

# Capital Markets Snapshot

Courtesy of The Davis Financial Group

Week ending May 30, 2025

Last week, technology companies reported strong earnings, with NVIDIA showing strong growth in AI chip demand despite trade restrictions. However, ongoing tariff disputes continued to create uncertainty, impacting market sentiment. Courts are reviewing Trump's authority to enact certain tariffs, which has increased the level of uncertainty surrounding US trade policy. The S&P 500 rose by about 6% in May, but US equities are still essentially flat on the year after the volatility of recent months. Despite some downward revisions due to tariff issues, earnings growth for the S&P 500 is projected to remain stable, supported by a strong labor market. Economic indicators showed mixed results, with improvements in consumer confidence and personal income, but an unexpected rise in jobless claims. Investors should stay diversified, strategically rebalance their portfolios, and stay invested as market volatility is expected in the coming months. Time in the market is greater than timing the market.

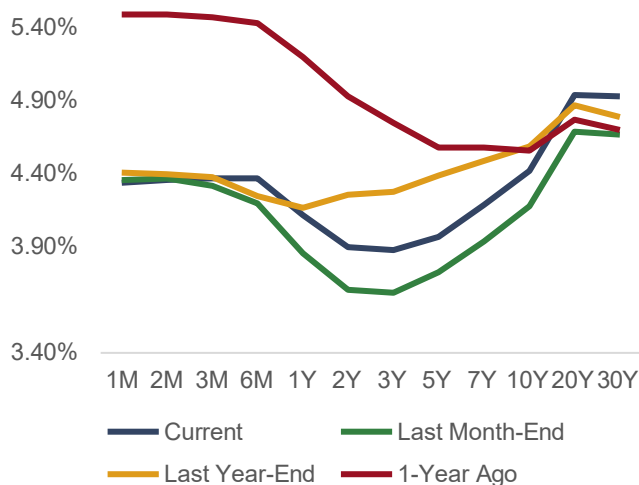
## Fixed Income Markets Overview

- Yields fell or were flat across the yield curve last week. Long-term yields remain elevated but closed the week below 5%.
- Expectations for rate cuts from the Fed increased last week due to last week's PCE report. Bloomberg expectations for a 25-basis point cut at the June FOMC meeting remained flat at 5%, and expected number of rate cuts in 2025 fell to 1.96 from 2.17.
- Mortgage rates continue to creep upwards with the average 30Y rate rising to 6.89% but remain below 7% for the 19th consecutive week. Potential buyers should shop for the best available mortgage rate. Saving a few basis points can translate to thousands in savings on debt service over the life of the loan.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
Short	1-3 Year Govt/Credit	0.2%	2.3%	3.3%	1.5%
	Core Plus				
Core Plus	Intermediate Govt/Credit	0.5%	3.0%	2.7%	0.5%
	International Aggregate	0.5%	5.3%	0.8%	-1.4%
	US Aggregate	0.9%	2.4%	1.3%	-0.9%
	US Treasury	0.8%	2.5%	0.6%	-1.8%
	US TIPS	0.8%	3.7%	0.8%	1.6%
	US Corporate	1.1%	2.3%	2.6%	0.2%
	US Corporate High Yield	0.7%	2.7%	6.8%	5.8%
Other	Emerging Markets Aggregate	0.6%	3.0%	5.3%	1.8%
Muni	US Municipals	0.3%	-1.0%	1.8%	0.5%
	US Municipals High Yield	0.4%	-0.9%	3.2%	3.8%

Source: Bloomberg as of May 30, 2025

## U.S. Treasury Yield Curve



Source: Bloomberg and U.S. Treasury as of May 30, 2025

## Interest Rates (%)

Date	5/30/2025	4/30/2025	12/31/2024	5/30/2024
Federal Funds Rate	4.33%	4.35%	4.40%	5.48%
3 Month Treasury	4.36%	4.31%	4.37%	5.46%
6 Month Treasury	4.36%	4.19%	4.24%	5.42%
2 Year Treasury	3.89%	3.60%	4.25%	4.92%
5 Year Treasury	3.96%	3.72%	4.38%	4.57%
10 Year Treasury	4.41%	4.17%	4.58%	4.55%
30 Year Treasury	4.92%	4.66%	4.78%	4.69%
US Aggregate	4.71%	4.51%	4.91%	5.16%
US Corporate	5.21%	5.14%	5.33%	5.58%
US Corporate High Yield	7.46%	7.90%	7.49%	8.08%
US Municipal	4.04%	4.06%	3.74%	3.93%
US Municipal High Yield	5.85%	5.84%	5.52%	5.63%

