

MARKET VIEW WEEKLY

Ladenburg Asset Management



ECONOMIC REVIEW¹

- The Institute for Supply Management (ISM) Services PMI for April came in at 51.6, surpassing expectations of 50.2 and up from March's reading of 50.8 (a nine-month low). The current reading indicated stronger than anticipated levels of expansion in the US services sector. (Levels above 50 signal expansion; levels below signal contraction.)
 - Eleven of eighteen industries reported growth, reflecting resilience in the services sector despite broader economic uncertainties.
- The Federal Reserve (Fed) maintained the federal funds rate at 4.25% - 4.50%, citing increased risks to both sides of its dual mandate, price stability and maximum employment, amid elevated economic uncertainty.
 - Chair Jerome Powell emphasized risks to the economic outlook, noting that trade tensions, shifting policy dynamics, and signs of weaker consumer activity could pressure both inflation and employment.
- U.S. labor productivity declined in the first quarter by -0.8% and recorded its first drop since Q2 2022 as output fell and hours worked increased.
 - Unit labor costs jumped 5.7%, raising concerns about inflation and pressure on corporate margins.
- The U.S. trade deficit widened in March to a record \$140.5 billion, driven by a 4.4% surge in imports ahead of anticipated tariffs.

How does the most recent economic data impact you?

- The Fed held rates steady, citing uncertainty from tariffs and shifting policy; the pause supported market sentiment but underscored rising risks to growth and employment.
 - Financial markets are pricing in three to four quarter-point interest rate cuts before year-end, with the first expected in July.²
- April's data showed the services sector expanded for the 10th month in a row, highlighting continued strength in the services sector despite broader economic headwinds.
- Labor productivity is closely linked to worker wages, so a decline can be concerning as it may signal rising labor costs without corresponding gains in output.
- The sharp rise in the March trade deficit was essentially a one-time event which was driven by companies front-loading imports ahead of anticipated tariffs to avoid higher costs.



A LOOK FORWARD¹

- This week, investors will closely monitor key U.S. economic indicators, including the Consumer Price Index (CPI), Producer Price Index (PPI), retail sales, housing starts, and building permits.

How does this week's slate of economic data impact you?

- Modest inflation readings would likely be supportive of a Fed cut later this year and lift market sentiment. Still, any upside surprise, especially due to tariffs, could revive rate hike fears and pressure both equities and bonds.
- Retail sales are anticipated to rise moderately after a stronger prior month, reflective of increased spending ahead of tariffs.
- If housing data disappoints, concerns about tighter financial conditions and subdued economic momentum could be reinforced.



MARKET UPDATE³

Market Index Returns as of 5/9/2025	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-0.45%	0.97%	-3.34%	9.82%	14.00%	15.84%
NASDAQ	-0.26%	3.68%	-6.96%	10.48%	16.08%	15.35%
Dow Jones Industrial Average	-0.14%	-1.67%	-2.52%	6.26%	10.84%	13.36%
Russell Mid-Cap	0.82%	1.93%	-1.54%	6.80%	9.98%	13.31%
Russell 2000 (Small Cap)	0.14%	0.65%	-8.89%	-0.44%	6.27%	10.21%
MSCI EAFE (International)	-0.08%	6.01%	13.28%	10.66%	12.65%	11.78%
MSCI Emerging Markets	0.49%	3.71%	6.74%	8.82%	6.98%	7.15%
Bloomberg Barclays US Agg Bond	-0.17%	-0.56%	2.20%	5.56%	1.77%	-0.77%
Bloomberg Barclays High Yield Corp.	0.15%	0.52%	1.53%	8.27%	7.17%	6.33%
Bloomberg Barclays Global Agg	-0.46%	1.97%	4.66%	6.55%	1.22%	-1.22%



