

*March 27, 2025*

# Market Update Webinar

# Introduction

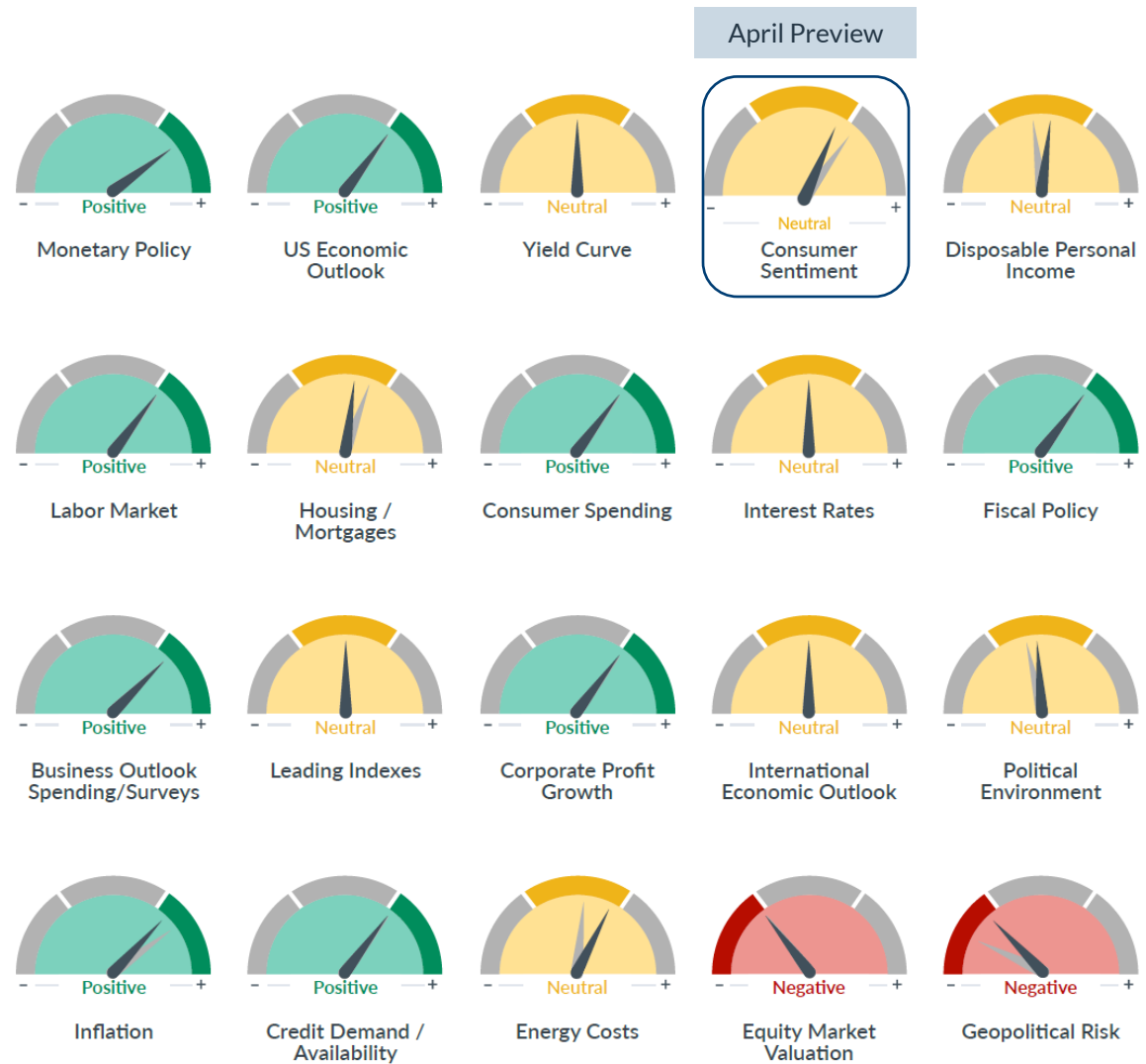


# CNR Speedometers® – March 2025

## Economic and Financial Indicators That Are Forward-Looking Six to Nine Months

### Impact on Economy and Financial Markets

- The global outlook is mixed, but US growth remains steady despite tariffs – profits grew 14% in Q4 2024.
- The Federal Reserve is still on an easing path but will not cut until inflation trends lower.
- Consumer financials are strong with net worth, interest cost and leverage supporting spending.
- Deregulation and potential tax cuts could support corporate spending.
- Elevated equity valuations are offset by substantial U.S. corporate profits.
- Geopolitical risk is decreasing based on a potential truce between Russia and Ukraine.



Impact on investment: ■ Positive ■ Neutral ■ Negative

Timeframe: ■ Current ■ Change from last month

Source: Proprietary opinions based on CNR Research, as of March 2025. Information is subject to change and is not a guarantee of future results.

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# Economic Forecasts

- January changes include higher estimated ranges for 2025 GDP and interest rate forecasts.

- GDP growth is expected to remain positive, but it may be weighed down by policy decisions.
- Corporate profits should be stable in 2025, rising above trend.
- Inflation pressures are likely to stay elevated based on the new administration's policy.
- The Fed may cut rates 1-2 times, which is supportive of continued growth.
- Structural pressure will likely keep 10-year Treasury yields over 4%.

## City National Rochdale Forecasts

	2024	Current 2025e	Tariff Drag	
<b>Real Annual GDP Growth</b>	2.5%	2.0% to 2.5%	-0.3% to -0.5%	
<b>Corporate Profit Growth</b>	9.6%	10.0% to 14.0%	-2.0% to -4.0%	
<b>Headline CPI Year End</b>	2.9%	2.50% to 2.75%	+0.4% to +0.8%	
<b>Interest Rates</b>	Federal Funds Rate	4.25% to 4.50%	3.75% to 4.25%	No Change
	Treasury Note, 10-Yr.	4.57%	4.0% to 4.5%	No Change

Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

e: estimate. a: actual.

The Consumer Price Index (CPI) measures the monthly change in prices paid by U.S. consumers.

Sources: Bloomberg, FactSet, proprietary opinions based on CNR Research, as of February 2025. Information is subject to change and is not a guarantee of future results.

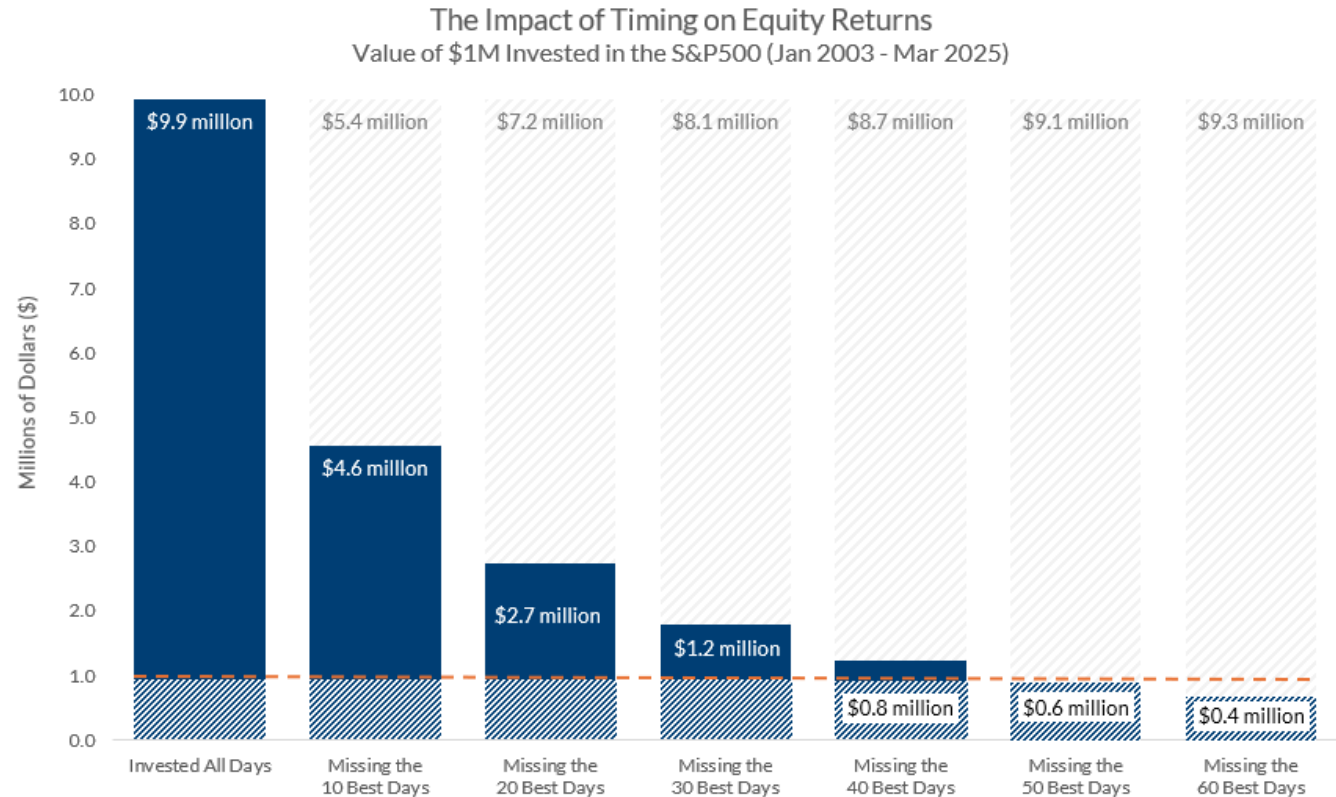
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# Frequent Changes to Avoid Risk Can Hurt Returns

- The impact of missing large, single-day advances in the market can be devastating for long-term returns.
- Over the past 20 years, the top-10 largest days have all come during recessionary periods.

Date	Return
Oct. 13, 2008	+11.6%
Oct. 28, 2008	+10.8%
Mar. 24, 2020	+9.4%
Mar. 13, 2020	+9.3%
Mar. 23, 2009	+7.1%
Apr. 6, 2020	+7.0%
Nov. 13, 2008	+6.9%
Nov. 24, 2008	+6.5%
Mar. 10, 2009	+6.4%
Nov. 21, 2008	+6.3%



Data current as of March 25, 2025.

Source: JP Morgan, S&P 500 index total returns from January 1, 2003 to March 25, 2025

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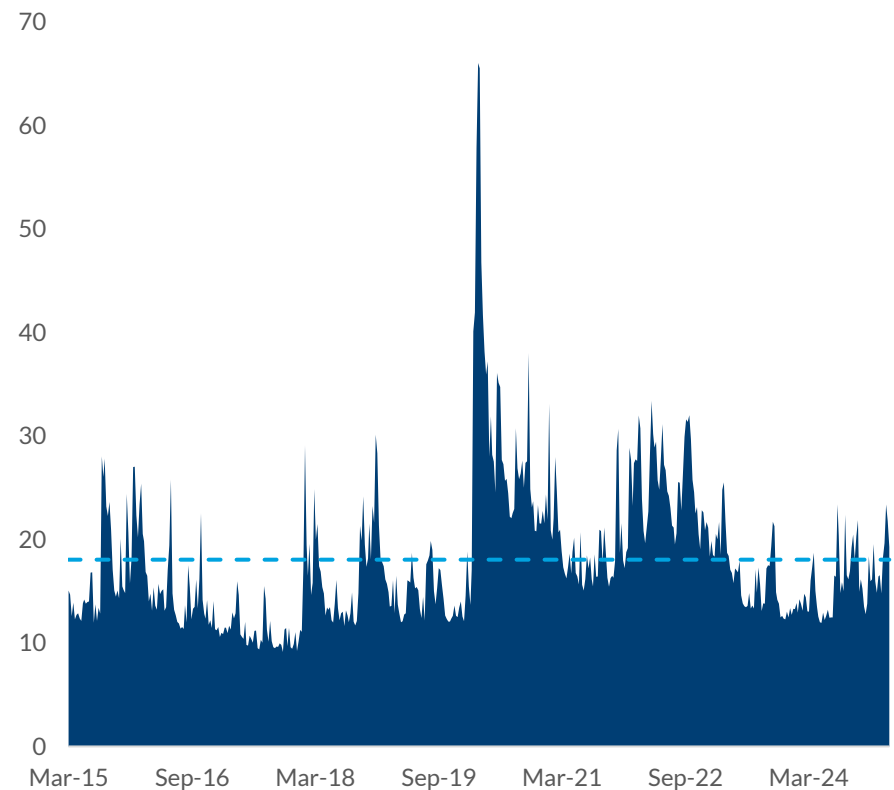
# Recent Market Volatility Is Likely a Standard Correction

- While the drop in the market happened quickly, measures of volatility failed to confirm a continued drop.
- Consumer sentiment is low, but the level of inflation and unemployment are not in sync with broad pessimism.

Misery Index<sup>1</sup> vs. University of Michigan Sentiment



Chicago Board Options Exchange Volatility ("VIX" Index)



Data current as of March 21, 2025.

<sup>1</sup>The Misery Index is the sum of current inflation and unemployment.

Source: CNR Research, Bloomberg.

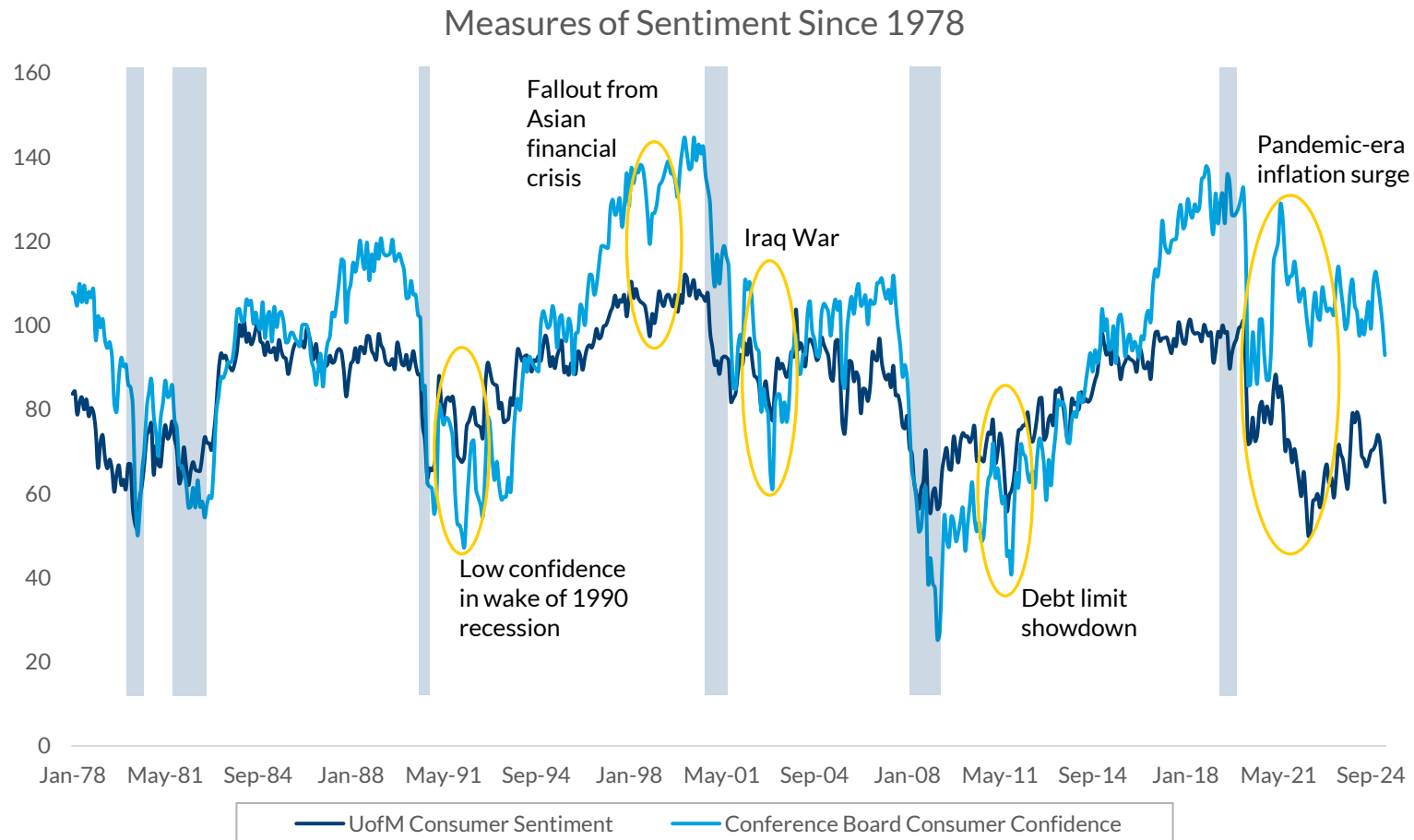
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# The Economy Has Weathered Drops in Sentiment Before

- Negative sentiment is frequently correlated to a recession, but there are many false positives.
- Persistent uncertainty increases the likelihood of negative sentiment changing actual behavior.



