

Semi-quincentennial, now there's a word we only hear once every 250 years.

Economic Highlights

- The Federal Reserve (Fed) unanimously voted to keep the federal funds target range at 3.50%–3.75% during Kevin Warsh's first meeting as Fed Chair. While the policy decision was broadly expected, the meeting marked a notable shift in communication strategy as forward guidance was removed from the policy statement and replaced with a more analytical and data-dependent approach to policymaking.
- Chair Warsh repeatedly affirmed the Fed's commitment to price stability and announced five task forces focused on communications; balance sheet policy; data and analytical frameworks; productivity and employment trends (including AI); and the Fed's inflation framework. While the reviews could meaningfully change how the Fed communicates and evaluates economic conditions, the Committee's 2% inflation target remains outside their scope.
- The June "dot plot" showed a more hawkish policy path with nine committee members projecting at least one rate hike in 2026. Chair Warsh did not submit projections, instead emphasizing the uncertainty surrounding the economic outlook and the importance of incoming data.
- Inflation remained above the Fed's target in May, though the picture was mixed. Headline PCE rose to 4.1% year-over-year, largely reflecting elevated energy prices. Core PCE increased to 3.4% year-over-year, reflecting ongoing stickiness in services sectors while goods inflation moderated as tariff-related pressures continue to fade. We believe inflation may be at or near its peak as the recent decline in oil and gasoline prices should help moderate energy-related inflation pressures in the months ahead. Potential flare-ups in the Middle East remain a key risk to the outlook.
- Economic growth remained solid on the surface as Q1 GDP was revised up to 2.1% from 1.6%. However, consumer spending made its weakest contribution to GDP since Q1 2022. Business investment remained a bright spot, particularly within technology, software, and AI-related capital spending.
- Labor-market data increasingly pointed toward normalization rather than acceleration. June payroll growth came in below expectations with 57,000 created, while prior months were revised lower. The unemployment rate ticked lower to 4.2%, though the bulk of that decline was the direct result of a declining labor force participation rate. At the same time, job openings remained elevated and layoffs stayed historically low, highlighting a labor market that appears to be cooling gradually rather than deteriorating abruptly. Wage growth continued to moderate and remained below headline inflation, reinforcing concerns surrounding household purchasing power and the durability of consumer spending.

Interest Rates

- A more hawkish Fed tone pushed yields higher in June. Yields on 3-month, 2-year, and 10-year U.S. Treasuries ended the month at

3.82%, 4.18%, and 4.47%, representing changes of +14 bps, +17 bps, and +3 bps, respectively.

- The ICE BofA 3-month, 2-year, and 10-year U.S. Treasury indices returned +0.29%, +0.03%, and +0.33%, respectively.

Equity Markets

- U.S. equity performance in June underscored a market sentiment shift and industry rotation as momentum in the technology sector waned. The Dow Jones increased by +2.71%, the S&P 500 Index was down -0.95%, and the Nasdaq fell -2.75%.
- International equities melted lower in June as the MSCI ACWI ex U.S. Net Index declined -0.56%.

