

TALKING POINTS

Data through May 2025

Climate

Tariffs, declining gross domestic product (GDP), a resilient U.S. job market, and persistent inflation represent several of the catalysts that shaped May's investment climate. Let's begin with tariffs and GDP as the two are linked in this case. In the U.S., real GDP came in at a revised -0.2% quarter-over-quarter in Q1'25, marking the first decline in quarter-over-quarter GDP since Q1'22. Potential price increases from tariffs formed the basis of the GDP's decline, as consumers and businesses stocked up on goods ahead of surging costs. The impact was notable, with the trade deficit accounting for the largest drag on the U.S. economy for any quarter since at least 1947, according to Brian Wesbury, Chief Economist at First Trust Portfolios L.P. The prevailing economic climate has U.S. consumers despondent. The University of Michigan's "Index of Consumer Sentiment" stood at a reading of 52.2 in May 2025, unchanged from the prior month, but down 24.5% year-over-year. Not all the news is negative, however. In a press release following its decision to keep interest rates unchanged, the U.S. Federal Reserve ("Fed") cited a strong labor market and low unemployment as indicators of underlying economic strength. Inflation remains a concern, hovering stubbornly above the Fed's goal rate of 2.0%. Notably, the metric is forecast to increase to 3.0% in the U.S. through the end of 2025. Inflation's potential resurgence is not solely a domestic issue. Data from Bloomberg reveals that prices are forecast to increase in seven of the eleven nations that comprise the so-called "Group of 10" in 2025, which could pose significant headwinds to declining interest rates in 2025.

Stock Market

The S&P 500 Index ("Index") closed at 5,911.69 on 5/30/25, representing a price-only decline of 3.78% from its all-time high of 6,144.15 set on 2/19/25, according to data from Bloomberg. The S&P MidCap 400 and S&P SmallCap 600 Indices stood 11.47% and 16.56%, respectively, below their all-time highs which were set on 11/25/24. The Index posted a total return of 6.29% in May 2025. Ten of the 11 major sectors that comprise the Index registered positive total returns for the month. The top-performer was Information Technology, up 10.89%, while Health Care had the worst showing, declining by 5.55%. There is an old stock market adage which advises investors to "sell in May and go away". The idea is that investors should sell their equity holdings at the close of April and buy them back at the start of November. Data shows adherents to this "method" of investing have missed out on substantial returns over time. Over the 20-year period ended in 2024, the Index posted average annual total returns of 3.92% from the end of April through the end of October, a tremendous figure when compounded. We continue to closely monitor the Index's year-end earnings estimates. As revealed in the table to the right, Index earnings are estimated to total 264.54 in 2025, down slightly from last month's estimate of 265.52. That said, Factset reported that positive earnings per share reported by companies in the Communication Services, Financials, and Health Care sectors contributed significantly to the Index's earnings growth rate in Q1'25, which stood at 13.3% on 5/30/25. Should current levels hold, this would mark the second consecutive quarter of double-digit earnings growth and the seventh consecutive quarter of year-over-year earnings growth for the Index.

Bond Market

The yield on the benchmark 10-year Treasury note (T-note) stood at 4.40% at the close of trading on 5/30/25, down 10 basis point (bps) from its 4.50% close on 5/31/24, according to data from Bloomberg. The 4.40% yield stood 182 bps above its 2.58% average for the 10-year period ended May 2025 and 59 bps below its most recent high of 4.99% set on 10/19/23. The yield on the 2-year T-note stood at 3.90% on 5/30/25, down 97 bps from when it stood at 4.87% on 5/31/24. Similar to April, 10-year T-note yields traded in a broad range in May, falling as low as 4.16% and as high as 4.60% during the month. In our view, this volatility reflects current geopolitical and economic risks, including the seemingly ever-present threat of tariffs and potential for resurgent inflation. Given these factors, perhaps it is unsurprising that Moody's reduced the U.S. credit rating from Aaa to Aa1 on 5/16/25, marking the first time the three largest credit rating agencies simultaneously rated U.S. debt below the top tier. That said, we see little reason for this to alarm investors beyond the short-term. Investors would be well-served to remember that U.S. debt continued to be seen as one of the most liquid and safest assets in the world despite downgrades by S&P in 2011 and Fitch in 2023.

Takeaway

By many measures, the month of May was marked by heightened volatility and deteriorating certainty. As mentioned in the "Climate" section above, U.S. GDP declined by 0.2% quarter-over-quarter in Q1'25 - largely the result of massive trade deficits. Notably, the same metric that contributed to declining GDP in Q1'25 may lead to positive quarter-over-quarter results in Q2. Preliminary international trade data revealed that the U.S. saw the largest drop in the trade deficit for any month in history in April. Despite mixed economic data, the Index crested back into positive territory in May, riding a wave of better than expected earnings growth and productive tariff negotiations. As of 5/30/25, the Index had increased by a total return of 1.06% in 2025, a stark improvement from when it stood at -4.93% year-to-date through April. While consumer sentiment soured year-over-year in May, the Fed's "Household Debt and Credit" report revealed that the balance of auto loans and credit cards both declined quarter-over-quarter in Q1'25. The result marks the second time since Q2'11 that auto loan balances declined quarter-over-quarter. Even so, student loan balances may be contributing to declining sentiment. After a four and a half year hiatus, missed federal student loan payments reappeared on credit reports in Q1'25. In aggregate, 7.7% of student loans were reported as 90+ days delinquent in Q1'25, up from less than 1% in Q4'24.

