

	Previous Close <small>(as of: 02/20/2025)</small>			Futures <small>(as of: 07:48 E.T.)</small>		Today's Events			
	1D	YTD	Last	%	Last	E.T.	Event	Consensus	Prior
S&P 500	▼ -0.4%	▲ 4.0%	6,118	▲ 0.0%	6,139	9:45am	Markit PMI Manufacturing	50.5	51.2
DJIA	▼ -1.0%	▲ 3.8%	44,177	▼ -0.4%	44,082		Markit PMI Services	53.0	52.9
NASDAQ 100	▼ -0.5%	▲ 5.0%	22,068	▲ 0.3%	22,204	10:00am	Existing Home Sales	4,113k	4,240k
Oil (\$/bbl)	▲ 0.5%	▲ 1.1%	72	▼ -0.8%	72		Michigan Sentiment	67.5	67.8
10-Yr Yield*	▼ -3	▲ 3.6%	4.50%	--	--				
USD Index	▼ -0.7%	▼ -1.9%	106.37	--	--				

*Change in bps.

Source: FactSet



While Uncertainty Moves Higher, CEO Confidence Remains Elevated

While the post-election confidence surge has waned in some areas, such as consumer and small business segments, CEO confidence remains strong. The Conference Board's CEO Confidence Index reached its highest level (60) since Q4 2021 in Q1 2025, with anticipated increases in both capital expenditures and employment plans over the next 12 months. Despite "geopolitical instability" being the top risk for businesses, the rise in capex and employment plans underscores how robust confidence will support economic growth in 2025.



FOMC Meeting Minutes And S&P 500 Transcripts Show Inflation Disconnect

While mentions of inflation-related terms in the FOMC minutes have reached their highest level since mid-2023 and ISM manufacturing price-paid subindices are trending higher, large public companies seem less concerned. The three-month moving average of inflation mentions in S&P 500 earnings transcripts is near its lowest point since 2021 in Q4 2024, despite a spike in tariff-related concerns. We continue to believe that the inflationary impact of potential tariffs is exaggerated and that the disinflationary trend remains in place.



Europe's Most Important Election Of 2025 Is On Deck This Sunday

The economy is a primary concern for German voters. Historically, Germany has been the economic engine of Europe with the largest GDP in the region. However, it has been struggling recently: GDP declined by 0.3% in '23 and 0.2% in '24, and it is forecasted to grow 0.3% in '25—the lowest among major European economies. The CDU, expected to secure the most parliament seats, promises to cut corporate taxes and increase defense spending. However, forming a coalition will take time so political risk remains high.



An Unusual Occurrence, Running Of The Bears With The S&P 500 At Record Highs

The % of bearish investors in the AAII survey has surpassed 40% for three straight weeks—an occurrence that has happened only 7% of the time dating back to 1987. During these periods, the S&P 500 was, on average ~18% below record highs, though there were two instances when it was just 1% below its record. They were in Jun-07 (onset of Financial Crisis) and Aug-20 (post-COVID boom)—two very different periods. This highlights why it remains a confusing time for investors and why we expect volatility to stay elevated.



Despite Aerospace And Defense Weakness, We Remain Overweight The Industrials Sector

Spending cuts have caused the defense industry to lag recently. Despite this, we remain optimistic about the Industrials sector moving forward. Long-term secular trends, such as the AI buildout, are expected to support EPS growth (Industrials 2025 EPS forecast: +14% YoY). However, given that Industrials is one of the most diverse sectors with 12 different industries, the recent volatility highlights why dispersion will likely stay elevated and selectivity will be critical in 2025.

Sector Performance

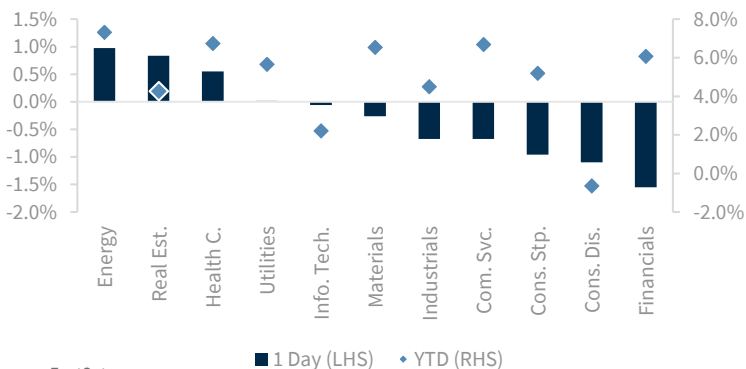
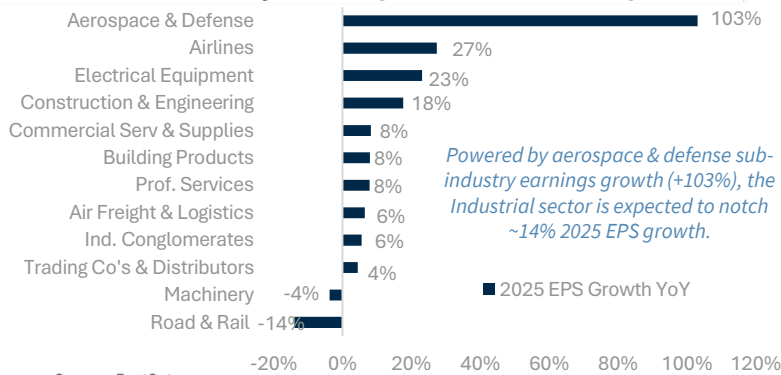


Chart of the Day: Healthy Industrial Industry EPS Growth



Source: FactSet

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Disclosures

LHS/RHS: Left-hand side/Right-hand side axes. The **Dow Jones Industrial Average (DJIA)** is an unmanaged index of 30 widely held stocks. The S&P 500 is an unmanaged index of 500 widely held stocks. The **NASDAQ 100 Index** is a stock market index that includes 100 of the largest, most actively traded, non-financial companies listed on the Nasdaq Stock Market. **US government bonds and Treasuries** are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value. US government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. **Sector** investments are companies focused on a specific economic sector and are presented here for illustrative purposes only. Sectors are subject to varying levels of competition, economic sensitivity, and political and regulatory risks. Investing in any individual sector involves limited diversification. **Bond** prices and yields are subject to change based upon market conditions and availability. If bonds are sold prior to maturity, you may receive more or less than your initial investment. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices rise. The **US Dollar Index (DXY)** is a measure of the value of the U.S. dollar against six other major foreign currencies. The **Conference Board CEO Confidence Index** is a barometer of the health of the US economy from the perspective of US chief executives. The **Markit Purchasing Managers' Index (PMI)** is a monthly economic indicator that tracks the health of the manufacturing, services, and construction sectors.

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Data Source | FactSet as of 2/20/2025

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