

# Capital Markets Snapshot

Courtesy of The Davis Financial Group

Week ending May 23, 2025

Equities, bonds, and the US dollar fell last week due to US budget concerns and increased uncertainty surrounding US tariff policies. US debt was downgraded by Moody's due to concerns about lack of progress from prior Congresses and presidential administrations to curb rising government deficits. Standard & Poor's (2011) and Fitch (2023) previously downgraded US debt. Now all three major rating agencies align on an AA-rating. A tax bill passed from the House to Senate seeking to extend the 2017 tax cuts with additional provisions. Congressional Budget Office estimates the net impact of tax cuts, new spending, revenue, and additional interest-rate costs to increase the federal budget deficit by \$3 trillion over the next decade. Long-term interest rates have been trending upwards since September 2024, when the rate cutting cycle began. The combination of increasing debt levels and higher interest rates are driving federal interest costs to historic highs. Trump threatened the EU with 50% tariffs and Apple with a 25% rate, which served to increase uncertainty around US trade policies and contributed to the down week for equities. As negotiations progress, trade uncertainty should decrease but as last week showed potential for bumps along the way remains.

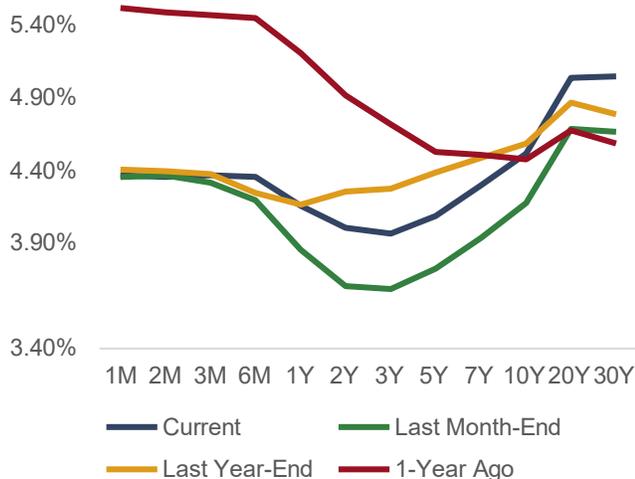
## Fixed Income Markets Overview

- Long-term yields rose between 8 and 15 basis points last week leading to a steepening of the yield curve. 10-year yields ended the week at 4.51% while the 20- and 30-year yields each closed above 5%. Higher long-term yields aren't unique to the US as Japan, Germany, the UK, and Australia are dealing with similar pressures.
- Expectations for rate cuts from the Fed continued to ease. Bloomberg expectations for a 25-basis point cut at the June FOMC meeting fell to 2% from 5%, and expected number of rate cuts in 2025 fell to 1.96 from 2.05.
- Mortgage rates ticked up slightly to 6.86% but remain below 7% for the 18th consecutive week. Stable rates and a slight bump in inventories may be attracting potential buyers as mortgage application activity is up 18% from a year prior.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
<b>Short</b>	1-3 Year Govt/Credit	0.1%	2.0%	3.3%	1.4%
<b>Core Plus</b>	Intermediate Govt/Credit	0.0%	2.5%	2.8%	0.5%
	International Aggregate	0.5%	4.7%	0.9%	-1.3%
	US Aggregate	-0.4%	1.6%	1.4%	-1.0%
	US Treasury	-0.3%	1.7%	0.6%	-2.0%
	US TIPS	-0.3%	2.9%	0.9%	1.5%
	US Corporate	-0.5%	1.1%	2.9%	0.1%
	US Corporate High Yield	-0.5%	1.9%	7.6%	6.0%
<b>Other</b>	Emerging Markets Aggregate	-0.3%	2.3%	5.6%	1.8%
<b>Muni</b>	US Municipals	-0.5%	-1.2%	2.5%	0.5%
	US Municipals High Yield	-0.5%	-1.3%	4.5%	3.9%

