



Monthly Economic Indicators May 2025

Bill Maher | Director, Strategy & Research
Scot Bommarito | Vice President, Research
Nolan Eyre | Research Associate

June 19, 2025



Contents

3	Summary
4	Inflation
11	Interest Rates
17	Employment
24	Sentiment & Retail Sales
28	Housing

About RCLCO Fund Advisors

RCLCO Institutional Advisory Services, the predecessor to RCLCO Fund Advisors, LLC (RFA), was formed in 2011. RFA was incorporated in 2013 and registered with the SEC as a registered investment advisor (RIA) in 2014. RFA specifically addresses the complex global investment environment facing pension funds and similar institutional investors. Our broad background across a wide variety of disciplines—including portfolio analysis, development feasibility, and urban planning—makes us uniquely adept at navigating property markets from both a “bottom-up” and “top-down” approach. The team is comprised of more than 30 members with diverse and relevant experience in research, consulting, investment management, property operations, and lending.

RFA is improving the traditional institutional real estate investment model by: providing customized and aligned advisory and investment management solutions to LPs; facilitating partnerships that generate greater LP control and transparency; and driving and achieving long-term objectives in allocation, access, diversification, and performance with greater fee effectiveness.

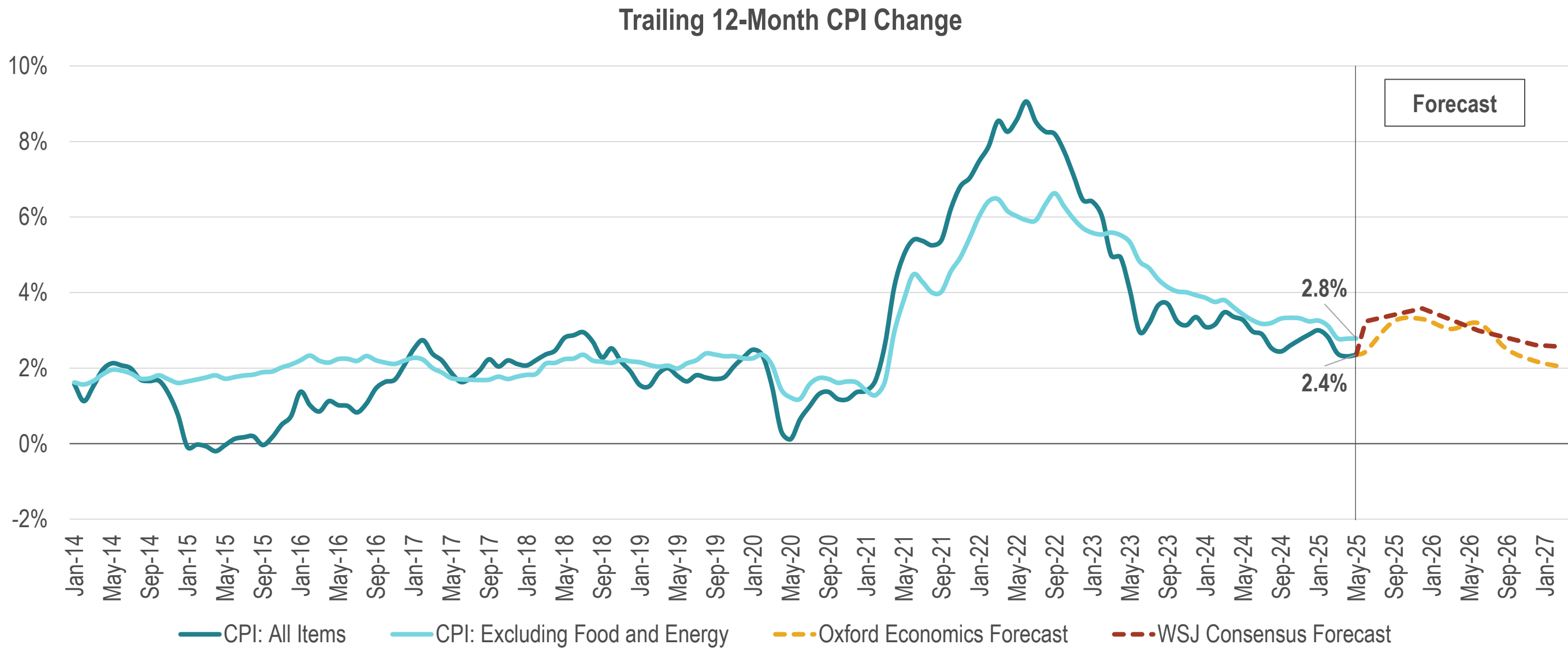
Monthly Highlights – May 2025

Inflation	<ul style="list-style-type: none">Annual headline CPI inflation rose 10 bps MoM to 2.4% in May while core CPI held steady at 2.8%. Inflation is projected to increase later in 2025 as tariff policies take effect.Annual total and core PCE inflation both fell 20 bps to 2.1% and 2.5%, respectively, in April*, near the Fed’s target rate.The 5-year TIPS-implied inflation rate held steady at 2.4% MoM and consumer expectations for 5-year inflation in the U Michigan survey fell slightly to 4.1%.
Interest Rates	<ul style="list-style-type: none">The 10-Year UST ended May at 4.41%, 24 bps above its April-end level. The yield was near 4.4% in mid-June.The UST yield curve “uninverted” in May as the 10-Year yield rose slightly above the 3-Month yield (4.36%).Average commercial real estate mortgage rates fell 19 bps to 6.5% in March*. The spread to the UST remained below its long-term average.The Fed held rates steady in May at 4.25-4.5%, amid increasing inflationary risks from tariff policy. It is expected to cut rates 1-2 times in 2025.
Employment	<ul style="list-style-type: none">Job growth remained strong at 139K in May, slightly below the trailing 12-month average. Job growth is projected to slow meaningfully later in the year.The unemployment rate held steady at 4.2%, while the labor force participation rate fell 20 bps MoM to 62.4% in May.Annual wage growth remained strong at 3.9%, unchanged MoM. Over the last three months, wages also grew by 3.8% (annualized).
Sentiment & Retail Sales	<ul style="list-style-type: none">Consumer sentiment improved for the first time in six months in June to 60.5. Views of current conditions and future expectations also both rose.The ISM Purchasing Mangers’ Index (PMI) for services fell (barely) into contraction. Manufacturing PMI also fell and remained in contraction.Total retail sales rose 0.1% MoM and 5.2% YoY in April*. Motor vehicle sales rose 9.4% YoY as consumer front-loaded spending to avoid tariffs.
Housing	<ul style="list-style-type: none">Trailing 12-month average median existing home prices rose 3.7% YoY while new home prices fell 2.5% in April*.Existing home sales declined 2.0% YoY while new home sales increased 3.3% in April*.Trailing-year multifamily completions fell slightly in April*. Permits and starts rose, although they remained below recent highs. Single-family completions and permits fell on a TTM basis.

Inflation

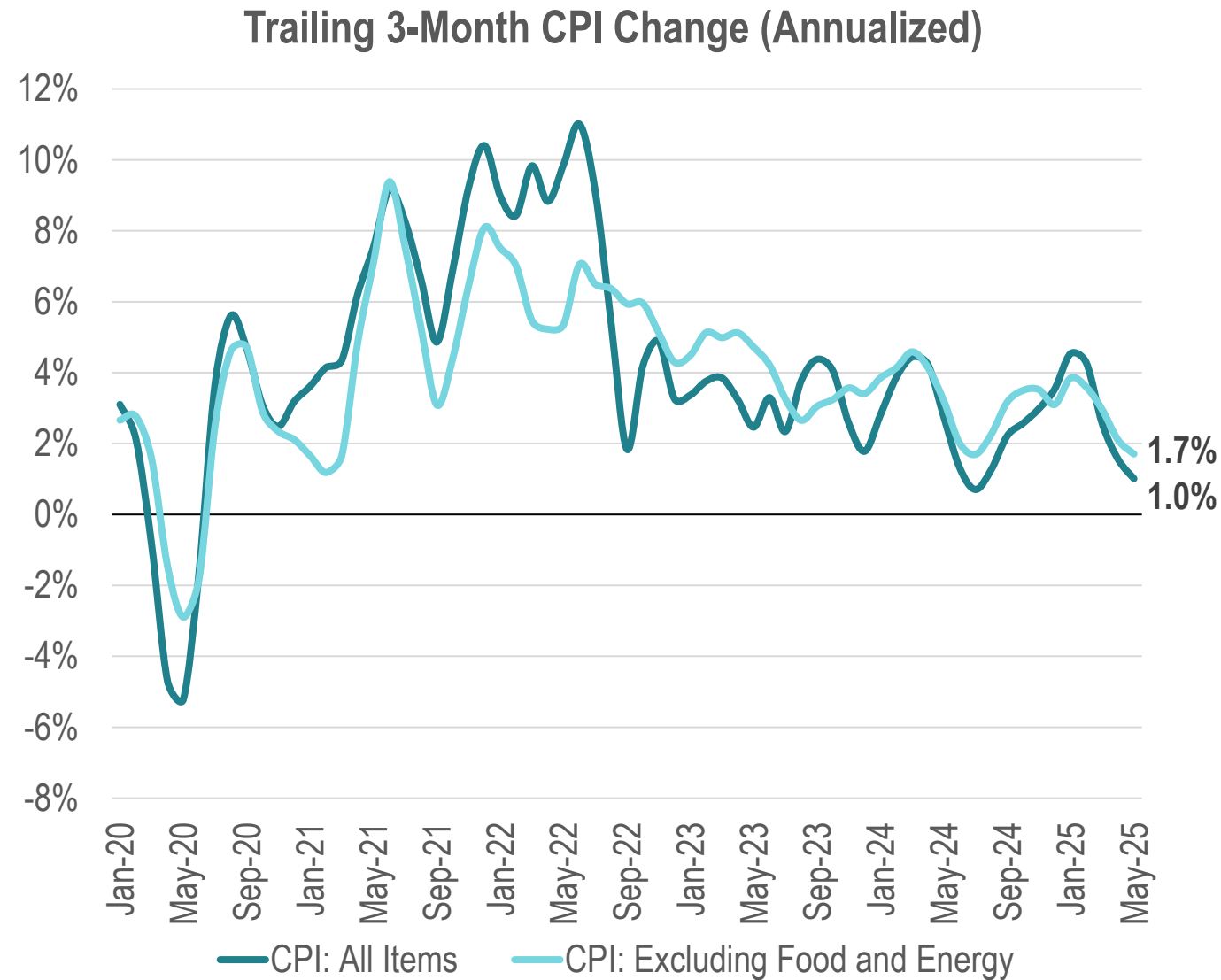
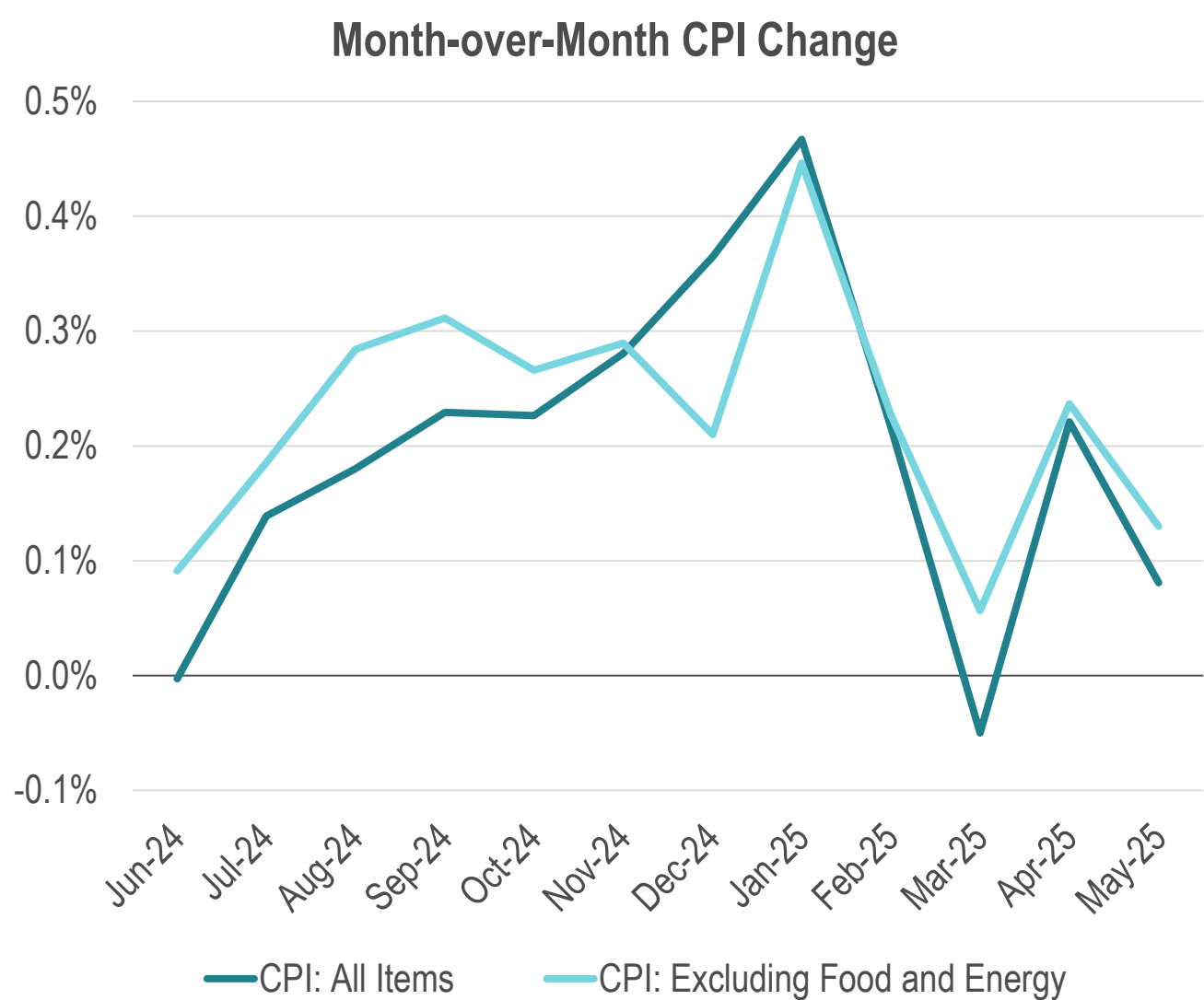
Annual Headline CPI Rose 10 bps to 2.4%; Core CPI Held Steady at 2.8%

