

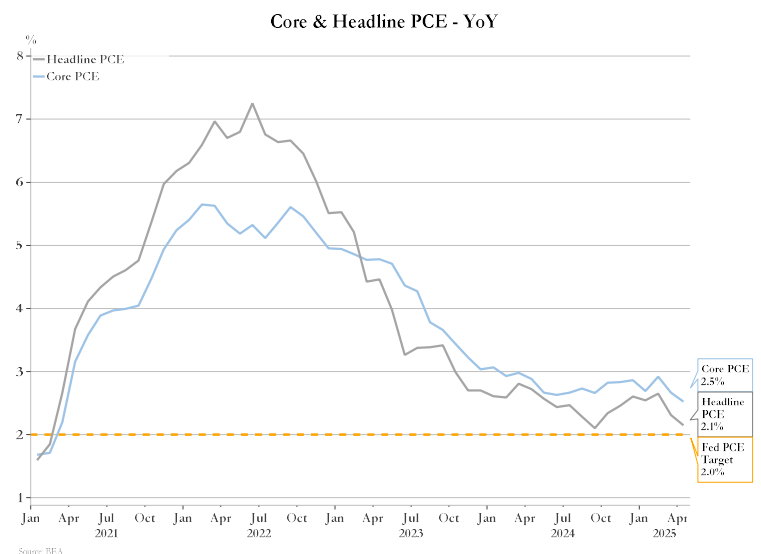
ECONOMIC & MARKET INSIGHTS

An Executive Summary for May 2025

According to the Bureau of Economic Analysis' second estimate, U.S. real GDP growth decreased at an annual rate of 0.2% in Q1 2025, revised up slightly from the initial estimate of -0.3%. The Atlanta Fed's GDPNow estimate for Q2 real GDP growth is 4.6% as of June 2nd, which would mark a significant bounce back from Q1. The rosy forecast was driven by a sharp rise in net exports due to expectations of moderating tariffs, as well as expected increases in personal consumption and private domestic investment. Inflation remained subdued in April with the personal consumption expenditures (PCE) price index, the Fed's preferred inflation gauge, rising just 0.1% from March, putting the annual inflation rate at 2.1%, its lowest reading in 2025. Core inflation, which excludes food and energy, was slightly higher at 2.5% annually. Consumer spending slowed sharply, increasing only 0.2% in April, which was in line with consensus expectations but well below the 0.7% increase in March, while the personal savings rate jumped to 4.9%, indicating a more cautious consumer outlook. The May jobs report will offer a look at how the labor market is reacting to the rapidly changing trade environment. According to Bloomberg data, the report is expected to show 130,000 nonfarm payroll jobs added, down from the 177,000 added in April, and the unemployment rate holding steady at 4.2%. In May, the S&P 500 recorded its best monthly performance since November 2023, putting it within 4% of its record high from mid-February. The rally was driven by Info Tech, Communication Services, and Consumer Discretionary, reflecting a renewed risk appetite among investors. However, U.S. equities continue to lag international counterparts as a weaker U.S. dollar, which is down ~9% YTD according to the U.S. Dollar Index (DXY), contributes to the relative outperformance of non-U.S. securities. Treasury yields rose early in May, with 10-year Treasuries eclipsing 4.5% and the 30-year yield peaking above 5.0%, driven by inflation concerns and the U.S. losing its last triple-A credit rating from a major rating agency after being downgraded by Moody's, before ending the month at 4.4% and 4.9%, respectively. Fed officials, keen on avoiding stagflation, continue to stress that they will remain cautious and data dependent as they consider future rate cuts despite President Trump's public calls for cuts in the near-term.

