Michael Gibbs, Managing Director, Lead Portfolio Manager | (901) 579-4346 | michael.gibbs@raymondjames.com
Joey Madere, CFA | (901) 529-5331 | joey.madere@raymondjames.com
Richard Sewell, CFA | (901) 524-4194 | richard.sewell@raymondjames.com
Mitch Clayton, CMT, Senior Technical Analyst | (901) 579-4812 | mitch.clayton@raymondjames.com

MAY 14, 2025 | 2:29 PM EDT

Weekly Market Guide

What a wild ride over the last 6 weeks! After dropping 15% in 3 days, the S&P 500 has rebounded 22% since to recoup all of its losses (and then some). The S&P 500 is now in positive territory on the year and just 4% from all-time highs, as the Administration has significantly walked-back its trade tone and relieved worst-case concerns.

The good news continued this week with a major de-escalation with China. After both sides appeared to be dug-in for the long game, a meeting this weekend resulted in the US lowering China tariffs to 30% (10% baseline + 20% fentanyl-related tariffs) and China lowering US tariffs to 10% for 90 days, as the countries work toward a broader deal. Additionally, the tone coming from both parties was much more amicable and constructive. This is a big deal and meaningfully reduces the potential economic impact from tariffs.

What have we learned from last week's UK deal and China pause? The 10% base-line tariffs appear non-negotiable and sectoral tariffs will be around too (with limited exemptions). Additionally, "trade deals" are likely to be memorandums of understanding that outline free trade agreements over time. Real deals take time to iron out, as many ancillary items get dragged in. It is also important to consider that UK was an easy one, as the US runs a trade surplus with the country. Negotiations may be more complicated elsewhere, as recent headlines with the EU suggest.

The most realistic outcome on trade policy is a 10% universal tariff, sectoral tariffs (with limited exemptions), memorandums of understanding, and China (30%). President Trump is probably comfortable with these numbers and may be emboldened by the market's favorable response to the current path. We are encouraged by Treasury Secretary Bessent's more even-minded approach to trade negotiations and do expect the market's tariff headwinds to ease over time. But this also remains a fluid situation. We are not completely out of the woods, and the trade news will not just be all-good all the time.

What's the fundamental impact? Over the past 30 days, Treasury Secretary Bessent has reduced estimated tariffs from ~ $660B to ~$260B- taking the estimated economic impact from ~2.5% to ~1%. **This is much more manageable, particularly when considering the offsets.** We believe that President Trump is not only using tariffs as a way to realign global trade and reindustrialize US manufacturing, but also as source revenue for his broader agenda- which includes lower taxes. A tax bill (including full depreciation for manufacturing facilities) is expected around July, large manufacturing investments are being announced, deregulation is ongoing, and oil prices are lower. This is all economic stimulative and will boost earnings potential over time.

Bottom line: Recent trade progress leaves a much more manageable situation fundamentally, which is likely to result in better market trends. Of course, trade negotiations are fluid, and the news will not be all-good all the time. Nonetheless, the

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	-0.9%	6.9%
S&P 500	0.1%	12.7%
S&P 500 (Equal-Weighted)	1.4%	7.0%
NASDAQ Composite	-1.6%	16.0%
Russell 2000	-5.7%	2.0%
MSCI All-Cap World	3.5%	11.3%
MSCI Developed Markets	12.2%	7.9%
MSCI Emerging Markets	7.6%	7.2%
NYSE Alerian MLP	3.2%	9.5%
MSCI U.S. REIT	-1.9%	7.4%

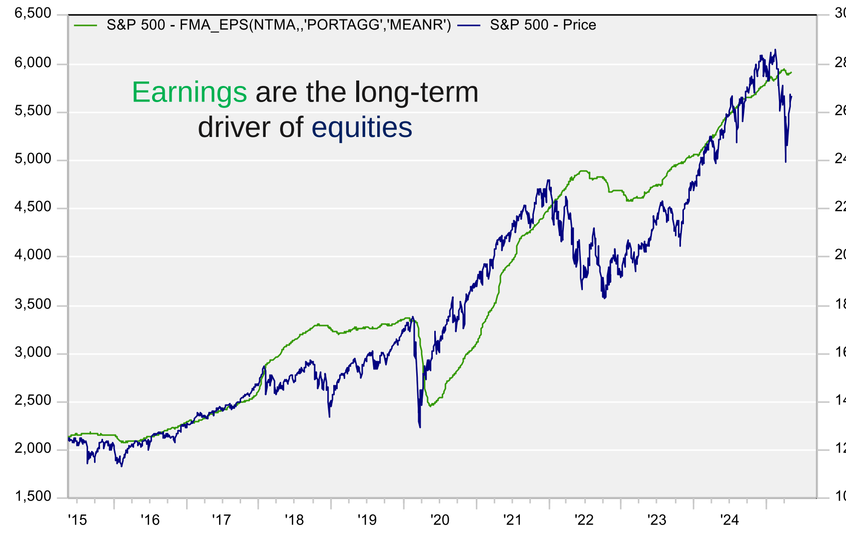
S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Industrials	7.1%	8.7%
Financials	5.5%	14.3%
Utilities	5.0%	2.4%
Consumer Staples	3.2%	5.7%
Materials	2.2%	1.9%
Real Estate	0.6%	2.0%
S&P 500	***0.1%***	-
Energy	0.0%	3.2%
Communication Svcs.	-0.1%	9.4%
Information Technology	-1.7%	31.8%
Health Care	-4.3%	9.6%
Consumer Discretionary	-5.3%	10.8%

