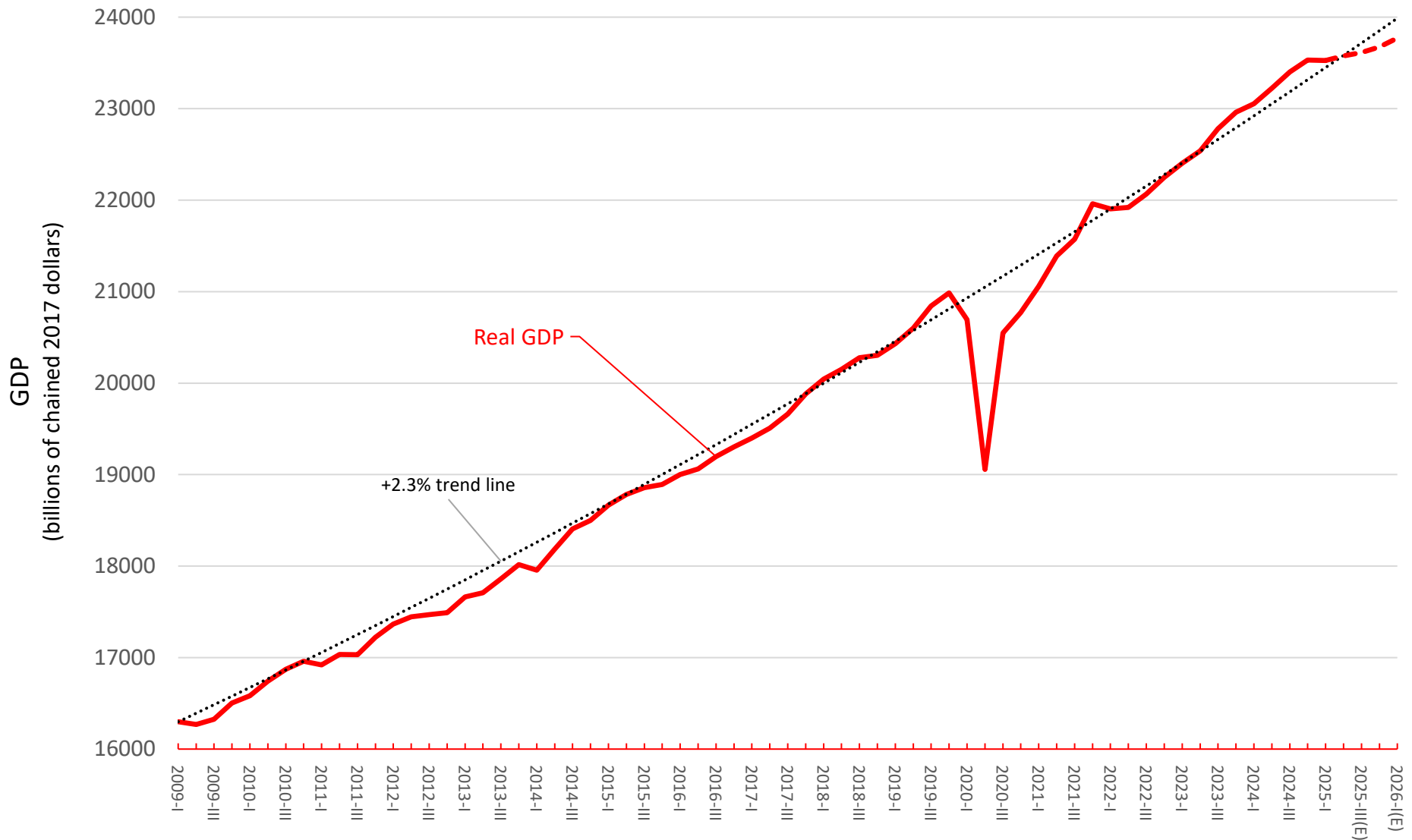
GDP



The 64 economists surveyed in April slashed their forecasts from the January survey but see continued growth ahead.

GDP forecast

2.3% trend rate of growth



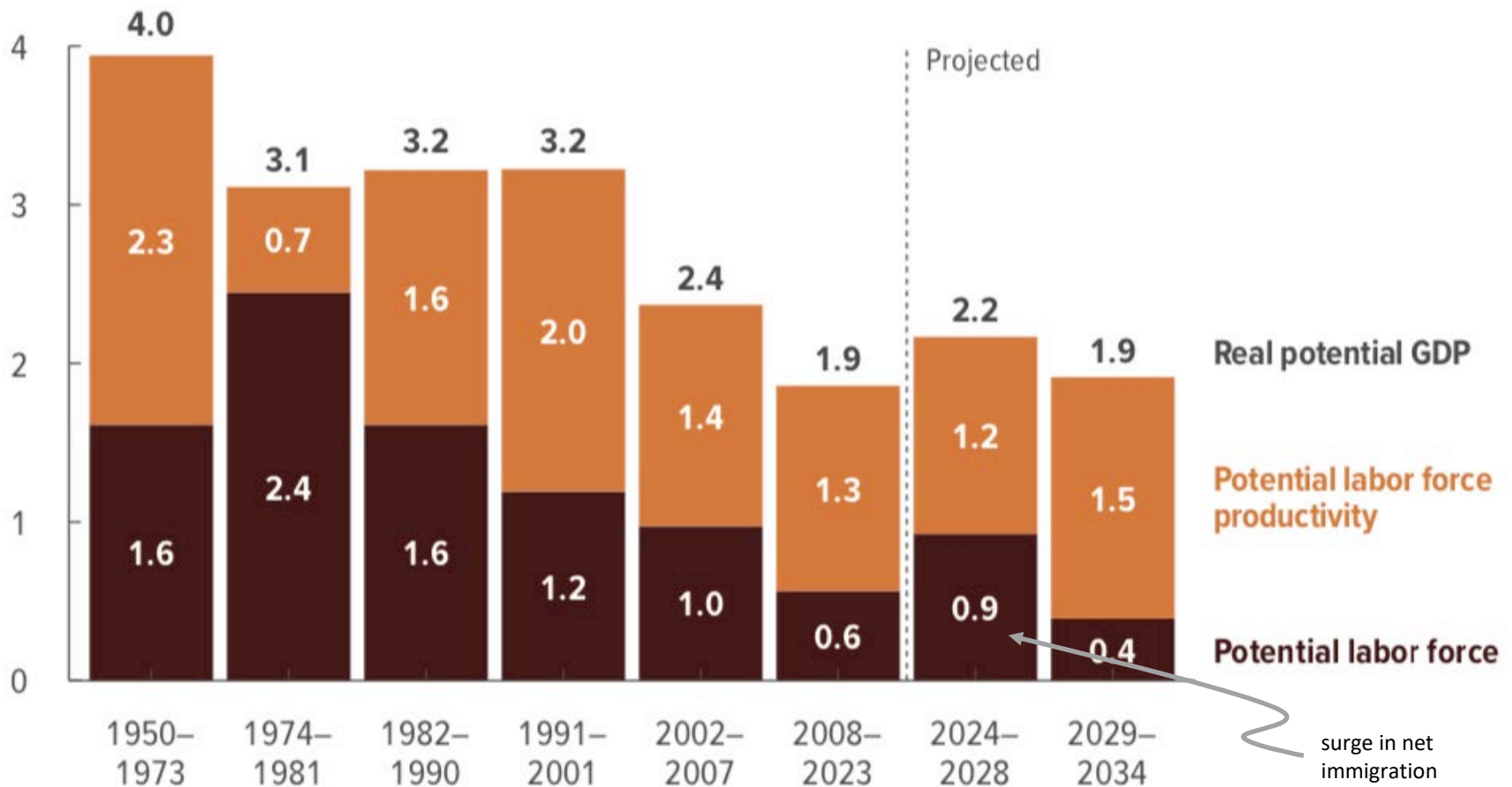
Sources: Bureau of Economic Analysis, actual quarterly data through March 2025. Dotted line represents the forecast from *The Wall Street Journal* survey released April 2025.

GDP growth potential = Δ productivity + Δ labor force
CBO's potential growth calculations

Figure 2-3.

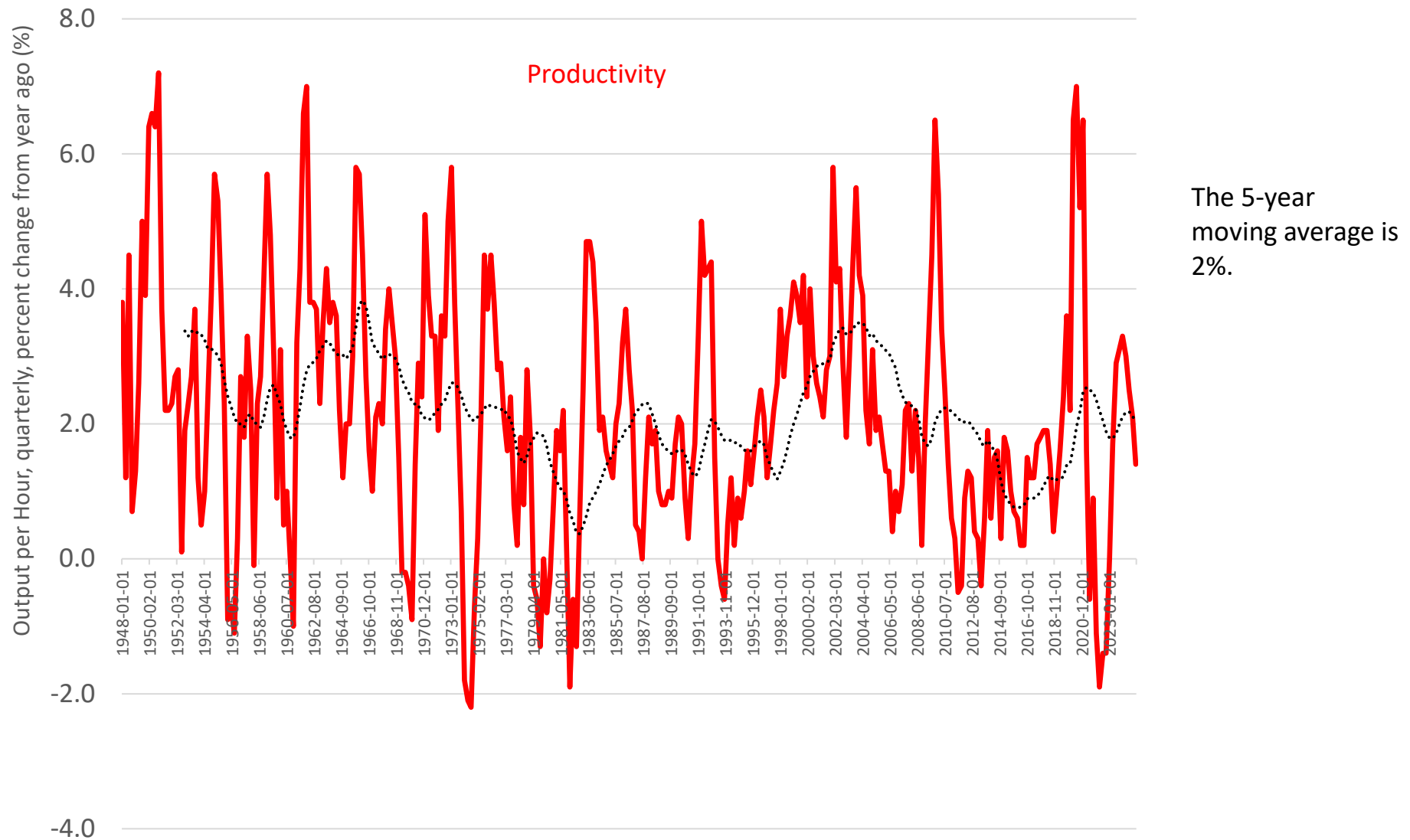
Average Annual Growth of Real Potential GDP and Its Components

Percent



Economic growth

Productivity



THE WALL STREET JOURNAL.

Productivity Boom Drives U.S. Growth

Inflation and the labor market are both cooling, but a subtle force has powered strong U.S. economic growth, nonetheless. Americans keep finding ways to get more done at work.

So far this year, the quarterly productivity of U.S. workers has grown by at least 2% compared with a year earlier. The three months through Sept. 30 were the fifth straight quarter of such growth. Over the past five years, quarterly year-over-year productivity growth has averaged 2.1%, a sharp improvement from growth over the 10 years prior.

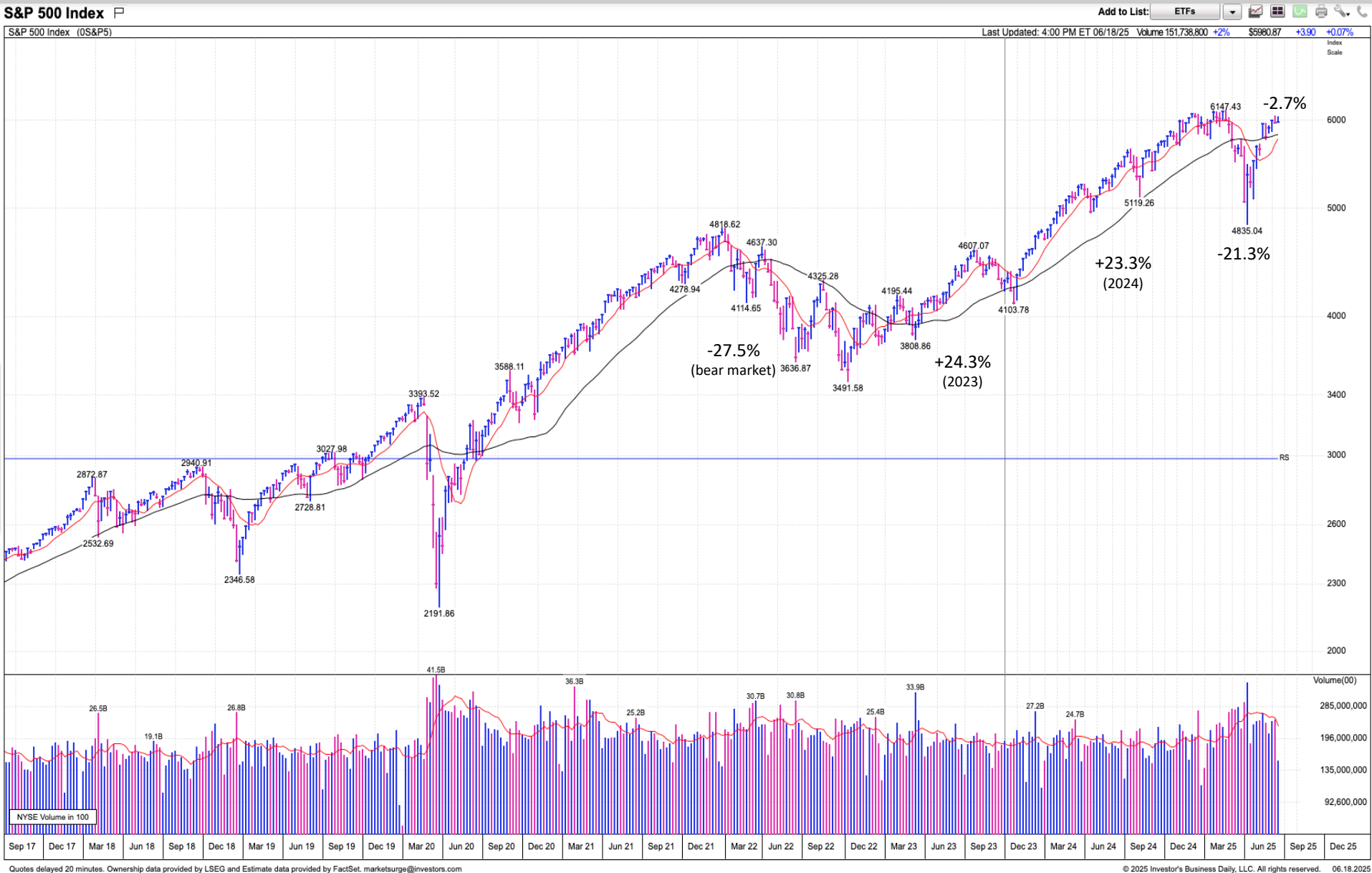
“This is a hugely important development because it increases the productive capacity of the economy and allows more rapid economic growth without overheating,” Kugler said Tuesday.

