

# MARKET COMMENTARY

## MAY 2025

- The best performing sector for April was Information Technology while the worst was Energy
- Despite the sharp decline following “Liberation Day,” equity markets broadly recovered by month end
- 1Q2025 GDP dipped 0.3% compared to estimates of 0.4% growth

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Equity markets sharply declined after the April 2nd “Liberation Day” tariff announcement before recovering a portion of the drop by month-end. The worse-than-expected tariff news targeting key U.S. trading partners raised fears of rising inflation and a slowdown in economic growth. The prospect of resulting stagflation fueled a “risk off” trading environment that initially was reflected in a sharp downturn in the technology sector encompassing many large cap market leaders. However, as the month progressed and news emerged of potential tariff deals combined with a generally constructive earnings season, markets broadly recovered recapturing the bulk of Liberation Day tariff declines. However, we are concerned that the economic impacts of tariffs have yet to be fully felt which could include further pressure on economic growth and corporate earnings. We continue to think it likely that the U.S. economy may experience a short-term soft patch with associated elevated market volatility but remain optimistic about longer-term potential as focus shifts to expected upcoming tax reform and deregulation initiatives.

Equity markets declined in April with the Dow Jones Industrial Average down by 3.2%, the S&P 500® index down 0.8%, and the smaller cap weighted Russell 2000® declining 2.4%. The VIX index, or fear gauge spiked from the 22 range to over 60 early in the month following Liberation Day tariff announcements before gradually declining back to the low 24 range at month-end.

Six of the eleven industry sectors of the S&P 500 declined during April. The best performing sector was Information Technology which reversed its early losses and increased by 1.6% for the month. It was followed by the Consumer Staples sector which was up 1.1%. The weakest performance in the month was posted by the Energy sector which decreased by 13.7% followed by the Health Care sector which was down 3.8%. For the prior twelve months period, the Financials sector was the best performer with a 20.9% increase followed by the Utilities sector which was up by 18.4%, while the Energy sector was the worst performer for the past twelve months with a 13.6% decrease followed by the Materials sector which was down 5.1%.

Following the initial Liberation Day market pullback, stocks responded throughout April relatively favorably to incremental tariff news suggestive of signs of progress. The administration has repeatedly alluded to negotiations in progress with key trading partners with apparent optimism that some deals may be nearing completion. Some favorable market responses have been seen as tariff rollbacks and exemptions have been announced covering areas such as electronics, auto parts, and pharmaceuticals. Although markets have recaptured much of Liberation Day initial losses, lingering tariff uncertainty remains a market overhang as tariff negotiations proceed with key trading partners.

Market turmoil was heightened in mid-April as President Trump launched a verbal assault against Fed Chair Jerome Powell. The attacks seemed to be founded on the president's desire for the Fed to cut interest rates to provide additional economic support. A key challenge for the Fed regarding rate policy appears to be the uncertain outlook for inflation in light of price uncertainty linked to tariff policy. With the potential for the president to pursue removing Powell from his position at the Fed, markets were presented with another significant uncertainty factor with the risk of impacting rate and price stability. Late in the month, the president walked back his attacks on the Fed Chair indicating that he has “no intention” of firing Mr. Powell.

Energy prices continued to decline in April as the combination of supply growth and global economic growth appeared to weigh on commodity prices. In early April, OPEC+ announced plans to accelerate oil production with a bigger than anticipated output increase for May and June. The cartel decided to raise combined crude oil output by 411,000 barrels per day in each month representing nearly a three-fold increase for May relative to prior expectations. The production boost has weighed on global energy markets and contributed to recent declines in gasoline prices which is welcome news for consumers given the potential for upcoming tariff related inflation.

On the economic front, the preliminary reading of 1Q2025 GDP dipped 0.3%, coming in below economist targets looking for expansion by 0.4% as pre-tariff imports surged 51% (a drag to GDP) blunting a modest 1.8% gain in consumer spending as signs of slowdown emerged. That is, the surge of imports created a pop in negative trade balance that

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reduced 1Q2025 GDP by about 4.83% with underlying economic trends positive but slowing. Spending by consumers rose 1.8%, in 1Q2025 but that was a significant deceleration from the 4.0% increase in 4Q2024. Spending on goods rose 0.5%, with durables down 3.4%, after a 12.4% jump in 4Q2024, in contrast to nondurables that ramped by 2.7%. On the services side, growth came through at 2.4%, pointing again to a slowdown from the 3.0% increase reported in 4Q2024. The largest declines however were not surprisingly forthcoming from the government side of the equation down by 1.4% in total, with federal government spending off 5.1% (defense falling by 8.0%), in contrast to State and local government spending that increased a bit by 0.8% (still slowing from 2.5% registered in 4Q2025).

The Conference Board's Consumer Confidence Index as depicted in the adjacent graphic fell by 7.9 points in April to a reading of 86.0 (1985=100). The view of the present situation dipped by 0.9 points to a still healthy reading at 133.5. However, the survey pointed to dismal expectations among consumers with the Expectations Index (evaluating consumers' short-term outlook for income, business, and labor market conditions) falling sharply by 12.5 points to a reading of 54.4. The Conference Board notes this stat is the lowest measure dating to October 2011. More importantly, the reading stands well below the threshold of 80 the Conference Board deems to be a signal of recession to follow. Stephanie Guichard, Senior Economist at the Conference Board, pointed to consumer confidence having fallen for a fifth consecutive month in April, to levels not seen since the COVID pandemic with the decline largely driven by consumers' expectations reflecting pessimism on the future outlook. We are concerned that low consumer confidence can lead to negative economic outcomes arising from the potential for reduced spending creating a drag on future GDP growth. This dynamic can have the potential to evolve into a downward spiral as reduced growth can then further weigh on consumer confidence creating a negative feedback cycle.



Source: Bloomberg

We were pleased to see equity markets rebound through the month on positive earnings and economic reports along with softening rhetoric from the president on tariffs but suggest that it may be too early to ascertain the ultimate potential impact finalized tariffs could have on the U.S. and global economies. We look for a soft patch/stagflation to persist into this autumn given a range of economic and tariff uncertainties, while the FOMC likely takes a cautious position watching employment datasets as the key factor driving interest rate policy. We also anticipate underlying inflation (ex-tariffs) may be poised to continue moving lower with the FOMC likely positioned to look through one-time inflationary impact from tariffs. If forthcoming along these lines, the FOMC could deliver 'good news' Fed funds rate cuts in 2H2025. On the other hand, a weakening of the U.S. employment picture from the existing 4.2% unemployment rate, could drive 'bad news' rate cuts by the FOMC, that would likely not be construed as a plus for equities.

Clearly, we live in uncertain times producing challenging investment/market conditions. Given the recent rebound in equity markets, many anticipate that the worst on tariff news and a potential economic slowdown may be behind us with the S&P 500 now trading at over 21x forecast 2025E earnings. Time will tell how the U.S. economy evolves. Not attempting to call a market bottom, we recognize that many quality, well run companies have seen share prices retreat enhancing relative valuation. We are attracted to existing fixed income rates for the near to intermediate term, while on the equity side, we are focused on the intermediate term where solid growth prospects for the U.S. economy are expected to arise. Here, we recommend investors focus on quality, well-managed, companies poised to generate consistent, strong free cash flow available to return as dividends and or share buybacks, while being poised to potentially benefit from an improved economic outlook to follow.

# MARKET AND ECONOMIC STATISTICS

| <b>Market Indices:</b>          | <b>4/30/2025</b> | <b>12/31/2024</b> | <b>% Change YTD</b> | <b>3/31/2025</b> | <b>% Change (Monthly)</b> |
|---------------------------------|------------------|-------------------|---------------------|------------------|---------------------------|
| S&P Composite                   | 5,569.06         | 5,881.63          | -5.31%              | 5,611.85         | -0.76%                    |
| Dow Jones Industrials           | 40,669.36        | 42,544.22         | -4.41%              | 42,001.76        | -3.17%                    |
| NASDAQ Composite                | 17,446.34        | 19,310.79         | -9.65%              | 17,299.29        | 0.85%                     |
| Russell 2000                    | 1,964.12         | 2,230.16          | -11.93%             | 2,011.91         | -2.38%                    |
| FTSE 100                        | 8,494.85         | 8,173.02          | 3.94%               | 8,582.81         | -1.02%                    |
| Shanghai Composite              | 3,279.03         | 3,351.76          | -2.17%              | 3,335.75         | -1.70%                    |
| Nikkei Stock Average            | 36,045.38        | 39,894.54         | -9.65%              | 35,617.56        | 1.20%                     |
| Stoxx Europe 600                | 527.48           | 507.62            | 3.91%               | 533.92           | -1.21%                    |
| MSCI Emerging Markets           | 1,112.84         | 1,075.48          | 3.47%               | 1,101.40         | 1.04%                     |
| MSCI Emerging Markets Small Cap | 1,357.56         | 1,406.15          | -3.46%              | 1,324.76         | 2.48%                     |

| <b>Performance of S&amp;P 500 by Industry:</b> | <b>% of Index as of 4/30/2024</b> | <b>1 Month</b> | <b>3 Month</b> | <b>Year to Date</b> | <b>12 Months</b> |
|--|-----------------------------------|----------------|----------------|---------------------|------------------|
| Consumer Discretionary                         | 10.38%                            | -0.34%         | -17.86%        | -14.26%             | 10.51%           |
| Consumer Staples                               | 6.06%                             | 1.08%          | 3.75%          | 5.70%               | 12.02%           |
| Energy   | 3.15%                             | -13.73%        | -7.56%         | -5.71%              | -13.63%          |
| Financials                                     | 14.34%                            | -2.21%         | -5.23%         | 0.83%               | 20.86%           |
| Health Care                                    | 10.48%                            | -3.83%         | -4.31%         | 2.01%               | 0.16%            |
| Industrials                                    | 8.52%                             | 0.15%          | -5.12%         | -0.38%              | 8.10%            |
| Information Technology                         | 30.90%                            | 1.58%          | -8.73%         | -11.41%             | 13.04%           |
| Materials                                      | 1.98%                             | -2.24%         | -5.22%         | 0.02%               | -5.07%           |
| Communication Services                         | 9.39%                             | 0.60%          | -13.60%        | -5.85%              | 15.72%           |
| Utilities                                      | 2.55%                             | 0.04%          | 1.28%          | 4.17%               | 18.36%           |
| Real Estate                                    | 2.24%                             | -1.34%         | -0.38%         | 1.35%               | 14.38%           |
| S&P 500 (Absolute performance)                 | 100.00%                           | -0.76%         | -7.81%         | -5.31%              | 10.59%           |

