NBC | SECURITIES

INVESTMENT STRATEGY STATEMENT | June 30, 2025

Equities Extend Rally

by Darren Hinshaw, Pierre G. Allard & Christopher Fidler

Performance Review & Outlook

Equities extended their rally in June, with the S&P 500 rising 5% and the Nasdaq gaining approximately 6.5%, building on strong May performance. The rally was driven by resilient economic data, mega-cap tech strength, and the potential for rate cuts sometime this year.

Tariff tensions eased further, as the 90-day pause announced in April continued to hold and legal challenges remained in play. While uncertainty persists, markets are increasingly pricing in a narrower range of outcomes, with worst-case scenarios appearing less likely.

Middle East conflict injected volatility into global markets, particularly in energy and defense sectors. However, a U.S.-brokered ceasefire helped calm investor fears. Importantly, record-high U.S. energy production helped cushion the economic impact and limited price spikes.

The Fed held rates steady again in June, reinforcing a data-dependent approach and hinting at potential cuts later this year. The central bank's messaging, combined with softer inflation data, provided further reassurance to equity and bond markets.

Inflation continues to cool, with both Core CPI and Core PCE readings showing progress toward the Fed's 2% target. Headline and core metrics for May indicated ongoing disinflation despite tariff and geopolitical pressures.

Markets remain focused on fiscal policy, as the tax and spending bill works its way through Congress. Investors are awaiting final details, which could significantly impact growth, corporate margins, and market leadership in the second half of the year.

Equity Market Overview

Index	June Return	YTD Return
S&P 500	+5.0%	+5.5%
Nasdaq Composite	+6.5%	+5.5%

June extended the rally in U.S. equities, driven by resilient economic data and continued strength in mega-cap technology stocks. The S&P 500 advanced 5%, while the Nasdaq Composite climbed 6.5%, building on May's robust gains. Both indices closed the month at all-time highs. Investor optimism was buoyed by better-than-expected inflation readings and a dovish tone from the Federal Reserve, suggesting potential rate cuts later in the year as well as continued progress on lowering trade tensions. These positives were enough to offset turmoil in the Middle East and lower personal spending data.

Geopolitical tensions flared in the Middle East, injecting volatility into global markets, particularly in energy and defense sectors. The escalation centered around strikes between Israeli forces and Iranian-backed militias, raising fears of a broader regional conflict. Following several weeks of back-and-forth air strikes, U.S. intervention and diplomatic efforts led to a cease fire, calming energy markets and easing investor nerves. Importantly, as we've discussed previously, the U.S. currently produces more energy than it consumes and pumps over 13mm barrels of crude daily, significantly higher than the 5mm produced in 2010. While turmoil in the Middle East is never good, the rise in U.S. energy production has led to much lower energy price volatility than we've historically experienced.

Tariff and trade developments continue to influence both market sentiment and broader economic trends, but the landscape has become somewhat more stable in recent weeks. While uncertainty remains, particularly with the 90-day pause announced in April set to expire in July, the range of potential outcomes appears to have narrowed, and the most severe "very bad" scenarios are increasingly seen as unlikely. Markets seem to be adjusting to a new baseline, with expectations around tariffs more favorable now than they were on April 2nd. Still, the approaching July deadline may introduce short-term headline volatility, as investors and policymakers gauge the likelihood of further escalation—or resolution—in trade negotiations.

Additionally, markets remain focused on the progress of the tax and spending bill currently moving through Congress, with investors awaiting final details that could have significant implications for both fiscal policy and economic growth. While key provisions have been outlined, uncertainty around the scope and timing of the bill's passage is keeping some investors cautious and its resolution will be a key watchpoint in the weeks ahead.

