



# “April Showers Bring May Flowers”

## Market Update

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May 2025

*Principle*  
WEALTH





# Today's Topics

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## 1. Markets

- Markets YTD
- VIX 101 – Volatility Creates Opportunity
- Measure Less Frequently
- Don't Confuse Possible With Probable
- What Can Go Right?
- Market Fundamentals – Cash On The Sidelines, Earnings, Dividends, Buybacks

## 2. Economy & Policy

- The Fed – “Tidsoptimist”
- Inflation – Where?
- The Rest Of The World Is Cutting Rates
- GDP Data – Better Than It Appears
- Soft Data vs. Hard Data – There's A Lag
- Housing – Rising Inventory

## 3. Everything Else

- Lots Of Spending In The Pipeline
- Warren Buffet Is Retiring – His Legacy
- Volatility Is Normal
- Happy Mother's Day!

# Market Performance – Year-To-Date

## Weekly Data Center

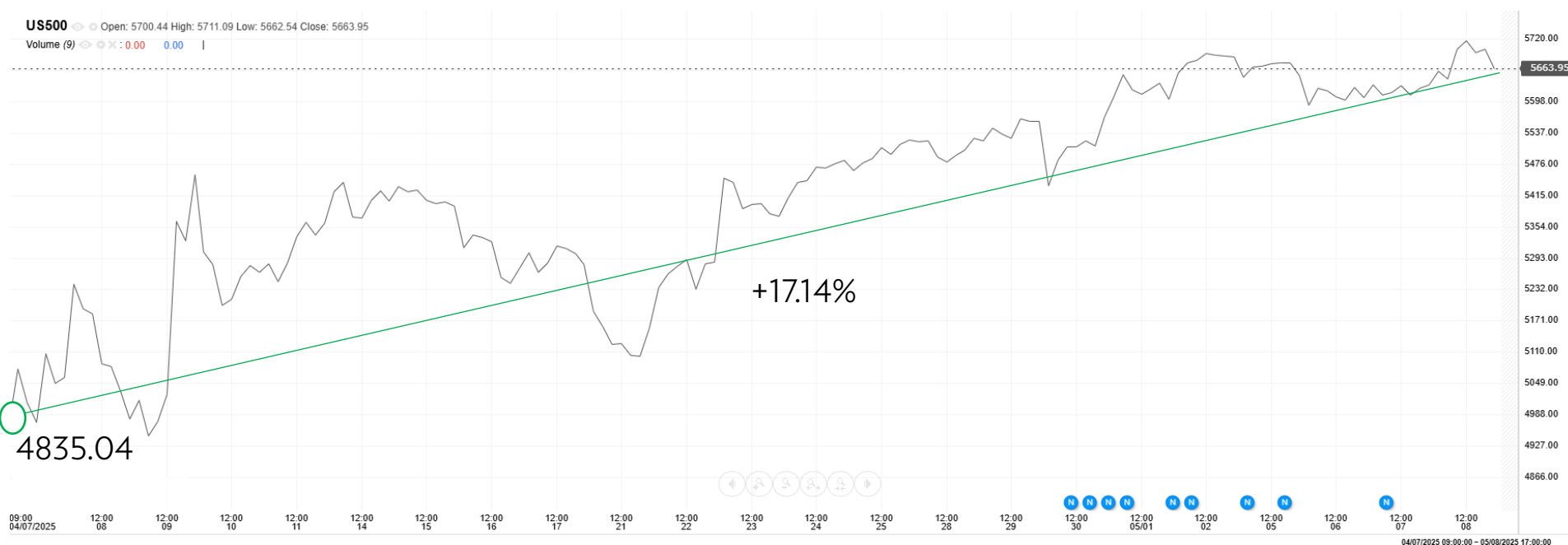
		Index Returns (%)				
Equities	Level	1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	5687	2.94	1.42	-2.91	13.82	43.34
Dow Jones 30	41317	3.00	-1.53	-2.39	10.03	32.73
Russell 2000	5022	3.24	0.51	-9.02	1.61	12.19
Russell 1000 Growth	2511	3.35	4.55	-5.87	16.60	56.66
Russell 1000 Value	1124	2.54	-1.63	0.47	9.71	26.43
MSCI EAFE	2536	3.19	6.21	13.65	14.57	39.18
MSCI EM	1133	3.38	3.23	6.33	10.87	16.05
NASDAQ	17978	3.43	3.95	-6.72	14.30	46.90

Fixed Income	Yield	1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	4.67	-0.30	-0.40	2.37	6.36	5.77
U.S. Corporates	5.28	-0.43	-0.72	1.57	6.07	9.47
Municipals (10yr)	3.80	0.76	-0.51	-0.25	1.15	7.80
High Yield	7.93	0.27	0.37	1.38	8.65	21.06

		Levels (%)				
Key Rates	5/2/25	4/25/25	3/31/25	12/31/24	5/2/24	5/2/22
2-yr U.S. Treasuries	3.83	3.74	3.89	4.25	4.87	2.73
10-yr U.S. Treasuries	4.33	4.29	4.23	4.58	4.58	2.99
30-yr U.S. Treasuries	4.79	4.74	4.59	4.78	4.72	3.07
10-yr German Bund	2.52	2.47	2.70	2.35	2.56	0.96
SOFR	4.39	4.33	4.41	4.49	5.31	0.30
3-mo. EURIBOR	2.14	2.17	2.34	2.71	3.85	-0.42
6-mo. CD rate	1.89	1.88	1.89	2.29	2.33	0.28
30-yr fixed mortgage	6.80	6.90	6.77	7.28	7.44	5.45
Prime Rate	7.50	7.50	7.50	7.50	8.50	3.50