PFMAM Strategy Recap & Outlook

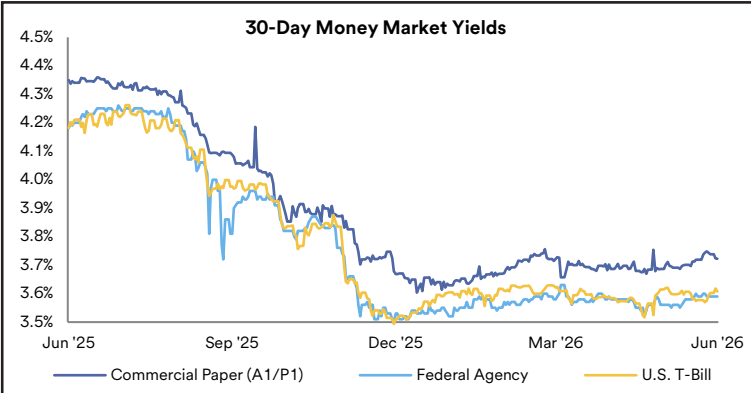
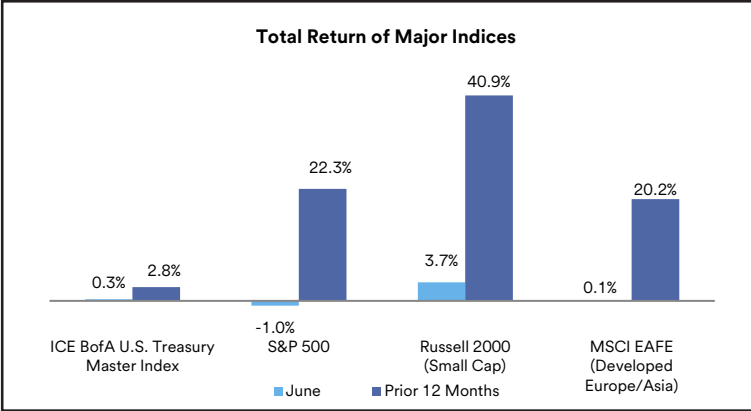
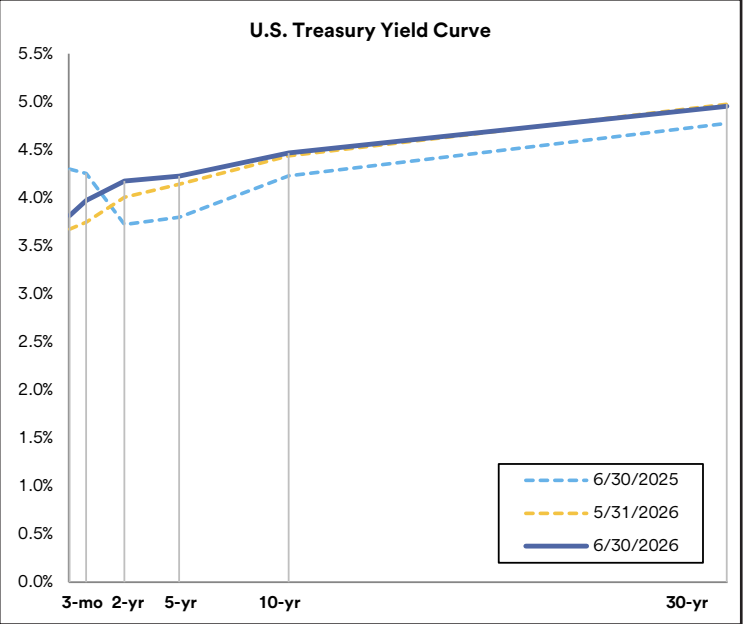
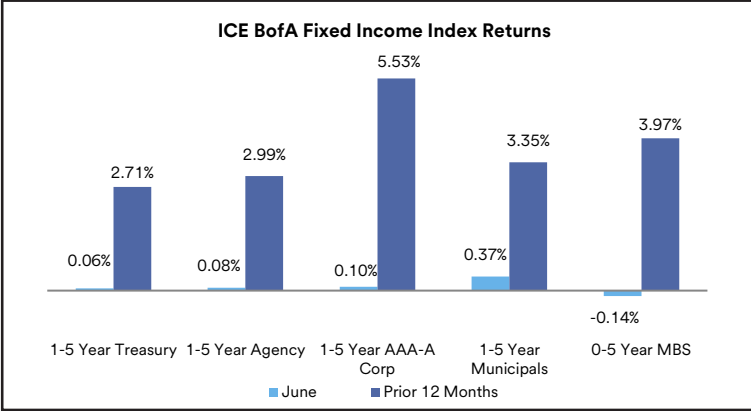
- While the probability of rate hikes has risen, we believe markets have overpriced the likelihood of additional Fed tightening. Our base case is for the Fed to remain on hold into 2027, making interest rates attractive in our view. As a result, we intend to maintain portfolio durations in shorter-term strategies at 101%-105% of benchmarks.
- Investment-grade (IG) corporate bonds produced slightly positive excess returns in June with the exception of securities beyond 10 years. While we continue to view corporate fundamentals as generally healthy, valuations remain near historically rich levels and leave limited room for further spread compression. We expect income generation and carry to be the primary contributor to returns.
- Spreads on asset-backed securities (ABS) grinded tighter over the month, generating positive excess returns. We remain constructive on the sector given resilient fundamentals and attractive diversification benefits, though valuations have become less compelling following the recent spread tightening. Going forward, we believe security selection will play an increasingly important role as sector spreads remain below long-term averages.
- Mortgage-backed securities (MBS) generally lagged other sectors, including Treasuries, during the month, while commercial MBS produced modest positive excess returns. We continue to view valuations as rich relative to historical levels and believe ongoing uncertainty surrounding rates, inflation, and Fed policy may limit near-term performance. As a result, we maintain a cautious stance toward the sectors.
- We believe all-in yields remain attractive on the short end of the curve, particularly given our expectation the Fed will remain on hold. We continue to favor selective exposure to high-quality short-term credit where carry, income generation, and roll-down potential remain attractive. Floating rate credit also remains an attractive sector for both incremental yields carry and as a hedge against multiple rate hikes this year.

