



10 Market Themes for 3Q 2025

As of July 1, 2025

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10 Market Themes for 3Q 2025

This collection of insights highlights 10 themes we believe are most likely to shape markets and the economy this quarter.

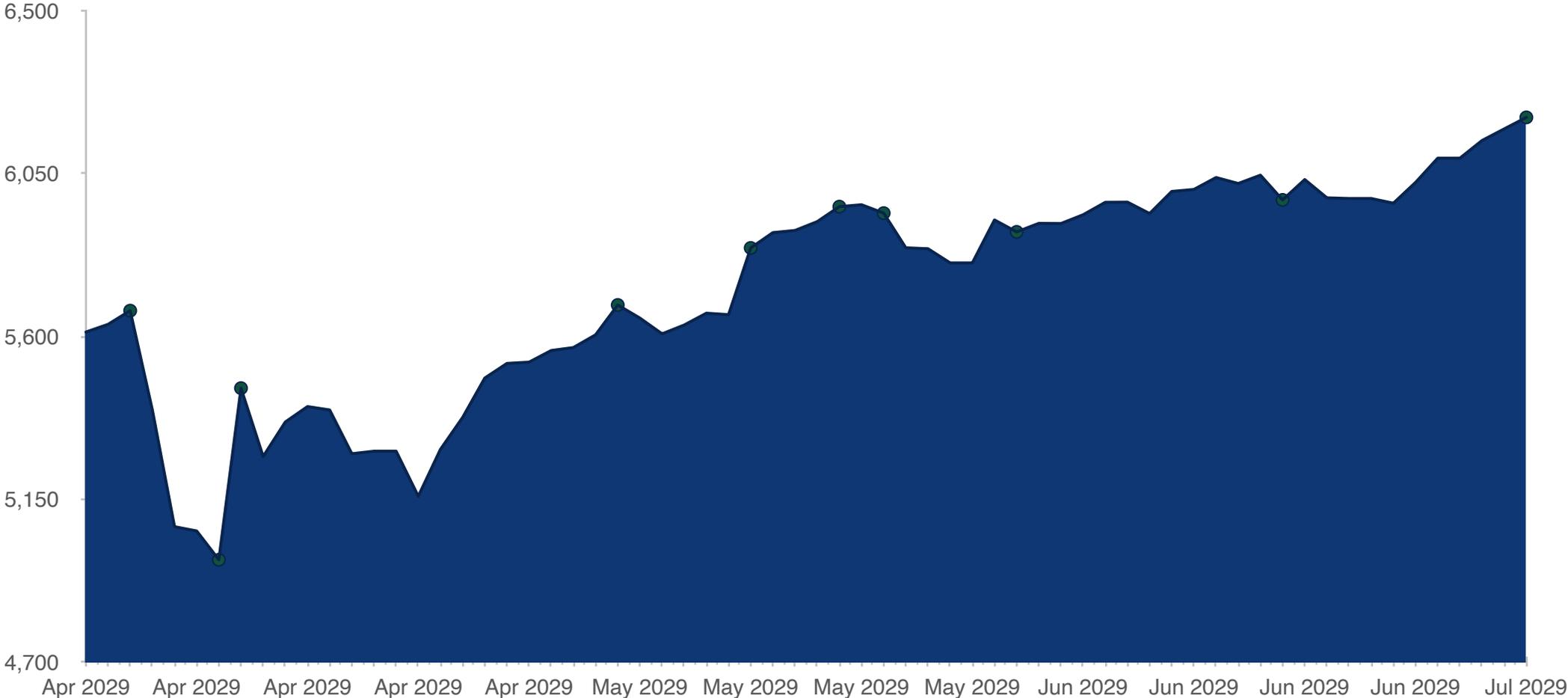
3Q 2025

1	Market Recap	Key Headlines From the Last Quarter
2	Stock Market	Nasdaq's Historic Market Rebound
3	Washington Policy	U.S. Tariff Timeline
4	Economic Themes	Tariff Frontrunning Distorts Real Economic Activity
5	Inflation	Expectations Rising But Not Showing up in the Data
6	Interest Rates	Updated Rate Cut Forecast Through 2026
7	Market Upside	Earnings and Valuation Scenario Analysis
8	Portfolio Income	Earnings and Valuation Scenario Analysis
9	Looking Ahead	Key Themes to Watch Over the Next Six Months
10	Long Term Perspective	Economic Slowdowns Are Historically Short-Lived

