

May 2025

DeMarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for the Period Ended 05/31/2025

Global Overview

Global markets posted mixed signals in May amid shifting trade policy, conflicting economic data, and central bank action. U.S. equities performed well, led by the technology sector, as tariff de-escalations between the U.S. and China and a favorable court ruling on executive trade authority supported investor sentiment. In contrast, bond markets faced broad selloffs, while U.S. Treasury yields rose across the curve, and Japan saw its weakest 20-year bond auction since 2012 amid fiscal concerns. International equities also advanced, with both the MSCI EAFE and MSCI Emerging Markets indexes supported by strength in growth stocks.

U.S. Markets & Economy

U.S. equity markets rebounded in May, with major domestic indexes broadly posting gains. The tech sector led the rally, as the “Magnificent Seven” stocks collectively returned 13%, marking their strongest monthly performance since November of 2023. The increase significantly contributed to the S&P 500’s 6.3% gain for the month. Investor sentiment improved after the U.S. agreed to lower tariffs on Chinese goods from a proposed 145% to 30% for a 90-day period, while China reduced its tariffs on U.S. imports from 125% to 10%. On May 28, the U.S. Court of International Trade ruled that President Trump’s imposition of certain tariffs exceeded his executive authority under the International Emergency Economic Powers Act. The decision rendered many of the proposed “Liberation Day” tariffs invalid and served as a judicial restraint on the administration’s trade policy. Although the trade developments sparked a rebound in performance among equity indices, leading economic indicators remain mixed. The Conference Board Consumer Confidence Index increased by 12.3 points in May to 98.0, up from 85.7 in April. Manufacturing PMI slight decreased in May going from 48.7 to 48.5. Similarly, initial jobless claims increased in May, going from 226,000 to 240,000. Growth stocks outperformed their value counterparts in May, largely fueled by the aforementioned rebound in technology and mega-capitalization securities. The Russell 1000 Growth index increased 8.9% for the month, significantly outpacing the Russell 1000 Value index, which rose 3.5%. The trend was similar within small caps, where the Russell 2000 Growth rose 6.4%, outperforming the 4.2% return of the Russell 2000 Value index.

U.S. bond markets sold off during the month, as Treasury yields rose across most of the curve. The 10-year Treasury yield increased by 40 basis points to 4.4%, while the 2- and 3-year yields each rose 30 basis points to 3.9%. Long-duration bonds also came under pressure, with the 30-year yield climbing to 4.9%, up from 4.7% in April. As a result, both intermediate- and long-duration indices were negatively impacted, with the Bloomberg U.S. Aggregate and Bloomberg U.S. Long Government/Credit indices declining by 0.7% and 1.7%, respectively. Credit spreads narrowed across the corporate bond universe, as high yield spreads compressed from 394 basis points to 332 basis points, and investment-grade spreads tightened from 109 to 92 basis points. The ICE BofA U.S. High Yield Index posted a return of 1.7% for the month, as a result of tightening spreads.

International Markets & Economy

Inflation in the EU eased below the ECB’s target in May to 1.9% from 2.2% in April thanks to a sharp drop in services inflation and energy prices declining. Economists expect the ECB to cut its key rate in early June for the eighth time over the last year. President Trump planned to enact a 50% blanket tariff on all European imports on July 9th if there is no progress on trade negotiations. German GDP expanded 0.4% on a quarterly basis in Q1. To boost its stagnant economy, the economic czar of the new German administration pledged to increase infrastructure investment in the next decade and promised to finance 90% of the investments using private capital. German manufacturing PMI shrank to 48.3 in May from 48.5 in April. France Manufacturing PMI rose to 49.8 in May from 48.7 in April. In Q1, Japan’s GDP contracted by 0.2% on a quarterly basis and 0.7% on a yearly basis. The decline was largely due to a fall in exports after

