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Weekly Market Guide

The S&P 500 has largely taken a "breather" over the past week, following its rapid 20%+ surge back into positive territory on the year. This week's headlines have centered around tax bill progress, an important piece to President Trump's broader agenda and a crucial offset to the tariff impact.

To recap where things stand within the past two months' whirlwind- The base-line expectation on trade policy is a 10% universal tariff, sectoral tariffs with limited exemptions (pharma tariffs could be any day, semiconductor tariff timing more opaque), mostly memorandums of understanding that outline trade agreements over time, and China ~30%. We are encouraged by the progress on trade talks, as well as Treasury Secretary Bessent's tone on the path ahead. However, this also remains a fluid situation, and we do not expect the news to be all-good all of the time. For example, President Trump may be emboldened by the market's favorable response to the status quo. Importantly, the estimated economic impact from tariffs has been reduced and appears more manageable when considering the offsets- which includes lower taxes (along with capex investment, deregulation, and lower oil prices).

While there are still a lot of variables that can impact volatility, the underlying message of the market has been positive. Internal breadth has improved in the rally with 80% of stocks above their 50-day moving average (best reading since the Fall of 2024 and out of a downtrend). More than 61.8% of the market decline has been recovered, and 58% of S&P stocks hit 4-week highs- characteristics that typically bode well for forward returns. Moreover, the advance-decline line broke out to new highs, and leadership has been geared toward the more cyclical areas- indicating relative stability under the hood and a risk-on tone. In fact, the Industrials sector touched all-time highs this week.

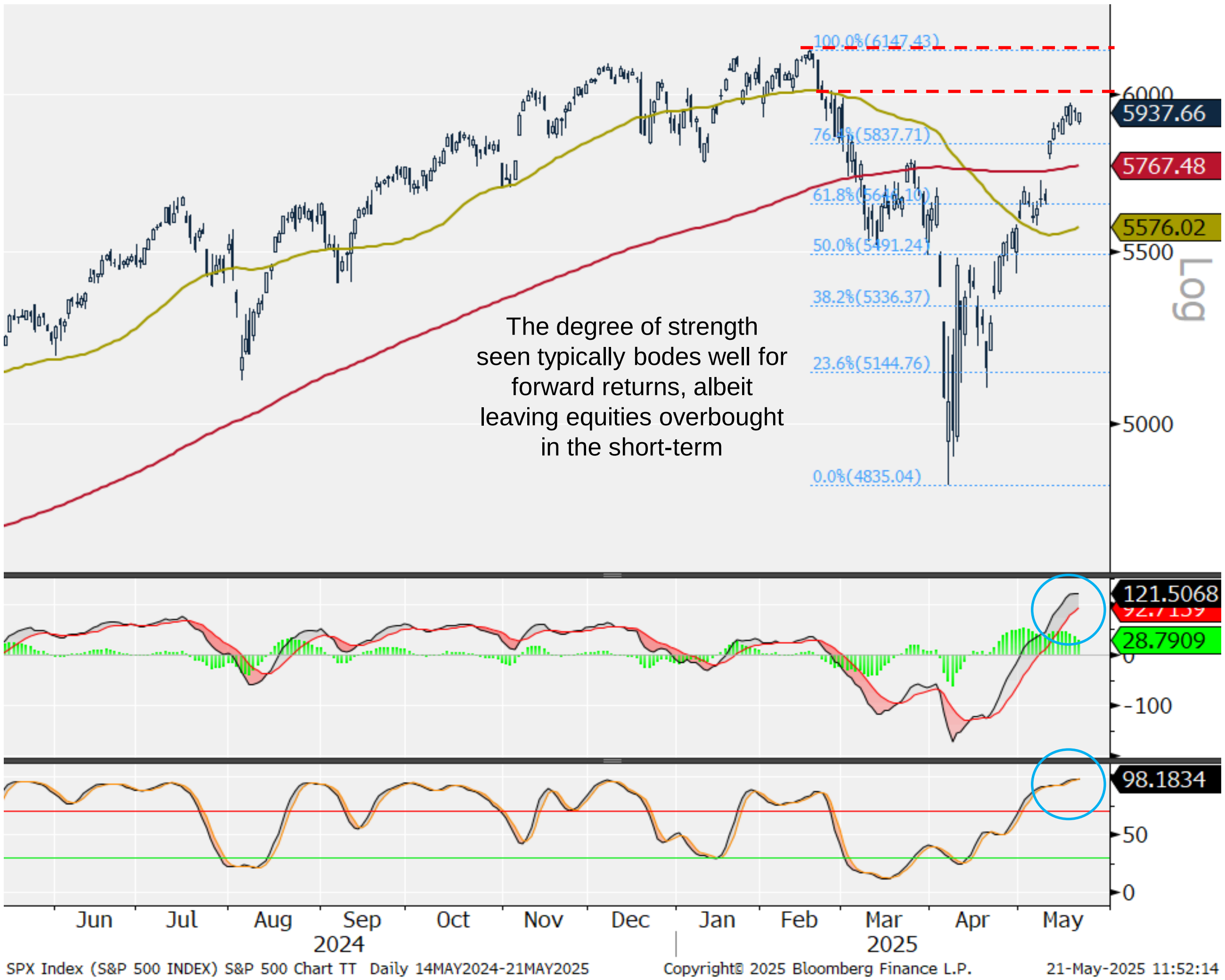
In sum: Recent trade and tax bill progress indicates a more constructive economic outlook and manageable situation fundamentally. While the market's strength leaves equities short-term overbought, it is supportive of longer-term trends. We recommend using weakness as opportunity.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	0.3%	7.2%
S&P 500	1.0%	11.9%
S&P 500 (Equal-Weighted)	2.3%	6.8%
NASDAQ Composite	-0.9%	14.0%
Russell 2000	-5.6%	0.1%
MSCI All-Cap World	4.8%	10.7%
MSCI Developed Markets	14.4%	8.5%
MSCI Emerging Markets	8.6%	5.9%
NYSE Alerian MLP	3.4%	7.5%
MSCI U.S. REIT	-0.6%	7.2%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Industrials	8.9%	8.7%
Utilities	8.9%	2.5%
Consumer Staples	6.7%	5.8%
Financials	6.0%	14.4%
Materials	3.4%	1.9%
Real Estate	2.6%	2.0%
Communication Svcs.	1.1%	9.4%
S&P 500	***1.0%***	-
Information Technology	-1.2%	31.7%
Health Care	-2.3%	9.7%
Energy	-3.1%	3.1%
Consumer Discretionary	-5.7%	10.7%