Stock Market

- Recovery from sell-off
- Mag-7 comes roaring back
- Strategists' YE targets
- Stocks vs. recessions
- “Parabolic” is normal
- 2025/2026 earnings estimates
- P/E multiple

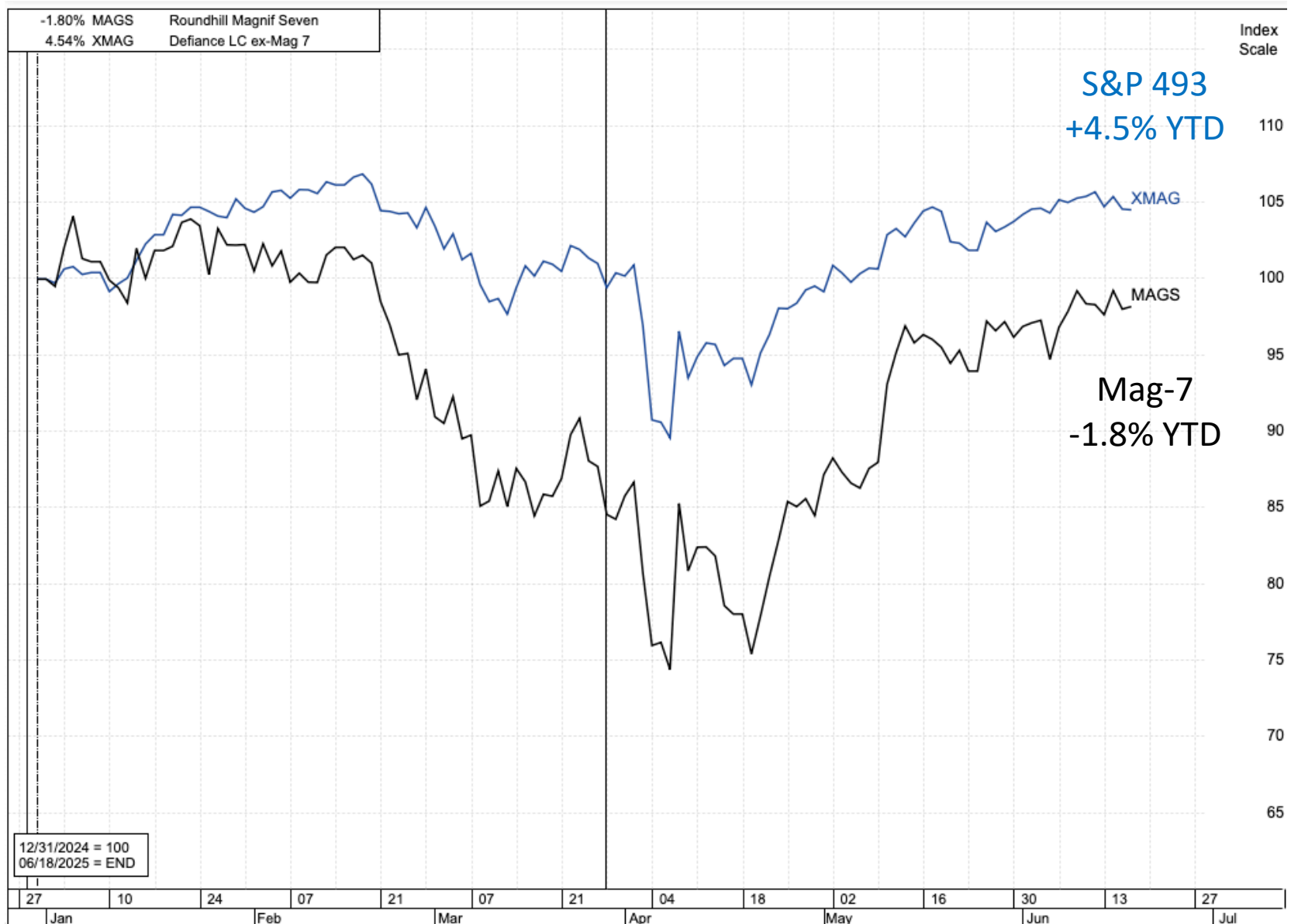
Stock market

S&P 500



Stock market

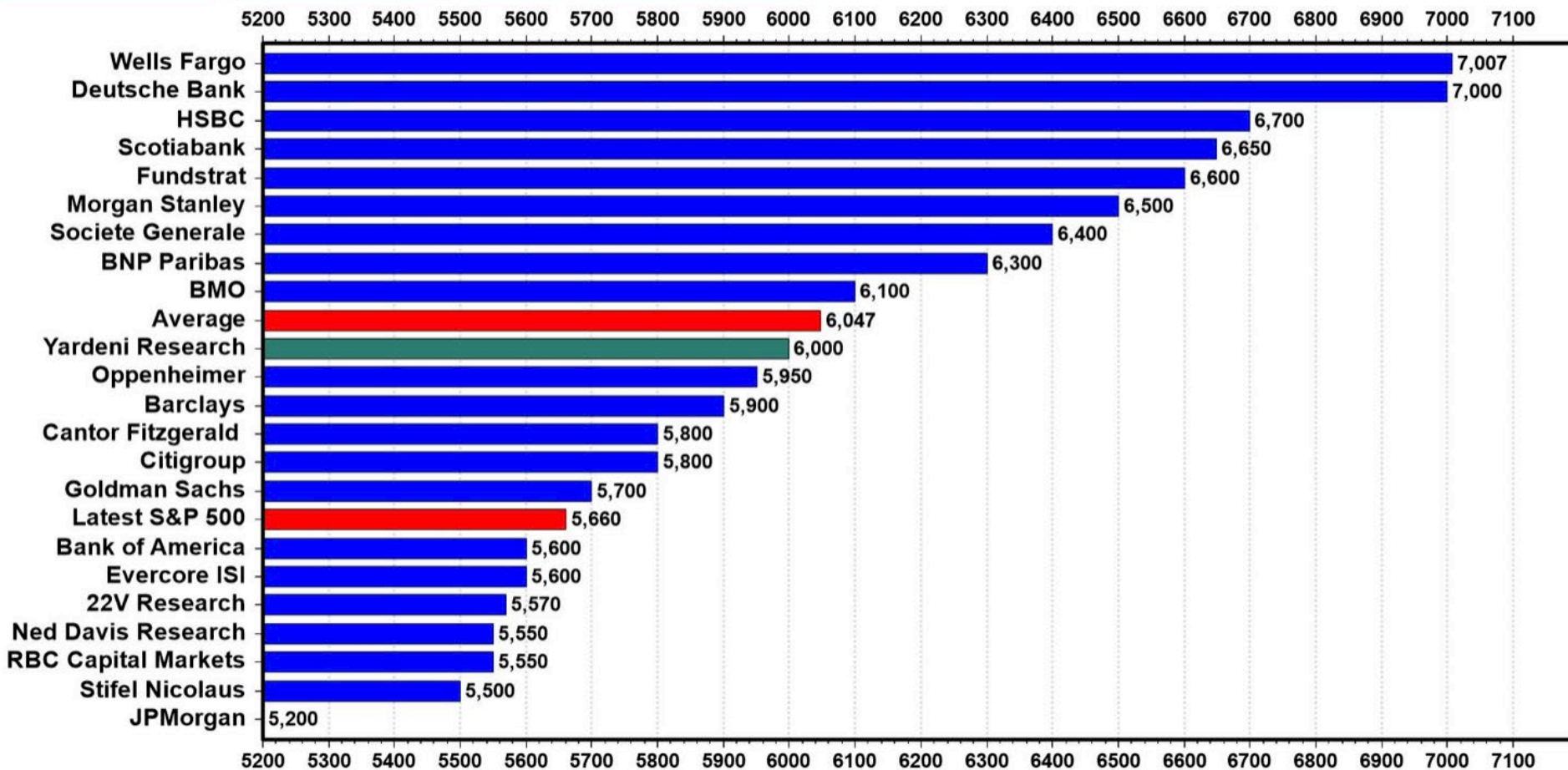
Mag-7 vs. S&P 493



Stock market

S&P 500 – strategists 2025 targets

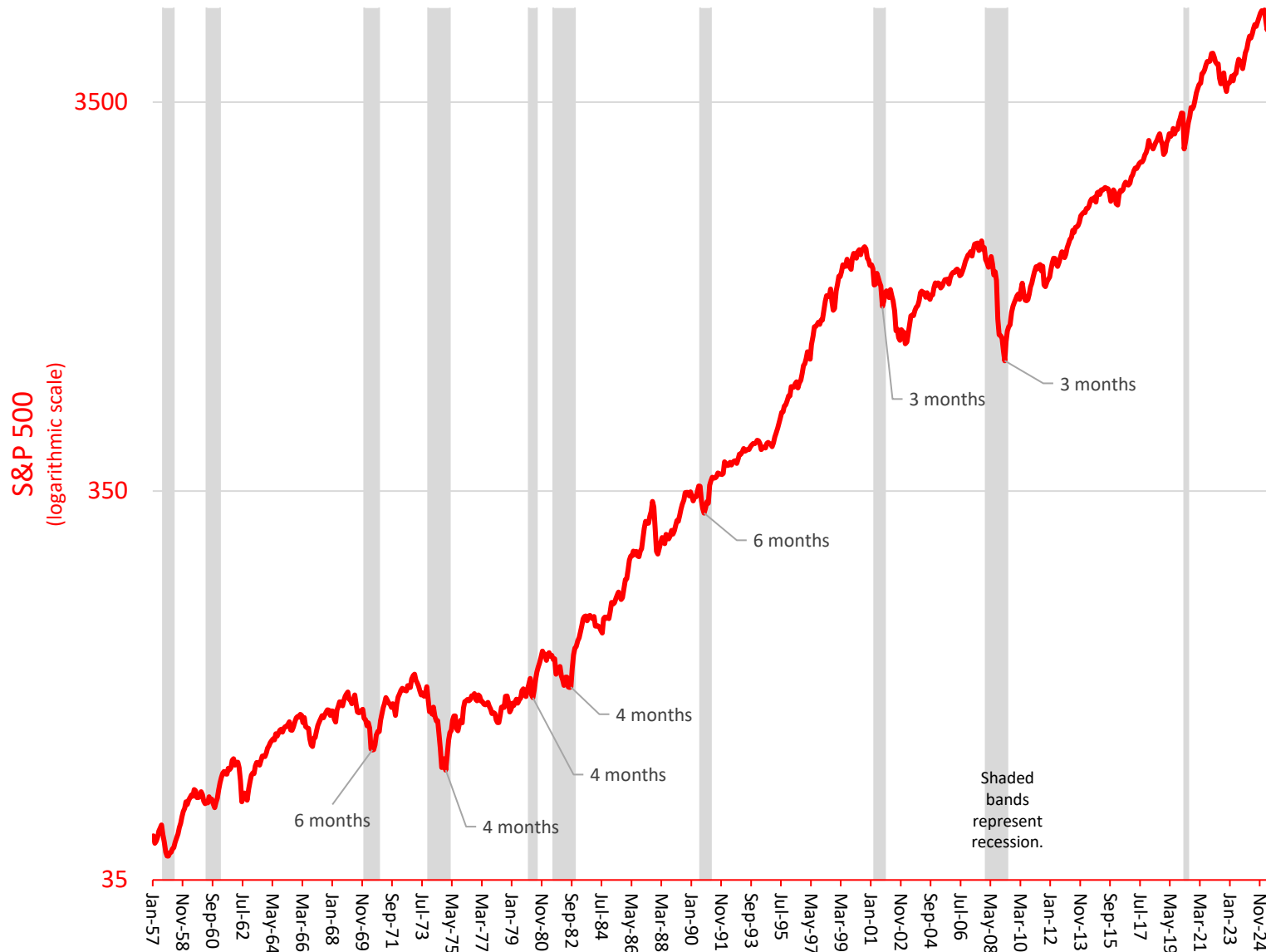
S&P 500: WALL STREET'S 2025 YEAR-END PRICE TARGETS (as forecasted in April 2025)



Source: LSEG Datastream and © Yardeni Research. Bloomberg.

Stock market

S&P 500 vs. recessions



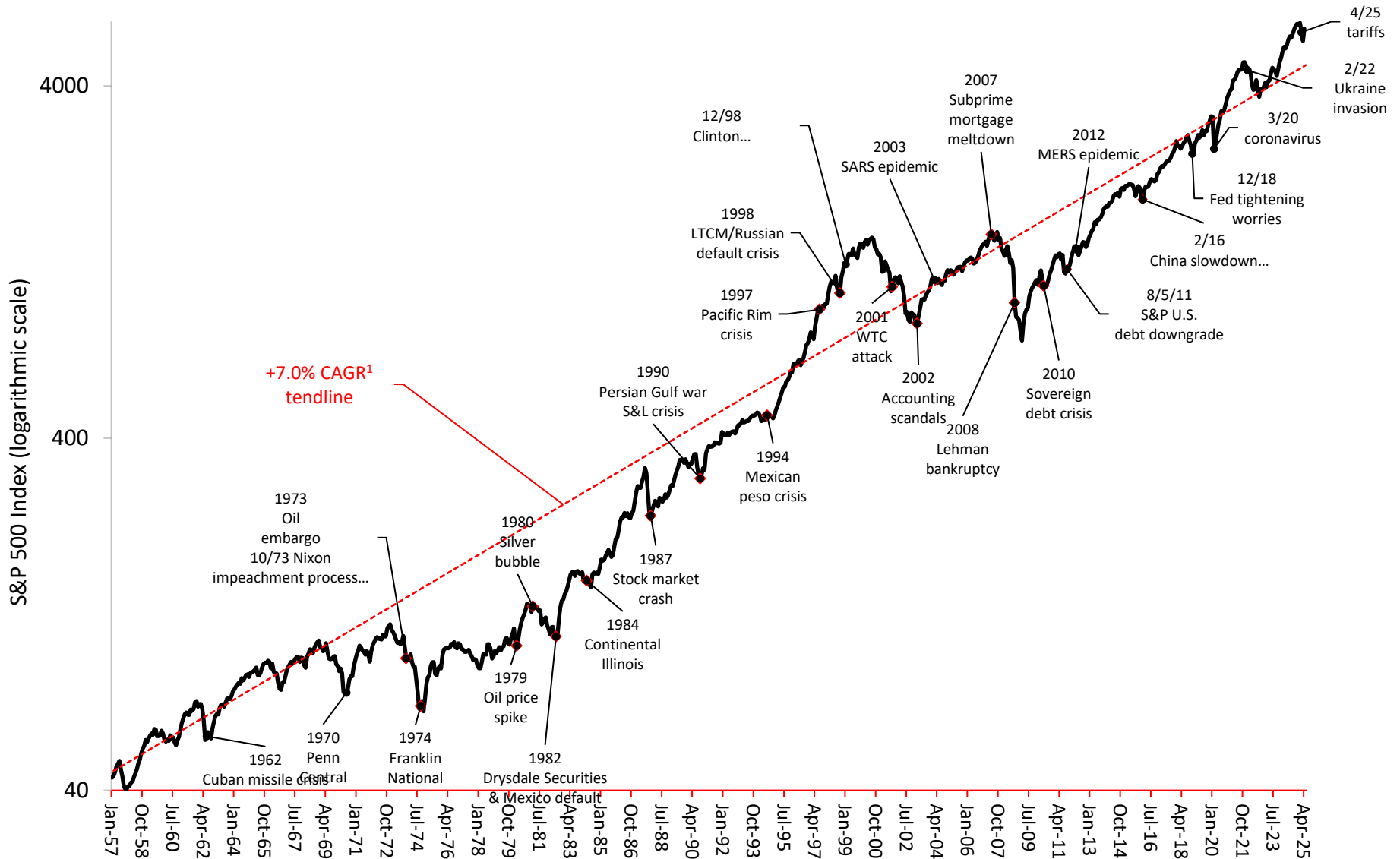
Big declines are associated with recessions.

Stocks often bottom months before recession-end.

Source: Standard and Poor's Corporation, National Bureau of Economic Research. Data through May 2025.

Stock market

S&P 500 and crises

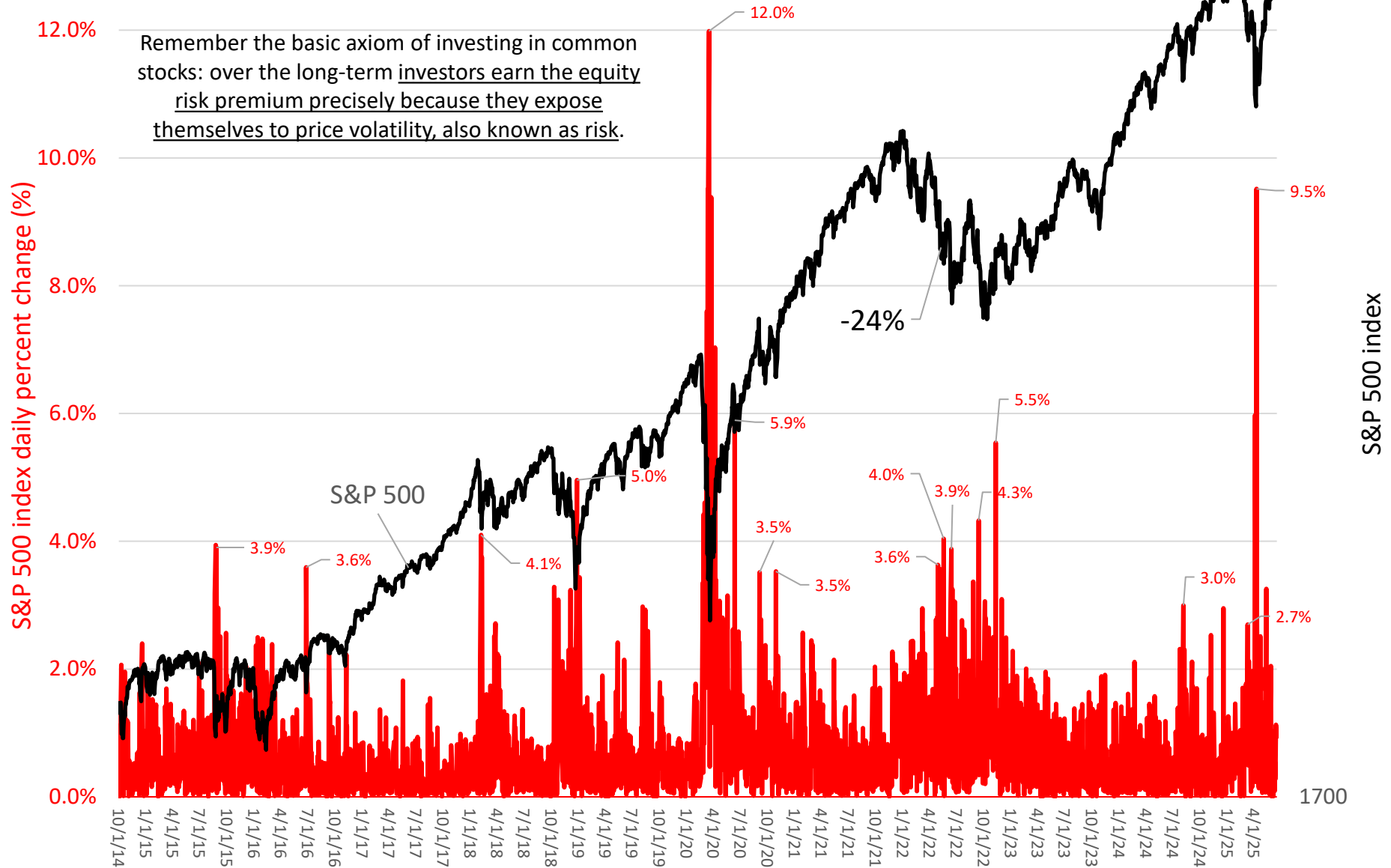


Source: Standard and Poor's. Data through May 2025. ¹ Compound annual growth rate.

