

THE MAY '25 SHARPE REPORT: THE REBOUND CONTINUES

ECONOMY

Economic data continues to show a strong, growing economy. Even soft data (surveys) is now seeing improvement, with U.S. consumer confidence experiencing its largest increase in over four years, rising by 12.3 points to 98.0. Labor market data remains strong, with weekly jobless claims 4-week moving average at 230k, well below recessionary periods at 350k-375k. Personal Consumption Expenditures (PCE) came in at 2.1%, which was the lowest level since 2021. Both PCE and Core PCE (excluding food and energy) only rose by 0.1% m/m, showing a clear slowdown in inflation. The consumer remains resilient, with personal income increasing 0.8% m/m, and personal savings increasing 0.6% m/m. As a result, the Atlanta Fed GDP Now tracker rose to a remarkable 3.8% growth as of May 30. Inflation continues to trend towards the Fed's 2% goal, and they should consider lowering interest rates in the coming months.

STOCK MARKET

U.S. equity markets continued their V-shaped recovery in May. We saw de-escalations in trade with both China and the European Union, which provided a spark to equities to begin the month. The S&P 500 ended May up 6.15%, posting its best month since November 2023. Technology led the charge, rising 10.79%, communication services and consumer discretionary rose by ~9.0%, and industrials by 8.63%. Healthcare was the only sector that ended the month negative. First quarter earnings saw 12% growth, while expectations were only 7%. Corporate margins continue to be resilient despite tariff pressures. Gold declined m/m for the first time since December 2024. M&A activity continues to improve, now up 17% year-to-date. Technology M&A leads the way, having \$156.8 billion in deals completed year-to-date. We expect M&A and de-regulation activity to continue to improve throughout the year. Equity markets remain responsive to the ever-changing tariff environment.

BOND MARKET

Market sentiment displayed a mixed profile amid ongoing trade policy developments and a U.S. credit rating downgrade by Moody's, prompting heightened discussions regarding appropriate U.S. Treasury yield levels. In May, the 2-year Treasury yield increased by 29 basis points to 3.9%, while the 10-year Treasury yield rose by 24 basis points (bps) to 4.4%. Credit spreads tightened significantly across both investment-grade (17 bps tighter to +134) and high-yield (49 bps tighter to +371) further signaling economic strength. IG spread levels have returned to pre-Liberation Day tightness while high-yield spreads have contracted 18 basis points compared to the pre-tariff announcement.

PUTTING IT ALL TOGETHER

Despite Moody's U.S. credit downgrade and tariff volatility, equity and fixed income markets saw improvements in May. Hard economic data remains positive despite negative sentiment – the labor market remains strong, inflation is cooling, and consumers remain resilient. The latest GDP reading of 3.8% growth does not indicate an economy in distress. Corporations continue to grow and beat expectations, further adding fuel to the post-Liberation Day recovery. With first quarter earnings season coming to an end, we expect trade negotiations and tariff headlines to drive market volatility in the coming months.

Inflation data continued to cool, the labor market remained stable, and GDP estimates improved. The overhang of tariff uncertainty remains.



Economic Data	As of May-25	Last Period	Last Year
GDP	3.80%	-0.3%	3.0%
CPI	2.30%	2.40%	3.40%
PCE	2.10%	2.30%	2.0%
Unemployment Rate	4.20%	4.20%	3.90%
Nonfarm Payrolls	177K	228K	175K
Consumer Confidence	98	86	97.8

Source: FactSet. As of May 30, 2025.

Stocks continued their post-Liberation Day recovery in May, posting the best month since 2023. Technology led the way, increasing by almost 11%.



Equities	May-25	QTD	YTD
S&P 500	6.15%	1.06%	0.51%
DJIA	3.94%	-2.13%	-0.56%
Nasdaq Composite	9.56%	4.48%	0.61%
ACWI Ex-U.S.	4.66%	7.27%	14.03%
Russell 3000	5.55%	0.98%	0.06%

Source: FactSet. As of May 30, 2025.