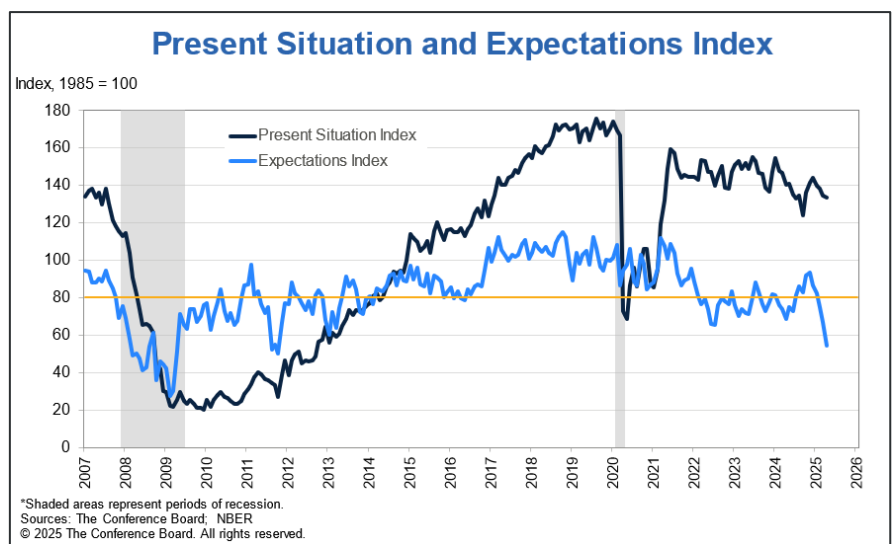
OBSERVATIONS

- Major U.S. equity indexes fell last week, ending a multi-week win streak, with the S&P down -0.45%, the Nasdaq slipping -0.26%, and the Dow Jones off -0.14%.
- Small-cap and mid-cap stocks outperformed large caps, as the Russell Mid-Cap rose +0.82% and the Russell 2000 gained +0.14%.
- International developed markets declined, with the MSCI EAFE index falling -0.08%, while emerging markets showed resilience, rising +0.49%.
- Fixed income indices were mixed as the U.S. Aggregate Bond Index and Global Bond Index declined due to upward pressure on interest rates. In contrast, the less interest rate sensitive High-Yield Corporate Index advanced by +0.15% as credit spreads tightened.



BY THE NUMBERS

Mind the Gap: In April 2025, consumer confidence data revealed a sharp and unusual gap between how people feel now and what they expect going forward. The Present Situation Index, which reflects views on current economic conditions, slipped only slightly and remains above its long-term average, suggesting that consumers still see today's economy, especially the job market, as stable. However, the Expectations Index, which gauges consumer outlook for business and labor conditions over the next six months, fell steeply and reached its lowest level since 2011. This reading is far below the typical recession warning threshold of 80. The growing disconnect signals that while people are relatively confident about their present situation, they're becoming much more pessimistic about the future. The spread between the two indices is one of the widest on record and historically, such large gaps have preceded economic slowdowns. If this trend continues, it may lead to weaker consumer spending and slower growth ahead.⁴



Economic Definitions

Building Permits: This concept tracks the number of permits that have been issued for new construction, additions to pre-existing structures or major renovations. These statistics are based on the number of construction permits approved.

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Conference Board Consumer Confidence Index: The Consumer Confidence Survey® reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitude, buying intentions, vacation plans and consumer expectation for inflation, stock prices and interest rates. Data are data available by age, income, region and top 8 states.

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

Federal Open Market Committee (FOMC): The Federal Open Market Committee (FOMC) is the branch of the Federal Reserve System (FRS) that determines the direction of monetary policy in the United States by directing open market operations (OMOs). The committee is made up of 12 members, including seven members of the Board of Governors, the president of the Federal Reserve Bank of New York, and four of the remaining 11 Reserve Bank presidents, who serve on a rotating basis.

Housing Starts: Housing (or building) starts track the number of new housing units (or buildings) that have been started during the reference period.

ISM Services Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc. Target Audience: supply management professionals Sample Size: 300 individuals Date of Survey: through the month The Services Index is a composite index of four indicators with equal weights: Business Activity, New Orders, Employment and Supplier Deliveries. An index reading above 50% indicates an expansion and below 50% indicates a decline in the non-manufacturing economy. Whereas per Supplier Deliveries Index, above 50% indicates slower deliveries and below 50% indicates faster deliveries.

Labor Productivity: Labor productivity is defined as the ratio of real (inflation- adjusted) output per labor hour. The most commonly cited measure of labor productivity is for the nonfarm business sector.

Producer Prices - PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

Retail Sales: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

Trade Balance: The U.S. international trade in goods and services balance, also known as the balance of trade, measures the difference between a country's exports and imports of goods and services. A trade deficit occurs when a country's imports exceed its exports, while a trade surplus happens when exports are greater than imports.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Disclosures

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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¹ Data obtained from Bloomberg as of 5/9/2025.

² <https://www.cmegroup.com>

³ Data obtained from Morningstar as of 5/9/2025.

⁴ <https://www.conference-board.org/topics/consumer-confidence>