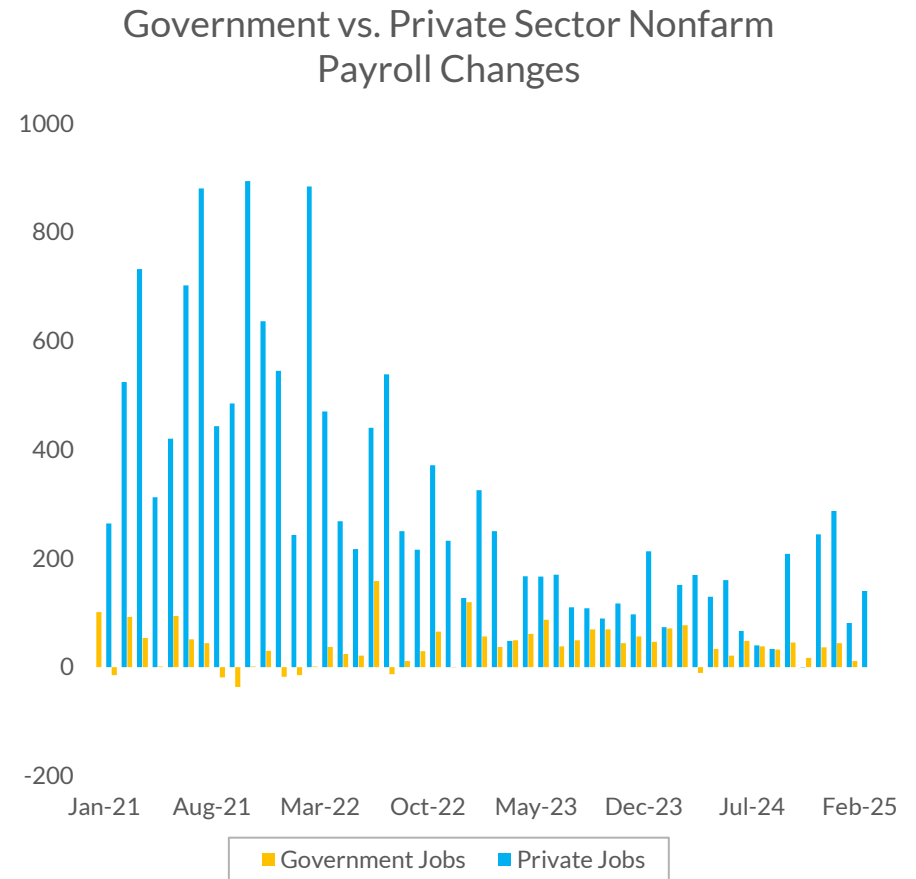
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# Government Job Cuts Will Sting, But by How Much?

- News articles referencing layoffs surged in February as DOGE began its review of government agencies.
- Despite concerns over government jobs, federal employment was only 12% of post-pandemic job growth.



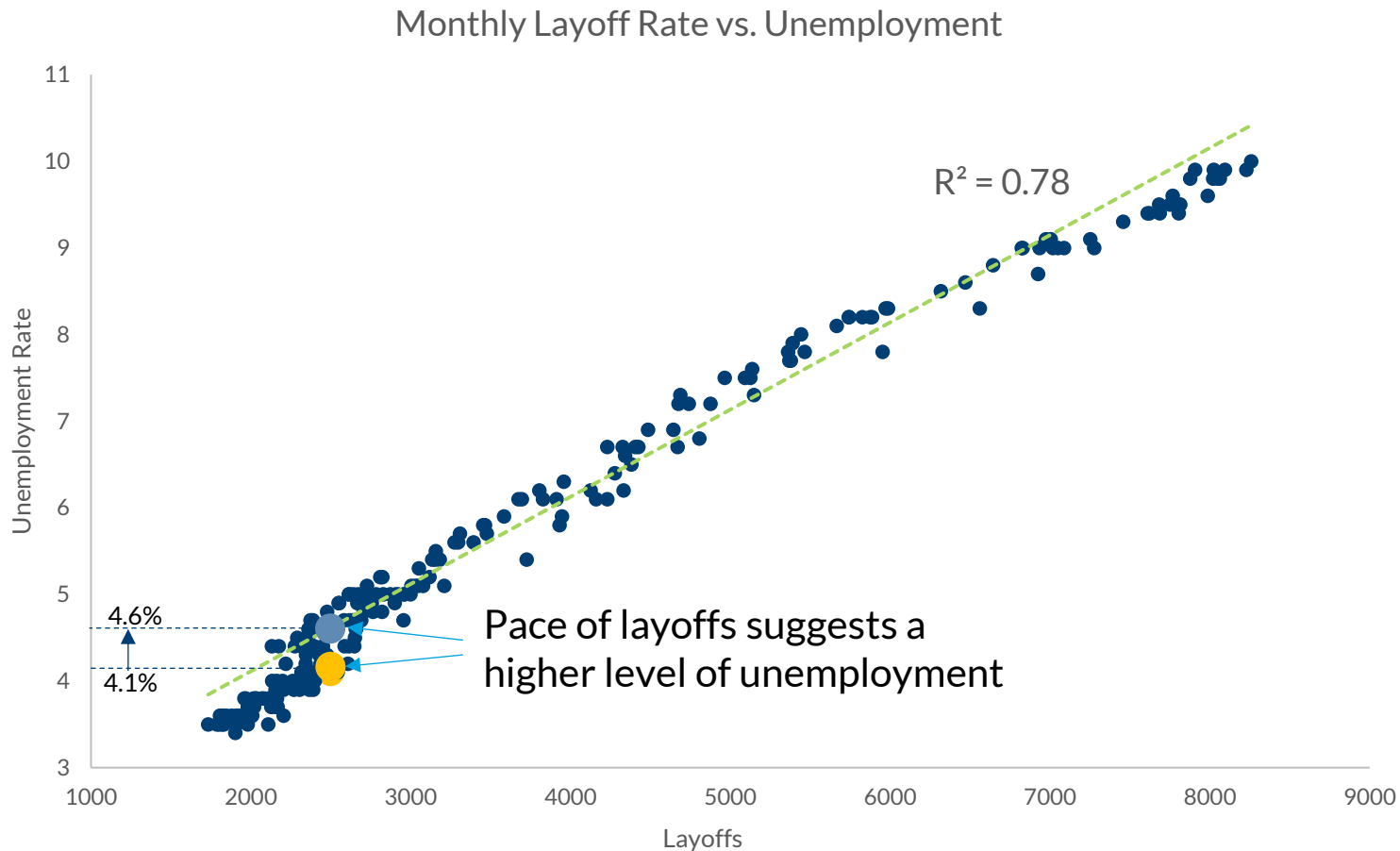
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 Source: CNR Research, Bloomberg.  
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# Unemployment May Rise, But Not to Recessionary Levels

- We believe that unemployment is likely to rise, but not likely to return to its long-run average.
- There are 160 million employed workers in the U.S. and just over 3 million are federal employees.
- Estimates of federal contractors range from 3-5 million, but they are not included in nonfarm payroll measurements.



Data current as of 3/21/2025.  
 Source: CNR Research, Bloomberg  
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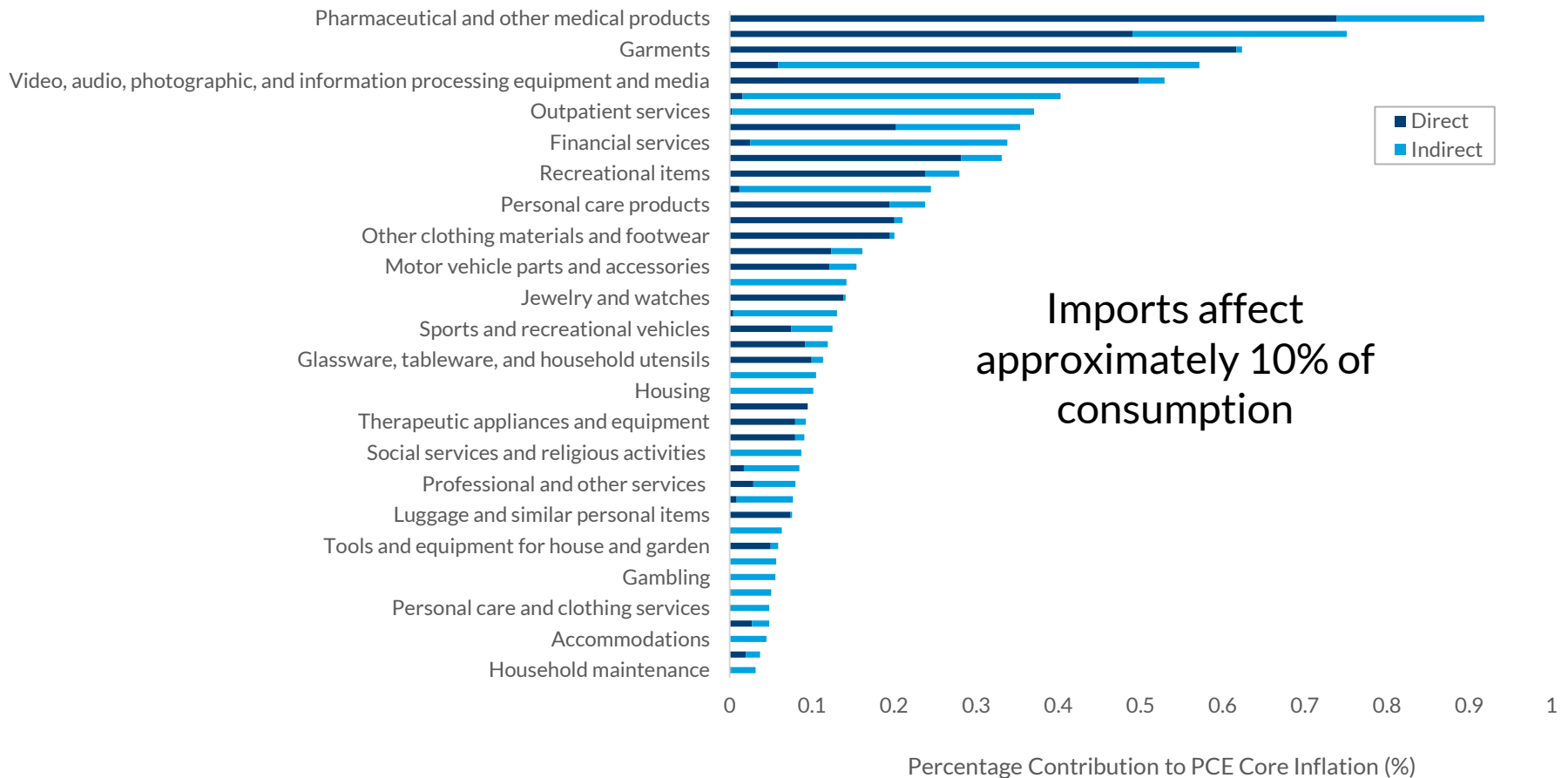
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# The Impact of Imports on US Inflation

- Imports account for approximately 10% of the influence on personal consumption expenditures (“PCE”).
- Several of the largest categories are not directly impacted by the target countries currently.

Imports With Largest Impact on PCE Core Inflation



Data current as of February 6, 2025

Direct imports are pass-through products in the final stage of delivery; indirect imports are intermediary products

Source: CNR Research, Federal Reserve Bank of Boston

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## How Should We Define Stagflation?

- Comparisons to the 1970s should be highly scrutinized as similar conditions are not present.
- Market shocks should not be equated to tariffs, but the degree of uncertainty and its influence on expectations should not be underestimated.

Shock	1970s	Current	Condition Present
Oil Shocks	<ul style="list-style-type: none"> <li>• 1973 OPEC embargo sparked quadrupling of energy costs</li> <li>• Second oil shock in 1979 after Iranian Revolution</li> </ul>	<ul style="list-style-type: none"> <li>• Oil price spike after Ukrainian invasion was not sustained</li> <li>• Administration goal to lower energy prices</li> </ul>	NO
Loose Monetary Policy	<ul style="list-style-type: none"> <li>• Deficits to finance Vietnam and Great Society programs</li> <li>• Loose Federal Reserve policy kept rates low</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term deficits to support benefit spending.</li> <li>• Quantitative easing</li> <li>• Federal Reserve strictly enforcing independence.</li> </ul>	Deficit spending is similar; Federal Reserve is more independent than in 1970.
Currency Devaluation	<ul style="list-style-type: none"> <li>• Bretton Woods gold exchange system eliminated</li> <li>• Dollar depreciation</li> </ul>	<ul style="list-style-type: none"> <li>• U.S. dollar has been stable and remains heavily utilized as a reserve currency</li> </ul>	NO
Wage-Price Spirals & Regulation	<ul style="list-style-type: none"> <li>• Automatic cost-of-living wage increases</li> <li>• Strong labor unionization</li> </ul>	<ul style="list-style-type: none"> <li>• Potential wave of deregulation</li> <li>• Less labor unionization</li> </ul>	NO
Productivity Slowdown	<ul style="list-style-type: none"> <li>• Productivity growth slowed</li> </ul>	<ul style="list-style-type: none"> <li>• Productivity growth is stable</li> <li>• Technology advances may provide a tailwind</li> </ul>	NO

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# Key Takeaways

- Trump Administration policy threatens to bring down growth and increase inflation, while uncertainty is the main driver of a shift toward negative sentiment.
- While the drop in equity markets happened quickly, it resembles a typical market pullback and signs of a continued slide have diminished.
- Consumer confidence and sentiment have often given false signals about the course of the economy.
- The main risks of potential Trump Administration policy are higher prices and higher unemployment.
- Many comparisons are being made to 1970s style “stagflation”, but we do not see many similarities in the conditions of that era to today.

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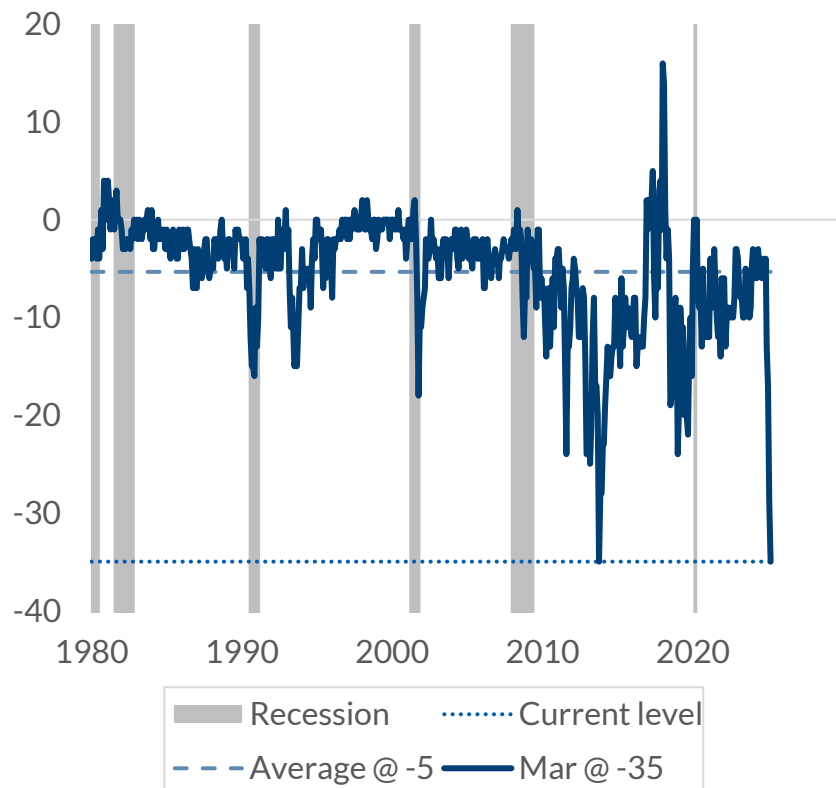
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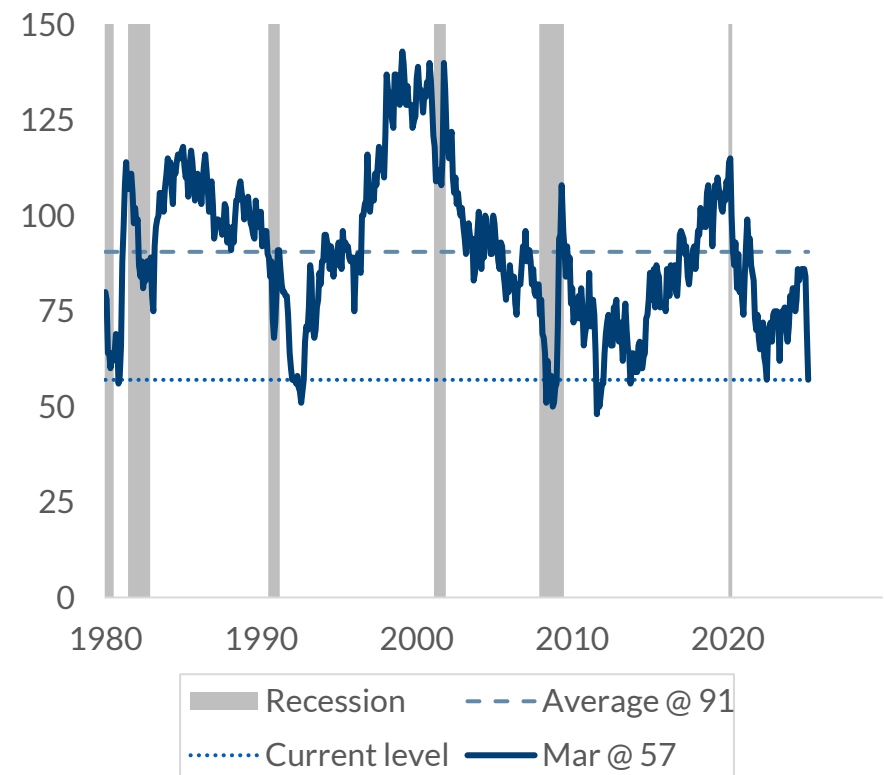
# Inflation & Trade Policy Are Worrisome To Consumers

- Consumers have the great concern regarding implemented and planned economic policies.
- The Administration has not articulated the final goal, part of its negotiating tactics.
- The sudden change in policies has surprised and shocked many households.

