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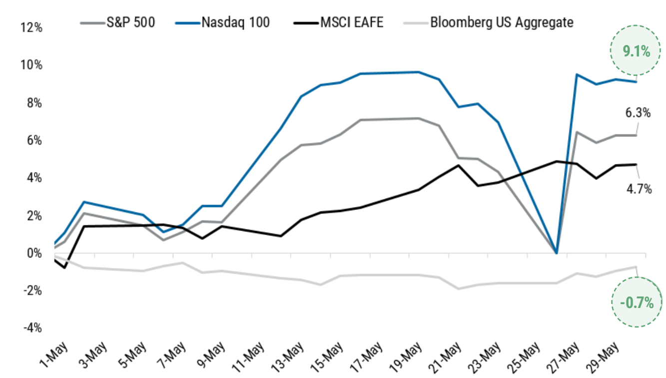
S&P 500 REGAINS MOMENTUM AS TECH STOCKS SURGE

In May, equity markets put April's rampant volatility in the rearview mirror and delivered strong returns. Led by growth stocks, the S&P 500 Index returned 6.3% and the Nasdaq 100 returned 9.1%. After experiencing a 20% drop between mid-February and early April, the S&P 500 ended the month just 4% off its record high. The Magnificent 7 tech stocks, which began May having significantly underperformed the market, were responsible for 62% of the S&P 500's gains for the month.[1] While more value-oriented sectors have performed well in 2025, the outsized influence of tech stocks continues.

International stocks are still well ahead of the U.S. for the year, with the MSCI EAFE gaining 16.9% through May, but trailed U.S. markets for the month at 4.6%. Meanwhile, the U.S. bond market saw its first monthly price decline for 2025, with the Bloomberg U.S. Aggregate Bond Index ending the month down 0.7%. U.S. Treasury yields were elevated during May due to fiscal concerns and a U.S. credit rating downgrade.

Global volatility eases, equities surge



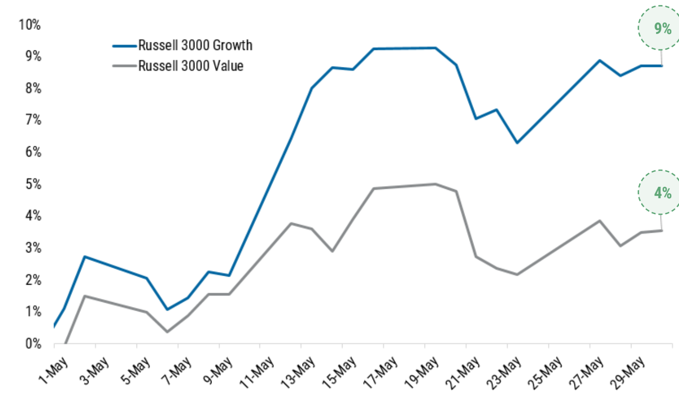
Source: Y Charts

CALMER MARKETS AND SOLID EARNINGS SUPPORT STOCKS

Several factors contributed to the U.S. equity rebound. First quarter earnings were better than expected, with 78% of S&P 500 companies reporting a positive earnings surprise, and index companies saw a blended year-over-year earnings-per-share growth rate of 13.3%.[2] Additionally, inflation remains muted despite tariff concerns, with a lower-than-expected April Personal Consumption Expenditures Index increase of 2.1% from a year ago.

Perhaps most important from a day-to-day volatility perspective, the market appears to have grown more comfortable riding out tariff uncertainty. While instability persists, market swings in response to the news cycle were less pronounced in May, and many believe bilateral agreements with U.S. trading partners are on the horizon, although the timing is uncertain.

Growth stocks outpace value in May

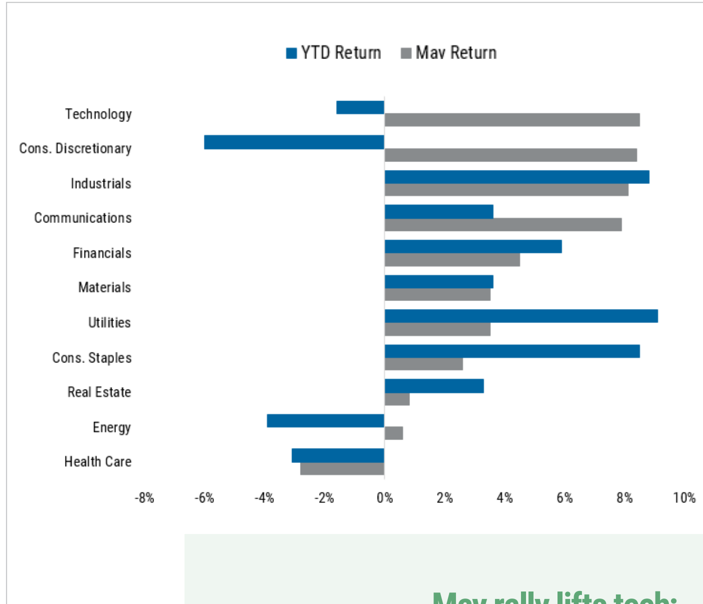


ECONOMIC AND GEOPOLITICAL RISKS

Despite May's relative calm, there are economic and geopolitical risks to consider. The U.S. fiscal situation has raised concerns about the sustainability of U.S. government borrowing. Tariff concerns remain, including a ruling about the legality of the current tariff policy, and significant tension in the U.S.-China trade talks could derail or significantly delay the creation of a lasting agreement. Additionally, although inflation has been benign, prices are likely to increase over time as the impacts of tariffs are absorbed into the system.

A question on many investors' minds is the potential for rate cuts. The U.S. Federal Reserve has held interest rates steady in 2025. The Fed has signaled that any decision to cut rates is data-dependent and that it will continue to monitor the health of the economy, including inflation and unemployment numbers. At this point, the economy still appears relatively healthy: although GDP growth has slowed, a recession appears unlikely, and unemployment is steady.[3] With tariffs projected to cause a short-term bump in inflation, the consensus view is that we will not see the first rate cut until later in the year, and that there will be fewer cuts in 2025 than previously anticipated.

Source: Y Charts



**May rally lifts tech;
YTD winners are value sectors**

THE VALUE OF REFRAMING VOLATILITY

The market swings we experienced over the last couple of months serve as a reminder that volatility, while often uncomfortable, does not necessarily lead to lasting portfolio damage. Rather than reacting to short-term fluctuations, we view these periods as opportunities to thoughtfully rebalance and ensure alignment with clients' long-term strategic goals. Maintaining diversification and a long-term perspective remains essential. While uncertainty will persist, we believe that staying invested and focused on the bigger picture offers the best path to capturing potential gains ahead.

[1] *Yahoo! Finance*
[2] *FactSet*
[3] *Charles Schwab*

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The Standard & Poor's (S&P) 500 Index is an index of 500 stocks seen as a leading indicator of U.S. equities and a reflection of the performance of the large cap universe, made up of companies selected by economists. The S&P 500 is a market value weighted index and one of the common benchmarks for the U.S. stock market.

The MSCI EAFE Index is a stock market index that measures the performance of large- and mid-cap companies across 21 developed markets countries around the world. Canada and the USA are not included. EAFE is an acronym that stands for Europe, Australasia, and the Far East.

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