Stock market

S&P 500 volatility

Remember the basic axiom of investing in common stocks: over the long-term investors earn the equity risk premium precisely because they expose themselves to price volatility, also known as risk.

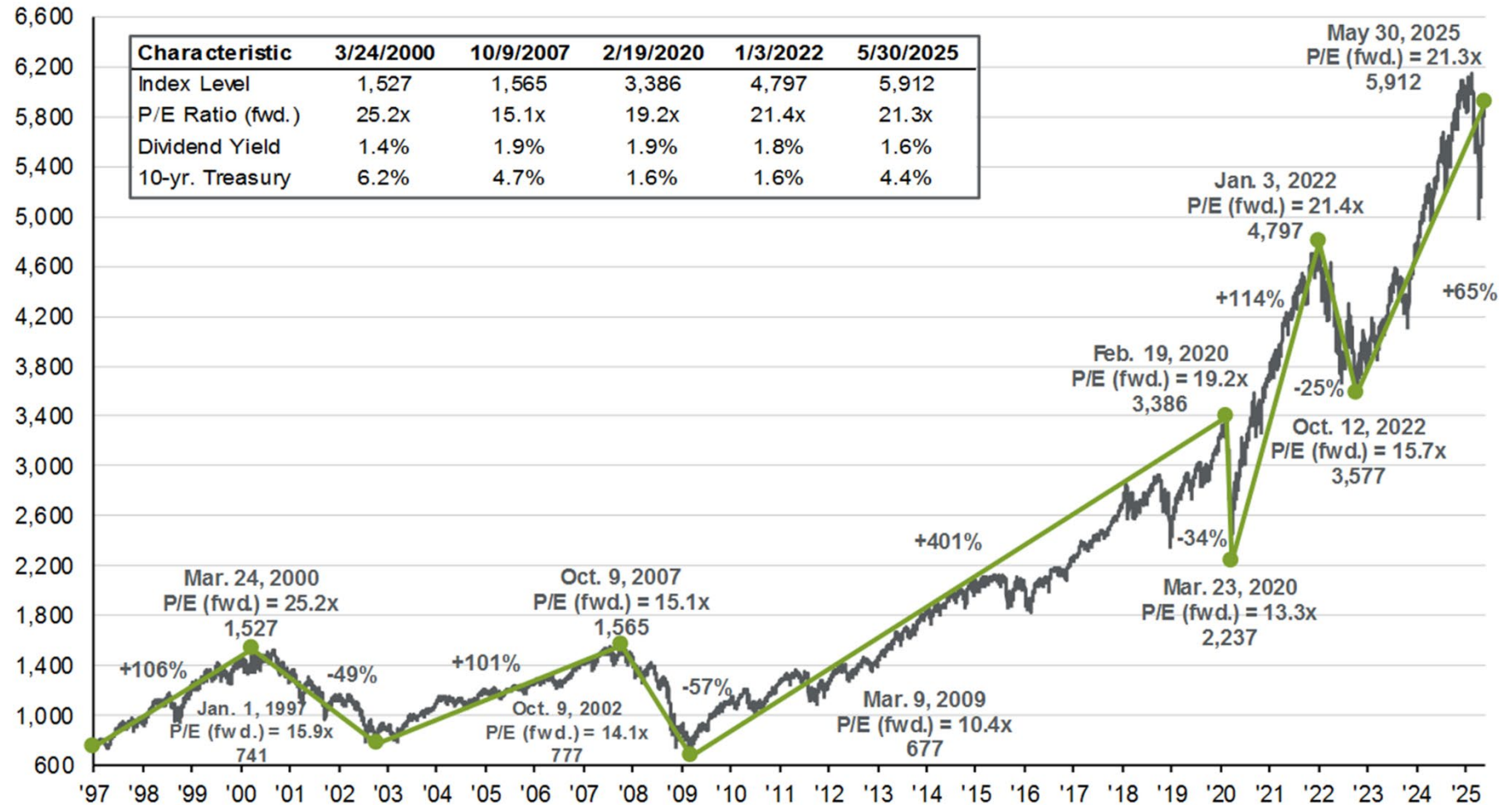


Source: Standard & Poor's, data through June 16, 2025.

Stock market

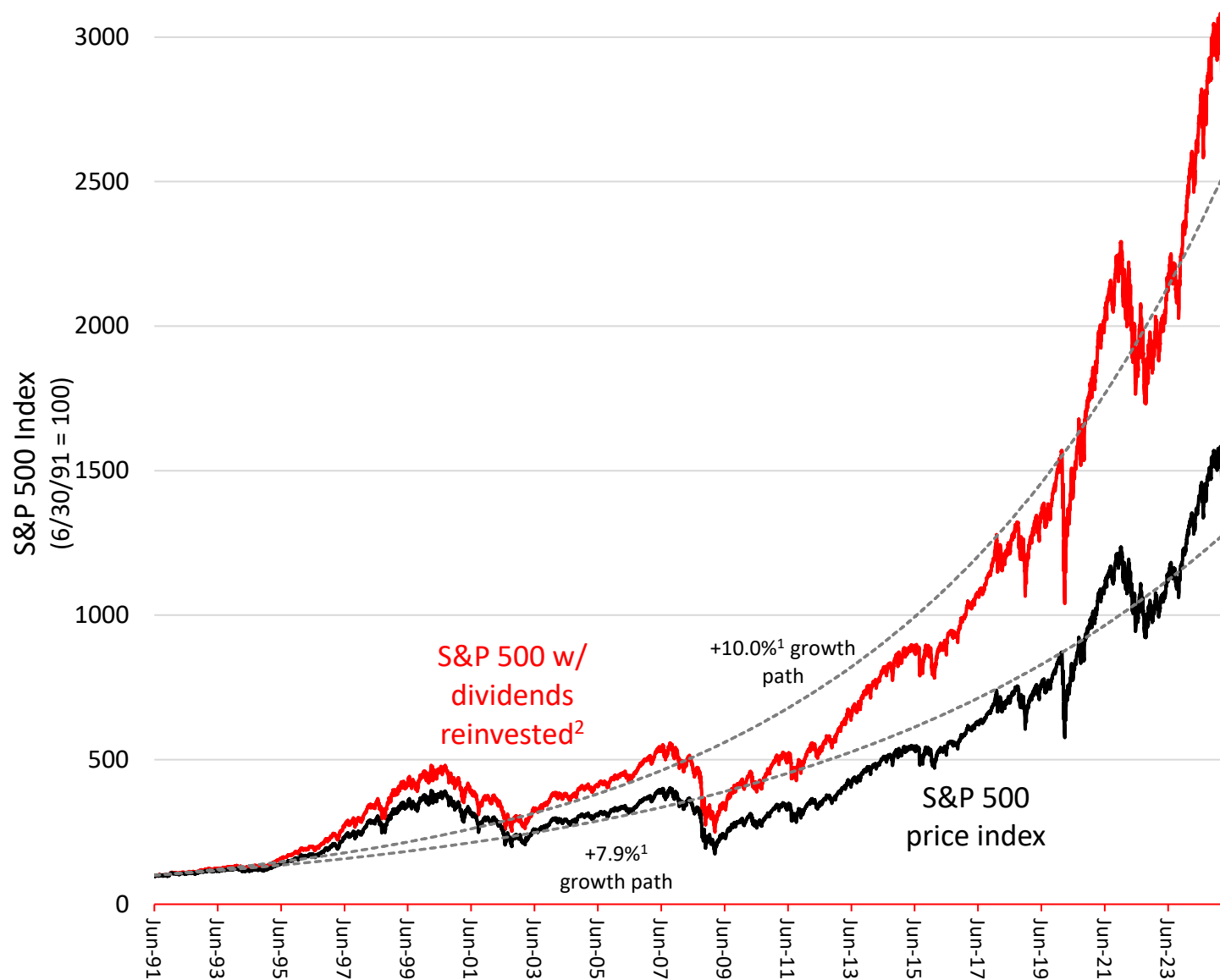
S&P 500

S&P 500 Price Index

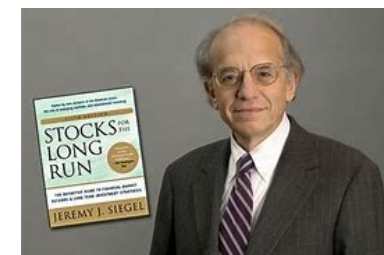


Stock market arithmetic

Total return = 7.9% earnings-driven price + 2.1% dividends reinvested



+10% per year S&P 500 total return over the last 30 years is in line with the stock market's long-term returns going back to 1926, or back even further to 1871.³



Source: Standard and Poor's. Data through June 16, 2025.¹ Compound annual growth rate. ² S&P 500 total return index.

³ per Professor Jeremy Siegel's seminal *Stocks for the Long Run*, first published in 1994.

Stock market arithmetic

Total return = 7.9% earnings-driven price + 2.1% dividends reinvested

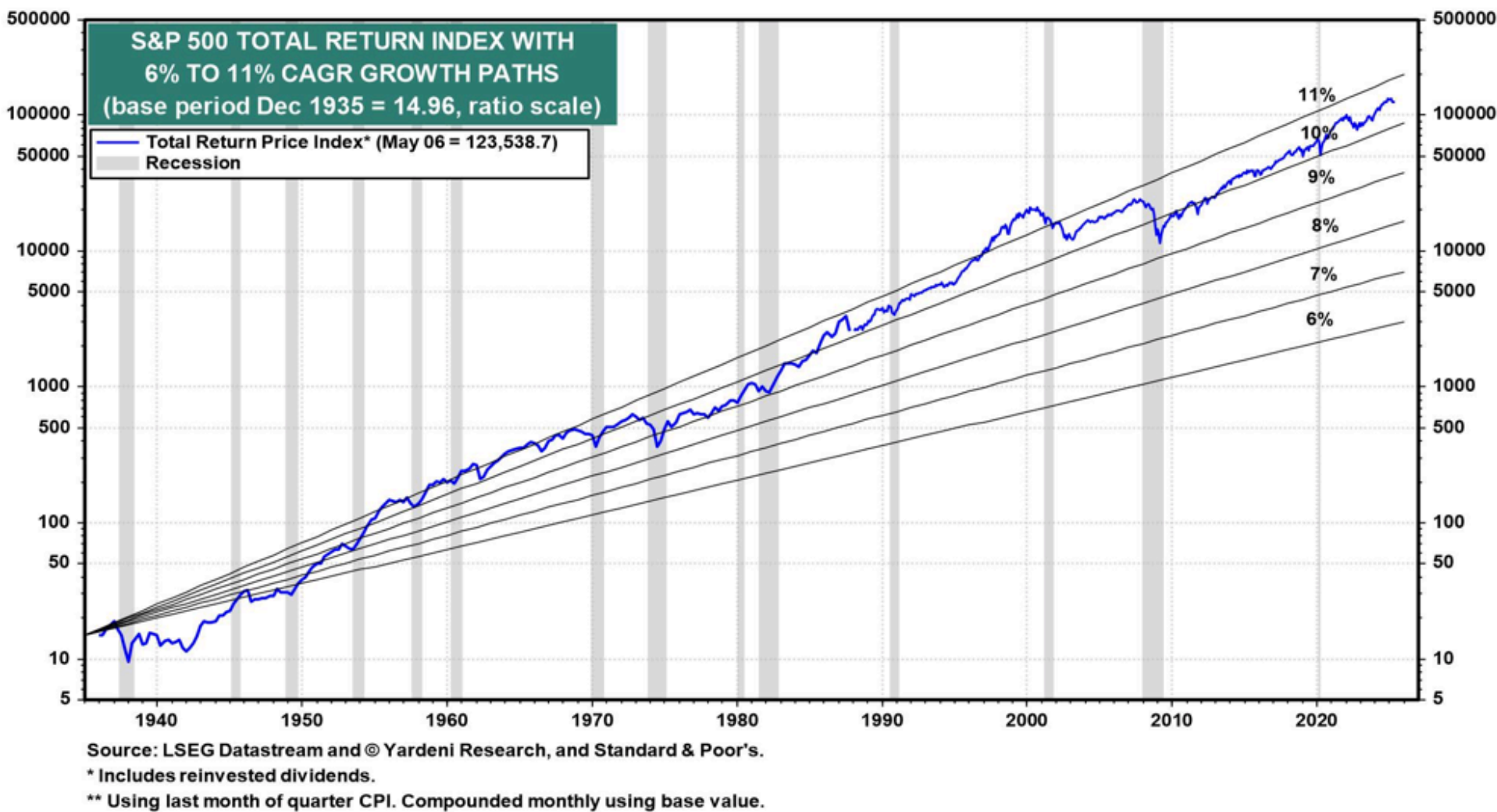
On a logarithmic scale a constant rate of appreciation, say 10%, is represented by a constant interval on the y-axis, say one-eighth of an inch.

Hence, the +10% growth trajectory is a straight line rather than a hyperbolic curve (previous chart).



