

Market Update

Sussex County

Presented by

Pat Wing, CFA, CIPM
Managing Partner

Policies & priorities

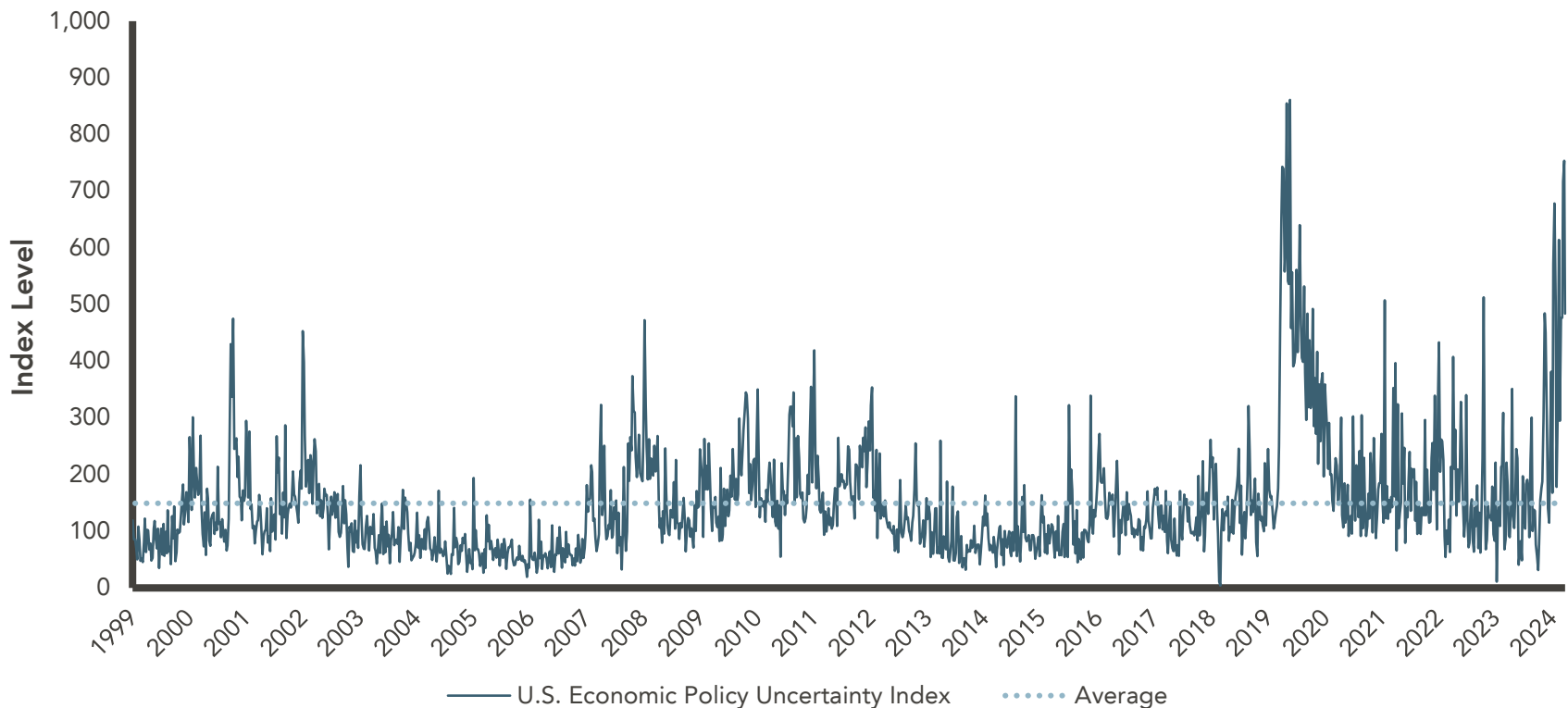
New government policies will likely have a mixed economic impact, which means details and sequencing matter

Policy	Detail	Impact on Growth	Impact on Inflation	Impact on Deficit
Expiring Trump Tax Cuts	<ul style="list-style-type: none">▪ Extend individual and reinstate expiring business provisions▪ New tax cuts will be marginal	Positive	Neutral	Increase
IRA Renewable Tax Credits	<ul style="list-style-type: none">▪ Targeted repeal of credits▪ Eliminate DOE Grants	Neutral	Neutral	Decrease
Tariffs	<ul style="list-style-type: none">▪ Tariffs will increase but less than rhetoric▪ China a specific target	Negative	Increase	Decrease
Immigration	<ul style="list-style-type: none">▪ Close border and restart wall▪ End Temporary Protected Status▪ Symbolic deportations	Negative	Neutral to Increase	Neutral
Deregulation	<ul style="list-style-type: none">▪ Energy permitting▪ More industry friendly regulatory agency▪ Banking changes	Positive	Lower	Neutral
Spending Cuts	<ul style="list-style-type: none">▪ DOGE could reduce spending marginally▪ Real cuts require Congress	Neutral to Negative	Neutral	Neutral to Decrease
Social Security/Medicare	<ul style="list-style-type: none">▪ No major changes	Neutral	Neutral	Increase

Source: PIMCO, Goldman Sachs, Deutsche Bank, Congressional Budget Office as of December 31, 2024.

