# Monthly Investment Report

**June 2025**

Markets posted robust gains in May, highlighted by Nasdaq's +9.6% surge and the S&P 500's +6.3% advance, while the Dow added +4.2%. Large-cap growth stocks outperformed value (+9.4% vs. +3.0%). Information Technology led sector performance, soaring +10.9%, whereas Health Care lagged, falling -5.5%. International equities also advanced, with the MSCI Pacific ex-Japan up +5.5%. Earnings results were mixed: Health Care topped growth at +44.0%, but Materials declined by -14.4%. Nearly all S&P 500 sectors reported positive earnings surprises. U.S. bonds slipped -0.7% as yields rose, but high-yield bonds gained +1.7%. TIPS rallied, and non-U.S. bonds benefited from a softer dollar. Commodities were mixed: crude oil climbed +4.4%, natural gas rose +3.6%, while gold slipped -0.9%. The dollar fell -0.6%, losing -1.0% against both the British Pound and the Chinese Renminbi. Economic activity expanded, with the services and manufacturing PMIs each at 52.3. Unemployment remained at 4.2%. Payrolls increased by 177,000, and core PCE inflation eased to 2.5% YoY. Housing data was mixed: new home sales jumped by +10.9%, but existing sales and permits declined -0.5% and -4.0%, respectively. The Fed kept rates unchanged, signaling cautious optimism.

## U.S. Markets

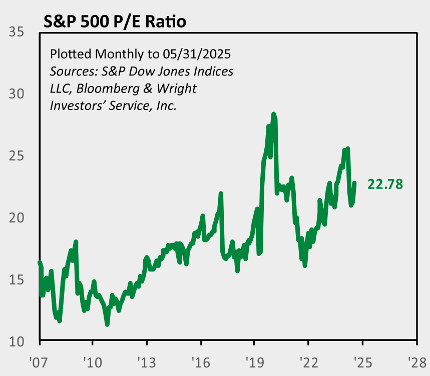
**U.S. equities posted robust gains in May.** The tech-focused Nasdaq Composite led major indices with a +9.6% gain, followed by the S&P 500 at +6.3% and the Dow Jones Industrial Average at +4.2%. Large-cap growth stocks outperformed, advancing +9.4%, while large-cap value stocks saw a more modest increase of +3.0%. Growth stocks continued to outpace value, extending the recent trend. Sector performance was broadly positive, though Health Care was a notable laggard, declining -5.5%. Information Technology led all sectors, with a +10.9% gain, followed by Communications Services (+9.6%) and Consumer Discretionary (+9.4%). As of this report, 98% of S&P 500 companies have announced first-quarter earnings, with 73.2% reporting revenue growth that met or exceeded expectations. Earnings results at the sector-level were mixed. Health Care delivered the strongest earnings growth at +44.0%, while Materials sector declined by -14.4%. Nearly every sector posted upside earnings surprises, with Real Estate as the sole exception falling short of consensus forecasts.

**International markets moved higher in May.** The MSCI Pacific ex-Japan led the gains with +5.5%, followed by MSCI Europe ex-UK at +4.6% and MSCI UK rising +4.4%.

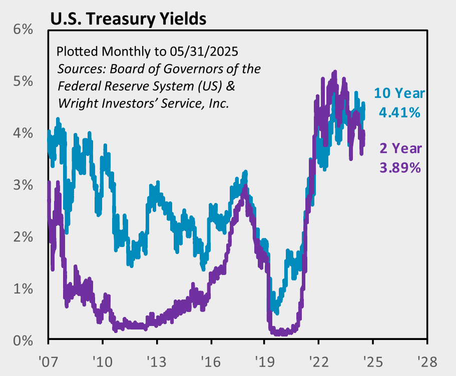
**Bond market performance was mixed.** The Bloomberg US Aggregate Bond Index fell -0.7%, pressured by rising Treasury yields amid growing confidence in economic resilience and a declining probability of near-term rate cuts. High-yield bonds outperformed, gaining +1.7%, supported by improved investor risk sentiment. Treasury Inflation-Protected Securities (TIPS) posted gains across maturities, driven by increased demand for inflation-linked assets as real yields rose and inflation expectations remained elevated. Non-U.S. dollar bonds edged down -0.1%, as gains from a weaker dollar were offset by local currency bond market declines. Commodities underperformed equities, with the Bloomberg Commodities Index down -0.6%. Energy led commodity performance, with crude oil climbing +4.4% and natural gas advancing +3.6%, supported by inventory drawdowns and stronger demand forecasts. Industrial metals showed mixed results: copper gained +2.6%, while gold slipped -0.9%. Agricultural markets also—corn prices dropped -5.0% while wheat rose +4.1%. Overall, market sentiment reflected optimism in economic growth, tempered by shifting inflation and rate expectations.

**The U.S. dollar weakened in May, as the Bloomberg Dollar Index declined -0.6%.** The dollar fell -1.0% against both the British pound and Chinese renminbi, while gaining +0.7% versus the Japanese yen, reflecting diverging monetary policies and evolving capital flow dynamics.

