



The Macro View

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Overview

Recap of our prior webcast on March 20, 2025

- Tariff uncertainty makes a recession this year more likely
- Rising inflation risks will limit near-term Fed cuts, but labor market weakness will result in a dovish pivot
- Bearish sentiment means that equities are likely to stage a continued recovery in the coming weeks/months...
- ...But rallies should be used to reduce risk ahead of an eventual bear market

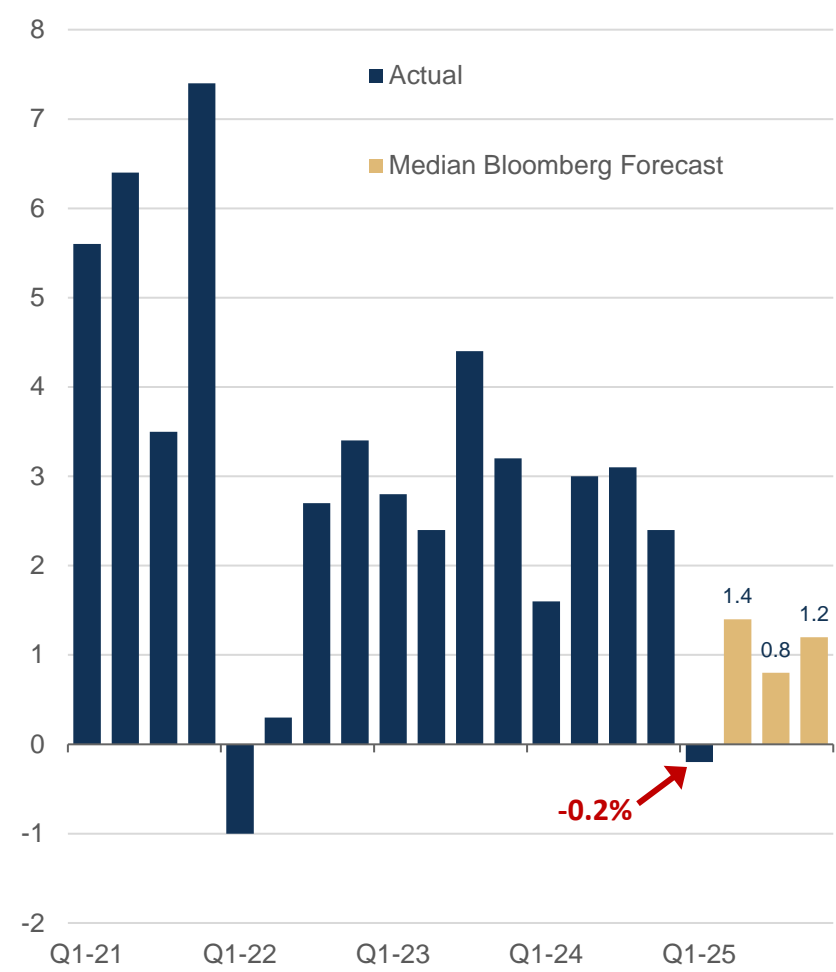
Key takeaways for today

- Real GDP contracted in Q1, and risks continue to be skewed to the downside
- Inflation has come in lower than expected, but we expect the effects of tariffs to appear with a lag
- Equities have recovered sharply, which offers an opportunity to reduce risk at richer valuations
- Large budget deficits have contributed to a sharp rise in Treasury yields post-Covid, which we expect to persist

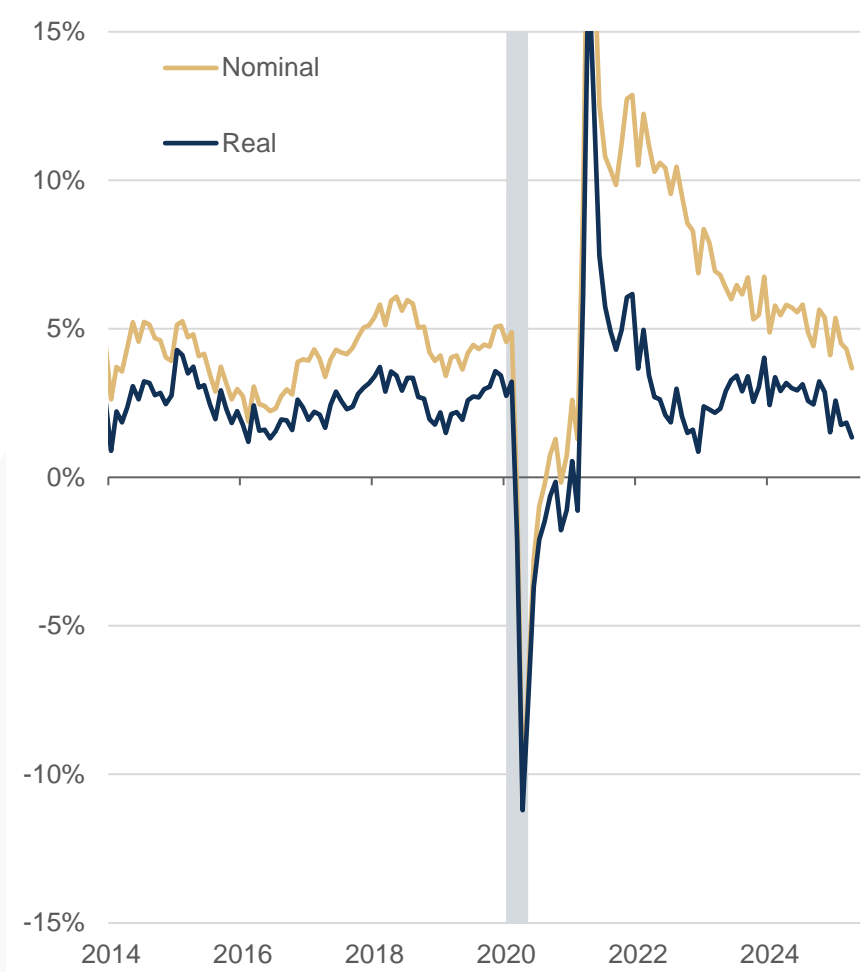
Growth Downshift Underway

GDP Contracted in Q1...

U.S. Quarterly Real GDP Growth
Seasonally Adjusted Annual Rate (SAAR)



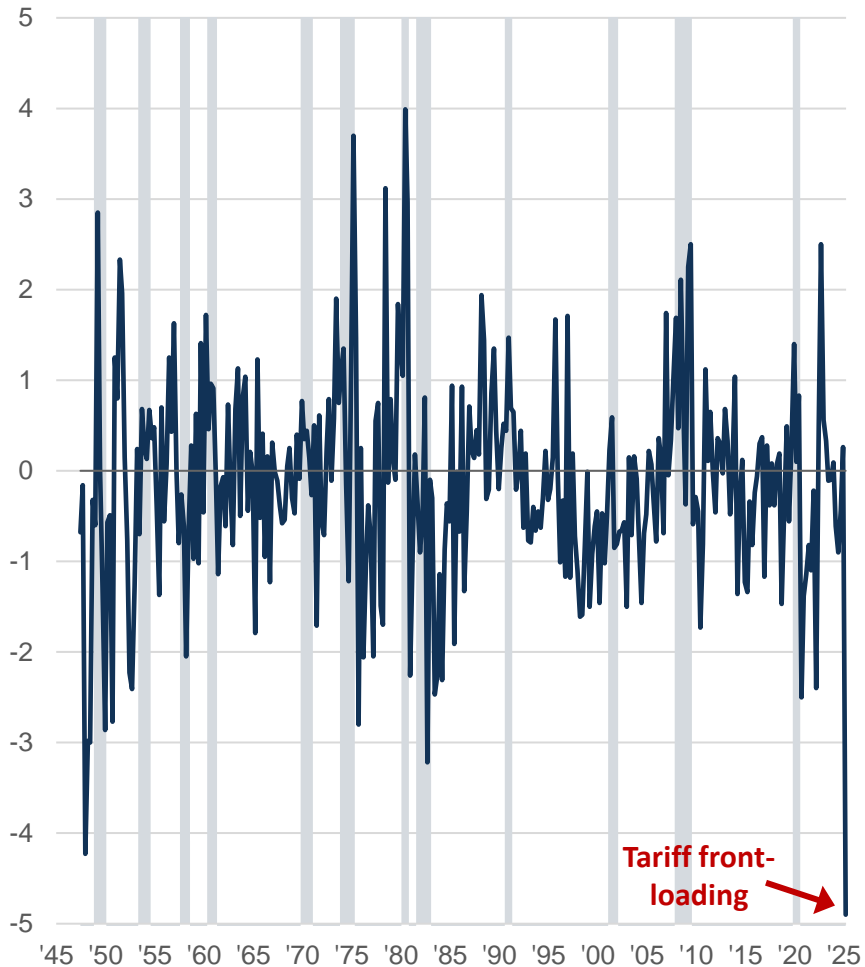
U.S. Monthly GDP Growth Y/Y
Rolling 12-Month Percent Change



