

Making Sense

Monthly Market Update

Recorded on May 21, 2025



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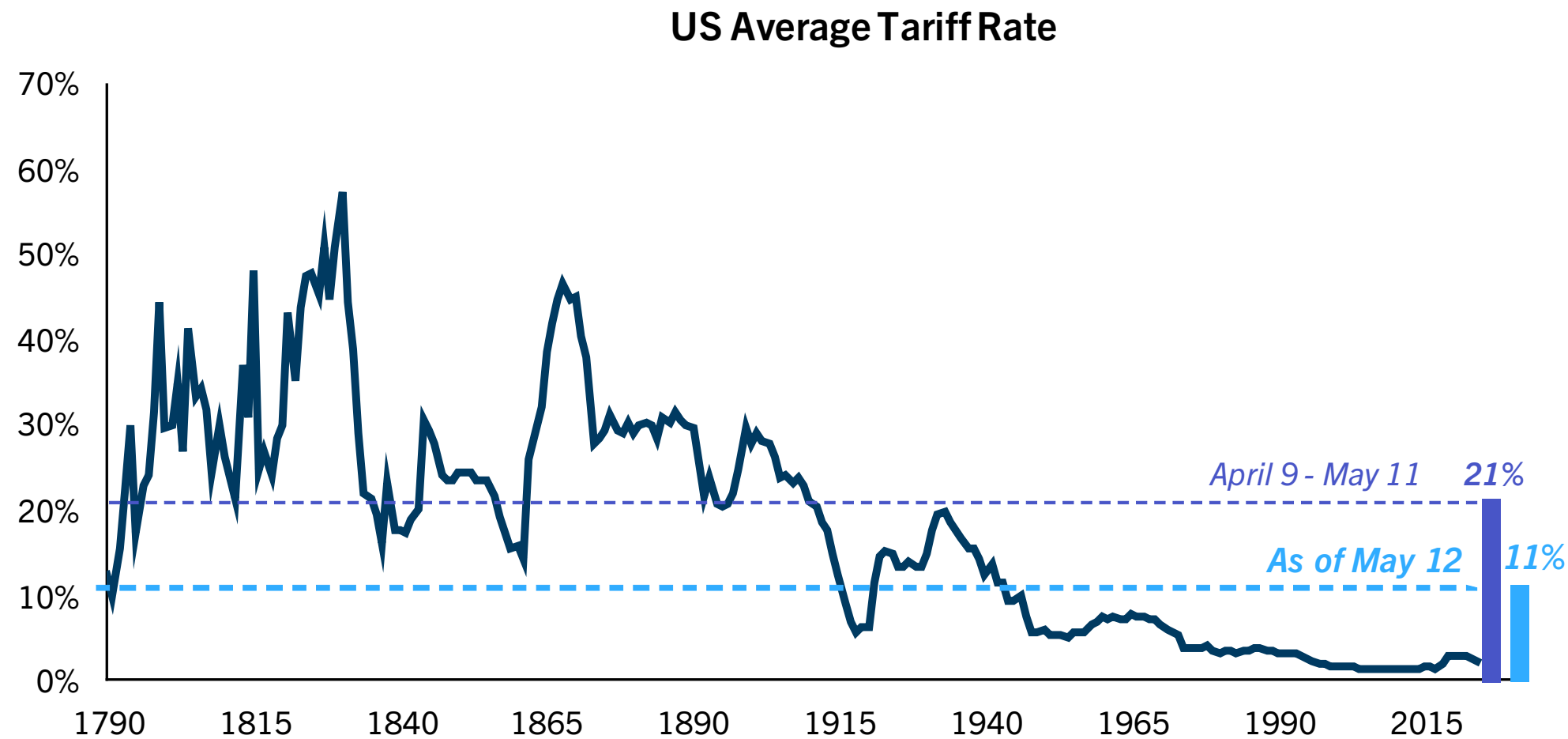
What are we going to cover?

1. **Economic Update:**
Tariff Update | Growth Outlook | Inflation & Labor Market | Consumer Spending | Fed Policy
2. **Market Update:**
Equity Markets | Valuations | Fixed Income

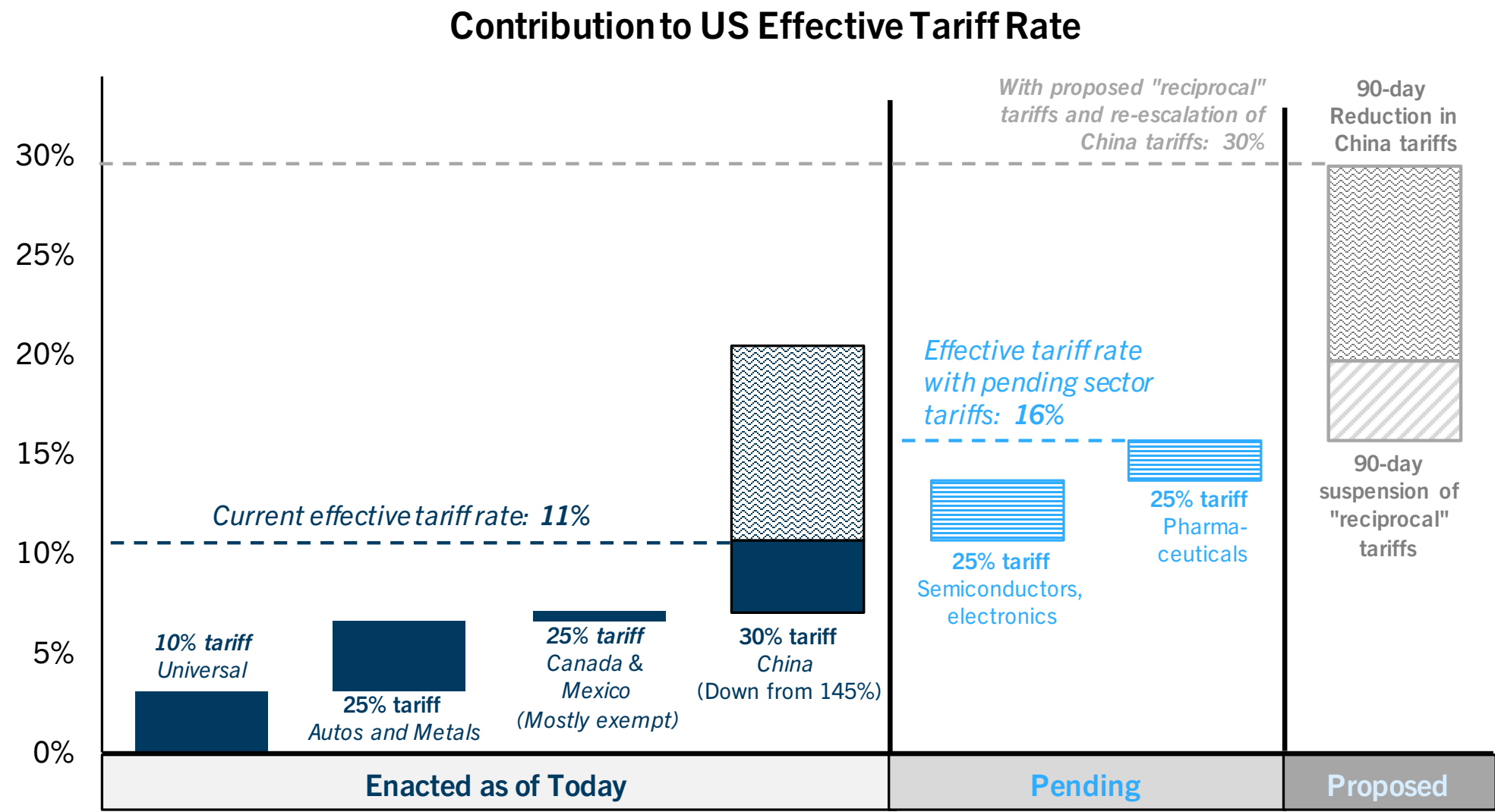
Economic & Policy Update

Tariff Update | Growth Outlook | Inflation & Labor Market | Consumer Spending | Fed Policy

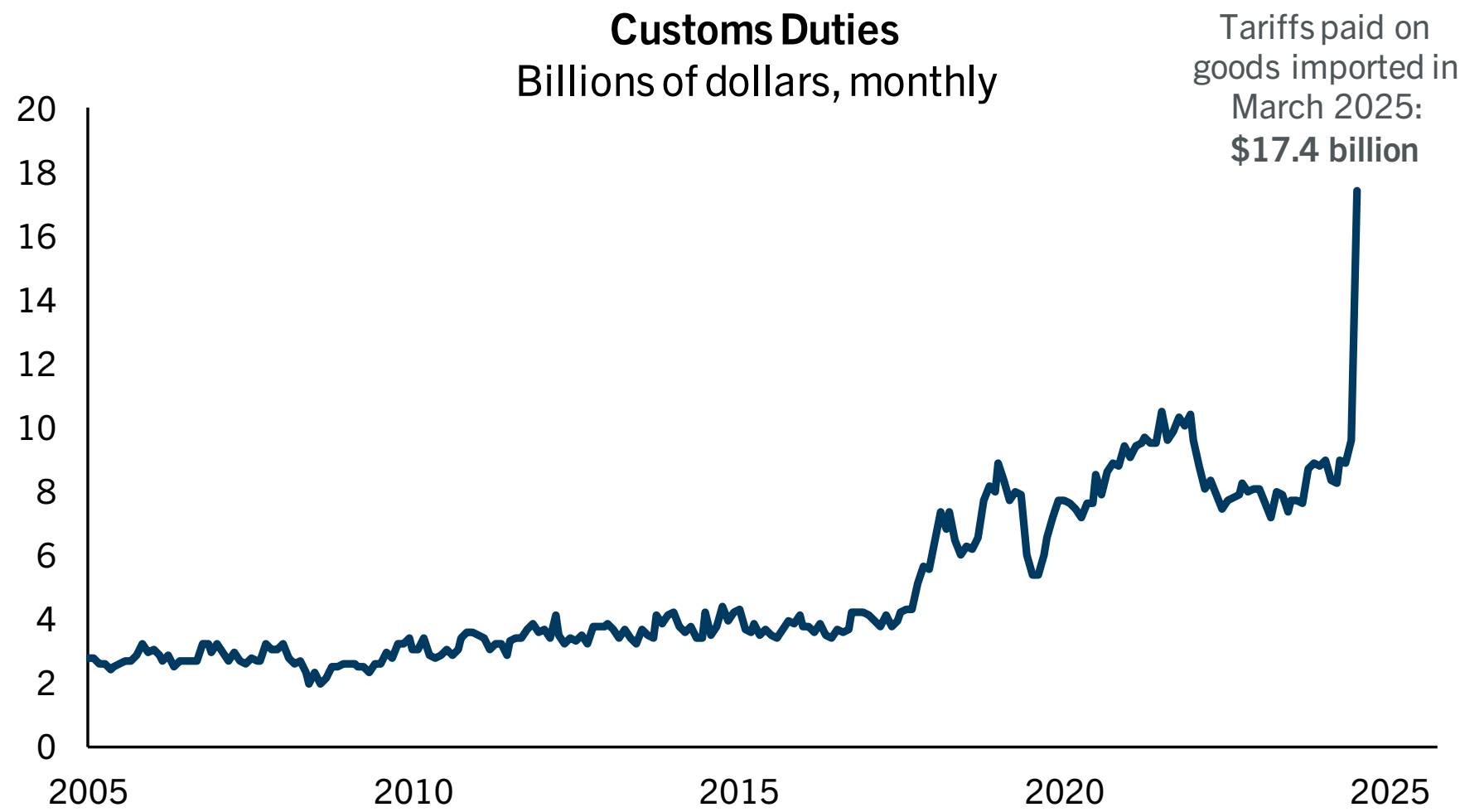
Even After Substantial Easing, Tariffs Are Still the Highest Since World War II



