Signature Financial Group, LLC

Economy – Markets – Investment Strategy
October 2025

Important Information

The views and opinions expressed are those of the speaker and are subject to change based on factors such as market and economic conditions. These views and opinions are not an offer to buy a particular security and should not be relied upon as investment advice. Past performance cannot guarantee comparable future results.

Important Information

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be higher or lower.

Results shown assume the reinvestment of dividends.

An investment cannot be made directly in an index.

Investments with higher return potential carry greater risk for loss.

Investing in small companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

Foreign securities have additional risks, including exchange rate changes, political and economic upheaval, the relative lack of information about these companies, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

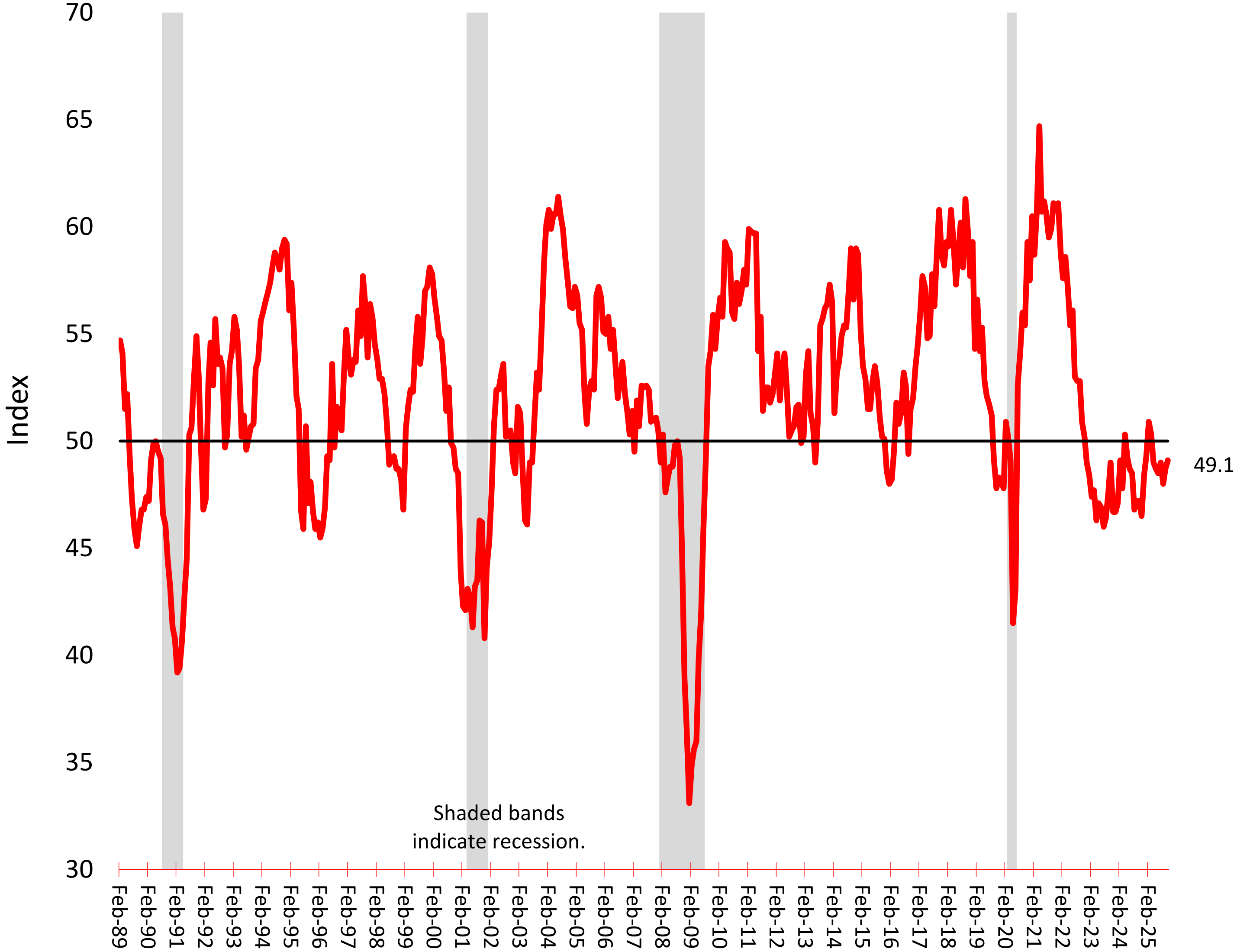
Investing in emerging markets involves greater risk than investing in more established markets such as risks relating to the relatively smaller size and lesser liquidity of these markets, high inflation rates, adverse political developments and lack of timely information.

Fluctuations in the price of gold and precious metals often dramatically affect the profitability of the companies in the gold and precious metals sector. Changes in political or economic climate for the two largest gold producers, South Africa and the former Soviet Union, may have a direct effect on the price of gold worldwide.

Bullet points for October

- Weak new jobs (no September BLS jobs data)
- Weakening construction
- Weak PMI data
- Strong retail sales
- Jump in Q2 household net worth
- Strong +3.9% Atlanta Fed Q3 GDP forecast
- 2.7% inflation (PCED); 2.9% (CPI)
- Strong 2026 earnings estimates
- Record high stock prices
- High P/E ratio

ISM manufacturing PMI – weak



September at 49.1.

September new orders 48.9.

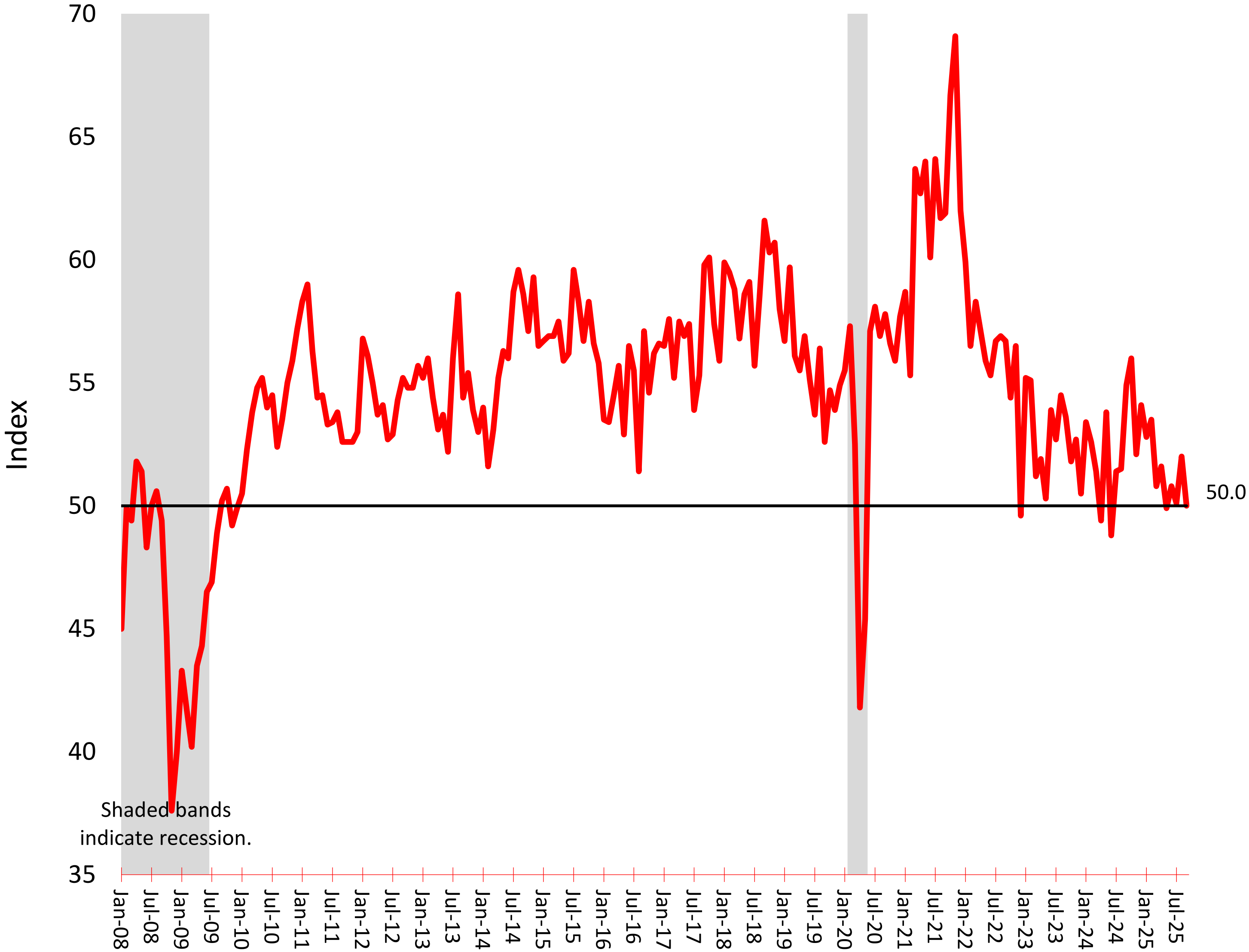
Note the historic volatility in the manufacturing PMI.

Note how this indicator has slumped well below 50 even during periods of strong economic expansion, eg. 1995, 1999, 2003, 2013, 2016.

Source: Copyright 2025, Institute for Supply Management. Data through September 2025.
ISM: “A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting. A Manufacturing PMI® above 48.7 percent, over a period of time, generally indicates an expansion of the overall economy.”

Economic data

ISM services PMI – ticked down



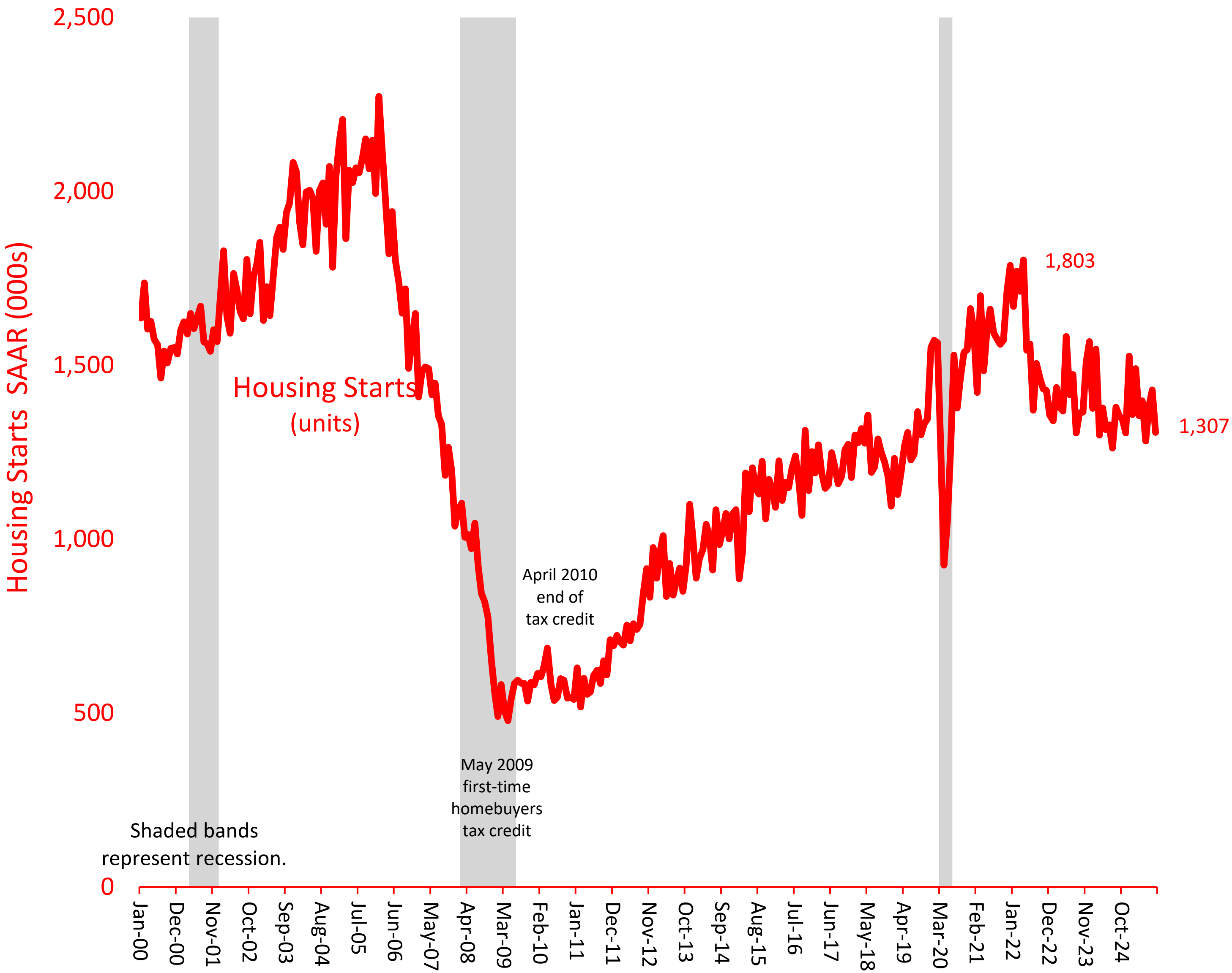
September at 50.0.

September new orders 50.4.

Services comprise 89% of the U.S. economy[1] and 91% of total nonfarm jobs.

Source: Copyright 2025, Institute for Supply Management; data through September 2025. This data series was created in 2008. ISM: "A reading above 50 percent indicates that the services sector economy is generally expanding; below 50 percent indicates that it is generally contracting." "A Services PMI® above 50.1 percent, over time, generally indicates an expansion of the overall economy." [1]Value added as a percent of GDP.

Housing starts



1.307 million starts in August.

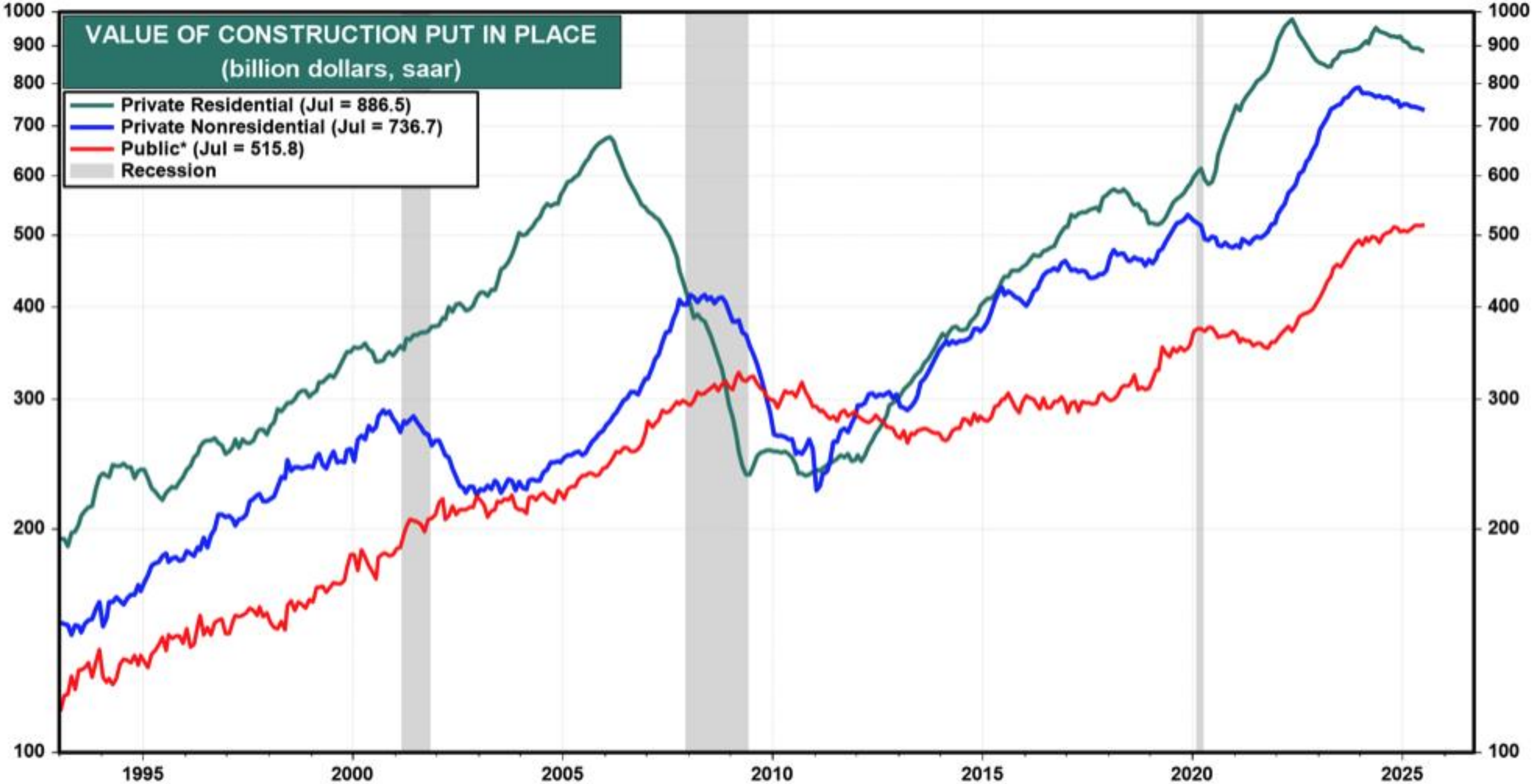
August permits at 1.312 million.

"Housing starts also remain(ed) well below the projected rate of 1.6 to 1.8 million that is consistent with long-term demographics and the replacement of the existing housing stock (Herbert, McCue, and Spader 2016)." [1]

Sources: BEA and U.S. Census Bureau. Data through August 2025.

[1] *Economic Report of the President*, Council of Economic Advisors, February 2018

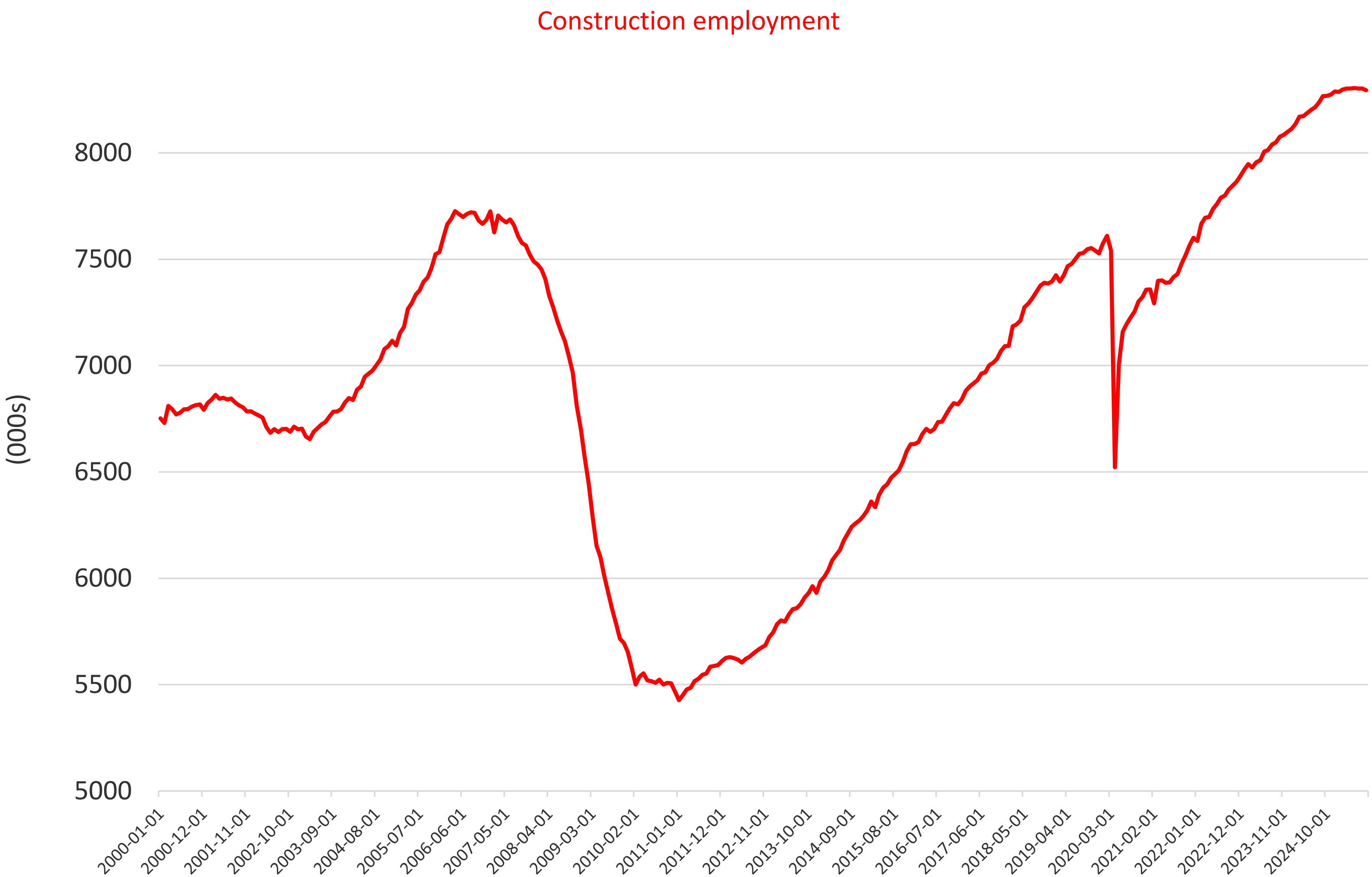
Construction spending – weakening



Source: LSEG Datastream and © Yardeni Research.
* Includes public residential.

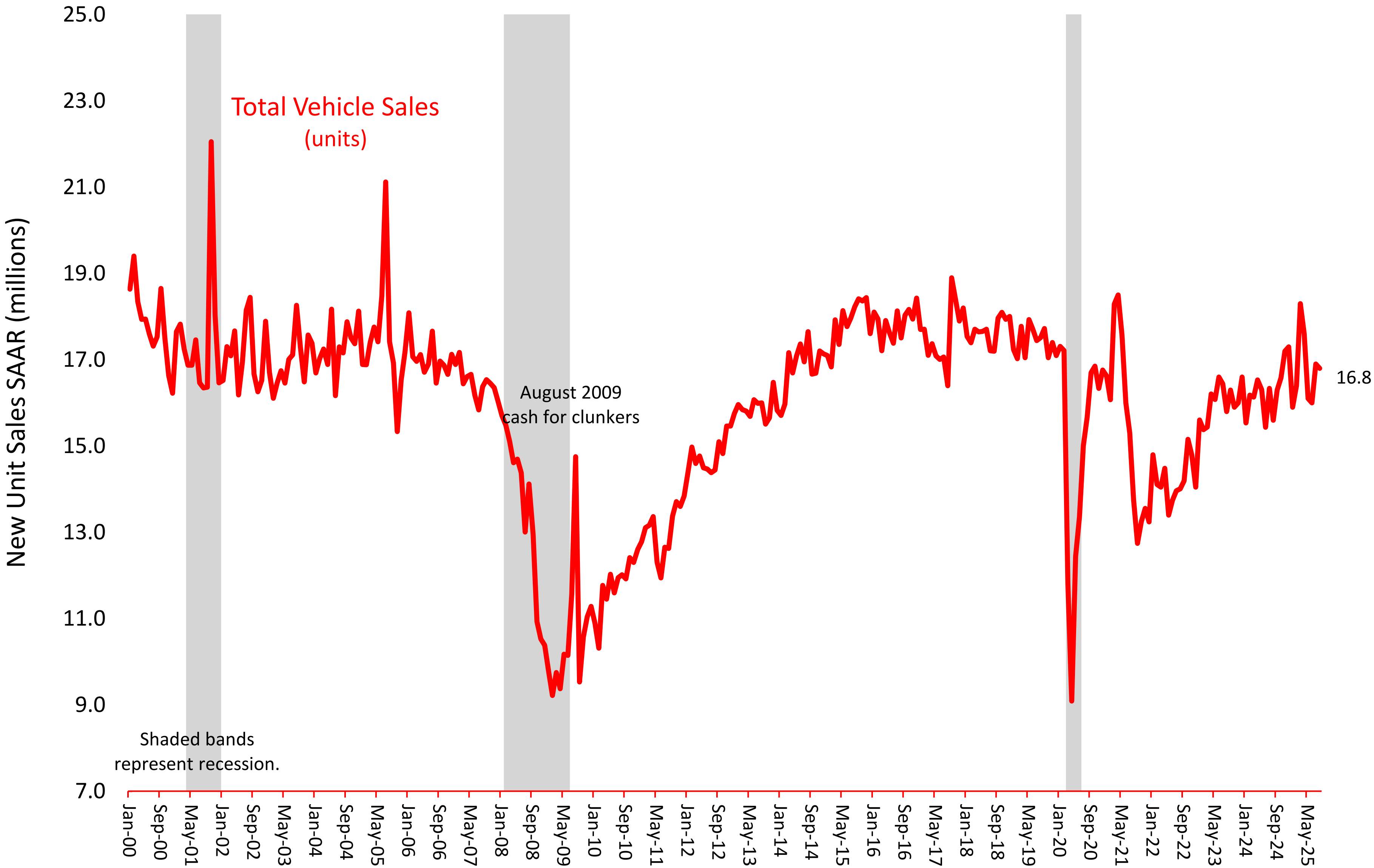
 Source: Yardeni Research, Inc., with permission, September 17, 2025

Construction employment – rolling over



Source: BLS. Data through July 2025.

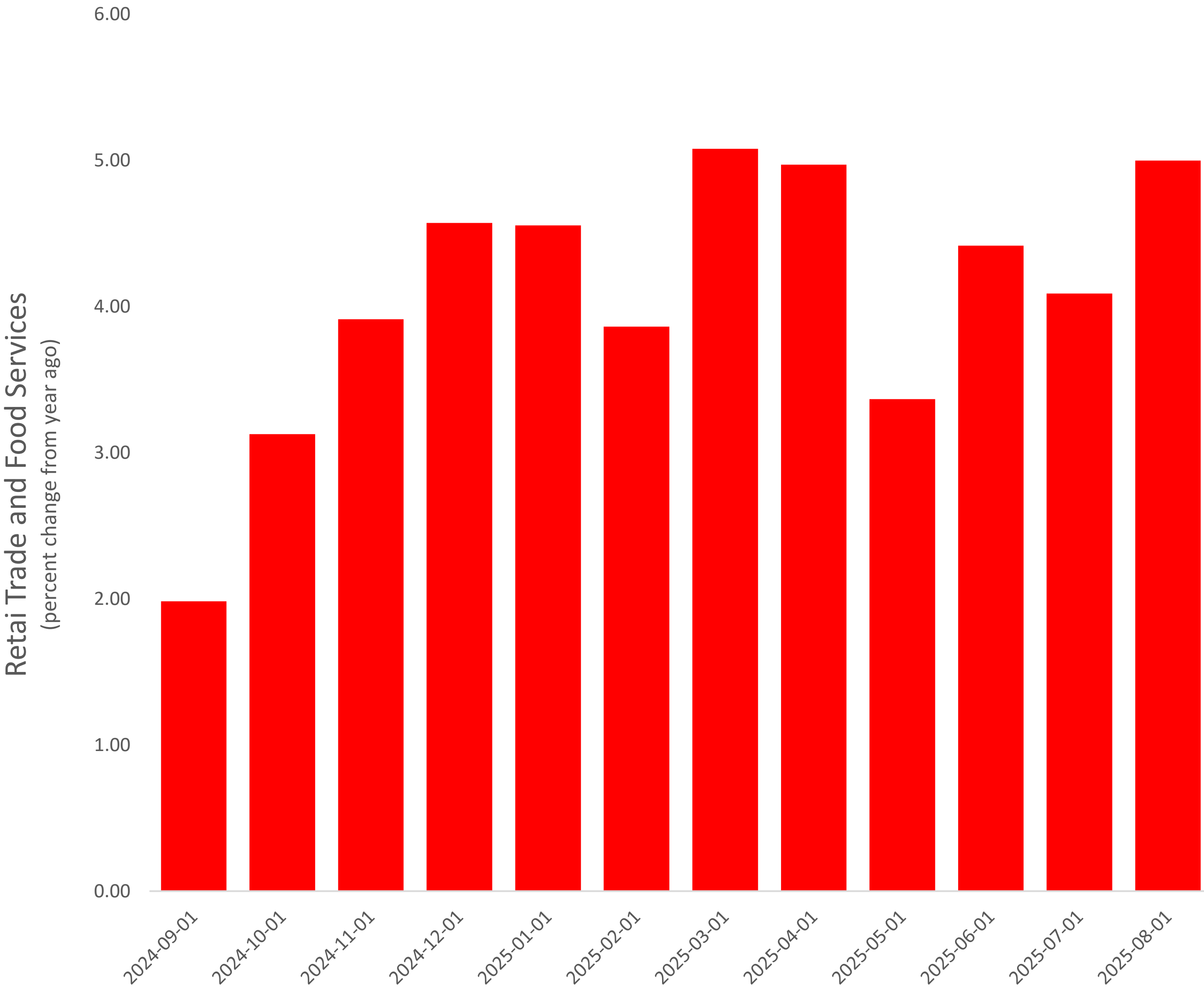
Vehicle sales



Sources: BEA. Data through August 2025.