Source: FactSet

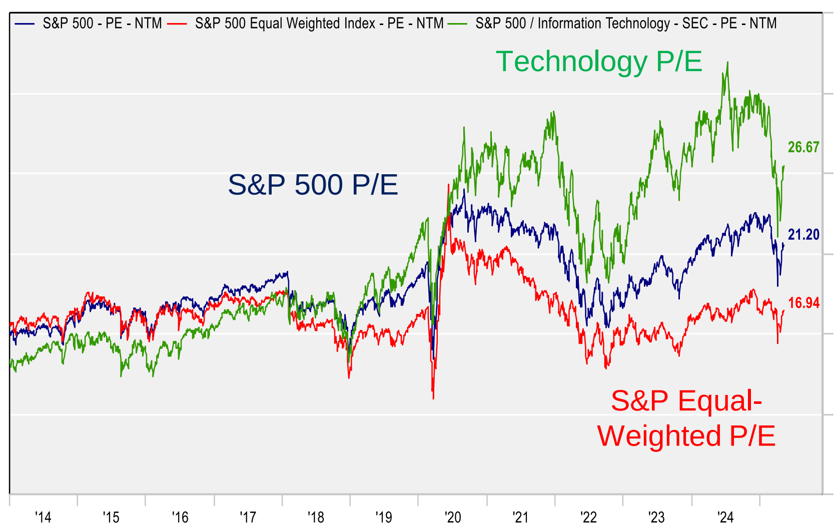
net sum of our base case expectations on trade and fundamentals, along with the market's behavior in recent weeks, leaves a more constructive stance. We remain positive long-term and would use weakness as opportunity.

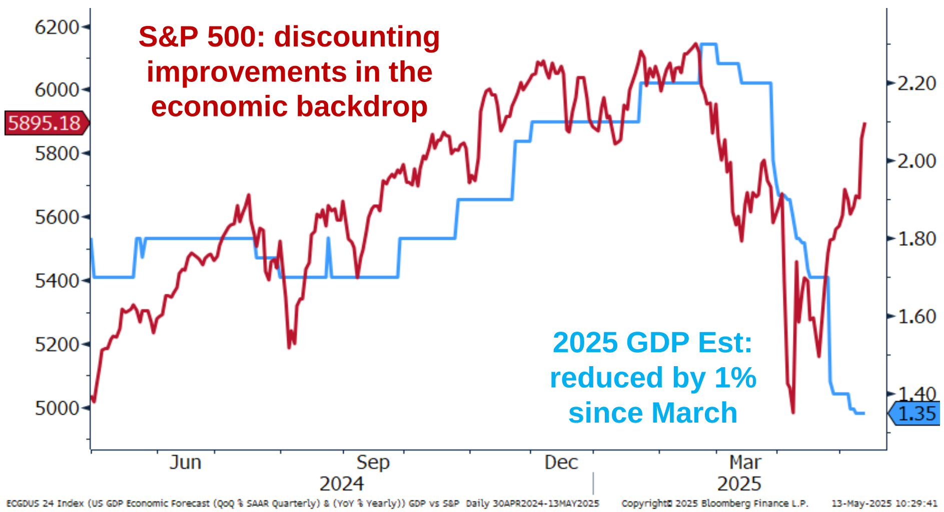
What's the Impact to Fundamentals?

Tariffs are a cost- companies have the decision to absorb those costs (affecting profitability) or pass them along to the consumer (affecting demand)- resulting in lower earnings growth (the lifeblood of equities). 11% of US consumer spending can be traced to imports (according to the San Francisco Fed), so a **10% universal tariff should be a ~1% impact to US economic growth <u>all else equal</u>**. This is much less than the announced tariffs on April 2nd that were closer to an estimated -2.5% impact. As a result, **recession risks have been reduced and the current status quo leaves a more manageable situation fundamentally, in particular when you consider the offsets**. These include lower taxes (with full depreciation for manufacturing facilities, manufacturing investment, deregulation, and lower oil prices. The net sum leaves a situation where the economy probably holds up well, earnings can grow at a healthy rate, and valuations are reasonable for the majority of companies. Of course the trade situation remains very fluid, but the current status quo results in a more constructive view for market trends.