Market Recap – Key Headlines From Last Quarter

S&P 500 Index

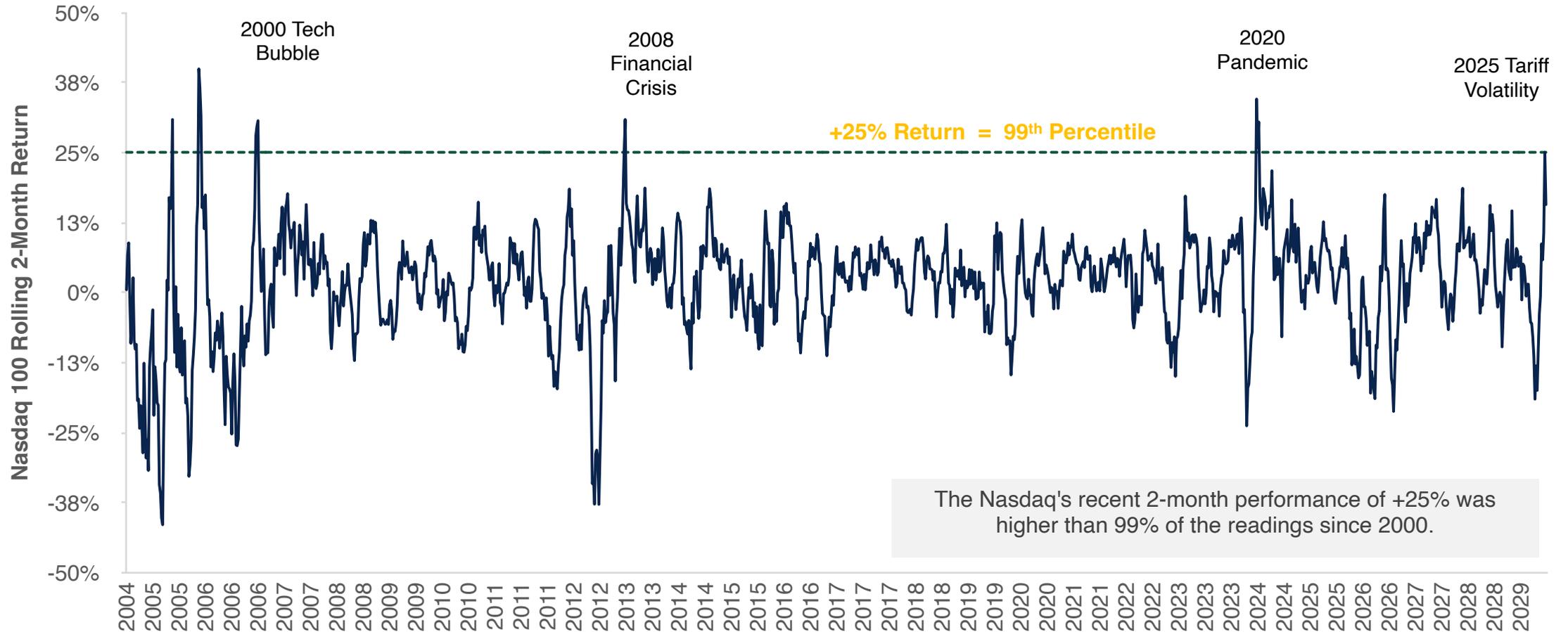
3Q 2025



Disclosures: Standard & Poor's. The performance of this index is provided for informational purposes only and does not represent an actual investment. Index performance is for illustrative purposes only and does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. Latest available data as of 6/30/2025.

Stock Market – Nasdaq’s Historic Market Rebound

3Q 2025



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Washington Policy – U.S. Tariff Timeline

