

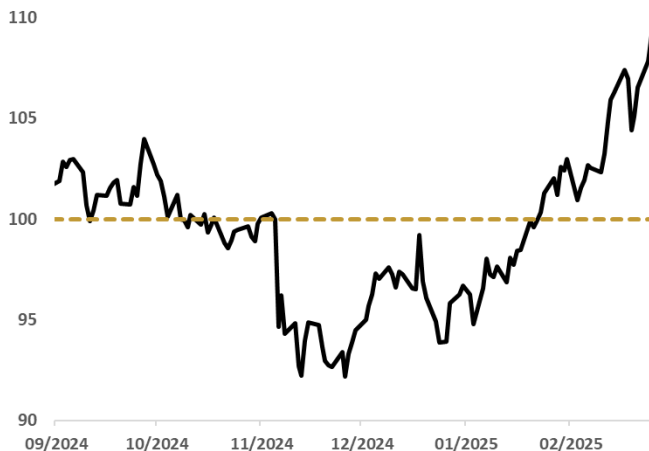
Market Broadening Begins

As we have noted, when stocks are highly priced, they are increasingly vulnerable to even a hint of negative news. That proved true last week for the S&P 500® as enduring investor worries—on inflation, on trade, and on valuations—and a relatively downbeat report from Wal Mart helped send the index lower.

On a more positive note, our anticipation of market broadening has begun to come to fruition. Within U.S. markets, previously challenged value and dividend-oriented stocks have outpaced growth stocks. Looking beyond the U.S., international stocks have also experienced a long-awaited rebound and have outperformed U.S. stocks year-to-date. While cheaper valuations may have set the stage for this rally, optimism over a potential Russia-Ukraine ceasefire and the election of Germany’s new chancellor seem to have accelerated it.

This increased appetite for European stocks contrasts sharply with the period immediately following last fall’s U.S. election, a period in which investors sent U.S. stock markets higher and, as a result, left them more vulnerable to negative news. Alternatively, the low prices of international stocks created conditions for this year’s rally—a rally that for investors in international stocks is long overdue.

German DAX Relative to U.S. S&P 500®
Normalized to 100 as of November 5, 2024



Source: Bloomberg, as of February 24, 2025. For more See also John Authers, “What’s in Shrinking German Status Quo for Markets?” *Bloomberg*, February 25, 2025.

Economy

Last Week
- Housing Starts & Permits (Jan.): starts -9.8% MoM permits +0.1% MoM
- Leading Economic Index (Jan.): -0.3% MoM
- S&P Flash PMIs (Feb.): manufacturing 51.6 services 49.7
- U. of Mich. Sentiment (Feb.): 64.7 from 67.8 in Jan. 5-10 Yr Inflation expectations increased to 3.5%

This Week
- Conf. Board Consumer Confidence (Feb.): 2/25
- New Home Sales (Jan.): 2/26
- Durable Goods Orders (Jan.): 2/27
- PCE Income, Spending, Inflation (Jan.): 2/28

Equities

Index	Level	Returns (%)					
		1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	5983	-2.11	1.91	1.91	19.15	12.55	15.56
Russell 1000 Growth	4033	-3.76	-0.14	-0.14	21.90	15.28	18.78
Russell 1000 Value	1896	-0.83	4.24	4.24	15.18	8.21	10.78
FTSE High Dividend Yield*	473	-0.56	4.28	4.28	18.45	9.76	12.04
S&P Small and Mid Cap	17189	-3.38	-1.16	-1.16	9.32	5.77	10.74
MSCI EAFE	2445	-0.40	8.31	8.31	10.33	7.40	8.27
MSCI EM	1136	0.50	5.84	5.84	13.64	1.99	4.31

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD												
				Health Care	Staples	Energy	Utilities	Financials	Materials	Comm. Serv.	Real Estate	Industrials	IT	Cons. Discr.		
S&P 500	22.1	15.3	1.3	10												
Russell 1000 Growth	28.9	17.7	0.6													
Russell 1000 Value	15.5	13.4	2.2													
FTSE High Dividend Yield*	12.3	13.1	3.9													
S&P Small and Mid Cap	15.7	15.5	1.7													
MSCI EAFE	15.1	13.4	3.0													
MSCI EM	12.6	11.1	2.6													

* Bloomberg U.S Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

Fixed Income

Index	Yield	Returns (%)					
		1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.75	0.52	1.65	1.65	4.77	-0.53	-0.59
U.S. Int. Gov/Credit	4.47	0.43	1.25	1.25	5.19	1.12	0.68
U.S. Corporates	5.20	0.49	1.77	1.77	5.51	0.43	-0.04
High Yield	7.22	0.09	1.72	1.72	9.76	4.89	4.51
Municipals (1-10)	3.16	0.26	1.22	1.22	2.52	1.44	0.90

Key Rates	Last	1 Wk Ago	Levels (%)				
			Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	4.18	4.31	4.24	4.24	4.69	1.57	1.17
10-yr Treasury	4.40	4.55	4.57	4.57	4.30	1.96	1.34
30-yr Treasury	4.66	4.77	4.78	4.78	4.43	2.28	1.82
SOFR	4.34	4.37	4.49	4.49	5.31	0.05	1.58
6-mo. CD rate	4.32	4.39	4.33	4.33	5.42	0.90	1.61
Prime Rate	7.50	7.50	7.50	7.50	8.50	3.25	4.75
30-yr fixed mortgage	7.11	7.18	7.28	7.28	7.36	4.25	3.66