Economic data

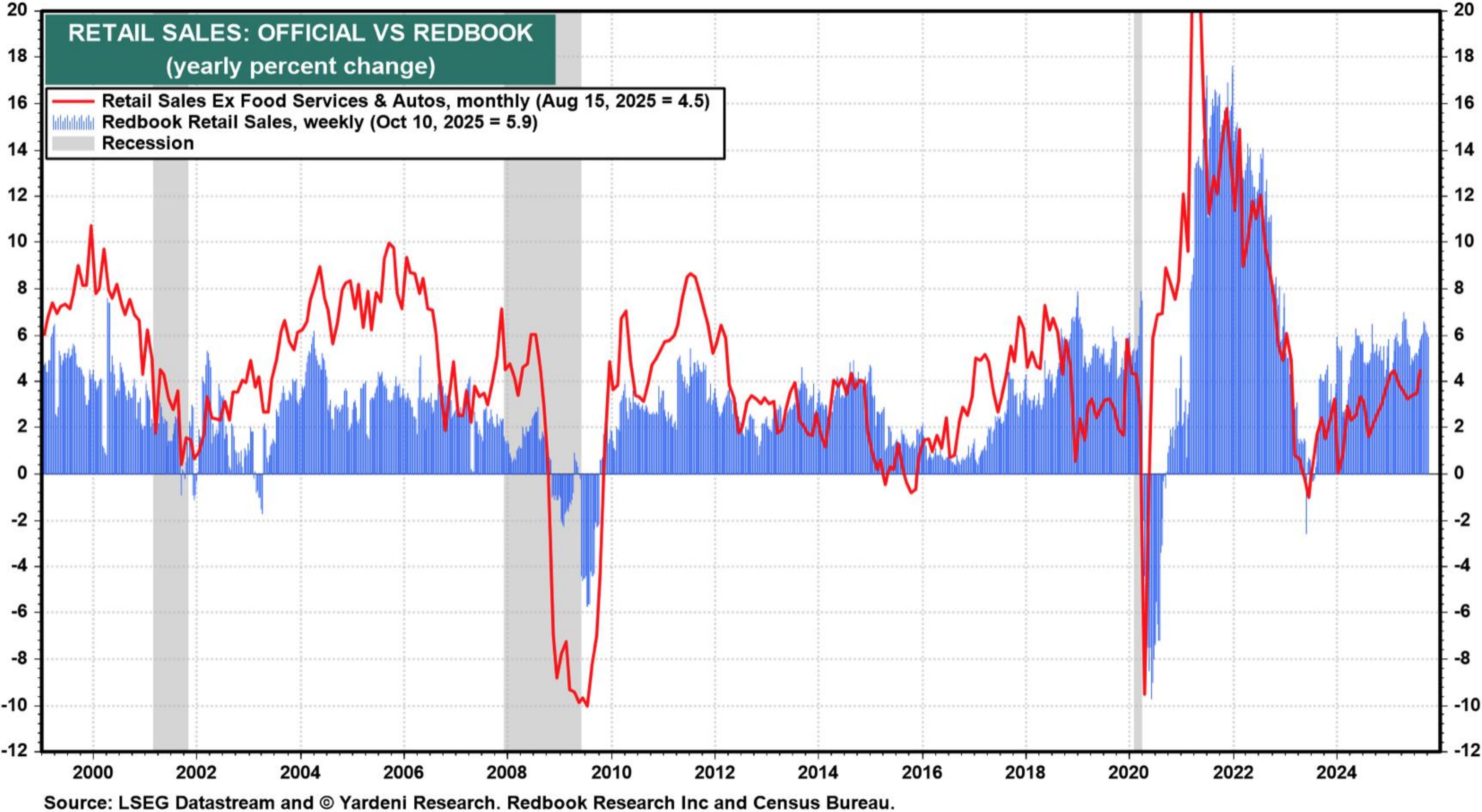
Retail sales



Good jump in August.

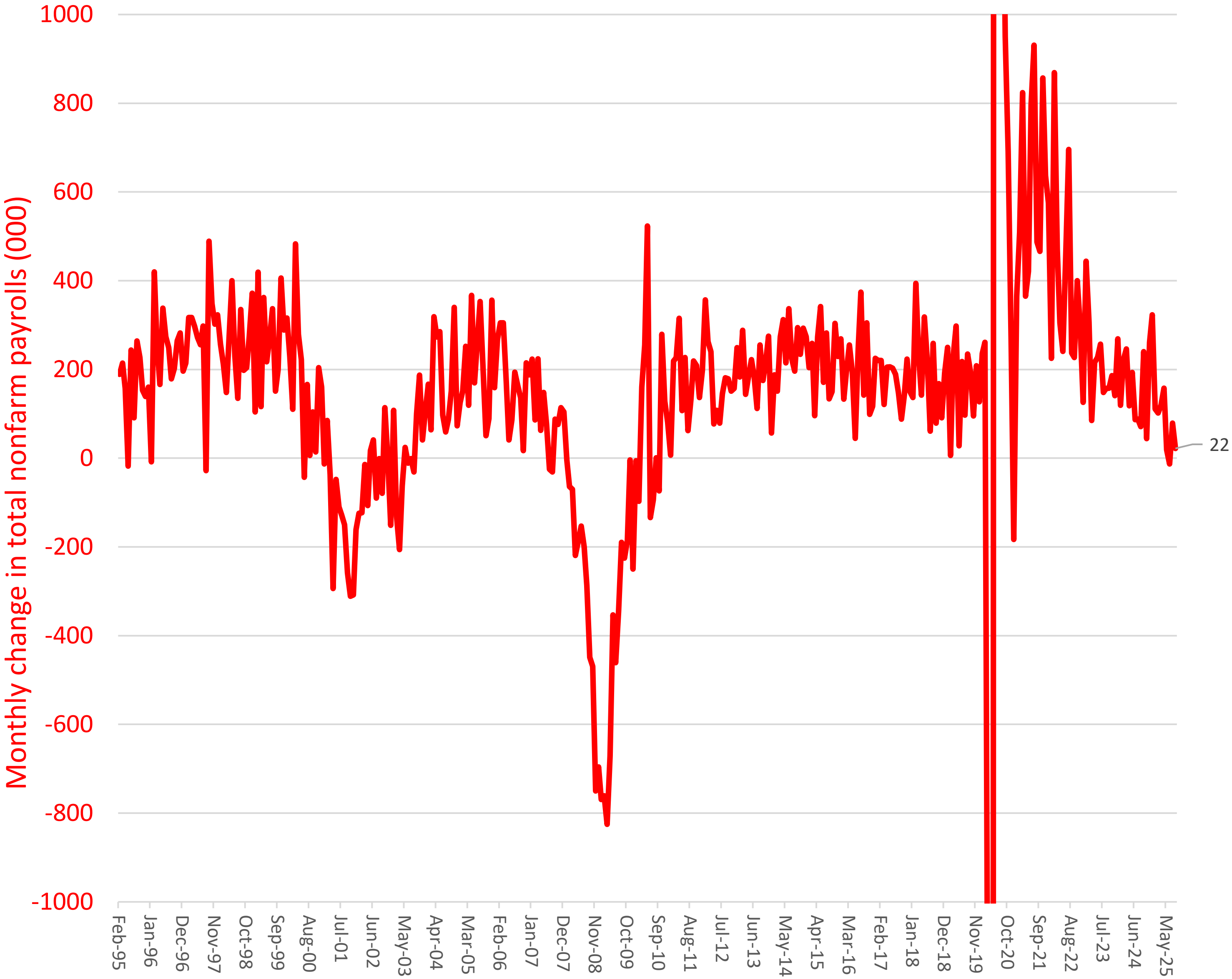
Source: FRBSL, data through August 2025.

Retail sales – strong



 Source: Yardeni Research, Inc., with permission, October 15, 2025

Net new job formation – weak



22,000 jobs gained in August on the establishment survey.

Source: Bureau of Labor Statistics. Data through August 2025.

Net new job formation – weak

THE WALL STREET JOURNAL.

Unofficial Figures Show the Job Market Losing Steam

A host of alternative jobs data from Wall Street are pointing in the same direction: The U.S. labor market is losing steam.

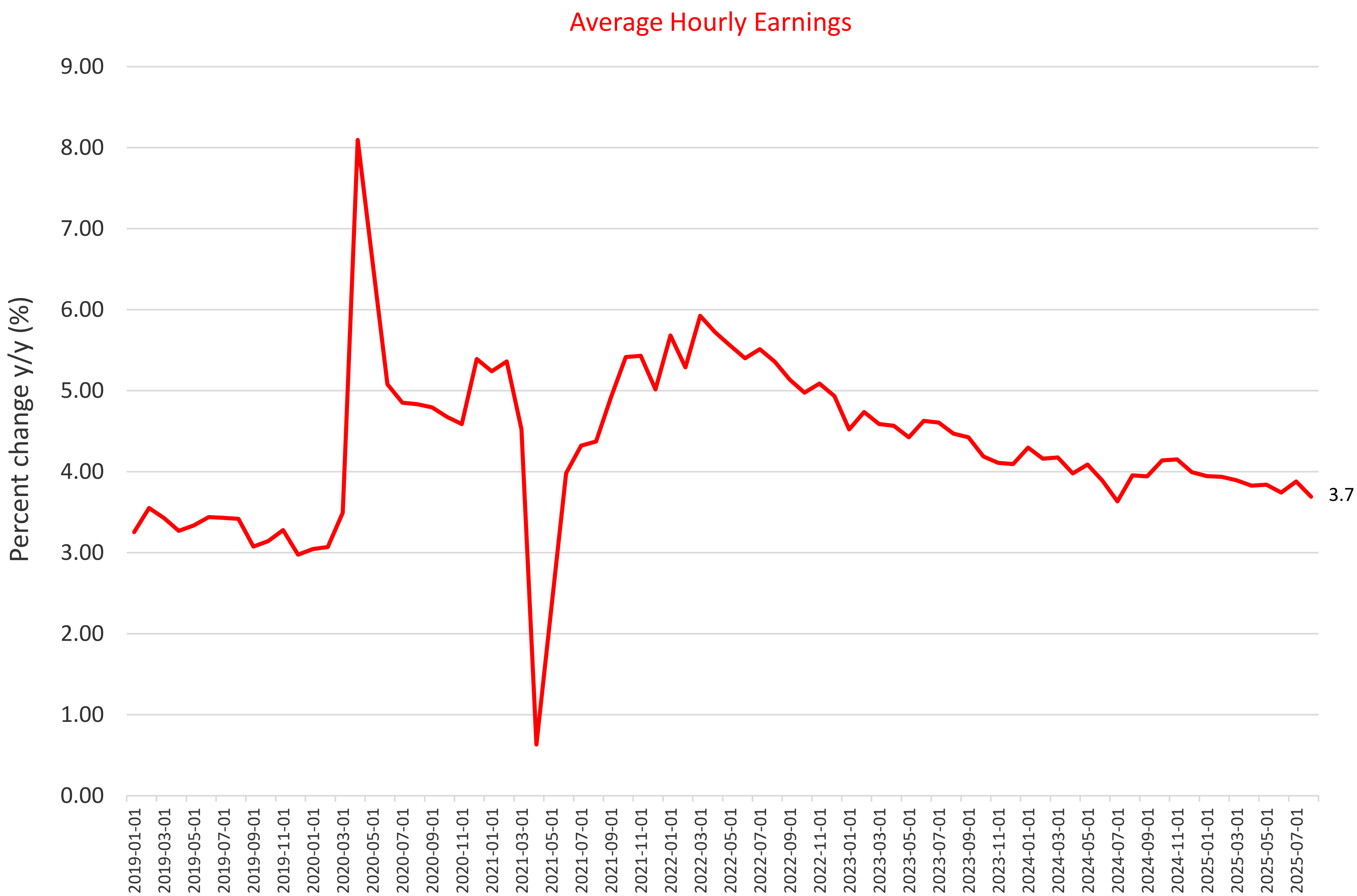
In the federal data void, Bank of America this week said it is seeing signs of rising unemployment and slowing job growth in customers' data. Private-equity company Carlyle Group, extrapolating from companies in which it owns stakes, said Tuesday it thinks overall U.S. jobs growth slid in September from an already weak official reading in August. Goldman Sachs said its measure of labor-market tightness fell last month back to levels seen in 2015, indicating a tough landscape for job seekers. A report from payroll processor ADP last week said U.S. employers shed private-sector jobs last month.

Carlyle's own data suggest hiring has slowed significantly. <u>The firm estimated that U.S. employers added 17,000 jobs in September, down from an already weak 22,000 in August.</u>

Source: *The Wall Street Journal*, "Unofficial Figures Show the Job Market Losing Steam", by Konrad Putzier, October 10, 2025.

Economic data

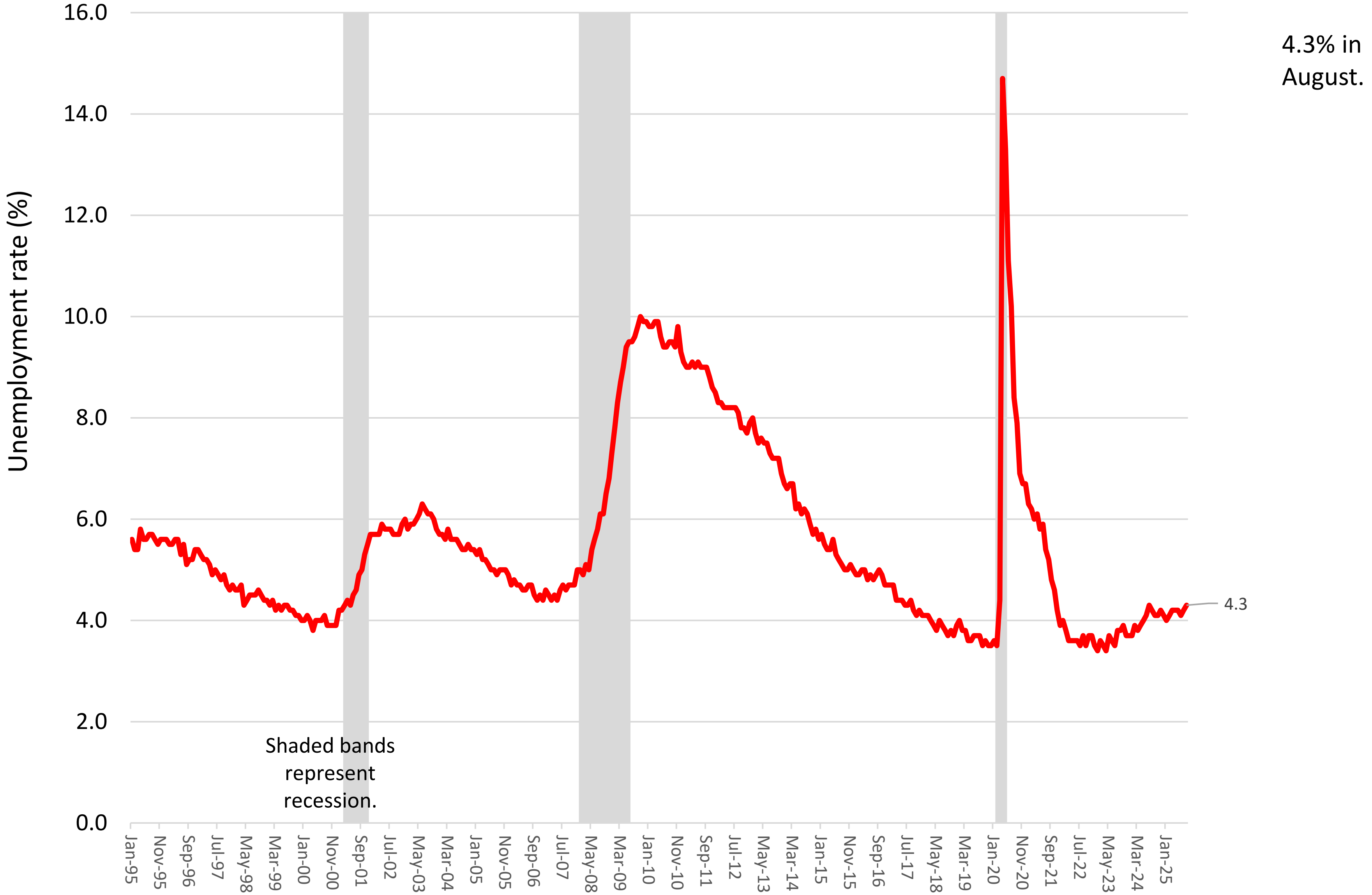
Average hourly earnings – y/y rate of change



Source: Bureau of Labor Statistics. Data through August 2025.

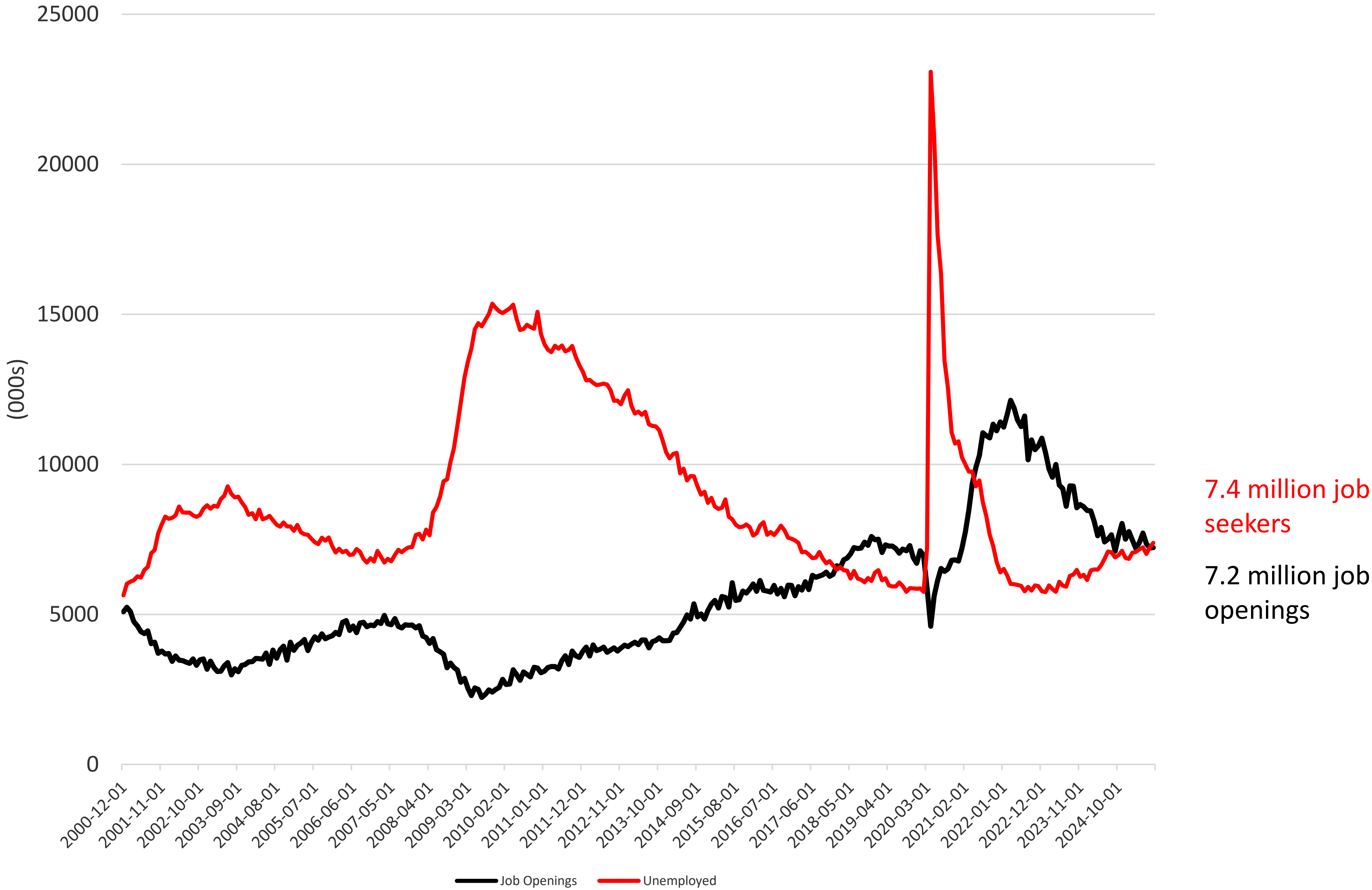
Economic data

Unemployment rate



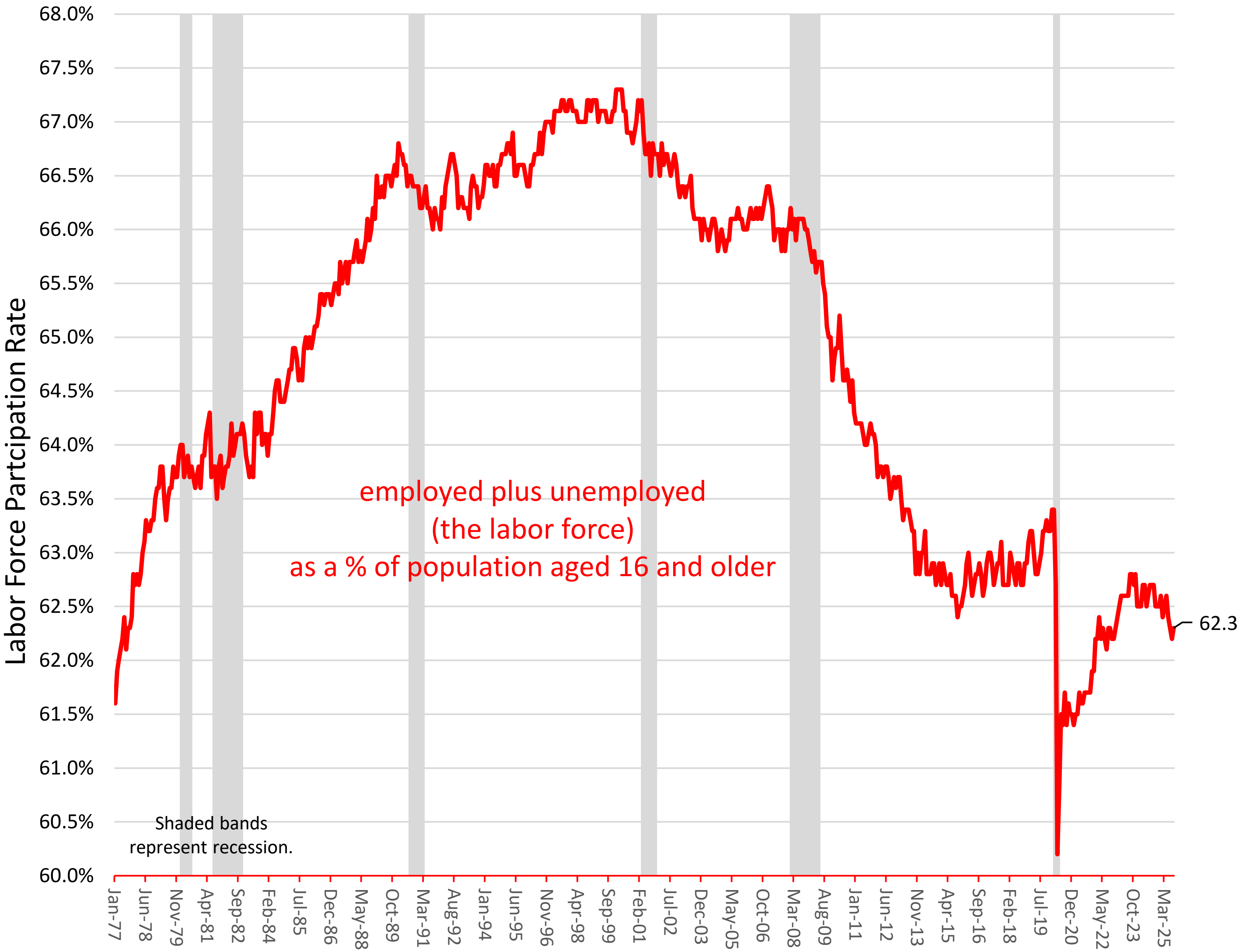
Source: Bureau of Labor Statistics. Data through August 2025.

Coming off "excess demand" for labor



Source: Bureau of Labor Statistics. Data through August 2025 for job openings, August 2025 for unemployed.

Labor force participation rate[1] – sliding lower

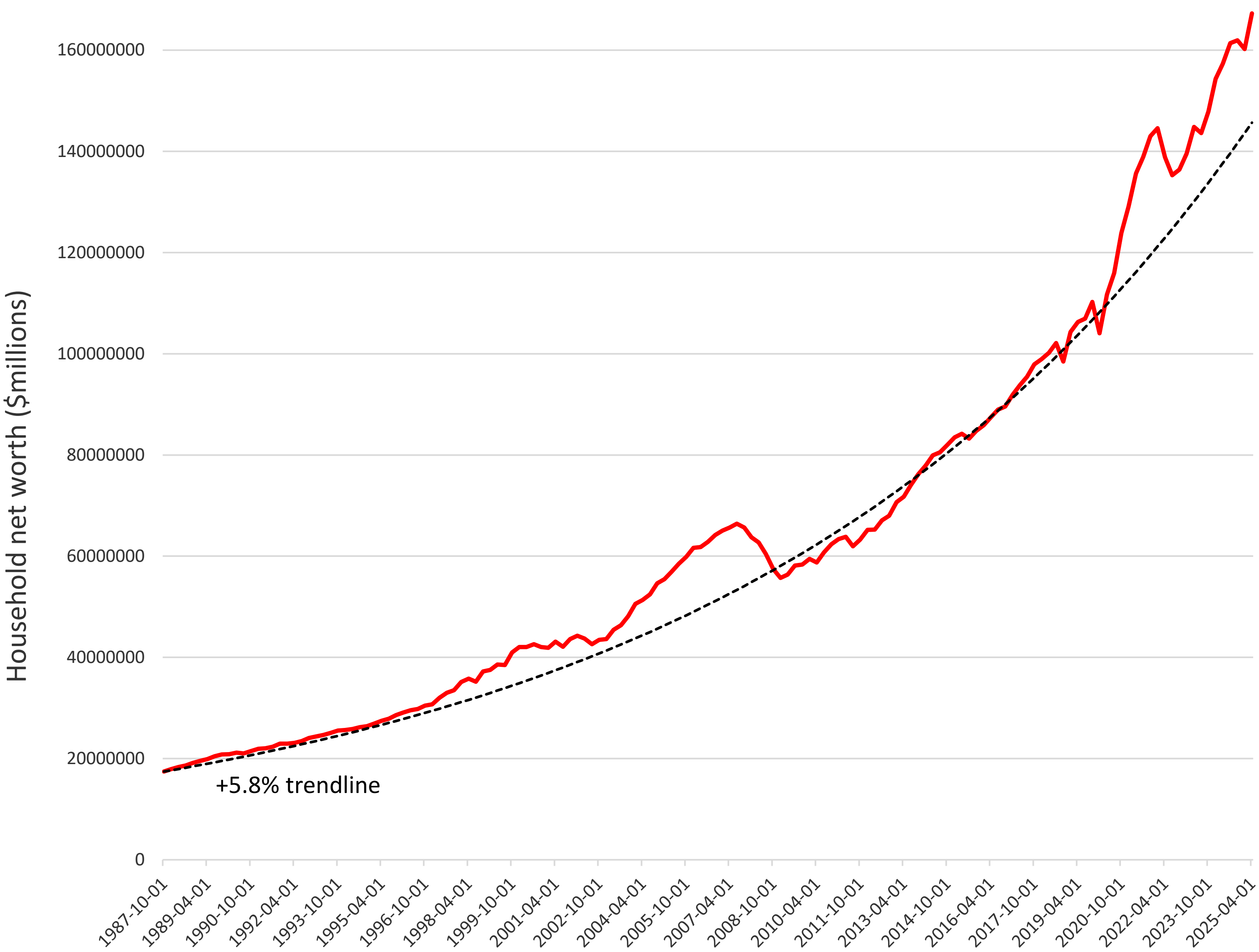


Fewer Americans are joining and staying in the labor force.

Source: BLS. Data through August 2025.

[1]Labor force participation rate: the proportion of the civilian noninstitutional population 16 years of age and older either at work or actively seeking work.

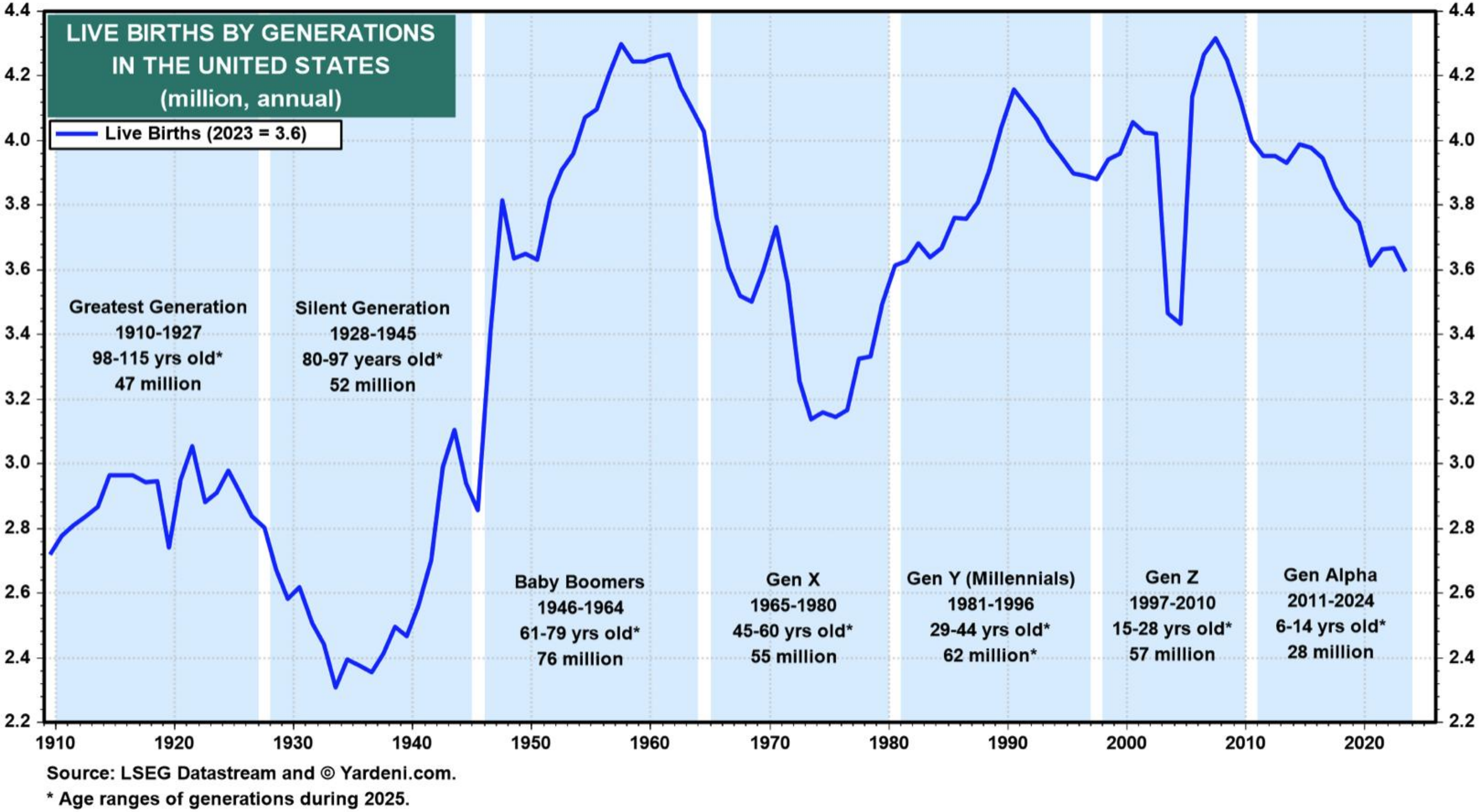
Household net worth – the wealth effect



Household net worth has surged.