3Q 2025

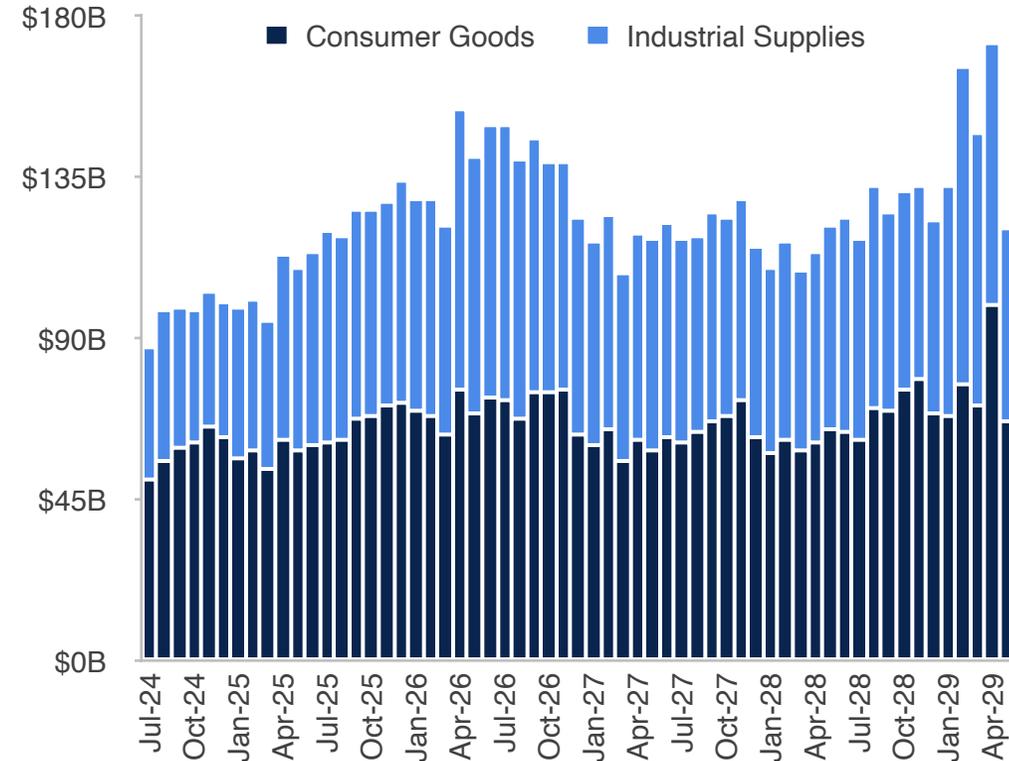
Effective Date	Trading Partner	Description	Tariff Effect
2/4/2025	China	All Goods	10%
3/4/2025	Canada	Oil, Gas & Potash	10%
3/4/2025	Canada & Mexico	All Goods	25%
3/4/2025	China	All Goods	20%
3/5/2025	Canada & Mexico	One-month Exemption for Auto Makers	–
3/7/2025	Canada & Mexico	Exempt USMCA Compliant Goods	–
3/12/2025	World	Steel & Aluminum	25%
4/2/2025	World	Venezuelan Oil Importers	25%
4/3/2025	World	Auto Imports	25%
4/3/2025	World	Auto & Auto Parts	25%
4/5/2025	World	Baseline Tariffs on All Goods	10%
4/8/2025	China	All Goods	84%
4/9/2025	China	All Goods	125%
4/9/2025	World	Country-specific rates suspended until July 9, 10% baseline applies	–
4/10/2025	China	Raised reciprocal tariff from 34% to 84%, then to 125% (effective immediately)	125%
4/11/2025	China	Relief back to 10% on selected products	–
5/8/2025	U.K.	Trade Deal Reached	Tariff reductions
5/12/2025	China	U.S.-China agreement: tariffs on Chinese goods drop from 145% to 30% for 90 days	10%
5/14/2025	China	China's country-specific rate suspended until Aug 12, 10% baseline applies	10%
5/23/2025	Europe	President threatens 50% tariff on all goods	50%
5/23/2025	Apple	President threatens 50% tariff on iPhones	25%
5/28/2025	All	Court of International Trade rules tariffs unconstitutional	–
6/2/2025	World	Doubles tariffs on steel & aluminum from 25% to 50%	50%
7/9/2025	World	Scheduled end of reciprocal tariff pause	TBD
8/12/2025	China	Scheduled end of reciprocal tariff pause	TBD

Disclosures: WhiteHouse.gov. Blue = Exemptions, Pauses, and Agreements. Green = Completed Trade Deals. Yellow = End of Reciprocal Tariff Pause.

Economic Themes – Tariff Frontrunning Distorts Real Economic Activity

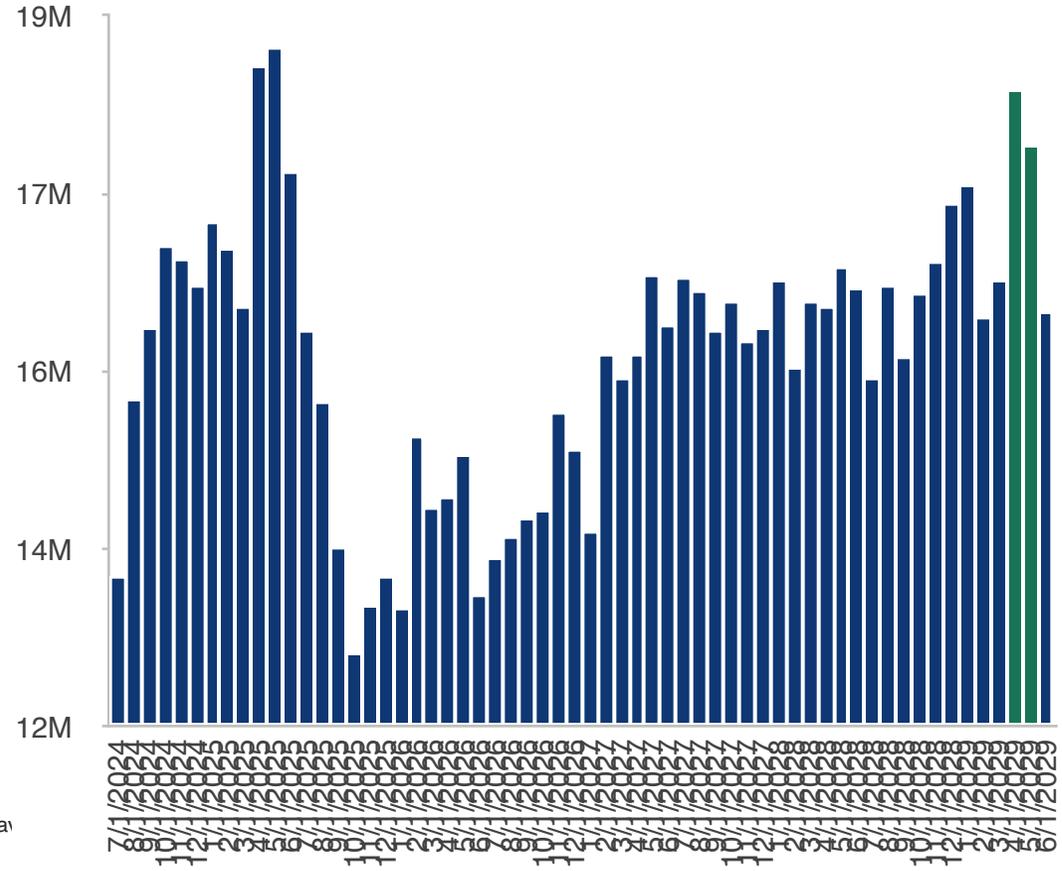
Foreign Trade – Imports of Goods and Industrial Supplies