The US Has Suspended Half of New Tariffs, but Others Are in the Works



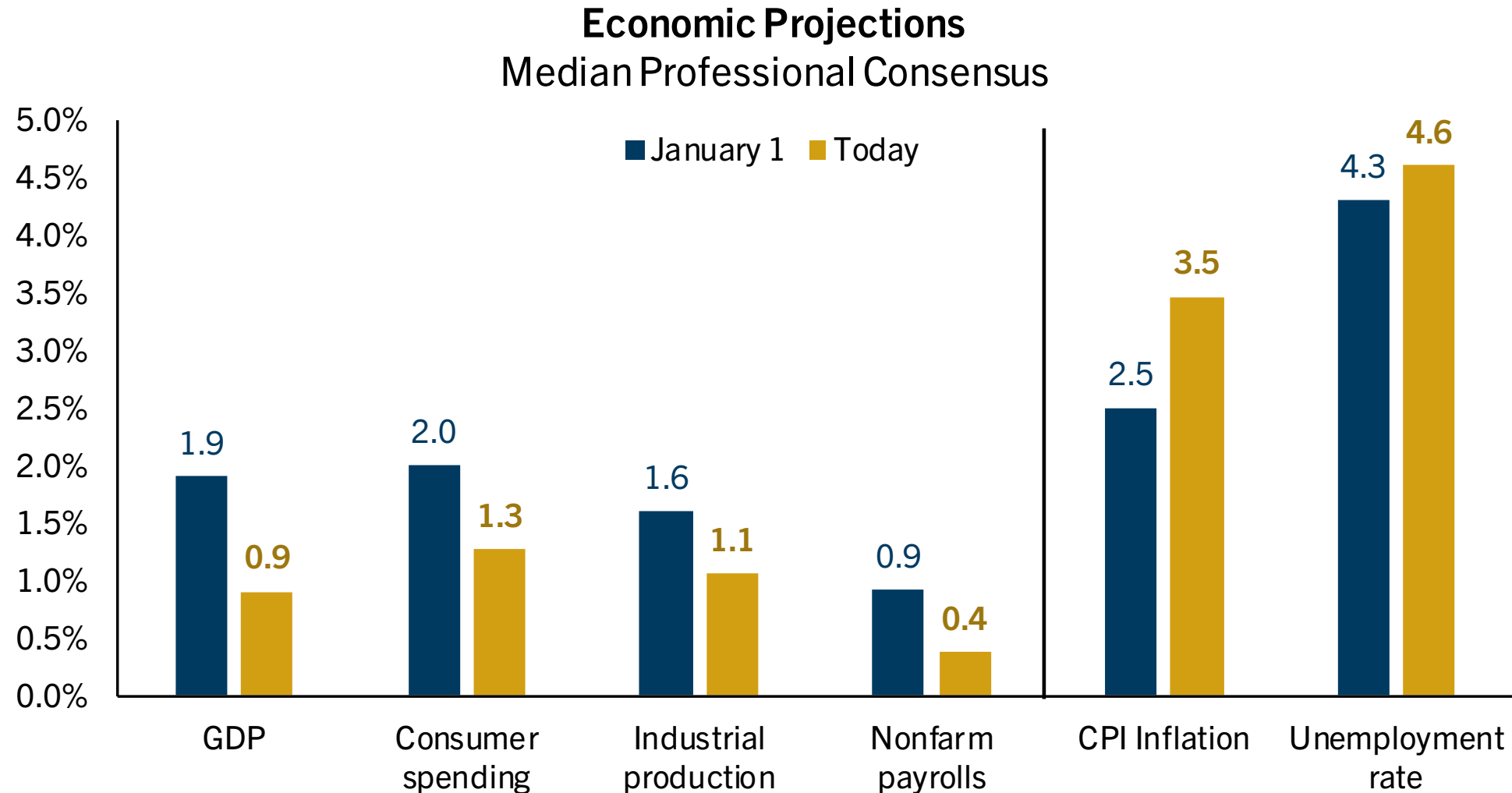
Importers Are Already Paying Billions More in Fees at the Border



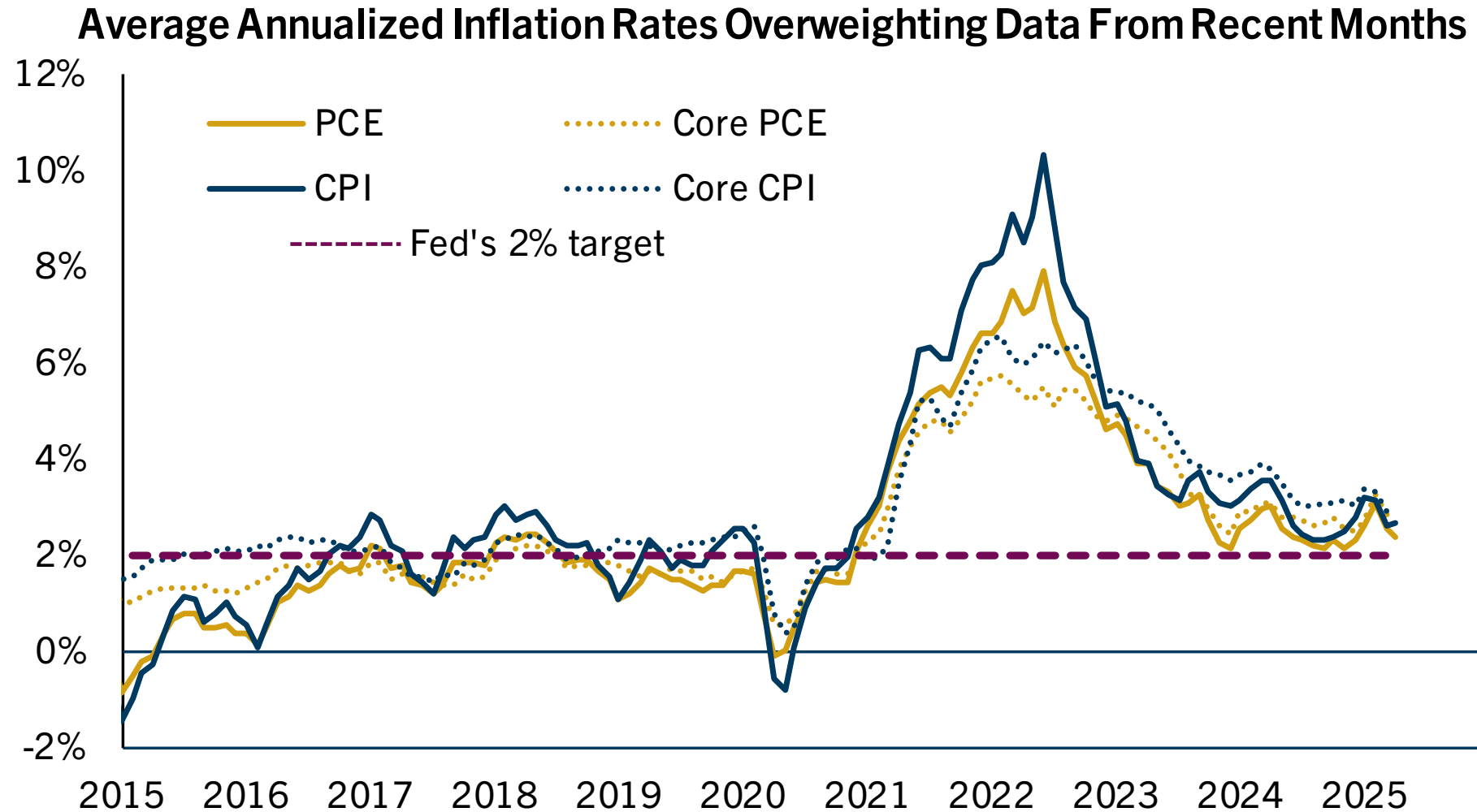
Current Expectations Show Global Growth Slowing but Not Stalling

World Economic Outlook Consensus Real Economic Growth Estimates				
	2024	2025 Estimate as of:		
	Actual Growth	Dec. 2024		Today
World	3.2%	3.0%	↘ -0.4%	2.6%
United States	2.8%	2.1%	↘ -0.7%	1.4%
Euro Area	0.9%	1.0%	↘ -0.2%	0.8%
Canada	1.5%	1.8%	↘ -0.6%	1.2%
Mexico	1.5%	1.2%	↘ -1.0%	0.2%
China	5.0%	4.5%	↘ -0.3%	4.2%