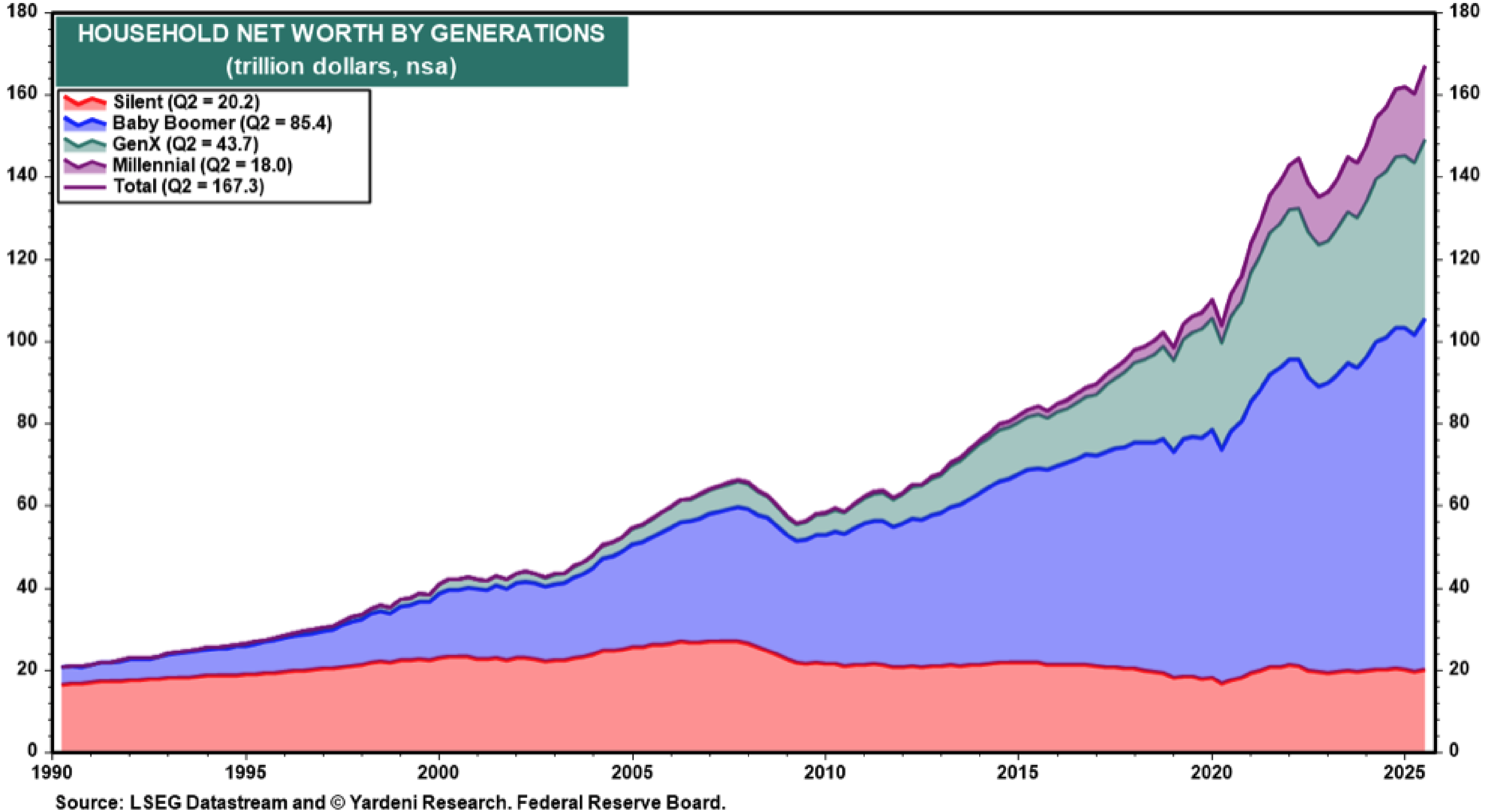
Source: Federal Reserve, FRBSL. Quarterly data through June 2025, released September 2025.

Live births in the U.S.



Source: Yardeni Research, Inc., with permission, February 4, 2025.

Household net worth



Source: Yardeni Research, Inc., with permission, October 2025.

Consumer spending

THE WALL STREET JOURNAL.

The U.S. Economy's Secret Weapon: Seniors With Money to Spend

Why has consumer spending proven so resilient as the Federal Reserve has raised interest rates? An important and little-appreciated reason: Consumers are getting older. In August, 17.7% of the population was 65 or older, according to the Census Bureau, the highest on record going back to 1920 and up sharply from 13% in 2010. The elderly aren't just more numerous: Their finances are relatively healthy, and they have less need to borrow, such as to buy a house, and are less at risk of layoffs than other consumers.

This has made the elderly a spending force to be reckoned with. Americans aged 65 and up accounted for 22% of spending last year, the highest share since records began in 1972 and up from 15% in 2010, according to the Labor Department's survey of consumer expenditures released in September.

"These are the consumers that will matter over the coming year," said Susan Sterne, chief economist at Economic Analysis Associates.

Source: *The Wall Street Journal*, "The U.S. Economy's Secret Weapon: Seniors With Money to Spend", by Gwinn Guilford, October 8, 2023.

Consumer spending

THE WALL STREET JOURNAL.

Wealthier Consumers Bolster U.S. Economy

Many Americans are pinching pennies, exhausted by high prices and stubborn inflation. The well-off are spending with abandon.

The top 10% of earners— households making about $250,000 a year or more—are splurging on everything from vacations to designer handbags, buoyed by big gains in stocks, real estate and other assets.

Those consumers now account for 49.7% of all spending, a record in data going back to 1989, according to an analysis by Moody's Analytics. Three decades ago, they accounted for about 36%.

Source: *The Wall Street Journal*, "Wealthier Consumers Bolster U.S. Economy", by Rachel Louise Ensign, February 24, 2025.

Consumer spending

THE WALL STREET JOURNAL.

Divergent American Economy Gets More Divided

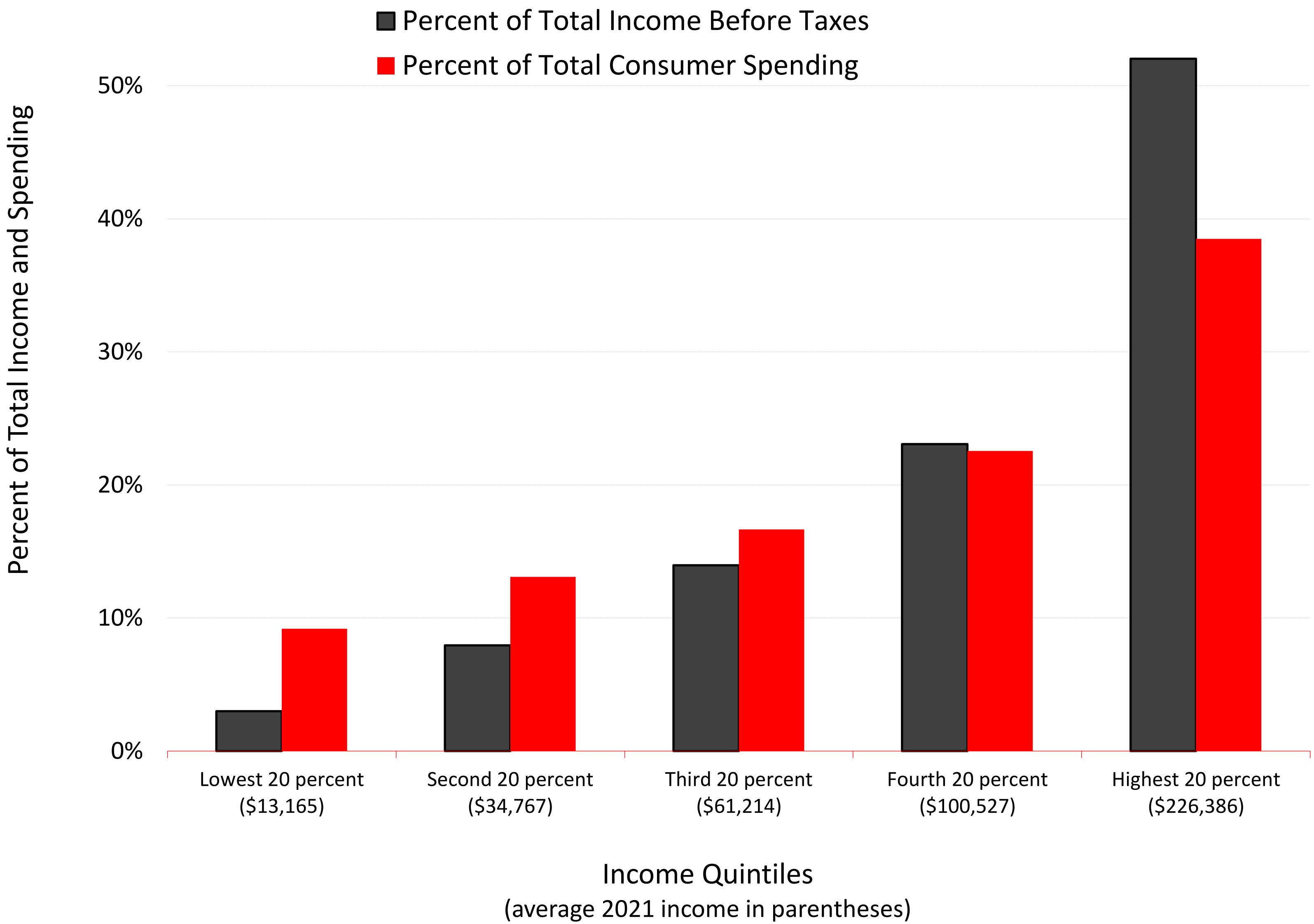
There are two economies in the U.S. right now, and they are moving in different directions.

For high earners and many older people in the U.S., the economy looks robust. They are still spending like gangbusters, and their 401(k) accounts and homes have soared in value. They nabbed 3% mortgages when rates were low. Some might worry about AI eventually coming for their jobs, but for now, their positions look relatively secure.

For many others, momentum has stalled or reversed. The big wage growth experienced by low-income workers during the pandemic has petered out. Those workers are curbing their spending and in some cases are struggling to find jobs.

Source: *The Wall Street Journal*, "Divergent American Economy Gets More Divided", by Jeanne Whalen, September 18, 2025.

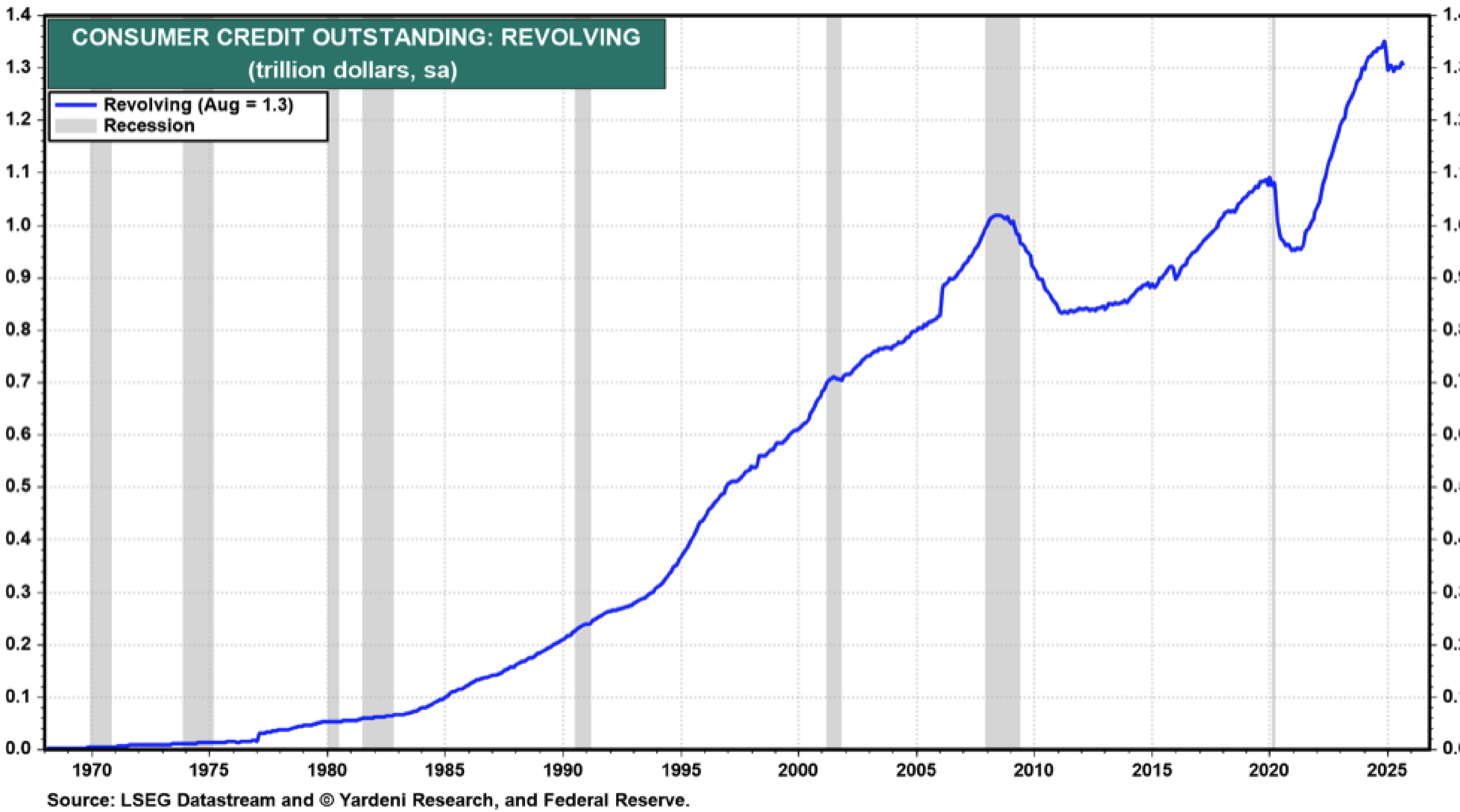
Distribution of consumer income and spending



Consumer spending is heavily skewed toward higher income consumers.

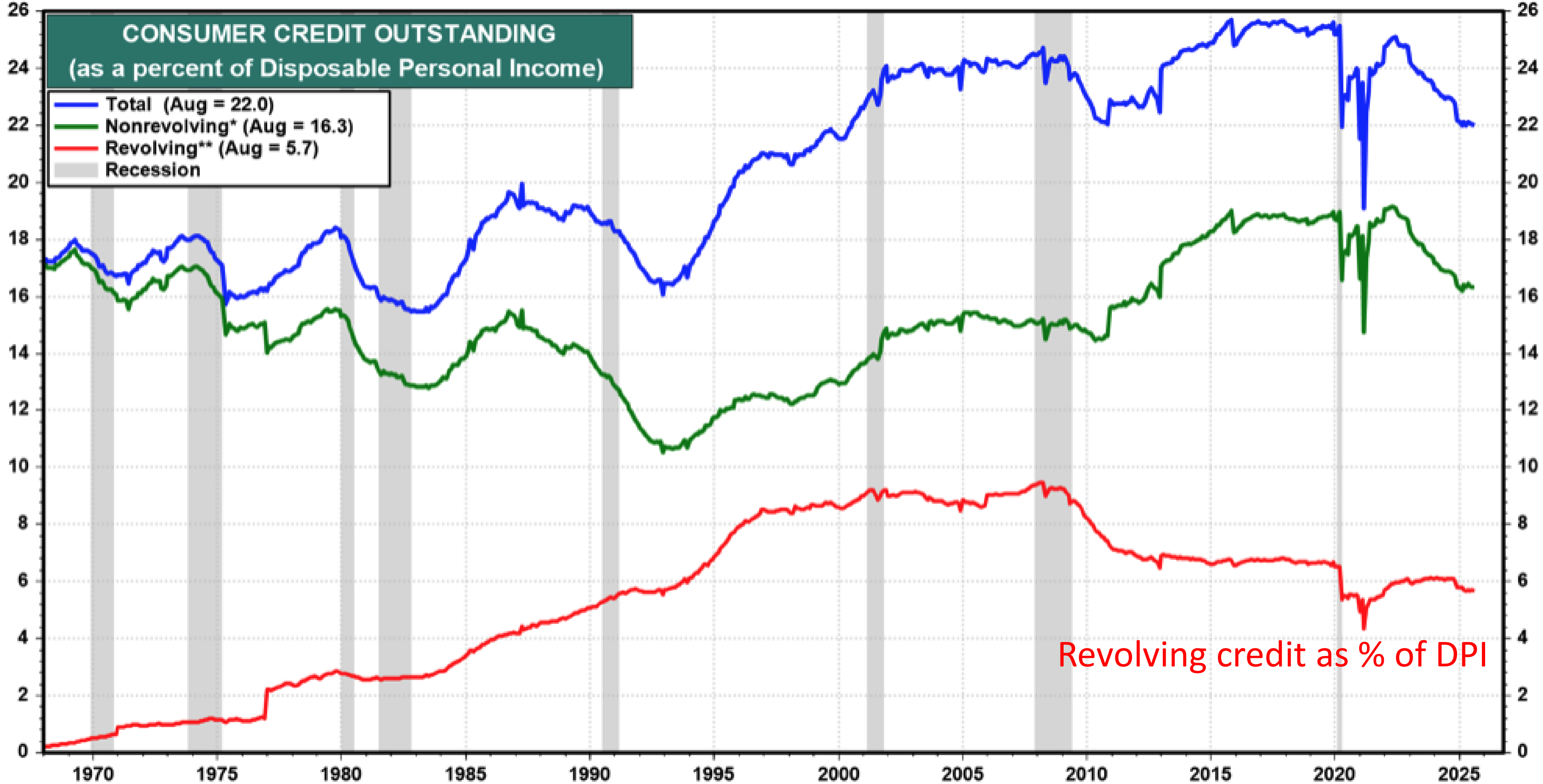
Source: BLS, Consumer Expenditure Survey 2021, released September 2022.

Consumer credit



Source: Yardeni Research, Inc., with permission, October 13, 2025.

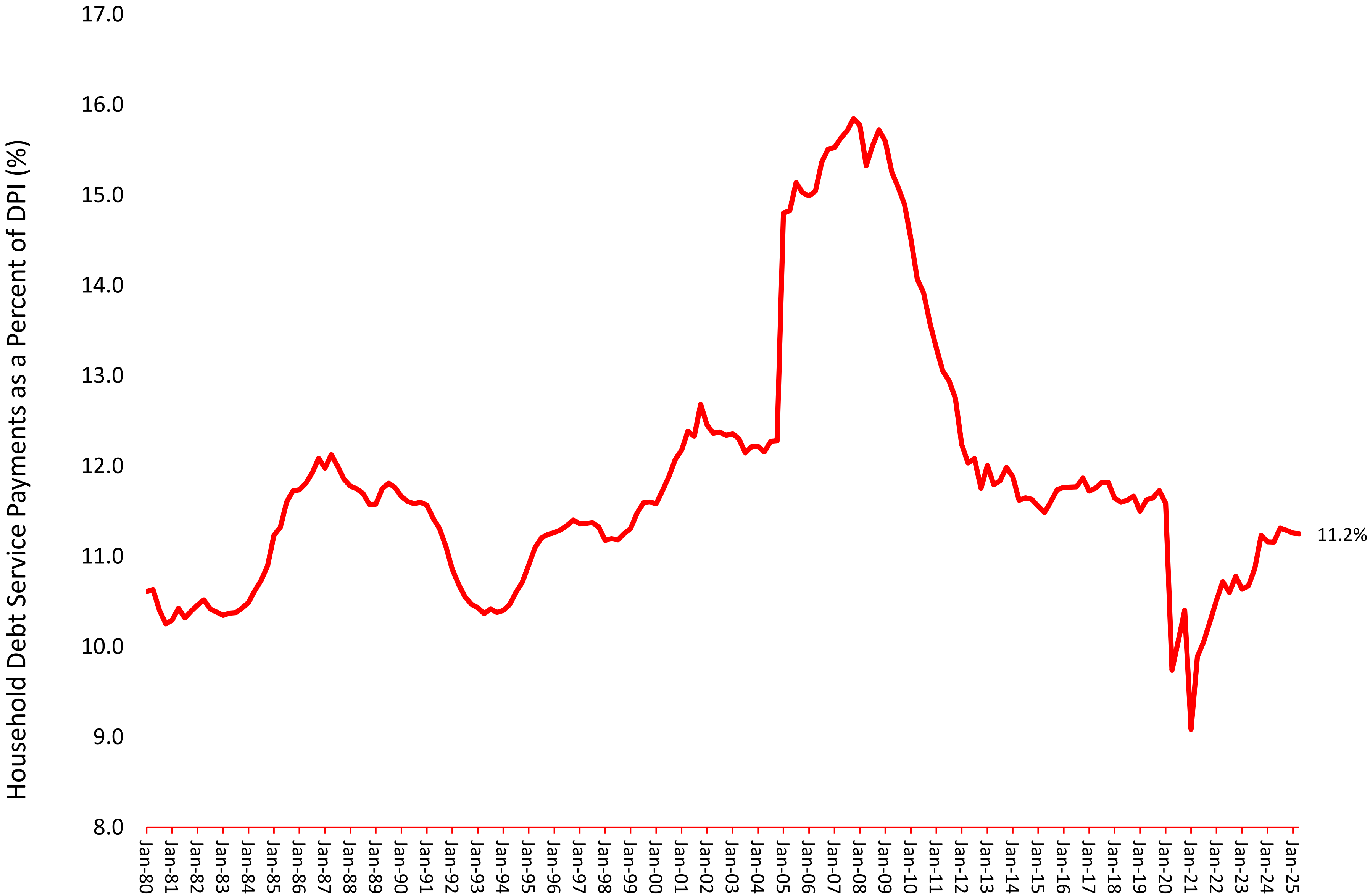
Consumer credit



Source: LSEG Datastream and © Yardeni Research, and Federal Reserve.
* Nonrevolving credit includes auto and student loans. ** Credit cards.

Source: Yardeni Research, Inc., with permission, October 13, 2025.

Household debt service payments as a % of DPI



Source: Federal Reserve. Quarterly data through June 2025, released September 2025.

Consumer spending

THE WALL STREET JOURNAL.

Banks Signal Resilient Economy

The nation's biggest bankers proclaimed this week that the economy is sturdy, the U.S. consumer is healthy, and they haven't seen much change in recent months.

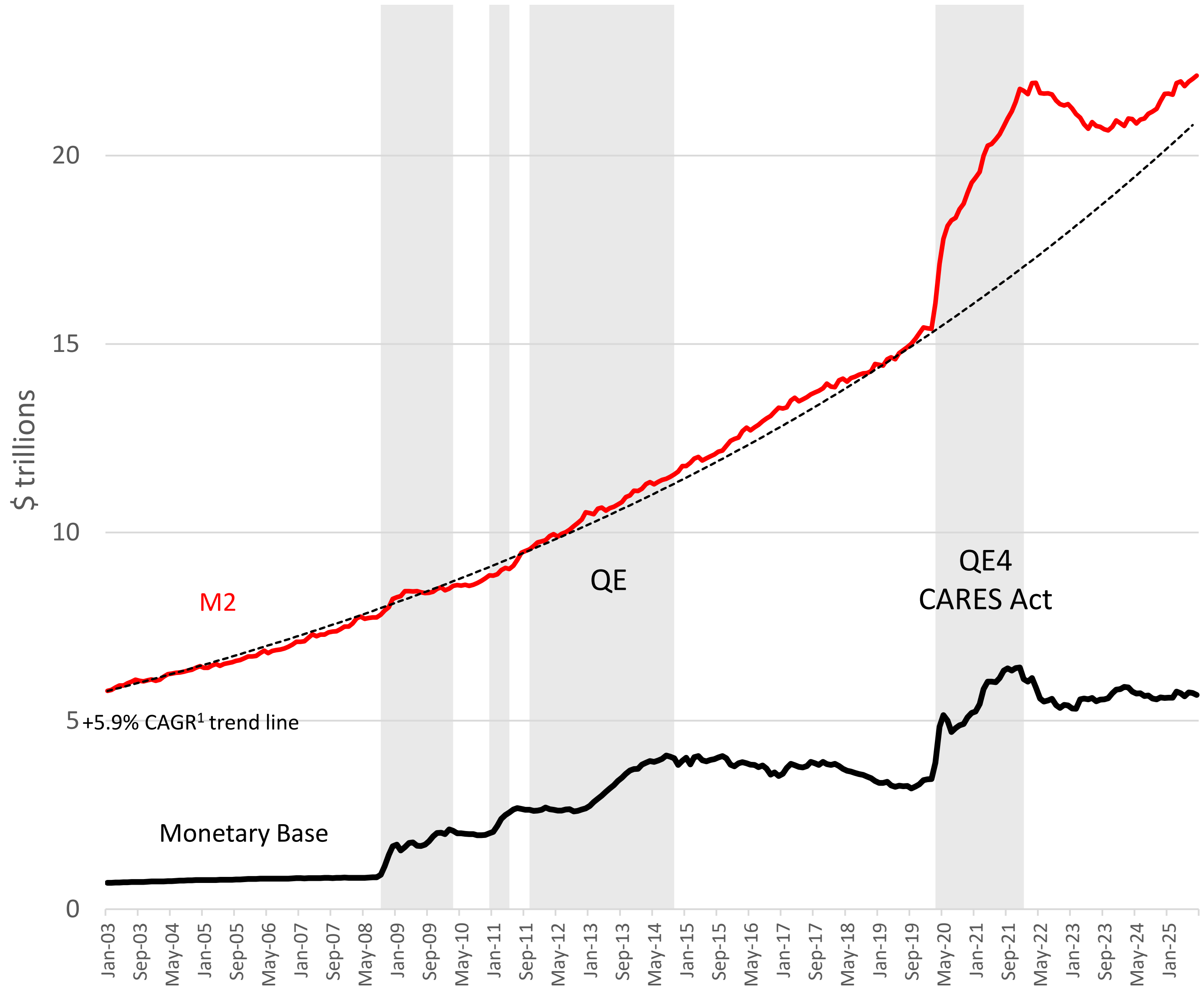
"You see strong consumer spend and stable deposits and those things just kind of paint a picture of a consistently strong consumer," Wells Fargo Chief Executive Charlie Scharf said.

Card issuer Synchrony Financial , which caters to a range of consumers, including those with lower credit-scores, said spending was still increasing but delinquencies and late payments were down.

"Look, we still think the consumer is in pretty good shape," CEO Brian Doubles said. "They've been very resilient. We're not really seeing any signs of weakness."

Source: *The Wall Street Journal*, "Banks Signal Resilient Economy" by Alexander Saeedy and AnnaMaria Andriotis, October 16, 2025.