| <b>Interest Rates:</b>      | <b>4/30/2025</b> | <b>12/31/2024</b> | <b>YTD Change (Basis Points)</b> | <b>3/31/2025</b> | <b>Month Change (BPS)</b> |
|-----------------------------|------------------|-------------------|----------------------------------|------------------|---------------------------|
| Fed Funds Effective Rate    | 4.33%            | 4.33%             | 0                                | 4.33%            | 0                         |
| Prime Rate                  | 7.50%            | 7.50%             | 0                                | 7.50%            | 0                         |
| Three Month Treasury Bill   | 4.25%            | 4.28%             | -3                               | 4.25%            | -1                        |
| Ten Year Treasury           | 4.16%            | 4.57%             | -41                              | 4.21%            | -4                        |
| Spread - 10 Year vs 3 Month | -0.08%           | 0.29%             | -38                              | -0.04%           | -4                        |

| <b>Foreign Currencies:</b>      | <b>4/30/2025</b> | <b>12/31/2024</b> | <b>% Change YTD</b> | <b>3/31/2025</b> | <b>% Change (Monthly)</b> |
|---------------------------------|------------------|-------------------|---------------------|------------------|---------------------------|
| Brazil Real (in US dollars)     | 0.18             | 0.16              | 8.8%                | 0.18             | 0.6%                      |
| British Pound (in US dollars)   | 1.33             | 1.25              | 6.5%                | 1.29             | 3.2%                      |
| Canadian Dollar (in US dollars) | 0.72             | 0.70              | 4.2%                | 0.70             | 4.3%                      |
| Chinese Yuan (per US dollar)    | 7.27             | 7.30              | -0.4%               | 7.26             | 0.2%                      |
| Euro (in US dollars)            | 1.13             | 1.04              | 9.4%                | 1.08             | 4.7%                      |
| Japanese Yen (per US dollar)    | 143.07           | 157.20            | -9.0%               | 149.96           | -4.6%                     |

| <b>Commodity Prices:</b>           | <b>4/30/2025</b> | <b>12/31/2024</b> | <b>% Change YTD</b> | <b>3/31/2025</b> | <b>% Change (Monthly)</b> |
|------------------------------------|------------------|-------------------|---------------------|------------------|---------------------------|
| CRB (Commodity) Index              | 547.60           | 536.50            | 2.1%                | 547.11           | 0.1%                      |
| Gold (Comex spot per troy oz.)     | 3288.71          | 2624.50           | 25.3%               | 3123.57          | 5.3%                      |
| Oil (West Texas int. crude)        | 58.21            | 71.72             | -18.8%              | 71.48            | -18.6%                    |
| Aluminum (LME spot per metric ton) | 2371.69          | 2526.78           | -6.1%               | 2517.73          | -5.8%                     |
| Natural Gas (Futures 10,000 MMBtu) | 3.33             | 3.63              | -8.5%               | 4.12             | -19.3%                    |

| <b>Economic Indicators:</b>      | <b>3/31/2025</b>      | <b>12/31/2024</b>        | <b>% Change YTD</b>     | <b>2/28/2025</b>         | <b>% Change (Monthly)</b> |
|----------------------------------|-----------------------|--------------------------|-------------------------|--------------------------|---------------------------|
| Consumer Price Index             | 319.6                 | 317.6                    | -0.6%                   | 319.8                    | -0.1%                     |
| Producer Price Index             | 260.2                 | 261.4                    | 0.5%                    | 263.5                    | -1.3%                     |
|                                  | <b>1Q25</b>           | <b>4Q24</b>              | <b>3Q24</b>             | <b>2Q24</b>              | <b>1Q24</b>               |
| GDP Growth Rate (Quarterly)      | -0.30%                | 2.40%                    | 3.10%                   | 3.00%                    | 1.60%                     |
| Unemployment Rate (End of Month) | <b>March<br/>4.2%</b> | <b>February<br/>4.1%</b> | <b>January<br/>4.0%</b> | <b>December<br/>4.1%</b> | <b>November<br/>4.2%</b>  |

\*GDP growth rate is calculated as the percent change from the previous period seasonally adjusted at annual rates. \*\*S&P Sectors were re-named at the end of 2001. The sector Industrials is a combination of the former sectors Capital Goods & Transportation. Sources: Wall Street Journal, Bloomberg, The Department of Labor, The Bureau of Labor Statistics, The Bureau of Economic Analysis, US Treasury website.

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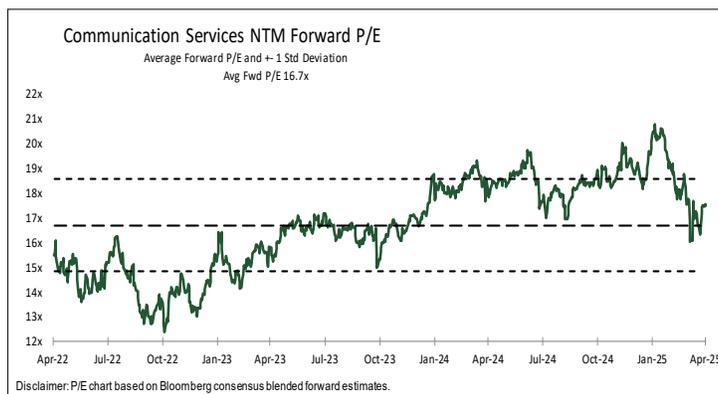
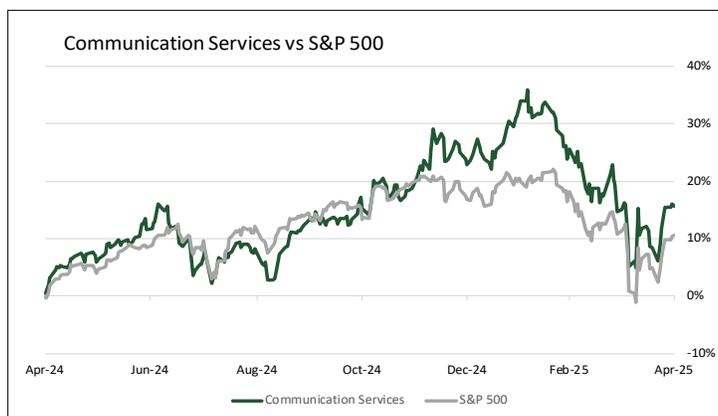
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# COMMUNICATIONS SERVICES



Source : Bloomberg

## Sector Performance

| 1 Month | 3 Months | YTD    | TTM    |
|---------|----------|--------|--------|
| 0.60%   | -13.60%  | -5.85% | 15.72% |

## S&P 500 Performance

| 1 Month | 3 Months | YTD    | TTM    |
|---------|----------|--------|--------|
| -0.76%  | -7.81%   | -5.31% | 10.59% |

## Company Performance 1 Month

| Leaders  | Company                | 1 Month |
|----------|------------------------|---------|
|          | Netflix Inc            | 21.4%   |
|          | Take-Two Interactive   | 12.6%   |
|          | TKO Group Holdings Inc | 6.6%    |
|          | Charter Comm.          | 6.3%    |
|          | News Corp              | 3.5%    |
| Laggards | Warner Bros Discovery  | -19.2%  |
|          | Fox Corp               | -12.3%  |
|          | Fox Corp               | -12.0%  |
|          | Omnicom Group Inc      | -8.1%   |
|          | Walt Disney Co/The     | -7.9%   |

## Consensus FY EPS / P/E

| Last Year | Current Year | Next Year |
|-----------|--------------|-----------|
| \$16.89   | \$17.72      | \$19.32   |
| 19.0x     | 18.2x        | 16.6x     |

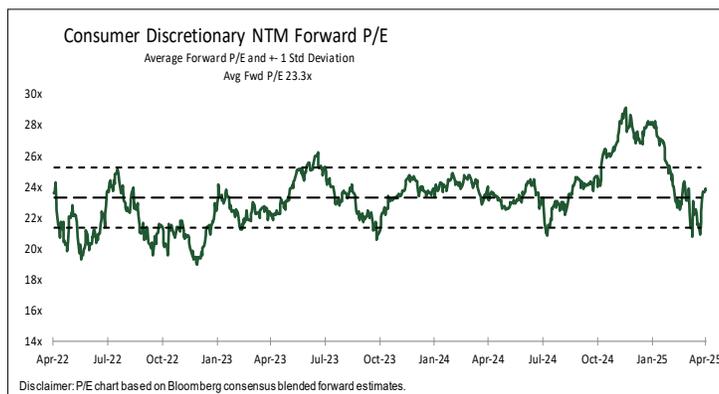
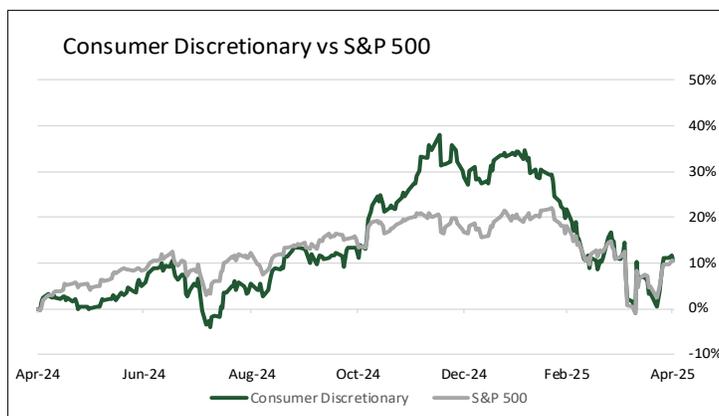
## Sector Update

Communications Services outperformed the market in April as the significant appreciation in the Entertainment sub-sector more than offset the decline in the Diversified Telecommunications Services, Interactive Media & Services, and Media sectors. The largest Entertainment company was the top performing equity in the Communications Services sector in April after reporting better than expected Q-1 25 results and providing guidance ahead of the consensus estimate. While investors had considered the providers of streaming media content as potential safe havens from tariffs, they might reassess this viewpoint after President Trump announced on May 4 that the U.S. will place 100% tariffs on movies that are made overseas and are made available to U.S. consumers. Given that most media and entertainment companies produce the majority of their content in overseas markets to serve local markets as well as the U.S. market, it remains to be seen the potential impact of the Trump Administration's tariff announcement. Media and entertainment companies with diversified businesses may be less impacted by this new tariff than companies that generate the majority of their revenue and profit from streaming content services.

