PEAPACK PRIVATE

The Weekly

Economic & Market Recap

June 27, 2025

Monthly Recap

Equity markets rallied in June, driven by the strength in growth stocks despite geo-political turbulence and weakening economic data. Oil markets were extremely volatile throughout the month due to ongoing concerns in the Middle East, particularly between Israel and Iran. Month-to-date, oil futures have risen to roughly $65 per barrel, an increase of 7%, despite retreating from their June 20th high of $74. Tensions escalated as Iran and Israel launched attacks on each other, ultimately culminating in a U.S. airstrike targeting Iranian nuclear facilities. Although a temporary ceasefire has been reached, negotiations remain ongoing. NATO members (excluding Spain) gathered at the NATO Summit and agreed to increase defense spending to 5% of GDP by 2035. This shift in policy, amid heightened global tensions, signals both a commitment to security and potential growth opportunities within the defense sector. Inflation, employment, and growth metrics have set the stage for the Federal Reserve's policy heading into the second half of the year. The Consumer Price Index (CPI) stands at 2.4%, the unemploy-ment rate is hovering around 4.2%, and Q1 GDP contracted by 50 basis points (bps). Fed Chair Jerome Powell reiterated that decisions on rate cuts will follow a data-dependent approach, resisting political pressure from President Trump amid continued inflation and stagflation risks. Meanwhile, Fed Governors Christopher Waller and Michelle Bowman have advocated for earlier cuts beginning in July, citing tepid inflationary pressures from recent tariffs. Yields are lower across the curve with the market reflecting a 91.9% probability of a rate cut at the September FOMC meeting. Given the current uncertainty and in anticipation of the continued softening of economic conditions, investors should expect continued volatility in equity, fixed income and commodity markets as we progress through the third quarter.

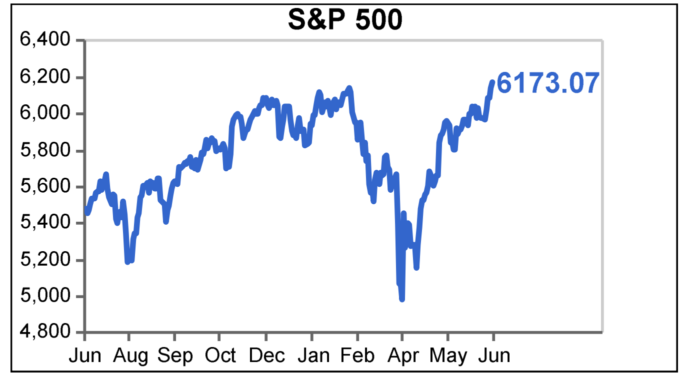
Key Thought

The US equity markets have shown impressive resilience, with the S&P 500 nearing all-time highs after a strong rally in June. This strength continues despite two major policy uncertainties: the pending tax bill in Congress and ongoing tariff negotiations. The "Liberation Day" tariff pause is set to expire on July 9th, and many market participants expect an extension, as many trade deals remain incomplete and higher tariff rates could increase market and interest rate volatility. Tariffs have become a significant revenue source, generating an annualized $190 billion, or nearly 0.7% of GDP. In June, US Customs reported $20 billion in monthly tariff revenue. This revenue has helped the US achieve three consecutive months of declining budget deficits compared to the previous year. The Trump Administration is relying on tariff revenue to partially fund the tax cuts in the budget reconciliation bill. The US fiscal package is still navigating the Senate, with the legislative process requiring updates to the draft text to secure votes and comply with Senate Parliamentarian rulings. The Senate's version of the bill is projected to increase the deficit more than the House's version, necessitating additional revenue sources. These may include tightening Foreign Entity of Concern (FEOC) rules related to IRA credits and imposing higher taxes on non-US companies. Other contentious provisions, such as those related to Medicaid, Section 899, and Health Savings Accounts, further complicate its passage. The relationship between the tax bill and tariff negotiations is crucial for the fiscal outlook. The Congressional Budget Office (CBO) is expected to release an updated forecast in July or August, indicating that the proposed tax cut could be fully funded by tariff revenue over ten years. Any delay in the tax bill's passage could result in more conservative deficit projections, as current estimates may not fully account for this potential offset. Resolving one policy issue could significantly ease fiscal pressures from the other, influencing overall market sentiment and confidence.