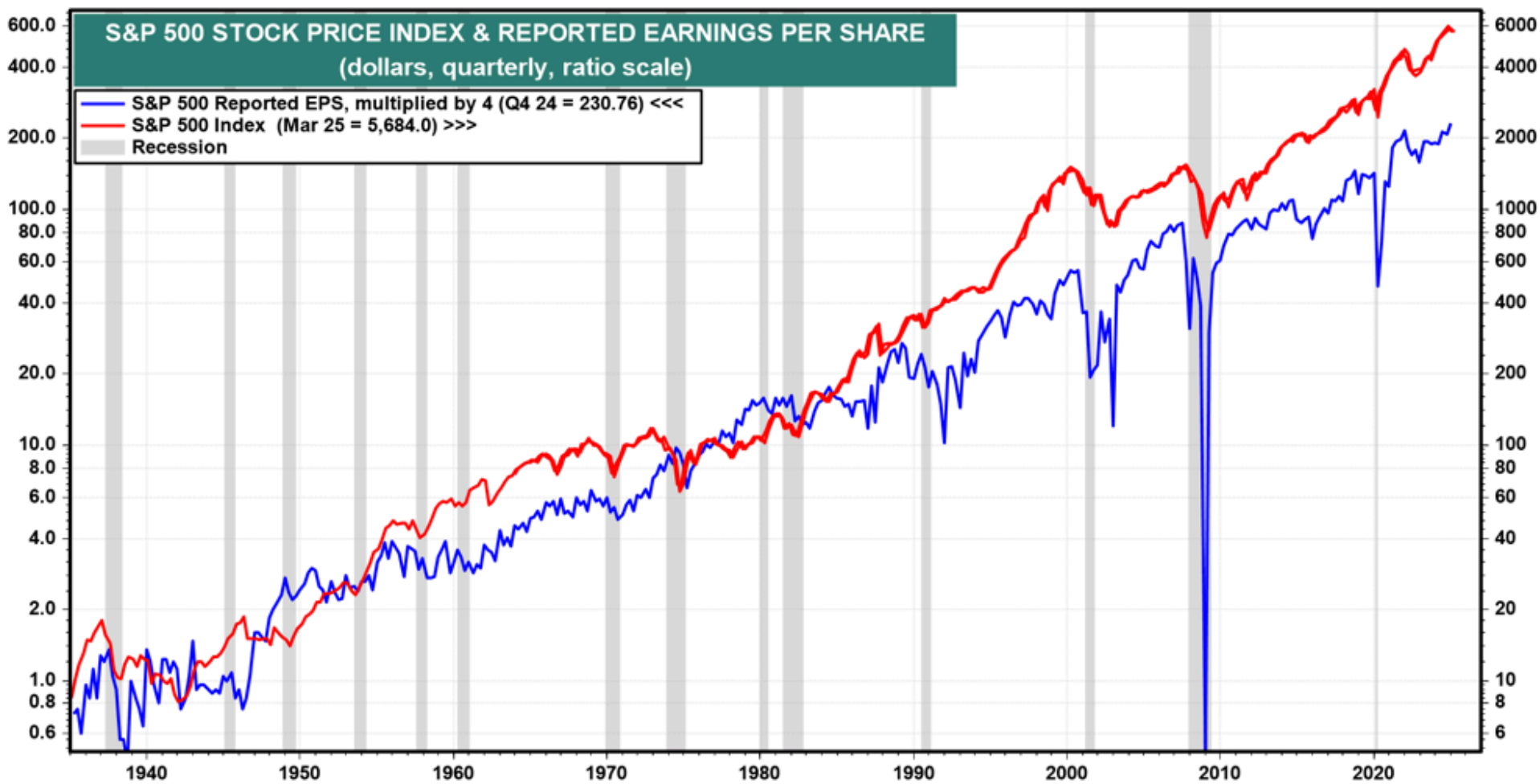
Stock market arithmetic

S&P 500 total return



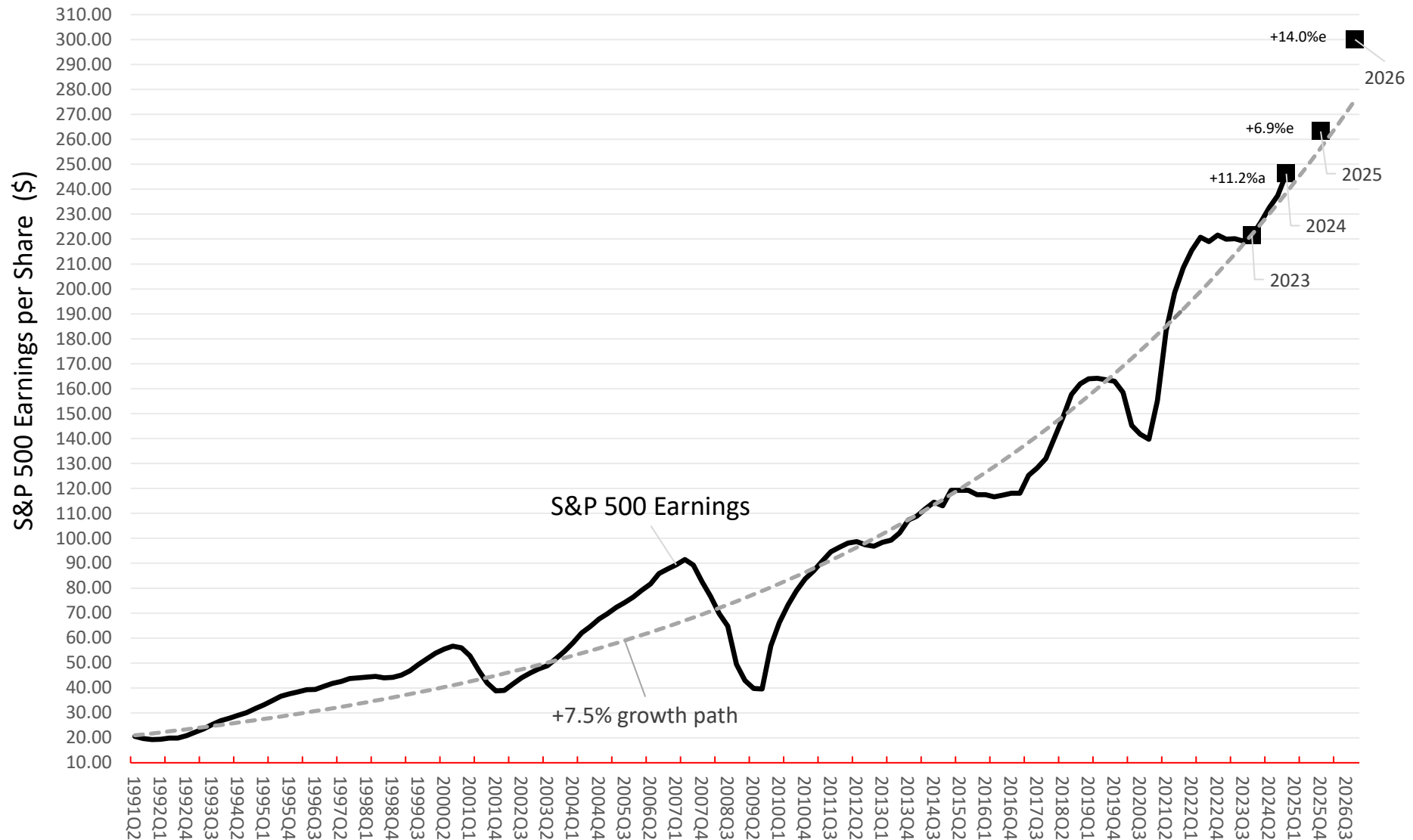
Stock market arithmetic

89 years of S&P 500 earnings growth



Earnings

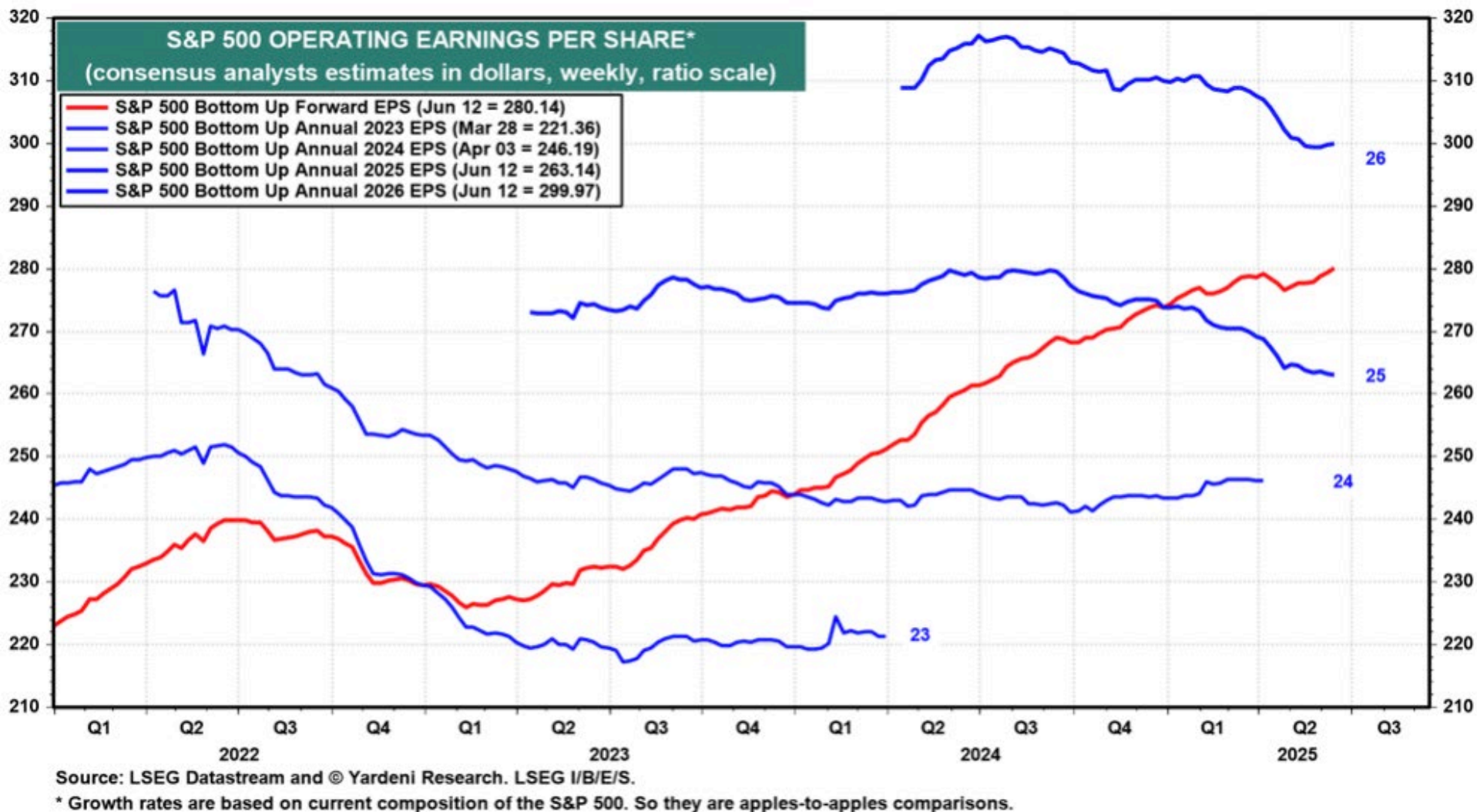
S&P 500 earnings – actual and I/B/E/S estimates



2023 (actual), 2024 (actual), 2025 (estimated) and 2026 (estimated) bottom-up S&P 500 operating earnings per share as of June 12, 2025: for 2023(a), \$221.36; for 2024(a), \$246.19; for 2025(e), \$263.14; for 2026(e), \$299.97. Sources: Yardeni Research, Inc. and Thomson Reuters I/B/E/S for actual and estimated operating earnings from 2015. Standard and Poor's for actual operating earnings data through 2014.

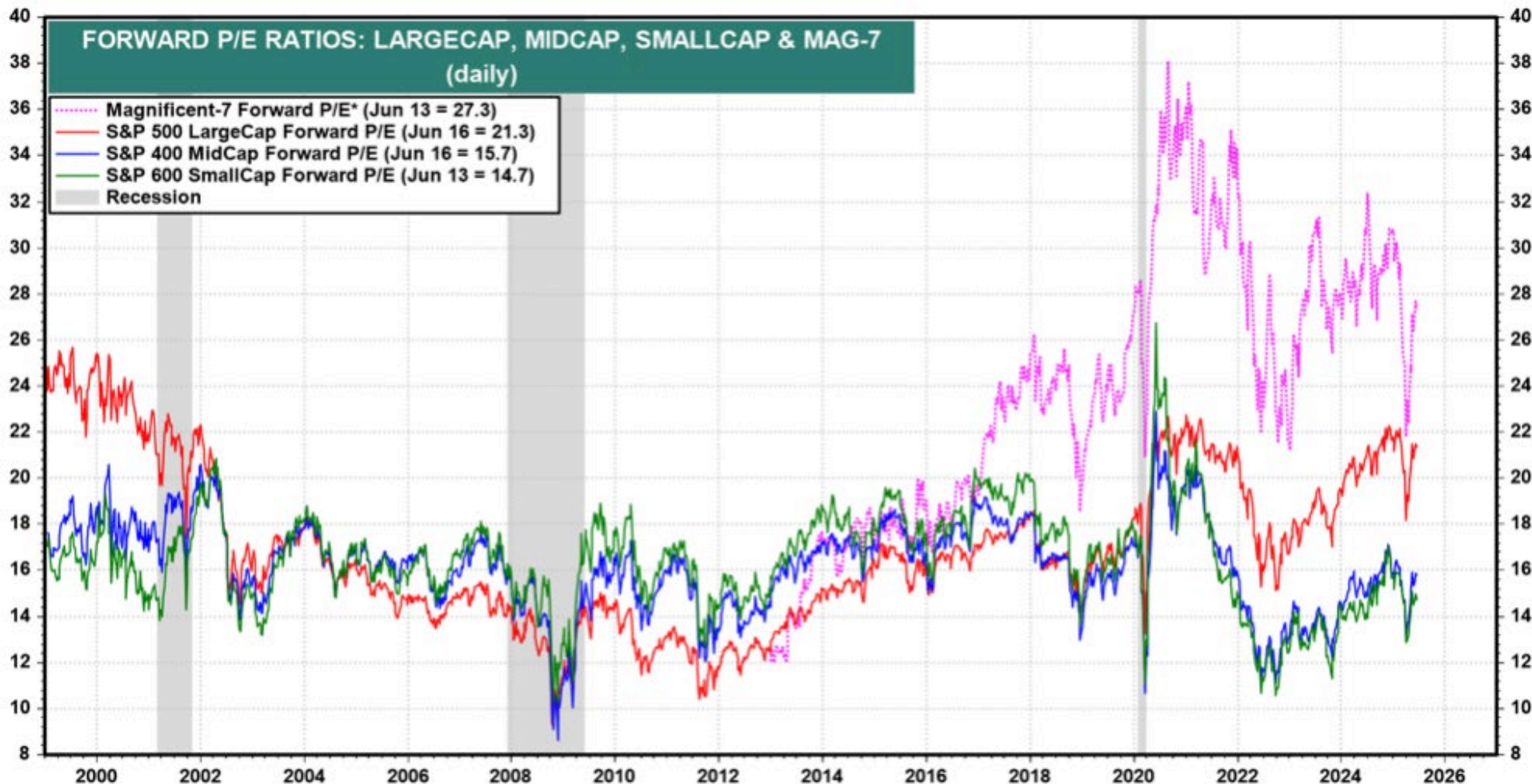
Earnings

S&P 500 earnings – trend in analysts' estimates



Valuation

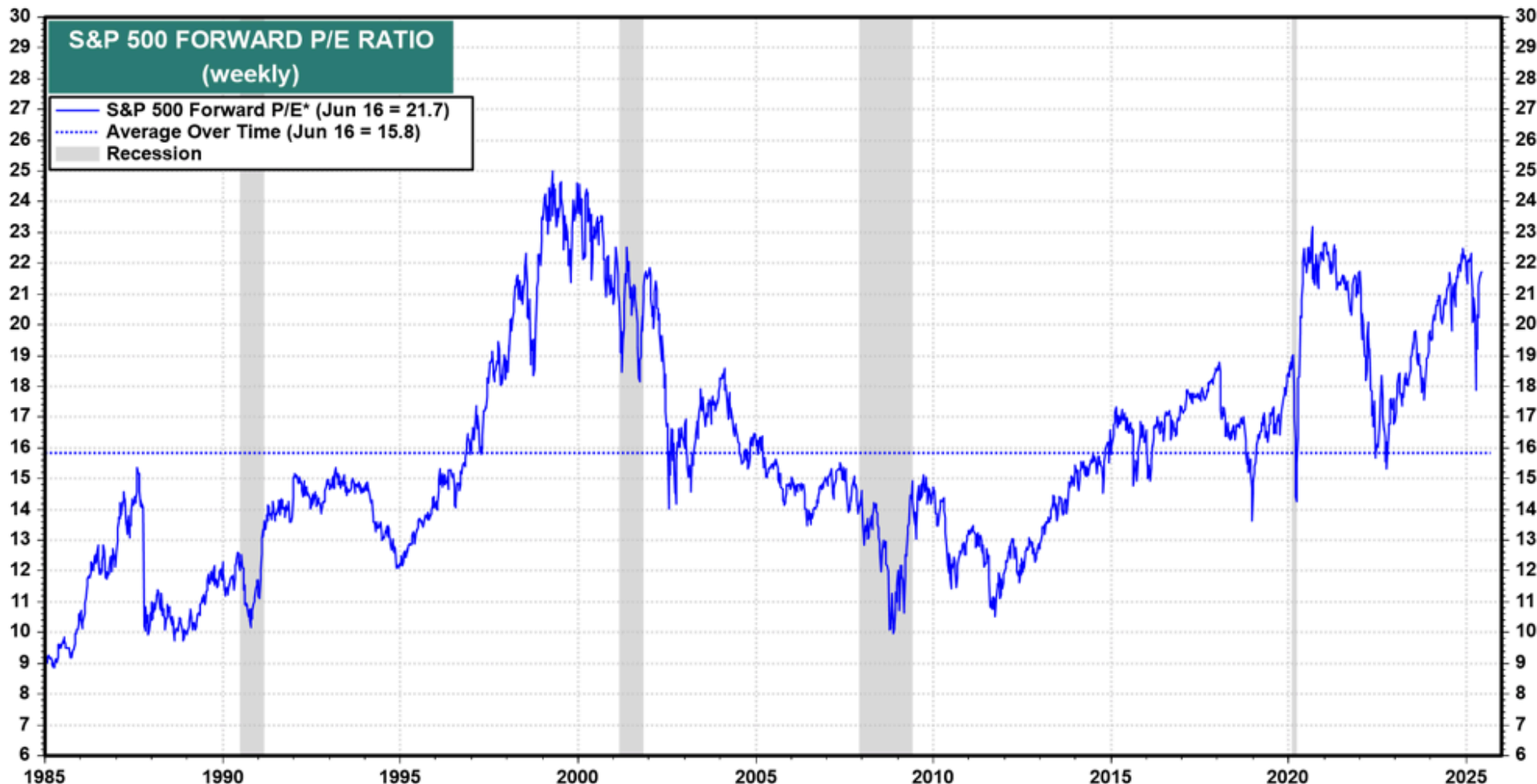
S&P 500 index forward P/E ratio



Source: LSEG Datastream and © Yardeni Research, and Standard & Poor's.

* Magnificent-7 stocks include Alphabet (Google), Amazon, Apple, Meta (Facebook), Microsoft, NVIDIA, and Tesla. Both classes of Alphabet are included.

