

**June 2025**


## Market Data

*World Stock Market Indices*  
data as of 5/30/2025

		Change (4/30/2025)	%CHG
S&P 500	<b>5,911.69</b>	342.63	6.15%
NASDAQ	<b>19,113.77</b>	1,667.43	9.56%
DOW JONES	<b>42,270.07</b>	1,600.71	3.94%
FTSE (UK)	<b>8,772.38</b>	277.53	3.27%
DAX (Germany)	<b>23,997.48</b>	1,500.50	6.67%
Hang Seng (Hong Kong)	<b>23,289.77</b>	1,170.36	5.29%
Nikkei (Japan)	<b>37,965.10</b>	1,919.72	5.33%

*Source: Bloomberg. Please see descriptions of indices on Page 2.*


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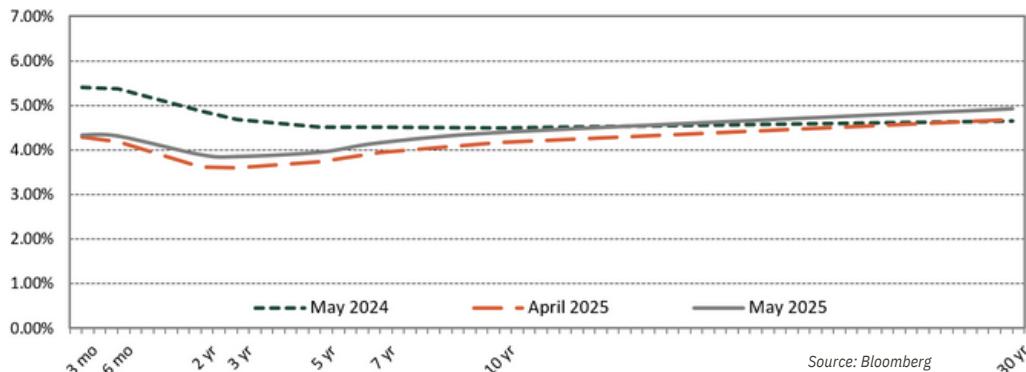
## Market Summary

As the midyear point of 2025 quickly approaches, economic data for the first half has indicated an easing of inflationary pressure. Nevertheless, core prices remain above target levels, and tariff related disruptions may surface in the second half of the year. In May, job creation was robust; however, initial and continuing jobless claims trended slightly higher. Thus, the labor market continues to reflect an improved balance between supply and demand for workers. Given the current economic outlook, the Chandler team expects gradual normalization of monetary policy and a steepening yield curve.

The Federal Open Market Committee (FOMC) left the Federal Funds Rate unchanged, as projected, at 4.25 - 4.50% at the May meeting. Progress on inflation, paired with a softening labor market and uncertainty surrounding fiscal policy, leaves Fed policy makers reluctant to express firm conviction for the direction of near-term monetary policy. Fed Chair Powell continues to emphasize the Committee's "wait and see" data-dependent approach.

US Treasury yields increased in May. The 2-year Treasury yield increased nearly 30 basis points to 3.90%, the 5-year Treasury increased 23 basis points to 3.96%, and the 10-year Treasury yield also increased 23 basis points to 4.40%. The spread between the 2-year and 10-year Treasury yield points on the curve narrowed to +50 basis points at May month-end versus +56 basis points at April month-end. The spread between the 2-year Treasury and 10-year Treasury yield one year ago was -37 basis points. The spread between the 3-month and 10-year Treasury yield points on the curve was -6 basis points in May, versus -13 basis points in April.

### YIELD CURVE SHIFTED UP IN MAY



Market participants shrugged off some of the initial concern over the negative effects of tariff policy as the flight-to-quality into US Treasuries reversed course driving yields up practically in unison approximately 20 basis points across the curve. Higher short-term yields suggest a broad view that the pace of rate cuts may be drawn out longer than perceived at the beginning of the year. The recent spike in medium and long-term yields is consistent with the perception that the proposed course of fiscal policy may not address the lingering budget deficit and may stoke inflation. The Chandler team projects a more cautious trajectory for rate adjustments, as the Federal Reserve weighs potential inflation pressures against signs of slowing growth.

TREASURY YIELDS	Trend (▲/▼)	5/30/25	4/30/25	Change
3-Month	▲	4.34	4.29	0.05
2-Year	▲	3.90	3.61	0.29
3-Year	▲	3.86	3.60	0.26
5-Year	▲	3.96	3.73	0.23
7-Year	▲	4.17	3.94	0.23
10-Year	▲	4.40	4.16	0.24
30-Year	▲	4.93	4.68	0.25

*Source: Bloomberg*

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# BOND MARKET REVIEW

Since 1988, Chandler Asset Management has specialized in providing fixed income investment solutions to risk-averse public agencies and institutions. Chandler's mission is to provide fully customizable client-centered portfolio management that preserves principal, mitigates risk, and generates income in our clients' portfolios.

