

# Making Sense

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Monthly Market Update

Recorded on June 25, 2025



**Brent Ciliano, CFA | SVP**  
Chief Investment Officer



**Phillip Neuhart, SVP**  
Director of Market and  
Economic Research

# What are we going to cover?

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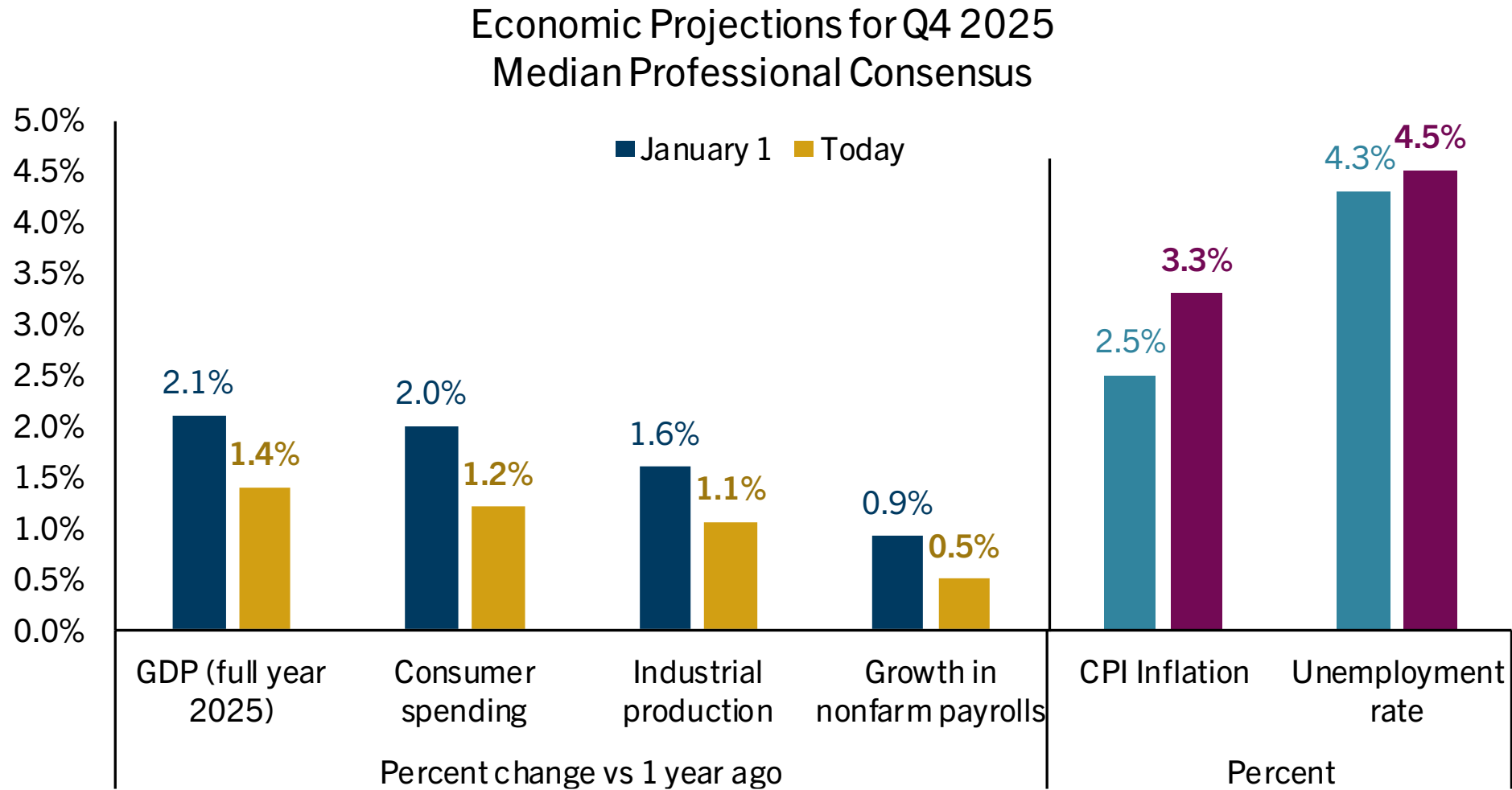
1. **Economic Update:**  
Growth Outlook | Tariff Update | Inflation & Labor Market | Fed Policy | Consumer Spending
2. **Market Update:**  
Equity Markets | Valuations | Fixed Income

# Economic & Policy Update







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Growth Outlook | Tariff Update | Inflation & Labor Market | Fed Policy | Consumer Spending

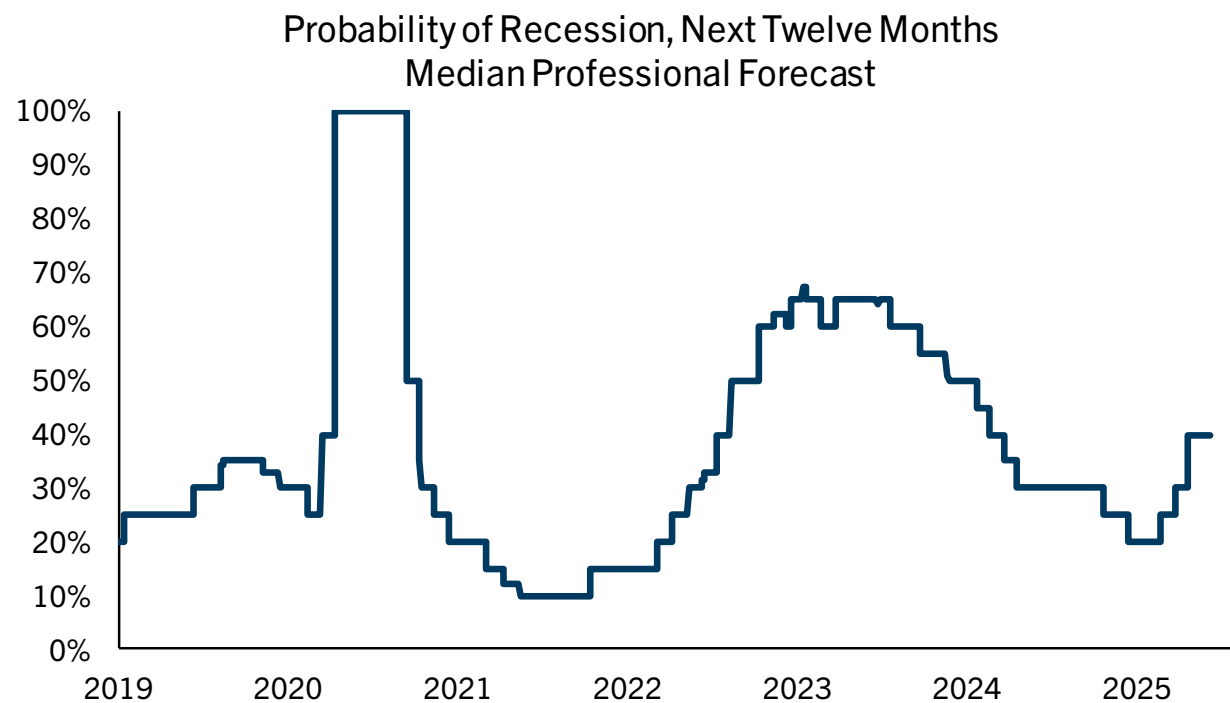
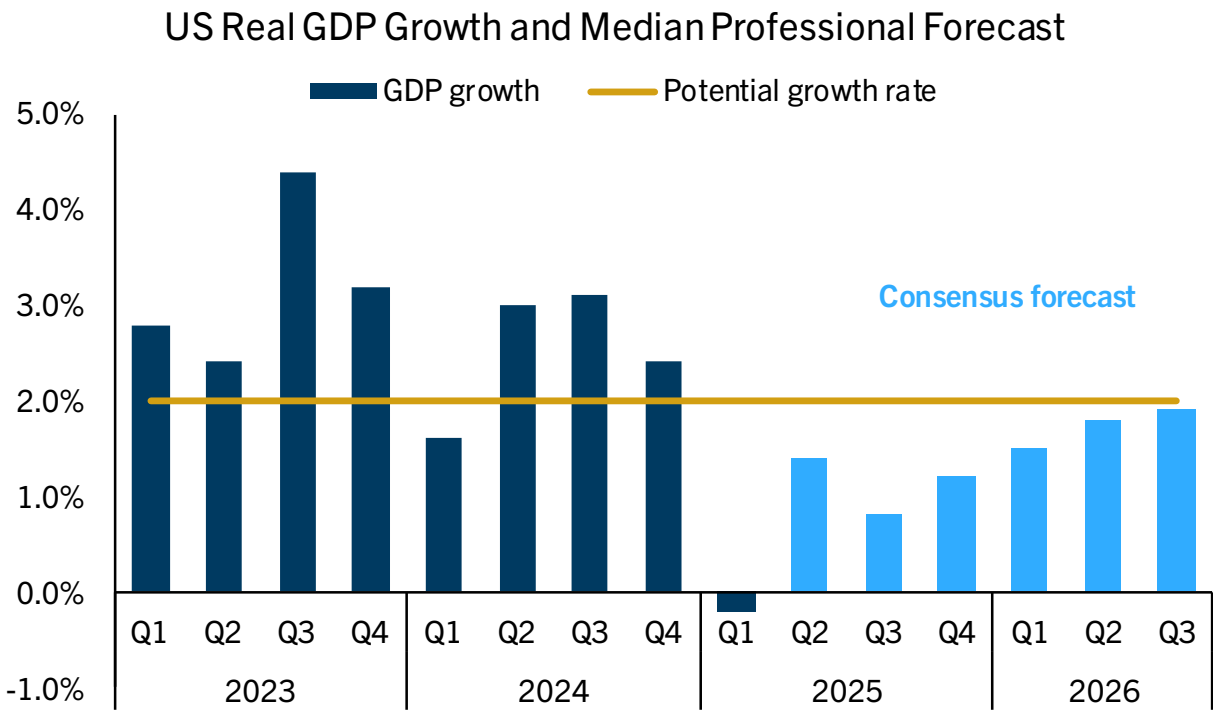
# Economic Forecasts Have Turned Slightly More Pessimistic