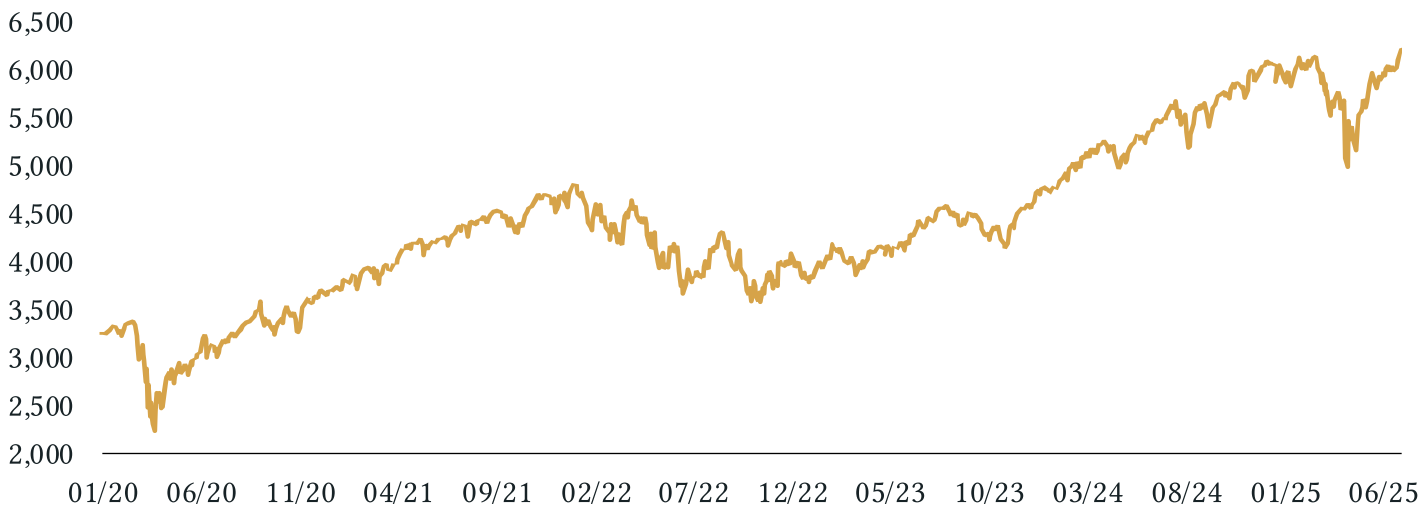
Sector and Index Performance

In addition to improving trade sentiment and inflation data, corporate earnings played a key role in June's rally:

- Information Technology, once again the leading sector within the S&P 500, posted a **~10%** gain for the month.
- The Nasdaq Composite, heavily weighted toward tech, climbed **~6.5%** and is now higher by **~5.5%** for the year.
- The S&P 500 closed June at 6,205, adding **5%** for the month and marking a YTD gain of around **5.5%.**

In our view, equity markets are benefiting from a potential reacceleration in earnings growth in the second half of the year, improving inflation data and the potential for rate cuts at some point this year. We believe volatility is likely to persist until clarity emerges on trade policy and its economic implications.

S&P 500 Price Index



Fixed Income Market Overview

In June, Fixed Income markets remained firmly within the range NBCS Asset Management has predicted for several months.

> *The 10-year U.S. government bond yield did test the upper bound of our predicted range at 4.50% but closed the month at 4.23%.*

This pullback in rates occurred primarily after the June FOMC meeting. While Fed Chair Jerome Powell maintained his "wait and see" approach to monetary easing, other Fed Governors presented a somewhat mixed message. Specifically, Governors Christopher Waller and Michelle Bowman stated that, with inflation healthy and employment stable, a federal funds rate cut could come as early as the Fed's July meeting.

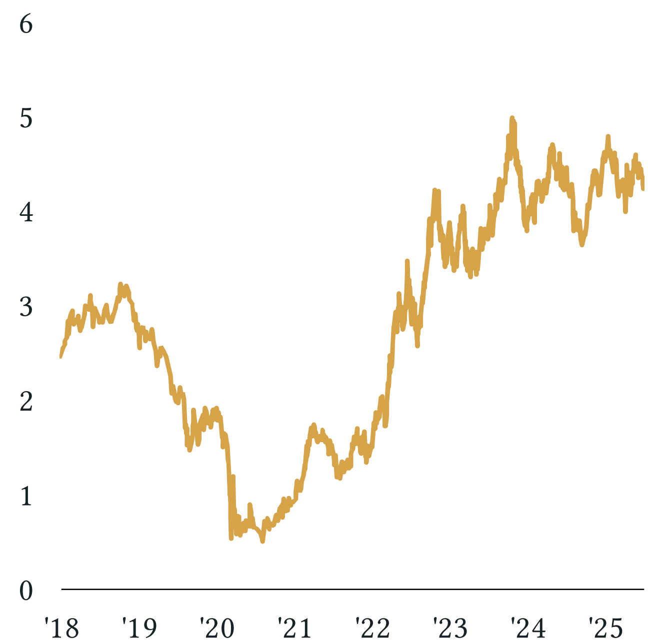
> *During his testimony before Congress on June 24, Powell stated that the Federal Reserve "is well-positioned to learn more about price increases before changing interest rates." This statement is arguably the most significant from the Fed Chair regarding the future interest rate environment.*

