

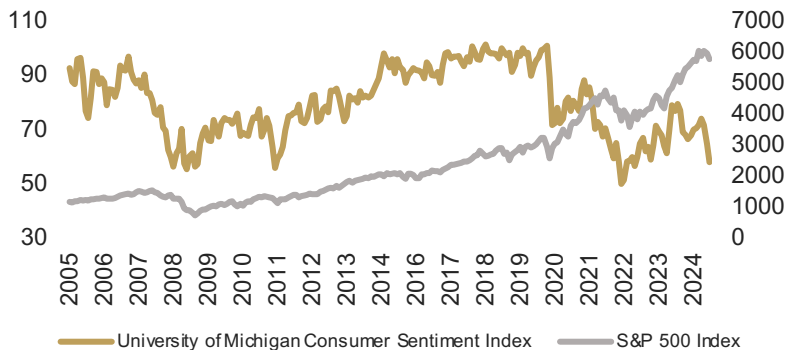
Corporate Earnings to Provide a Reality Check

The conflict between hard and soft economic data is becoming increasingly relevant as we approach the end of the first quarter. Economic indicators have weakened, including a sizable drop in consumer sentiment and downward revisions to earnings growth projections. On the positive side, a steady unemployment rate, moderating inflation, healthy credit spreads, and strong corporate fundamentals are helping to cushion uncertainty in the current market and political environment.

Despite bouts of volatility, the equity landscape remains largely unchanged from the start of the year. The S&P 500 Index's forward P/E has moderated slightly from 22.5x to 21.5x. Broader market valuations appear more reasonable, though offering relatively lower growth prospects. The equally weighted S&P 500 Index trades at 17x, the S&P MidCap 400 Index at 16.1x, and the S&P SmallCap 600 Index looks particularly interesting at 15.7x. While 2025 earnings projections have been revised downward, they still indicate 11% year-over-year growth.

Looking ahead, corporate earnings will be pivotal in resolving uncertainty when the reporting season begins in April. Until then, macroeconomic data and policy shifts under the new administration will likely drive sentiment. Investors navigating this environment may benefit from a long-term perspective. Over the past decade, the market has weathered major disruptions—from a pandemic to record inflation and high interest rates—yet has consistently rewarded disciplined investors through periods of short-term volatility.

**Consumer Sentiment Index (Left Axis)
and S&P 500 Index (Right Axis)**



Source: Bloomberg as of March 24, 2025.

Economy

Last Week	This Week
- Retail Sales (Feb.): 0.2% HL, 1% control	- Conf. Board Consumer Confidence (Mar.): 3/25
- Housing Starts & Building Permits (Feb.): 1501k HS, 1456k BP	- GDP Annualized (QoQ): 3/27
- FOMC Rate Decision & Projections: hold at 4.25%-4.5%	- PCE Price Index (Feb., MoM and YoY): 3/28
- Existing Home Sales (Feb.): 4.26m	- U. of Michigan Sentiment (Mar.): 3/28

Equities

Index	Level	Returns (%)					
		1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	5768	1.65	-1.64	-1.64	11.66	10.01	20.30
Russell 1000 Growth	3811	2.34	-5.58	-5.58	12.35	12.19	22.36
Russell 1000 Value	1870	1.09	3.04	3.04	10.08	6.60	17.27
FTSE High Dividend Yield*	464	0.61	2.41	2.41	12.30	7.86	17.78
S&P Small and Mid Cap	16683	1.79	-3.89	-3.89	2.42	4.12	18.03
MSCI EAFE	2472	-1.00	9.79	9.79	8.40	8.06	13.67
MSCI EM	1136	0.52	6.15	6.15	12.43	3.41	9.32

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD												
				Health Care	Energy	Utilities	Materials	Real Estate	Staples	Financials	Industrials	Comm. Serv.	IT	Cons. Discr.		
S&P 500	19.0	15.2	1.4	15												
Russell 1000 Growth	23.7	17.7	0.7	10												
Russell 1000 Value	15.2	13.4	2.3	5												
FTSE High Dividend Yield*	12.5	13.0	3.9	0												
S&P Small and Mid Cap	13.1	15.5	2.0	-5												
MSCI EAFE	13.8	13.4	3.2	-10												
MSCI EM	11.3	11.1	2.8	-15												

* 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	4.70	-0.06	2.14	2.14	4.46	0.65	-0.24
U.S. Int. Gov/Credit	4.38	0.11	1.89	1.89	5.18	2.18	1.01
U.S. Corporates	5.22	0.03	1.89	1.89	4.74	1.50	2.24
High Yield	7.46	0.50	1.76	1.76	8.61	5.55	8.71
Municipals (1-10)	3.26	-0.02	0.99	0.99	2.12	2.10	1.88

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	Levels (%)		
					1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	4.04	4.04	4.24	4.24	4.59	2.14	0.33
10-yr Treasury	4.34	4.29	4.57	4.57	4.23	2.37	0.87
30-yr Treasury	4.66	4.59	4.78	4.78	4.40	2.54	1.45
SOFR	4.31	4.31	4.49	4.49	5.32	0.27	0.01
6-mo. CD rate	4.36	4.29	4.33	4.33	5.33	1.45	0.93
Prime Rate	7.50	7.50	7.50	7.50	8.50	3.50	3.25
30-yr fixed mortgage	6.71	6.72	7.28	7.28	7.18	4.54	3.79