

Making Sense

Monthly Market Update

Recorded on March 26, 2025



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What are we going to cover?

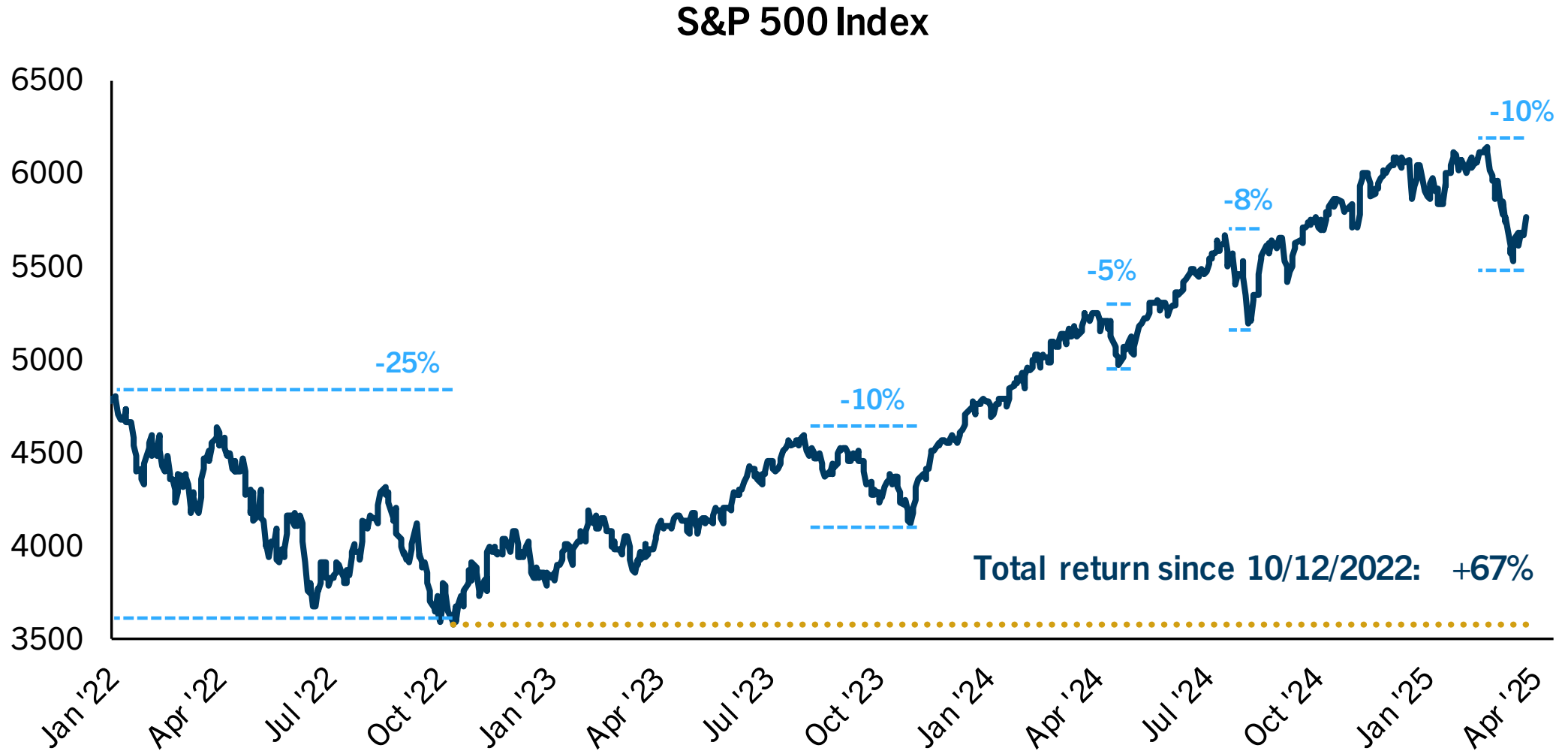
- 1. Pulse Check:**
Recent Equity Market Selloff | Drawdowns in Context
- 2. Economic Update:**
Growth Outlook | Inflation & Interest Rates | Labor Market & Consumer Spending
- 3. Market Update:**
Equity Markets | Valuations | Fixed Income

Pulse Check: Global Markets Year to Date

Total Market Returns As of 3/24/2025			
	Since Feb. 19	YTD 2025	CY 2024
US Equities	-6.2%	-1.8%	+23.8%
Intl. Developed Equities	+1.8%	+9.8%	+4.4%
Emerging Market Equities	+0.2%	+6.1%	+8.0%
Aggregate Fixed Income	+1.2%	+2.1%	+1.3%
Municipal Bonds	-0.5%	+0.2%	+1.1%

Views From Our 2025 Outlook
<ul style="list-style-type: none"> We expect heightened market volatility in 2025 <ul style="list-style-type: none"> Policy uncertainty Large-cap stocks priced to perfection We expect lower equity market returns over the next decade than the last Portfolio balance remains essential Time in markets – rather than timing markets – pays off in the long run

The S&P 500 Sold Off Over 10% From Recent All-Time Highs

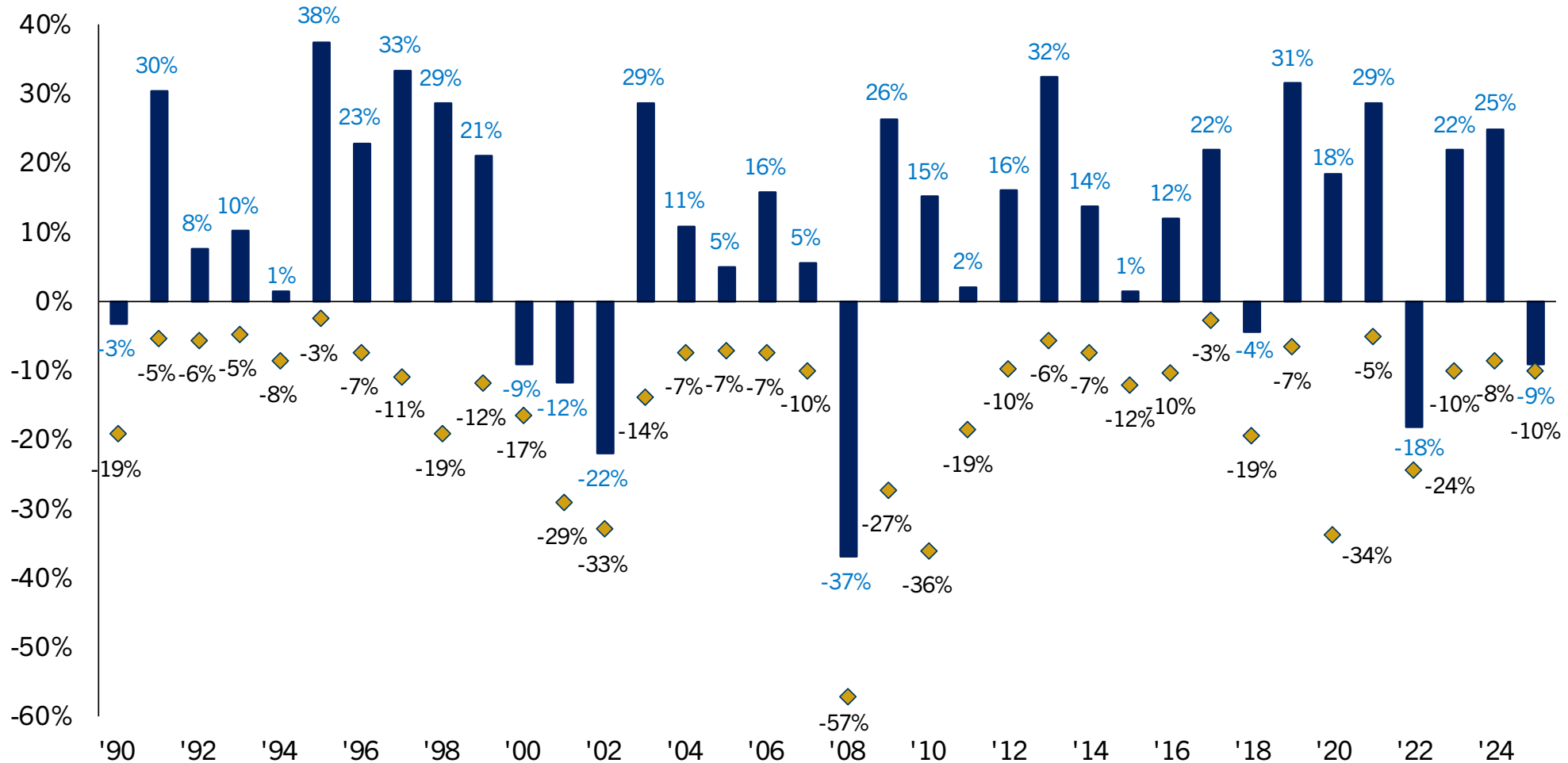


Intra-Year Drawdowns Are Common

Average Max. Drawdown Since 1990: **-15%**

Positive Calendar-Year Returns: **78% of times**

S&P 500 Calendar Year Return vs. Largest Intra-Year Decline



The S&P 500 Has Recovered Fairly Quickly After Most 10% Drawdowns

Major S&P 500 Declines - 1950 to Present						
Start Date	End Date	Months Peak-to-Trough	% Decline	1-year Post Low	1-year % Recovery of Previous High	Months Peak-to-Full Recovery
2/19/2025	3/13/2025	1	-10.1%	N/A	N/A	N/A
1/3/2022	10/12/2022	9	-24.5%	23.6%	93.3%	23
2/19/2020	3/23/2020	1	-33.8%	79.1%	118.6%	6
9/20/2018	12/24/2018	3	-19.4%	39.9%	112.8%	7
1/26/2018	2/8/2018	0	-10.1%	7.0%	96.2%	6
5/20/2015	2/11/2016	9	-12.6%	28.3%	112.2%	11
5/2/2011	10/4/2011	5	-16.7%	32.0%	110.0%	9
4/23/2010	7/2/2010	2	-15.6%	33.6%	112.8%	6
10/9/2007	3/9/2009	17	-55.2%	72.0%	77.0%	54
11/27/2002	3/11/2003	3	-14.2%	40.7%	120.7%	5
3/24/2000	10/9/2002	30	-47.4%	35.5%	71.3%	79
7/16/1999	10/15/1999	3	-11.8%	11.5%	98.3%	4
7/17/1998	8/31/1998	1	-19.1%	39.8%	113.1%	4
10/7/1997	10/27/1997	1	-10.8%	23.4%	110.1%	2
7/16/1990	10/11/1990	3	-19.2%	33.2%	107.6%	7
1/2/1990	1/30/1990	1	-10.0%	9.4%	98.5%	5