Billions of U.S. Dollars



Total Number of Vehicles Sold

Millions of Vehicles (Seasonally Adjusted Annualized Rate)



3Q 2025

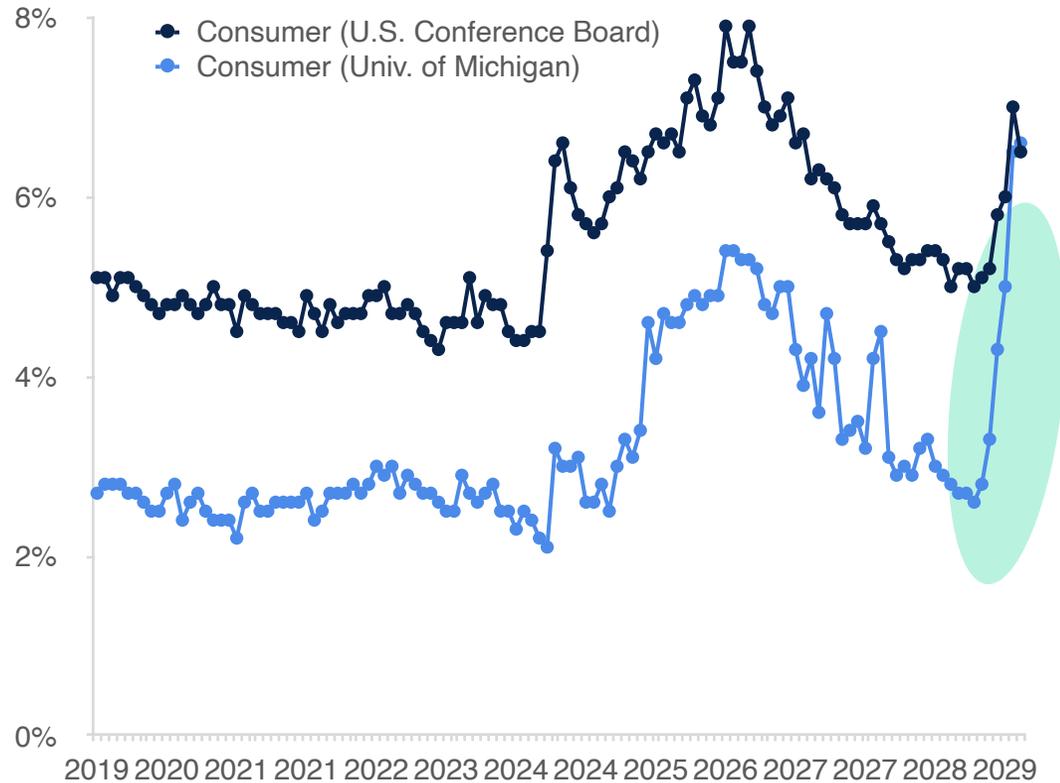
Disclosures: US Census Bureau, US Bureau of Economic Analysis. Time Period: June 2020 to May 2025. Latest as of 9/30/2025.

