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THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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GOLD IN DEMAND

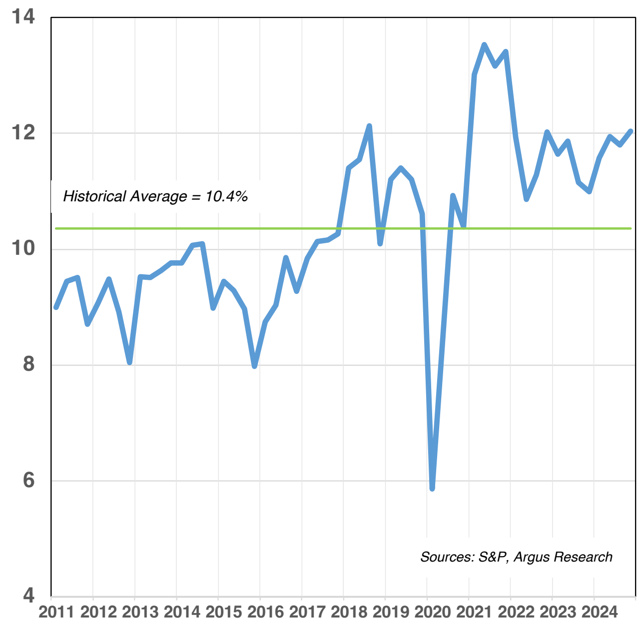
When global economic conditions become, investors often flock to gold. As of this writing the yellow metal is currently trading around $3,313 per ounce, up 27% for the year and near the high end of its five-year range of $1,650-$3,363. Essentially, gold has been on an upward arc since the start of the pandemic. During the first phase of the unanticipated global health crisis, the spot price for an ounce of gold jumped 33% in six months and broke through the $2,000 level. Gold also spiked in 2022 due to the war in Ukraine. Over the past year, gold has jumped another 40%, driven in part by global uncertainty over tariffs and trade wars. The current price of gold reflects the perceived safety of hard assets amid the global conflicts, as well as expectations for lower U.S. interest rates, which tend to weaken the dollar (the currency in which gold is priced). The outlook for Federal Reserve rate cuts also helps gold, as lower rates reduce the risk for a global economic recession and thus a potential decline in gold purchased for jewelry. Looking ahead, our forecast trading range for gold in 2025 is $2,500-$3,500 and our average price forecast for the year is $3,000. This compares to average gold prices of $2,450 in 2024, $1,960 in 2023, $1,873 in 2022, $1,806 in 2021, $1781 in 2020, $1,400 in 2019, $1,265 in 2018, $1,277 in 2017, $1,258 in 2016, and $1,155 in 2015. As long as geopolitics are flaring and the global economy is wobbling, gold is likely to remain at elevated levels.

GOLD PRICE ($ PER OUNCE)

PROFIT MARGINS WIDENING

There are three drivers to EPS growth: higher sales, a wider operating margin, and a reduced share count. A decline in shares outstanding, the result of corporate share buybacks, is the lowest-quality driver. Higher sales -- as customers demand and pay for more products -- is the highest quality, especially when sales totals are driven by an increase in volume. Margin management is in the middle. Consistently wider margins are often a sign of a good management team, which should, over time, be able to grow revenues faster than costs. That's a tall order in periods of high inflation (which raises the prices of cost of goods sold) and of high interest rates (which result in higher financing costs). What's more, there's a cap to margins and they don't rise indefinitely. (This is one of those statistics for which the concept "reversion to the mean" is relevant.) In 4Q, the S&P 500 operating margin widened by more than 100 basis points year over year to 12.0%, which means there's still room before margins peak at around 13.5-14.0%. This trend fits into our outlook for a modest widening for the S&P 500 operating margin in 2025, taking into account an expected negative drag from tariffs, and for EPS growth in the 12% range for the year.

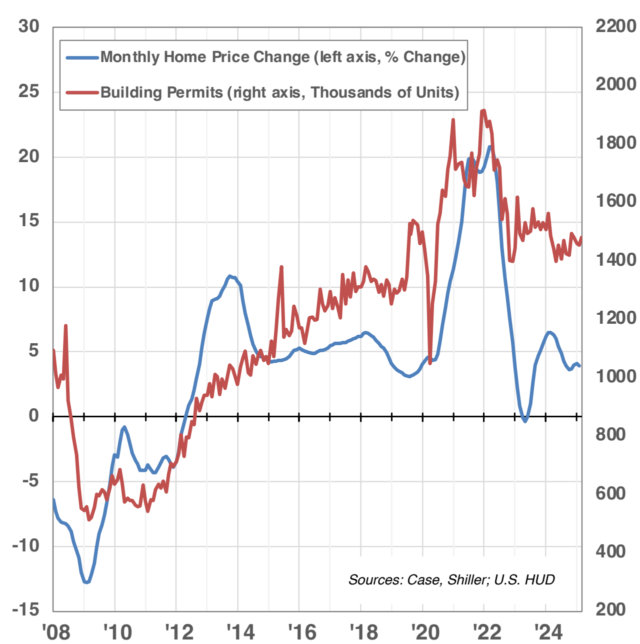
S&P OPERATING MARGIN TRENDS (%)



