

*August 28, 2025*

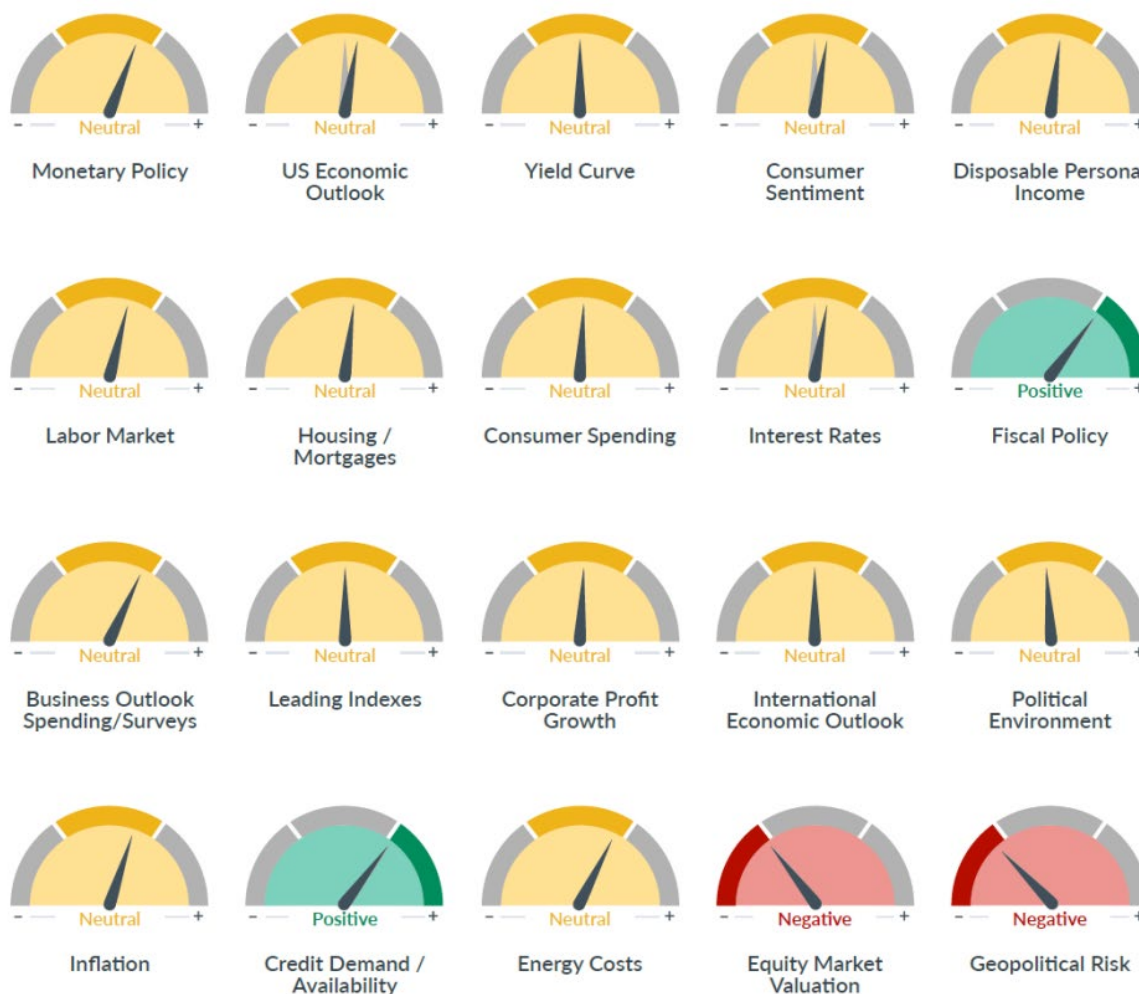
# Market Update Webinar

# CNR Speedometers® – August 2025

## Economic and Financial Indicators That Are Forward-Looking Six to Nine Months

- The global outlook for growth remains dynamic as impacts from tariffs are now materializing.
- The Federal Reserve is expected to cut rates in Sept due to potential labor market weakness. Inflation has started to materialize in parts of the supply chain, challenging their mandate.
- Consumer financials remain healthy, and sentiment is firming, but aggregate spending has slowed.
- Government stimulus through deregulation and tax policy is expected in early 2026.
- U.S. stock valuations are well above average as the S&P500 makes new highs.
- Markets have become less sensitive to unexpected policy announcements.

### Impact on Economy and Financial Markets



Impact on investment: ■ Positive ■ Neutral ■ Negative | Timeframe: ■ Current ■ Change from last month

Source: Proprietary opinions based on CNR Research, as of August 27, 2025. Information is subject to change and is not a guarantee of future results

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# Economic Forecasts

- The low-end of CNR’s growth forecast has been revised higher and expectations across profit growth, inflation and interest rates are stable.
- The near-term GDP growth outlook has improved despite elevated uncertainty.
- Corporate profits for the year continue to exceed forecasts and corporate margins remain high.
- Inflation pressure has arrived 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%	1.25% to 1.75%	1.55%
Corporate Profit Growth		9.6%	7.0% to 10.0%	8.5%
Headline CPI Year End		2.9%	3.25% to 3.50%	2.84%
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%	4.29

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 August 2025. Information is subject to change and is not a guarantee of future results.

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# Russia and Ukraine

- The advantage in the conflict appears to be shifting in Russia’s favor, complicating cease fire discussions.
- In 2025, Europe has contributed the most aid to Ukraine, a shift from the 2022-2024 period, over which the U.S. contributed the majority.
- The five largest economies in Europe will need to spend at least \$2.3 trillion on defense by 2035 to reach the 3.5% of GDP target for purchases of military equipment, much of which will come from the U.S.

## Gaps in U.S. and Russian Positions on Ukraine

	Ukraine	Russia	Europe	US
<b>Territory</b>	Pre-war borders de jure; current line of contact de facto	South and east of Ukraine de jure	Pre-war borders de jure; current line of contact de facto	Current line of contact de facto; potential Russian Crimea de jure
<b>Security</b>	NATO	No NATO	Defense force (post ceasefire)	No NATO
<b>Aid</b>	US + Europe	Oppose	Europe-funded; Europe and US supplied	Europe-funded

Green: Outcomes favorable for Ukraine  
 Yellow: Outcomes are neutral  
 Blue: Outcomes favorable for Russia

## Is the Advantage Shifting?

Indicator:	Ukraine		Russia	
	Level	Direction	Level	Direction
Financing	●	↔	●	↔
Manpower	●	↓	●	↔
Firepower	●	↔	●	↔
Morale	●	↓	●	↓
Territorial Control	●	↓	●	↑

As of August 21, 2025

Sources: Bloomberg Economics and CNR Research.

