

WEBINAR

2025 Mid-Year Outlook Webinar

A Deep Dive into CNR's Economic and
Investment Outlook

June 26, 2025

Below is a summary, focusing on key insights from the June 26, 2025 Market Update webinar on the economy, financial markets and portfolio implications.

Economic Forecasts

- July forecasts remain unchanged, while consensus has moved closer into CNR’s range.

- GDP growth is expected to remain positive, but it may be weighed down by policy decisions.
- Corporate profits for the year may swing within a wide range, but Q1 results were positive.
- Some inflation pressure is likely to materialize based on the administration’s tariff policy.
- The Fed may cut rates 1-2 times later this year, which may be a tailwind for stocks.
- Structural pressure will likely keep 10-year Treasury yields over 4%.

City National Rochdale Forecasts		2024	CNR 2025 (est.)	Consensus 2025 (est.)
Real Annual GDP Growth		2.5%	1.0% to 1.75%	1.4%
Corporate Profit Growth		9.6%	7.0% to 10.0%	7.5%
Headline CPI Year End		2.9%	3.25% to 3.50%	3.0%
Interest Rates	Federal Funds Rate	4.25% to 4.50%	3.75% to 4.25%	4.05%
	Treasury Note, 10-Yr.	4.57%	4.0% to 4.5%	4.25

Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country’s borders in a specific time period.

e: estimate.

The consumer price index (CPI) measures the monthly change in prices paid by U.S. consumers.

Sources: Bloomberg, FactSet, proprietary opinions based on CNR Research, as of June 2025.
Information is subject to change and is not a guarantee of future results.

Economic Landscape: Growth, Inflation & the Fed

Slowing Global and U.S. Growth

- Economic momentum decelerated in the first half of 2025.
- U.S. GDP expanded modestly (~1-2% annualized), reflecting tightening credit, cautious consumer spending, and reduced business investment.
- Internationally, growth is uneven: Europe lags with weak manufacturing, China is soft-post stimulus, and emerging markets face slower commodity demand and tighter macro conditions.

Inflation Remains Sticky

- U.S. headline inflation has eased from peak levels but hovers ~2-3%.
- Core inflation, excluding food and energy, remains resilient due to higher service prices and sticky wage growth.
- Supply-side constraints persist, with labor tightness and wage pressures particularly in services sectors.

Federal Reserve Policy

- The Fed's June meeting maintained rates in the 5.25–5.50% range, emphasizing data dependency.
- While rate cuts remain on the table, timing hinges on sustained disinflation.
- The Fed signaled patience, likely awaiting inflation to reliably approach its 2% target and greater clarity from implementation of tariffs before easing.

Financial Markets: Cross-Asset Themes

Equities

- U.S. equities are range-bound. Tech and growth sectors rally but face valuation scrutiny.
- Cyclical are under pressure amid slower growth.
- Investor sentiment is cautious, reflecting an elevated uncertainty from tariff policy.

Fixed Income

- High interest rates have increased yield attractiveness, especially in the 5- to 10-year space.
- The Treasury curve has slightly flattened, with short-dated yields reflecting Fed policy and long-dated ones pricing in modest growth.
- Corporate credit spreads remain relatively tight, although funding conditions are gradually tightening.

Credit & Spreads

- Corporate borrowers continue tapping the market, spurred by elevated yields.
- Broader risk appetite remains, though technicals are mixed: supply (issuance) is met with solid demand, particularly from international buyers, but sentiment is fragile.

Commodities

- Oil is stable around \$70-80, driven by OPEC+ supply discipline.
- Gold is supported by inflation and safe-haven demand, though headwinds include cooling inflation and strong dollar.
- The U.S. dollar remains firm, bolstered by Fed policy and global growth disparities.

Portfolio Implications: Strategy & Positioning

Equities

- Favor high-quality, moderate-growth companies with strong free cash flow and pricing power, resilient to rate volatility.
- Selectively overweight value and cyclicals if signs of earnings stabilization appear.
- Proceed cautiously on highly leveraged small caps and speculative names.

Fixed Income

- Consider opportunities in mid-duration Treasuries and investment-grade corporates to lock in current yields.
- Use laddered or barbell strategies to offset duration risk and maintain liquidity.
- Tactical allocation to muni bonds could offer tax-adjusted yield benefits—particularly in higher-tax jurisdictions.

Credit & Alternatives

- In credit, focus on defensive sectors and limited exposure to cyclical defaults.
- Opportunities exist for total-return or multi-strategy credit funds to monetize dislocation.
- Explore alternatives (e.g., private credit, real assets) for potential yield and diversification.

Risk Outlook & Scenarios

Persistent Inflation

- If core inflation remains above target, the Fed may delay cuts, keeping rates higher longer.
- This could pressure risk assets, especially equities and spread products.

Growth Shock (Hard or Soft Landing)

- An unexpected slowdown or recession would push yields lower; equities could correct.
- Fed pivot could offer relief to both rates and credit.

Concluding Themes

- The Fed remains in a data-driven, “higher for longer” posture.
- Elevated yields create strategic yield-capture opportunities in fixed income and credit.
- Equity strategies should tilt toward quality, cash-flow resilient firms.
- Diversification across assets and scenarios is essential amid persistent uncertainty.
- Active communication and scenario-based guidance reinforce client trust and alignment.

Summary

This juncture offers a strategic sweet spot: yields have repriced upward, but earnings drivers remain intact. The key is high-conviction, quality-oriented positioning, with liquidity and tactical hedges, against a backdrop of macro complexity. Scenario planning and client education around inflation uncertainty, Fed transition and policy as pivot remain mission-critical.

Review Your Portfolio with Your Financial Advisor Today

City National Rochdale encourages you to review your investment portfolio with your advisor. Contact our financial professionals today to get help with your wealth planning needs.

Definitions

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Credit risk is the risk that one or more fixed income securities in portfolio will decline in price or fail to pay interest or principal when due because the issuer of the security experiences a decline in its financial status. Credit risk is increased when a portfolio security is downgraded or the perceived creditworthiness of the issuer deteriorates.

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