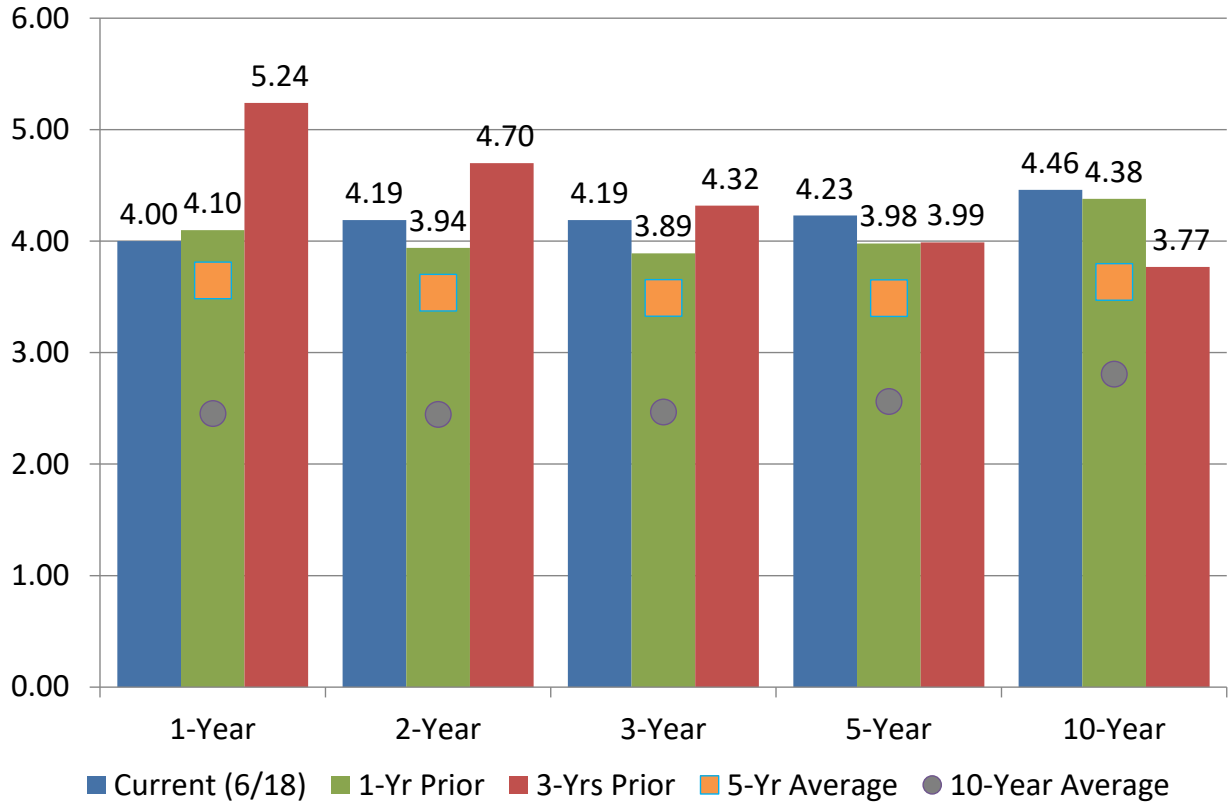


Citizens Market Update

June 22, 2026

- Consumer prices increased by 0.5% in May and 4.2% for the last twelve months – this is an increase compared to April where the index was 3.8% for the past twelve months. Part of the reasons for the increases in May were energy prices – the index for energy increased 23.5% over the past 12 months. The core CPI rose by 0.2% in May and 2.9% over the last twelve months.
- Total nonfarm payroll employment rose by 172,000 in May and the current unemployment rate of 4.3%, which has remained range bound between 4.3%-4.5% since July 2025. There are currently 7.3 million people unemployed, and we expect unemployment rate to increase to 4.5%-4.6% by end of 2026. The labor force participation rate is also marginally down to approximately 61.8%. 62.5% at the end of 2023 and 2024, and 62.4% at the end of 2025.
- The weakness in the labor market is a combination of lower supply of labor as well as weakening demand for workers. Both of these factors are keeping the labor force participation rate level near “full employment” but in a weakening economy.
- Real GDP increased at an annual rate of 2.0% in the first quarter of 2026 after a sluggish 0.5% in the fourth quarter of 2025. Real GDP increased by 2.1% in 2025 after increasing by 2.8% in 2024. We believe GDP will grow by 2.4% in 2026 after factoring in the effects of the digital infrastructure spending, conflict in Iran, 2025 reconciliation act, federal spending shifts, higher tariffs, and slower labor force growth.
- Towards the end of 2025 or in September, October, and December 2025, the Fed cut its by twenty-five basis points each time to the current range of 3.50%-3.75%. The market is expecting no rate cuts in 2026, but we expect one cut in the fourth quarter of 2026.
- The yield curve is slightly upward sloping with the spread between the 2-year and 10-year Treasury at approximately 0.27% as compared to negative 0.93% three years ago. The conflict in Iran has caused a significant increase in rates with 2–10-year Treasury rates increasing by approximately 60 basis points since the onset at the beginning of March. We expect long-term rates to remain higher primarily due to large fiscal deficit and debt to GDP ratio exceeds 120% at the end of 2025.

Current and Historical Treasury Curves (%)



U.S. Treasury Rates						
	1-Year	2-Year	3-Year	5-Year	10-Year	2-10 Yr Spread
Current (6/18)	4.00	4.19	4.19	4.23	4.46	0.27
Beginning of 2026 (1/2)	3.47	3.47	3.55	3.74	4.19	0.72
1-Yr Prior	4.10	3.94	3.89	3.98	4.38	0.44
2-Yrs Prior	5.09	4.69	4.43	4.24	4.22	(0.47)
3-Yrs Prior	5.24	4.70	4.32	3.99	3.77	(0.93)
5-Yrs Prior	0.08	0.26	0.48	0.90	1.49	1.23
5-Yr Average	3.65	3.54	3.49	3.49	3.64	0.10
10-Yr Average	2.46	2.45	2.47	2.56	2.81	0.36
15-Yr Average	1.71	1.78	1.88	2.13	2.60	0.75
Current as % Above / Below 5-Yr Average	10%	18%	20%	21%	23%	179%
Current as % Above / Below 10-Yr Average	63%	71%	70%	65%	59%	-25%
Current as % Above / Below 15-Yr Average	134%	135%	123%	99%	72%	-64%