



Economic Update: “Interesting Times”

Presenter:

Benjamin Streed, CFA

May 29th, 2025



PRESENTERS' BIO

Benjamin Streed

Benjamin Streed, CFA

Chief Investment Officer

20 Years Investment Experience

Benjamin Streed is the Chief Investment Officer. As CIO, he is an integral component of our firmwide commitment to attract and retain industry leaders who will better service our clients and local communities. His focused efforts are to build out our front, middle, and back offices will position us for continued growth.

Before becoming CIO, he served as Director of Fixed Income for several years. In this role he worked with investment professionals to deliver comprehensive, custom, diversified portfolio management strategies for separately managed accounts, consulting clients, and the U.S. Fixed Income Trust (local government investment pools). Benjamin will continue directing the Portfolio Management team and serving on the firm's investment and credit committees. He continues to be a thought leader in the investment space — attending industry seminars and speaking engagements to educate our clients and prospects.

Prior to joining Deep Blue, Benjamin served as a multi-asset strategist with Wells Fargo Private Bank and previously was a fixed income strategist with Raymond James Financial. There, he was a member of the investment strategy committee and the strategic and tactical asset allocation sub-committees. He has also served as an investment analyst and portfolio manager where he focused on providing unique investment solutions for high-net-worth families.

Benjamin earned a Bachelor of Science degree in business administration from Emory University and a Master of Science in finance (MSF) from Georgetown University where he graduated as valedictorian. He is a CFA® charter holder and frequently volunteers his time grading CFA exams and serves on the CFA curriculum advisory committee and the Georgetown MSF alumni council.

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Today's Objectives

- Economic backdrop:
 - What's taking place in 2025, metrics to focus on.
- Current state of the equity + fixed income markets
- Inflation, US economic growth
- Forecast for the Federal Reserve in 2025/2026
- ***Please ask questions anytime!!!***



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President Trump's Agenda

Tariffs



Immigration

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“May You Live in Interesting Times”



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“May You Live in Interesting Times”

- The phrase "May you live in interesting times" is **not** a traditional Chinese curse or proverb.
- **Irony:**
 - The phrase is meant to be ironic, as "interesting times" are often times of **chaos, conflict, and difficulty**, not necessarily positive or desirable.
- **Origin:**
 - The phrase is believed to have originated in the English-speaking world, potentially within the British diplomatic service in China around 1936.
- **Popularization:**
 - The phrase gained popularity through its use in speeches and writings, particularly by figures like Robert F. Kennedy, who attributed it to an ancient Chinese curse...