Treasuries remained range bound, driven by volatile tariff negotiations and a resilient economy. Credit spreads continued to tighten across the curve through May.

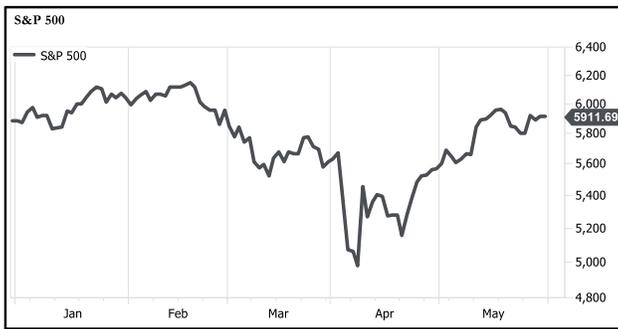


Fixed Income	As of May-25	As of Apr-25	As of Mar-25
Federal Funds Rate	4.25-4.50%	4.25-4.50%	4.25-4.50%
2-Year Treasury Yield	3.90%	3.60%	3.88%
10-Year Treasury Yield	4.40%	4.17%	4.21%
Investment Grade Spread	+135 bps	+153 bps	+132 bps
High Yield Spread	+372 bps	+434 bps	+390 bps
30-Year Fixed Mortgage Rate	6.95%	6.89%	6.71%

Source: FactSet. As of May 30, 2025.

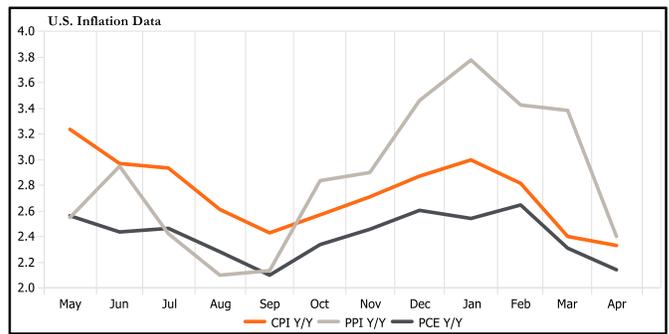
*Stars signify the strength of economic and market performance in the month.

S&P 500



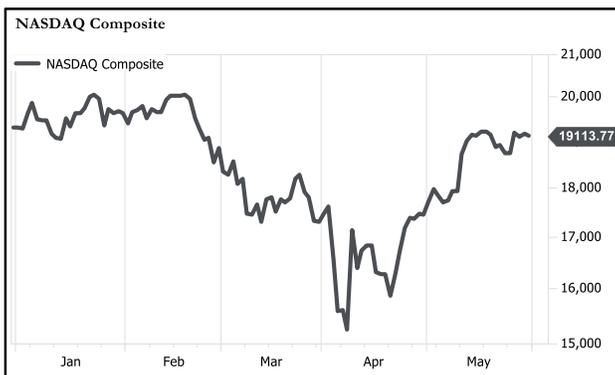
Source: FactSet. As of May 30, 2025.

U.S. Inflation Rates



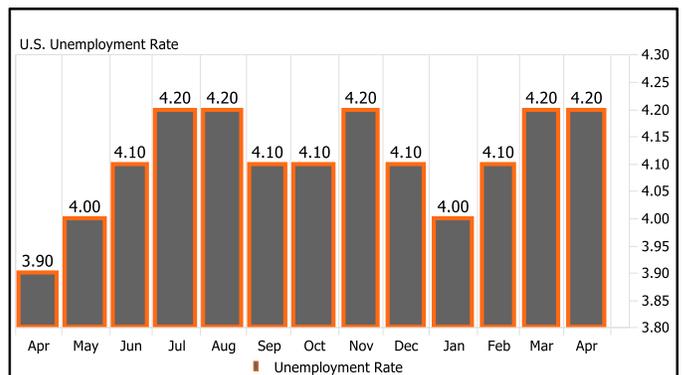
Source: FactSet. As of May 30, 2025.