Economic policy uncertainty has spiked

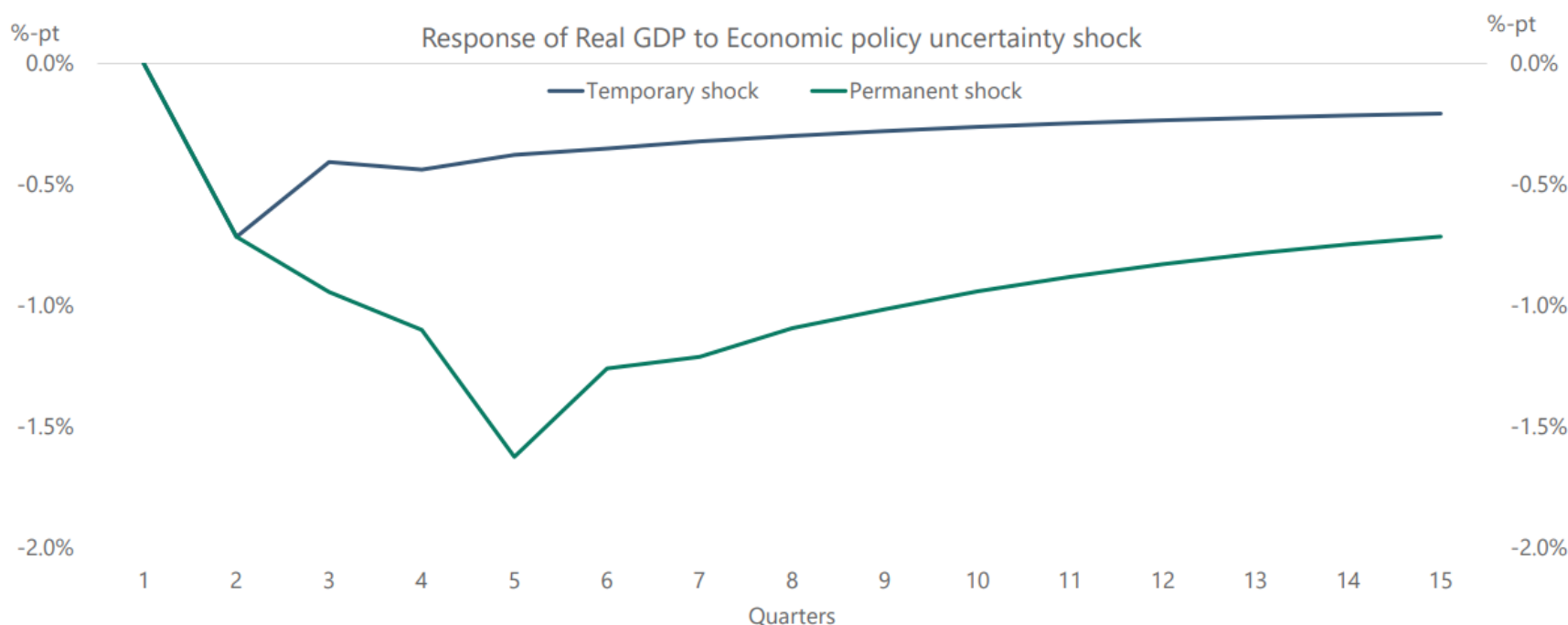
The trade war has led to a spike in economic policy uncertainty, which has recently reached levels not seen since the COVID-19 outbreak



Source: Bloomberg as of March 31, 2025. Data is weekly.

