

June 16, 2025

Weekly Market Commentary

Subdued



By Michael Crook, Chief Investment Officer

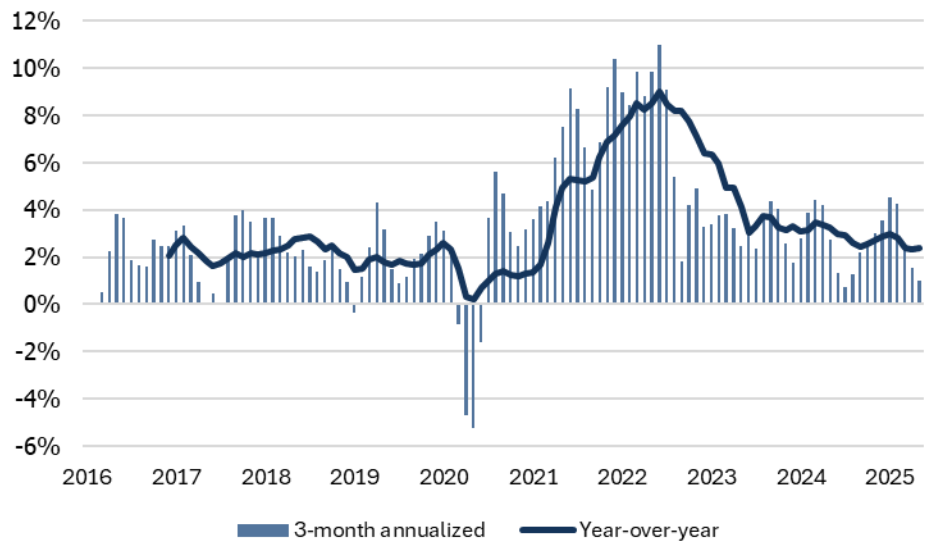
Market Recap

- Israel launched military strikes throughout Iran late last week, targeting the nation's nuclear program and killing multiple senior Iranian military figures. The attacks come as US talks with Iran over the latter's nuclear program have stalled over recent weeks. Equity markets declined and oil prices spiked as much as +8% as investors assessed the potential for escalation.
- Officials from the US and China met in London this week to continue trade negotiations. According to the White House, the "framework" for a deal was reached which restored a truce between the two nations. While details are sparse, this framework supposedly includes US tariff rates on Chinese goods of 55%, Chinese rates on US goods of 10%, and US access to Chinese rare minerals.
- The NFIB Small Business Optimism Index increased in May, landing slightly above the survey's long-term average, as business owners expect better conditions and higher sales volumes over the coming months. At the same time, the survey showed that uncertainty remains elevated, largely due to the rapidly evolving picture of global trade and the potential for changes in tax policy.

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Last week's Consumer Price Index (CPI) release further reinforced our view that inflation (Fig. 1) is, as we said in [our quarterly outlook](#), "close enough for government work." Year-over-year CPI increased by 2.4% and prices are only up 1% annualized over the last three months. Due to methodological differences, the Fed's target of 2% for Personal Consumption Expenditures (PCE) due to translates to about 2.5% for CPI.

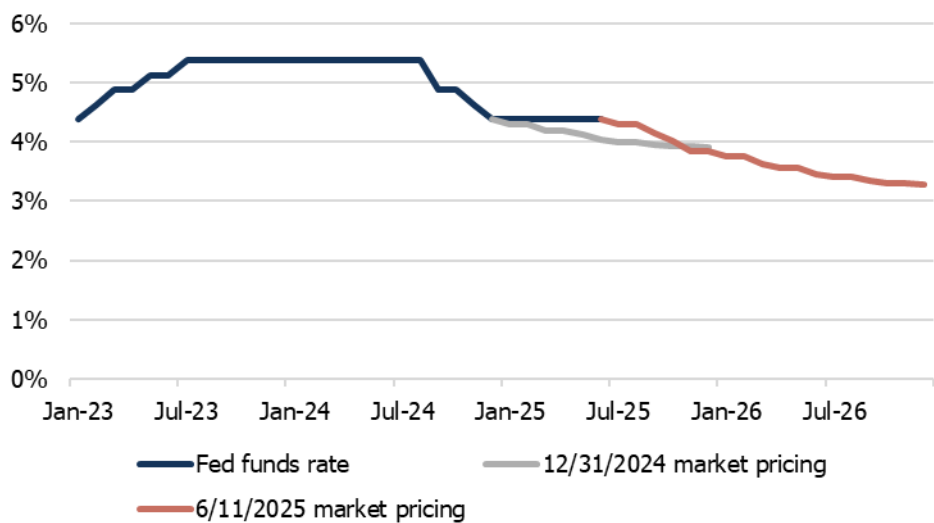
Fig. 1: Consumer Price Index



Source: Bloomberg, Mill Creek. Data as of 6/11/25

Inflation that remains at or around 2% should enable the Fed to lower rates gradually toward 3%. The market is currently pricing in four cuts to the Fed funds target between now and the end of 2026.

Fig. 2: Fed fund rate and market expectations



Source: Bloomberg, Mill Creek. Data as of 6/11/25

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