S&P 500 index forward P/E ratio



Source: LSEG Datastream and © Yardeni Research and Standard & Poor's.

* Price divided by 52-week forward consensus expected operating earnings per share.

Bond Yields

- Normal yields by historic comparison

Bond yields

U.S. Treasury bond yields

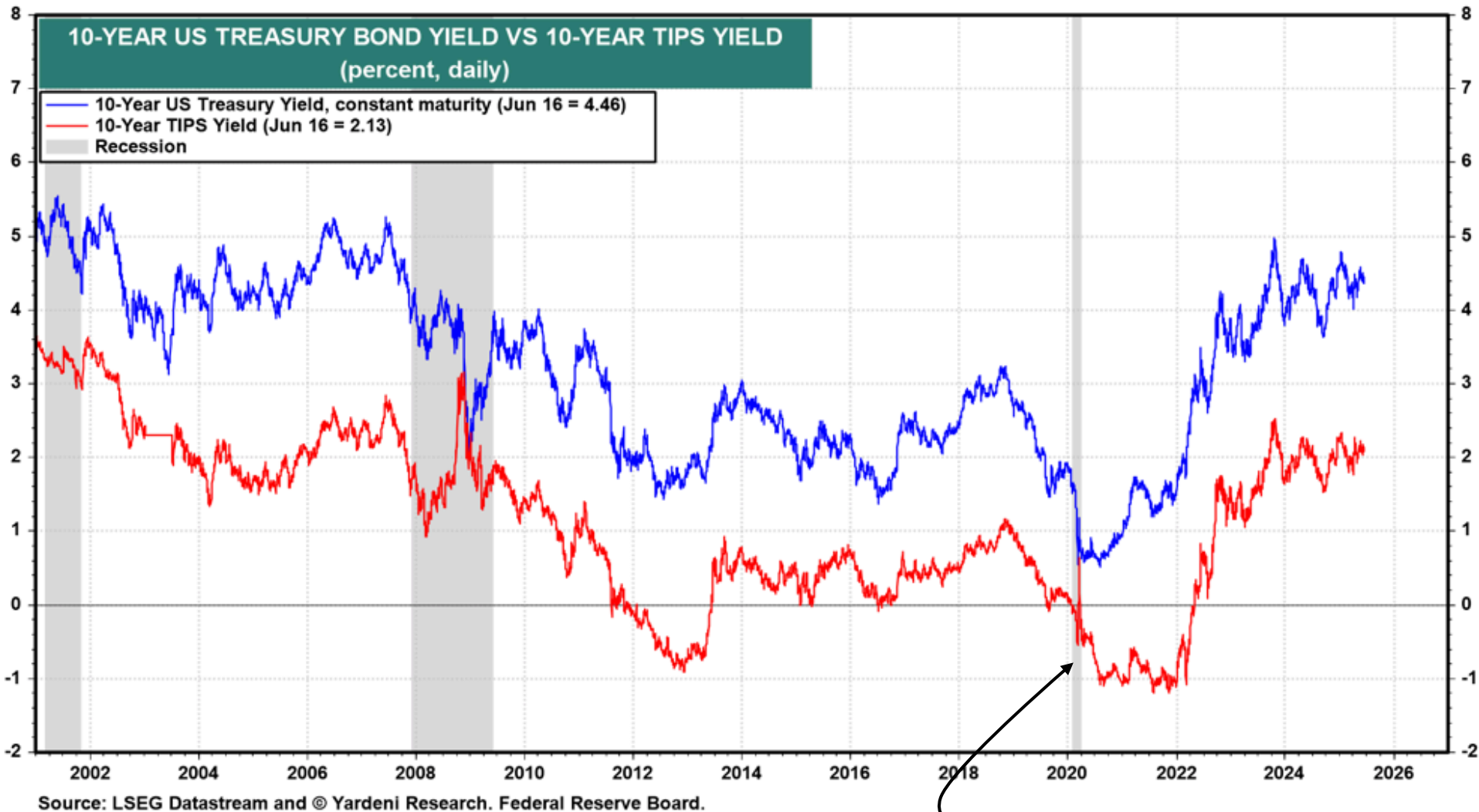


Rising from the lowest long-term interest rates in U.S. history.

Source: Online Data Robert Shiller, data through 2016; 10-year U.S. Treasury bond yield data from 2017; data through May 2025.

Bond yields

U.S. Treasury bond and TIPS yields



Negative real returns
didn't make sense.

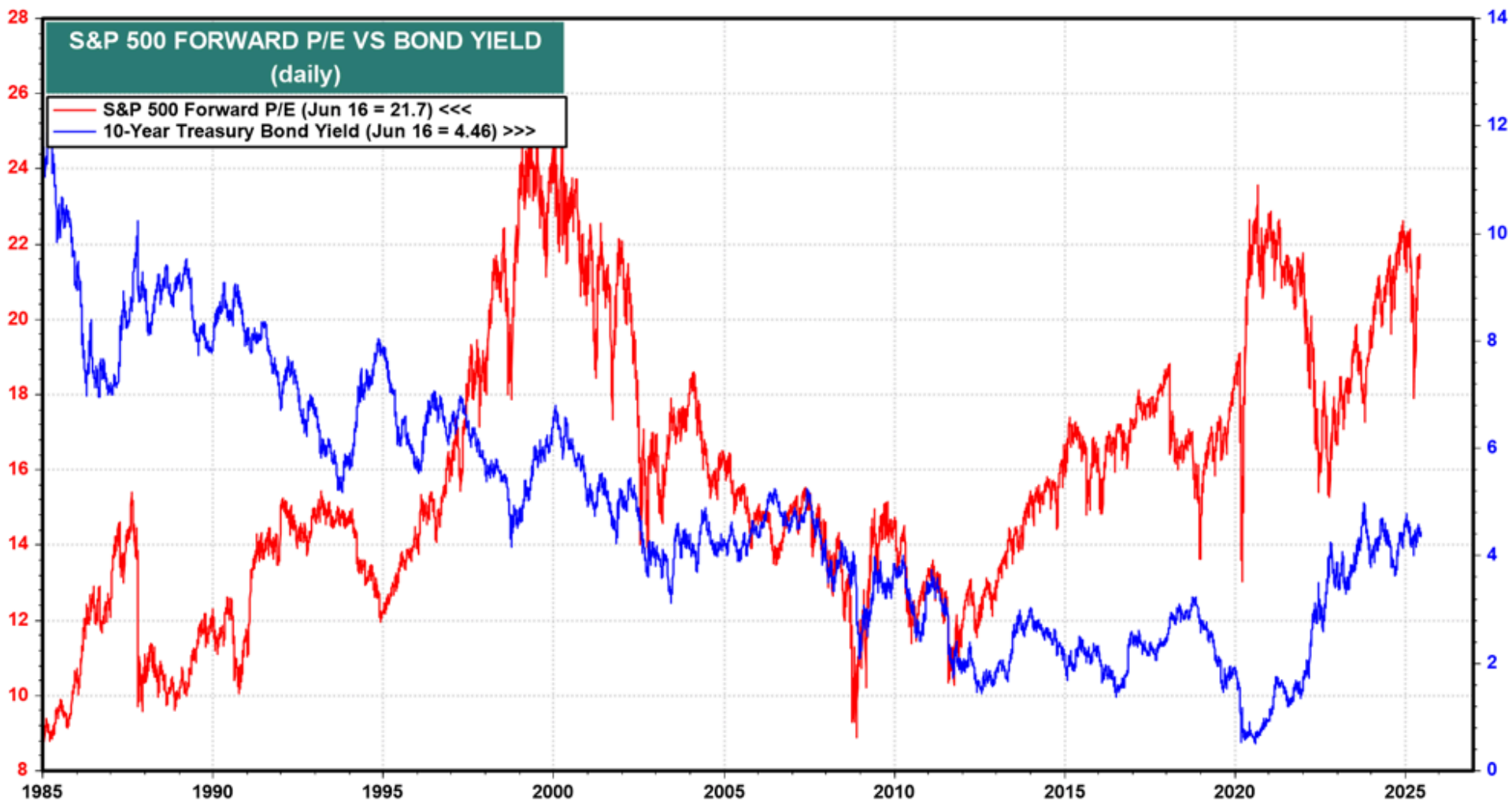
Stock market

Bond yields vs. P/E ratios

BARRON'S

Bond Yields Are Rising. Why That's a Problem for Stocks.

S&P 500 index forward P/E ratio vs. bond yield



Source: LSEG Datastream and © Yardeni Research and Standard & Poor's, IBES, and Federal Reserve.

Federal Reserve

- Rate cuts on hold
- Boosted its inflation forecast
- Cut its GDP growth forecast
- Dot plot
- Dis-inverting yield curve

Federal Reserve

Central tendency forecasts

For release at 2:00 p.m., EDT, June 18, 2025

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, June 2025

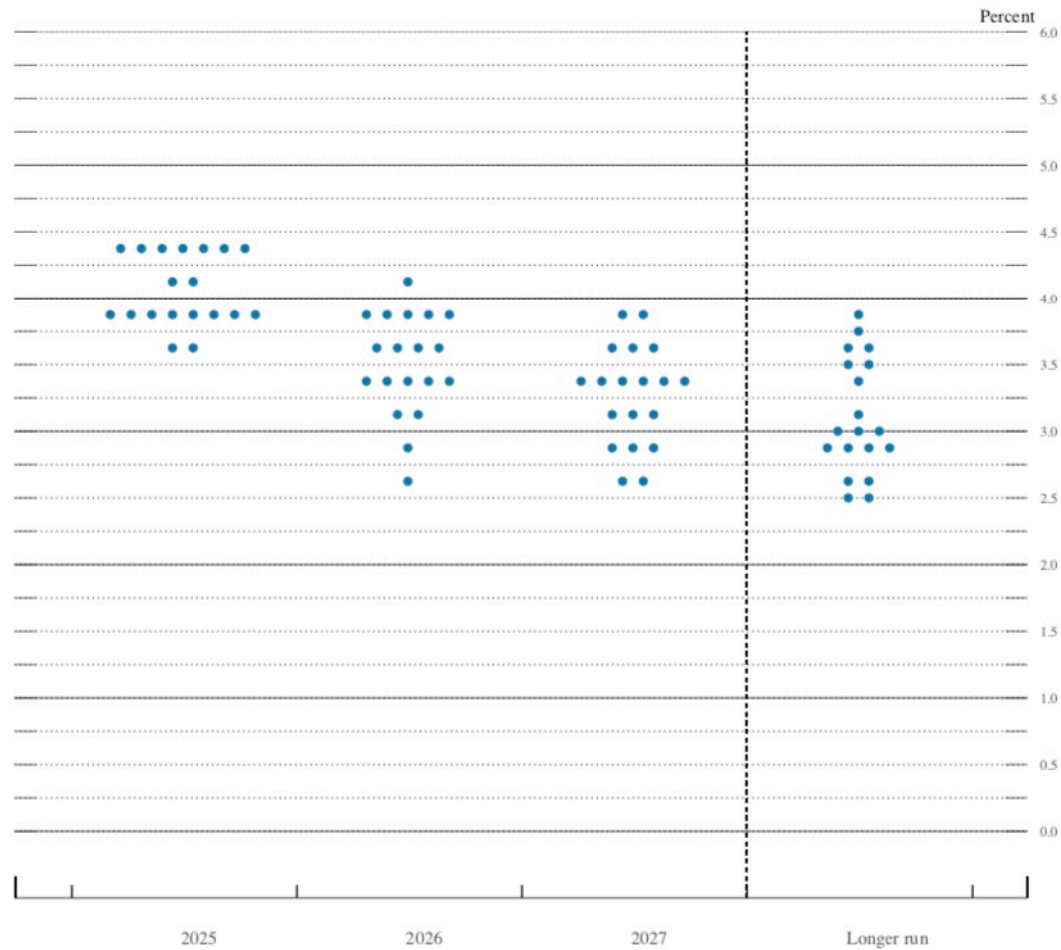
Percent

Variable	Median ¹				Central Tendency ²				Range ³			
	2025	2026	2027	Longer run	2025	2026	2027	Longer run	2025	2026	2027	Longer run
Change in real GDP	1.4	1.6	1.8	1.8	1.2–1.5	1.5–1.8	1.7–2.0	1.7–2.0	1.1–2.1	0.6–2.5	0.6–2.5	1.5–2.5
March projection	1.7	1.8	1.8	1.8	1.5–1.9	1.6–1.9	1.6–2.0	1.7–2.0	1.0–2.4	0.6–2.5	0.6–2.5	1.5–2.5
Unemployment rate	4.5	4.5	4.4	4.2	4.4–4.5	4.3–4.6	4.2–4.6	4.0–4.3	4.3–4.6	4.3–4.7	4.0–4.7	3.5–4.5
March projection	4.4	4.3	4.3	4.2	4.3–4.4	4.2–4.5	4.1–4.4	3.9–4.3	4.1–4.6	4.1–4.7	3.9–4.7	3.5–4.5
PCE inflation	3.0	2.4	2.1	2.0	2.8–3.2	2.3–2.6	2.0–2.2	2.0	2.5–3.3	2.1–3.1	2.0–2.8	2.0
March projection	2.7	2.2	2.0	2.0	2.6–2.9	2.1–2.3	2.0–2.1	2.0	2.5–3.4	2.0–3.1	1.9–2.8	2.0
Core PCE inflation ⁴	3.1	2.4	2.1		2.9–3.4	2.3–2.7	2.0–2.2		2.5–3.5	2.1–3.2	2.0–2.9	
March projection	2.8	2.2	2.0		2.7–3.0	2.1–2.4	2.0–2.1		2.5–3.5	2.1–3.2	2.0–2.9	
Memo: Projected appropriate policy path												
Federal funds rate	3.9	3.6	3.4	3.0	3.9–4.4	3.1–3.9	2.9–3.6	2.6–3.6	3.6–4.4	2.6–4.1	2.6–3.9	2.5–3.9
March projection	3.9	3.4	3.1	3.0	3.9–4.4	3.1–3.9	2.9–3.6	2.6–3.6	3.6–4.4	2.9–4.1	2.6–3.9	2.5–3.9

Federal Reserve Dot plot

For release at 2:00 p.m., EDT, June 18, 2025

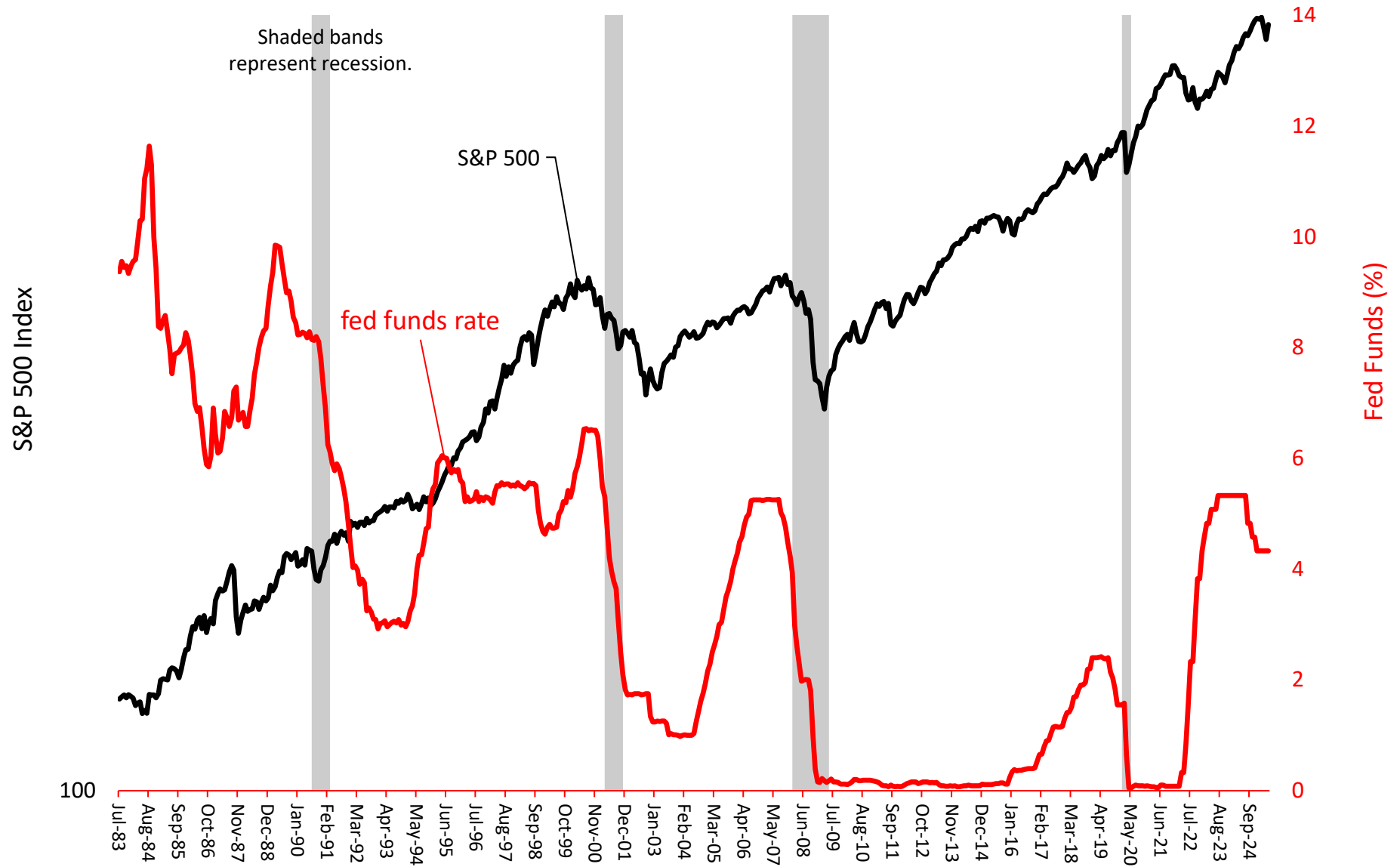
Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



Source: Federal Reserve, June 18, 2025.