Economic policy uncertainty shock

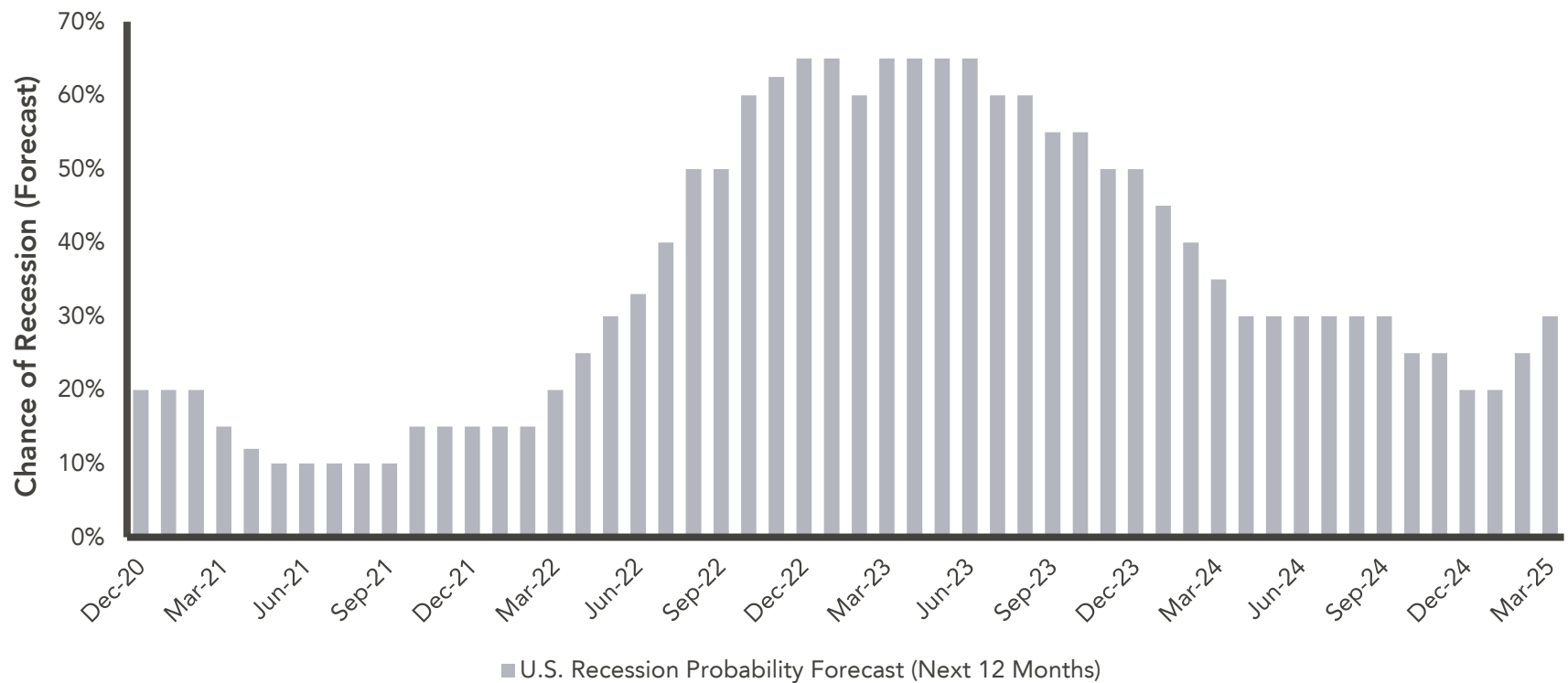
The longer uncertainty stays elevated, the bigger is the downside risk to the economy



Source: Apollo

Odds of a recession have ticked higher

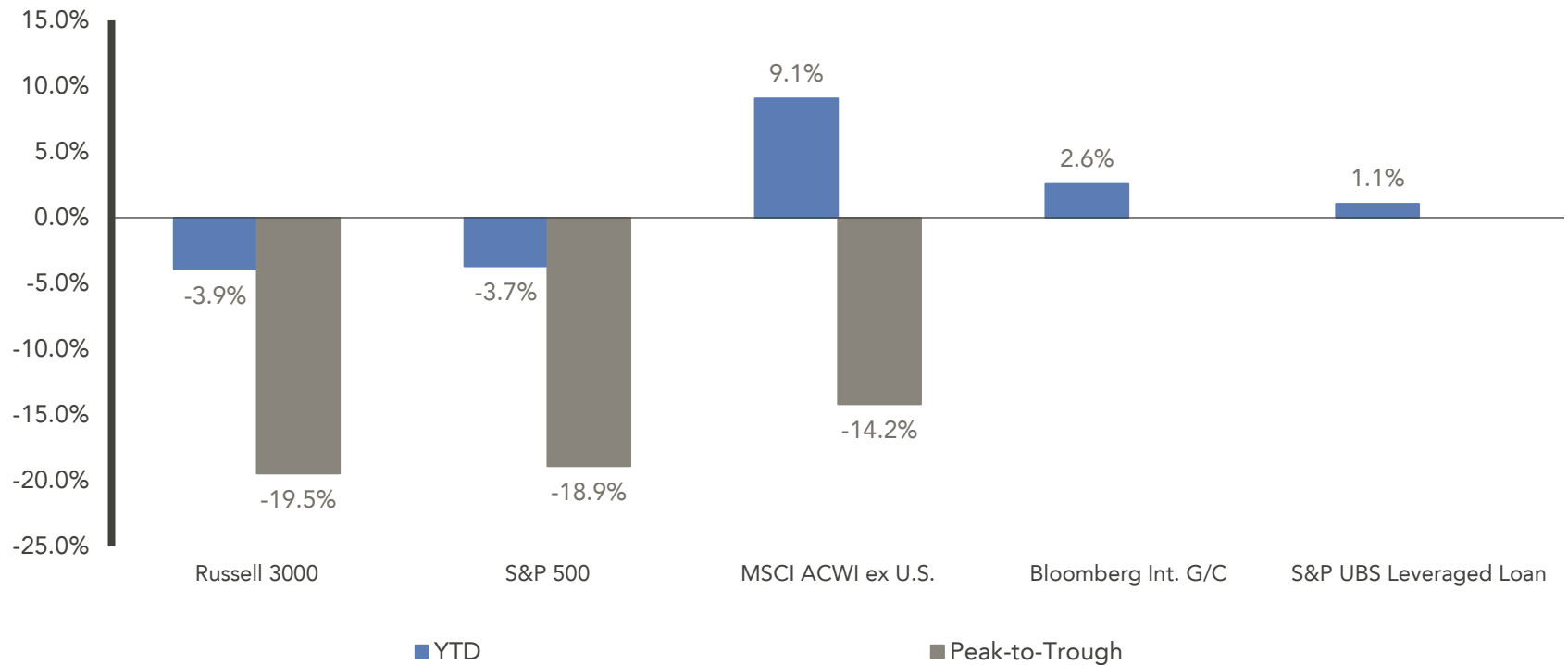
Heading into 2025, forecasters saw a relatively low probability of a near-term recession in the U.S.