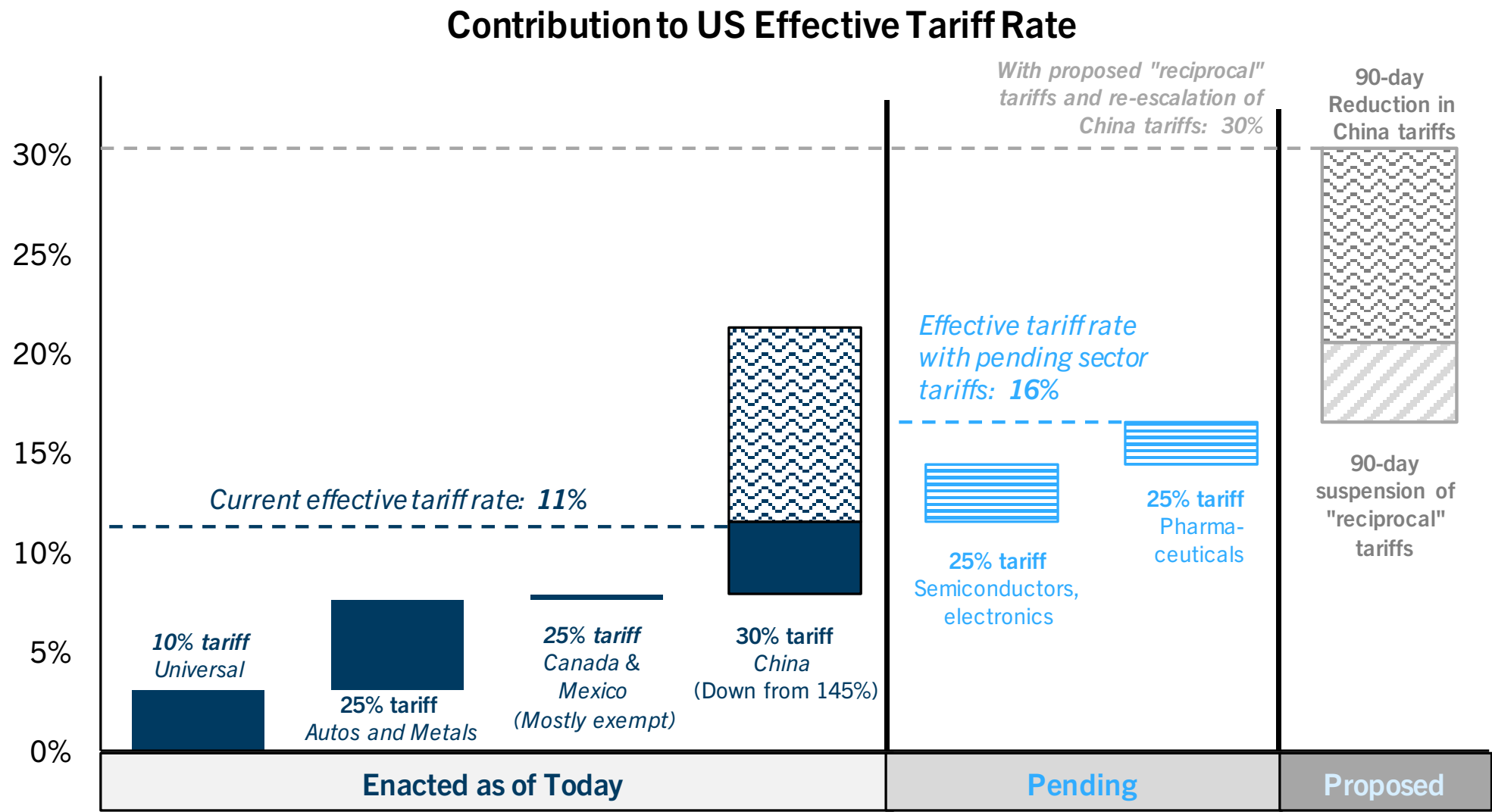
# Current Expectations Show Global Growth Slowing but Not Stalling

World Economic Outlook				
Consensus Real Economic Growth Estimates				
	2024	2025 Estimate as of:		
	Actual Growth	Dec. 2024		Today
World	3.2%	3.0%	 -0.3%	2.7%
United States	2.8%	2.1%	 -0.7%	1.4%
Euro Area	0.9%	1.0%	 --	1.0%
Canada	1.5%	1.8%	 -0.6%	1.2%
Mexico	1.5%	1.2%	 -1.2%	0.0%
China	5.0%	4.5%	 --	4.5%

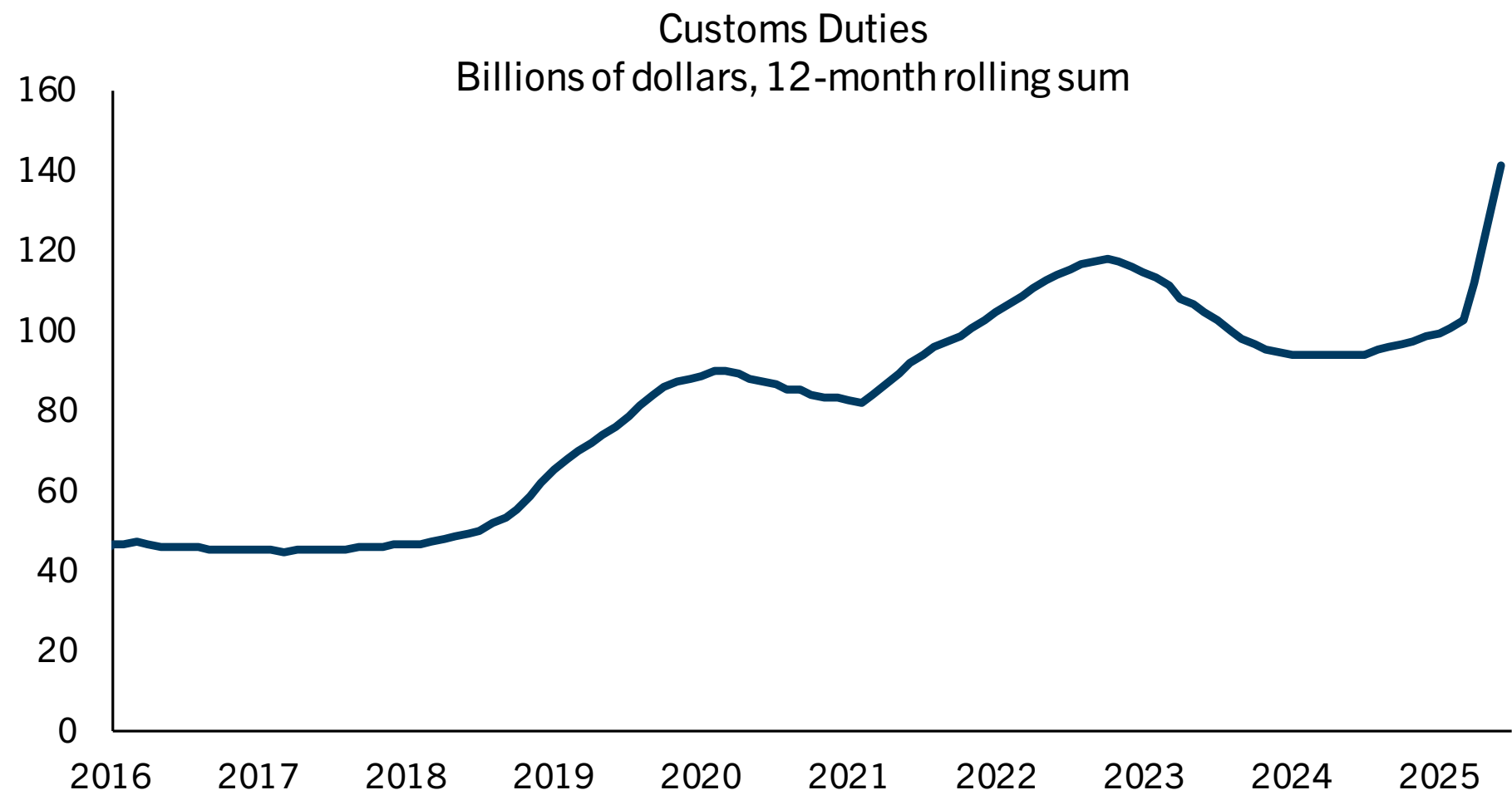
# Most Forecasters See the Economy Slowing but Skirting Recession



# The US Has Suspended Half of New Tariffs, but Others Are in the Works



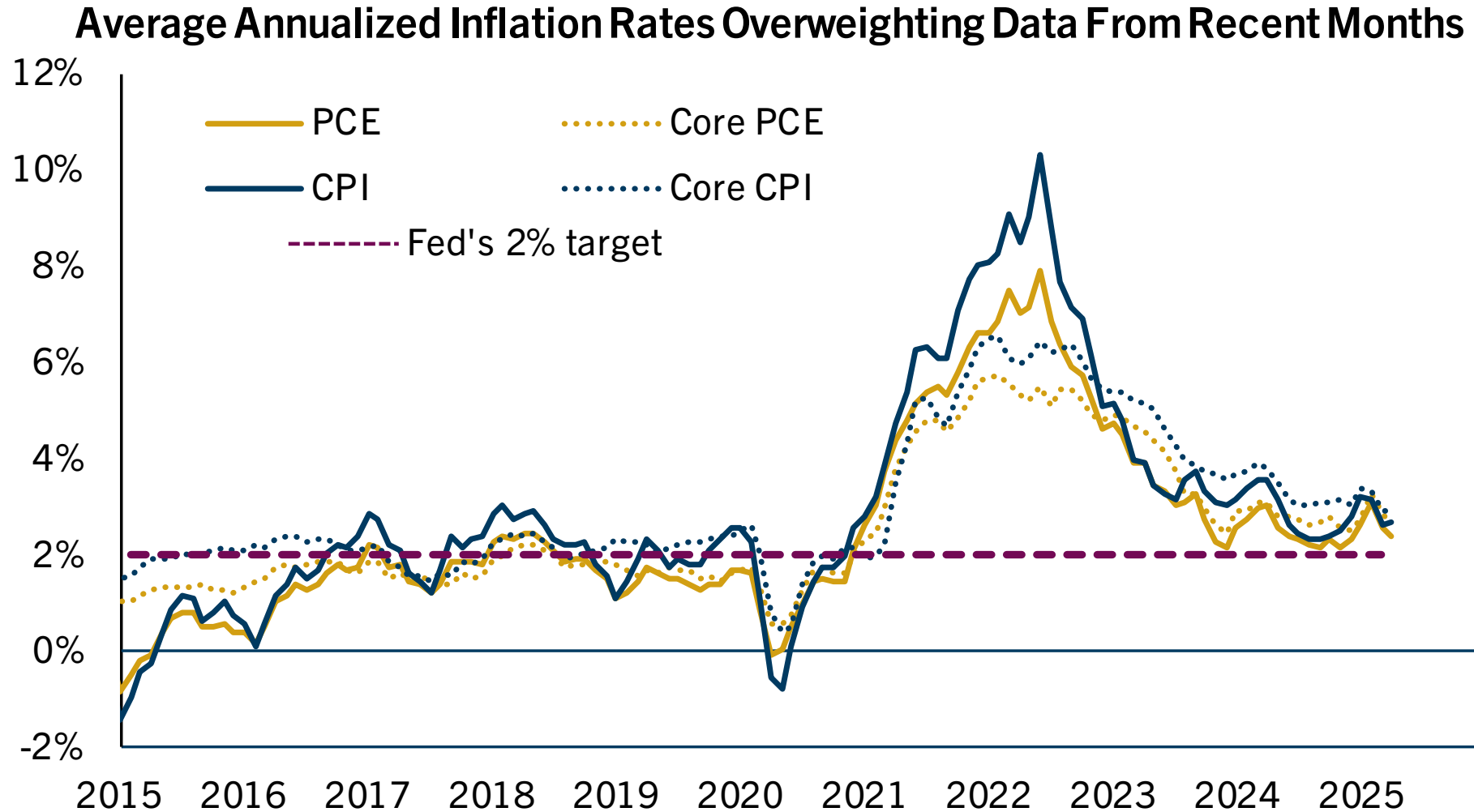
# Importers Are Already Paying Billions More in Fees at the Border