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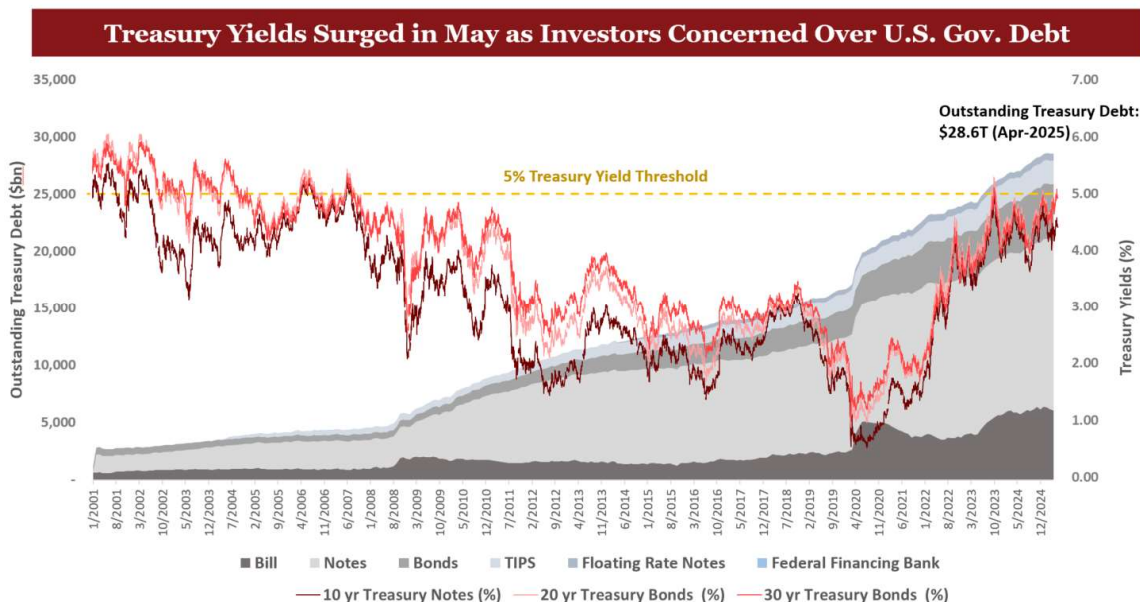
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the 10% overall and 25% car, steel and aluminum tariff imposed in April. This was the first contraction in Japan's GDP in a year and it showed the economic volatility following April's recovery. The data highlights the challenge central banks face when adjusting interest rates. When trying to lobby lawmakers against funding tax cuts with debt, Japanese Prime Minister Ishiba said Japan was the most indebted developed nation and its deteriorating finances were "worse than Greece." The commentary triggered one of the worst bond auctions in Japan's history. A sale of \$6.9 billion 20-year bonds attracted the weakest demand (bid-to-cover ratio of 2.49) since 2012. The Japanese 30-year bond yield reached 3.11%, the highest since 1999. The MSCI EAFE index returned 4.6% in May, primarily attributed to returns within growth space. To stimulate domestic consumption, the PBOC cut two key interest rates to historic lows. The one-year loan prime rate (LPR) had been lowered by 10bps to 3.0%, while the five-year LPR was reduced by the same margin to 3.5%. Boosted by performance within China, Taiwan, and India, the MSCI Emerging Market index returned 4.3%.

In the News

The Treasury Department's May auctions for \$25bn 30-year treasury bonds and \$16bn 20-year treasury bonds resulted in high yields of 4.8% and 5.0%. A selloff was triggered after the 20-year auction with 30-year treasury yields touched 5.1%, nearly reaching the high mark set in 2007. The 20-year yield touched 5.2% and 10-year yield reached 4.6%, all above their key levels. The selloff dragged down the dollar index by 56bps. The 30-year bond auction recorded a bid-to-cover ratio of 2.31, lower than the average level of 2.42. Moody's downgraded U.S. Government from Aaa to Aa1 in mid-May, citing accelerating domestic borrowing and no signs of reversion. On May 22nd, the House passed Trump's "big, beautiful" tax bill, which is expected to add \$3.3 trillion in debt through 2034. In May, indirect bidders (mainly foreign investors) bought 58.7% of the May 30-year bond supply, which was the smallest foreign participation in six years. The foreign participation in 10-year Treasury note auction was significantly higher at 71.2%, indicating foreign central banks and investors are pricing in weaker global growth and higher geopolitical risks over the longer term, and asking for higher term premiums. The implementation of tariffs by the new administration could increase already sticky inflation numbers, forcing the Feds to maintain their high interest rate policy. With treasury yields being the bedrock of almost all financial pricing models, higher yields may finally lift borrowing costs to a point that businesses and consumers pull back on spending. Coming out of a decade of low interest rates, higher yields are changing the role of fixed income in portfolios as an asset class. Even with narrow spreads, fixed income can offers positive real yields in quality assets, without having to take on meaningful duration risk.