Major S&P 500 Declines - 1950 to Present							
Start Date	End Date	Months Peak-to-Trough	% Decline	1-year Post Low	1-year % Recovery of Previous High	Months Peak-to-Full Recovery	
8/25/1987	10/20/1987	2	-29.4%	21.4%	85.8%	21	
10/10/1983	7/24/1984	9	-11.4%	35.5%	120.1%	10	
11/30/1981	8/12/1982	8	-15.6%	65.5%	139.6%	9	
2/13/1980	3/27/1980	1	-16.7%	46.1%	121.7%	4	
9/12/1978	11/14/1978	2	-12.8%	18.1%	103.0%	10	
9/21/1976	3/6/1978	17	-13.5%	19.0%	102.9%	20	
7/15/1975	9/16/1975	2	-13.5%	32.1%	114.2%	6	
11/7/1974	12/6/1974	1	-13.2%	39.5%	121.1%	3	
1/11/1973	10/3/1974	20	-44.8%	44.4%	79.7%	42	
11/29/1968	5/26/1970	18	-32.6%	48.8%	100.3%	28	
2/9/1966	10/7/1966	8	-15.6%	27.0%	107.3%	13	
12/12/1961	6/26/1962	6	-26.9%	38.7%	101.4%	16	
8/3/1959	10/25/1960	14	-10.1%	34.1%	120.5%	17	
7/15/1957	10/22/1957	3	-19.8%	36.8%	109.7%	13	
8/2/1956	2/12/1957	6	-13.2%	0.6%	87.3%	11	
1/5/1953	9/14/1953	8	-12.4%	44.8%	126.9%	12	
		Average	7.0	-20.1%	34.2%	106.3%	14.6
		Median	3.4	-15.6%	34.1%	109.7%	9.3

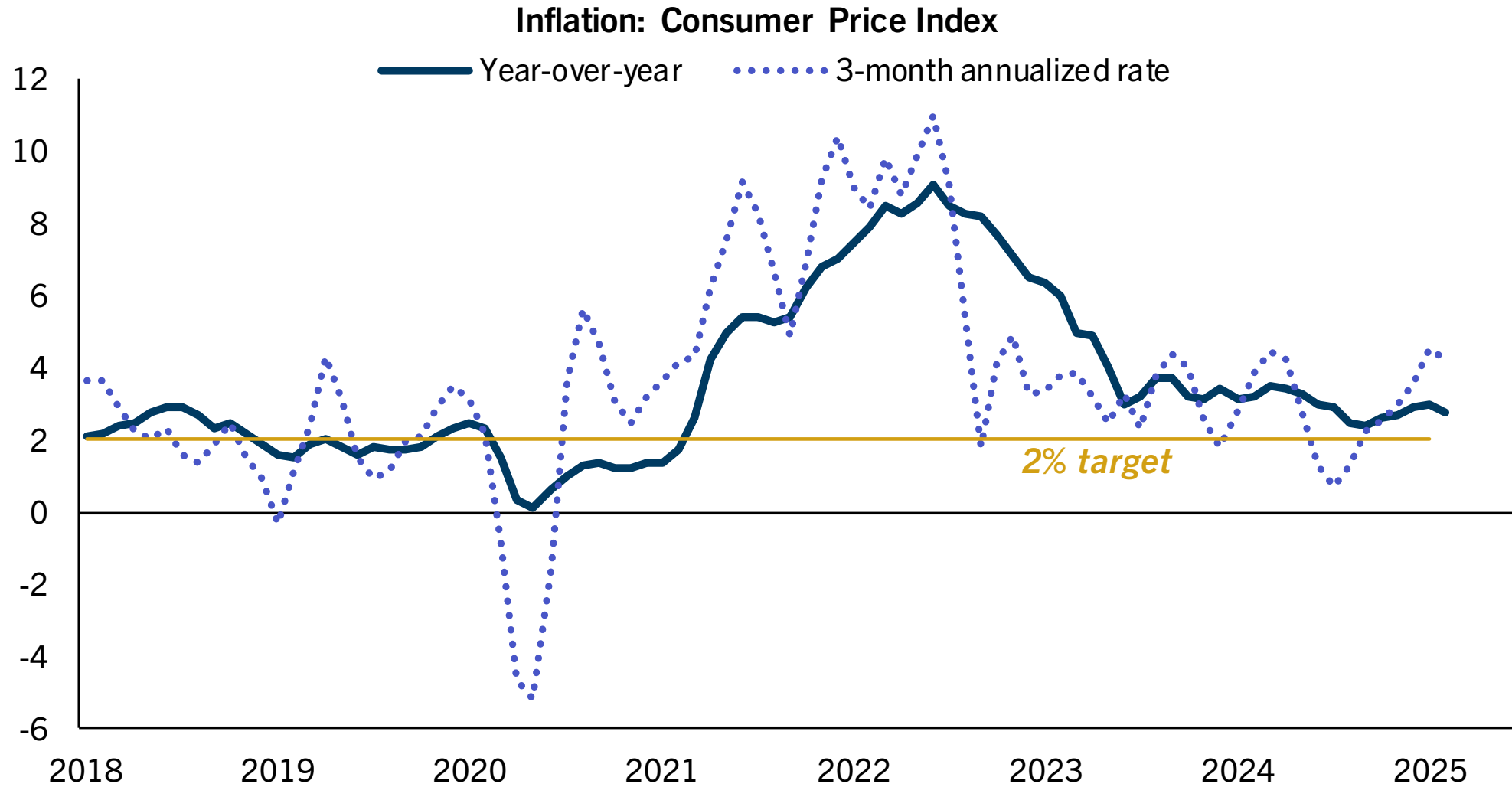
Economic Update

Growth Outlook | Inflation & Interest Rates | Labor Market & Consumer Spending

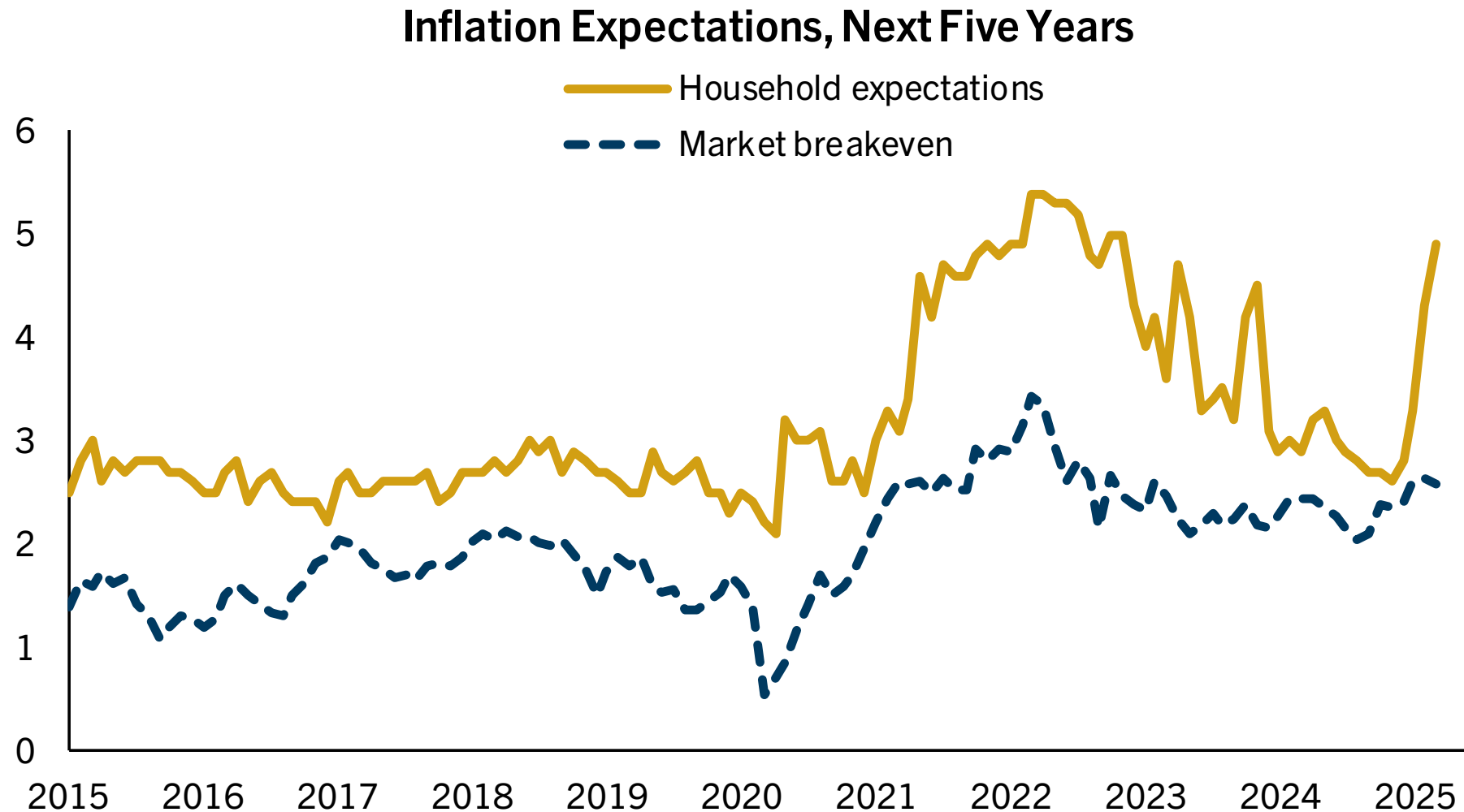
Global Growth Expectations Have Turned a Bit More Modest