NASDAQ Composite



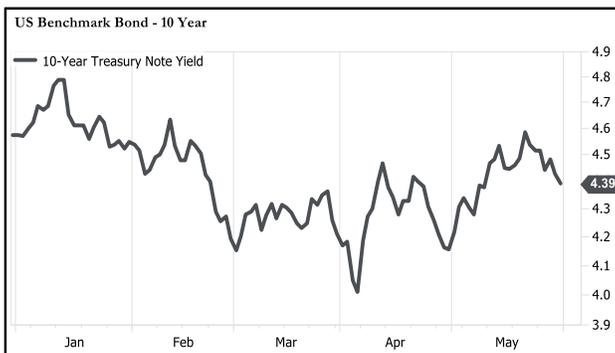
Source: FactSet. As of May 30, 2025.

U.S. Unemployment Rate



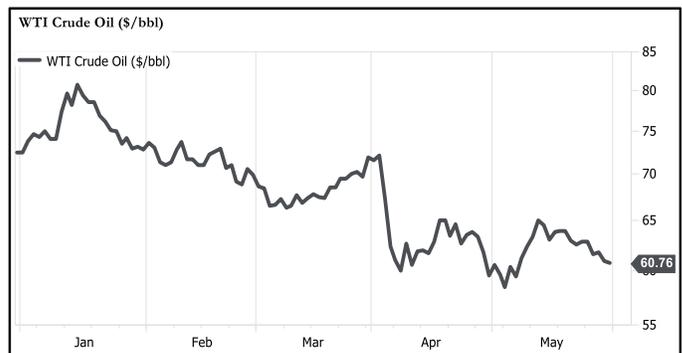
Source: FactSet. As of May 30, 2025.

10-Year Treasury Note Yield



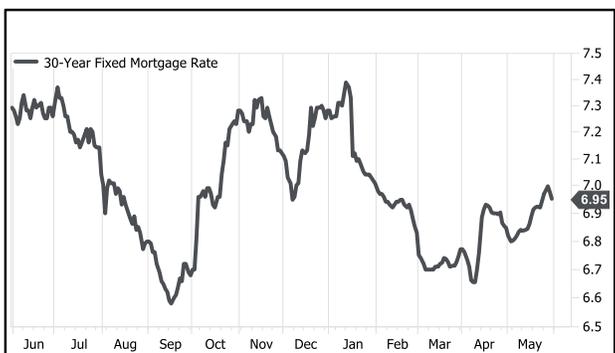
Source: FactSet. As of May 30, 2025.

WTI Crude Oil (\$/bbl)



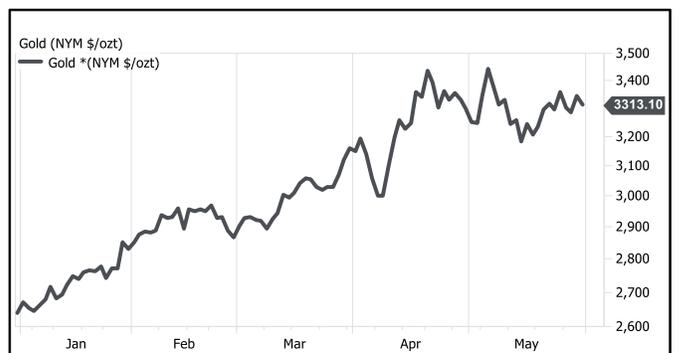
Source: FactSet. As of May 30, 2025.

30-Year Fixed Mortgage Rate



Source: FactSet. As of May 30, 2025.

Gold (NYM \$/ozt)



Source: FactSet. As of May 30, 2025.



HIGHTOWER

Investment Solutions

200 W MADISON, 25TH FLOOR
CHICAGO, IL 60606
(312) 962-3800
HIGHTOWERADVISORS.COM

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