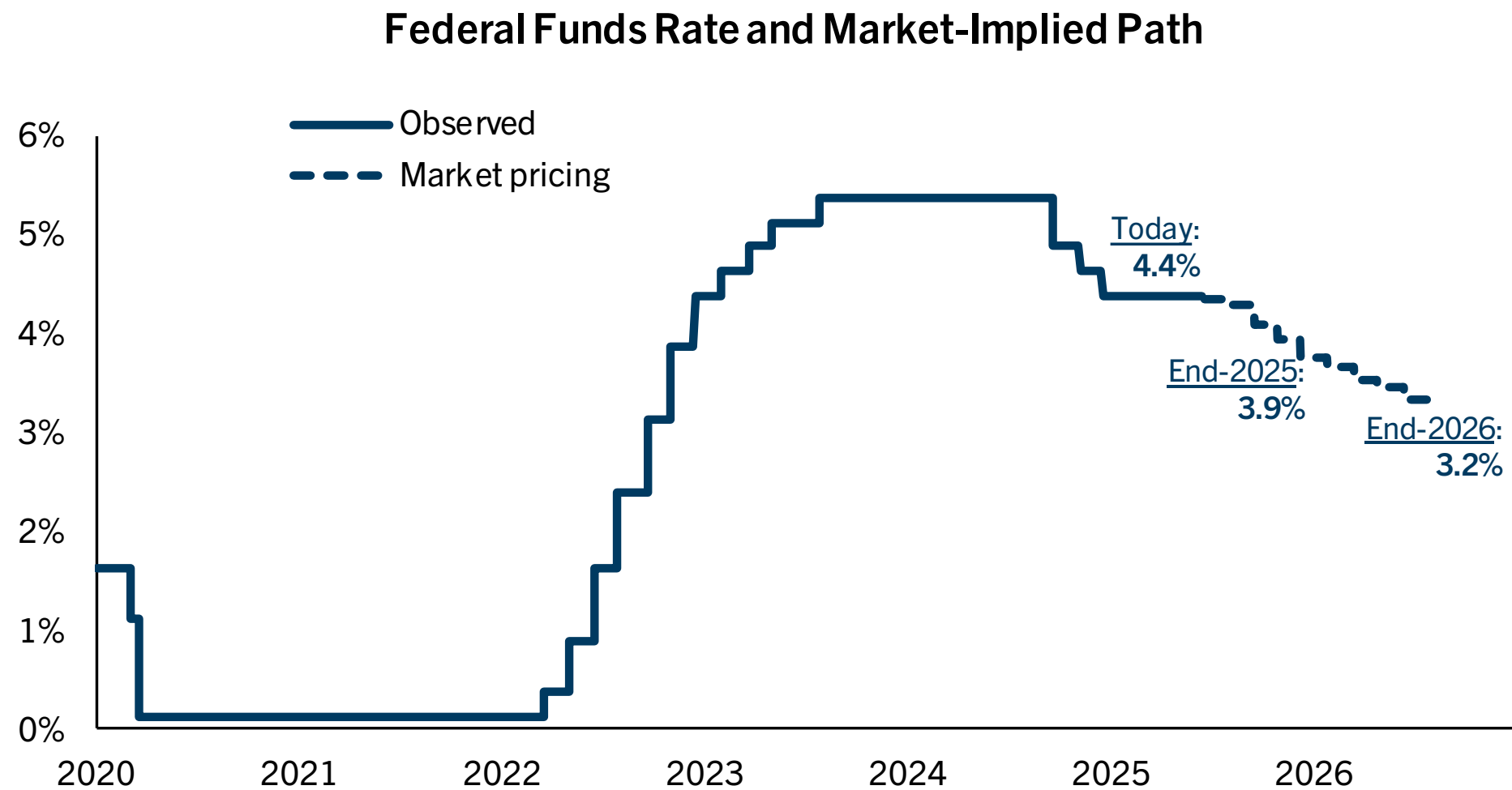
Source: Treasury Department, Bloomberg. Data through May 2025. May value is projected.



# As Tariffs Set In, Inflation Was Tracking Modestly Above the Fed's 2% Target

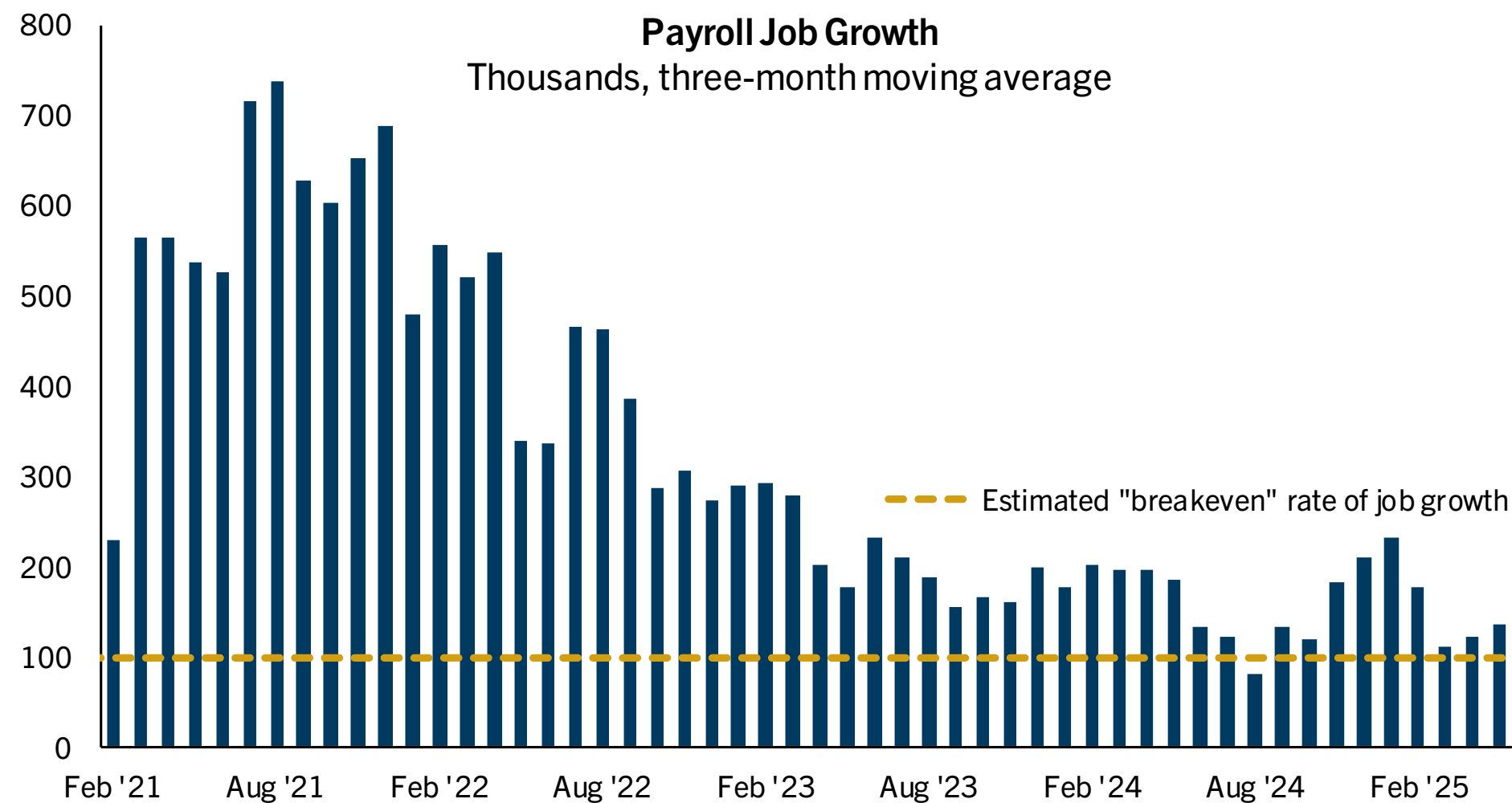


# Markets Have Modest Expectations for Rate Cuts Starting Later This Year



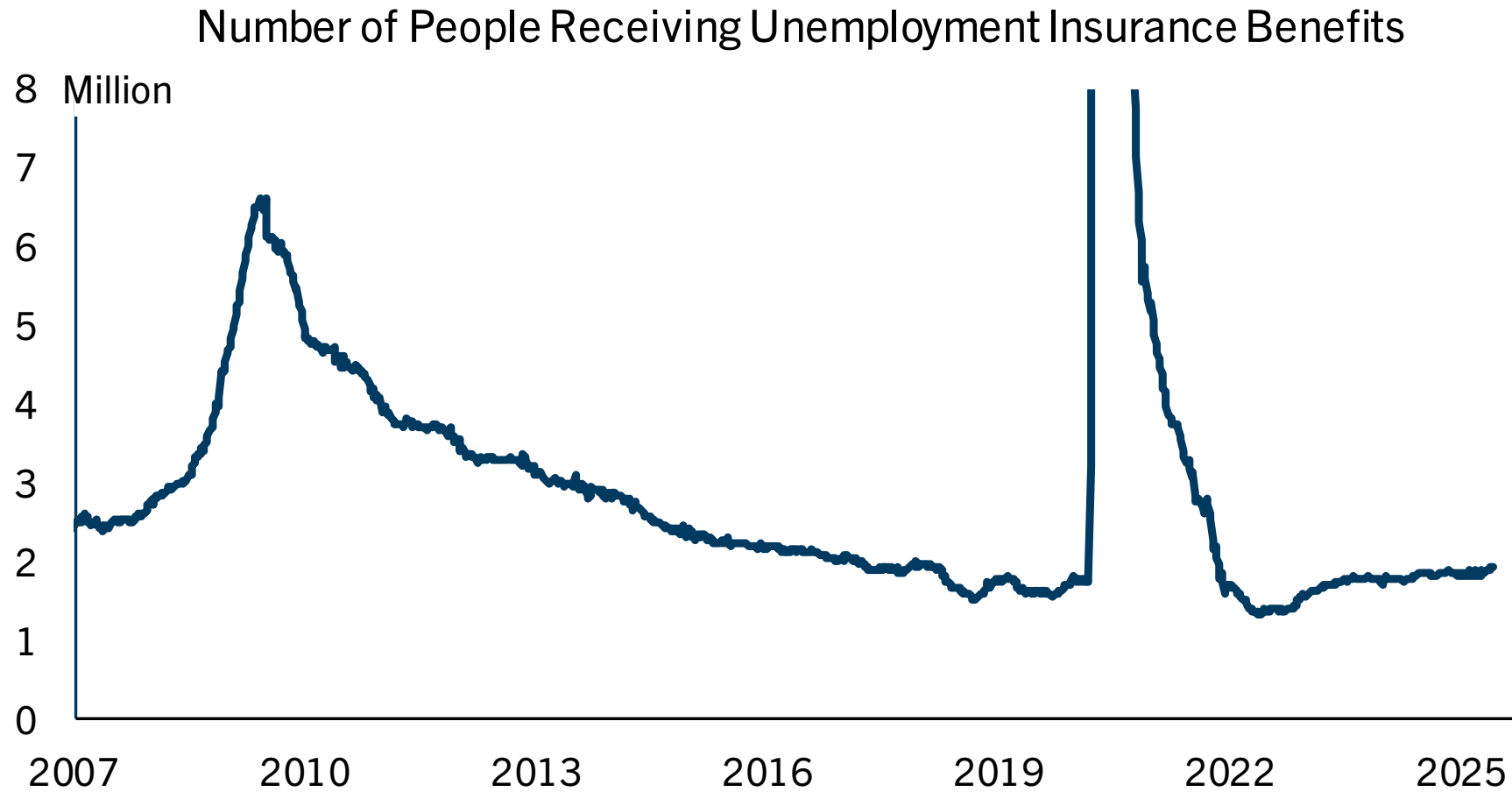
Source: Bloomberg, First Citizens Wealth. Data as 6/23/2025.