The monetary base and the money supply



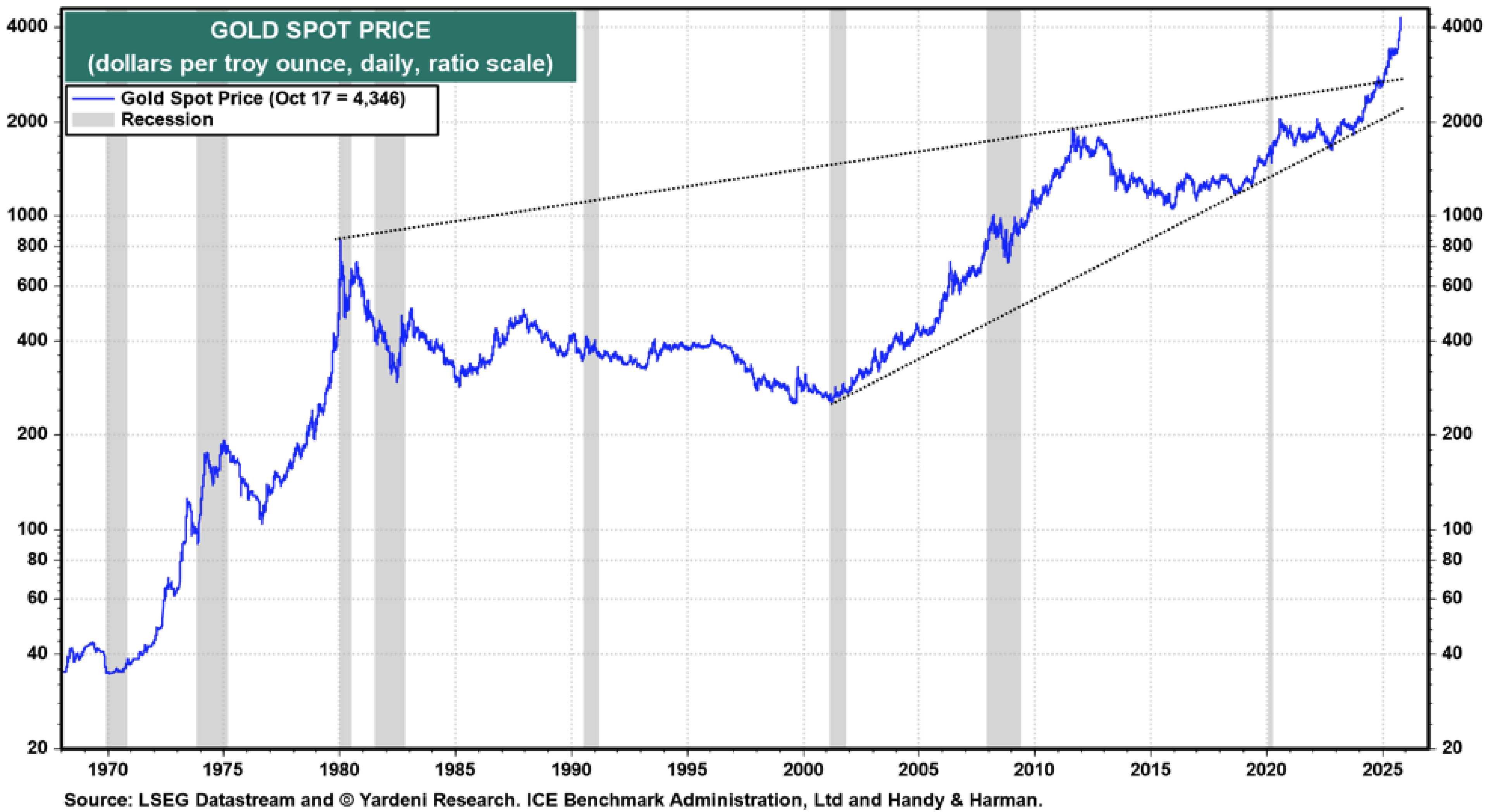
M2: currency held by the public plus checking, savings and money market accounts.

A quadrupling of the monetary base with QE did not affect M2 growth. <u>The CARES Act and subsequent stimulus did</u> … by putting money directly into consumers' and businesses' accounts.

Monetary base: currency in circulation plus reserve balances (deposits held by banks in their accounts at the Federal reserve).

Source: Federal Reserve, statistical release H.6. Data through August 2025.
[1]CAGR = compound annual growth rate.

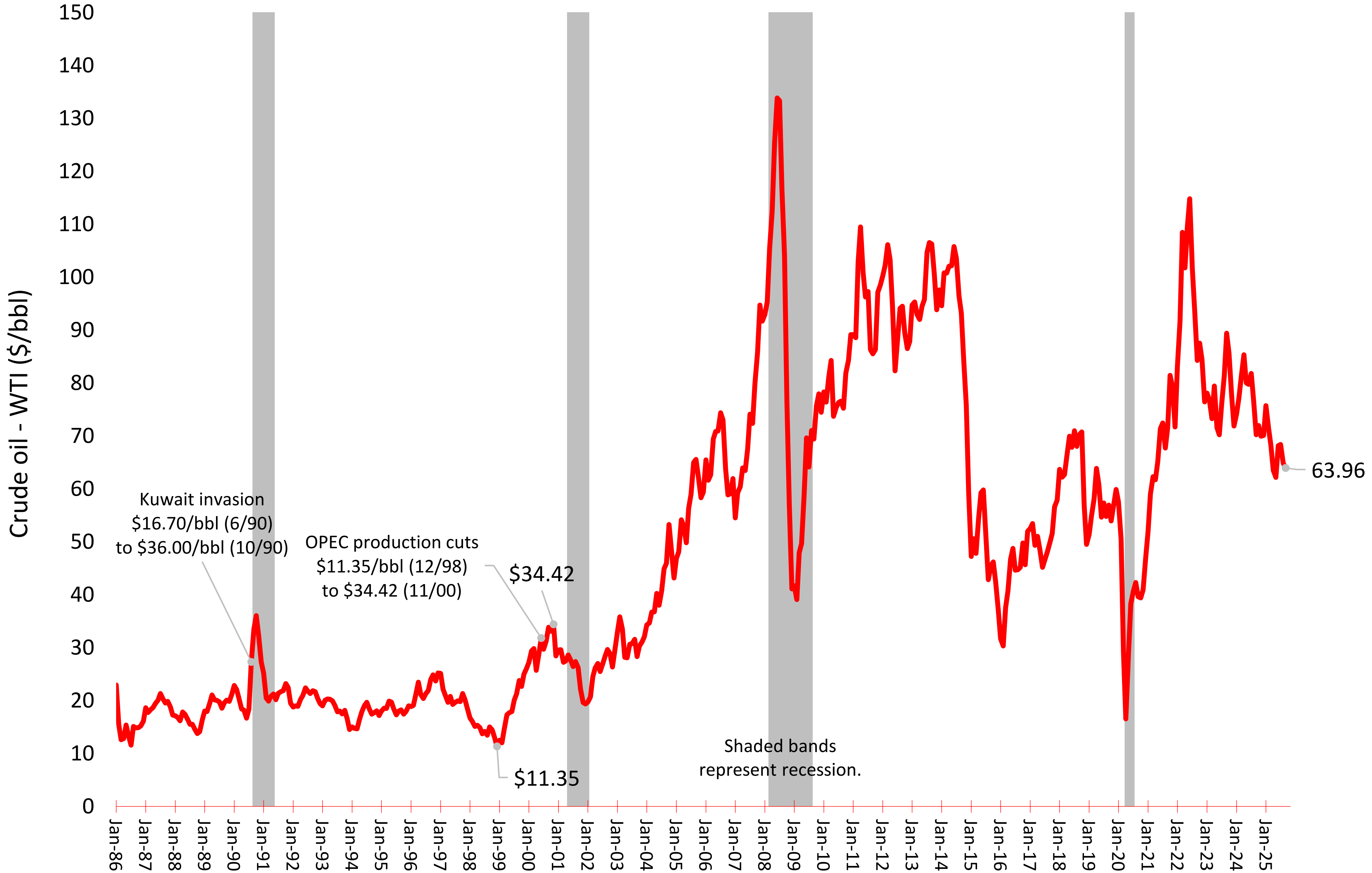
Gold



Source: Yardeni Research, Inc., with permission, October 20, 2025.

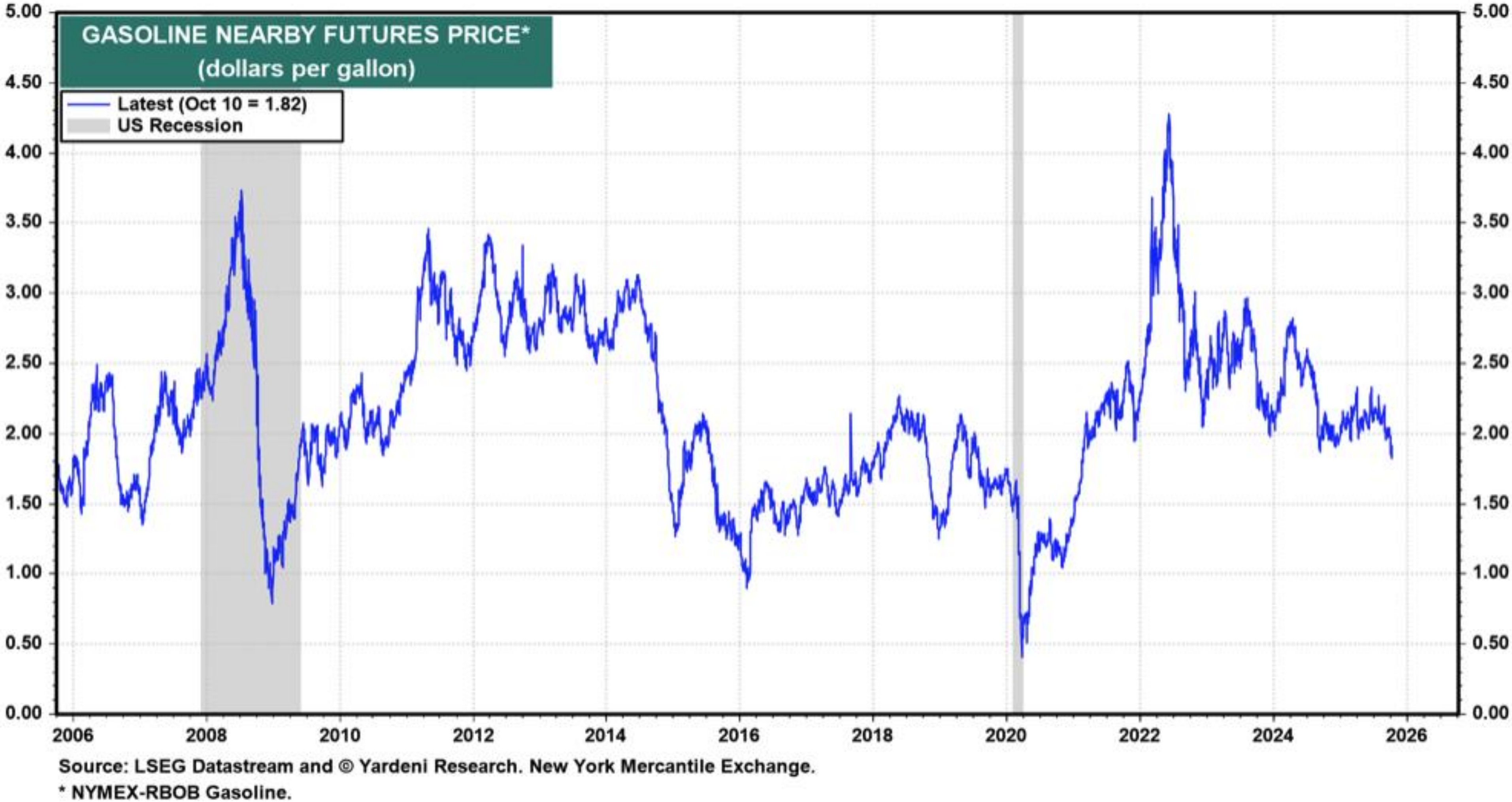
Oil

WTI spot crude oil prices



Source: U.S. Energy Information Agency. Data through September 2025.

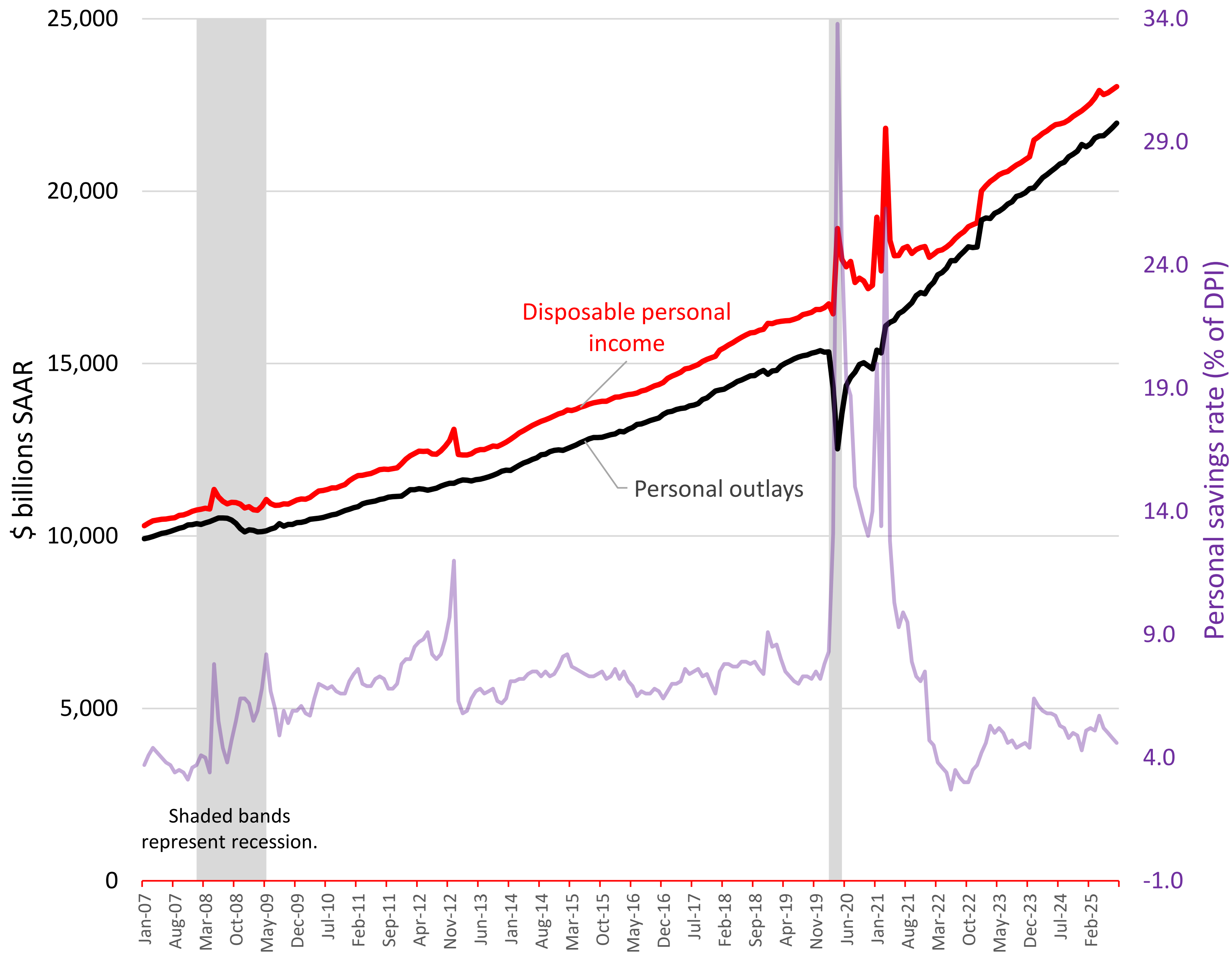
Gasoline prices



Source: Yardeni Research, Inc., with permission, October 13, 2025.

Consumer income

Disposable personal income, spending and saving



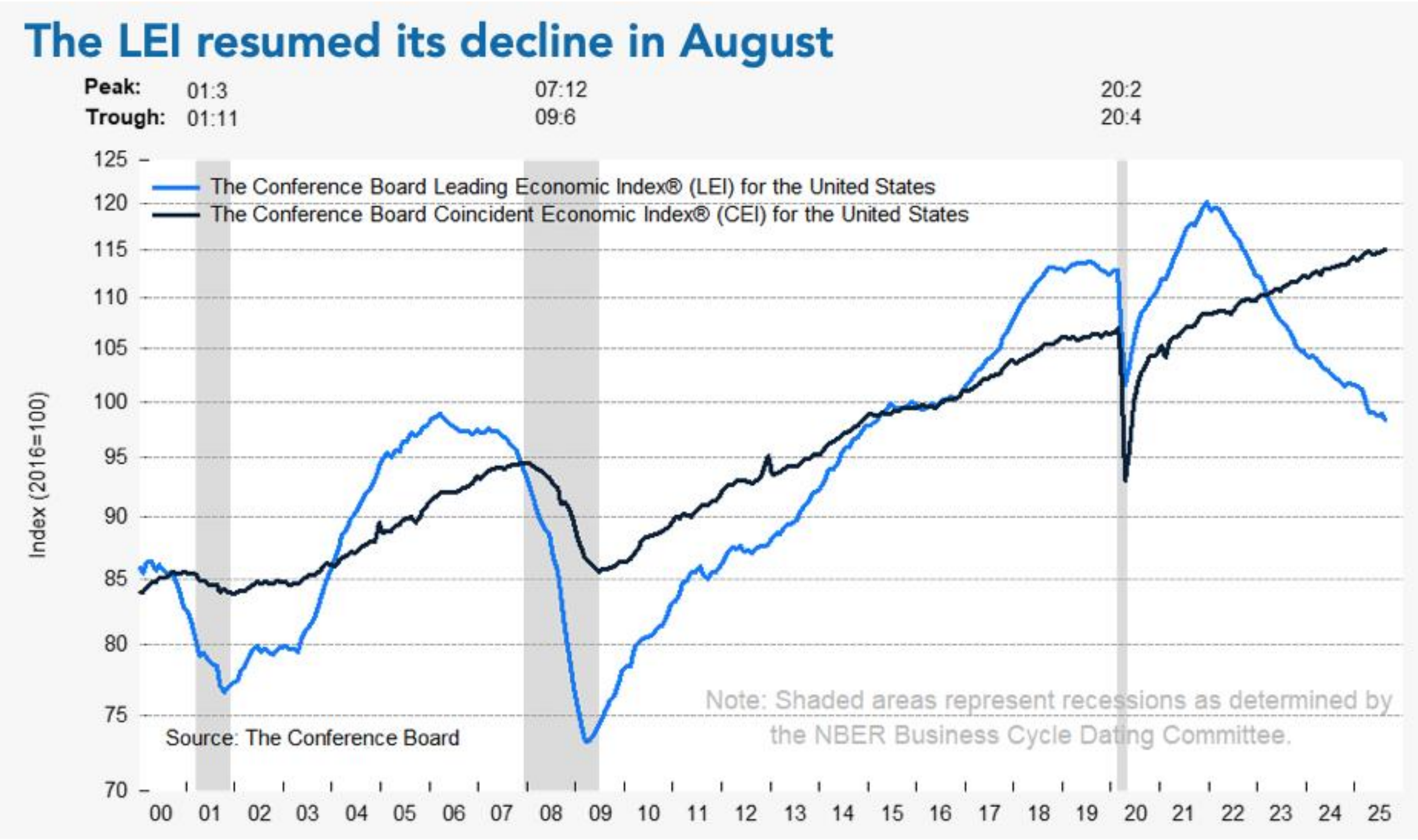
DPI up +4.7% y/y.

Personal outlays up +5.4% y/y.

The savings rate, at 4.6%, is below pre-Covid levels.

Source: Bureau of Economic Analysis, monthly data through August 2025.

U.S. index of leading economic indicators



"The Conference Board, while not forecasting recession currently, expects GDP to grow by only 1.6% in 2025, a substantial slowdown from 2.8% in 2024."

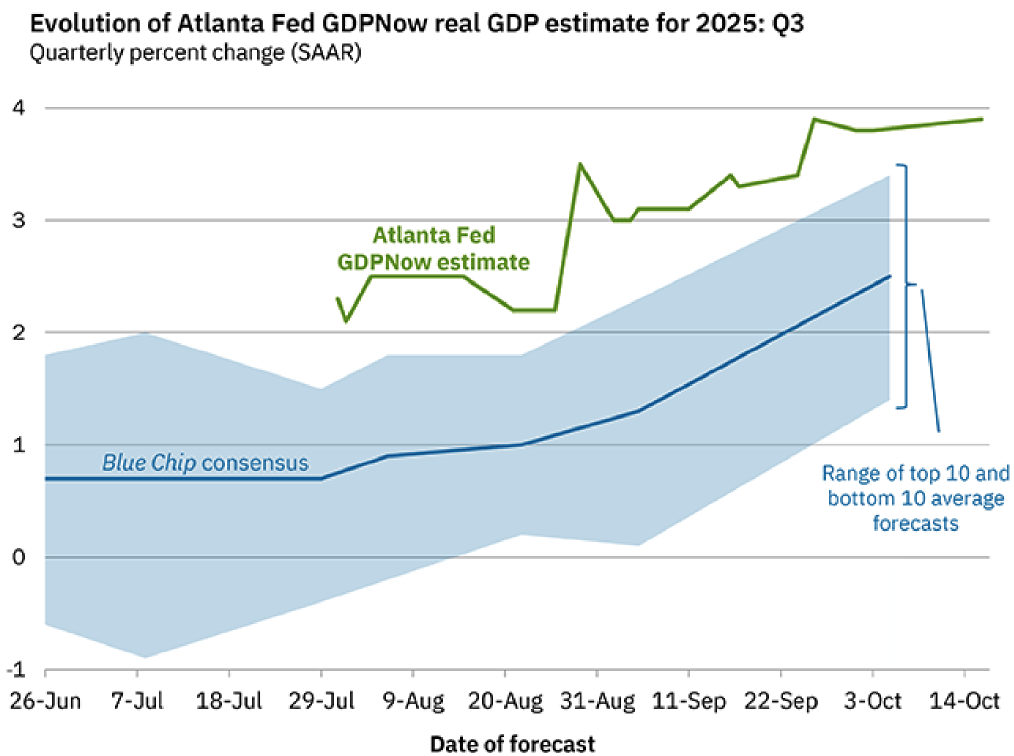
The Conference Board Leading Economic Index® (LEI) components: 1) average weekly hours worked, manufacturing; 2) average weekly initial unemployment claims; 3) manufacturers' new orders – consumer goods and materials; 4) ISM index of new orders; 5) manufacturers' new orders, nondefense capital goods; 6) building permits – new private housing units; 7) stock prices, S&P 500; 8) Leading Credit Index™; 9) interest rate spread; 10-year Treasury minus fed funds; 10) index of consumer expectations.
Source: ©The Conference Board. Data through August, released September 18, 2025.

Atlanta Fed's GDPNow forecast – 3rd quarter

Latest estimate: 3.9 percent — October 17, 2025

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2025 is **3.9 percent** on October 17, up from 3.8 percent on October 7. After yesterday's monthly treasury statement report from the Treasury's Bureau of the Fiscal Service, the nowcasts of third-quarter real personal consumption expenditures growth and real gross private domestic investment growth increased from 3.2 percent and 4.0 percent, respectively, to 3.3 percent and 4.4 percent, while the nowcast of third-quarter real government expenditures growth decreased from 1.8 percent to 1.5 percent.

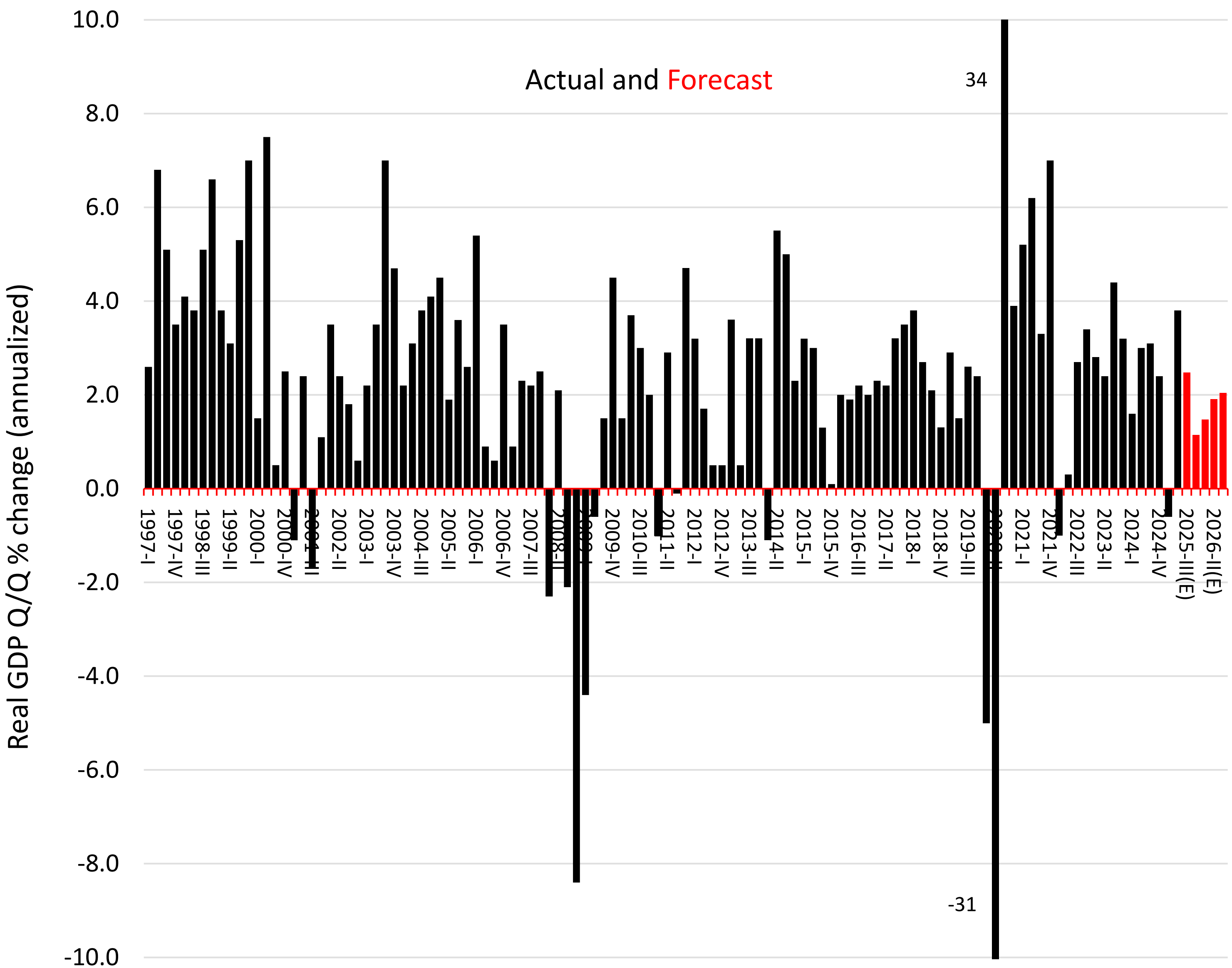
The next GDPNow post will be no later than its next scheduled update on ***October 27****.*



Sources: *Blue Chip Economic Indicators* and *Blue Chip Financial Forecasts*
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the *Blue Chip* survey.

Source: Federal Reserve Bank of Atlanta October 17, 2025.

GDP

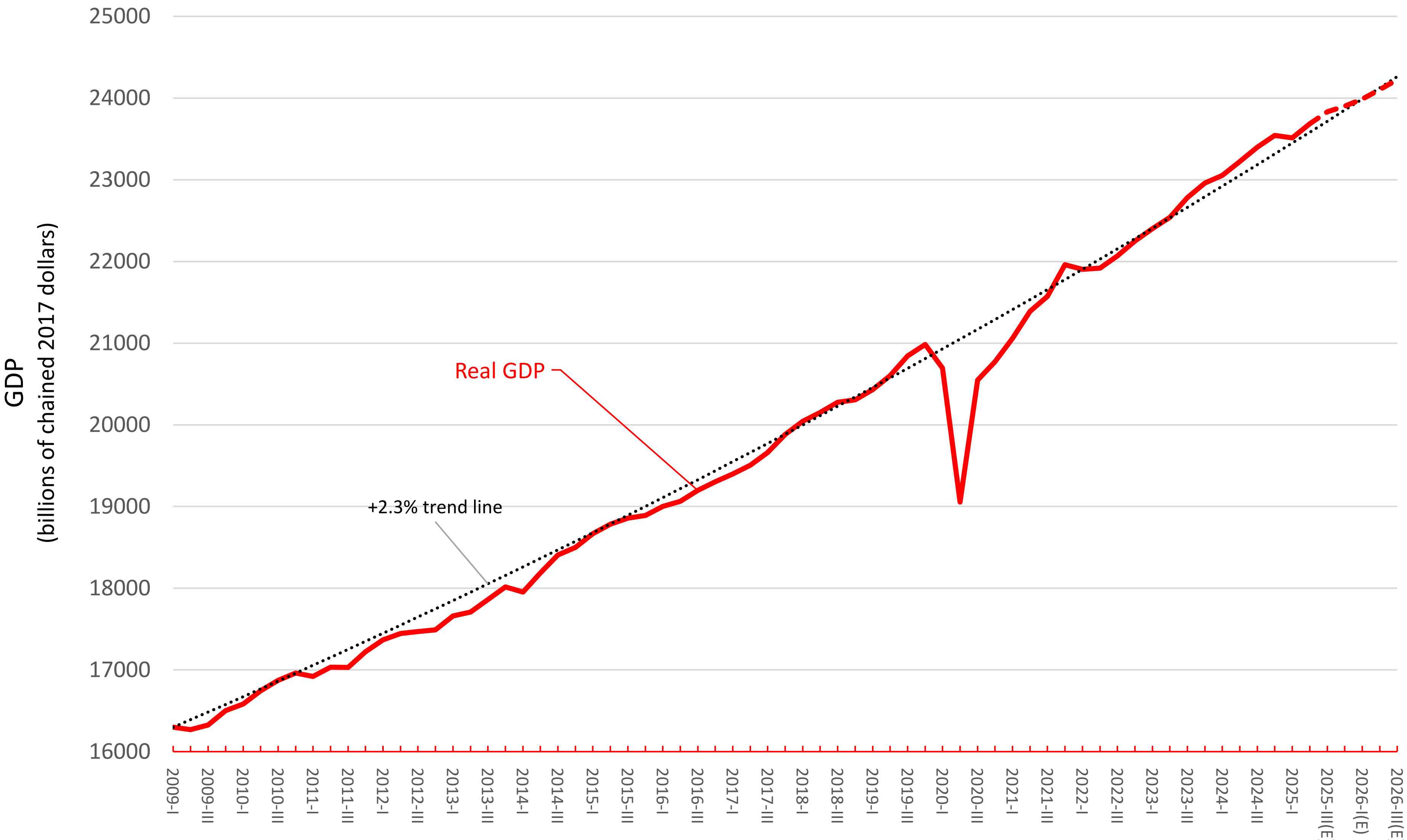


The 64 economists surveyed in October raised their forecasts from the July survey and see continued growth ahead.

