MONTH IN REVIEW

Prime Capital

Quick Takes

- Stocks Higher. U.S. equity indices were higher in June as conflict escalated and then de-escalated in the Middle East and congress tries to enact fiscal changes. The S&P 500 rose 5% and the Nasdaq 100 and the Magnificent 7 both rose over 6% as AI optimism continues to drive technology shares.
- Inflation and Interest Rates. The 10Y treasury yield fell in June to 4.2% as the U.S. Senate reviewed and debated the Big Beautiful Bill legislation passed by the House in May. The Fed kept interest rates unchanged and Core CPI inflation remained at 2.8%.
- Apple's Al Woes. Apple announced in June that it is considering using externally-developed AI models like ones offered by Open AI and Anthropic to power a new version of Siri on its devices instead of an internal model in a major reversal of the company's AI strategy.
- **Big Beautiful Bill.** The Senate reviewed the Big Beautiful Bill legislation that the House passed a version of in May. The bill extends the 2017 tax cuts and adds new tax exemptions while cutting Medicaid and other social spending and increasing spending for defense and border security.

Asset Class Performance

Small caps outperformed large caps in June. U.S. stocks outperformed developed market stocks but underperformed emerging markets as economic data remains mixed and the Fed held interest rates steady. Stocks and bonds were generally higher in June while real estate fell slightly.



Source: Bloomberg, as of July 7, 2025. Asset-class performance is presented by using total returns for an index proxy that best represents the respective broad asset class. U.S. Bonds (Barclays U.S. Aggregate Bond TR), U.S. High Yield (Barclays U.S. HY 2% Issuer-Capped TR), International Bonds (Barclays Global Aggregate ex USD TR), Large Caps (S&P 500 TR), Small Caps (Russell 2000 TR), Developed Markets (MSCI EAFE NR USD), Emerging Markets (MSCI EM NR USD), Real Estate (FTSE NAREIT All Equity REITS TR).



June 2025 Markets & Macroeconomics

Consumer spending declines and the Fed keeps rates unchanged

Retail Sales Advance MoM

Retail sales fell 0.9% MoM in May, the largest decline since March 2023



Source: Bloomberg, U.S. Census Bureau

U.S. consumers have become increasingly cautious on spending as retail sales declined in May by 0.9% from April levels marking the second consecutive monthly decline and the largest month-over-month decline in over two years. Motor vehicle and parts stores, food and beverage services, and building garden materials and experienced particularly large declines. Core CPI inflation remained flat, although was below expectations, in May coming in at 2.8% while headline CPI inflation came in at 2.4%. Shelter, medical care services, and education services inflation eased slightly in May while transportation services, transportation commodities, and and household furnishings supplies experienced acceleration in their inflation rates year-over-year, although these changes were slight. Food and energy inflation both accelerated during the month, although energy inflation Dec remained negative. Core PCE inflation came in slightly higher than forecasted

at 2.7% and the headline figure came in at 2.3%. In the labor market, the U.S. added 139K jobs in May, mostly in education and health services and leisure and hospitality. Professional and business services experienced a decline of 18K jobs month-over-month as businesses laid off administrative and support staff. The manufacturing also

shed 8K jobs and mining and logging each cut 1K positions in May. April's job additions figure was revised down from 177K new positions to 147K jobs. Initial jobless claims have also been rising in recent weeks, although they declined in the final week of June, with the 4-week moving average now at 245.0K claims. The labor force participation rate fell slightly in May from 62.6% to 62.4% and unemployment rate remained the unchanged at 4.2%. On June 18th, the Fed announced that it was maintaining its policy rate at 4.25-4.50% with the consensus among FOMC participants being that the policy rates will be cut by 50 bps from current levels by the end of 2025. The Fed also reduced its GDP growth outlook for 2025 to 1.4% and increased its PCE inflation projection to tariffs driving 3% with inflation expectations higher.

Bottom Line: The Fed continued to maintain its policy rate in place at the June meeting and reduced estimates for GDP growth while increasing its inflation forecast. Consumers cut back in May while inflation remained unchanged. Initial jobless claims have increased in recent weeks amid slower job growth.