Inflation – Expectations Rising But Not Showing up in the Data

Consumer Inflation Expectations Have Been Rising

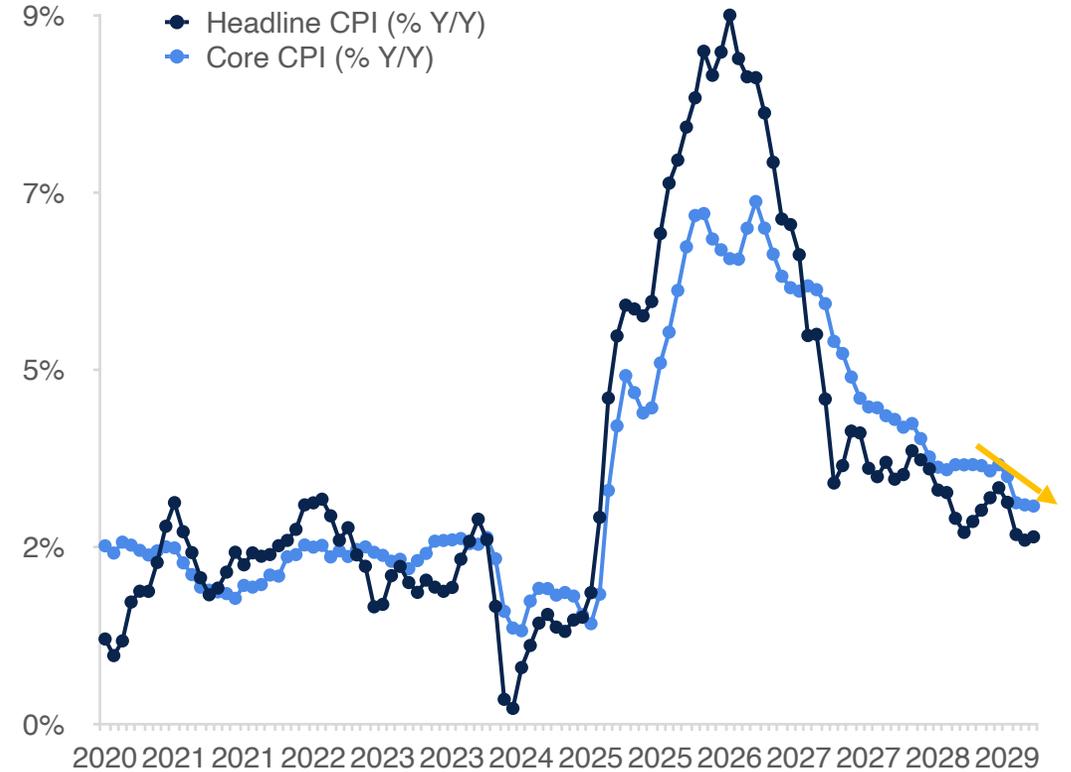
Survey Data from 2016 to 2025

3Q 2025



Actual Inflation Data Has Continued to Improve

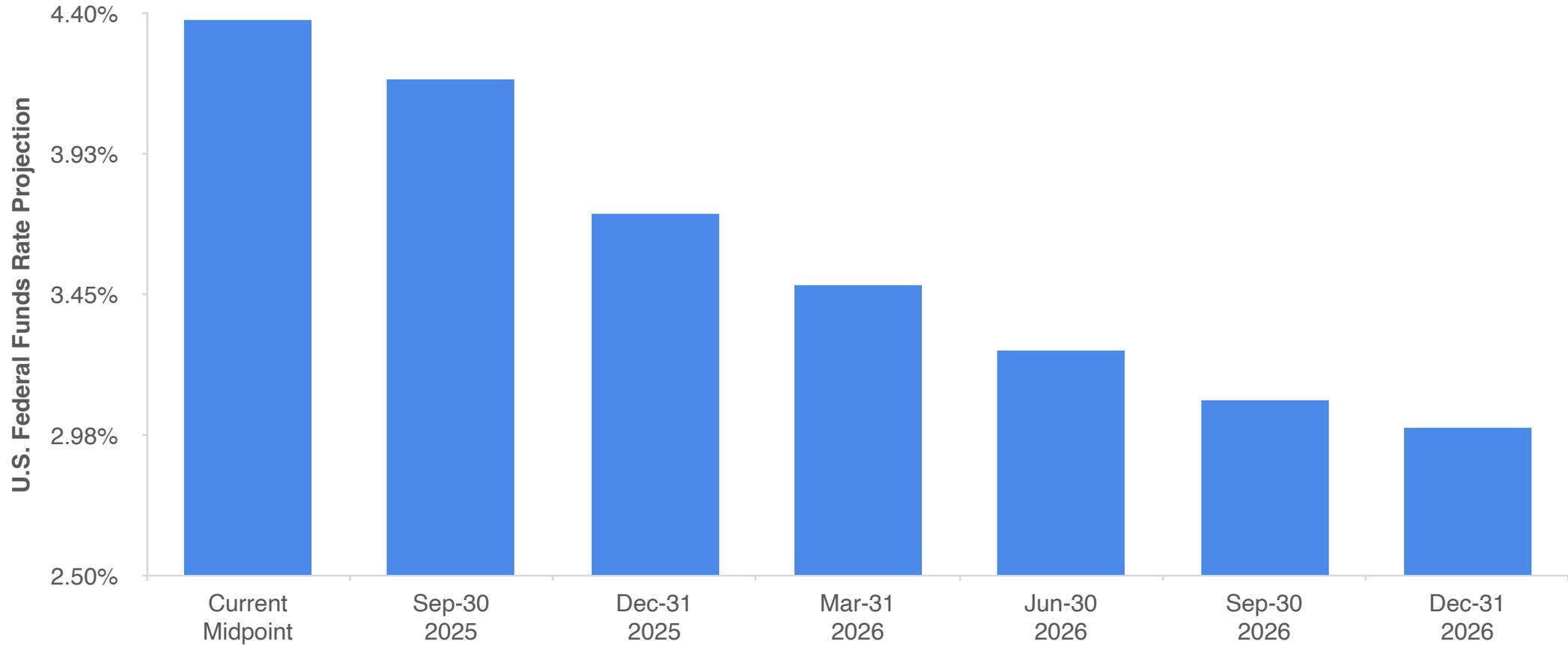
Headline and Core CPI from 2016 to 2025



Disclosures: US Bureau of Labor Statistics (BLS), University of Michigan, Conference Board. Time Period: May 2016 to May 2025. Latest available data as of 6/30/2025.