Chart of the Month



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Capital Markets Overview

		TRAILING			ANNUALIZED			
		1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr
Broad Market	MSCI World NR USD	5.92	2.10	4.95	13.72	13.18	14.18	9.93
	Bloomberg US Agg Bond TR USD	(0.72)	(0.29)	2.45	5.46	1.49	(0.90)	1.49
	Russell 3000 TR USD	6.34	(0.54)	0.64	13.12	13.77	15.34	12.21
	DJ Industrial Average TR USD	4.16	(3.14)	0.08	11.16	10.79	12.94	11.34
	NASDAQ Composite PR USD	9.56	1.41	(1.02)	14.21	16.52	15.03	14.19
	MSCI EAFE NR USD	4.58	8.92	16.87	13.33	11.45	11.42	5.97
	FTSE Treasury Bill 3 Mon USD	0.37	1.11	1.84	4.97	4.65	2.81	1.98
	Bloomberg Commodity TR USD	(0.58)	(1.64)	3.05	1.69	(4.37)	12.65	1.92
Domestic Equities	S&P 500 TR USD	6.29	(0.37)	1.06	13.52	14.41	15.94	12.86
	S&P MidCap 400 TR	5.40	(2.61)	(3.26)	2.17	7.81	12.93	8.73
	S&P SmallCap 600 TR USD	5.23	(5.37)	(8.18)	(1.75)	3.12	11.61	7.70
	Russell 1000 TR USD	6.38	(0.37)	1.00	13.73	14.25	15.66	12.58
	Russell 1000 Growth TR USD	8.85	1.44	(0.27)	17.62	19.85	17.69	16.08
	Russell 1000 Value TR USD	3.51	(2.43)	2.50	8.91	8.16	13.02	8.60
	Russell Mid Cap TR USD	5.72	(0.22)	1.06	10.32	9.05	12.69	9.26
	Russell Mid Cap Growth TR USD	9.59	4.87	5.20	23.23	16.69	12.22	11.47
	Russell Mid Cap Value TR USD	4.36	(1.97)	(0.37)	6.03	5.87	13.18	7.74
	Russell 2000 TR USD	5.34	(4.10)	(6.85)	1.19	5.03	9.64	6.64
	Russell 2000 Growth TR USD	6.42	(2.28)	(6.01)	3.45	7.94	7.00	6.67
	Russell 2000 Value TR USD	4.20	(5.99)	(7.73)	(1.14)	2.13	12.03	6.22
International Equities	MSCI ACWI Ex USA NR USD	4.58	8.11	14.03	13.75	9.40	10.37	5.47
	MSCI EAFE NR USD	4.58	8.92	16.87	13.33	11.45	11.42	5.97
	MSCI EAFE Growth NR USD	5.18	7.02	12.96	8.02	9.26	8.02	6.15
	MSCI EAFE Value NR USD	4.01	10.76	20.75	18.72	13.66	14.70	5.54
	MSCI Japan NR USD	4.05	9.65	9.86	11.17	11.29	8.39	5.71
	MSCI AC Asia Ex Japan NR USD	5.26	6.07	7.96	14.83	5.49	6.88	4.39
	MSCI Europe NR USD	4.56	8.80	20.57	13.39	12.42	12.82	6.23
	MSCI United Kingdom NR USD	4.43	7.95	17.60	16.22	11.24	14.00	4.92
	MSCI EAFE Small Cap NR USD	5.61	12.33	15.86	13.80	7.45	8.65	5.92
	MSCI EM NR USD	4.27	6.31	8.73	13.04	5.15	7.07	3.93
Fixed Income	Bloomberg US Govt/Credit TR USD	(0.66)	(0.20)	2.44	5.26	1.57	(0.94)	1.64
	Bloomberg US Govt/Credit Interm TR USD	(0.33)	1.04	3.03	6.45	2.82	0.55	1.87
	Bloomberg US Govt/Credit Long TR USD	(1.73)	(3.96)	0.61	1.64	(2.20)	(5.16)	1.13
	ICE BofA US High Yield TR USD	1.68	0.59	2.64	9.28	6.64	5.82	4.94
	Credit Suisse HY USD	1.82	0.54	2.48	8.58	6.61	5.89	4.84
	Morningstar LSTA US LL Index TR USD	1.55	1.18	1.99	6.81	8.60	7.52	5.02
	FTSE WGBI NonUS USD	(0.37)	6.05	7.41	7.53	(0.62)	(3.46)	(0.22)
	Bloomberg Gbl Agg Ex USD TR USD	(0.11)	6.16	7.65	8.28	0.45	(1.85)	0.40
REITs	FTSE Nareit All REITs TR	1.05	(3.58)	1.63	10.77	0.58	7.10	5.85
	Wilshire US REIT TR USD	2.06	(4.20)	0.33	13.07	3.04	9.29	5.90