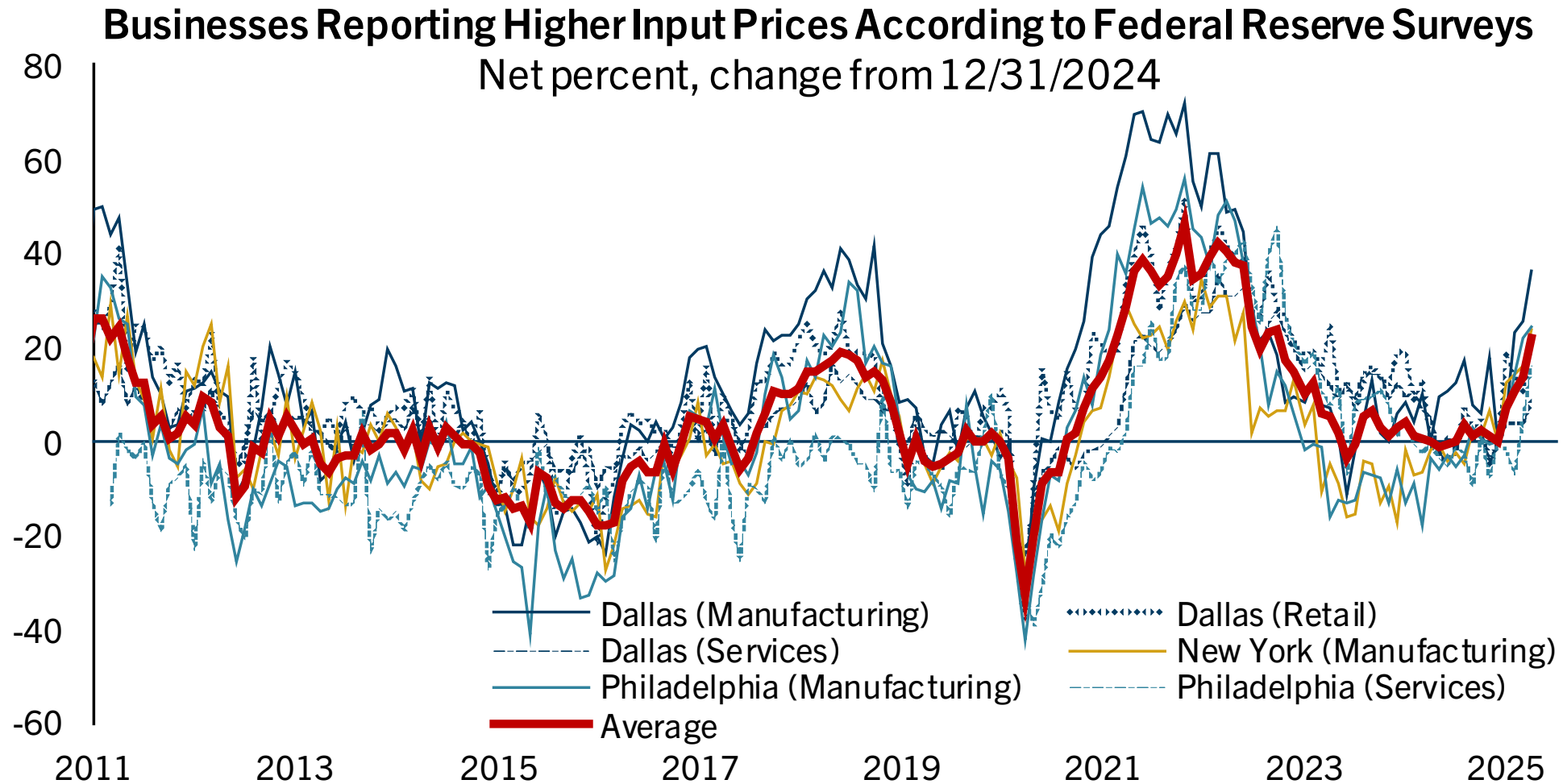
Economic Forecasts Have Turned Slightly More Pessimistic



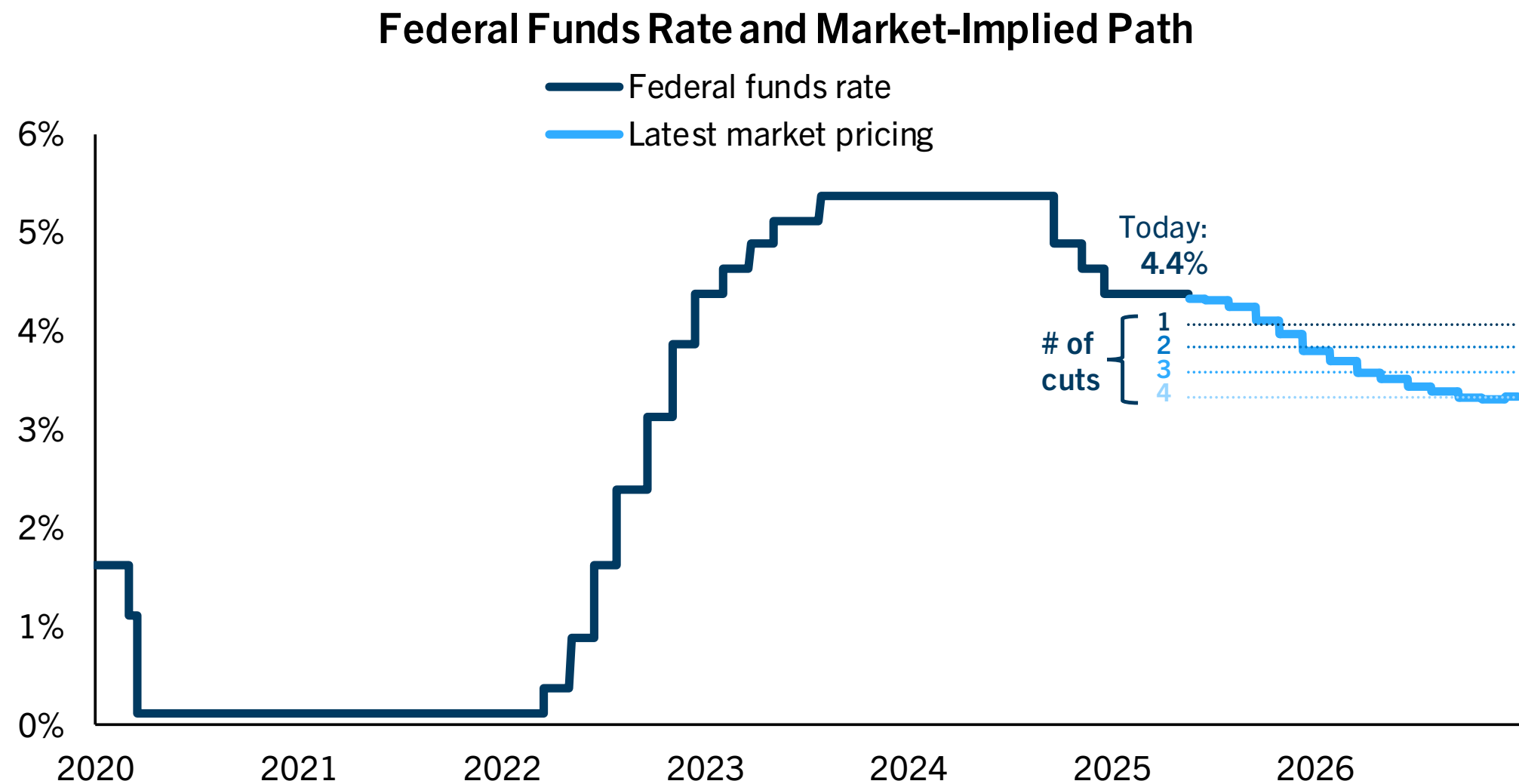
As Tariffs Set In, Inflation Was Tracking Modestly Above the Fed's 2% Target