Source: J.P. Morgan Asset Management, as of 05/06/2025

# An Eventful April - S&P 500 4/7/25 - 5/8/25



Source: Investing.com, as of 05/08/2025



## VIX 101 – Investing During Peak Volatility



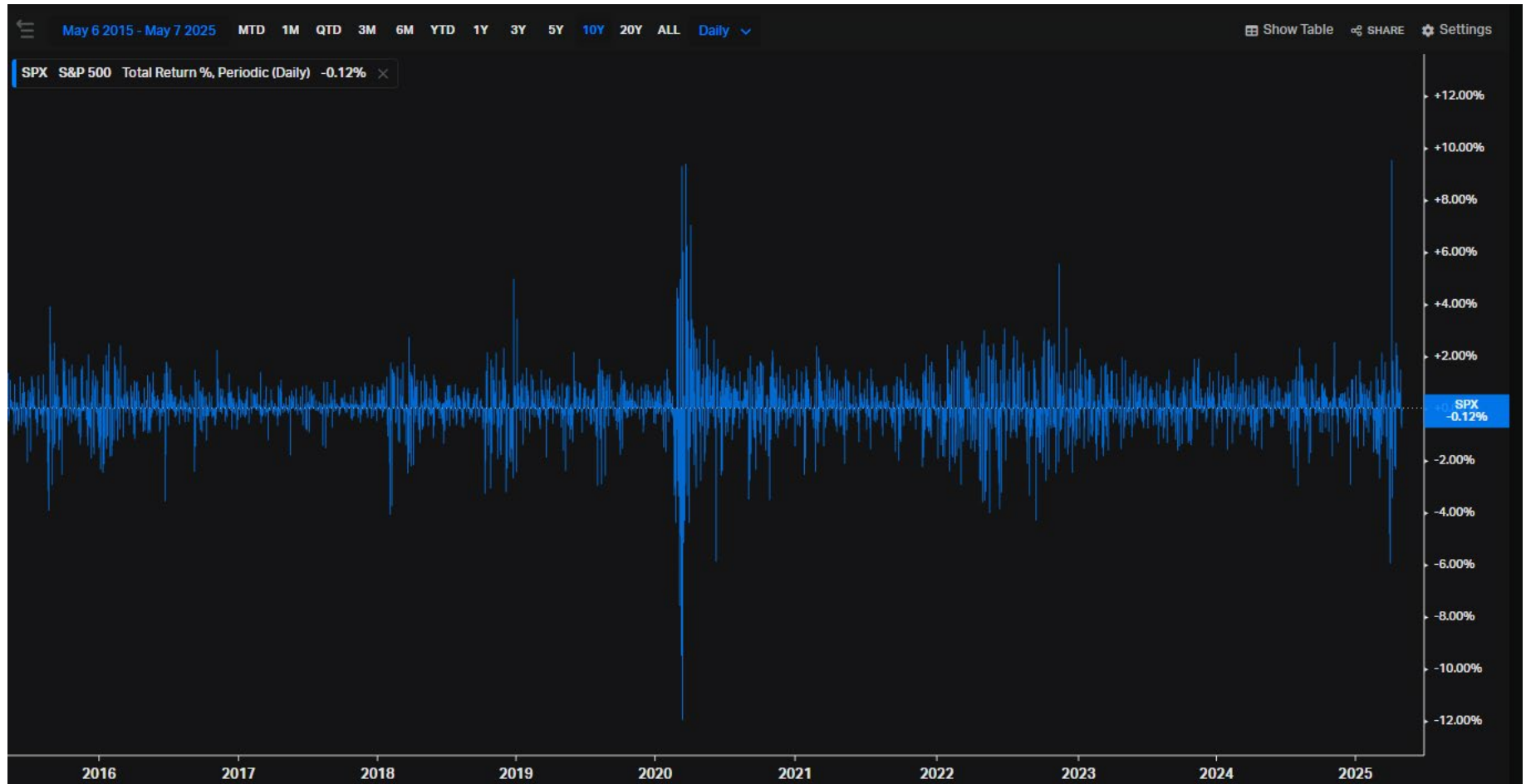
Source: KoyFin, as of 04/09/2025

# Volatility Brings Opportunity

Biggest 4-Day \$VIX Spikes and Forward S&P 500 Total Returns (January 1990 - April 2025)									
Biggest 4-day \$VIX Spikes				Forward S&P 500 Total Returns					
End Day	Start \$VIX	End \$VIX	\$VIX Spike	1-Year	2-Year	3-Year	4-Year	5-Year	
8/24/2015	13.79	40.74	195%	17.5%	34.5%	61.6%	66.8%	103.8%	
2/5/2018	14.79	37.32	152%	5.2%	30.7%	56.6%	81.9%	69.8%	
4/8/2025	21.51	52.33	143%						
8/25/2015	15.25	36.02	136%	18.9%	36.5%	65.1%	70.9%	108.0%	
2/27/2020	17.08	39.16	129%	30.2%	51.9%	39.9%	82.5%	109.7%	
2/6/2018	13.54	29.98	121%	2.4%	29.5%	53.8%	80.3%	65.4%	
8/5/2024	17.69	38.57	118%						
4/7/2025	21.77	46.98	116%						
8/21/2015	13.02	28.03	115%	13.4%	29.4%	54.2%	61.3%	95.4%	
2/7/2018	13.47	27.73	106%	3.0%	30.3%	54.5%	83.8%	66.7%	
4/4/2025	22.28	45.31	103%						
5/7/2010	20.19	40.95	103%	23.0%	28.5%	56.2%	86.0%	110.1%	
12/18/2024	13.92	27.62	98%						
2/25/2020	14.38	27.85	94%	27.7%	39.4%	33.2%	73.2%	105.8%	
8/8/2011	24.79	48.00	94%	28.0%	58.1%	84.5%	103.2%	117.5%	
2/8/2018	17.31	33.46	93%	7.1%	36.3%	60.8%	87.5%	75.2%	
3/12/2020	41.94	75.47	80%	61.8%	74.9%	65.9%	121.5%	144.7%	
2/27/2007	10.20	18.31	80%	0.5%	-43.7%	-15.6%	2.9%	8.9%	
2/26/2020	15.56	27.56	77%	25.1%	42.1%	34.2%	73.6%	103.0%	
8/5/2019	13.94	24.59	76%	16.8%	60.9%	52.6%	72.0%	107.8%	
Average (20 Biggest 4-Day Spikes)				18.7%	35.9%	50.5%	76.5%	92.8%	
Average All Other Periods				12.2%	25.3%	39.5%	56.3%	74.4%	
Differential				6.6%	10.6%	11.0%	20.1%	18.4%	

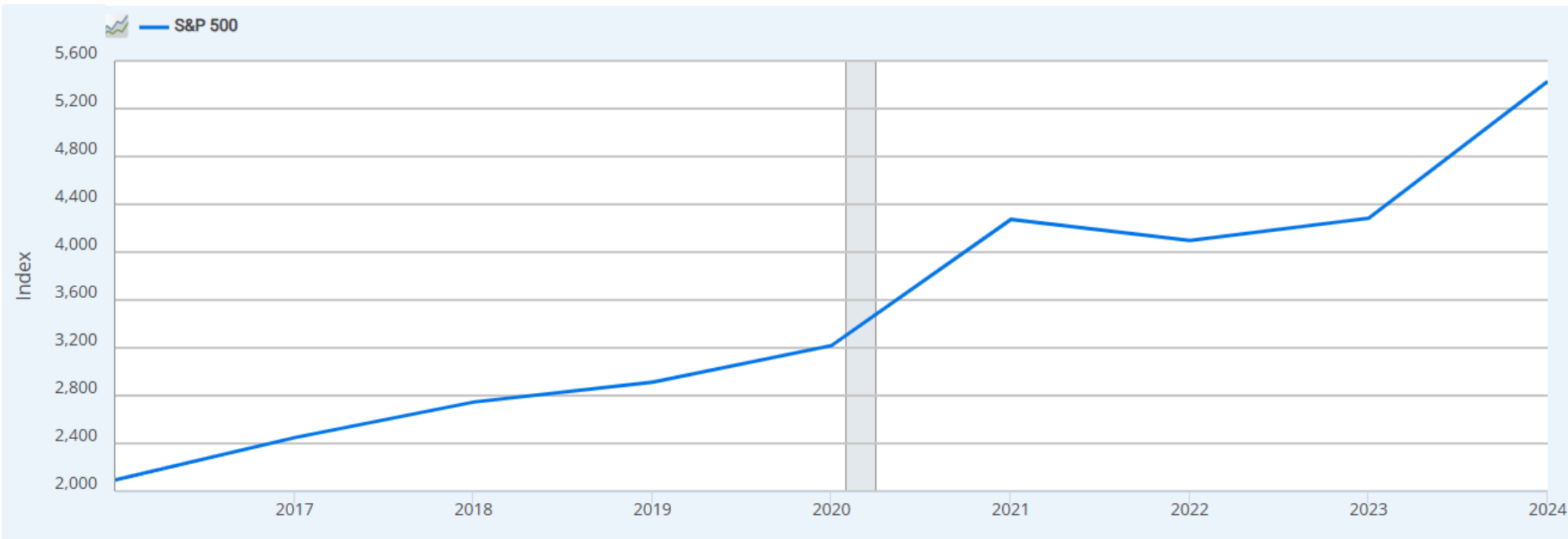
Source: Creative Planning, Charlie Bilello as of 04/14/2025