Source: Bloomberg as of March 31, 2025. Displays the median forecasted probability of recession based on forecasts derived from the latest monthly & quarterly surveys conducted by Bloomberg and from forecasts submitted by various banks.

Market returns

Non-U.S. equities and fixed income have outperformed this year, while U.S. markets have lagged

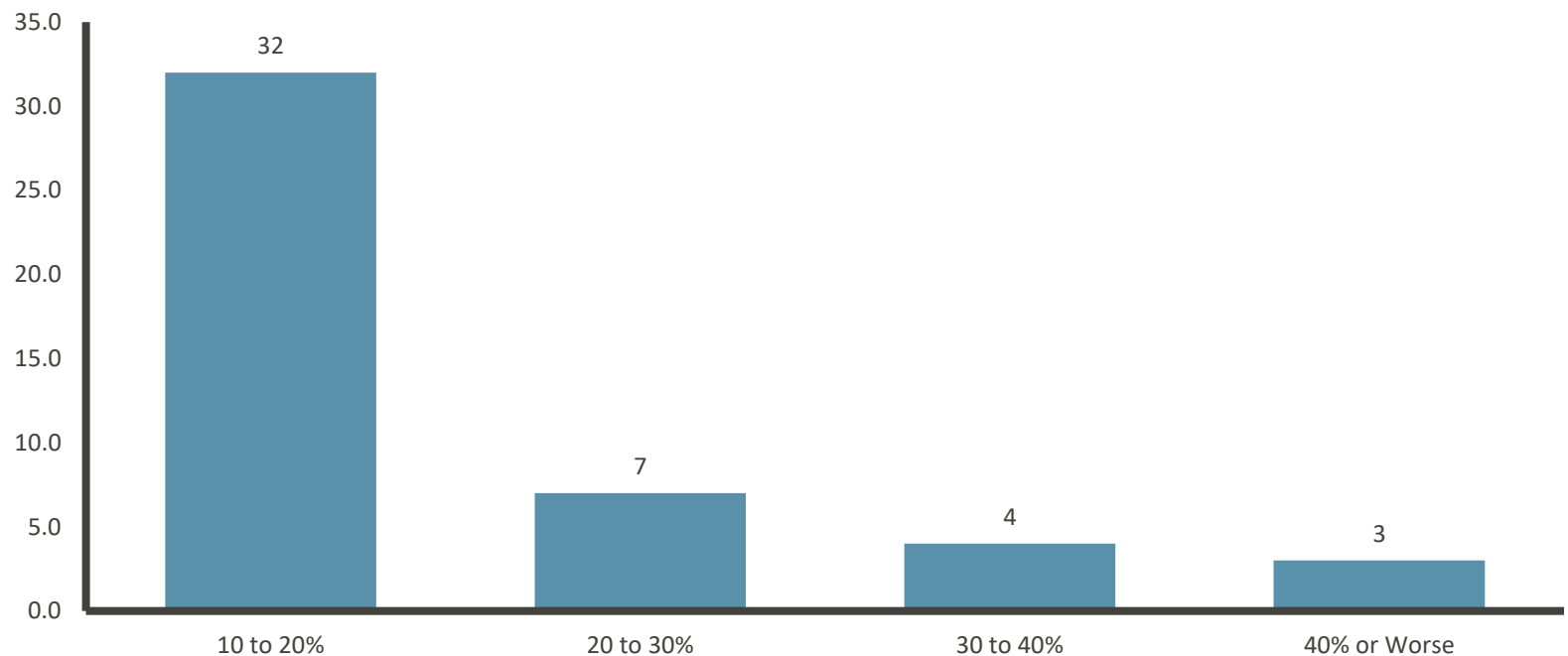


Note: Data as of May 8, 2025.

Source: Refinitiv

Corrections and bear markets

S&P 500 corrections and bear markets since 1940



Source: Carson

Market performance around first Fed cut

U.S. equities began 2025 tracking a strong growth trajectory but then moved to follow a recessionary outcome prior to the recent bounce



