GOELZER
INVESTMENT MANAGEMENT

Inflation Continues to Rise

April's PCE price index, released last week, showed headline inflation at 3.8% year-over-year, up from 3.5% in March and nearly double the Federal Reserve's target. While an energy-driven increase in headline PCE was expected, the simultaneous rise in Core PCE—which excludes food and energy—to 3.3% year-over-year is notable.

First, rising inflation is eroding wage gains. Real disposable income (wages less inflation) declined 0.5% month-over-month in April, following a 0.2% decline in March. Continued deterioration in real income risks fueling stagflation concerns if this trend persists.

Second, elevated inflation complicates the Federal Reserve's path. Affordability pressures are a key driver of weak consumer sentiment, and several Fed policymakers continue to highlight stubborn inflation. Cleveland Fed President Beth Hammack noted inflation has exceeded the Fed's 2% target for more than five years, underscoring growing policy impatience.

This backdrop—combined with strengthening manufacturing and services activity, partly tied to AI infrastructure buildout—keeps the Fed focused on inflation risks. As a result, the prospect of near-term interest rate cuts remains remote.

Contributions to U.S. Personal Consumer Expenditure (PCE) Price Index

Year-over-Year (%)

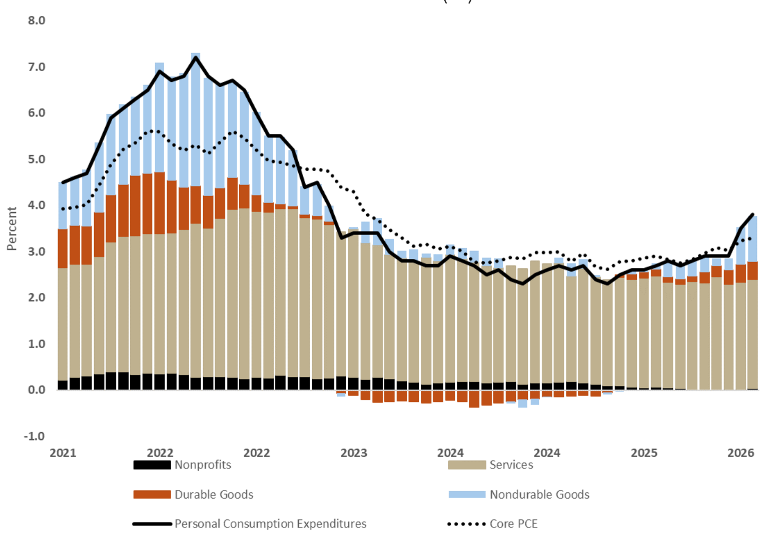


Chart Source: Bloomberg

Economy

Last Week	*This Week*
- Conf. Board Consumer Confidence (May): *93.1 vs. 92.8 one month prior*	***- ISM Manufacturing (May): 6/01***
- Personal Income (Apr): *0.0% MoM vs. 0.6% one month prior*	***- JOLTS (Apr): 6/02***
- PCE Price Index (Apr): *HL 0.4% MoM / 3.8% YoY ex food & energy 0.2% MoM / 3.3% YoY*	***- ISM Services (May): 6/03***
- New Home Sales (Apr): *-6.2% MoM vs. +7.4% one month prior*	***- Payrolls & Unemployment (May): 6/04***

Equities

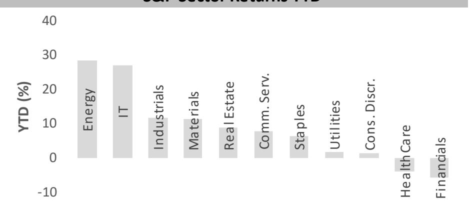
Returns (%)

Index	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	7600	1.71	16.62	11.55	30.09	22.72	14.18
Russell 1000 Growth	5182	3.02	20.82	9.01	29.58	25.53	15.86
Russell 1000 Value	2332	0.49	11.08	13.38	28.18	18.55	10.41
FTSE High Dividend Yield*	585	0.33	7.51	11.61	26.55	18.62	11.48
S&P Small and Mid Cap	20784	1.14	10.75	13.90	28.09	15.41	7.27
MSCI EAFE	3088	-1.22	9.93	8.77	22.35	17.42	9.09
MSCI EM	1773	3.65	27.40	27.25	57.01	25.10	8.06

Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield
S&P 500	19.5	15.8	1.1
Russell 1000 Growth	23.9	18.2	0.5
Russell 1000 Value	16.0	13.7	1.8
FTSE High Dividend Yield*	13.0	13.1	3.7
S&P Small and Mid Cap	14.7	15.3	1.8
MSCI EAFE	14.9	13.5	2.9
MSCI EM	10.9	11.1	2.2

S&P Sector Returns YTD



** Bloomberg U.S Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.*

Fixed Income

Returns (%)

Index	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.70	0.76	0.35	0.30	5.06	4.02	0.17
U.S. Int. Gov/Credit	4.37	0.49	0.23	0.20	4.02	4.45	1.20
U.S. Corporates	5.16	0.91	1.15	0.61	6.03	5.37	0.63
High Yield	7.01	0.49	2.13	1.63	7.51	9.03	4.34
Municipals (1-10)	3.14	0.72	0.88	0.64	4.86	3.41	1.27

Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	4.03	4.03	3.80	3.48	3.95	4.34	0.15
10-yr Treasury	4.45	4.49	4.32	4.17	4.46	3.60	1.59
30-yr Treasury	4.97	5.02	4.91	4.85	4.98	3.82	2.27
SOFR	3.65	3.63	3.68	3.87	4.32	5.08	
6-mo. CD rate	3.81	3.85	3.84	3.62	4.37	5.55	0.15
Prime Rate	6.75	6.75	6.75	6.75	7.50	8.25	3.25
30-yr fixed mortgage	6.46	6.60	6.48	6.25	6.94	6.98	3.10

Data as of 5:05 PM ET, June 2, 2026. Returns through June 1, 2026.