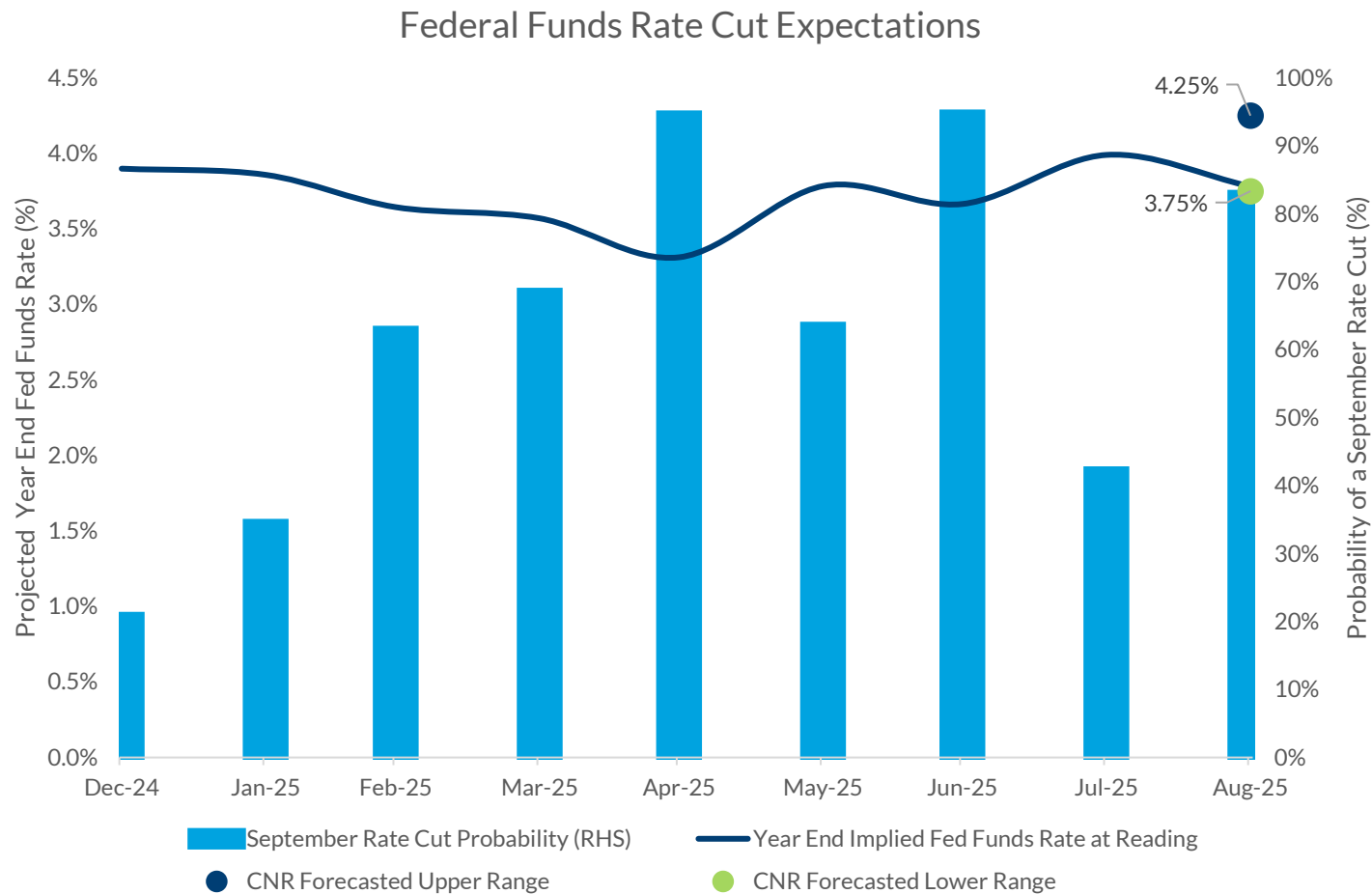
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# Federal Funds Rate Expectations

- Following comments from Fed Chair Jerome Powell at the Jackson Hole Symposium, markets are now expecting the FOMC to cut interest rates at its September 17th meeting.
- While expectations for a cut have increased, we remain concerned about the inflationary impulse across the economy, which may impact the FOMC's decision.



As of August 26, 2025.

Sources: Bloomberg and CNR Research.

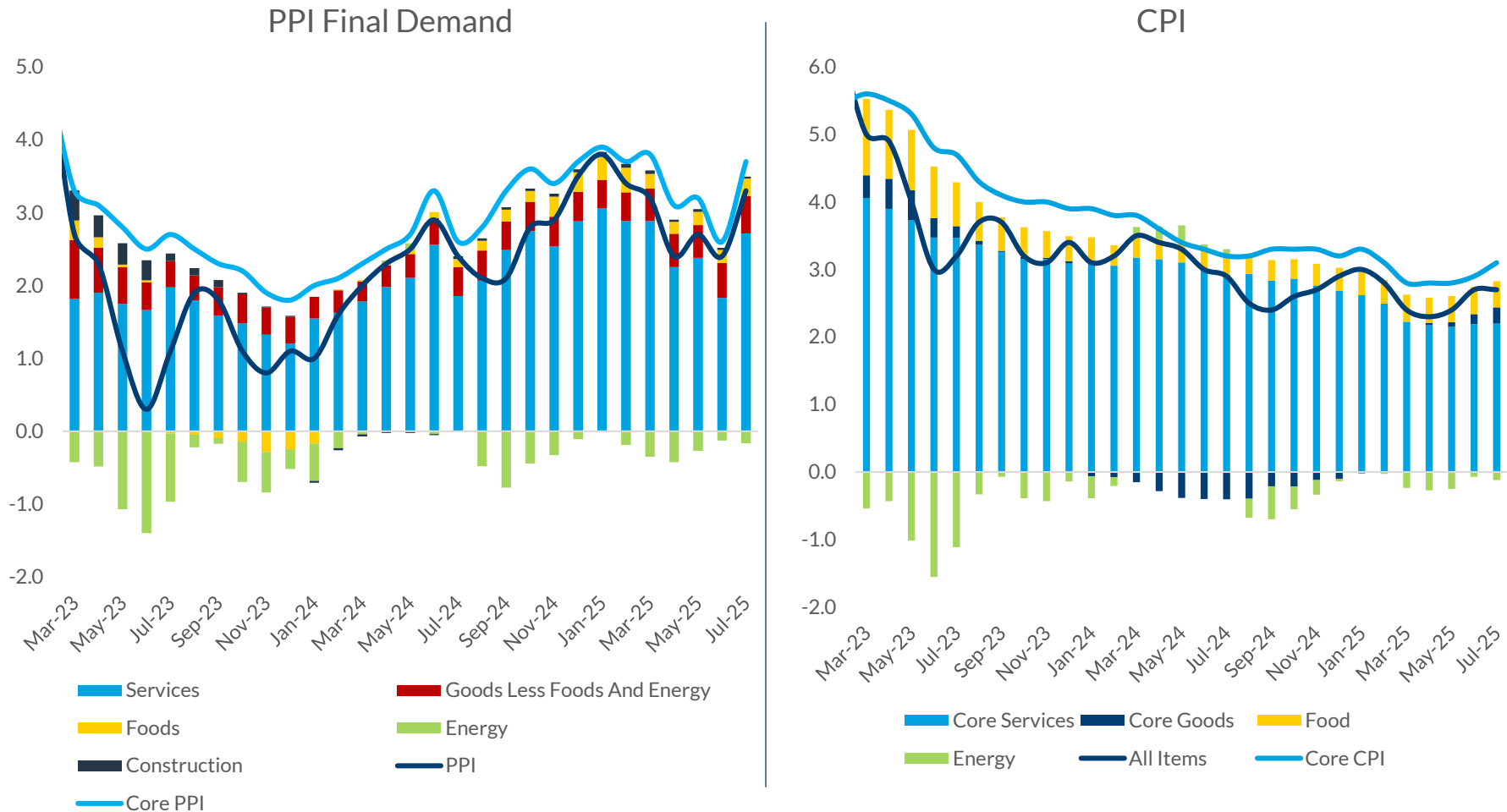
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# Producers and Consumers: Inflation Drivers

- Producer prices tend to lead consumer inflation and recent data points to a jump in corporate input costs.
- We believe this is a better coincident indicator of the inflation pass-through relative to CPI which can lag.



As of August 25, 2025.

Sources: Bureau of Labor Statistics

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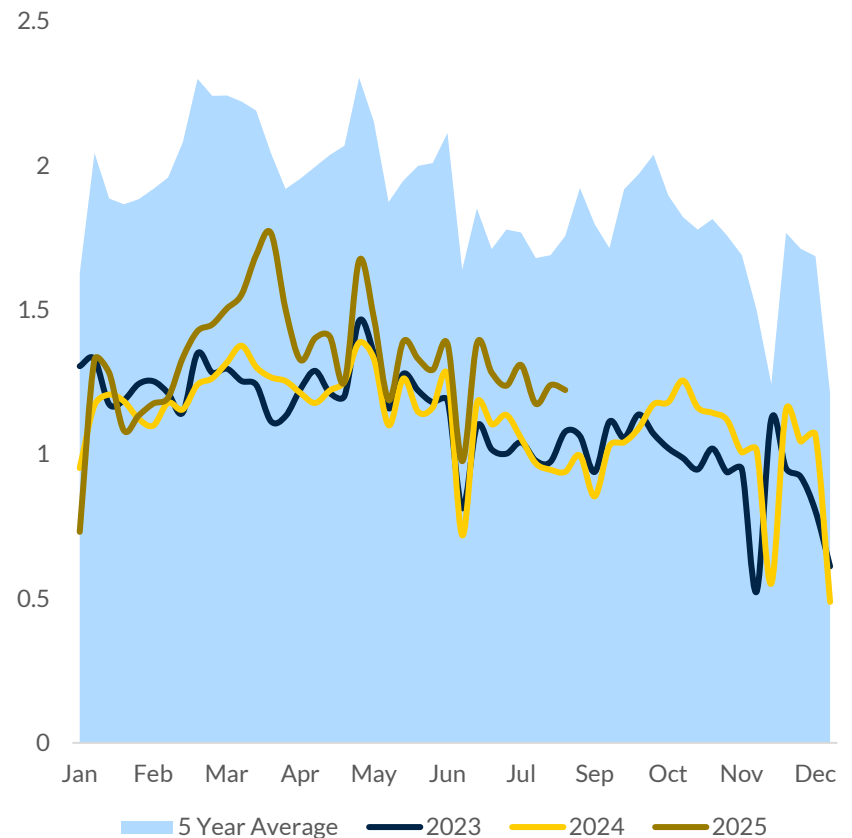
# Trucking Through It

- Despite elevated prices from inflation and tariffs, the volume of truck loads in 2025 remains elevated.
- The level of goods being shipped is inline with historical periods, illustrating stable consumer demand (outside of front loading from 2018 tariffs, and pent-up demand in 2021 and 2022).