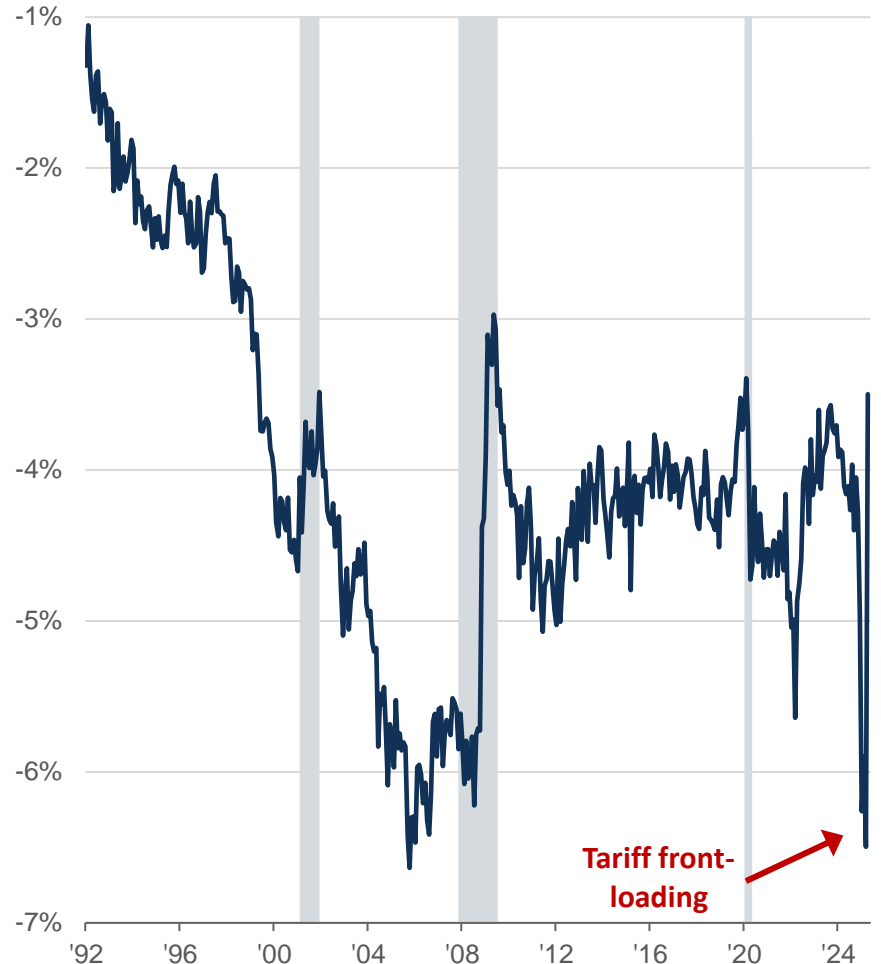
Source: The Cynosure Group, Bloomberg. Monthly GDP data as of 04/30/2025; Bloomberg forecasts of economists as of 06/09/2025. Shaded areas denote recessions as defined by the NBER.

...Amid a Historic Drag From Imports

U.S. Net Exports: Contribution to Quarterly Real GDP Growth
Seasonally Adjusted Annual Rate (SAAR, in Percentage Points)



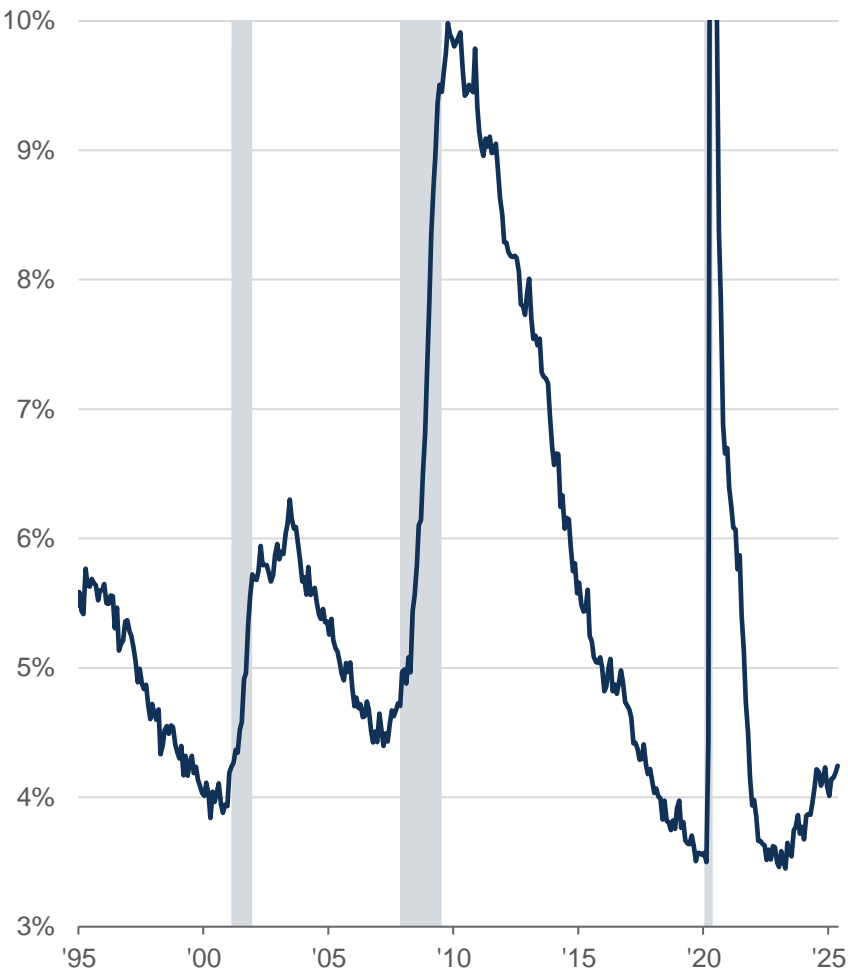
U.S. Goods Trade Balance: % of GDP
Monthly, Seasonally Adjusted Annual Rate (SAAR)



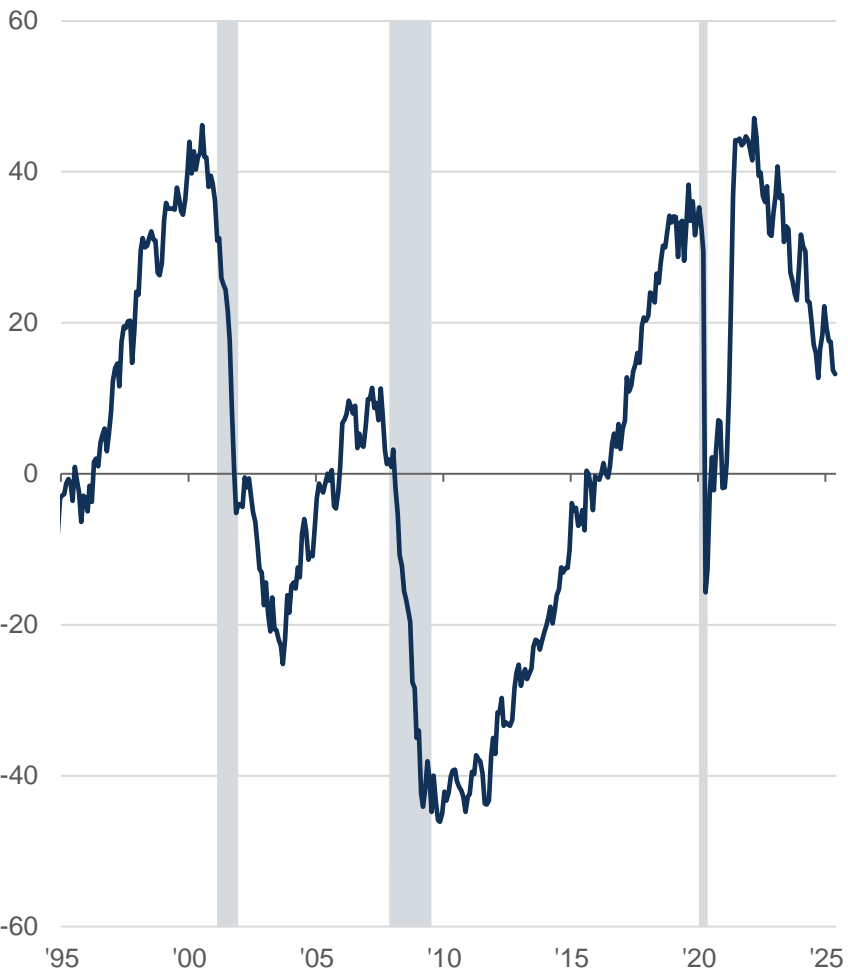
Source: The Cynosure Group, Bloomberg. Quarterly data as of 03/31/2025; Monthly data as of 04/30/2025. Shaded areas denote recessions as defined by the NBER.

The Labor Market Continues to Gradually Soften

U.S. Unemployment Rate



Labor Differential (Jobs Plentiful vs Jobs Hard to Get)
Conference Board Consumer Confidence Survey

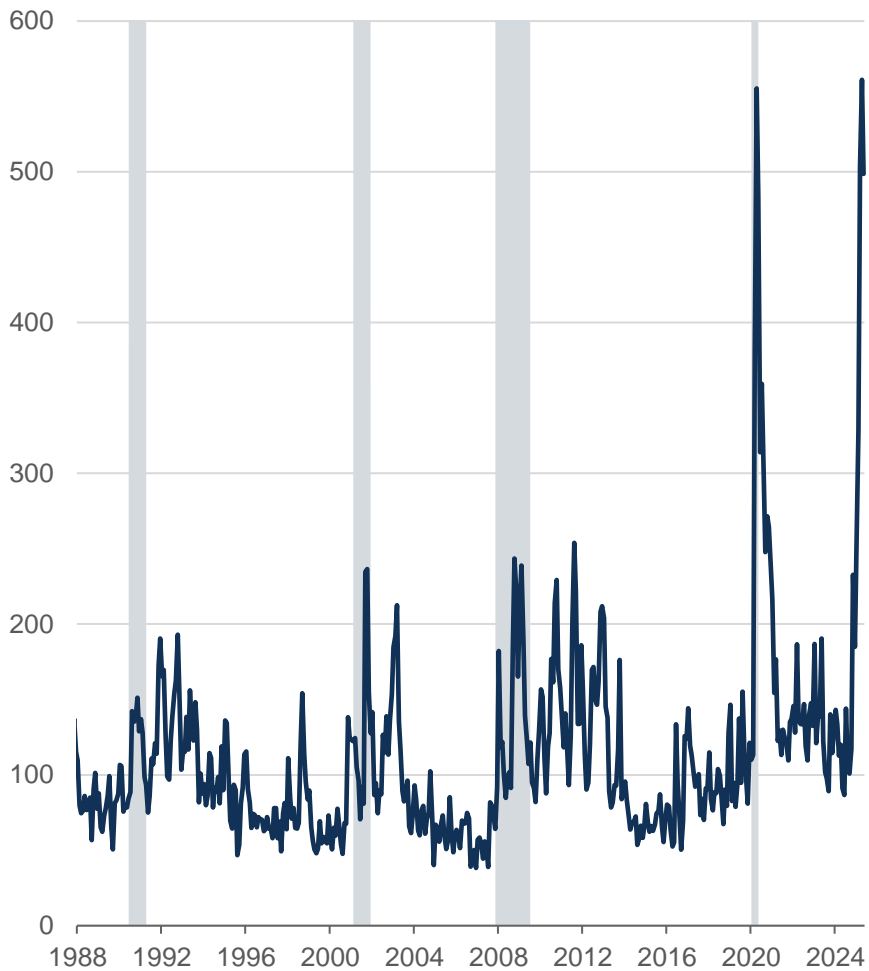


Source: The Cynosure Group, Bloomberg, Conference Board, Bureau of Labor Statistics. Data as of 05/31/2025. Shaded areas denote recessions as defined by the NBER. The unemployment rate peaked at 14.8 percent in April 2020.