Source: Bloomberg as of May 23, 2025

## U.S. Treasury Yield Curve



Source: Bloomberg and U.S. Treasury as of May 23, 2025

## Interest Rates (%)

Date	5/23/2025	4/30/2025	12/31/2024	5/23/2024
Federal Funds Rate	4.36%	4.35%	4.40%	5.51%
3 Month Treasury	4.36%	4.31%	4.37%	5.46%
6 Month Treasury	4.35%	4.19%	4.24%	5.44%
2 Year Treasury	4.00%	3.60%	4.25%	4.91%
5 Year Treasury	4.08%	3.72%	4.38%	4.52%
10 Year Treasury	4.51%	4.17%	4.58%	4.47%
30 Year Treasury	5.04%	4.66%	4.78%	4.58%
US Aggregate	4.82%	4.51%	4.91%	5.12%
US Corporate	5.35%	5.14%	5.33%	5.54%
US Corporate High Yield	7.69%	7.90%	7.49%	7.93%
US Municipal	4.09%	4.06%	3.74%	3.84%
US Municipal High Yield	5.89%	5.84%	5.52%	5.58%

## Spreads Over 10-Year US Treasuries

Date	5/23/2025	4/30/2025	12/31/2024	5/23/2024
30 Year Treasury	0.53%	0.49%	0.20%	0.11%
US Aggregate	0.31%	0.34%	0.33%	0.65%
US Corporate	0.84%	0.97%	0.75%	1.07%
US Corporate High Yield	3.18%	3.73%	2.91%	3.46%
US Municipal	-0.42%	-0.11%	-0.84%	-0.63%
US Municipal High Yield	1.38%	1.67%	0.94%	1.11%

Source: Bloomberg and U.S. Treasury as of May 23, 2025

## Equity Markets Overview

- All three major US equity indices retreated between 2.4% to 2.6% due to US trade policy developments and US budgetary concerns. Markets gave up some of the recent growth as the S&P 500 is again posting a loss of 0.8% YTD.
- All sectors posted losses for the week ranging from decreases of 0.4% to 4.4%. Energy, Technology, and Real Estate took the biggest hits with losses of 4.4%, 3.5%, and 3.3%, respectively. Consumer Staples, Telecommunications, and Materials sectors held up best with losses of 0.4%, 0.6%, and 1.2%, respectively.
- Large caps held up slightly better than their smaller peers with all size segments posting losses ranging from 2.6% to 4.1%. From a style lens, growth held up moderately better than value in all size segments. Of all US style and size segments, only US large cap growth stocks are positive on a YTD basis with a 0.1% gain.
- International stocks continue to outperform US equities on a YTD basis as developed market equities posted a small gain of 0.9% last week, while emerging markets retreated slightly with a loss of 0.1%.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
<b>All-Cap</b>	S&P 1500	-2.7%	-1.2%	14.6%	16.0%
<b>Large-Cap</b>	S&P 500	-2.6%	-0.8%	15.2%	16.2%
	S&P 500 Growth	-2.5%	0.1%	18.4%	16.7%
	S&P 500 Value	-2.7%	-1.8%	11.0%	14.6%
<b>Mid-Cap</b>	S&P Midcap 400	-3.5%	-4.1%	9.1%	13.7%
	S&P Midcap 400 Growth	-3.4%	-3.6%	10.1%	11.5%
	S&P Midcap 400 Value	-3.7%	-4.5%	8.0%	15.8%
<b>Small-Cap</b>	S&P Smallcap 600	-4.1%	-9.4%	4.1%	12.1%
	S&P Smallcap 600 Growth	-3.6%	-6.1%	6.3%	11.1%
	S&P Smallcap 600 Value	-4.7%	-12.8%	1.9%	12.9%
<b>Int'l.</b>	MSCI ACWI ex-USA	0.9%	13.7%	10.2%	11.2%
	MSCI EM	-0.1%	10.0%	7.1%	7.9%

Source: Bloomberg as of May 23, 2025

## Alternative Markets Overview

- Gold prices surged over 5% last week as investors sought the safe-haven asset as the US dollar weakened and tariff uncertainty increased.
- Bitcoin saw its sixth straight weekly gain and briefly eclipsed \$112k per token on Thursday. The price retreated modestly to end the week but remains well above its recent low of nearly \$75k in early April.

Name	1W	YTD	3Y (Ann.)	5Y (Ann.)
S&P GSCI	0.4%	-0.6%	-3.2%	19.0%
Gold	5.6%	28.5%	22.3%	14.1%
FTSE All Equity NAREIT	-3.3%	-0.8%	1.1%	7.7%
Bitcoin	4.5%	16.4%	55.3%	63.9%
Ethereum	-1.0%	-23.2%	8.9%	65.4%

Source: Bloomberg as of May 23, 2025



### Upcoming Week

- While it is a short week, earnings releases worth monitoring this week include Nvidia, Salesforce, and Costco Wholesale.
- It is a thinner week of economic releases as well. We will be monitoring the second estimate of first quarter US GDP, consumer confidence, and PCE inflation updates.