The largest Interactive Media & Services companies could be impacted by the U.S. government antitrust suits to address their monopolies in search and social media. U.S. District Judge Amit Mehta is expected to decide on potential remedies to address the illegal monopoly of the largest global search provider by August. The FTC trial against the largest social media company is underway, with the first phase expected to be completed by July. This trial will determine if the largest social media company maintained its monopoly by acquiring several smaller competitors. If the Federal District Court determines that the largest social media company did maintain its monopoly by acquiring competitors, then a second trial will take place this fall to determine potential remedies, including the forced divestiture of the acquired companies. Both companies are expected to appeal potential District Court decisions to address their respective monopolies, with appeal process expected to unfold over a few years.

The Communications Services sector appears close to fairly valued, with a P/E of 18.2x the consensus analyst FY25 EPS estimate, compared to 5% earnings growth and its average forward P/E multiple of 16.7x.

# CONSUMER DISCRETIONARY



Source : Bloomberg

## Sector Performance

| 1 Month | 3 Months | YTD     | TTM    |
|---------|----------|---------|--------|
| -0.34%  | -17.86%  | -14.26% | 10.51% |

## S&P 500 Performance

| 1 Month | 3 Months | YTD    | TTM    |
|---------|----------|--------|--------|
| -0.76%  | -7.81%   | -5.31% | 10.59% |

## Company Performance 1 Month

| Leaders  | Company               | 1 Month |
|----------|-----------------------|---------|
|          | Domino's Pizza Inc    | 16.8%   |
|          | Booking Holdings Inc  | 10.7%   |
|          | Tesla Inc             | 8.9%    |
|          | Ross Stores Inc       | 8.8%    |
|          | Caesars Entertainment | 8.2%    |
| Laggards | Starbucks Corp        | -18.4%  |
|          | CarMax Inc            | -17.0%  |
|          | Norwegian Cruise Line | -15.5%  |
|          | Garmin Ltd            | -13.9%  |
|          | NIKE Inc              | -11.2%  |

## Consensus FY EPS / P/E

| Last Year | Current Year | Next Year |
|-----------|--------------|-----------|
| \$59.85   | \$59.31      | \$68.00   |
| 26.2x     | 26.5x        | 23.1x     |

## Sector Update

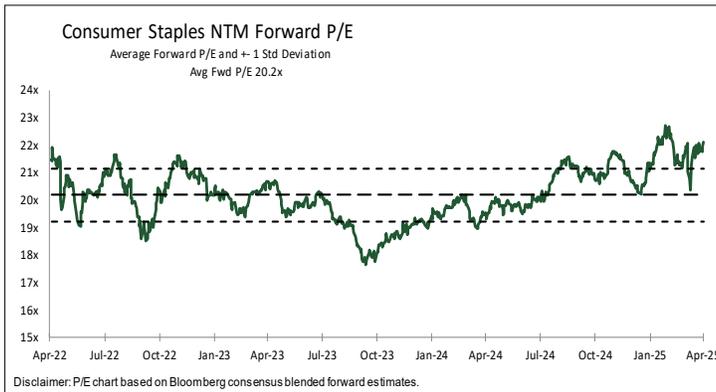
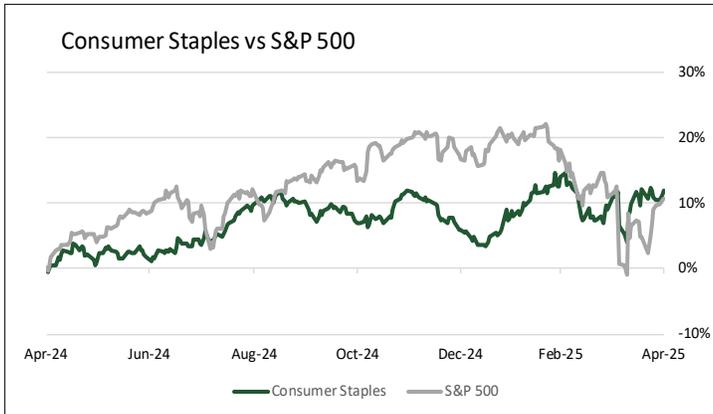
Although down for the month, the Consumer Discretionary sector slightly outperformed the broader market in April fueled by relative strength in the Automobiles subsector. Rising tariff concerns including fears of higher prices appear to have depressed consumer sentiment and influenced consumer behavior shifts during the month. The automotive industry, in particular, has been a target for punitive tariffs which may have spurred a jump in auto demand in April. Among Consumer Discretionary subsectors, the strongest performance in the month was seen in the Automobiles group distantly followed by Leisure Products. The greatest declines were seen in the Textiles, Apparel & Luxury Goods group and Distributors. Although the Consumer Discretionary sector was slightly ahead of the S&P 500 for the month, it has underperformed the index on a three months, year-to-date, and trailing twelve months basis, as reflected in the accompanying chart.

Consumer sentiment in April reported by the University of Michigan fell for the fourth month in a row to 52.2 representing the weakest sentiment level in 32 months. With the administration pursuing aggressive trade policies including wide ranging tariffs, year ahead inflation expectations have surged to 6.5% with consumers fearful of potentially higher prices. University of Michigan Survey Director, Joanne Hsu, commented on the report indicating: "While this month's deterioration was particularly strong for middle-income families, expectations worsened for vast swaths of the population across age, education, income, and political affiliation. Consumers perceived risks to multiple aspects of the economy, in large part due to ongoing uncertainty around trade policy and the potential for a resurgence of inflation looming ahead."

March retail sales advanced 1.4% versus February which was the biggest gain in over two years. On a year-over-year basis, retail sales increased 4.6%. With consumers concerned about the potential for future price inflation linked to tariffs, sales appear to have been pulled forward in the month. Particular strength was seen in autos and auto parts which increased 5.3% versus the prior month. Core retail sales, which excludes autos and gasoline, jumped 0.8% which was above consensus forecasts. Another factor, besides tariffs, that may have benefited March sales was better weather which may have supported solid growth seen in categories such as garden supplies and sporting goods. Although the growth in the March sales report is encouraging, to the extent that front loading of sales has occurred, this could put pressure eventually on future monthly retail sales reports.

Existing home sales in March dropped to a six month low posting the biggest drop since November 2022 according to the National Association of Realtors. Sales of existing homes dropped 5.9% in March versus February to a seasonally adjusted rate of 4.02 million. On a year-over-year basis, sales declined by 1.4%. The association indicated that housing activity remained sluggish as affordability challenges associated with high mortgage rates impacted the market. The median price of an existing home in March was \$403,700 which was up 2.7% versus last year.

# CONSUMER STAPLES



Source : Bloomberg

## Sector Performance

| 1 Month | 3 Months | YTD   | TTM    |
|---------|----------|-------|--------|
| 1.08%   | 3.75%    | 5.70% | 12.02% |

## S&P 500 Performance

| 1 Month | 3 Months | YTD    | TTM    |
|---------|----------|--------|--------|
| -0.76%  | -7.81%   | -5.31% | 10.59% |

## Company Performance 1 Month

| Leaders  |                        | 1 Month |
|----------|------------------------|---------|
|          | Walmart Inc            | 10.8%   |
|          | Dollar Tree Inc        | 8.9%    |
|          | Philip Morris Int.     | 8.0%    |
|          | Kroger Co/The          | 6.7%    |
|          | Dollar General Corp    | 6.6%    |
| Laggards |                        |         |
|          | Church & Dwight Co Inc | -9.8%   |
|          | PepsiCo Inc            | -9.6%   |
|          | Estee Lauder Cos Inc   | -9.2%   |
|          | Campbell's Company     | -8.7%   |
|          | Conagra Brands Inc     | -7.3%   |

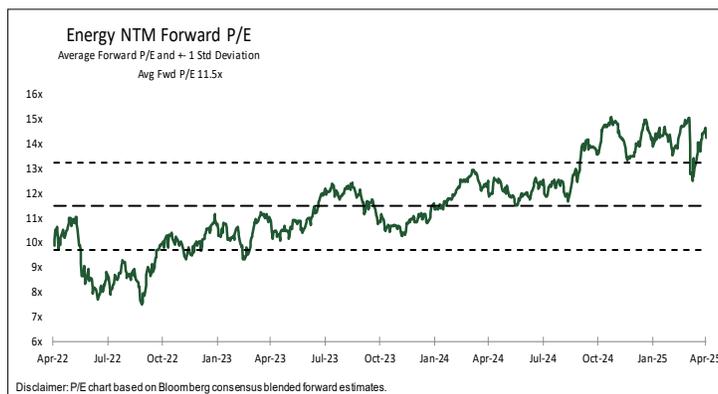
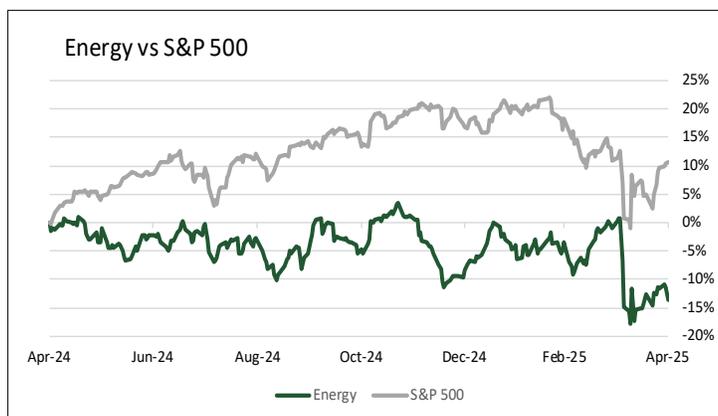
## Consensus FY EPS / P/E

| Last Year | Current Year | Next Year |
|-----------|--------------|-----------|
| \$39.85   | \$39.61      | \$42.42   |
| 22.6x     | 22.8x        | 21.3x     |