## Spreads Over 10-Year US Treasuries

Date	5/30/2025	4/30/2025	12/31/2024	5/30/2024
30 Year Treasury	0.51%	0.49%	0.20%	0.14%
US Aggregate	0.30%	0.34%	0.33%	0.61%
US Corporate	0.80%	0.97%	0.75%	1.03%
US Corporate High Yield	3.05%	3.73%	2.91%	3.53%
US Municipal	-0.37%	-0.11%	-0.84%	-0.62%
US Municipal High Yield	1.44%	1.67%	0.94%	1.08%

Source: Bloomberg and U.S. Treasury as of May 30, 2025

## Equity Markets Overview

- All three major US equity indices rose between 1.7% to 2.0% as the market reacted to the mixed economic and political developments of last week. Both the S&P 500 and Dow Jones are positive for the year, while the Nasdaq is still with just under a 1% loss YTD.
- Almost all sectors posted gains for the week ranging from decreases of 0.8% to 2.7%. Energy was the only sector to post a loss of 0.43%. Real Estate, Technology, and Telecommunications posted the biggest gains of 2.7%, 2.4%, and 2.1%, respectively.
- Large caps outpaced their smaller peers with all size segments posting gains ranging from 0.8% to 1.9%. From a style lens, growth outpaced value in large caps, tied in mid-caps, and lagged in small caps.
- International stocks continue to outperform US equities on a YTD basis but lagged last week. US equities are just entering positive growth territory on a YTD basis. However, international stocks have delivered strong positive returns 14% (developed) and 8.7% (emerging markets) highlighting the importance of diversification.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
All-Cap	S&P 1500	1.8%	0.6%	13.5%	15.7%
Large-Cap	S&P 500	1.9%	1.1%	14.2%	15.9%
	S&P 500 Growth	2.3%	2.4%	17.3%	16.8%
	S&P 500 Value	1.5%	-0.4%	10.0%	14.0%
Mid-Cap	S&P Midcap 400	0.8%	-3.3%	7.5%	12.9%
	S&P Midcap 400 Growth	0.8%	-2.8%	8.3%	10.9%
	S&P Midcap 400 Value	0.8%	-3.7%	6.6%	14.9%
Small-Cap	S&P Smallcap 600	1.4%	-8.2%	2.8%	11.6%
	S&P Smallcap 600 Growth	1.3%	-4.9%	4.7%	10.6%
	S&P Smallcap 600 Value	1.5%	-11.5%	0.7%	12.4%
Int'l.	MSCI ACWI ex-USA	0.3%	14.0%	9.2%	10.4%
	MSCI EM	-1.1%	8.7%	5.6%	7.1%

Source: Bloomberg as of May 30, 2025

## Alternative Markets Overview

- Gold prices fell 2.3% last week as volatility from softer jobs data, increased tariff uncertainty, and a weakening US dollar. On a YTD bases, gold is among the top performing assets once again. Its 25.5% gain YTD outpaces US and international equities as well as bitcoin.
- Bitcoin's recent streak of weekly gains snapped as the cryptocurrency's price fell 3.8% last week. After briefly eclipsing \$112k per token recently, the cryptocurrency experienced a modest sell off last week, but the price remains above the \$100k price level.

Name	1W	YTD	3Y (Ann.)	5Y (Ann.)
S&P GSCI	-1.8%	-2.4%	-4.6%	17.8%
Gold	-2.3%	25.5%	21.3%	13.6%
FTSE All Equity NAREIT	2.7%	1.9%	0.5%	7.2%
Bitcoin	-3.8%	12.0%	50.6%	61.4%
Ethereum	0.5%	-22.9%	13.6%	63.6%

Source: Bloomberg as of May 30, 2025



### Upcoming Week

- Q1 earnings season is nearing its end. Earnings releases worth monitoring this week include CrowdStrike Holding, Dollar Tree, and Broadcom.
- It is a busy week of economic releases. Among the reports we will be monitoring are the ISM Purchasing Managers Index, nonfarm payrolls, and wholesale inventories.

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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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