The Fed is indeed well-positioned: to cut rates should we see continued slowing in labor markets or the broader economy; to raise rates if inflationary pressures increase due to U.S. trade and tariff policy; or to maintain the status quo if these factors offset each other. This latter outcome could very well define 2025.

NBCS Asset Management has long maintained the stance that the current interest rate environment has returned to "normal."

The presence of yield, a departure from the very low interest rate environment of the past two decades, now provides the Fed with the flexibility to adjust yields as the economy evolves. Furthermore, yield offers investors an opportunity to strategically position their portfolios with fixed income investments that can offset downturns in equity markets, while also delivering attractive returns. For both the Federal Reserve and fixed income investors, this theme of being "well-positioned" represents a highly favorable outlook.

10 Year U.S. Treasury Yield (%)



12-Month Percentage Change of Indices

Index (Local Currency)	Level	June	YTD	12 Month
S&P 500	6,204.95	5.1%	6.2%	15.1%
Dow Industrials (DJIA)	44,094.77	4.5%	4.5%	14.7%
Nasdaq	20,369.73	6.6%	5.9%	15.7%
Russell 2000	2,175.04	5.4%	-1.8%	7.7%
U.S. 2yr Treasury	3.72	-4.6%	-12.3%	-23.7%
U.S. 10yr Treasury	4.23	-3.9%	-7.5%	-6.0%
Gold (NY Spot $/oz)	3,303.14	0.4%	25.9%	41.9%
Silver (NY Spot $/oz)	36.11	9.5%	24.9%	18.7%
Copper ($/metric ton)	10,050.69	5.3%	16.2%	1.4%
Oil (WTI Spot/bbl)	65.11	7.1%	-9.2%	-15.4%
Oil (Brent Spot/bbl)	67.61	5.8%	-9.4%	-17.2%
Natural Gas ($/mmBtu)	3.456	0.3%	-4.9%	33.6%

Data as of June 30, 2025
Source: FactSet/Bloomberg

Economic Overview

Key Economic Indicators

JOB MARKET

Employment Report
In May, the U.S. economy added 139,000 jobs, modestly above expectations (~125K) and slightly down from the 147,000 jobs added in April (revised). The unemployment rate remained steady at 4.2% for the third consecutive month, with the labor force participation rate ticking down to 62.4%. This marks the 53rd consecutive month of job gains, the second-longest streak on record.

Initial Jobless Claims
For the week ending June 21, initial jobless claims declined to 236,000 from 245,000 the previous week. The four-week moving average came in at 245,000, a slight uptick but remaining near historical lows.

HOUSING MARKET

House Prices
The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index reported a 2.7% annual gain in April, down from 3.4% in March and 4.0% in February. This deceleration suggests a cooling in home price appreciation, bringing it closer to long-term averages.

PERSONAL INCOME & SPENDING

Personal Income & Spending
In May, personal income decreased by -0.4%, while personal consumption expenditures (PCE) decreased by -0.1%. Over the past 12 months, spending and income have both grown by 4.5%.

Economic Overview

Key Economic Indicators

CONSUMER SENTIMENT

University of Michigan Consumer Sentiment
The index increased to 60.7 in June following a decline to 52.2 in May. The climb was driven by lower inflation expectations and an increase in the current conditions component, often impacted by market sentiment.

ECONOMIC GROWTH

GDP Growth
The final estimate for Q1 2025 indicates that real GDP contracted by 0.5%, revised lower from the initial -0.3% estimate. The decline was primarily due to a surge in imports ahead of anticipated tariffs, which widened the trade deficit and offset gains in business investment.

GDPNow Estimate
At the end of June, the Atlanta Fed's GDPNow forecast stood at 2.8%, with a large portion of the gain attributable to the reversal in the imports data.