Sources: Bureau of Economic Analysis, actual quarterly data through June 2025. *The Wall Street Journal* survey released October 2025.

GDP forecast

2.3% trend rate of growth

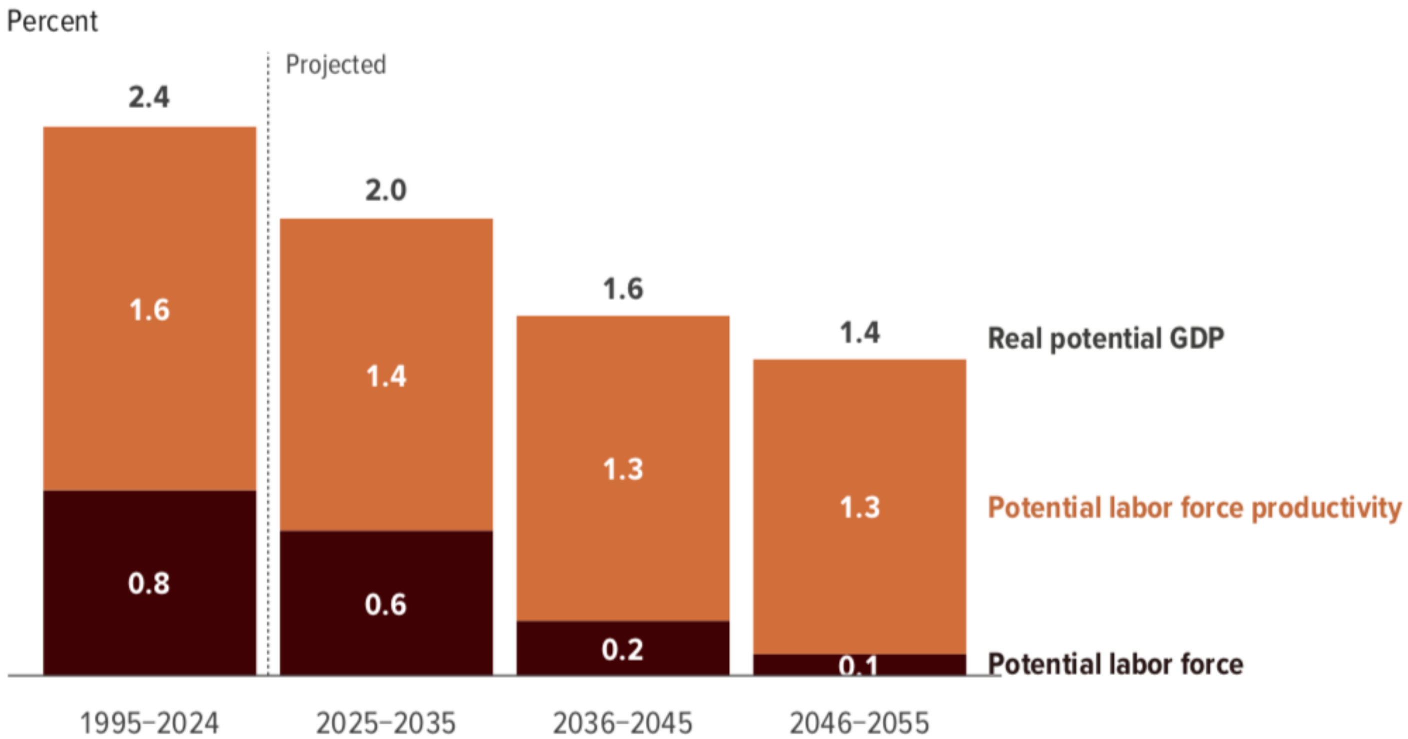


Sources: Bureau of Economic Analysis, actual quarterly data through June 2025. Dotted line represents the forecast from *The Wall Street Journal* survey released October 2025.

GDP growth potential = Δ productivity + Δ labor force
CBO's potential growth calculations

Figure 3-3.

Average Annual Growth of Real Potential GDP and Its Components



Real potential GDP is projected to grow more slowly from 2025 to 2055 than it has, on average, over the past 30 years. That decline is explained by slower projected growth in the size and productivity of the potential labor force.

Source: Congressional Budget Office, *The Long-Term Budget Outlook: 2025 to 2055,* released March 2025.

Productivity

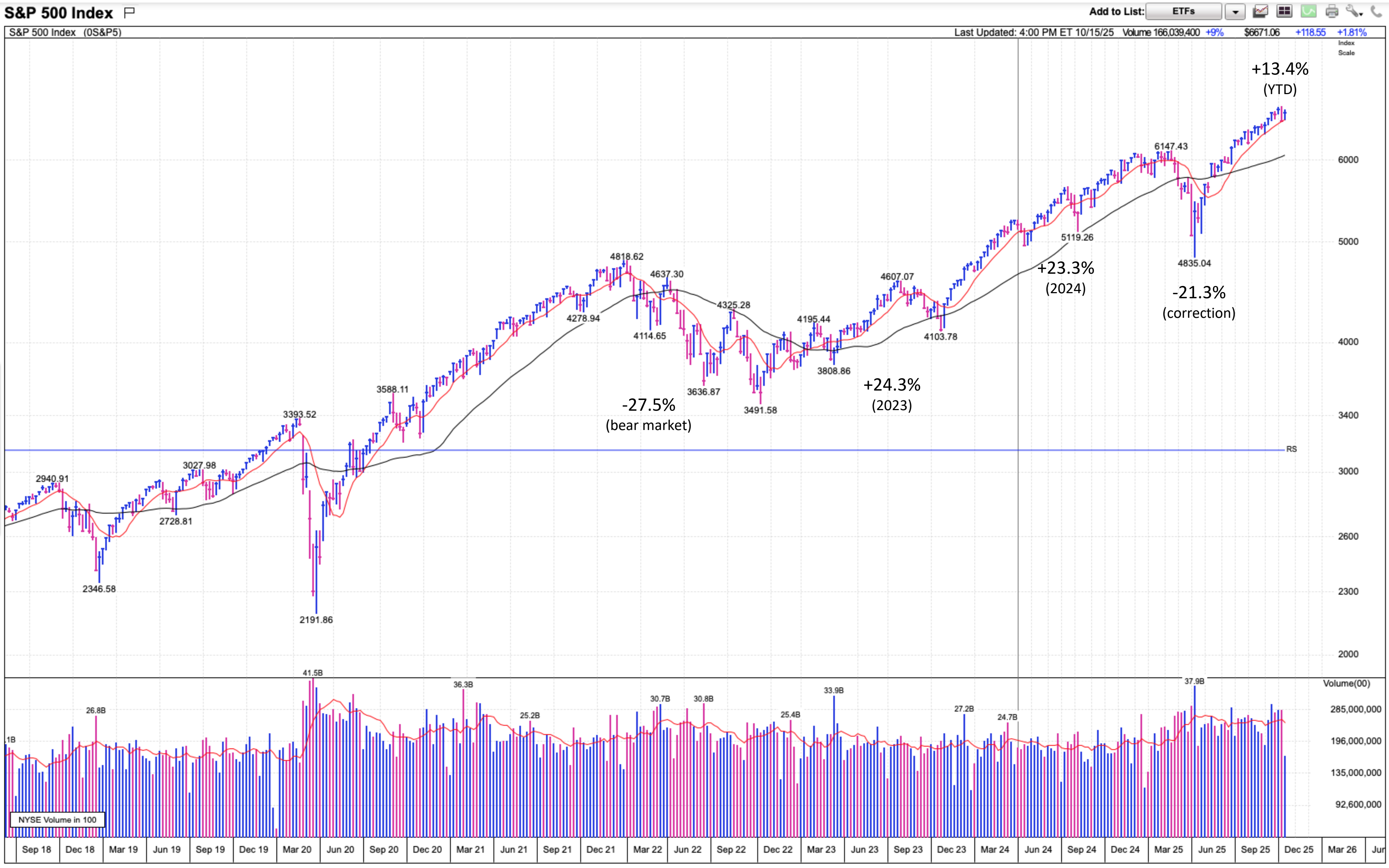
Q2 2025 was +3.3%.

Source: FRBSL, quarterly data through June 2025. Dotted line is the 5-year moving average.

Stock Market

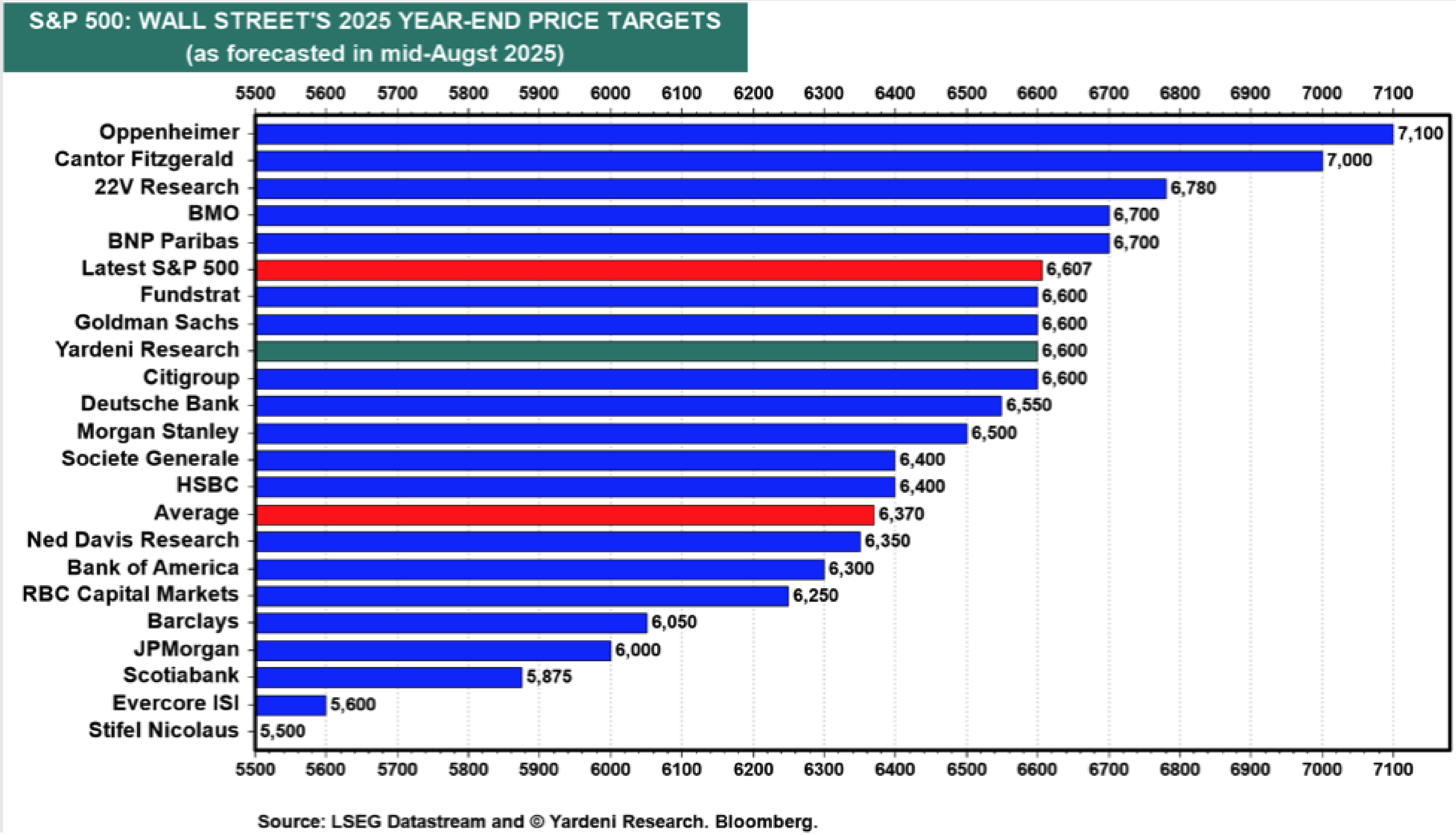
- Record highs following sharp sell-off
- Stocks vs. recessions
- "Parabolic" is normal
- 2025/2026 earnings estimates
- P/E multiple

Stock market
S&P 500



Source: Standard & Poor's and Investor's Business Daily. Data through October 15, 2025.

S&P 500 – strategists 2025 targets



Source: Yardeni Research, Inc., with permission, September 17, 2025.

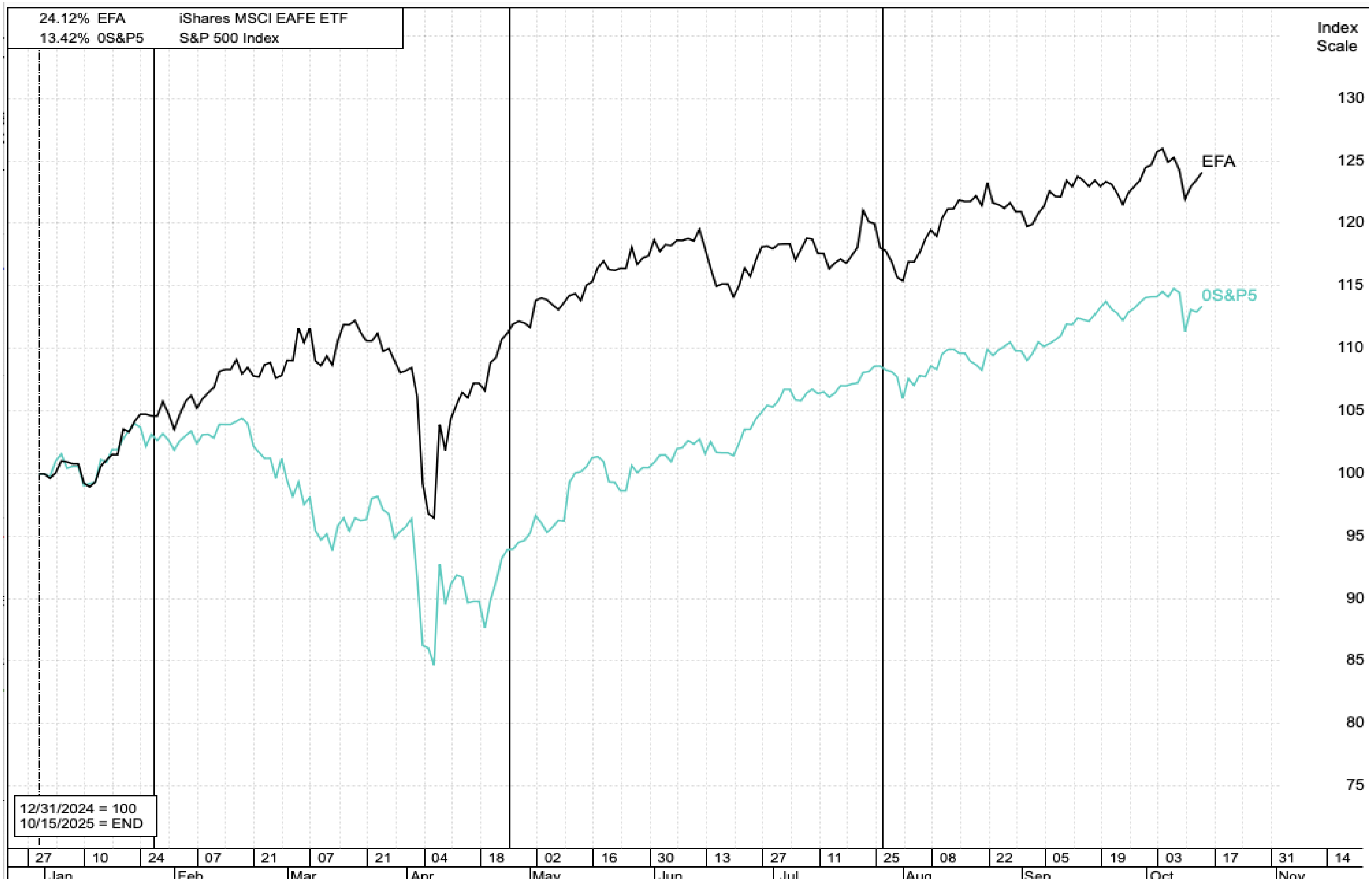
Stock market

Mag-7 vs. S&P 493 – market breadth

Source: Standard & Poor's and Investor's Business Daily. Data through September 17, 2025.

Stock market

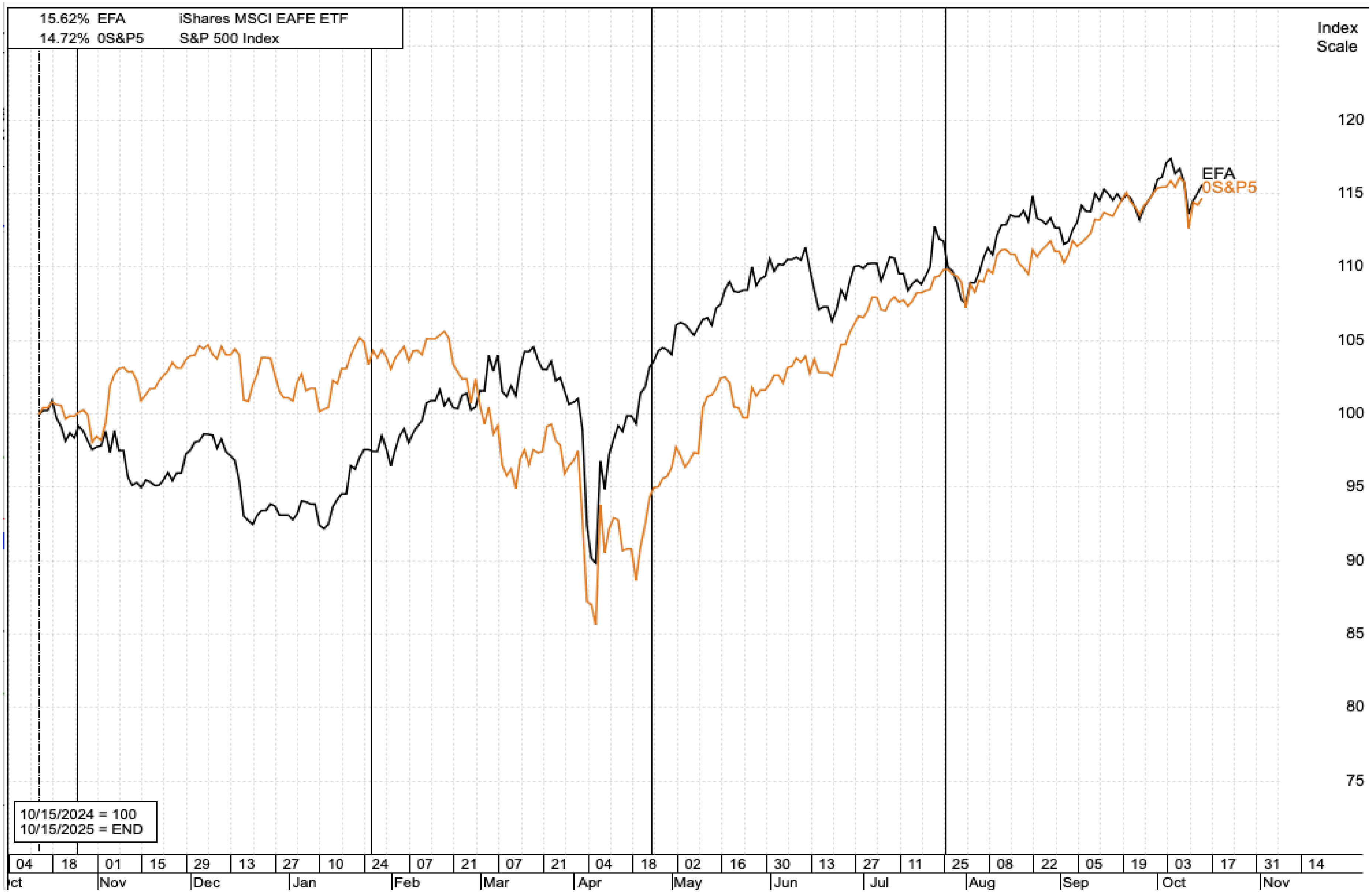
EAFE vs. S&P 500 – YTD



Source: Standard & Poor's and Investor's Business Daily. Data through October 15, 2025.

Stock market

EAFE vs. S&P 500 – 1 year



Source: Standard & Poor's and Investor's Business Daily. Data through October 15, 2025.

Stock market

EAFE vs. S&P 500 – 10 years

Source: Standard & Poor's and Investor's Business Daily. Data through October 15, 2025.

THE WALL STREET JOURNAL.

Europe's Firms Fall Far Behind In the Race to Create Big Tech

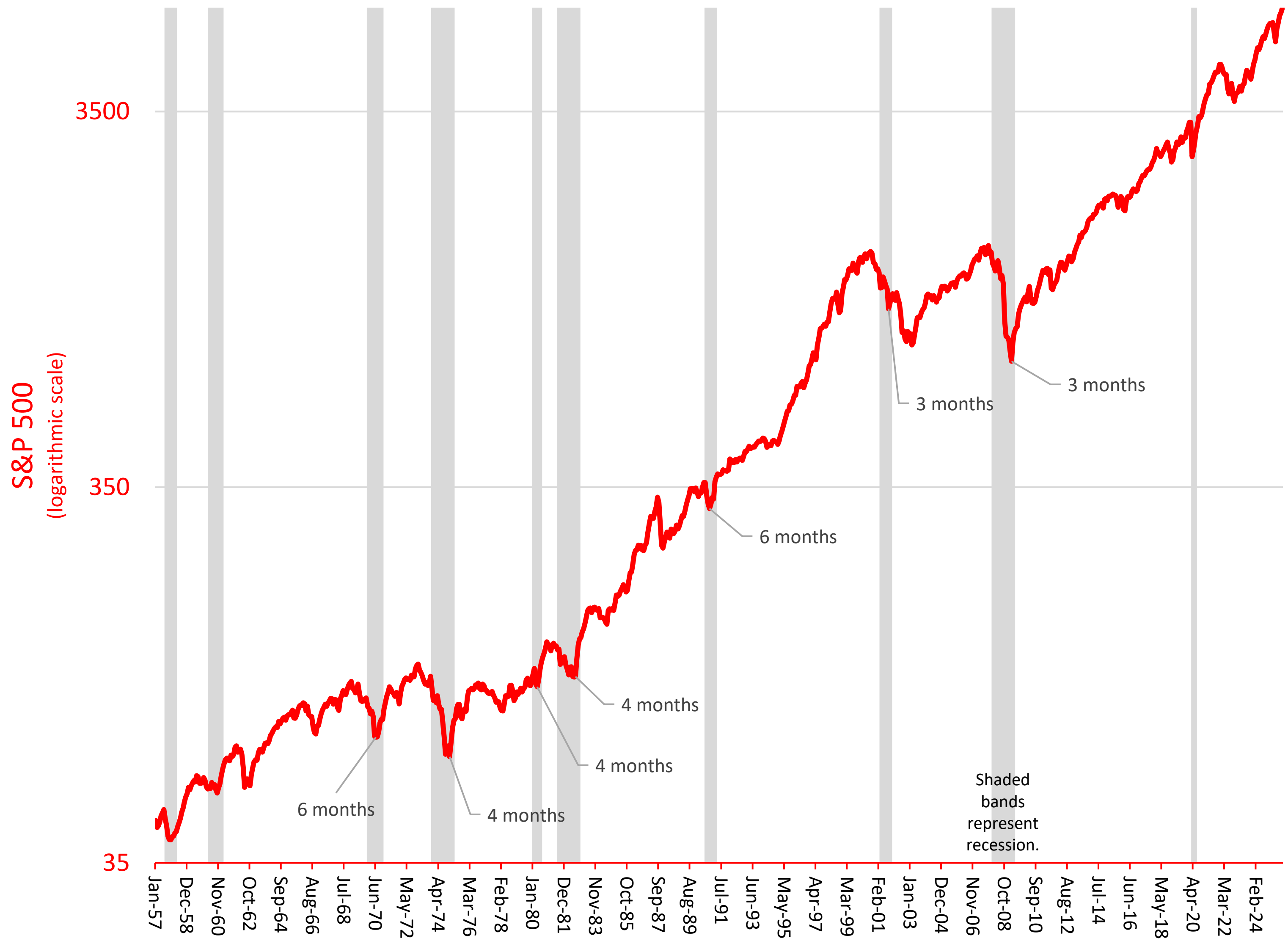
Investors and entrepreneurs say obstacles to tech growth are deeply entrenched: a timid and risk-averse business culture, strict labor laws, suffocating regulations, a smaller pool of venture capital and lackluster economic and demographic growth.

Existential dilemma

Having largely missed out on the first digital revolution, Europe seems poised to miss out on the next wave, too. The U.S. and China, flush with venture capital and government funding, are spending heavily on AI and other technologies that hold the promise of boosting productivity and living standards. In Europe, venture capital tech investment is a fifth of U.S. levels.

Source: *The Wall Street Journal*, "Europe's Firms Fall Far Behind In the Race to Create Big Tech", by Tom Fairless and David Luhnow, May 21, 2025.

S&P 500 vs. recessions

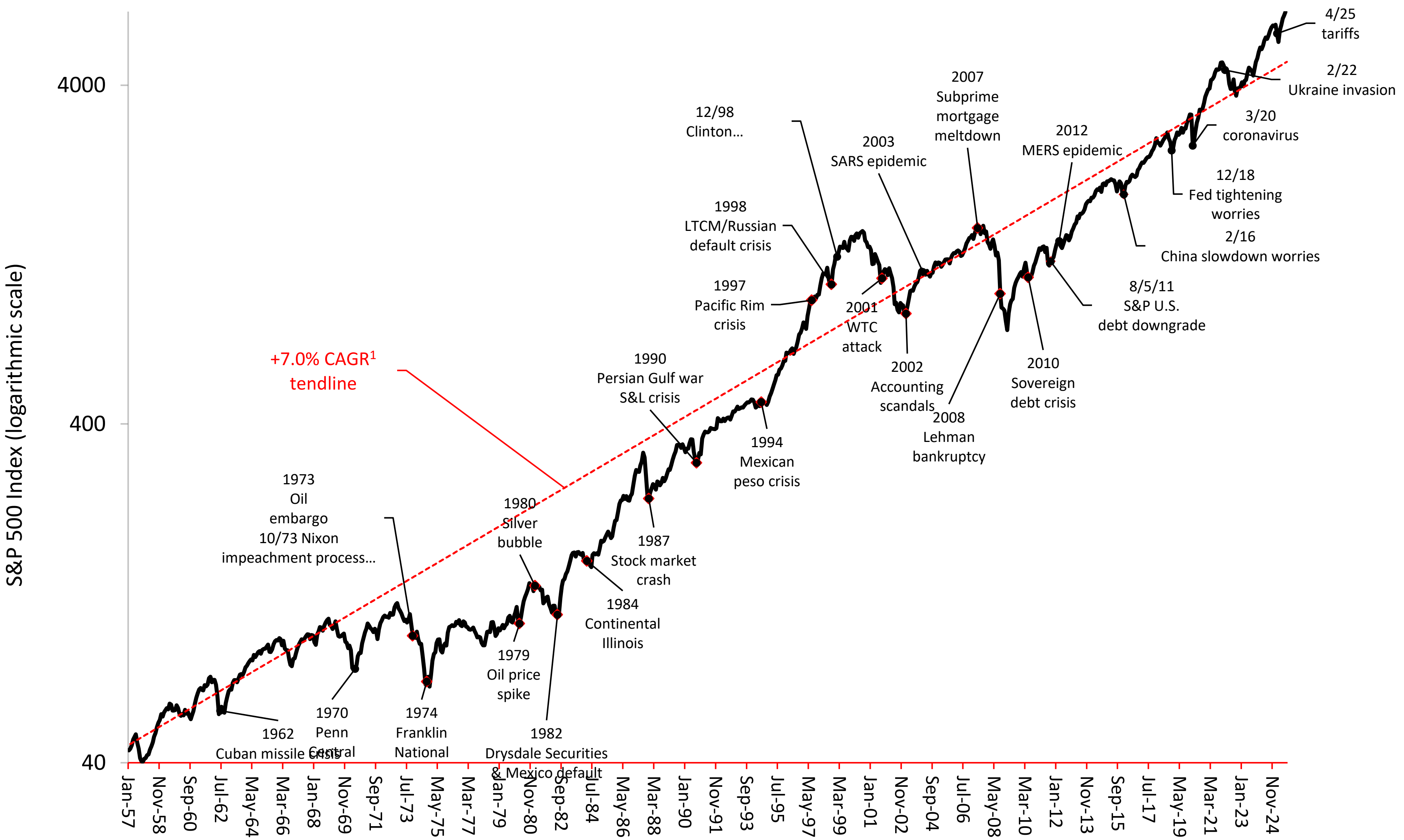


Big declines are associated with recessions.

Stocks often bottom months before recession-end.