## S&P 500 Daily View – Measure Less Frequently



Source: YCharts, as of 05/07/2025



## S&P 500 Annual View – Measure Less Frequently



Source: FRED, S&P Dow Jones Indices, as of 04/30/2025



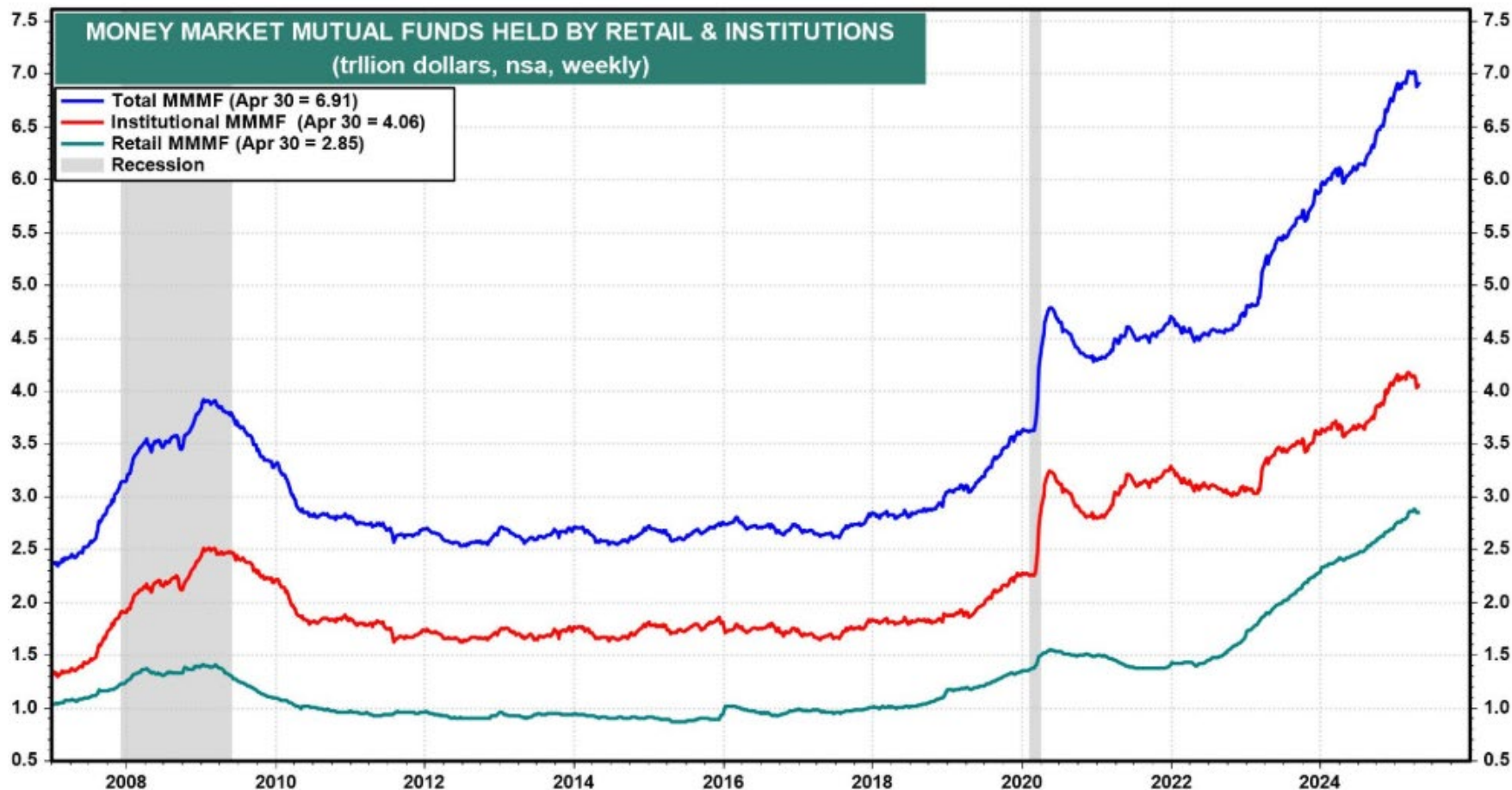
## Don't Confuse Possible With Probable

	<u>What's Possible?</u>	<u>What's Probable?</u>
Tariffs		Lower Than Current Proposal
Taxes		Increase SALT Deduction, Corp Tax Cut, Accelerated Depreciation
Regulation		Less Regulation
The Fed		Lower Rates, End Of QT
Earnings	Anything	Higher Than Expected
Employment		Slightly Less
Real Estate		Mortgage Rates Come Down, More Housing Supply, Softer Prices
Inflation		Inflation Continues To Decline

## Cutting Through The Negative Narrative - What Can Go Right?

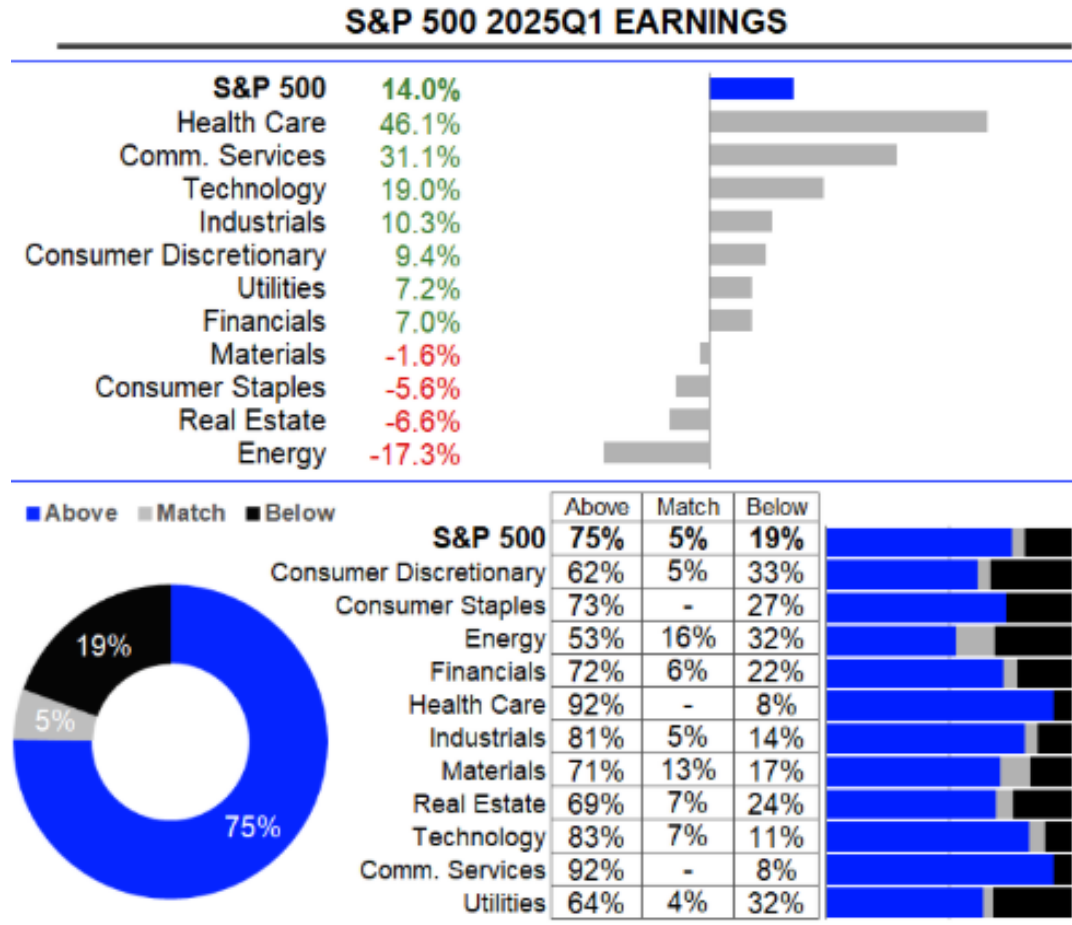
1. Unemployment Stays Low, Near Full Employment
2. Long-Term Interest Rates Decline
3. Fed Cuts Expected (Short Term Rates Decline)
4. Inflation Continues To Decline
5. Energy Prices Are Much Lower (Feels Like A Tax Cut)
6. Earnings Continue To Rise
7. No Recession
8. Banks Remain Stable And Have More Liquidity
9. Buybacks Continue To Climb
10. Valuations Are Lower

## An Abundance Of Cash



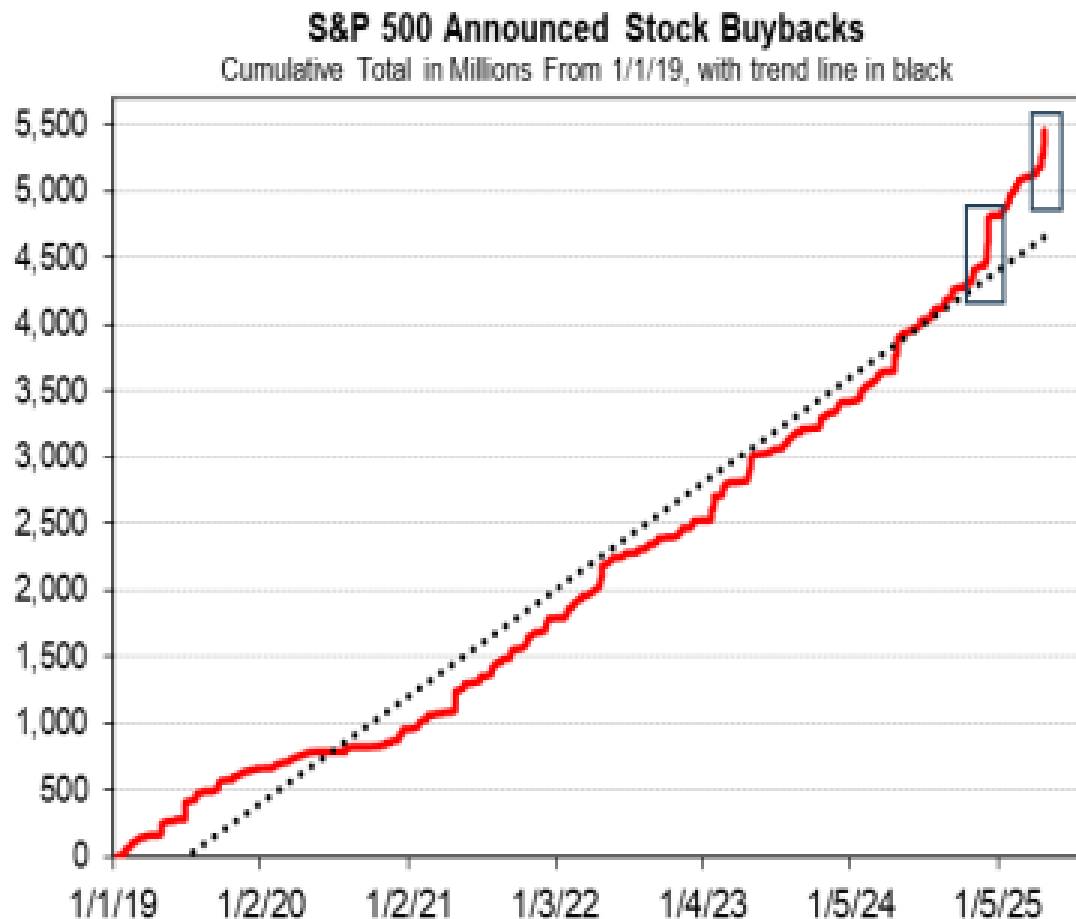
Source: Yardeni Research, as of 04/30/2025

