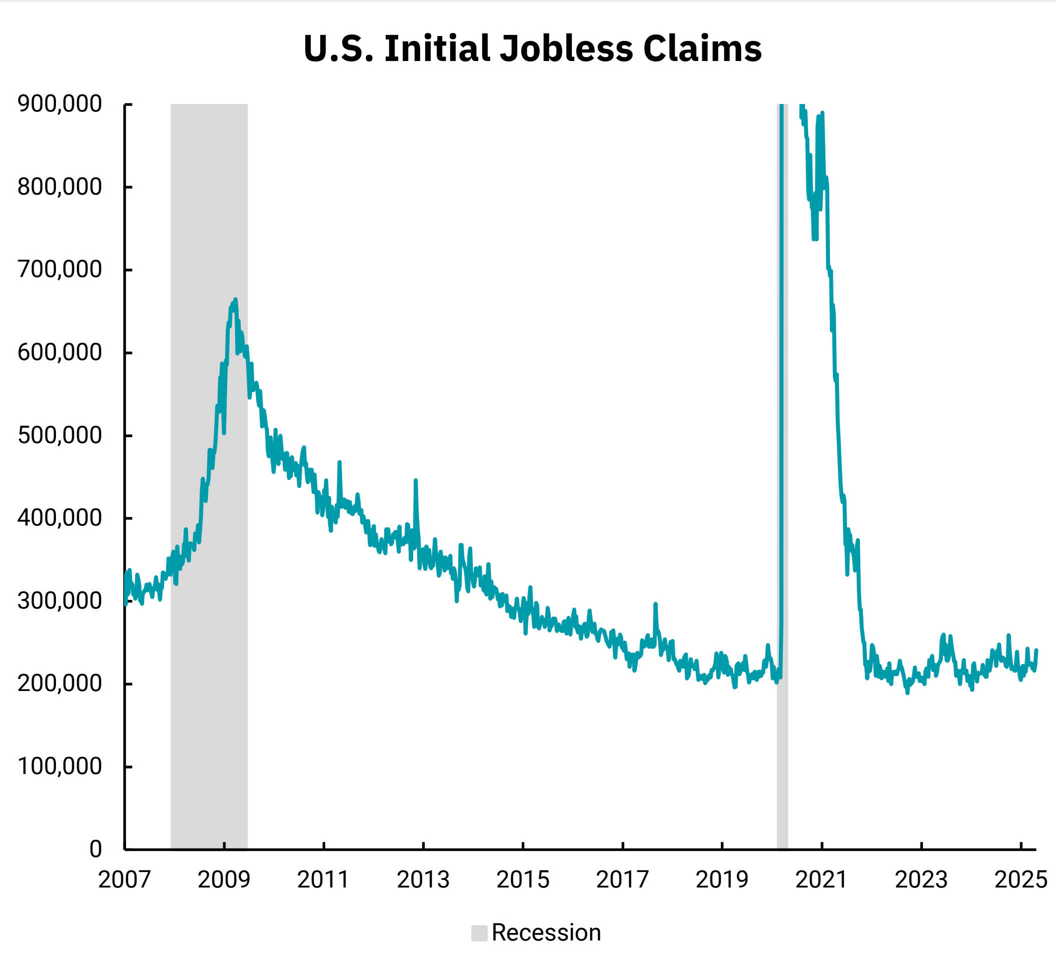
INVESTMENT MANAGEMENT

Weekly market update

Chart of the week (May 2, 2025)



The mosaic of the job market has been weakening with reduced open jobs and lower quits in the Job Opening and Labor Turnover Survey (JOLTS), reduced private job growth from ADP and increasing layoff announcements, as reported by Challenger, Gray and Christmas Inc. However, we must also keep in mind that the current situation is coming from a position of the strongest labor market in decades.