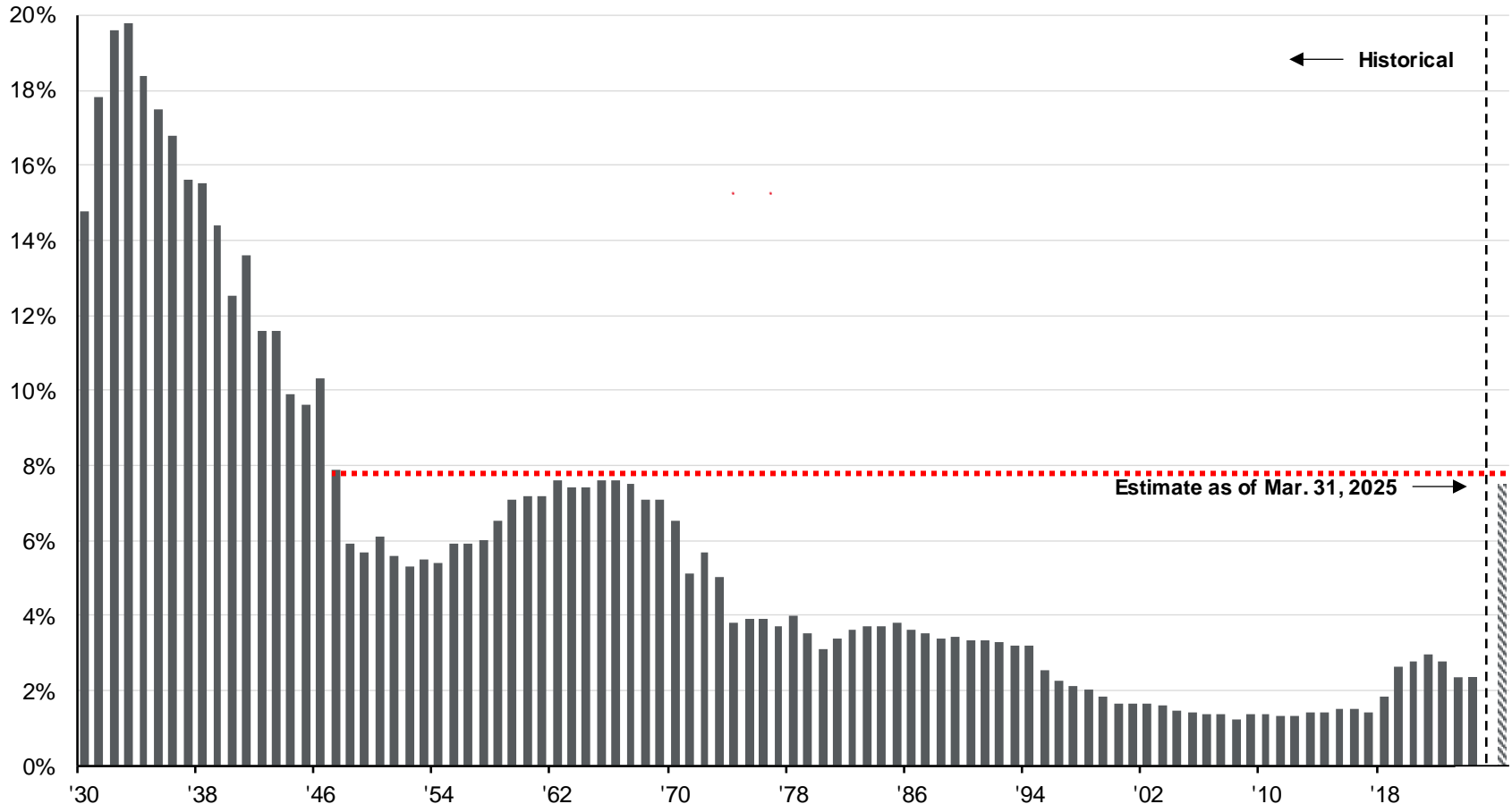


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President Trump's Agenda

Average tariff rate on U.S. goods imports for consumption

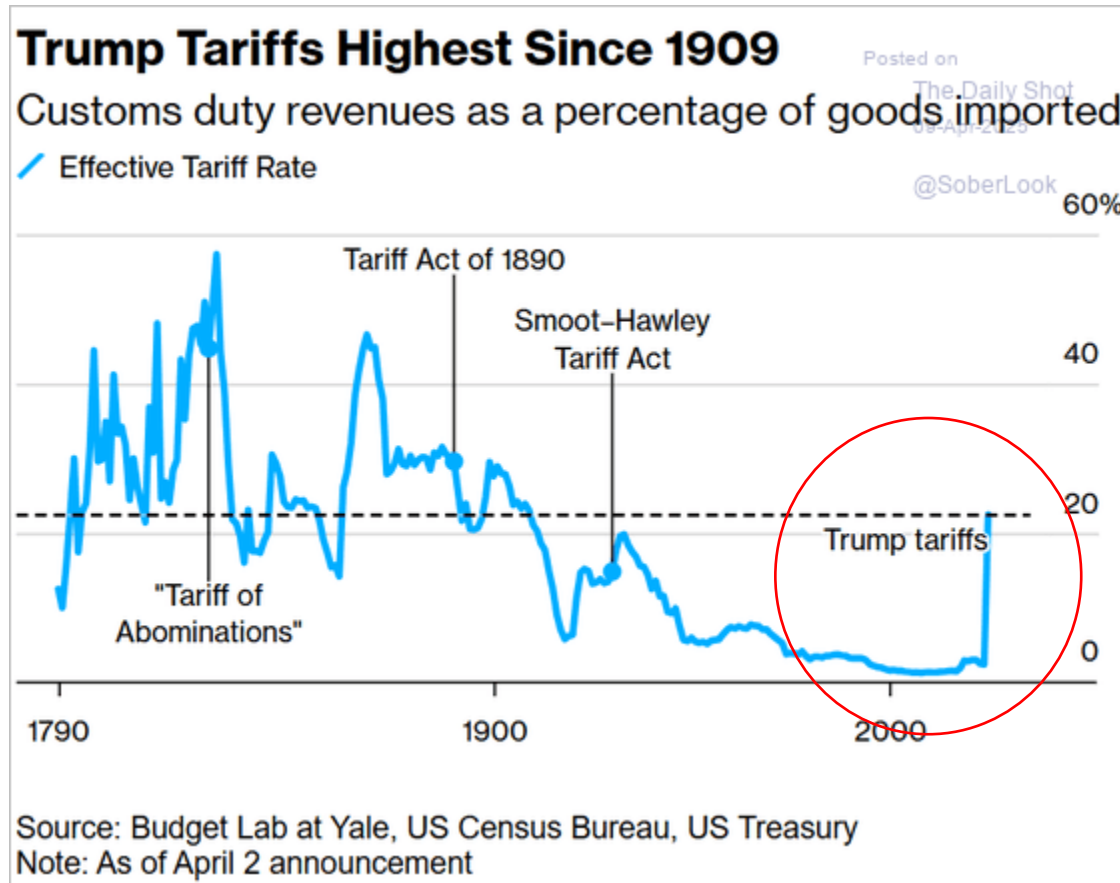
Duties collected / value of total goods imports for consumption



Source: Goldman Sachs Investment Research, United States International Trade Commission, J.P. Morgan Asset Management. For illustrative purposes only. The estimated weighted average U.S. tariff rate includes the latest tariff announcements (25% tariffs on steel and aluminum imports, an additional 20% tariff on Chinese imports, and a 25% tariff on non-compliant Mexican and Canadian imports). Estimates about which goods are USMCA compliant come from Goldman Sachs Investment Research. Imports for consumption: goods brought into a country for direct use or sale in the domestic market. The estimate does not consider non-tariff barriers, such as value-added taxes. Figures are based on 2024 import levels and assume no change in demand due to tariff increases. Forecasts are based on current data and assumptions about future economic conditions. Actual results may differ materially due to changes in economic, market, and other conditions. *Guide to the Markets – U.S.* Data are as of March 31, 2025.

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President Trump's Agenda



Source: WSJ, Daily Shot

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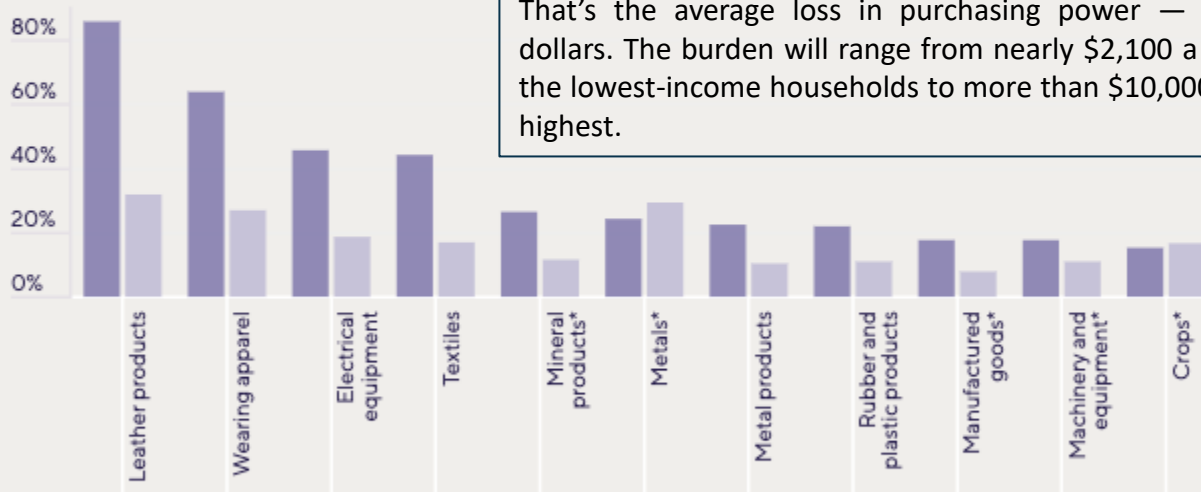
Tariffs & Households

Where Tariffs Could Hit Wallets the Most

A Ranking of Commodities, by Potential Increase in Costs

■ Short Run ■ Long Run

Estimated change in price



An additional \$4,689 in costs a year, according to new estimates from Yale University's Budget Lab, a non-partisan policy research center.