UMich: News Related to Government Economic Policies (% Bal)  
index value, not seasonally adjusted



UMich: Opinion of Government's Economic Policy Index  
index value, not seasonally adjusted



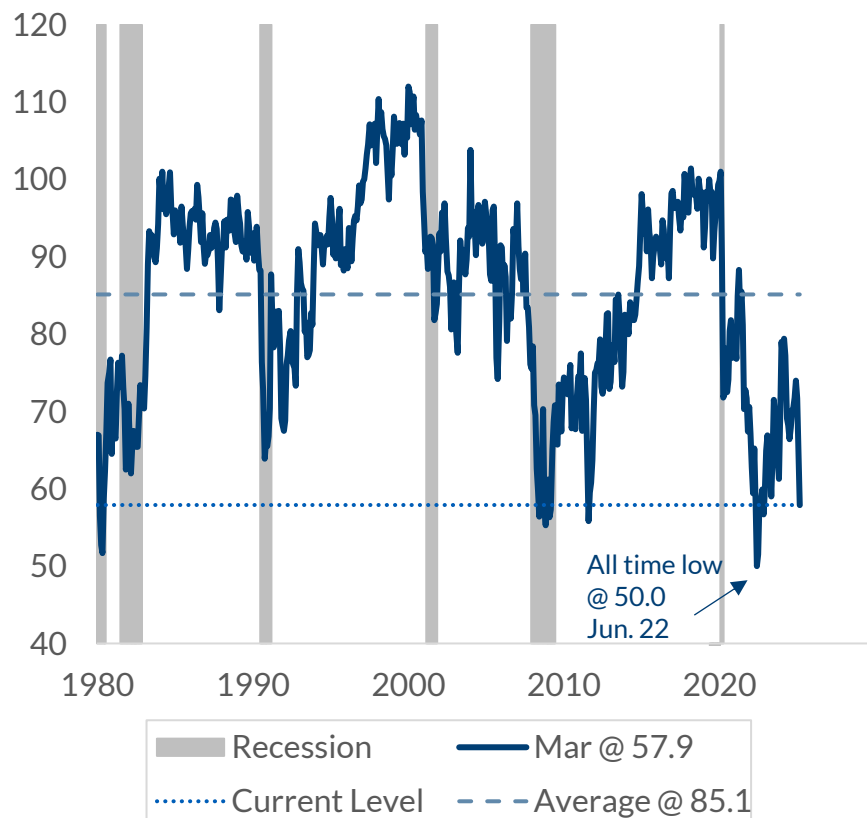
Data current as of March 25, 2025  
 Source: University of Michigan Surveys of Consumers  
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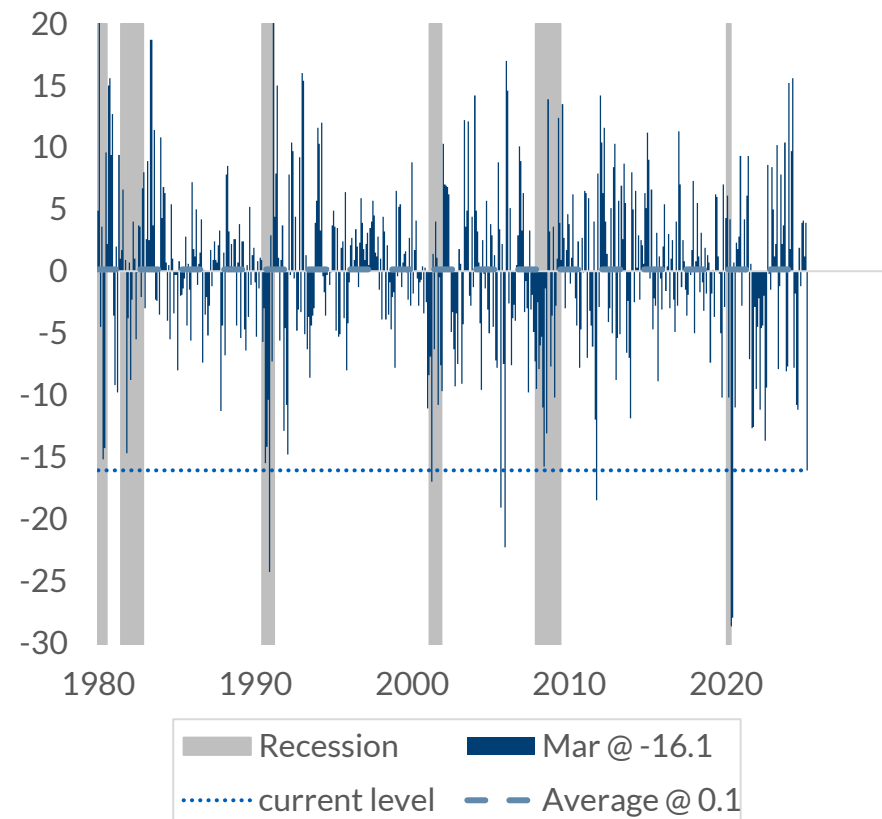
# Broad-Based Pessimism Is Present In The Economy

- Consumer’s assessment of the economy has fallen to near-all-time lows.
- The 16-point decline in the past three months is the eighth-largest decline since 1980.
- The deterioration has been swift and severe.
- Recent business cycles have shown that sentiment and spending are not closely correlated.

UMich: Consumer Sentiment index value, not seasonally adjusted



UMich: Consumer Sentiment percentage points, 3-month change



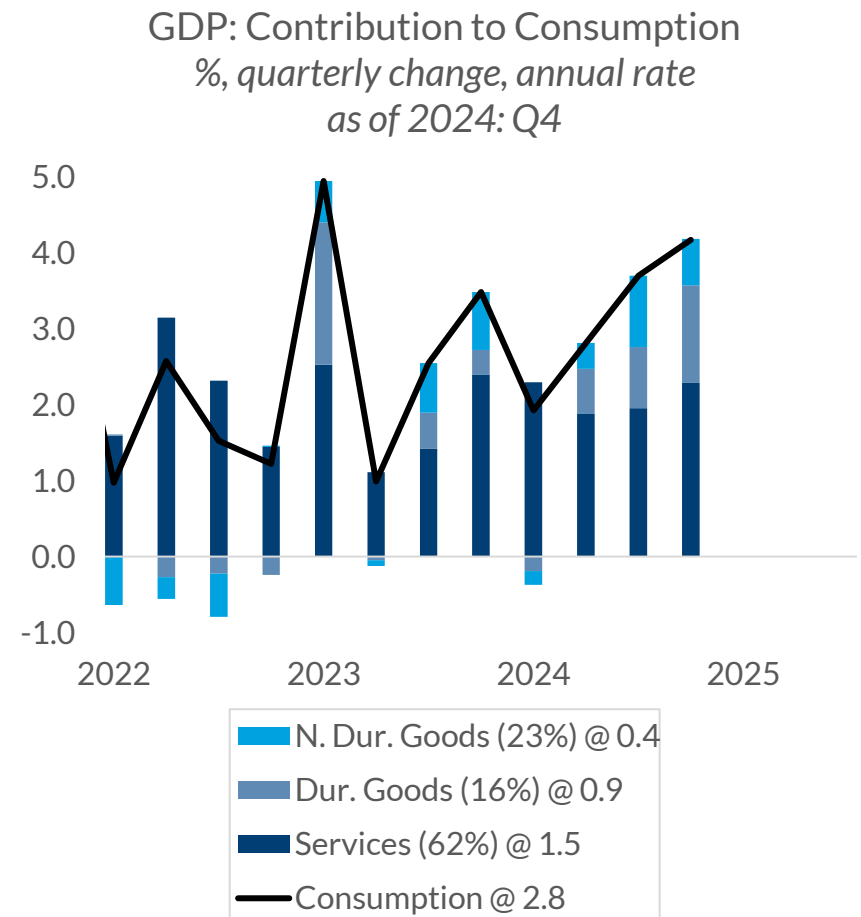
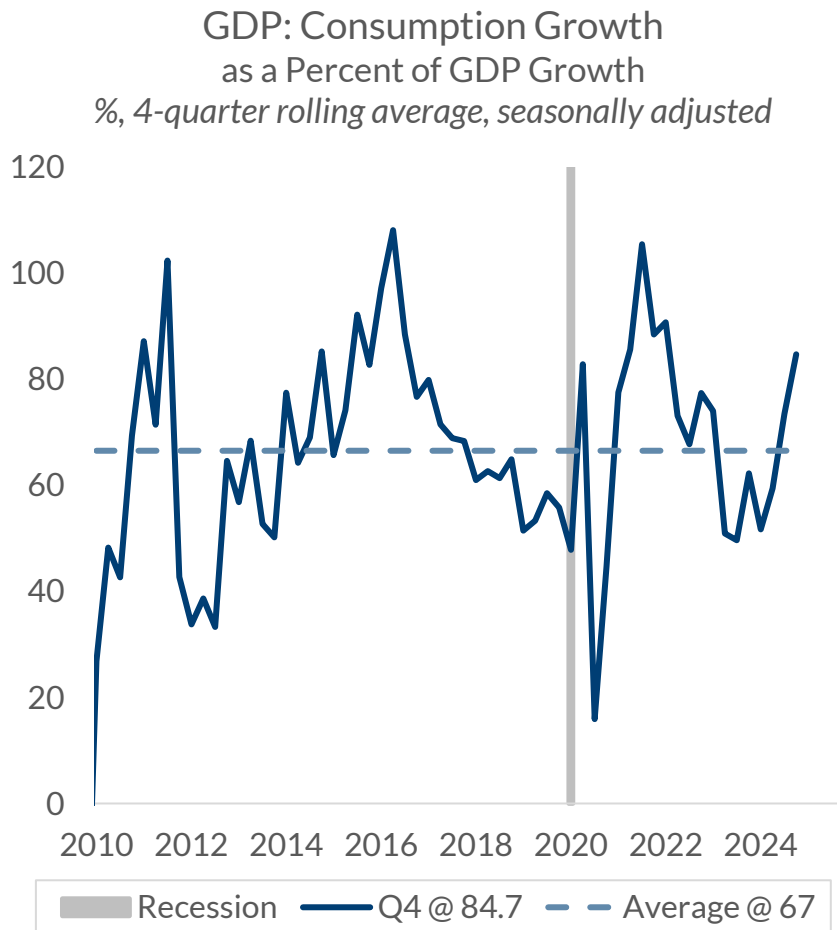
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# Consumer Spending Remains Key To Continued Growth

- Consumer spending accounted for 85% of GDP growth in the past year despite being just 68% of GDP.
- Approximately two-thirds of spending is on services, with the remaining one-third on goods
- Changes in the economic outlook are the growing concern behind uncertainty in spending.



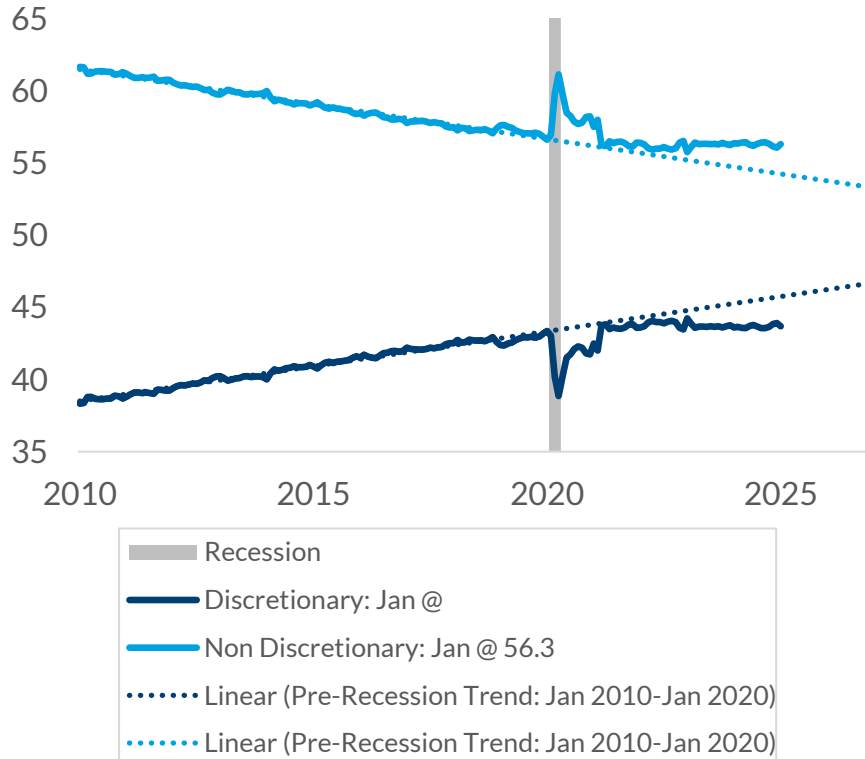
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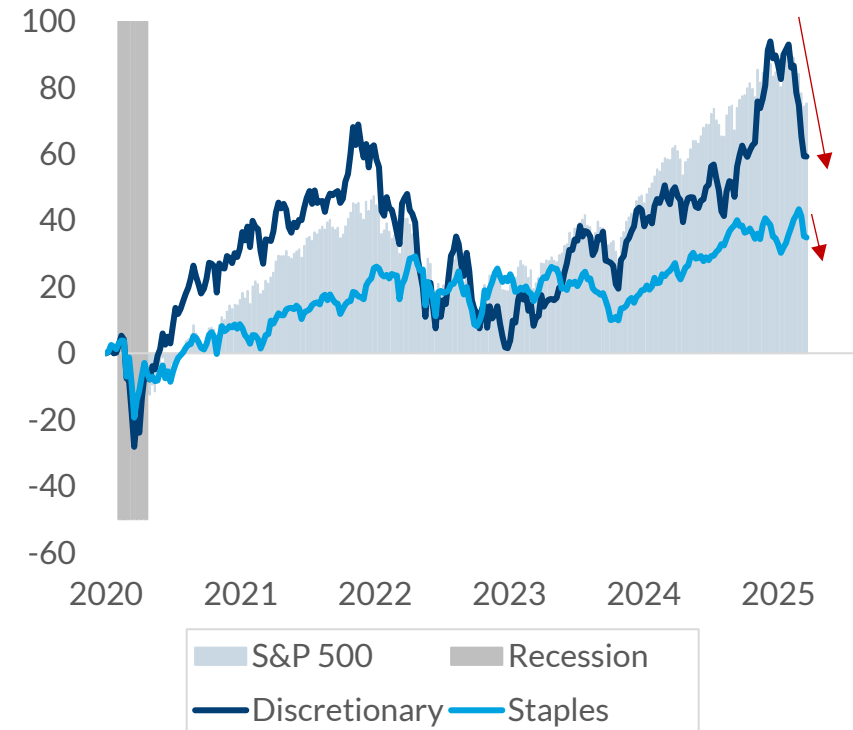
# Consumer Spending Remains Strong, But May Slow

- Spending on discretionary items, as a percentage of total spending, has been slowing in the past few years.
- Stocks of companies that sell discretionary items underperformed staples in the past few weeks.
- Investors have grown concerned about possible changes in consumer behavior.