World Economic Outlook				
Consensus Real Economic Growth Estimates				
	2024	2025 Estimate as of:		
	Actual Growth	Dec. 2024		Today
World	3.2%	3.0%	↘ -0.1%	2.9%
United States	2.8%	2.1%	↘ -0.4%	1.7%
Euro Area	0.9%	1.0%	↘ -0.1%	0.9%
Canada	1.5%	1.8%	↘ -0.2%	1.6%
Mexico	1.5%	1.2%	↘ -0.2%	1.0%
China	5.0%	4.5%	→ -	4.5%

Inflation Is Already Well Above the Fed's 2% Target

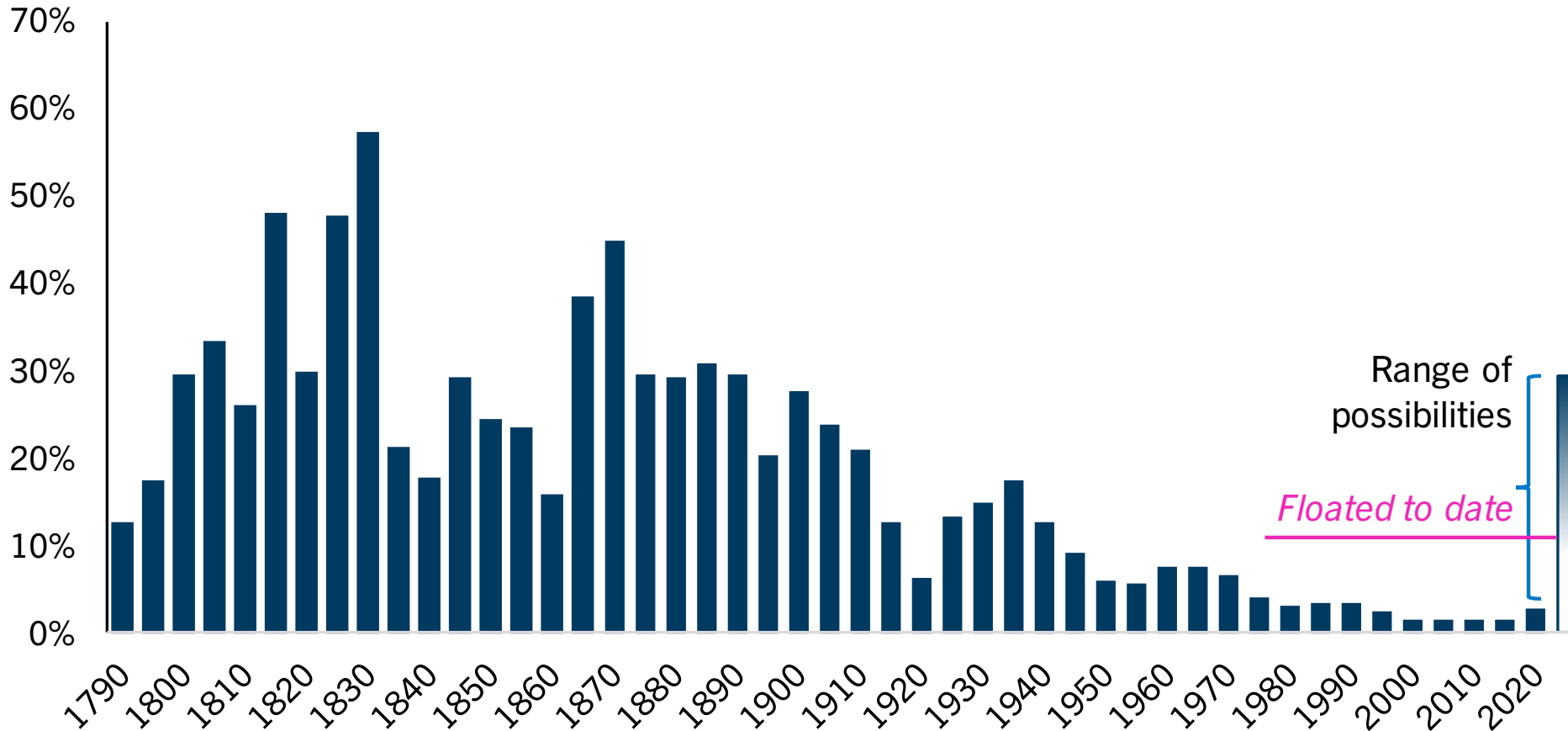


Household Inflation Expectations Have Surged, but Market Views Are Tamer

