



Five in Five

June 2025



Treasury Yields

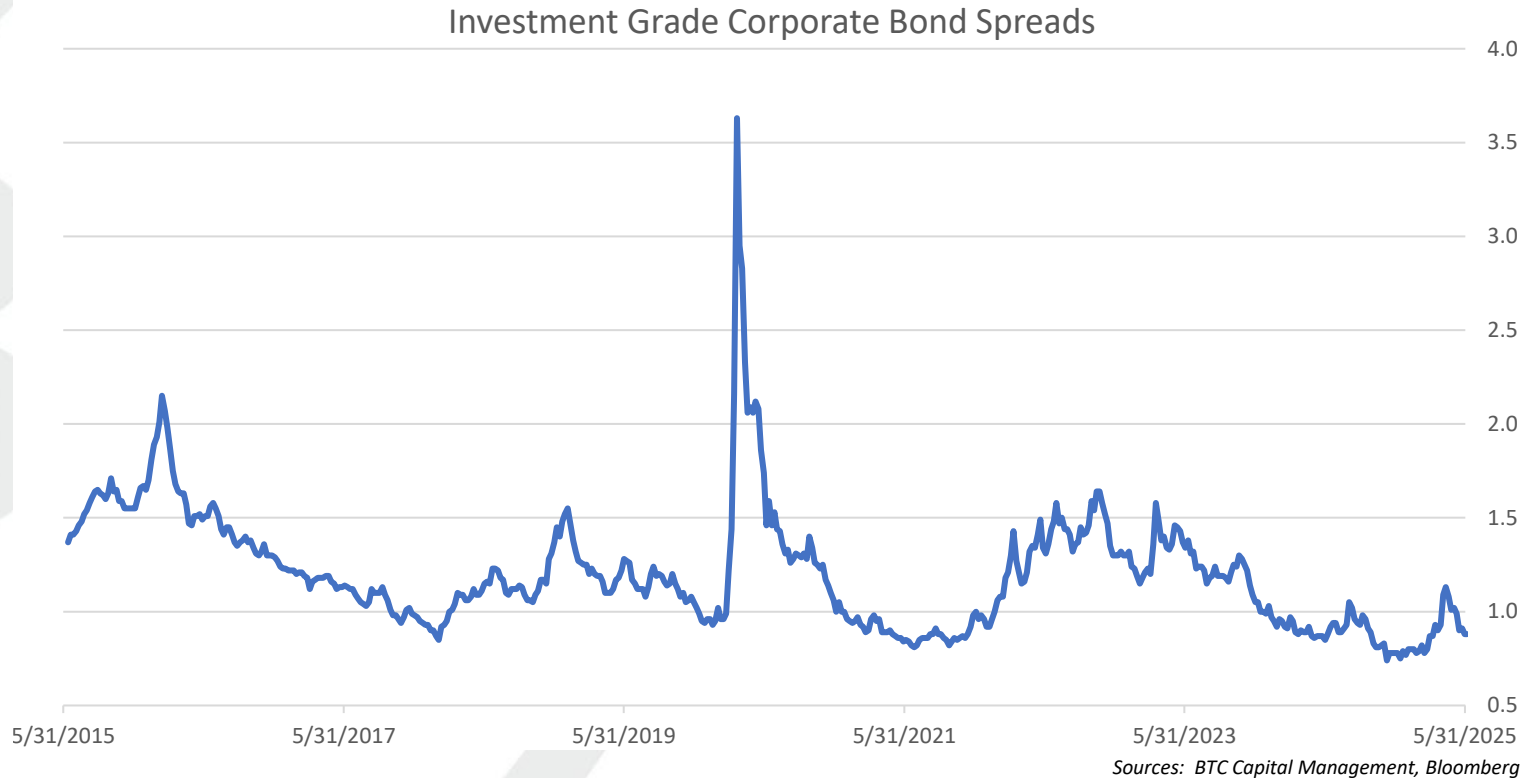
10-year Implied Inflation Rate



Sources: BTC Capital Management, Bloomberg

- The 10-year implied average inflation rate is 2.2%.
- Higher interest rates are not due to higher expected inflation.
- Nominal GDP averaged 4.1% in the 20 years prior to COVID.
- The 10-year Treasury at 4.5% seems to imply 2.3% real GDP with 2.2% inflation.

Corporate Bonds



- Despite the CBOE Volatility Index (VIX) hitting 60 twice in the last year, drawdowns have been minimal.
- Corporate bonds generally fare better if all-in yields are high.
- Credit fundamentals remain strong.