Source: Goldman Sachs

Bear markets

S&P 500

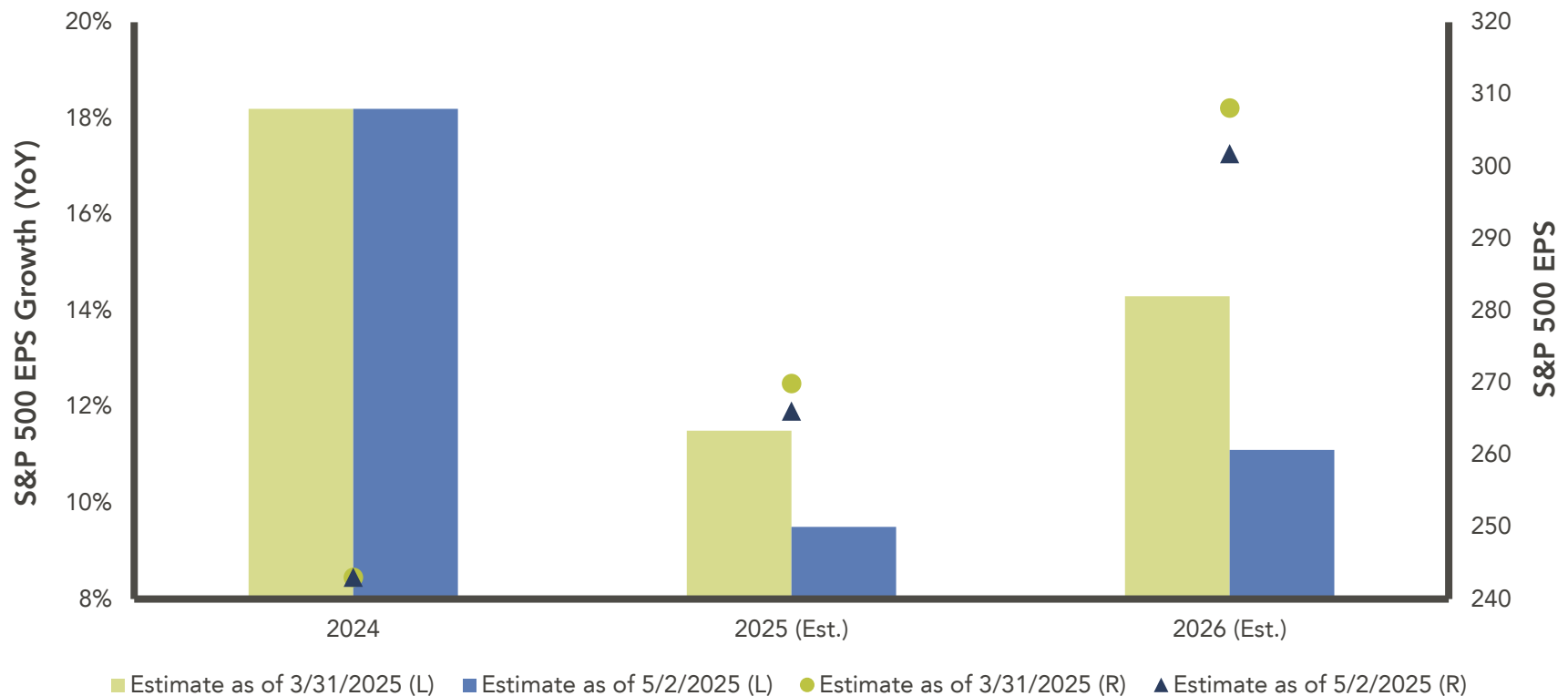
Bear Start (Peak)	Bear End (Trough)	Recession?	Duration (Months)	Drawdown
1/3/2022	10/12/2022	N	10	-25.4%
2/19/2020	3/23/2020	Y	1	-33.9%
10/9/2007	3/9/2009	Y	17	-56.8%
3/24/2000	10/9/2002	Y	30	-49.1%
8/25/1987	12/4/1987	N	3	-33.5%
11/28/1980	8/12/1982	Y	20	-27.1%
1/11/1973	10/3/1974	Y	20	-48.2%
11/29/1968	5/26/1970	Y	17	-36.1%
2/9/1966	10/7/1966	N	7	-22.2%
12/12/1961	6/26/1962	N	6	-28.0%
8/2/1956	10/22/1957	Y	14	-21.6%
Average			13.2	-35.7%

Note: Daily price indices are used to capture longer time periods and to represent the sensitivity to short-term market stress