National Truck Load Availability (millions)



National Truck Load Availability (Millions)



As of August 27, 2025.

Truck load availability is the volume of truck loads of goods (dry and refrigerated) that are available to be shipped.

Sources: Truckstop.com

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# Tariff Pass-Through Tracker: Who's Absorbing What?

- In July consumers absorbed more price increases than retailers or exporters. This indicates that despite the delay of tariffs to August 1<sup>st</sup> from July 9<sup>th</sup>, prices are starting to rise.
- The tariff absorption is likely to be concentrated in consumers, but it is NOT 1:1, as retailers reduce profit margins by absorbing some cost pressure from tariffs.

	Who is feeling the Tariff Pain: % Inflation Impact by Key Channel							Change Since Last Month		
	Exporter	Retailer	Consumer	Total % Absorbed	Est. Tariff % Increase	% Absorbed	% Remaining	Exporter	Retailer	Consumer
Furniture	-0.1	0.0	2.4	1.7	14.8	11%	13.10	-0.2	0.0	0.8
Computers	0.3	2.2	2.1	4.6	17.5	26%	12.89	0.2	2.2	-1.4
Apparel	0.9	0.0	-0.1	0.8	12.9	6%	12.07	-1.8	0.0	-0.3
Footwear	-0.2	0.0	1.1	0.9	12.9	7%	11.95	-0.6	0.0	1.6
Toys & Games	0.7	5.2	3.7	9.6	19.2	50%	9.59	0.1	-3.5	1.3
Autos	1.0	0.0	-0.6	0.4	8.2	5%	7.81	0.8	0.0	-0.1
Cleaning Products	0.0	0.0	0.5	0.5	6.7	8%	6.17	-0.7	0.0	-0.2
Office Supplies	0.8	1.5	-0.8	1.5	6.9	22%	5.34	-0.7	-1.8	-0.3
Sporting Goods	0.4	0.0	2.8	3.1	8.4	37%	5.26	0.1	0.0	1.0
Audio & Video Equipment	1.7	4.0	3.3	9.0	13.5	67%	4.50	1.5	-0.1	1.1
Personal Care Products	1.4	1.1	-0.1	2.4	6.7	36%	4.27	-1.0	1.1	-0.1
Major HH Appliances	-0.7	0.0	5.3	4.7	7.0	66%	2.37	-0.2	0.0	-0.4
Auto Parts	0.0	0.0	2.1	2.1	4.1	51%	2.03	-0.1	0.0	0.9
Garden Equipment	-1.0	8.9	2.5	10.4	8.3	100%	0.00	0.2	0.9	1.9

A higher number (darker grey) indicates the respective channel is absorbing more of the tariff in the form of lower export prices, reduced retail margins, or higher consumer prices. The remaining is the amount that is unexplained by these channels due cost being absorbed elsewhere or the impact has yet to be realized.

Sources: WOLFE Research Haver Analytics as of 7/31/2025, assumes Section 232 tariffs.

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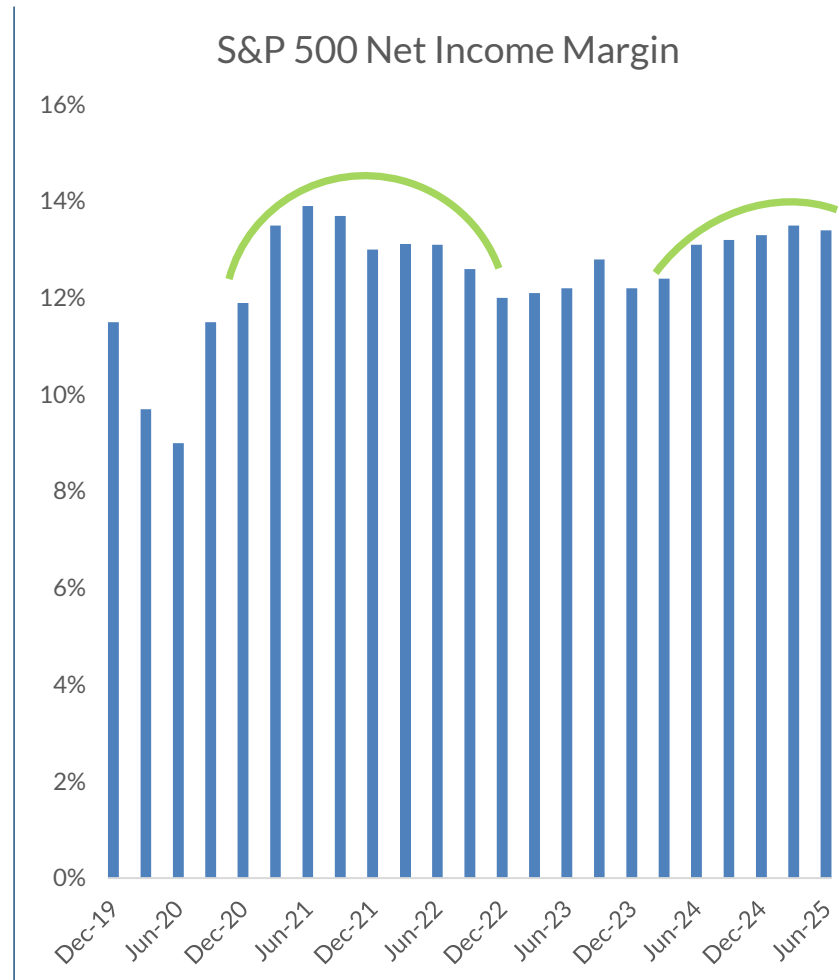
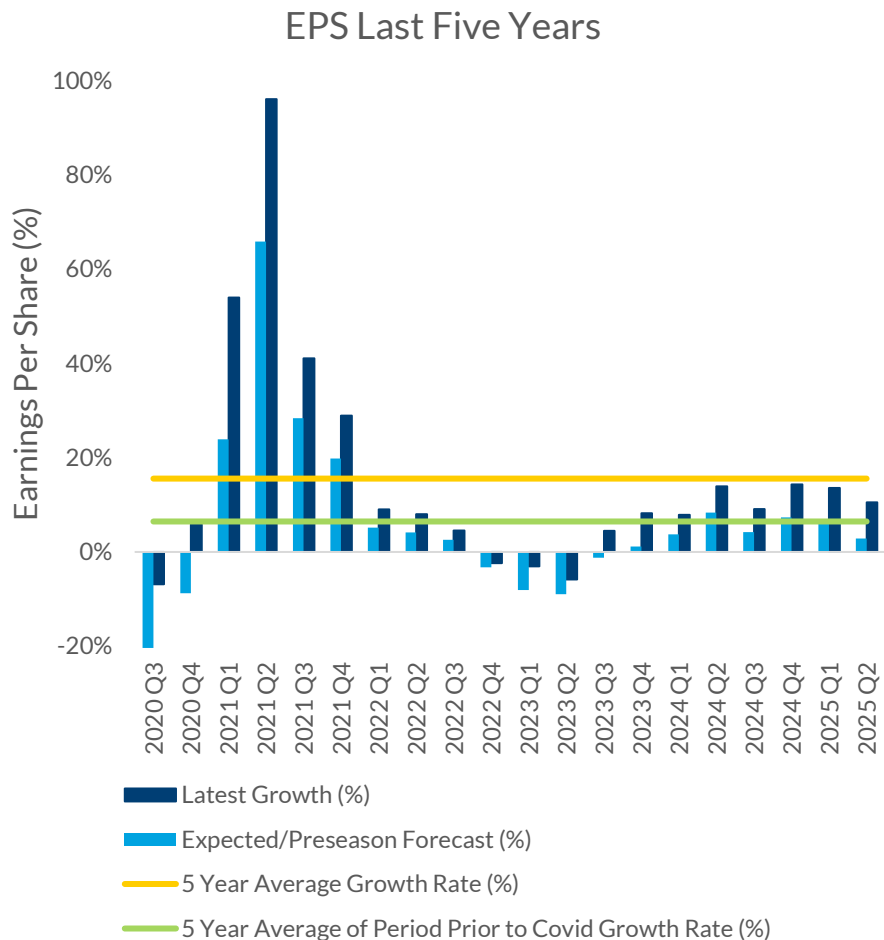
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# Corporate Earnings And Margins Are Strong

- Earnings continue to surprise above expectations and margins are solid, but the bar was low for Q2.
- We expect elevated earnings this year but acknowledge that the overall pace is slowing.