Personal Spending: Discretionary and Non-Discretionary  
% of total spending, seasonally adjusted



Consumer Stocks  
%, indexed at 0.0 on January 2020  
as of March 21, 2025



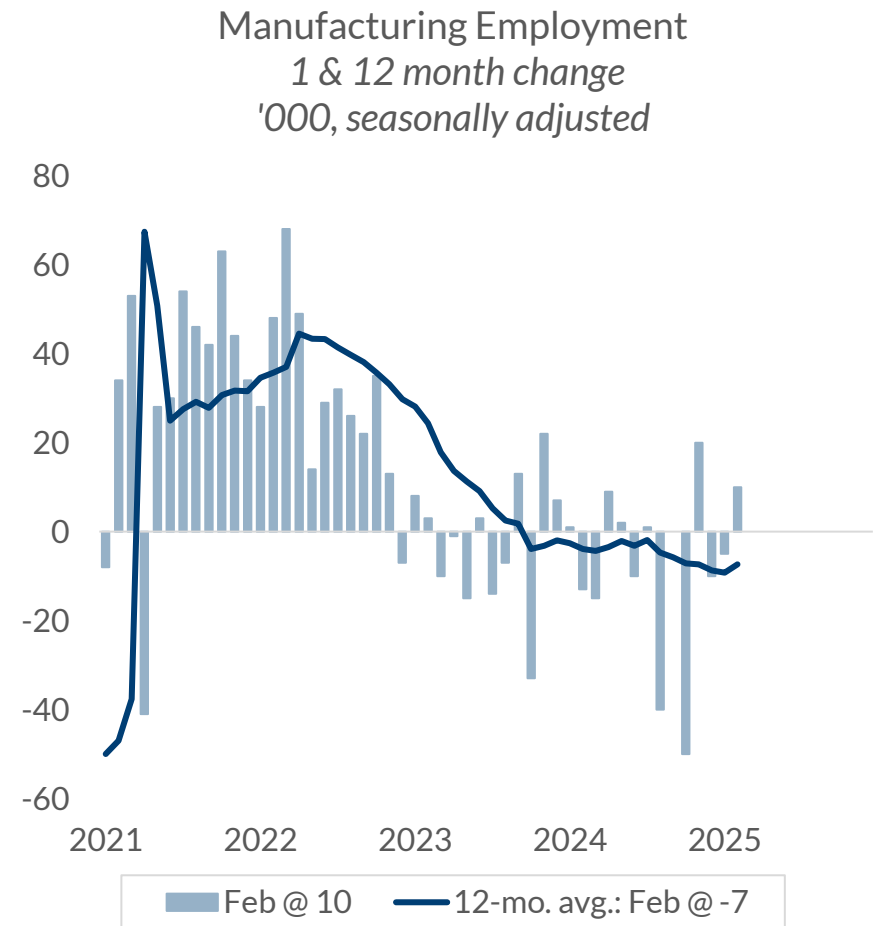
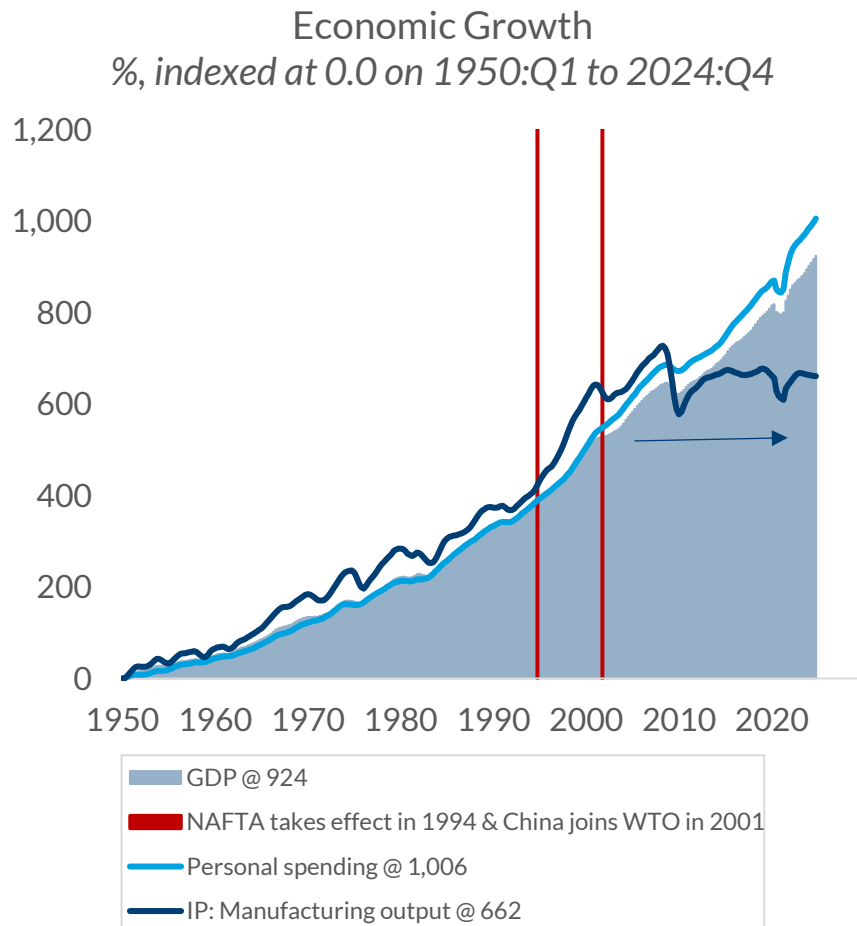
Data current as of March 25, 2025  
Source: University of Michigan Surveys of Consumers, S&P Dow Jones Indices  
Information is subject to change and is not a guarantee of future results.





# Tariff Policy Goals Include Jumpstarting U.S. Manufacturing

- The U.S. was a manufacturing powerhouse from WWII until China joined the WTO in 2001.
- Manufacturing recently rebounded following the pandemic but has since returned to slow growth.
- This was driven by the shift in consumer spending back to buying services instead of goods.



Data current as of March 25, 2025

Source: U.S. Census Bureau, Bureau of Labor Statistics

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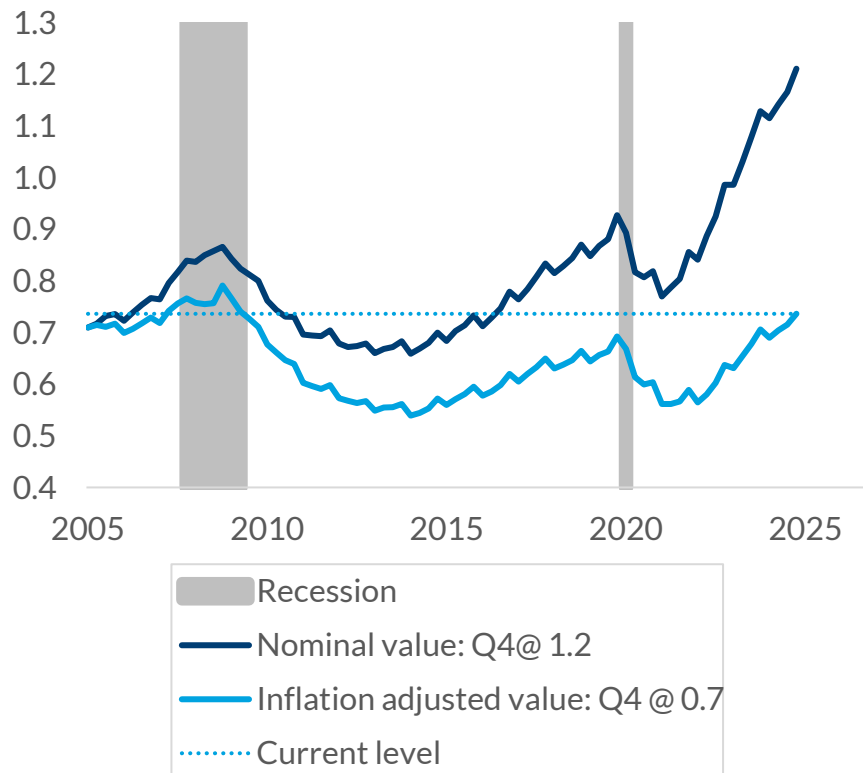
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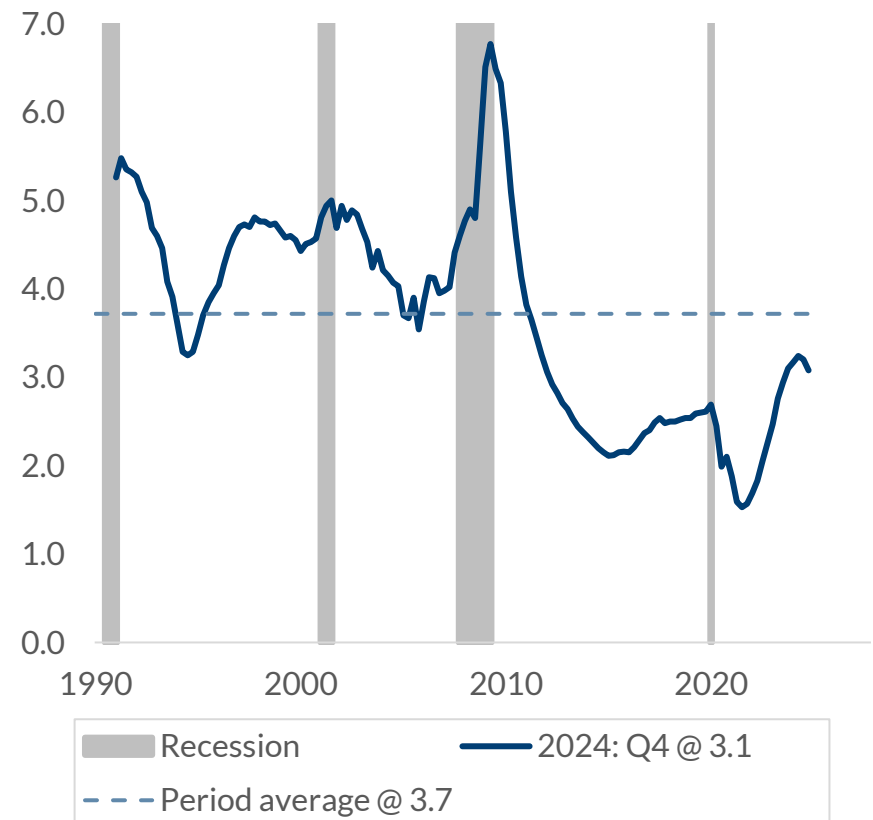
# Credit Concerns Are Not as Bad as the Headlines

- Credit card balances are at record highs but inflation-adjusted balances have not moved much in 20 years.
- More importantly, credit card balances are below the long-term average as a percentage of disposable income.
- Although delinquency rates have recently increased, they are well below the long-term average.
- This measures the number of accounts, not the dollar value.

Credit Card Loans Balance:  
Nominal & Inflation Adjusted  
\$, trillions, not seasonally adjusted



Credit Card Loans: Delinquency Rate  
%, seasonally adjusted



Data current as of March 25, 2025

Source: Federal Reserve Bank, Bureau of Economic Analysis, Federal Reserve Bank of New York/Equifax

Information is subject to change and is not a guarantee of future results.



# Key Takeaways

- Macro-economic fundamentals, not consumer sentiment, will drive economic growth.
- Those fundamentals are characterized by an extremely low unemployment rate, strong household and corporate balance sheets and robust fiscal stimulus.
- There has yet to be a shock to the economy and the Fed is likely to continue to ease monetary policy.
- Oil prices are below last year's average and global growth is not creating adverse economic effects.
- Talk of trade policy and DOGE actions are unsettling but economic impact is not expected to be great.

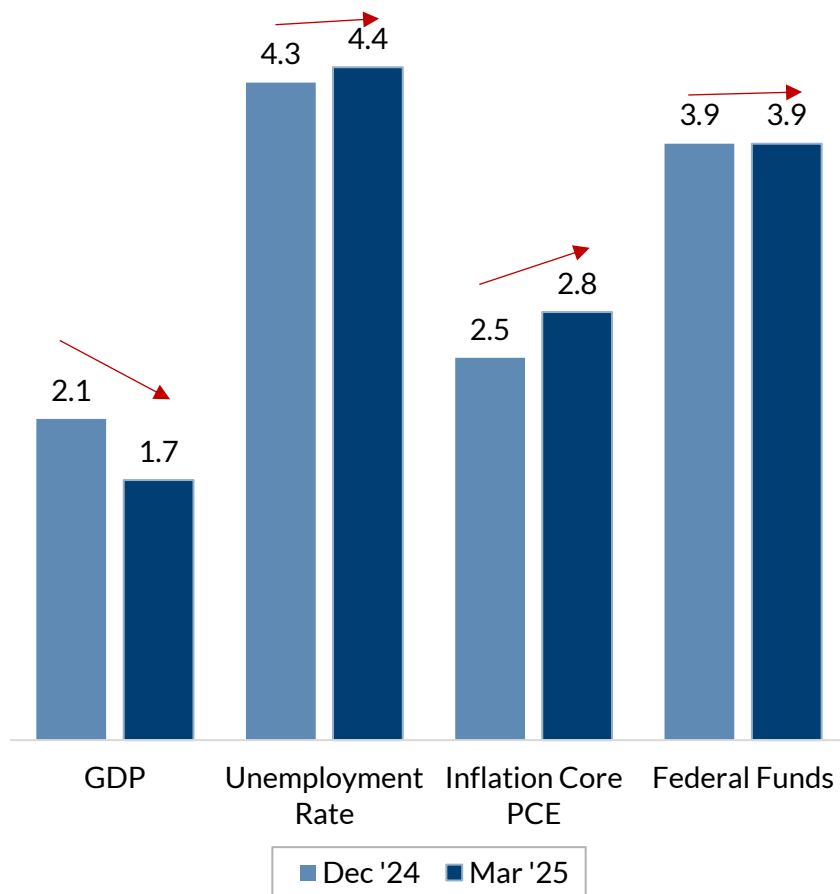
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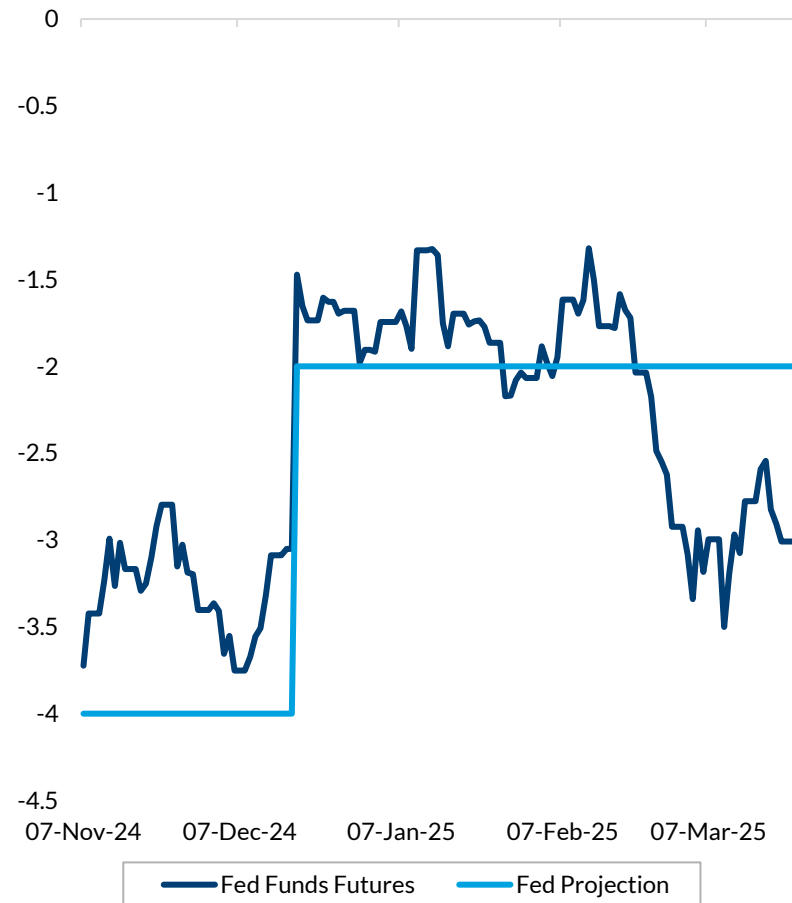
# The Fed Is Poised for Patience

- The Fed is exercising restraint as it awaits further evidence of a potential change in the economy.
- The market has gotten ahead of the Fed and now anticipates additional cuts by year-end vs. the dot-plot.

