

CJ'S Weekly Market Comment

May 30, 2025

Dear Clients,

As always, this weekly letter draws heavily from our trusted sources at Bespoke Investment Research, The Wall Street Journal, and Barron's. You know I've always believed that the most accurate market prognostications come when economic conditions and technical indicators agree and currently we're seeing that convergence play out right before our eyes.

Market Perspective: Finding Our Footing in Interesting Times

The equity markets continue to surprise me with their resilience, though I suppose after five and a half decades in this business, I should know better than to underestimate American enterprise. The S&P 500's recent bounce—a solid 2.05% gain after testing its 200-day moving average—tells me that institutional money managers are finding value at these levels. When the smart money steps in at key technical support levels, we should pay attention.

Technical Analysis: The Charts Are Speaking

What I'm seeing in the markets technical conditions has me cautiously optimistic. The recent market action—what the folks at Bespoke aptly called a "dash for trash" rally—gives me more confidence than concern. When you see lower-quality, higher-volatility names leading the charge, it often signals that institutional money is selectively repositioning rather than throwing caution to the wind.

The S&P 500 isn't screaming overbought to me right now, which is healthy. We've got four sectors in overbought territory versus six just a week ago—that's the kind of rotation that keeps rallies sustainable. And watching Health Care climb out of its oversold hole while Energy lags? That's normal sector rotation, the kind that accompanies lasting market moves.

Economic Conditions: Reading Between the Lines

Now, let's talk employment—although a lagging indicator an important economic indicator for the FED as they must honor their dual mandate. Those initial jobless claims hitting 240,000 had some folks spooked, but honestly, this looks like typical seasonal noise to me. I've seen this pattern enough times to differentiate between calendar effects and genuine deterioration.

The continuing claims story is a bit more interesting—we're seeing new cycle highs without the seasonal excuse. But here's the thing: the pace of increase is gentle, not alarming. I'm watching it closely, but I'm not losing sleep over it yet.

And can we talk about Chair Powell's White House visit? Look, I've been around long enough to know that Fed independence means everything for market confidence. The fact that Powell stressed the Fed's "objective, non-political analysis" tells me the institution remains committed to data-driven decisions. That rather than the appearance of Powell bending to political forces is exactly what we need right now.

Magnificent Seven and the AI Revolution

The tech sector continues to be a fascinating study in expectations versus reality. NVIDIA's earnings were... well, let's call them "messy." Sure, AI infrastructure demand remains strong, but those China-related inventory charges remind us that even the best stories come with real-world complications.

Salesforce paints a similar picture—steady growth, but nothing that'll knock your socks off. These companies are investing heavily in AI, but we're still waiting for that investment to show up meaningfully in the revenue line. Patience, as always, remains a virtue in this business.

The Bespoke AI Basket's performance tells an interesting story too. Infrastructure plays are outperforming implementation names, which suggests we're still in the early "picks and shovels" phase of this AI revolution. That's not necessarily bad—just means we need to set our expectations accordingly.

My Take on the Rest of 2025

Looking at the remainder of this year, I'm cautiously optimistic, with emphasis on cautious. Here's what I'm seeing:

What's Working in Our Favor:

- The technical picture is holding up better than I expected
- The Fed seems committed to a measured, data-driven approach
- Corporate earnings are proving more resilient than the pessimists predicted
- We're seeing healthy sector rotation, not narrow leadership

What Worries Me:

- Those employment trends need continued monitoring

- Trade policy uncertainty could throw us a curveball
- Valuations in some growth sectors are still rich by historical standards
- Geopolitical tensions remain a wild card

Here's my base case: I think we see the S&P 500 reach a new high somewhere between 6,200 and 6,400 by year-end. That's predicated on continued economic expansion, the Fed threading the needle on policy, and some resolution to current trade uncertainties. Not a moonshot, but solid progress.

The key for the rest of 2025? Stay disciplined. Focus on quality companies with real competitive moats. Don't chase the hot story of the week. And remember—this market will test your patience more than once before year-end.

I've learned over the years that markets rarely move in straight lines, and this year won't be any different. The intersection of improving technical conditions with stabilizing economic fundamentals gives me confidence, but I'm keeping one eye on those employment numbers and the other on geopolitical developments.

CJ Brott

Chairman Emeritus

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