S&P 500 (SP50-USA) : 12/31/2013 to 05/13/2025 (Daily)

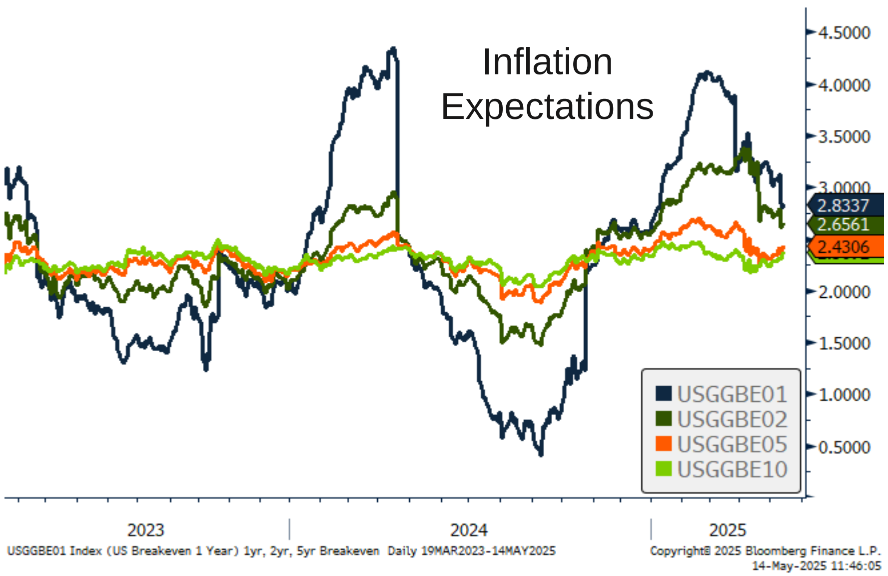


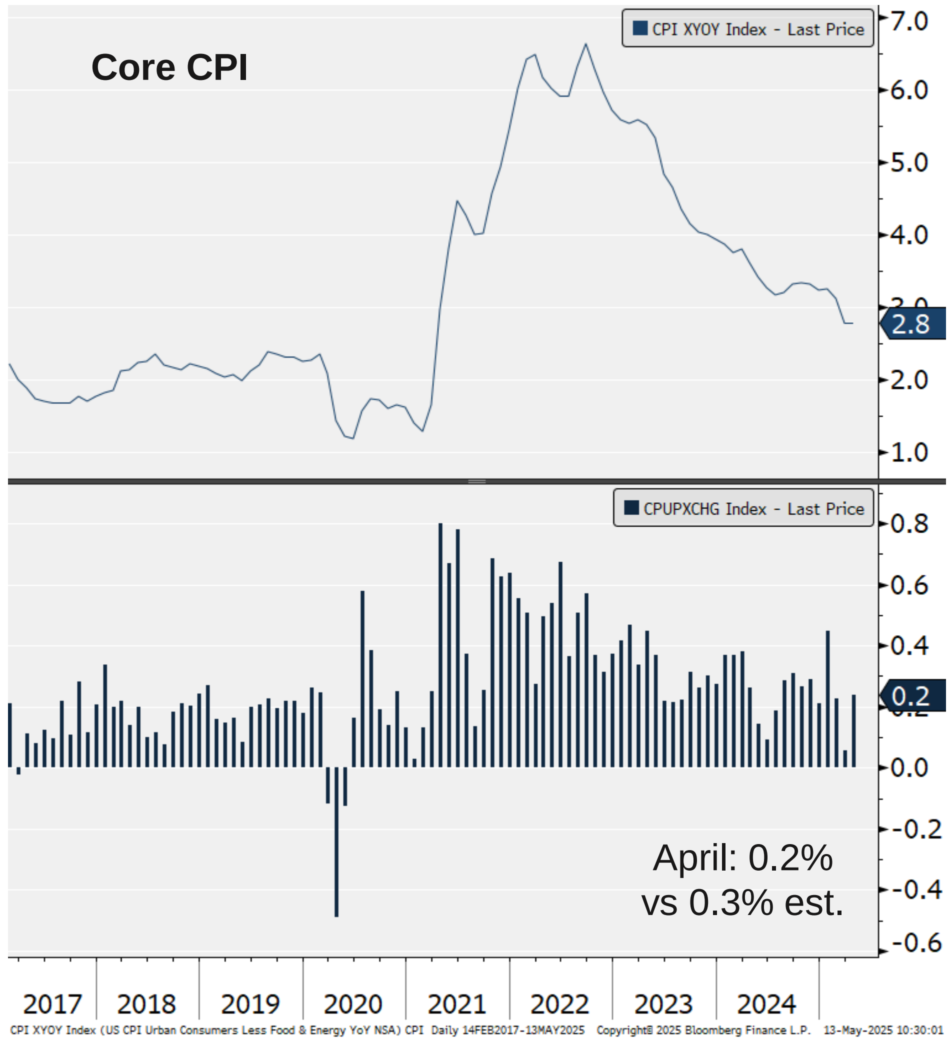


Source: Bloomberg, FactSet

Inflation

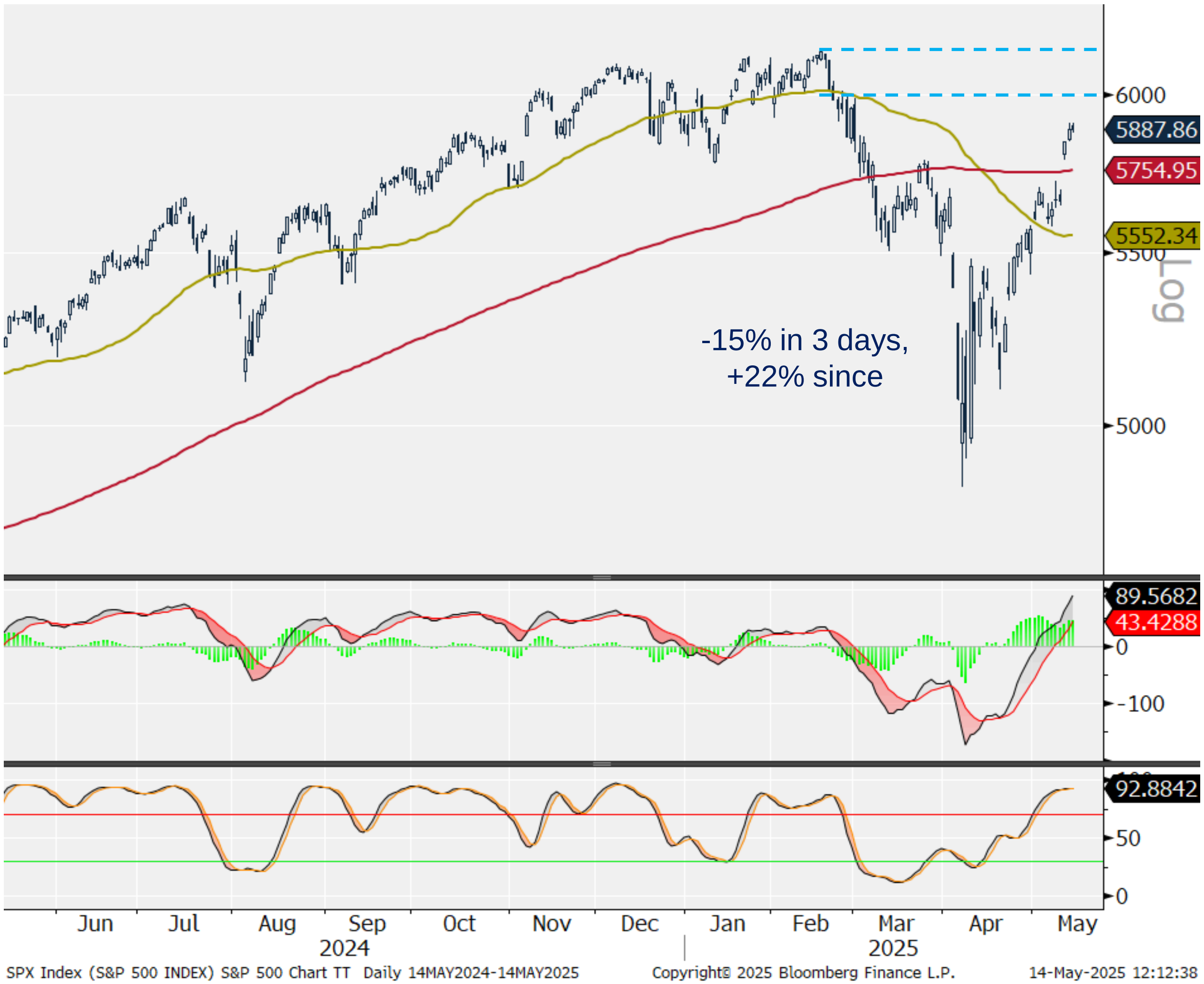
April Core CPI rose just 0.2% m/m, below the consensus estimate of 0.3%, taking the y/y number to 2.8%. Additionally, the recent progress on trade talks has pushed 1- and 2-year inflation expectations down to 2.8% and 2.65% respectively. 5- and 10-year inflation expectations remain in the Fed's 2-2.5% target range. This is a big deal for valuations because the highest stock market valuations historically have come when inflation is in the 2-2.5% range. So the more progress we can get on trade and more comfortable that investors get with long-term inflation expectations, the more conviction can be had to push valuations higher (resulting in better market trends). Elsewhere, we believe the Fed is on hold for now with questions abound on trade/inflation and the economy/employment holding up well. However, we do believe the Committee is positioned to step in and support material economic weakness if it should transpire.





Source: Bloomberg, FactSet

Technical: S&P 500



Remarkably, the S&P 500 has recouped all of its losses (and then some) following its 15% tariff-induced drop in 3 days. The index is now in positive territory on the year, +22% from the lows, and only 4% from the highs.

The good news continued this week with significant China de-escalation that resulted in the S&P 500 breaking above resistance at the 200-day moving average.

The tone of trade talks has become much more constructive and the fundamental impact of current tariffs is much more manageable, resulting in better market trends in our view.

However, the trade negotiations are fluid and will not be all-good all the time. We expect some give-and-take in both trade talks and the market.