FOMC: Summary of Economic Projections (%)



Fed Funds: Market Expectations vs. FOMC Projections



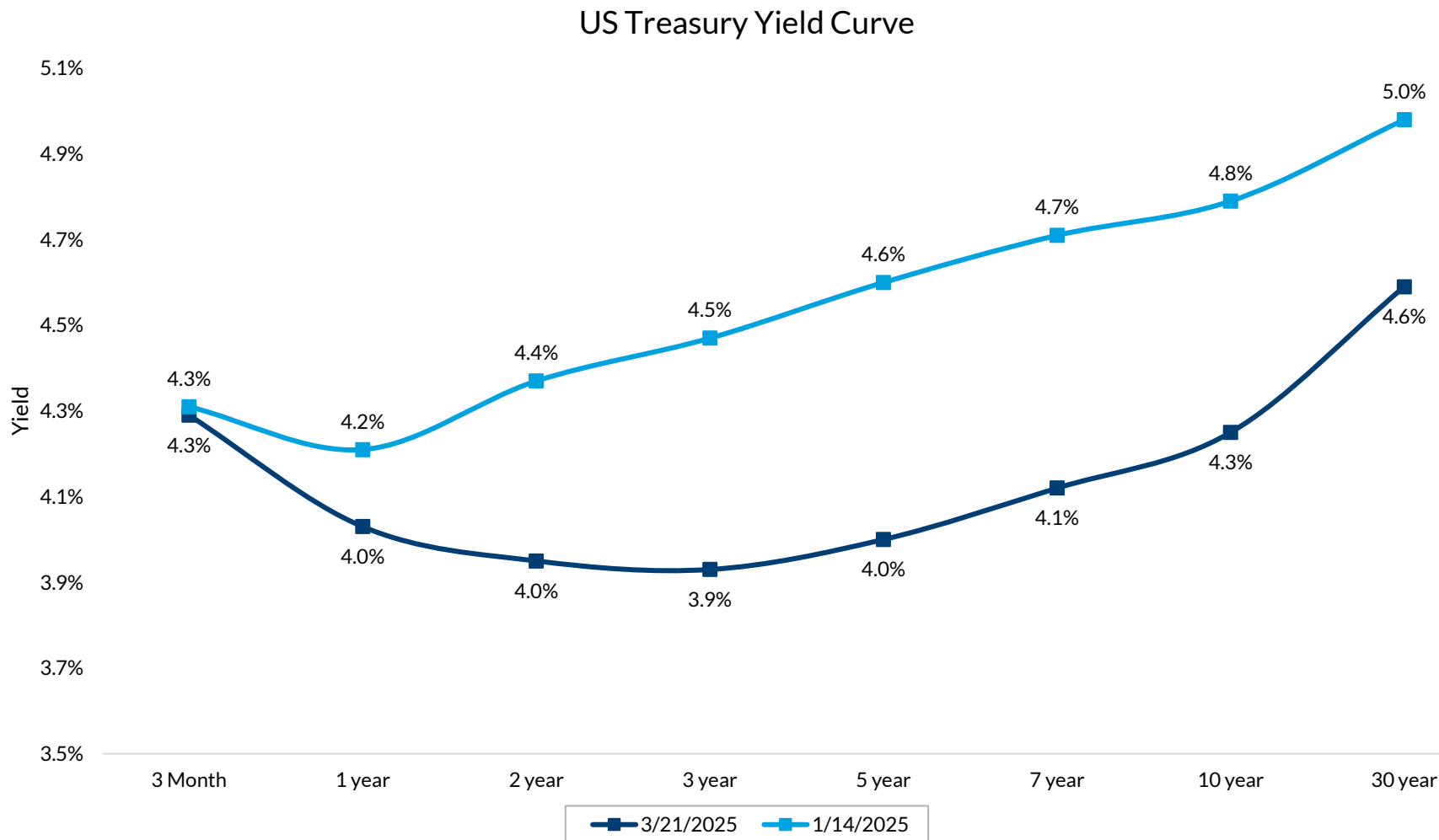
Source: Bloomberg and the FOMC as of March 21, 2025. Information is subject to change and is not a guarantee of future results.

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# U.S. Treasury Curve Shifts Lower

- As federal policy actions take shape, the Treasury market has responded with a sharp decline in yields.
- A continuation of market volatility is expected as economic forecasts change and data becomes available.



Source: Bloomberg U.S. Treasury Index 10-Year as of 1/14/2025 and 3/21/2025. Information is subject to change and is not a guarantee of future results.

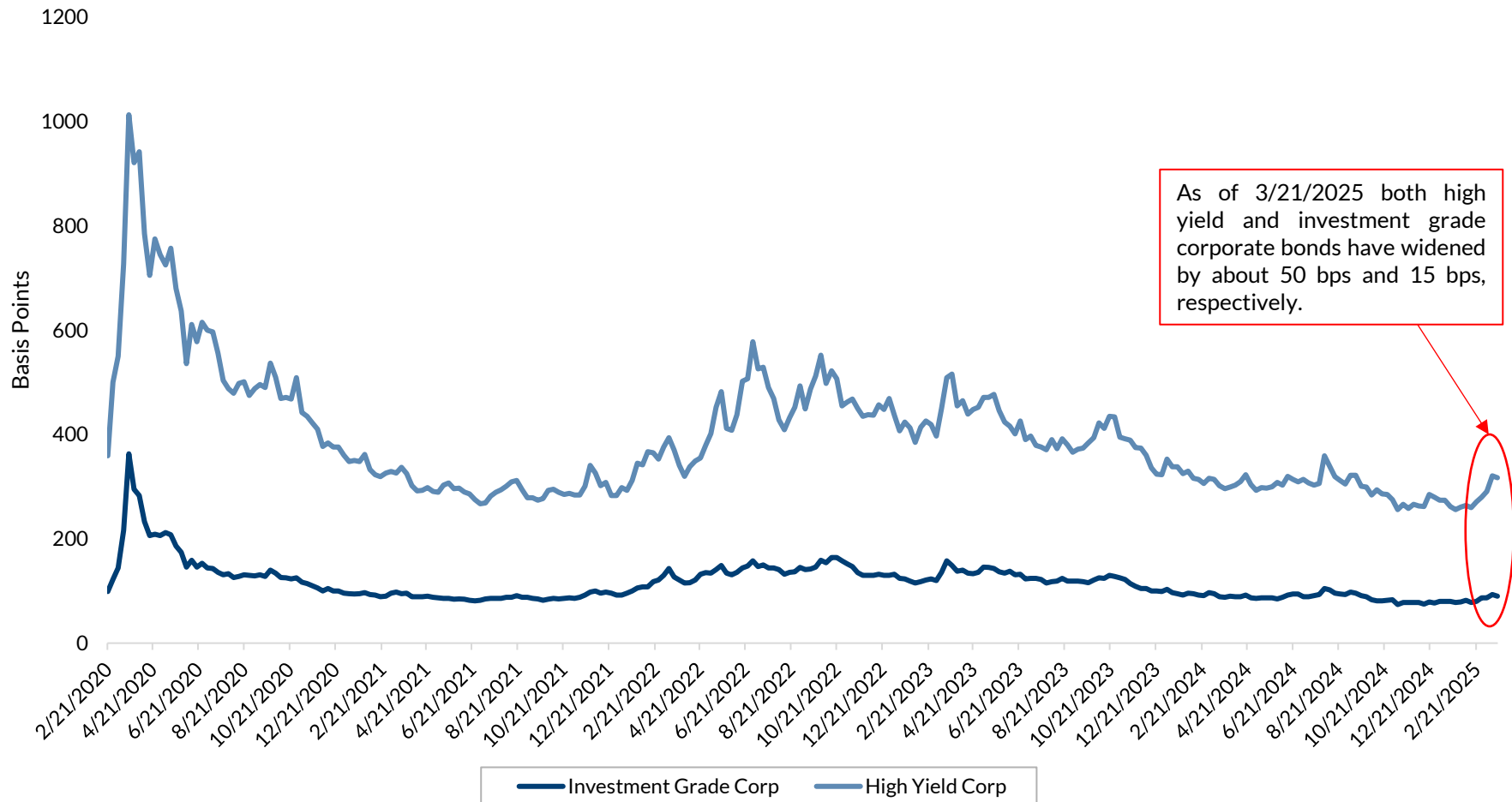
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# Corporate Spreads Are Wider in Recent Weeks

- US investment grade and high yield corporate bond spreads have recently ticked higher on volatility.
- The move in spreads has been more pronounced within high yield corporates with ~50 bps the past month.

US Investment Grade and High Yield Corporate Spreads



Source: Bloomberg US Aggregate Corporate Average OAS and Bloomberg US Corporate High Yield Average OAS as of 3/21/2025. Information is subject to change and is not a guarantee of future results.

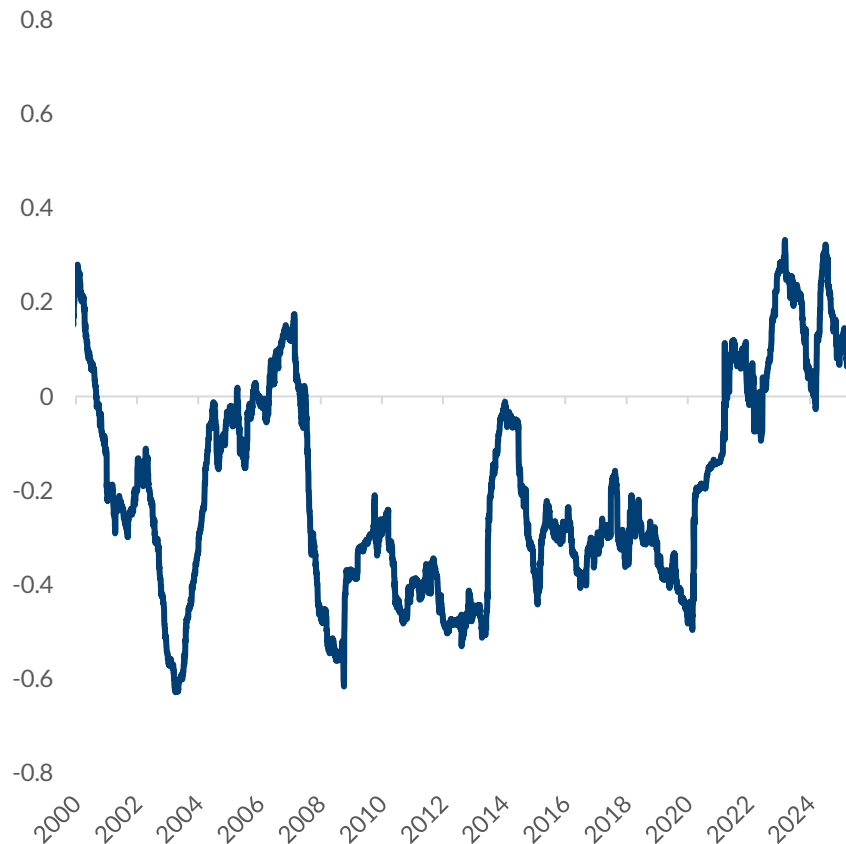
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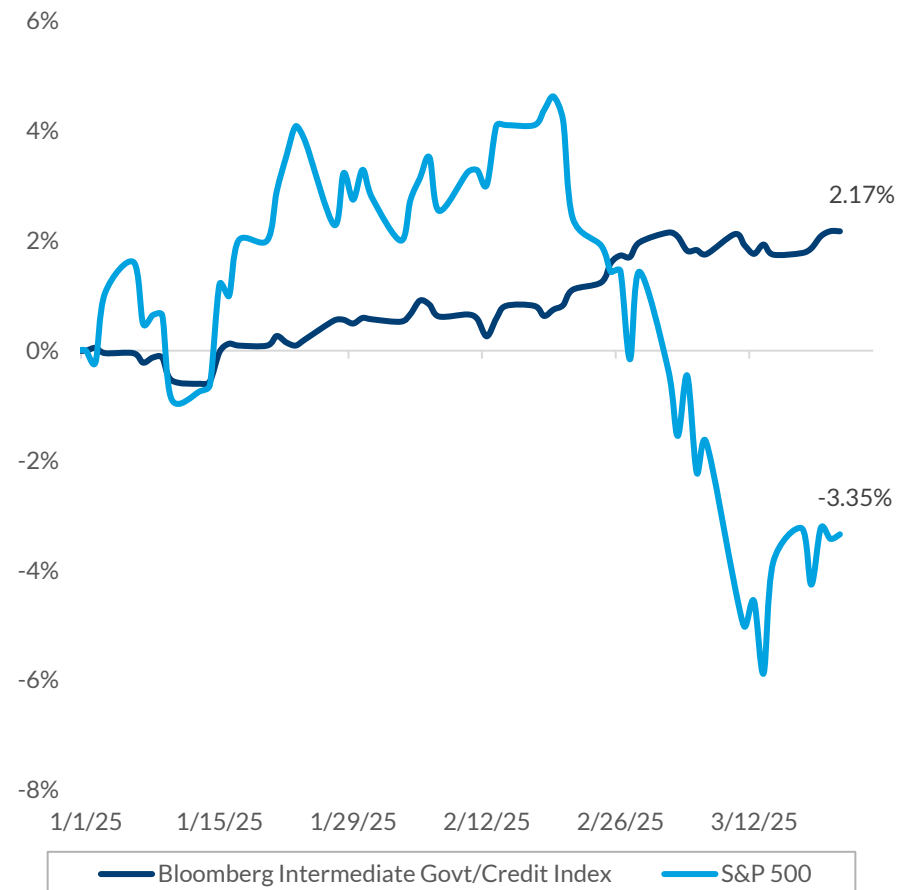
# Asset Correlation Is Showing a Stronger Relationship

- In recent years, the correlation between fixed income and equities has strengthened.
- However, since the start of Fed easing, owning bonds has improved the benefits of asset diversification.

Rolling 1y Correlation - Daily Returns  
S&P 500 v. Bloomberg Intermediate  
Govt/Credit Index



YTD Returns - S&P 500 v. Bloomberg  
Intermediate Govt/Credit Index



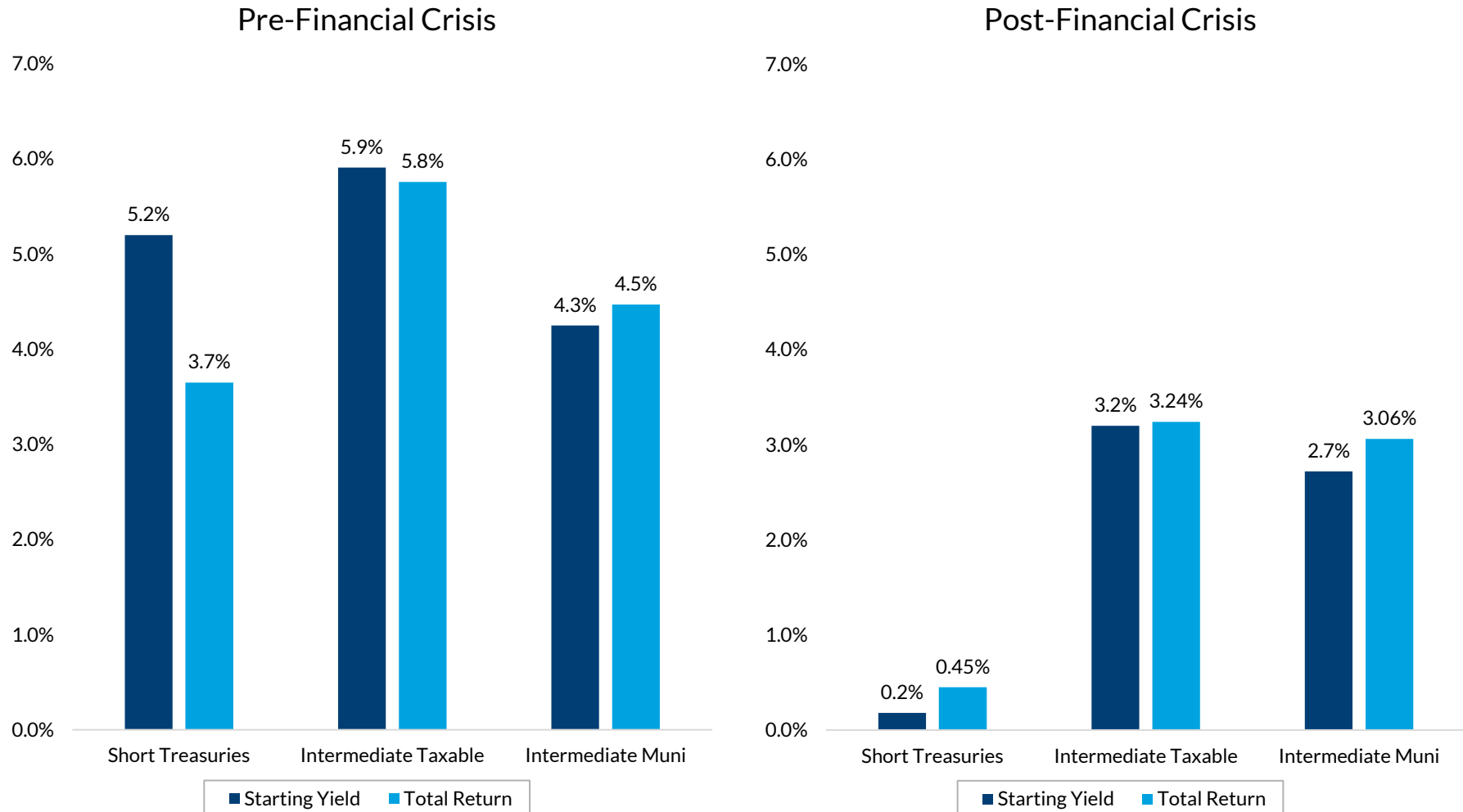
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# Higher Returns Tend to Follow Higher Starting Yields

- Over the short term, index returns can vary, but over the longer term are influenced by starting yield.
- Longer duration tends to outperform shorter duration over time.



Source: Bloomberg 1-3M Treasury Bill Index, Bloomberg Intermediate Taxable (Govt/Credit) Index, and the Bloomberg Municipal Inter/Short Index. Pre-Financial Crisis date range is 12/31/1997-12/31/2007. Post-Financial Crisis date range is 6/30/2009-6/30/2019. Total return is 10-yr annualized from the start of each respective date range. Information is subject to change and is not a guarantee of future results.