Inflation Is Forecast to Reaccelerate in Late 2025 and Early 2026



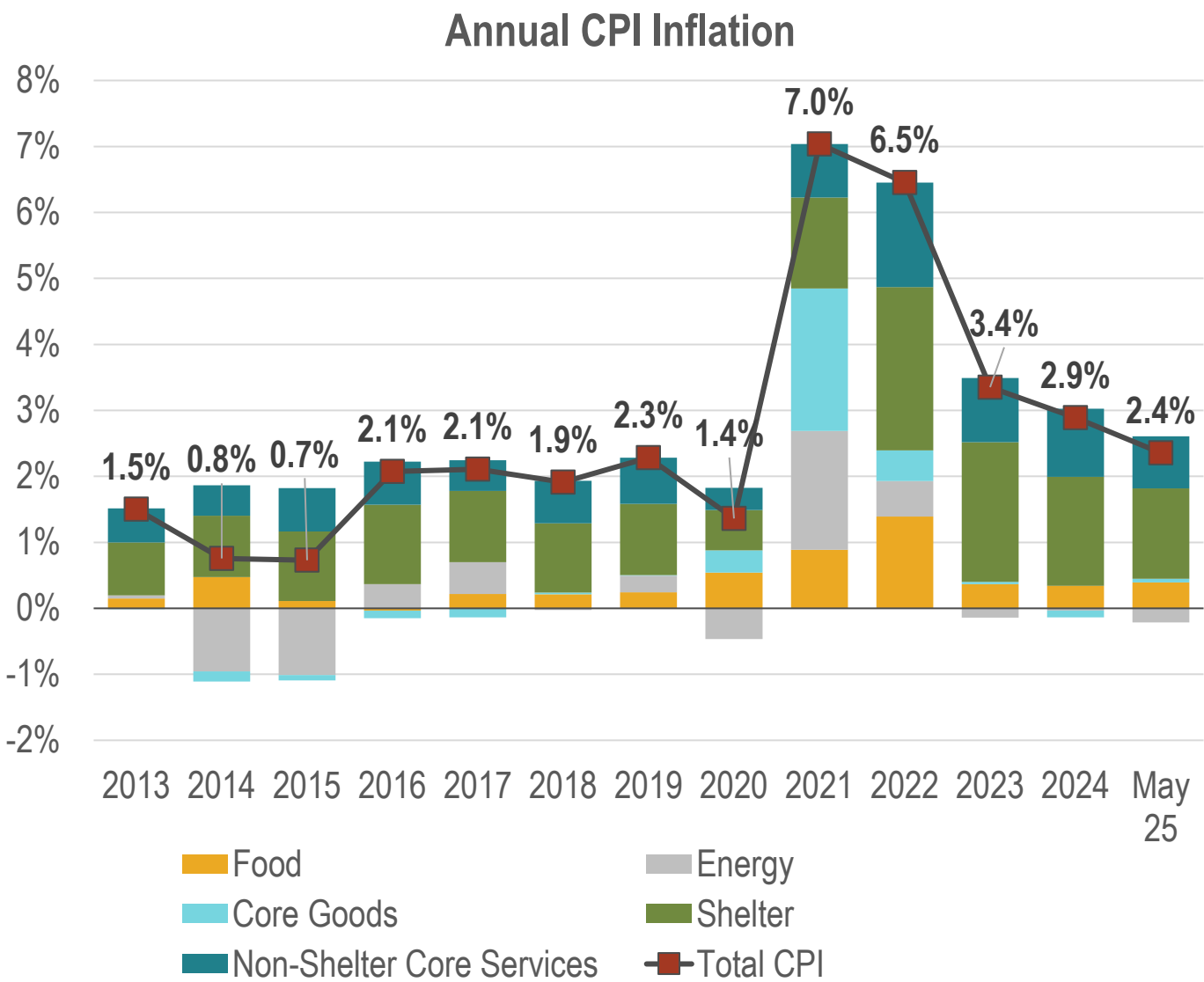
All Items and Core CPI Both Slowed MoM to 0.1% in May

3-Month Annualized All Items and Core CPI Both Slowed to 1.0% and 1.7%, Respectively



Annual Core Services CPI Rose 3.6% and Core Goods Prices Rose 0.3%

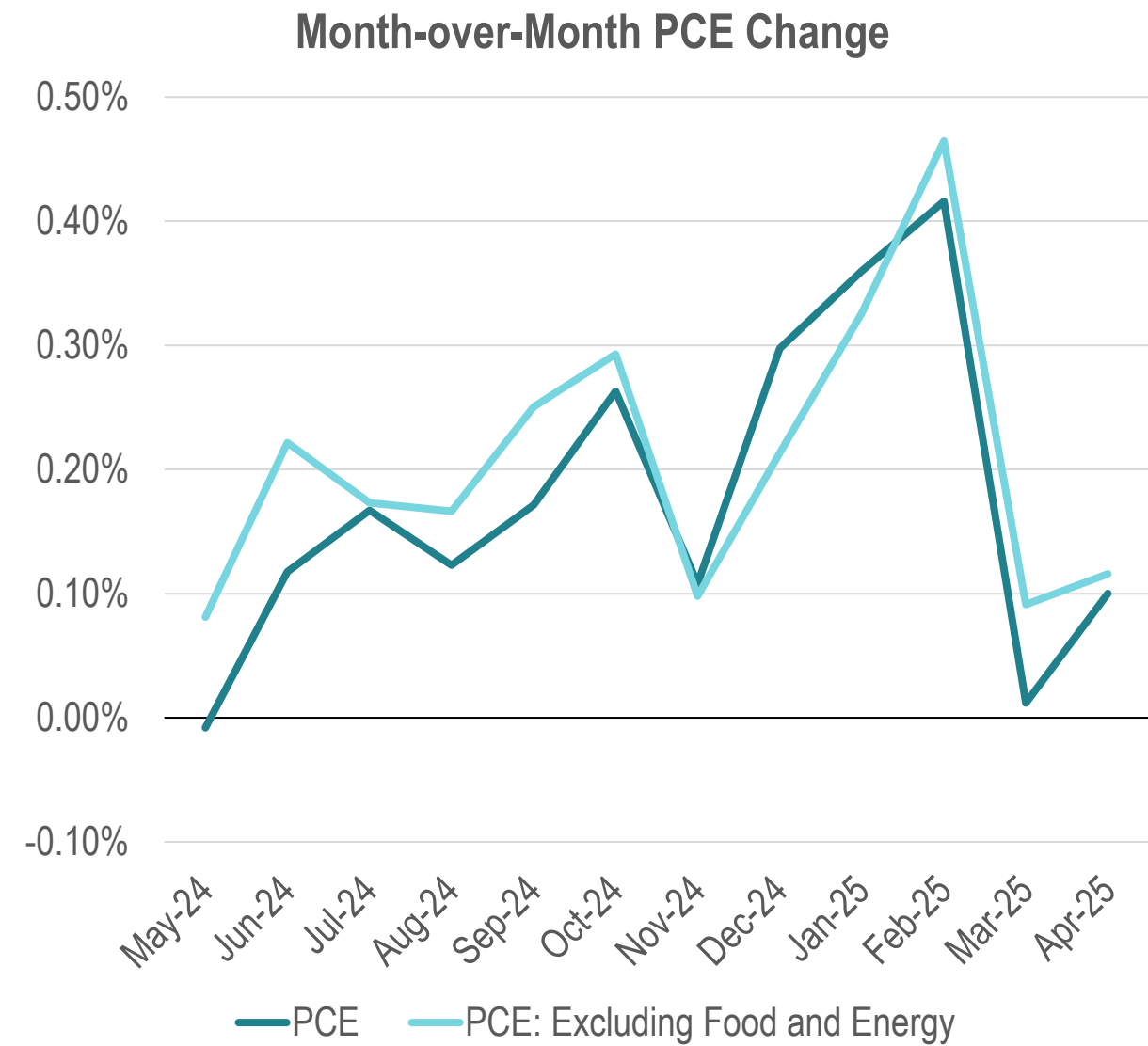
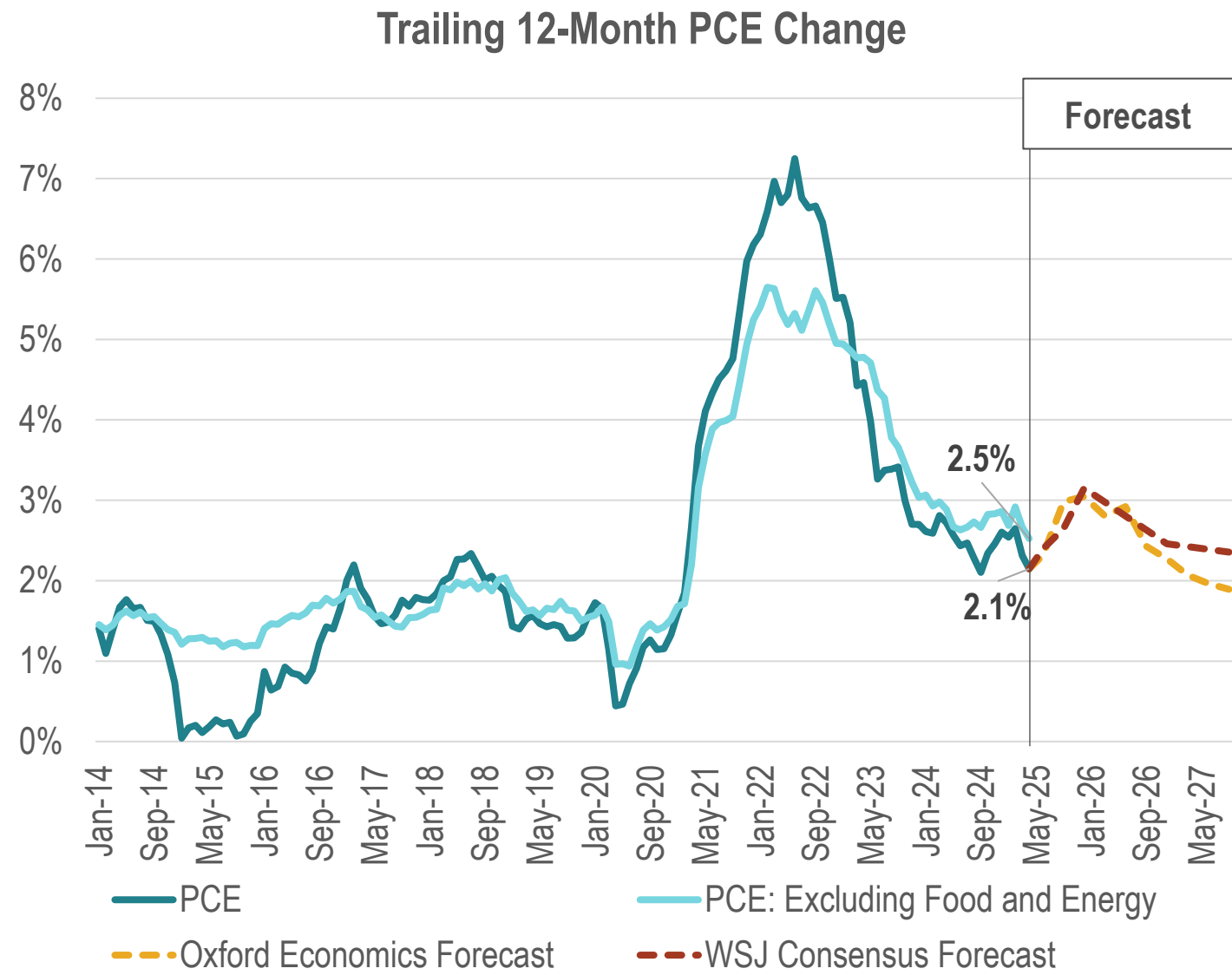
Housing Still Driving Inflation with 4.0% Increase Over the Past Year; Energy Prices Fell 3.5%



May 2025 Inflation			
	Monthly	Trailing 12-Month	Weights
Apparel	-0.4%	-0.9%	2.5%
Education & Communication	0.1%	0.3%	5.7%
Food & Beverages	0.3%	2.8%	14.5%
Other Goods & Services	0.5%	3.8%	2.9%
Housing	0.3%	4.0%	44.2%
Shelter*	0.3%	3.9%	35.5%
Medical Care	0.3%	2.5%	8.3%
Recreation	0.1%	1.8%	5.3%
Transportation	-0.7%	-1.3%	16.6%
Food	0.3%	2.9%	13.7%
Energy	-1.0%	-3.5%	6.2%
Core Goods	0.0%	0.3%	19.4%
Core Services	0.2%	3.6%	60.7%
Total Core	0.1%	2.8%	80.1%
All Items	0.1%	2.4%	100.0%

Annual Headline and Core PCE Fell 20 bps to 2.1% and 2.5%, Respectively, in April

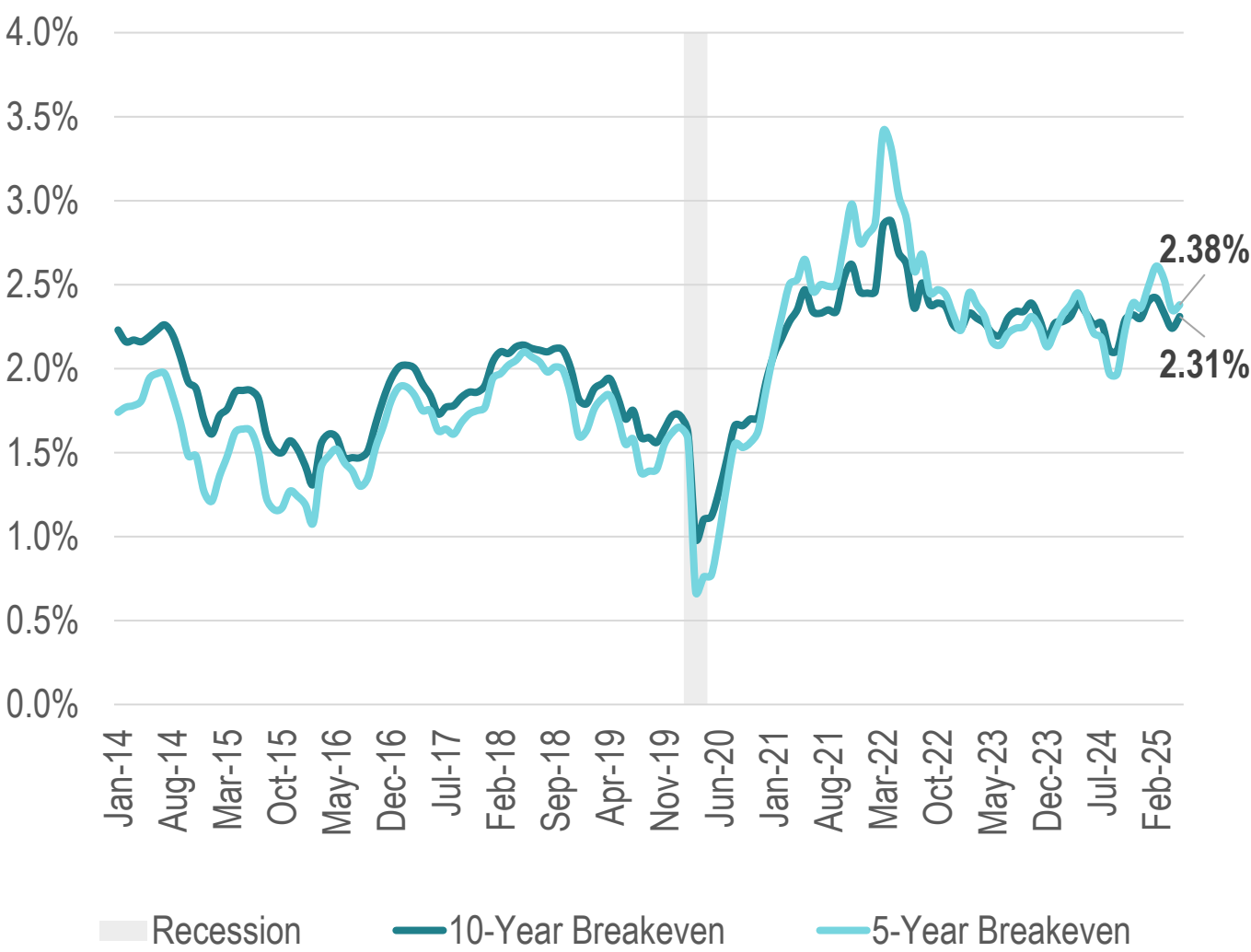
PCE Is Predicted to Reaccelerate in Late 2025 and Early 2026 Before Moderating