CEO Confidence Is Depressed Amid Elevated Policy Uncertainty

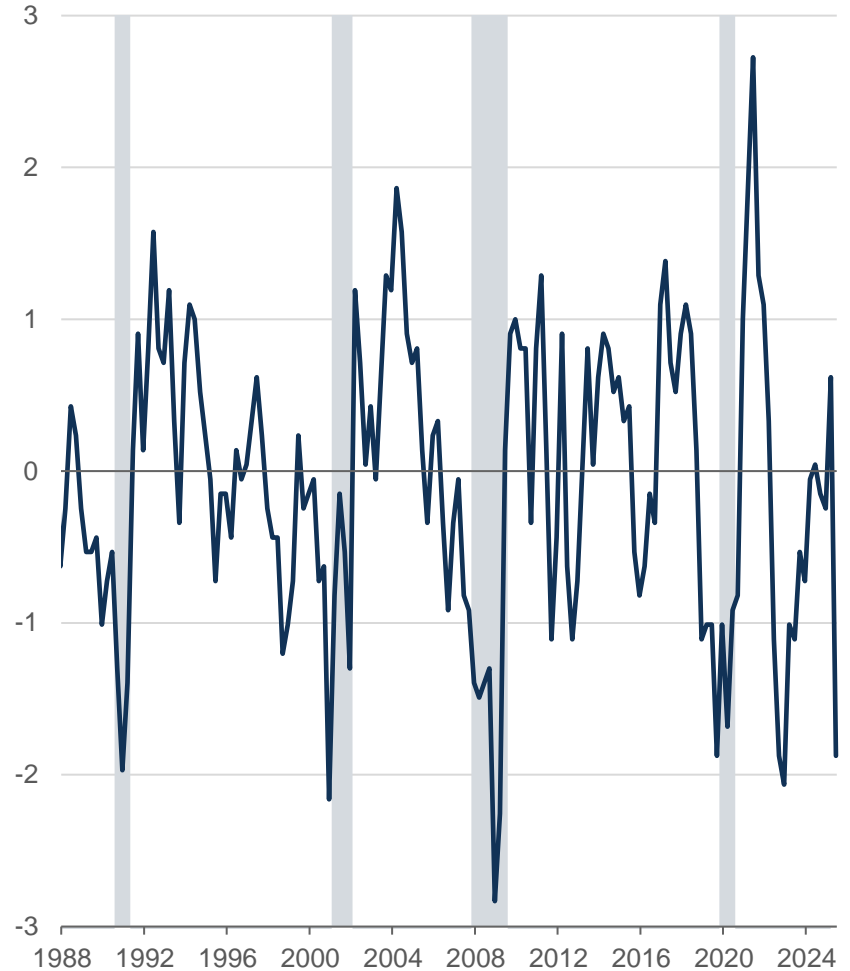
U.S. Economic Policy Uncertainty Index

Long-Term Average = 100



U.S. CEO Confidence Index

Standard Deviations From Average Since 1984

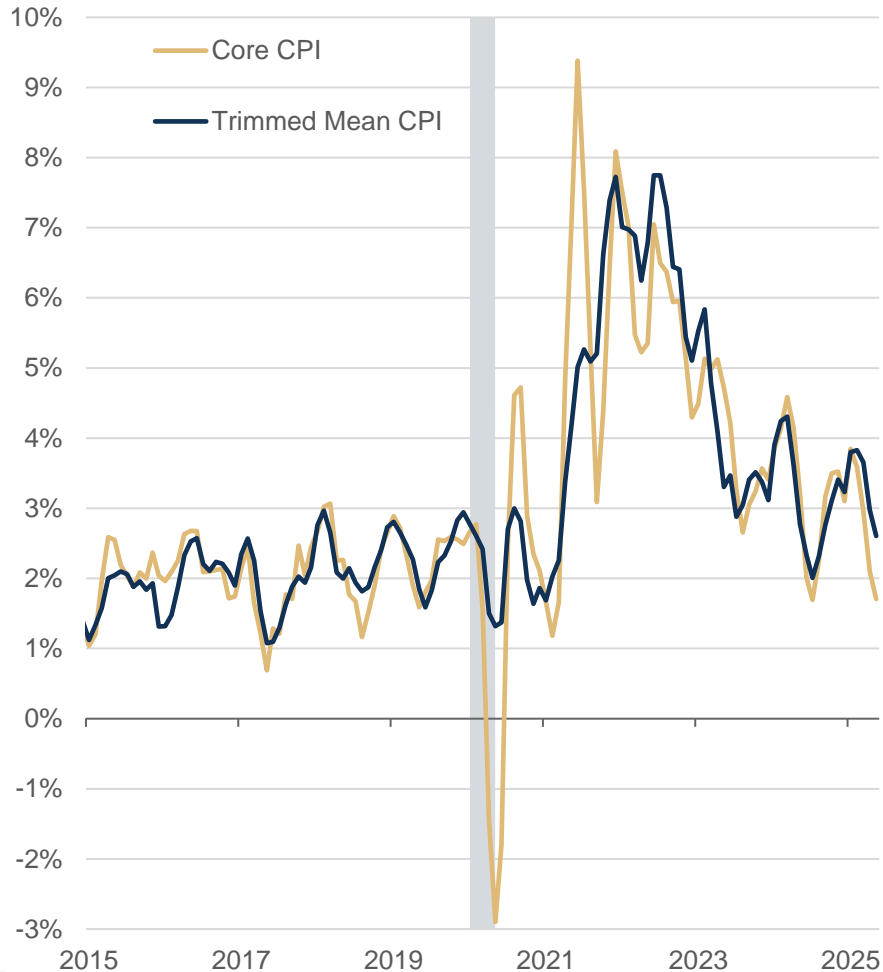


Source: The Cynosure Group; Bloomberg; Conference Board; Baker, Bloom and Davis. Policy uncertainty data as of 05/31/2025; CEO confidence as of Q2 2025. Shaded areas denote recessions as defined by the NBER.

Inflation Has Cooled Faster than Expected, But Watch Out for Lags

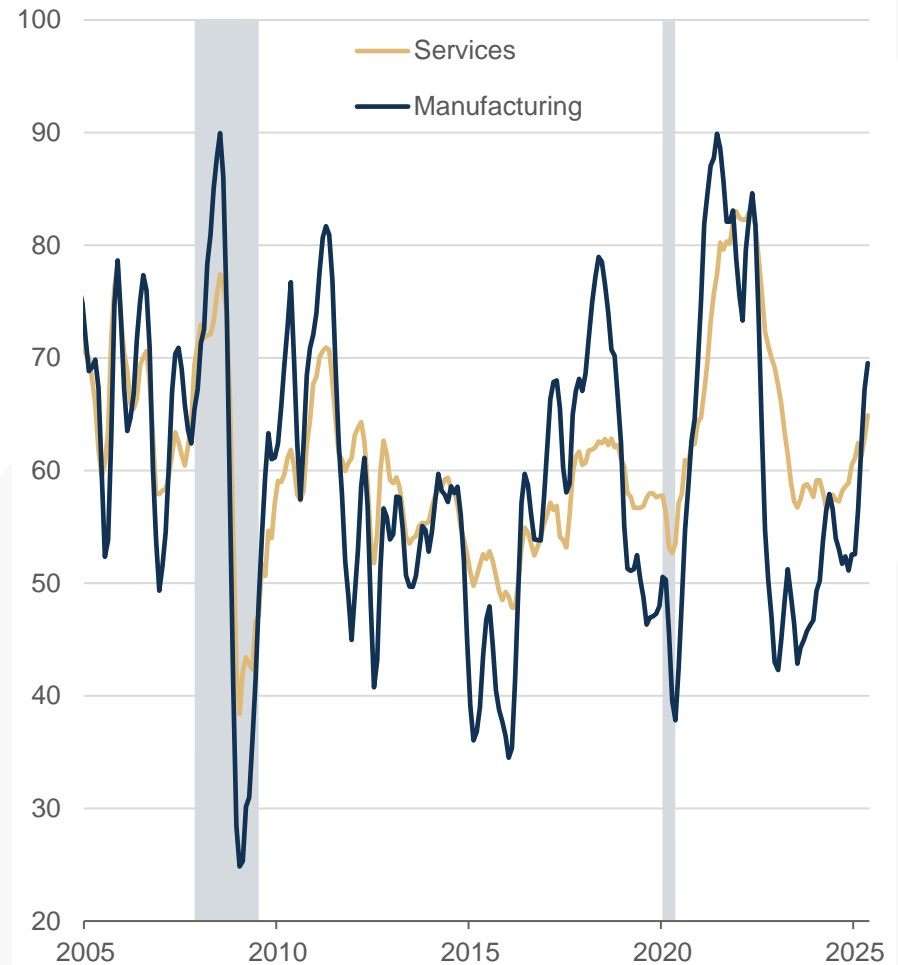
Underlying CPI Inflation Measures

3-Month Seasonally Adjusted Annual Rate (SAAR)



Purchasing Manager Indices: Prices Paid

Diffusion Index

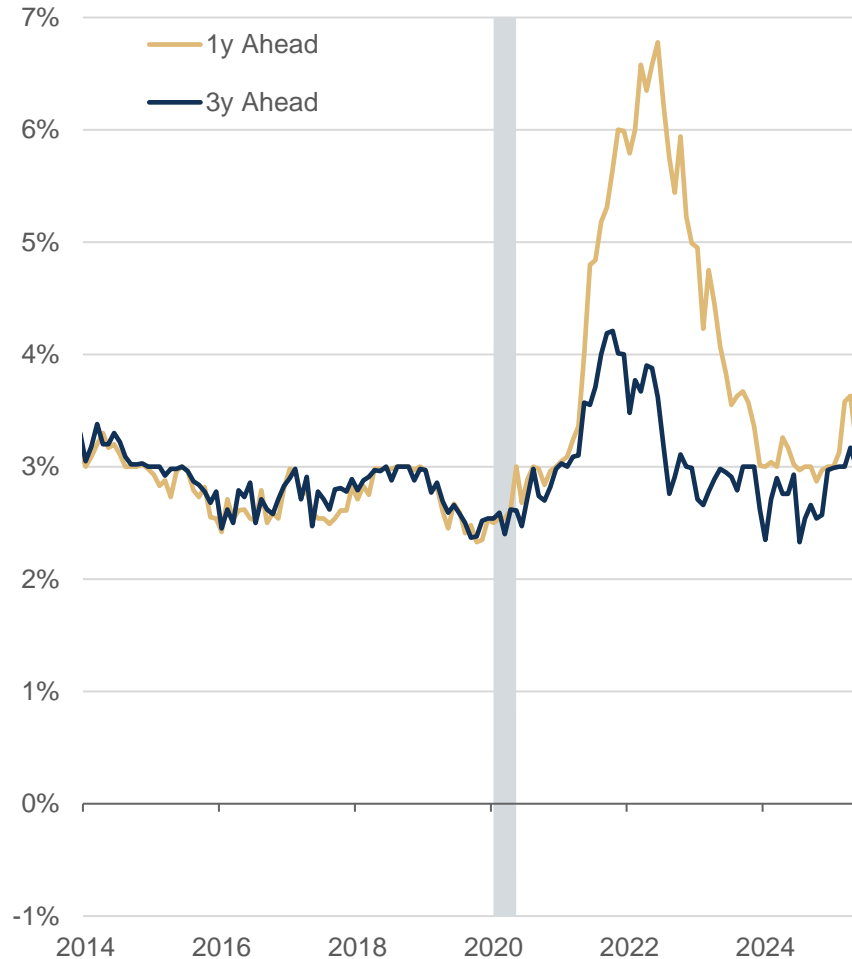


Source: The Cynosure Group, Bloomberg. Data as of 05/31/2025. Shaded areas denote recessions as defined by the NBER.