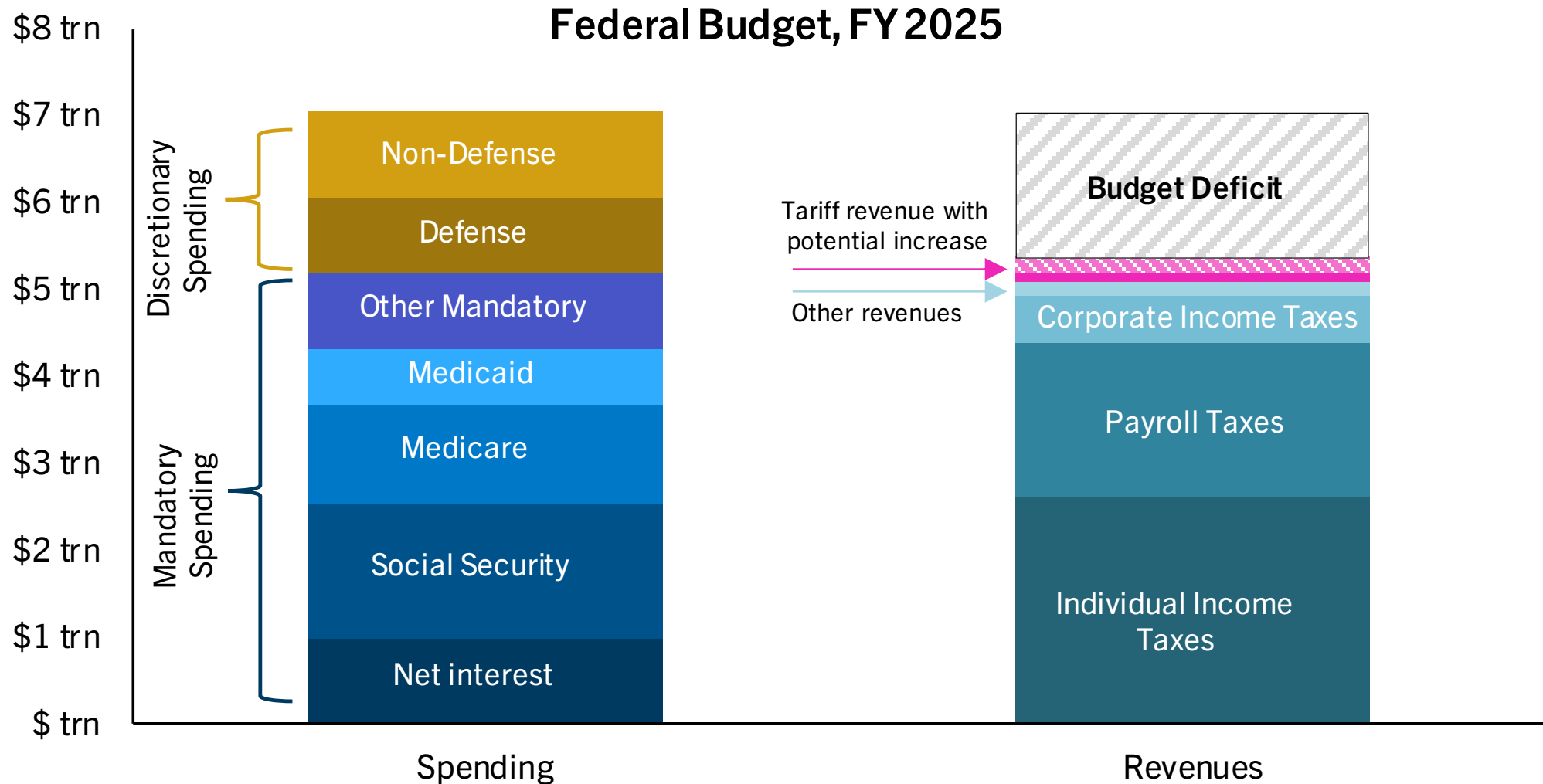


The New Administration Has Floated the Steepest Tariffs in 100 Years

US Weighted Average Effective Tariff Rate

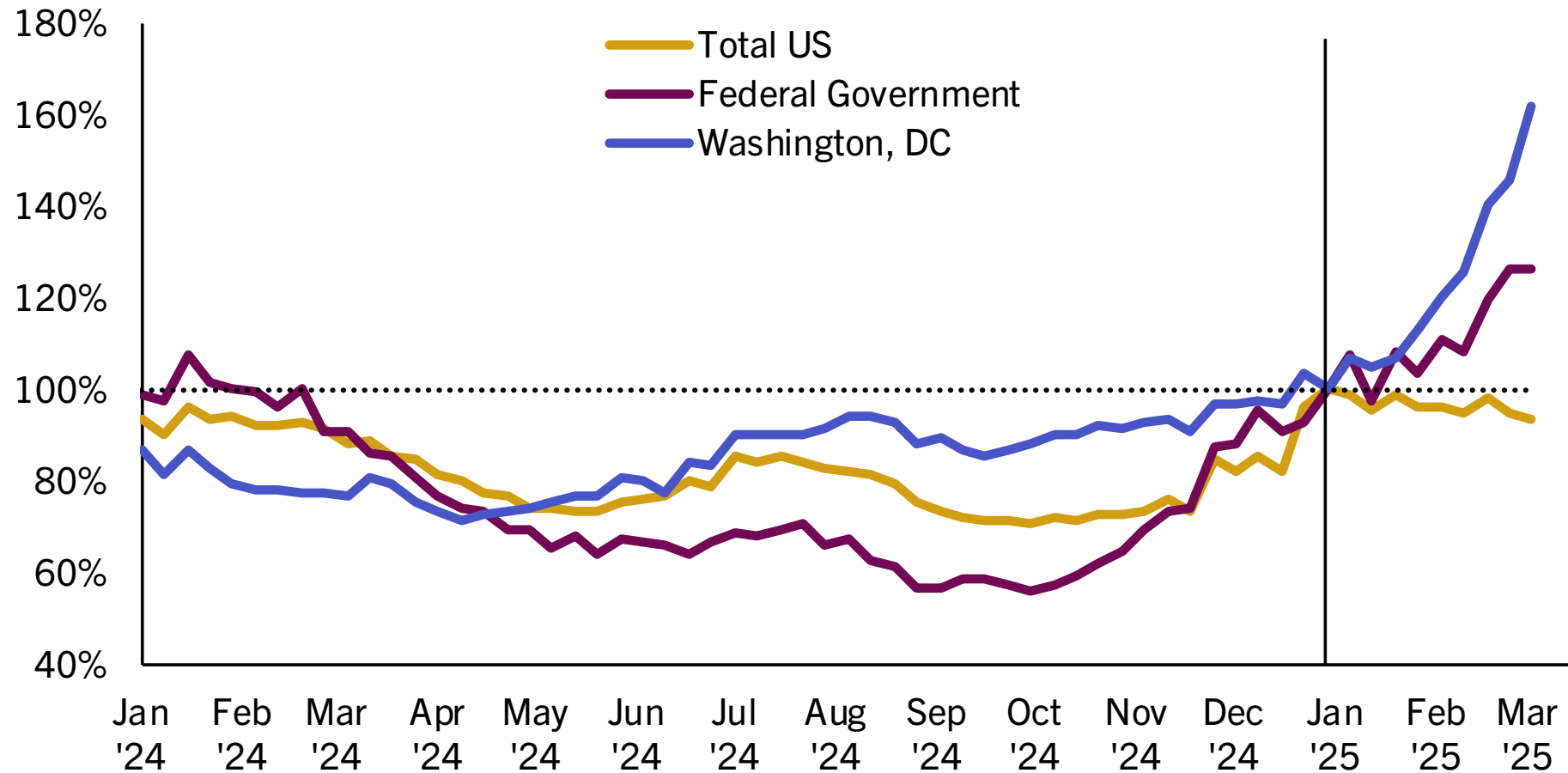


The Federal Budget Deficit Is Driven Largely by Mandatory Spending

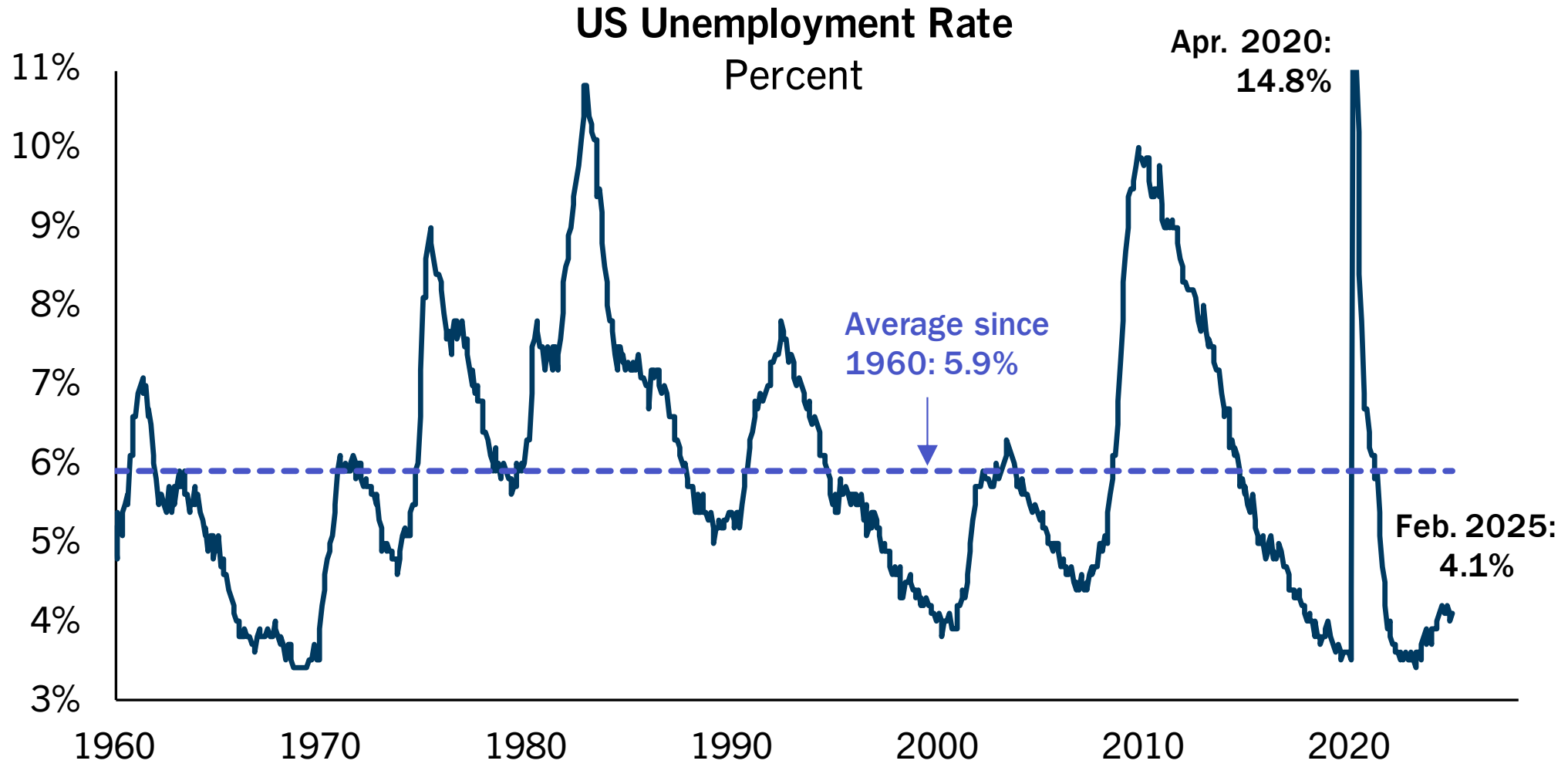


Job Cuts Have Hit the Government Sector but Not the Broader Economy

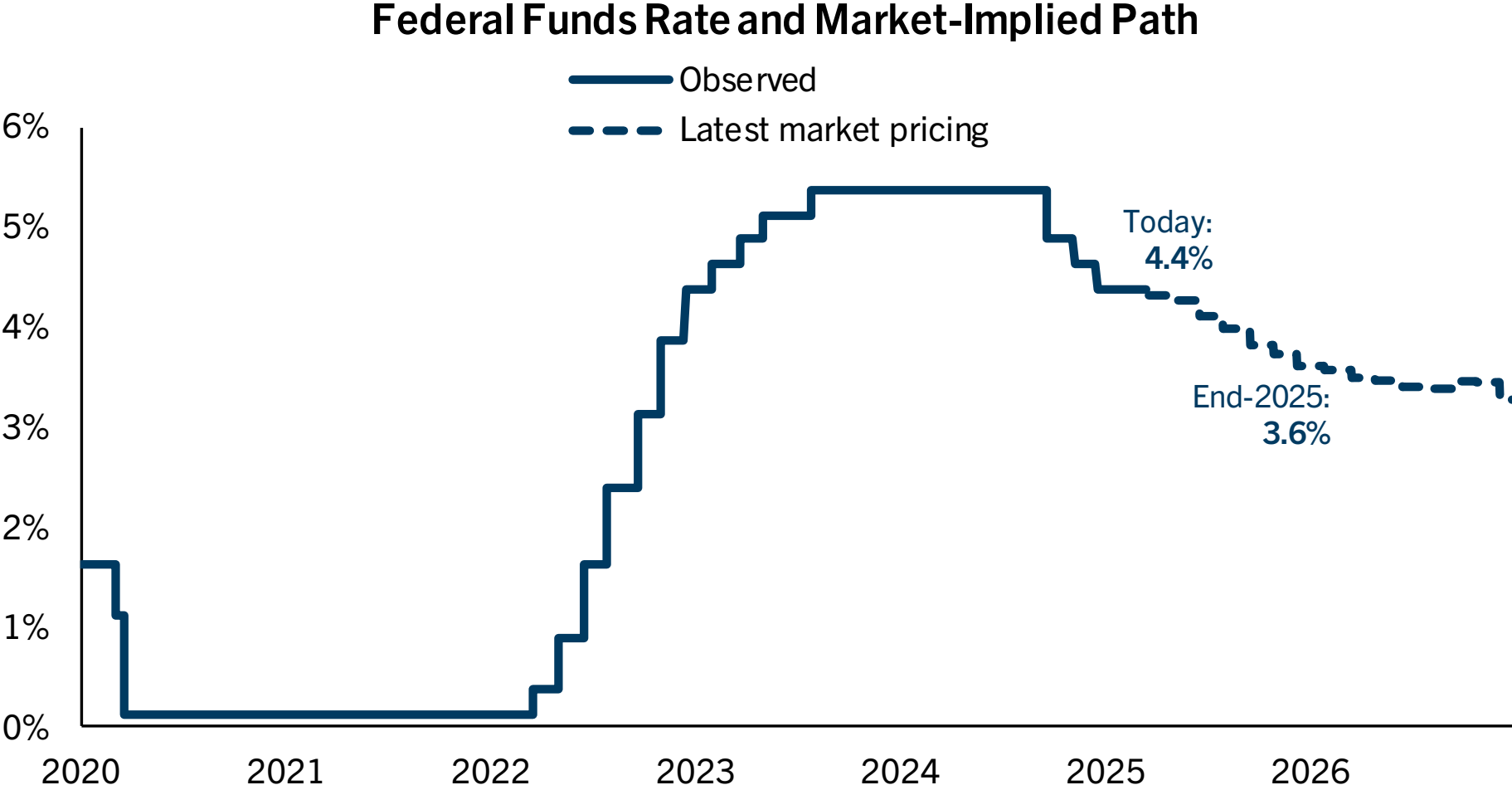
Number of Employees Receiving Jobless Benefits Relative to Jan 1, 2025