# Job Growth Has Been Fairly Healthy in Recent Months

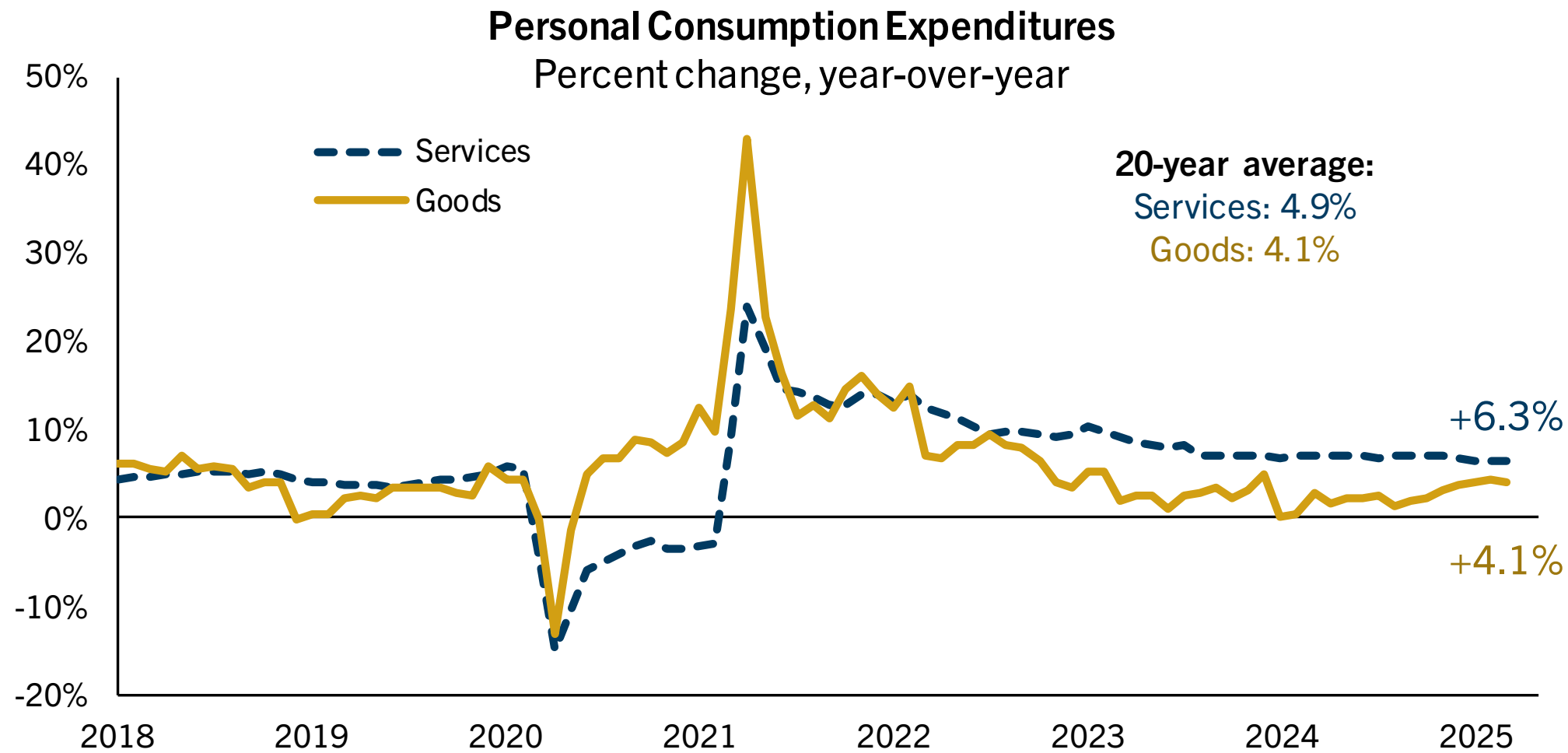


Source: Department of Labor, Bloomberg. Data as of May 2025.

# More People Are Receiving Jobless Benefits, but the Number Is Still Low

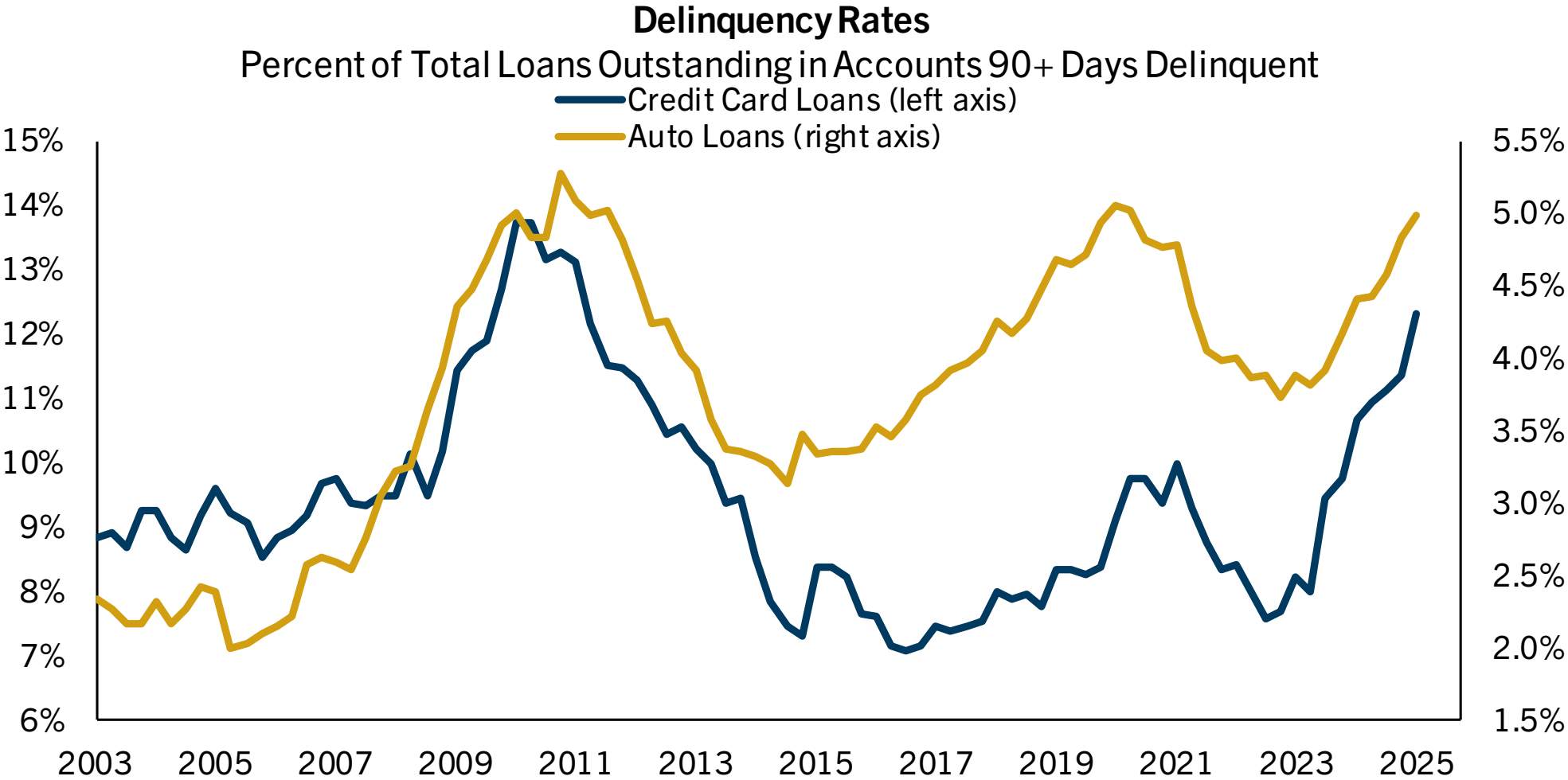


# Consumer Expenditures Are Holding Up, Still Led by Services Spending



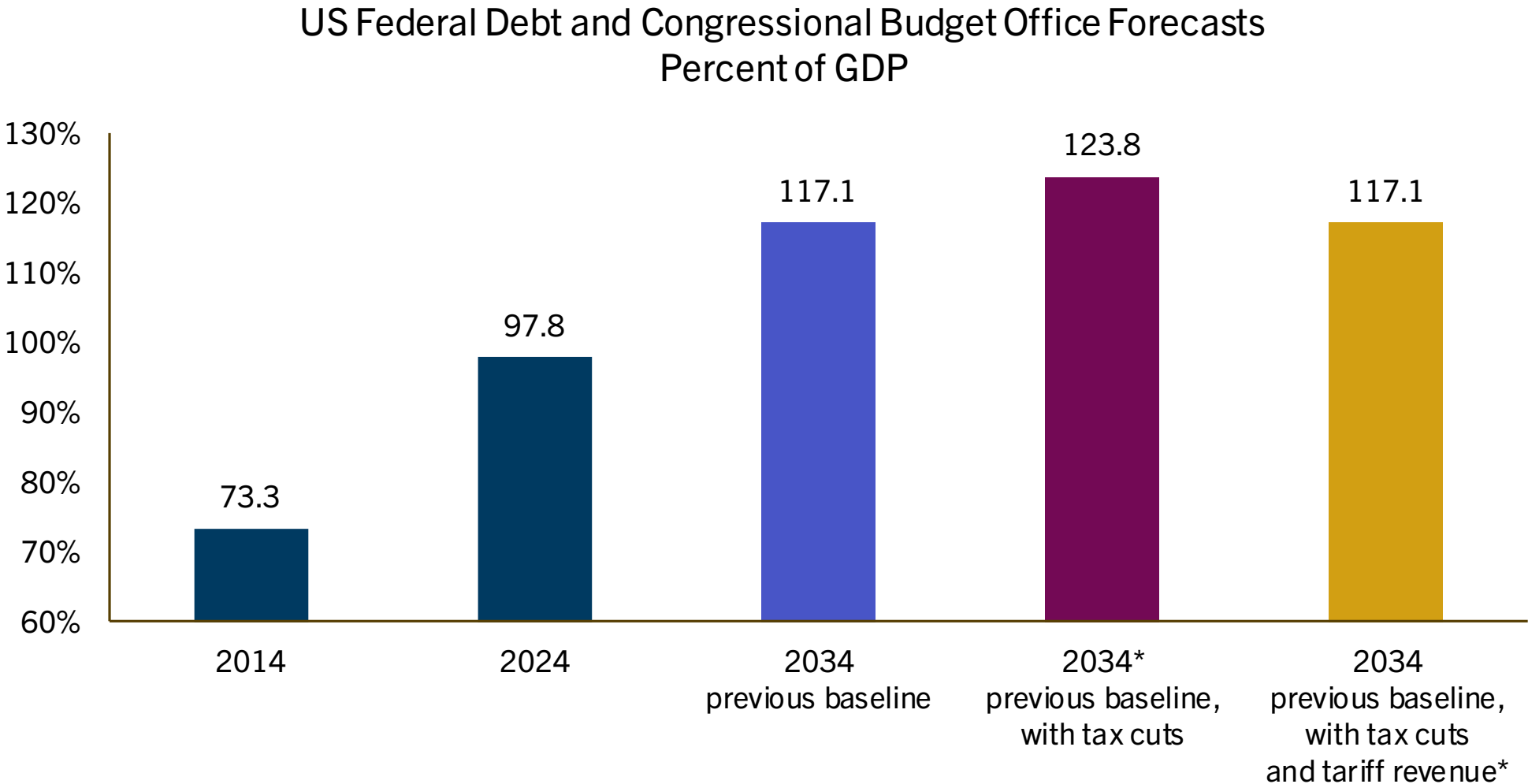
Source: Department of Commerce, Bloomberg. Data as of April 2025.