Large Cap Growth Stocks Rally in May

May 2025

	<i>Value</i>	<i>Core</i>	<i>Growth</i>
<i>Large</i>	+2.8%	+6.2%	+9.3%
<i>Mid</i>	+4.3%	+5.3%	+6.1%
<i>Small</i>	+4.1%	+5.1%	+5.9%

Source: PSC Portfolio Strategy

- After falling almost 9% during the first four months of the year, large cap Growth stocks recovered their losses during the month of May.
- Investors adopted a “risk-on” mentality during May, rotating back into sectors such as Information Technology.
- Value stocks posted a positive gain as well during May and are still outperforming Growth stocks year-to-date (YTD).

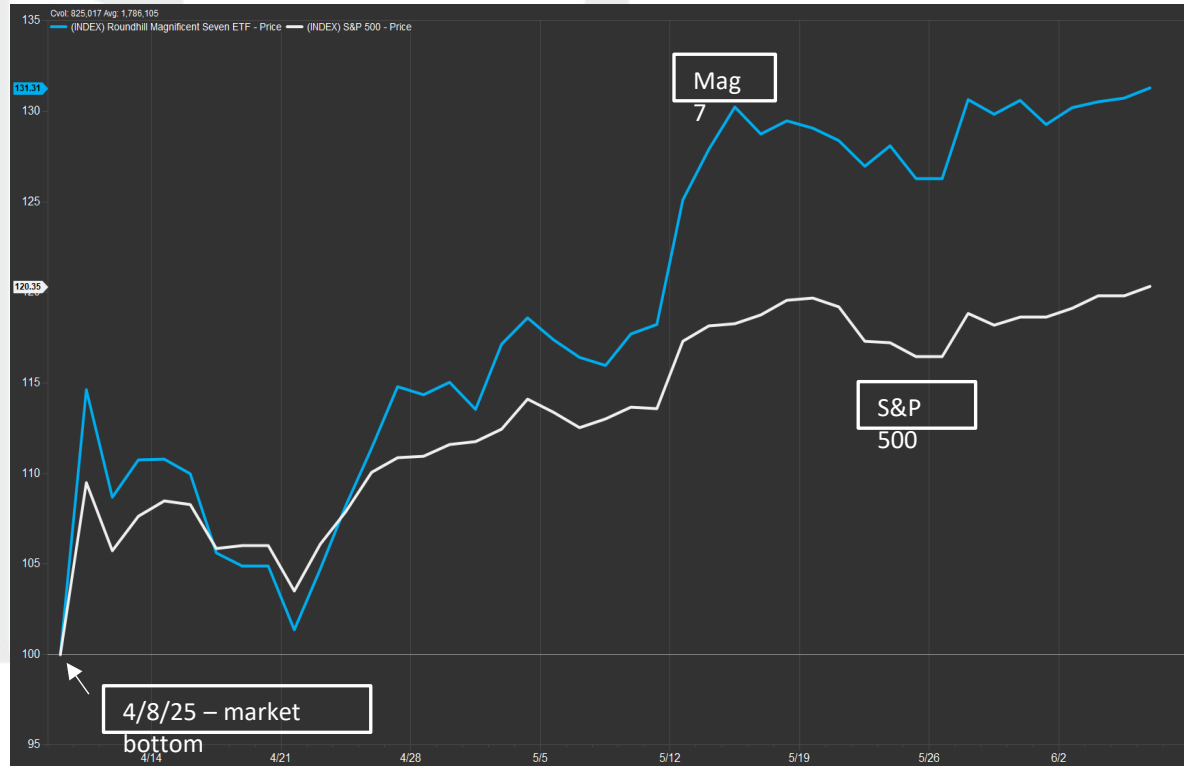
Pending Home Sales Reach Multi-decade Lows



Sources: BTC Capital Management, FactSet

- Pending home sales in April fell 6.3% to the third lowest level in the last 25 years.
- With 30-year mortgage rates edging close to 7% and continued concerns regarding potential higher costs due to tariffs, potential home buyers decided to stay on the sidelines.
- Home builders have been discounting prices in efforts to combat the lackluster demand as home prices fell slightly in March, the first decline in prices in over two years.

Magnificent 7 Outperforming Since Recent Market Bottom



Sources: BTC Capital Management, FactSet

- Since the recent market bottom on April 8, the Magnificent 7 has come roaring back, gaining approximately 30% while the S&P 500 is up 20%.
- Investors have invested a “risk-on” mentality of late, as flows have rotated back into the mega cap tech stocks.
- NVIDIA (+47%) and Telsa (+50%) have seen significant gains since April 8 as investors now have assessed the potential impact of tariffs and have shifted investment flows to relatively longer duration stocks.

Disclosures

- *Sources: BTC Capital Management, Bloomberg, FactSet, PSC Portfolio Strategy*
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