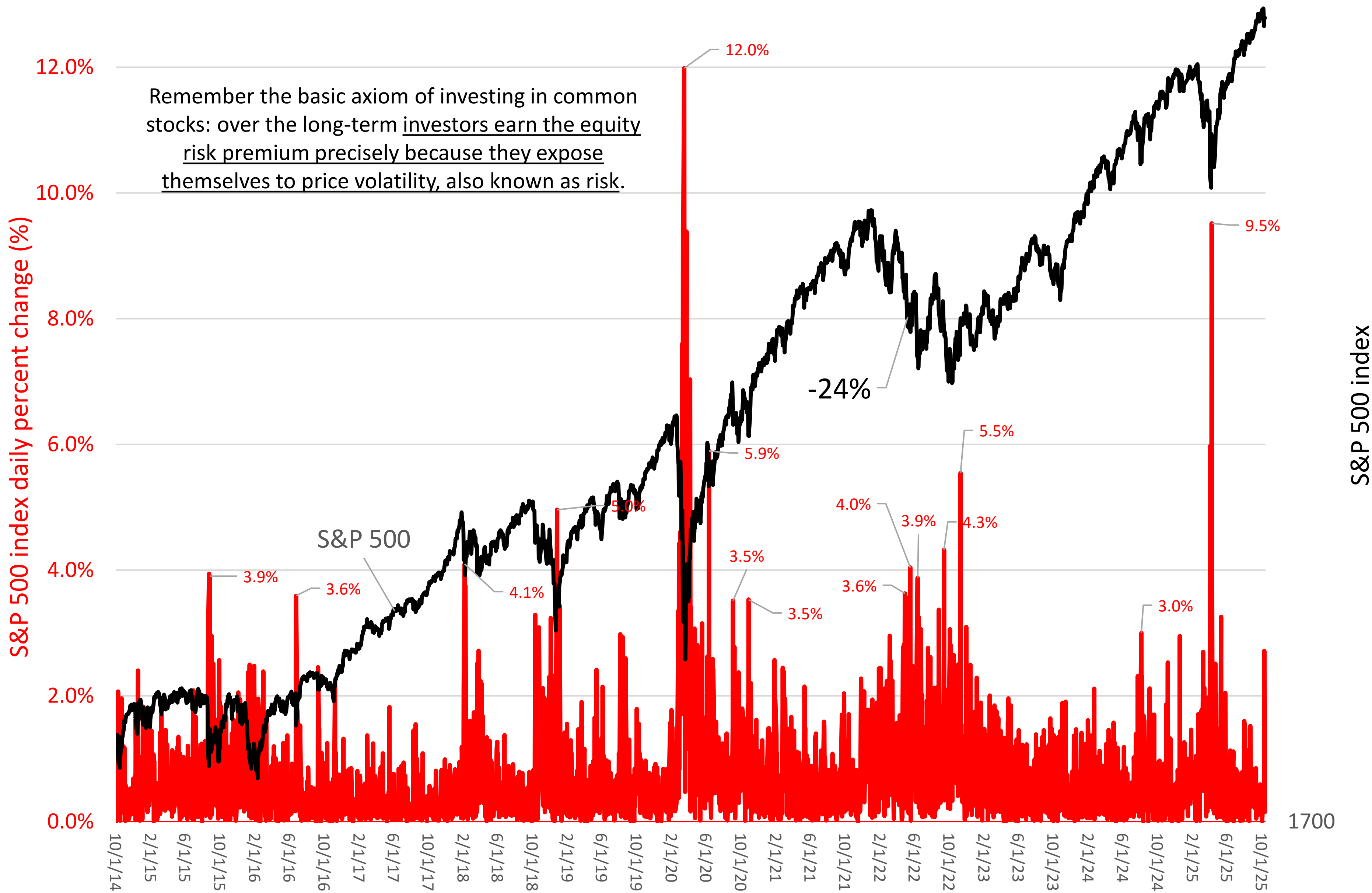
Source: Standard and Poor's Corporation, National Bureau of Economic Research. Data through September 2025.

S&P 500 and crises



Source: Standard and Poor's. Data through September 2025. [1] Compound annual growth rate.

S&P 500 volatility



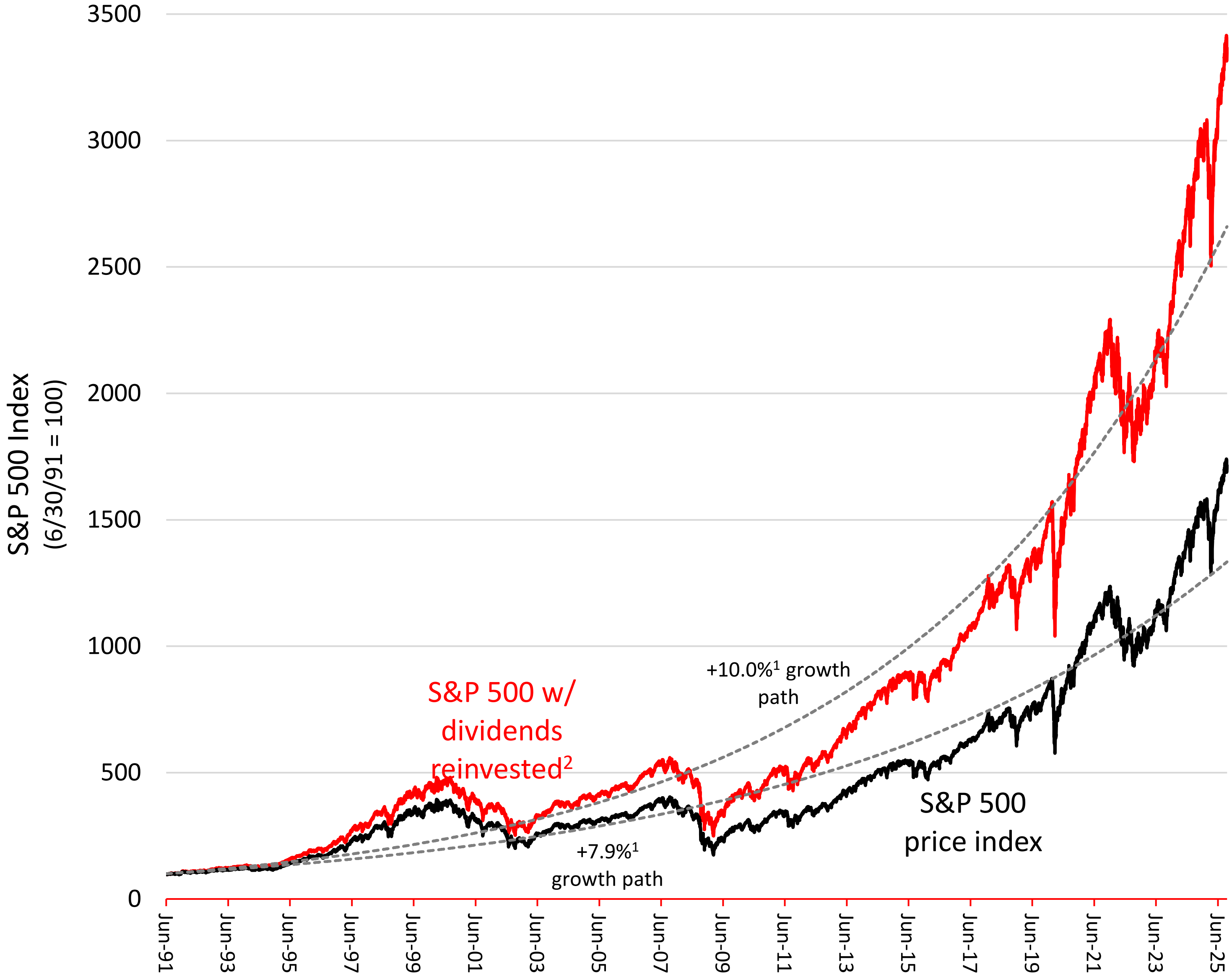
Source: Standard & Poor's, data through October 14, 2025.

S&P 500 – parabolic

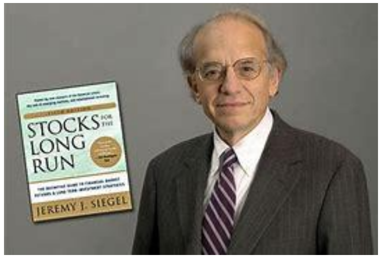
THE WALL STREET JOURNAL.

Source: *The Wall Street Journal*, "New Buy-the-Dip Investors Prop Up Market", by Gunjan Banerji, August 12, 2025.

Total return = 7.9% earnings-driven price + 2.1% dividends reinvested



+10% per year S&P 500 total return over the last 30 years is in line with the stock market's long-term returns going back to 1926, or back even further to 1871.[3]



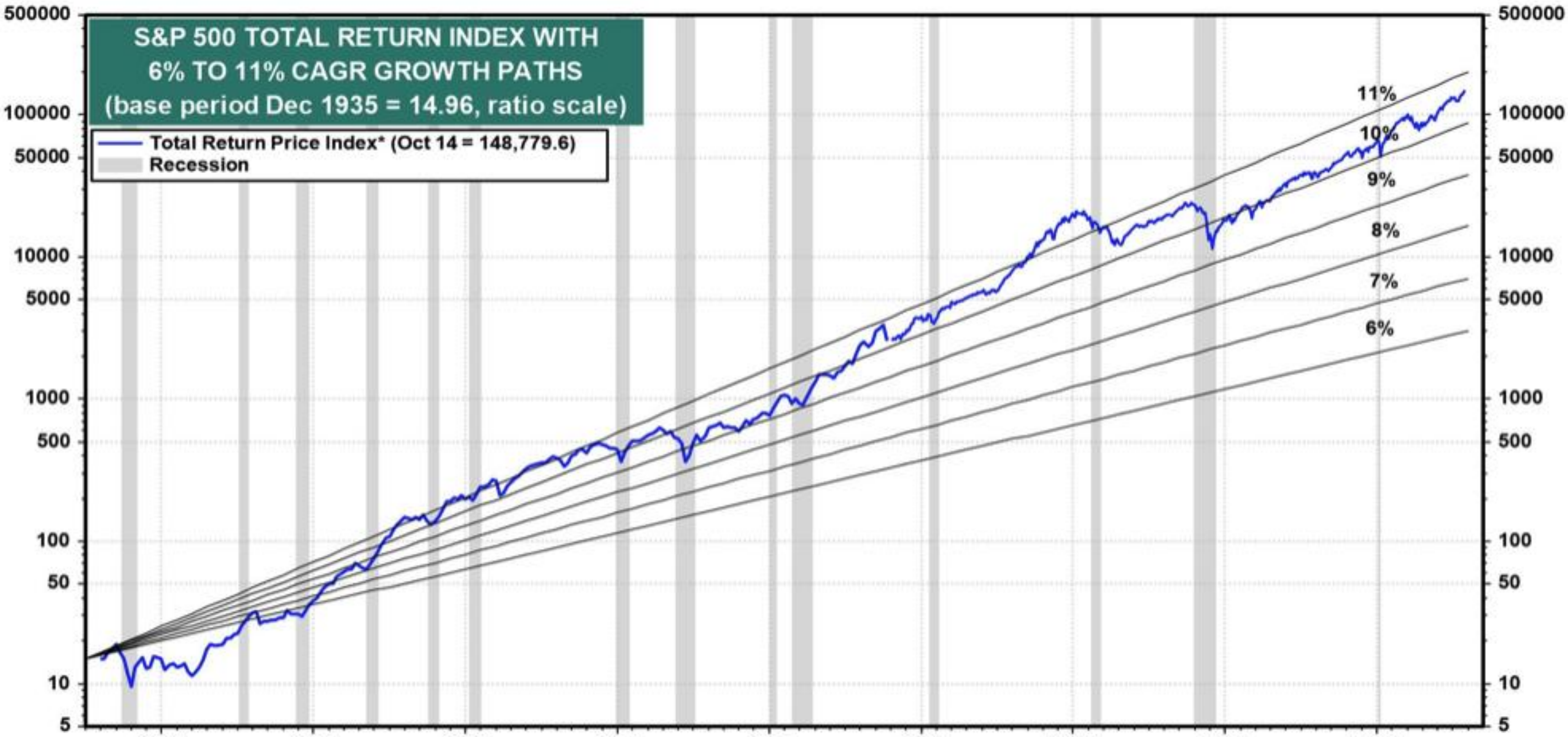
Source: Standard and Poor's. Data through October 14, 2025.[1] Compound annual growth rate. [2] S&P 500 total return index.
[3] per Professor Jeremy Siegel's seminal *Stocks for the Long Run*, first published in 1994.

Total return = 7.9% earnings-driven price + 2.1% dividends reinvested

Source: Standard and Poor's. Data through October 14, 2025. [1] Compound annual growth rate. [2] S&P 500 total return index.

Stock market arithmetic

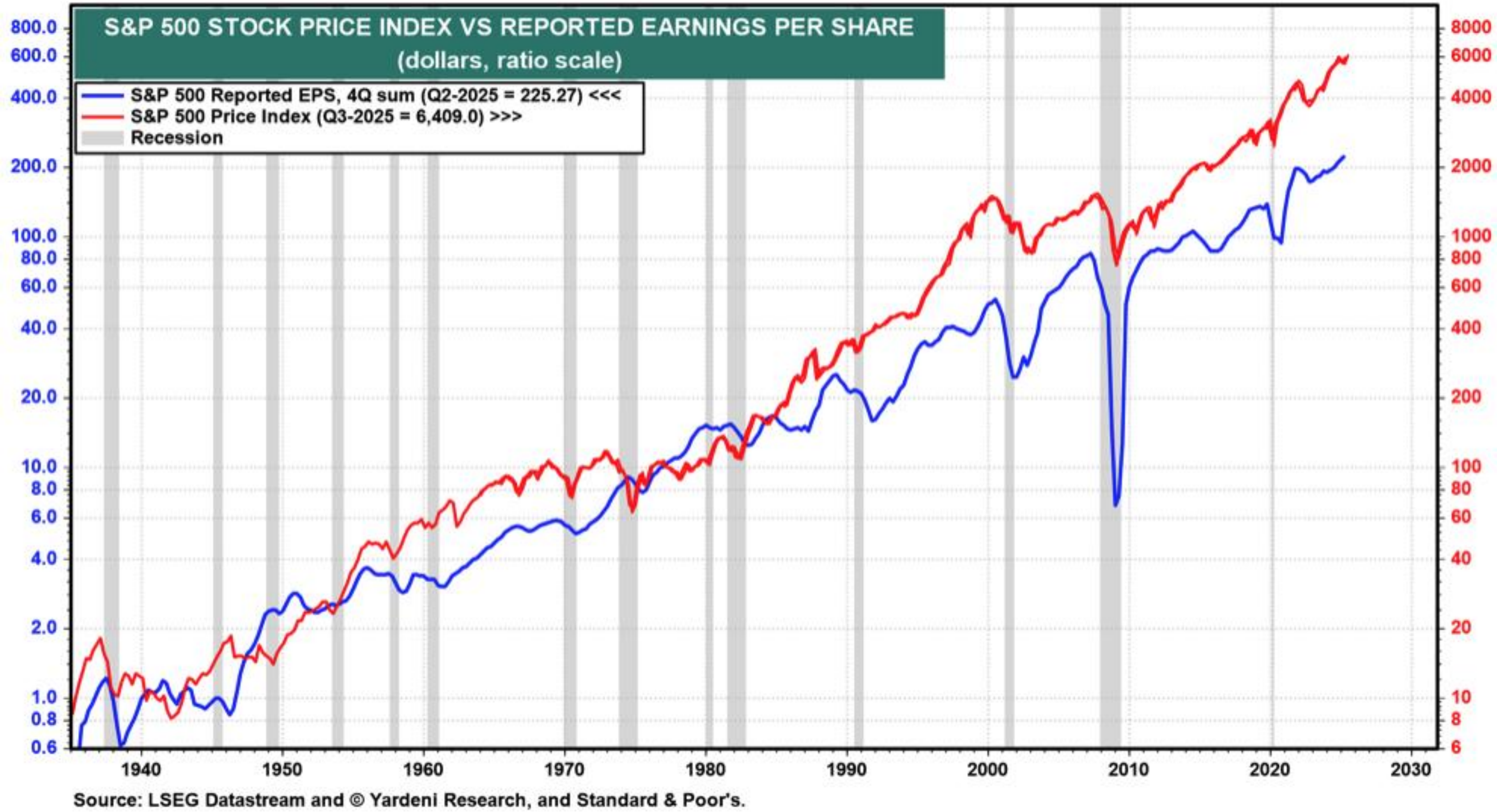
S&P 500 total return



Source: LSEG Datastream and © Yardeni Research. Standard & Poor's.
* Includes reinvested dividends.
** Using last month of quarter CPI. Compounded monthly using base value.

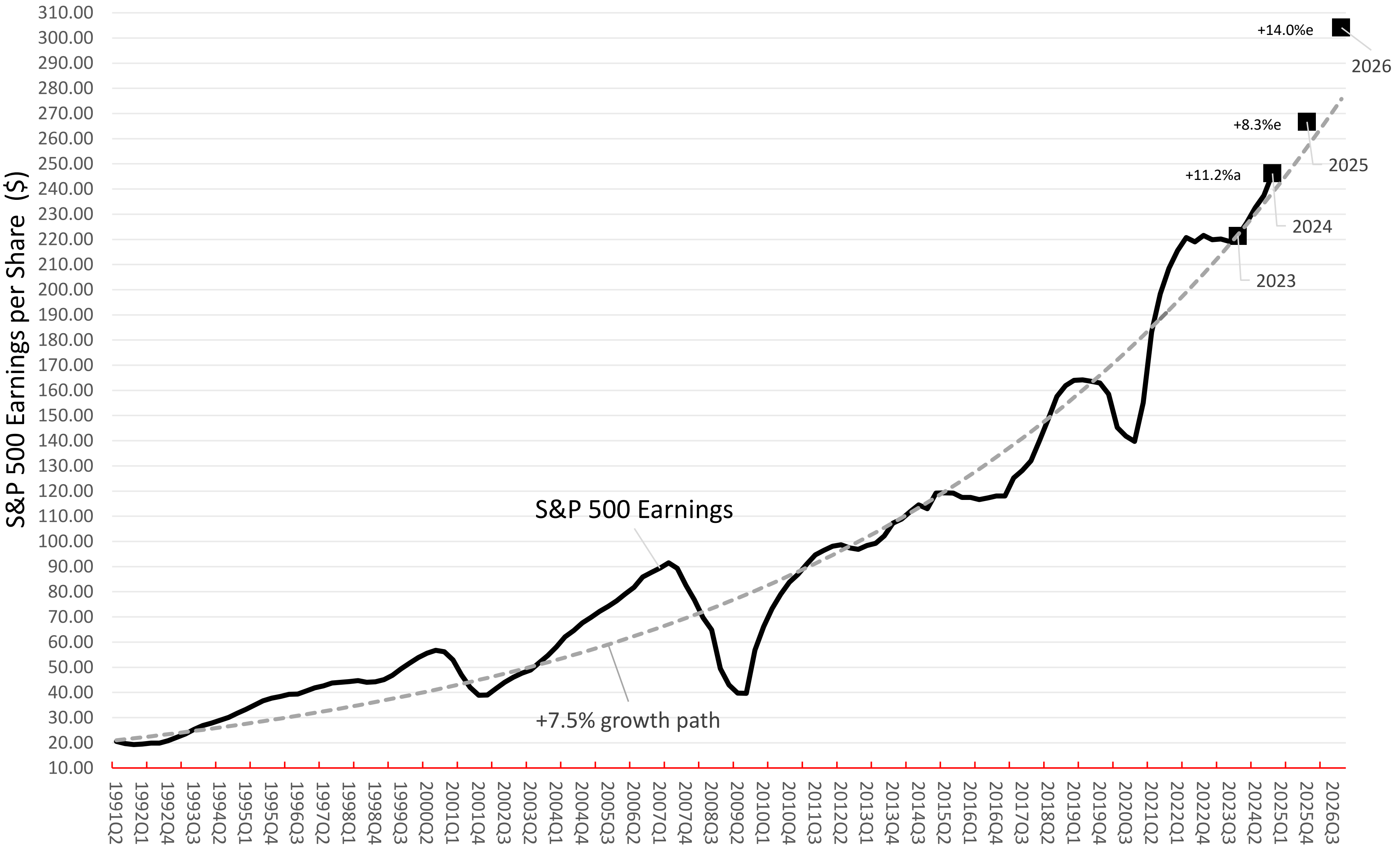
Source: Yardeni Research, Inc., with permission.

90 years of S&P 500 earnings growth



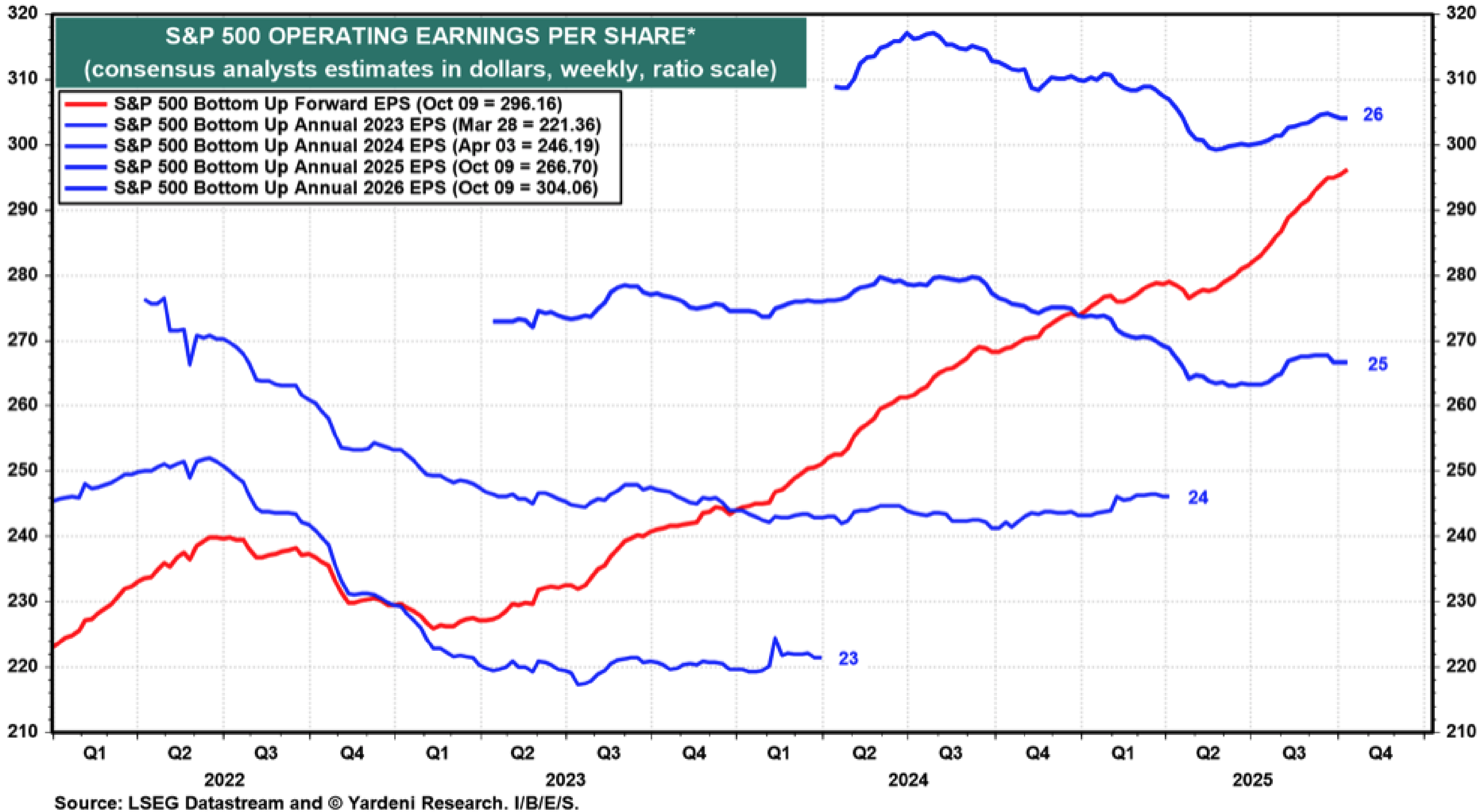
Source: Yardeni Research, Inc. with permission.

S&P 500 earnings – actual and I/B/E/S estimates



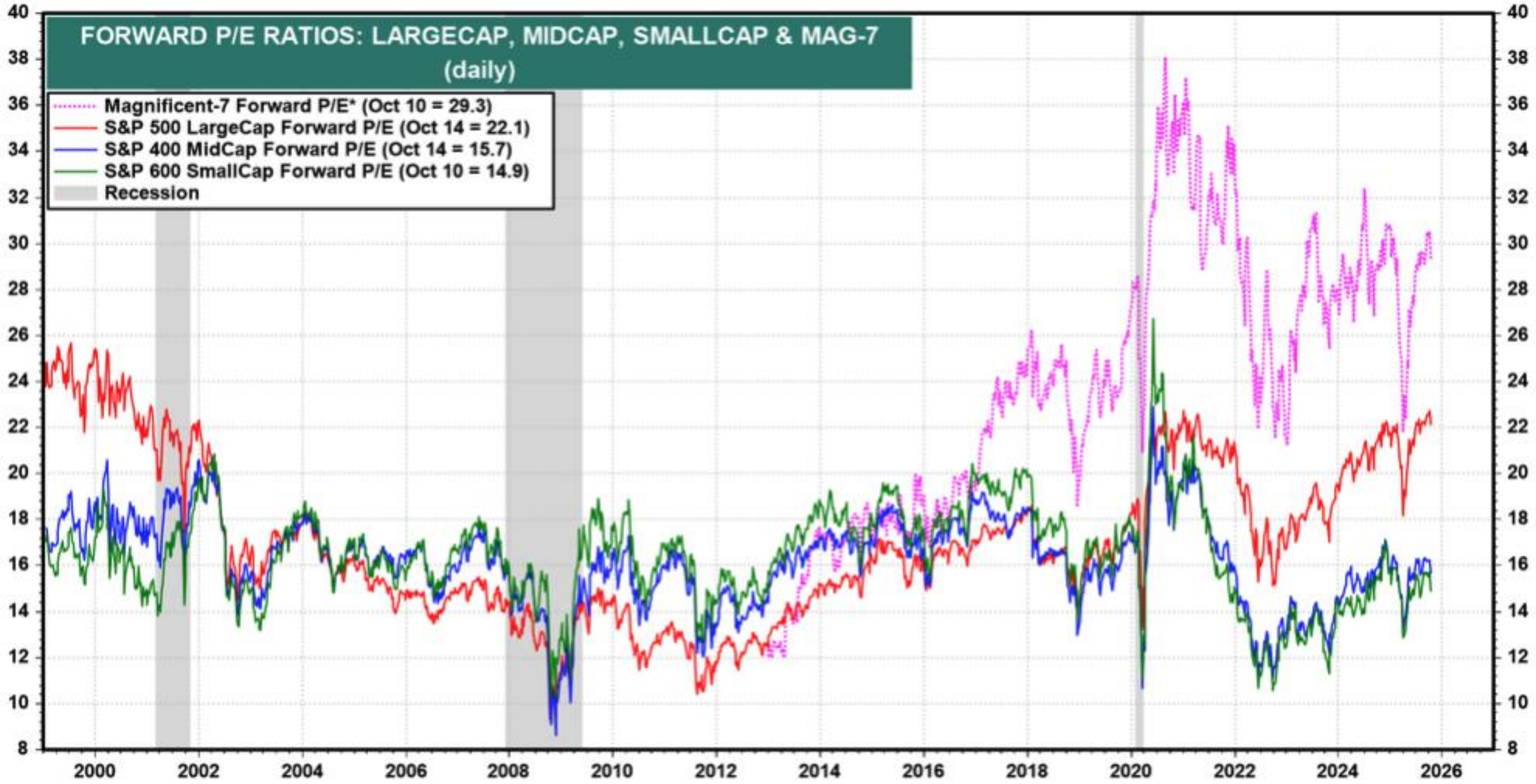
2023 (actual), 2024 (actual), 2025 (estimated) and 2026 (estimated) bottom-up S&P 500 operating earnings per share as of October 9, 2025: for 2023(a), $221.36; for 2024(a), $246.19; for 2025(e), $266.70; for 2026(e), $304.06. Sources: Yardeni Research, Inc. and Thomson Reuters I/B/E/S for actual and estimated operating earnings from 2015. Standard and Poor's for actual operating earnings data through 2014.

S&P 500 earnings – trend in analysts' estimates



 Source: Yardeni Research, Inc., with permission, October 13, 2025.

S&P 500 index forward P/E ratio



Source: LSEG Datastream and © Yardeni Research, and Standard & Poor's.

* Magnificent-7 stocks include Alphabet (Google), Amazon, Apple, Meta (Facebook), Microsoft, NVIDIA, and Tesla. Both classes of Alphabet are included.

Source: Yardeni Research, Inc., with permission, October 15, 2025.