This week's chart shows weekly jobless claims, which are reported by each state every week. This data can give us insights into the labor market in a couple of ways, and since it is a weekly release, the report can pick up changes more quickly. There are two primary readings within this report: the number of new filings for unemployment benefits, which we are showing here, and the number of continuing claims. Weekly jobless claims for last week ticked higher to a reading of 241,000, a two-month high, up about 20,000 over the four-week moving average. At the same time, continuing claims stayed firm at 1.9 million. As we look a bit deeper into the jobless claims number, we see that it was impacted by a big jump in the state of New York, where seasonal factors might be at play. We watch the continuing claims number as a guide to how easily those laid off can find new work. As this number has been rising and remaining firm, it seems to confirm similar data from the JOLTS report: finding a new job is getting harder.

As mentioned above, however, we went with a long-term chart to provide some broader context about the "weakness" of which we speak. Keeping in mind how much larger our workforce is now, the fact that jobless claims are at levels we last saw in the 1960s is almost unbelievable. This does not mean we can dismiss increases in an offhand way, as we can also see that once claims start to move up, they can accelerate higher quickly. However, the absolute level of jobless claims remains remarkably low.

The granddaddy of all the labor market measures is the monthly report from the Department of Labor. The report from April was better on many fronts. Job growth exceeded estimates, although there were some downward revisions to the previous two months. Meanwhile, the headline unemployment rate was stable at 4.2%, the workweek ticked a bit higher, and average hourly earnings were 0.1% lower than expected. But we also know this survey was taken the week after the tariff announcements, and as such, we must acknowledge the risk of headwinds in future readings. However, this further confirms that the domestic economy is entering the period of tariff uncertainty on solid footing.

As this pertains to the Federal Reserve, the stability of the labor market will keep them from feeling the need to lower rates at its upcoming May meeting. We have yet to see the inflationary impact of tariffs, and we have not seen data showing a significant slowdown in economic activity. The risks of both are still in front of us, but the potential for changes to tariff policies, which could lessen headwinds to growth and ease inflationary risks, will slow the Fed's willingness to reduce rates.

Source: Federal Reserve Bank of St. Louis.

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Commentary (May 2, 2025)

Domestic Equities

- April was a wild ride for U.S. stocks. The S&P 500 fell about 20% peak to trough but ended the month down only -0.63%. Growth fell more than 20% but ended the month up 1.77%, while value fell only about 15% and ended the month down about -3%.
- The technology sector was the most volatile during April, falling over 25% then rebounding and ending the month as the best-performing sector, up 1.83%. There were several big tech earnings reports out during the week, which were strong for the first quarter, but outlooks for the rest of the year are dimming as companies begin to price in tariff effects.
- More than half of companies have reported earnings at this point, and they have been overwhelmingly positive for the past quarter. As outlooks begin to price in tariffs, earnings estimates have come down. The S&P 500's earnings-per-share (EPS) growth has fallen from 12.5% at the beginning of the year to 7.5%.

Bonds

- U.S. Treasury yields were higher on better-than-expected employment and manufacturing Purchasing Manager's Index (PMI) data, along with news that China is "currently assessing" proposals by the United States to begin trade talks. Federal Reserve rate-cut expectations fell, but the market continues to price in a full cut for July.
- Credit spreads narrowed to one-month tights, with the spread on the Market CDX North America High Yield Index closing the week below 4%.
- High-yield municipal bonds were positive for the week, with the sector rebounding from its worst monthly loss since 2023.
- Markets continue to price in a +97% probability that the European Central Bank (ECB) will cut rates in June despite inflation ticking higher in April across the eurozone.
- The Bank of Japan (BoJ) indicated that it may take longer than expected to reach its inflation target, leading to a potential delay in rate hikes this year.

International Equities

- Foreign stock markets rallied during the week as investors reacted to some upbeat earnings and economic news while grappling with the tariff-induced uncertainty.
- Developed market stocks rallied for the fourth straight week, led by strong performance from Japan and European markets. Eurozone consumer prices rose 2.2% over the last year, slightly above the European Central Bank's target, setting the stage for more interest-rate cuts. The eurozone economy grew by 0.4% in the first quarter, but concerns remain as global tariff tensions cast uncertainty upon the region's growth trajectory.
- Emerging markets advanced as momentum across Asia drove index returns higher. Mexico's GDP grew 0.2% in the first quarter as policymakers worked to steer the nation through unpredictable U.S. tariff policies. Meanwhile, Taiwan's GDP grew by 5.4% year-over-year, primarily due to higher exports during the first quarter to get ahead of higher tariffs.