As of August 27, 2025

Sources: Bloomberg and CNR Research

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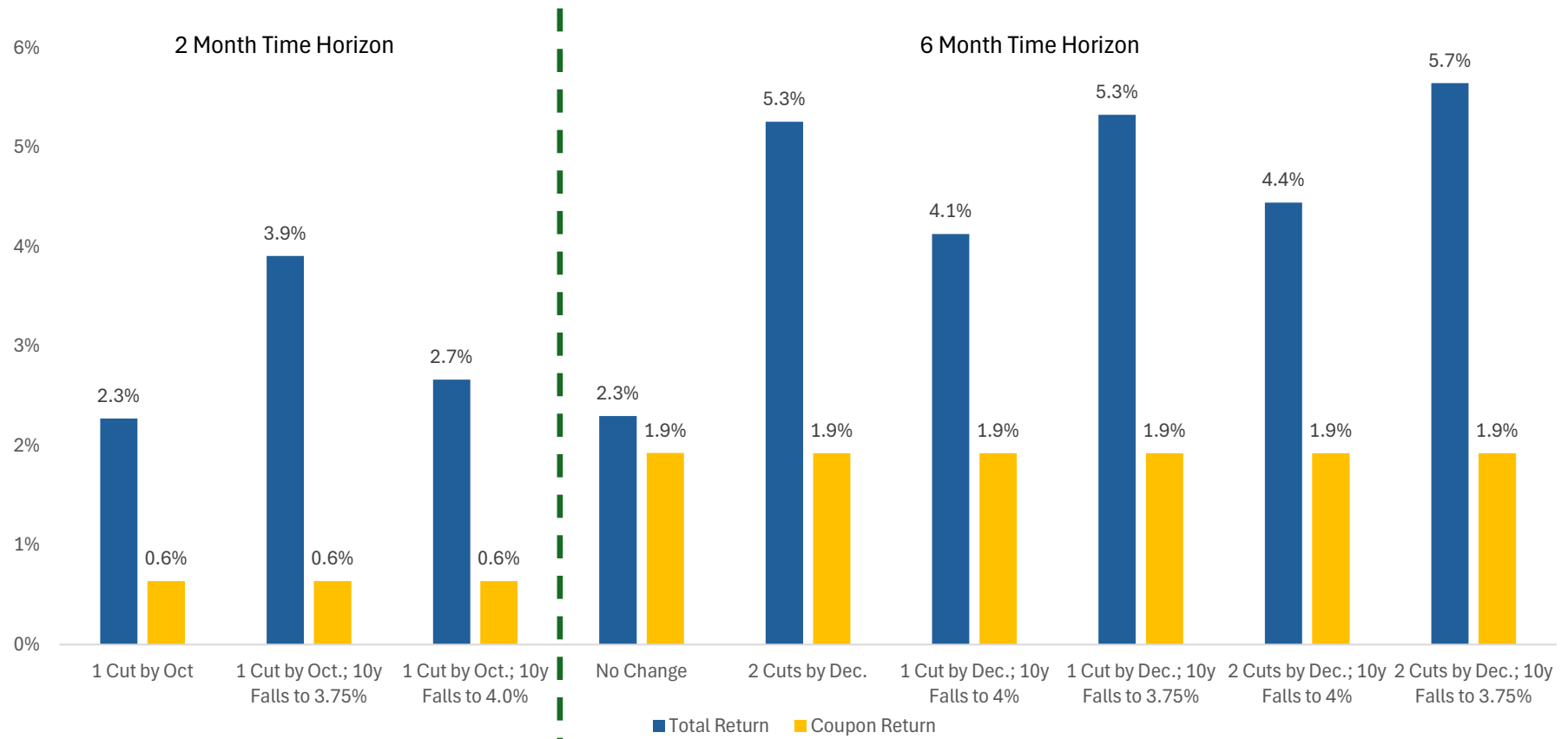
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# The Bond Market May Continue To Surprise

- The outlook for the bond market has improved based on the increased probability of a FOMC rate cut.
- With a potential drop in long-term yields on the horizon, prices could rise on top of elevated coupon returns.

US 10-Year Treasury Scenario Analysis



As of August 25, 2025.

We ran Investortools Perform interest rate scenarios whereby we make simple adjustments to the tenors along the yield curve and produce expected return based on those interest rate manipulations.

Sources: Investortools Perform and CNR Research

Information is subject to change and is not a guarantee of future results.

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# Key Takeaways

- Despite a slower-than-expected pace, the economy is gaining momentum, with some key indicators showing promise for the future.
- A potential ceasefire and peace agreement between Russia and Ukraine, facilitated by US and European leaders, could have a positive impact on global markets as we approach 2026.
- Inflation is starting to appear in producer prices, which will likely be passed on to consumers, but the flow of goods through the economy remains robust, outpacing the previous two years.
- Economic activity remains healthy, with businesses and consumers adapting to the effects of tariffs, although it's clear that consumers are shouldering much of the cost.
- The equity market is nearing its year-end targets, prompting us to exercise caution due to high expectations, lower earnings growth and a potential peak in profit margins. However, potential FOMC cuts help to offset these concerns.
- The bond market is well-positioned ahead of the September Fed meeting. If the FOMC cuts, it could be a medium-term boost for fixed income returns.

Data current as of August 2025.  
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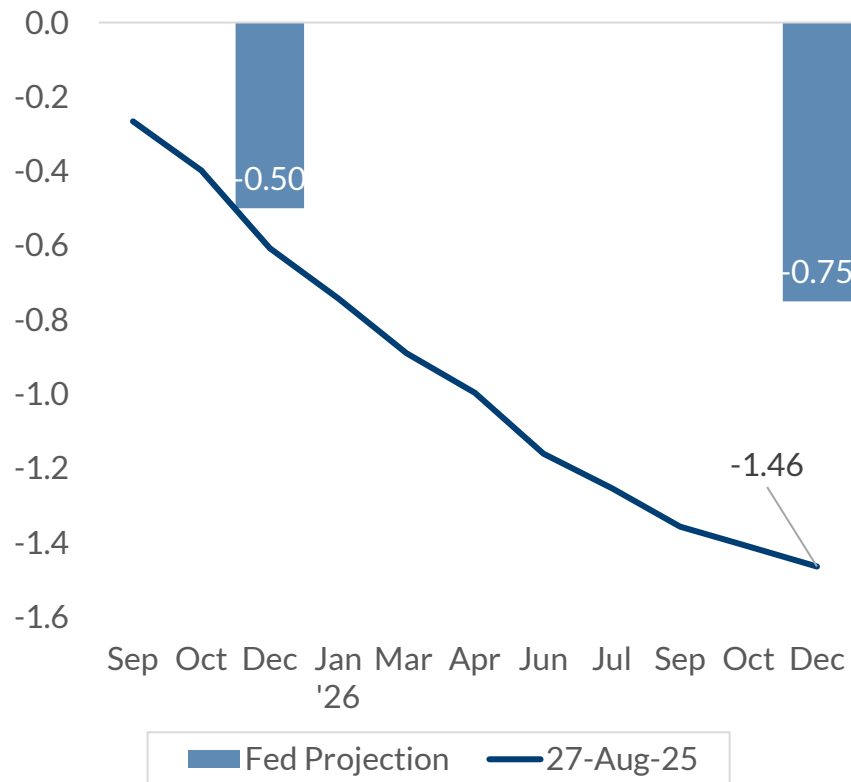
# Economics



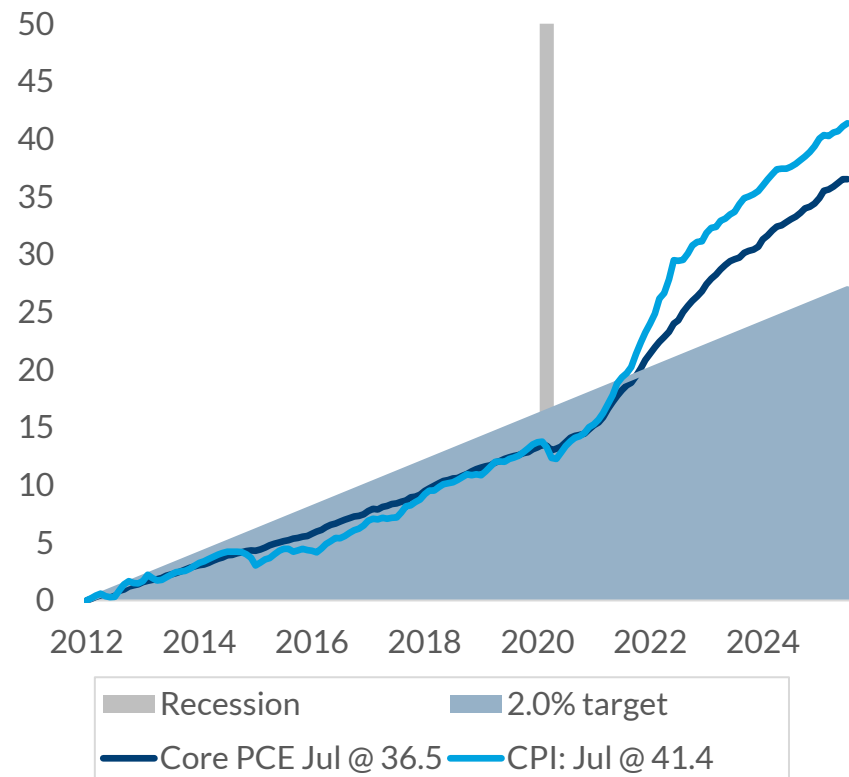
# The Fed – Powell Struck a Near-Term Dovish Tone

- The Fed is shifting focus toward the employment side of its dual mandate.
- Recent data suggests that labor demand is slowing alongside an increase in the supply of workers.
- The monetary policy framework is back to targeting price stability at 2.0%.

Federal Funds Futures:  
Change from Current Level  
%, implied rate at upcoming FOMC meetings



Inflation & Fed Target Inflation  
% indexed at 0.0 on January 2012,  
seasonally adjusted



Data current as of August 28, 2025

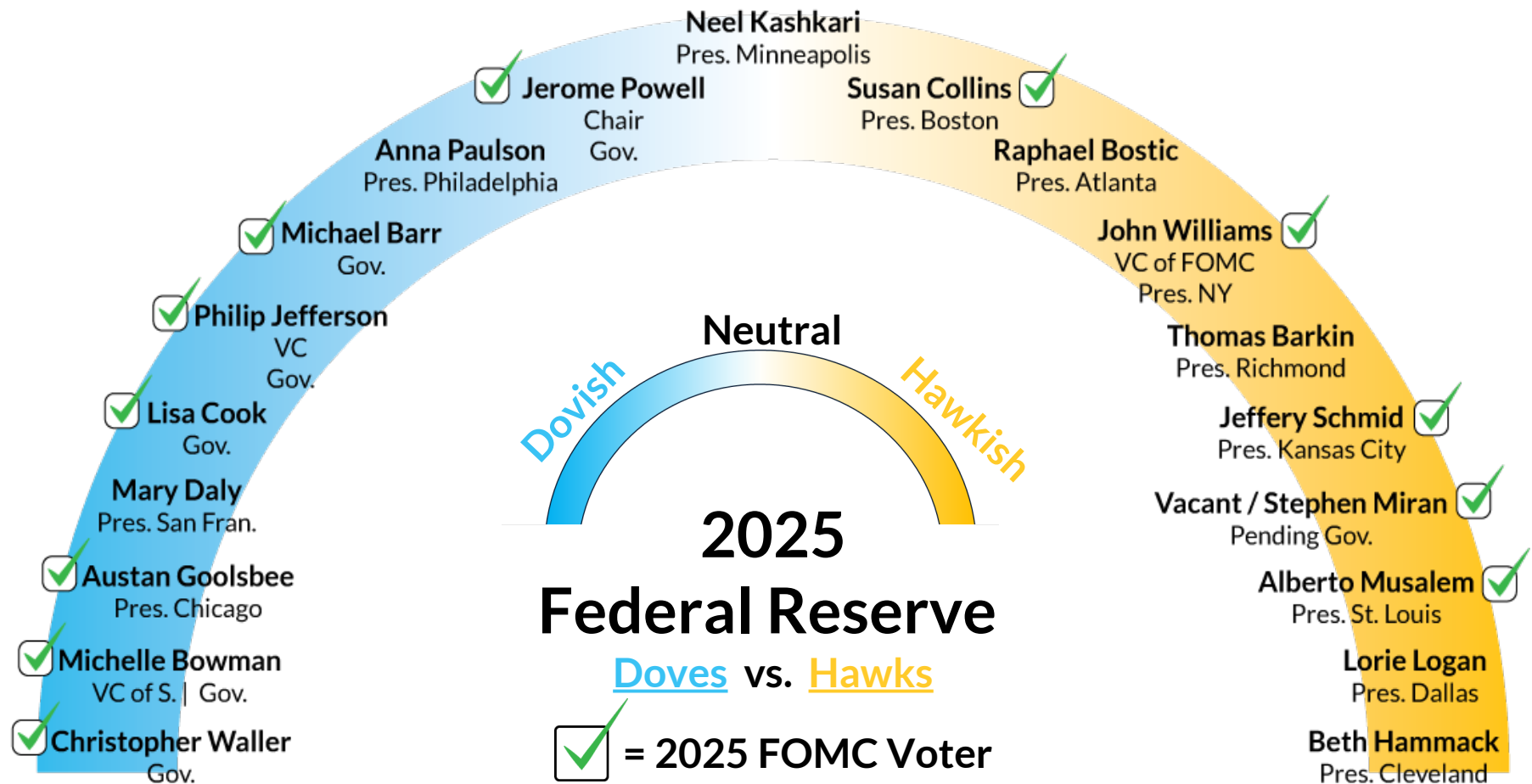
Source: Bloomberg WIRP page, Federal Reserve, Bureau of Economic Analysis, Bureau of Labor Statistics, CNR Research

Information is subject to change and is not a guarantee of future results.



# The Fed – Independence Is Key

- The structure of the Fed was designed to be independent from political influence.
- Central bankers are tasked with making policy decisions based on economic data, which politics can disrupt.



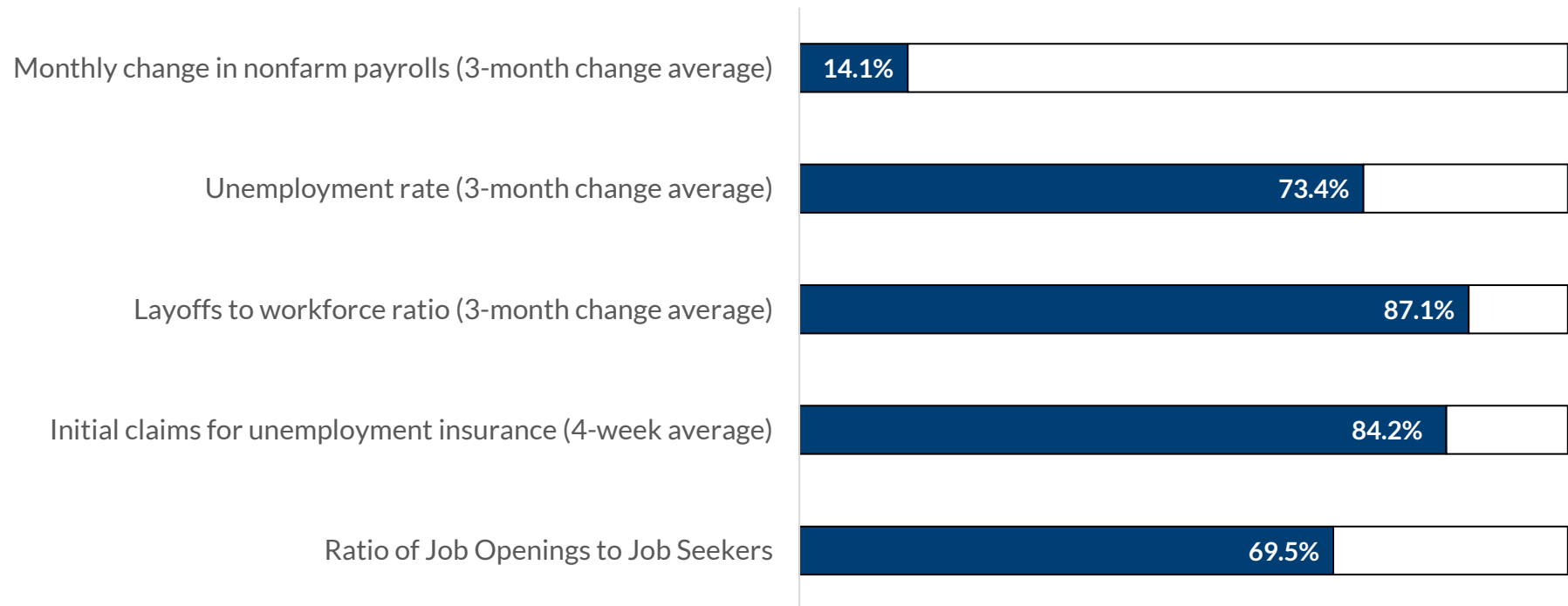
Data current as of August 28, 2025  
 Source: Bloomberg, Federal Reserve, CNR Research.  
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# Labor – No Hires, No Fires

- Demand for workers has declined due to the uncertainty of government policy but remains in balance.
- Business are expecting stronger growth in 2026 and are retaining employees, preventing cuts to their workforces.