That's the average loss in purchasing power — in 2024 dollars. The burden will range from nearly \$2,100 a year for the lowest-income households to more than \$10,000 for the highest.

Source: The Budget Lab at Yale University

Note: Only the commodities with the 10 largest short-term price increases are shown. Data is as of April 9, 2025. *The portion of these commodities that are not elsewhere classified.



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Economic “Regime Change” ?

- **Regime shifts** are large, abrupt, persistent changes in the structure and function of ecosystems, the climate, financial and economic systems or other complex systems.
- In statistics, "regime change" refers to a statistically detectable **shift in the behavior or characteristics of a system over time**, often implying a **transition from one stable state to another**. Recovery from such shifts may require more than a simple return to the conditions at which a transition occurred, a phenomenon called “hysteresis” (dependence on history).
 - ...shifts usually occur when a smooth change in an internal process (feedback) or a single disturbance (external shock) triggers a completely different system behavior. Larger shifts can even have “cascading consequences”.
 - Economics: Shifts in economic conditions, such as **moving from a period of low inflation and low interest rates to one of higher inflation and interest rates**, can be considered a regime change.

Lewontin, R. (1969) Meaning of Stability. Brookhaven Sym Biol, 13

Holling, C.S. (1973) Resilience and stability of ecological systems. Annual Review of Ecology and Systematics 4, 1–23

Scheffer, Marten (26 July 2009). Critical transitions in nature and society. Princeton University Press. ISBN 978-0691122045.

Biggs, R., et al. (2009) Turning back from the brink: Detecting an impending regime shift in time to avert it. P Natl Acad Sci Usa 106, 826–831

Scheffer, M., et al. (2001) Catastrophic shifts in ecosystems. Nature 413, 591–596

Scheffer, M., and Carpenter, S. (2003) Catastrophic regime shifts in ecosystems: linking theory to observation. Trends Ecol. Evol. 18, 648–656

Folke, C., et al. (2004) Regime Shifts, Resilience, and Biodiversity in Ecosystem Management. Annu. Rev. Ecol. Evol. Syst. 35, 557–581

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Pre-Election

S&P 500 Price Index

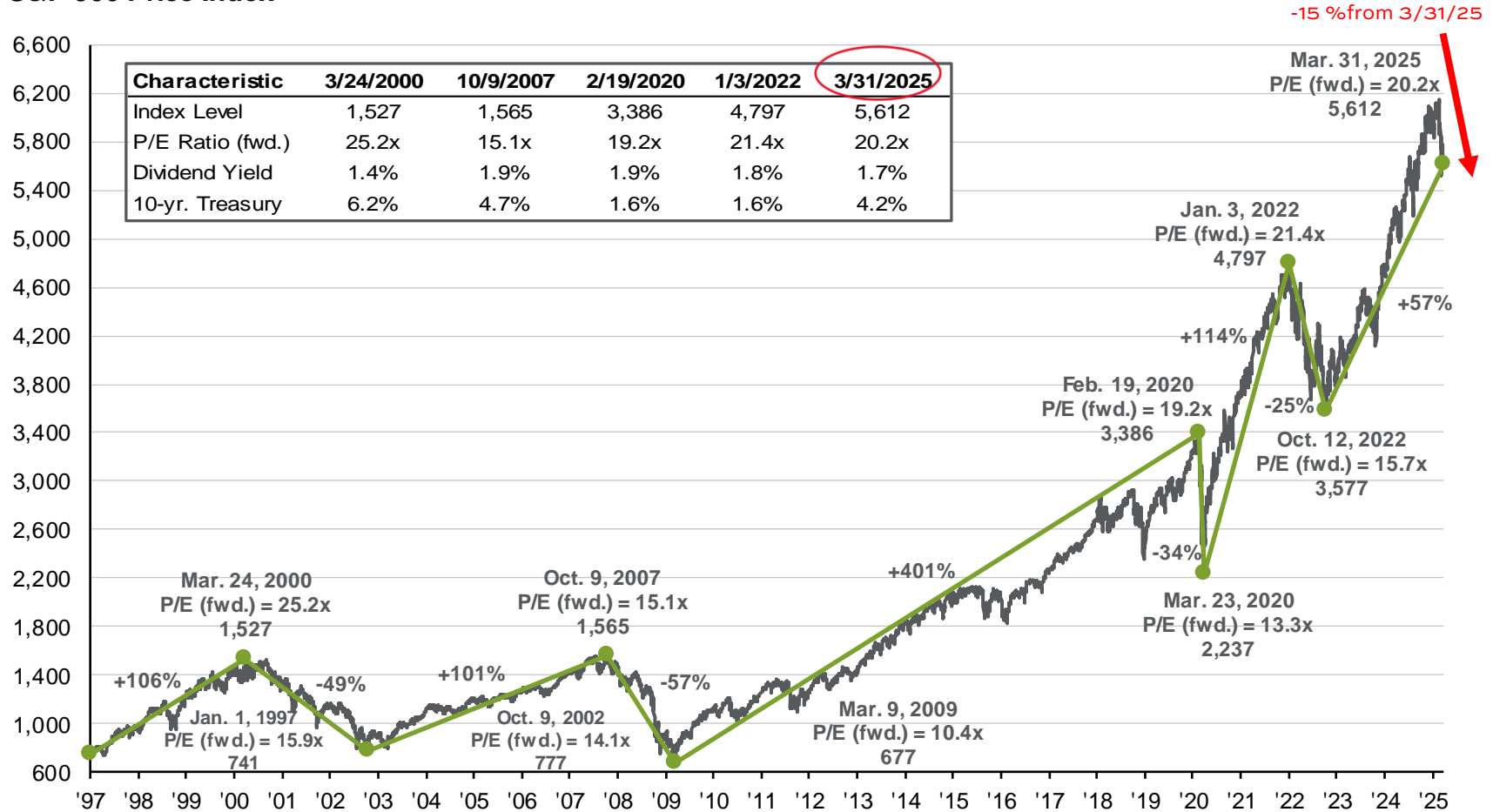


Source: Compustat, FactSet, Federal Reserve, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management.
 Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price-to-earnings ratio is a bottom-up calculation based on IBES estimates and FactSet estimates since January 2022. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns.
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Post-Election

