Weekly Market Perspectives

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Taking Stock of the Stock Market

Stocks finished slightly lower last week, with the S&P 500 Index and NASDAQ Composite narrowly missing an opportunity to finish higher for a third consecutive week. Nevertheless, outlines of a trade deal between the U.S. and the United Kingdom, an opportunity for the U.S. and China to de-escalate their trade aggression, and the Federal Reserve offering a largely balanced policy update helped U.S. stocks digest recent moves higher.

This week, the flood of first quarter earnings reports will slow down, and inflation updates, as well as fresh looks at the consumer, should start to provide key updates on how tariffs are beginning to affect the U.S. economy.

Last week in review:

- The S&P 500 and NASDAQ lost 0.4% and 0.3%, respectively. The Equal Weight S&P 500 Index outperformed the market-cap version by 87 basis points, as Industrials (+1.1%) and Consumer Discretionary (+0.8%) outperformed.
- The Dow Jones Industrials Average edged down slightly, while the Russell 2000 Index eked out a small gain.
- U.S. Treasuries finished the week mixed, with yields on the 2-year and 10-year rising slightly.
- Gold advanced higher after two consecutive weeks of losses, and West Texas Intermediate (WTI) crude finished with solid gains, despite OPEC+ announcing it would increase production. The U.S. Dollar Index strengthened against major currencies.
- As expected, the Federal Reserve left interest rate policy unchanged at its latest meeting. The updated policy statement added that the risks of higher unemployment and higher inflation have risen. However, Fed Chair Powell offered a balanced assessment of those risks and noted that tariff impacts on the economy are yet to be felt. In our view, the Fed has ample room to support the economy and cut its policy rate should growth slow and unemployment rise. That said, Powell made it clear the committee has time to wait and see how economic conditions evolve from here. Following the Fed update, odds that rates will be lower by the July meeting stand at 60/40.
- The U.S. and the United Kingdom struck a framework agreement that includes lower tariffs on products like UK-made autos and opens up UK markets to American companies, particularly across agriculture. A 10% tariff rate on UK products outside of the agreement will remain in place. Notably, markets reacted positively as the agreement may offer a blueprint for how the U.S. engages with other countries. In other trade developments, the U.S. and China agreed to hold discussions in Switzerland over the weekend in an effort to de-escalate their trade embargo with one another.
- On that point, some of the first container ships from China arrived on U.S. shores, subject to the 145%-plus tariff rate imposed by President Trump. The containers include a host of goods and products from Amazon, Home Depot, Ikea, Ralph Lauren, and Tractor Supply, for example, as well as products from other smaller companies and sellers. As a result of the new tariffs, the number of freight vessels and shipping containers coming to the U.S. has materially declined since early April, with bookings down anywhere from 30% to 50%, according to logistics providers and ocean carriers.

- In other odds and ends, April ISM Services topped estimates, though higher prices paid remained a focus. Jobless claims declined week-over-week. The latest New York Fed Survey of Consumer Expectations showed rising inflation uncertainty and deteriorating labor market expectations. In Rome, the Catholic Church elected the first American pope in its history. Cardinal Robert Francis Prevost, a 69-year-old native of Chicago, emerged from the conclave as Pope Leo XIV. And finally, Pakistan and India agreed to a cease-fire following alarming attacks on one another that had the potential to further pressure an already shaky geopolitical environment.

Taking stock of the stock market.

Since its April 8 lows, the S&P 500 Index has climbed +13.6%. Through late last week, the Index had put together its strongest one-month rally since April 2020, coming off COVID-19 lows. And that's after the Index had fallen by roughly 19% from its February high through April 8. As *Bespoke Investment Group* recently noted, it's rare for the S&P 500 to rally +10% or more in a month. What's even less common is for the Index to do it so closely after losing 10% or more. Notably, in periods where the S&P 500 has gained and lost 10% or more in such close proximity, returns tend to match the average over the next six months and tend to be above average over the next year. As investors look ahead to incoming economic data and impacts from tariffs (which may be less onerous than originally feared), below are a few key points to help ground your perspective on the current market environment.

- The first quarter earnings season went much better than analysts expected. With the earnings season winding down, Q1'25 S&P 500 earnings per share (EPS) are higher by +13.4% year-over-year, much stronger than the +7.2% analysts penciled in at the end of March. Profit growth was strong across Healthcare, Communication Services, and Information Technology companies in Q1, with all three sectors expected to drive earnings growth in Q2. Notably, while commentary and outlooks were mixed across S&P 500 companies, depending on tariff impacts and industry factors, overall demand conditions in the U.S. remain stable. As such, S&P companies, in aggregate, are expected to post positive earnings growth in Q2 despite known macroeconomic headwinds.
- Stocks aren't cheap, and the recent rally has narrowed some of the more obvious opportunities presented in early April. With the S&P 500 currently trading at roughly 21x 2025 earnings expectations, further deterioration in economic activity is a threat to profit growth and a risk to stock prices, in our view. Economic data over the coming weeks and months will likely reflect how tariffs are impacting consumers and businesses. So far, analysts have made modest adjustments to Q2 and Q3 earnings expectations for this year, while maintaining a relatively healthy assessment of full-year profit growth**. Bottom line: The bulls likely find comfort knowing profit expectations for this year remain healthy, given the uncertain backdrop. Bears, on the other hand, likely see downside risks in this assessment. The truth may lie somewhere in the middle, which could produce periods of further volatility depending on how macro conditions evolve.**
- Finally, focusing too narrowly on the major U.S. stock averages misses a more complete picture of the current environment. Steeper declines across Big Tech leaders this year have opened up longer-term opportunities for investors, in our view. At the same time, depressed valuations across industries that are more directly exposed to tariff impacts, such as autos and areas focused on the consumer, appear justified given the uncertainty. Underneath the hood, six of eleven S&P 500 sectors have positive returns in 2025, six sectors are less expensive than the overall S&P 500, and all sectors outside of Energy are still expected to post positive profit growth this year. **Bottom line: Navigating the current market environment may remain challenging this year. In our view, investors should focus on using strong active managers within their portfolio to help look below the surface of broad benchmarks, uncover investment opportunities, and mitigate risks in areas that may continue to come under pressure should economic activity soften.**

The week ahead:

On Sunday, U.S. Treasury Secretary Scott Bessent said first-round discussions between the U.S. and China in Geneva made "substantial progress." Over the next 90 days, U.S. tariffs on Chinese goods will come down from 145% to 30%, while China's tariffs on U.S. goods will come down from 125% to 10%. Key inflation reports this week and an update on retail sales trends post the April 2 reciprocal tariff announcement line the economic calendar. Just twelve S&P 500 companies are scheduled to report earnings results over the coming five days.

- On Tuesday, the Consumer Price Index (CPI) is expected to remain unchanged in April on an annualized basis versus March levels, with the headline figure holding at +2.4%, and the core measure (ex-food and energy) remaining at +2.8%. However, on a month-over-month basis, consumer inflation is expected to rise in April, due to tariffs, but somewhat offset by lower gasoline prices last month. The Producer Price Index (PPI) is released on Thursday.

- Friday's April retail sales report should continue to show consumers' frontloading goods purchases ahead of increased tariffs. Again, lower gasoline prices may have provided a headwind to the overall figure last month. Still, solid auto sales may have provided a boost, given that tariff impacts have not made a material showing on vehicle sticker prices yet.
- Earnings reports from Cisco Systems, Walmart, Deere, and Applied Materials will be the earnings releases of note this week.

Stock Market Recap

Benchmark	Total Returns			LTM PE		Yield %	
	Weekly	MTD	YTD	Current	5-Year Median	Current	5-Year Median
S&P 500 Index: 5,660	-0.4%	1.7%	-3.3%	25.3	24.8	1.3	1.5
Dow Jones Industrial Average: 41,249	-0.1%	1.5%	-2.5%	23.0	21.5	1.7	1.9
Russell 2000 Index: 5,028	0.1%	3.0%	-8.9%	55.8	39.8	1.4	1.3
NASDAQ Composite: 17,929	-0.3%	2.8%	-7.0%	35.8	38.4	0.7	0.7
Best Performing Sector (weekly): Industrials	1.1%	3.6%	3.6%	26.1	25.1	1.3	1.5
Worst Performing Sector (weekly): Health Care	-4.2%	-5.6%	-3.1%	24.0	23.1	1.9	1.6

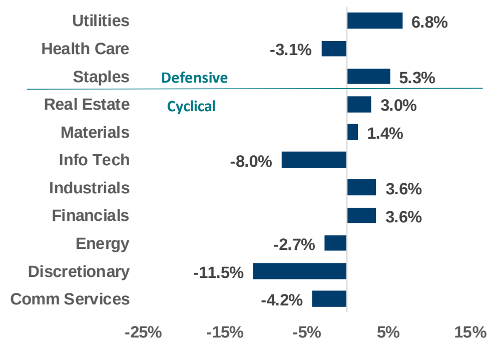
Source: Factset. Data as of 05/09/2025

Bond/Commodity/Currency Recap

Benchmark	Total Returns		
	Weekly	MTD	YTD
Bloomberg U.S. Universal	-0.1%	-0.8%	2.2%
West Texas Intermediate (WTI) Oil: $61.02	2.3%	2.5%	-15.8%
Spot Gold: $3,325.39	2.6%	1.1%	26.7%
U.S. Dollar Index: 100.34	0.3%	0.9%	-7.5%
Government Bond Yields	**Yield Chg**		
	Weekly	**MTD**	**YTD**
2-year U.S. Treasury Yield: 3.88%	6 bps chg	29 bps chg	-36 bps chg
10-year U.S. Treasury Yield: 4.37%	6 bps chg	22 bps chg	-21 bps chg

Source: Factset. Data as of 05/09/2025. bps = basis points

YTD Total Returns by S&P 500 Sector



Source: S&P Global, Factset. Data as of 05/09/2025

These figures are shown for illustrative purposes only and are not guaranteed. They do not reflect taxes or investment/product fees or expenses, which would reduce the figures shown here. An index is a statistical composite that is not managed. It is not possible to invest directly in an index. Past performance is not a guarantee of future results.

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Diversification does not assure a profit or protect against loss.

There are risks associated with **fixed-income** investments, including credit (issuer default) risk, interest rate risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer term securities.

International investing involves certain risks and volatility due to potential political, economic, social, or currency instabilities and different financial and accounting standards. These risks are enhanced for **emerging markets**.

Stock investments involve risk, including loss of principal. High-quality stocks may be appropriate for some investment strategies. Ensure that your investment objectives, time horizon and risk tolerance are aligned with investing in stocks, as they can lose value.

The products of **technology** companies may be subject to severe competition and rapid obsolescence, and their stocks may be subject to greater price fluctuations.

Past performance is not a guarantee of future results.

An index is a statistical composite that is not managed. It is not possible to invest directly in an index.

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The **S&P 500 Index** is a basket of 500 stocks that are considered to be widely held. The S&P 500 index is weighted by market value (shares outstanding times share price), and its performance is thought to be representative of the stock market as a whole. The S&P 500 index was created in 1957 although it has been extrapolated backwards to several decades earlier for performance comparison purposes. This index provides a broad snapshot of the overall US equity market. Over 70% of all US equity value is tracked by the S&P 500. Inclusion in the index is determined by Standard & Poor's and is based upon their market size, liquidity, and sector.

The **NASDAQ Composite** index measures all NASDAQ domestic and international based common type stocks listed on the Nasdaq Stock Market.

The **Dow Jones Industrial Average** (DJIA) is an index containing stocks of 30 Large-Cap corporations in the United States. The index is owned and maintained by Dow Jones & Company.

The **Russell 2000 Index** measures the performance of the small-cap segment of the US equity universe. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. The Russell 2000 includes the smallest 2000 securities in the Russell 3000.

The **US Dollar Index** (USDX) indicates the general international value of the USD. The USDX does this by averaging the exchange rates between the USD and major world currencies. This is computed by using rates supplied by approximately 500 banks.

West Texas Intermediate (WTI) is a grade of crude oil commonly used as a benchmark for oil prices. WTI is a light grade with low density and sulfur content.

The **Institute for Supply Management** (**ISM**) manufacturing index is a national manufacturing index based on a survey of purchasing executives at roughly 300 industrial companies. It is an index of the prevailing direction of economic trends in the manufacturing and service sectors.

The **ISM Services PMI** (formerly the Non-Manufacturing NMI) is compiled and issued by the Institute of Supply Management (ISM) based on survey data. The ISM services report contains the economic activity of more than 15 industries, measuring employment, prices, and inventory levels; above 50 indicating growth, while below 50 indicating contraction.

Personal consumption expenditures (**PCE**) are a measure of the outlays or how much consumers are spending. The PCE reading is released monthly by the Bureau of Economic Analysis.

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