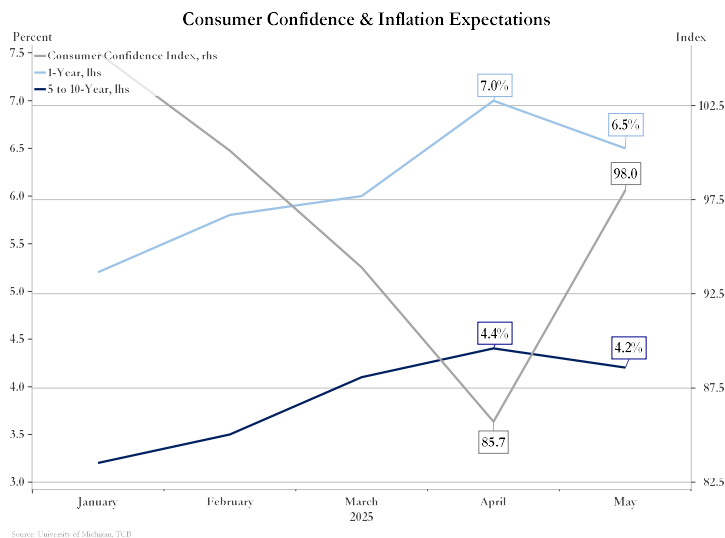
Tariffs Not Yet Impacting Price Data

- Inflation remained subdued in April with the PCE Price Index rising just 0.1% from March and 2.1% from a year ago, its lowest reading so far in 2025. Core inflation came in slightly higher at an annual rate of 2.5%.
- Consumer spending slowed sharply, increasing only 0.2% in April, while the personal savings rate jumped to 4.9%, indicating a more cautious consumer outlook.
- Personal income rose 0.8%, outpacing expectations, while food prices declined and energy and shelter costs rose modestly.
- Tariffs imposed by President Trump have not yet significantly impacted consumer prices, but economists warn of delayed inflationary effects and Fed officials remain cautious, with no immediate rate cuts planned, as they monitor the long-term impact of tariffs and potential risks of stagflation.



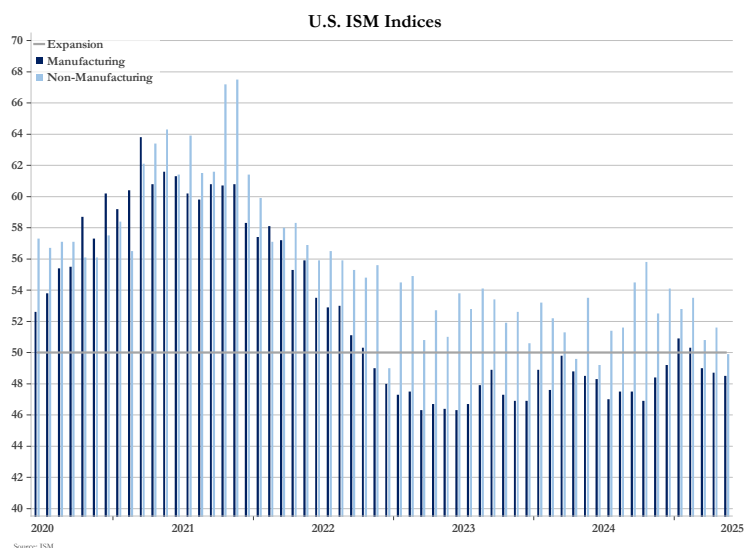
Consumer Confidence Rebounds in May

- After falling each month to start the year, U.S. consumer confidence was nearing a five-year low before it rebounded sharply in May as President Trump walked back or delayed some of his most extreme tariff threats.
- Consumers now see costs rising an annualized 4.2% over the next 5-10 years, down from 4.4% in the prior month, which marks the first decline this year, though the inflation expectation over the next 12 months remained higher at 6.5%.
- The improvement in confidence was broad across age, income, and political affiliation as the outlook for the economy and labor market improved.



Manufacturing PMI Remains in Contraction

- The ISM Manufacturing PMI fell to 48.5 in May, down slightly from 48.7 in April, marking the third consecutive month in contraction territory below the 50 threshold.
- Key components like New Orders (47.6) and Production (45.4) remained in contraction, though both improved slightly from April.
- The New Export Orders and Imports components dropped 3 and 7.2 percentage points, respectively, highlighting the impact of escalating tariffs and global trade uncertainty on U.S. manufacturers.
- The ISM Non-manufacturing PMI, which came in at 49.9, also fell below the 50 threshold, indicating a slight contraction in the services sector for the first time since June 2024.