## Sector Update

The Consumer Staples sector increased 1.08% on average in April and outperformed the S&P 500 Index that declined by 0.76%. YTD, the Consumer Staples sector recorded a strong performance increasing 5.7% and well outperforming the S&P 500 Index that decreased 5.31%. The Consumer Staples segment trades with a forward P/E of about 22.8x as compared with its average forward P/E of 20.2x. As companies report quarterly results and outline expectations for FY25, a key question centers on what has happened to the domestic consumer. In recent months, consumers have pulled back on purchases across many categories including basic food, beverage and household items with only some trade down to private label options. Category growth slowed from January into February/March in the US and volumes were weaker than companies forecast at the start of the year. Sales and traffic in the convenience store channel weakened further in February and March while e-commerce and mass remain preferred channels. Retailers further reduced inventory levels especially in the center of the store likely in response to lower-than-expected consumption and to manage cash flow. Given slowing growth, the potential for a step-up in promotions across categories rises. Many companies highlighted challenges including a weakening economy, higher cost pressures, (ie tariff costs) and slower category growth. Focus across the sector centers on consumer behavior including channel shopping shifts, changing consumption patterns, trend toward GLP-1 use, potentially increased regulations by RFK on processed foods, artificial colors and synthetic dyes, and uncertainty about SNAP payments. Ingredient companies remain well positioned to work with customers to navigate potentially heightened restrictions through leveraging vast global networks and innovation strength. We continue to advise a selective investment among the Consumer staples stocks and a market weighting remains preferred.

The Tobacco sector remains a strong performer year-to-date rising 33% and well outperforming other sectors. Momentum continues with contribution from strong pricing for combustibles and continued growth for smoke-free products. Tobacco companies remain committed to returning value to shareholders, generating strong cash flow and supporting attractive dividend yields. As reported by the USDA, planting for corn was 40% as of Sunday, May 4th and 5pp ahead of 35% last year and 1pp ahead of the 5-year average. For the domestic soybean crop, an estimated 30% of the acreage has been planted that is 6pp ahead of 24% at this point last year and 7pp ahead of the 5-year average of 23%. As reported in the latest USDA's March Prospective Planting report, US farmers will plant 95.3 million acres of corn up 5% vs 2024 and more than 1 million acres greater than estimates. If realized, planted corn acres would be the third highest since 1944 and the highest since 2013. Potentially lower corn prices should be a positive for lower grain feed costs for protein growers. US farmers are expected to plant 83.5 million acres of soybeans (down 4% vs last year) and 45.4 million acres of wheat vs last year (down 2%). Given attractive valuations and the need for top-line growth, we continue to expect heightened M&A activity in 2025, but activity remains lower than expected as companies await greater clarity.



Source : Bloomberg

## Sector Performance

| 1 Month | 3 Months | YTD    | TTM     |
|---------|----------|--------|---------|
| -13.73% | -7.56%   | -5.71% | -13.63% |

## S&P 500 Performance

| 1 Month | 3 Months | YTD    | TTM    |
|---------|----------|--------|--------|
| -0.76%  | -7.81%   | -5.31% | 10.59% |

## Company Performance 1 Month

| Leaders  | Company                 | 1 Month |
|----------|-------------------------|---------|
|          | Williams Cos Inc/The    | -2.0%   |
|          | Texas Pacific Land Corp | -2.7%   |
|          | Marathon Petroleum      | -5.7%   |
|          | Expand Energy Corp      | -6.7%   |
|          | EQT Corp                | -7.5%   |
| Laggards | APA Corp                | -26.1%  |
|          | Halliburton Co          | -21.9%  |
|          | Schlumberger NV         | -20.5%  |
|          | Occidental Petroleum    | -20.2%  |
|          | Baker Hughes Co         | -19.5%  |

## Consensus FY EPS / P/E

| Last Year | Current Year | Next Year |
|-----------|--------------|-----------|
| \$44.85   | \$40.98      | \$48.23   |
| 13.8x     | 15.1x        | 12.8x     |

## Sector Update

The Energy sector was the worst performing sector in April within the S&P 500. The sector has also underperformed the broader market for the past 12-months and YTD periods while slightly outperforming on a 3-months basis. With peace talks seemingly coming to a standstill in the Ukraine-Russia war and tensions escalating drastically in the Middle East, the macro environment continues to be challenging as the sector now has experienced two years of significant relative underperformance. Against this backdrop, the Oil, Gas, & Consumable Fuels subsector outperformed the Energy Equipment & Services subsector during the month.

OPEC cut its forecasts for global oil demand growth slightly to 1.30 million barrels per day (bpd) for 2025 and 1.28 million bpd for 2026, citing the impact of data received for the first quarter and trade tariffs announced by the U.S. The report provided some commentary saying that “recent trade-related dynamics have introduced higher uncertainty to the short-term global economic growth outlook.” Towards the end of the month, into May, OPEC+ decided to accelerate oil output hikes that could bring back as much as 2.2 million bpd by November.

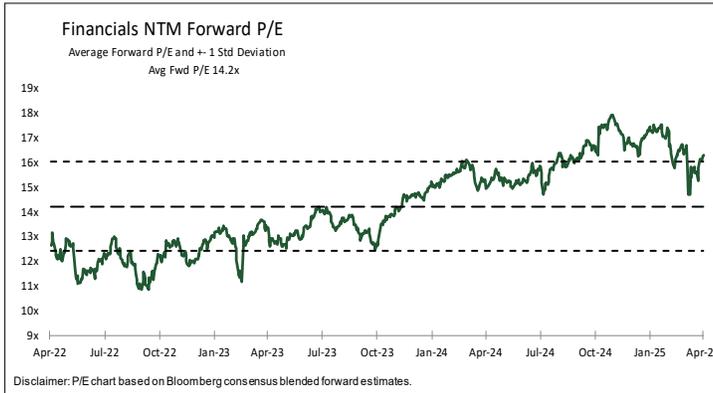
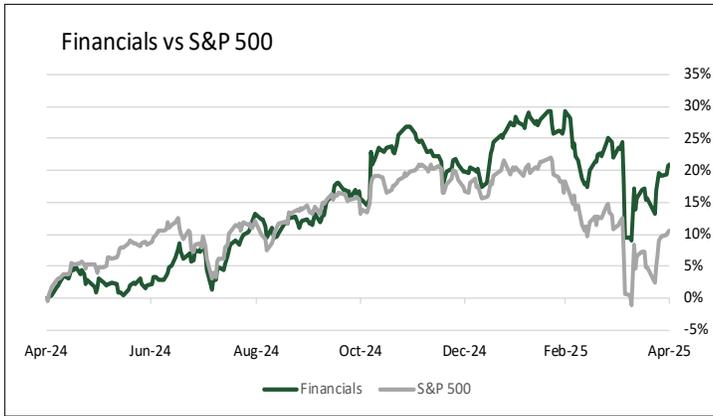
The International Energy Agency (IEA) also cut its 2025 oil demand growth forecast by 300,000 to 730,000 bpd. The IEA provided additional commentary on the macroeconomic landscape saying that “the deteriorating outlook for the global economy amid the sudden sharp escalation in trade tensions in early April has prompted a downgrade to our forecast for oil demand growth this year.” The agency attributes roughly half of the downgrade to conditions in the U.S. and China, with most of the remainder in trade-oriented Asian economies.

Near the end of the month, President Trump said that any country or person that buys oil or petrochemicals from Iran will not be allowed to do any business with the U.S. In February, the president ordered a “maximum pressure” campaign against Iran aiming to stop the Republic’s oil exports. We note that China imports one million+ barrels per day from Iran, so secondary sanctions against Iran may be aiming to further pressure China.

West Texas Intermediate (WTI) crude oil prices significantly decreased to \$58.21 at the end of the month from the \$71.48 level seen last month. Natural gas prices decreased to \$3.33 from \$4.12 mmbtu last month. Retail gasoline prices decreased slightly to ~\$3.15 from the ~\$3.26 per gallon figure a month ago.

The Baker Hughes oil rig count decreased to 584 in the month from the 593-level last month. For the week ending May 2, U.S. crude oil inventories came in at 438.4 million barrels, which is ~7% below the five-year average for this time of year and compares to last month’s 430.2 million barrels. Following the downturn seen during the height of the pandemic in 2020, U.S. crude oil production has been in an uptrend, which continued during 2024 and into 2025. The trough daily production seen in 2020 was in the 9.7 million barrels per day range and has now rebounded to a range of ~13.1 million barrels per day.

# FINANCIALS



Source : Bloomberg

## Sector Performance

| 1 Month | 3 Months | YTD   | TTM    |
|---------|----------|-------|--------|
| -2.21%  | -5.23%   | 0.83% | 20.86% |

## S&P 500 Performance

| 1 Month | 3 Months | YTD    | TTM    |
|---------|----------|--------|--------|
| -0.76%  | -7.81%   | -5.31% | 10.59% |

## Company Performance 1 Month

| Leaders  | Company              | 1 Month |
|----------|----------------------|---------|
|          | Discover Financial   | 7.0%    |
|          | Fidelity National    | 5.6%    |
|          | CME Group Inc        | 4.4%    |
|          | Charles Schwab Corp/ | 4.0%    |
|          | MarketAxess Holdings | 2.4%    |
| Laggards |                      |         |
|          | Global Payments Inc  | -22.1%  |
|          | Fiserv Inc           | -16.4%  |
|          | Erie Indemnity Co    | -14.4%  |
|          | Principal Financial  | -12.1%  |
|          | Aon PLC              | -11.1%  |

## Consensus FY EPS / P/E

| Last Year | Current Year | Next Year |
|-----------|--------------|-----------|
| \$46.97   | \$48.35      | \$53.00   |
| 17.3x     | 16.8x        | 15.3x     |

## Sector Update

The Financials sector declined 2.2% in April, underperforming the 0.8% pullback in the S&P 500® index against a backdrop of significant volatility following President Trump's 'Liberation Day' tariff announcements. Reported drawdowns in April do little to reflect the 12.5% and 12.1% peak-to-trough declines seen in the first half of the month in the Financials sector and broader market index, respectively. Financials' cyclical leverage appeared to be a primary driver of underperformance in the period as investor, consumer, and business sentiment weakened in the wake of trade-related uncertainty and heightened perceptions of downside risk to economic growth.