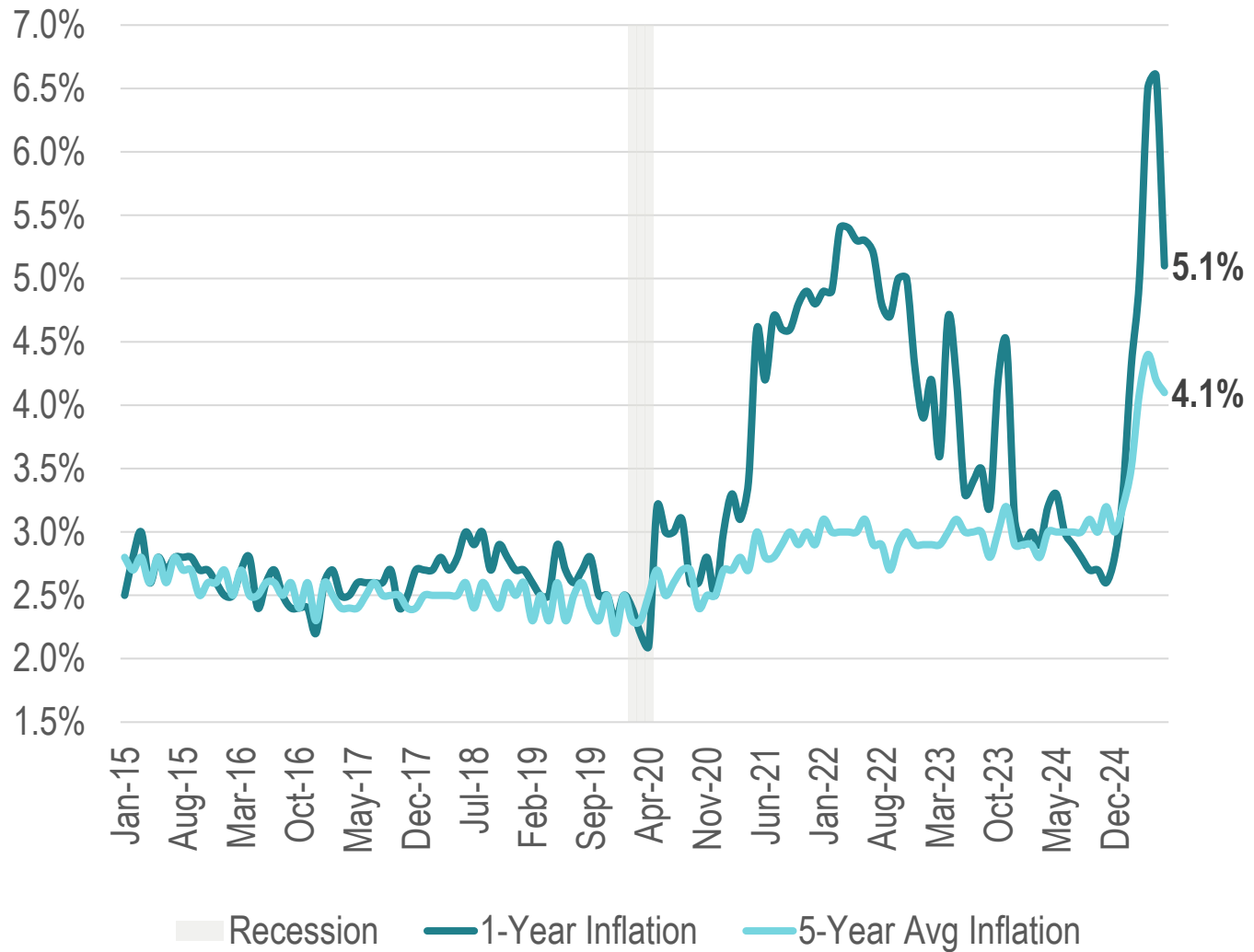
TIPS Breakeven Inflation Rates Rose Slightly in May

Consumer Expectations of Year-Ahead Inflation Fell to 5.1% and 5-Year Expectations Moderated Slightly to 4.1%

TIPS-Implied Breakeven Inflation Rate

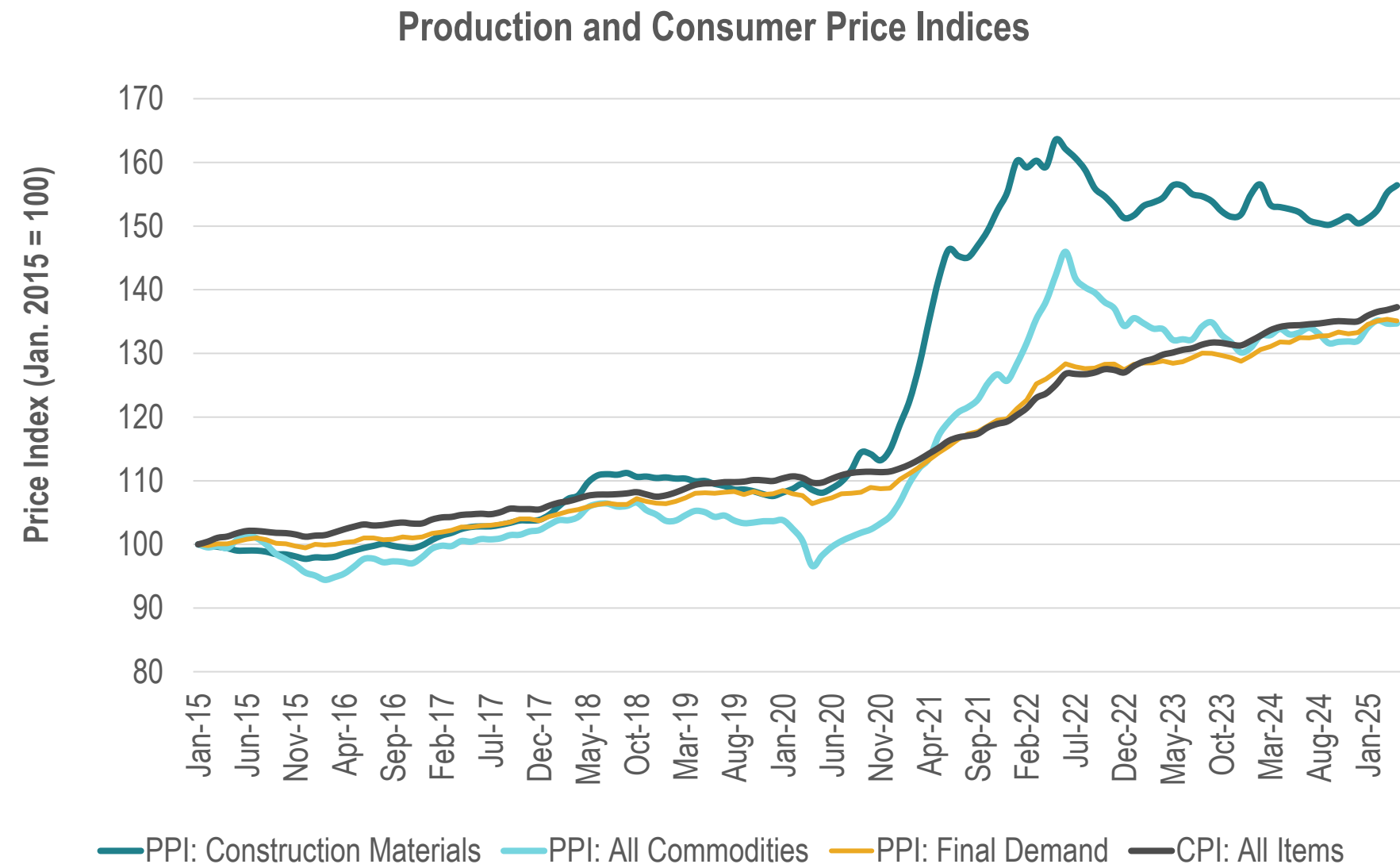


University of Michigan Inflation Expectations



Monthly Final Demand and All Commodities PPI Rose 0.1% and 0.2%, Respectively

Construction Materials PPI Rose A Sharp 1.8% MoM and 4.3% YoY, Reversing Its Recent Trend of Moderation



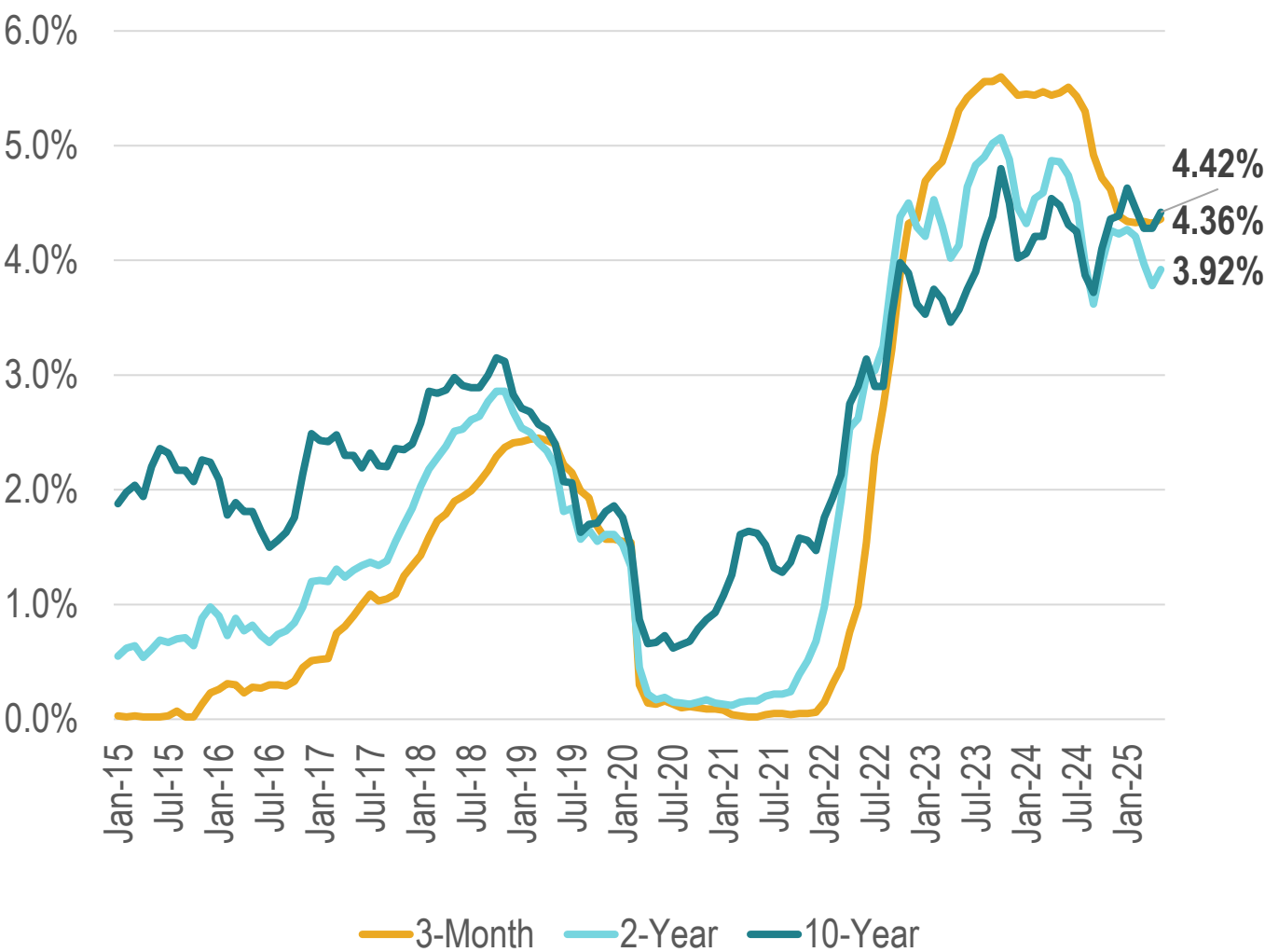
May 2025 Producer Price Index			
	Monthly	Trailing 12-Month	10-Yr Annual Avg
PPI: Construction Materials	1.8%	4.3%	4.9%
PPI: All Commodities	0.2%	1.5%	3.0%
PPI: Final Demand	0.1%	2.6%	3.0%
CPI: All Items	0.1%	2.4%	3.1%

Interest Rates

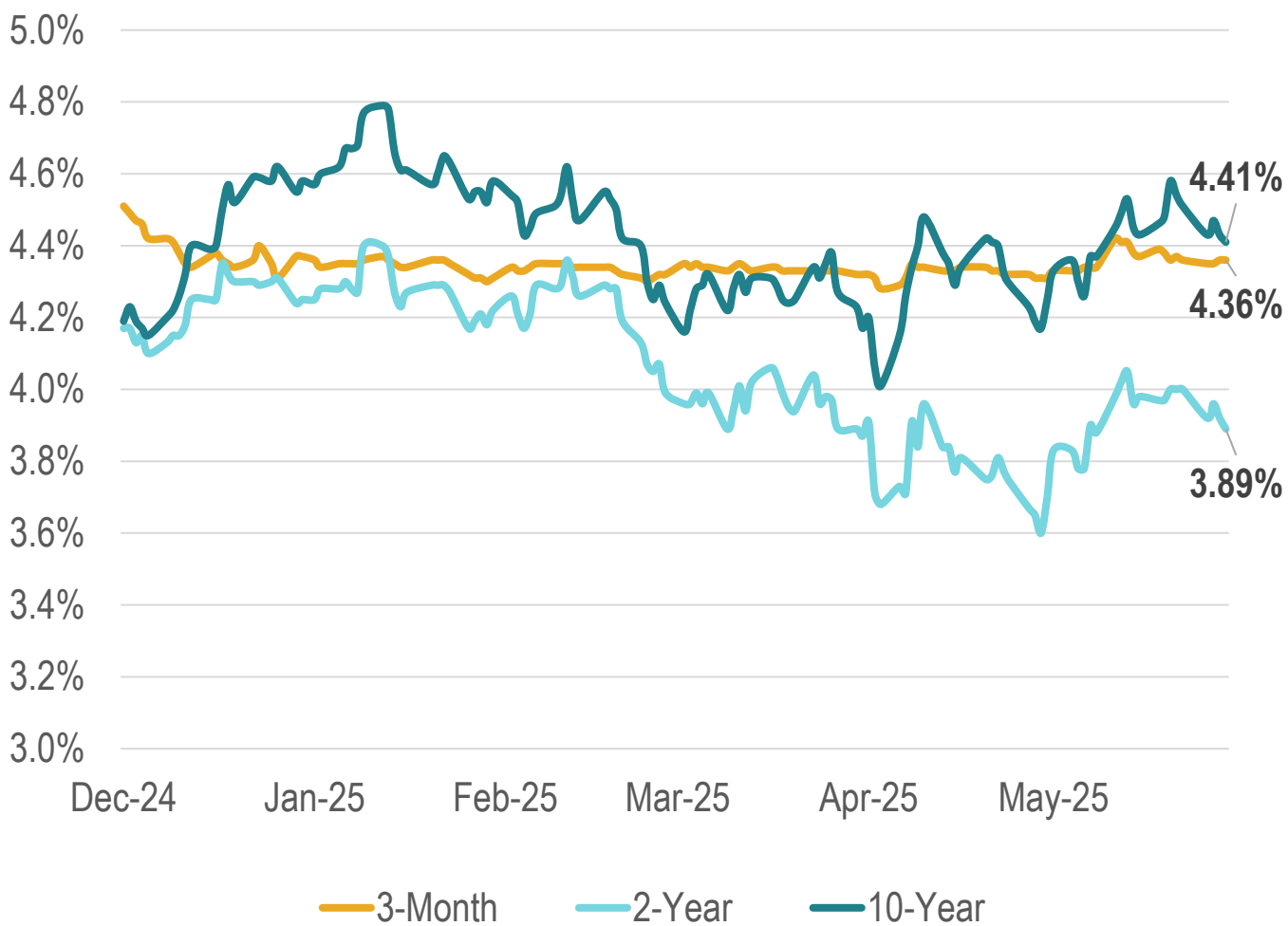
10-Year to 3-Month Yield Curve Inversion Ended in May