Surveys Suggest Businesses Are Already Paying Up for Input Costs

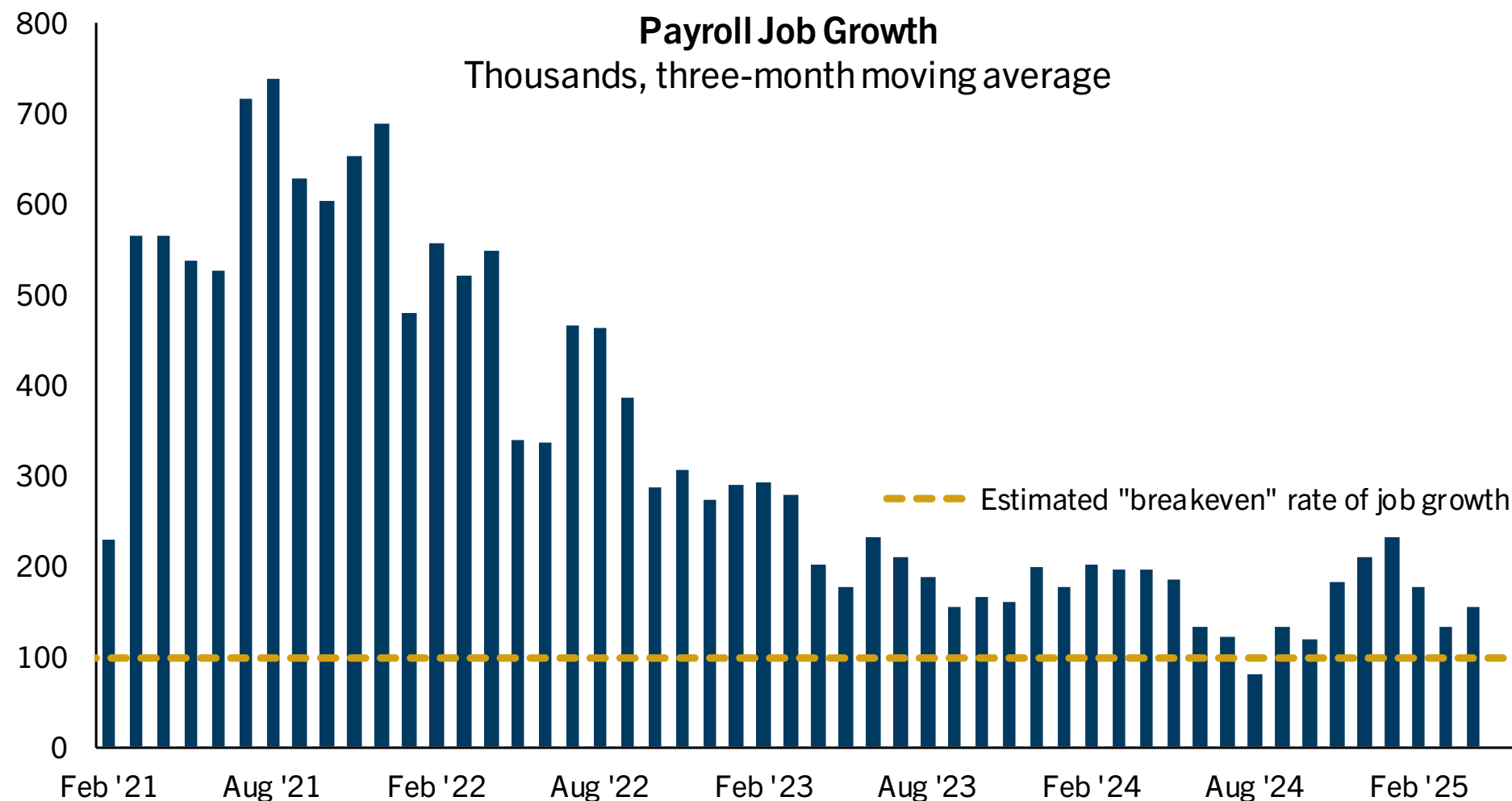


Markets Have Modest Expectations for Rate Cuts Starting Later This Year



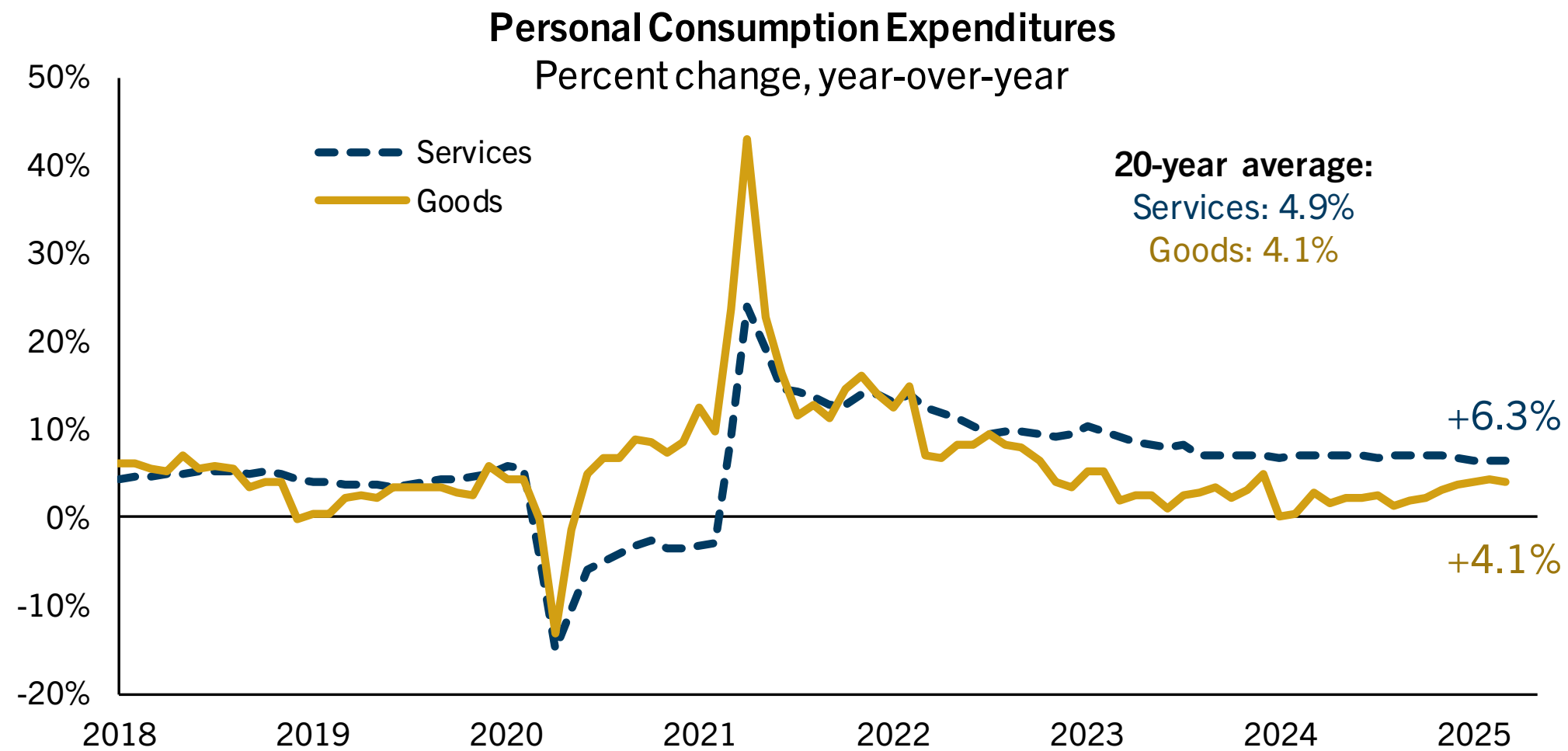
Source: Bloomberg, First Citizens Wealth. Data as 5/19/2025.

Job Growth Has Been Fairly Healthy in Recent Months



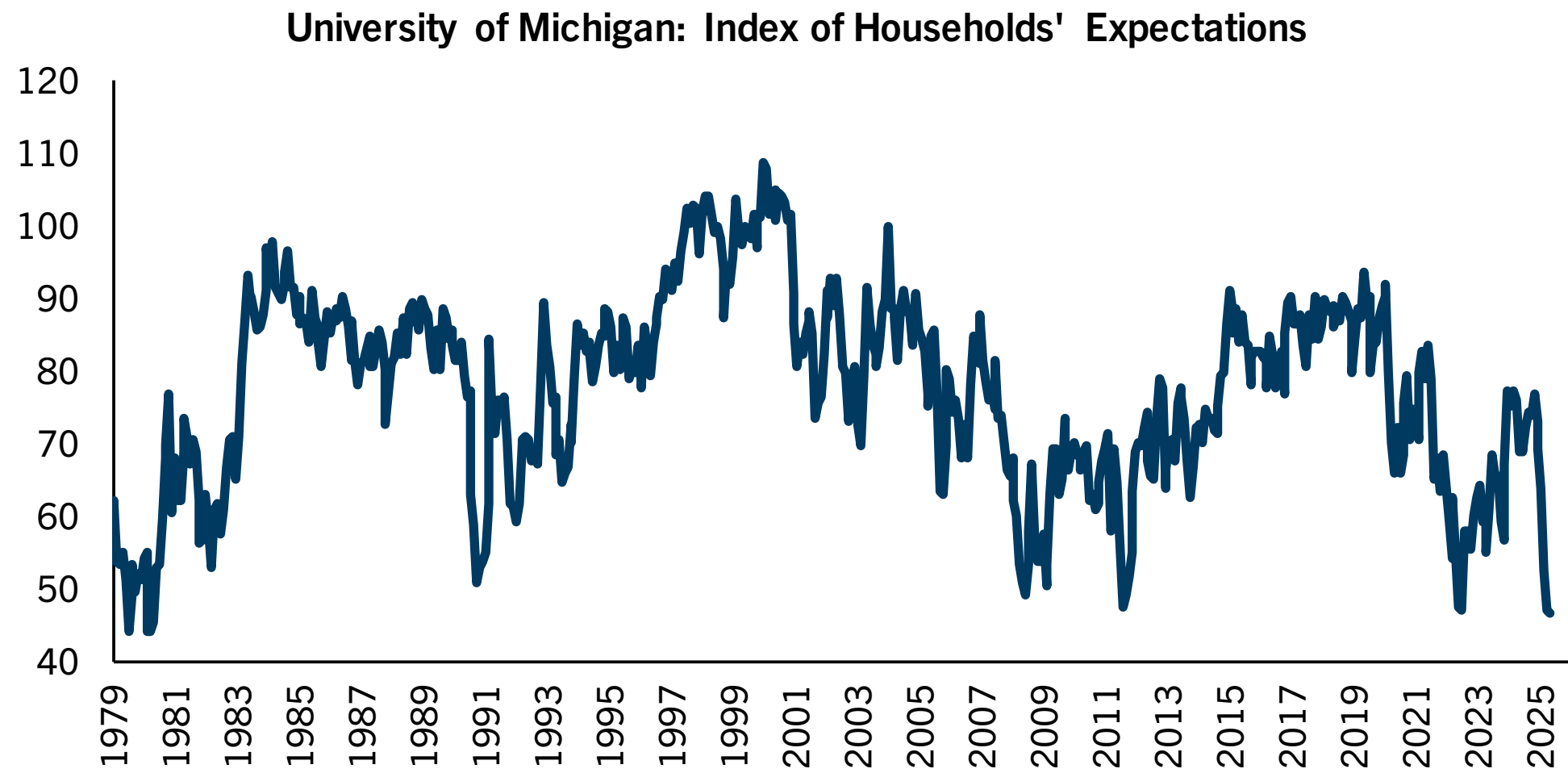
Source: Department of Labor, Bloomberg. Data as of April 2025.

