ResourceTrust

A DEPARTMENT OF RESOURCE BANK, N.A.

Weekly Insight

June 20, 2025

Equities hold up amid escalating tension in the Middle East

Equities were flat on the week as conflict in the Middle East escalated. Recent comments suggest probabilities around U.S. involvement have increased in recent days. Despite this, domestic equity markets held up as the S&P 500 lost 0.1% and the NASDAQ gained 0.2%. Oil was the winner this week, which included a 7% rally on Friday. Oil prices are up 25% from their low in just over a month. Core fixed income returns were fractionally higher. Interest rates have had a bit of back and forth as of late.

Both equities and fixed income have positive returns for the year. The S&P 500 is up 2.4% and core fixed income is up 2.8%. The NASDAQ lags with gains of 1.4%. Seemingly perpetual underperforming small caps lag again with a decline of 5.2%. However, foreign equities have turned laggard to leader. Foreign developed markets are up 17.6% and emerging markets are up 12.9%.

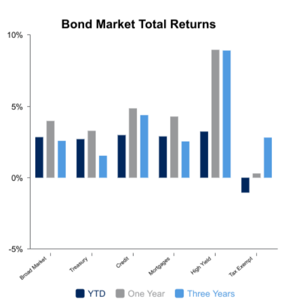
Economic data was a mixed bag, but lower inflation probably drove the sentiment. Consumer price index (CPI) came in lower than expected with a 0.1% monthly gain in both the core and headline number. Core CPI was up 2.8% versus the prior year.

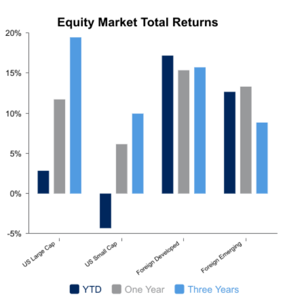
Key Points:

- Producer prices came in lower than expected.
- Jobless claims are sneaking higher. A step up from here would gain a lot of attention.
- Sentiment readings continue to be very noisy.
- Retail sales came in lower than expected for the month of May.

Tariff news this week included posts from the President indicating the China tariff rate will be 55% with side deals on rare earths and college admissions. The rate is of course layered, which opens the door to lower levels with negotiations. The average tariff rate on China to begin the year was under 20%, so the move to 55% seems high at first glance. The market really didn't even blink. Maybe this is because there is a 20% fentanyl rate that has the possibility of being removed in time.

The Federal Reserve will be meeting today where no action is all but assured. The updated "dot plot" will be closely watched. The March dot plot suggested two rate cuts for the remainder of the year, but recent commentary suggest they may be scaling back expectations due to uncertainties related to tariffs. The market is sitting on two cuts so commentary during the press conference will detail how strong the easing bias is. If it skews too strongly toward neutral, the cuts could be priced out.





Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper	4.50	5.50	1.75
3-Month T-Bill	4.31	5.38	1.56
10-Year Treasury	4.39	4.22	3.23
30-Year Treasury	4.89	4.36	3.28
10-Year Corporate AA	5.20	5.12	2.09
10-Year High Yield Corp	6.52	6.60	3.90
Commodity Prices ($)	**Current**	**12M Ago**	**3YR Ago**
Gold ($/oz.)	3,388	2,329	1,839
Oil (WTI, $/barrel)	74.84	81.57	109.56
Currencies	**Current**	**12M Ago**	**3YR Ago**
USD (Dollar Index Spot)	98.82	105.26	104.70
USD/EUR	0.87	0.93	0.95
USD/JPY	145.29	157.86	135.02

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