HOME PRICES MAY FALL THIS FALL

U.S. home prices have risen at a compound annual rate of almost 7% over the last 10 years. Along the way, homeowners have become richer, with collective equity in real estate nearly tripling to $35 trillion. But with mortgage rates back up to 7% and more homes on the market, the pace of appreciation is slowing. Indeed, the S&P/Case-Shiller National Home Price Index could soon be declining on a year-over-year basis. Strong home prices are important to the economy. They provide security for lenders. As well, homeowners often are willing to spend on upgrades and renovations based on the belief that they will see a payoff down the road. We don't expect a significant drop in prices because the big Millennial generation is starting households and others are on the sidelines hoping to buy a piece of the American Dream. Recently, the National Association of Realtors reported Existing Home Sales for April that were near the consensus pace of 4.0 million at a seasonally adjusted annual rate. The median home price hit a record of $414,000, but the annual increase slowed to 1.8% as the inventory of existing homes increased by 9% to 4.4 months (from 4 months in March).

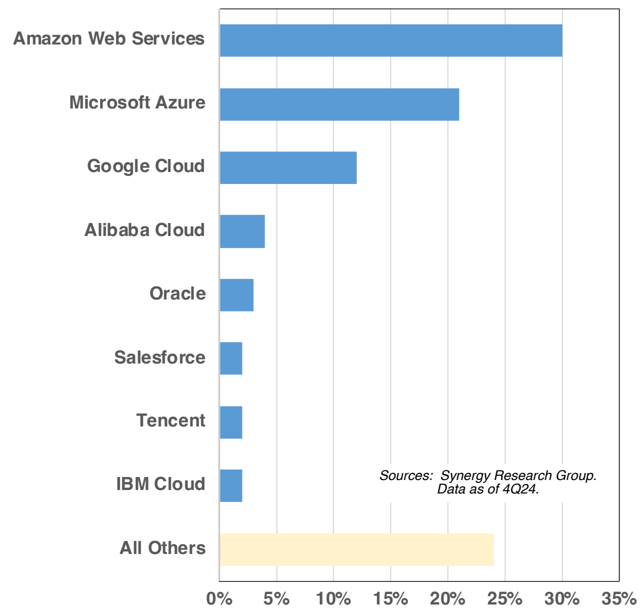
HOUSING MARKET TRENDS



INVESTING IN THE CLOUD

Cloud computing has transformed the technology landscape over the past decade. Given that delivery of AI will mainly occur within a hybrid cloud environment, the emergence of AI-as-a-Service represents a difficult-to-quantify, but undoubtedly positive, driver of cloud service revenues in the coming years. The leading providers of cloud services tend to be large technology and communication services companies that provide goods and services distinct from or adjacent to their cloud businesses. These include Amazon.com, Microsoft, Alphabet, and others in the United States, along with Alibaba, Baidu, Tencent, and others in China. Collectively, participants in the cloud eco-system grew revenue at a high-teens compound annual rate from 2016 to 2024. In our view, the positive long-term tailwinds from enterprise digital and cloud transformation are powerful enough to offset any near-term economic or tariff uncertainty. We expect rising device demand and enterprise IT spending to drive cloud investment in 2025-26 and beyond.

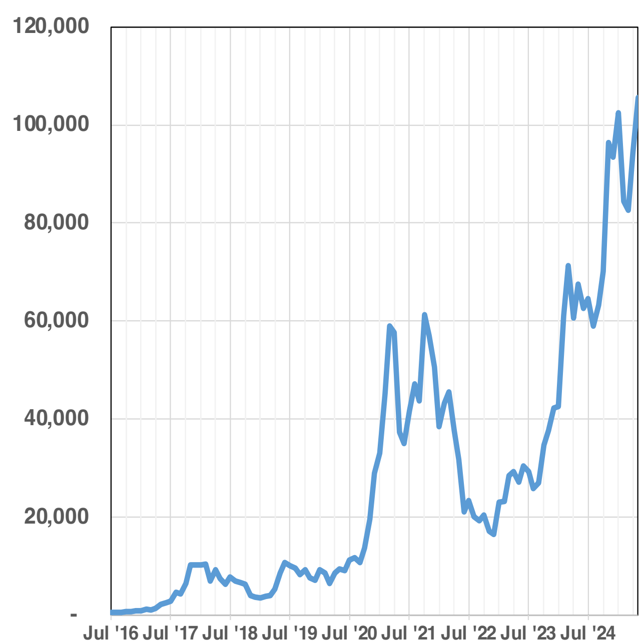
GLOBAL CLOUD MARKET SHARES



BITCOIN ETFS: IS IT TIME TO INVEST?