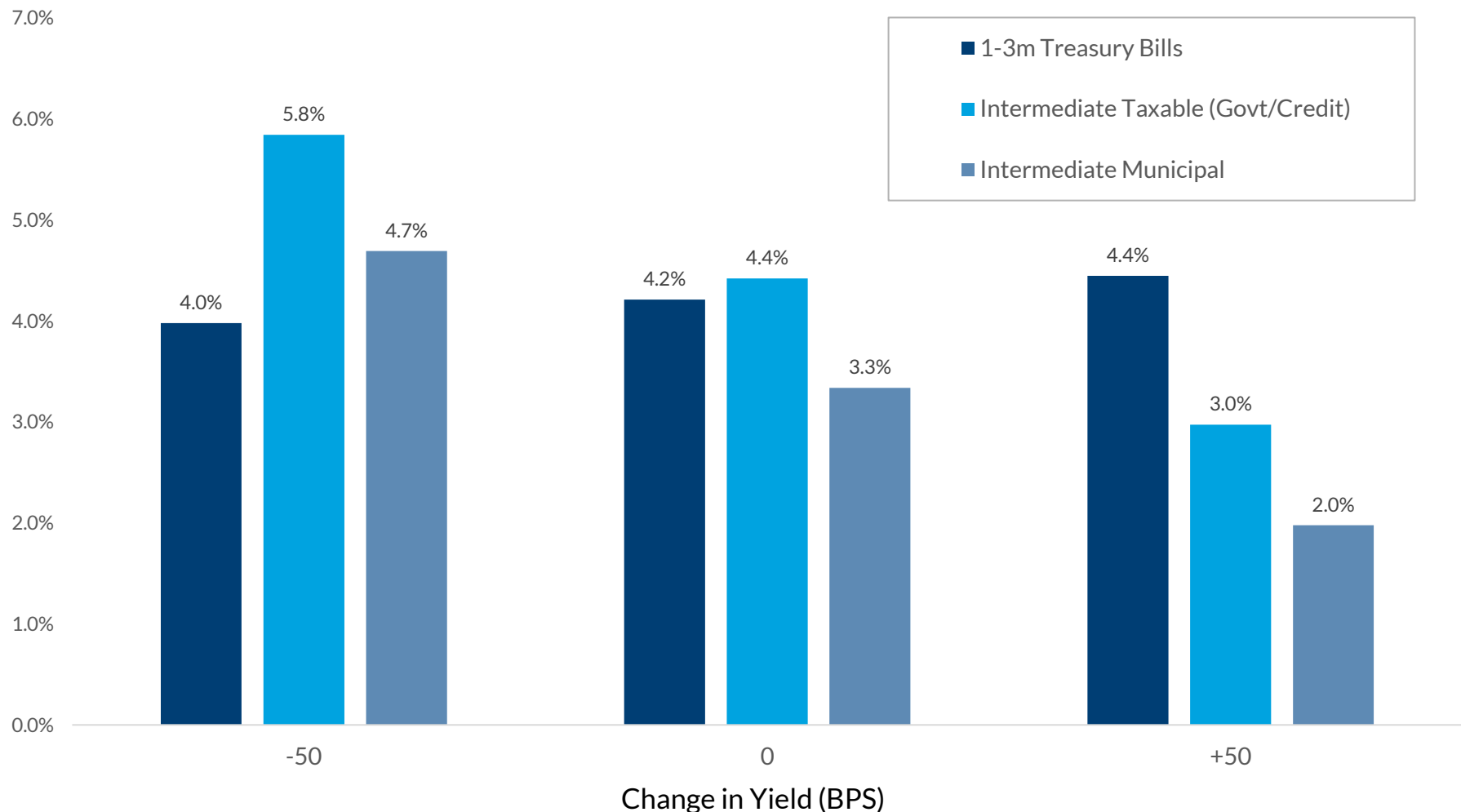
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# Higher Yields Equal Greater Fixed Income Return Potential

- Bond yields remain at levels that are historically attractive and improve longer-term performance prospects.
- Bond diversification benefits have returned and provide added stability to broad asset allocations.



Source: InvestorTools and Perform and CNR Research as of 3/24/2025. The indices are the Bloomberg 1-3M Treasury Bill Index, Bloomberg Intermediate Taxable (Govt/Credit) Index, and the Bloomberg Municipal Inter/Short Index as of 3/24/2025. BPS = basis points. Information is subject to change and is not a guarantee of future results.

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## Key Takeaways

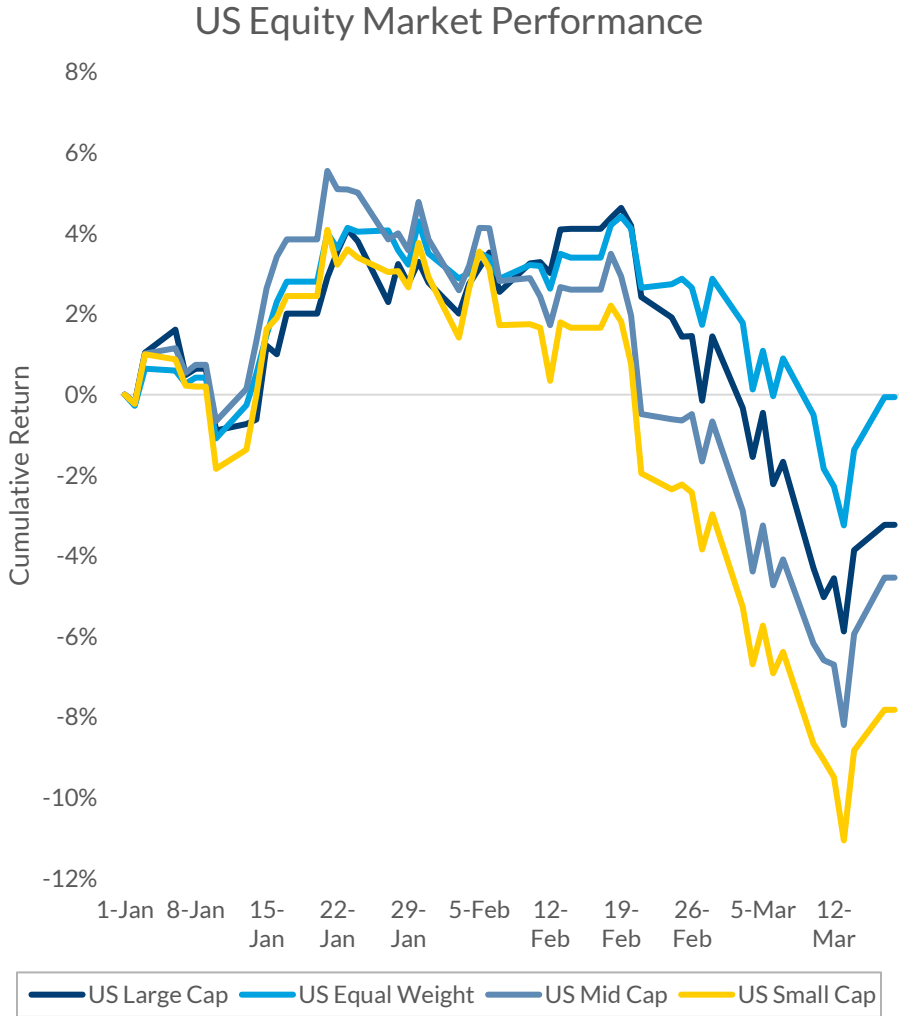
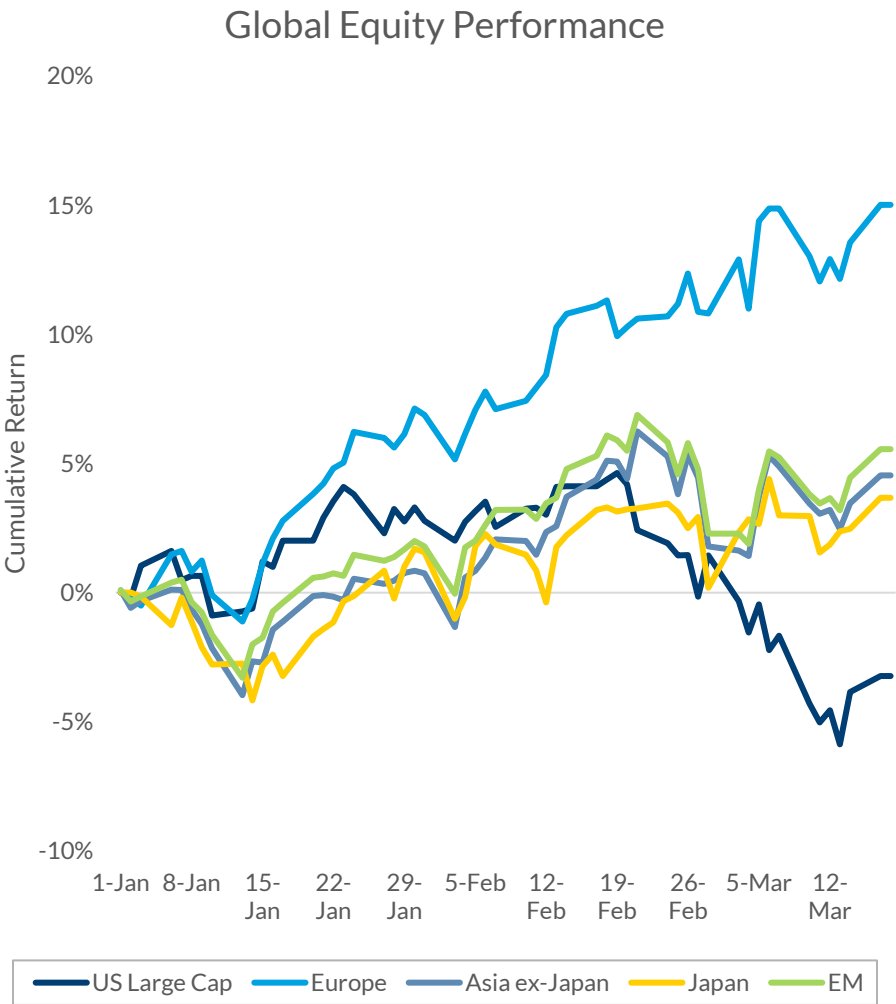
- The Federal Reserve is in no rush to change monetary policy, given an uncertain economic outlook.
- US Treasury yields have shifted lower, reflecting the concern that slowing growth is more worrisome than inflation.
- Credit quality across both taxable and municipal asset classes should remain resilient, though we anticipate volatility.
- Elevated inflationary conditions have increased stock/bond correlations, but diversification benefits are re-emerging.
- We believe compelling starting yields may bolster longer-term return potential while cushioning rate volatility.

Information is subject to change and is not a guarantee of future results. Diversification does not ensure a profit or protect against a loss in a declining market.

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# 2025 Global Equity Markets: US and Small-Caps Lag



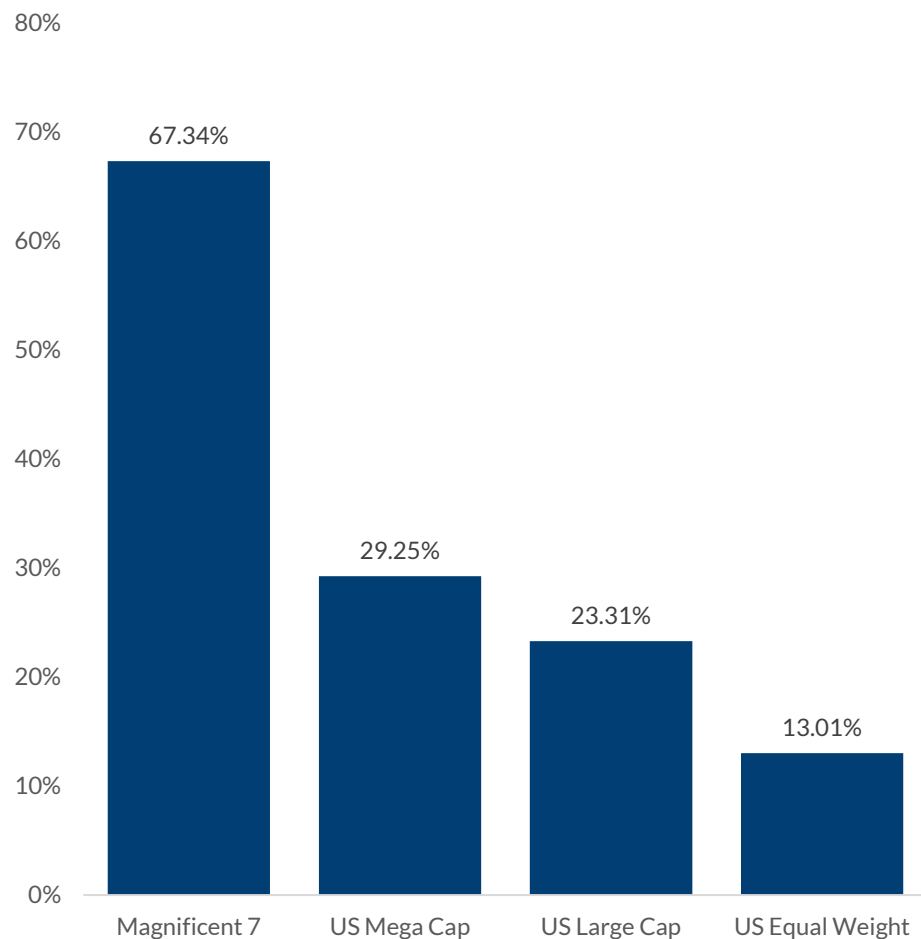
Source: Bloomberg, CNR. As of 3/17/2025. US Large Cap – S&P 500 Index, Europe – MSCI Europe Index, Asia ex-Japan – MSCI Asia ex-Japan Index, Japan – MSCI Japan Index, EM – MSCI Emerging Markets Index. US Equity Weight – S&P 500 Equal Weight Index, US Mid Cap – S&P 400 Index, US Small Cap – S&P 600 Index  
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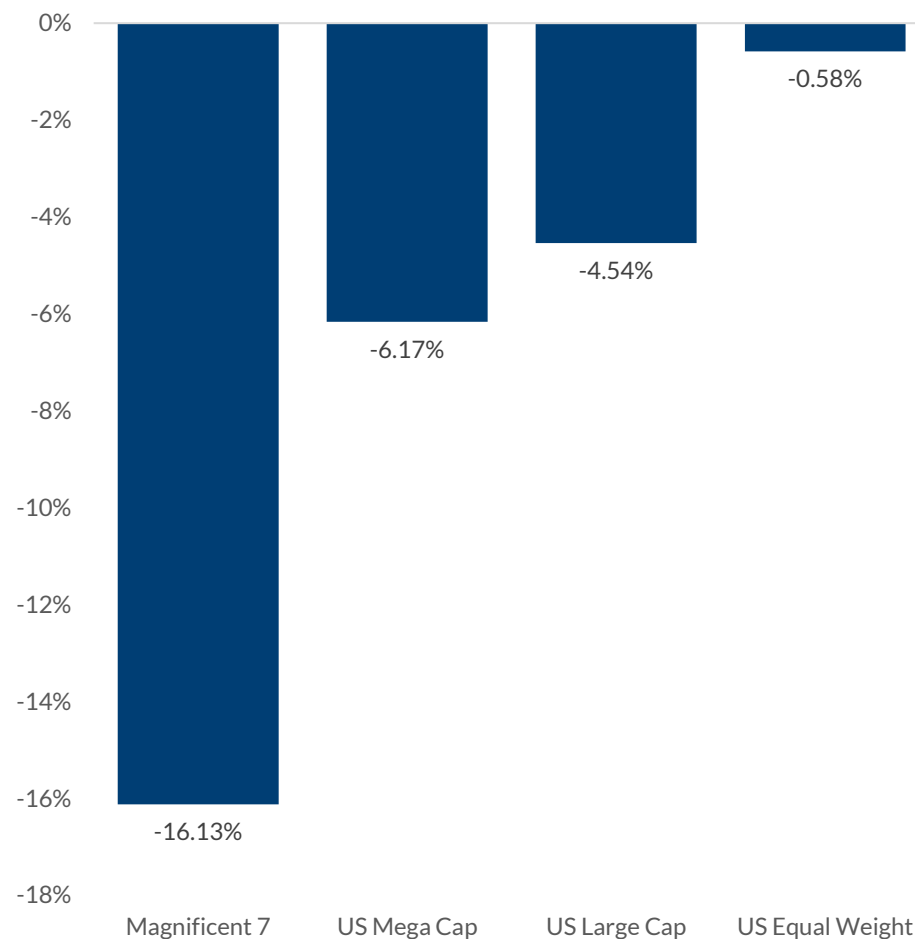


# US Large-Cap Equity Markets: 2024 vs. 2025

## US Large-Cap Performance: 2024



## US Large-Cap Performance: 2025



Source: Bloomberg, CNR. As of 3/17/2025. US Mega Cap – S&P 100 Total Return Index. US Large Cap – S&P 500 Total Return Index. US Equal Weight – S&P 500 Equal Weight Total Return Index. Magnificent 7 – Apple, Alphabet, Amazon, Meta, Microsoft, Nvidia, Tesla.