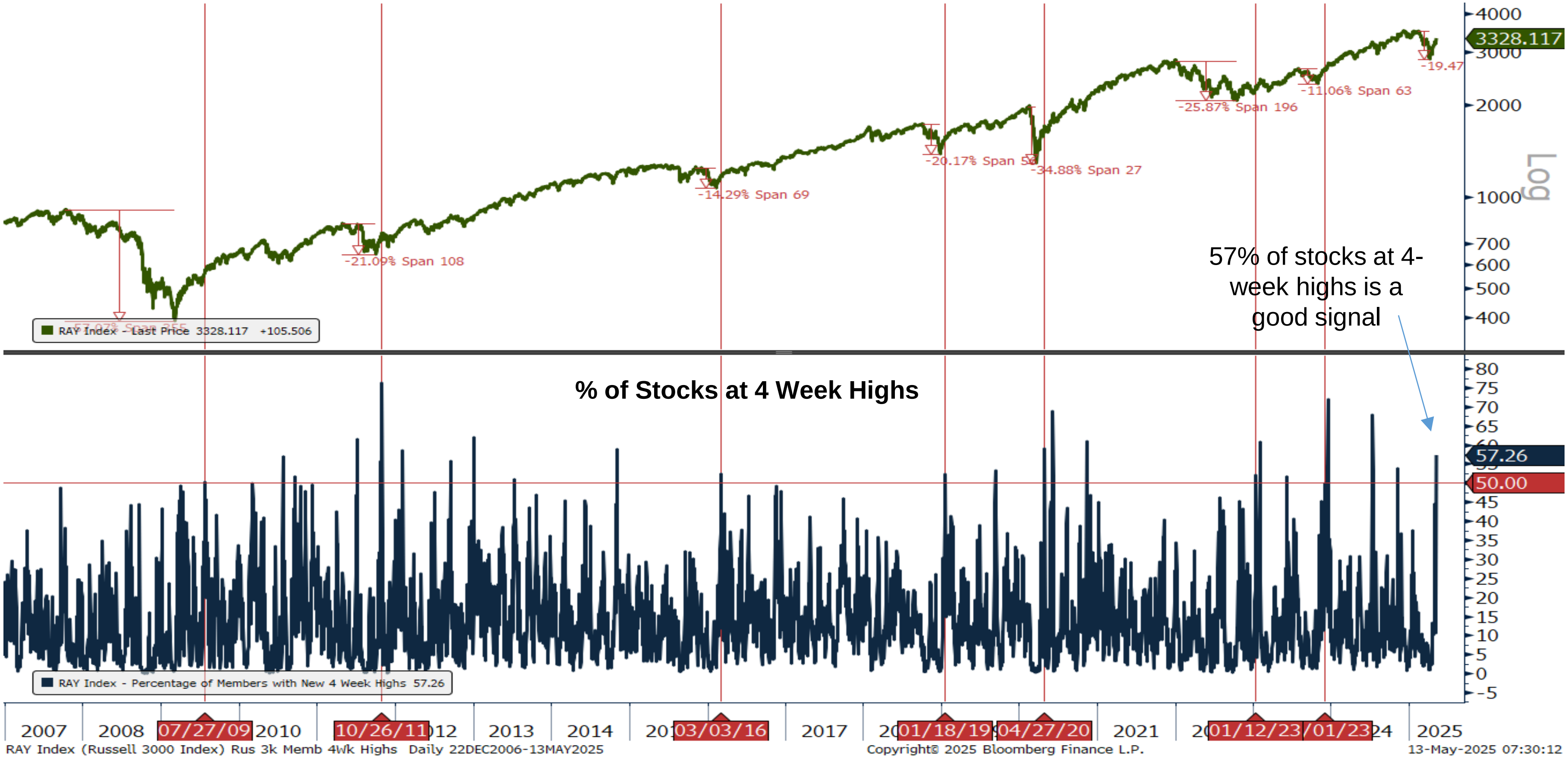
The S&P 500 is now overbought in the short-term and approaching resistance at 6000 (breakdown point) and 6147 (all-time highs). Nonetheless, the odds of recession have been reduced, as have the odds of a major drawdown needed.

We remain positive on the long-term and would use weakness as opportunity.