Initial Jobless Claims







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June 2025 What's Ahead

Israel, US strike Iran in an effort to take out the country's nuclear facilities

Israel's Strikes against Iran

Attacks from 6/20 to 6/23

The conflict between Israel and Iran has had an iron grip on headlines throughout the month of June as investors assessed and reassessed the impacts on global markets. In the second half of May, signs of a potential conflict between the two nations began to present themselves. Israel has been carrying out major attacks in the Gaza strip against Hamas, the US designated terrorist organization responsible for the attack on October 7, 2023 that killed about 1,200 Israelis and took many others hostage. The war in Gaza has been responsible for about 60.000 Palestinian deaths since it began after the attack. Hamas leaders had met with Iranian officials in the final two weeks of May in Tehran. At the same time, Iranian officials were participating in talks with the U.S. around its nuclear program. By May 21, talks began to fall through although the two sides agreed to keep negotiating. As the talks fell through, news reports were indicating that Israel was preparing for a strike on Iran, sending oil prices sharply higher. Iran responded by urging UN officials to put diplomatic pressure on Israel and threatened retaliation if they chose to strike. In early June, Israel carried out strikes in Beirut in neighboring

WTI Crude Price in June

Oil prices rose sharply in the first three weeks of June as tensions rose



nuclear research center on Friday. Mashhad Tehran Multiple strikes Israel struck a Haifa efueling plane at
an airport Sunday. included at least two at Iranian missiles hit Israel's largest oil major energy facilities. refinery on Monday. Tel Aviv Retaliatory strikes by Iran began Friday and have continued. Natanz Iran's main nuclear enrichment facility was attacked on Friday. ISRAEL IRAN

Tabriz Explosions were reported near a



Lebanon in an attempt to destroy an underground weapons manufacturing operation run by Hezbollah, a terrorist organization supported by Iran. It was the biggest strike on Lebanon by Israel since the two countries agreed to a ceasefire in November. Iran, meanwhile, was continuing to enrich large amounts of uranium despite talks with the U.S. and indicated that they had obtained access to files containing sensitive information

about Israel's nuclear program. On June 12, Israel lunched strikes against Iran targeting its nuclear facilities and military infrastructure. These attacks continued for many days and reportedly killed 224 people in Iran by the fourth day, including senior military leaders in the country. Iran retaliated with strikes against Israel that killed 24 and injured hundreds by the fourth day. The U.S. first pushed for a diplomatic solution to the conflict, but that changed on June 21 when President Trump announced that U.S. forces had struck Iran's Natanz, Fordow, and Isfahan nuclear facilities. 80.00 Iran retaliated on June 23 with a barrage 78.00 of missiles fired at a U.S. military base in Qatar, but all of the missiles were 76.00 intercepted in Qatar and the base was evacuated before the attack as Iran had given notice to both Qatar and the U.S. 72.00 On June 24, Israel and Iran agreed to a fragile ceasefire. Oil prices fell and stocks rallied as the conflict subsided and Iran and Israel both demonstrated a desire to de-escalate.

> Bottom Line: Iran is a key energy producer in the Middle East and further conflict could send oil prices higher, but a fragile peace has been reached for now.



June 2025 Equity Themes

What Worked, What Didn't

- Small Outperformed Large while Growth Outperformed Value. Market participants moved more into small caps and growth stocks in June as investors added risk on the de-escalation of the conflict between the Iran and Israel.
- High Beta and Momentum Outperformed. High beta outperformed low volatility and quality outperformed momentum in June.
- **Domestic Over International, Developed Over Emerging.** Domestic equities outperformed international stocks in June. Emerging markets outperformed developed markets during the month.



Source: Bloomberg.

June 2025 Bond Themes

What Worked, What Didn't

- Short Duration Outperformed while High Yield Beat Investment Grade. Long duration treasuries performed better in June outperforming short duration. Investment grade outperformed high yield during the month.
- Credit Tops Duration while Treasuries Beat TIPS. In June, duration outperformed credit while treasuries outperformed TIPS despite elevated inflation expectations.
- Munis Beat Taxable and International Outperforms Domestic. Taxable bonds significantly outperformed municipal bonds, while U.S. bonds outperformed their international peers in June.



June 2025 Asset Class Performance

The Importance of Diversification. From period to period there is no certainty what investment will be the best, or worst, performer. Diversification mitigates the risk of relying on any single investment and offers a host of long-term benefits, such as less portfolio volatility, improved risk-adjusted returns, and more effective compounding.