Consumer Expenditures Are Holding Up, Still Led by Services Spending



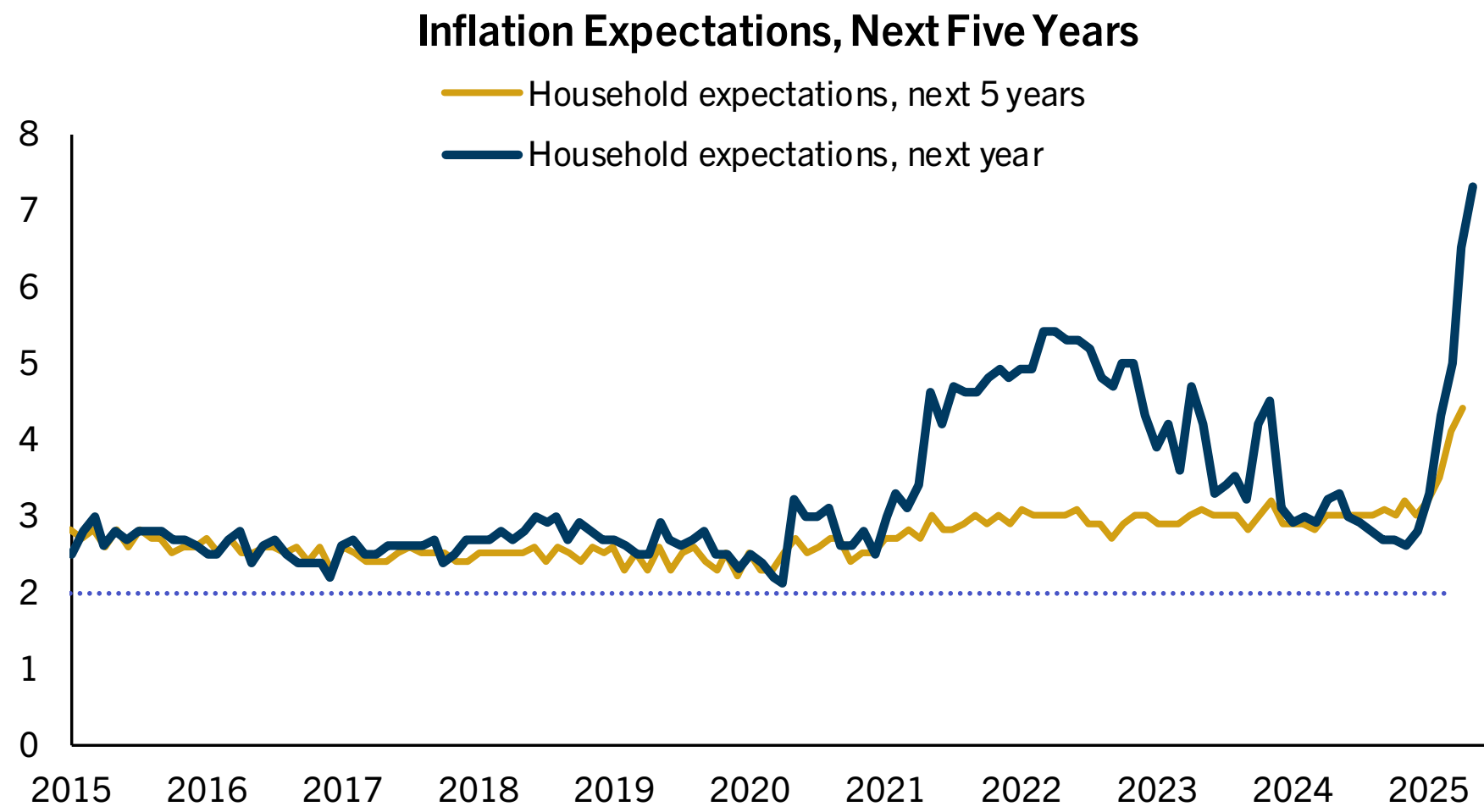
Source: Department of Commerce, Bloomberg. Data as of March 2025.

Household Expectations Are Close to the Lowest Level on Record



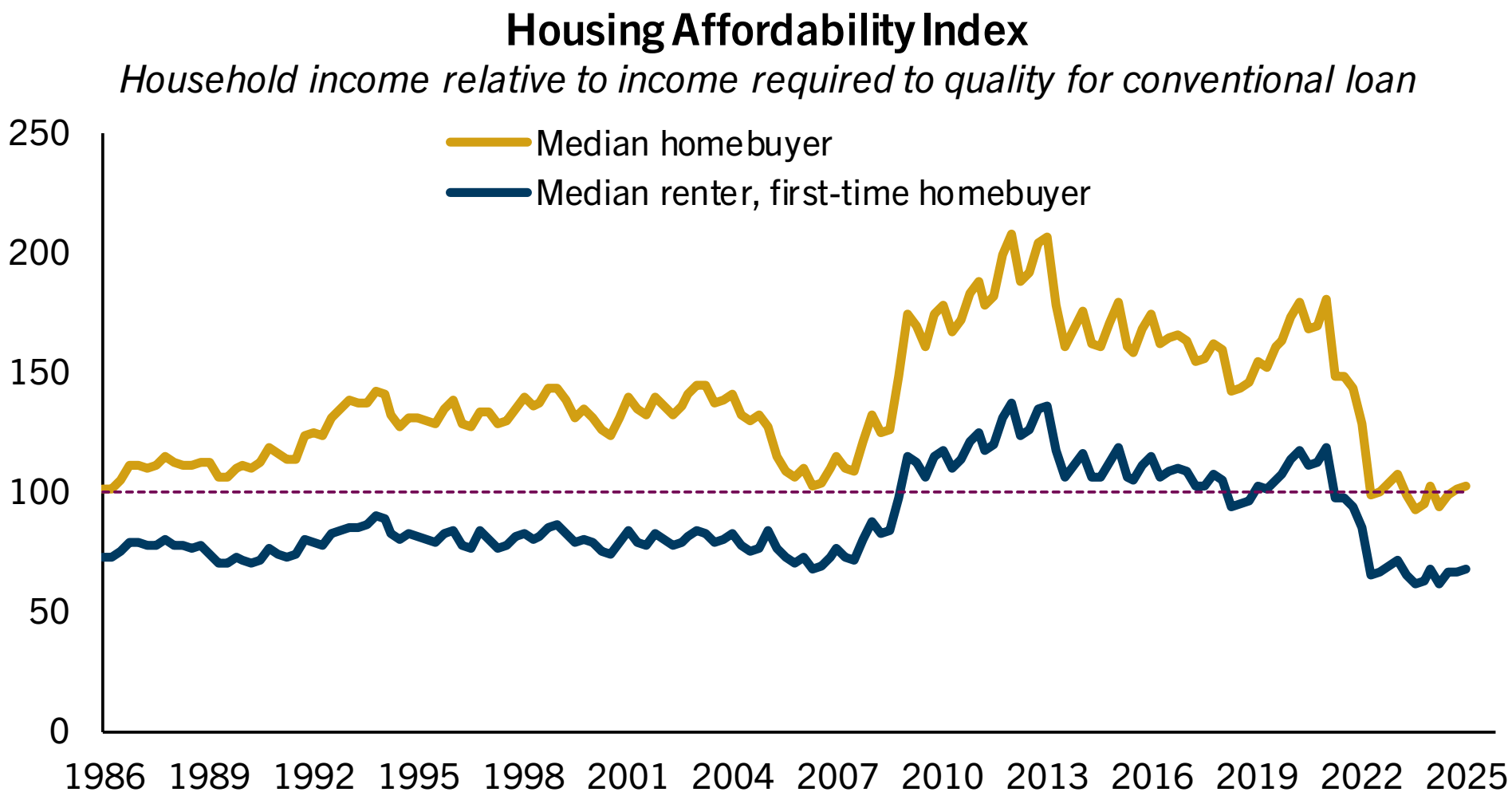
Source: Bloomberg, University of Michigan. Data through May 2025.

Household Inflation Expectations Have Surged

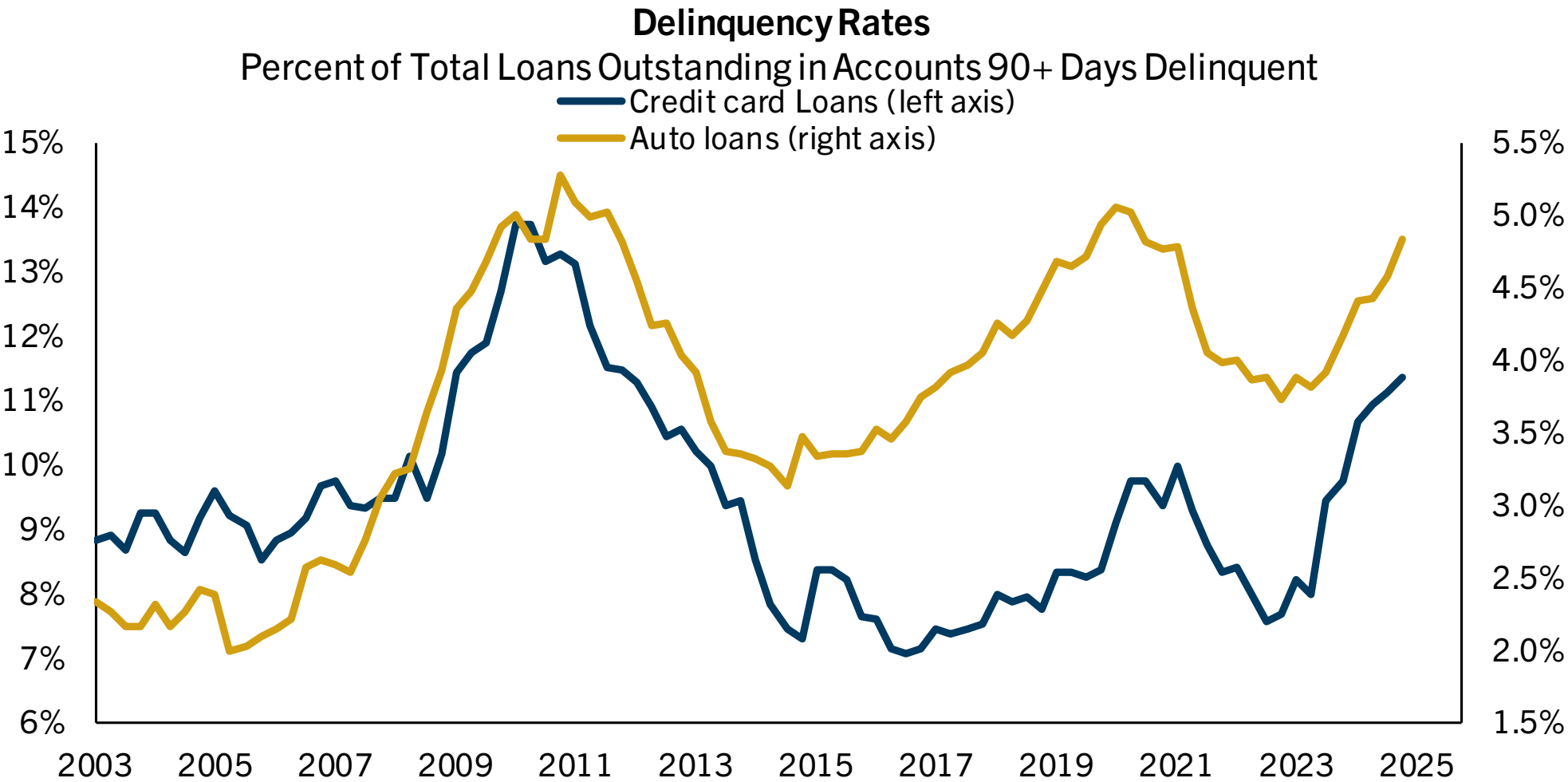


Source: Bloomberg, University of Michigan. Data through May 2025.