S&P 500 Price Index



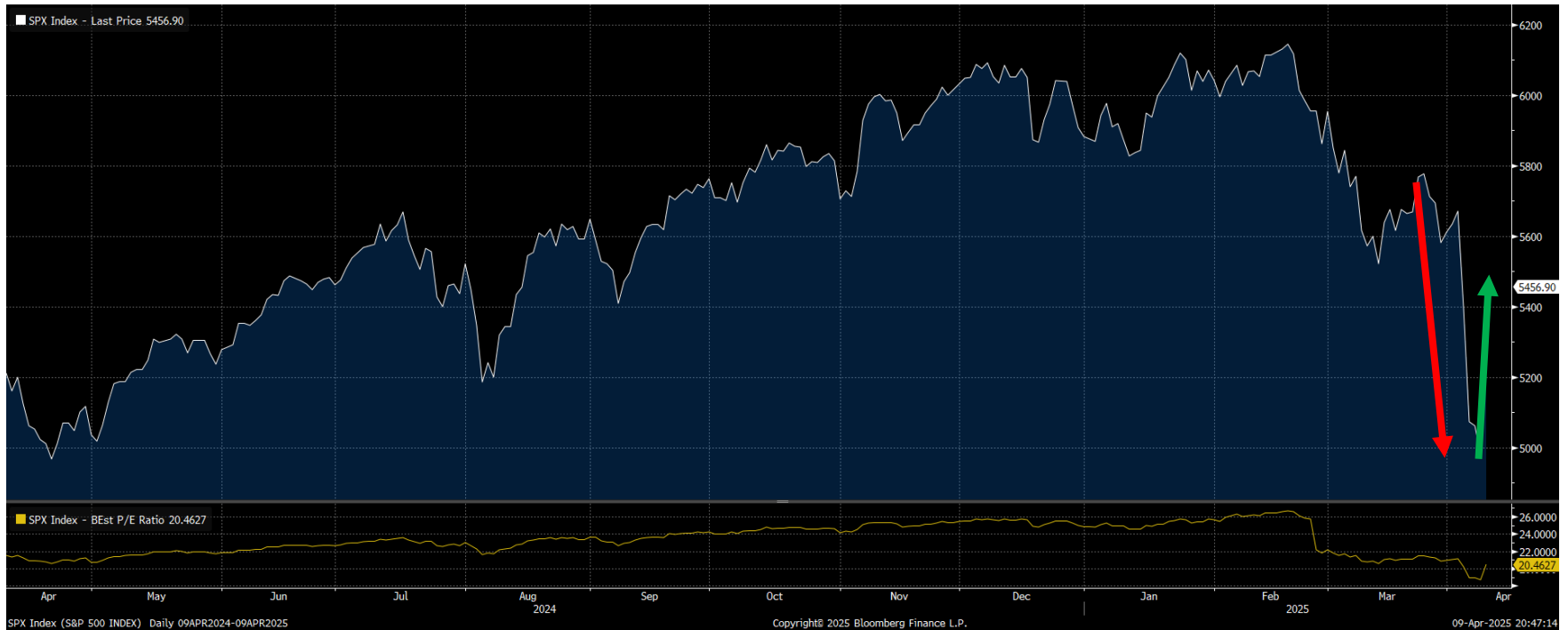
Source: Compustat, FactSet, Federal Reserve, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management.

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More Recently...wow



Long-term average for forward P/E is ~18x
Max drawdown = 15%
Current drawdown (as of 4.9) = 2.5%

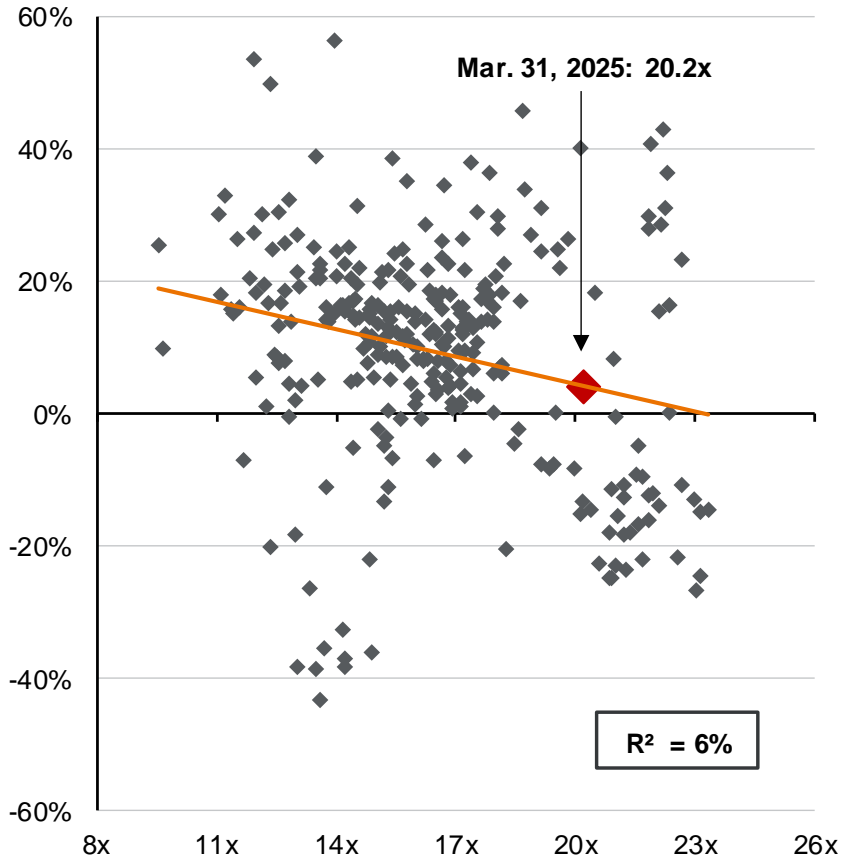
Source: DBIA, Bloomberg LP

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P/E Ratios and Equity Returns