Source: FactSet

Technical: S&P 500



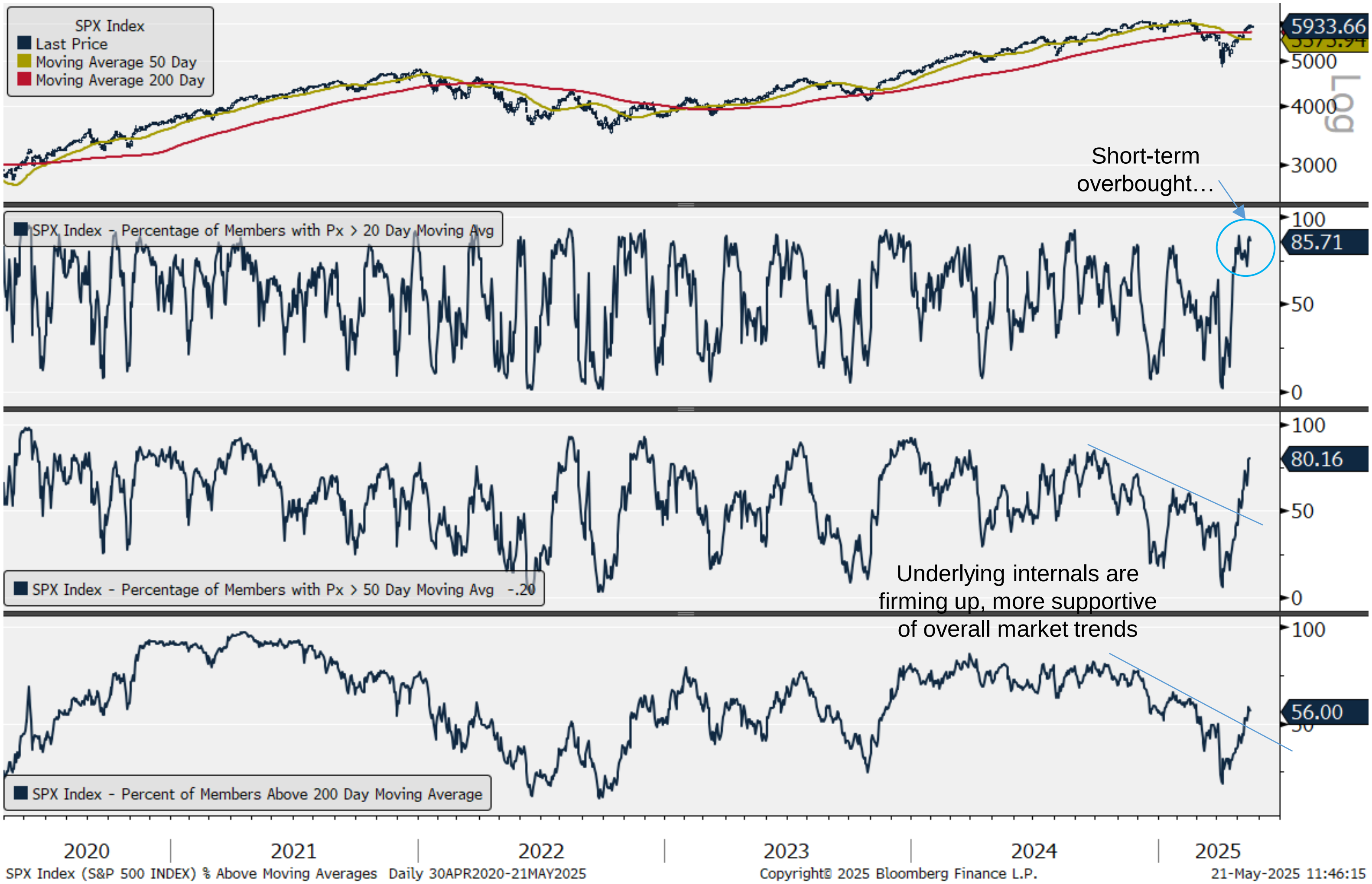
Technical indicators: Pointing to higher equity markets ahead as they soar to levels most often associated with higher equity markets over next 3-6 months.

The S&P 500 took out the 61.8% Fibonacci retracement level of the decline. Only two markets with 15% or greater declines saw meaningful declines after doing so- 1956-1957 and 2002. Those two false signals are among all of the others where equities continued to climb higher over time. They are also a reminder to not get complacent. There has been a lot of progress on trade (and lower taxes), but the situation remains very fluid.

With equities at overbought levels in the short-term but longer-term trends firming up, we recommend using weakness as opportunity.

Source: Bloomberg, FactSet

Market Internals



Internal breadth has improved in the rally with 80% of stocks above their 50-day moving average.

This is the best reading since the Fall of 2024 and out of a downtrend-> supportive of intermediate term trends.