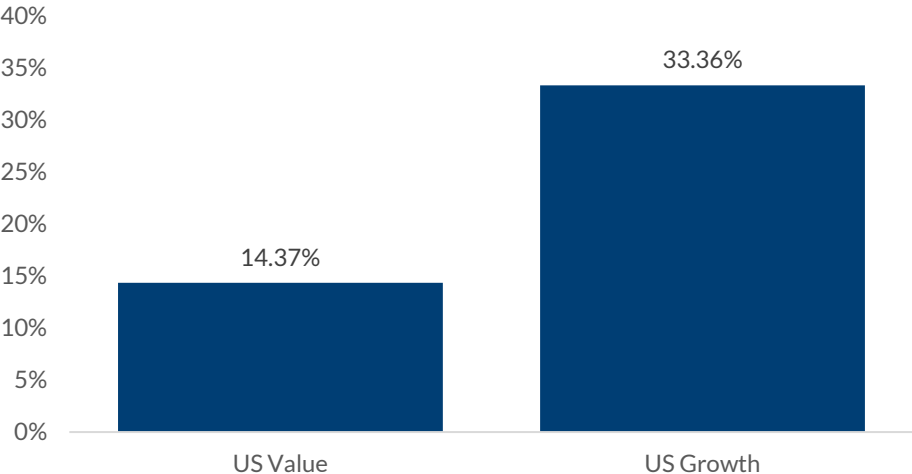
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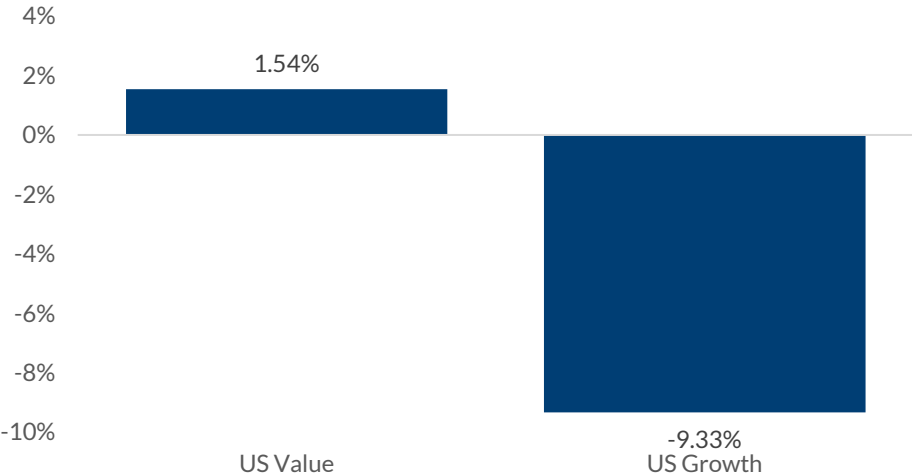


# US Equity Markets: Style Rotation

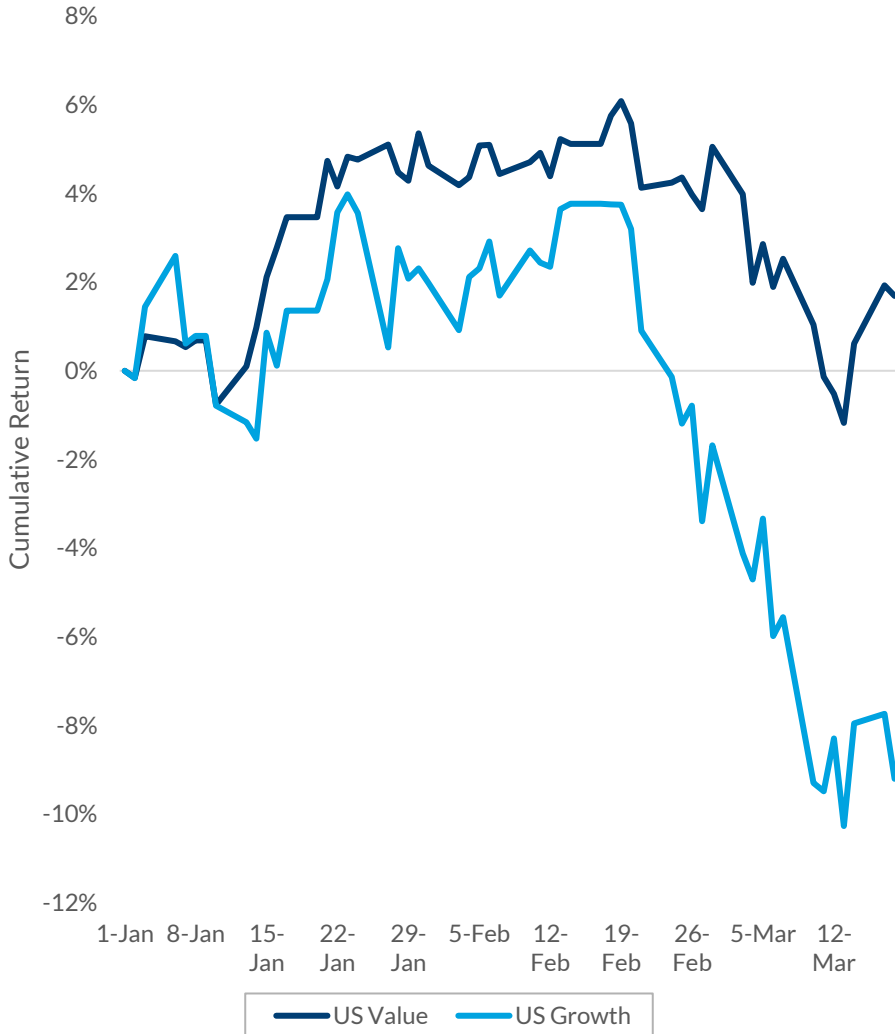
### US Style Performance: 2024



### US Style Performance: 2025



### US Equity Style Performance



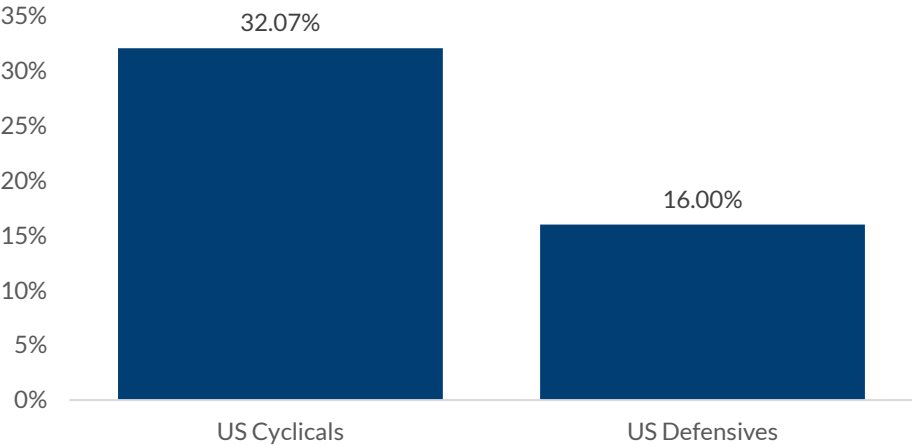
Source: Bloomberg, CNR. As of 3/17/2025. US Value – Russell 1000 Value Total Return Index. US Growth – Russell 1000 Growth Total Return Index. Past performance is no guarantee of future results. Information is subject to change and is not a guarantee of future results.

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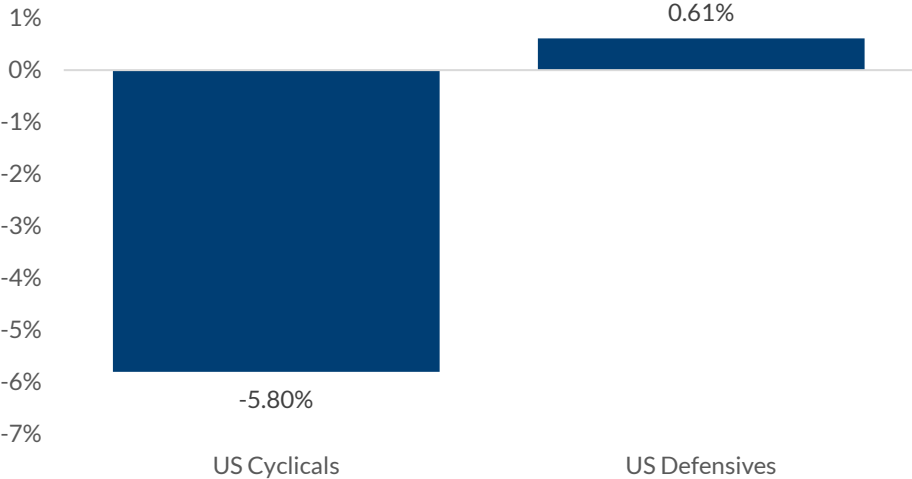


# US Equity Markets: Cyclical Rotation

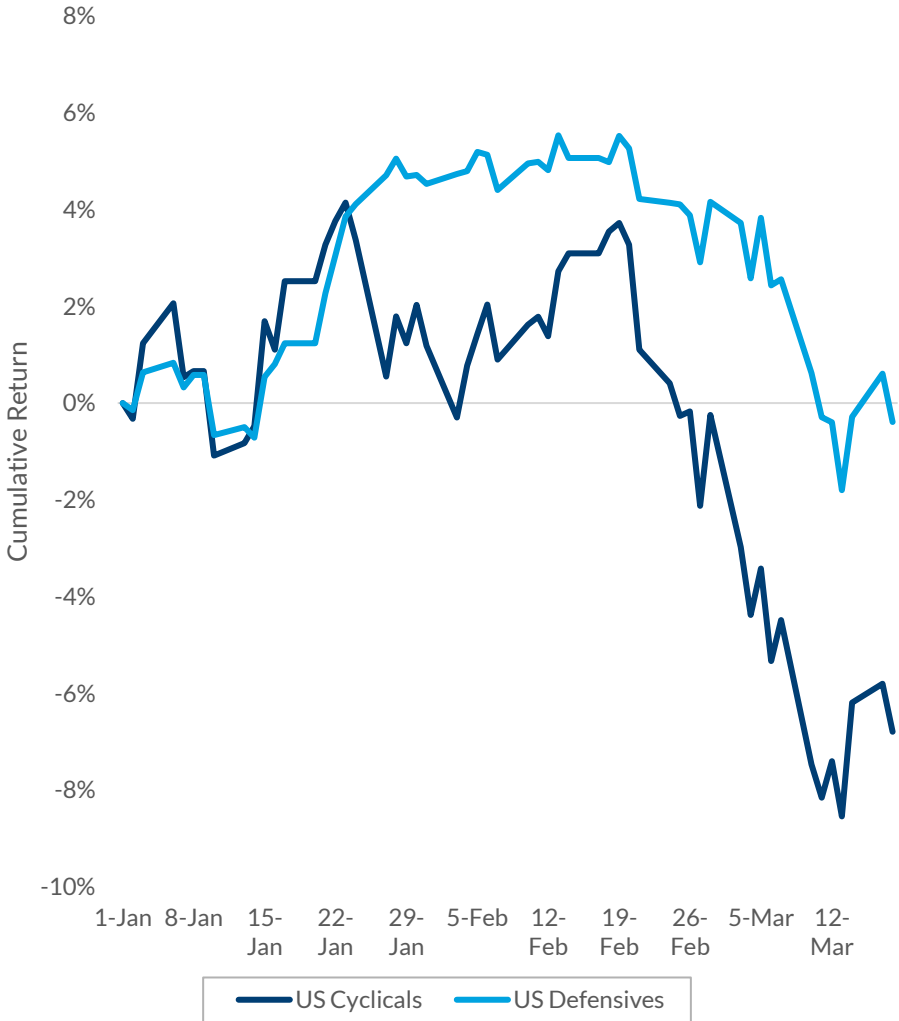
### US Cyclical vs. Defensives: 2024



### US Cyclical vs. Defensives: 2025



### US Cyclical vs. Defensives

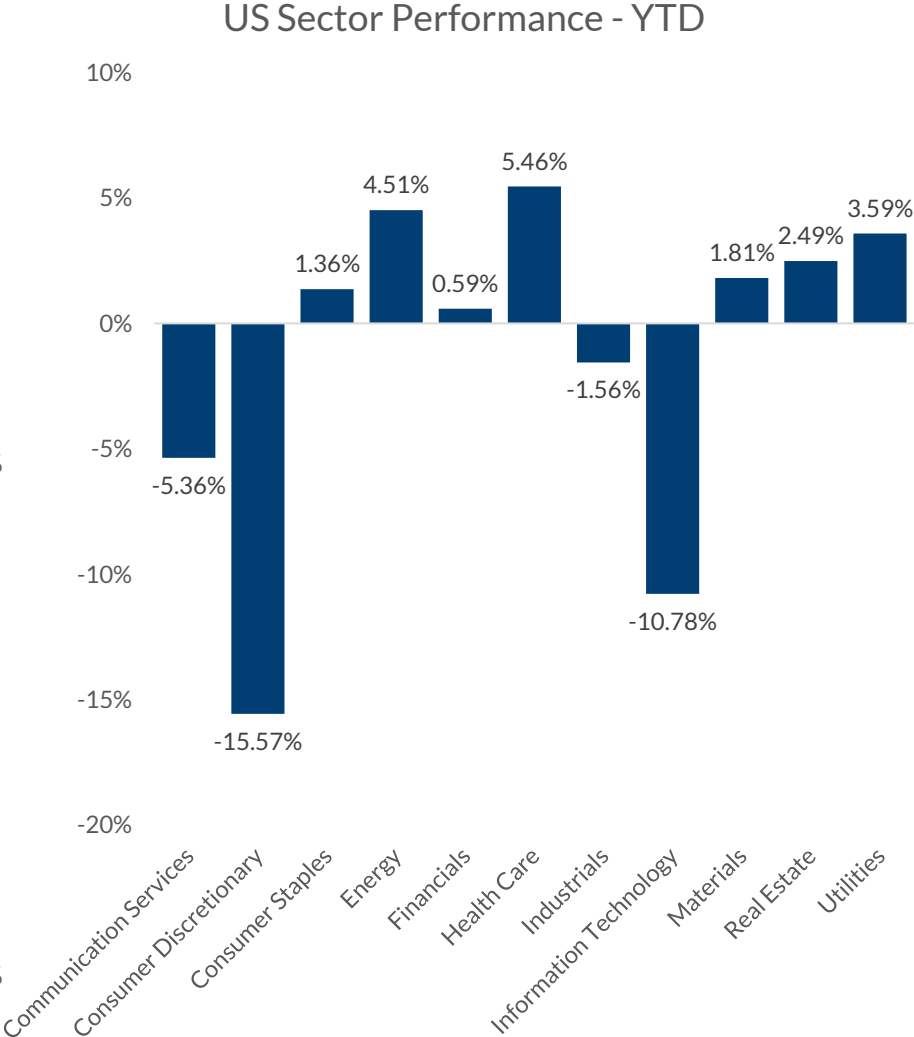
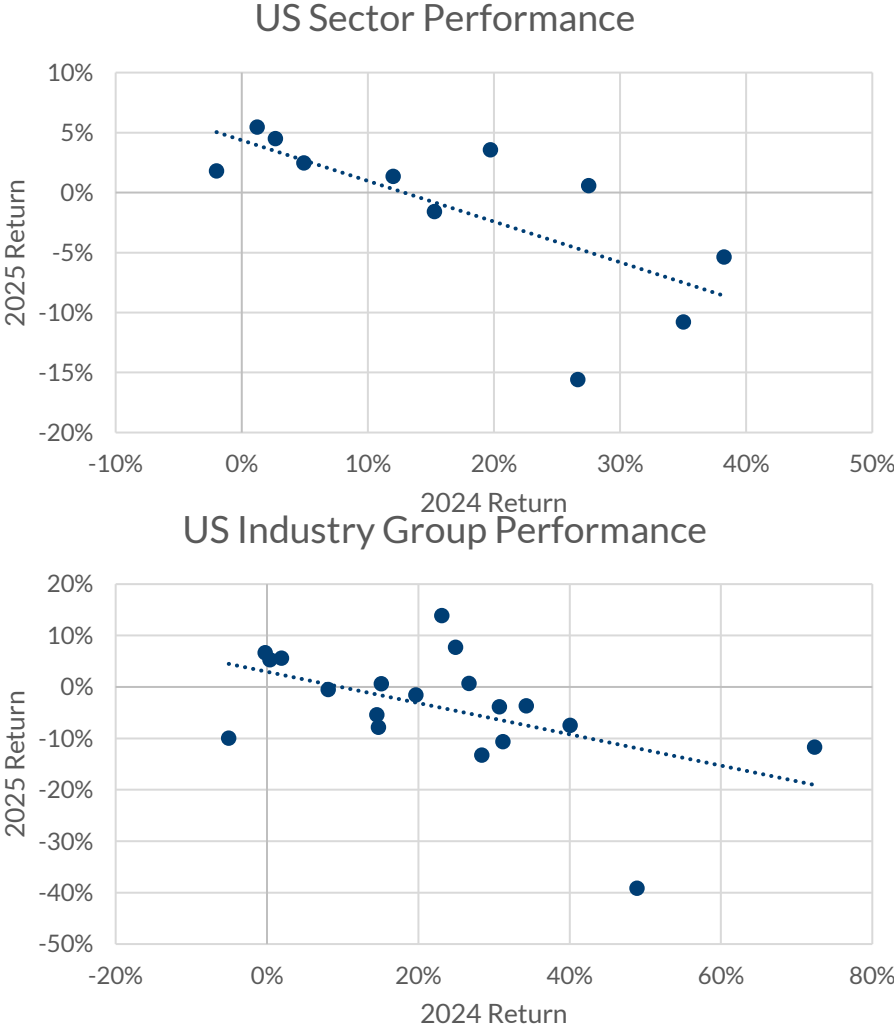


Source: Bloomberg, CNR. As of 3/17/2025.. US Cyclical – GS S&P 500 Cyclical Industry Groups. US Defensives – GS S&P 500 Defensive Industry Groups. Past performance is no guarantee of future results. Information is subject to change and is not a guarantee of future results. Cyclical stocks are affected by macroeconomic changes and follow the cycles of an economy through expansion, peak, recession, and recovery. A defensive stock provides consistent dividends and stable earnings regardless of the overall state of the stock market.