Source: Bloomberg as of March 14, 2025, data since 1950

Earnings expectations have been revised downward

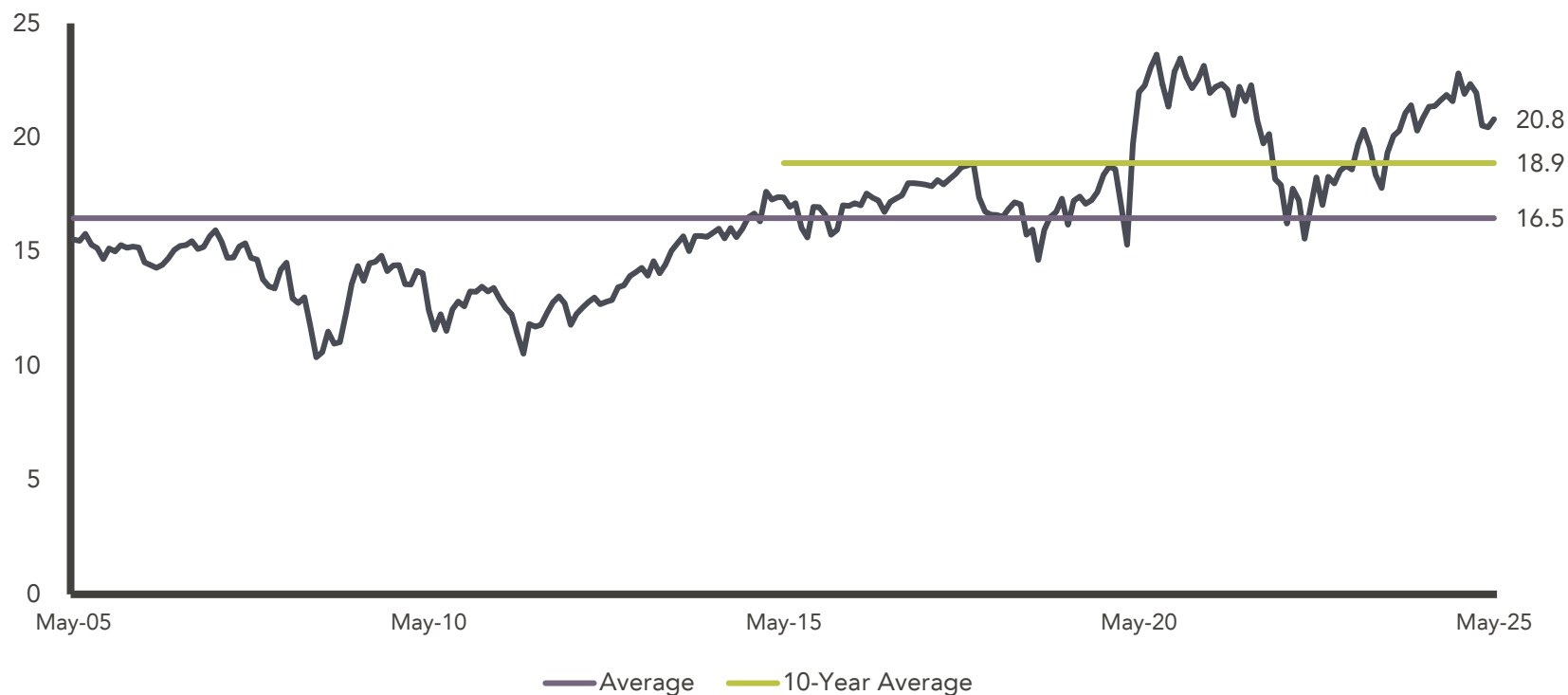
In recent weeks, earnings forecasts have been revised downward as the impact of tariffs on corporate profitability has yet to be realized