Economics

- On Wednesday, the U.S.'s initial first-quarter GDP release showed a contraction of -0.3%, marking a significant slowdown from the 2.4% increase in the fourth quarter of 2024. Tariffs have already had a noticeable impact, particularly with the trade balance declining.
- Jobless claims came in at 241000, exceeding consensus estimates of 221,000 and the previous week's revised total of 223,000. Some of the increase appeared concentrated in specific regions. Investors and the Fed will closely monitor this figure as they assess labor market stability.
- On Friday, the employment report showed the economy added 177,000 new jobs, surpassing the consensus estimate of 130,000. The unemployment rate remained steady at 4.2%.
- The Federal Open Market Committee (FOMC) will convene for its May meeting on Tuesday, May 6, with Fed Chair Jerome Powell hosting a press conference on Wednesday, May 7.

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Weekly Market Update

For Week Ending May 02, 2025

Markets

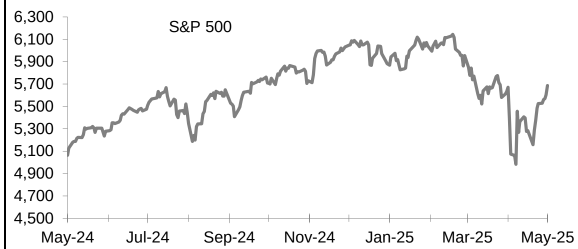
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	41,317.43	3.0%	-2.4%	10.0%
S&P 500 Index	5,686.67	2.9%	-2.9%	13.8%
NASDAQ Composite	17,977.73	3.4%	-6.7%	14.3%
S&P 400 Midcap Index	2,932.01	3.6%	-5.6%	2.6%
S&P 600 Smallcap Index	1,257.83	3.2%	-10.2%	-0.9%
MSCI EAFE	9,162.26	3.2%	13.4%	14.0%
MSCI Emerging Markets	609.58	3.4%	6.2%	10.3%
Bloomberg US Agg	2,241.00	-0.3%	2.4%	6.4%
Bloomberg Municipal 5 Yr	497.20	0.5%	0.5%	2.8%
Bloomberg US Corporate	3,341.26	-0.4%	1.6%	6.1%
Bloomberg Glb Agg ex US Hdg	599.73	0.0%	1.2%	6.4%
Bloomberg High Yield	2,720.10	0.3%	1.4%	8.7%
MSCI US REIT Index	2,303.17	2.9%	-0.3%	14.5%
Bloomberg Commodity Index	248.66	-1.1%	4.2%	5.5%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	4.50%	4.50%	4.50%	5.50%
3-Month Treasury	4.31%	4.29%	4.31%	5.40%
1-Year Treasury	4.00%	3.94%	4.14%	5.16%
2-Year Treasury	3.82%	3.75%	4.24%	4.87%
5-Year Treasury	3.92%	3.86%	4.38%	4.57%
7-Year Treasury	4.10%	4.04%	4.48%	4.57%
10-Year Treasury	4.31%	4.24%	4.57%	4.58%
30-Year Treasury	4.79%	4.70%	4.78%	4.73%
Consumer Rates				
30-Year Mortgage	6.80%	6.90%	7.28%	5.83%
Prime Rate	8.25%	8.25%	8.25%	9.25%
SOFR	4.36%	4.33%	4.49%	5.31%
Commodities				
Gold (spot)	3,240.49	3,319.72	2,624.50	2,303.83
Crude Oil WTI	58.29	63.02	71.72	78.95
Gasoline	3.17	3.15	3.06	3.67
Natural Gas	3.63	2.94	3.63	2.04
Copper	4.63	4.84	4.03	4.49