# Household Finances Are Growing More Strained



Source: Federal Reserve Bank of New York, Bloomberg. Data through Q1 2025.

# Federal Debt Is Poised To Rise Significantly Under Various Scenarios



\*Note: The Congressional Budget Office estimates the One Big Beautiful Bill Act and tariffs enacted through May 2025 both impact the 10-year federal budget by \$3.0 trillion.

# Market Update

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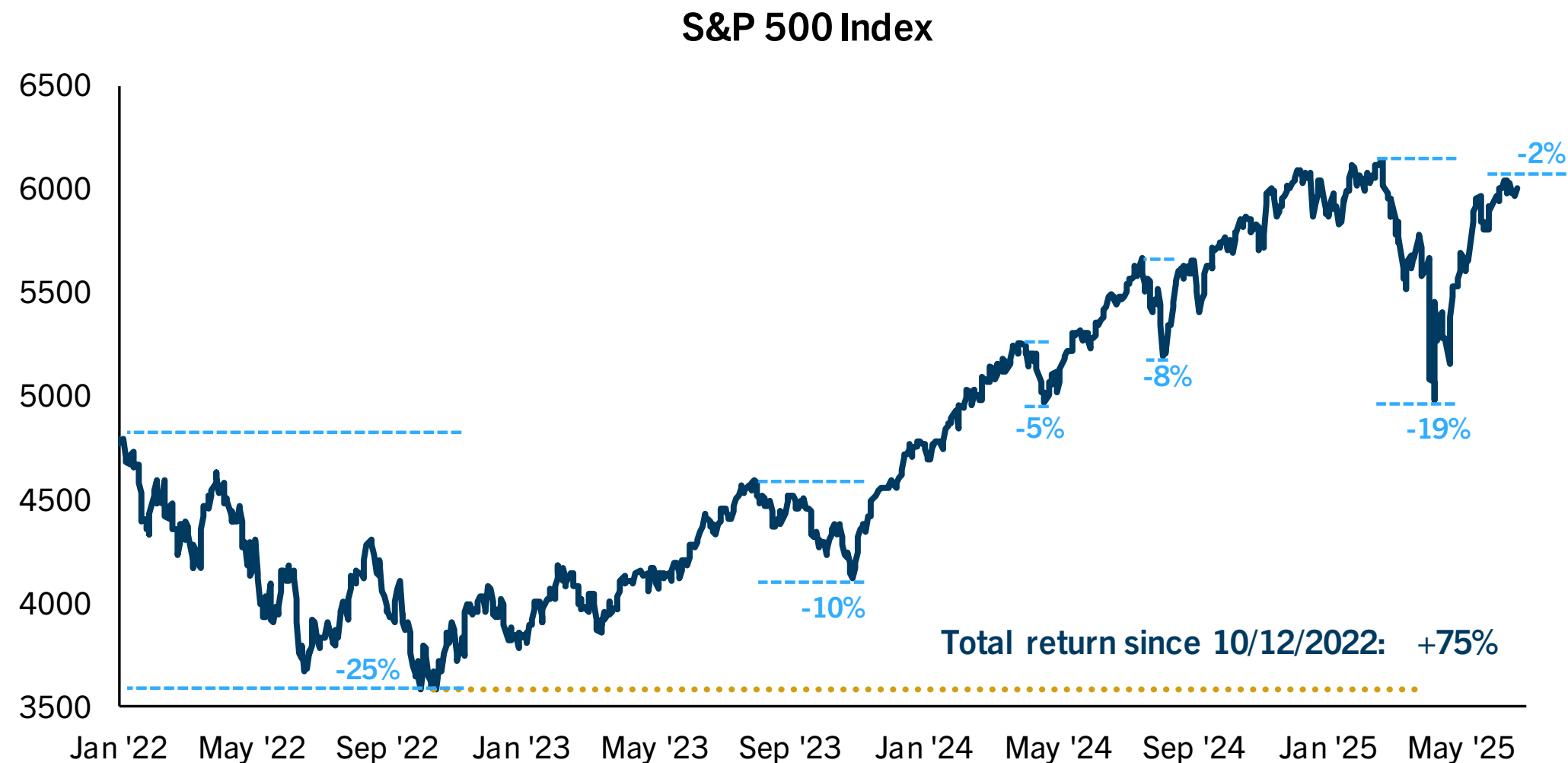
Equity Markets | Valuations | Fixed Income



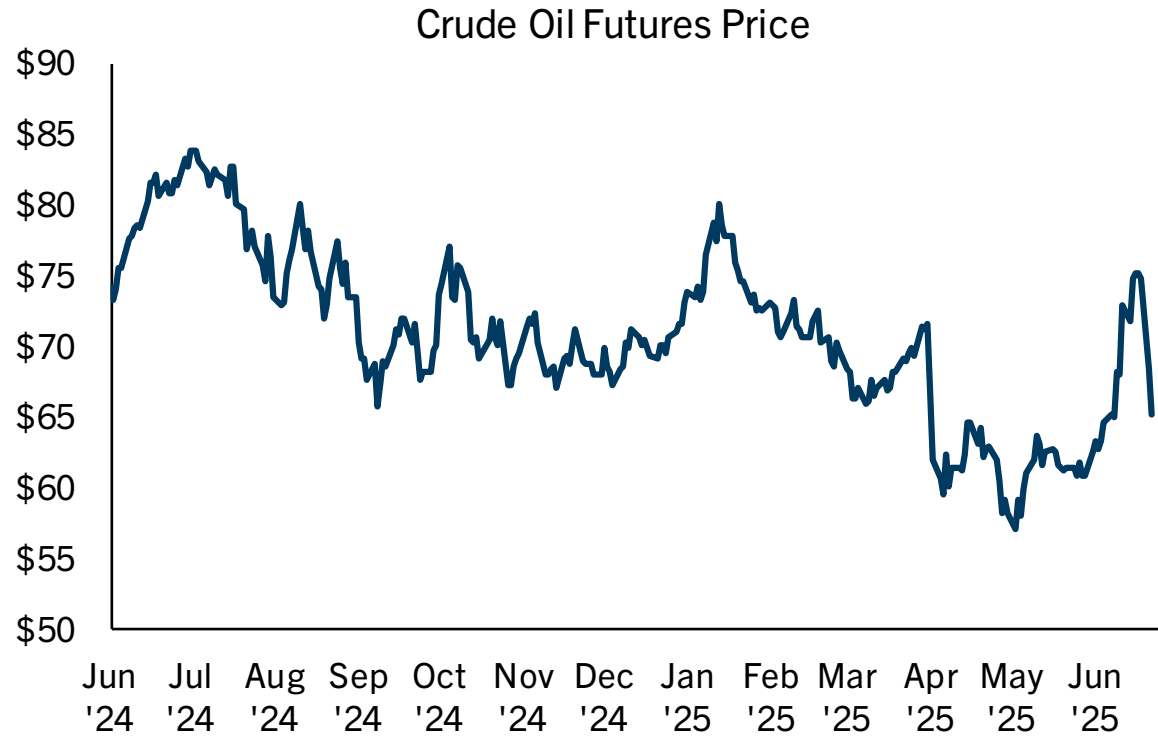
# Global Asset Prices Have Recovered After the April Selloff

Total Market Returns As of 6/23/2025			
	Feb. 19 US peak to Apr. 8 trough	Since Feb. 19 peak	YTD 2025
US Equities	-19.3%	-1.9%	+2.7%
Intl. Developed Equities	-8.5%	+7.5%	+16.0%
Emerging Market Equities	-11.4%	+5.3%	+11.5%
Aggregate Fixed Income	+1.0%	+2.3%	+3.2%
Municipal Bonds	-2.7%	-1.2%	-0.5%