2-Year and 10-Year Yields Were Volatile but Ended the Month Up; 3-Month Yields Were Stable

US Treasury Yields (Monthly Averages)

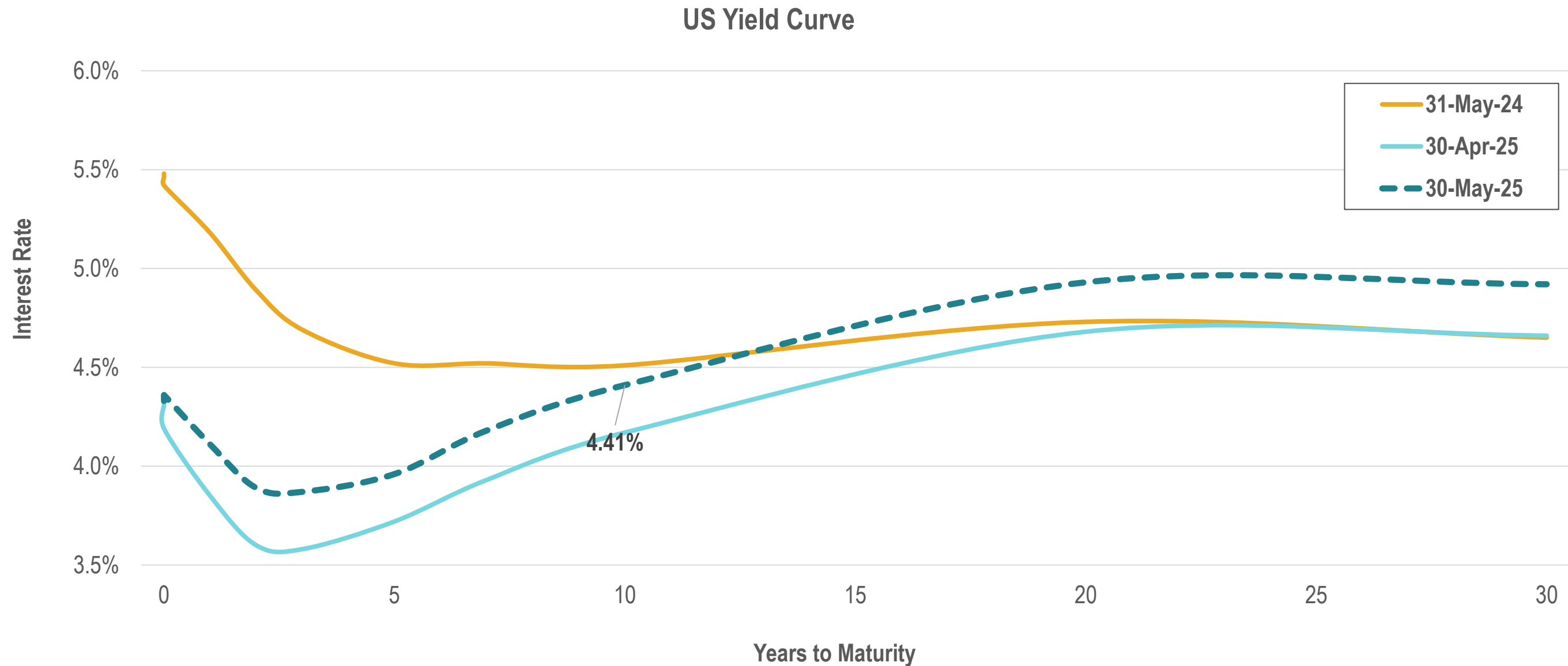


US Treasury Yields (Daily)



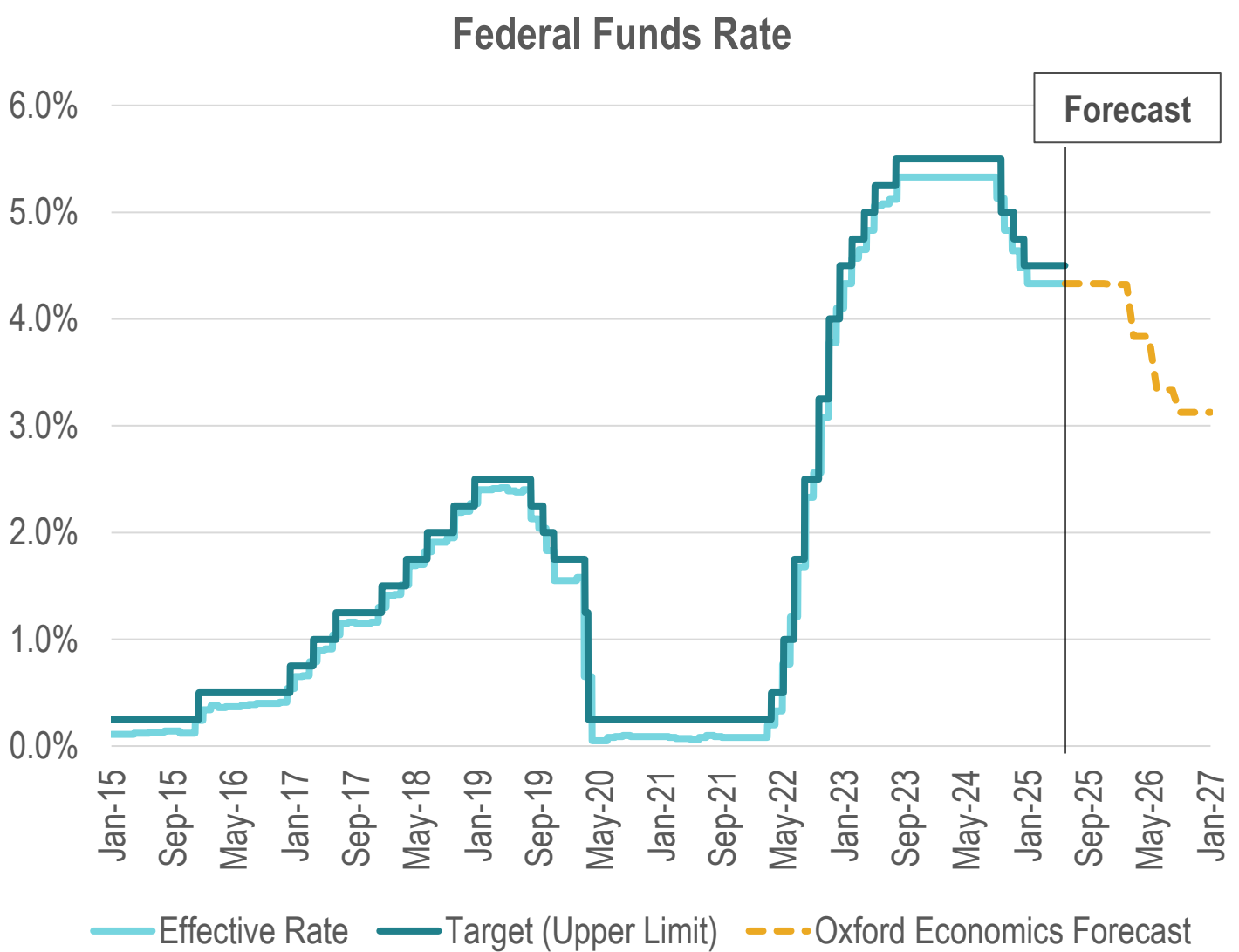
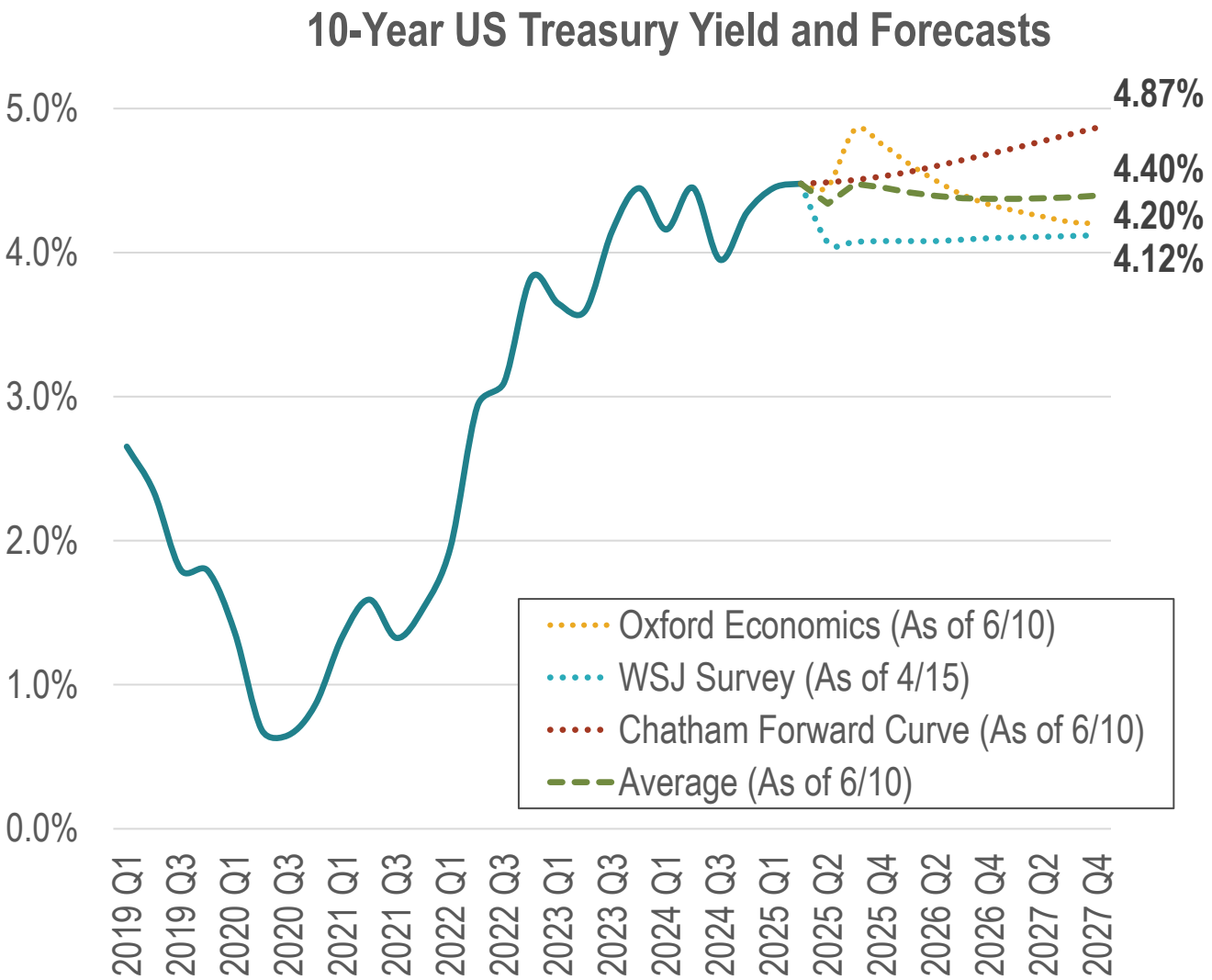
Short-term Treasury Rates Were Unchanged MoM or Rose Slightly

Medium- and Long-term Rates Rose Meaningfully in May



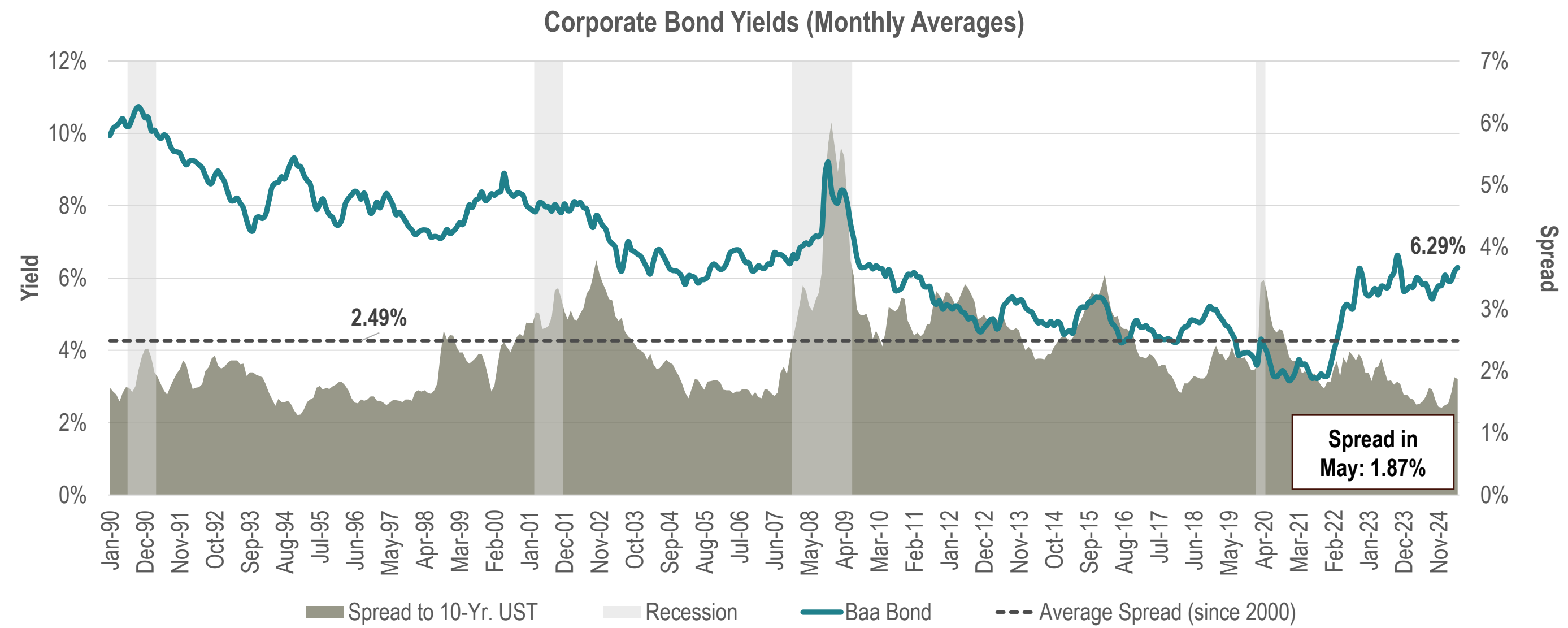
10-Year UST Yields Are Forecast to Remain Near Current Levels Through 2027