**Labor Market Dashboard**  
*The higher the number, the stronger the reading*  
*Percentile ranking over the last 20 years*



Data current as of August 28, 2025  
 Source: Bureau of Labor Statistics, Labor Department, CNR Research  
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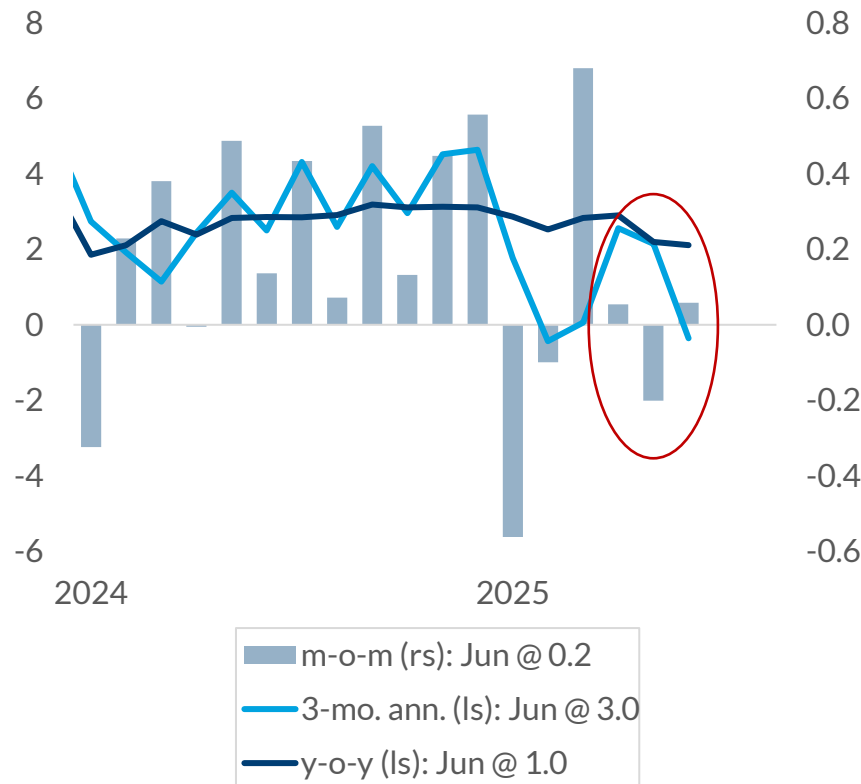




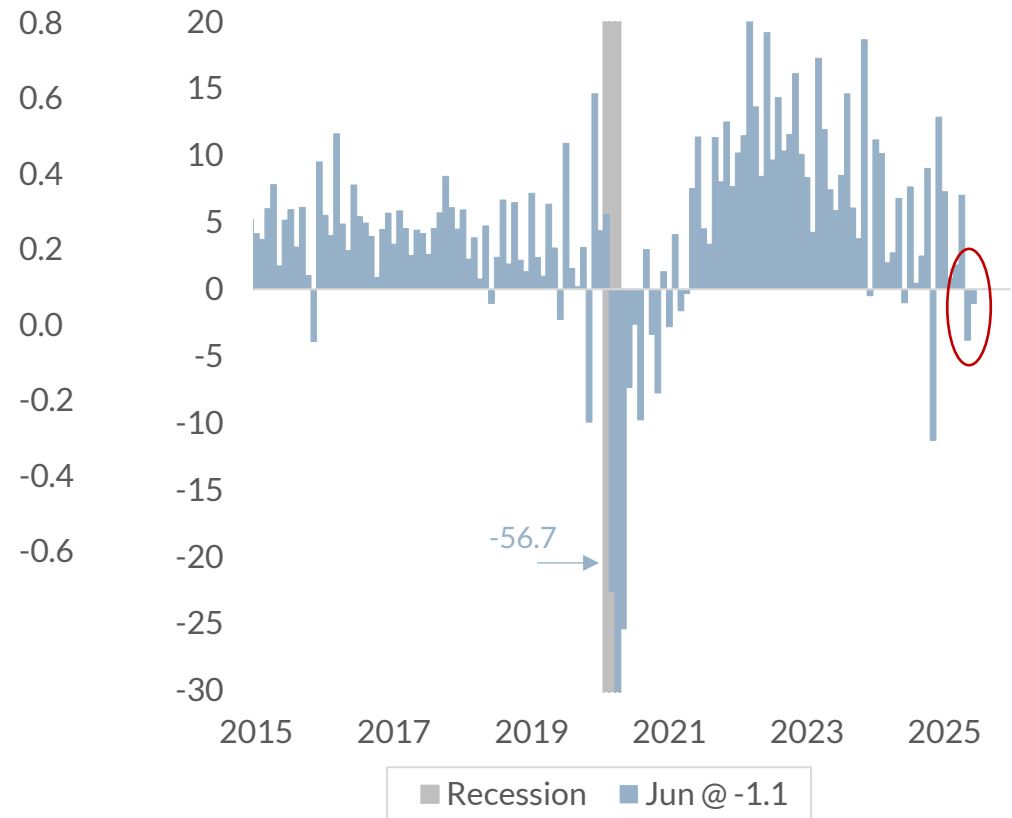
# Consumer Spending Dynamics Are Shifting

- Despite tariff related surges, spending remains positive but has slowed this year as savings rise, which reflects general concern across consumers.
- If the current state of economic uncertainty eases, we expect consumer spending to increase.

Consumer Spending: Inflation Adjusted  
% change, not seasonally adjusted



Revolving Credit: Monthly Change  
\$, billions

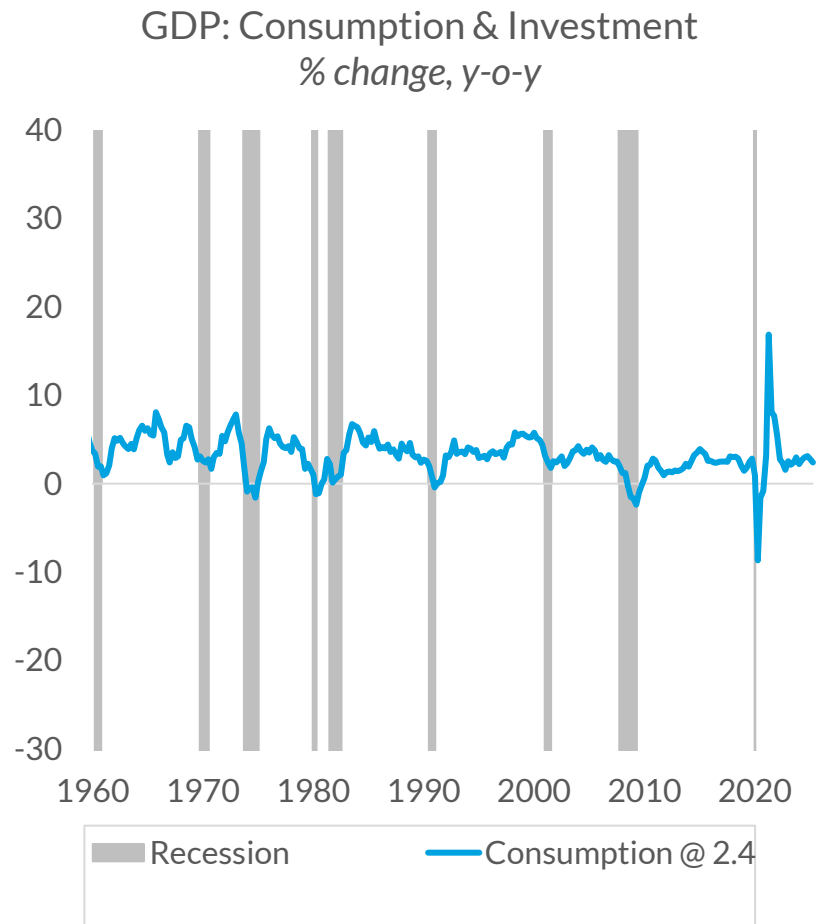


Data current as of August 28, 2025  
Source: Bureau of Economic Analysis, Federal Reserve  
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# The Economy – Less Sensitive to Interest Rates

- During recessions, the growth in consumption (about 2/3rds of GDP) is not always negative.
- The investment component (almost 20% of GDP) has historically been more sensitive to cyclical downturns.
- With increased technology company spending, investment may be more resilient today relative to past cycles.