U.S. Treasury Yields				
Maturity	Jun 30, 2025	May 31, 2026	Jun 30, 2026	Monthly Change
3-Month	4.30%	3.68%	3.82%	0.14%
6-Month	4.25%	3.75%	3.97%	0.22%
2-Year	3.72%	4.01%	4.18%	0.17%
5-Year	3.80%	4.14%	4.23%	0.09%
10-Year	4.23%	4.44%	4.47%	0.03%
30-Year	4.78%	4.97%	4.95%	-0.02%

Spot Prices and Benchmark Rates				
Index	Jun 30, 2025	May 31, 2026	Jun 30, 2026	Monthly Change
1-Month SOFR	4.32%	3.62%	3.65%	0.03%
3-Month SOFR	4.29%	3.66%	3.73%	0.07%
Effective Fed Funds Rate	4.33%	3.62%	3.63%	0.01%
Fed Funds Target Rate	4.50%	3.75%	3.75%	0.00%
Gold (\$/oz)	\$3,308	\$4,561	\$4,039	-\$522
Crude Oil (\$/Barrel)	\$65.11	\$87.36	\$69.50	-\$17.86
U.S. Dollars per Euro	\$1.18	\$1.17	\$1.14	-\$0.03

Yields by Sector and Maturity				
Maturity	U.S. Treasury	Federal Agency	Corporates-AA-A Industrials	AAA Municipals
3-Month	3.82%	3.83%	4.18%	-
6-Month	3.97%	3.97%	4.21%	-
2-Year	4.18%	4.19%	4.38%	2.43%
5-Year	4.23%	4.24%	4.72%	2.66%
10-Year	4.47%	4.53%	5.11%	3.09%
30-Year	4.95%	-	5.71%	3.81%

Economic Indicators				
Indicator	Release Date	Period	Actual	Survey (Median)
Existing Home Sales MoM	9-Jun	Ma7	3.20%	1.20%
CPI YoY	10-Jun	May	4.20%	4.20%
Retail Sales Advance MoM	17-Jun	May	0.90%	0.60%
FOMC Rate Decision	17-Jun	Jun	3.75%	3.75%
PCE YoY	25-Jun	May	4.10%	4.10%
U. of Mich. Consumer Sentiment	26-Jun	Jun F	49.5	50.0
Change in Non-farm Payrolls	1-Jul	Jun	57K	113K



Source: Bloomberg. Data as of June 30, 2026, unless otherwise noted.

Indices shown are not available for investment. The index data reference herein is the property of the index provider and/or its licensors. The index provider assumes no liability in connections with its use and does not sponsor, endorse or recommend the products or services contained herein. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

The views expressed within this material constitute the perspective and judgment of U.S. Bancorp Asset Management, Inc. at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon current opinion as of the date of issue and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. No representation is made as to its accuracy or completeness.

PFM Asset Management serves clients in the public sector and is a division of U.S. Bancorp Asset Management, Inc., which is the legal entity providing investment advisory services. U.S. Bancorp Asset Management, Inc. is a registered investment adviser, a direct subsidiary of U.S. Bank N.A. and an indirect subsidiary of U.S. Bancorp. U.S. Bank N.A. is not responsible for and does not guarantee the products, services, or performance of U.S. Bancorp Asset Management, Inc.

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE