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Weekly Market Guide

Avoid the "Sell in May and Go Away" Adage: It remains paramount to avoid complacency as the tariff situation remains fluid. In the short term, prices may consolidate or retrace as backing and filling develop, so the old adage could hold true. However, longer-term, our bias remains positive, and **we recommend scaling in as risk/reward improves if weakness transpires**, suggesting that keeping an eye on the market remains important. Additionally, the old adage "sell in May and go away" hasn't held up well in recent years, with 11 of the past 12 years seeing gains during the month.

Equities Climbing the Wall of Worry: Our base case remains that equities, given the strong buying conviction and bullish rebound off the 50% retracement level, are likely to continue climbing the wall of worry. The S&P 500 has seen several rare and positive signals that continue to be bullish for the market. However, following the 9-day winning streak that was snapped on Monday, the S&P 500 is back into a band of resistance just shy of the 200-DMA and near the levels seen just before the April 2nd "Liberation Day" tariff announcement. Additionally, many factors could disrupt the market mood, so **we can't rule out a retest (or even a slight undercut) of the recent low.** Watch for **overhead resistance from 5747 up to 5773**. If the market slides, we see technical **support at the 21-DMA, currently at 5406. A move below this level could close the gap at 5309.**

Sector Rotation: Despite the defensive bias year-to-date (YTD), there has been some rotation towards growth and cyclical areas since the market bottom, with Technology leading the charge, followed by Industrials and Communication Services. While there is still work to do, we view growth and cyclical leadership in the market rebound as a positive signal to displace some of the defensive bias that has driven the market YTD.

Grind Rather Than a Sprint: Even if the U.S. economy avoids a recession (though the tariff situation remains fluid), we see the near-term market as more of a **grind with potential for back-and-forth trading**. We believe a quick move back to highs in short order may prove difficult given the high degree of uncertainty—unless there is a major shift in the perception of tariffs. While we expect tariff relief over time, the headwinds are unlikely to go away quickly. **The net effect leaves us with expectations for a choppy grind in the short term, while remaining positive on the longer term.**

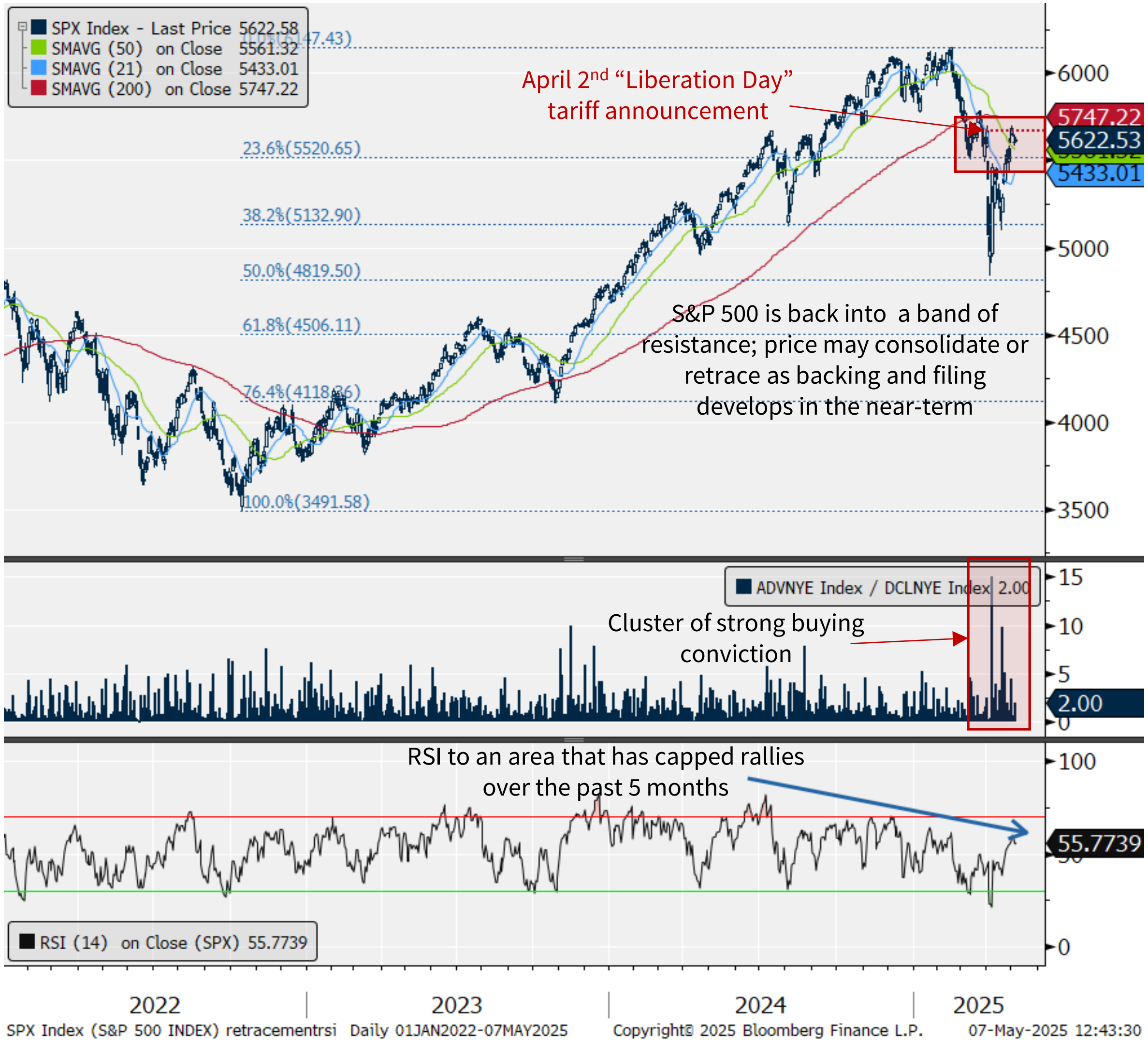
Fed on Pause: While the Fed has the opportunity to provide a boost with faster rate cuts, it is not in a hurry to shift, remaining on pause for the third consecutive meeting. Tariff uncertainty and the risk of higher inflation keep the Fed from moving hastily, but the expectation remains for more accommodative actions to begin mid-year. The positive is the Fed can remain data-dependent, buying itself time to evaluate the impact of increased tariffs on GDP growth, jobs, and inflation. On the other hand, the Fed is offering little support for the market at this point in time (although it remains a backstop if economic conditions worsen significantly).

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	-4.0%	5.1%
S&P 500	-4.7%	8.2%
S&P 500 (Equal-Weighted)	-3.0%	3.6%
NASDAQ Composite	-8.4%	8.2%
Russell 2000	-11.1%	-3.8%
MSCI All-Cap World	0.1%	8.5%
MSCI Developed Markets	12.1%	9.4%
MSCI Emerging Markets	5.8%	6.6%
NYSE Alerian MLP	-2.3%	2.2%
MSCI U.S. REIT	-2.1%	9.3%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Utilities	6.2%	2.6%
Consumer Staples	5.3%	6.1%
Real Estate	2.1%	2.1%
Financials	1.6%	14.5%
Industrials	1.2%	8.6%
Materials	-0.2%	2.0%
Health Care	-2.5%	10.3%
Communication Svcs.	-2.7%	9.6%
S&P 500	**-4.7%**	-
Energy	-5.9%	3.2%
Information Technology	-9.7%	30.7%
Consumer Discretionary	-14.3%	10.3%

Source: FactSet

Technical: S&P 500



The S&P 500 has experienced a strong breadth thrust and buying conviction from the April lows, with several rare and positive signals that continue to be bullish for the market. However, following the 9-day winning streak (that was snapped on Monday), the S&P 500 is back into a band of resistance just shy of the 200-DMA and near the levels seen just before the April 2nd "Liberation Day" tariff announcement.

In the short term, prices may consolidate or retrace as backing and filling develop. Longer-term, our bias remains positive, and we recommend scaling in as risk/reward improves if weakness transpires. Our base case remains that equities, given the strong buying conviction and bullish rebound off the 50% retracement level, are likely to continue climbing the wall of worry. However, many factors could disrupt the market mood, so we recommend not getting complacent, as we can't rule out a retest (or even a slight undercut) of the recent low.

If the U.S. economy avoids a recession (though the tariff situation remains fluid), we see the near-term market as more of a grind with potential for back-and-forth trading. We believe a quick move back to highs in short order may prove difficult given the high degree of uncertainty- unless there is a major shift in the perception of tariffs. Watch for overhead resistance from 5747 up to 5773. If the market slides, we see technical support at the 21-DMA, currently at 5406. A move below this level could close the gap at 5309.

Source: Bloomberg, FactSet

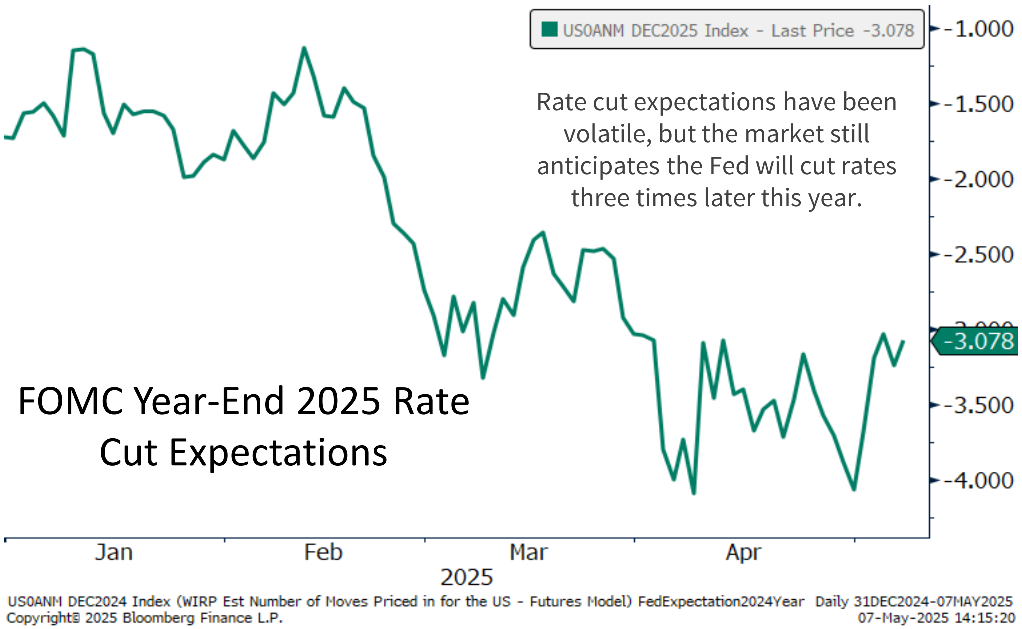
Fed on Pause

The Fed remains on pause for the third consecutive meeting, with the last rate cut occurring in December 2024. Tariff uncertainty and the risk of higher inflation keep the Fed from moving hastily. Looking forward, rate cut expectations have been volatile, with the first expected rate cut in 2025 slipping to the July meeting. However, the market implies there will be three rate cuts by year-end.

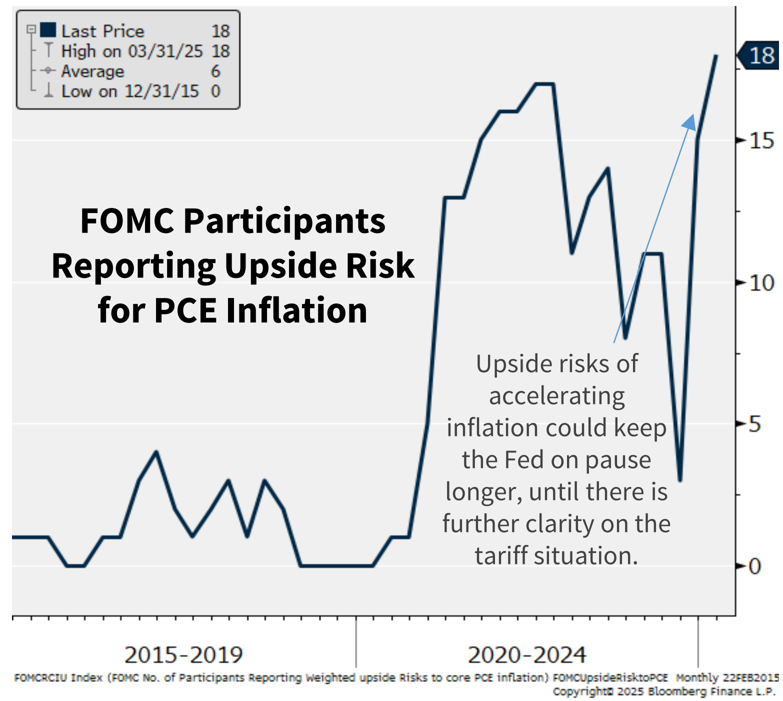
For now, the labor market remains healthy, likely giving the Fed more time to evaluate the impact of increased tariffs on GDP growth, jobs, and inflation. The latest jobs report, showing a 177k increase in non-farm payrolls, undermines fears that firms would be unwilling to hire due to tariffs.

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
06/18/2025	-0.201	-20.1%	-0.050	4.272	0.250
07/30/2025	-0.800	-59.9%	-0.200	4.123	0.250
09/17/2025	-1.633	-83.3%	-0.408	3.914	0.250
10/29/2025	-2.340	-70.7%	-0.585	3.738	0.250
12/10/2025	-3.078	-73.7%	[illegible]	[illegible]	0.250
01/28/2026	-3.530	-45.3%	-0.883	3.440	0.250
03/18/2026	-4.032	-50.1%	[illegible]	[illegible]	0.250
04/29/2026	-4.290	-25.9%	-1.073	3.250	0.250
06/17/2026	-4.617	-32.6%	[illegible]	[illegible]	0.250
07/29/2026	-4.780	-16.4%	-1.195	3.128	0.250
09/16/2026	-4.971	-19.1%	-1.243	3.080	0.250
10/28/2026	-4.980	-0.9%	-1.245	3.078	0.250
12/09/2026	-4.910	+7.0%	-1.228	3.095	0.250
01/27/2027	-4.990	-8.0%	-1.248	3.075	0.250

Expectation for the first rate cut at the July FOMC meeting



Fed data as of 3:15 PM Eastern/2:15 PM Central following the FOMC announcement



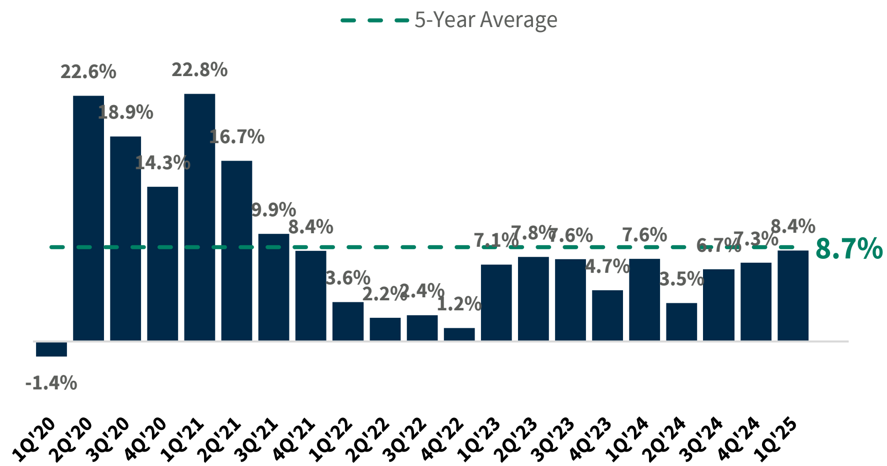
Source: Bloomberg, FactSet

Q1 Earnings Season

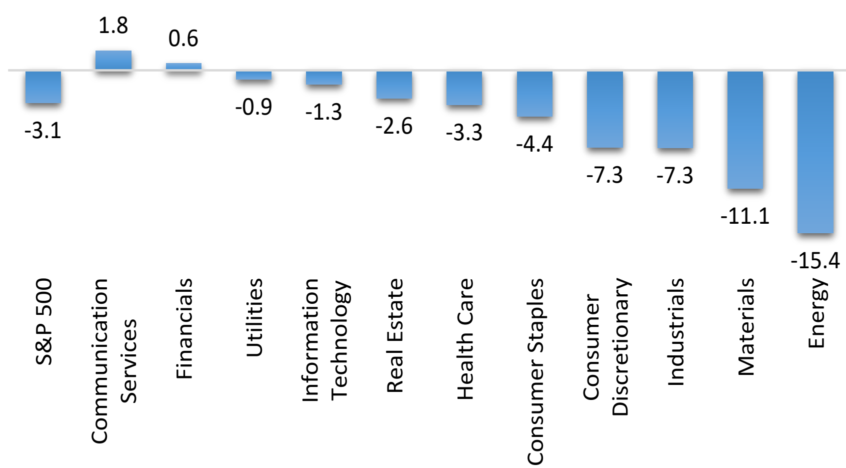
Q1 earnings season has been mixed, with forward estimates moving lower despite beats this quarter.

- 76% of companies have beaten earnings estimates by an average surprise of 8.4% for Q1 2025, with the largest surprises in the **Communication Services** and **Consumer Discretionary** sectors.
- **Forward Earnings Revised Lower:** Beats in Q1 are not carrying forward for the remainder of the year, as companies are being conservative (with some pulling forward guidance) due to ongoing tariff uncertainty. Earnings expectations have been moving lower, with **Q2 2025 and full-year 2025 revised down by -5.2% and -3.1%,** respectively, since the beginning of the year.
    - **Communication Services** and **Financials** are the only sectors to see EPS revisions higher for 2025 since the beginning of the year, while there have been sharp revisions lower in the **Materials** and **Energy** sectors.

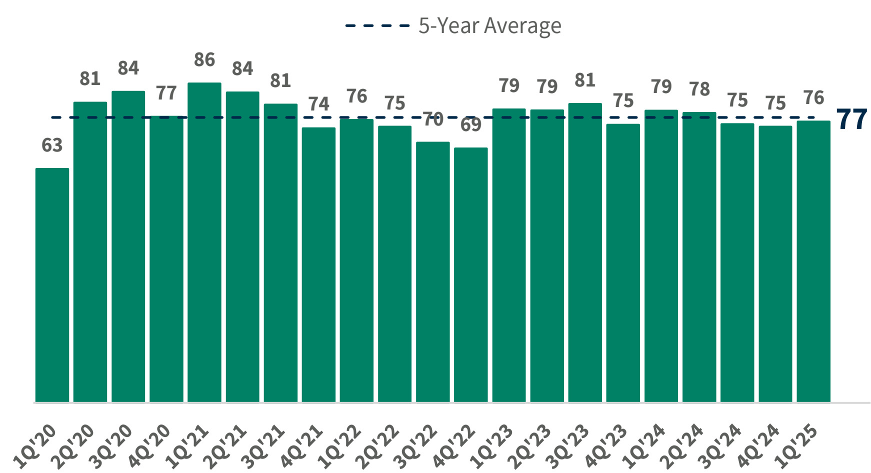
EPS Surprise



2025 EPS Revisions since 12/31



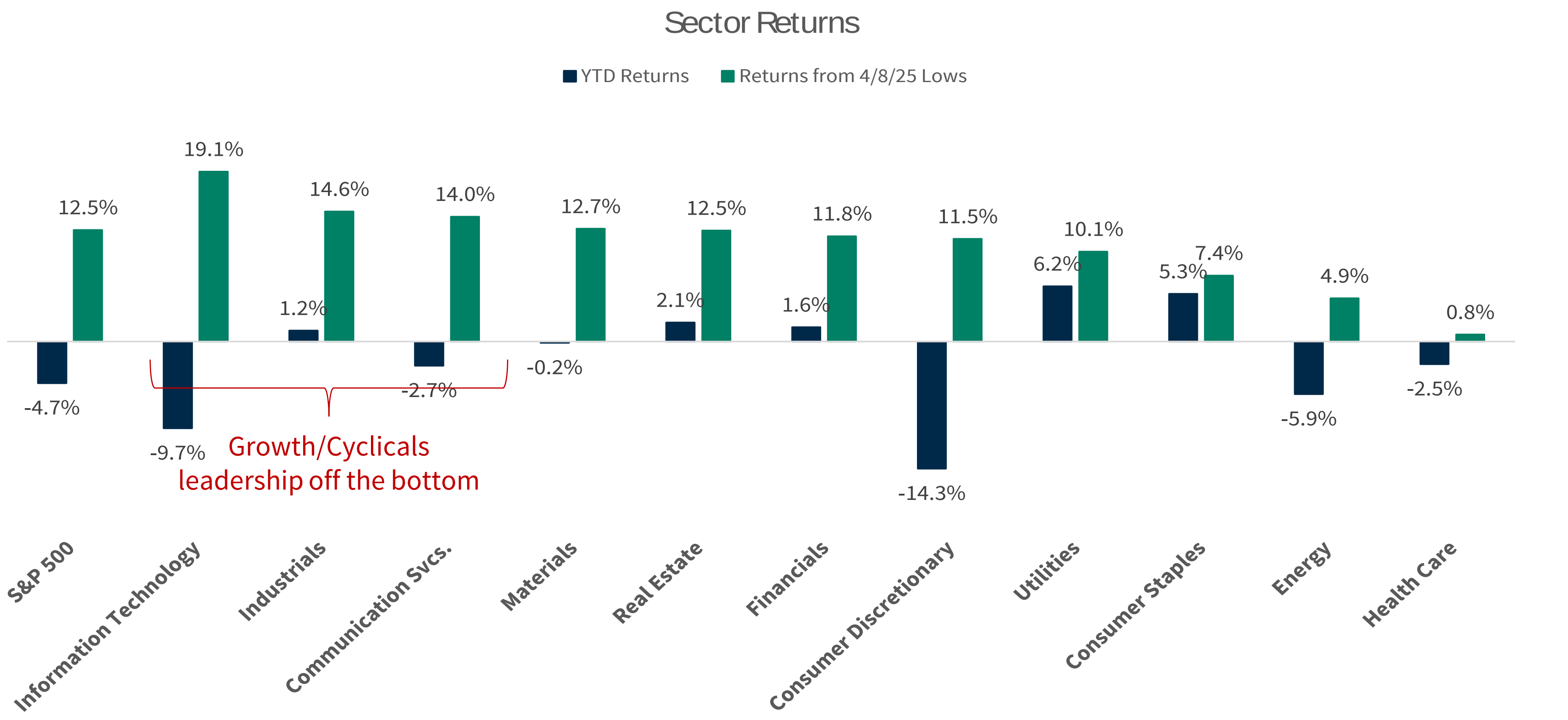
% Beating EPS Estimates



Source: Bloomberg, FactSet

Sector Rotation

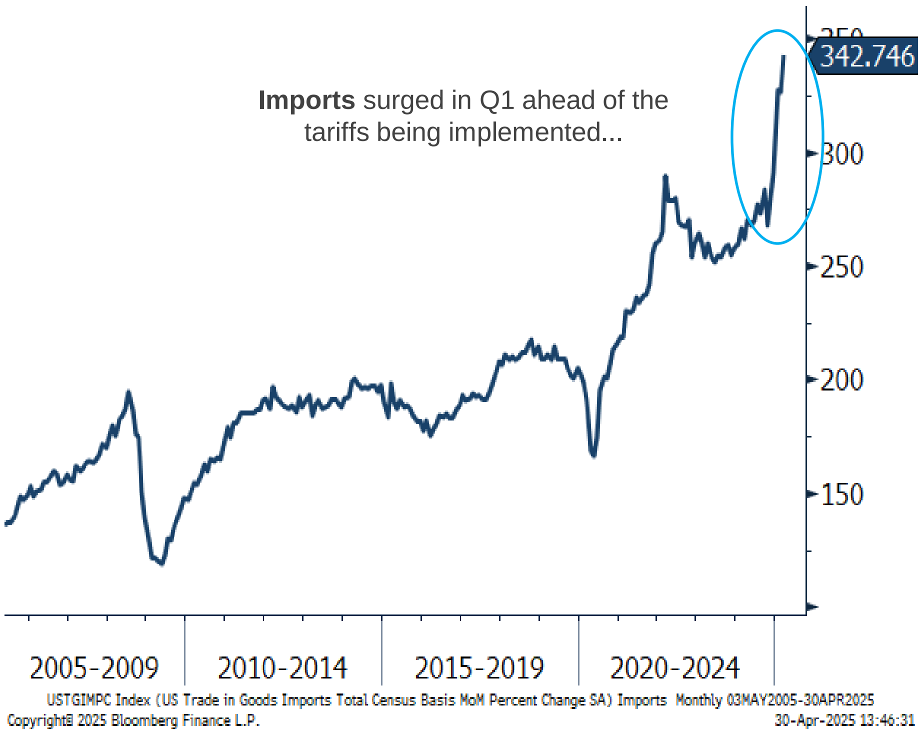
Despite the defensive bias year-to-date (YTD), there has been some **rotation towards growth and cyclical areas since the market bottom**, with Technology leading the charge, followed by Industrials and Communication Services. While there is still work to do, as risk-on posturing (EW Consumer Discretionary vs. Staples relative performance) remains below the prior uptrend, growth and cyclical leadership in the market rebound is a positive signal. We will watch to see if this trend can continue, allowing risk-on posturing to resume and displace some of the defensive bias that has driven the market YTD.

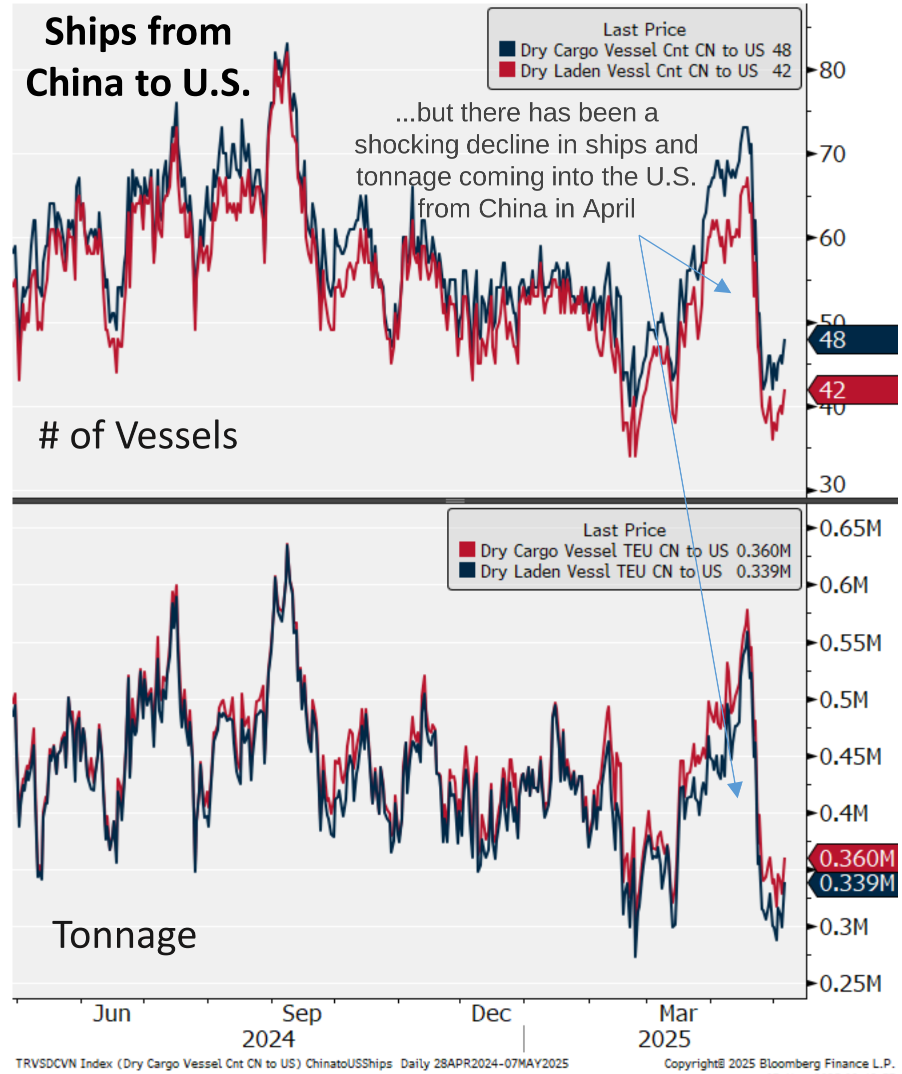


Source: Bloomberg, FactSet

Front Loading Ahead of Tariffs

Tariffs are skewing visibility for the economic outlook, impacting behavior around the tariff announcement. In the first quarter, imports surged as companies attempted to build inventories ahead of tariffs going into effect. However, there has been a shocking decline in ships and tonnage from China to the U.S. in April, as tariffs begin to impact supply. The eventual impact remains unknown, but we will continue to monitor if shipments remain under pressure, which could slow the economic outlook.

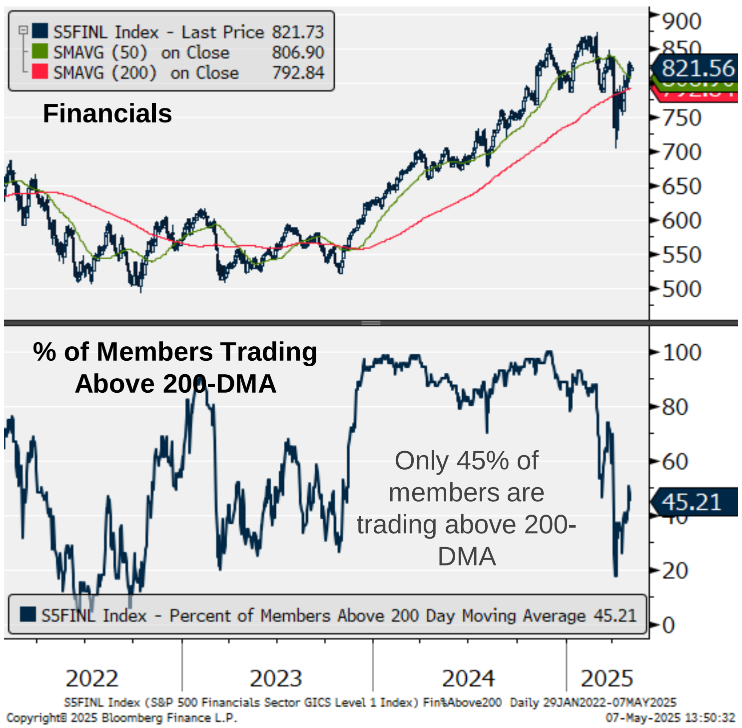




Source: Bloomberg, FactSet

Financials

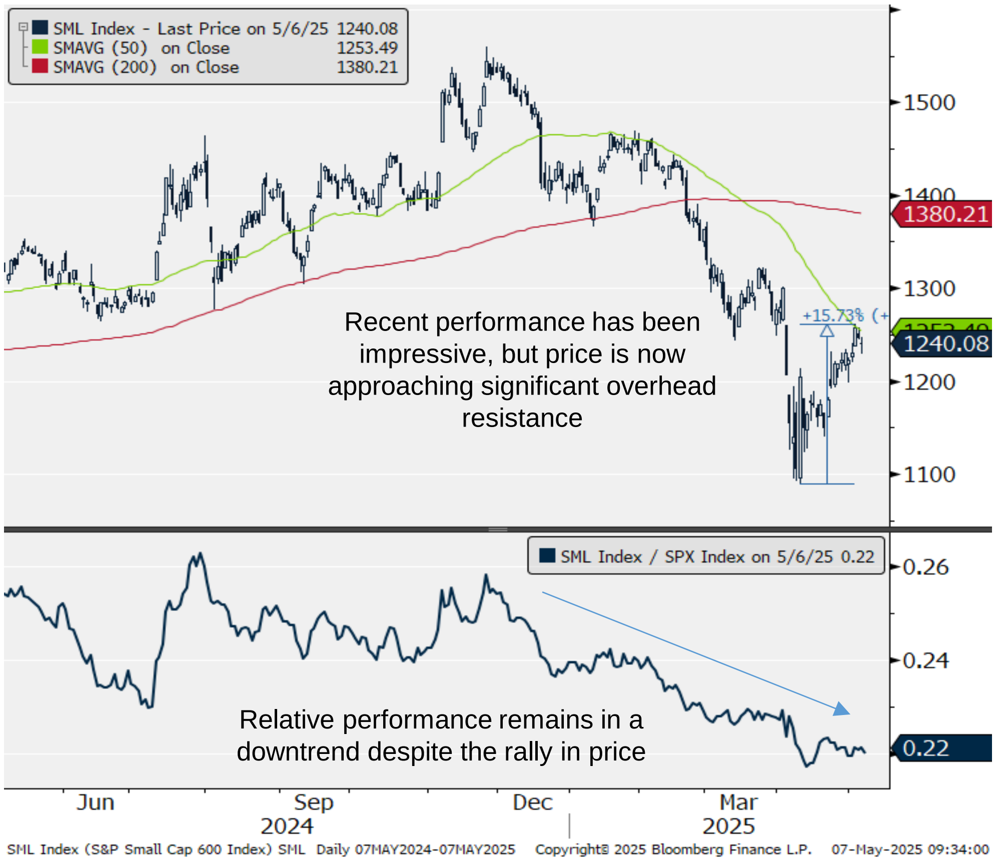
The Financial sector continues to exhibit solid technicals. Relative performance held its uptrend, and price is attempting to break through resistance. We continue to monitor the percentage of members trading above the 200-DMA, which is currently only 45%. If this starts to see an uptick along with continued strong performance, it would further increase our conviction in the sector.

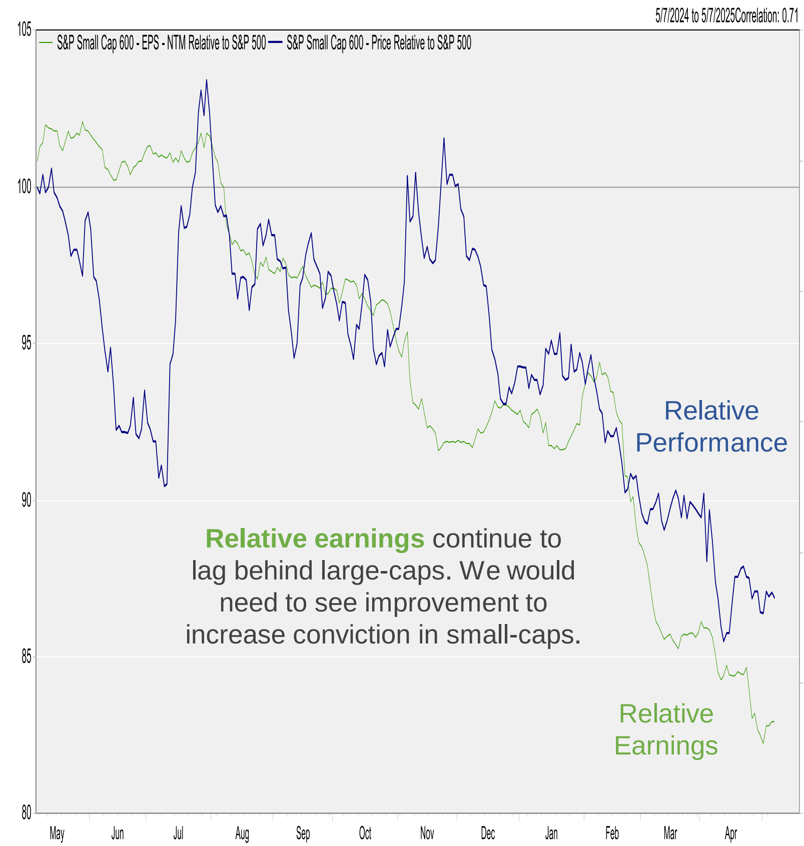


Source: Bloomberg, FactSet

Small Caps

Small-caps continue to warrant attention but need further confirmation to increase conviction. Recent performance has been impressive, rallying 16% off their lows in the past few weeks. Additionally, the group is trading at a 28% discount to large-caps and is expected to see a sharp acceleration in earnings in the second half of 2025. However, prices are now approaching significant overhead resistance, relative performance remains in a downtrend, and relative earnings remain challenged. We believe there is additional work to do and would wait for improvement in relative earnings to become more constructive.





Source: Bloomberg, FactSet

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Index Definitions

The **S&P 500** is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

The **Dow Jones Industrial Average (DJIA)** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

The **NASDAQ Composite** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The **MSCI World All Cap Index** captures large, mid, small and micro-cap representation across 23 Developed Markets (DM) countries. With 11,732 constituents, the index is comprehensive, covering approximately 99% of the free float-adjusted market capitalization in each country.

The **MSCI EAFE (Europe, Australasia, and Far East)** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in 23 emerging market countries. The index's three largest industries are materials, energy, and banks.

The **Russell 2000** index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks.

The **NYSE Alerian MLP** is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

The **Barclays Intermediate Government/Credit Bond** index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

The **Euro Stoxx 50 Index** is a market capitalization weighted stock index of 50 large, blue-chip European companies operating within Eurozone nations. Components are selected from the Euro STOXX Index which includes large-, mid- and small-cap stocks in the Eurozone.

The **China CSI 300** is a capitalization-weighted stock market index designed to replicate the performance of top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. It had a sub-indexes CSI 100 Index and CSI 200 Index.

The **S&P 500 Futures** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **DJIA Futures** is a stock market index futures contract traded on the Chicago Mercantile Exchange`s Globex electronic trading platform. Dow Futures is based off the Dow 30 stock index.

The **Nasdaq 100 Futures** is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international companies listed on the NASDAQ.

Europe: DAX (Deutscher Aktienindex (German stock index)) is a blue chip stock market index consisting of the 40 major German companies trading on the Frankfurt Stock Exchange.

Asia: Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.