

US Economy

Despite headwinds like the Persian Gulf conflict, Strait of Hormuz closure, elevated oil prices, and low consumer sentiment, the U.S. economy is showing notable strength, with Q2 GDP tracking at 3% and the labor market improving. The strong May nonfarm payrolls report helped push yields up across the treasury curve and increased the chances of a Fed rate hike some time before the end of the year.

Monetary Policy

The Fed Beige Book for May provided some state of economy insights that will drive the views of committee members at this month's FOMC meeting. Fed economists found economic activity increasing at a slight to moderate rate with consumer spending mixed and notably bifurcated between the various income cohorts. The business outlook going forward is little changed and employment has seen little to no change within the economy. Prices are rising at a moderate to strong rate as energy costs are the primary driver.

Bond Markets

The better-than-expected May nonfarm payroll figures resulted in higher yields and Treasury curve flattening. Credit spreads have remained tight, reflecting strong investor demand across bond markets. If inflation remains at current levels, the Fed may raise rates later this year, further increasing bond yields.

Equity Markets

Equity markets have recently been driven more by Iran conflict news and its effect on oil prices. Higher yields will pressure the valuations on stocks currently benefitting from the growth associated with the advance in Artificial Intelligence. With the outsized returns accruing year to date primary in the technology and communications services sectors, the earnings and revenue growth bars have been set very high.

LBO Market Commentary

U.S. leveraged buyout activity continues its gradual recovery as sponsors re-engage on quality assets following Q1's softness, driven by geopolitical disruption and AI-related software sector reassessment that weighed on deal flow and financing markets. The Fed's rate pause introduced renewed uncertainty around H2 2026 borrowing costs, keeping sponsors disciplined on leverage assumptions. Competition for high-quality buyout targets remains firm, particularly in resilient sectors such as energy, infrastructure, and healthcare, but lenders are emphasizing conservative structures and tighter credit selectivity, with private credit spreads drifting wider and underwriting standards under heightened scrutiny.

Forecast Provided by Cerity Partners

	Current	2025
Fed Funds Rate	3.75%	3.25%
US 10-Year Treasury Yield	4.44%	2.10%
S&P 500 Index	7,580	
HY Fixed Income Spread**	286 bps	
World GDP Growth Rate		3.25%
US GDP Growth Rate		2.10%

*Source: Factset

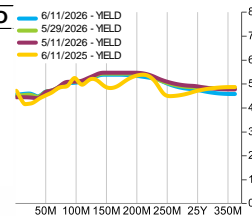
**High Yield Spread is the BofA Merrill Lynch High Yield Master II relative to the US 10-Year Treasury Bond.

Rate Environment

Treasury Statistics/Rates

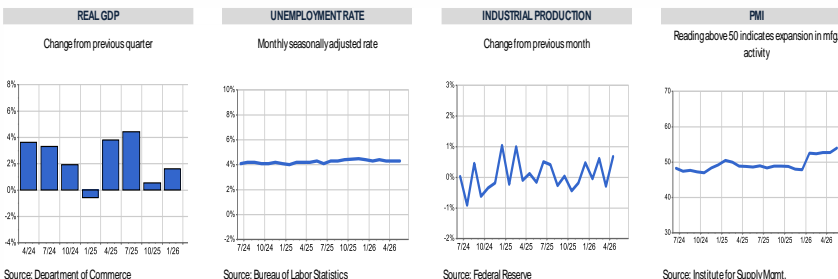
	Current		Historical	
	Current	YTD %	52- Wk HI	52-Wk LO
US Treasury 2yr	4.00%	0.41%	4.12%	3.39%
US Treasury 5yr	4.14%	0.30%	4.32%	3.52%
US Treasury 10yr	4.44%	0.22%	4.66%	3.95%
USTreasury 30yr	4.98%	0.15%	5.18%	4.54%
SOFR - 3 Month	3.66%	0.01%	4.33%	3.63%
SOFR - 6 Month	3.71%	0.11%	4.27%	3.56%
SOFR - 12 Month	3.84%	0.32%	4.08%	3.40%

SOFR Curve



Treasury Statistics and SOFR Curve provided by Factset

Key Economic Data

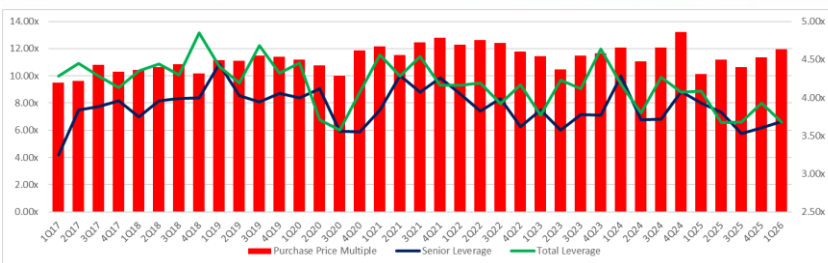


Equity Market Performance

Index	Current	% Change			52 Week HI	52 Week LO	Trailing P/E	Forward P/E	Current Yield
		Last Week	YTD	52 Week					
DOW	51,032.46	0.91%	6.86%	22.71%	51,032.46	42,171.66	21.75	19.92	0.00%
S&P500	7,580.06	1.44%	11.27%	29.78%	7,580.06	5,911.69	24.32	21.43	1.12%
NASDAQ	26,972.62	2.89%	20.45%	43.09%	26,972.62	19,113.77	32.03	26.96	0.00%
R2000	2,919.34	1.77%	18.15%	43.08%	2,936.57	2,066.29	35.77	26.31	0.00%
VIX(S&P)	15.32	-8.26%	2.47%	-17.50%	31.05	13.47	N/A	N/A	N/A

*Source: Factset

LBO Market Performance



LBO Market Data was provided by Refinitiv LPC

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