The Unemployment Rate Is Still Very Low Today

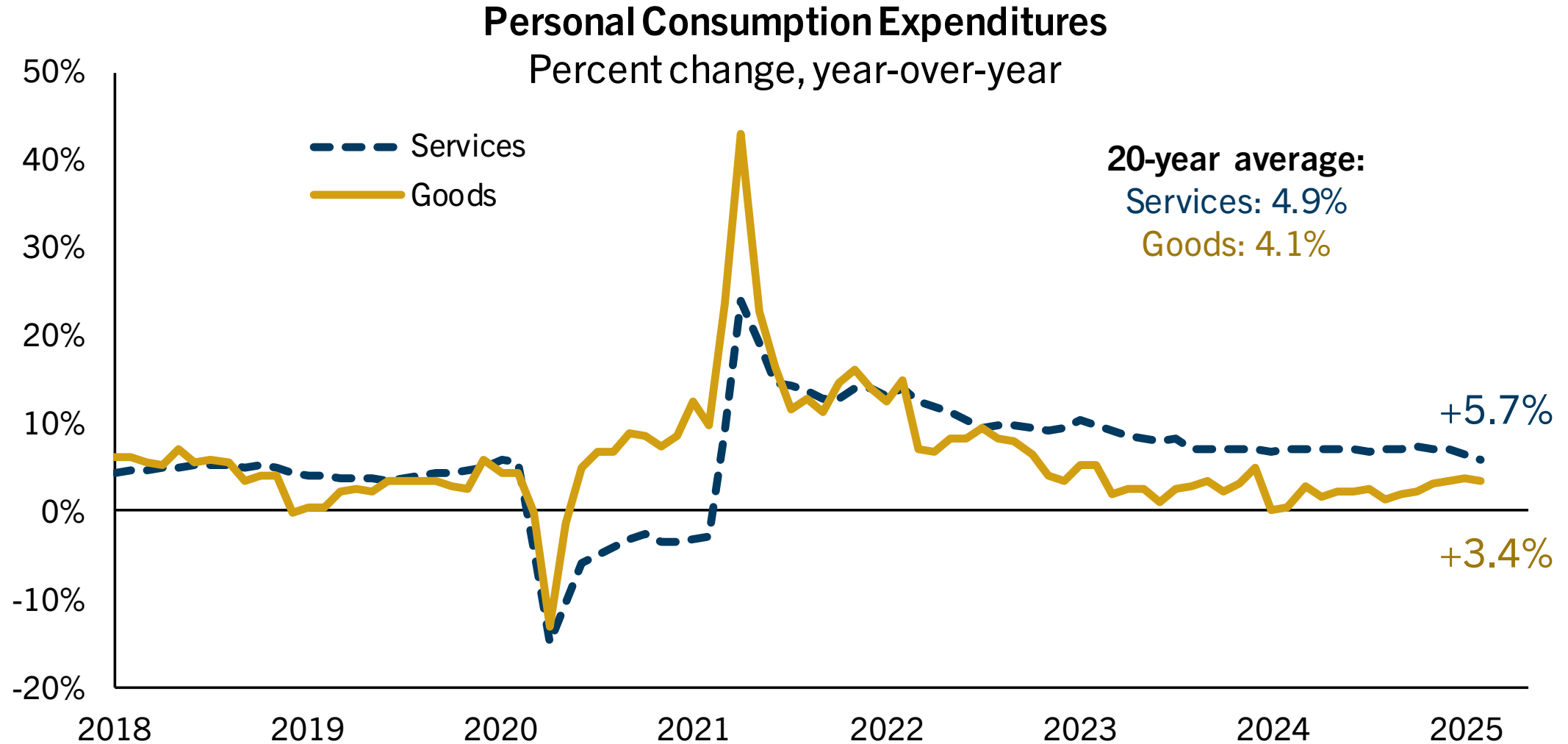


Markets See the Fed Cutting Rates by About 0.50 - 0.75% This Year

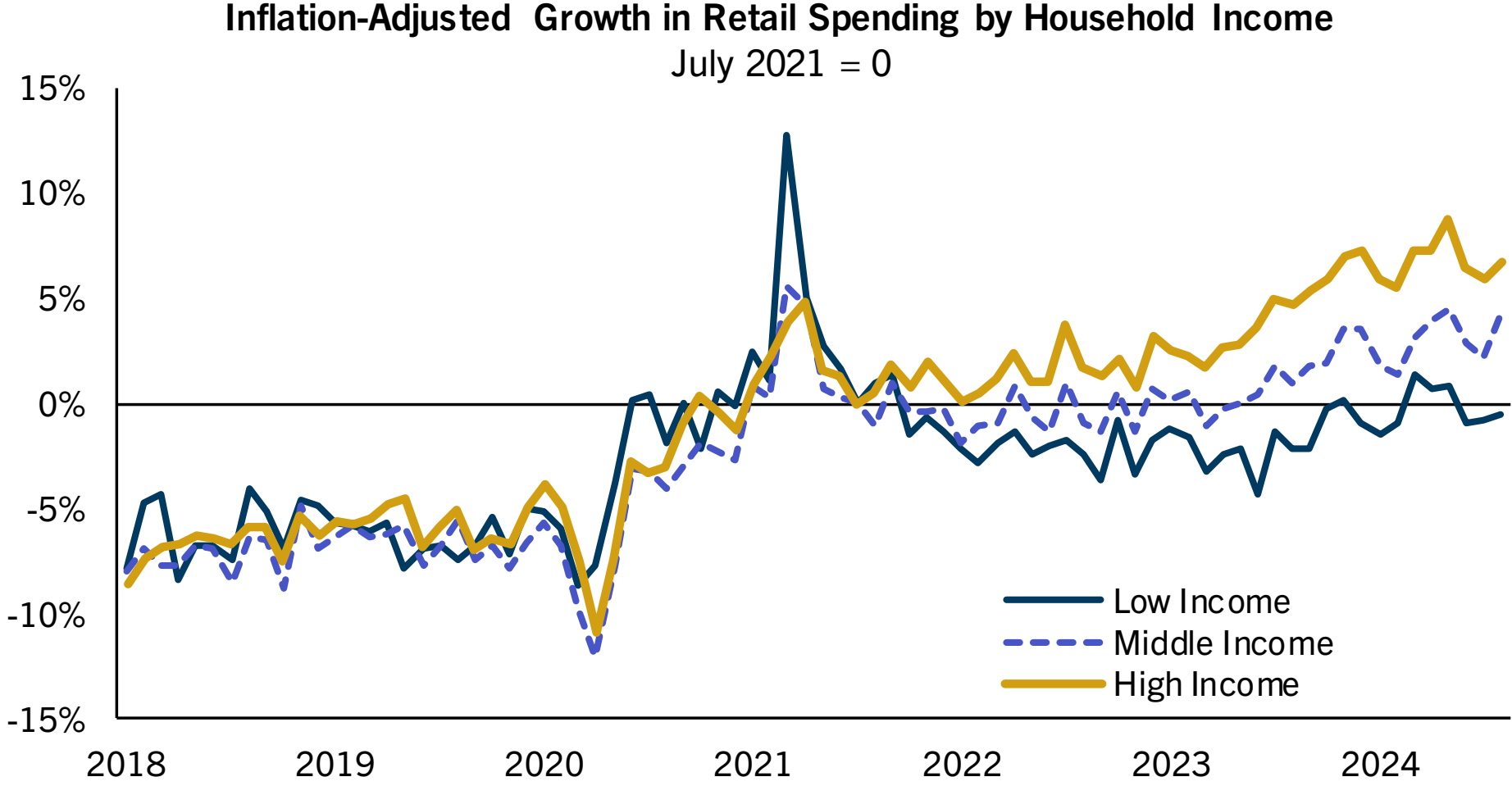


Source: Bloomberg, First Citizens Wealth.

Consumer Expenditures Are Holding Up, Still Led by Services Spending



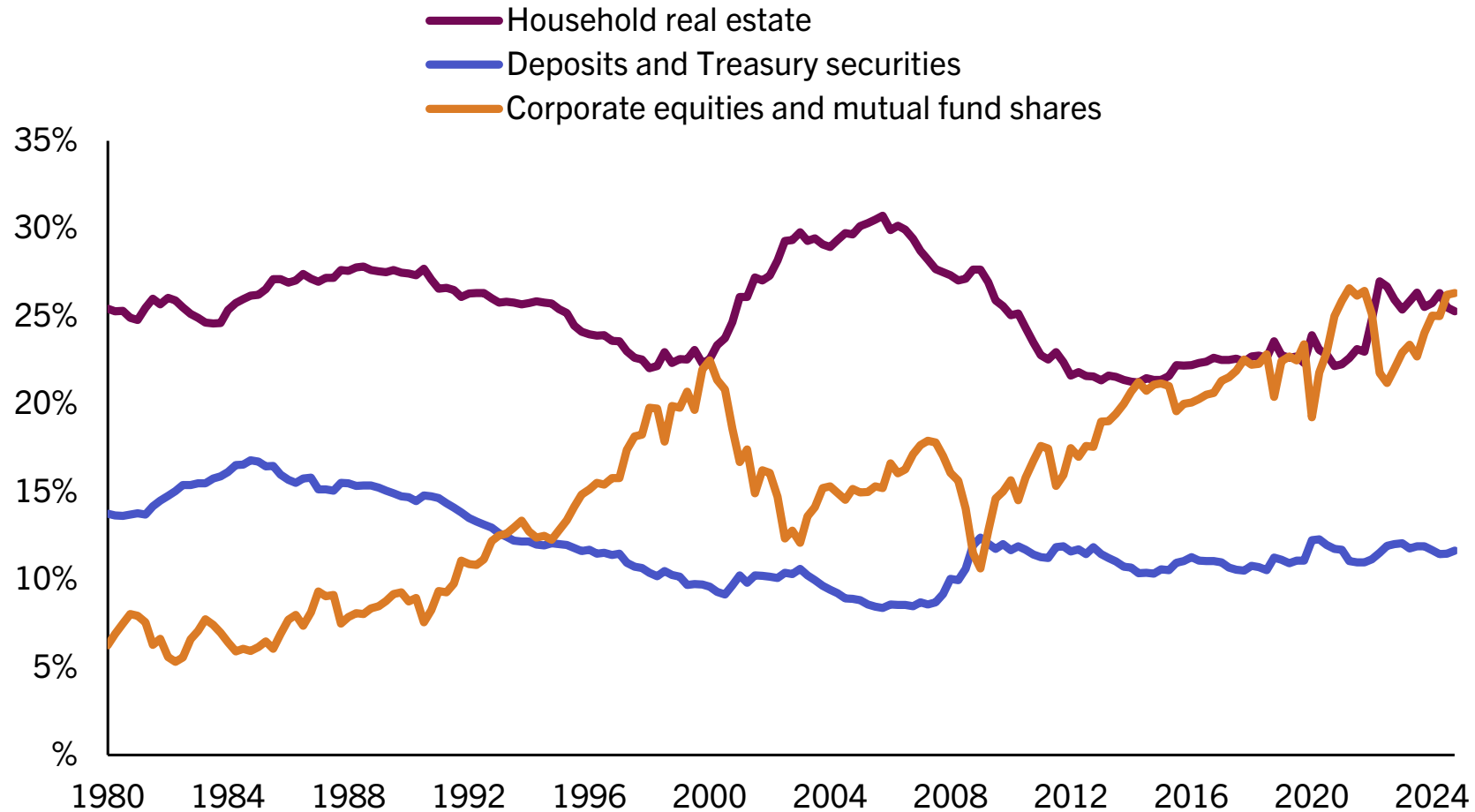
Low-Income Household Spending Has Not Grown for Over Three Years



Note: Data are adjusted for inflation and seasonality. Low-income is \$0-60K in annual household income, middle-income is \$60K-100K, and high-income is \$100K+.
Source: Hoke, Feler, and Chylak (2024): "A Better Way of Understanding the US Consumer: Decomposing Retail Spending by Household Income" Board of Governors of the Federal Reserve System; First Citizens Wealth.

Soaring Equity Prices Are a Substantial Driver of Household Net Worth

Composition of Real Estate, Deposits & Treasuries, and Equities & Mutual Funds in Household Net Worth