Source: FactSet as of May 2, 2025

MSCI U.S. forward price-to-earnings ratio

Equity market valuations remain above average, despite year-to-date returns

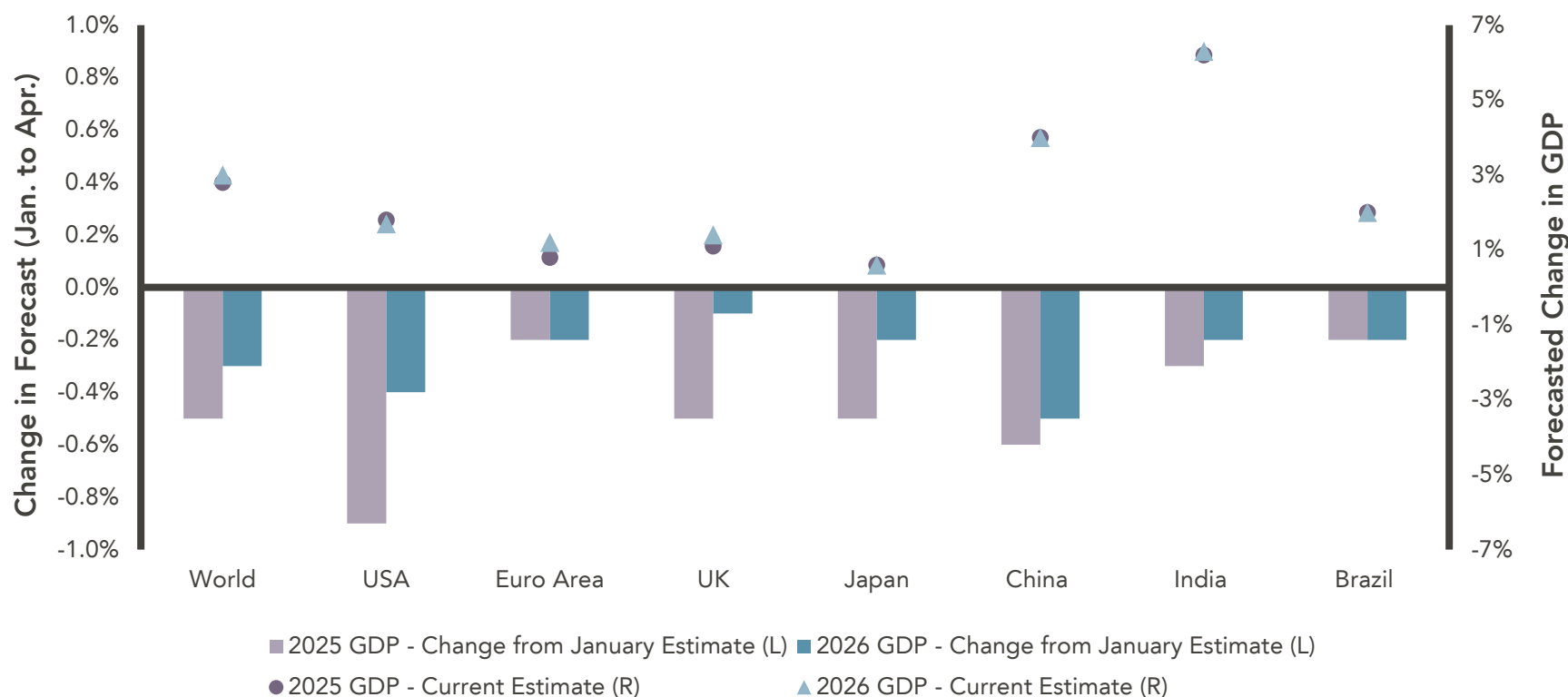


Note: Data as of May 8, 2025.

Source: Refinitiv

IMF reduces global growth expectations

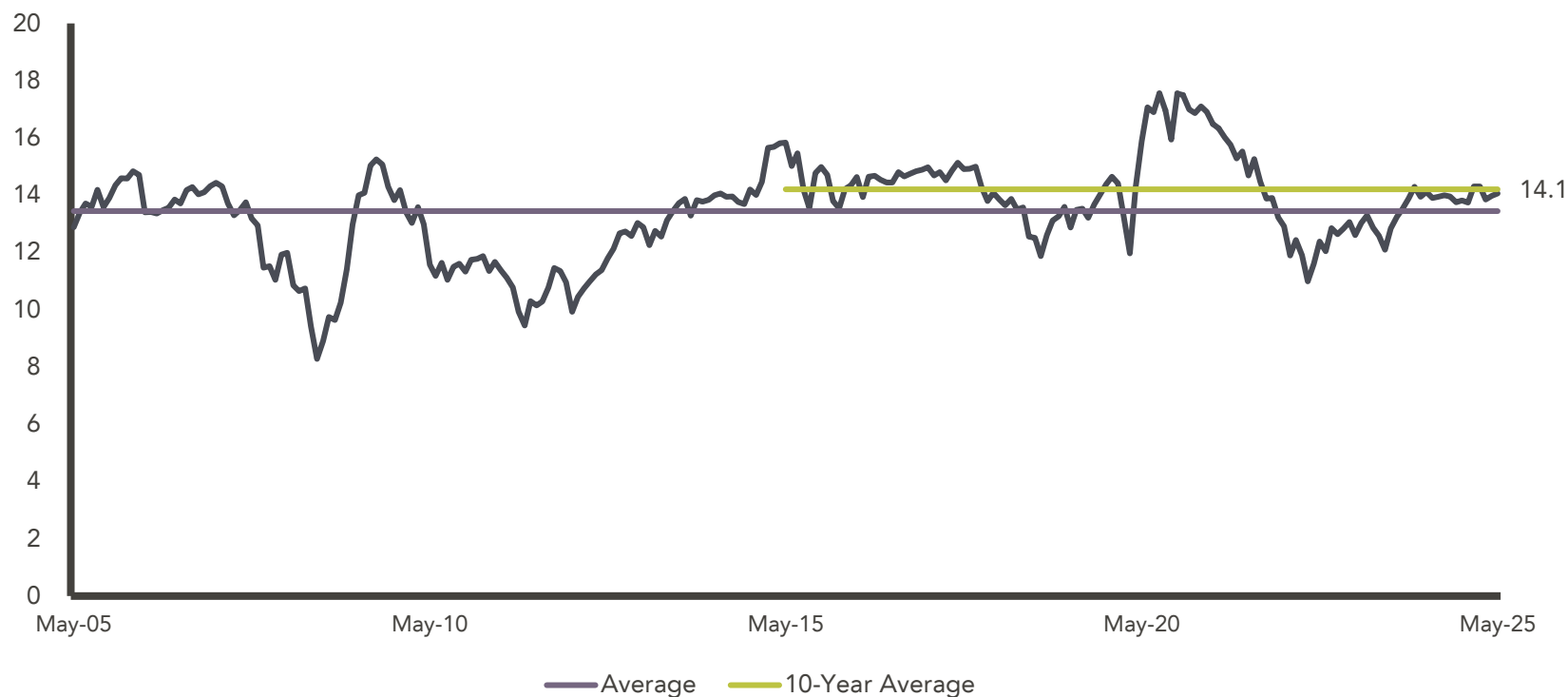
In response to tariffs, the IMF reduced its global growth expectations in April; forecasts for the U.S. and China were most impacted



Source: IMF estimates as of April 30, 2025. Data points compare April estimates with estimated released in January of 2025.

