STONEBRIDGE
Capital Advisors

MONTHLY MARKET COMMENTARY

MAY 2025 REVIEW

Michael Dashner, CFA | Director of Equity, Portfolio Manager

EQUITY REVIEW

Had you followed the old adage, “Sell in May and go away,” you would have locked in a ~5% year-to-date loss on the S&P 500 and missed a 6.29% rally - the best May performance in 35 years. While it’s far too soon to ring the victory bell or declare the coast is clear, it’s another reminder that markets can, and will, surprise in both directions, especially in the short term.

As we approach mid-year, volatility remains elevated, though it has come down significantly from April’s levels. With Q1 earnings season now behind us, corporate outlooks were mixed. Walmart, for instance, warned that tariffs could pressure margins and indicated potential price increases. In contrast, Home Depot reaffirmed guidance and expressed no immediate concern about passing on higher costs. Notably, both companies included language allowing room to adjust as new data emerges.

So far, tariffs have had a limited impact on corporate financials. This is likely due to several factors:

1. Tariff delays and ongoing negotiations have prevented immediate cost increases.
2. Front-loaded inventories early in the year created a cushion, as seen in Q1’s negative GDP print, driven by a large net export imbalance.
3. Supply chain lag means it could take weeks for goods to reach U.S. ports, up to 4 weeks from Shanghai to Long Beach and 5 to New York.

In short, it’s no surprise that tariff effects haven’t yet shown up meaningfully in earnings; they simply haven’t had time to filter through.

Economic Data: Mixed Signals

May brought a mix of strong and weak economic data:

- Inflation (CPI) came in below expectations for both core and headline on a month-over-month basis.
- GDP for Q1 was revised to -0.2%, slightly better than expected. The Atlanta Fed’s GDPNow model estimates Q2 growth at +3.8%, largely driven by a rebound in net exports.[1] However, it is early in the period, and we expect additional data to slightly offset the initial indication.
- Consumer confidence saw a notable rebound after trending downward since November.

However, this optimism hasn’t yet translated into spending: real personal consumption rose just 0.1% month-over-month, down from 0.7% in the prior period. With employment strong and inflation cooling, it’s possible this was a temporary pause tied to policy uncertainty and volatility.

Risk Management Remains Key

With markets nearing all-time highs, now is a good time to revisit your risk tolerance and asset allocation. We always emphasize using volatility as an opportunity to buy selectively, but that’s only possible if you're already within your comfort zone regarding risk.

No one can reliably predict the next market correction, but we can manage exposure. Staying disciplined, adjusting risk when times are calm, places investors in a position to benefit during periods of market dislocation, rather than being forced to react under pressure.

[1] According to the Federal Reserve Bank of Atlanta website, “GDPNow is not an official forecast of the Atlanta Fed.Rather, it is best viewed as a running estimate of real GDP growth based on available economic data for the current measured quarter. There are no subjective adjustments made to GDPNow—the estimate is based solely on the mathematical results of the model.”

