

## 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 AI 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 Week	This Week
- <b>ISM Services (Apr.):</b> 51.6 vs. 50.8 one month prior.	- <b>NFIB Small Business Optimism (Apr):</b> 5/12
- <b>FOMC Rate Decision:</b> Unchanged at 4.25 - 4.50%.	- <b>Consumer Price Index (Apr.):</b> 5/13
- <b>Nonfarm Productivity (1Q P.):</b> -0.8% vs. 1.5% prior quarter.	- <b>Retail Sales (Apr.):</b> 5/15
- <b>Unit Labor Costs (1Q P.):</b> 5.7% vs. 2.2% prior quarter.	- <b>Producer Price Index (Apr.):</b> 5/15

### Equities

Index	Level	1 Week	Returns (%)				
			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

#### Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD							
S&P 500	19.8	15.3	1.4	10	Industrials	Utilities	Financials	Staples	Materials	Real Estate	Energy
Russell 1000 Growth	25.2	17.8	0.7	5							Health Care
Russell 1000 Value	15.6	13.4	2.3	0							Comm. Serv.
FTSE High Dividend Yield*	12.4	13.0	4.1	-5							IT
S&P Small and Mid Cap	14.0	15.5	2.0	-10							Cons. Discr.
MSCI EAFE	14.0	13.4	3.2								
MSCI EM	11.5	11.1	2.8								

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

### Fixed Income

Index	Yield	1 Week	Returns (%)				
			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

  

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
Prime Rate	7.50	7.50	7.50	7.50	8.50	4.00	3.25
30-yr fixed mortgage	6.84	6.81	6.77	7.28	7.36	5.39	3.56