Sources: Bloomberg, FactSet, and Investment Company Institute

Past performance is no guarantee of future results. Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index. There can be no assurance past trends will continue or estimates will be realized.

Open-End Net Fund Flows (\$)	4/25	3/25	YTD (Apr)
Equity	-38.8B	-66.5B	-222.4B
Taxable Bond	-56.7B	-7.3B	-47.6B
Municipal Bond	-8.8B	-0.2B	-2.9B
Hybrid	-13.8B	-12.7B	-42.2B
Taxable Money Market	-83.7B	-22.3B	1.2B

Key Interest Rates/Yields	5/30/25	4/30/25	5/31/24
Federal Funds Target Rate	4.50%	4.50%	5.50%
2-Year T-Note	3.90%	3.61%	4.87%
5-Year T-Note	3.96%	3.73%	4.51%
10-Year T-Note	4.40%	4.16%	4.50%
Bond Buyer 40	4.95%	4.78%	4.53%

Commodities/U.S. Dollar	5/25	YTD	12 Mo.
U.S. Dollar Index (DXY)	-0.14%	-8.44%	-5.10%
FTSE/CC CRB Excess Ret.	0.57%	-2.12%	0.09%
Crude Oil/WTI (per Barrel)	4.43%	-15.24%	-21.04%
Natural Gas (per million BTUs)	3.64%	-5.12%	33.24%
Gold Bullion (Ounce)	0.02%	25.33%	41.33%

S&P 500 Full-Year Earnings Estimates	2025	2026
5/30/25	264.54	299.98
4/30/25	265.52	301.47
12/31/24	274.12	311.11

Total Return Performance

U.S. Stock Indices	5/25	YTD	12 Mo.
S&P 500	6.29%	1.06%	13.50%
DJIA	4.16%	0.08%	11.16%
Nasdaq 100	9.13%	1.88%	16.02%
S&P MidCap 400	5.39%	-3.27%	2.15%
Russell 2000	5.34%	-6.85%	1.17%
Russell 3000	6.34%	0.63%	13.10%

U.S. Styles/Market Caps	5/25	YTD	12 Mo.
S&P 500 Growth	9.41%	2.36%	20.55%
S&P 500 Value	3.01%	-0.39%	5.03%
S&P MidCap 400 Growth	6.20%	-2.84%	-0.45%
S&P MidCap 400 Value	4.53%	-3.74%	4.99%
Russell 2000 Growth	6.42%	-6.02%	3.44%
Russell 2000 Value	4.20%	-7.73%	-1.15%

Foreign Stock Indices (USD)	5/25	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	4.71%	16.27%	14.06%
MSCI Emerging Markets NET	4.27%	8.73%	13.04%
MSCI Europe NET	4.56%	20.57%	13.39%
MSCI BRIC NET	1.93%	9.76%	15.05%
MSCI EM Latin America NET	1.59%	22.41%	0.40%
Nikkei 225	4.43%	4.92%	9.83%

Bloomberg Fixed Income Indices	5/25	YTD	12 Mo.
U.S. Treasury: Intermediate	-0.56%	3.00%	6.17%
GNMA 30 Year	-0.78%	2.35%	5.46%
Municipal Bond (22+)	-0.98%	-3.67%	-0.35%
U.S. Aggregate	-0.72%	2.45%	5.46%
Intermediate Corporate	0.20%	3.07%	7.09%
U.S. Corporate High Yield	1.68%	2.68%	9.32%
Global Aggregate	-0.36%	5.28%	7.03%
EM Hard Currency Aggregate	0.68%	4.03%	8.49%