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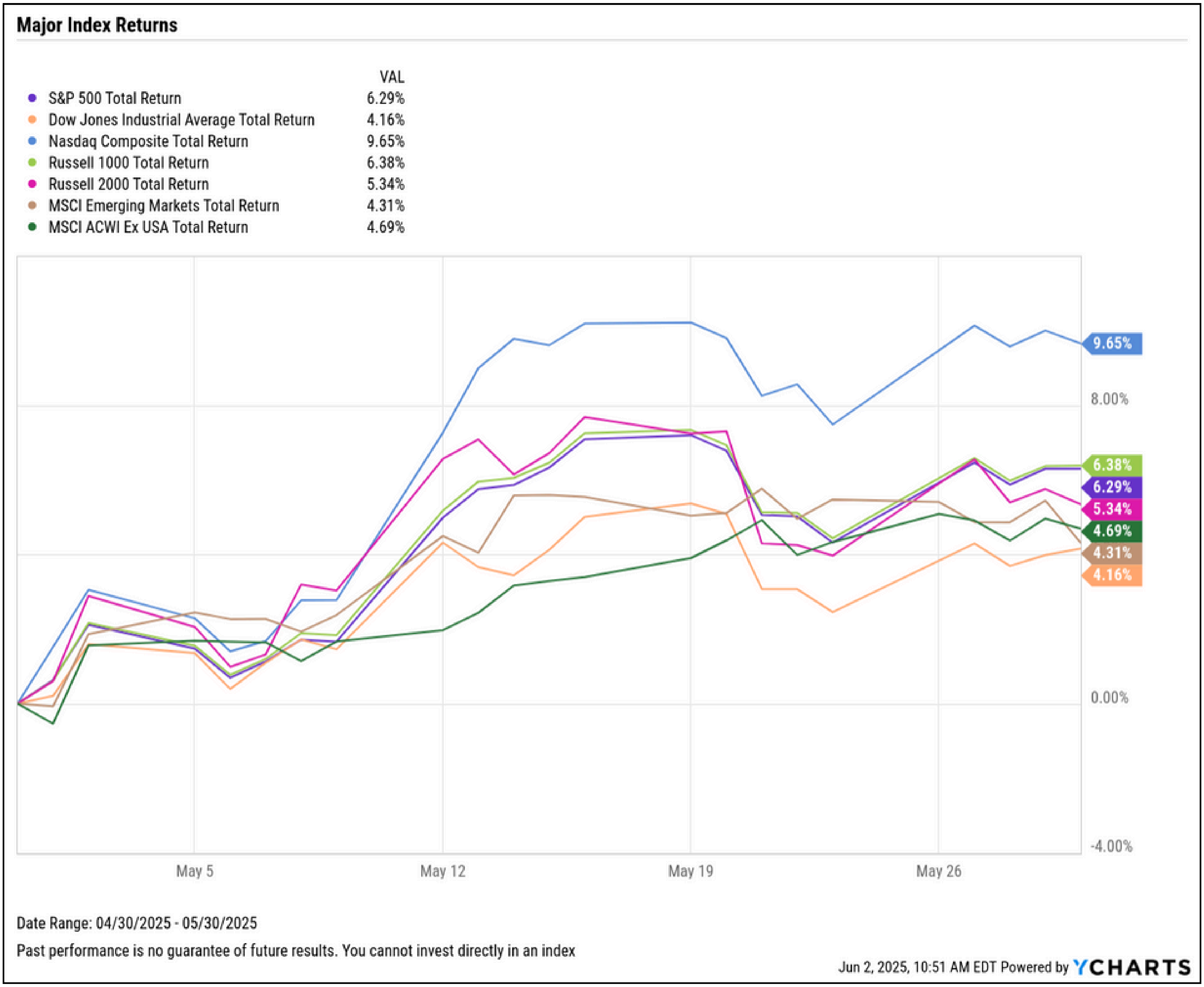
EQUITY REVIEW



"What's important is that our strategy hasn't changed. We're fundamental investors and what it means to be a disciplined investor is you have to be disciplined when times are good and when times are bad."

- Michael Dashner, CFA | Director of Equity

April 10th, 2025 - Stonebridge Annual Economic Forum

Jon Lynn | Director of Fixed Income, Portfolio Manager

FIXED INCOME REVIEW

Moody's finally matched S&P and Fitch's double-A ratings on the U.S. government's debt after a downgrade mid-month to reflect failure to reign in deficit spending and ballooning debt levels.

Bond yields spiked in the following days with the 10-year looking like it could potentially retest highs before retreating after nearly touching 4.60%. Long-dated Treasuries may have felt the most pain. The 30-year Treasury yield blew through the 5% mark, hitting a high of 5.15%. Investors seem to be shunning the long-end for the short-end, as of late, causing the yield curve to continue to steepen.