The Fed Held Rates Steady in May, Citing Risks of Higher Inflation Due to Trade Policy



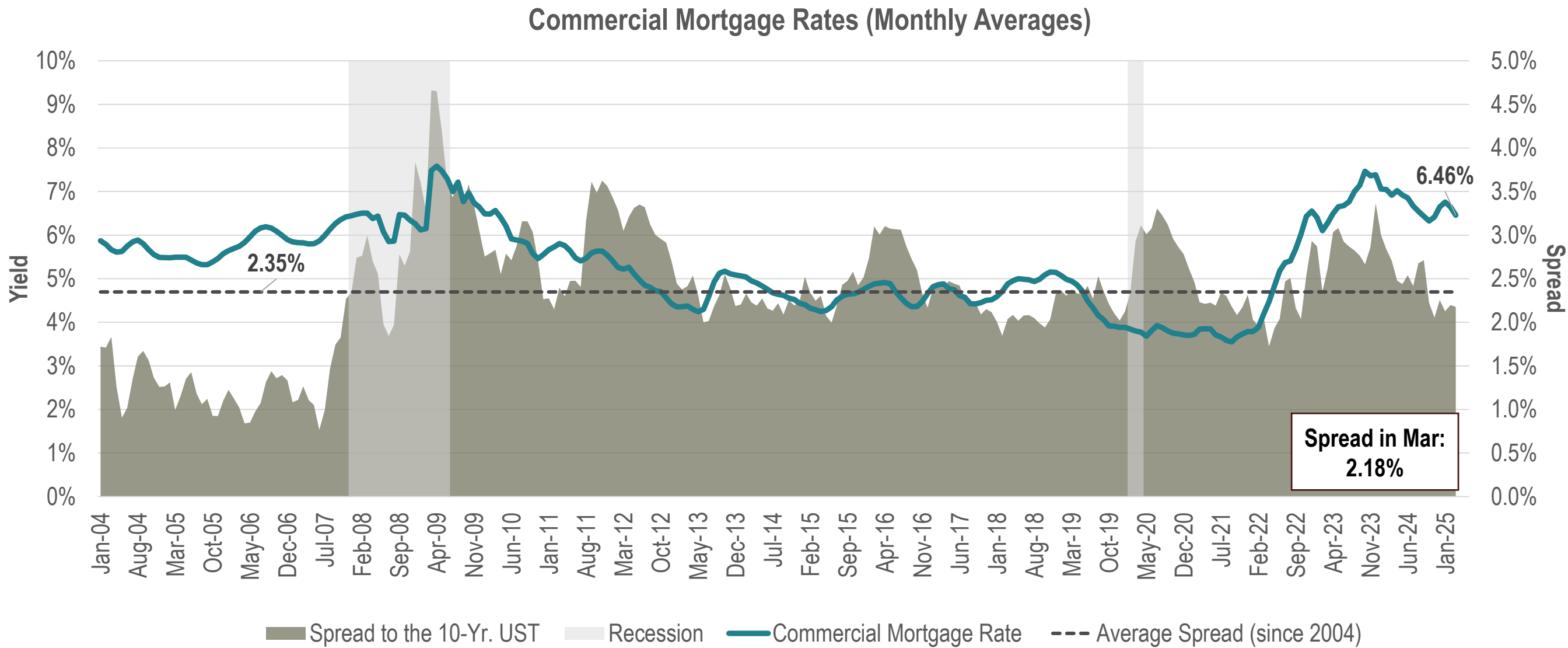
Baa Corporate Bond Yields Rose 11 bps in May to 6.29%

Spread to the 10-Year UST Remained Well Below Long Term Average, Indicating Low Likelihood of Recession



Average Commercial Mortgage Rates Averaged 6.5% in March

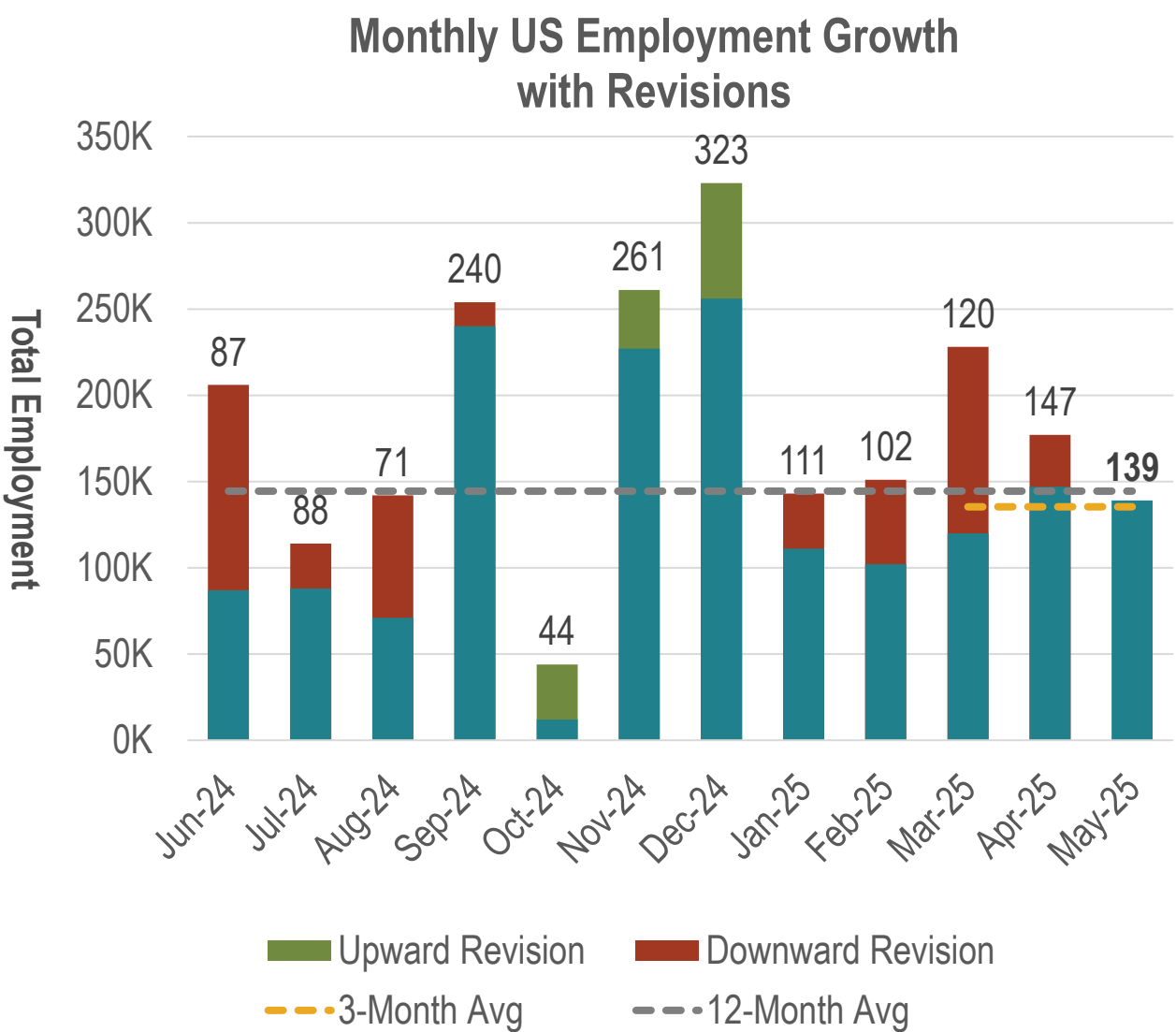
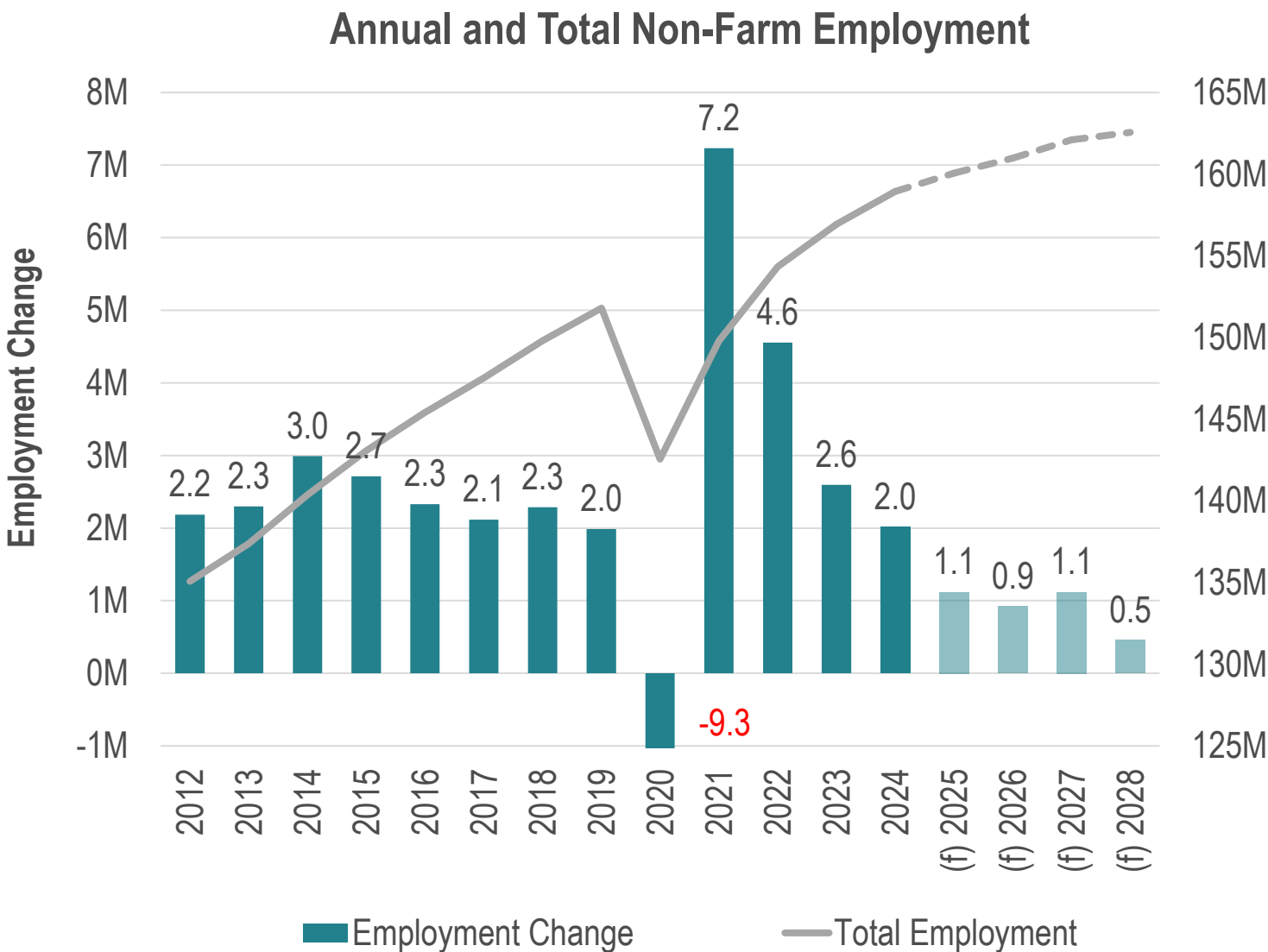
The Spread to the 10-Year UST Yield Remained Slightly Below the Long-term Average



Employment

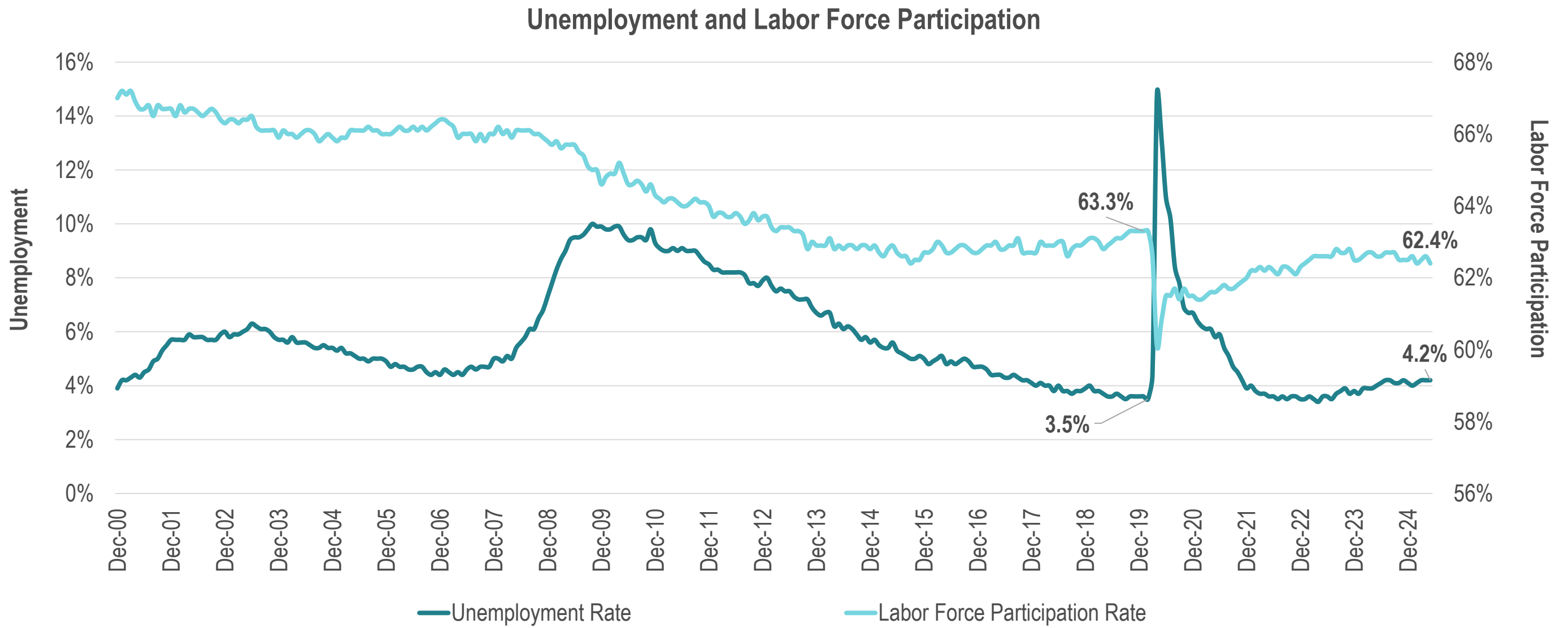
The Labor Market Remained Resilient in May, Adding 139K Jobs