Stock market

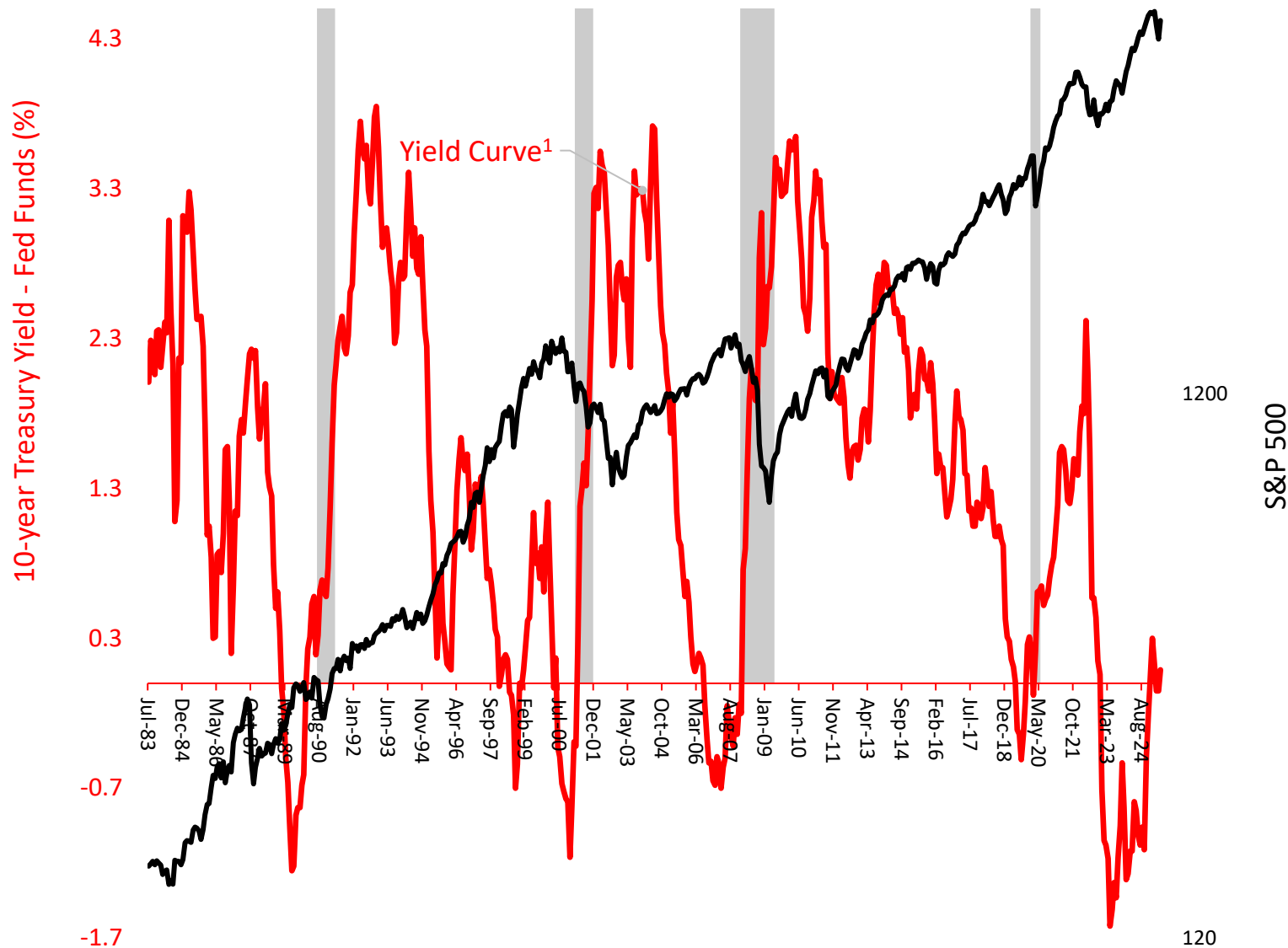
S&P 500 vs. fed funds rate



Sources: Federal Reserve, Standard & Poor's. Data through May 2025.

Federal Reserve policy

Yield curve vs. the S&P 500



When the yield curve has inverted the economy has usually turned down into recession with a lag of a year or more.

Today, the yield curve is dis-inverting.

Sources: NBER, Federal Reserve and Standard & Poor's. Data through May 2025.

¹The interest rate on the 10-year Treasury bond (long term) minus the fed funds rate (short term).

Inflation

- Year-over-year headline CPI +2.4%, +2.8% core
- Year-over-year headline PCED +2.1%, +2.5% core
- Inflation expectations (TIPS spread)

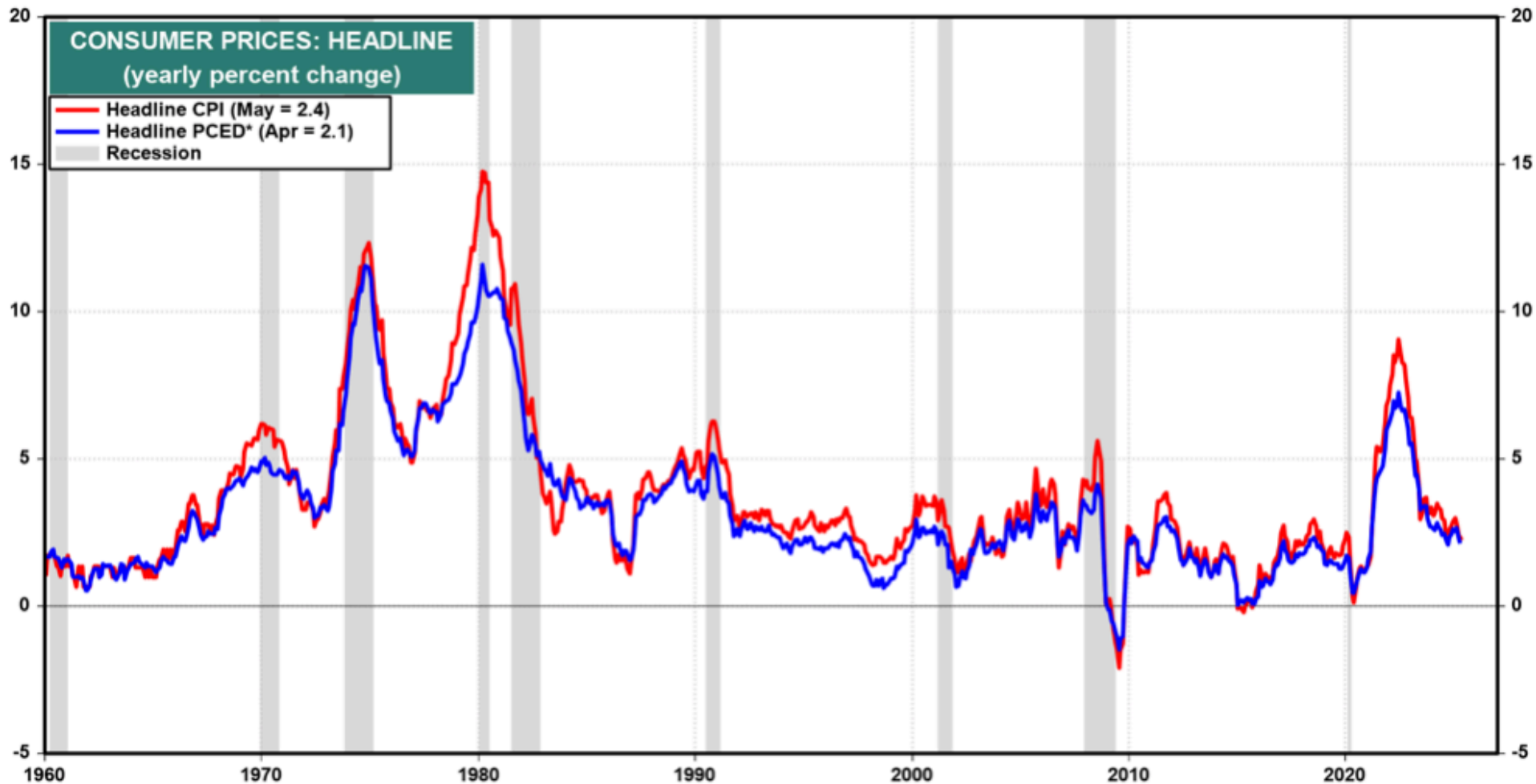
THE WALL STREET JOURNAL.

Walmart Price Increases Set Stage For Others

Walmart's announcement suggests a dam is breaking, and a flood of higher prices could soon follow. "If Walmart is doing it, everybody else is probably going to be doing it—if not already, they will be in the future," said Alan Detmeister, a UBS economist.

Inflation

CPI and PCED



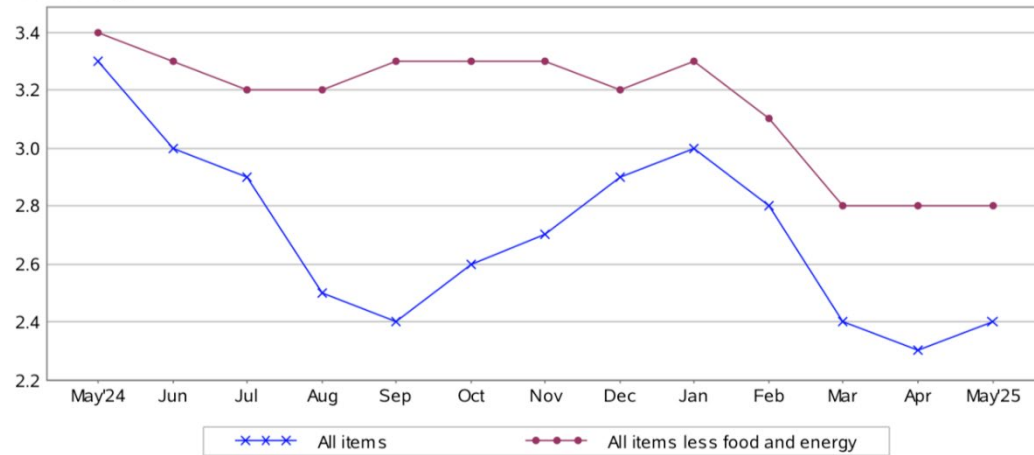
Source: LSEG Datastream and © Yardeni Research, and Bureau of Economic Analysis, Bureau of Labor Statistics.

* Personal consumption expenditures deflator.

Inflation

CPI – headline and core

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, May 2024 - May 2025
Percent change



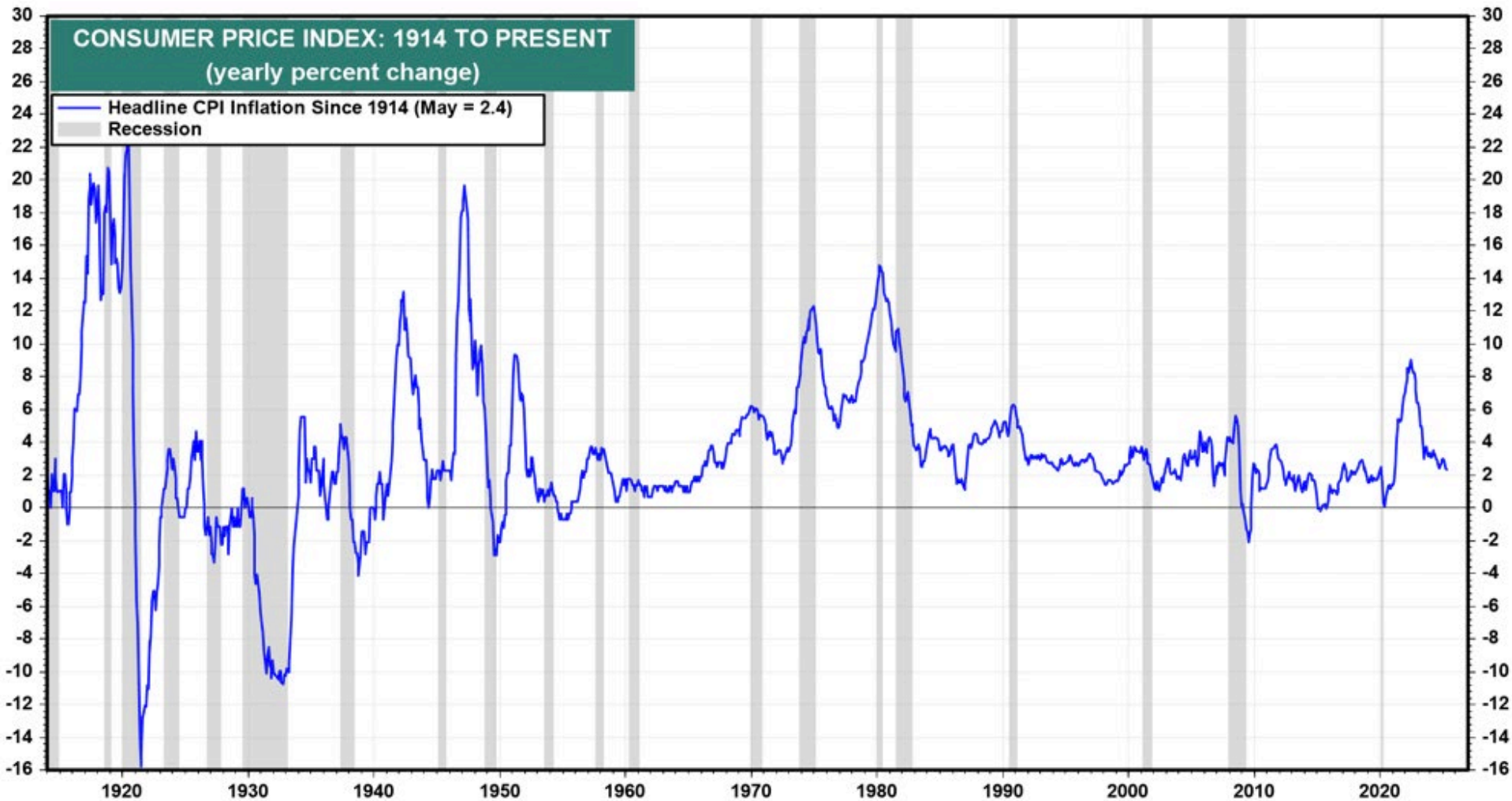
Core CPI up +2.8%
y/y in May.

Headline CPI
up +2.4% y/y in
May.