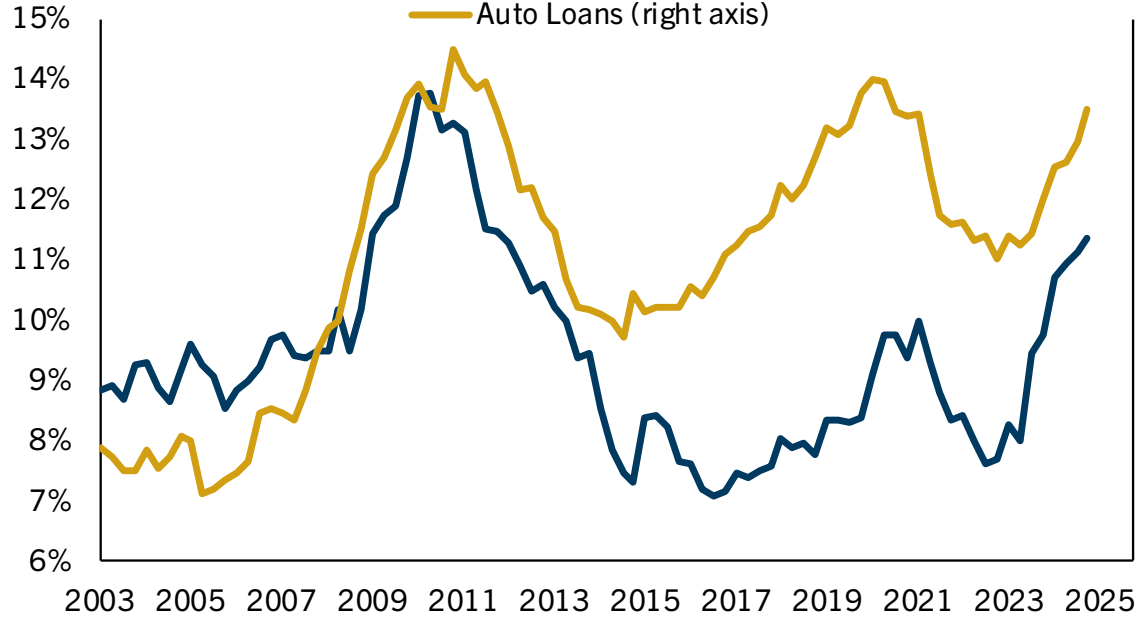


Household Finances Are Becoming More Strained

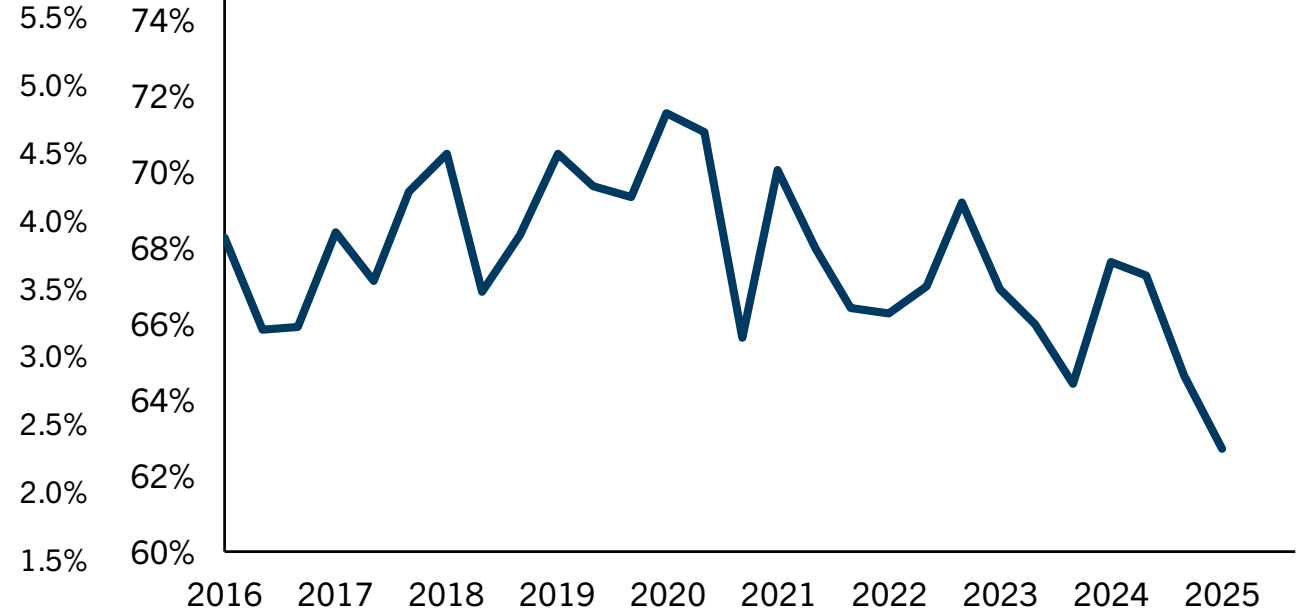
Delinquency Rates

Percent of Total Loans Outstanding in Accounts 90+ Days Delinquent

— Credit Card Loans (left axis)
— Auto Loans (right axis)



Likelihood of Being Able to Come Up with \$2,000 for an Unexpected Expense