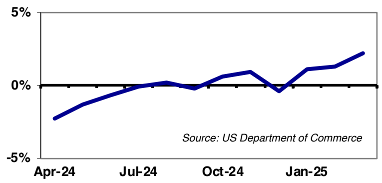
Investing in Bitcoin has come a long way thanks to the January 2024 debut of spot Bitcoin ETFs, which gives investors exposure to Bitcoin without the need to buy, store, or manage it on their own. Bitcoin ETFs operate in regulated financial markets that provide a degree of security and transparency and mitigate risks like theft and mistakes. They are offered by 11 reputable asset managers and the funds offer better liquidity than the underlying security. The crypto rally has coincided with the Trump administration taking over in Washington, DC. New regulators in important securities market positions -- leaders of the SEC and the Commodity Futures Trading Commission -- have crypto backgrounds. President Trump and many in his family are invested. With the value of Bitcoin back above $100,000, the leading Bitcoin ETFs have outperformed the S&P 500 this year. Still, investors should be cautious. Like the underlying asset, Bitcoin ETFs come with high volatility. The same funds that outperformed the S&P 500 on a year-to-date basis dropped almost 30% during the February-April period. While we expect the volatility of the underlying security to decline over time, Bitcoin is speculative for now. Recent results demonstrate that Bitcoin ETFs may offer attractive returns for investors with a long-term investment horizon and high tolerance for risk. In the near-term, we believe there may be a place for Bitcoin ETFs with limited exposure in an aggressive diversified portfolio.

BITCOIN PRICE TRENDS (USD)

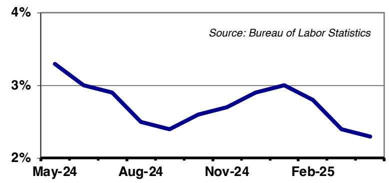


ECONOMIC TRADING CHARTS & CALENDAR

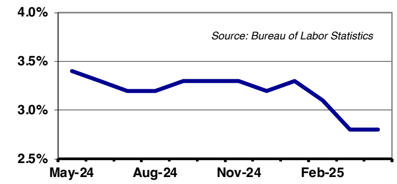
Release: **Wholesale Inventories**
Date: 6/9/2025
Month: April
Previous Report: 2.2%
Argus Estimate: 2.0%
Street Estimate: NA



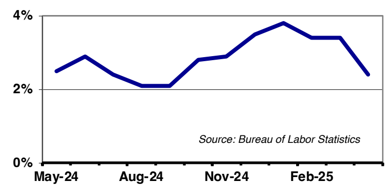
Release: **Consumer Price Index**
Date: 6/11/2025
Month: May
Previous Report: 2.3%
Argus Estimate: 2.4%
Street Estimate: 2.5%



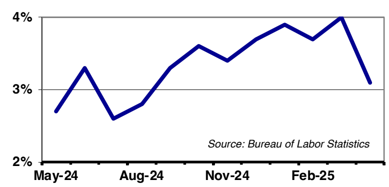
Release: **CPI ex-Food & Energy**
Date: 6/11/2025
Month: May
Previous Report: 2.8%
Argus Estimate: 2.9%
Street Estimate: 3.0%



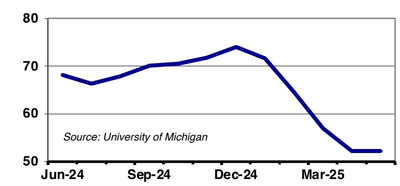
Release: **PPI Final Demand**
Date: 6/12/2025
Month: May
Previous Report: 2.4%
Argus Estimate: 2.7%
Street Estimate: NA



Release: **PPI ex-Food & Energy**
Date: 6/12/2025
Month: May
Previous Report: 3.1%
Argus Estimate: 3.3%
Street Estimate: NA



Release: **U. of Michigan Sentiment**
Date: 6/13/2025
Month: June
Previous Report: 52.0
Argus Estimate: 54.0
Street Estimate: NA



Previous Week's Releases and Next Week's Releases on next page.

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
2-Jun	ISM Manufacturing	May	48.7	49.0	48.4	**48.5**
	ISM New Orders	May	47.2	47.4	NA	**47.6**
	Construction Spending	April	**1.2%**	1.6%	NA	**-0.5%**
3-Jun	Factory Orders	April	**4.9%**	1.5%	NA	**0.9%**
4-Jun	ISM Services Index	May	51.6	52.0	52.0	NA
5-Jun	Trade Balance	April	-$140.5 Bln.	-$110.0 Bln.	-$117.3 Bln.	NA
	Total Vehicle Sales	May	17.27 Mln.	17.10 Mln.	NA	NA
6-Jun	Nonfarm Payrolls	May	177K	140K	130K	NA
	Unemployment Rate	May	4.2%	4.2%	4.2%	NA
	Average Weekly Hours	May	34.3	34.3	34.3	NA
	Average Hourly Earnings	May	3.8%	3.8%	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
17-Jun	Retail Sales	May	5.2%	NA	NA	NA
	Retail Sales ex-autos	May	4.2%	NA	NA	NA
	Industrial Production	May	1.5%	NA	NA	NA
	Capacity Utilization	May	77.7%	NA	NA	NA
	Import Price Index	May	0.1%	NA	NA	NA
	Business Inventories	April	2.2%	NA	NA	NA
18-Jun	Housing Starts	May	1,361K	NA	NA	NA
20-Jun	Leading Index	May	-1.0%	NA	NA	NA

Disclaimer

Investors