Housing Affordability Remains at Historic Lows



Household Finances Are Growing More Strained



Source: Federal Reserve Bank of New York, Bloomberg

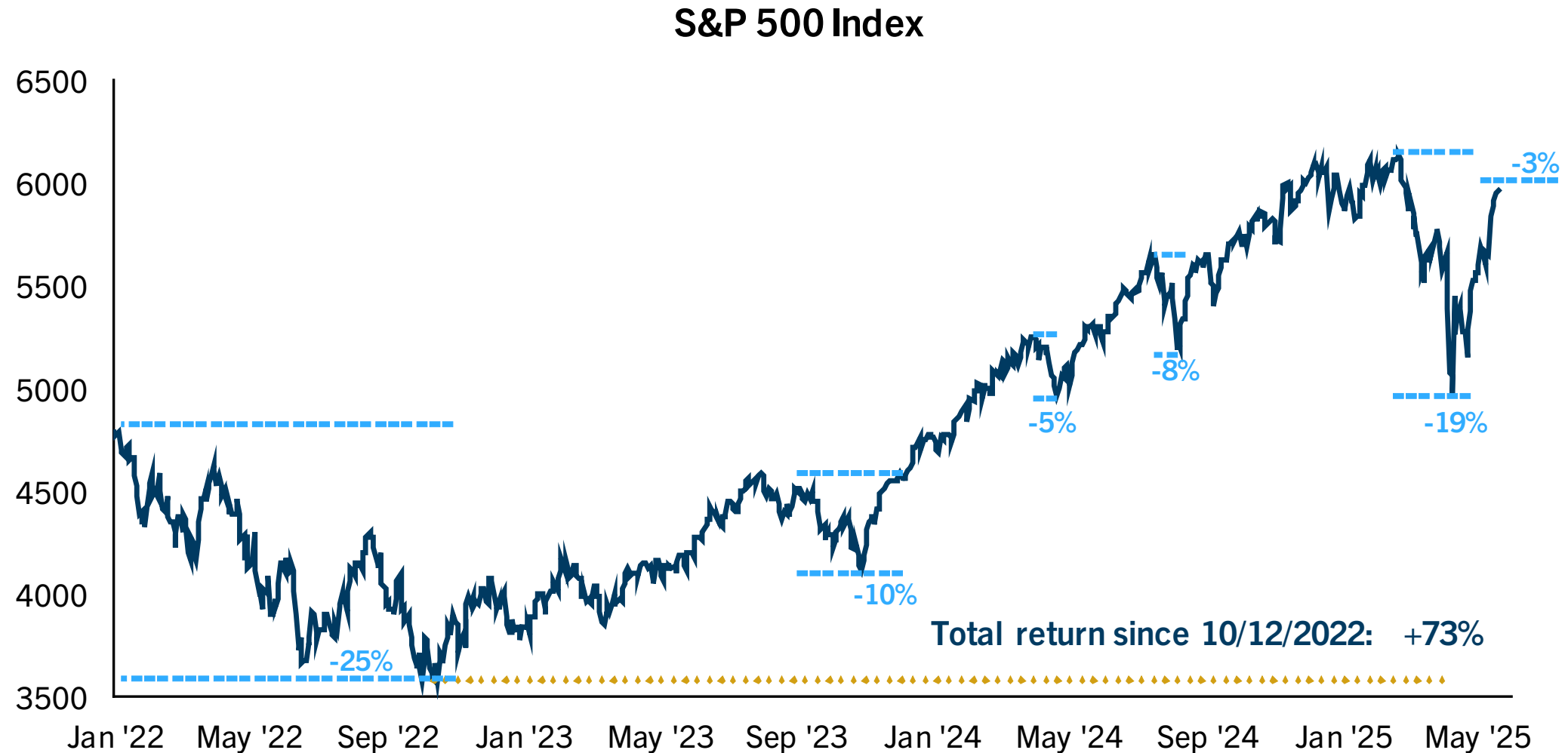
Market Update

Equity Markets | Valuations | Fixed Income

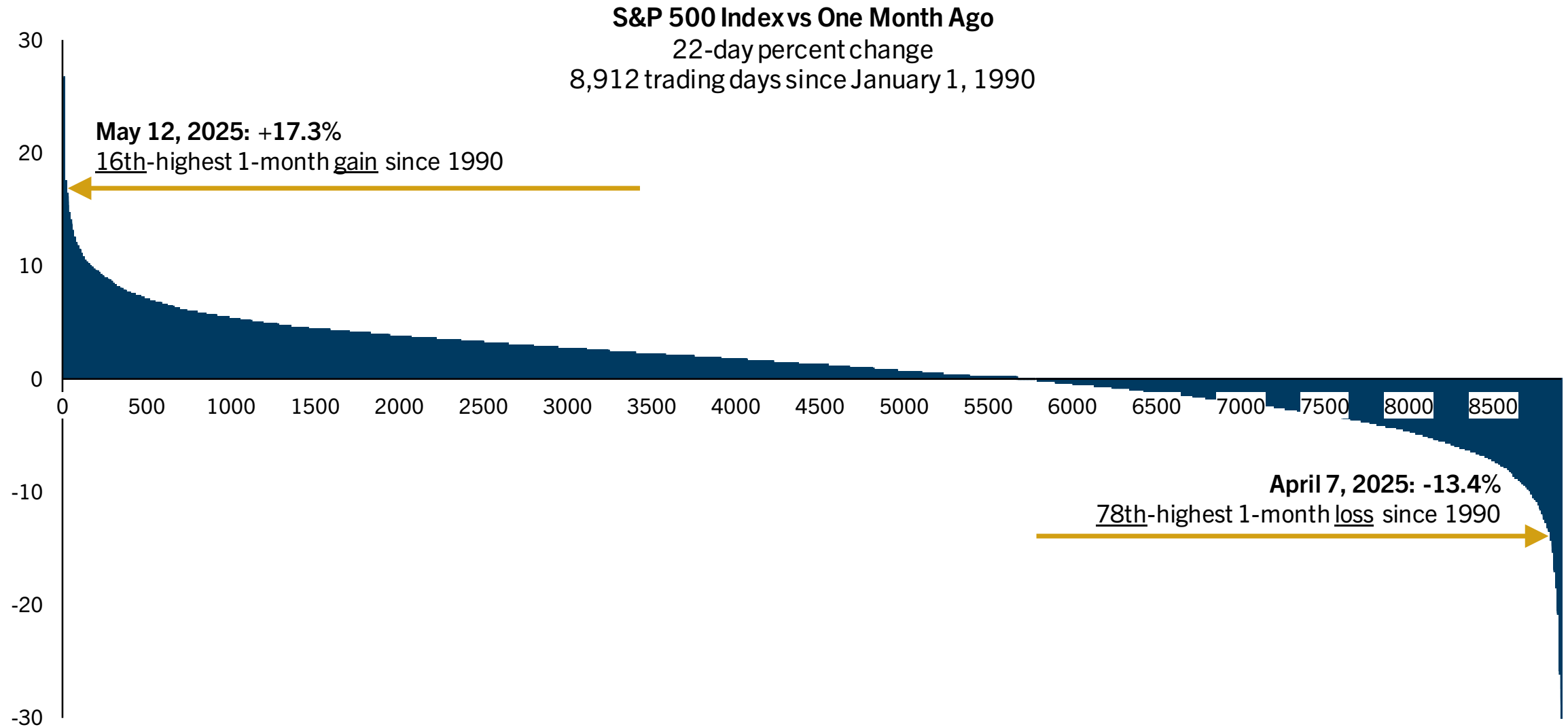
Global Asset Prices Have Recovered After the April Selloff

Total Market Returns As of 5/20/2025			
	Since April 2	Since Feb. 19 peak	YTD 2025
US Equities	+5.0%	-3.3%	+1.2%
Intl. Developed Equities	+8.0%	+8.1%	+16.6%
Emerging Market Equities	+5.5%	+3.6%	+9.7%
Aggregate Fixed Income	-1.1%	+1.0%	+1.8%
Municipal Bonds	-1.1%	-1.6%	-1.0%