Fed On Hold as Policymakers Watch Inflation Expectations

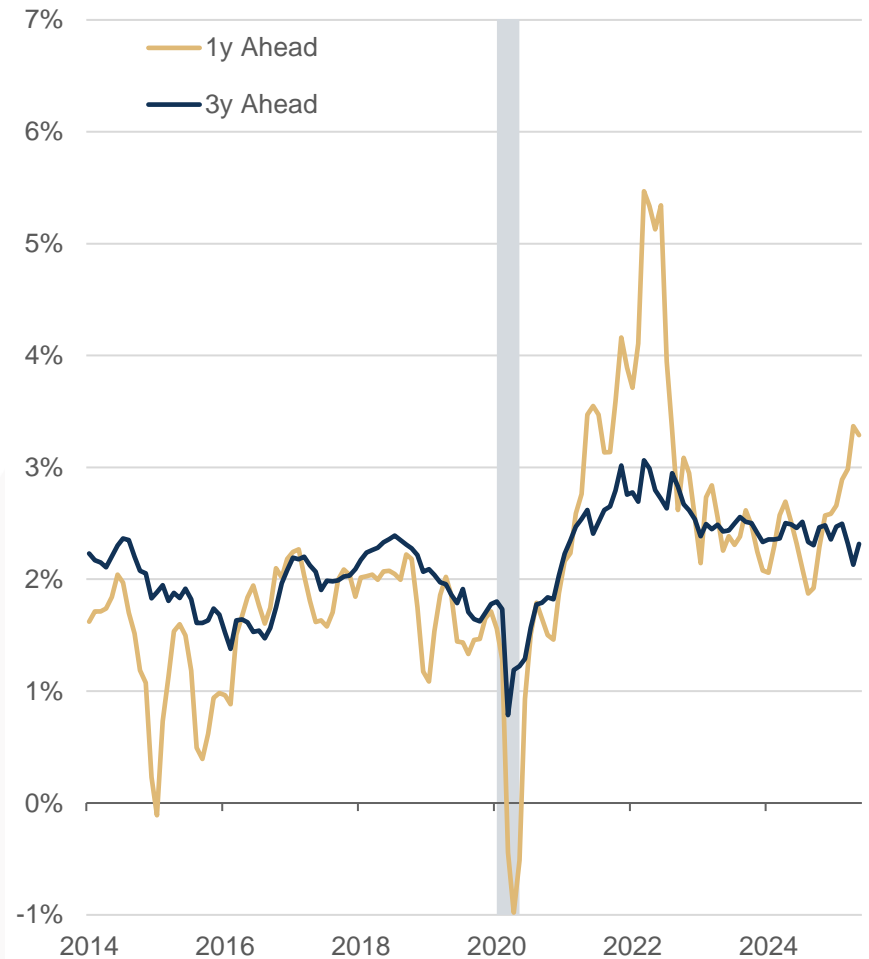
NY Fed Survey of Consumer Inflation Expectations

Annual Percent Change



CPI Swaps: Market-Implied Inflation Expectations

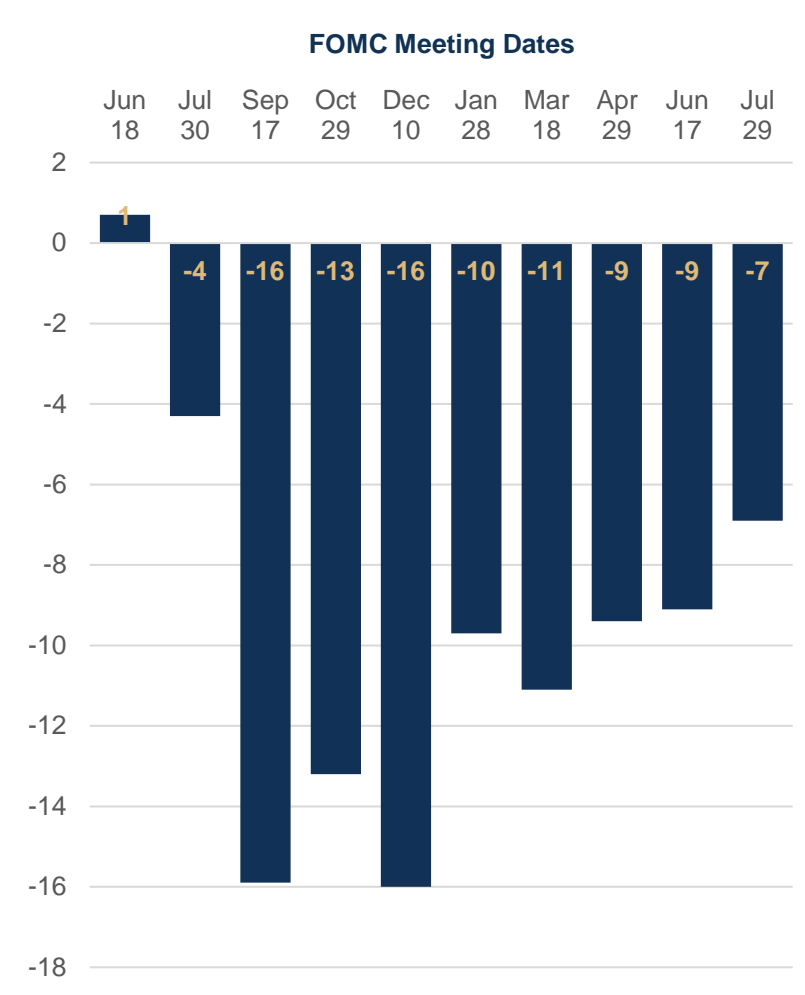
Annual Percent Change



Source: The Cynosure Group, Bloomberg, Federal Reserve Bank of New York. New York Fed survey data as of 04/30/2025; CPI swap data is monthly average as of 05/31/2025. Shaded areas denote recessions as defined by the NBER.

Markets Are Pricing in ~50 Basis Points of Fed Rate Cuts in Both 2025 and 2026

Market-Implied Change in Fed Funds Rate by FOMC Meeting
Basis Points



Market-Implied Change in Fed Funds Rate by Calendar Year
Basis Points



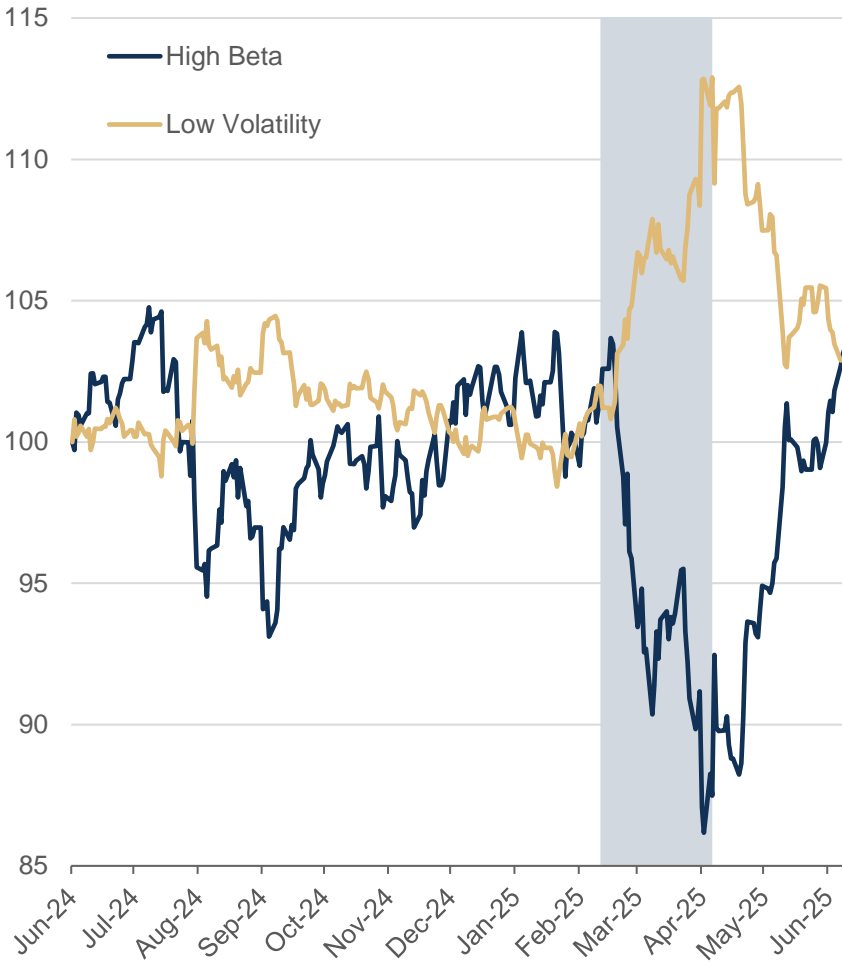
Source: The Cynosure Group, Bloomberg. Data as of 06/11/2025.