Table A. Percent changes in CPI for All Urban Consumers (CPI-U): U.S. city average

	Seasonally adjusted changes from preceding month							Un- adjusted 12-mos. ended May 2025
	Nov. 2024	Dec. 2024	Jan. 2025	Feb. 2025	Mar. 2025	Apr. 2025	May 2025	
All items.....	0.3	0.4	0.5	0.2	-0.1	0.2	0.1	2.4
Food.....	0.3	0.3	0.4	0.2	0.4	-0.1	0.3	2.9
Food at home.....	0.4	0.3	0.5	0.0	0.5	-0.4	0.3	2.2
Food away from home ¹	0.3	0.3	0.2	0.4	0.4	0.4	0.3	3.8
Energy.....	0.1	2.4	1.1	0.2	-2.4	0.7	-1.0	-3.5
Energy commodities.....	0.2	3.9	1.9	-0.9	-6.1	-0.2	-2.4	-11.6
Gasoline (all types).....	0.3	4.0	1.8	-1.0	-6.3	-0.1	-2.6	-12.0
Fuel oil.....	-1.4	2.1	6.2	0.8	-4.2	-1.3	0.9	-8.6
Energy services.....	-0.1	0.8	0.3	1.4	1.6	1.5	0.4	6.8
Electricity.....	-0.2	0.2	0.0	1.0	0.9	0.8	0.9	4.5
Utility (piped) gas service.....	0.5	2.8	1.8	2.5	3.6	3.7	-1.0	15.3
All items less food and energy.....	0.3	0.2	0.4	0.2	0.1	0.2	0.1	2.8
Commodities less food and energy commodities.....	0.2	0.0	0.3	0.2	-0.1	0.1	0.0	0.3
New vehicles.....	0.5	0.4	0.0	-0.1	0.1	0.0	-0.3	0.4
Used cars and trucks.....	1.3	0.8	2.2	0.9	-0.7	-0.5	-0.5	1.8
Apparel.....	0.1	0.1	-1.4	0.6	0.4	-0.2	-0.4	-0.9
Medical care commodities ¹	-0.1	0.0	1.2	0.1	-1.1	0.4	0.6	0.3
Services less energy services.....	0.3	0.3	0.5	0.3	0.1	0.3	0.2	3.6
Shelter.....	0.3	0.3	0.4	0.3	0.2	0.3	0.3	3.9
Transportation services.....	0.1	0.5	1.8	-0.8	-1.4	0.1	-0.2	2.8
Medical care services.....	0.3	0.2	0.0	0.3	0.5	0.5	0.2	3.0

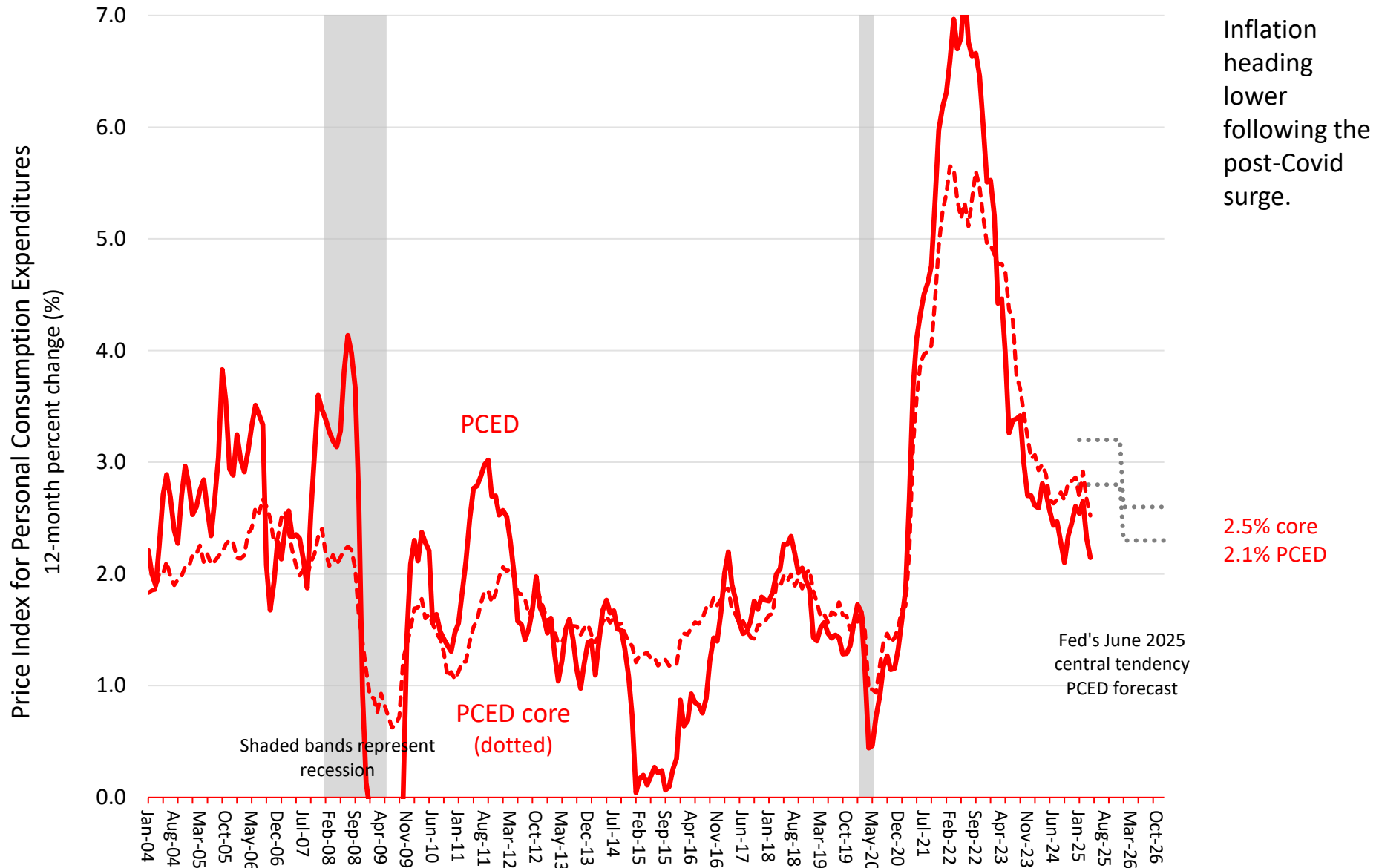
Inflation CPI



Source: LSEG Datastream and © Yardeni Research.

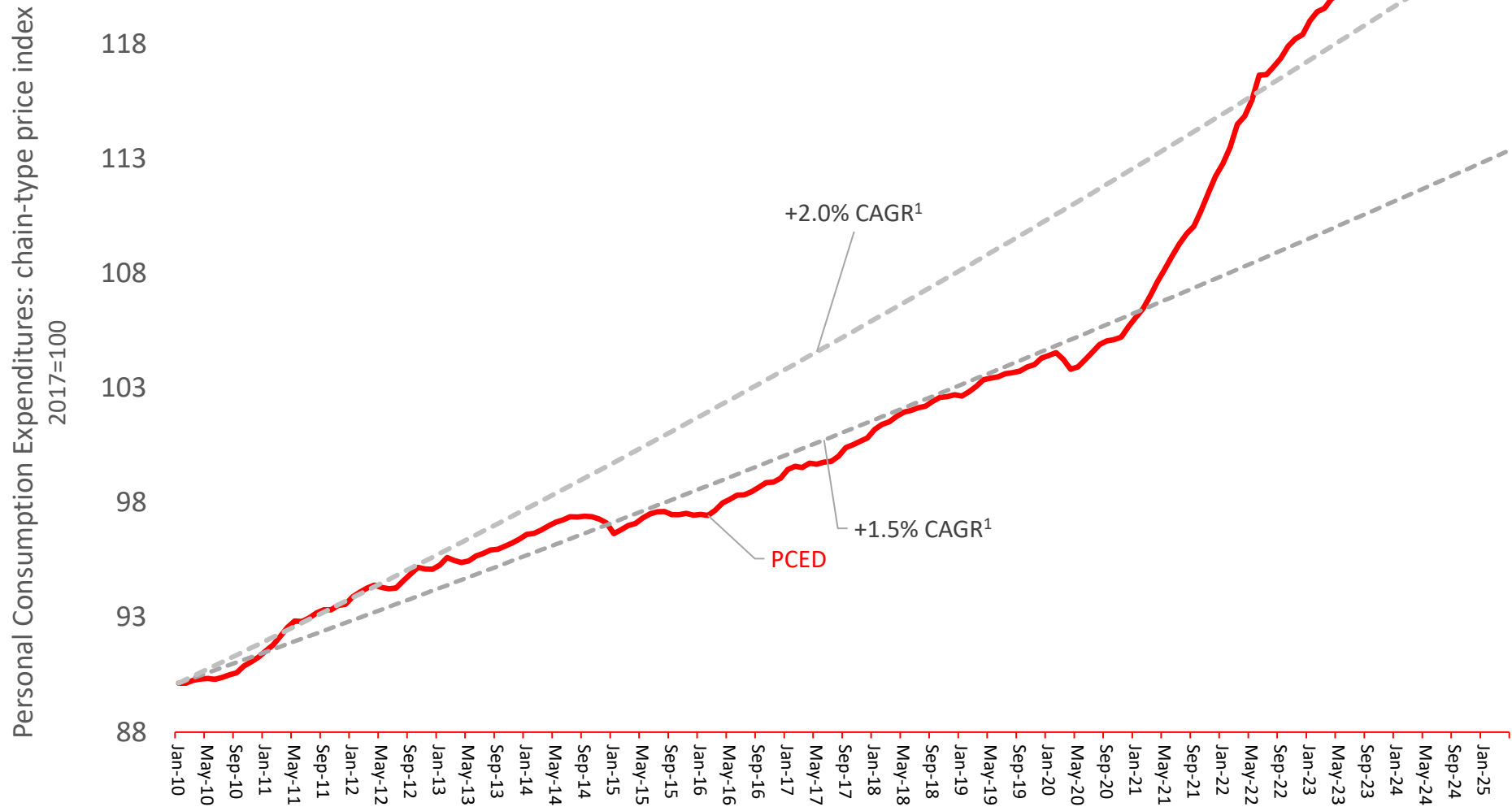
Inflation

PCED – headline and core



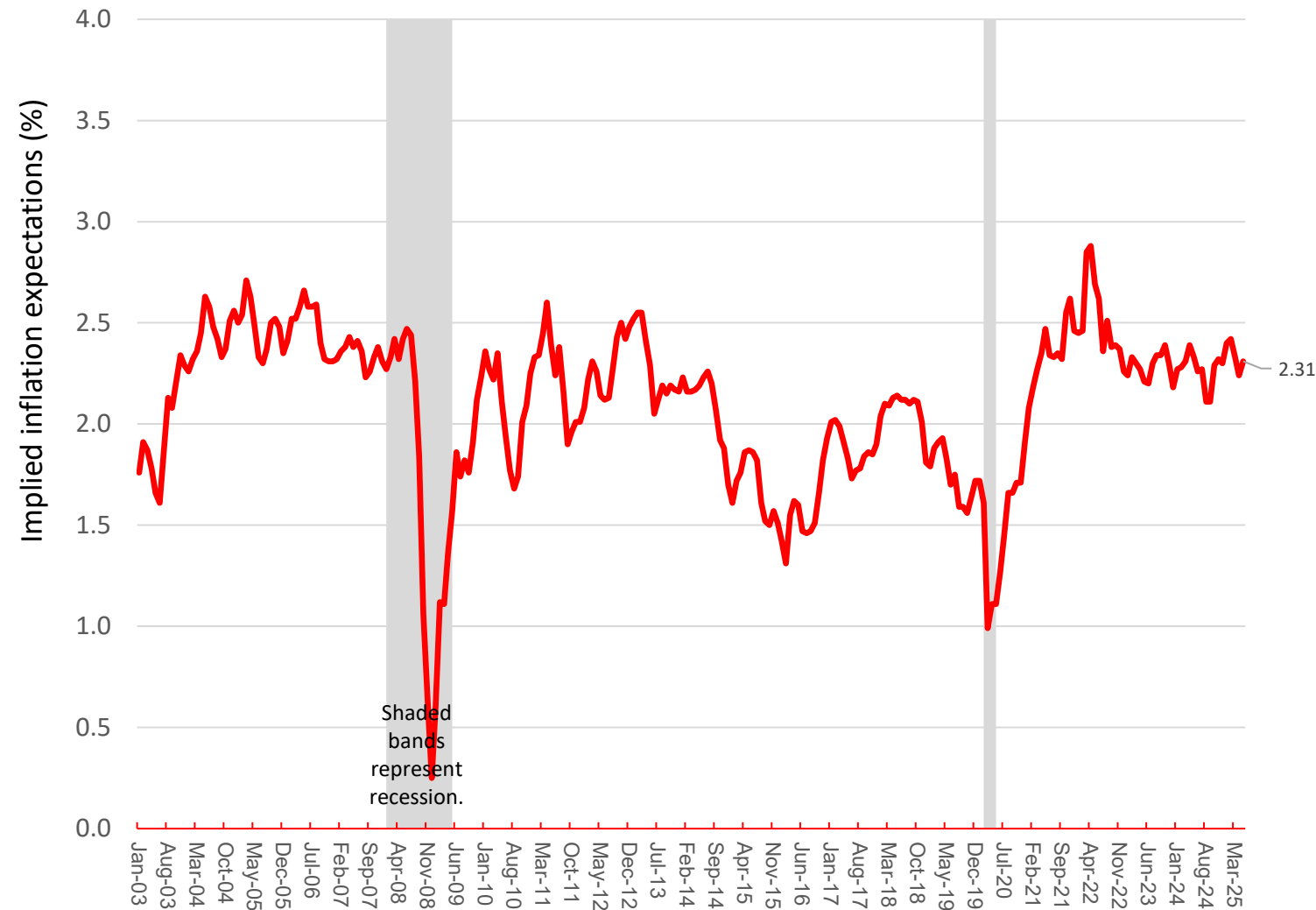
Source: NBER, Federal Reserve Bank of St. Louis. Data through April 2025.

Inflation PCED – headline



Source: Federal Reserve Bank of St. Louis. Data through April 2025.

U.S. Treasury Bond Yield minus TIPS Yield
10-year Maturity



The difference between the nominal 10-year Treasury bond yield and the TIPS yield gives the market's opinion for a 10-year inflation forecast.

Federal deficit and debt

Federal revenues and outlays through 2035

Percentage of GDP

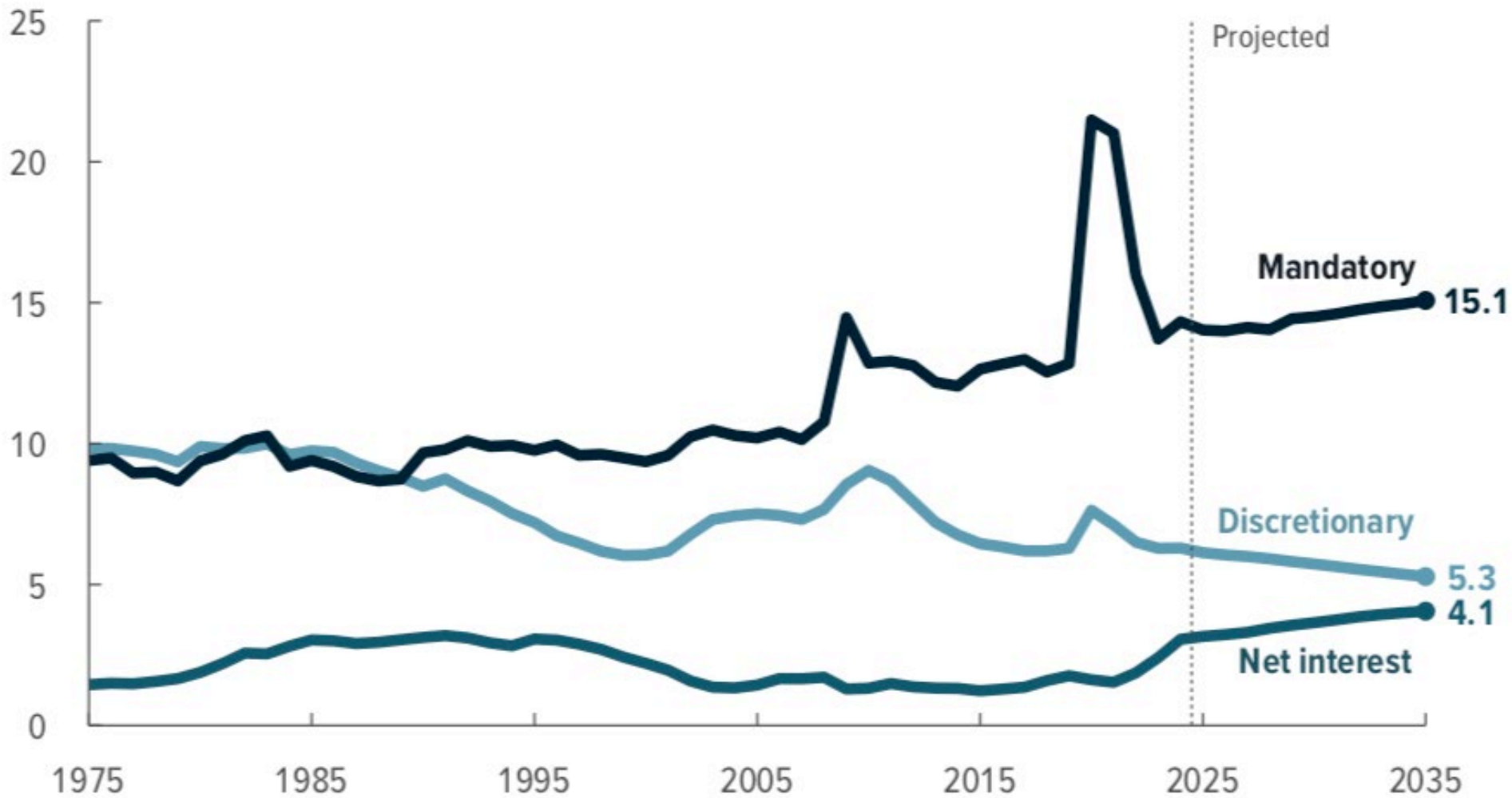


Source: Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035*, released January 2025.