# S&P 500 Earnings Continue To Beat Expectations



Source: LSEG, Lipper Alpha, Tajinder Dhillon, CFA, as of 05/07/2025

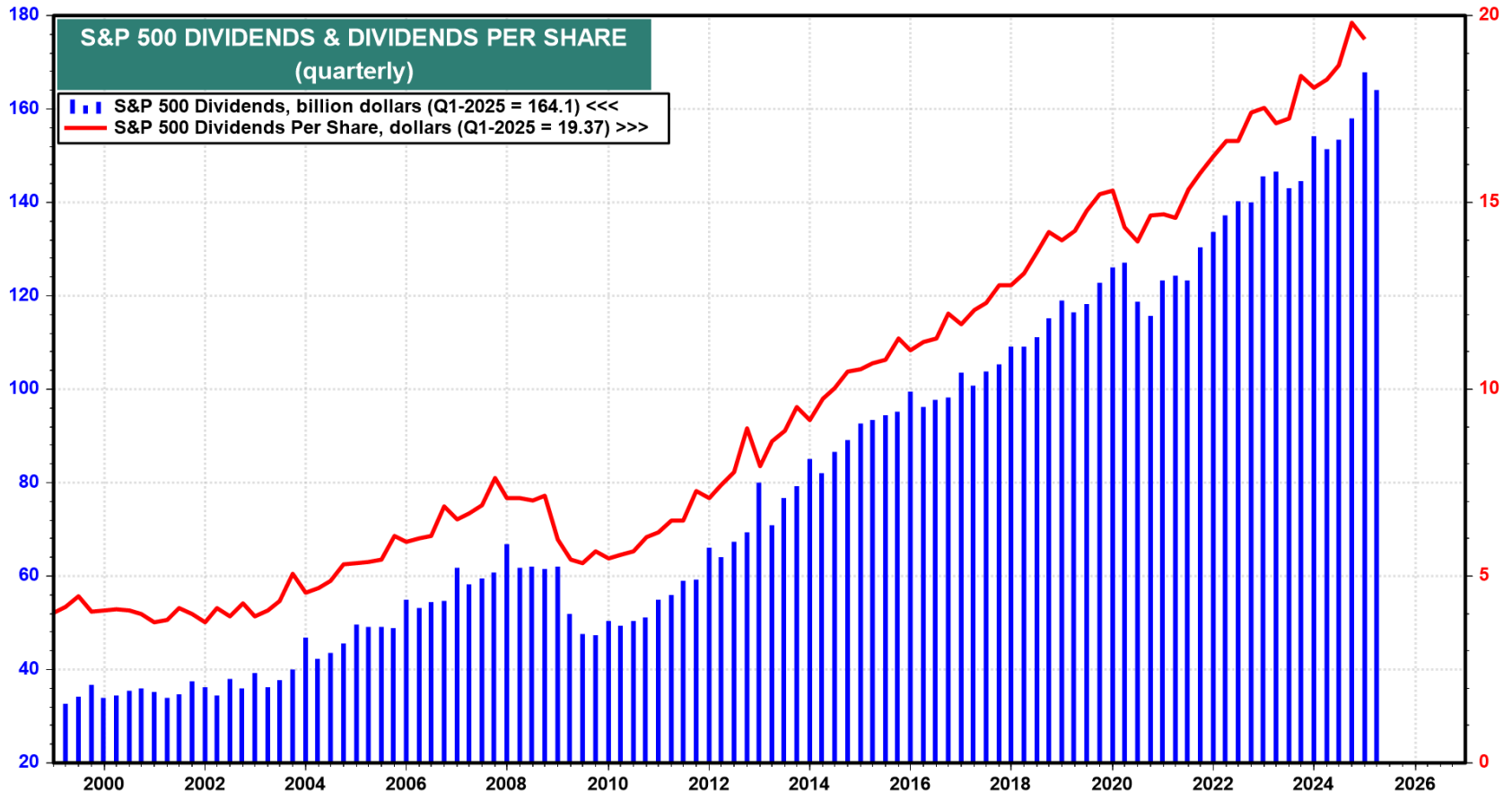
## Buyback Announcements Reach New Highs



Source: The Reynold's Strategy, Bloomberg, as of 05/05/2025



# Dividends Continue To Grow



Source: Yardeni Research, LSEG, Datastream, as of 03/31/2025

## The Fed – “Tidsoptimist”

“Tidsoptimist” is Swedish for “Time Optimist” – a person who habitually underestimates the time needed to complete tasks, leading to frequent lateness. They are often optimistic about having more time available than they do, causing them to arrive late or miss deadlines.

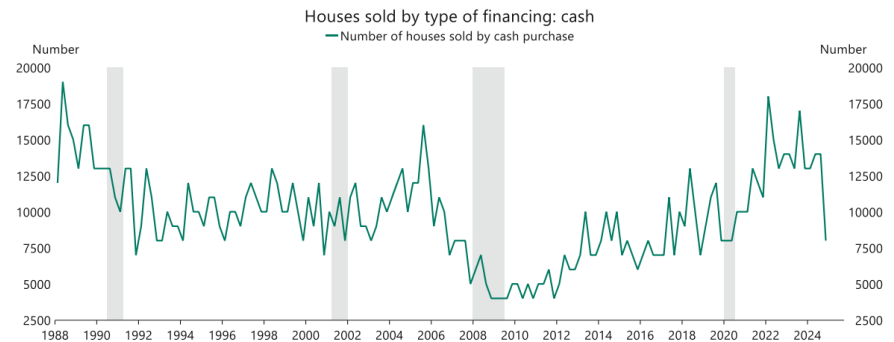
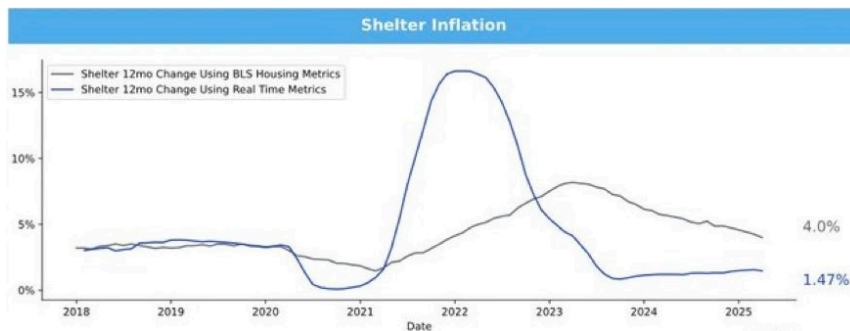
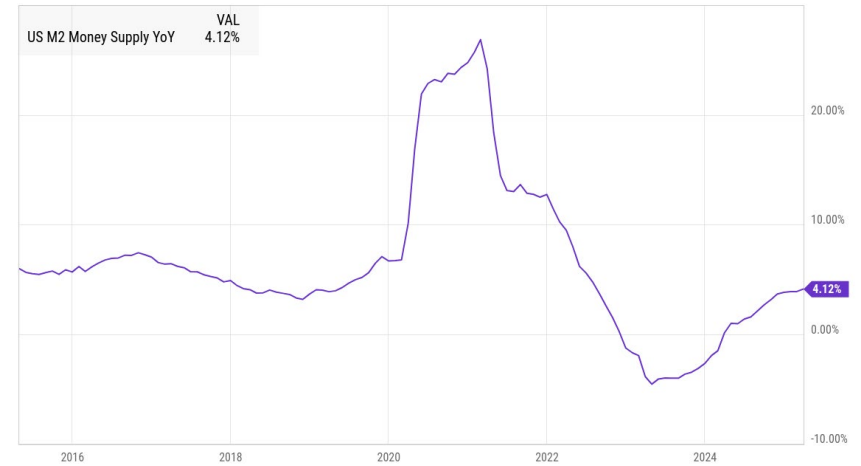
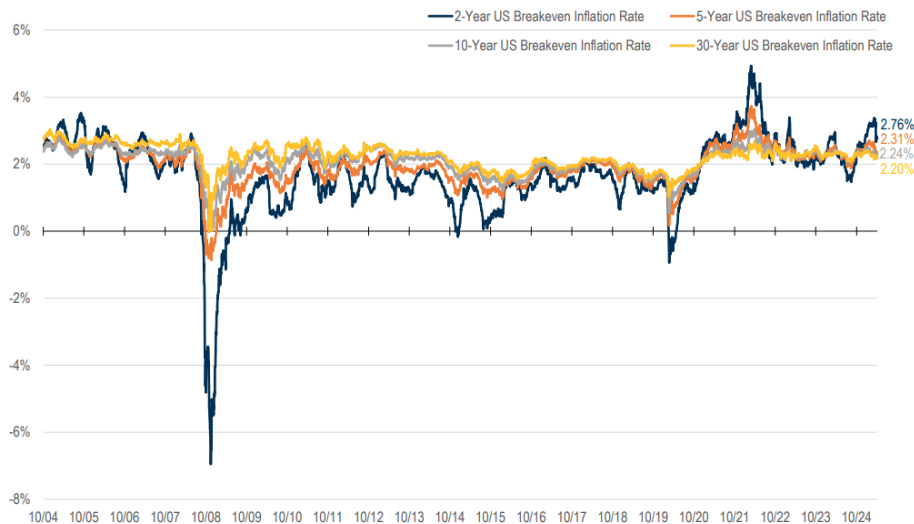
Percent