Equities Have Largely Unwound the Tariff-Driven Re-Pricing

S&P 500 Index
June 3, 2024 = 100



High Beta / Low Volatility vs S&P 500 Equal Weight Index
June 3, 2024 = 100



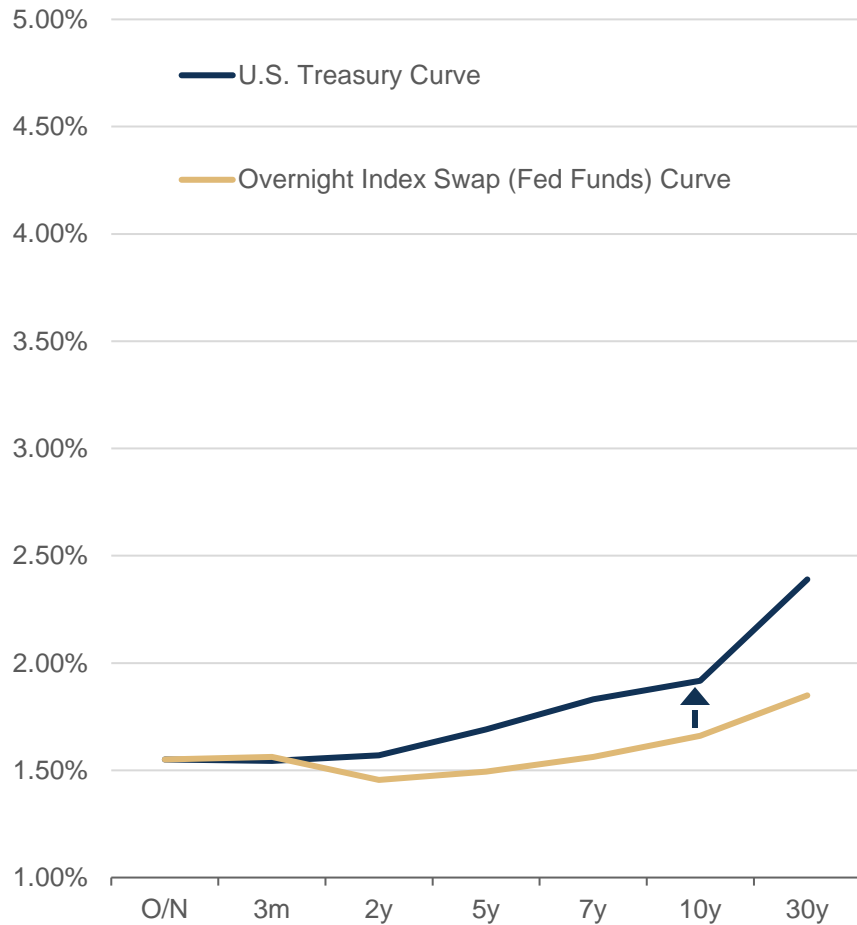
Source: The Cynosure Group, Bloomberg. Data as of 06/11/2025.