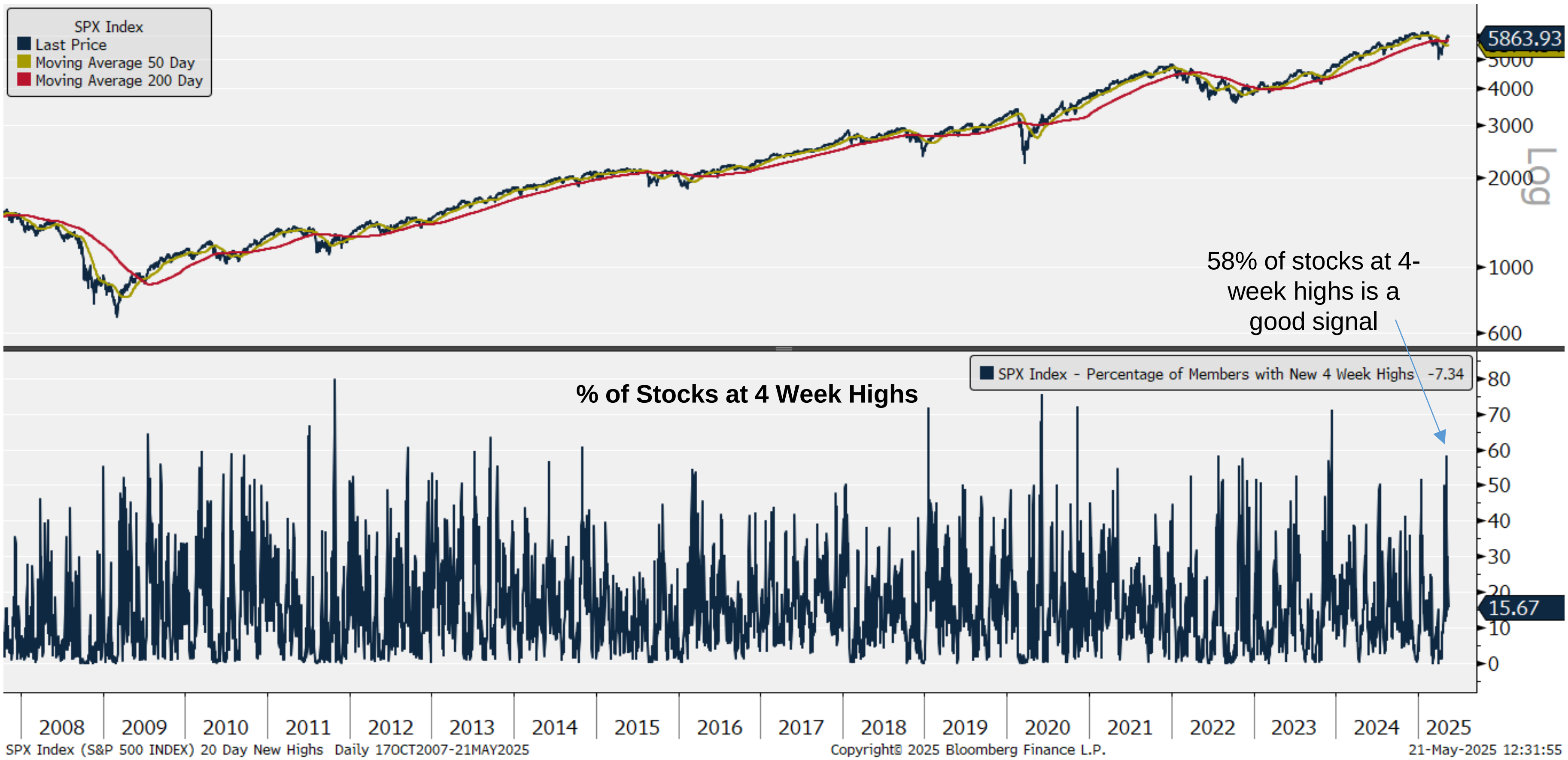
In other words, becoming overbought following sharp weakness is a good thing for longer-term market trends, albeit also leaving equities overbought in the short-term.

We recommend using weakness as opportunity.