The S&P 500 Has Staged a Terrific Rebound

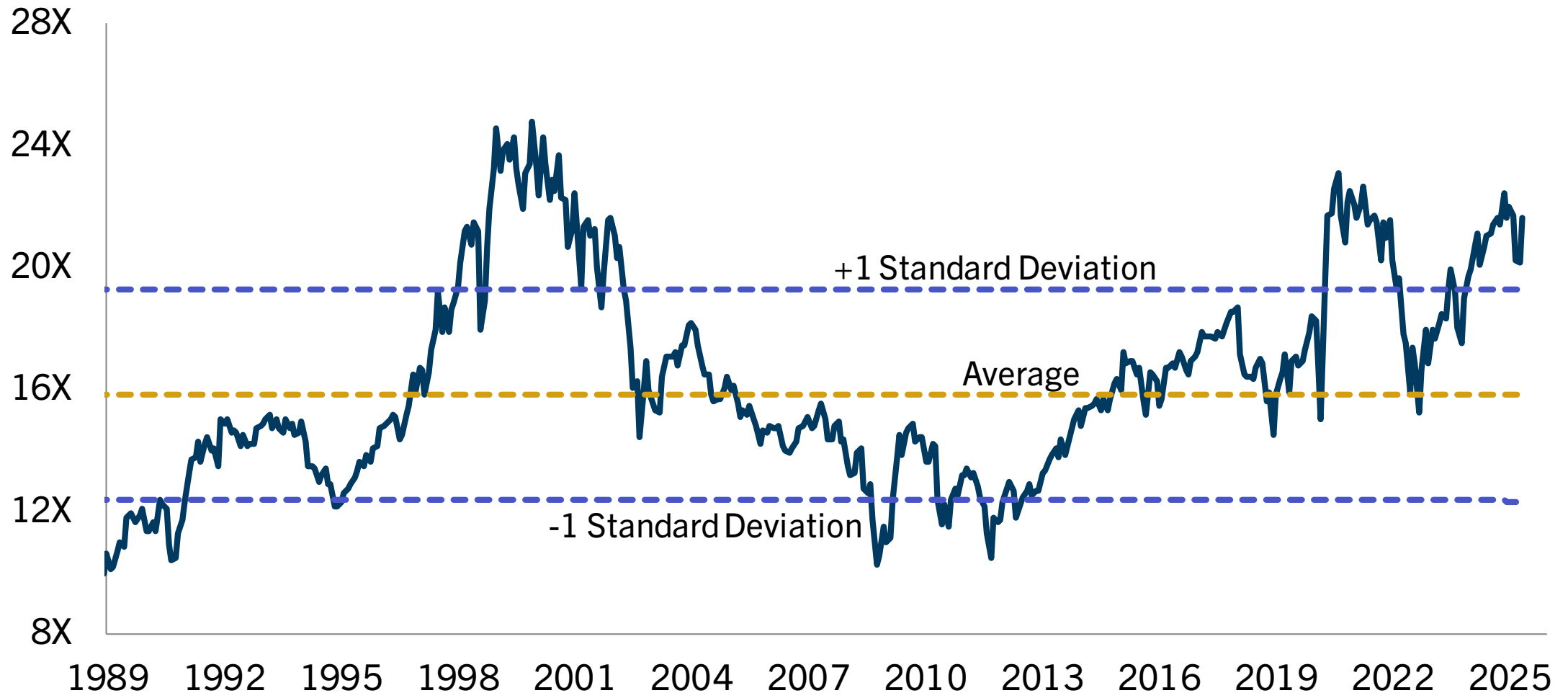


The Tariff Selloff Was Intense, but the Rebound Was Even Sharper

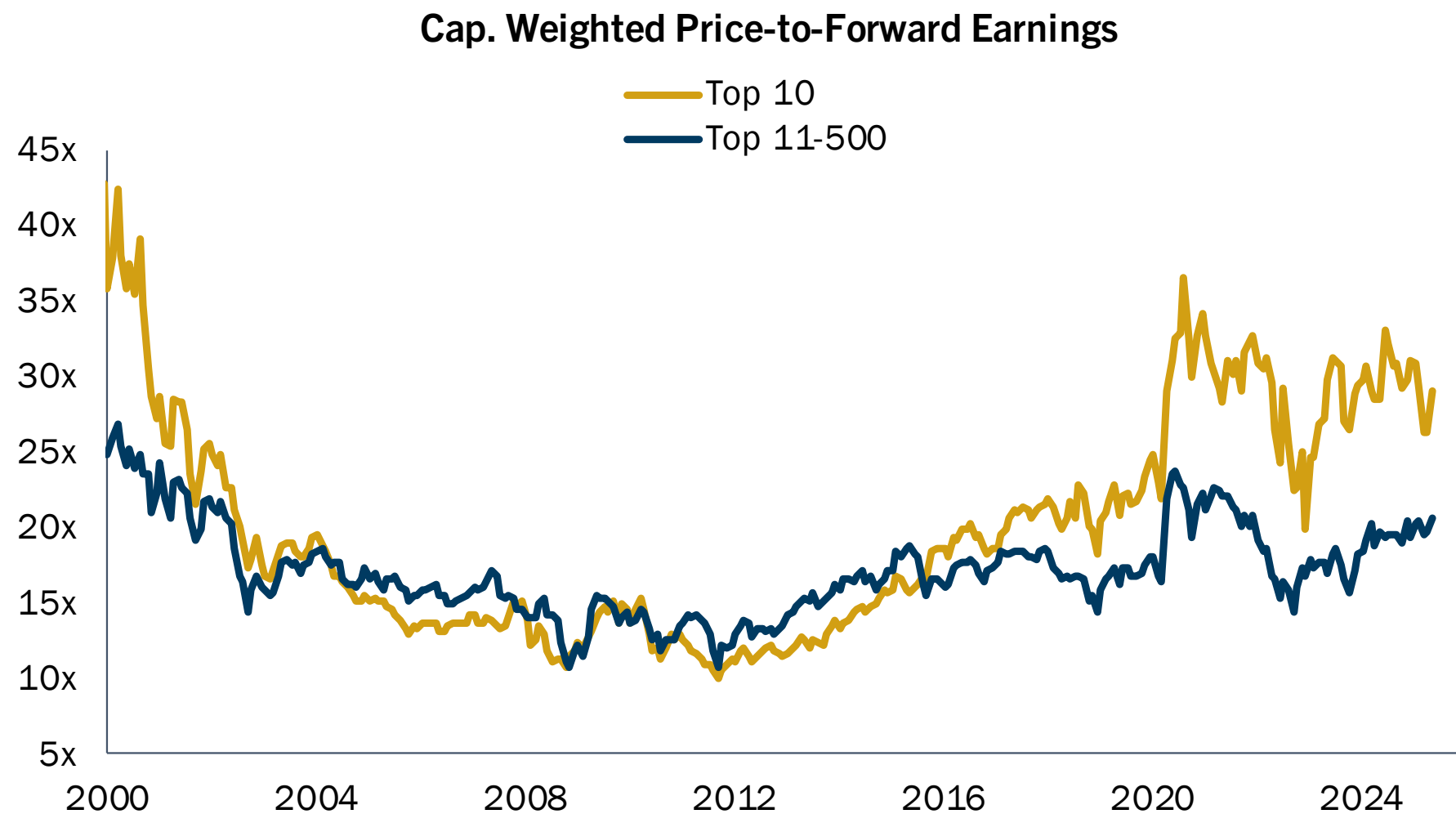


S&P 500 Valuations Have Contracted Modestly

S&P 500 Next Twelve Months Price-to-Earnings Ratio



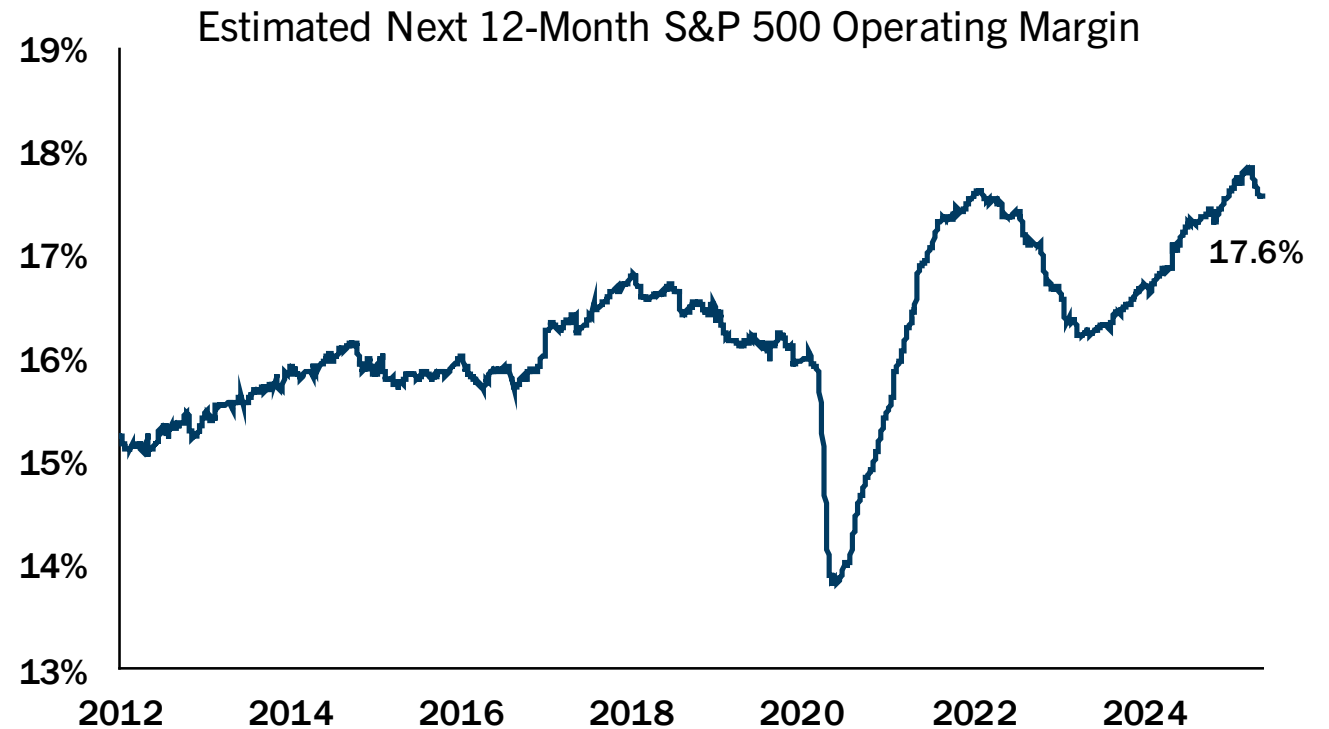
Multiples for the Top 10 Largest Equities Have Moved Down



Source: Trivariate Research. Data as of 5/15/2025.

Corporate Earnings

- 2025 estimated growth is **9.0%**
 - Q1 2025 estimated growth was 13.6%
- 2026 estimated growth is **13.4%**
- Average growth since 1950 is **7.6%**