Variable	Median <sup>1</sup>				
	2025	2026	2027	Longer run	
Change in real GDP	1.7	1.8	1.8	1.8	→ Q1 2025: -0.30%
December projection	2.1	2.0	1.9	1.8	
Unemployment rate	4.4	4.3	4.3	4.2	→ April 2025: 4.20%
December projection	4.3	4.3	4.3	4.2	
PCE inflation	2.7	2.2	2.0	2.0	→ April 2025: 2.30%
December projection	2.5	2.1	2.0	2.0	
Core PCE inflation <sup>4</sup>	2.8	2.2	2.0		→ April 2025: 2.60%
December projection	2.5	2.2	2.0		
Memo: Projected appropriate policy path					
Federal funds rate	3.9	3.4	3.1	3.0	→ April 2025: 4.50%
December projection	3.9	3.4	3.1	3.0	

All Indicators Point To Cuts– So Why Not Cut?

Source: The Federal Reserve, as of 04/30/2025.

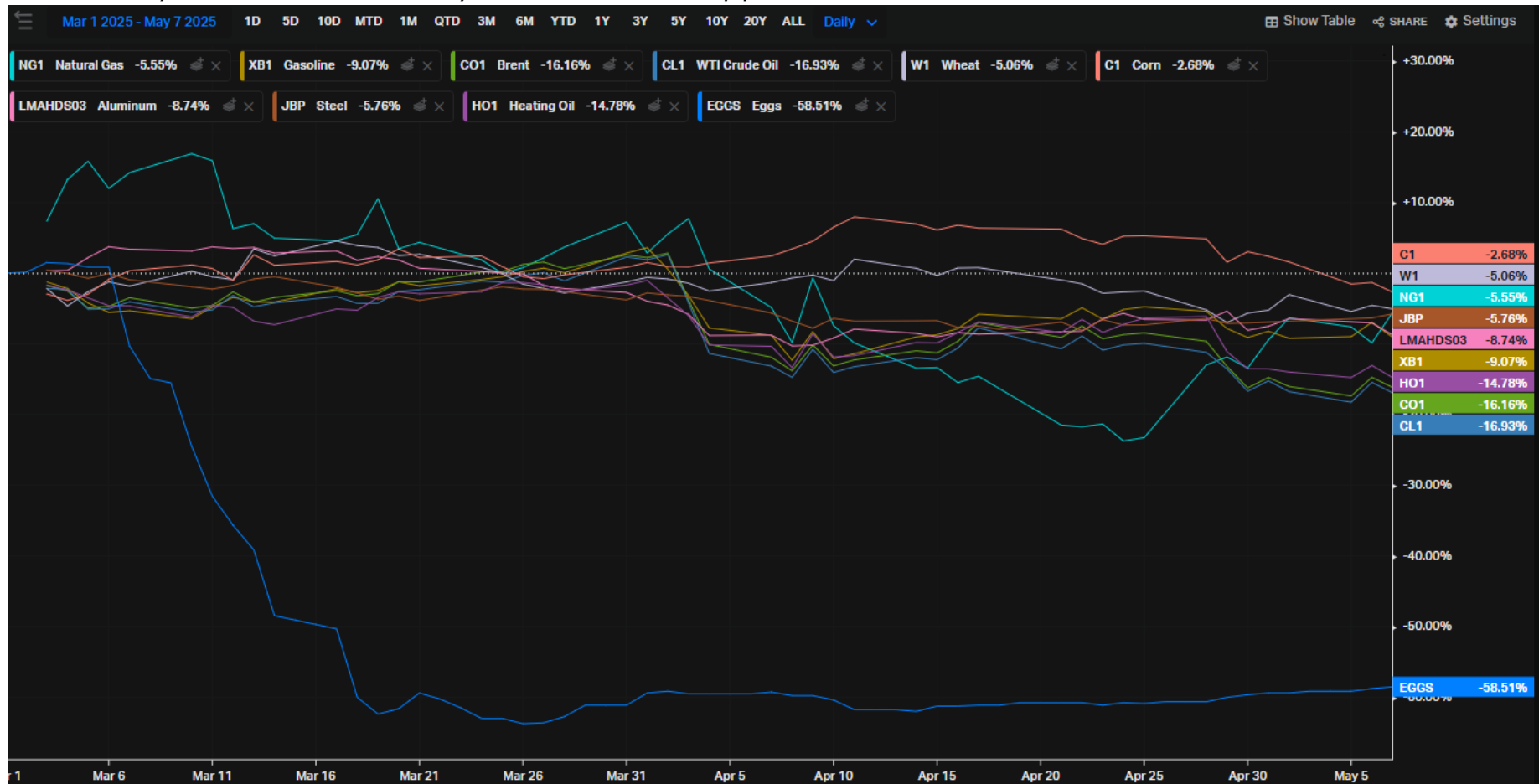
# Inflation – Where?



Sources: YCharts, Apollo, WisdomTree, Zillow.com, First Trust, as of 04/30/2025

# Inflation – Basket Of Commodities?

60 Day Trend - Commodity Prices Have Dropped



Source: KoyFin, as of 05/07/2025, Performance From Past 60 Days

# Global Central Banks - Cutting

Global Central Bank Policy Rates							
Country	Rate	Central Bank Rate (Today)	CPI YoY	Real Central Bank Rate	YoY CPI Trend vs. Prior Reading	Last Move	Last Move Month
Switzerland	Target Rate	0.25%	0.0%	0.3%	Lower	Cut	Mar-25
Japan	Policy Rate Bal	0.50%	3.6%	-3.1%	Lower	Hike	Jan-25
Thailand	Policy Rate	1.75%	-0.2%	2.0%	Lower	Cut	Apr-25
Denmark	Current Account	1.85%	1.5%	0.4%	Lower	Cut	Apr-25
Taiwan	Discount Rate	2.00%	2.0%	0.0%	Lower	Hike	Mar-24
Sweden	Repo Rate	2.25%	0.3%	2.0%	Lower	Cut	Jan-25
Eurozone	Deposit Rate	2.25%	2.2%	0.1%	Unchanged	Cut	Apr-25
Canada	Overnight	2.75%	2.3%	0.5%	Lower	Cut	Mar-25
South Korea	Repo Rate	2.75%	2.1%	0.7%	Unchanged	Cut	Feb-25
Malaysia	Policy Rate	3.00%	1.4%	1.6%	Lower	Hike	May-23
China	Loan Prime Rate	3.10%	-0.1%	3.2%	Higher	Cut	Oct-24
New Zealand	Cash Rate	3.50%	2.5%	1.0%	Higher	Cut	Apr-25
<b>Czech Republic</b>	<b>Repo Rate</b>	<b>3.50%</b>	<b>2.7%</b>	<b>0.8%</b>	<b>Unchanged</b>	<b>Cut</b>	<b>May-25</b>
Australia	Cash Rate	4.10%	2.4%	1.7%	Unchanged	Cut	Feb-25
US	Fed Funds	4.38%	2.4%	2.0%	Lower	Cut	Dec-24
Norway	Deposit Rate	4.50%	2.6%	1.9%	Lower	Hike	Dec-23
UK	Bank Rate	4.50%	2.6%	1.9%	Lower	Cut	Feb-25
Hong Kong	Base Rate	4.75%	1.4%	3.4%	Unchanged	Cut	Dec-24
Peru	Policy Rate	4.75%	1.7%	3.1%	Higher	Cut	Jan-25
Chile	Base Rate	5.00%	4.9%	0.1%	Lower	Cut	Dec-24
Saudi Arabia	Repo Rate	5.00%	2.3%	2.7%	Higher	Cut	Dec-24
<b>Poland</b>	<b>Repo Rate</b>	<b>5.25%</b>	<b>4.9%</b>	<b>0.4%</b>	<b>Unchanged</b>	<b>Cut</b>	<b>May-25</b>
Philippines	Key Policy Rate	5.50%	1.4%	4.1%	Lower	Cut	Apr-25
Indonesia	Repo Rate	5.75%	2.0%	3.8%	Higher	Cut	Jan-25
India	Repo Rate	6.00%	3.3%	2.7%	Lower	Cut	Apr-25
South Africa	Repo Rate	7.50%	2.7%	4.8%	Lower	Cut	Jan-25
Mexico	Overnight Rate	9.00%	3.8%	5.2%	Higher	Cut	Mar-25
Colombia	Repo Rate	9.25%	5.1%	4.2%	Lower	Cut	Apr-25
Brazil	Target Rate	14.25%	5.5%	8.8%	Higher	Hike	Mar-25