Source: Bloomberg, FactSet

New 4-Week Highs

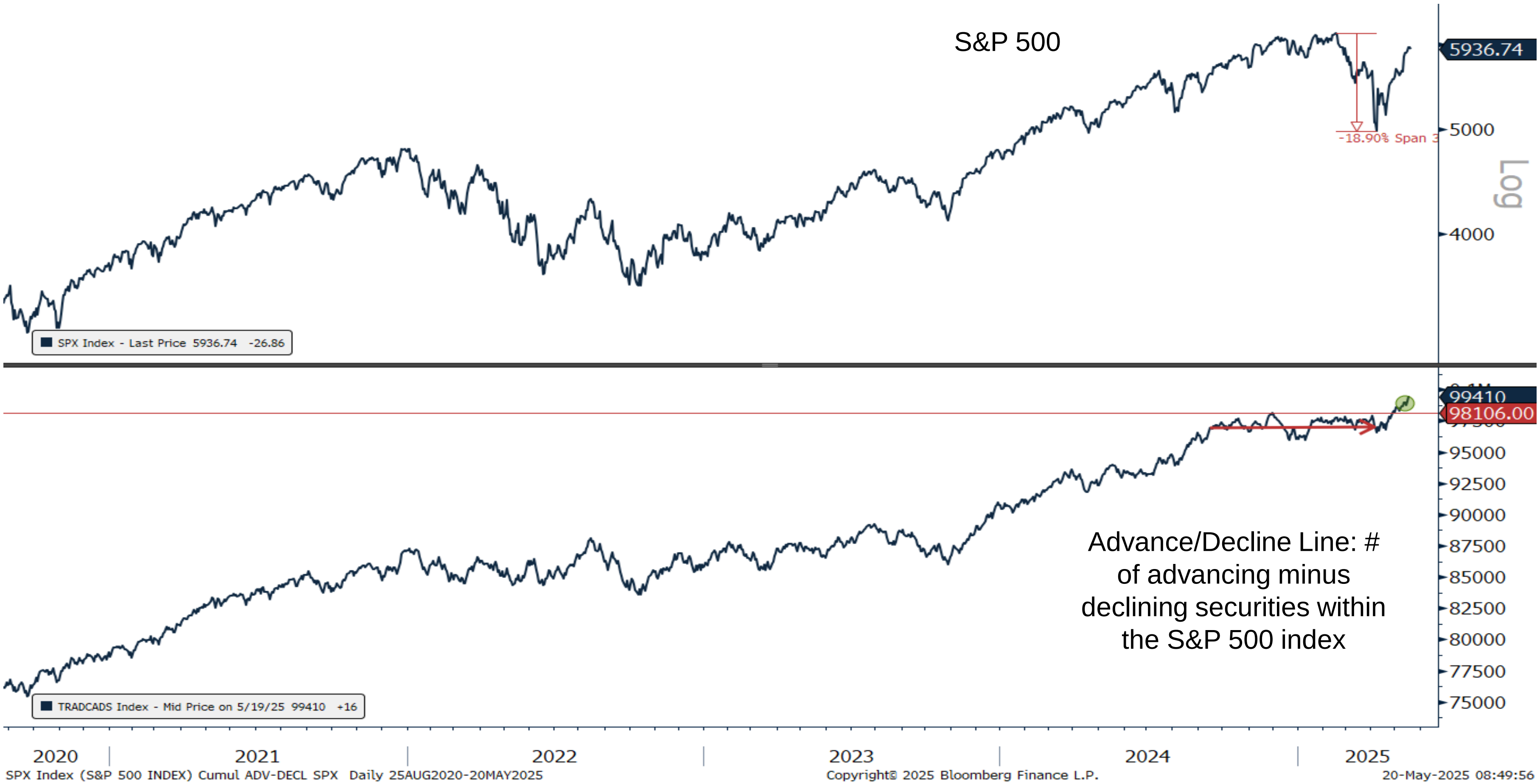
In notable lows historically, you typically see investor fear spike ✓, then strong accumulation signals ✓, and then follow-through. This last piece has been received lately, as reflected in the 58% reading for % of stocks at 4-week highs. Over the past 15 years when significant bounce-rallies followed major weakness and a >50% 4-week high reading was triggered, the lows have typically been established and a new uptrend was generally being started.