Labor Market Is Forecast to Cool but Stay Relatively Healthy in the Medium Term



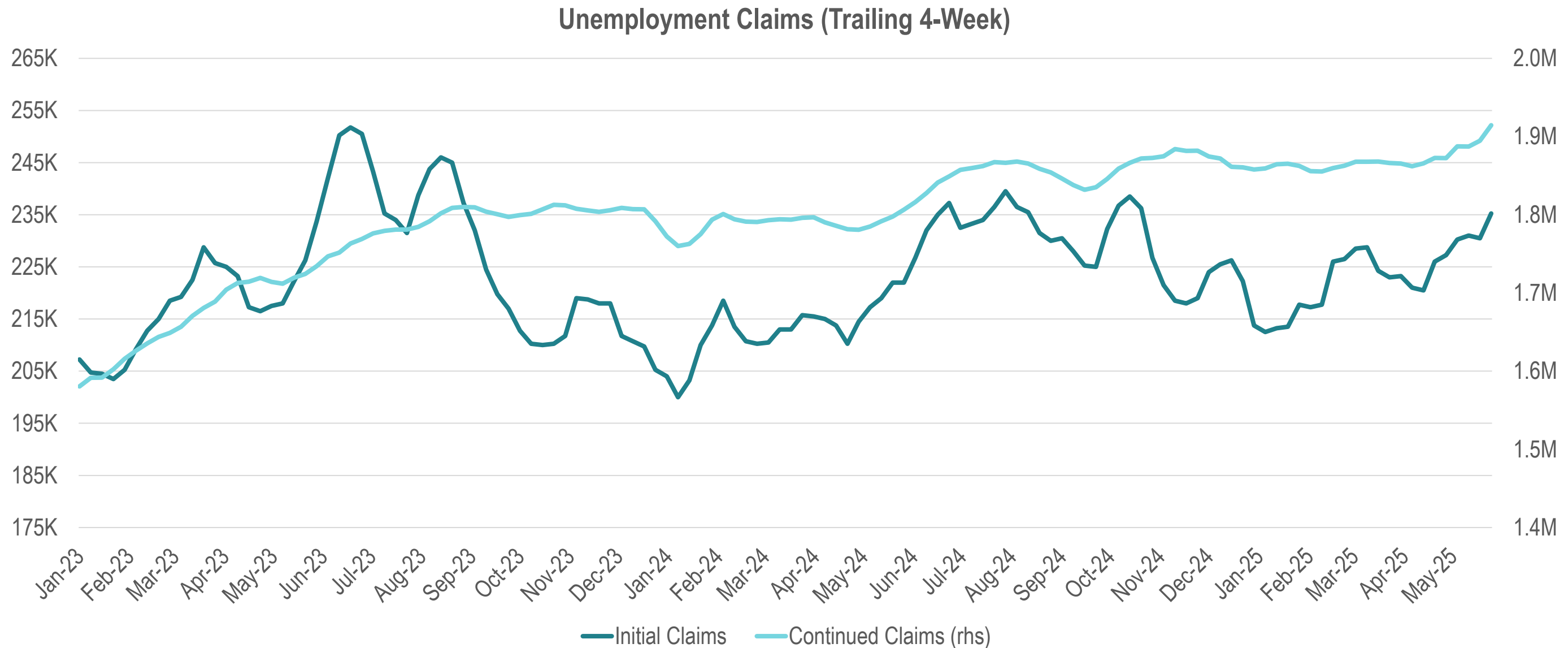
Unemployment Rate Held Steady at 4.2% for a Third Consecutive Month

Labor Force Participation Rate Fell 20 bps MoM to 62.4% in May



Initial and Continued Claims Rose Slightly in May

Rise May Point to Softening Labor Market, but Claims Still Well Below Long-term Average

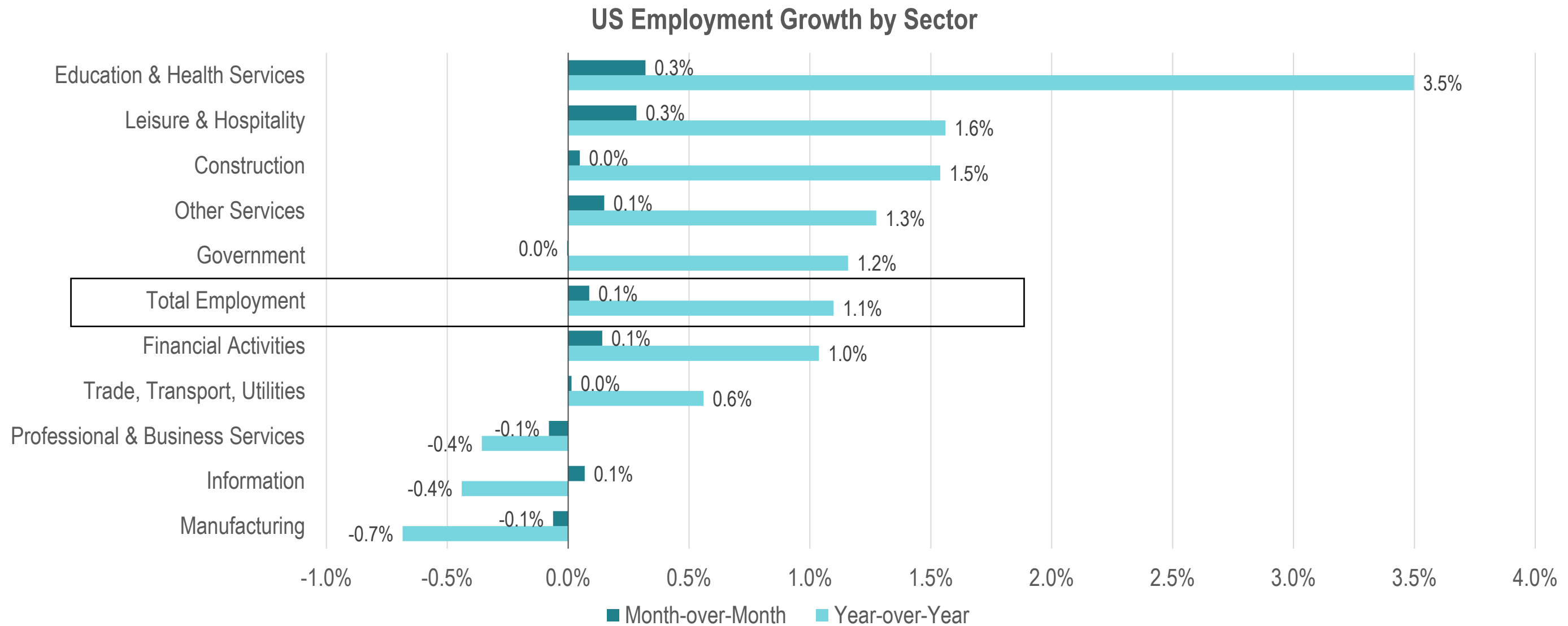


The information contained in this report is confidential, may be legally privileged, and is intended only for the use of select clients of RCLCO Fund Advisors.

Data are as of May 2025.
Source: Federal Reserve Bank of St. Louis

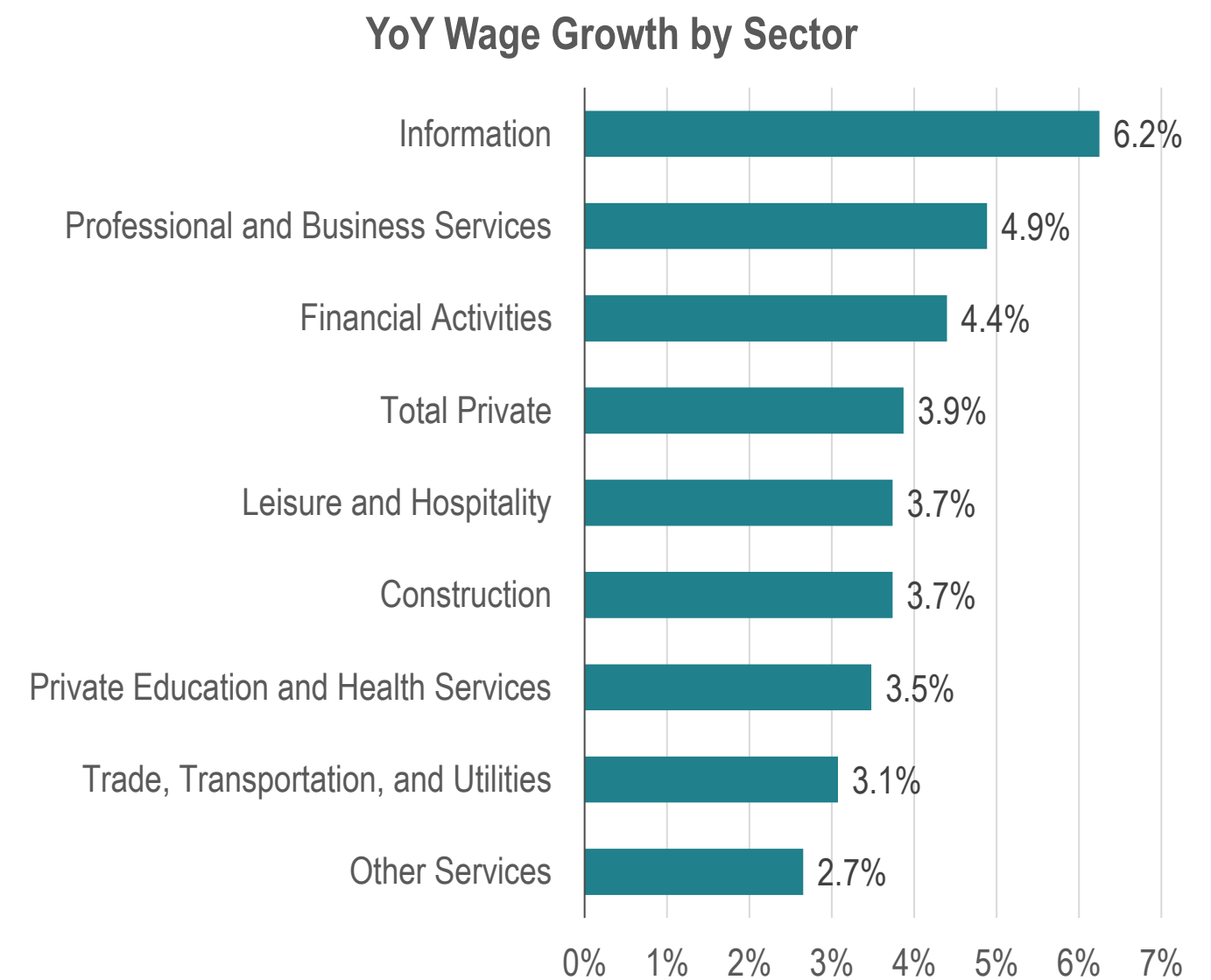
Education & Health Services and Leisure & Hospitality Led Annual Job Growth

Annual Job Losses Recorded in Manufacturing and Several White-Collar Industries



Wage Growth Held Steady on an Annual Basis and Rose Over Last Three Months

Information and Professional & Business Services Led Annual Wage Growth



Negative Employment Growth Was Recorded in the Bay Area and Saint Louis Over the Past Year

Employment Change		
	Apr. 24 – Apr. 25	2025 - 2029 Forecast (CAGR)
Austin	1.3%	1.4%
Orlando	1.9%	1.0%
Dallas-Fort Worth	1.2%	1.0%
Phoenix	0.6%	1.0%
Inland Empire	0.2%	1.0%
Charlotte	2.2%	0.9%
Seattle	0.7%	0.9%
Denver	0.2%	0.8%
San Antonio	2.0%	0.8%
Nashville	1.2%	0.8%
Atlanta	0.2%	0.7%
Houston	1.2%	0.7%
Tampa	0.7%	0.7%
SF/Oakland	-0.7%	0.6%
Miami	1.1%	0.6%
Portland	-0.1%	0.6%
Indianapolis	0.6%	0.6%

Midwest Markets
Gateway Markets
Sunbelt Markets

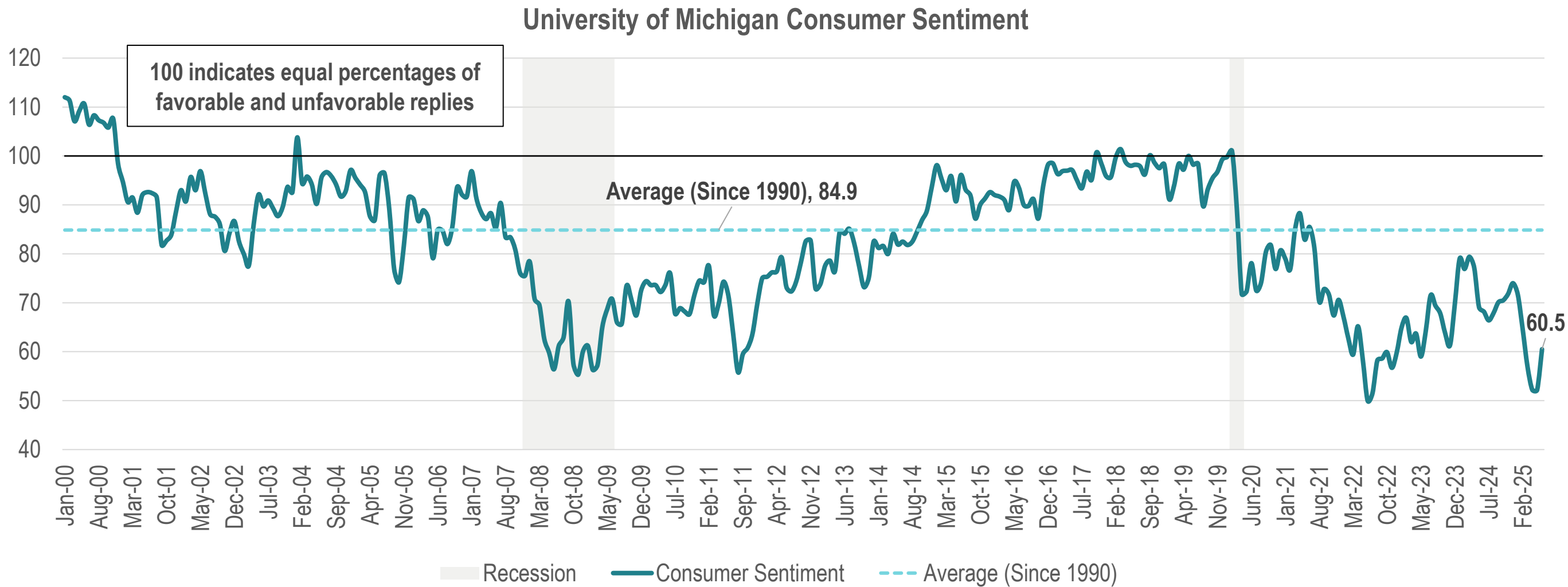
Note: The table shows the 30 largest markets by nonfarm employment; MSA employment data release one month in arrears.

The information contained in this report is confidential, may be legally privileged, and is intended only for the use of select clients of RCLCO Fund Advisors.