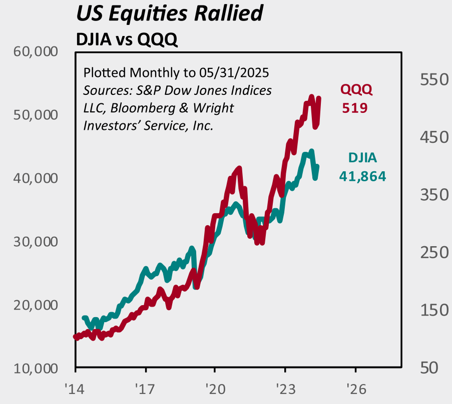
***P/Es Have Increased***




***2 Year & 10 Year Yields Both Rose Higher***




***US Equities Rallied***




Prepared for **Simmons Bank Private Wealth** by Wright Investors' Service, Inc.

### Total Investment Returns—5.31.2025

| | May | Last 12 Mos. |
|---|---|---|
| Dow Jones Industrial Average | 4.2% | 11.2% |
| Nasdaq Composite | 9.6% | 15.0% |
| S&P 500 | 6.3% | 13.5% |
| S&P MidCap 400 | 5.4% | 2.2% |
| S&P SmallCap 600 | 5.2% | -1.8% |
| MSCI World ($) | 5.9% | 13.7% |
| MSCI World ex U.S. ($) | 4.7% | 14.1% |
| Bloomberg U.S. Aggregate | -0.7% | 5.5% |
| 90-Day Treasury Bills (Yield) | 4.3% | 5.3% |
| CPI ex-Food & Energy SA* (Apr 2025) | 0.2% | 2.8% |

*SA: Seasonally Adjusted
Sources: Bloomberg LP & Wright Investors' Service, Inc.

## U.S. Economy

**Economic activity picked up in May, with both the services and manufacturing sectors showing expansion.** The S&P Global U.S. Services PMI rose to 52.3, rebounding from April's 17-month low of 50.8 and exceeding expectations. The increase was driven by a stronger domestic orders, despite the sharpest decline in foreign demand on record outside of the pandemic era—highlighting continued headwinds from tariffs and policy uncertainty. The S&P Global U.S. Manufacturing PMI also climbed to 52.3 from 50.2, indicating the strongest improvement in business conditions in over a year. Factory output resumed expansion, and new orders grew at their fastest pace in 15 months. Combined sector strength lifted the U.S. Composite PMI Output Index to 52.1, up from 50.6 in April, pointing to broad-based business growth. The labor market remained relatively stable. The unemployment rate held at 4.2% in April, while non-farm payrolls rose by 177,000—slightly below March's downwardly revised gain of 185,000. Inflation pressures moderated. Core PCE inflation, excluding food and energy, eased to 2.5% year over year from a revised 2.7%. The headline PCE inflation rate declined from 2.3% to 2.1%, giving the Federal Reserve some flexibility.

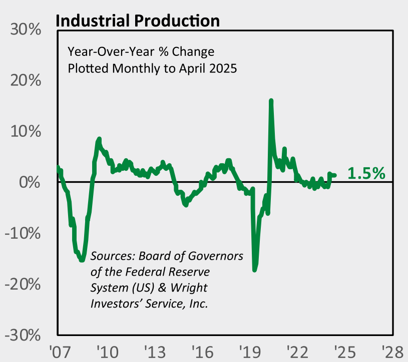
**Housing data was mixed.** Existing home sales dipped -0.5% to 4.00 million units, while building permits fell -4.0%, reflecting the impact of higher mortgage rates and tariffs on imported materials. However, housing starts increased by +1.6%, and new home sales jumped +10.9%, signaling strength in the new construction segment.

**The Federal Reserve held its target rate steady at 4.25%–4.50% in May.** Policymakers signaled a cautious stance, balancing cooling inflation against rising unemployment risks and lingering economic uncertainty linked to tariffs and mixed economic signals.

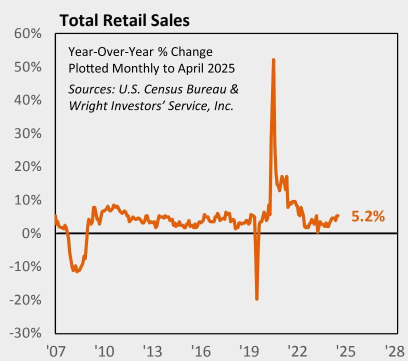
## Investment Outlook

**May's equity market gains highlight investor optimism driven by strong tech earnings and signs of easing inflation.** However, a closer look at the fundamentals suggests a more cautious stance may be warranted. The equity rally stand in contrast to signs of labor market softening and mixed housing data, indicating that economic strength is becoming increasingly uneven and sector-specific. Although inflation metrics improved, rising input costs—particularly in consumer-facing industries impacted by tariffs—raise the risk of renewed price pressures, especially if domestic demand stays firm. The Federal Reserve's decision to hold rates steady and maintain a cautious tone reflects ongoing uncertainty in balancing inflation control with employment stability. Strength in TIPS markets points to persistent concerns over long-term inflation risk. At the same time, declining foreign demand for U.S. services and international trade frictions cast doubt on the durability of domestic economic momentum. Corporate earnings remain healthy, but rising operating costs and softening business sentiment could weigh on margins in the quarters ahead. Against this backdrop, investors should adopt a vigilant, risk-aware posture. Equity performance may not be fully grounded in fundamentals, and bond markets continue to signal uncertainty regarding inflation and policy direction. A selective investment approach—favoring high-quality assets and strategies with inflation protection—appears prudent as macroeconomic and policy risks evolve.

***Manufacturing: Remained Steady***




***Consumer Spending: Strengthened***




***Core Inflation: Fell But Remains High***