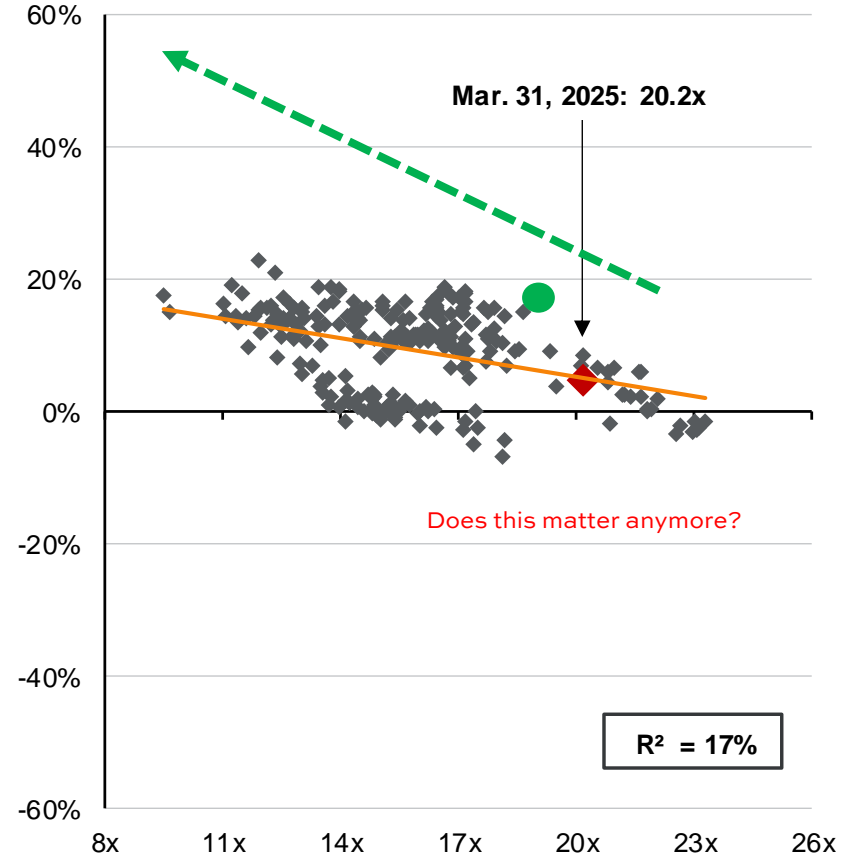
Forward P/E and subsequent 1-yr. returns

S&P 500 Total Return Index



Forward P/E and subsequent 5-yr. annualized returns

S&P 500 Total Return Index



Source: FactSet, Refinitiv Datastream, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.

Returns are 12-month and 60-month annualized total returns, measured monthly, beginning 2/28/1999. R^2 represents the percent of total variation in total returns that can be explained by forward price-to-earnings ratios. Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since May 1999 and by FactSet since January 2022.

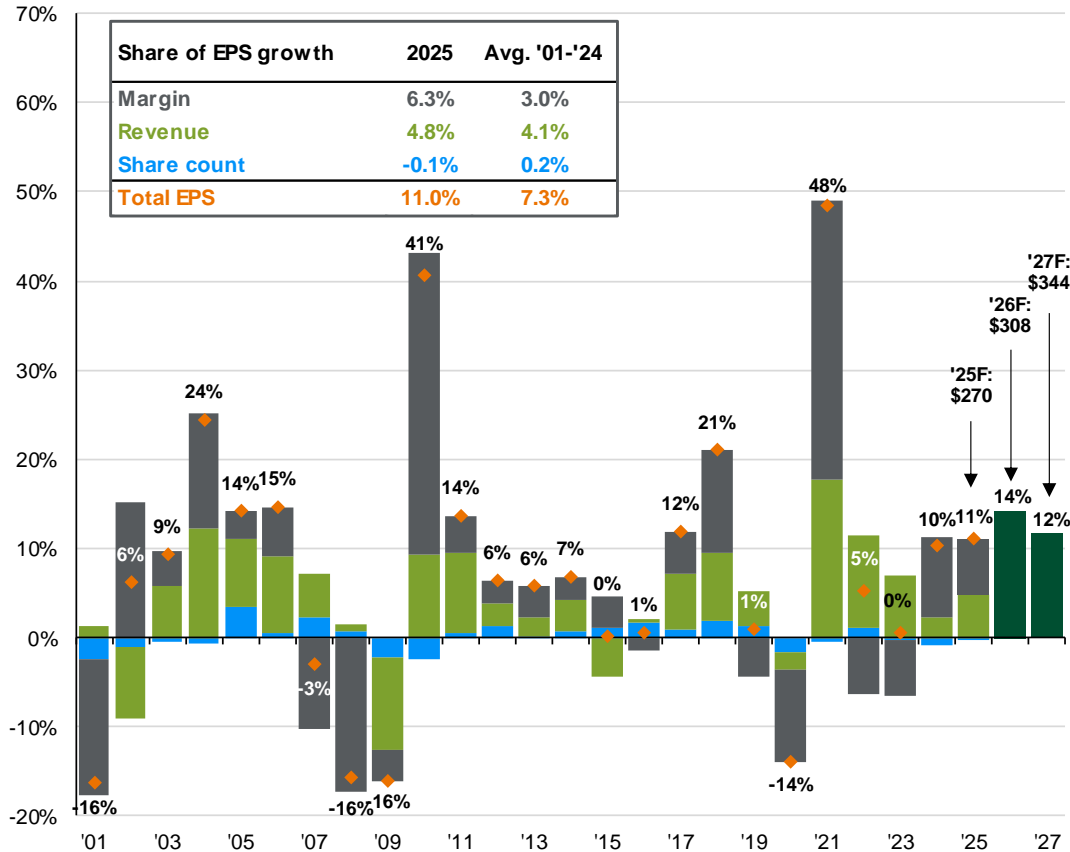
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Healthy Corporate Profits....for now?