Interest Rates – Updated Rate Cut Forecast Through 2026

3Q 2025



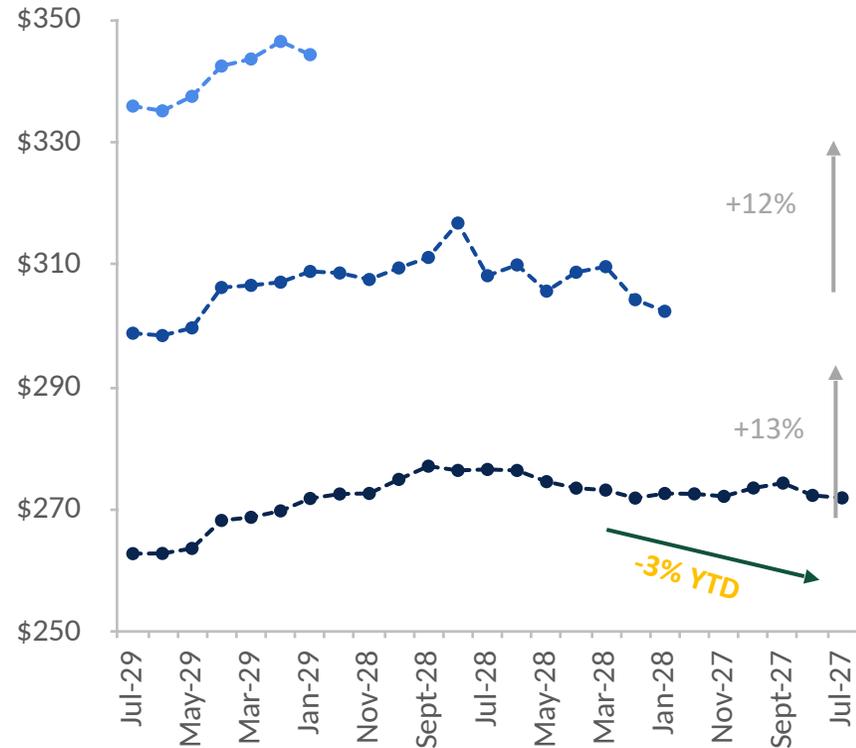
Disclosures: CME. The forward-looking interest rate expectations referenced herein are derived from futures market pricing. These implied expectations reflect market participants' consensus view at a given point in time regarding the potential path of monetary policy. They are not the Federal Reserve's forecast, and they are subject to change without notice. This material is provided for informational purposes only and should not be construed as investment advice or a recommendation to buy or sell any security or financial instrument. All investing involves risk, including the risk of loss. Past performance is not indicative of future results.