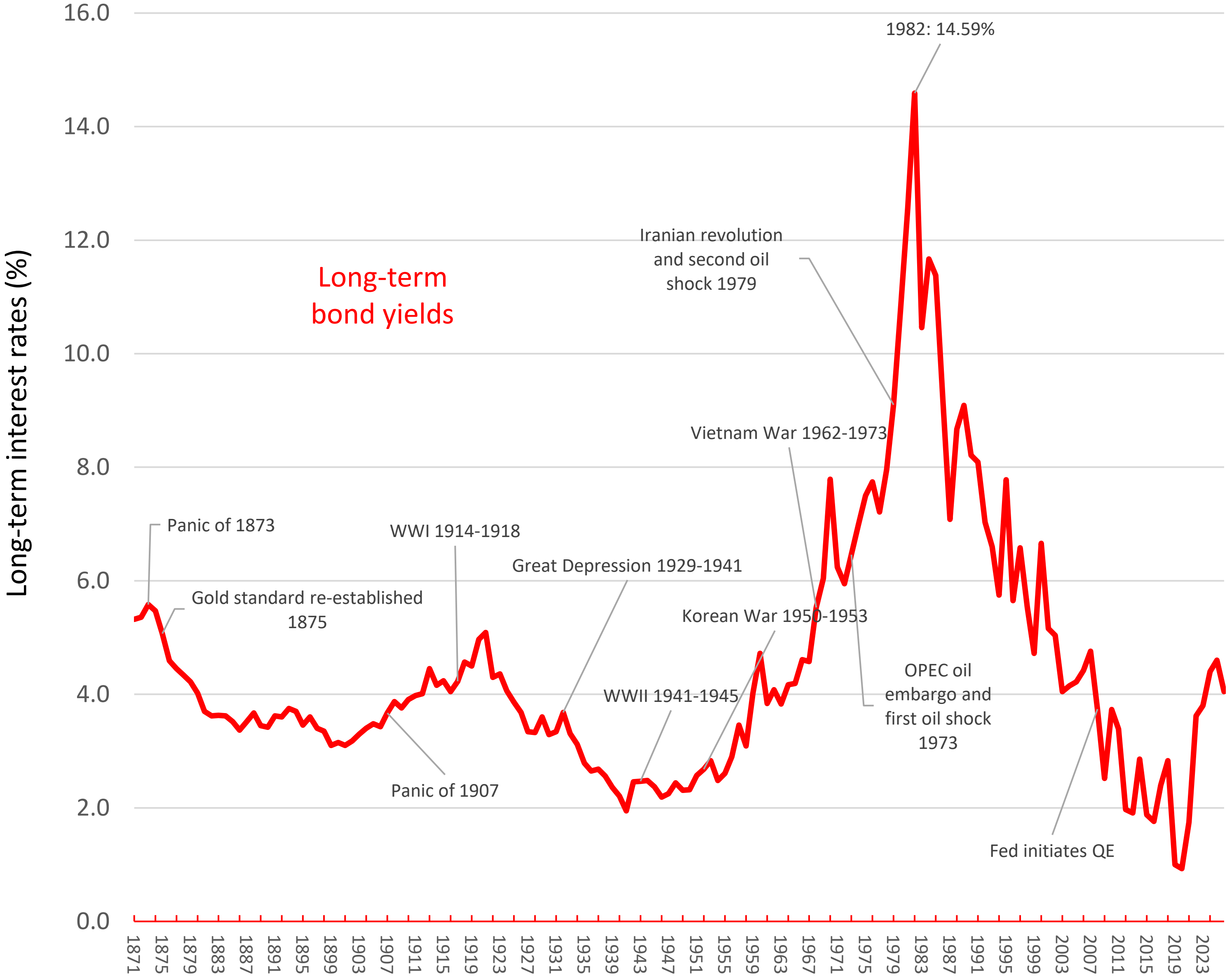
S&P 500 index forward P/E ratio

Source: Yardeni Research, Inc., with permission, October 15, 2025.

Bond Yields

- Normal yields by historic comparison

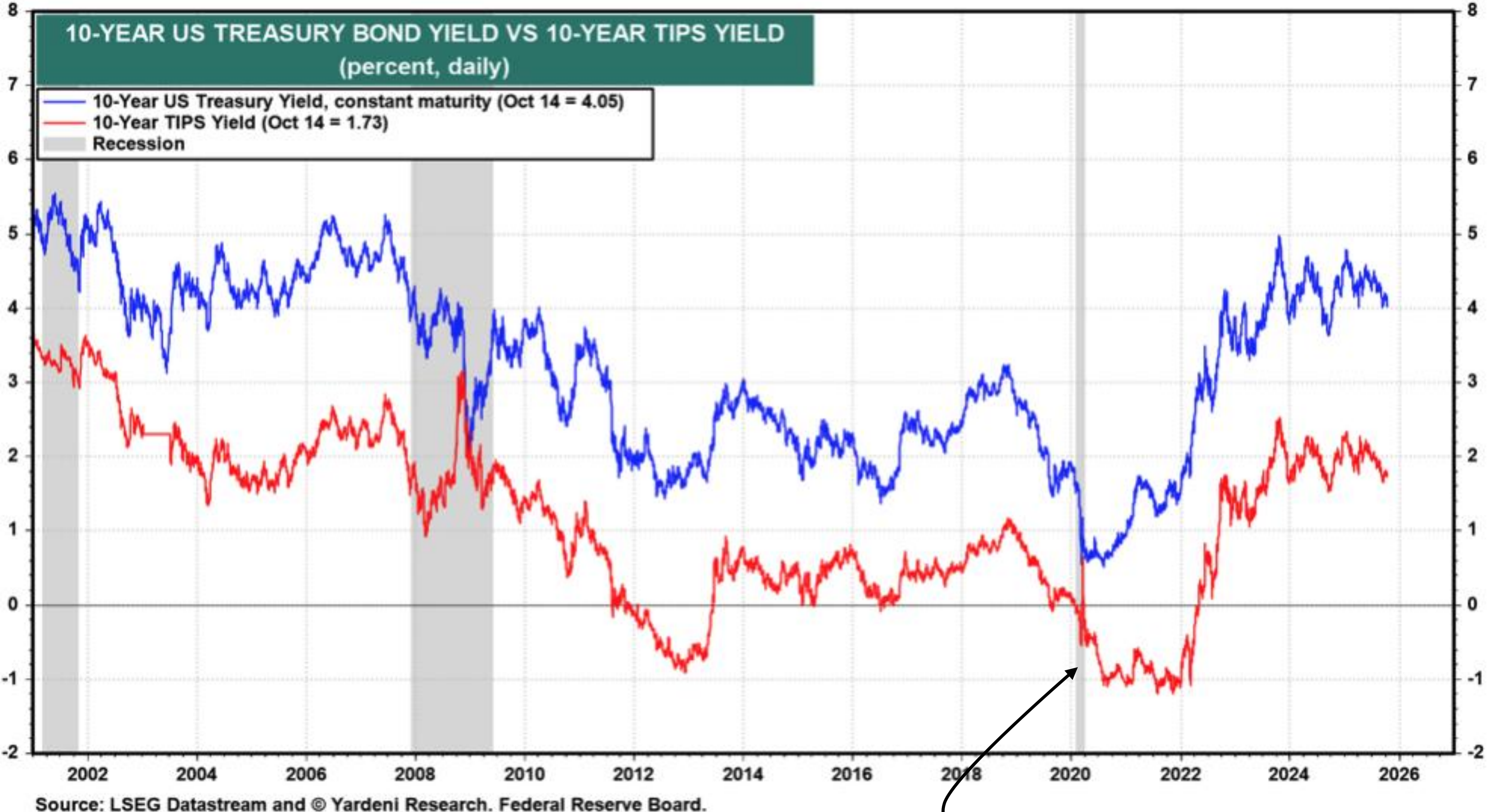
U.S. Treasury bond yields



Back to normal from the lowest long-term interest rates in U.S. history.

Source: Online Data Robert Shiller, data through 2016; 10-year U.S. Treasury bond yield data from 2017; data through October 15, 2025.

U.S. Treasury bond and TIPS yields



Negative real returns (QE) didn't make sense.

Source: Yardeni Research, Inc., with permission. October 15, 2025.

Federal Reserve

- Cut rates on 9/17
- Boosted its inflation forecast
- Boosted its GDP growth forecast
- Dot plot points to 3-1/4% terminal rate
- Dis-inverting yield curve

Rate cut

Source: *CNBC*, September 17, 2025.

Central tendency forecasts

For release at 2:00 p.m., EDT, September 17, 2025

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, September 2025

Percent

Variable	Median[1]					Central Tendency[2]					Range[3]				
	2025	2026	2027	2028	Longer run	2025	2026	2027	2028	Longer run	2025	2026	2027	2028	Longer run
Change in real GDP	1.6	1.8	1.9	1.8	1.8	1.4–1.7	$\boxed{1.7–2.1}$	1.8–2.0	1.7–2.0	1.7–2.0	1.3–2.0	1.5–2.6	1.7–2.7	1.6–2.6	1.7–2.5
June projection	1.4	1.6	1.8		1.8	1.2–1.5	$\boxed{1.5–1.8}$	1.7–2.0		1.7–2.0	1.1–2.1	0.6–2.5	0.6–2.5		1.5–2.5
Unemployment rate	4.5	4.4	4.3	4.2	4.2	4.4–4.5	4.4–4.5	4.2–4.4	4.0–4.3	4.0–4.3	4.2–4.6	4.0–4.6	4.0–4.5	4.0–4.5	3.8–4.5
June projection	4.5	4.5	4.4		4.2	4.4–4.5	4.3–4.6	4.2–4.6		4.0–4.3	4.3–4.6	4.3–4.7	4.0–4.7		3.5–4.5
PCE inflation	3.0	2.6	2.1	2.0	2.0	2.9–3.0	$\boxed{2.4–2.7}$	2.0–2.2	2.0	2.0	2.5–3.2	2.2–2.8	2.0–2.4	2.0	2.0
June projection	3.0	2.4	2.1		2.0	2.8–3.2	$\boxed{2.3–2.6}$	2.0–2.2		2.0	2.5–3.3	2.1–3.1	2.0–2.8		2.0
Core PCE inflation[4]	3.1	2.6	2.1	2.0		3.0–3.2	2.5–2.7	2.0–2.2	2.0		2.7–3.4	2.2–2.9	2.0–2.4	2.0–2.2	
June projection	3.1	2.4	2.1			2.9–3.4	2.3–2.7	2.0–2.2			2.5–3.5	2.1–3.2	2.0–2.9		
Memo: Projected appropriate policy path															
Federal funds rate	3.6	3.4	3.1	3.1	3.0	3.6–4.1	2.9–3.6	2.9–3.6	2.8–3.6	2.8–3.5	2.9–4.4	2.6–3.9	2.4–3.9	2.6–3.9	2.6–3.9
June projection	3.9	3.6	3.4		3.0	3.9–4.4	3.1–3.9	2.9–3.6		2.6–3.6	3.6–4.4	2.6–4.1	2.6–3.9		2.5–3.9

boosted GDP growth forecast

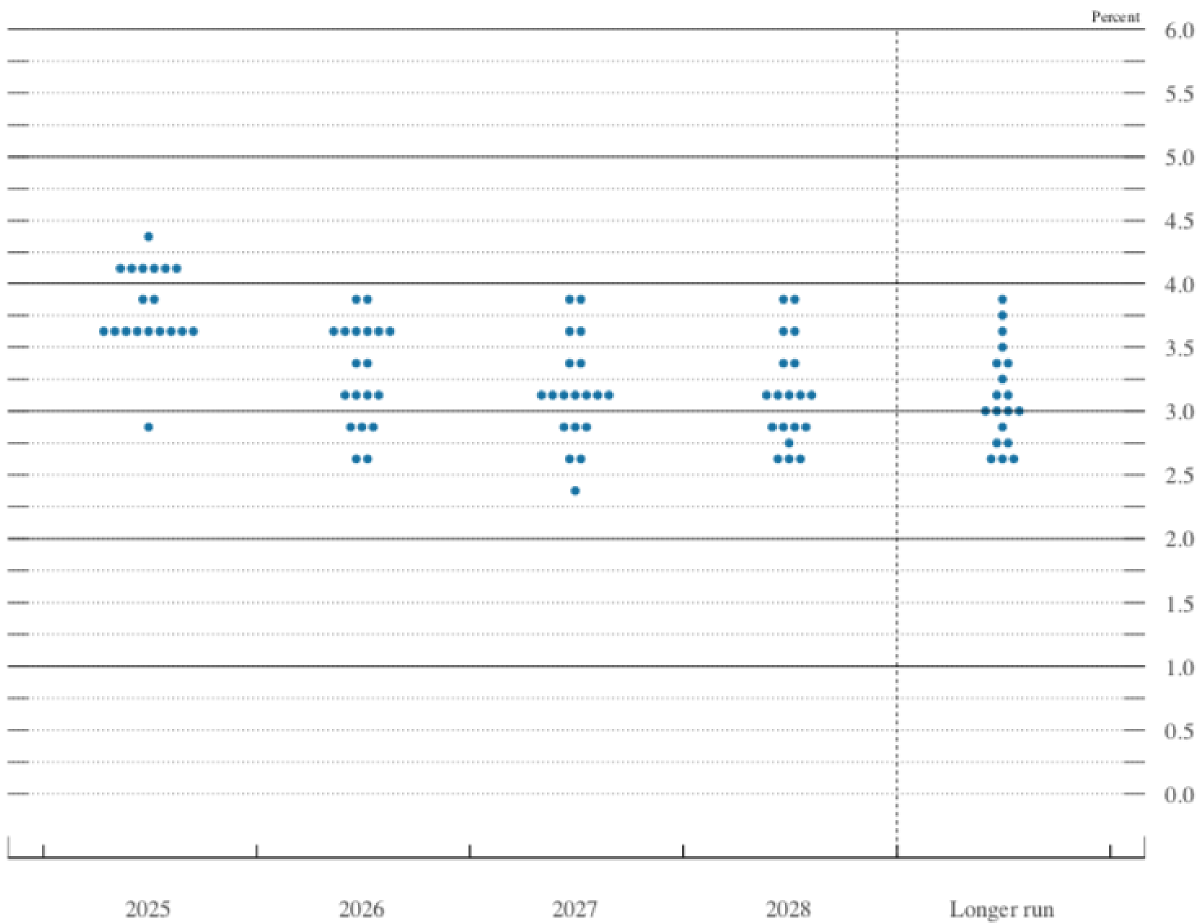
boosted inflation forecast

Source: Federal Reserve, September 17, 2025.

Dot plot

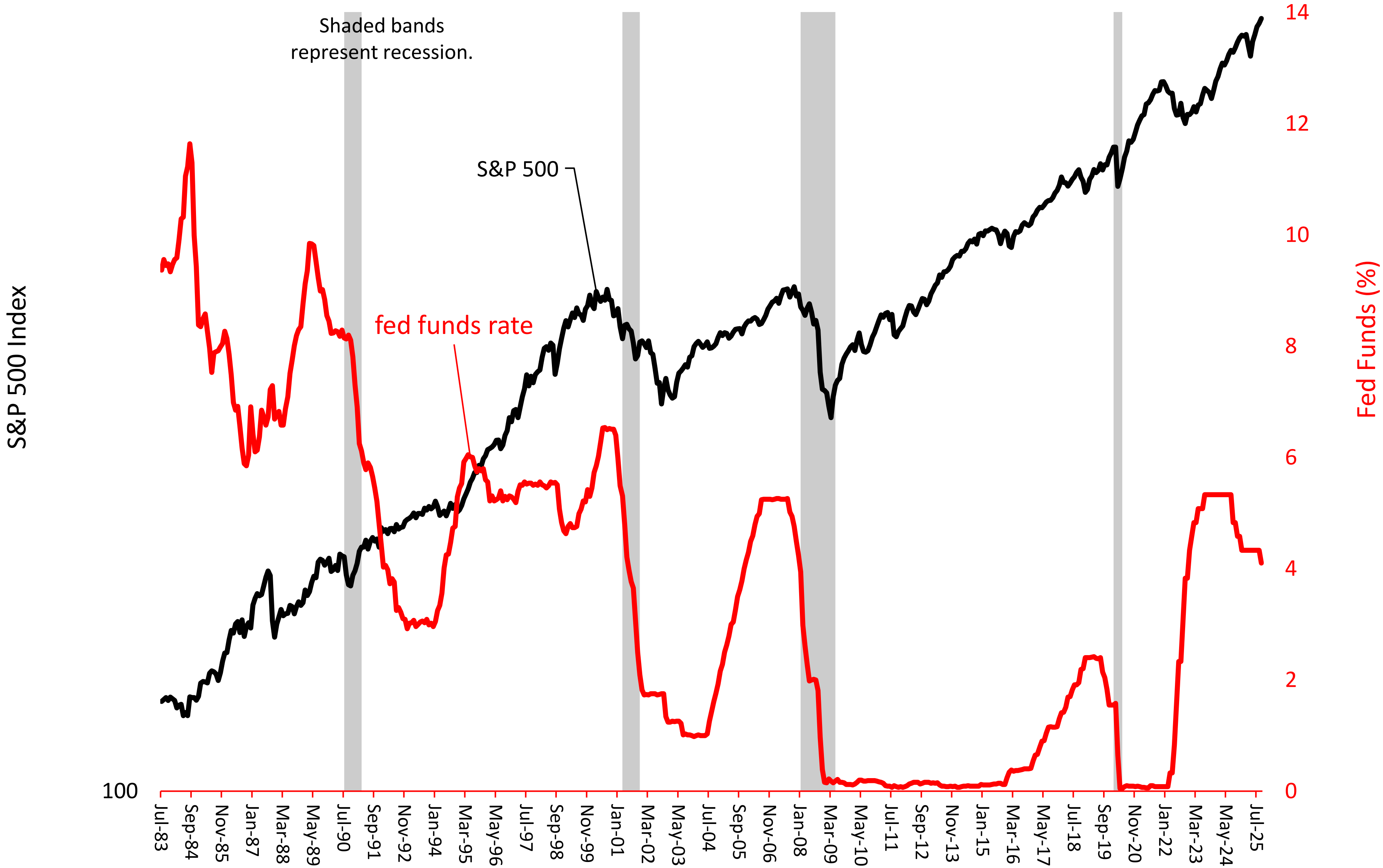
For release at 2:00 p.m., EDT, September 17, 2025

Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



Source: Federal Reserve, September 17, 2025.

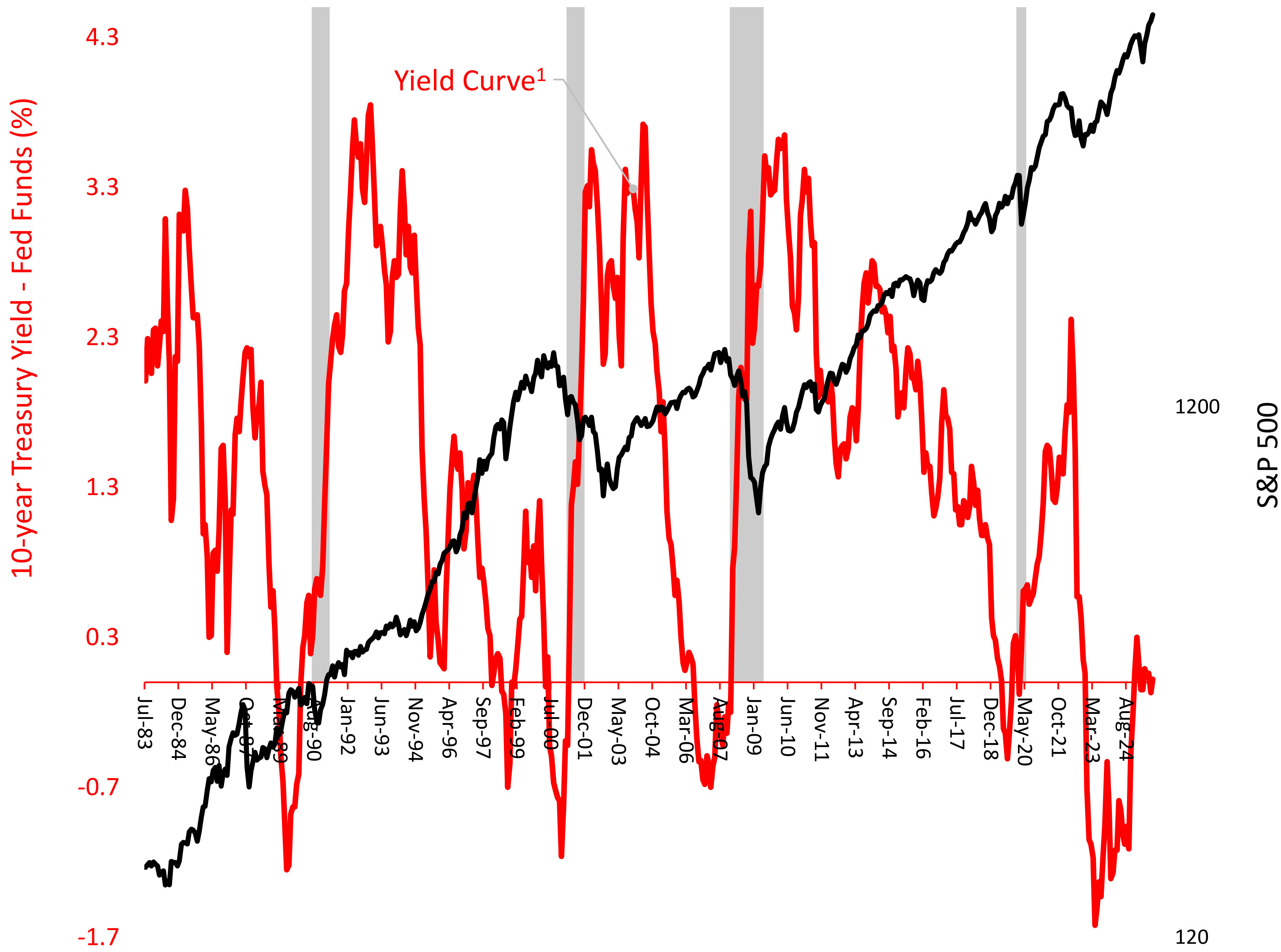
S&P 500 vs. fed funds rate



Sources: Federal Reserve, Standard & Poor's. Data through September 2025.

Federal Reserve policy

Yield curve vs. the S&P 500



When the yield curve has inverted the economy has usually turned down into recession with a lag of a year or more.

<u>Today, the yield curve is dis-inverting</u>.

Sources: NBER, Federal Reserve and Standard & Poor's. Data through September 2025.
[1]The interest rate on the 10-year Treasury bond (long term) minus the fed funds rate (short term).

Inflation

- Year-over-year headline CPI +2.9%, +3.1% core
- Year-over-year headline PCED +2.7%, +2.9% core
- Inflation expectations (TIPS spread)

Tariff price hikes

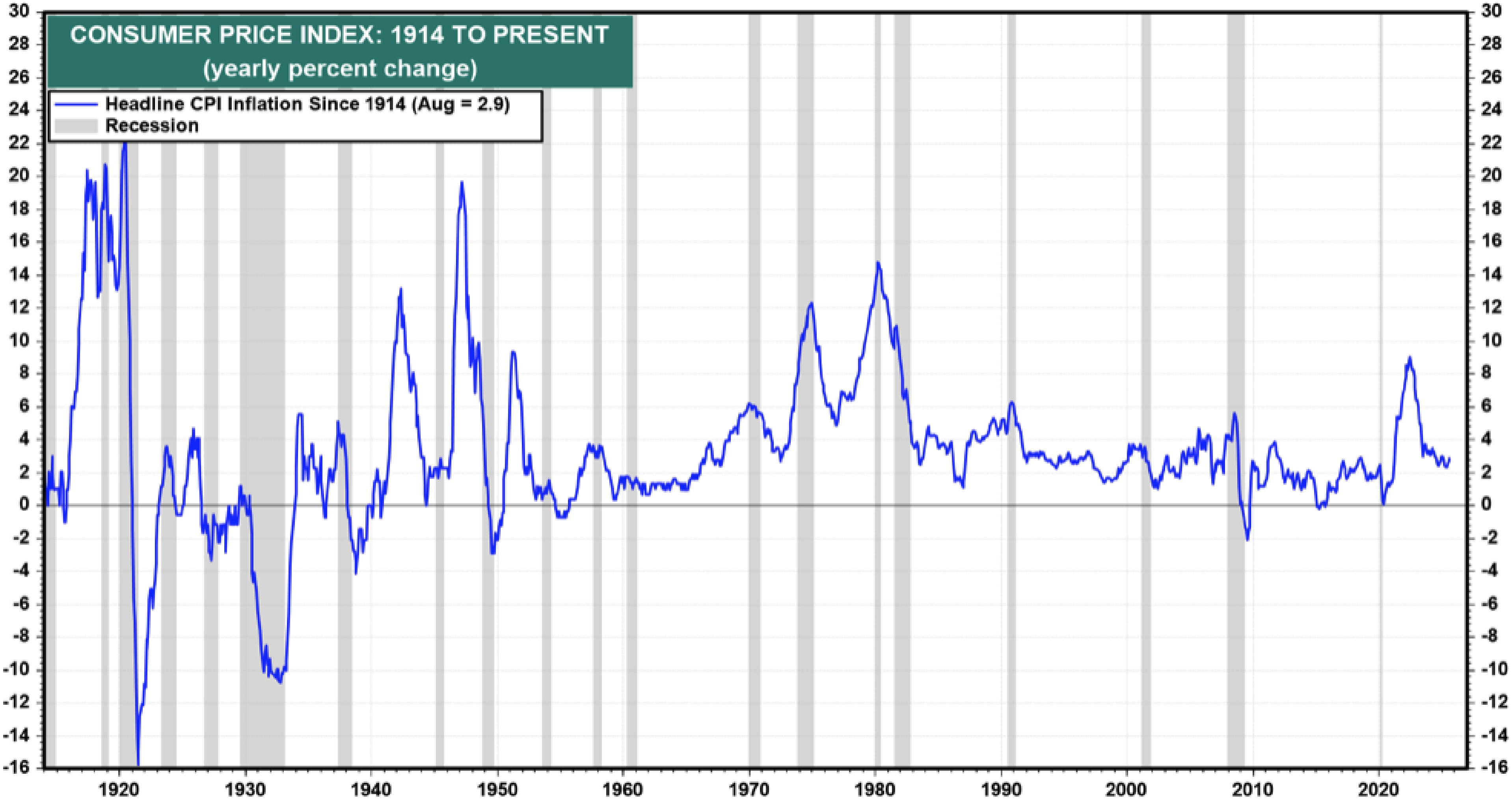
THE WALL STREET JOURNAL.

Companies Plan Price Hikes As Cost of Tariffs Increases

U.S. companies have an unwelcome message for inflation-weary consumers: Prices are going up.

Source: *The Wall Street Journal*, “Companies Plan Price Hikes As Cost of Tariffs Increases”, by Patrick Thomas and Sarah Nassauer, August 29, 2025.

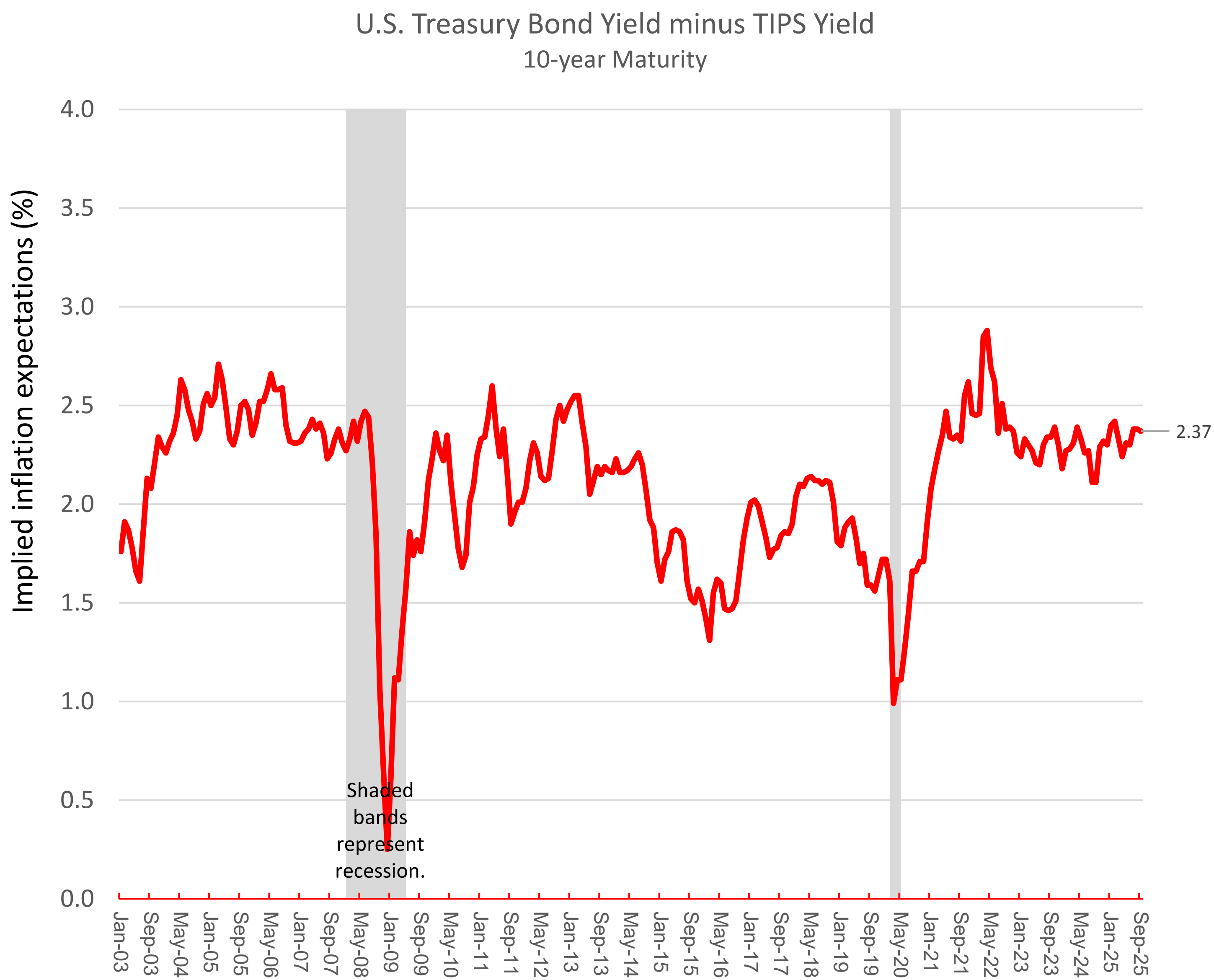
Inflation
CPI



Source: LSEG Datastream and © Yardeni Research.

Source: Yardeni Research, Inc., with permission. September 17, 2025.