## Economic Roundup

### Consumer Prices

Price increases measured by both the Consumer Price Index (CPI) and Core CPI, which excludes volatile food and energy components, showed more progress against inflation in May coming in at or below consensus expectations. The headline CPI increased 0.1% month-over-month and rose 2.4% year-over-year, while the Core CPI rose 0.1% month-over-month and 2.8% year-over-year. The Personal Consumption Expenditures (PCE) price index was significantly lower month-over-month, rising 0.1% versus the 0.7% increase in March. PCE was also lower on a year-over-year basis, rising 2.1% in April from 2.3% in March. The Core PCE deflator, which is the Fed's preferred gauge, was unchanged month-over-month at 0.1% after revisions, while lower at 2.5% versus the prior month at 2.6% year-over-year.

### Retail Sales

In May, Advanced Retail Sales surprised to the downside, falling -0.9% from the prior month, which resulted in a 3.1% increase year-over-year. The slowdown was led by a mean-reverting effect following the sharp increase in vehicle sales in March as consumers anticipated price increases due to tariffs; Motor Vehicle and Parts Dealers are the largest component of the Retail Sales data. Furthermore, there was a notable drop in sales at restaurants and grocery stores, and lower gas prices creating a drag on gas station sales. On a positive note, the Control Group, which strips out the noisy data and feeds directly into the GDP calculation, increased more than anticipated at 0.4% after a decline in April. Also, Consumer Confidence rebounded from the recent trend of weakness, as the Conference Board's Consumer Confidence Index jumped to 98.0 after reaching a 5-year low of 85.7 in April.

### Labor Market

U.S. job growth topped forecasts in May, but revisions tempered momentum. The U.S. economy added 139,000 jobs in May, topping expectations, though downward revisions to the prior two months trimmed 95,000 positions from earlier estimates. Job gains were led by healthcare and social assistance, underscoring continued strength in service-related sectors. Despite the headline beat, the labor market showed signs of cooling. The three-month and six-month averages came in at 135,000 and 157,000, respectively, reflecting a slower pace of hiring. The unemployment rate remained unchanged at 4.2%, while the labor force participation rate edged down to 62.4%, still below the pre-pandemic level of 63.3%. Broader underemployment, measured by the U-6 rate, remained unchanged at 7.8%. Nominal and real wage growth continued to converge in May, with nominal average hourly earnings rising 3.9% and real average hourly earnings rising 1.4% from a year earlier, suggesting less inflationary pressure from the labor market.

### Housing Starts

Total Housing Starts were below consensus expectations for May, dropping -9.8% from April for a seasonally adjusted annual rate of 1.256 million units. The month-over-month drop was entirely attributable to a slowdown in multifamily unit starts, which fell -30.4%. Single family home starts increased marginally 0.43% from April. Although the decline in multifamily units appears dramatic, the multifamily component of Total Housing Starts is inherently more volatile than the single family component as the start or postponement of a few large projects can skew monthly data sharply up or down. It is also worth noting that the recent high levels of new single family homes available for sale are second only to the all-time highs reached in 2006-07. Meanwhile, listings for existing homes for sale have spike markedly in 2025.

### World Stock Market Index Descriptions

S&P 500—The S&P 500 is a market value-weighted index of 500 large-capitalization stocks. The 500 companies included in the index capture approximately 80% of available US market capitalization. NASDAQ—The NASDAQ Composite Index is the market capitalization-weighted index of over 3,300 common stocks listed on the NASDAQ stock exchange. Dow Jones—The Dow Jones Industrial Average is an index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange and the NASDAQ. The Financial Times Stock Exchange Group (FTSE)—The FTSE is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalization. DAX—The Deutscher Aktienindex (DAX) is a blue chip stock market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange. Hang Seng—The Hang Seng Index is a freefloat-adjusted market-capitalization-weighted stock market index in Hong Kong. It is used to record and monitor daily changes of the largest companies of the Hong Kong stock market and is the main indicator of overall market performance in Hong Kong. Nikkei—Japan's Nikkei 225 Stock Average is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

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### Credit Spreads Were Tighter in May

CREDIT SPREADS	Spread to Treasuries	One Month Ago	Change
3-month top rated commercial paper	0.03	0.10	(0.07)
2-year A corporate note	0.40	0.57	(0.17)
5-year A corporate note	0.63	0.75	(0.12)
5-year Agency note	0.05	0.06	(0.01)

Source: Bloomberg

Data as of 5/30/2025

### Crude Oil Prices Increased in May

ECONOMIC INDICATOR	Current Release	Prior Release	One Year Ago
Trade Balance	(61.62) \$B APR. 30	(138.32) \$B MAR. 31	(73.11) \$B APR. 30
Gross Domestic Product	(0.20%) MAR. 31	2.40 DEC. 31	1.60% MAR. 31
Unemployment Rate	4.20% MAY. 31	4.20% APR. 30	4.00% MAY. 31
Prime Rate	7.50% MAY. 30	7.50% APR. 30	8.50% MAY. 31
Refinitiv/CoreCommodity CRB Index	290.43 MAY. 30	288.77 APR. 30	290.16 MAY. 31
Oil (West Texas Int.)	\$60.79 MAY. 30	\$58.21 APR. 30	\$76.99 MAY. 31
Consumer Price Index (y/o/y)	2.40% MAY. 31	2.30% APR. 30	3.30% MAY. 31
Producer Price Index (y/o/y)	1.40% MAY. 31	0.40% APR. 30	2.20% MAY. 31
Euro/Dollar	1.13 MAY. 30	1.13 APR. 30	1.08 MAY. 31

Source: Bloomberg