Market Upside – Earnings and Valuation Scenario Analysis

S&P 500 Forward Earnings Per Share Estimates

Based on Consensus as of 6/30/2025

3Q 2025



S&P 500 Scenario Analysis

Earnings Growth and Valuation Changes

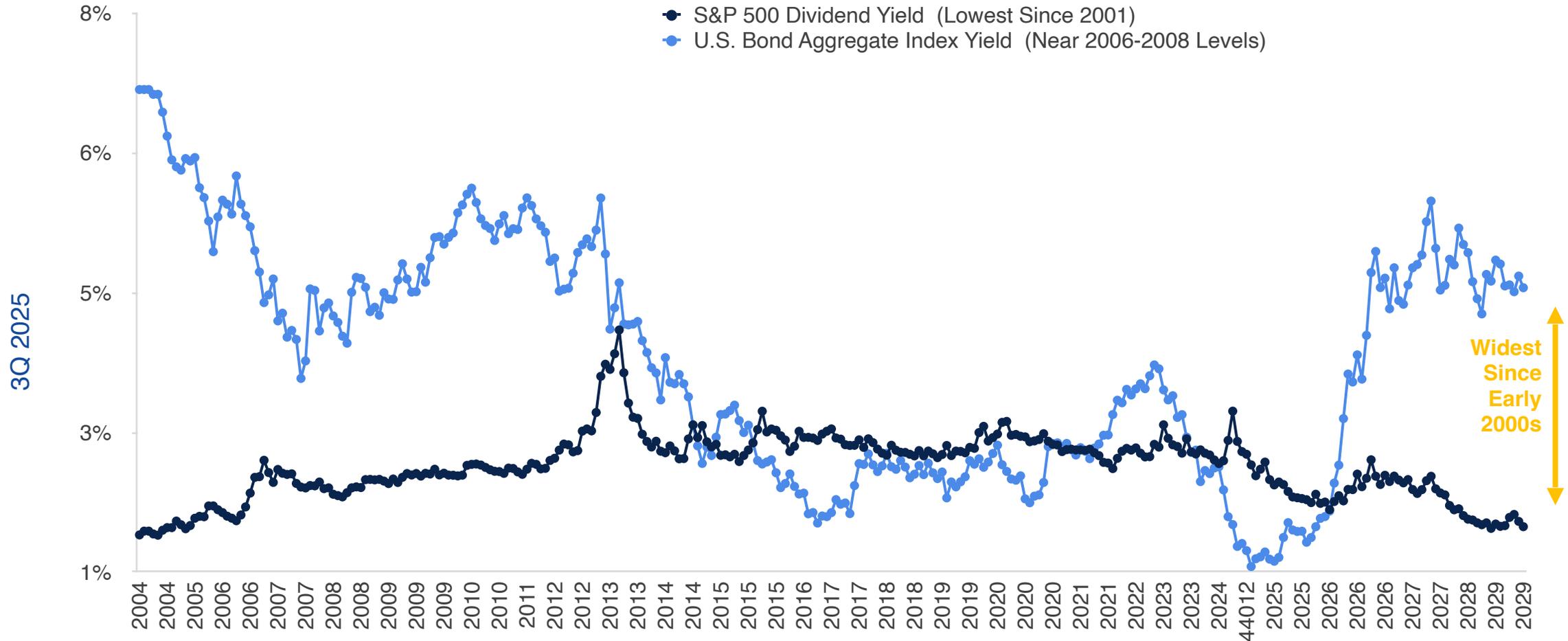
Change in S&P 500 NTM Consensus EPS

NTM P/E Valuation Multiple

	\$252	\$266	\$272	\$280	\$289	\$294	\$308
	-10%	-5%	-3%	0%	+3%	+5%	+10%
19.0x	4,794	5,061	5,167	5,327	5,487	5,593	5,860
20.0x	5,047	5,327	5,439	5,607	5,776	5,888	6,168
21.0x	5,299	5,593	5,711	5,888	6,064	6,182	6,477
22.1x	5,584	5,895	6,019	6,205	6,391	6,515	6,825
23.0x	5,804	6,126	6,255	6,449	6,642	6,771	7,093
24.0x	6,056	6,392	6,527	6,729	6,931	7,065	7,402
25.0x	6,308	6,659	6,799	7,009	7,220	7,360	7,710

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Portfolio Income – Historical Comparison of Stock vs. Bond Yields



Disclosures: Standard & Poor's, Bloomberg. Index performance is for illustrative purposes only and does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. Bonds represented by Bloomberg Barclays US Aggregate. Stocks represented by the S&P 500 Index. Time Period: June 2000 to June 2025. Latest available data as of 6/30/2025.

Looking Ahead – Key Themes to Watch Over the Next Six Months

Interest Rate Cuts

- The Fed cut interest rates by -1.00% last fall but is now on hold due to trade policy uncertainty and inflation concerns.
- When does the Fed resume its rate cutting cycle? How much does the Fed cut interest rates in the rest of 2025 and 2026?

Goods Inflation

- Goods inflation eased in 2023 as supply chains normalized and oil prices fell. However, goods inflation has shown signs of reaccelerating, raising concerns that tariffs will reignite goods inflation.
- Will tariffs lead to goods inflation, and if so, is the price increase temporary? How does this trend affect broader inflation and Fed policy?