Source: Bloomberg, FactSet

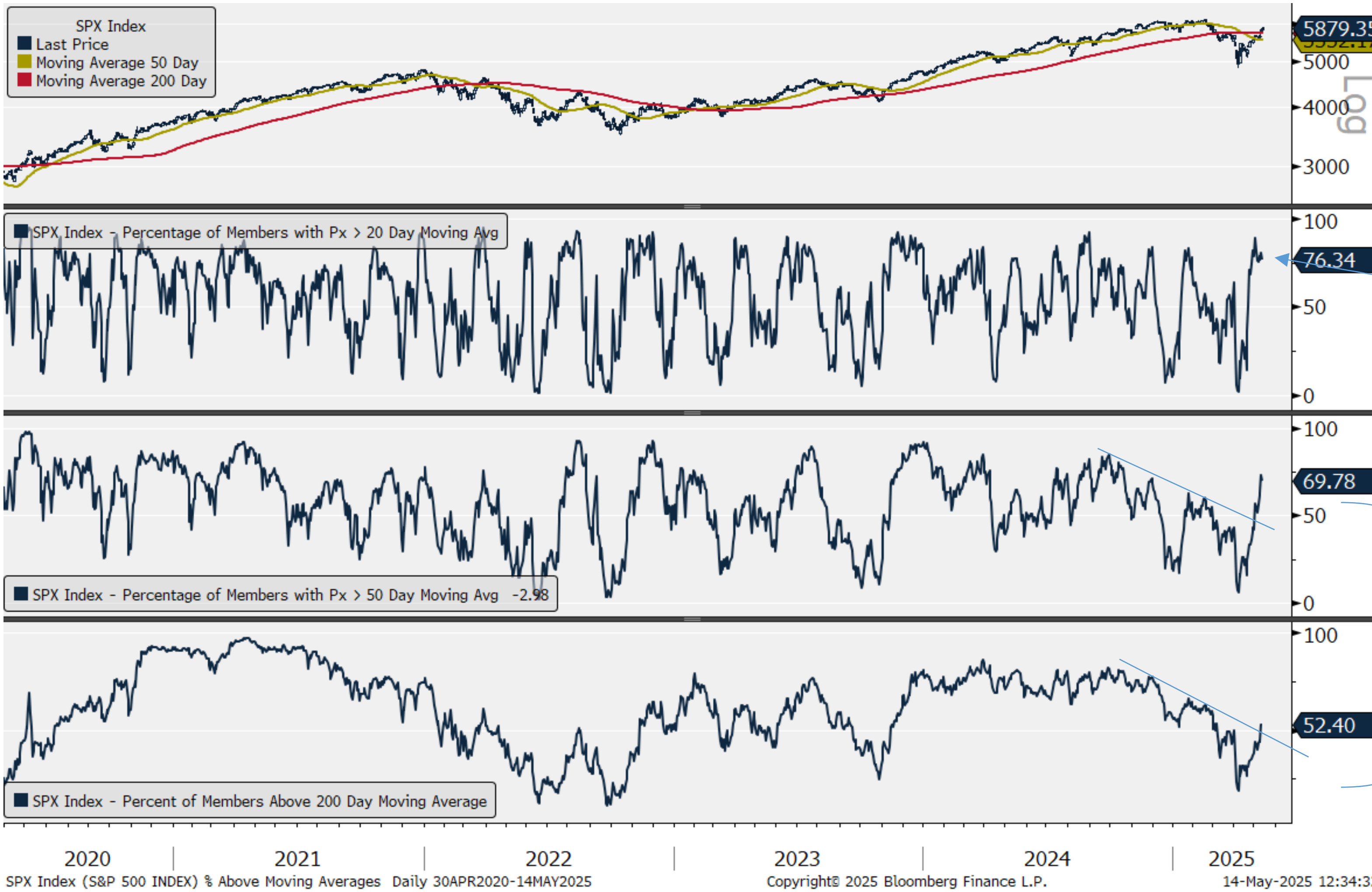
New 4-Week Highs

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 57% 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