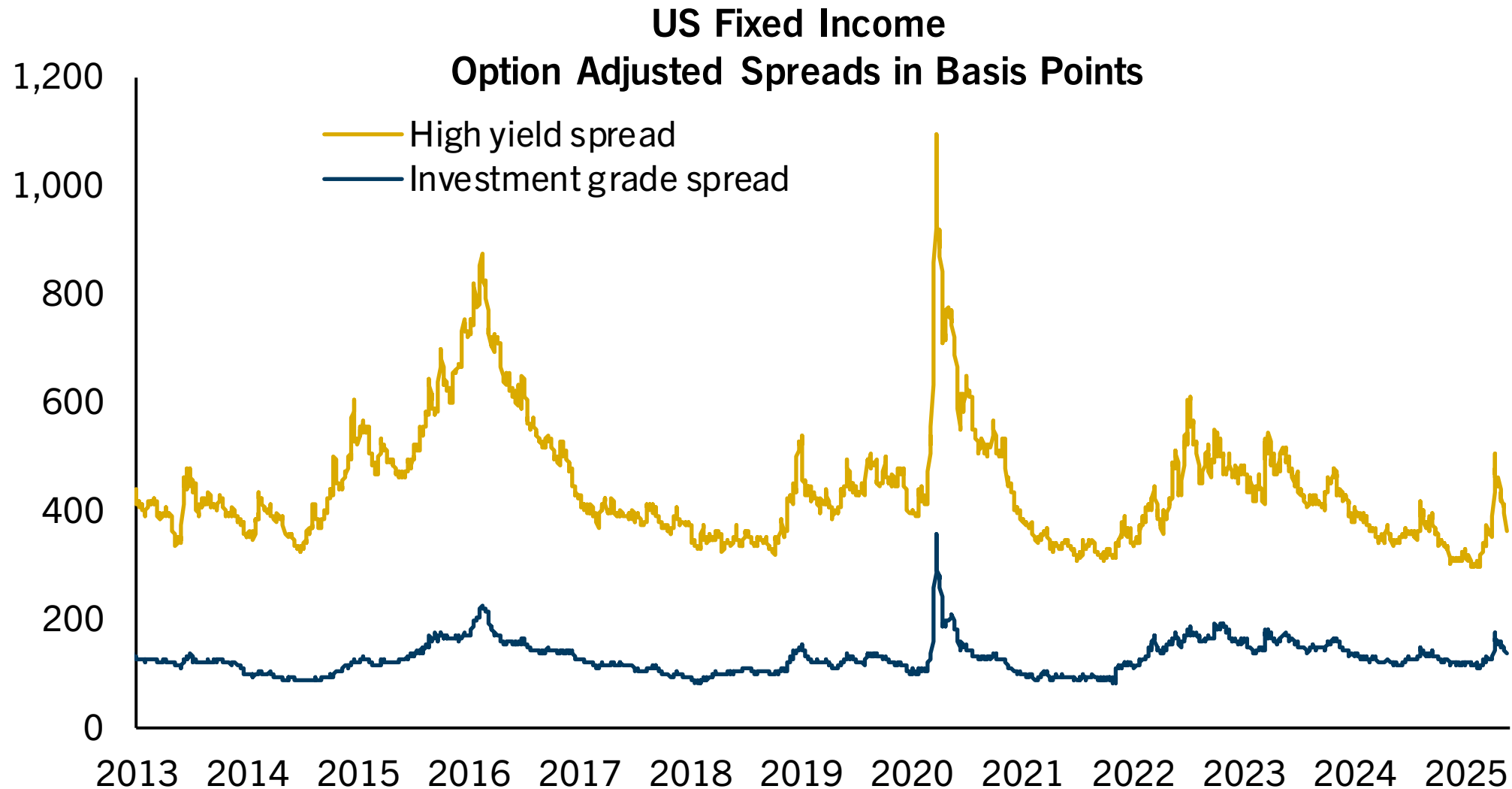


S&P 500 Price Target

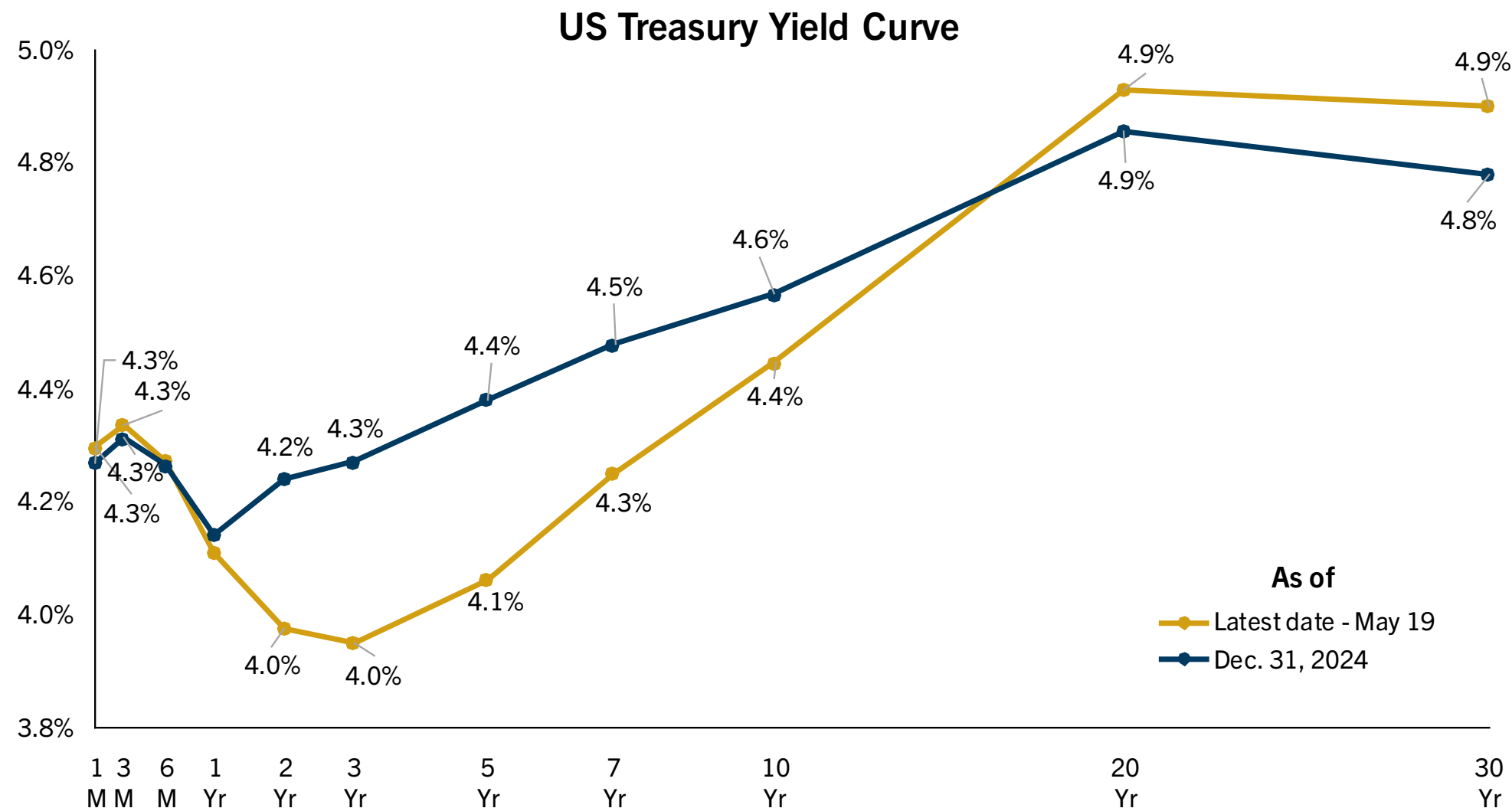
Next Twelve Month S&P 500 Price Target

	Next Twelve Months Price Level	Percent Change from 5/20/2025
Bear	4,600	-22.6%
Base	6,300	6.1%
Bull	6,900	16.2%

Bond Spreads Show Risk Levels Are Low for Corporate Borrowers



The Treasury Yield Curve Has Steepened This Year

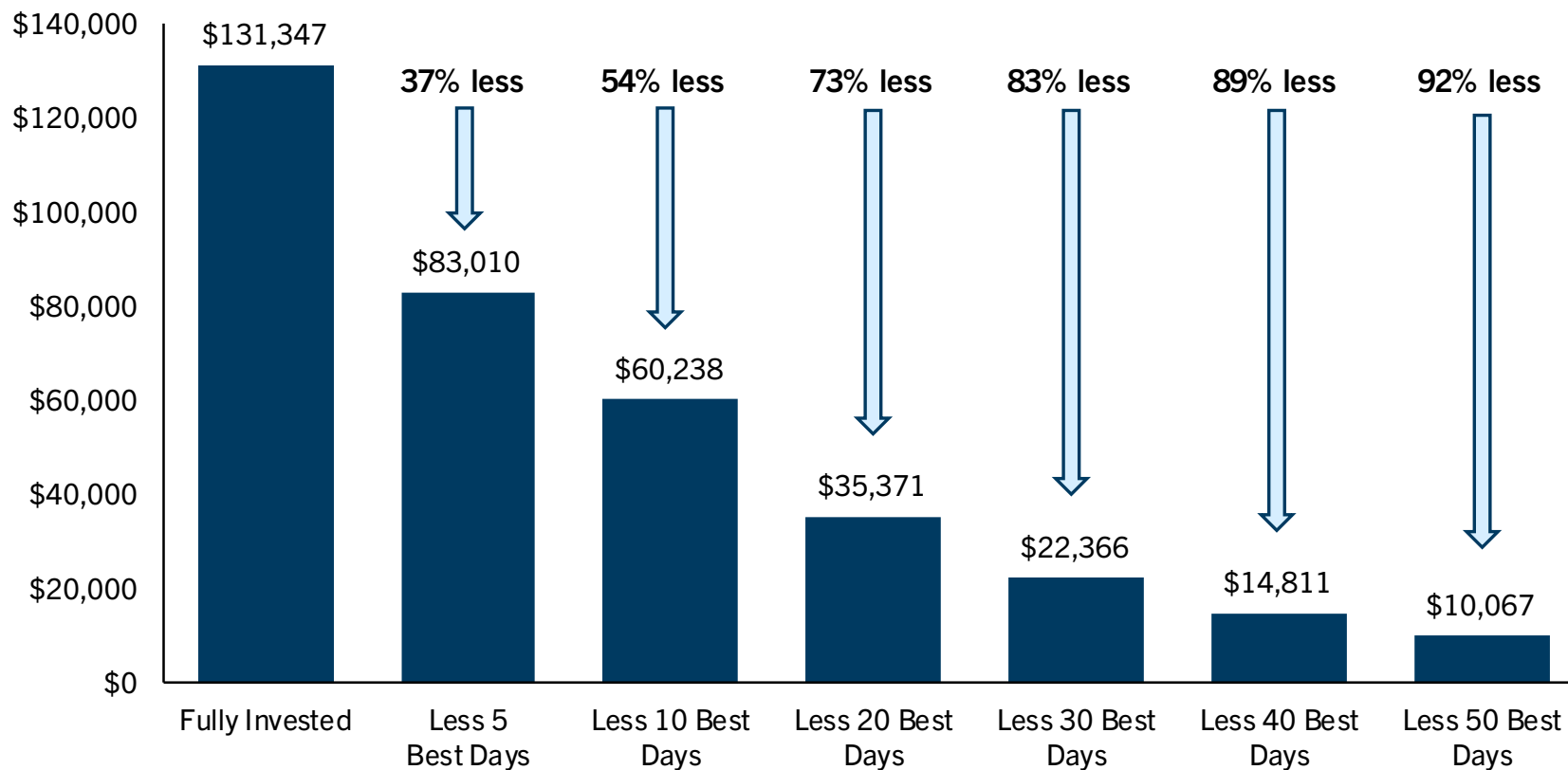


Fixed Income Is Still Offering Attractive Yield

US Fixed Income Indices		
Yield-to-Worst		
Index	As of 5/19/2025	As of 12/31/2024
2-Year Treasury	4.0%	4.2%
10-Year Treasury	4.4%	4.6%
Aggregate Bond	4.8%	4.9%
Intermediate Government/Credit	4.4%	4.6%
Municipal Bond	4.1%	3.7%
Investment Grade Corporate Bond	5.3%	5.3%
High Yield Corporate Bond	7.5%	7.5%

Market Timing Is a Dangerous Game

Growth of \$10,000, S&P 500 Compounded Total Returns, 1995 - 2024



- Nearly half (48%) of the S&P 500 Index's strongest days occurred during a bear market.
- Another 28% of the market's best days **took place in the first two months of a bull market**—before it was clear a bull market had begun.

Market & Economic Research

Making Sense

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