# The S&P 500 Has Staged a Terrific Rebound

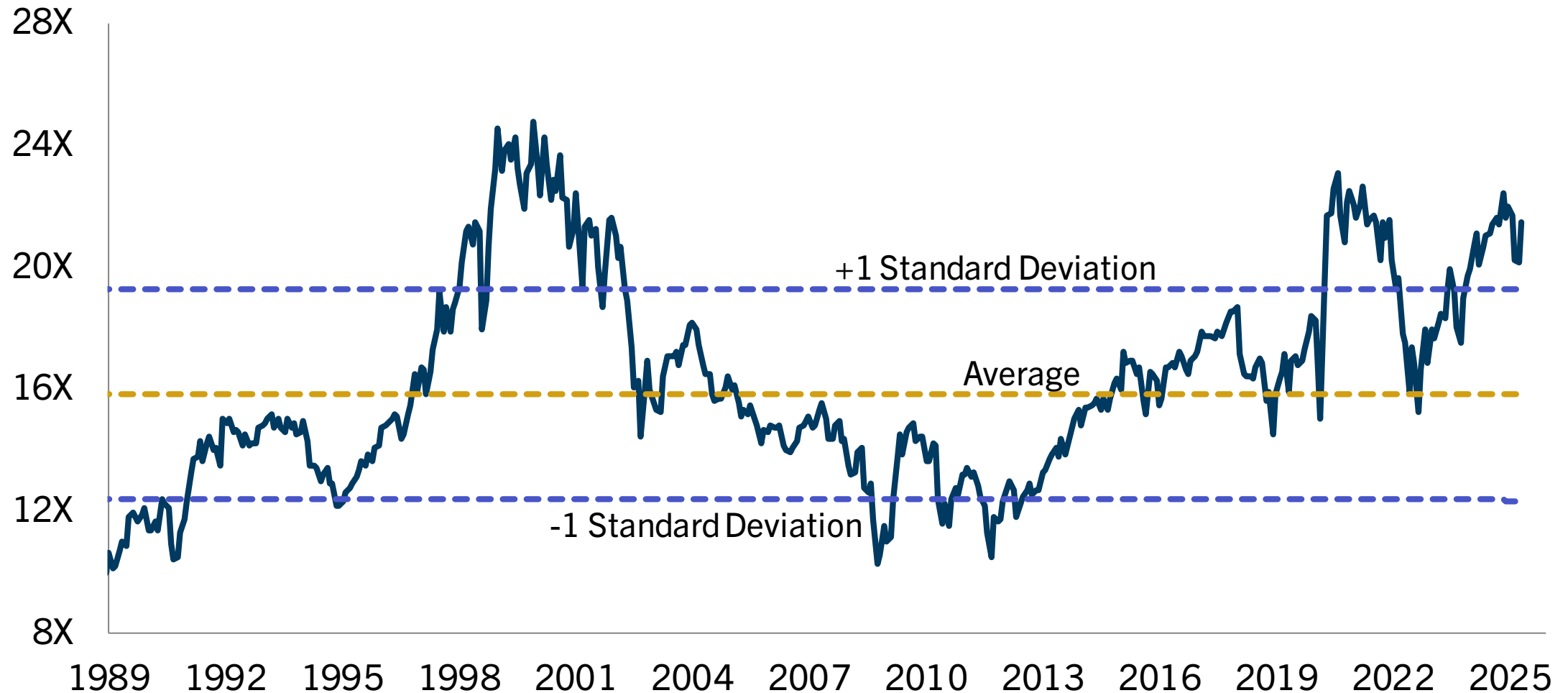


# Companies Are Contending with Commodity and Currency Swings

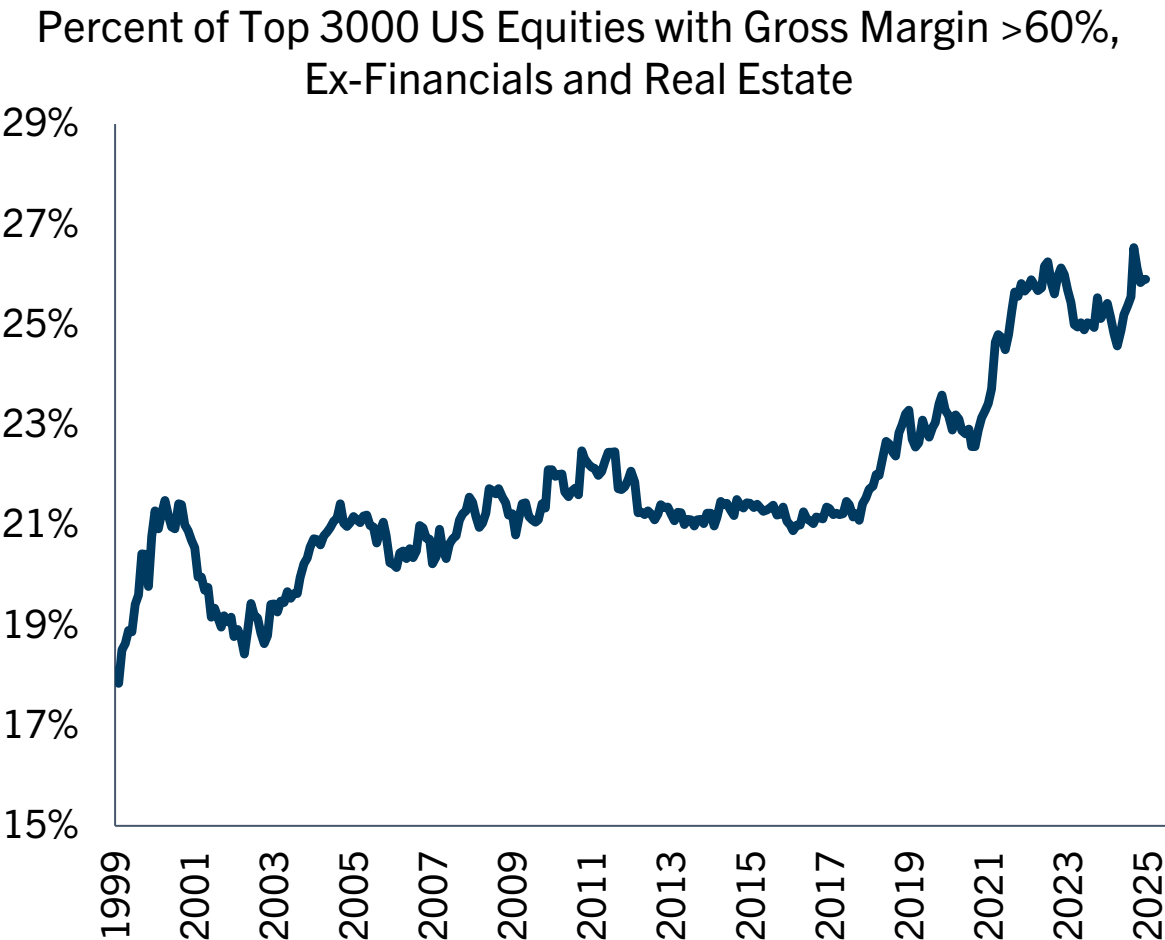
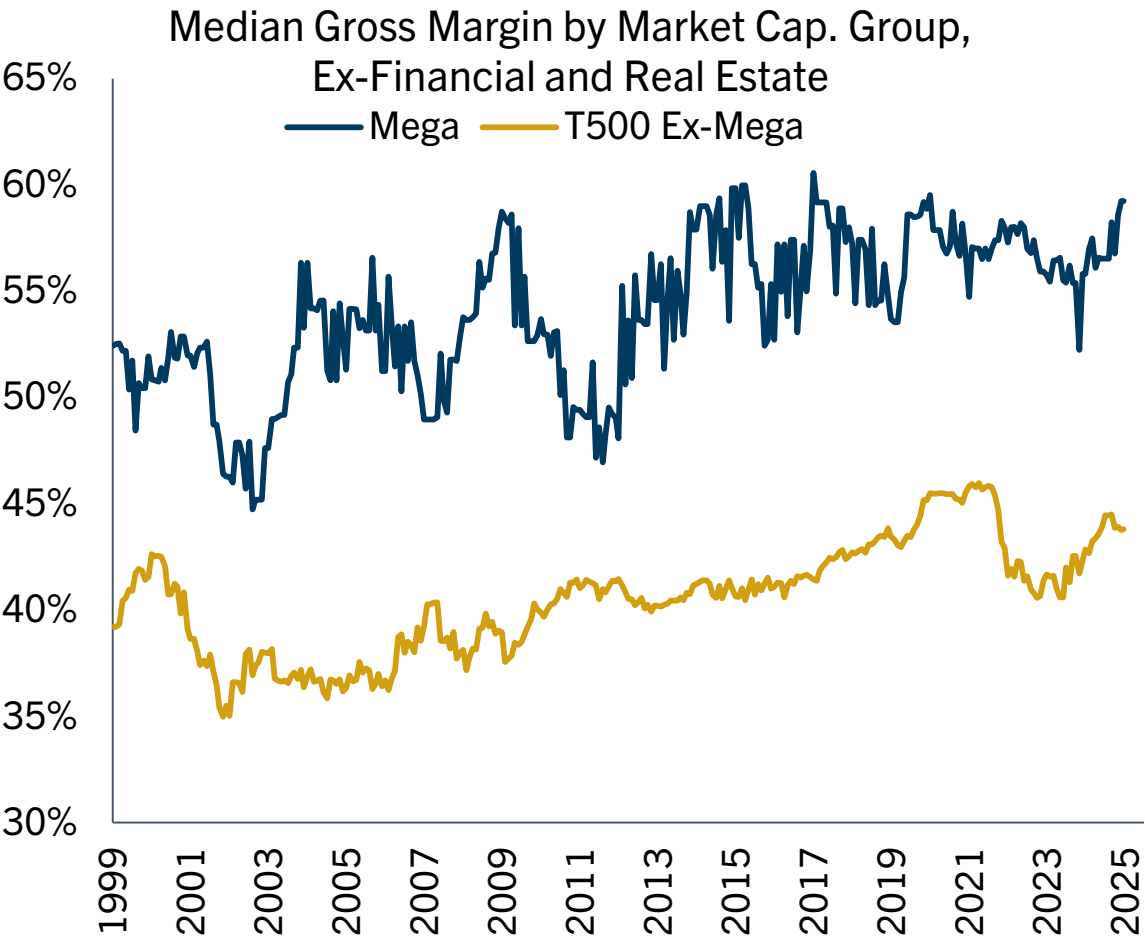


# S&P 500 Valuations Have Contracted Modestly

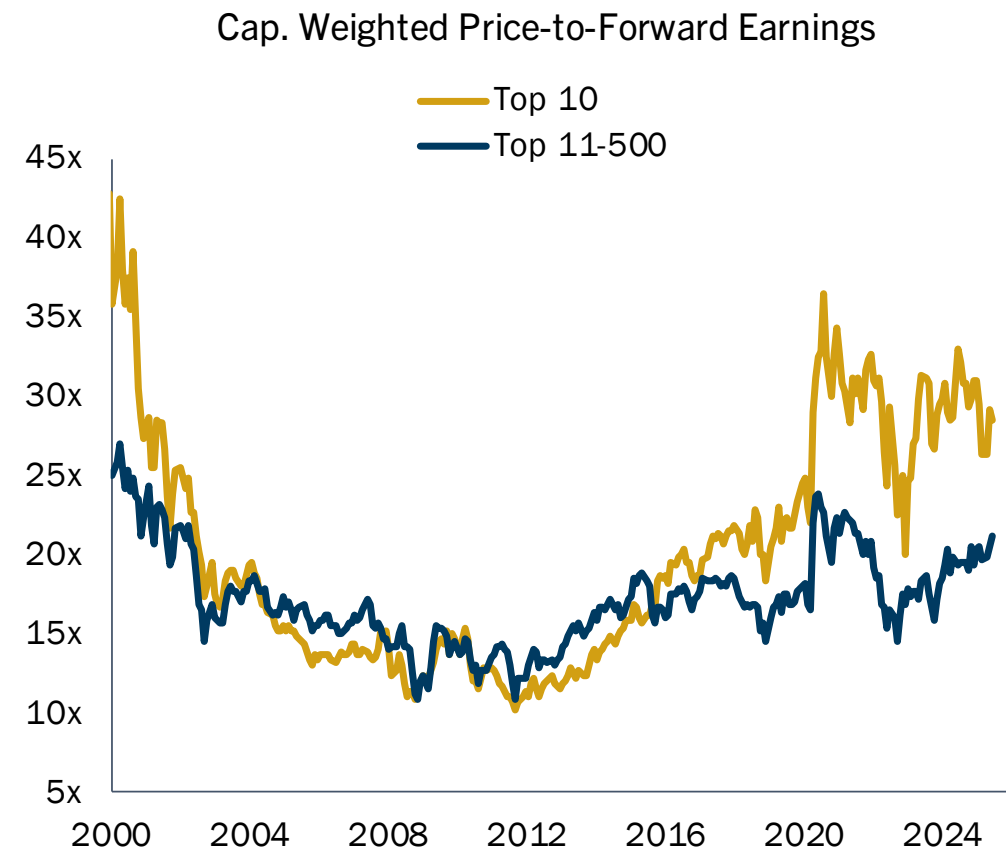
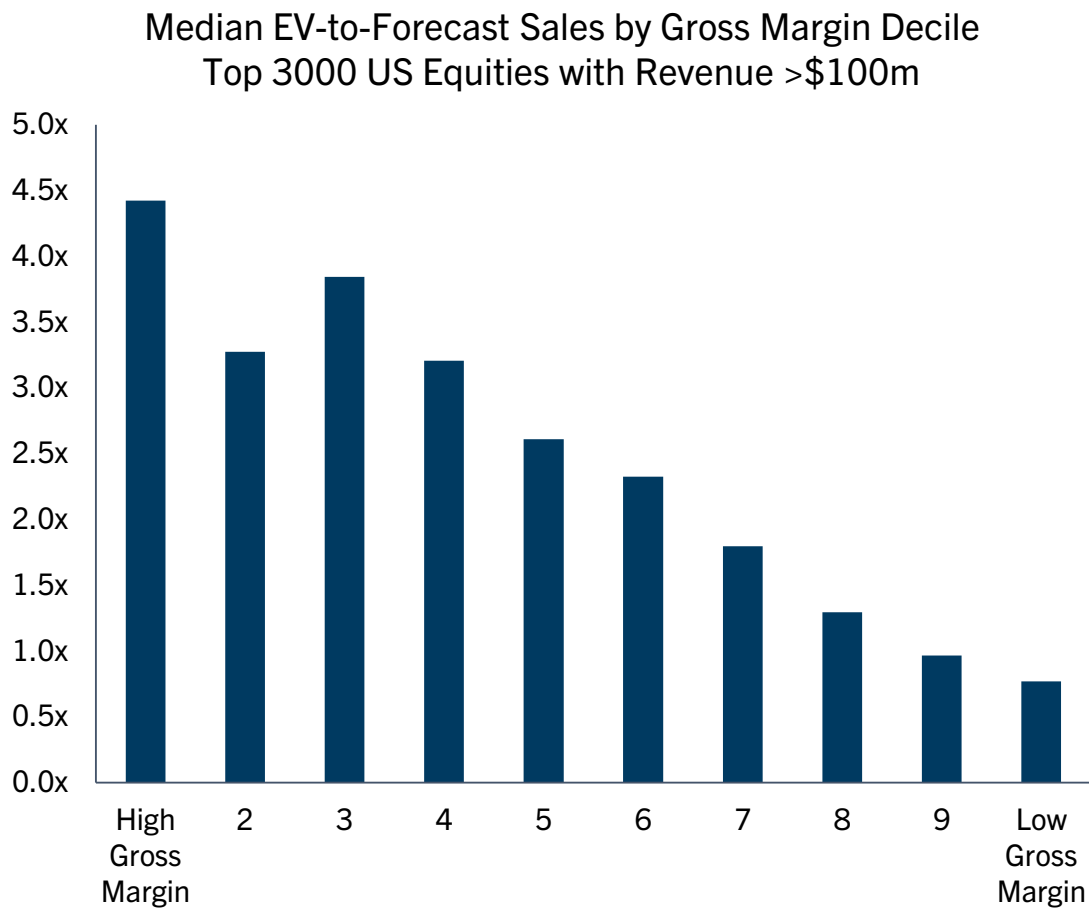
## S&P 500 Next Twelve Months Price-to-Earnings Ratio