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

Source: Morningstar

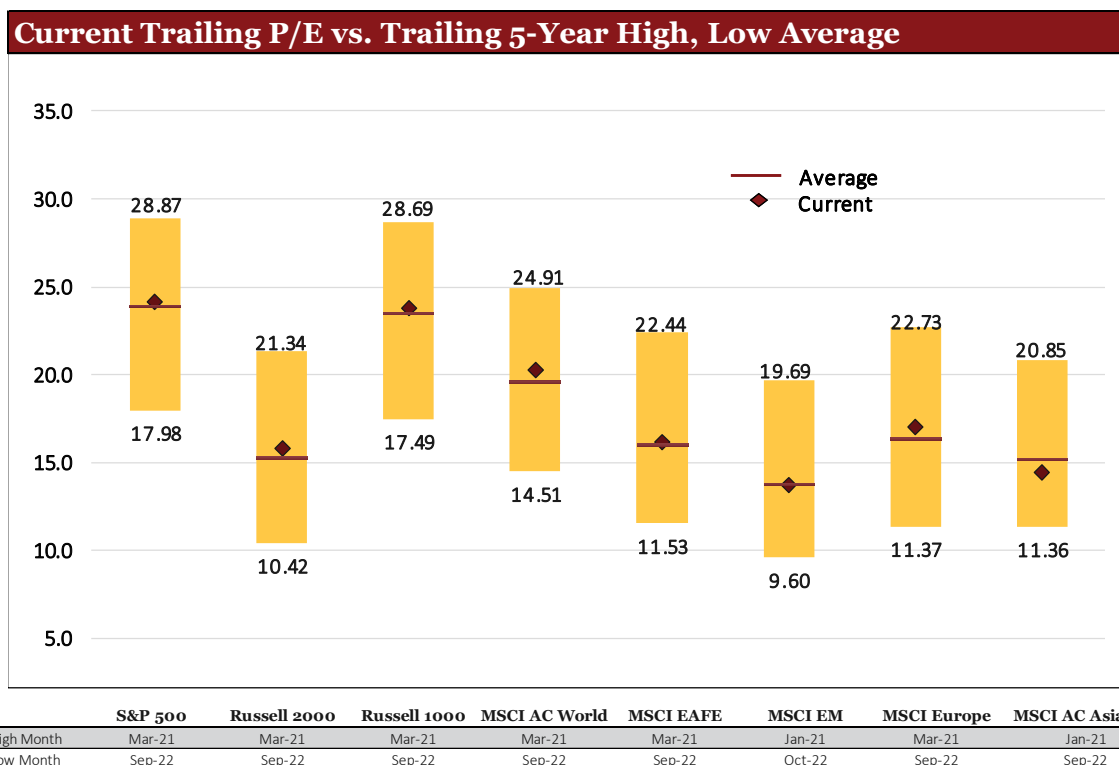
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Source: Morningstar; Data as of 05/31/2025

Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates ³ per US \$		Inflation ²
	Latest ¹	2025 ¹	2026 ¹	(Most recently available)	Sovereign Bonds, 10 Year	Current	1 Year Ago	(Most recently available)
United States	-0.20	1.60	1.50	4.20	4.45	-	-	2.30
China	1.20	4.70	4.30	5.10	1.70	7.20	7.25	-0.10
Japan	-0.20	0.70	0.40	2.50	1.51	144.18	156.63	3.60
United Kingdom	0.70	1.30	1.00	4.50	4.67	1.35	1.27	3.50
Euro Area	0.30	1.30	1.50	6.20	3.03	1.13	1.08	1.90
Germany	0.40	0.40	1.20	6.30	2.51	1.13	1.08	2.10
France	0.10	0.60	0.90	7.40	3.19	1.13	1.08	0.70
Italy	0.30	0.60	0.70	5.90	3.51	1.13	1.08	1.70
Canada	0.50	1.00	1.10	6.90	3.23	1.37	1.37	1.70
India	1.60	6.30	6.40	7.90	6.28	85.25	83.39	3.16
Mexico	0.20	0.40	1.10	2.50	9.32	19.39	16.92	3.93
Brazil	1.40	2.10	1.60	6.60	14.01	5.72	5.20	5.53

Sources: (Most recently available data) St. Louis Federal Reserve, The Wall Street Journal, OECD, Trading Economics

1. Latest GDP is seasonally adjusted annualized rate. 2025 & 2026 is forecasted data from OECD

2. In terms of Core CPI

3. Euro Area and U.K. exchange rates quoted in market standard format (USD/Non-USD currency)

4. Germany, France, and Italy currency exchange rates are taken at the Euro Area exchange rates

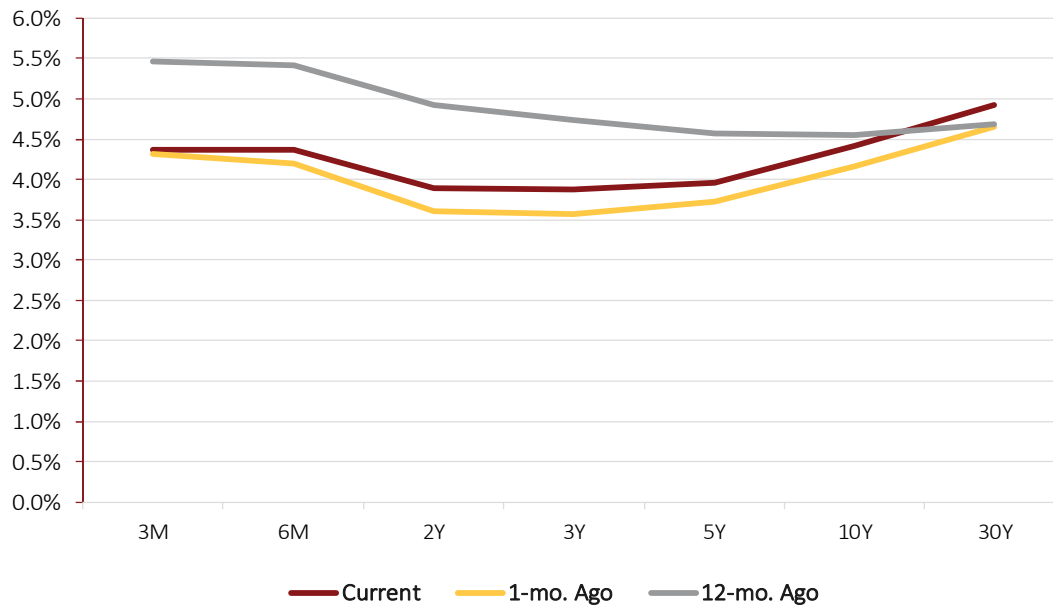
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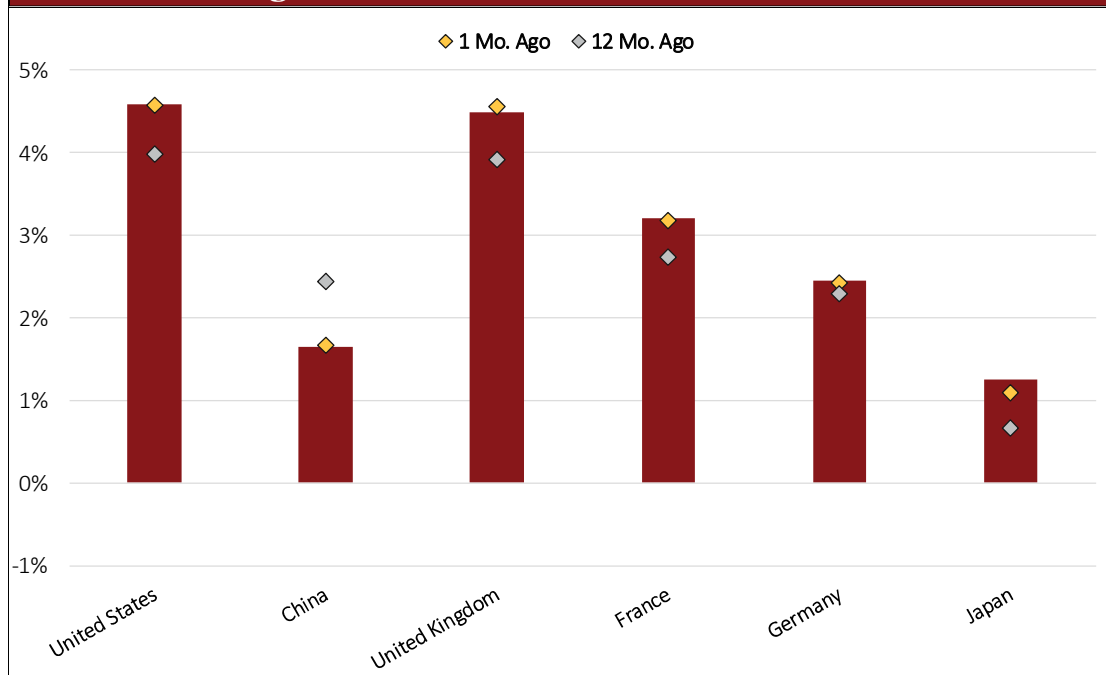
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U.S. Treasury Yield Curves