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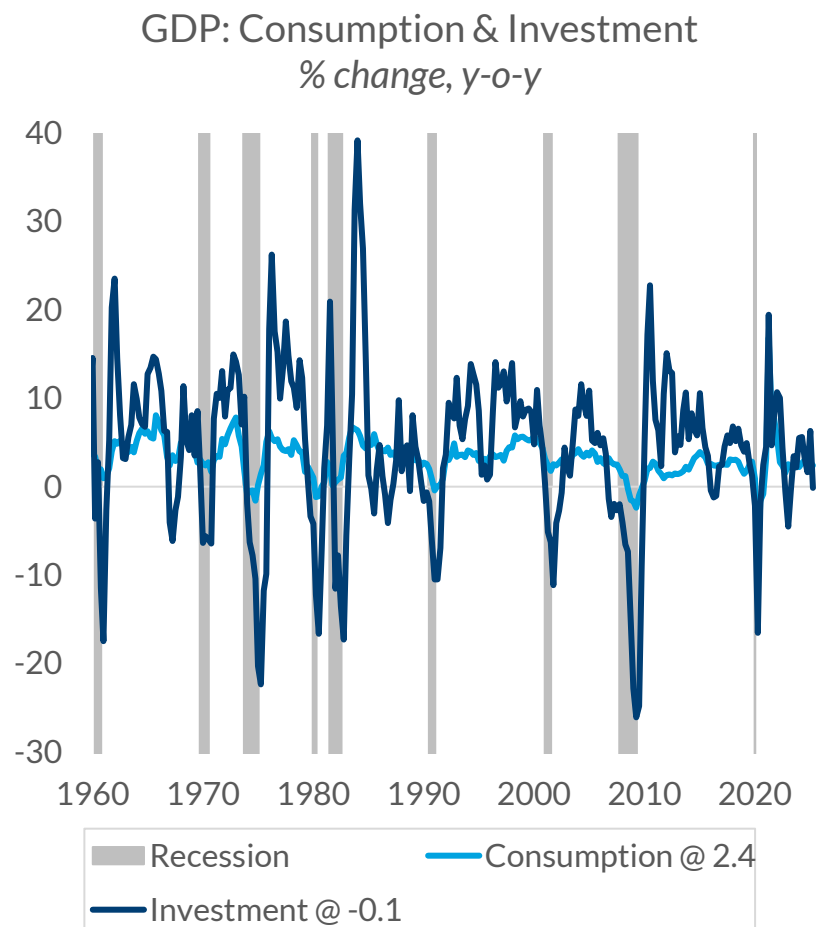
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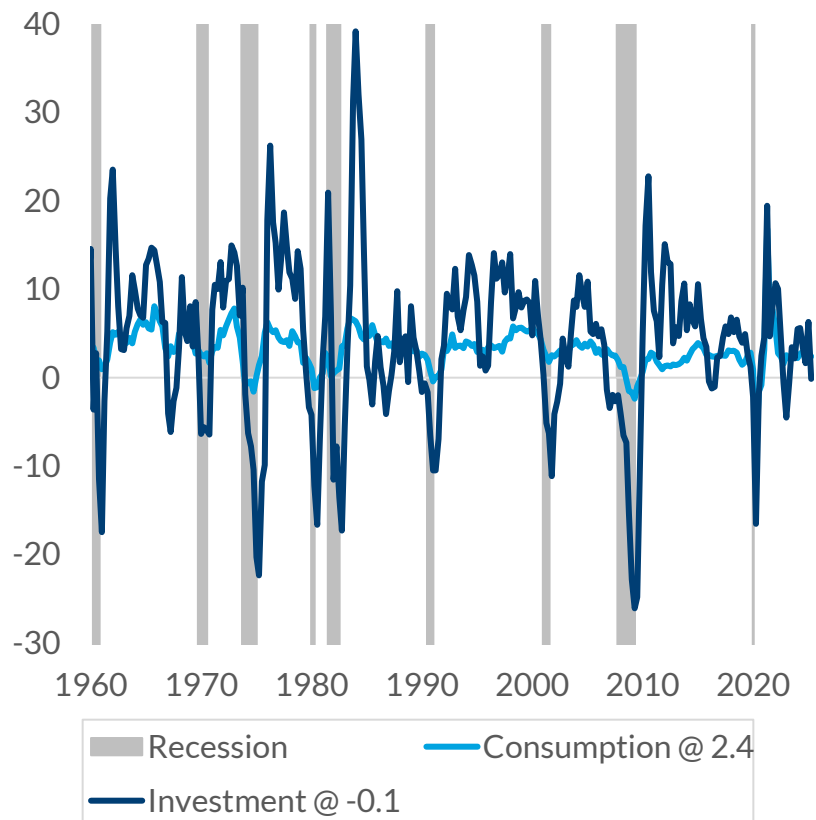
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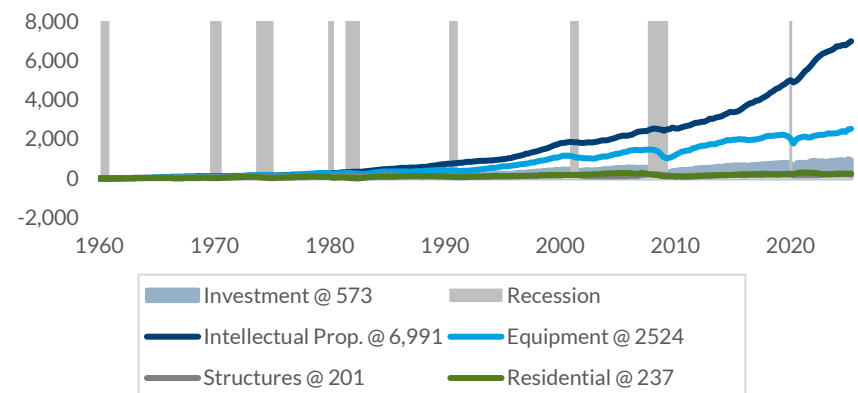
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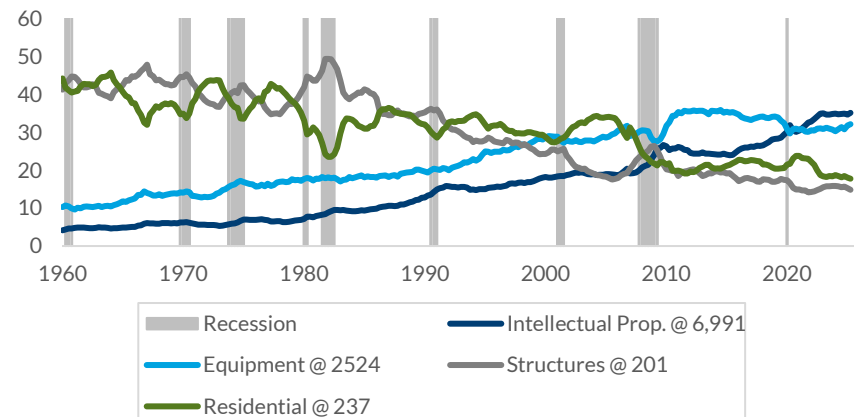
GDP: Consumption & Investment  
% change, y-o-y



GDP: Fixed Investment – Major Components  
% increase in value, indexed at 0.0 1960: Q1  
as of 2025: Q2