Federal deficit and debt

Federal outlays through 2035

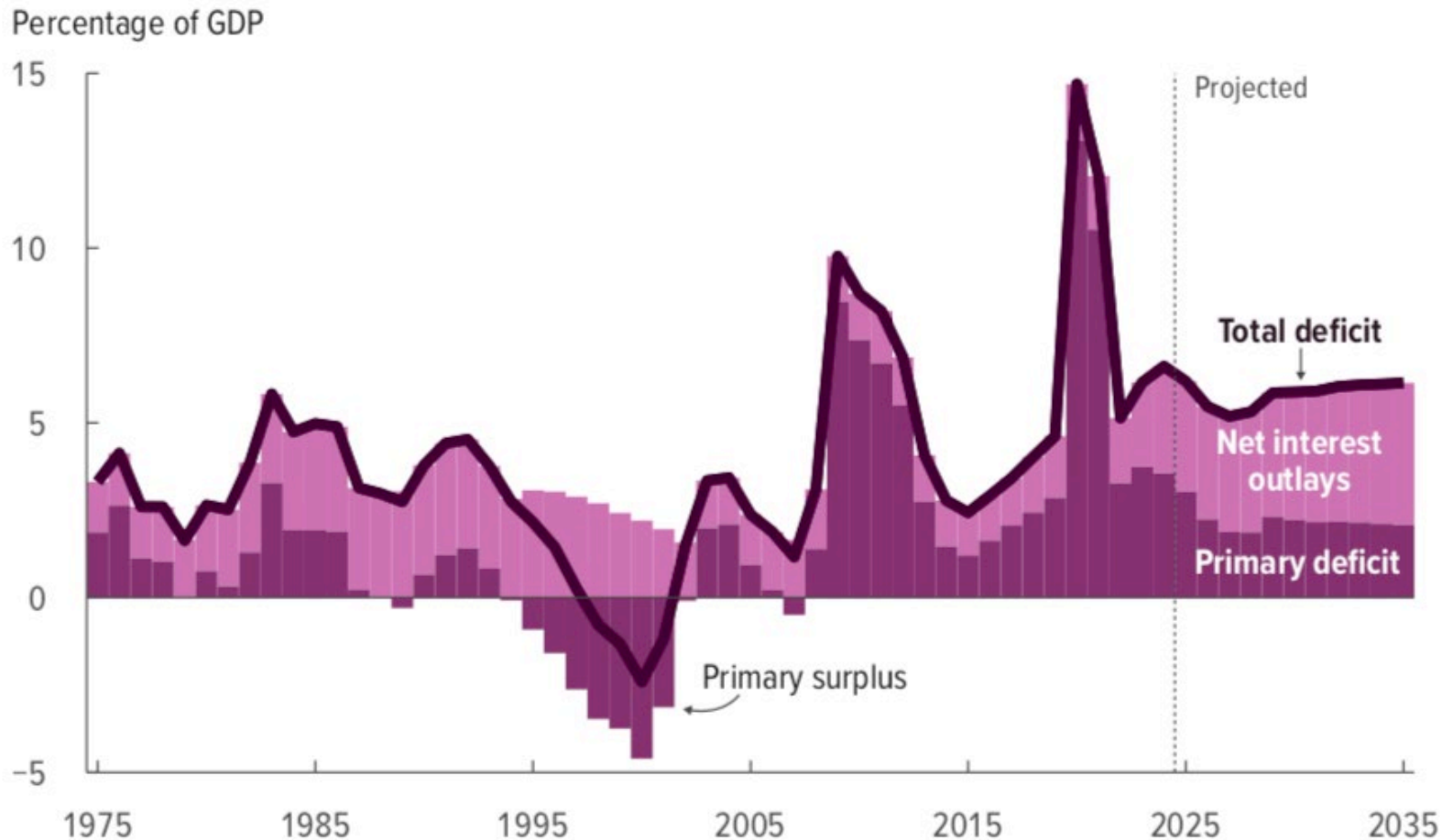
Percentage of GDP



Source: Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035*, released January 2025.

Federal deficit and debt

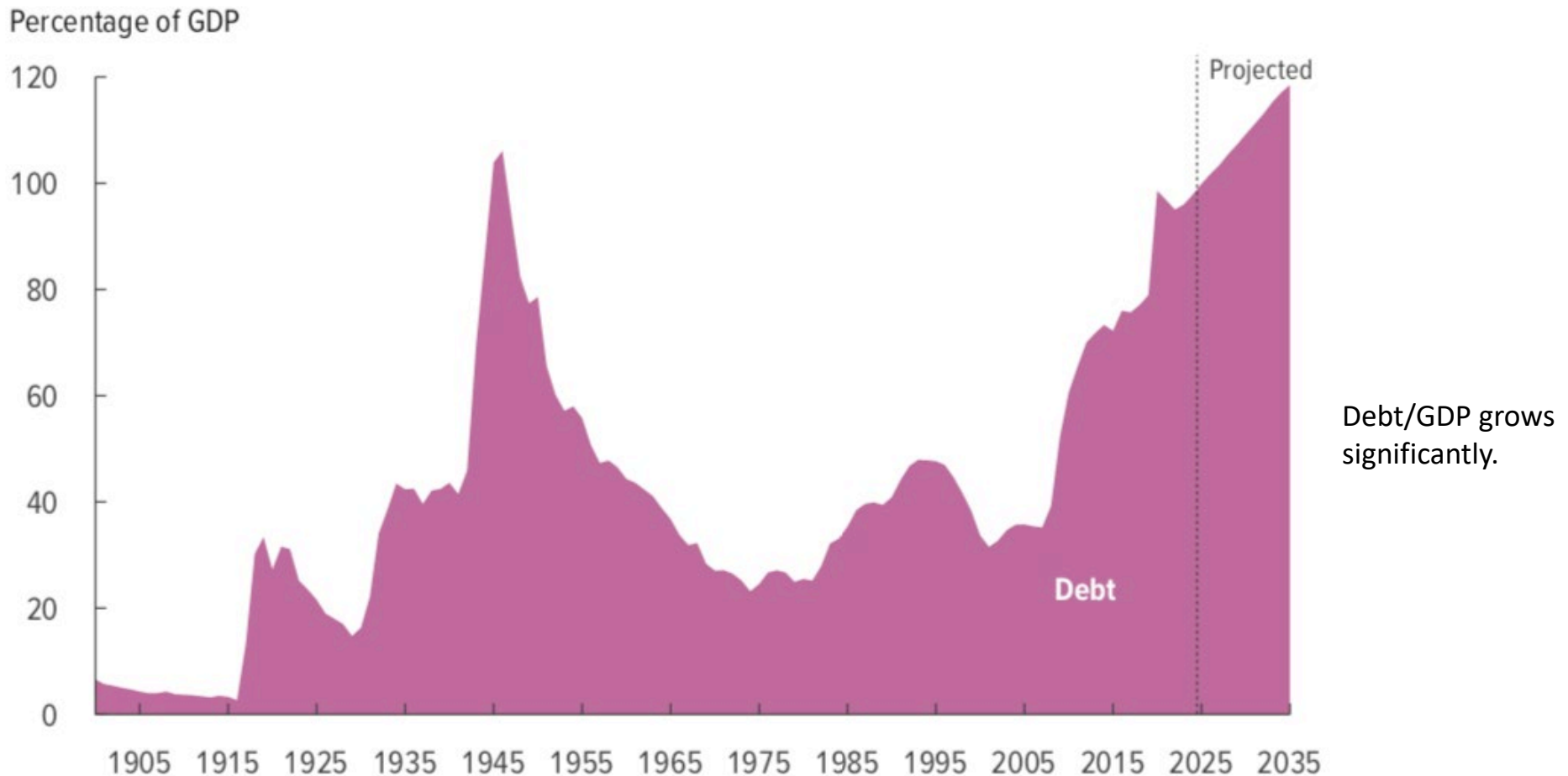
Federal deficits % of GDP though 2035



Net interest becomes the major part of deficits.

Federal deficit and debt

Federal debt % of GDP though 2035



Source: Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035*, released January 2025.

Federal deficit and debt

One Big Beautiful Bill Act



June 18, 2025 (Revised)

H.R. 1, One Big Beautiful Bill Act

As passed by the House of Representatives on May 22, 2025

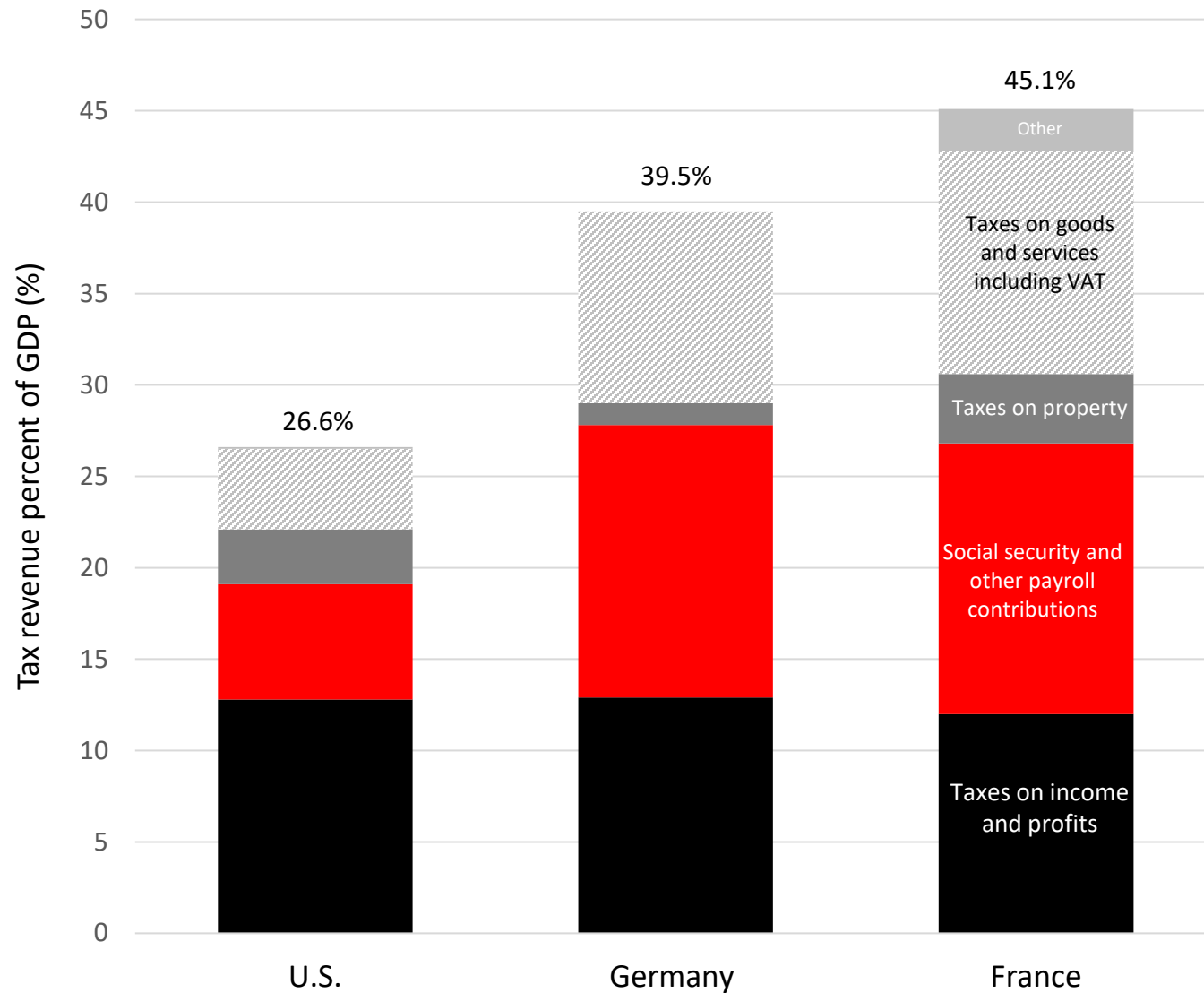
By Fiscal Year, Billions of Dollars	2025	2025-2029	2025-2034
Direct Spending (Outlays)	-197	-176	-774
Revenues	-96	-2,094	-3,546
Increase or Decrease (-) in the Deficit	-101	1,918	2,773

Increases <i>net direct spending</i> in any of the four consecutive 10-year periods beginning in 2035?	No	Statutory pay-as-you-go procedures apply?	n.a.
Mandate Effects			
Increases <i>on-budget deficits</i> in any of the four consecutive 10-year periods beginning in 2035?	> \$5 billion	Contains intergovernmental mandate?	n.a.
		Contains private-sector mandate?	n.a.

n.a. = not applicable.

This dynamic estimate supplements the cost estimates for H.R. 1 transmitted by CBO on June 4, 2025. Under House Rule XIII(8), H.R. 1 is considered major legislation. That rule requires cost estimates, to the extent practicable, to account for the budgetary effects of economic changes resulting from major legislation. This dynamic estimate accounts for those effects.

Tax structure U.S. vs. France and Germany

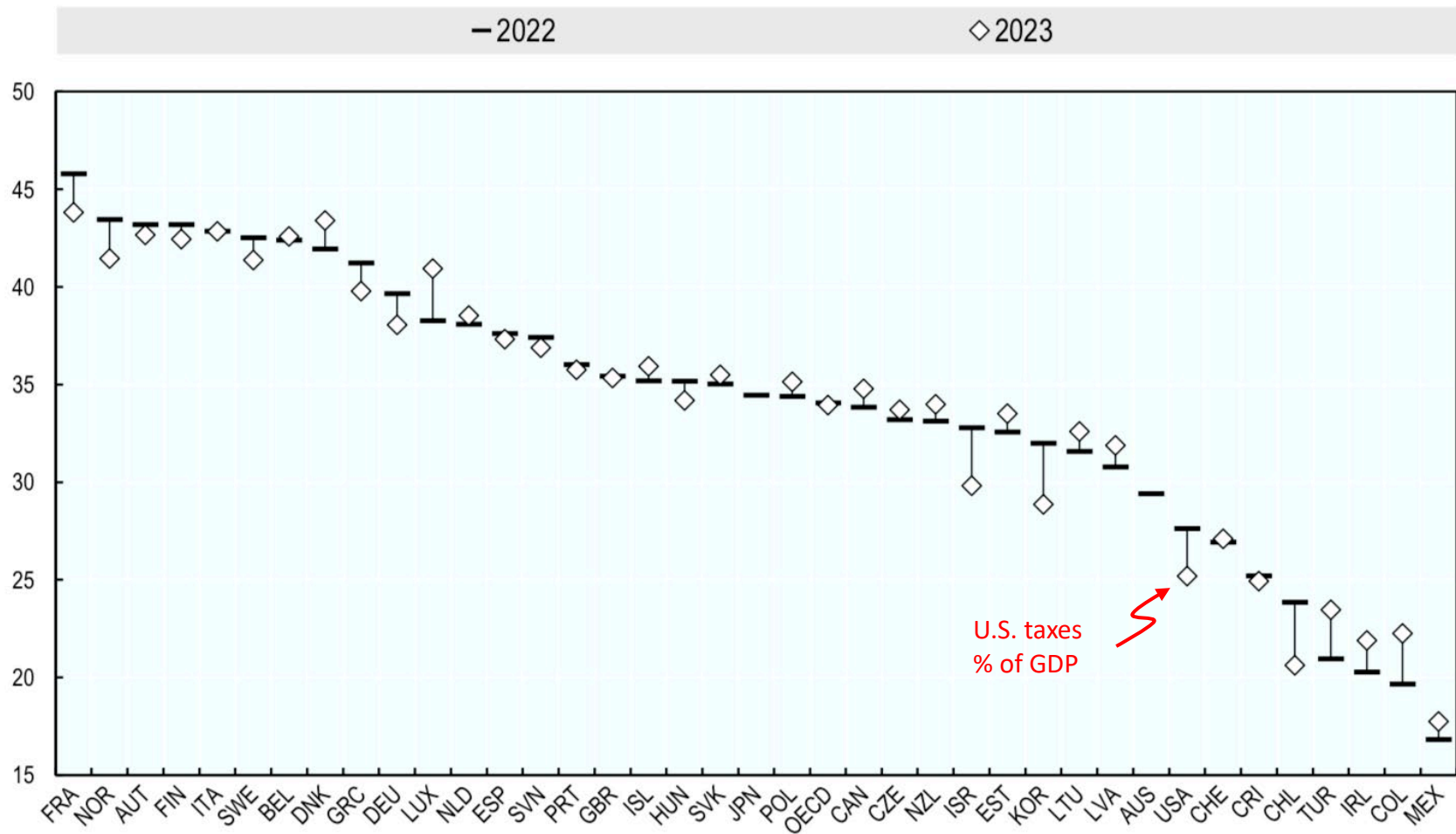


The U.S. has a much lower total tax burden and takes a very different approach to raising tax revenues compared to most other developed economies.

Taxes % of GDP – 38 OECD countries

Figure 1.4. Tax-to-GDP ratios in 2022 and 2023p

Percent of GDP



THE WALL STREET JOURNAL.

Big Tax Hikes Are Coming

... These demographic and political realities point to the same conclusion: that increased revenue will be needed to secure these programs for the long term. Americans may be reluctant to see their taxes go up, but they will be even less willing to see their Social Security and Medicare benefits go down.

... Unless the actuaries are too pessimistic, the next president will be forced to address this issue, and so will a Congress that by and large has forgotten how to legislate across party lines.

Important Information

All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision. As with all investments there are associated inherent risks. Please obtain and review all financial material carefully before investing.

The opinions expressed are those of the author, are based on current market conditions and are subject to change without notice.

These materials may contain statements that are not purely historical in nature but are “forward-looking statements.” These include, among other things, projections, forecasts, estimates of income, yield or return or future performance targets. These forward-looking statements are based upon certain assumptions, some of which are described herein. Actual events are difficult to predict and may substantially differ from those assumed. All forward-looking statements included herein are based on information available on the date hereof and Fritz Meyer assumes no duty to update any forward-looking statement. Accordingly, there can be no assurance that estimated returns or projections can be realized, that forward-looking statements will materialize or that actual returns or results will not be materially lower than those presented.

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