Sentiment & Retail Sales

Consumer Sentiment Improved in June for the First Time in Six Months

Consumers Appear to Be Assuaged by the Perceived Easing of Tarriff Policy



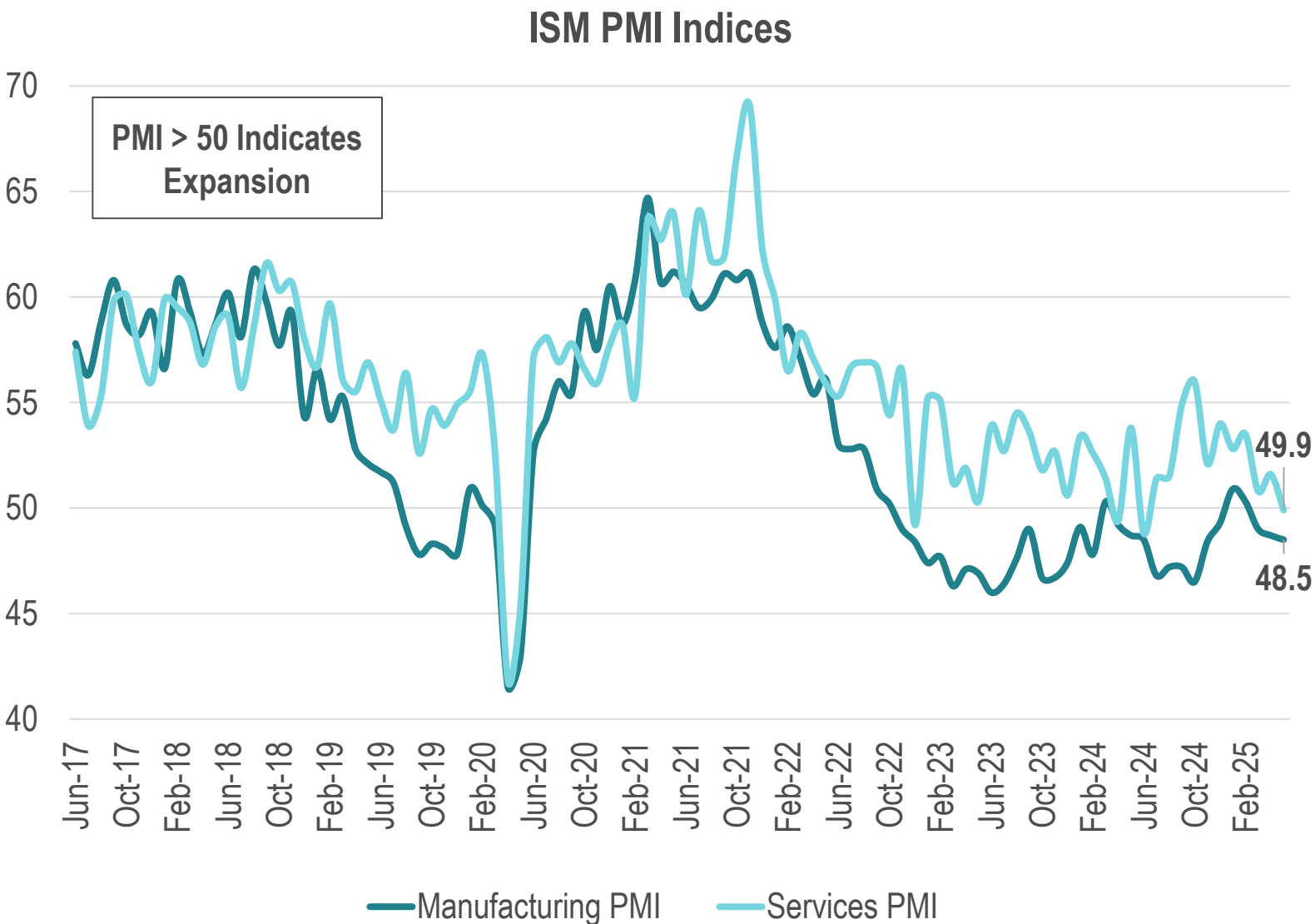
Data are as of June 2025.

Note: The University of Michigan's Index of Consumer Sentiment is a composite index that measures consumers' outlook on economic and financial conditions; it is based on five survey questions and is calculated by computing the percent of respondents giving favorable replies minus the percent giving unfavorable replies plus 100; scores below 100 indicate that more than 50% of replies were unfavorable while scores above 100 indicate that more than 50% of replies were favorable; the two subindices are the Index of Current Economic Conditions and the Index of Consumer Expectations which measures consumers' expectations for the year ahead.

Source: University of Michigan; Federal Reserve Bank of St. Louis

Services PMI Fell into Slight Contraction in May

Manufacturing PMI Also Declined and Remained in Contraction for a Third Consecutive Month

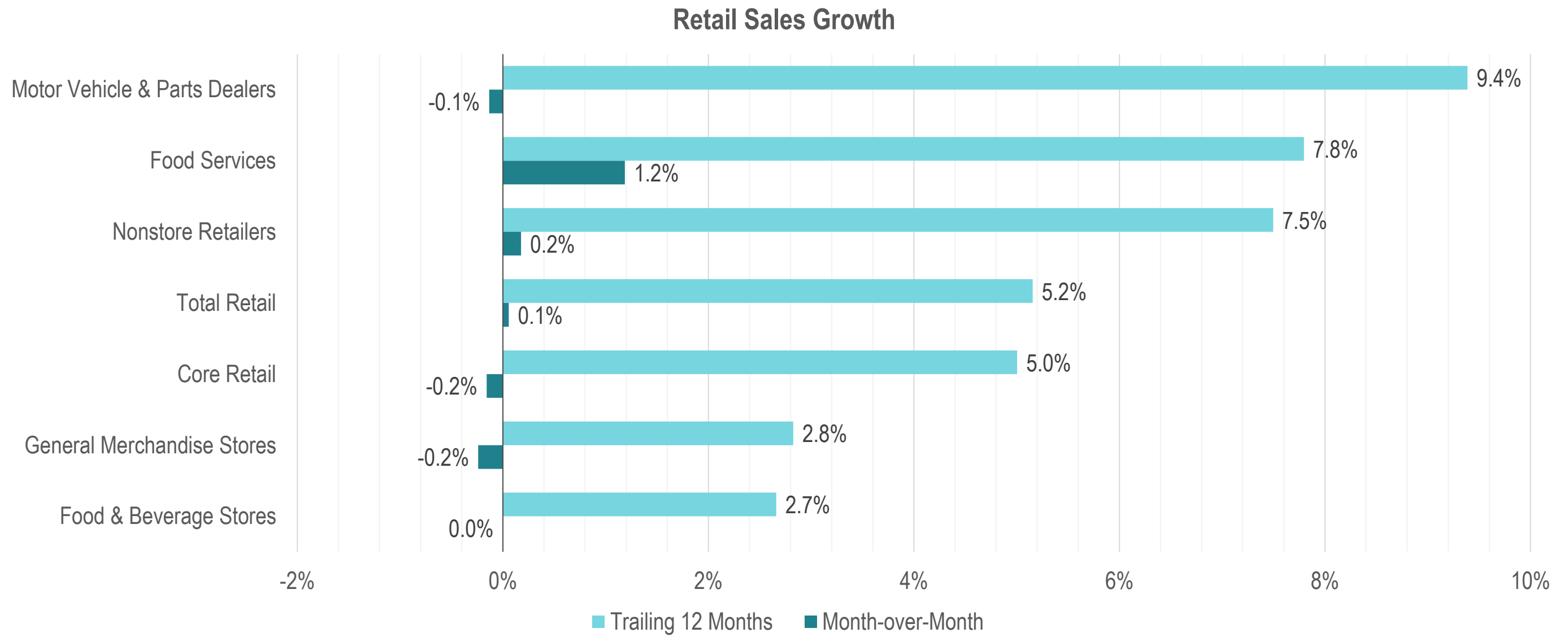


Manufacturing PMI Components	Series Index May	Series Index Apr.	MoM Change	Weight
New Orders	47.6	47.2	0.4	20%
Production	45.4	44	1.4	20%
Employment	46.8	46.5	0.3	20%
Supplier Deliveries	56.1	55.2	0.9	20%
Inventories	46.7	50.8	-4.1	20%

Services PMI Components	Series Index May	Series Index Apr.	MoM Change	Weight
Business Activity	50	53.7	-3.7	25%
New Orders	46.4	52.3	-5.9	25%
Employment	50.7	49	1.7	25%
Supplier Deliveries	52.5	51.3	1.2	25%

Monthly Total Retail Sales Rose Slightly in April, Core Retail Sales Fell MoM

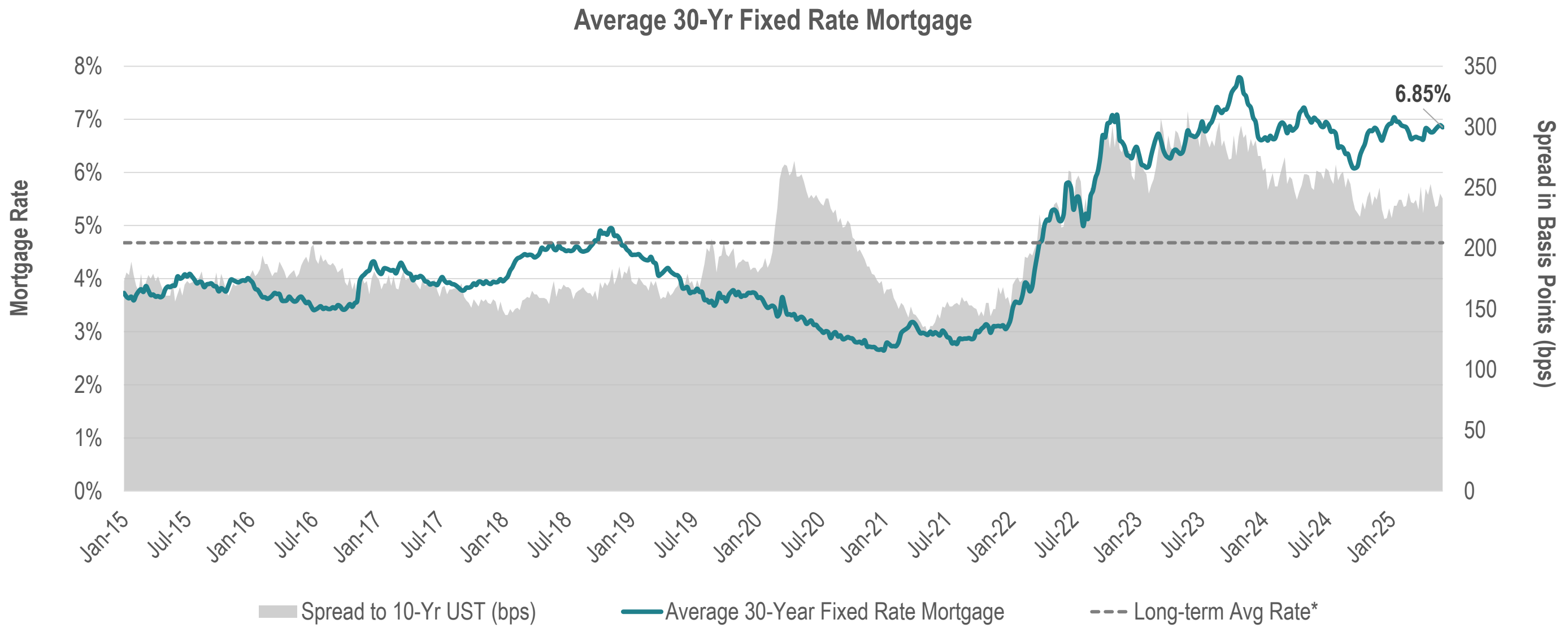
Food Services Rose Notably in April; Motor Vehicles Saw the Strongest Annual Growth Due to Front-loading in March



Housing

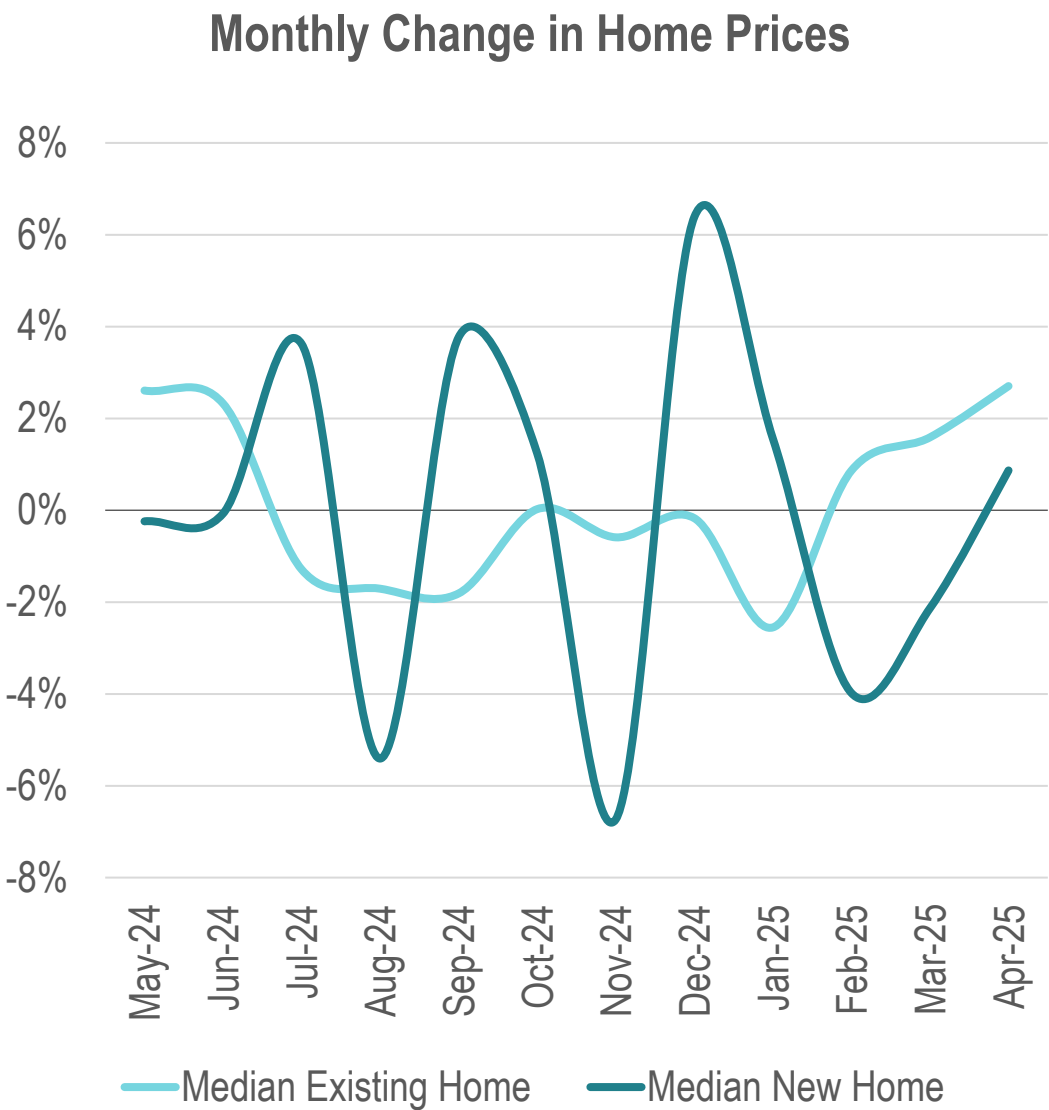
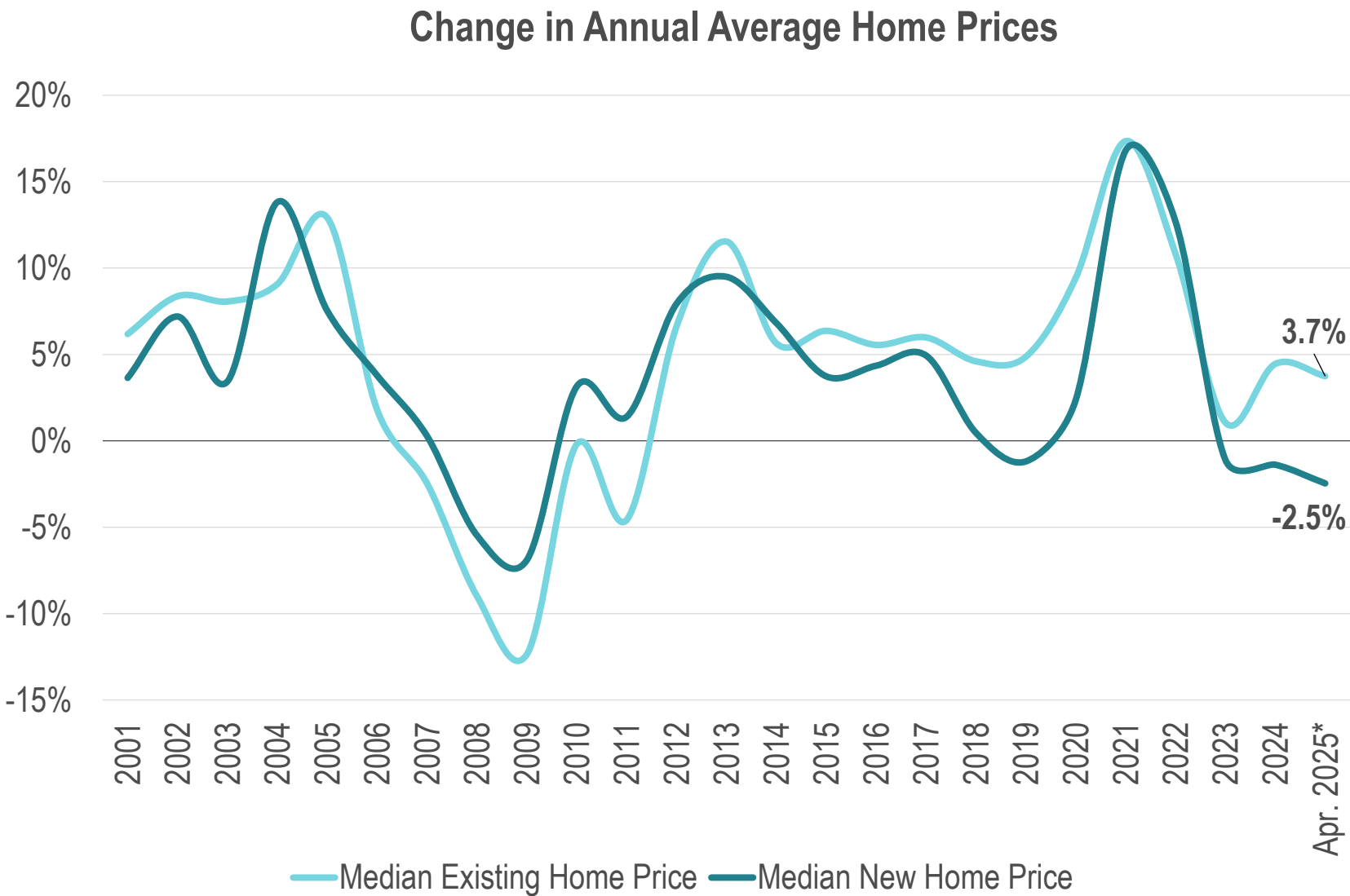
30-Year Mortgage Rate Rose in May, Averaging 6.8%