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# 2025 Equity Markets in Rotation vs. 2024

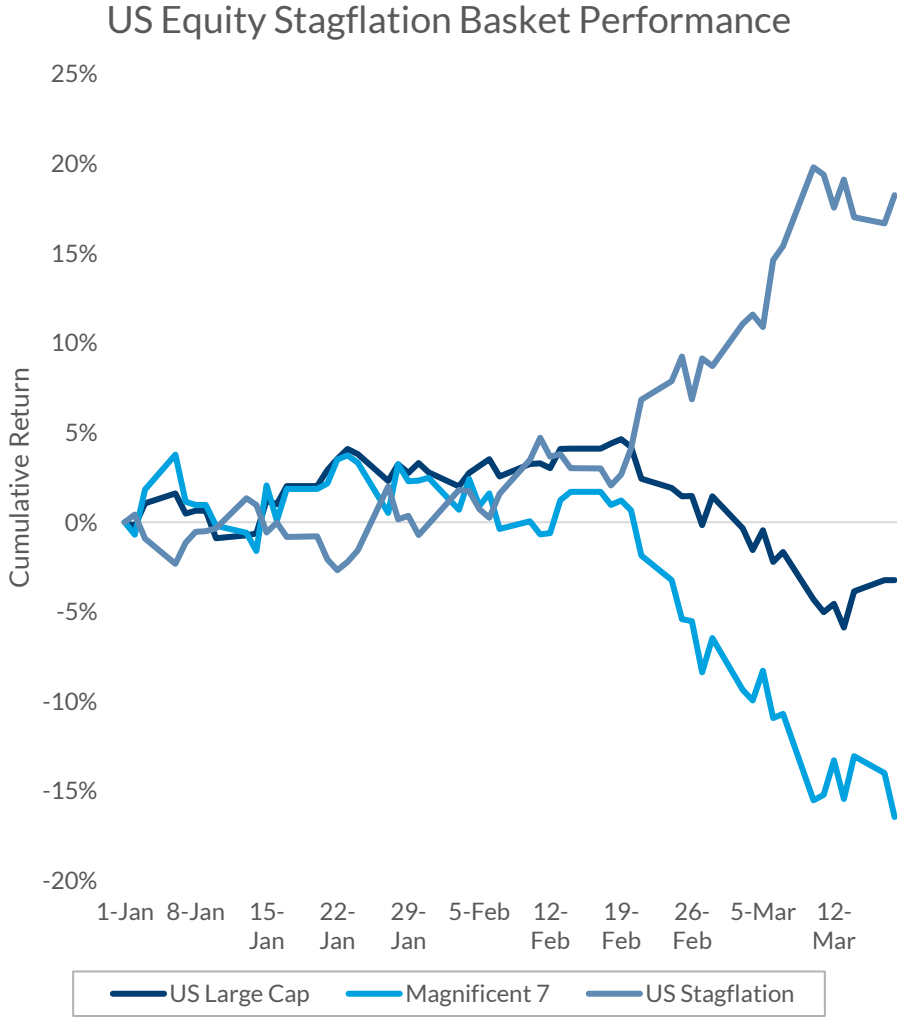
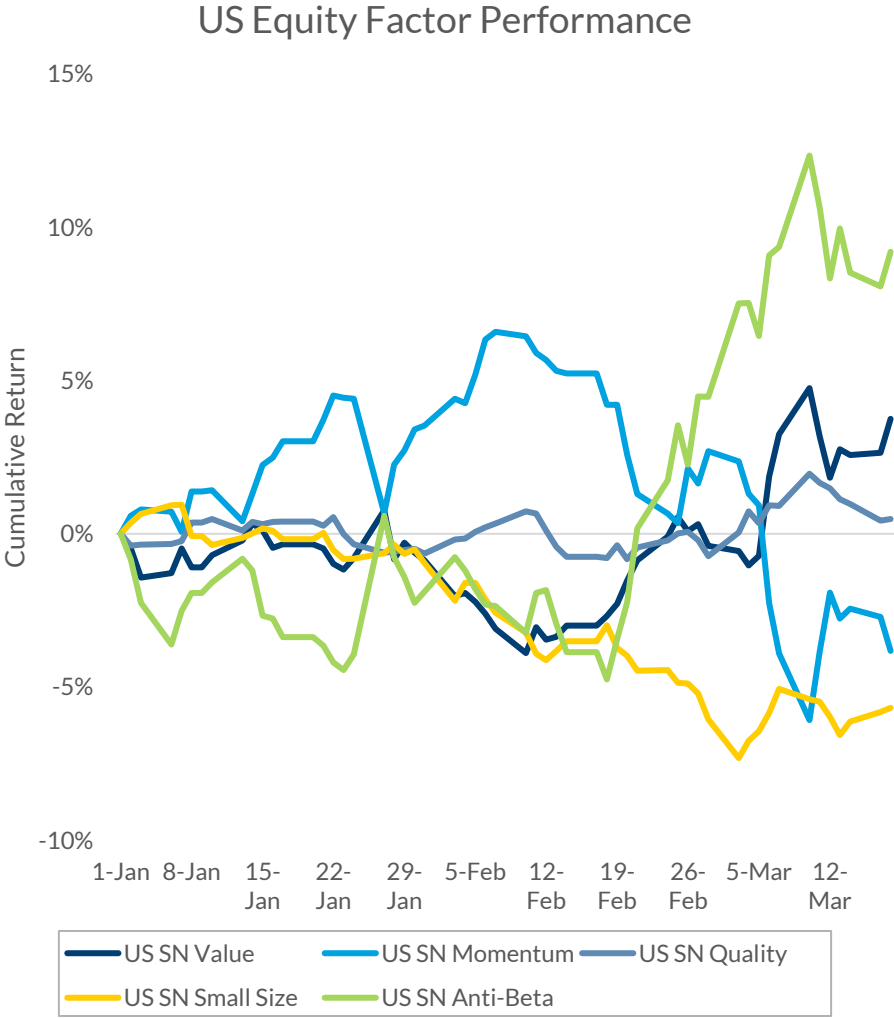


Source: Bloomberg, CNR. As of 3/17/2025. Sectors and Industry Groups from the S&P 1500 Composite Index. Past performance is no guarantee of future results. Information is subject to change and is not a guarantee of future results.

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# US Equity Sector Neutral (SN) Factor Performance: 2025



Source: Bloomberg, CNR. As of 3/17/2025. US SN Value – Dow Jones Thematic Sector Neutral Value Index, US SN Momentum – Dow Jones Thematic Sector Neutral Momentum Index, US SN Quality – Dow Jones Thematic Sector Neutral Quality Index, US SN Small Size – Dow Jones Thematic Sector Neutral Small Size Index, US SN Anti-Beta – Dow Jones Thematic Market Neutral Anti-Beta Index. US Large Cap – S&P 500 Index, Magnificent 7 – Apple, Alphabet, Amazon, Meta, Microsoft, Nvidia, Tesla. US Stagflation – GS US Long/Short Stagflation basket. GSPUSTAG is a custom basket pair trade that represents an equal notional pair trade of going long GSXUSTGL (GS Stagflation Long) and short GSXUSTGS (GS Stagflation Short). Performance reflects each side rebalanced back to equal notional at the close of each trading day. Past performance is no guarantee of future results. Information is subject to change and is not a guarantee of future results.

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# Equity Market Backdrop

U.S. economy appears resilient despite widespread expectations of weakness

- Growth slowing but still healthy
- Inflation cooling from high levels
- Two consecutive years of 25%+ equity market returns
- High equity market valuations
- Fed remains more likely to cut than hike
- EPS growth over multiple expansions likely drives 2025 returns

Source: Bloomberg, CNR Research. Information is subject to change and is not a guarantee of future results. As of 2/21/2025.

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# CNR's Desired Equity Sector Positioning

Based on current macroeconomic outlook and sector valuations

Overweight	Neutral	Underweight
<ul style="list-style-type: none"> <li>• Consumer Staples</li> <li>• Communication Services</li> <li>• Energy</li> <li>• Consumer Discretionary</li> </ul>	<ul style="list-style-type: none"> <li>• Materials</li> <li>• Information Technology</li> <li>• Health Care</li> <li>• Real Estate</li> </ul>	<ul style="list-style-type: none"> <li>• Utilities</li> <li>• Industrials</li> <li>• Financials</li> </ul>

High conviction sector spreads

Information Technology	Industrials	Consumer Staples
<ul style="list-style-type: none"> <li>• +Software &amp; Services</li> <li>• -Semis &amp; Semiconductor Equipment</li> </ul>	<ul style="list-style-type: none"> <li>• +Commercial &amp; Professional Services</li> <li>• -Capital Goods</li> </ul>	<ul style="list-style-type: none"> <li>• +Food, Beverage &amp; Tobacco</li> <li>• Distribution &amp; Retail</li> </ul>

Source: CNR Research. As of 2/21/2025. The overweight and underweight are versus the corresponding industry group weights in a broad US equity benchmark. In this case, the S&P 500 Index or S&P 1500 indices. Information is subject to change and is not a guarantee of future results.



## Key Takeaways

- A global reallocation has taken hold as U.S. markets underperform global peers as investors seek cheaper valuations.
- Magnificent 7 dominance is taking a breather with the tech sector ceding leadership to financials, energy, industrials and healthcare.
- As Trump Administration policy shifts, small cap stocks have faced headwinds from higher rates, recession fears and lagging earnings relative to large caps.
- AI investment remains strong with signs of earnings stabilization, but faces significant headwinds from trade tensions and tariff risks
- In anticipation of average equity market returns, sector positioning emphasizes diversification and balance

Information is subject to change and is not a guarantee of future results.

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# Q&A

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# Index Definitions

The Standard & Poor's 500 Index (S&P 500) is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity and industry group representation to represent US equity performance.

The Bloomberg Barclays US Corporate High Yield Index is an unmanaged, US-dollar-denominated, nonconvertible, non-investment-grade debt index. The index consists of domestic and corporate bonds rated Ba and below with a minimum outstanding amount of \$150 million.

Bloomberg Tax-Exempt HY is market value-weighted and designed to measure the performance of US dollar-denominated high-yield municipal bonds issued by US states, the District of Columbia, US territories and local governments or agencies.

The Dow Jones US Select Dividend Index aims to represent the US's leading stocks by dividend yield.

The Magnificent Seven stocks are a group of high-performing and influential companies in the U.S. stock market: Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla.

Bloomberg Tax-Exempt HY is market value-weighted and designed to measure the performance of US dollar-denominated high-yield municipal bonds issued by US states, the District of Columbia, US territories and local governments or agencies.

The Bloomberg US Municipal Bond Index measures the performance of investment grade, US dollar-denominated, long-term tax-exempt bonds.

The Bloomberg Barclays US Corporate High Yield Bond Index is a measure of the USD-denominated, high yield, fixed-rate corporate bond market.

The Bloomberg US Aggregate Bond Index measures the performance of investment grade, US dollar-denominated, fixed-rate taxable bonds.

The Bloomberg Municipal 1-5yr Index measures the performance of USD-denominated long-term, tax-exempt bond market with maturities of 1-5 years

Bloomberg US 1-15 Yr. Municipal Bond Index consists of a broad selection of investment grade general obligation and revenue bonds of maturities ranging from one year to 17 years.

The Bloomberg Taxable Intermediate Government Credit Index measures investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related bond markets with a maturity greater than 1 year and less than 10 years.

The Bloomberg Municipal High Index is a measure of the US municipal tax-exempt non-investment grade bond market.

The MSCI Europe Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe. It covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

The Bloomberg US Treasury Long Term TR Index is a market capitalization-weighted index that tracks the performance of US Treasury bonds with a maturity of 10 years or more.



# Index Definitions

The Misery Index is the sum of current inflation and unemployment.

The CBOE Volatility Index (VIX) is a real-time index that represents the market's expectations for the relative strength of near-term price changes of the S&P 500 Index (SPX).

The Bloomberg US Aggregate Corporate Average OAS is the calculated spread between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. The OAS index is constructed using each constituent bond's OAS, weighted by market capitalization.

The Bloomberg US Corporate High Yield Average OAS represents the average spread of high yield corporate bonds in the US domestic market.

The Bloomberg 1-3 Month U.S. Treasury Bill Index tracks the market for U.S. Treasury bills with a time to maturity between 1 and 3 months.

The Bloomberg Intermediate Govt/Credit Index measures investment grade, US dollar-denominated, fixed-rate nominal Treasuries, government-related and corporate securities with 1-10 year maturities.

The Bloomberg Municipal Bond: Muni Inter-Short (1-10) Index is a measure of the US municipal tax-exempt investment grade bond market.

The S&P 500 Total Return Index (SPTR) is a stock market index that tracks the performance of 500 large-cap U.S. companies and reinvests all dividends and cash payouts back into the index.

The S&P 500 Equal Weight Total Return Index (EWI) is the equal-weight version of the widely-used S&P 500. It includes the same constituents as the capitalization-weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight of 0.2% of the index total at each quarterly rebalance.

The Russell 1000 Value Total Return Index is a subset of the larger Russell 3000 Index and represents the 1,000 top companies by market capitalization in the United States.

The Russell 1000® Growth Index measures the performance of the largecap growth segment of the US equity universe.

The S&P Composite 1500® combines three leading indices, the S&P 500®, the S&P MidCap 400®, and the S&P SmallCap 600®, to cover approximately 90% of U.S. market capitalization.

The Dow Jones Thematic Sector Neutral Value Index is calculated using a ranking process based on book value to price ratio, projected earnings per share to price ratio, and trailing 12-month operating cash flow to price ratio.

The Dow Jones Thematic Sector Neutral Momentum Index is designed to measure the performance of a long/short strategy utilizing long positions in high-momentum companies and short positions in low-momentum companies.

The Dow Jones U.S. Thematic Market Neutral Quality Index is designed to measure the performance of a long/short strategy utilizing a long position in high quality companies and a short position in low quality companies.

The Dow Jones Thematic Sector Neutral Small Size Index is designed to measure the performance of a long/short strategy utilizing long positions in small-cap companies and short positions in large-cap companies.

The Dow Jones U.S. Thematic Market Neutral Low Beta Index measures the performance of an investment strategy utilizing long positions in low beta companies and short positions in high beta companies.

GSPUSTAG is a custom basket pair trade that represents an equal notional pair trade of going long GSXUSTGL (GS Stagflation Long) and short GSXUSTGS (GS Stagflation Short).



# Definitions

Employment Index: US jobs with the exception of farmwork; unincorporated self-employment; and employment by private households, the military, and intelligence agencies.

A consumer price index (CPI) measures changes in the price level of a market basket of consumer goods and services purchased by households. The CPI is a statistical estimate constructed using the prices of a sample of representative items whose prices are collected periodically.

The “core” Personal Consumption Expenditures (PCE) price index is defined as prices excluding food and energy prices. The core PCE price index measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices to reveal underlying inflation.

Gross Domestic Product (GDP) is the total monetary or market value of all the finished goods and services produced within a country’s borders in a specific time period.

CNR Speedometers® are indicators that reflect forecasts of a 6 to 9 month time horizon. The colors of each indicator, as well as the direction of the arrows represent our positive/negative/neutral view for each indicator. Thus, arrows directed towards the (+) sign represents a positive view which in turn makes it green. Arrows directed towards the (-) sign represents a negative view which in turn makes it red. Arrows that land in the middle of the indicator, in line with the (0), represents a neutral view which in turn makes it yellow. All of these indicators combined affect City National Rochdale’s overall outlook of the economy.

Yield to worst is a measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its contract without defaulting.

Risk sentiment refers to how financial market participants (traders and investors) are behaving and feeling. It describes their willingness to take on risk, with risk-on sentiment indicating preparedness to take risks and risk-off sentiment indicating caution

The option-adjusted spread (OAS) is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is then adjusted to take into account an embedded option.



# Important Information

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All investing is subject to risk, including the possible loss of the money you invest. As with any investment strategy, there is no guarantee that investment objectives will be met, and investors may lose money. Diversification may not protect against market risk or loss. Past performance is no guarantee of future performance.

Indices are unmanaged, and one cannot invest directly in an index. Index returns do not reflect a deduction for fees or expenses.

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### New York Headquarters

400 Park Avenue  
New York, NY 10022  
212-702-3500

### Beverly Hills Headquarters

400 North Roxbury Drive  
Beverly Hills, CA 90210  
310-888-6000

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