The first quarter earnings season began mid-month, with mega-cap bank results and guidance effectively stabilizing the market. Management commentary across the sector indicated that uncertainty could remain a drag on conversion of loan and capital markets pipelines; however, key indicators in credit performance, underlying economic growth, consumer spending, and labor market conditions remain solid.

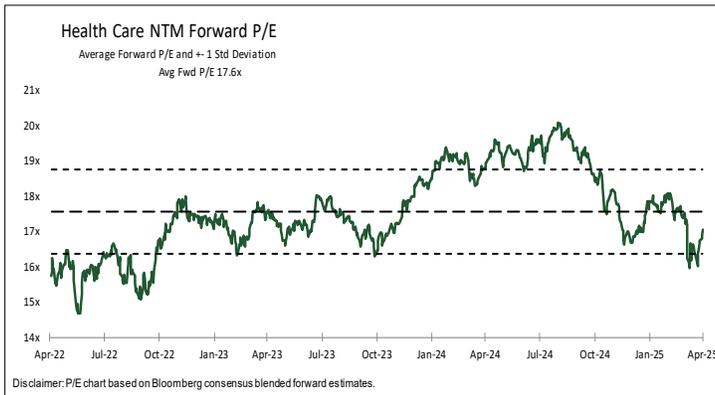
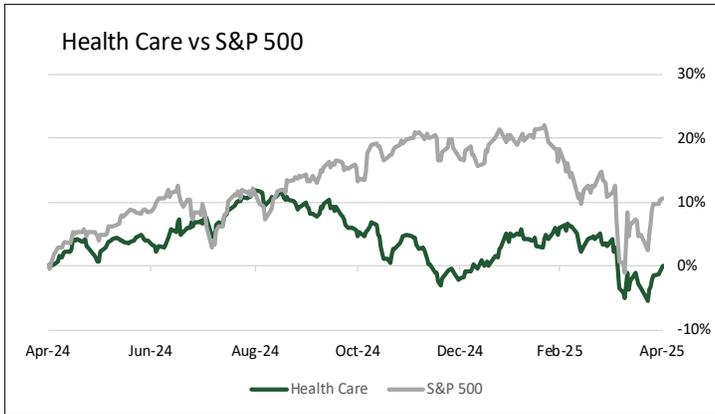
Subsector performance was led by the Consumer Finance group, up 0.5% in April, while the Insurance subsector declined 5.3% in the same period. Banks fell 2.6% and the Capital Markets subsector retrenched 1.3% in the month.

Despite its weak performance in March and April, the Financials sector has outpaced the broader market index in the past three- and twelve-month periods. The sector's ten percentage point outperformance relative to the S&P in the past twelve months largely reflects gains from the post-election period that baked-in a prospective pro-growth agenda with lower interest rates and industry regulations, paired with relaxed risk pricing based on prior credit spread and volatility measures.

Although the probability of recession or stagflation appeared to increase in the past sixty days, aforementioned risk measures have normalized toward longer-term averages and financials sector deregulation initiatives remain in play. Known bank policy dove Michelle Bowman's nomination as Vice Chair of Supervision for the Federal Reserve and large Financial M&A underscore a meaningful pivot in regulatory stance. Discover Financial (DFS) was the leading Financial stock in April after its merger with Capital One (COF) received all necessary approvals—a deal that seemed unlikely to pass regulatory scrutiny under the prior administration.

Following recent appreciation from post-Liberation Day lows, the sector appears to face a more balanced risk and reward profile, particularly given a forward P/E of 16.8x compared to a three-year average 14.2x.

# HEALTH CARE



Source : Bloomberg

## Sector Performance

| 1 Month | 3 Months | YTD   | TTM   |
|---------|----------|-------|-------|
| -3.83%  | -4.31%   | 2.01% | 0.16% |

## S&P 500 Performance

| 1 Month | 3 Months | YTD    | TTM    |
|---------|----------|--------|--------|
| -0.76%  | -7.81%   | -5.31% | 10.59% |

## Company Performance 1 Month

| Leaders  | Company                  | 1 Month |
|----------|--------------------------|---------|
|          | Align Technology Inc     | 9.1%    |
|          | Eli Lilly & Co           | 8.8%    |
|          | McKesson Corp            | 5.9%    |
|          | ResMed Inc               | 5.7%    |
|          | Quest Diagnostics Inc    | 5.3%    |
| Laggards | UnitedHealth Group Inc   | -21.4%  |
|          | Charles River Lab.       | -21.2%  |
|          | Bristol-Myers Squibb Co  | -17.7%  |
|          | Bio-Techne Corp          | -14.1%  |
|          | Thermo Fisher Scientific | -13.8%  |

## Consensus FY EPS / P/E

| Last Year | Current Year | Next Year |
|-----------|--------------|-----------|
| \$81.22   | \$93.29      | \$102.39  |
| 20.2x     | 17.5x        | 16.0x     |

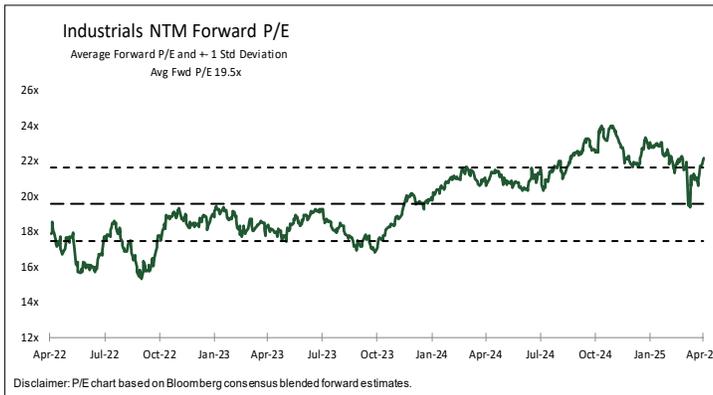
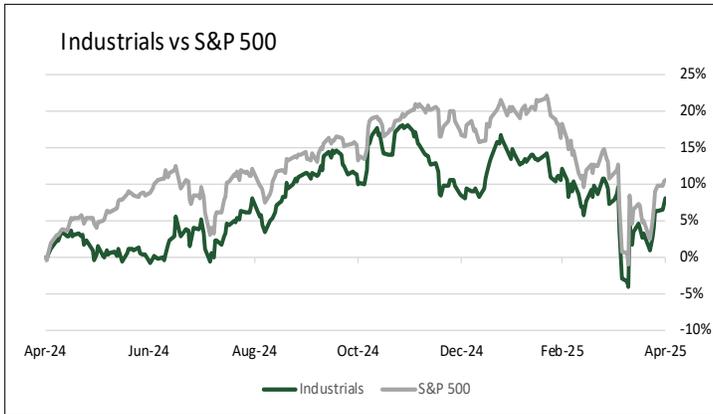
## Sector Update

The Health Care sector's 3.83% decline underperformed the 0.76% decline in the S&P 500 in April. Health Care is now the third-best performing sector in the S&P 500 year-to-date, following only the Consumer Staples sector and the Utilities sector. Health Care benefited from a defensive tilt that emerged in the market following an increase in economic uncertainty at the start of the year, although this trend began to reverse in April. Concerns over potential policy changes, including pharmaceutical tariffs that the current presidential administration has threatened to levy at higher rates than other goods, may have weighed on sentiment. Meanwhile, higher interest rates may have impacted Biotech stocks' performance during the month given Biotech's reliance on funding.

While the Presidential administration has not yet finalized pharmaceutical tariff rates, President Trump claimed that he will announce new tariffs on pharmaceutical imports in mid-May. Since taking office in January, President Trump has announced sweeping tariffs on U.S. trading partners, yet the president had exempted pharmaceuticals. While this exemption may have been initially met with relief, the uncertainty surrounding a potential announcement from the current administration has increased uncertainty in the sector. The President has not specified which countries or products might be targeted, although this policy initiative appears to have spurred significant manufacturing onshoring efforts from numerous pharmaceutical companies. President Trump also signed an executive order eliminating the 'pill penalty' during the middle of April. This order directs the HHS to work with Congress to modify the Inflation Reduction Act, which previously treated traditional drugs differently from biologic drugs. Previously, traditional drugs were eligible for government price caps in Medicare after 9 years on the market. Meanwhile, Biologic drugs were not eligible for government price caps for 13 years. While President Trump's executive order has not yet been implemented, this potential change may pressure biopharmaceutical firms to reevaluate pipeline investments.

The Biotechnology, Equipment & Supplies, Life Sciences Tools, and Providers & Services subsectors each reported declines during April. The Health Care sector trades at a forward P/E ratio of 17.5x 2025 earnings, which is slightly below the historical average of 17.6x.