	Jun-	Jun-	Jun-	Jun-	Jun-	Jun-	Jun-	Jun-	Jun-	Jun-	Jun-	Jun-	Jun-	Jun-	Jun-	Jun-	Jun-	Jun-	Jun-	Jun-	Jun	YTD	
	02	03	04	05	06	09	10	11	12	13	16	17	18	20	23	24	25	26	27	30			
High	IEQ 1.07	SCG 1.70	EM 1.24	EM 0.52	SCG 1.58	EM 0.85	SCV 0.92	IBD 0.44	IBD 0.79	HYB -0.30	MCG 1.54	USB 0.31	SCG 0.55	IBD 0.38	SCV 1.47	EM 2.59	LCG 0.35	SCV 1.62	IEQ 0.90	MCG 0.92	EM 5.89	IEQ 20.27	High
Î	SCG	SCV	USB	SCG	SCV	SCV	RE	EM	IEQ	IBD	SCG	НҮВ	SCV	НҮВ	RE	MCG	IBD	SCG	LCG	IBD	SCV	EM	1
	0.78	1.53	0.60	0.15	1.55	0.85	0.89	0.42	0.77	-0.34	1.34	-0.11	0.54	0.31	1.40	1.78	0.25	1.61	0.57	0.71	5.10	16.45	
	EM 0.73	MCG 1.12	IBD 0.48	IEQ -0.07	MCG 1.11	IBD 0.52	LCG 0.64	USB 0.34	RE 0.51	USB -0.36	LCG 1.23	RE -0.37	MCG 0.47	MCV 0.17	LCG 1.22	SCG 1.68	EM 0.08	IEQ 1.12	MCV 0.28	LCG 0.68	LCG 5.01	IBD 16.07	
	LCG	MCV	IEQ	SCV	LCG	SCG	EM	MCG	LCG	RE	EM	IBD	MCV	LCV	SCG	LCG	USB	LCG	LCV	RE	SCG	MCG	
	0.63	0.93	0.45	-0.07	0.99	0.47	0.57	0.11	0.39	-0.88	1.21	-0.41	0.37	0.15	1.00	1.45	-0.01	0.93	0.27	0.68	5.01	9.61	
	IBD	LCG	60/40	RE	LCV	60/40	MCV	60/40	USB	60/40	MCV	60/40	RE	USB	MCG	IEQ	НҮВ	MCG	RE	MCV	MCG	60/40	
	0.56	0.71	0.36	-0.08	0.98	0.15	0.55	0.04	0.37	-0.91	1.00	-0.54	0.33	0.09	0.95	1.22	-0.02	0.91	0.18	0.47	3.12	8.76	
	MCG 0.35	LCV 0.58	LCG 0.31	MCV -0.15	MCV 0.91	USB 0.12	LCV 0.38	HYB -0.03	60/40 0.37	LCV -1.00	SCV 0.93	LCV -0.82	LCV 0.19	RE 0.00	LCV 0.83	IBD 1.10	60/40 -0.28	MCV 0.88	SCG 0.14	LCV 0.44	MCV 2.99	LCG 5.94	
	60/40	EM	RE	60/40	RE	RE	60/40	LCV	LCV	LCG	LCV	MCG	IEQ	SCV	MCV	60/40	IEQ	LCV	60/40	USB	LCV	LCV	
	0.30	0.24	0.26	-0.18	0.41	0.11	0.33	-0.13	0.23	-1.27	0.71	-0.86	0.17	-0.21	0.82	0.99	-0.55	0.71	0.14	0.40	2.81	5.83	
	LCV	нүв	нүв	LCV	IEQ	LCG	SCG	IEQ	EM	IEQ	60/40	LCG	нүв	60/40	EM	SCV	LCV	EM	IBD	60/40	IBD	НҮВ	
	0.15	0.19	0.19	-0.19	0.36	0.08	0.29	-0.17	0.17	-1.28	0.43	-0.89	0.15	-0.21	0.82	0.86	-0.57	0.67	0.12	0.40	2.73	5.03	
	RE	60/40	MCG	НҮВ	EM	MCV	НҮВ	SCG	MCV	MCG	IEQ	MCV	60/40	SCG	IEQ	MCV	MCG	60/40	SCV	НҮВ	60/40	USB	
	0.05	0.12	0.07	-0.21	0.32	0.05	0.24	-0.27	0.13	-1.30	0.37	-0.98	0.12	-0.25	0.75	0.86	-0.70	0.66	0.03	0.39	2.47	4.05	
	MCV 0.05	USB -0.07	SCG -0.19	IBD -0.22	60/40 0.26	HYB 0.05	USB 0.23	LCG -0.32	HYB 0.11	MCV -1.30	HYB 0.20	SCV -0.99	USB 0.07	MCG -0.45	60/40 0.64	LCV 0.83	MCV -0.80	IBD 0.37	HYB -0.05	EM 0.31	HYB 1.47	MCV 2.92	
	НҮВ	RE	MCV	USB	нув	LCV	IBD	MCV	MCG	EM	RE	SCG	EM	EM	USB	USB	SCV	нув	USB	SCG	USB	RE	
	-0.02	-0.20	-0.34	-0.26	-0.01	0.04	0.22	-0.39	-0.14	-1.59	0.03	-1.08	-0.02	-0.58	0.20	0.41	-1.05	0.29	-0.28	0.30	1.31	2.75	
	SCV	IBD	LCV	MCG	IBD	IEQ	IEQ	SCV	SCV	SCV	IBD	IEQ	IBD	LCG	НҮВ	RE	SCG	USB	EM	IEQ	IEQ	SCG	
Ţ	-0.08	-0.41	-0.39	-0.51	-0.45	-0.01	0.13	-0.44	-0.27	-1.75	-0.16	-1.23	-0.09	-0.69	0.19	0.40	-1.23	0.27	-0.39	0.06	1.25	-0.42	Ţ
Low	USB	IEQ	SCV	LCG	USB	MCG	MCG	RE	SCG	SCG	USB	EM	LCG	IEQ	IBD	нүв	RE	RE	MCG	SCV	RE	SCV	Low
	-0.26	-0.76	-0.44	-0.61	-0.51	-0.46	0.01	-0.52	-0.51	-1.98	-0.20	-1.31	-0.14	-0.90	0.13	0.28	-2.26	-0.12	-0.50	0.04	0.03	-3.16	

