CherokeeState BANK

Weekly Insight

June 11, 2025

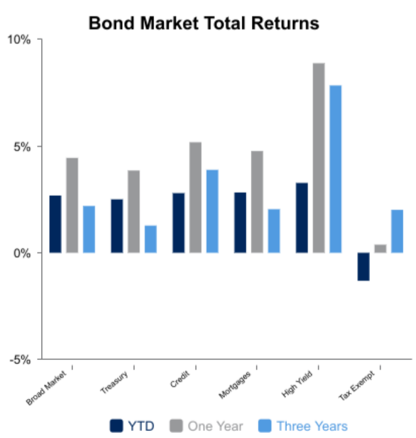
Inflation Comes in Cooler Than Expected

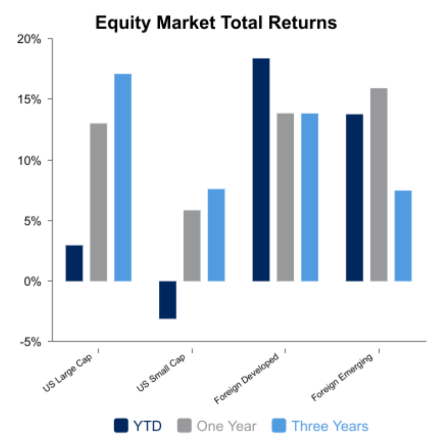
Investors anxiously awaited this week's report of the latest Consumer Price Index data wondering if price increases resulting from higher tariffs would be reflected in the report. The report revealed month-over-month and year-over-year increases that were both lower than forecast. This would indicate that tariff related price increases are not yet flowing through the economy at a level significant enough to push overall price levels higher. Contributing to the lower-than-expected results were declines across several segments of the index's transportation component, including new and used car prices. This was somewhat surprising given various reports of increased demand for vehicles as consumers tried to avoid impending tariff related price hikes. And, despite this month's tame report, higher levels of inflation are anticipated in the second half of 2025 as the imposition of higher tariffs begin to flow through the economy.

Labor Market Stability Continues

The other widely anticipated economic report released this week was the employment report for the month of May. The unemployment rate remained at the prior month's level of 4.2% and the increase of 139,000 in nonfarm payrolls was higher than forecast. This month's report did reflect a 22,000 reduction in the federal government payrolls reflecting the ongoing effort to reduce the overall size of government. Another critical component of the report was the higher than forecast 0.4% increase in Hourly Earnings. This increase suggests that consumers continue to have spending capacity, a positive factor for ongoing economic growth.

In response to the week's economic reports, equity markets continued to move higher with the Russell 3000 Index of U.S. equites returning 1.0%. As they have since the market's recent bottom in April, growth stocks continued to outperform value stocks for the week as the Russell 1000 Growth Index returned 1.1% versus its value counterpart which returned 0.8%. Since the April low, U.S. stocks have returned 19.5%. Sector leadership during this rally has come from Information Technology, Industrials and Consumer Discretionary. And, while growth stocks have enjoyed the mantle of leadership over this time period, it is the value segment that still leads on a year-to-date basis. International equities, as measured by the MSCI ACWI ex U.S. Index, produced a higher return for the week at 1.2%. They also continue to have stronger year-to-date performance relative to domestic markets with a return of 9.2%.





Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper	4.50	5.50	1.00
3-Month T-Bill	4.35	5.38	1.30
10-Year Treasury	4.42	4.32	3.16
30-Year Treasury	4.92	4.48	3.19
10-Year Corporate AA	5.21	5.19	2.09
10-Year High Yield Corp	6.48	6.58	3.90
Commodity Prices ($)	**Current**	**12M Ago**	**3YR Ago**
Gold ($/oz.)	3,355	2,325	1,872
Oil (WTI, $/barrel)	68.15	78.50	120.67
Currencies	**Current**	**12M Ago**	**3YR Ago**
USD (Dollar Index Spot)	98.63	104.65	104.15
USD/EUR	0.87	0.93	0.95
USD/JPY	144.56	156.72	134.41

Sources: BTC Capital Management, Bloomberg, FactSet, Policyuncertainty.com The information provided has been obtained from sources deemed reliable, but BTC Capital Management and its affiliates cannot guarantee accuracy. Past performance is not a guarantee of future returns. Performance over periods exceeding 12 months has been annualized.