MSCI EAFE forward price-to-earnings ratio

Non-U.S. developed equity valuations are in line with historical averages

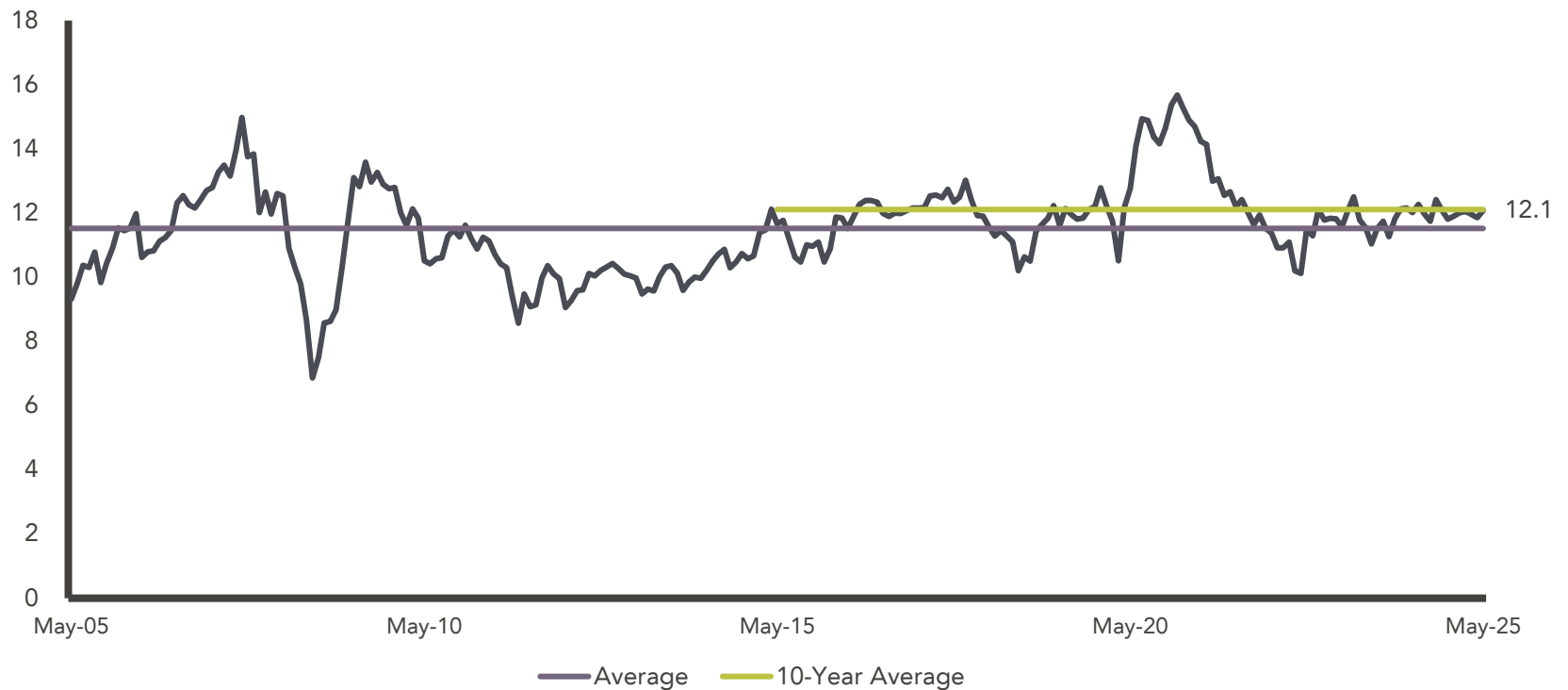


Note: Data as of May 8, 2025.

Source: Refinitiv

MSCI EM forward price-to-earnings ratio

As are emerging market equity valuations



Note: Data as of May 8, 2025.

Source: Refinitiv

Fixed income forward returns

Current levels of yield present favorable future return scenarios for fixed income amid rate and spread volatility

TOTAL RETURN 12 MONTHS FORWARD

		Spread Movement (bps)								
		-100	-75	-50	-25	0	25	50	75	100
Treasury Yield Movement (bps)	-100	16.4%	15.0%	13.5%	12.0%	10.5%	9.0%	7.6%	6.1%	4.6%
	-75	14.9%	13.5%	12.0%	10.5%	9.0%	7.5%	6.1%	4.6%	3.1%
	-50	13.4%	11.9%	10.5%	9.0%	7.5%	6.0%	4.6%	3.1%	1.6%
	-25	11.9%	10.4%	9.0%	7.5%	6.0%	4.5%	3.1%	1.6%	0.1%
	0	10.4%	8.9%	7.5%	6.0%	4.5%	3.0%	1.6%	0.1%	-1.4%
	25	8.9%	7.4%	6.0%	4.5%	3.0%	1.5%	0.1%	-1.4%	-2.9%
	50	7.4%	5.9%	4.5%	3.0%	1.5%	0.0%	-1.5%	-2.9%	-4.4%
	75	5.9%	4.4%	3.0%	1.5%	0.0%	-1.5%	-3.0%	-4.4%	-5.9%
	100	4.4%	2.9%	1.5%	0.0%	-1.5%	-3.0%	-4.5%	-5.9%	-7.4%

Source: Bloomberg as of April 30, 2025

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