

### Market Commentary

**Last Week's Highlights:** Positive trade negotiations with China and lower than expected inflation data helped lift all boats in the market last week. The Dow was up 3.41% last week, while the S&P 500 gained 5.27%, the Nasdaq was higher by 7.15%, and the Russell 2000 gained 4.46%. Bond yields were mixed last week, with bond prices also mixed. The BBgBarc Agg Bond Index was up 0.97% for the week, while short-term bonds lost 0.07%. The US dollar was higher for the week, with international equities lagging domestic equities. The MSCI EAFE Index was up 0.87%, while the MSCI Emerging Markets Index gained 3.16%. **Economic Data:** There are multiple Fed speakers to interpret in a light week of economic information. The key economic data releases this week are US Leading Index, Redbook Sales, Chicago Fed National Activity Index, Initial Jobless Claims, Continuing Claims, S&P Manufacturing PMI (P), S&P Services PMI (P), Existing Home Sales, KC Fed Manufacturing Index, Building Permits, & New Home Sales. **Earnings Releases:** Earnings season begins to slow down this week, highlighted mostly by retailers. The key earnings releases this week are DEO, HD, PANW, VOD, TOL, LOW, MDT, TGT, URBN, GES, SCVL, INTU, WDAY, DLTR, & RL. **Takeaways:** Much of the progress made by equities since the April 7th low may face some headwinds since the Moody's rating agency decided to drop the U.S. one notch on the ratings scale. It's important to note that this has already been done by S&P (August 5, 2011) and Fitch (August 1, 2023) rating agencies. The results in those two instances were between an 8% to 9% decline in equities. Markets could absorb the final rating agencies move with ease or there could be a temporary pullback. In each of the prior instances, markets were higher 4 to 6 months later. Inflation data was well received last week as both the Consumer Price Index and Producer Price Index were lower than expected. The Cleveland Fed's Nowcast expectation for May inflation shows little change at 0.1%. Corporate profitability is running well above average and first quarter earnings beat analysts expectations by more than the 5-year and 10-year averages. There were few mentions of "layoffs" on earnings calls, meaning consumers do not seem to face any immediate threats of job losses. While breadth has improved dramatically, the recent downgrading of U.S. debt is a wild card that is likely to increase volatility in the short-term.

### Market Returns

Sectors	1 Week Return	YTD Return
Technology	7.78%	-0.05%
Industrials	5.58%	5.83%
Energy	3.40%	0.25%
Communication Svcs	6.63%	2.19%
Basic Materials	2.20%	4.09%
Consumer Cyclical	7.74%	-2.96%
Financial Svcs	4.02%	7.31%
Real Estate	1.28%	3.32%
Consumer Defensive	2.16%	5.83%
Healthcare	0.67%	-2.89%
Utilities	2.68%	10.83%

Key Indices	1 Week Return	YTD Return
S&P 500	5.27%	1.30%
Dow Jones Industrial Average	3.41%	0.26%
Russell 2000	4.46%	-5.24%
Nasdaq	7.15%	-0.52%
MSCI EAFE	0.87%	12.74%
BBgBarc Agg Bond	0.97%	3.16%
60% S&P / 40% BB Agg Bond	3.43%	2.04%

Key Rates—as of 5/16/2025	
3mth T-bills	4.35%
2yr U.S. Treasury	3.99%
10yr U.S. Treasury	4.44%
Fed Funds	4.25%-4.50%

#### Investment Styles—1 Week Returns

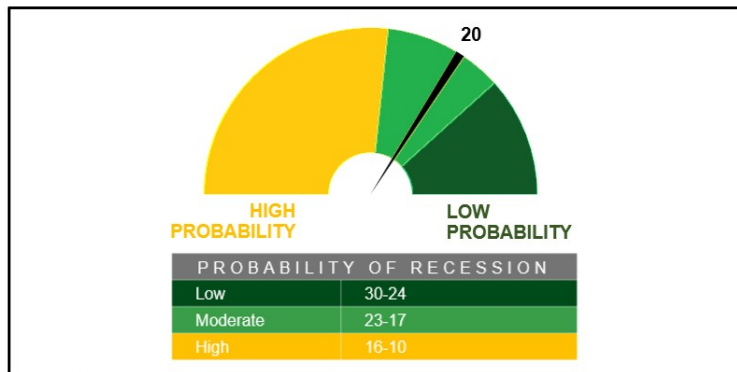
Value	Blend	Growth	
2.56%	4.85%	6.91%	Large
3.26%	3.84%	6.58%	Mid
4.29%	4.92%	5.26%	Small

#### Investment Styles—YTD Returns

Value	Blend	Growth	
4.26%	1.74%	7.60%	Large
2.92%	1.35%	5.66%	Mid
-0.59%	-2.03%	-0.09%	Small

### Recession Indicator

The current score of our Recession Indicator suggests that there is a moderate probability of a recession in the next 6-12 months. The Indicator was unchanged last week. It stands at a level of 20. The ANCFI, and the Financial Stress Index are at a positive levels. The Weekly Economic Index, CPI, KC Labor Market Index, Housing Starts, & S&P 200 DMA are at moderate levels. The Yield Curve, Consumer Sentiment, Sahm Rule, & the Savings Rate are at warning levels.