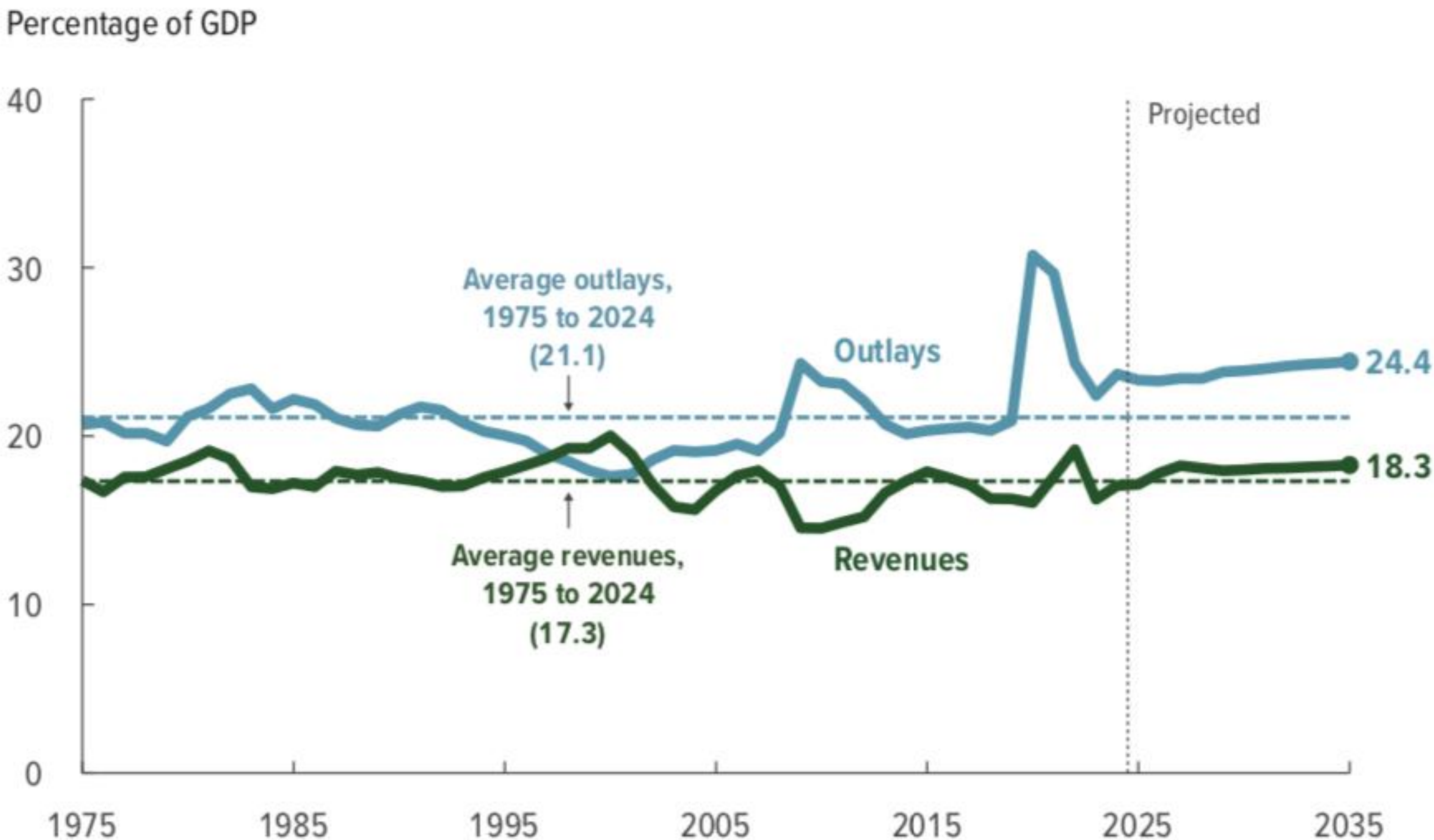
Inflation expectations



The difference between the nominal 10-year Treasury bond yield and the TIPS yield gives the market's opinion for a 10-year inflation forecast.

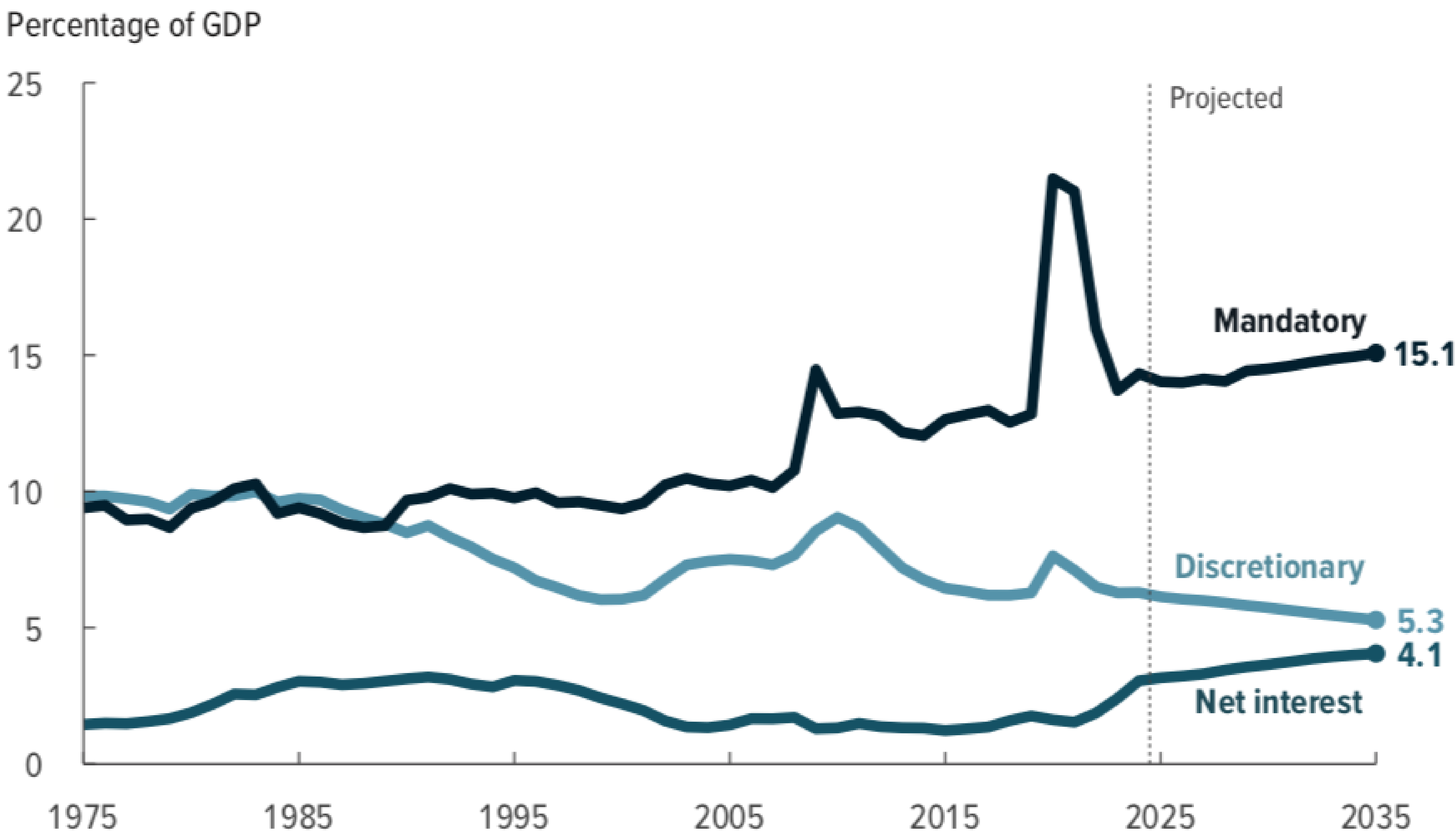
Source: Federal Reserve. Data through September 2025.

Federal revenues and outlays through 2035



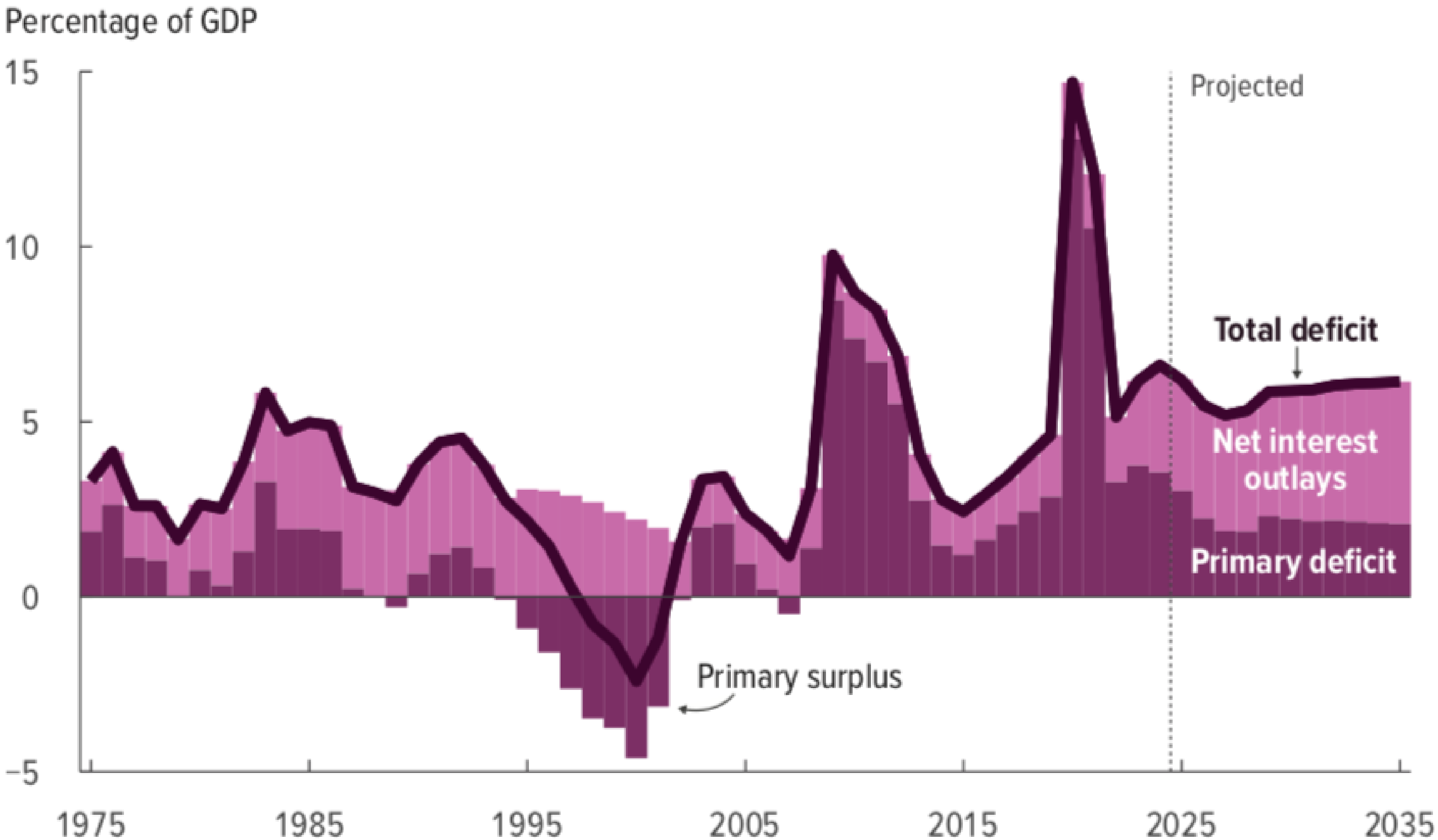
Source: Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035,* released January 2025.

Federal outlays through 2035



Source: Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035,* released January 2025.

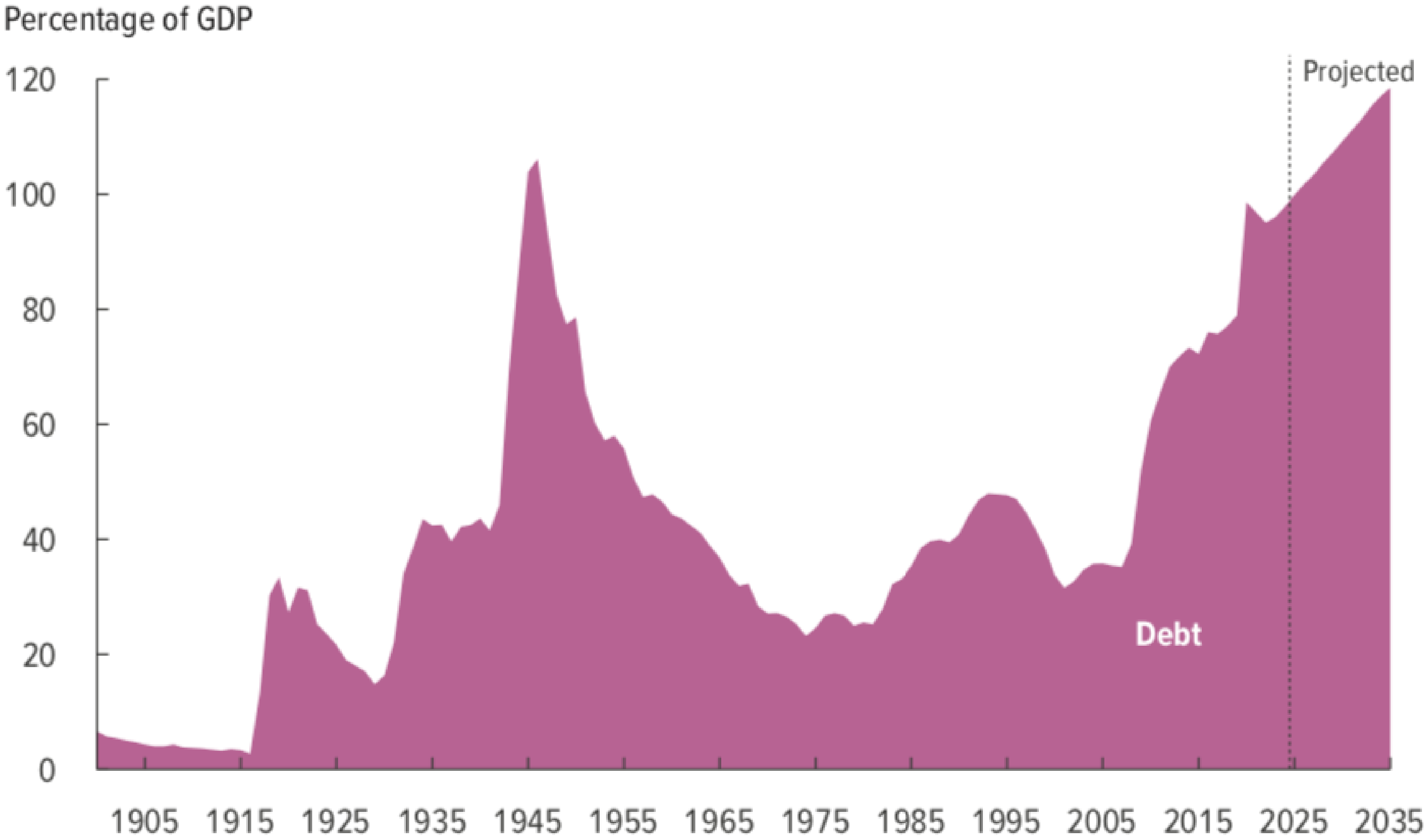
Federal deficits % of GDP though 2035



Net interest becomes the major part of deficits.

Source: Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035,* released January 2025.

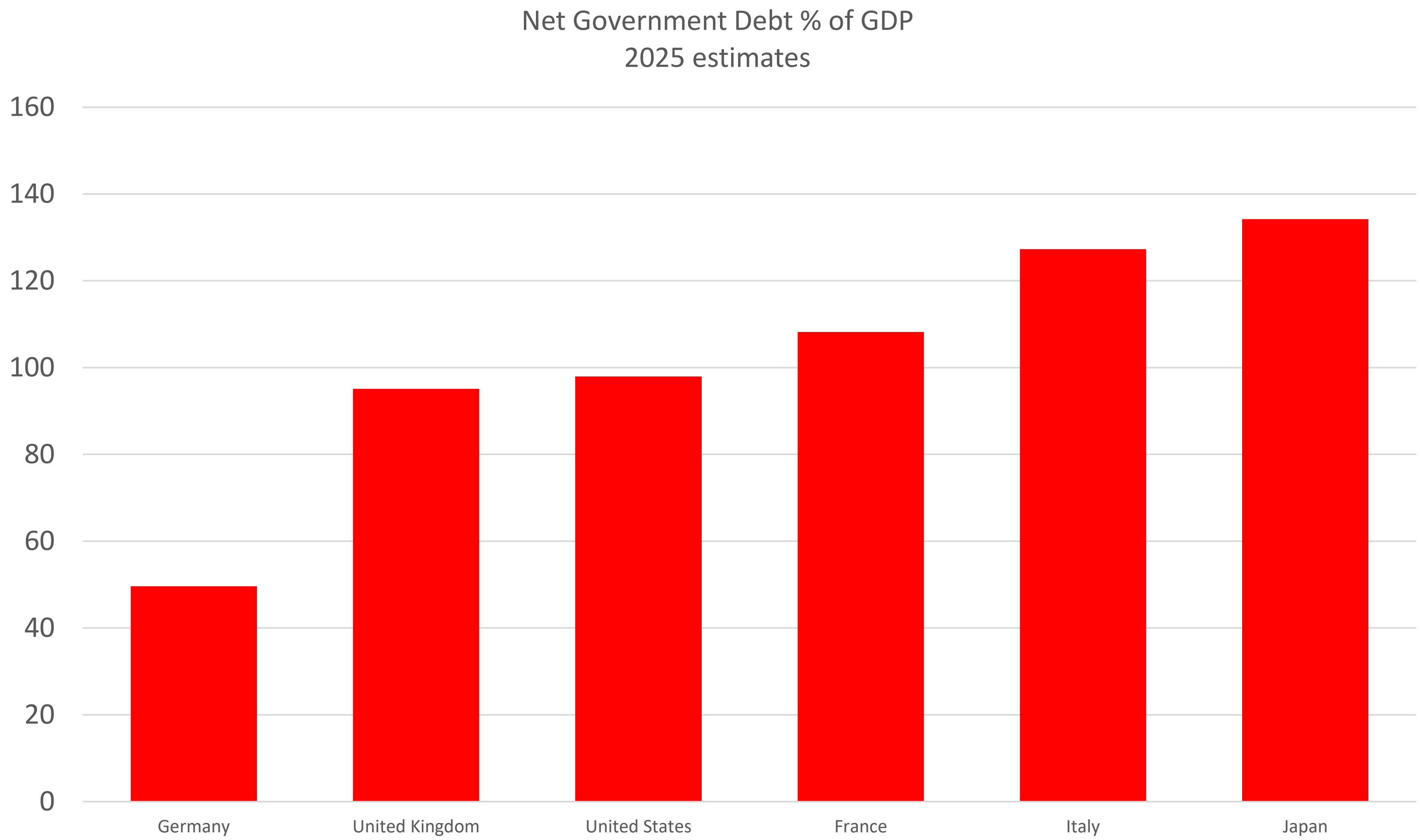
Federal debt % of GDP though 2035



Debt/GDP grows significantly.

Source: Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035,* released January 2025.

Net debt % of GDP selected countries



Source: IMF, *World Economic Outlook database: April 2025*.

THE WALL STREET JOURNAL.

Economic Fallout Will Be Muted at First

The Committee for a Responsible Federal Budget, which advocates for smaller deficits, estimates if the law's various tax cuts and spending increases are made permanent, it would add $5.5 trillion to deficits through 2034, pushing debt to 127% of GDP.

Source: *The Wall Street Journal*, "Economic Fallout Will Be Muted at First", by Paul Kiernan, July 5-6, 2025.

One Big Beautiful Bill Act

"One Big Beautiful Bill Act" Tax Policies: Details and Analysis

July 4, 2025 • 11 min read

By: Garrett Watson, Huaqun Li, Erica York, Alex Muresianu, Alan Cole, Peter Van Ness, Alex Durante

By the end of the budget window, debt-to-GDP would rise by 9.6 percentage points, increasing from 117.1 percent in 2034 without the bill to 126.7 percent in 2034 on a conventional basis with the bill. In the long run, dynamic debt-to-GDP would increase by 13.2 percentage points from 162.3 percent under the baseline to 175.5 percent under the OBBB.

Source: *The Wall Street Journal*, "Economic Fallout Will Be Muted at First", by Paul Kiernan, July 5-6, 2025.

THE WALL STREET JOURNAL.

The Social Security Crisis is Coming

… the Social Security system's trustees in late June sent a signal so alarming that America can't ignore it: Unless lawmakers do something, the system's trust fund will be exhausted in the first quarter of 2033—sooner than earlier reports predicted. The crisis will trigger large cuts in benefits to current and new beneficiaries.

If lawmakers acted tomorrow, restoring Social Security's long-term solvency would require a 22% benefit cut for future beneficiaries, a payroll tax increase to 16%, up from the current 12%, or a combination of benefit cuts and tax hikes.

If we waited until the trust fund was depleted, we would have to cut benefits by nearly 26%, or the payroll tax would have to rise to nearly 17%.

Source: *The Wall Street Journal*, "The Social Security Crisis is Coming" by William A. Galston, July 2, 2025.

Tax hikes coming

THE WALL STREET JOURNAL.

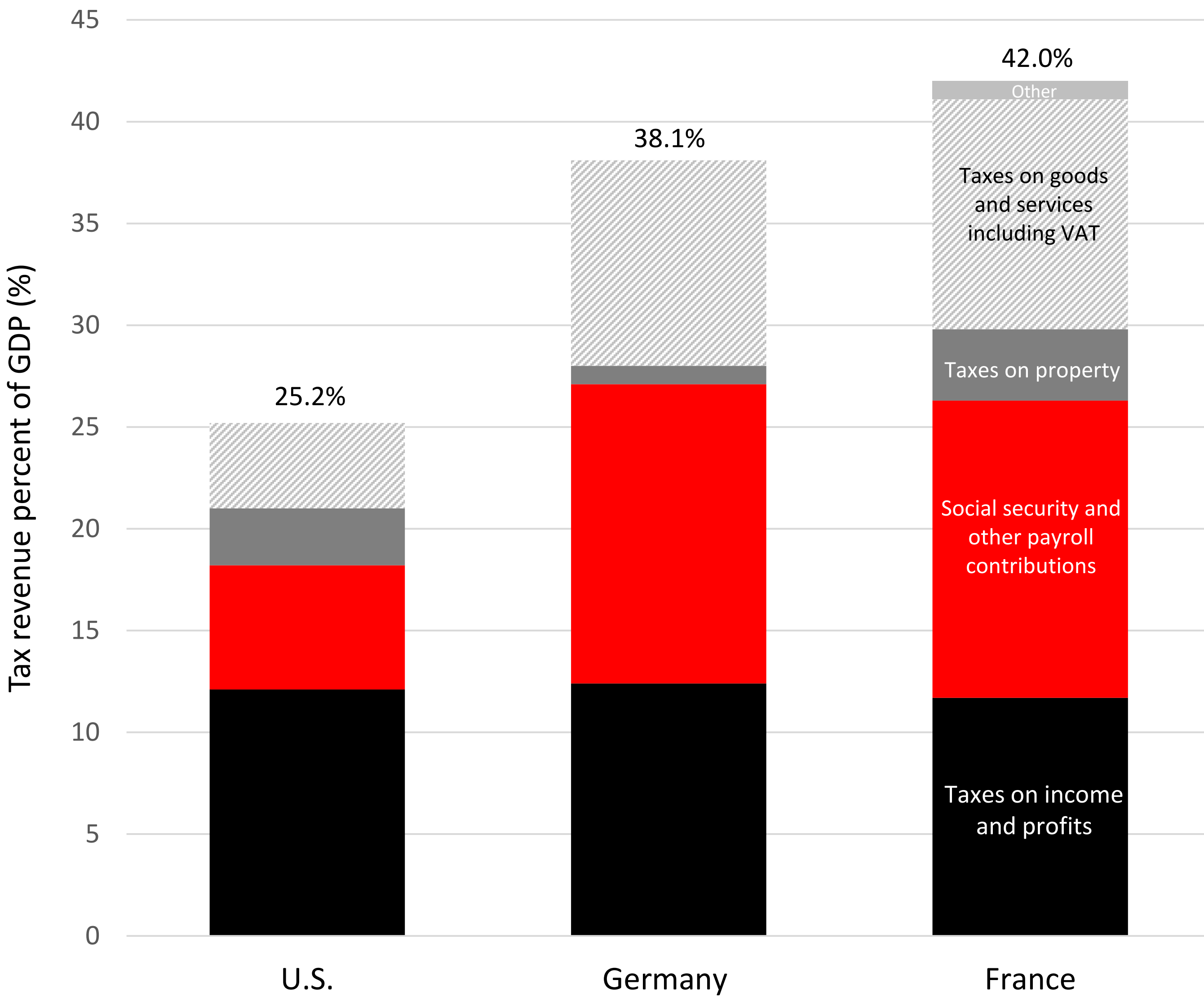
Big Tax Hikes Are Coming

… These demographic and political realities point to the same conclusion: that increased revenue will be needed to secure these programs for the long term. Americans may be reluctant to see their taxes go up, but they will be even less willing to see their Social Security and Medicare benefits go down.

… Unless the actuaries are too pessimistic, the next president will be forced to address this issue, and so will a Congress that by and large has forgotten how to legislate across party lines.

Source: *The Wall Street Journal*, "Big Tax Hikes Are Coming" by William A. Galston, May 21, 2025.

Tax structure U.S. vs. France and Germany



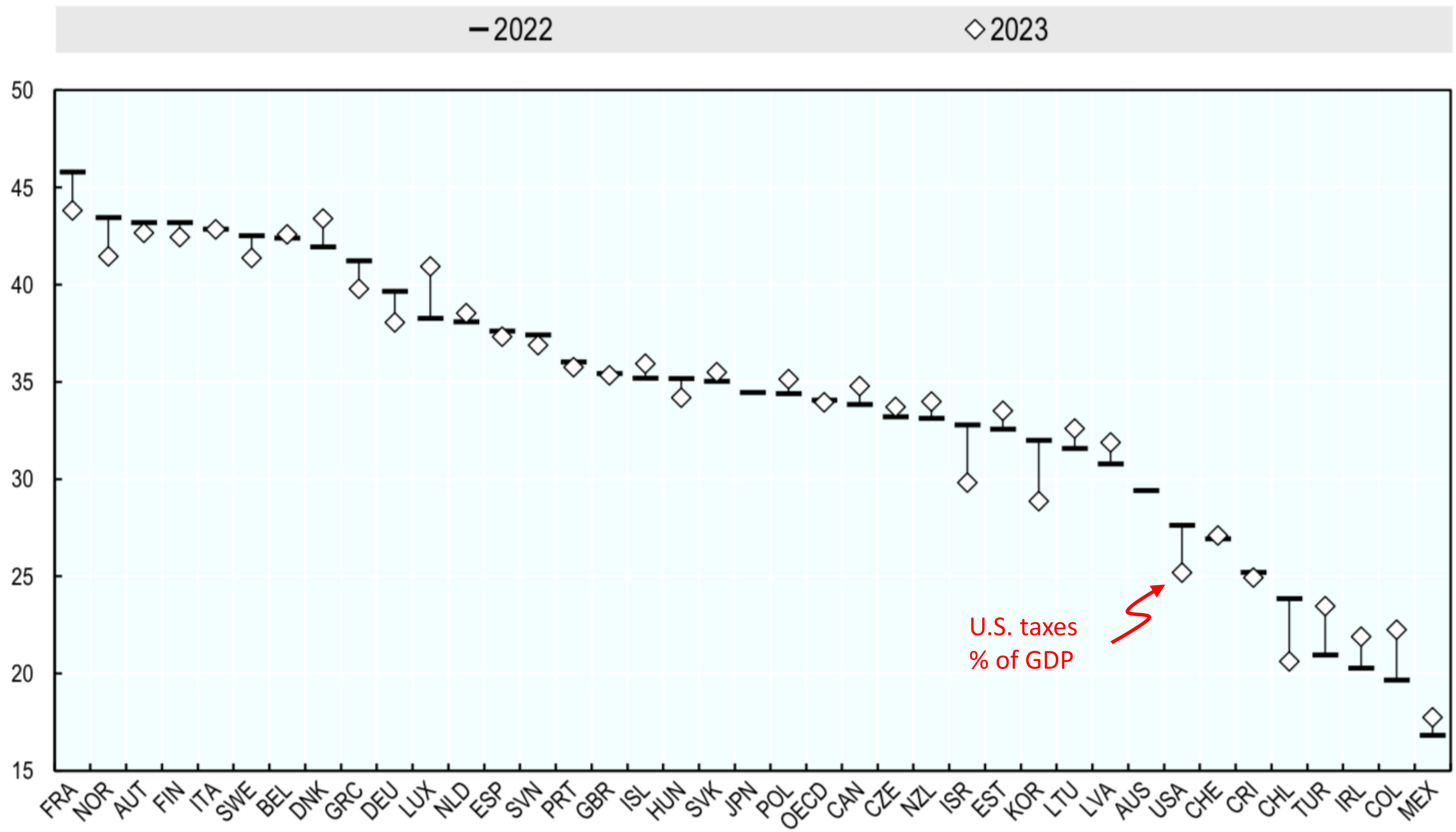
The U.S. has a much lower total tax burden and takes a very different approach to raising tax revenues compared to most other developed economies.

Source: OECD Revenue Statistics 2024. Data for 2023.

Taxes % of GDP – 38 OECD countries

Figure 1.4. Tax-to-GDP ratios in 2022 and 2023p

Percent of GDP



Source: OECD Revenue Statistics 2024.

Important Information

All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision. As with all investments there are associated inherent risks. Please obtain and review all financial material carefully before investing.

The opinions expressed are those of the author, are based on current market conditions and are subject to change without notice.

These materials may contain statements that are not purely historical in nature but are "forward-looking statements." These include, among other things, projections, forecasts, estimates of income, yield or return or future performance targets. These forward-looking statements are based upon certain assumptions, some of which are described herein. Actual events are difficult to predict and may substantially differ from those assumed. All forward-looking statements included herein are based on information available on the date hereof and Fritz Meyer assumes no duty to update any forward-looking statement. Accordingly, there can be no assurance that estimated returns or projections can be realized, that forward-looking statements will materialize or that actual returns or results will not be materially lower than those presented.

Note: Not all products, materials or services available at all firms. Advisers, please contact your home office.