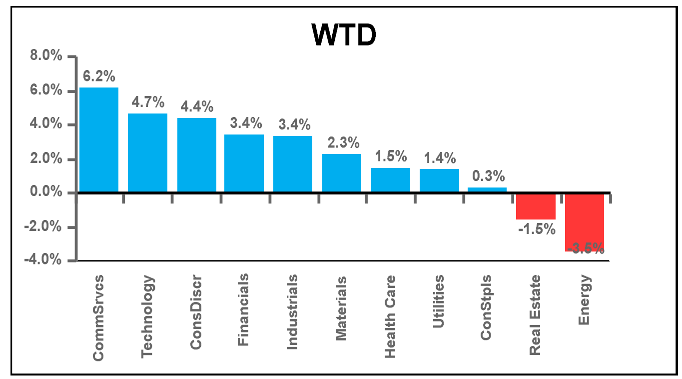
Stocks	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJII-USA	43,819.27	1612.45	3.82	1.87	3.00	11.89
S&P 500	6,173.07	205.23	3.44	1.58	4.96	12.59
NASDAQ	20,273.46	826.05	4.25	1.03	4.99	13.52
S&P MidCap 400	3,102.77	77.59	2.56	2.43	-0.58	6.16
EAFE	89.34	3.01	3.49	3.30	18.16	14.19
Emerging Markets	59.75	2.18	3.79	3.09	14.42	11.89

Treasuries	**Current Yield**	**12/31/24 Yield**
1 - Year	3.97	4.15
2 - Year	3.74	4.24
5 - Year	3.83	4.38
10 - Year	4.28	4.57
30 - Year	4.84	4.78

FOREX	Price	Wk % Change
EUR/USD	1.17	1.65
USD/JPY	144.89	-0.99
GBP/USD	1.37	2.00
USD/CAD	1.37	-0.31



Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	893.07	2.65	0.3%	(2.6%)	0.0%	4.6%
Health Care	1,562.71	22.53	1.5%	1.2%	(8.2%)	(2.6%)
CommServices	376.65	22.00	6.2%	6.8%	17.8%	10.2%
Eco Sensitive						
Consumer Disc	1,769.09	74.05	4.4%	3.0%	12.3%	(3.4%)
Energy	653.00	-23.35	(3.5%)	5.4%	(8.8%)	(0.3%)
Industrials	1,242.86	40.46	3.4%	2.9%	12.0%	11.4%
Info Tech	4,916.56	218.81	4.7%	8.7%	22.3%	6.7%
Materials	555.53	12.49	2.3%	2.0%	2.5%	4.9%
Interest Rate Sensitive						
Financials	864.51	28.71	3.4%	2.2%	4.2%	7.5%
Utilities	413.16	5.50	1.4%	(0.3%)	3.1%	7.3%
REIT	254.33	-3.93	(1.5%)	(2.4%)	(2.5%)	0.0%



COMING UP NEXT WEEK		**Consensus**	**Prior**
06/30 Chicago PMI SA	(Jun)	46.3	40.5
07/01 Markit PMI Manufacturing SA (Final)	(Jun)	50.0	52.0
07/01 ISM Manufacturing SA	(Jun)	49.1	48.5
07/03 Hourly Earnings SA M/M (Preliminary)	(Jun)	0.30%	0.40%
07/03 Nonfarm Payrolls SA	(Jun)	115.0K	139.0K
07/03 Unemployment Rate	(Jun)	4.3%	4.2%
07/03 Markit PMI Services SA (Final)	(Jun)	51.8	53.1
07/03 Factory Orders SA M/M	(May)	-0.5%	-3.7%
07/03 ISM Services PMI SA	(Jun)	51.0	49.9

Russell Style Return

WTD	Value	Blend	Growth
Large	2.09%	3.43%	4.60%
Medium	2.05%	2.20%	2.44%
Small	2.94%	3.00%	3.21%

YTD	Value	Blend	Growth
Large	5.36%	5.30%	5.23%
Medium	2.44%	4.13%	8.62%
Small	-3.20%	-1.99%	-0.72%

Source: FactSet

For more information about our solutions: http://peapackprivate.com