Source: Eudaimonia Asset Management

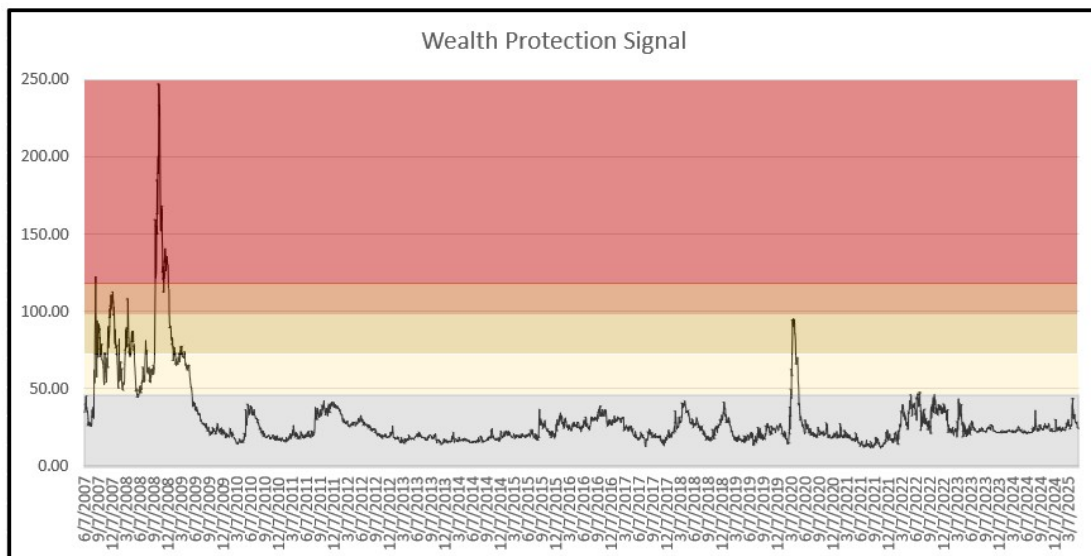
### Wealth Protection Signal

#### Description

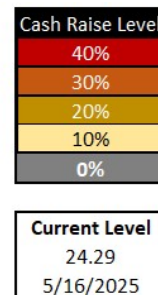
The Wealth Protection Signal measures panic or “fear” among investors, as well as, “volatility” in the market. The Signal is comprised of a proprietary weighting to the VIX Index (volatility) and to the TED Spread (fear). When these indices spike, major market meltdowns tend to follow. The Signal is also measured against the Yield Curve. When the 1st Cash Raise Level is reached, the Yield Curve (2yr Treasury Bond Yields > than 10yr Treasury Bond Yields) must also be inverted or have been inverted within the past 90 days in order for the 1st Cash Raise to trigger.

#### Current Level

The current level of the Wealth Protection Signal is at 24.29 as of Friday’s close on May 16th, 2025. The Signal decreased 9.5% last week. Volatility declined substantially throughout the week.. The Signal would have to increase 85% to reach the first cash raise trigger. The Wealth Protection Signal is currently indicating that investors should have a 0% cash-weighting as a defensive position within their respective asset allocation at this time.



Source: Eudaimonia Asset Management



### Disclosures

*Sources: Investment Style returns are derived from Morningstar, Inc. (<https://indexes.morningstar.com/indexdata#>). Key Rates table derived from Bloomberg. (<https://www.bloomberg.com/markets/rates-bonds/government-bonds/us>). Sectors and Key Indices tables are derived from Charles Schwab Advisor Center.*

*Recession Indicator is comprised of 10 economic measurements including, the Yield Curve, GDP, Inflation, Wage Growth, Unemployment, Housing Starts, Consumer Sentiment, Adjusted National Financial Conditions Index, the Fed's Financial Stress Index, U.S. Savings Rate, and the NAAIM (National Association of Active Investment Managers) Index.*

*Wealth Protection Signal is comprised of the VIX and the TED Spread Indices. The VIX Index is the Chicago Board of Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. The TED Spread is the price difference between 3-month futures contracts for U.S. Treasuries and 3-month futures contracts for Eurodollars having identical expiration months.*

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*Any market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.*

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### Risk Disclosure

No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

All investments include a risk of loss that clients should be prepared to bear.