# INDUSTRIALS



Source : Bloomberg

## Sector Performance

| 1 Month | 3 Months | YTD    | TTM   |
|---------|----------|--------|-------|
| 0.15%   | -5.12%   | -0.38% | 8.10% |

## S&P 500 Performance

| 1 Month | 3 Months | YTD    | TTM    |
|---------|----------|--------|--------|
| -0.76%  | -7.81%   | -5.31% | 10.59% |

## Company Performance 1 Month

| Leaders  | Company                | 1 Month |
|----------|------------------------|---------|
|          | GE Vernova Inc         | 21.5%   |
|          | Axon Enterprise Inc    | 16.6%   |
|          | Quanta Services Inc    | 15.2%   |
|          | Trane Technologies PLC | 13.8%   |
|          | Huntington Ingalls     | 12.9%   |
| Laggards | Stanley Black & Decker | -21.9%  |
|          | Southwest Airlines Co  | -16.7%  |
|          | FedEx Corp             | -13.7%  |
|          | United Parcel Service  | -13.4%  |
|          | CH Robinson            | -12.9%  |

## Consensus FY EPS / P/E

| Last Year | Current Year | Next Year |
|-----------|--------------|-----------|
| \$45.32   | \$47.86      | \$54.83   |
| 24.5x     | 23.2x        | 20.3x     |

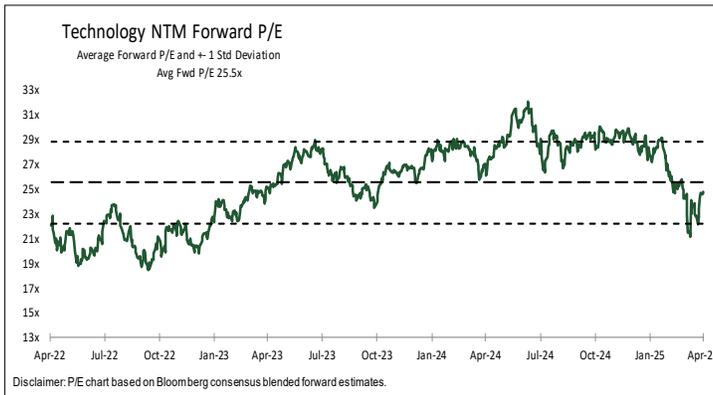
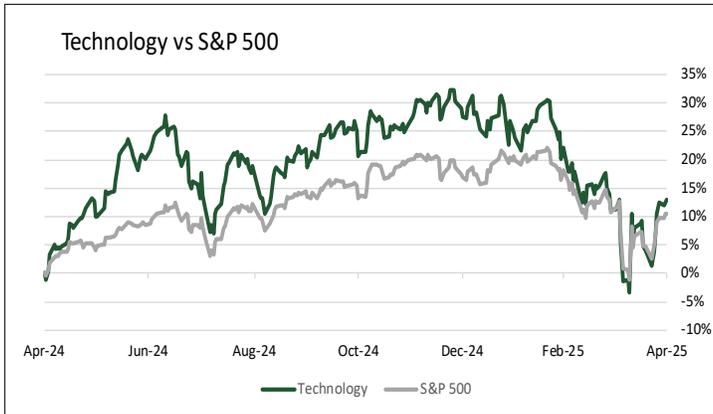
## Sector Update

The Industrials sector outperformed the S&P 500 on a one month, 3 month, and YTD basis, yet has underperformed the broader market over the past twelve months. Overall, the Industrials sector reported a 0.15% gain compared to a 0.76% decline from the S&P 500. Seven of the 12 Industrials subsectors reported gains during the month, led by Construction & Engineering with a 15.2% gain and Electrical Equipment with a 6.8% gain. Air Freight & Logistics was the standout laggard within the group as the subsector declined 12.9%, possibly due to rising trade tensions and new tariffs.

Following 26 consecutive months of contraction, the Institute for Supply Management's Purchasing Managers Manufacturing Index (PMI) registered two consecutive months of expansion in January and February. In March, the index returned to contraction with a reading of 49%. In April, economic activity in the manufacturing sector contracted for the second month in a row. April's reading of 48.7% came in 0.3% lower compared to last month's reading of 49%. The overall economy continued in expansion for the 60th month after one month of contraction in April 2020. The New Orders Index remained in contraction territory for the third month in a row following a three-month period of expansion. The New Orders Index reading of 47.2% came in 2% higher than the 45.2% recorded in March. Overall, demand and output weakened during the month while input strengthened further. The eleven industries that registered growth in the month were Apparel, Leather & Allied Products, Petroleum & Coal Products, Plastics & Rubber Products, Electrical Equipment, Appliances & Components, Textile Mills, Computer & Electronic Products, Nonmetallic Mineral Products, Miscellaneous Manufacturing, Machinery, Chemical Products, and Primary Metals.

The Industrials subsectors that registered gains during May included Construction & Engineering, Aerospace & Defense, Trading Companies & Distributors, Electrical Equipment, Building Products, and Commercial Services & Supplies. The Industrials Sector is trading at a forward P/E ratio of 23.2x FY2025 earnings, exceeding its three-year average of approximately 19.5x.

# INFORMATION TECHNOLOGY



Source : Bloomberg

## Sector Update

The Technology sector outperformed the market in April driven by the performance of the Semiconductors & Semiconductor Equipment, Software, and Electronic Equipment, Instruments & Components sub-sectors.

The Trump Administration's announcement of significant tariffs on imports from most of the United States global trading partners on April 2 contributed to the significant decline in the stock market and bond market volatility went up. The market began to recover on April 10 after President Trump suspended most tariffs for three months, with the exception of China. The U.S. has a 145% tariff on imports from China and China has a 125% tariff on imports from the U.S.

The Semiconductors & Semiconductor Equipment sector declined significantly in the first half of April when President Trump announced tariffs on U.S. trading partners and remained under pressure when the U.S. and China continued to escalate tariffs. However, investors became more favorably inclined toward semiconductor stocks when the U.S. and China began exempting certain industry sectors from tariffs. China excludes semiconductor imports from Taiwan and most semiconductor imports from the U.S. from tariffs, since China's leading auto manufacturers and industrial companies rely on U.S. semiconductors. The United States temporarily exempted semiconductor, PC, and smartphone imports from China and Taiwan from U.S. tariffs.

The U.S. government could place new restrictions on U.S. semiconductor company exports of high performance semiconductors in May. The new U.S. policy might allow the sale of high performance chips to our closest allies but could require that U.S. semiconductor companies obtain U.S. government approval for the sale of chips to restricted countries. There is potential risk that new U.S. government restrictions could impact demand for high performance semiconductors.

Leading enterprise software companies reported better than expected results, which contributed to the Software sub-sector significantly outperforming the market in April. While global enterprise demand for software applications, including generative AI agents remains healthy, corporations could moderate their IT spending if the global macro-economic environment deteriorates due the impact of tariffs.

The Technology sector appears close to fairly valued, with a P/E of 25.8x the consensus analyst FY25 EPS estimate, compared to 18% earnings growth, and its average forward P/E of 25.5x.

### Sector Performance

| 1 Month | 3 Months | YTD     | TTM    |
|---------|----------|---------|--------|
| 1.58%   | -8.73%   | -11.41% | 13.04% |

### S&P 500 Performance

| 1 Month | 3 Months | YTD    | TTM    |
|---------|----------|--------|--------|
| -0.76%  | -7.81%   | -5.31% | 10.59% |

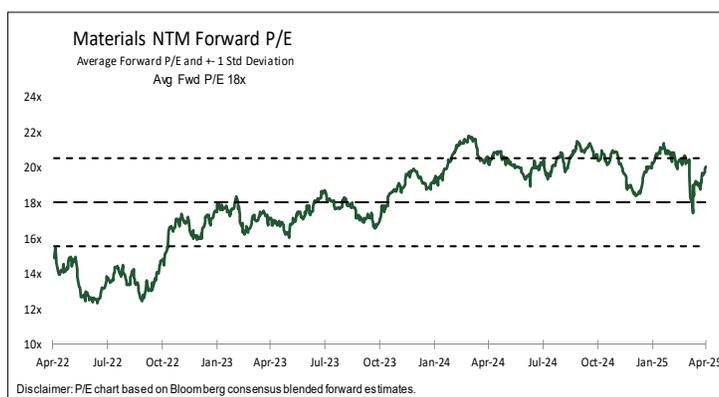
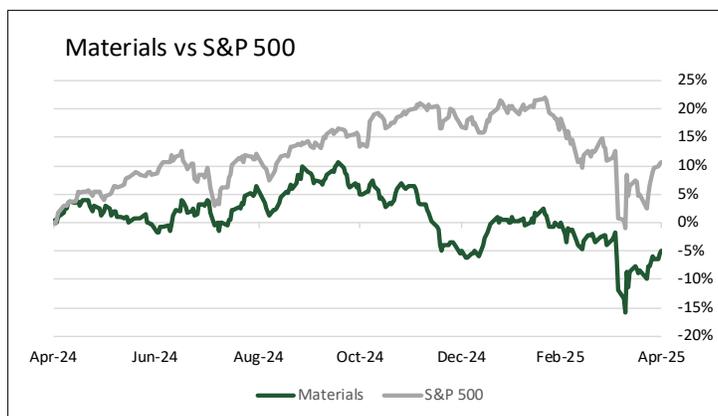
### Company Performance

| Leaders  | Company               | 1 Month |
|----------|-----------------------|---------|
|          | Palantir Technologies | 40.3%   |
|          | CrowdStrike Holdings  | 21.6%   |
|          | ServiceNow Inc        | 20.0%   |
|          | Amphenol Corp         | 17.3%   |
|          | Cadence Design        | 17.1%   |
| Laggards | Enphase Energy Inc    | -28.1%  |
|          | Intel Corp            | -11.5%  |
|          | Micron Technology Inc | -11.4%  |
|          | Zebra Technologies    | -11.4%  |
|          | Texas Instruments Inc | -10.9%  |

### Consensus FY EPS / P/E

| Last Year | Current Year | Next Year |
|-----------|--------------|-----------|
| \$134.54  | \$158.46     | \$182.06  |
| 30.4x     | 25.8x        | 22.4x     |

# MATERIALS



Source : Bloomberg

## Sector Performance

| 1 Month | 3 Months | YTD   | TTM    |
|---------|----------|-------|--------|
| -2.24%  | -5.22%   | 0.02% | -5.07% |

## S&P 500 Performance

| 1 Month | 3 Months | YTD    | TTM    |
|---------|----------|--------|--------|
| -0.76%  | -7.81%   | -5.31% | 10.59% |

## Company Performance 1 Month

| Leaders  | Company                | 1 Month |
|----------|------------------------|---------|
|          | Mosaic Co/The          | 12.6%   |
|          | Vulcan Materials Co    | 12.4%   |
|          | Martin Marietta        | 9.6%    |
|          | Newmont Corp           | 9.1%    |
|          | Steel Dynamics Inc     | 3.7%    |
| Laggards |                        |         |
|          | Albemarle Corp         | -18.7%  |
|          | LyondellBasell Ind.    | -17.3%  |
|          | International Paper Co | -14.4%  |
|          | Eastman Chemical Co    | -12.6%  |
|          | Dow Inc                | -12.4%  |