Source: Creative Planning, Charlie Bilello, as of 05/07/2025

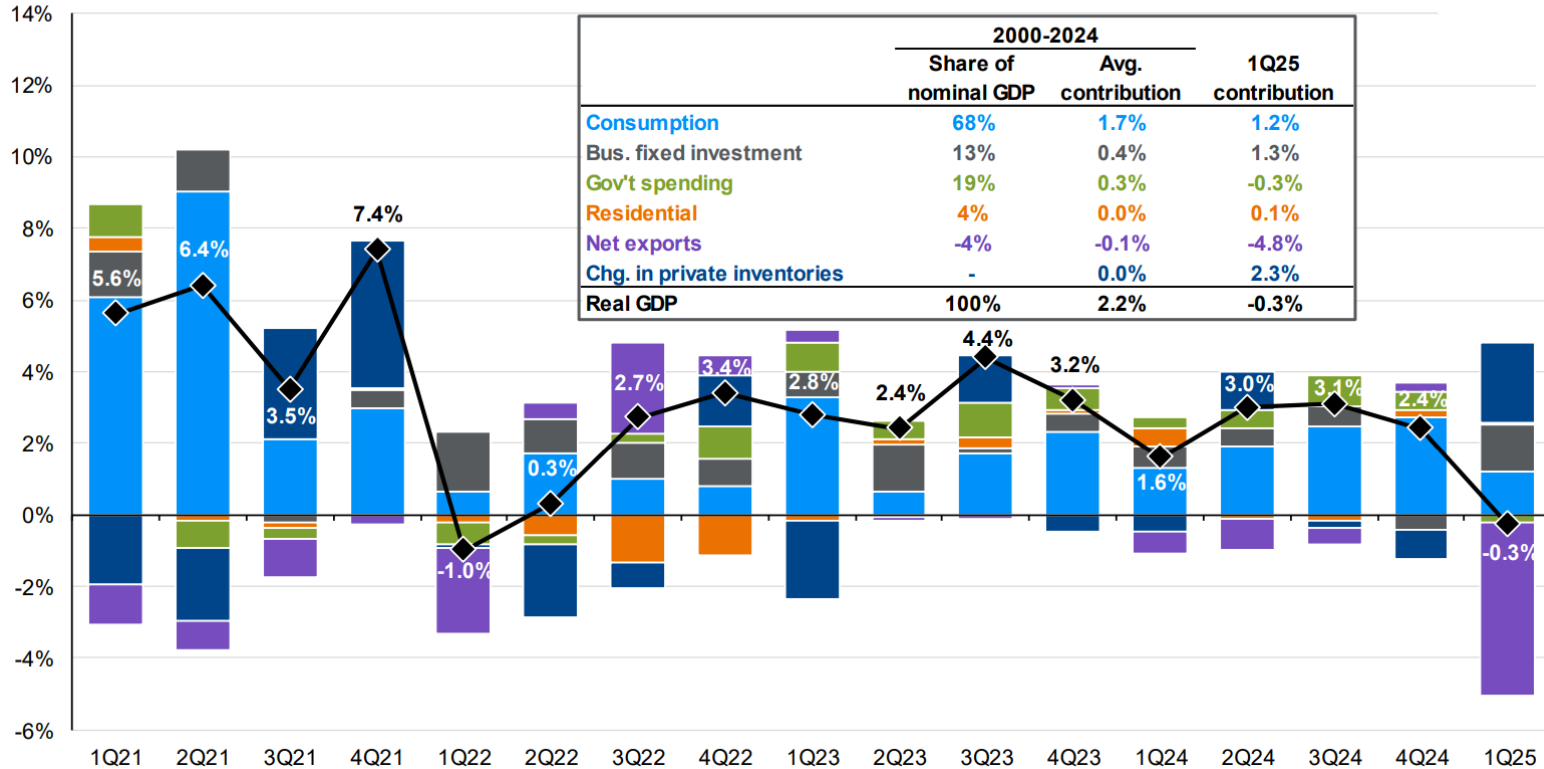


# GDP Data – A Deep Dive

*Q1 GDP Heavily Skewed By Import/Export Data – Don't Be Fooled!*

## Contributors to real GDP growth

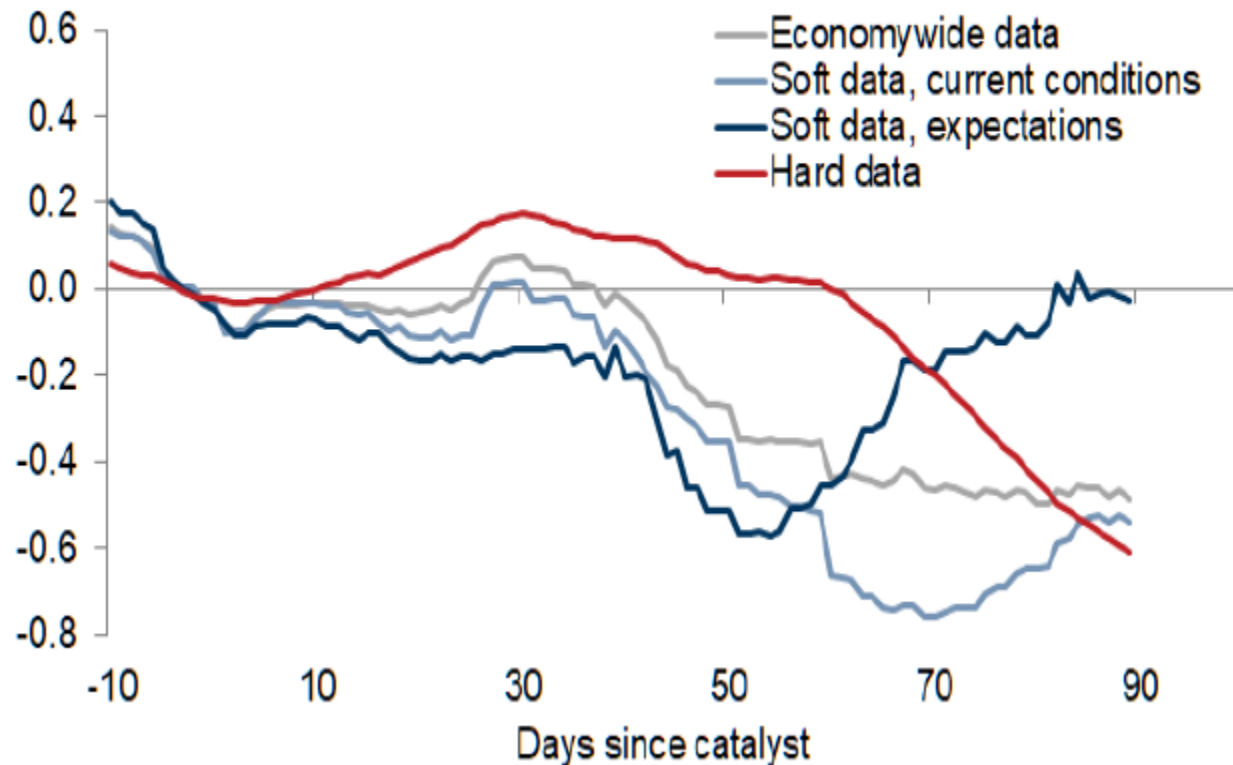
Quarter-over-quarter, seasonally adjusted annualized rate