Market Update

Equity Markets | Valuations | Fixed Income

Global Markets Have Seen Rotation in 2025

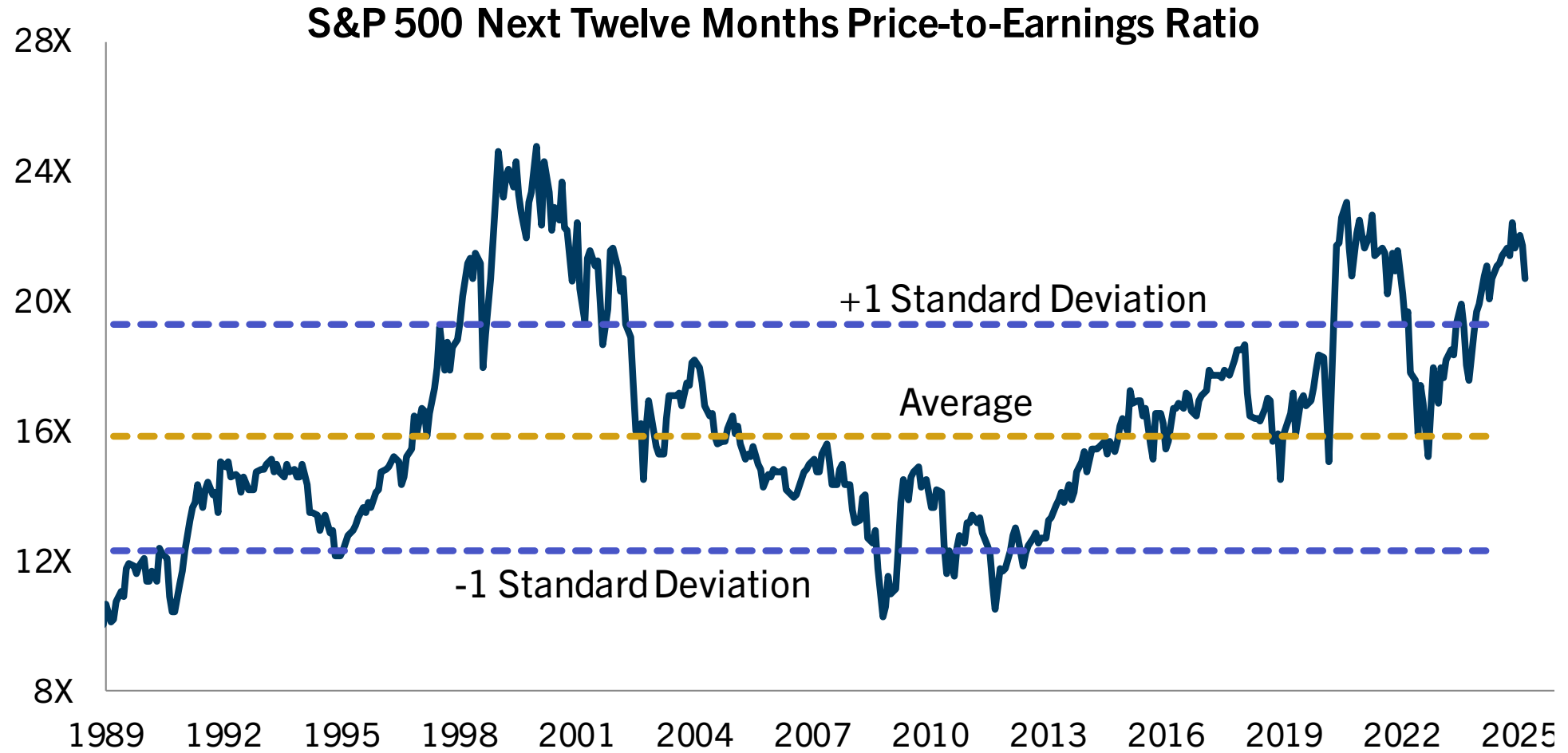
2024 US Equity Returns Full Year 2024

	Value	Blend	Growth
Large	15.1%	27.4%	35.2%
Mid	13.1%	15.3%	22.1%
Small	8.0%	11.5%	15.2%

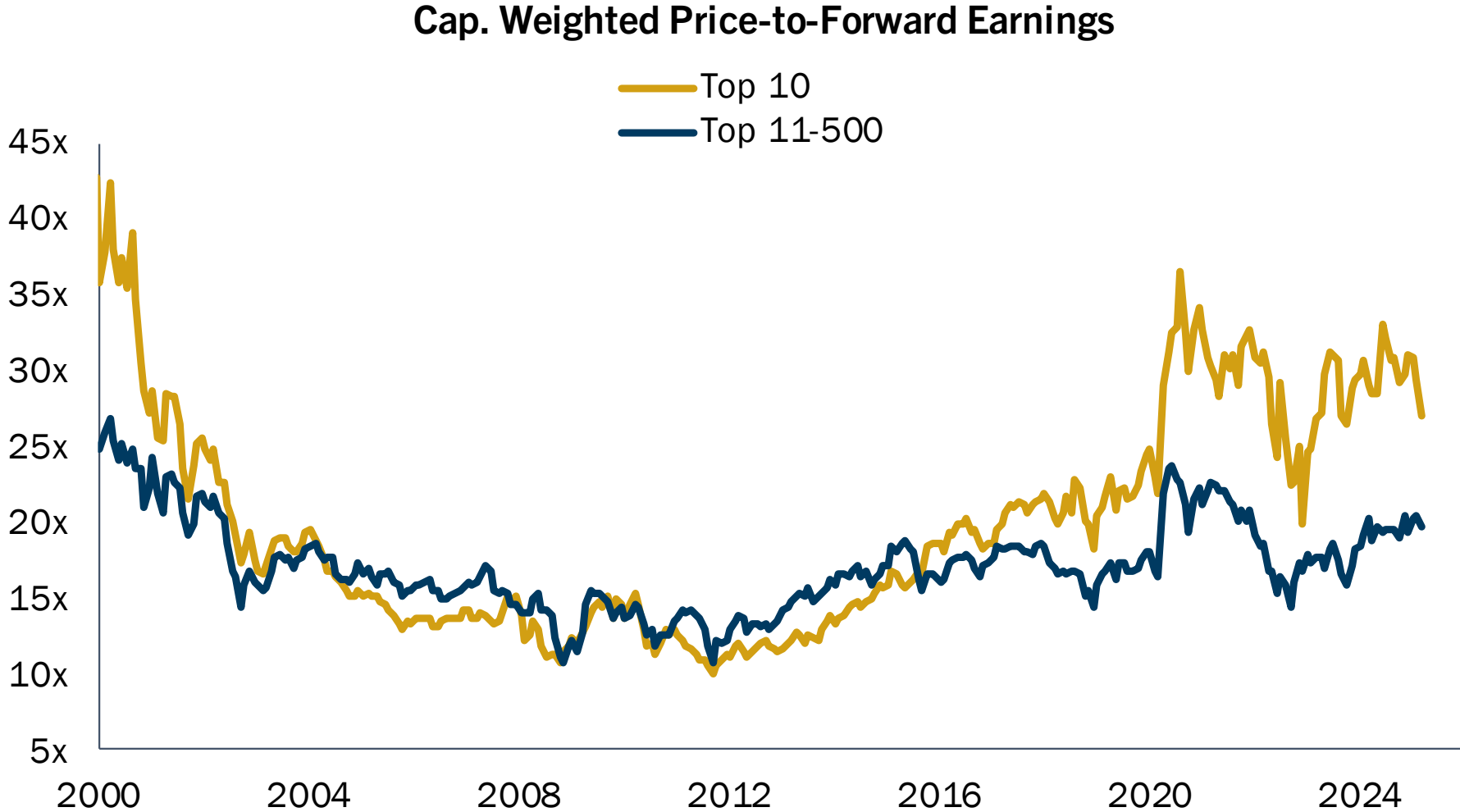
2025 YTD US Equity Returns As of 03/24/2025