Source: Bloomberg, FactSet

Advance/Decline Line Breakout

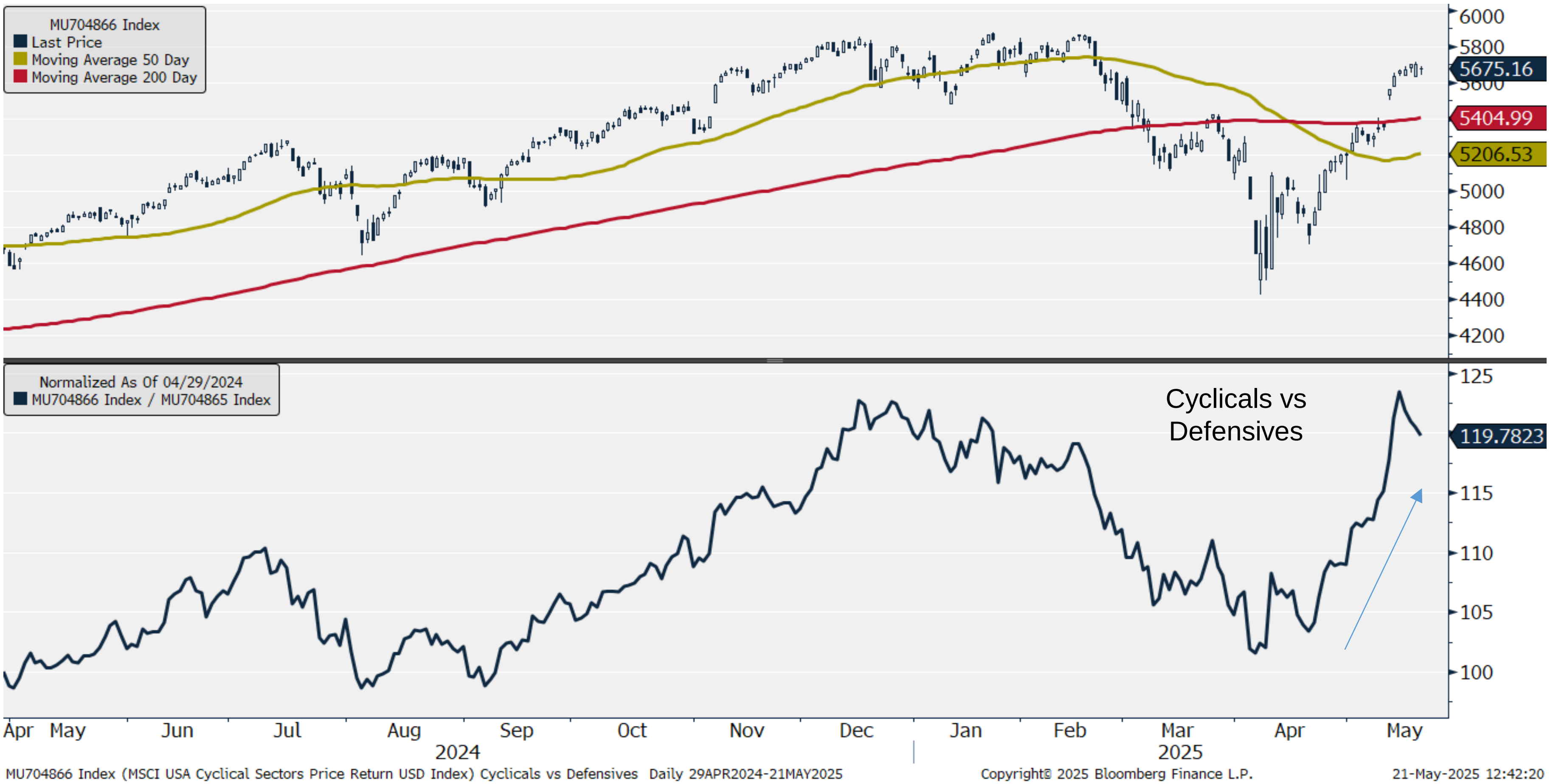
We continue to see positive action from the S&P 500 cumulative advance-decline line as it has clearly moved to a new high. This metric coupled with the strong internals we have seen in recent weeks improves the chances that a low has been established, and investors can use weakness as an opportunity to increase equity exposure.



Source: Bloomberg, FactSet

Risk-On Leadership

Leadership has been geared toward the more cyclical areas in the rally. In fact, the Industrials sector touched all-time highs this week. This risk-on tone in the market ascent is a positive signal for overall trends, showing growing investor appetite to accumulate the areas that often come with more volatility.



Source: Bloomberg, FactSet

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Index Definitions

The **S&P 500** is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

The **Dow Jones Industrial Average (DJIA)** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

The **NASDAQ Composite** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The **MSCI World All Cap Index** captures large, mid, small and micro-cap representation across 23 Developed Markets (DM) countries. With 11,732 constituents, the index is comprehensive, covering approximately 99% of the free float-adjusted market capitalization in each country.

The **MSCI EAFE (Europe, Australasia, and Far East)** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in 23 emerging market countries. The index's three largest industries are materials, energy, and banks.

The **Russell 2000** index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks.

The **NYSE Alerian MLP** is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

The **Barclays Intermediate Government/Credit Bond** index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

The **Euro Stoxx 50 Index** is a market capitalization weighted stock index of 50 large, blue-chip European companies operating within Eurozone nations. Components are selected from the Euro STOXX Index which includes large-, mid- and small-cap stocks in the Eurozone.

The **China CSI 300** is a capitalization-weighted stock market index designed to replicate the performance of top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. It had a sub-indexes CSI 100 Index and CSI 200 Index.

The **S&P 500 Futures** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **DJIA Futures** is a stock market index futures contract traded on the Chicago Mercantile Exchange`s Globex electronic trading platform. Dow Futures is based off the Dow 30 stock index.

The **Nasdaq 100 Futures** is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international companies listed on the NASDAQ.

Europe: DAX (Deutscher Aktienindex (German stock index)) is a blue chip stock market index consisting of the 40 major German companies trading on the Frankfurt Stock Exchange.

Asia: Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.