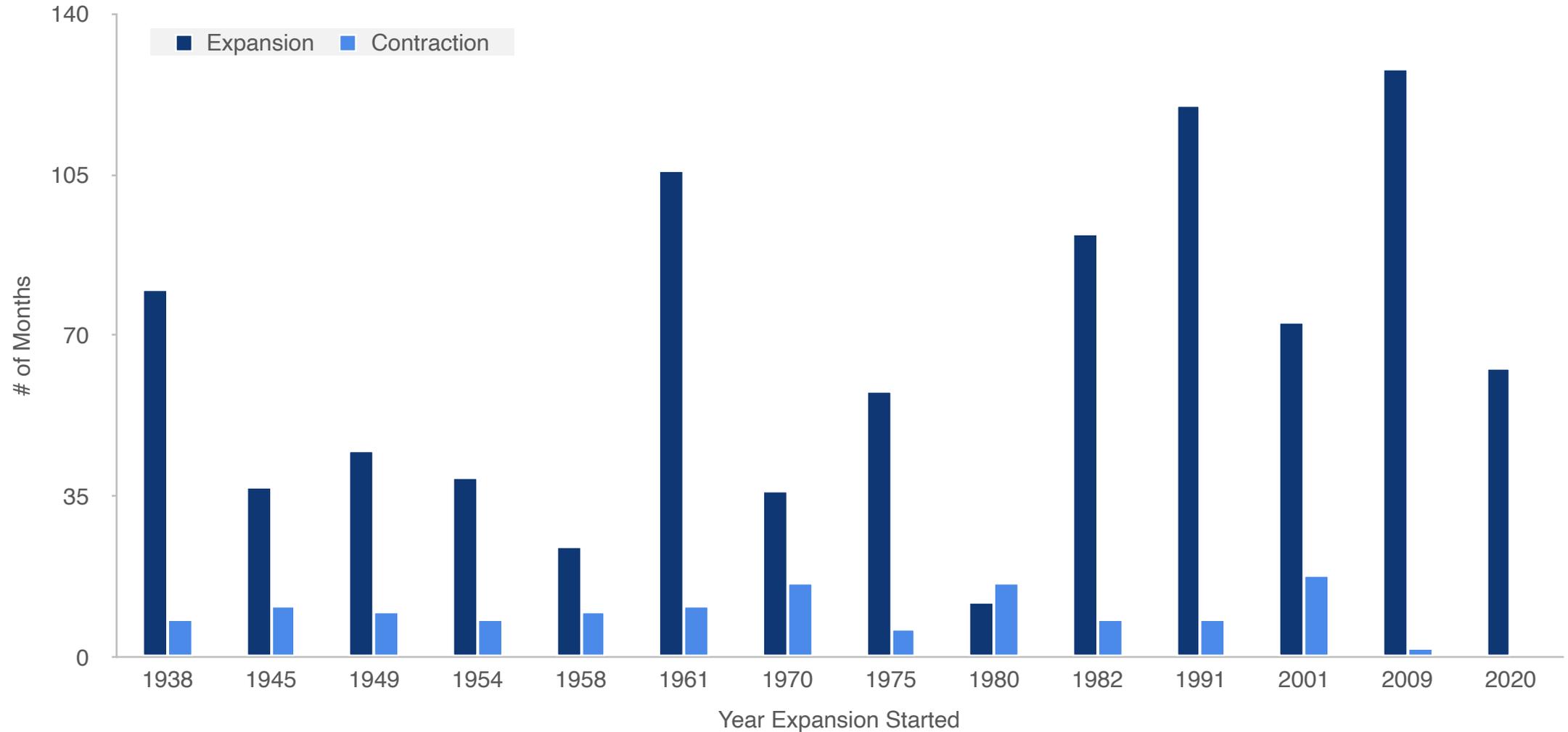
Tariffs' Impact on Earnings & Economy

- Tariffs have introduced uncertainty into corporate supply chains and could pressure profit margins in the second half of the year.
- Will companies absorb the increased costs or pass them through to customers? Do tariffs reduce consumer demand and slow economic growth?

Disclosures: Forward-looking statements are based on current expectations, estimates, projections, and assumptions. These statements involve risks and uncertainties, and actual outcomes may differ materially from what is expressed or implied. Forward-looking statements are not guarantees of future performance and should not be relied upon as such. Economic and market conditions are subject to change, and any opinions or forecasts contained herein are subject to change without notice.

Long Term Perspective – Economic Slowdowns Are Historically Short-Lived

3Q 2025



Disclosures: National Bureau of Economic Research (NBER). Past performance is no guarantee of future results.

Questions?

Definitions

2Y / 10Y / 30-Year Treasury Bonds	Treasuries are debt obligations issued and backed by the full faith and credit of the U.S. government.
Consumer Price Index (CPI)	Measures the changes in the price level of a basket of consumer goods and services purchased by households.
Federal Fund's Rate	The target interest rate set by the Federal Reserve at which commercial banks borrow and lend excess reserves overnight.
Federal Reserve	The Federal Reserve System is the central bank of the United States. It was founded by Congress in 1913 to provide the nation with a safer, more flexible, and more stable monetary and financial system
Forward Price to Earnings Ratio	The forward P/E ratio (or forward price-to-earnings ratio) divides the current share price of a company by the estimated future ("forward") earnings per share (EPS) of that company.
Growth Stocks	Growth stocks are companies expected to grow sales and earnings at a faster rate than the market average.
Inflation	A general rise in price level relative to available goods and services.
ISM Purchasing Managers Index (PMI)	The ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms. It is considered to be a key indicator of the state of the U.S. economy.
Price Return	The rate of return on an investment portfolio, where the return measure takes into account only the capital appreciation of the portfolio, not including income generated in the form of interest or dividends.
Real Yield	The interest rate earned on a fixed income investment after factoring in the impact of inflation as measured by the Consumer Price Index (CPI).
Total Return	Return on a portfolio of investments including capital appreciation and income received on the portfolio.
Unemployment Rate	A lagging economic indicator which is calculated as the percent of the labor force that is jobless.
Value Stocks	Stocks that are inexpensive relative to the broad market based on measures of fundamental value (e.g., price to earnings or price to book).

3Q 2025

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