

Strong Tech Earnings Anchor Investor Optimism

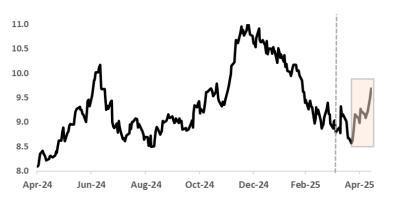
This week, U.S. large-cap investors are breathing a collective sigh of relief as the S&P 500 has recovered its post-Liberation Day losses and now sits nearly flat for the year. Driving this rebound is a 90-day détente in the U.S.-China trade war, which temporarily lifts steep tariffs that had threatened to disrupt trade between the world's two largest economies.

Overlooked amid the geopolitical news, however, is another key factor boosting market sentiment: a surprisingly strong first quarter of corporate earnings, led once again by the nation's largest technology companies.

Heading into earnings season, analysts expected year-over-year earnings growth of about 7% for S&P 600 companies—a solid but unremarkable projection. With 454 companies now having reported, actual growth is tracking closer to 13%. This upside surprise is largely due to standout results from megacap tech leaders Microsoft and Meta. Both companies delivered double-digit revenue and earnings growth, while reaffirming major investments in Al infrastructure—moves that also lifted sentiment for the broader tech sector.

With more than 30% of its weight concentrated in technology, the S&P 500 has become increasingly reliant on a handful of dominant tech names. For now, the strong performance of Microsoft, Meta, and their peers continues to support the index—and investor confidence.

Magnificent Seven Stocks Relative to Other 493 U.S. Large Cap Stocks



Bloomberg Magnificent 7 Total Return and U.S. Large Cap ex Magnificent 7 indexes, as of May 12, 2025.

Economy

Last Wee

- ISM Services (Apr.): 51.6 vs. 50.8 one month prior.
- FOMC Rate Decision: Unchanged at 4.25 4.50%.
- Nonfarm Productivity (1Q P.): -0.8% vs. 1.5% prior quarter.
- Unit Labor Costs (1Q P.): 5.7% vs. 2.2% prior quarter.

This Wa

- NFIB Small Business Optimism (Apr): 5/12
 - Consumer Price Index (Apr.): 5/13
- Retail Sales (Apr.): 5/15
- Producer Price Index (Apr.): 5/15

Equities							
			Returns ((%)			
Index	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	5844	3.46	4.27	-0.19	13.39	15.23	17.61
Russell 1000 Growth	3934	4.31	8.32	-2.48	16.84	20.43	19.17
Russell 1000 Value	1859	2.68	0.49	2.64	9.09	9.23	15.18
FTSE High Dividend Yield*	461	2.70	-0.16	1.59	10.65	9.37	15.30
S&P Small and Mid Cap	16759	4.52	4.00	-3.28	2.51	8.18	15.84
MSCI EAFE	2516	-0.57	5.62	13.07	10.73	12.64	12.65
MSCI EM	1162	2.00	5.89	9.06	11.60	8.23	8.03
			Character	istics			

			on a cecin											
Index	NTM P/E	NTM P/E (20Y med)	Div Yield			S&P	Sect	or Re	eturn	s YTI)			
S&P 500	19.8	15.3	1.4	10										
Russell 1000 Growth	25.2	17.8	0.7		rials	als		als	Real Estate					
Russell 1000 Value	15.6	13.4	2.3	5	Industri Utilities	Financials	Staples	Materials	al Es					
FTSE High Dividend Yield*	12.4	13.0	4.1	(%)	T E	뜶	Sta	₩	Re					
S&P Small and Mid Cap	14.0	15.5	2.0	Ε°						g	ē	ż	\vdash	 5
MSCI EAFE	14.0	13.4	3.2	-5						Energy	lth Care	. Se		Cons. Discr.
MSCI EM	11.5	11.1	2.8							ш	Healt	ш		ons.
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* Bloomberg U.S Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

7.50

6.84

7.50

6.81

13			

Prime Rate

30-yr fixed mortgage

			Returns (9	%)			
Index	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.80	-0.42	-0.95	1.81	5.15	1.58	-0.87
U.S. Int. Gov/Credit	4.41	-0.38	-0.13	2.29	6.04	2.77	0.53
U.S. Corporates	5.35	-0.13	-0.99	1.29	5.16	2.96	0.50
High Yield	7.48	0.89	1.28	2.30	9.09	7.56	6.49
Municipals (1-10)	3.54	0.18	-0.26	0.44	1.96	2.74	1.07
			Levels (%	5)			
Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	4.01	3.79	3.89	4.24	4.82	2.58	0.16
10-yr Treasury	4.47	4.30	4.21	4.57	4.44	2.92	0.65
30-yr Treasury	4.91	4.80	4.57	4.78	4.59	3.08	1.35
SOFR	4.28	4.32	4.41	4.49	5.31	0.79	0.04
6-mo. CD rate	4.36	4.33	4.25	4.33	5.42	2.03	0.48

7.50

7.28

8.50

7.36

4.00

5.39

3.25

3.56

7.50

6.77