Source: J.P. Morgan Asset Management, Guide To The Markets, Bureau Of Economic Analysis, as of 04/30/2025

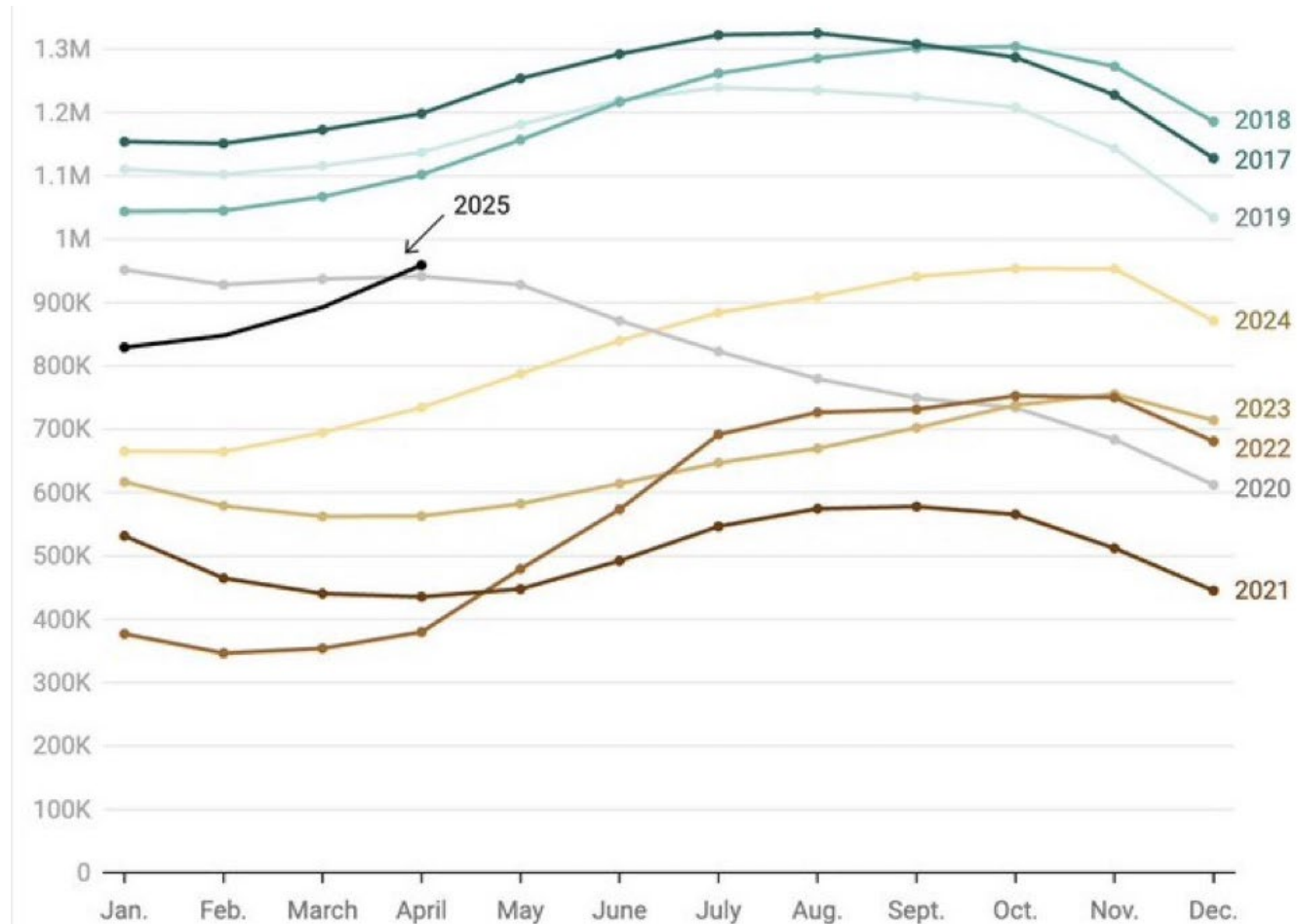
## Soft Data vs. Hard Data – There's A Lag