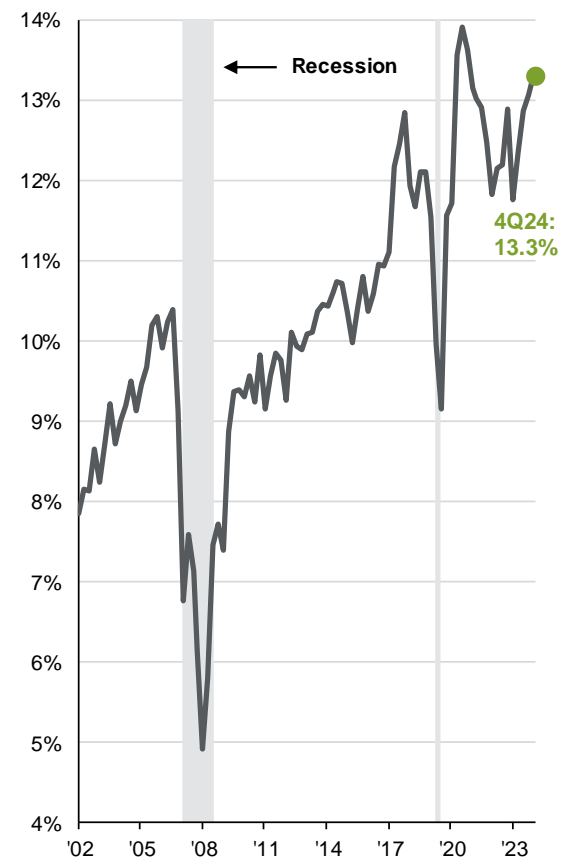
S&P 500 year-over-year pro forma EPS growth

Annual growth broken into changes in revenue, profit margin and share count



S&P 500 profit margins

Quarterly earnings/sales



Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Historical EPS levels are based on annual pro forma earnings per share. 2025, 2026 and 2027 EPS growth are based on consensus analyst estimates for each calendar year. Past performance is not indicative of future returns.

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Earnings Season...buckle up

- **How Tariffs Affect Corporate Earnings:**
 - **Increased Costs:** Tariffs are essentially a tax on imported goods, meaning businesses that import those goods must pay the tariff to their home country's government.
 - **Higher Prices:** To offset the increased costs, businesses may raise prices for consumers, potentially leading to lower demand and sales
 - **Reduced Profits:** If businesses can't pass on the increased costs to consumers, or if demand declines significantly, profits can be reduced.
 - **Supply Chain Disruptions:** Tariffs can also disrupt supply chains, as businesses may need to find alternative suppliers or adjust their sourcing strategies, leading to further costs and complications.
 - **Retaliatory Tariffs:** When one country imposes tariffs on another's goods, the other country may retaliate with tariffs of their own, creating a trade war that can further harm businesses.

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Expected Gains for Many Sectors

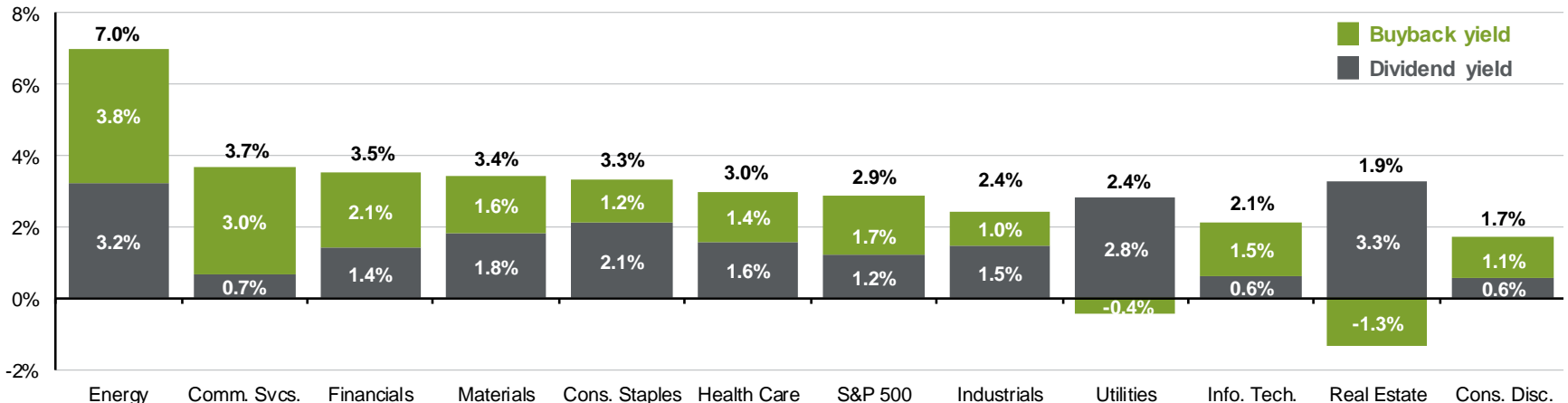
S&P 500 sector pro forma EPS growth

Year-over-year

	Weight*	2022				2023				2024				2025			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1QF	2QF	3QF	4QF
Tech.	30%	14%	1%	-1%	-9%	-8%	4%	14%	23%	25%	20%	19%	20%	16%	19%	19%	18%
Financials	15%	-19%	-21%	-18%	-13%	-5%	-2%	12%	-21%	9%	17%	7%	58%	1%	3%	9%	5%
Health Care	11%	15%	8%	0%	-4%	-15%	-27%	-18%	-15%	-25%	19%	14%	15%	38%	10%	13%	16%
Cons. Disc.	10%	-29%	-16%	7%	-19%	38%	48%	38%	27%	21%	10%	8%	25%	-1%	-1%	4%	5%
Comm. Services	9%	-1%	-21%	-23%	-26%	-14%	20%	44%	44%	42%	8%	26%	31%	5%	31%	4%	7%
Industrials	8%	38%	33%	20%	40%	24%	12%	9%	4%	2%	-3%	-11%	4%	2%	5%	26%	10%
Cons. Staples	6%	8%	2%	1%	1%	3%	8%	7%	6%	6%	4%	4%	2%	-7%	1%	3%	6%
Energy	4%	282%	301%	140%	58%	19%	-49%	-34%	-23%	-24%	0%	-28%	-30%	-17%	-9%	12%	22%
Utilities	3%	27%	-4%	-8%	10%	-23%	-3%	10%	32%	28%	21%	-2%	2%	9%	4%	15%	7%
Materials	2%	47%	17%	-12%	-18%	-20%	-24%	-16%	-21%	-21%	-8%	-11%	5%	-11%	1%	20%	13%
Real Estate	2%	19%	6%	11%	8%	-1%	5%	-1%	3%	6%	0%	3%	3%	-3%	0%	2%	2%
S&P 500		10%	7%	3%	-3%	-1%	-4%	6%	4%	6%	11%	7%	18%	7%	8%	12%	11%