# Gross Margins Are at a Healthy Level



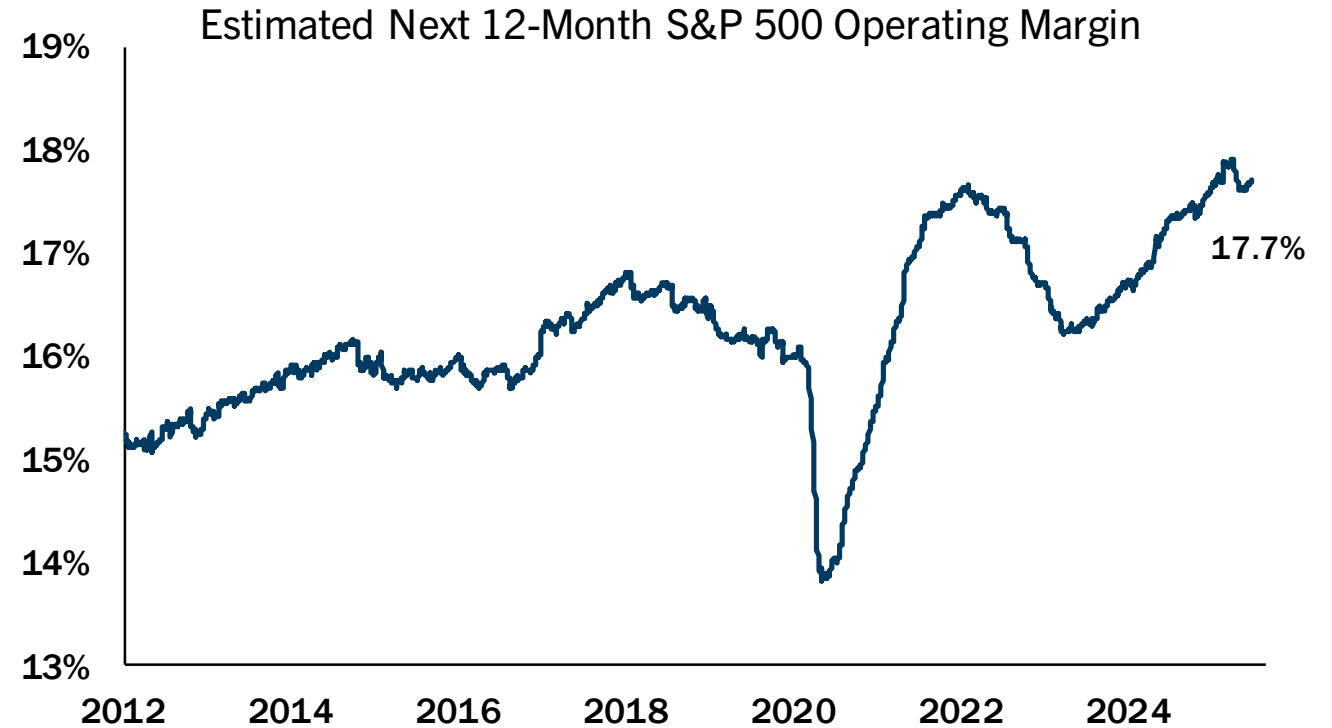
# Higher Margin Businesses Justify Higher Valuations



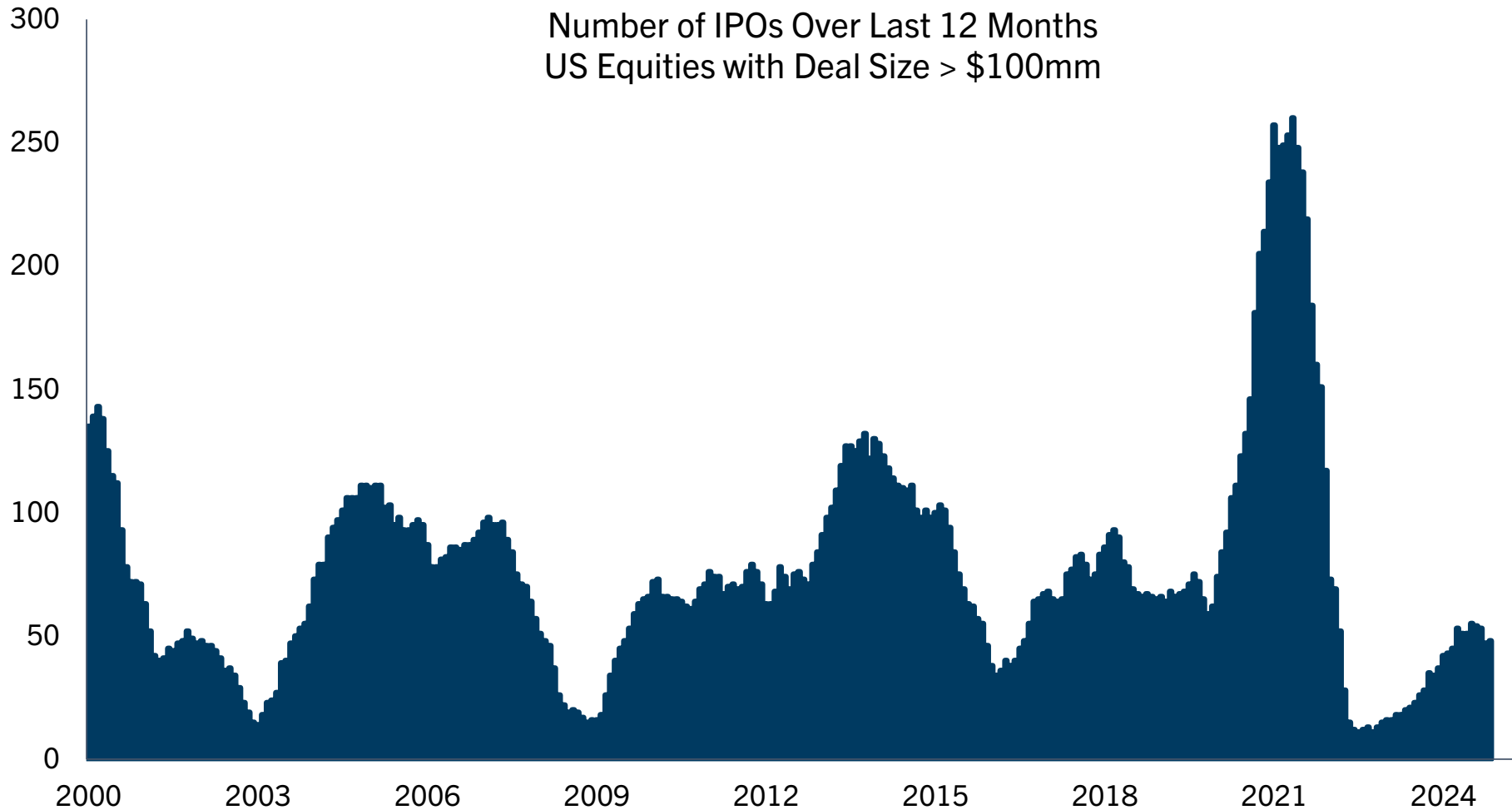
Source: Trivariate Research. Data as of 6/18/2025.

# Corporate Earnings

- 2025 estimated growth is **9.0%**
- 2026 estimated growth is **13.7%**
- Average growth since 1950 is **7.6%**



# IPO Volume Remains Muted





# S&P 500 Price Target

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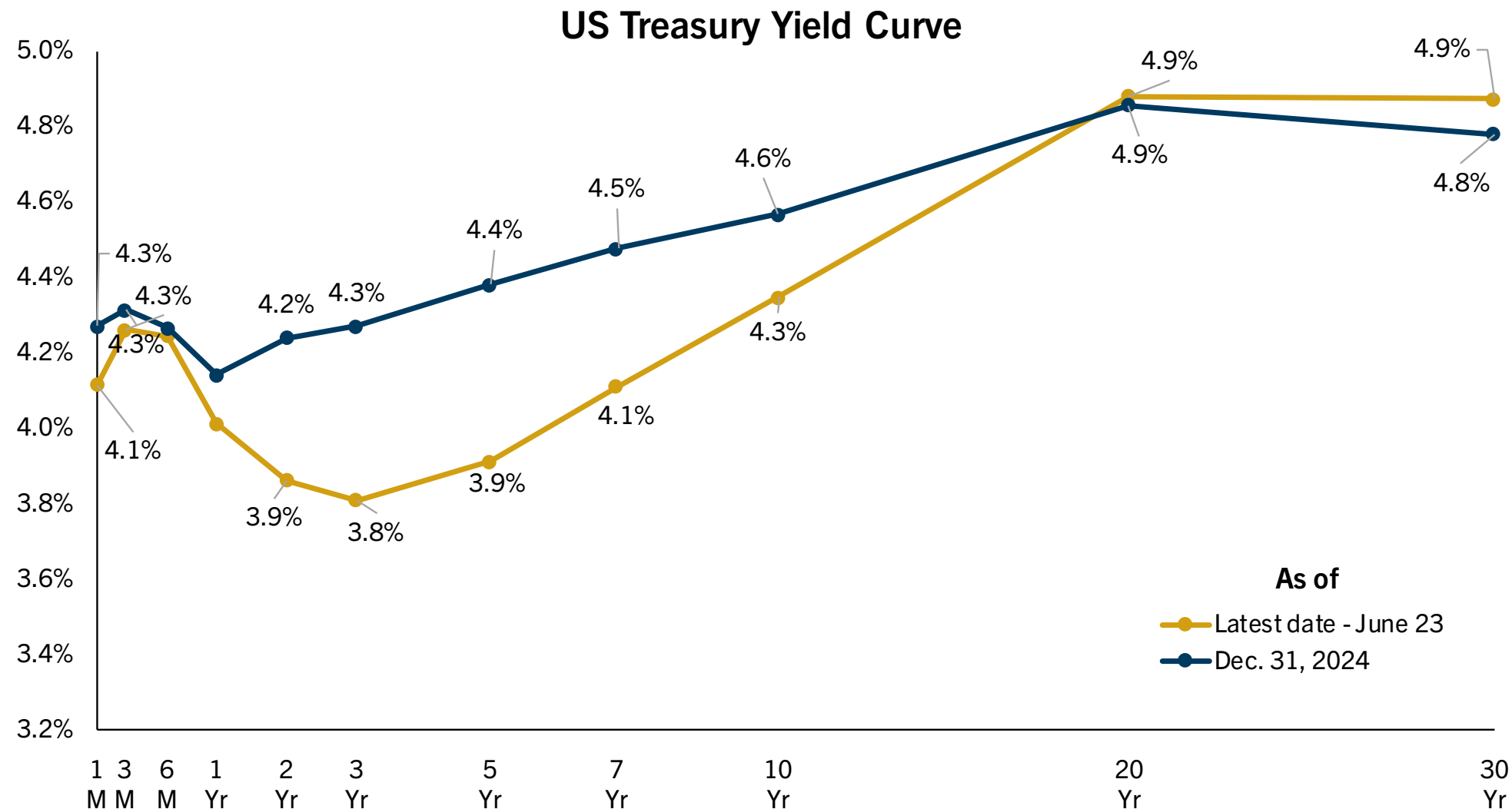
## Next Twelve-Month S&P 500 Price Target