Source: Federal Reserve Bank; Data as of 05/31/2025

10-Year Sovereign Yields



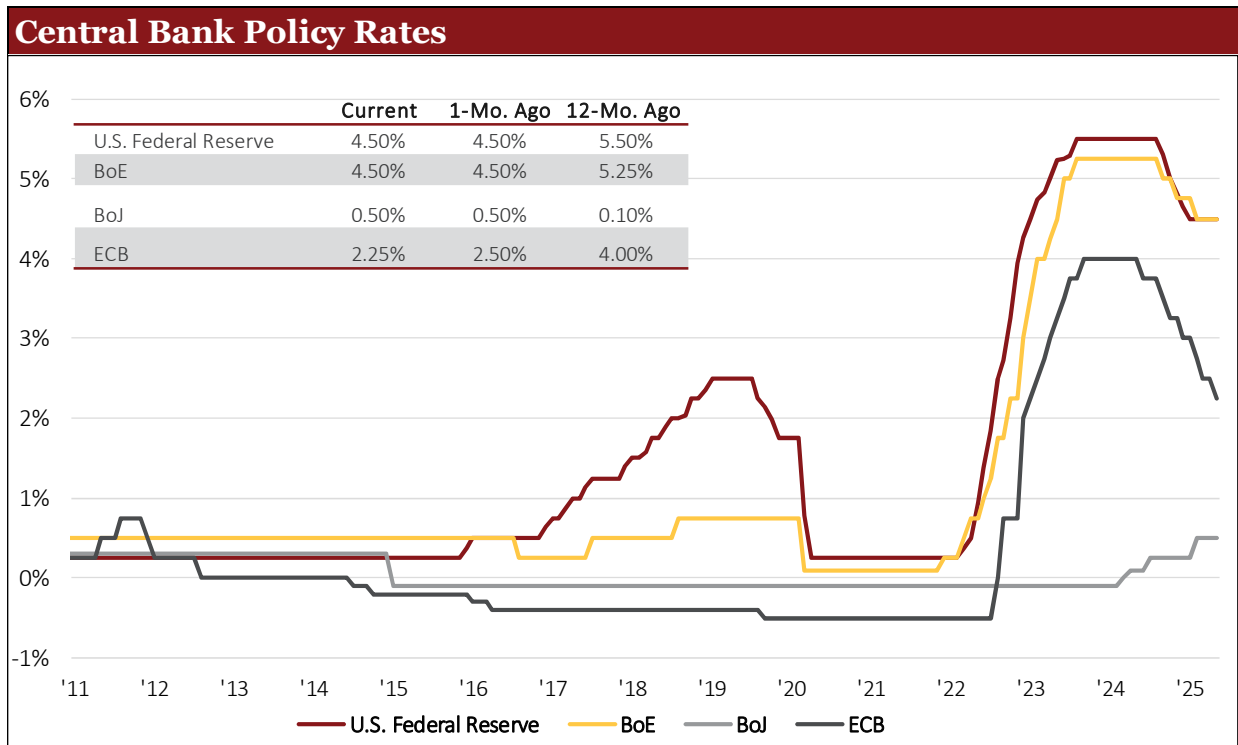
Source: Trading Economics; Data as of 05/31/2025