**Soft data tends to decline first, with clear weakness in the hard data emerging only a few months later**



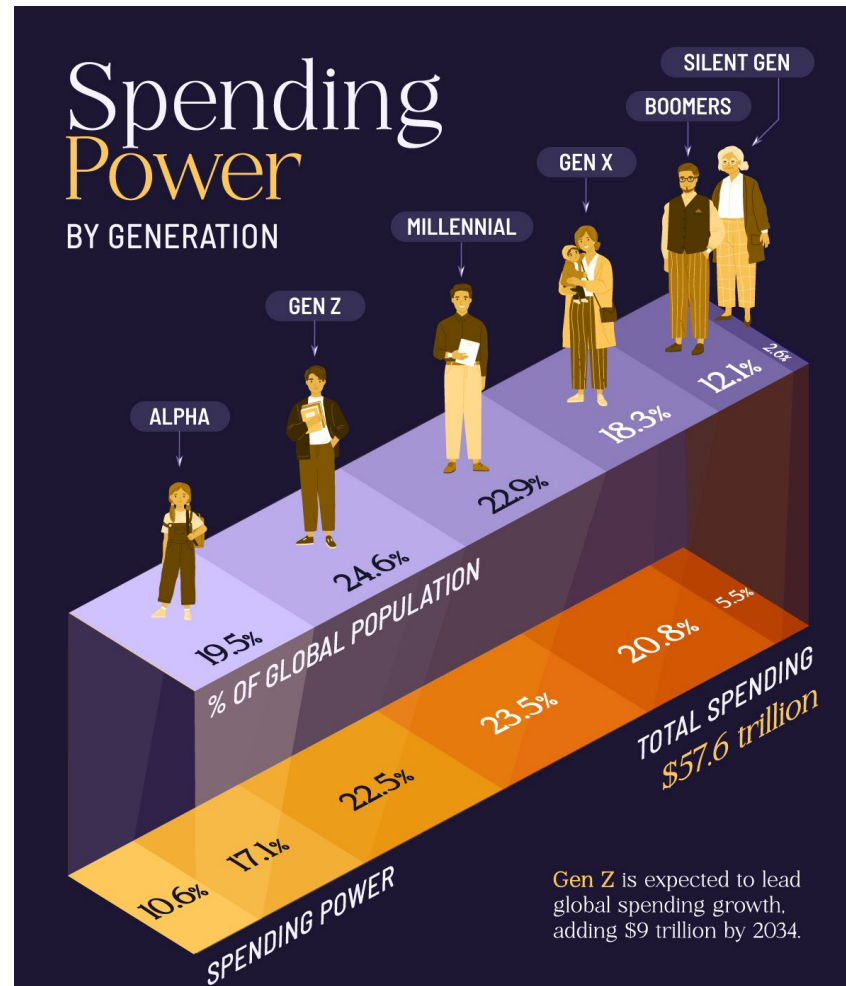
Source: Goldman Sachs, as of 04/30/2025

## Housing – Inventory Rising



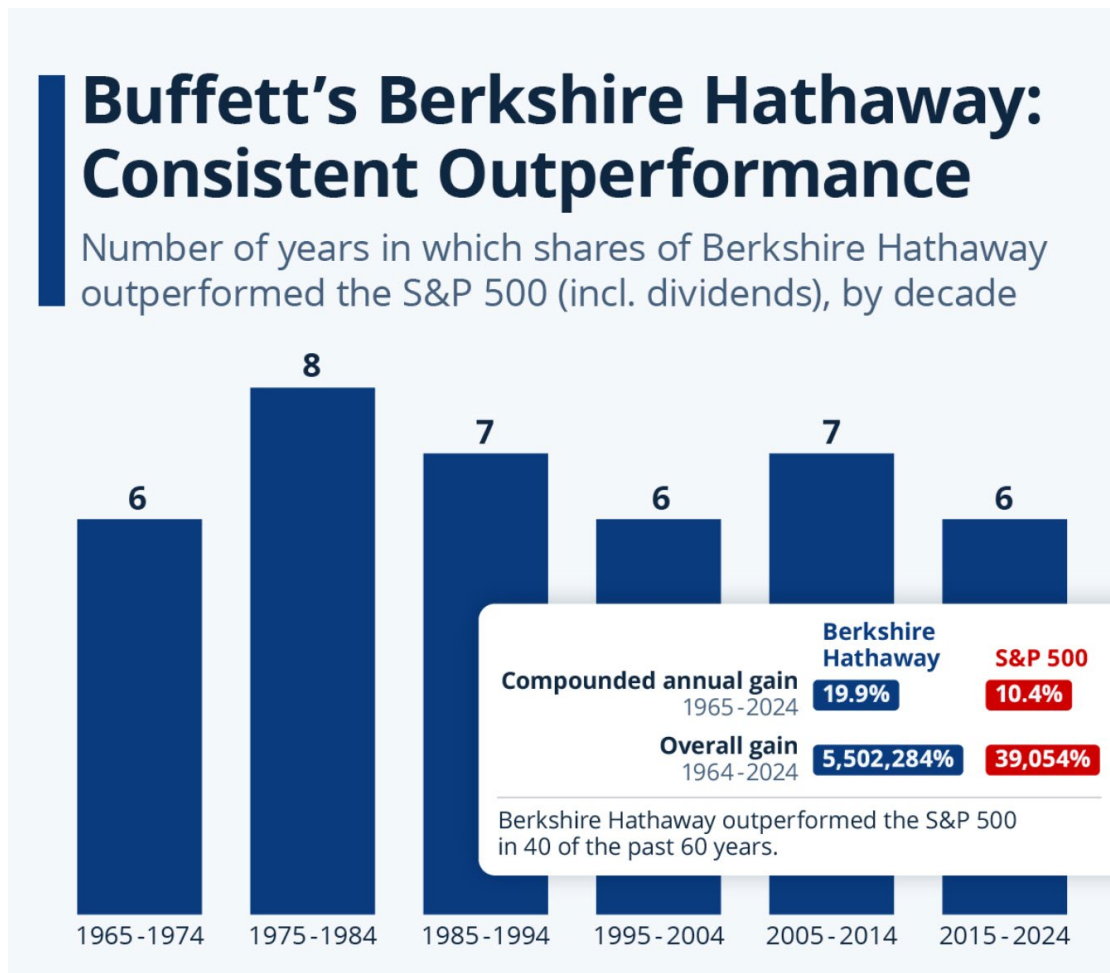
Source: Lance Lambert, ResiClub, Realtor.com, Datawrapper, as of 03/31/2025

## Lots Of Consumption In The Pipeline



Source: Visual Capitalist, as of 12/31/2024

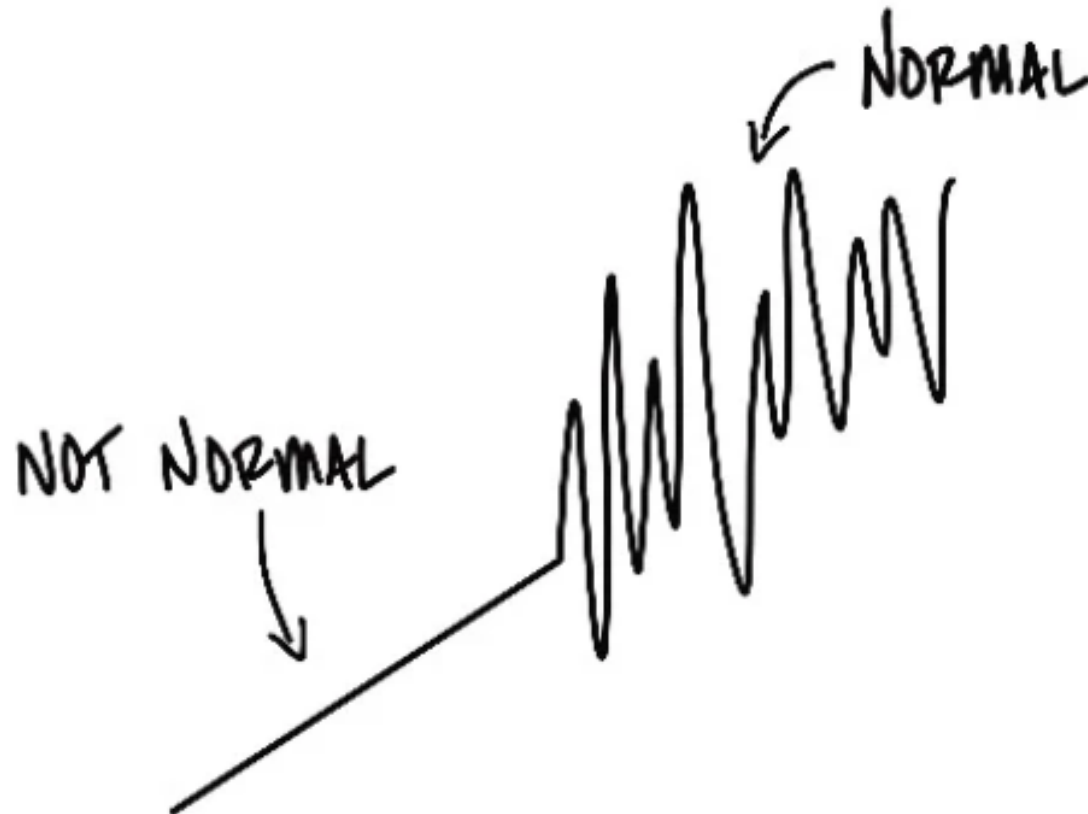
## Warren Buffet Is Retiring – His Legacy



Source: Statista, Company Filings, as of 12/31/2024



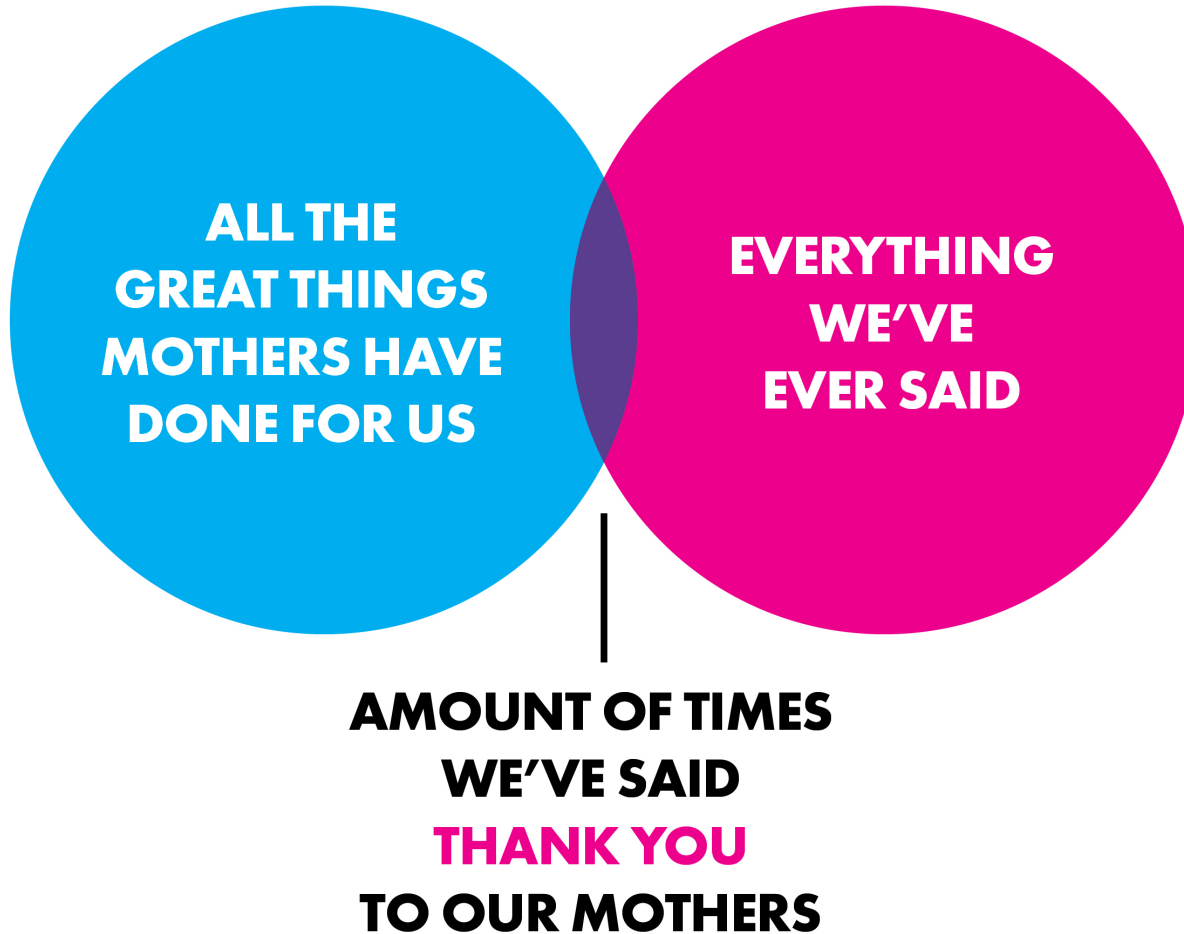
## Volatility Is Normal



Source: Carl Richards, Vol. 3, as of 12/31/2019

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Happy Mother's Day!



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