The Spread to the 10-Year UST Yield Has Fluctuated and Was 50 bps Above the Long-term Average in Early June



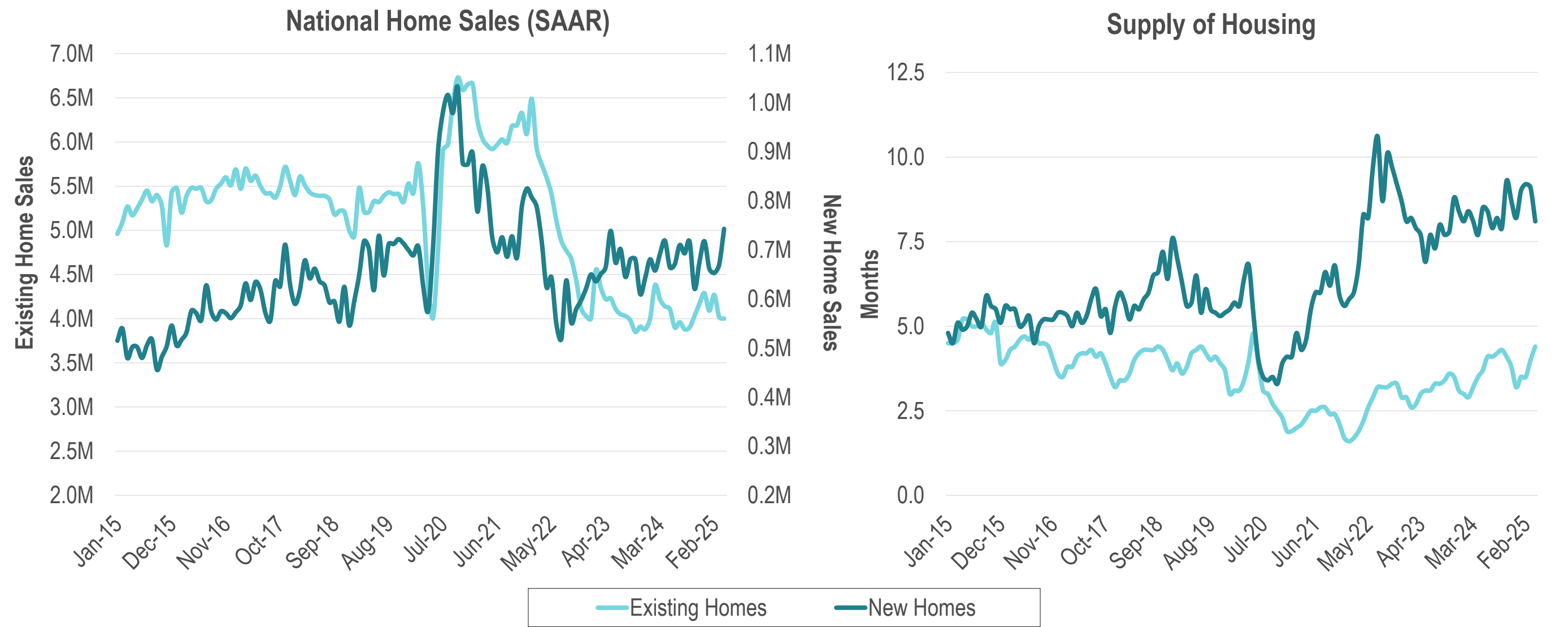
Annual New Home Prices Fell 2.5% while Existing Home Prices Rose 3.7%

Existing Home Prices Rose MoM in April; New Home Prices Also Rose but Have Been Volatile Over the Last Year



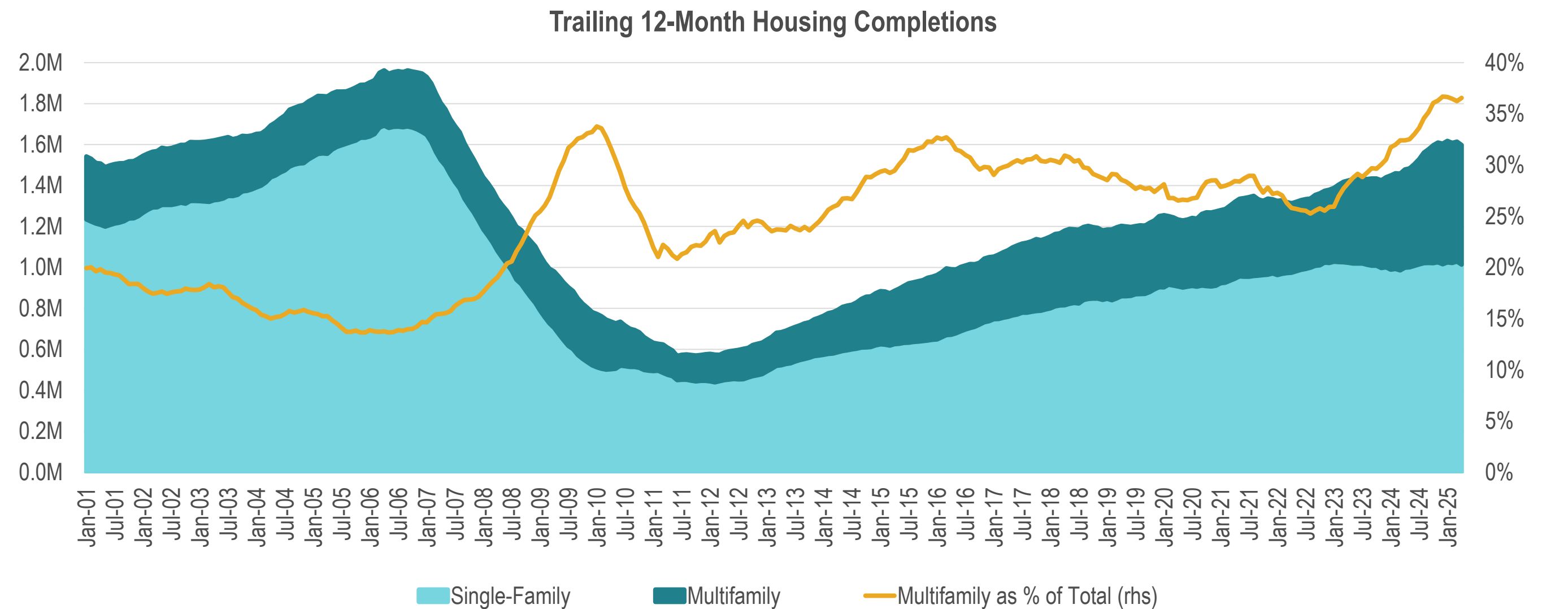
Monthly Existing Home Sales Fell 0.5% while New Home Sales Rose by 10.9%

Supply of Existing Homes Increased while New Home Supply Fell in April



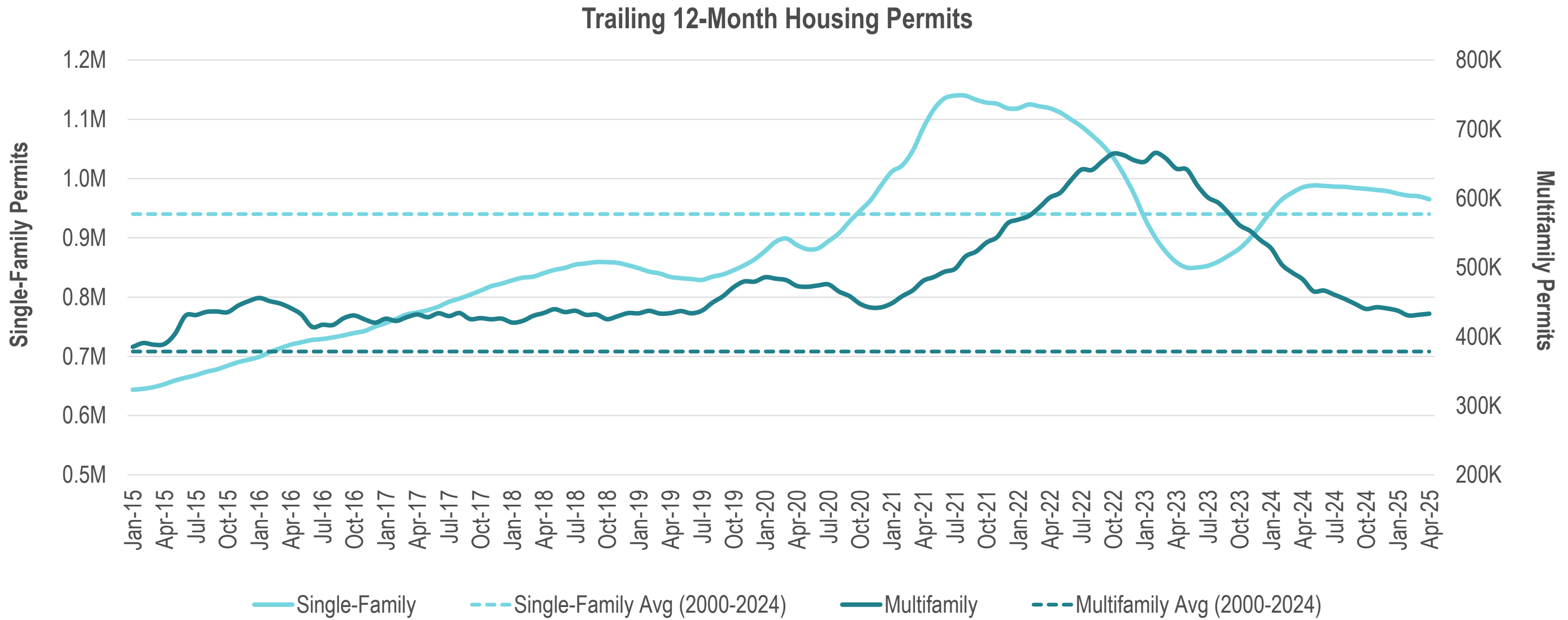
Total Housing Completions Fell 1% MoM but Were Up 8% YoY

Multifamily's Share of Total Completions Rose; Close to All-Time High



Trailing 12-Month Permits for Single-Family Fell and Rose Slightly for Multifamily

Both Multifamily and Single-Family Permits Remained Slightly Above their Long-term Averages



Disclaimers

Disclosures

RFA is a SEC registered investment advisor, collectively hereinafter (“RFA”). The information provided by RFA (or any portion thereof) may not be copied or distributed without RFA’s prior written approval. All statements are current as of the date written and does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it would be unlawful to make such offer or solicitation.

Research & Outlook Disclosure

This information was produced by and the opinions expressed are those of RFA as of the date of writing and are subject to change. Any research is based on RFA’s proprietary research and analysis of global markets and investing. The information and/or analysis presented have been compiled or arrived at from sources believed to be reliable; however, RFA does not make any representation as their accuracy or completeness and does not accept liability for any loss arising from the use hereof. Some internally generated information may be considered theoretical in nature and is subject to inherent limitations associated therein. There are no material changes to the conditions, objectives or investment strategies of the model portfolios for the period portrayed. Any sectors or allocations referenced may or may not be represented in portfolios of clients of RFA, and do not represent all of the securities purchased, sold or recommended for client accounts.

Due to differences in actual account allocations, account opening date, timing of cash flow in or out of the account, rebalancing frequency, and various other transaction-based or market factors, a client’s actual return may be materially different than those portrayed in the model results. The reader should not assume that any investments in sectors and markets identified or described were or will be profitable. Investing entails risks, including possible loss of principal. The use of tools cannot guarantee performance. Past performance is no guarantee of future results. The information provided may contain projections or other forward-looking statements regarding future events, targets or expectations, and is only current as of the date indicated. There is no assurance that such events or targets will be achieved, and may be significantly different than that shown here. The information presented, including statements concerning financial market trends, is based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons.

Market indices are included in this report only as context reflecting general market results during the period. RFA may trade in securities or invest in other asset classes that are not represented by such market indexes and may have concentrations in a number of securities and in asset classes not included in such indexes. Accordingly, no representations are made that the performance or volatility of the model allocations will track or reflect any particular index. Market index performance calculations are gross of management and performance incentive fees.

The charts depicted within this presentation are for illustrative purposes only and are not indicative of future performance.



Contacts

Bill Maher

Director, Strategy & Research

P: (301) 455-5295

E: WMAHER@RCLCO.COM

Scot Bommarito

Vice President, Research

P: (323) 489-3264

E: SBOMMARITO@RCLCO.COM

Nolan Eyre

Research Associate

P: (618) 944-1163

E: NEYRE@RCLCO.COM