Total shareholder yield by sector

Last 12-months dividends and buybacks minus issuance divided by market cap

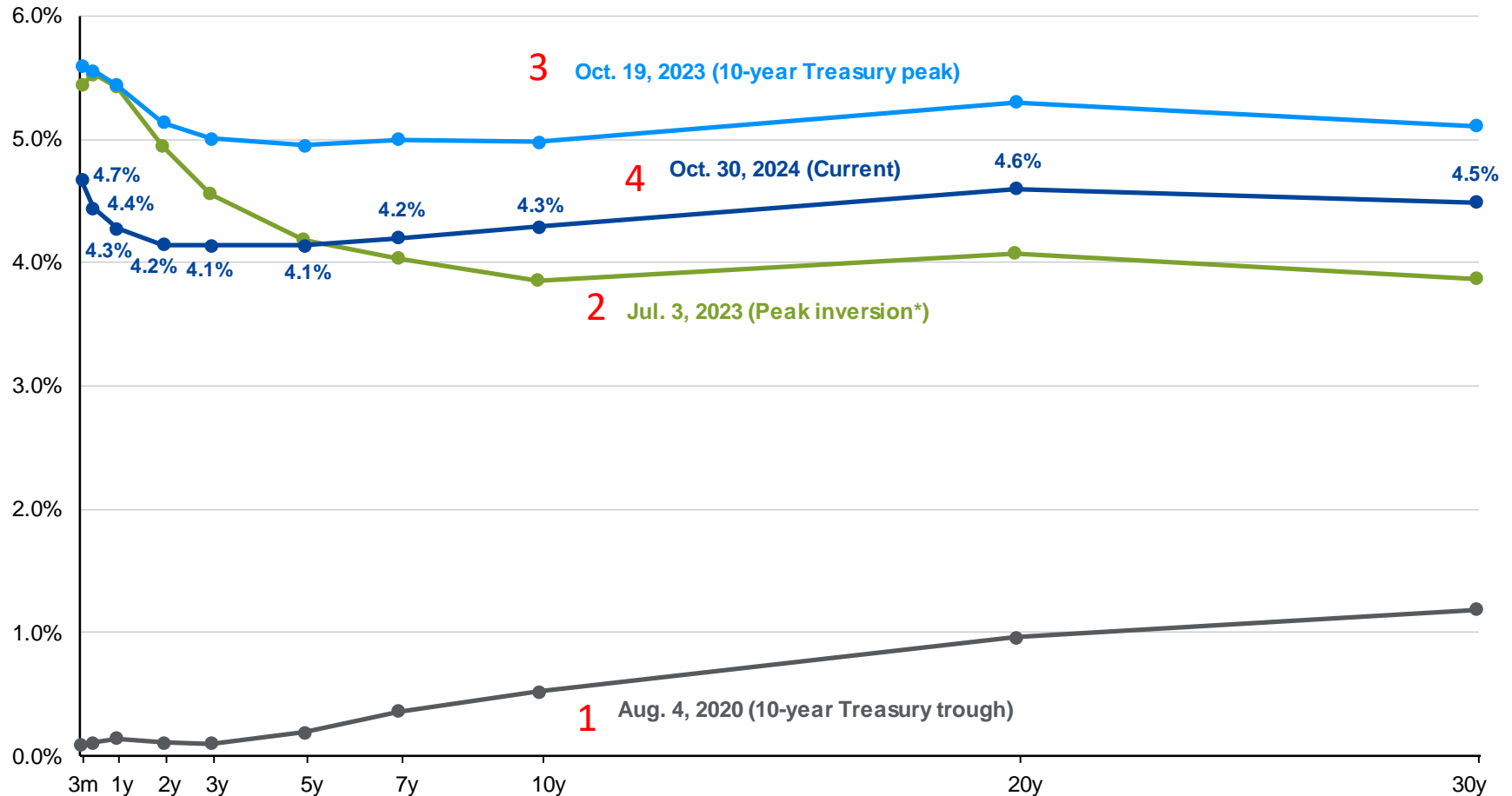


Source: FactSet, J.P. Morgan Asset Management. Forecasts reflect analyst expectations. Heatmap shading applies a range of -20% (deep red), 0% (yellow) and +20% (deep green). *% of S&P 500 market capitalization. *Guide to the Markets – U.S.* Data are as of March 31, 2025.