INFLATION

Consumer Price Index (CPI)
In May, the CPI increased by 0.1% month-over-month, with a year-over-year rise of 2.4%. Core CPI, excluding food and energy, rose by 0.1% for the month and 2.8% over the past 12 months, indicating a continued moderation in inflation pressures.

Personal Consumption Expenditures (PCE) Price Index
The PCE price index rose by 2.3% year-over-year in May. Core PCE, the Federal Reserve's preferred inflation measure, increased by 2.7% over the same period.

Conclusion: The Good, The Bad, and The Uncertain

The Good

June extended the rally in U.S. equities to all-time highs, highlighting the market's resilience amid a complex policy environment. The S&P 500 gained 5% and the Nasdaq rose by approximately 6.5%, pushing both indexes into positive territory for the year. Investors were buoyed by cooling inflation data and a more dovish tone from the Federal Reserve, which raised hopes for potential rate cuts later in the year. Strong earnings—particularly in mega-cap tech—fueled further gains, with Information Technology posting an 8% monthly return. Trade tensions also appeared to ease modestly, as the likelihood of worst-case tariff outcomes diminished. Additionally, U.S. energy independence continued to act as a buffer against global supply shocks, softening the market impact of Middle East volatility.

The Bad

Despite the rally, challenges remain. Geopolitical tensions in the Middle East injected fresh volatility into global markets, especially in energy and defense sectors, and served as a reminder of the fragility of global stability. Meanwhile, personal consumption data showed a slowdown in spending, raising questions about the strength of the consumer heading into the second half of the year. Initial jobless claims have risen slightly, suggesting potential softening in the labor market. Fiscal risks also persist, as the fate of the tax and spending bill remains unresolved and the U.S. continues to navigate high levels of public debt.

The Uncertain

Trade policy remains a key source of uncertainty. While the 90-day tariff pause announced in April helped calm markets, its expiration in July could bring renewed headline risk and policy unpredictability. Investors are also watching the ongoing negotiations in Congress over tax and spending legislation, the outcome of which could significantly affect corporate planning and economic momentum. Finally, while inflation trends are encouraging, it remains unclear whether the Fed will follow through on anticipated rate cuts, especially if geopolitical or supply-side shocks emerge. Until more clarity emerges on these fronts, markets are likely to remain sensitive to new developments.

Authors

Darren Hinshaw
Director of Research

Pierre G. Allard
Chief Investment Officer

Chris Fidler
Director of Fixed Income Trading

Disclosures

Securities and Investment Advisory services offered exclusively through NBC Securities, Inc. (“NBC Securities”) member FINRA and SIPC. NBC Securities is registered as an investment adviser with the U.S. Securities and Exchange Commission.

Any specific securities referenced in this commentary may or may not be held in client portfolios.

Some information contained herein has been obtained from third party sources believed to be reliable but has not been independently verified by us; its accuracy or completeness is not guaranteed. Our commentary is based on information considered to be reliable, but no representation is made that it is accurate or complete and should not be relied upon as such. The views expressed represent the opinions and beliefs at the time of this commentary and are not meant as a market forecast. These views are subject to change at any time based on market or other conditions and NBC Securities disclaims any responsibility to update such views. This information may not be relied on as investment advice or as an indication of trading intent on behalf of any portfolio. Portfolio investments may change at any time. Economic and performance information referenced is historical and past performance does not guarantee future results. References to future returns are not promises or estimates of actual returns we may achieve, and should not be relied upon. No investment strategy or risk management process can guarantee returns or eliminate risk in any market environment. Investing in securities involves risk of loss. Stock prices can decline significantly in response to adverse market conditions, company-specific events, and other domestic and international political and economic developments.

WARNING: All email sent to or from this address will be automatically recorded by NBC Securities email system and is subject to monitoring and/or disclosure to someone other than the recipient, including public authorities, in compliance with applicable laws.

THIS MESSAGE, INCLUDING ANY ATTACHMENTS, IS INTENDED ONLY FOR THE USE OF THE INDIVIDUAL OR ENTITY TO WHICH IT IS ADDRESSED AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, CONFIDENTIAL, AND EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAW.

If you are not the intended recipient you are hereby notified that dissemination, distribution or copying of this communication is strictly prohibited. If you have received this message in error, please notify us immediately by replying to this message. Thank you.