Internals Are Rebuilding



S&P 500 is now short-term overbought…

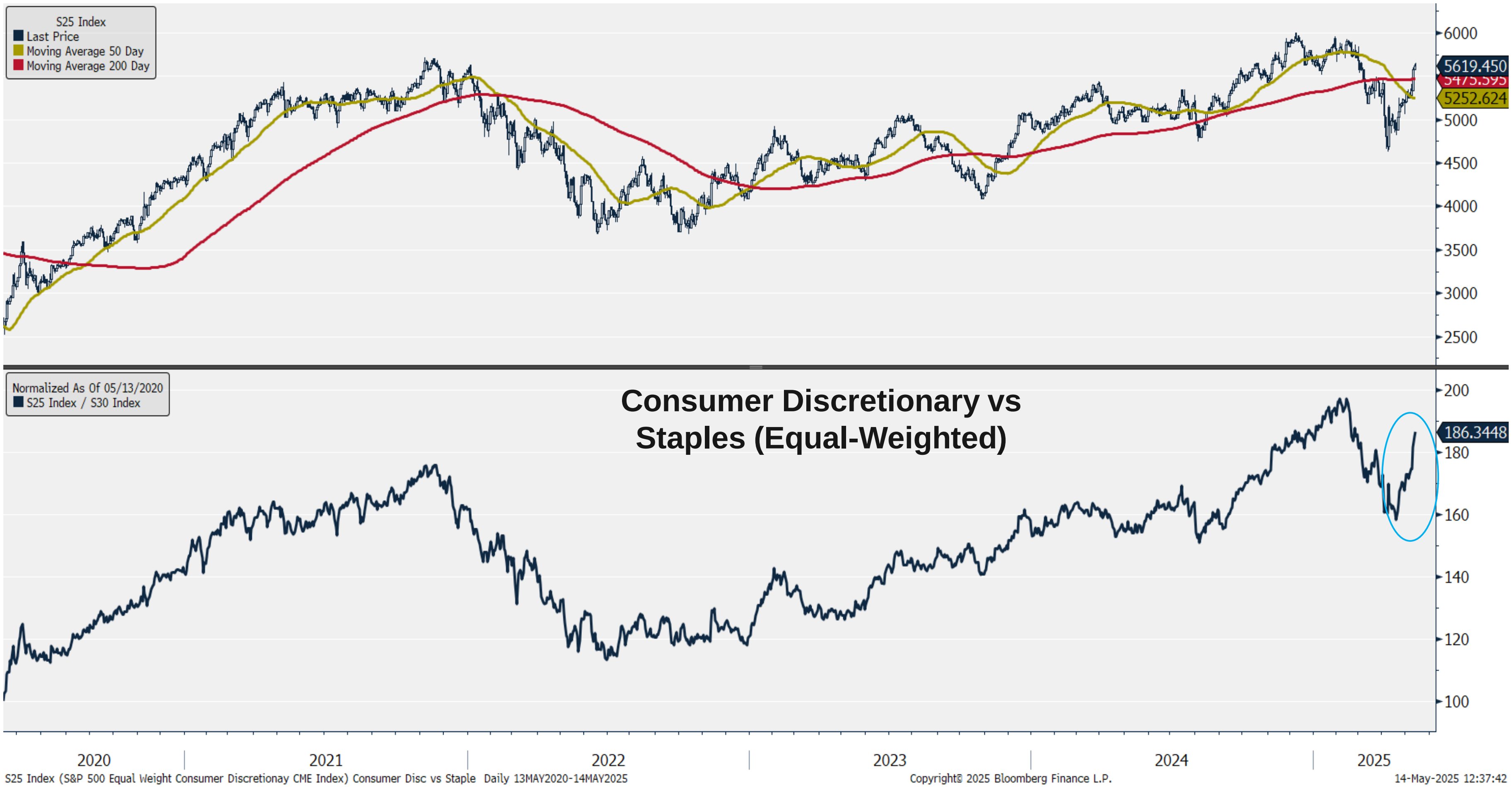
… but big picture, the underlying internals are improving.

This leaves a more supportive technical backdrop overall, in contrast to the trend of narrowing participation in place prior to the recent weakness.

Source: Bloomberg, FactSet

Risk-On Rotation

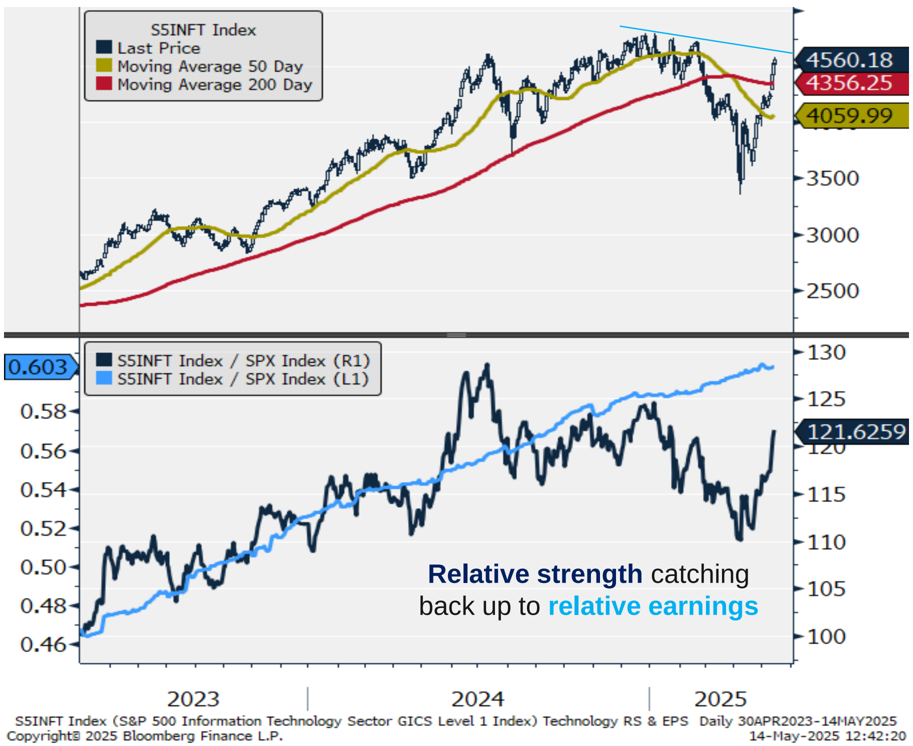
Investors are embracing risk-on rotation in the advance, as reflected in the Consumer Discretionary vs Staples indicator below. We view this as supportive of overall trends.