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## Glossary and Disclosures

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S&P 1500 Index combines three leading indices, the S&P 500, the S&P Midcap 400, and the S&P Smallcap 600, to cover approximately 90% of U.S. equity market capitalization.

S&P 500 Index includes approximately 500 leading companies that covers approximately 80% of available U.S. equity market capitalization.

S&P 500 Growth Index is a stock index that represents the fastest-growing companies in the S&P 500 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P 500 Value Index is a stock index that represents the companies in the S&P 500 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Midcap 400 Index is distinct from the large-cap S&P 500 and designed to measure the performance of 400 U.S. mid-sized companies, which have differing liquidity and growth potential than large and small cap companies.

S&P Midcap 400 Growth Index is a stock index that represents the fastest-growing companies in the S&P Midcap 400 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Midcap 400 Value Index is a stock index that represents the companies in the S&P Midcap 400 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Smallcap 600 Index measures the performance of 600 small-sized U.S. companies to reflect the small-cap segment of the U.S. equity market, which is typically known for less liquidity than large cap stocks.

S&P Smallcap 600 Growth Index is a stock index that represents the fastest-growing companies in the S&P Smallcap 600 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Smallcap 600 Value Index is a stock index that represents the companies in the S&P Smallcap 600 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

MSCI ACWI ex-US Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries.

MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries.

S&P GSCI is broad-based and production weighted to represent the global commodity market beta. The index is designed to be investable by including the most liquid commodity futures.

S&P GSCI Gold a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold future.

FTSE All Equity NAREIT Index contains all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria.

Bitcoin USD Spot Exchange Rate measures the last price of 1 Bitcoin in USD.

Bloomberg Galaxy Bitcoin Index is designed to measure the performance of a single bitcoin traded in USD.

Ethereum USD Spot Exchange Rate measure the last price of 1 Ethereum in USD.

Bloomberg Galaxy Ethereum Index is designed to measure the performance of a single Ethereum traded in USD.

Bloomberg Barclays 1-3 Year Govt/Credit Index is the 1-3 Yr. component of the U.S. Government/Credit index, which includes securities in the Government, which includes treasuries and agencies debt securities, and Credit Indices, which includes publicly issued U.S. corporate and foreign debt that meet specified maturity, liquidity, and quality requirements.

Bloomberg Intermediate US Government/Credit Bond Index is a broad-based flagship benchmark that measures the non-securitized component of the US Aggregate Index with less than 10 years to maturity; this includes investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities

Bloomberg Barclays Global Aggregate Bond Index provides a broad-based measure of the global investment-grade fixed income markets, with three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices.

Bloomberg Barclays U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

Bloomberg Barclays U.S. Treasury Aggregate Bond Index is the U.S. Treasury component of the U.S. Government index and represents public obligations of the U.S. Treasury with a remaining maturity of one year or more.

Bloomberg US TIPS Index consists of Inflation-Protection securities issued by the U.S. Treasury.

Bloomberg Barclays US Corporate Bond Index is the Corporate component of the U.S. Credit index and represents publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements.

Bloomberg Barclays U.S. Corporate High Yield Index covers the universe of fixed rate, non-investment grade debt.

Bloomberg Barclays Emerging Markets Bond Index is broad-based with country eligibility and classification as an Emerging Market being rules-based and reviewed on an annual basis using World Bank income group and International Monetary Fund (IMF) country classifications.

Bloomberg Barclays U.S. Municipal Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market.

Bloomberg Barclays US High Yield Municipal Index is an unmanaged index of noninvestment-grade municipal debt securities, which provides a representation of the performance of US high-yield tax-exempt bonds.

Federal Funds Rate is the interest rate at which depository institutions trade federal funds (balances held at Federal Reserve Banks) with each other overnight.

U.S. Treasury Securities are issued by the federal government and are considered to be among the safest investments you can make, because all Treasury securities are backed by the "full faith and credit" of the U.S. government.

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