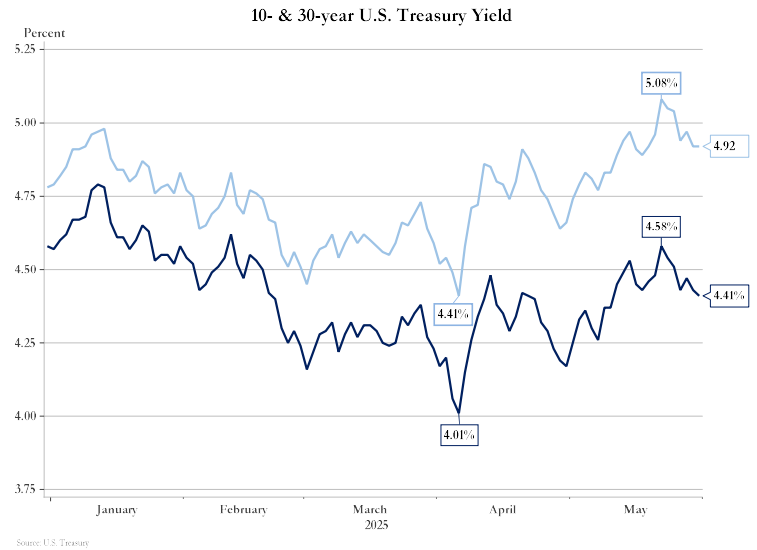


U.S. Continues to Lag International Equities

- Driven by easing inflation expectations and robust tech sector performance, the S&P 500 rose in May and finished the month within 4% of its all-time high.
- Small-cap stocks, represented by the Russell 2000, also had a strong, albeit more modest month as investors remained cautious about domestic economic growth.
- Despite the solid performance, U.S. equities continue to lag international counterparts YTD.
- A weakening U.S. Dollar helped international equities outperform in USD terms, while optimism around global trade negotiations was a tailwind across both markets.

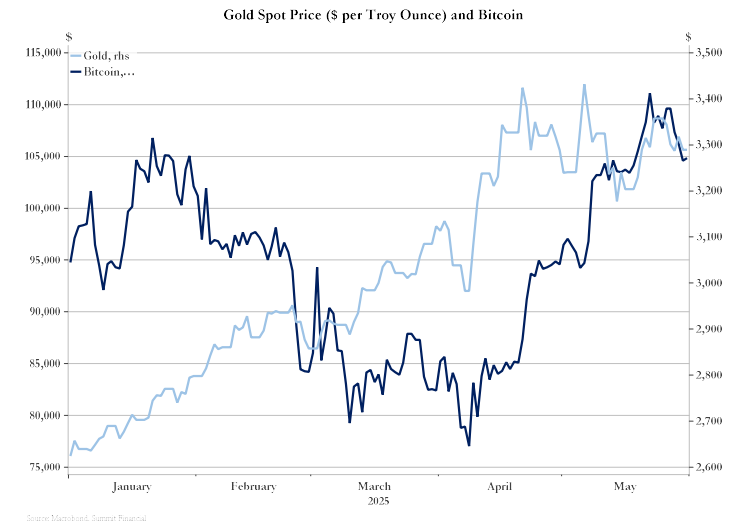
Bond Market Volatility Remains Elevated

- The MOVE Index, which tracks U.S. Treasury market volatility, remained elevated in May, driven by Moody's downgrade of the U.S. credit rating and ongoing tariff uncertainty.
- Yields on 10-year and 30-year U.S. Treasuries fluctuated sharply, with the 30-year briefly surpassing 5.0% and the 10-year topping 4.5% before easing slightly by month end.
- Yield curves have been steepening globally as the supply of longer-term securities is growing while demand for those issues is diminishing due to concerns over large fiscal deficits.
- Emerging market bonds rallied in May, benefitting from a softer dollar and improving risk sentiment, while U.S. fixed income broadly finished in negative territory.



Gold and Bitcoin Finish Higher Despite Losing Steam Late Month

- After a strong rally to start the year, Gold prices cooled to end May as investor appetite shifted toward equities amid a broader market rebound.
- Despite the pullback, gold remains up significantly YTD, supported by concerns over U.S. fiscal policy, high debt levels, and geopolitical uncertainty.
- Bitcoin continued its rally in May driven by growing institutional adoption and optimism around crypto-friendly U.S. policy developments.



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The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS, and CMBS (agency and non-agency). The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers. The Bloomberg Municipal Bond Index covers the U.S. dollar-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the

investable U.S. equity market. It is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are included. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The S&P 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity, and industry group representation. Included are the stocks of eleven different sectors. The MSCI EAFE Index (Europe, Australasia, Far East) captures large- and mid-cap representation across developed markets countries around the world, excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI Emerging Markets Index captures large- and mid-cap representation across emerging markets countries across the world. The index covers approximately 85% of the free float-adjusted market capitalization in each country. The HFRX Global Hedge Fund Index is comprised of funds representing the overall hedge fund universe. Constituent funds include but are not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event-driven, macro, merger arbitrage, and relative value arbitrage. The underlying strategies are asset-weighted based on the distribution of assets in the hedge fund industry. The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITS worldwide. Index constituents are free float-adjusted, subject to liquidity, size, and revenue screening for inclusion. The Bloomberg Commodity Index reflects commodity futures price movements and is calculated on an excess return basis. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production, and weight-caps are applied at the commodity, sector, and group level for diversification. The roll period typically occurs from the 6th-10th business day based on the roll schedule. The Consumer Confidence Index reports how consumers feel about the current situation of the economy and about where they feel it is headed. Conducted by the Conference Board, the survey consists of five questions about the present situation and three questions about their expectations for the economy in the future. It provides insight into how they spend and save, which helps businesses and economic leaders track inflation and output. The U.S. Dollar Index (DXY) is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow", is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.

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