



Benchmark Returns as of May 31, 2025

	For the Month	For the Year		For the Month	For the Year
S&P 500	6.29%	1.06%	Bloomberg Aggregate Bond Index	-0.72%	2.45%
Dow Jones Industrial Average	4.16%	0.08%	Developed International	4.58%	16.87%
Nasdaq	9.65%	-0.74%	Emerging Markets	4.27%	8.73%

Remarkable Resilience



U.S. financial markets experienced a remarkable recovery this month, with the S&P 500 delivering its strongest May performance since 1990 at +6.2%. This dramatic turnaround followed April's severe sell-off caused by tariff concerns, demonstrating the market's resilience

in the face of policy uncertainty. The month's exceptional performance was driven by three primary catalysts: stable Federal Reserve monetary policy, encouraging economic data releases, and outstanding corporate earnings results, particularly from technology companies.

FINANCIAL ASSET PERFORMANCE OVERVIEW

U.S. equity markets experienced broad-based gains throughout May 2025, with technology leading the charge. The Nasdaq Composite surged 10% for the month, significantly outpacing other major indices and reflecting investor optimism around artificial intelligence infrastructure. Bond markets experienced heightened volatility, with Treasury yields (which move inversely to prices) rising substantially during the month. The 10-year Treasury yield climbed from 4.25% at the start of May to 4.41% by month-end, while the 30-year yield crossed the psychologically important 5% threshold mid-month and remains elevated.

FEDERAL RESERVE POLICY IMPACT

The Federal Open Market Committee meeting May 6-7 brought no surprises, with the federal funds rate unchanged at 4.25%-4.50%. Chair Jerome Powell emphasized the Committee's "wait and see" approach, citing heightened uncertainty about the economic outlook. In the minutes released on May 28, Fed officials specifically noted that recent tariff policies created unprecedented uncertainty, making traditional monetary policy responses more complex. Investors will look to the FOMC meeting June 17-18 for updates to the Summary of Economic Projections as well as a rate decision.

ENCOURAGING ECONOMIC REPORTS

Labor market data continued to demonstrate resilience, with the April jobs report showing 177,000 new positions created, exceeding expectations. The unemployment rate remained stable at 4.2% for the third consecutive month. Average hourly earnings grew 0.2% month-over-month, indicating wage growth remained controlled and unlikely to fuel inflationary pressures. The April Consumer Price Index report, released on May 13, delivered the month's most significant positive economic surprise. Headline inflation fell to 2.3% year-over-year, marking the lowest reading since February 2021. The inflation data, although still above the Federal Reserve's 2% target, was

particularly encouraging given concerns about tariff-induced price pressures.

CORPORATE EARNINGS EXCELLENCE

First-quarter 2025 earnings results exceeded expectations across most sectors, with S&P 500 companies reporting 13.3% year-over-year earnings growth. Technology companies dominated performance, delivering exceptional results that reignited investor enthusiasm for artificial intelligence themes. The tech sector's 8.2% gain in May reflected both strong fundamentals and renewed optimism about AI infrastructure investments.

ADDITIONAL MARKET DRIVERS – TREASURIES NO LONGER TRIPLE-A AND TARIFFS QUESTIONED IN COURT

Moody's decision on May 16 to downgrade the U.S. sovereign credit rating from Aaa to Aa1 created significant bond market volatility. The rating agency cited concerns about the nation's \$36 trillion debt burden and Congress's inability to address large fiscal deficits. This downgrade marked the final major rating agency to remove the U.S. from triple-A status, following S&P Global in 2011 and Fitch in 2023. The immediate market reaction included a sharp selloff in Treasury bonds, pushing 30-year yields above the 5% threshold that many investors viewed as psychologically significant.

Trade policy developments created ongoing market volatility throughout May. Federal court rulings on May 28 that struck down many of the proposed tariffs provided only fleeting relief to investors before an appeals court temporarily stayed the ruling and tariffs were reinstated. Thus, the legal status of U.S. trade policy remains unsettled, with the potential for further litigation, possibly reaching the Supreme Court.

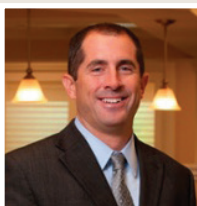
RISK FACTORS AND MARKET OUTLOOK

Despite May's strong performance, several significant uncertainties remain that could impact future market direction. Trade policy represents the primary near-term risk, with the potential for tariff escalation creating ongoing volatility. The Moody's downgrade highlights longer-term fiscal sustainability concerns that could pressure Treasury markets.

CONCLUSION

May 2025 demonstrated the remarkable resilience of U.S. financial markets in recovering from policy-induced losses. The combination of stable Federal Reserve policy, encouraging inflation data, and exceptional corporate earnings—particularly from technology companies—drove the strongest May performance for the S&P 500 in over three decades. While significant uncertainties around trade policy, fiscal sustainability, and geopolitical tensions suggest continued volatility ahead, the month's performance highlighted the underlying strength of the U.S. economy and corporate sector.

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