	Value	Blend	Growth
Large	4.9%	-1.9%	-6.0%
Mid	-0.4%	-0.7%	-1.6%
Small	-4.4%	-5.2%	-5.9%

S&P 500 Valuations Have Contracted Modestly



Multiples for the Top 10 Largest Equities Have Moved Down



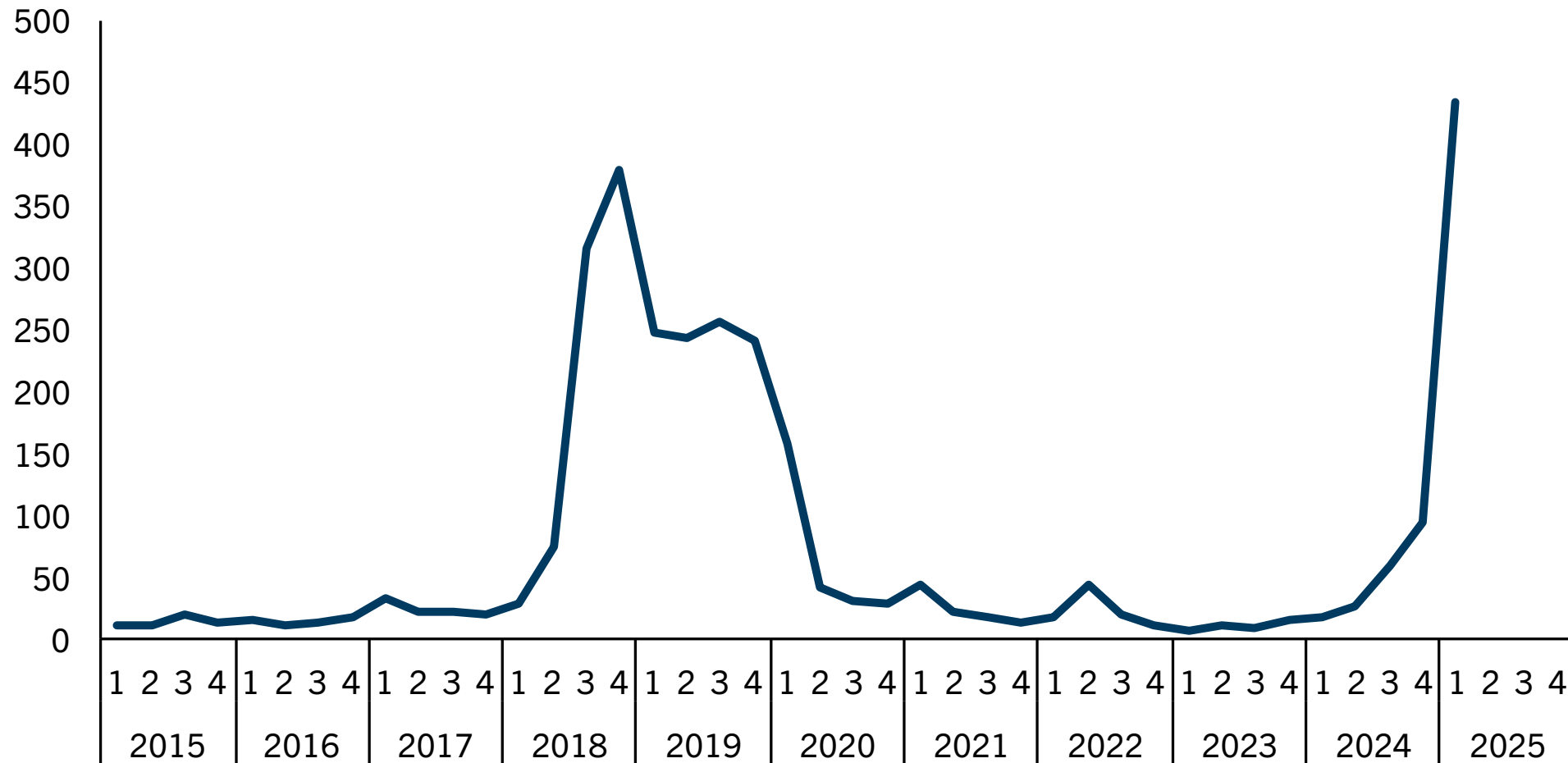
Corporate Earnings

- 2025 estimated growth is **11.4%**
 - Q1 2025 estimated growth is **7.1%**
- 2026 estimated growth is **14.2%**
- Average growth since 1950 is **7.6%**



Corporations Have Quickly Shifted Their Attention to Tariffs

Mentions of "Tariff" in S&P 500 Corporate Earnings Calls

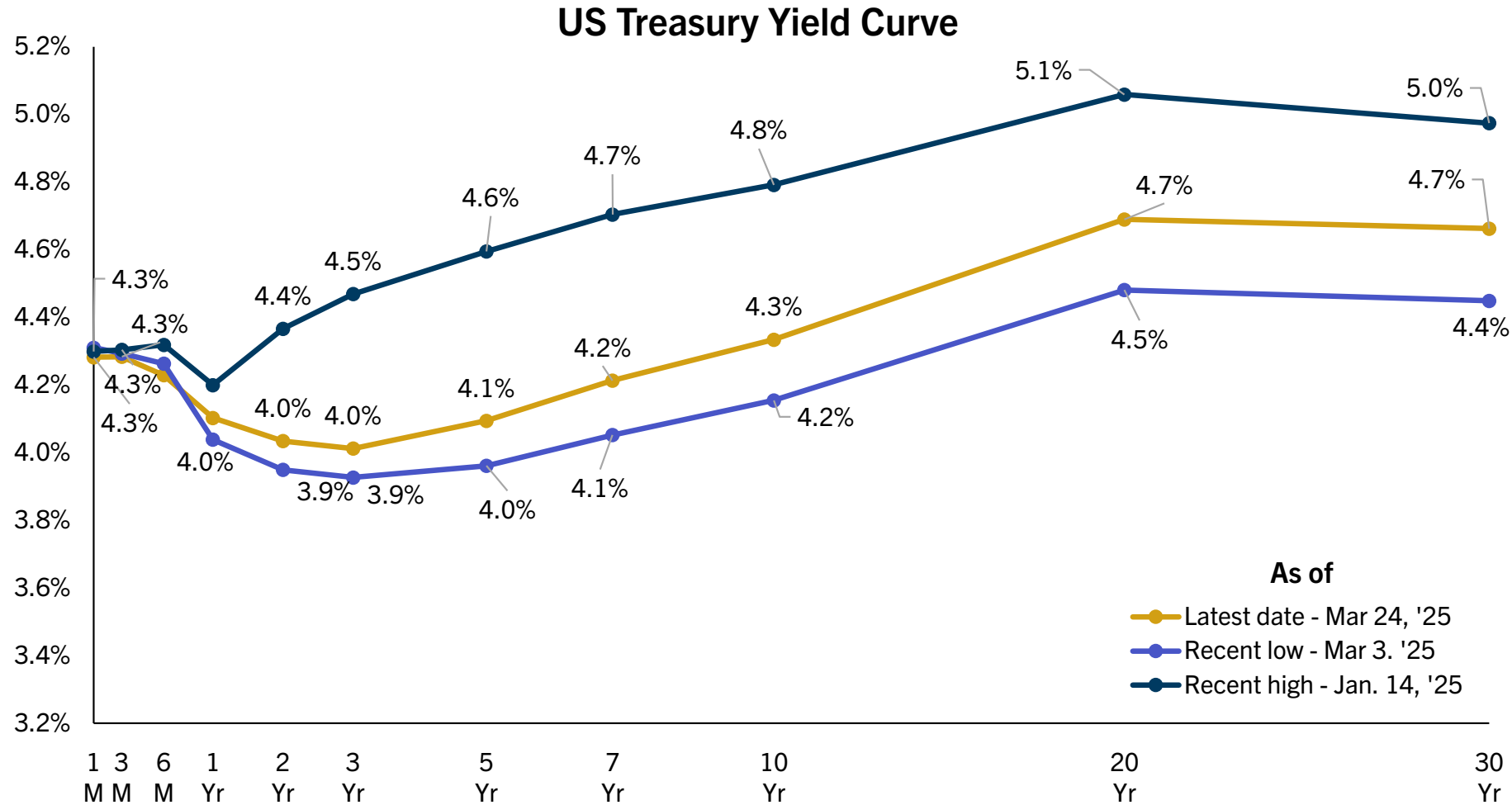


S&P 500 Price Target

Next Twelve-Month S&P 500 Price Target

	Next Twelve Months Price Level	Percent Change from 3/24/25
Bear	4,600	-20.2%
Base	6,300	9.2%
Bull	6,900	19.6%

Treasury Yields Are Near Their Lows for This Year



Fixed Income Is Still Offering Attractive Yield

US Fixed Income Indices	
	Yield-to-Worst
Index	As of 3/24/2025
2-Year Treasury	4.0%
10-Year Treasury	4.3%
Aggregate Bond	4.7%
Intermediate Government/Credit	4.4%
Municipal Bond	3.8%
Investment Grade Corporate Bond	5.2%
High Yield Corporate Bond	7.5%

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