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	19.44	21.85	5.38	1.76
S&P 500	20.79	23.06	4.89	1.44
S&P 500 Value	17.37	18.67	3.24	2.21
S&P 500 Growth	24.68	28.63	8.93	0.75
NASDAQ	25.45	30.95	6.45	0.80
S&P Midcap 400	15.61	16.35	2.41	1.86
S&P Smallcap 600	14.71	15.42	1.68	2.78
MSCI EAFE	14.54	15.95	2.02	3.27
MSCI Emerging Markets	11.94	14.47	1.82	2.91

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	-2.77	0.36	3.47
Mid	-3.66	-1.60	0.41
Small	-5.27	-3.12	-1.01

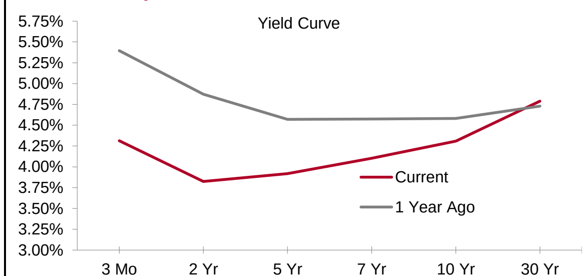
Year to Date*

	Value	Core	Growth
Large	-2.10	-2.91	-3.67
Mid	-5.73	-5.62	-5.52
Small	-13.21	-10.21	-7.21

> 10%
0% - 10%
<0%

*S&P Indices

Fixed Income Style



1 Month*

	Short (1-3 Yrs)	Interm. (1-10 Yrs)	Long (+10 Yrs)
Govt	0.43	0.34	-3.19
Corp	0.26	-0.09	-2.90
HY	0.36	0.08	-1.75

Year to Date*

	Short (1-3 Yrs)	Interm. (1-10 Yrs)	Long (+10 Yrs)
Govt	2.05	2.88	1.98
Corp	1.91	2.31	0.05
HY	2.17	1.40	0.05

> 10%
0% - 10%
<0%

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	2.4%	3.5%
CPI Core Inflation	2.8%	3.8%
Personal Consumption Exp (PCE) Core	2.6%	3.0%
Jobs		
Unemployment Rate (U3)	4.2%	3.9%
Broader Unemployment Rate (U6)	7.8%	7.4%
JOLT Survey (in millions)	7.19	8.09
Jobless Claims (000's)	241	209
Change in Non-Farm Payroll (000's)	177	118
Average Hourly Earnings (Y/Y % Change)	3.8%	4.0%
Consumer & Spending		
Consumer Confidence (Conf Board)	86.0	97.5
Consumer Spending ($ Bil)	20,653	19,553
Consumer Credit ($ Bil)	4,997	5,049
Retail Sales ($ Bil)	722	688
Housing		
Housing Starts (000's)	1,324	1,299
Case-Shiller Home Price Index	324.92	312.80
U.S. Productivity		
Real Gross Domestic Product ($ Bil)	23,526	23,054
Quarter over Quarter Change	-0.3%	1.6%
Year Over Year Change	2.0%	2.9%
ISM Manufacturing	48.70	48.80
Capacity Utilization	77.85	77.85
Markit US Composite PMI	51.20	51.30
U.S. General		
Leading Economic Indicators	100.5	104.1
Trade Weighted Dollar Index	123.2	123.2
EUR / USD	1.13	1.07
JPY / USD	144.96	153.64
CAD / USD	0.72	0.73
AUD / USD	0.64	0.66

S&P 500 Sector Returns

	1 Month	YTD
Consumer Staples	0.96%	6.35%
Utilities	0.40%	6.14%
Real Estate	-0.38%	3.80%
Financials	-0.78%	3.47%
Industrials	1.17%	2.54%
Materials	-2.17%	1.74%
Health Care	-3.99%	1.14%
Communication Services	3.73%	-1.82%
Energy	-12.70%	-3.16%
Information Technology	3.52%	-8.21%
Consumer Discretionary	-1.26%	-12.18%

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