HIGH/LOW SNAPSHOT

Data through May 2025

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	6144.15	2/19/2025	1829.08	2/11/2016	5911.69	-3.78%	1.06%	1.30%
S&P 500 Growth	4303.17	2/19/2025	1035.44	2/11/2016	4180.90	-2.84%	2.36%	0.65%
S&P 500 Value	2027.49	11/29/2024	788.67	2/11/2016	1863.19	-8.10%	-0.39%	2.02%
S&P MidCap 400	3390.26	11/25/2024	1218.55	3/23/2020	3001.38	-11.47%	-3.27%	1.58%
S&P MidCap 400 Growth	1610.10	11/25/2024	574.06	2/11/2016	1429.20	-11.24%	-2.84%	0.92%
S&P MidCap 400 Value	1083.78	11/25/2024	373.28	3/23/2020	956.64	-11.73%	-3.74%	2.30%
S&P 100	3003.15	2/19/2025	819.58	8/25/2015	2884.82	-3.94%	0.33%	1.17%
DJIA	45014.04	12/4/2024	15660.18	2/11/2016	42270.07	-6.10%	0.08%	1.70%
Nasdaq 100	22175.60	2/19/2025	3947.80	2/9/2016	21340.99	-3.76%	1.88%	0.73%
Russell 2000	2442.74	11/8/2021	953.72	2/11/2016	2066.29	-15.41%	-6.85%	1.51%
Russell 2000 Growth	1709.62	2/9/2021	573.10	2/11/2016	1378.21	-19.38%	-6.02%	0.66%
Russell 2000 Value	2715.42	11/25/2024	1067.63	3/23/2020	2256.98	-16.88%	-7.73%	2.42%
Russell 3000	3509.12	2/19/2025	1067.34	2/11/2016	3360.01	-4.25%	0.63%	1.30%
MSCI World Net (ex U.S.) (USD)	9590.97	5/26/2025	4189.62	2/11/2016	9579.66	-0.12%	16.27%	3.02%
MSCI Emerging Markets Net (USD)	699.23	2/17/2021	296.25	1/21/2016	623.98	-10.76%	8.73%	2.72%
Bovespa/Brazil (USD)	29488.46	1/2/2020	9077.09	1/21/2016	24004.38	-18.60%	23.57%	6.26%
RTS/Russia (USD)	1919.58	10/25/2021	628.41	1/20/2016	N/A	N/A	N/A	N/A
S&P BSE 500/India (USD)	461.76	9/26/2024	129.66	3/23/2020	418.62	-9.34%	2.22%	1.13%
Shanghai Composite/China (USD)	832.07	6/12/2015	358.39	10/18/2018	464.99	-44.12%	1.82%	2.92%
KOSPI/South Korea (USD)	2.93	6/16/2021	1.16	3/19/2020	1.95	-33.43%	21.32%	2.19%
Hang Seng (USD)	4241.01	1/26/2018	1871.10	10/31/2022	2970.26	-29.96%	16.91%	3.59%
MSCI Euro (USD)	1993.61	5/21/2025	865.50	3/18/2020	1964.57	-1.46%	23.82%	3.00%
S&P 500 Consumer Discretionary	1959.72	12/17/2024	543.54	2/11/2016	1717.38	-12.37%	-5.96%	0.67%
S&P 500 Consumer Staples	923.91	3/3/2025	467.66	8/25/2015	917.35	-0.71%	8.45%	2.36%
S&P 500 Energy	749.39	4/5/2024	179.94	3/18/2020	619.34	-17.35%	-3.88%	3.61%
S&P 500 Utilities	419.09	5/20/2025	206.51	9/4/2015	414.48	-1.10%	9.07%	2.85%
S&P 500 Financials	867.06	2/18/2025	264.89	2/11/2016	845.93	-2.44%	5.81%	1.47%
S&P 500 Banks	529.64	2/6/2025	180.19	2/11/2016	489.60	-7.56%	5.10%	2.53%
FTSE NAREIT All Equity REITs	980.08	12/31/2021	483.48	3/23/2020	770.33	-21.40%	1.88%	4.02%
S&P 500 Health Care	1829.71	8/30/2024	732.99	2/11/2016	1543.45	-15.65%	-3.10%	1.88%
S&P 500 Pharmaceuticals	1216.04	8/30/2024	539.37	9/28/2015	982.13	-19.24%	-4.91%	2.76%
NYSE Arca Biotechnology	6319.77	2/8/2021	2642.53	2/11/2016	5586.38	-11.60%	-2.68%	0.22%
S&P 500 Information Technology	4780.84	12/26/2024	626.12	8/25/2015	4524.41	-5.36%	-1.57%	0.62%
Philadelphia Semiconductor	5904.54	7/10/2024	559.18	2/11/2016	4758.06	-19.42%	-4.12%	1.01%
S&P 500 Communication Services	377.61	2/4/2025	130.86	12/24/2018	352.61	-6.62%	3.59%	0.87%
S&P 500 Industrials	1219.84	5/19/2025	412.06	3/23/2020	1207.31	-1.03%	8.83%	1.42%
S&P 500 Materials	616.97	10/18/2024	234.97	1/25/2016	544.68	-11.72%	3.62%	1.98%
Philadelphia Gold & Silver	195.33	4/16/2025	38.84	1/19/2016	192.22	-1.59%	41.16%	1.18%
FTSE/CC CRB Excess Return	329.59	6/9/2022	106.29	4/21/2020	290.43	-11.88%	-2.12%	N/A
ICE BofA Perpetual Preferred	331.82	10/16/2024	214.06	6/29/2015	320.65	-3.37%	-0.25%	6.71%
ICE BofA U.S. High Yield Constrained	583.98	5/29/2025	313.74	2/11/2016	583.94	-0.01%	2.64%	7.71%

Source: Bloomberg

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