	Next Twelve Months Price Level	Percent Change from 6/24/25
Bear	4,700	-22.0%
Base	6,400	6.2%
Bull	6,950	15.3%

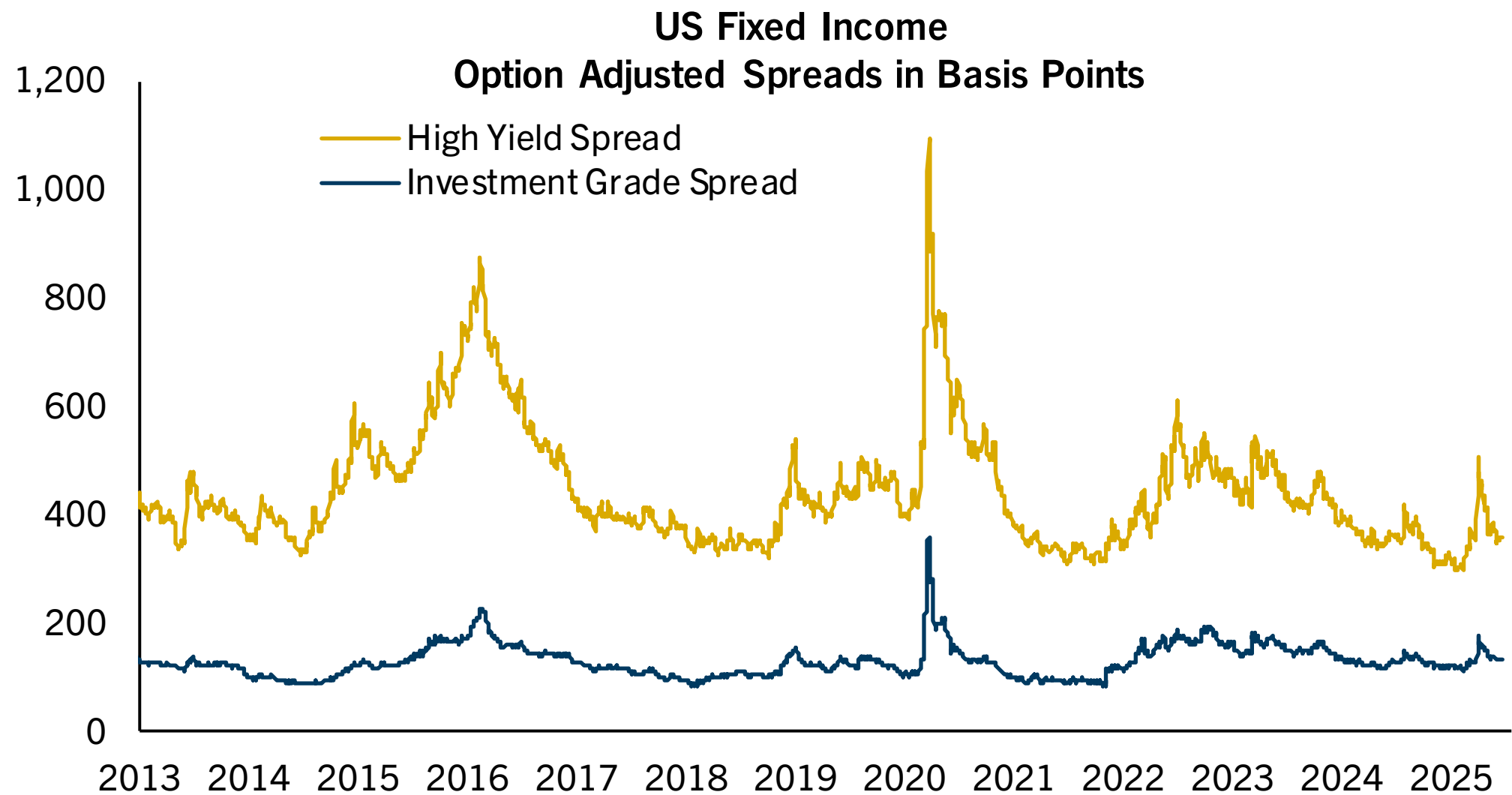
# Fixed Income Is Still Offering Attractive Yield

US Fixed Income Indices		
Yield-to-Worst		
Index	As of 6/23/2025	As of 12/31/2024
2-Year Treasury	3.9%	4.2%
10-Year Treasury	4.3%	4.6%
Aggregate Bond	4.6%	4.9%
Intermediate Government/Credit	4.2%	4.6%
Municipal Bond	4.0%	3.7%
Investment Grade Corporate Bond	5.1%	5.3%
High Yield Corporate Bond	7.3%	7.5%

# The Treasury Yield Curve Has Steepened This Year



# Bond Spreads Show Risk Levels Are Low for Corporate Borrowers



Source: Bloomberg. Data as of 6/23/2025.

# Geopolitical Event & Equity Market Table

Stock Market Performance around Geopolitical Events									
Event	Event date	Time to bottom (trading days)	Time to recover prior level (trading Days)	Size of selloff (%)	1-week from bottom	1-month from bottom	3-months from bottom	6-months from bottom	12-months from bottom
WW-II Germany annexes Czechoslovakia	3/15/1939	22	108	-20.5	2.3	8.3	8.5	23.2	18.9
WW-II Germany attacks France	5/9/1940	22	745	-25.8	11	10.9	17.1	18	9.2
WW-II Pearl Harbor	12/7/1941	17	201	-10.8	11	6.5	-3.8	-1.1	15.3
N. Korea invades S. Korea	6/24/1950	17	43	-12.9	4.8	11.2	19.2	29.2	31.4
Suez Crisis	10/29/1956	17	131	-6.8	5.5	4.9	-1.4	6.2	-6
Berlin Wall Built	8/13/1961	25	18	-3.9	1.4	4.1	8	6.2	-14.6
Cuban missile crisis	10/14/1962	7	9	-6.6	5.7	15	22.7	30	36.5
Assassination of President Kennedy	11/22/1963	2	1	-2.8	5.2	6.7	11.5	16	23.9
Authorization of military in Vietnam	8/7/1964	15	36	-3.2	1.3	1.7	4.8	7.3	5.8
Six Day Israel Arab war	6/5/1967	20	40	-6.5	4.1	3.3	6.5	7.7	13
Assassination of Martin Luther King Jr	4/4/1968	2	2	-0.6	3.5	5.8	8.2	11.2	7.9
Israel Arab war/oil embargo	10/16/1973	27	1475	-17.1	1.5	7.3	5.6	-2	-28.2
President Nixon impeachment proceedings	2/6/1974	9	16	-6.6	1.8	9.1	0.9	-10.8	-13.3
Shah of Iran exiled	1/16/1979	9	34	-4.6	1.8	1.3	1.9	8.7	19.7
Iranian hostage crisis	11/4/1979	24	51	-10.2	3.5	7.7	16.4	7.3	29.3
Soviet invasion of Afghanistan	12/24/1979	12	6	-3.8	4.4	9.4	-2.9	11.6	29.6
Invasion of Grenada	10/25/1983	22	304	-6.3	2.2	2.1	-3.7	-0.8	4.3
Bombing of Libya	4/15/1986	20	7	-4.9	3.7	5.7	6.2	5	23.5
First Gulf War	10/2/1990	50	87	-15.9	3.5	6.2	6.7	27.8	29.1
President Clinton impeachment proceedings	12/19/1998	6	5	-3.9	5.4	6.2	13.4	13.4	23
Kosovo bombing	3/24/1999	4	9	-4.1	3.1	7.5	5.6	1.4	21
9/11 Attacks	9/11/2001	6	15	-11.6	7.8	11.1	18.5	19.4	-12.5
Iraq war	3/20/2003	7	16	-5.3	3.7	8	15.8	20	32.8
Arab spring (Egypt)	1/25/2011	2	3	-1.8	2.7	4	6.6	1.9	3.1
Intervention in Libya	3/19/2011	18	29	-6.4	3.2	5	0.9	-3.3	11.7
Ukraine conflict	3/1/2014	6	13	-2	1.4	-0.6	5.2	7.8	11.5
Intervention in Syria	9/22/2014	21	12	-7.4	4.7	9.5	8.4	13	9.1
Brexit Vote	6/23/2016	14	9	-5.6	5.1	8.3	8	13.4	20.9
Airstrike on Syrian Airbase	4/7/2017	32	16	-2.8	1.2	2.7	5.1	9.6	14.1
Russia-Ukraine War	2/24/2022	9	14	-1.3	2.3	7.8	-0.9	-3.2	-2.7
Israel-Hamas War	10/7/2023	-	-	-	0.5	1.4	9.4	20.3	-
<b>Median</b>		<b>16.0</b>	<b>16.0</b>	<b>-6.0</b>	<b>3.5</b>	<b>6.5</b>	<b>6.6</b>	<b>8.7</b>	<b>13.6</b>
<b>Average</b>		<b>15.5</b>	<b>115.2</b>	<b>-7.4</b>	<b>3.8</b>	<b>6.4</b>	<b>7.4</b>	<b>10.1</b>	<b>12.2</b>

## Market & Economic Research

# Making Sense

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**Brent Ciliano, SVP**  
Chief Investment Officer



**Phillip Neuhart, SVP**  
Director of Market and  
Economic Research



**Blake Taylor, VP**  
Market and Economic  
Research Analyst

## Authors

**Brent Ciliano, CFA | SVP, Chief Investment Officer**  
Capital Management Group | First Citizens Bank  
8540 Colonnade Center Drive | Raleigh, NC 27615  
Brent.Ciliano@firstcitizens.com | 919.716.2650

**Phillip Neuhart | SVP, Director of Market & Economic Research**  
Capital Management Group | First Citizens Bank  
8540 Colonnade Center Drive | Raleigh, NC 27615  
Phillip.Neuhart@firstcitizens.com | 919.716.2403

**Blake Taylor | VP, Market & Economic Research Analyst**  
Capital Management Group | First Citizens Bank  
8540 Colonnade Center Drive | Raleigh, NC 27615  
Blake.Taylor@firstcitizens.com | 919.716.7964

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