GDP: Fixed Investment - Major Components  
% to total, as of 2025: Q2



Data current as of August 28, 2025  
Source: Bureau of Economic Research,  
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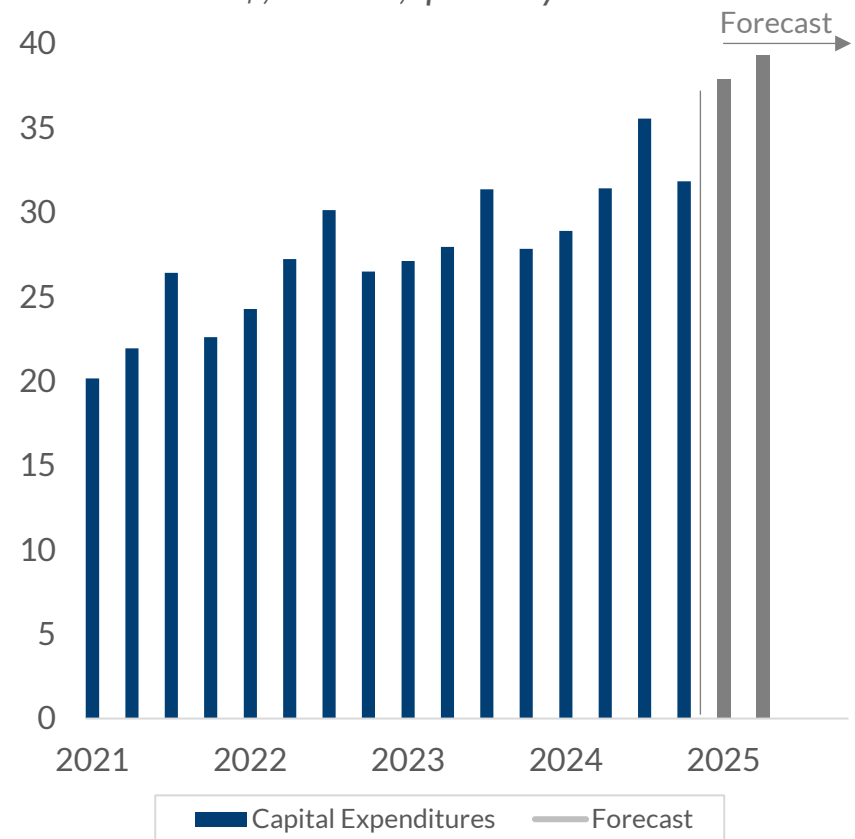
# Business Is Focused on Continued Growth

- With many of the trade deals behind us, optimism is rebounding among CEOs.
- With sales expected to grow, corporate financials should be positively impacted, incl. capital expenditures.

CEO Confidence in the Economy Index:  
1-Year from Now  
%, not seasonally adjusted



S&P 500: Business Spending<sup>1</sup>  
\$, millions, quarterly data



Data current as of August 28, 2025

<sup>1</sup>Business spending is defined as capital expenditures

Source: Chief Executive Magazine, Bloomberg Economics

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# Key Points

- The Economy is in a slowdown mode, not a contraction.
  - This is different; the economy usually has either strong growth or a recession
- The Fed:
  - Powell signaled the Fed is headed for an interest rate cut.
  - It may happen as soon as the September FOMC meeting.
  - They are grappling with inflation above target and a weakening labor market.
  - There is a high level of uncertainty about how each of those sectors will perform in the next several months.
  - But there are disagreements among FOMC members
- Economic Outlook
  - The new budget, lower interest rates, reduced regulations, and increased corporate investment should drive stronger growth in 2026.

Sources: CNR. As of 8/26/2025. Information is subject to change and is not a guarantee of future results.



# Introduction to Thematic Equity





# CNR's Thematic Equity Framework

- Capturing Transformational Forces Beyond Traditional Sectors

## Themes Matter as Much as Traditional Sectors

- Transformational forces are reshaping the global economy beyond traditional sector boundaries.
- We seek to identify companies driving fundamental shifts in how we live, work, and organize society.

## Key Advantages of Thematic Classification

- **Cross-Sector Integration:** Themes unite companies from multiple sectors driven by common growth drivers.
- **Innovation Focus:** Captures value creation from technological and societal transformation.
- **Long-Term Orientation:** Aligns with secular trends reshaping the global economy.
- **Growth Opportunity Identification:** Targets companies benefiting from structural changes.

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## Equity Themes

### Artificial Intelligence

- Companies developing, enabling, or significantly benefiting from artificial intelligence technologies
- Nvidia (Technology), Equinix (Real Estate), Vistra (Utilities)

### Human Longevity & Genomics

- Companies advancing human health and longevity through genomic medicine, biotechnology, personalized healthcare
- Regeneron (Biotech), Stryker (Medical Equipment), 908 Devices (Technology)

### Cybersecurity

- Companies providing critical security solutions for digital infrastructure, data protection, and cyber threat prevention
- Palo Alto (Software), Booz Allen Hamilton (Industrials), CISCO (Communication Equipment)

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## Equity Themes

### Sustainable Planet & Green Revolution

- Companies driving the global transition to sustainable energy, circular economy principles, and environmental restoration
- Ecolab (Chemicals), Rivian (Autos), Waste Management (Industrials), NextEra (Utilities)

### Blockchain & Fintech

- Companies leveraging blockchain technology, digital currencies, and financial technology innovations to transform banking, payments, and value storage systems
- Intuit (Software), Fiserv (Financials), Sea Limited (Media & Entertainment)

### Military & Tactics

- Companies developing cutting-edge defense technologies, autonomous military systems, and strategic capabilities that enhance national security and geopolitical stability
- Lockheed Martin (Aerospace & Defense), Palantir (Technology), Mercury Systems (Capital Goods)

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## Equity Themes

### Physical Economy & Infrastructure

- Companies creating, upgrading, and maintaining critical physical infrastructure that enables economic growth and urbanization
- Southern (Electric Utility), American Tower (Telecom Tower), Union Pacific (Rail), Marathon Petroleum (Pipeline)

### Robotics & Automation

- Companies developing robotic systems and automation technologies that augment human capabilities
- Tesla (Autos), Honeywell International (Industrials), Intuitive Surgical (Medical Equipment), Serve Robotics (Restaurants)

### New Age Consumer

- Companies capturing value from changing consumer preferences toward digital experiences, personalized products, sustainable consumption, and new lifestyle trends
- Netflix (Movies & Entertainment), Amazon (Broadline Retail), Monster Beverage (Non-Alcohol Soft Drinks), Apple (Hardware)

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# Key Takeaways

- **Themes Drive Value Creation:** Thematic investing can help capture transformational forces reshaping the global economy.
- **Cross-Sector Integration:** Seeks to diversify exposure beyond traditional sector boundaries.
- **Innovation and Growth:** Focuses on companies with sustainable competitive advantages and long-term growth potential.
- **Enhanced Portfolio Construction:** Systematic identification of secular trends enables alpha generation and reduces concentration risk.

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# Q&A



# Index Definitions

The Standard & Poor's 500 Index (S&P 500): The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.





# Definitions

A consumer price index (CPI) measures changes in the price level of a market basket of consumer goods and services purchased by households. The CPI is a statistical estimate constructed using the prices of a sample of representative items whose prices are collected periodically.

The “core” Personal Consumption Expenditures (PCE) price index is defined as prices excluding food and energy prices. The core PCE price index measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices to reveal underlying inflation.

PPI: The Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output.

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.

CNR Speedometers® are indicators that reflect forecasts of a 6 to 9 month time horizon. The colors of each indicator, as well as the direction of the arrows represent our positive/negative/neutral view for each indicator. Thus, arrows directed towards the (+) sign represents a positive view which in turn makes it green. Arrows directed towards the (-) sign represents a negative view which in turn makes it red. Arrows that land in the middle of the indicator, in line with the (0), represents a neutral view which in turn makes it yellow. All of these indicators combined affect City National Rochdale’s overall outlook of the economy.



# Important Information

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All investing is subject to risk, including the possible loss of the money you invest. As with any investment strategy, there is no guarantee that investment objectives will be met, and investors may lose money. Diversification may not protect against market risk or loss. Past performance is no guarantee of future performance.

There are inherent risks with equity investing. These risks include, but are not limited to stock market, manager, or investment style. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

There are inherent risks with fixed income investing. These risks may include interest rate, call, credit, market, inflation, government policy, liquidity, or junk bond. When interest rates rise, bond prices fall. This risk is heightened with investments in longer duration fixed-income securities and during periods when prevailing interest rates are low or negative.

Indices are unmanaged, and one cannot invest directly in an index. Index returns do not reflect a deduction for fees or expenses.

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