Observations on Private Markets

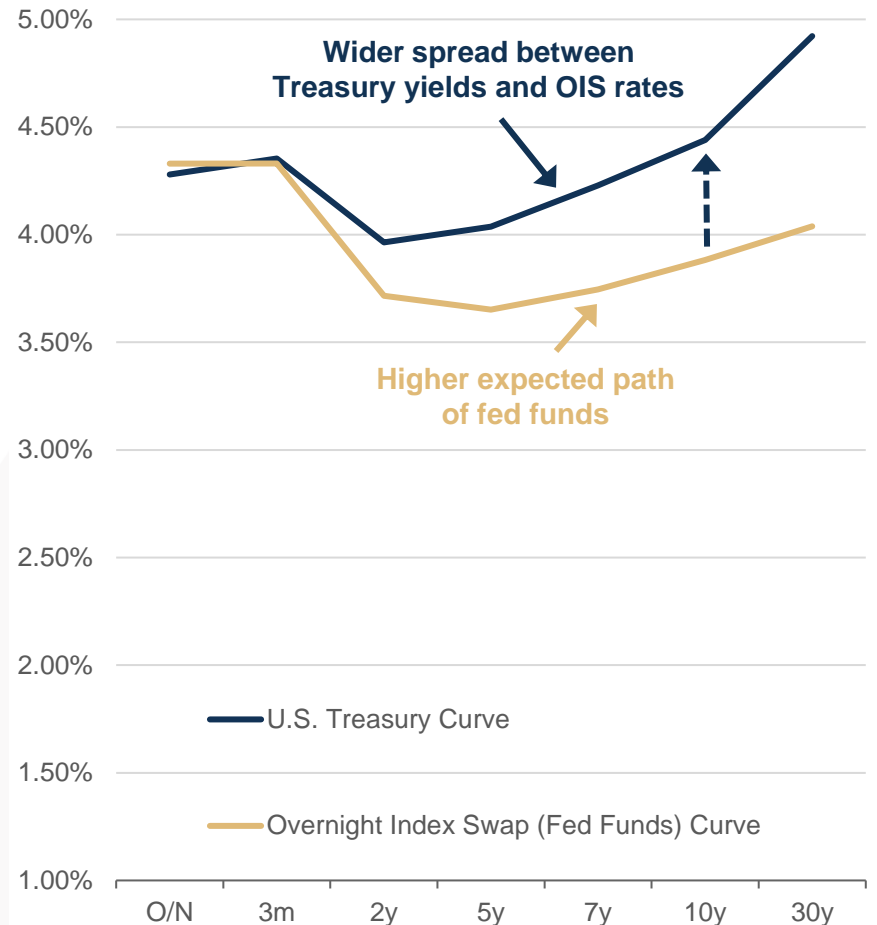
Q&A With Brian and Keith

Big Deficits + Treasury Supply = Sharp Rise in Yields Post-Pandemic

U.S. Yield Curves as of 12/31/2019

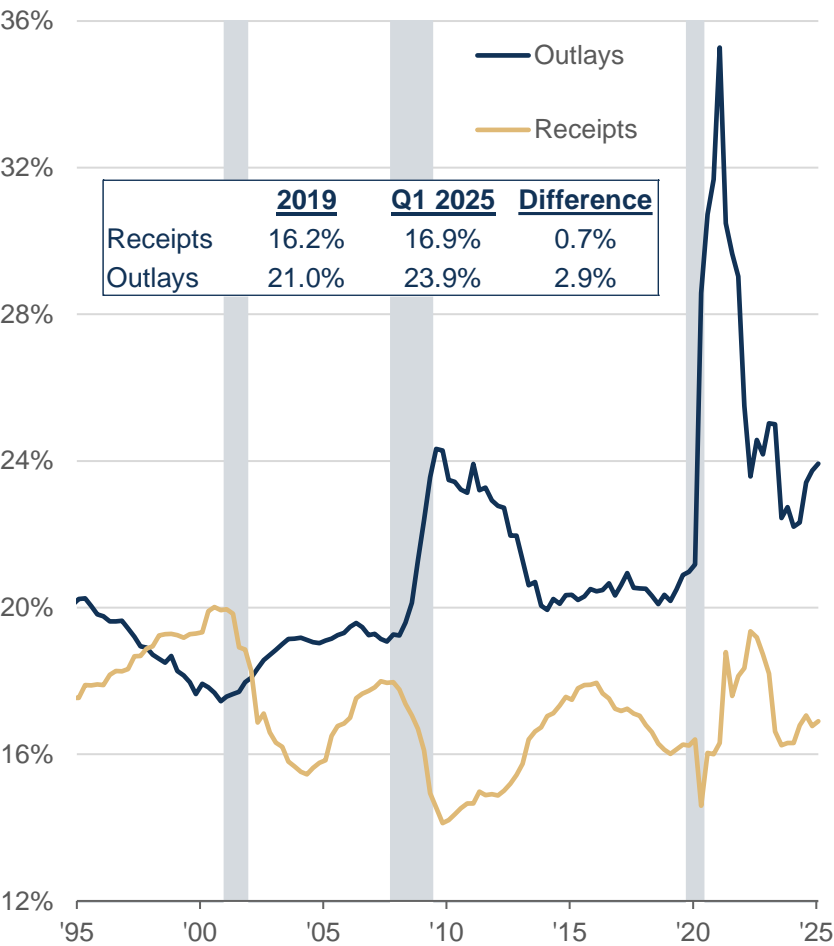


U.S. Yield Curves as of 06/11/2025

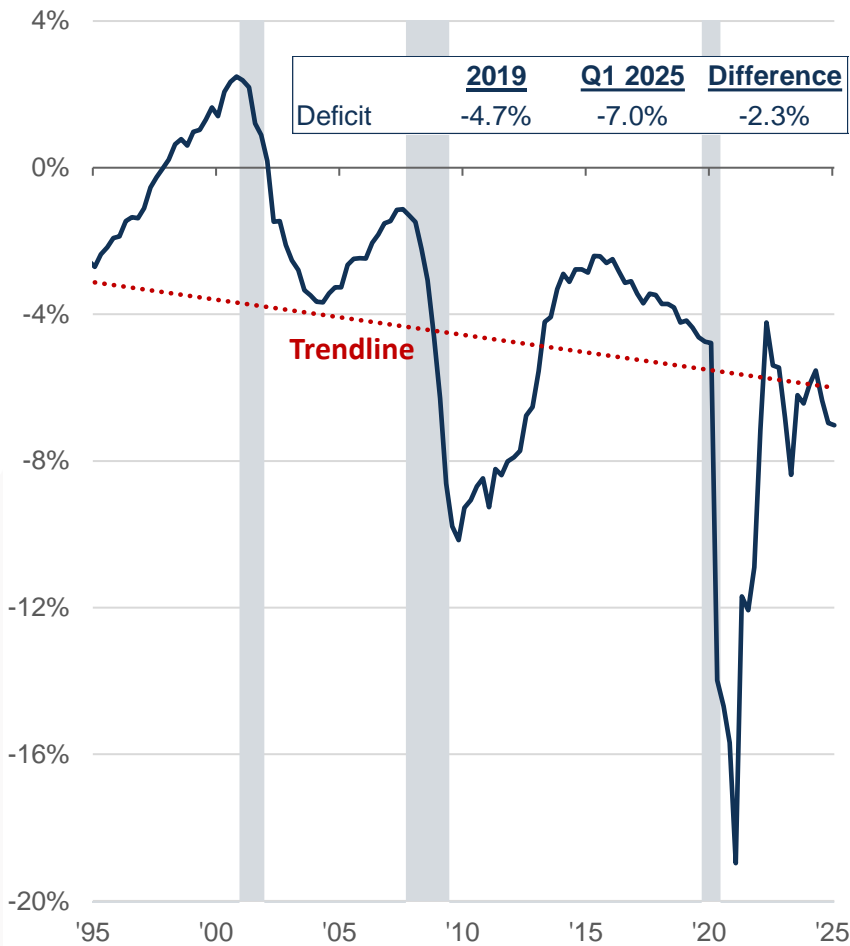


Federal Budget Deficit: 7% of GDP and Likely Headed Higher

U.S. Federal Government Receipts and Outlays
% of GDP, 4-Quarter Rolling Sum



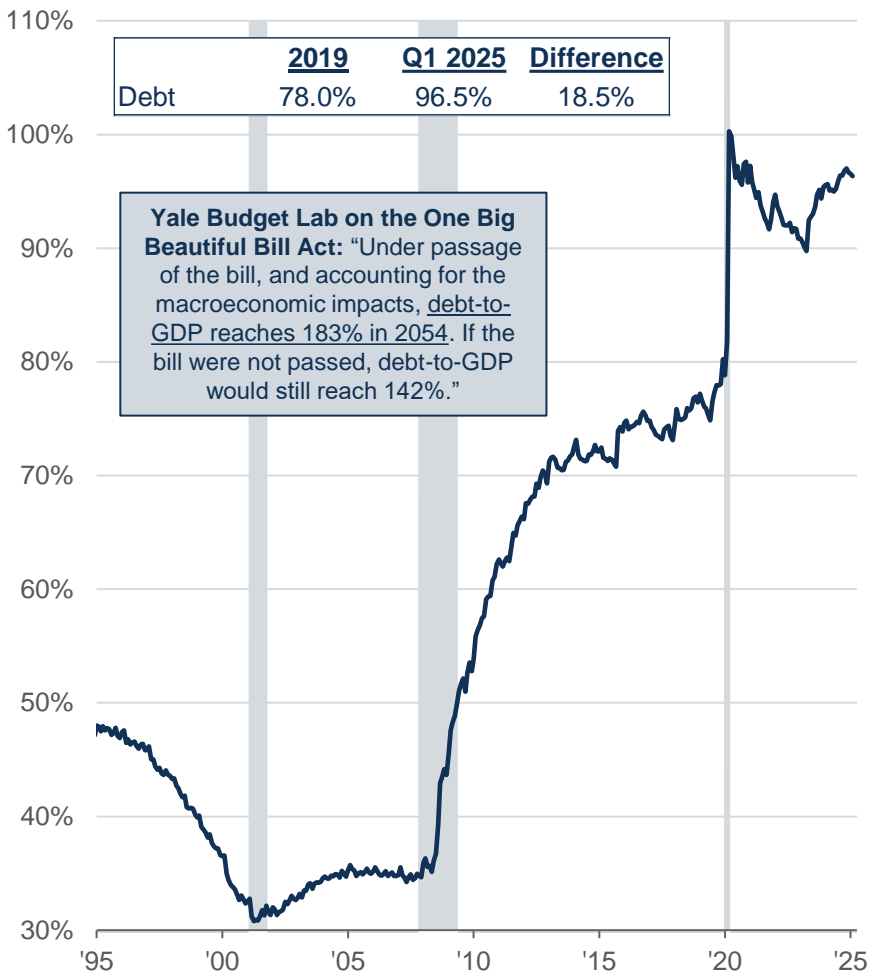
U.S. Federal Government Surplus/Deficit
% of GDP, 4-Quarter Rolling Sum



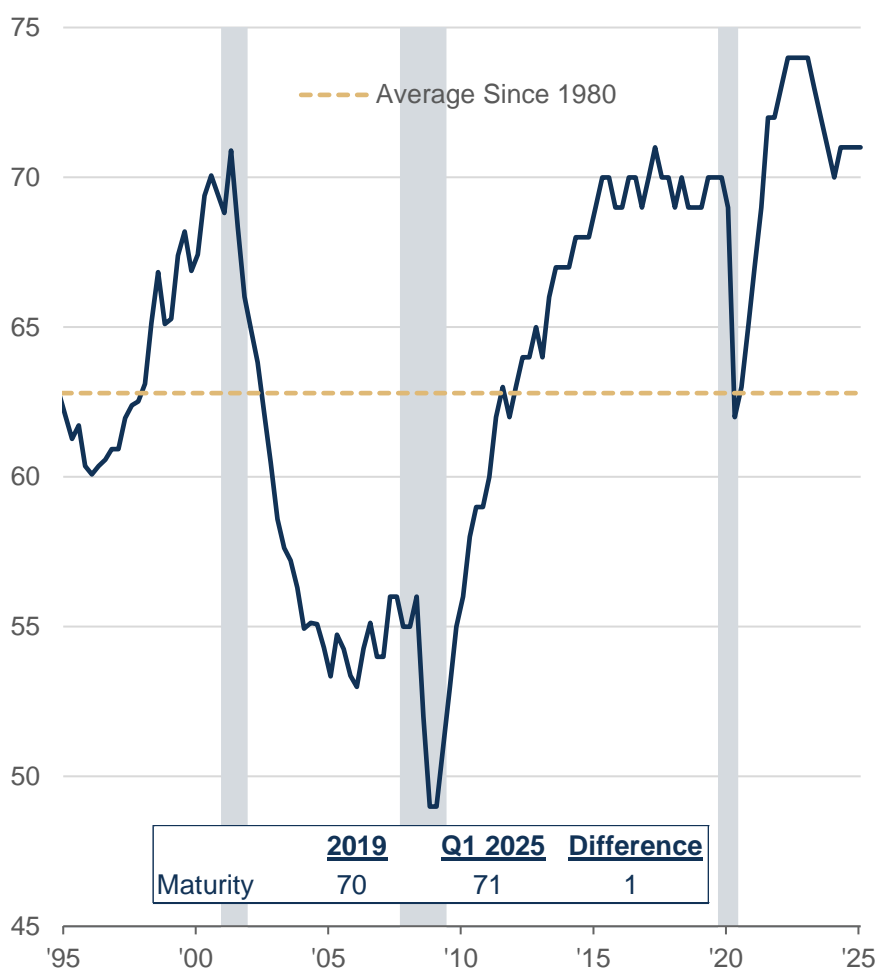
Source: The Cynosure Group, Bloomberg. Data as of 03/31/2025. Shaded areas denote recessions as defined by the NBER.