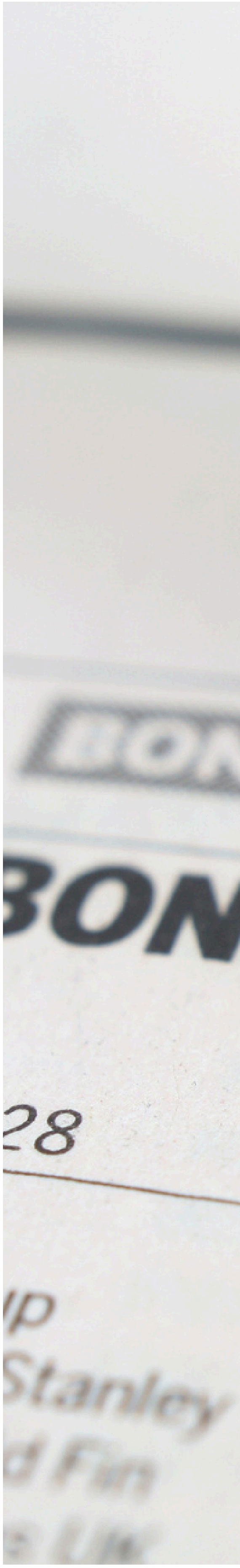
Continued tight credit spreads, despite a still unresolved trade war, would seem to benefit investment-grade issuers over investors, so diligent security selection is still important. The week ahead sees a bump in scheduled new municipal issuance.

Since June is typically a heavier maturity (principal being returned) month, an expanded slate of new deals should give investors plenty of prospects to evaluate.

"If we see inflation rise, we would expect the longer-term interest rates to rise as well. So, for us, we see that as an opportunity to continue picking up attractive longer-term yields. We think right now is a good time to be in bonds."

- Jon Lynn | Director of Fixed Income

April 10th, 2025 - Stonebridge Annual Economic Forum



OVERVIEW

Key Market Moves

04/30/2025 - 05/31/2025

S&P 500:
5569.06 to 5911.69 (up 342.63)

Dow Jones:
40669.36 to 42270.07 (up 1600.71)

NASDAQ:
17446.34 to 19113.77 (up 1667.43)

Key Market Moves

04/30/2025 - 05/31/2025

2-Year Treasury:
3.60% to 3.89% (up 29 bps)

10-Year Treasury:
4.25% to 4.41% (up 16 bps)

10-Year A-Rated Corporate:
5.11% to 5.33% (up 22 bps)

10-Year AAA-Rated Municipal:
3.34% to 3.33% (down 1 bps)

Equity

Stonebridge's equity investment style seeks to provide methods for growth and income generation. Within this style, we utilize three equity strategies to invest in industry-leading, domestic companies with solid fundamentals.

We focus on companies with attractive fundamentals, highlighted by strong profit margins, cash flows, and balance sheets.

Prioritizing portfolio diversification, we take advantage of lagging sectors and identify best-in-class companies on an on-going basis. Our disciplined approach allows for us to actively manage portfolios, regardless of market conditions.

EQUITY LARGE CAP GROWTH
est. January 2001

EQUITY DIVIDEND INCOME
est. March 2011

EQUITY GROWTH & INCOME
est. March 2015

Fixed Income

Stonebridge's approach to fixed income seeks to provide principal protection, asset liquidity and income generation. We manage two fixed income strategies that both utilize individual securities, and are broadly diversified across sectors and issuers.

Maintaining a conservative risk profile, we favor high quality investment-grade credit and capitalize on yield curve relative value. We focus on opportunities along the yield curve to help provide income and lower volatility.

FIXED INCOME TAX-EXEMPT
est. June 1997

FIXED INCOME TAXABLE
est. December 1998

Important Disclosure Information
All information herein is as of June 2, 2025, unless otherwise indicated.

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Risk Considerations
Forecasts and targets are based on certain assumptions and on our current views of market and economic conditions, which are subject to change. There can be no assurance that any investment strategy will be successful and meet its investment objectives. Investments fluctuate with changes in market and economic conditions and across different environments due to multiple factors, some of which may be unpredictable. Asset allocation and diversification do not guarantee investment returns or eliminate risk of loss. All investing involves risks, including the possibility of a loss of principal. Past performance is not necessarily indicative of future results.

Additional information may be available upon request.

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