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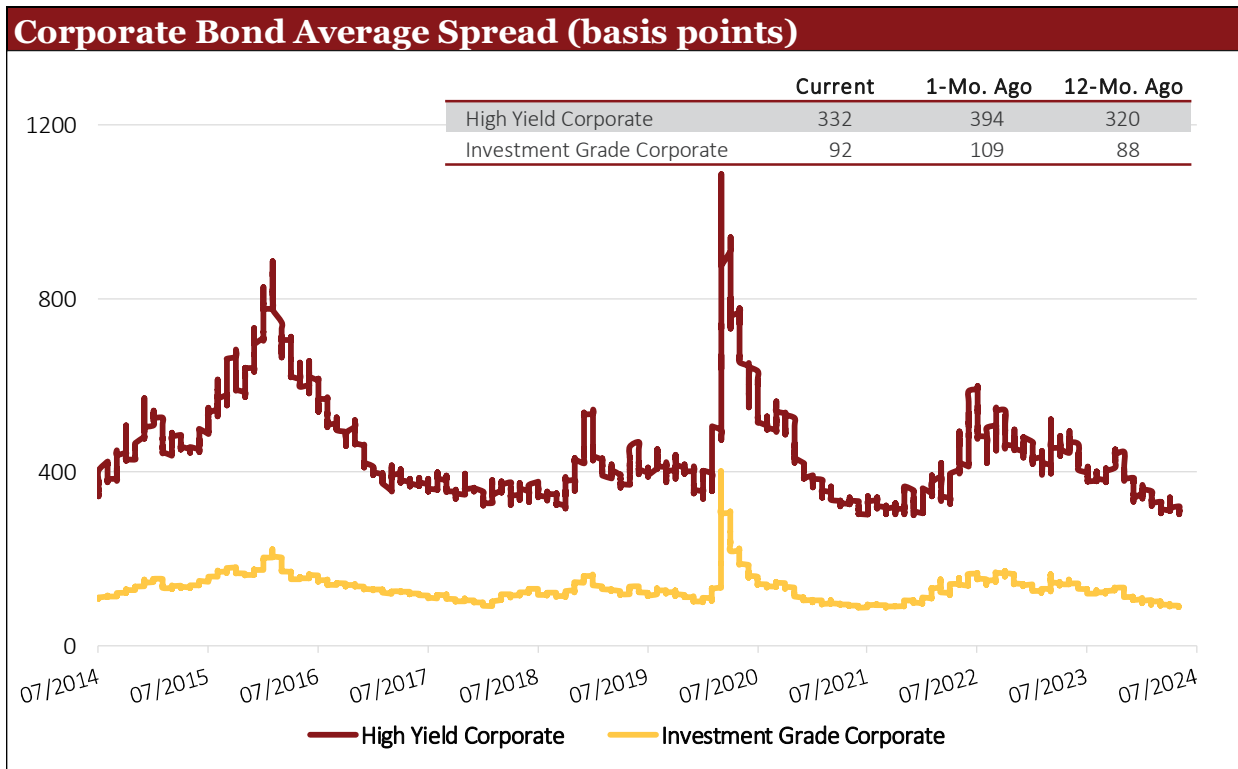
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Source: Federal Reserve Bank, Bank of England, European Central Bank, Trading Economics; Data as of 05/01/2025



Source: Federal Reserve Bank, Bank of America; Data as of 05/31/2025