Federal Debt / GDP Has Risen Dramatically in the Past Two Decades

U.S. Public Debt Securities Held by the Public
% of GDP, Monthly



Average Maturity of Outstanding Marketable Debt
Months



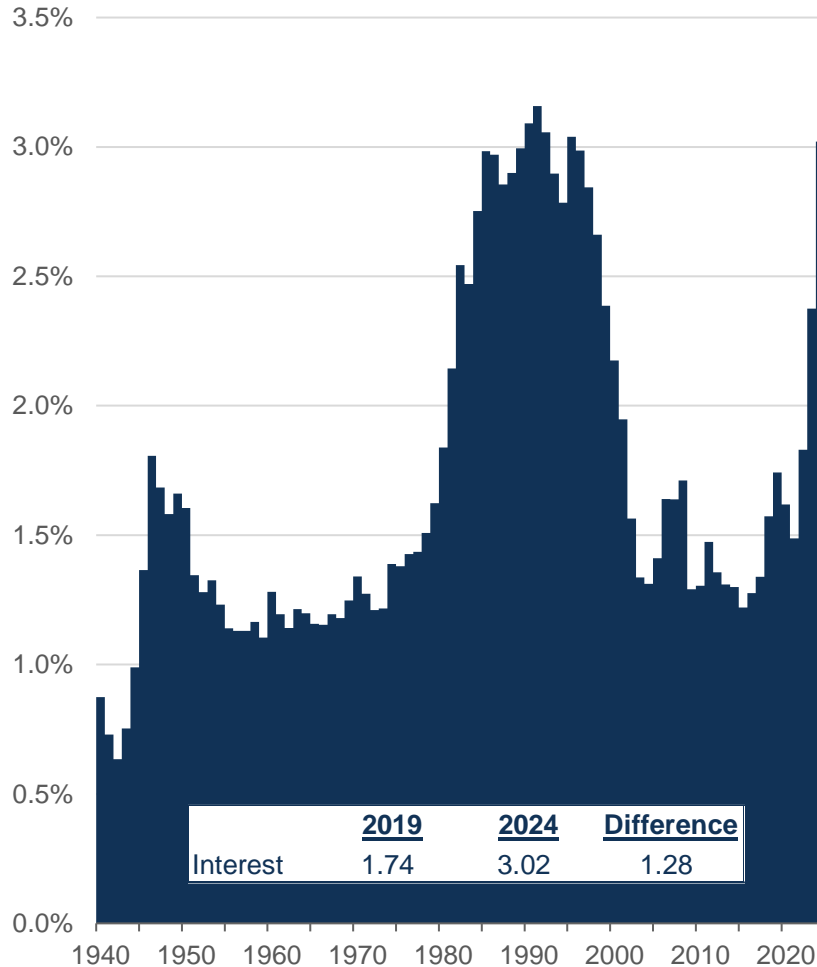
Source: The Cynosure Group, Bloomberg, Yale Budget Lab. Data as of 03/31/2025. Shaded areas denote recessions as defined by the NBER.

Interest Expense Is On Track to Reach a Record High in 2025

Average Interest Rate on Outstanding Treasury Debt
%



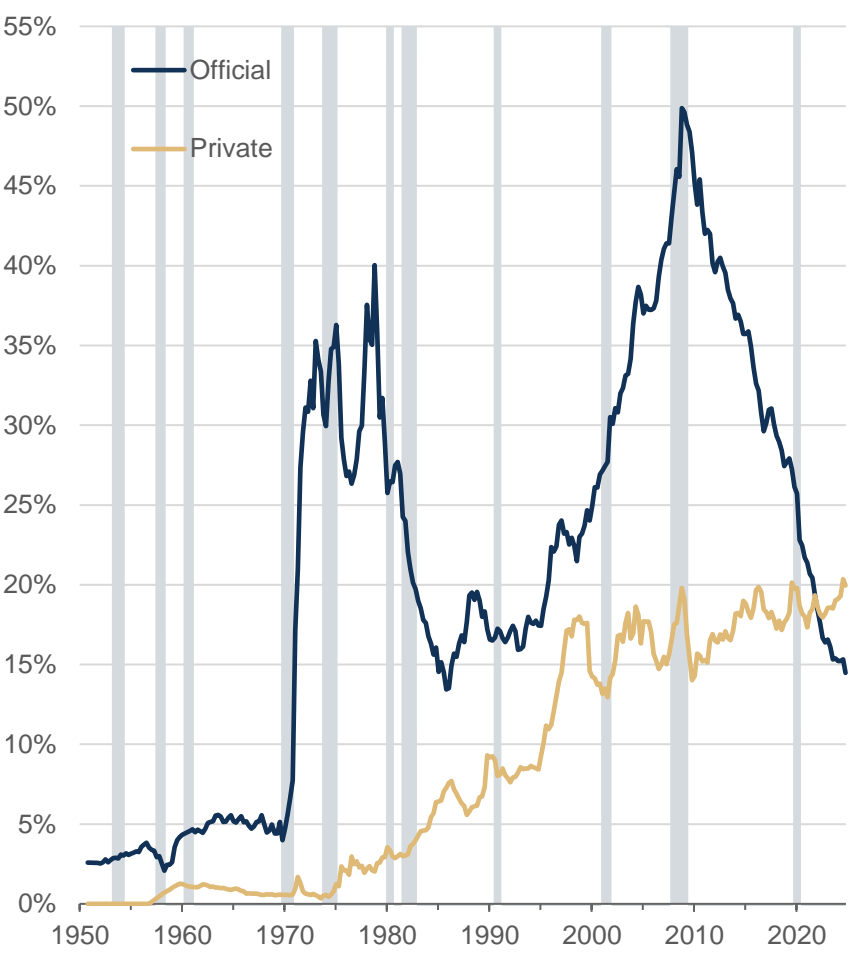
Federal Interest Expense
% of GDP



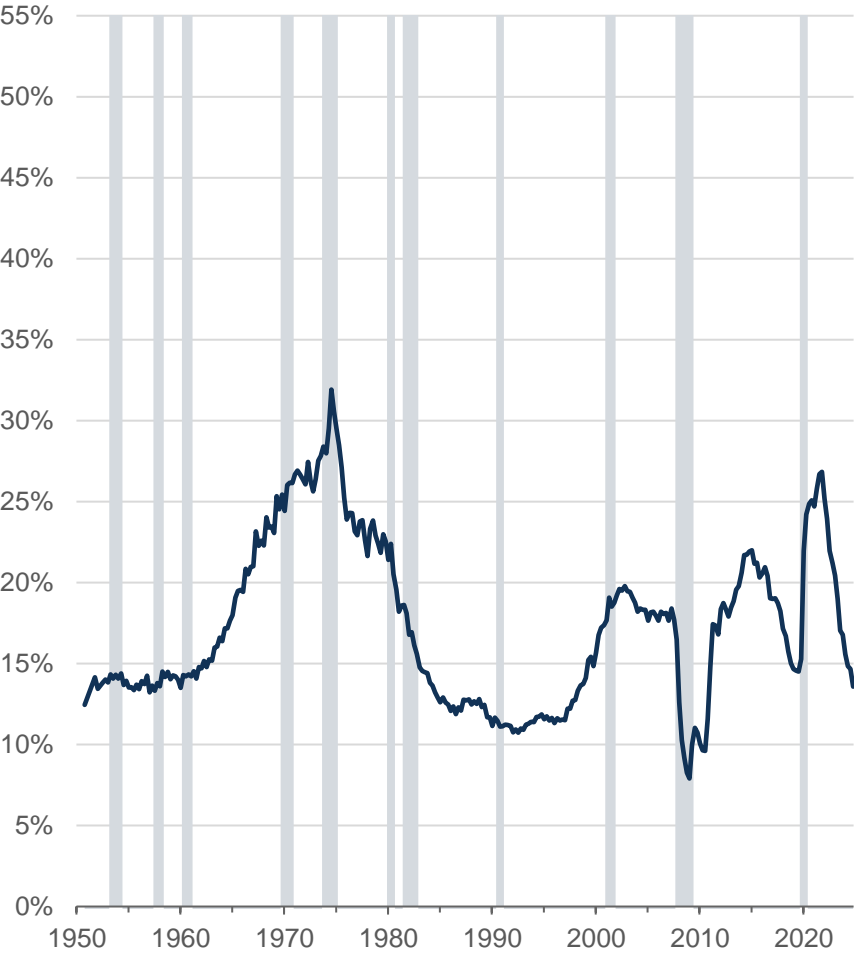
Source: The Cynosure Group, U.S. Treasury, Haver Analytics. Interest rate data as of 05/31/2025; interest expense data as of FY 2024. Shaded areas denote recessions as defined by the NBER.

Official Investor Participation in the Treasury Market Is Declining

Foreign Holdings of U.S. Treasuries
% of Total U.S. Treasuries Outstanding



Federal Reserve Holdings of U.S. Treasuries
% of Total U.S. Treasuries Outstanding



Source: The Cynosure Group, Federal Reserve Board, Haver Analytics. Data as of 12/31/2024. Shaded areas denote recessions as defined by the NBER.