Legend	Large Growth	Mid Growth	Small Growth	Intl Equity	U.S. Bonds	Intl Bonds	
	(LCG)	(MCG)	(SCG)	(IEQ)	(USB)	(IBD)	
60/40 Allocation	Large Value	Mid Value	Small Value	Emg Markets	High Yield Bond	Real Estate	
(60/40)	(LCV)	(MCV)	(SCV)	(EM)	(HYB)	(RE)	

Source: Sources for this market commentary derived from Bloomberg. Asset-class performance is presented by using market returns from an exchange-traded fund (ETF) proxy that best represents its respective broad asset class. Returns shown are net of fund fees for and do not necessarily represent performance of specific mutual funds and/or exchange-traded funds recommended by the Prime Capital Financial. The performance of those funds in June may be substantially different than the performance of the broad asset classes and to proxy ETFs represented here. U.S. Bonds (iShares Core U.S. Aggregate Bond ETF); High-Yield Bond (iShares iBoxx \$ High Yield Corporate Bond ETF); Intl Bonds (SPDR® Bloomberg Barclays International Corporate Bond ETF); Large Growth (iShares Russell 1000 Growth ETF); Large Value (iShares Russell 1000 Value ETF); Mid Growth (iShares Russell Mid-Cap Growth ETF); Mid Value (iShares Russell Mid-Cap Value ETF); Small Growth (iShares Russell 2000 Value ETF); Small Value (iShares Russell 2000 Value ETF); Intl Equity (iShares MSCI EAFE ETF); Emg Markets (iShares MSCI Emerging Markets ETF); and Real Estate (iShares U.S. Real Estate ETF). The return displayed as "Allocation" is a weighted average of the ETF proxies shown as represented by: 30% U.S. Bonds, 5% International Bonds, 5% High Yield Bonds, 10% Large Growth, 10% Large Value, 4% Mid Growth, 4% Mid Value, 2% Small Growth, 2% Small Value, 18% International Stock, 7% Emerging Markets, 3% Real Estate. 080223006 - MAH

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