## Consensus FY EPS / P/E

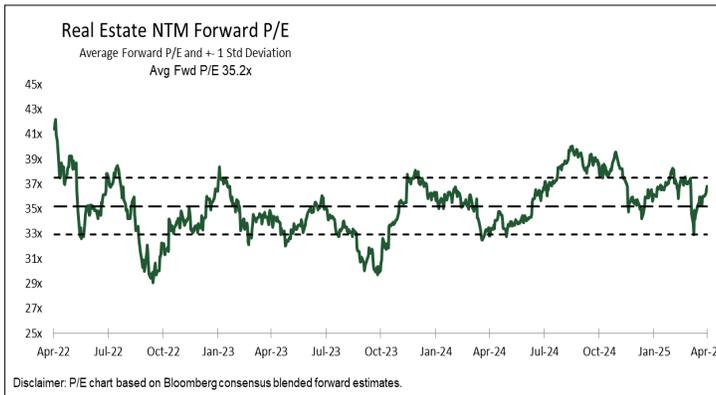
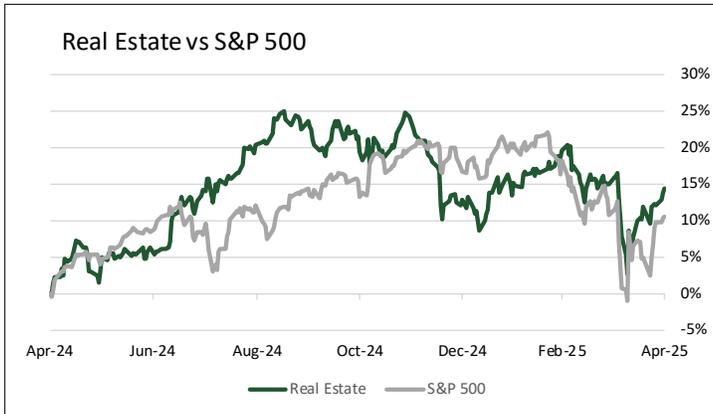
| Last Year | Current Year | Next Year |
|-----------|--------------|-----------|
| \$24.69   | \$25.10      | \$29.12   |
| 21.5x     | 21.1x        | 18.2x     |

## Sector Update

The Materials sector declined 2.24% in April and outperformed the 0.76% decrease for the S&P 500 Index. YTD, the Materials sector increased 0.02% and well outperformed the S&P 500 Index that decreased 5.31%. The Materials segment trades with an average forward P/E of about 21.1x vs its historical valuation range of 18x. The Construction Materials segment was the strongest for April rising 11.1% supported by strength for aggregate companies while the Metals & Mining segment was strongest year-to-date rising 12.4%. Investor interest in gold stocks remains favorable given increasing concerns regarding tariffs and heightened uncertainty and the flight to safety. Interest remains high for copper as given expected slower global growth and expectations of buying ahead of tariffs. Customers are shifting buying patterns with some purchasing inventory ahead of potential price increases due to tariffs. Aggregate companies reported a strong start to the year supported by public sector trends and pricing power. Focus remains to optimize networks, to improve costs, to reduce cap ex and to enhance financial flexibility. Housing starts dropped 11% in March and missed the consensus as consumers continue to face higher rates and prices. Permits also moved lower in the month as builders delay projects to manage inventory levels. Both trends do not look like they reversed in April. Both rate cuts by the Fed and a decline in home prices are needed to deliver more affordable homes for potential buyers. Agriculture companies are also caught up in tariffs, global trade volatility and uncertain customer demand. There have been reports of slowed shipments of grains, vegetable oils and other farm products. The near-term oversupply of grains domestically weighs on pricing that pressures ag companies, but is favorable for protein growers. Entering the key growing, harvesting and selling season for the domestic agriculture sector, the timing for any of the Trump administrations' trade negotiations remains extremely relevant.

Commentary regarding tariff disruption, costs and end market demand remained in focus during recent earnings updates. With Q1 results complete, customer behavior and demand changes remain relevant especially for such groups as autos, building, appliances, electronics etc. 2H results remain subject to tariffs and potential resolution and timing, global trade, pricing and customer and end market demand. Companies are raising prices to pass through the higher tariff cost impact. Building companies face near-term order disruption and focus on managing margins, balance sheets and cash flow generation. Lithium companies estimate that worldwide lithium demand should double from 2024 to 2030 driven primarily by growth for grid storage and EV demand. Importantly, lithium supply is expected to remain in balance given the announced curtailment of several expansion projects. It is estimated that about 40% of global lithium production is at or less than breakeven operating metrics. Only about 1/3 of that production has shut down. 2025 Global EV demand is currently up 34% vs the prior year led by China (represents 60% of global EV sales). More rational lithium production/supply should support a more balanced supply/demand dynamic and improved pricing as the year progresses. During Q1, lithium prices began to stabilize through the quarter.

# REAL ESTATE



Source : Bloomberg

## Sector Performance

| 1 Month | 3 Months | YTD   | TTM    |
|---------|----------|-------|--------|
| -1.34%  | -0.38%   | 1.35% | 14.38% |

## S&P 500 Performance

| 1 Month | 3 Months | YTD    | TTM    |
|---------|----------|--------|--------|
| -0.76%  | -7.81%   | -5.31% | 10.59% |

## Company Performance

| Leaders                  |  | 1 Month |
|--------------------------|--|---------|
| Digital Realty Trust Inc |  | 12.0%   |
| SBA Communications       |  | 10.6%   |
| Equinix Inc              |  | 5.6%    |
| Iron Mountain Inc        |  | 4.2%    |
| American Tower Corp      |  | 3.6%    |
| Laggards                 |  |         |
| Alexandria Real Estate   |  | -21.5%  |
| Healthpeak Properties    |  | -11.8%  |
| Weyerhaeuser Co          |  | -11.5%  |
| Essex Property Trust Inc |  | -8.9%   |
| Prologis Inc             |  | -8.6%   |

## Consensus FY EPS / P/E

| Last Year | Current Year | Next Year |
|-----------|--------------|-----------|
| \$12.97   | \$13.06      | \$14.03   |
| 20.0x     | 19.9x        | 18.5x     |

## Sector Update

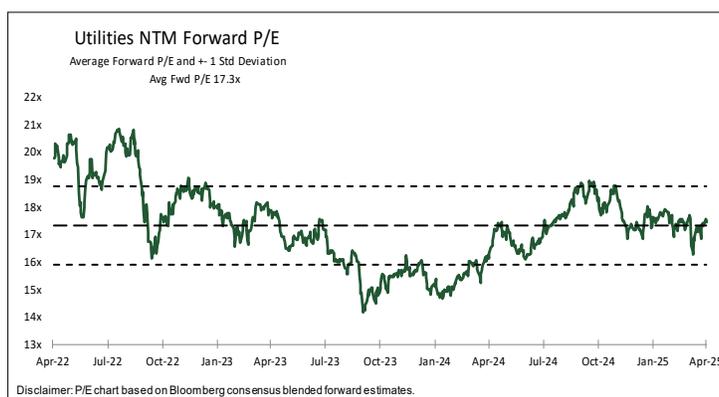
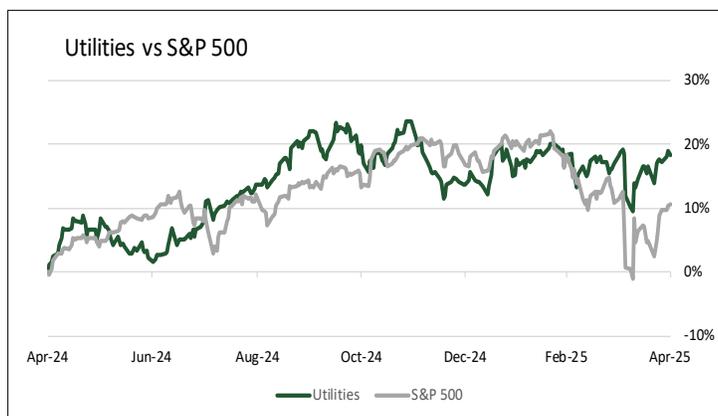
Volatile markets, threats of potential new tariffs, and rising interest rates created challenging conditions for investors in April. The Real Estate sector underperformed, retrenching 1.34% on the month, in contrast to the S&P 500 that largely recovered to end the period down a modest 0.76%. Still, on a quarterly, year to date, and trailing 12 month basis, Real Estate has outperformed as depicted in the adjacent graphics. And, although the sector lagged in April, performance was bifurcated with select issues experiencing measurable gains in contrast to others that were under considerable pressure.

The key drivers for those stocks outperforming in April were tied to presence in the digital/data center aspect of real estate along with companies reporting better than forecast operating results and solid guidance going forward. That is, after lagging through much of the 1Q2025 as concerns over the rollout of DeepSeek AI solutions from China drove unrest over possible demand for data centers in the U.S., Digital Realty, SBA Communication, Equinix and Iron Mountain all reported upside 1Q2025 operating results and reiterated views pointing to sustained robust demand from their digital data center business.

In contrast, among laggards in the Real Estate sector, fallout associated with tariffs and/or a weakening U.S. economy appear to be the common threads. Both Alexandria Real Estate and HealthPeak possess substantial exposure to the life sciences subsegment within healthcare REITs. Here, new capacity has come on stream with lease ups being slow to develop, while proposed funding cuts to federal NIH research funding grants/budget created an overhang on the issues. In a somewhat similar situation, Weyerhaeuser shares lagged as uncertain U.S. economic conditions arose with proposed new import tariffs along with rising interest rates that combine to threaten demand for lumber related products. And, Essex Property shares backed off as management suggested new apartment capacity on the West Coast could limit FFO gains in 2025. Thus, after reporting upside 1Q2025 operating results, management did not raise fiscal 2025 guidance that likely influenced the downside move in the shares.