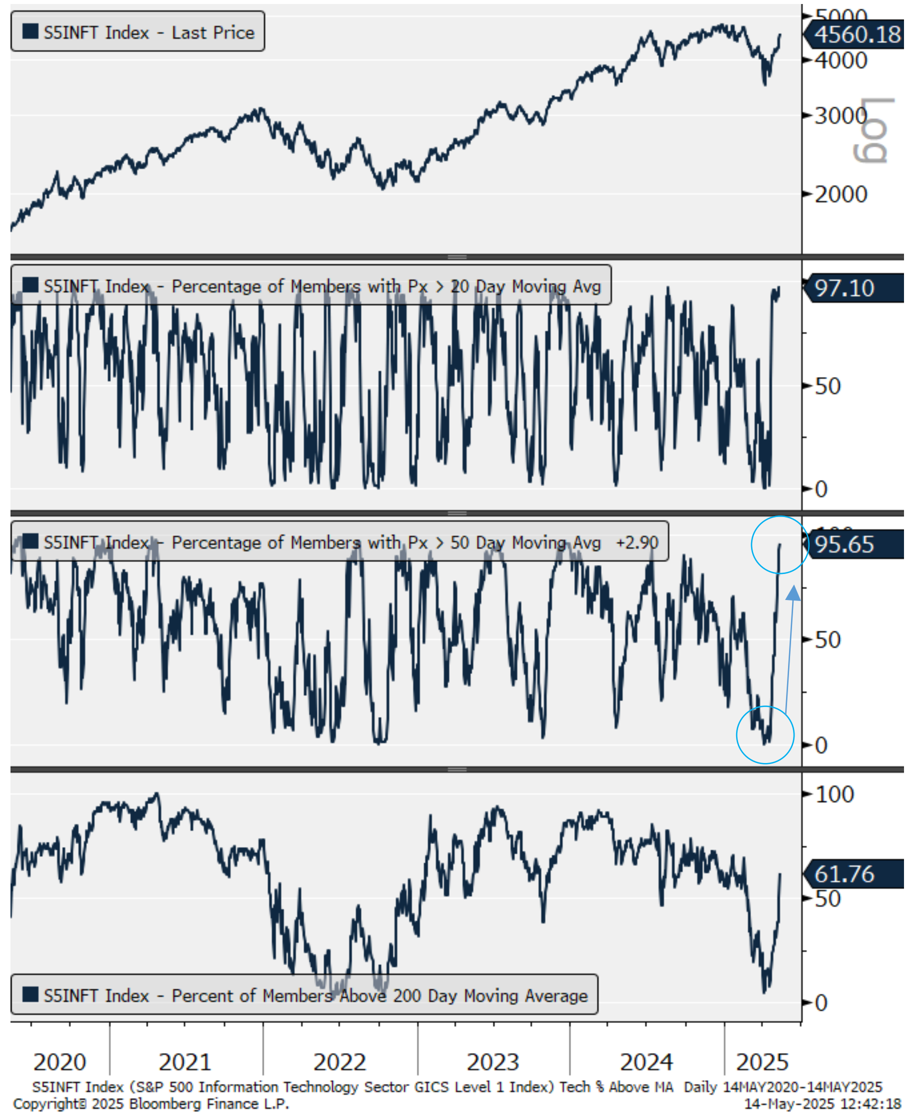


Source: Bloomberg, FactSet

Technology

Technology got hammered in the market weakness, due to over-concentration, high valuations, and above-market beta (among concerns around AI and tariffs). With earnings holding up well in Q1 reports and macro concerns fading, the sector has made up for lost time- surging higher in recent weeks. While becoming overbought after deeply oversold is a good thing for longer-term trends, it is worth noting the group is coming up to overhead resistance at short-term overbought levels. We recommend using weakness or consolidation as an opportunity to accumulate as needed.





Source: Bloomberg, FactSet

IMPORTANT INVESTOR DISCLOSURES

Gibbs Capital Management, a division of Eagle Asset Management (Eagle) a wholly-owned subsidiary of Raymond James Investment management.

All expressions of opinion in the foregoing reflect the judgment of Gibbs Capital Management and are subject to change without notice. Information in this report has been obtained from sources considered reliable, but we do not guarantee its accuracy, completeness, or timeliness. Content provided herein is for informational purposes only and should not be used or construed as investment advice or a recommendation regarding the purchase or sale of any security outside of a managed account. This should not be considered forward looking and does not guarantee the future performance of any investment.

It is important to review the investment objectives, risk tolerance, tax objectives and liquidity needs before choosing an investment style or manager. All investments carry a certain degree of risk, including loss. There is no assurance that any strategy will be successful, and no one particular investment style or manager is suitable for all types of investors. Indices are not available for direct investment. Any investor who attempts to mimic the performance of an index would incur fees and expenses which would reduce returns. Asset allocation and diversification does not ensure a profit or protect against a loss.

Sector investments are companies engaged in business related to a specific sector. They are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

Commodities and currencies investing are generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

Links to third-party websites are being provided for informational purposes only. Gibbs Capital Management is not affiliated with and does not endorse, authorize, or sponsor any of the listed websites or their respective sponsors. Gibbs Capital Management is not responsible for the content of any third-party website or the collection or use of information regarding any websites users and/or members.

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.