Although concerns that have weighed on the data center subsegment appear to have abated, heightened fears of stagflation during the current economic soft patch have influenced 2025 earnings/FFO guidance from real estate segments having greater exposure to life sciences, retailing, lodging and other subsectors within Real Estate. We sense that near term equity market volatility will likely persist related to uncertainty on tariff policy from the Trump Administration. We continue to view future returns for the Real Estate sector likely to remain closely tied to interest rates and growth prospects for the U.S. economy. Ultimately, the Federal Reserve is widely anticipated to move the funds rate lower, while potential tariffs are viewed as a one-time tax that does not recur suggesting the outlook could improve over the intermediate term that would be supportive of bond proxy investments including Real Estate. As such, we remain constructive on the intermediate term return potential for the sector, acknowledging that volatility could likely persist near term.

# UTILITIES



Source : Bloomberg

## Sector Performance

| 1 Month | 3 Months | YTD   | TTM    |
|---------|----------|-------|--------|
| 0.04%   | 1.28%    | 4.17% | 18.36% |

## S&P 500 Performance

| 1 Month | 3 Months | YTD    | TTM    |
|---------|----------|--------|--------|
| -0.76%  | -7.81%   | -5.31% | 10.59% |

## Company Performance 1 Month

| Leaders                |  | 1 Month |
|------------------------|--|---------|
| NRG Energy Inc         |  | 14.8%   |
| Constellation Energy   |  | 10.8%   |
| Vistra Corp            |  | 10.4%   |
| CenterPoint Energy Inc |  | 7.0%    |
| FirstEnergy Corp       |  | 6.1%    |
| Laggards               |  |         |
| AES Corp/The           |  | -19.5%  |
| Edison International   |  | -9.2%   |
| NextEra Energy Inc     |  | -5.7%   |
| Alliant Energy Corp    |  | -5.1%   |
| Eversource Energy      |  | -4.2%   |

## Consensus FY EPS / P/E

| Last Year | Current Year | Next Year |
|-----------|--------------|-----------|
| \$20.94   | \$22.30      | \$24.38   |
| 19.1x     | 18.0x        | 16.4x     |

## Sector Update

The Utilities sector was flat in April, beating the 0.8% decline in the S&P 500® index in the same period. The sector's defensive characteristics appeared to benefit from risk-off rotation against heightened market volatility; however, the sector was not immune to widespread value destruction early in the month following President Trump's Rose Garden tariff announcement. Although the sector performed better than the S&P's 12.1% peak-to trough decline into mid-month, Utilities still backed-off 8.0% in the same period. Potential tariff impacts including higher material costs and weakening power demand from slower economic growth presented thematic headwinds in a similar vein to more cyclical sectors. Utilities have outperformed the broader market index by a wide margin on a year-to-date and trailing twelve-month basis. Subsector performance was consistent with the broader Utilities group in April, including a 0.4% pullback in Electric and 0.1% gain in Multi-Utilities.

NRG Energy (NRG), Vistra Corp (VST) and Constellation Energy (CEG) were leading stocks in the sector in April as double-digit gains represented a reversal of weak performance in the first quarter of the year. The strong monthly gains perhaps reflected perceptions of their linkage to AI infrastructure build-out as a more durable growth theme compared to broader economic uncertainty.

Arlington, VA based AES Corp (AES) was the weakest performing component in the sector by a wide margin, down 19.5% in April. AES fell sharply in the wake of tariff announcements as the firm is a global renewable power developer, facing a near-term challenge related to solar panel cost inflation given that industry's reliance on Southeast Asian manufacturing. While AES and other renewables companies have pushed to diversify supply chains and have dealt with industry specific tariffs on solar panels for several years, share price reactions clearly demonstrated weak sentiment in the month.

Companies reporting in late April and early May generally posted better than expectations including favorable weather in Q1, while management outlooks remained optimistic on data infrastructure spending and grid modernization tailwinds into the end of the decade. Against this backdrop, earnings forecasts in Electric and Multi-Utilities subsectors suggest high single-digit earnings growth in the next two years.

The Utilities sector currently trades near its historical three-year average P/E multiple of 17.3x based on FY25 earnings estimates. Given the persistence of secular growth tailwinds, the group appears reasonably valued and could be deserving of a premium valuation compared to historical trends.

## ECONOMIC CALENDAR

| <b>Date</b> | <b>Release</b>                                | <b>For</b> | <b>Prior</b> |
|-------------|---|------------|--------------|
| Date        | Release                                       | For        | Prior        |
| 5-May       | S&P Global US Services PMI - Final            | Apr        | 51.4         |
| 5-May       | ISM Services                                  | Apr        | 50.8%        |
| 6-May       | Trade Balance                                 | Mar        | -\$123.2B    |
| 7-May       | MBA Mortgage Applications Index               | 5/3        | -4.2%        |
| 7-May       | EIA Crude Oil Inventories                     | 5/3        | -2.696M      |
| 7-May       | FOMC Rate Decision                            | May        | 4.25-4.50%   |
| 7-May       | Consumer Credit                               | Mar        | -\$0.6B      |
| 8-May       | Initial Claims                                | 5/3        | 241K         |
| 8-May       | Continuing Claims                             | 5/3        | 1908K        |
| 8-May       | Productivity-Prel                             | Q1         | 1.7%         |
| 8-May       | Unit Labor Costs-Prel                         | Q1         | 2.0%         |
| 8-May       | Wholesale Inventories                         | Mar        | 0.3%         |
| 8-May       | EIA Natural Gas Inventories                   | 5/3        | +107 bcf     |
| 12-May      | Treasury Budget                               | Apr        | -\$160.5B    |
| 13-May      | Core CPI                                      | Apr        | 0.1%         |
| 13-May      | CPI   | Apr        | -0.1%        |
| 14-May      | MBA Mortgage Applications Index               | 5/10       | 11.0%        |
| 14-May      | EIA Crude Oil Inventories                     | 5/10       | -1.11M       |
| 15-May      | Continuing Claims                             | 5/10       | NA           |
| 15-May      | Core PPI                                      | Apr        | NA           |
| 15-May      | Empire State Manufacturing                    | May        | NA           |
| 15-May      | Initial Claims                                | 5/10       | NA           |
| 15-May      | Philadelphia Fed Index                        | May        | NA           |
| 15-May      | PPI   | Apr        | NA           |
| 15-May      | Retail Sales                                  | Apr        | NA           |
| 15-May      | <b>Retail Sales ex-auto</b>                   | Apr        | NA           |
| 15-May      | Capacity Utilization                          | Apr        | NA           |
| 15-May      | Industrial Production                         | Apr        | NA           |
| 15-May      | Business Inventories                          | Mar        | NA           |
| 15-May      | NAHB Housing Market Index                     | May        | NA           |
| 15-May      | EIA Natural Gas Inventories                   | 5/10       | NA           |
| 16-May      | Building Permits                              | Apr        | NA           |
| 16-May      | Export Prices ex-ag.                          | Apr        | NA           |
| 16-May      | Housing Starts                                | Apr        | NA           |
| 16-May      | Import Prices ex-oil                          | Apr        | NA           |
| 16-May      | Univ. of Michigan Consumer Sentiment - Prelim | May        | NA           |
| 16-May      | Net Long-Term TIC Flows                       | Mar        | NA           |
| 19-May      | Leading Indicators                            | Apr        | NA           |
| 21-May      | MBA Mortgage Applications Index               | 5/17       | NA           |
| 21-May      | EIA Crude Oil Inventories                     | 5/17       | NA           |
| 22-May      | Continuing Claims                             | 5/17       | NA           |

## ECONOMIC CALENDAR

|        |  |      |      |
|--------|--|------|------|
| 22-May | Initial Claims                               | 5/17 | NA   |
| 22-May | Existing Home Sales                          | Apr  | NA   |
| 22-May | EIA Natural Gas Inventories                  | 5/17 | NA   |
| 23-May | New Home Sales                               | Apr  | NA   |
| 27-May | Durable Goods -ex transportation             | Apr  | NA   |
| 27-May | Durable Orders                               | Apr  | NA   |
| 27-May | FHFA Housing Price Index                     | Mar  | NA   |
| 27-May | S&P Case-Shiller Home Price Index            | Mar  | NA   |
| 27-May | Consumer Confidence                          | May  | NA   |
| 28-May | MBA Mortgage Applications Index              | 5/24 | NA   |
| 28-May | EIA Crude Oil Inventories                    | 5/24 | NA   |
| 29-May | Continuing Claims                            | 5/24 | NA   |
| 29-May | GDP - Second Estimate                        | Q1   | NA   |
| 29-May | GDP Deflator - Second Estimate               | Q1   | NA   |
| 29-May | Initial Claims                               | 5/24 | NA   |
| 29-May | Pending Home Sales                           | Apr  | NA   |
| 29-May | EIA Natural Gas Inventories                  | 5/24 | NA   |
| 30-May | Adv. Intl Trade in Goods                     | Apr  | NA   |
| 30-May | Adv. Retail Inventories                      | Apr  | NA   |
| 30-May | Adv. Wholesale Inventories                   | Apr  | NA   |
| 30-May | PCE Prices                                   | Apr  | NA   |
| 30-May | PCE Prices - Core                            | Apr  | NA   |
| 30-May | Personal Income                              | Apr  | NA   |
| 30-May | Personal Spending                            | Apr  | NA   |
| 30-May | Chicago PMI                                  | May  | NA   |
| 30-May | Univ. of Michigan Consumer Sentiment - Final | May  | NA   |
| 30-Apr | ADP Employment Change                        | Apr  | NA   |
| 30-Apr | Employment Cost Index                        | Q1   | NA   |
| 30-Apr | GDP-Adv.                                     | Q1   | NA   |
| 30-Apr | GDP Deflator-Adv.                            | Q1   | NA   |
| 30-Apr | PCE Prices                                   | Mar  | NA   |
| 30-Apr | PCE Prices - Core                            | Mar  | NA   |
| 30-Apr | Personal Income                              | Mar  | NA   |
| 30-Apr | Personal Spending                            | Mar  | NA   |
| 30-Apr | Chicago PMI                                  | Apr  | 47.6 |
| 30-Apr | Pending Home Sales                           | Mar  | NA   |
| 30-Apr | EIA Crude Oil Inventories                    | 4/26 | NA   |

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**MSCI Emerging Markets:** The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. (MSCI Website).

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