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Interest Rates Pre-Election

U.S. Treasury yield curve

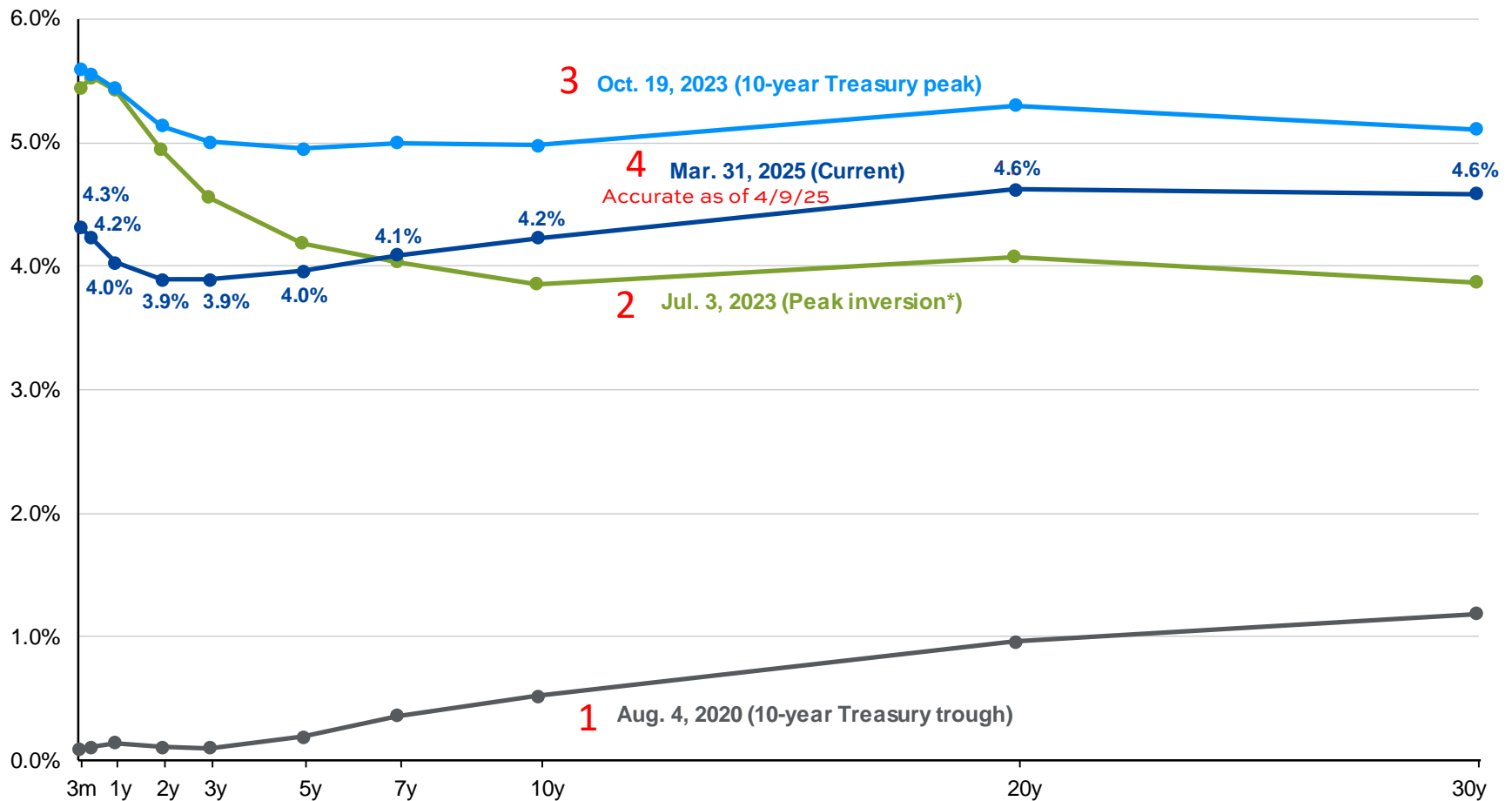


Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. Analysis references data back to 2020. *Peak inversion is measured by the spread between the yield on a 10-year Treasury and 2-year Treasury.
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Interest Rates Post-Election

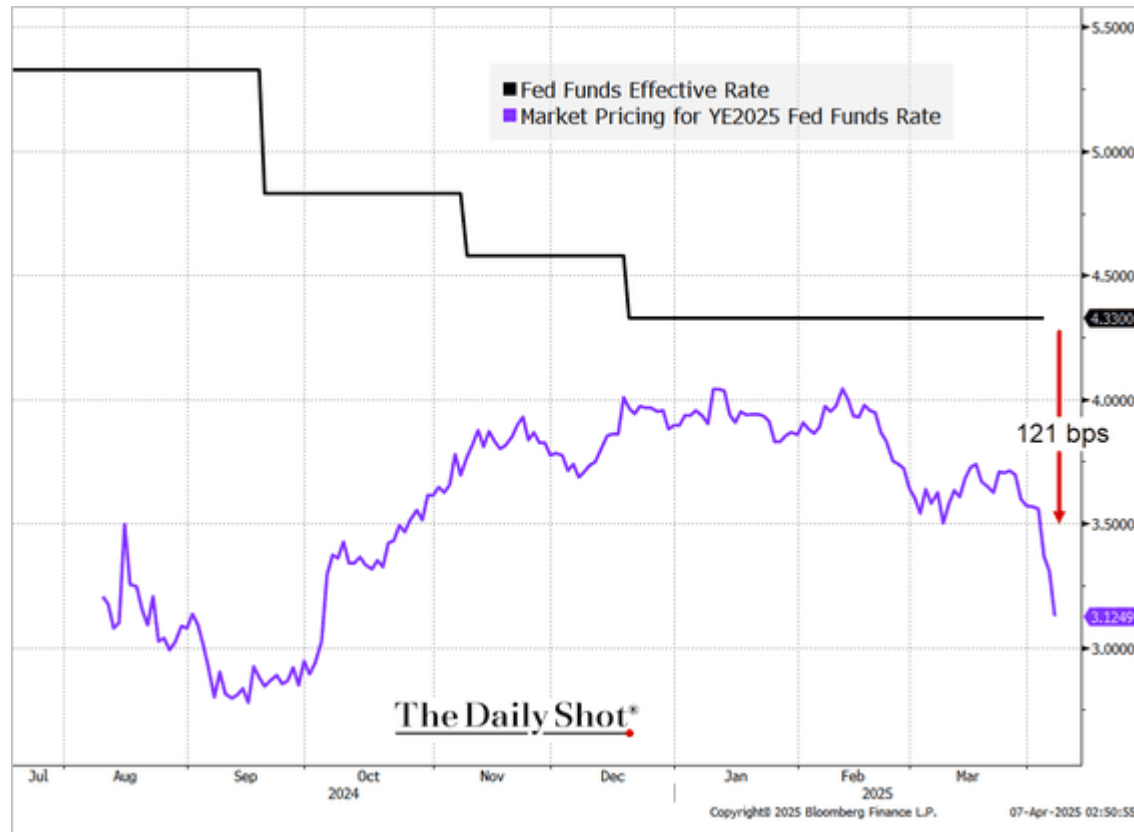
U.S. Treasury yield curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. Analysis references data back to 2020. *Peak inversion is measured by the spread between the yield on a 10-year Treasury and 2-year Treasury.
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Rate Cut Expectations Have Changed Dramatically



Current: - 81bp after 90-day tariff postponement

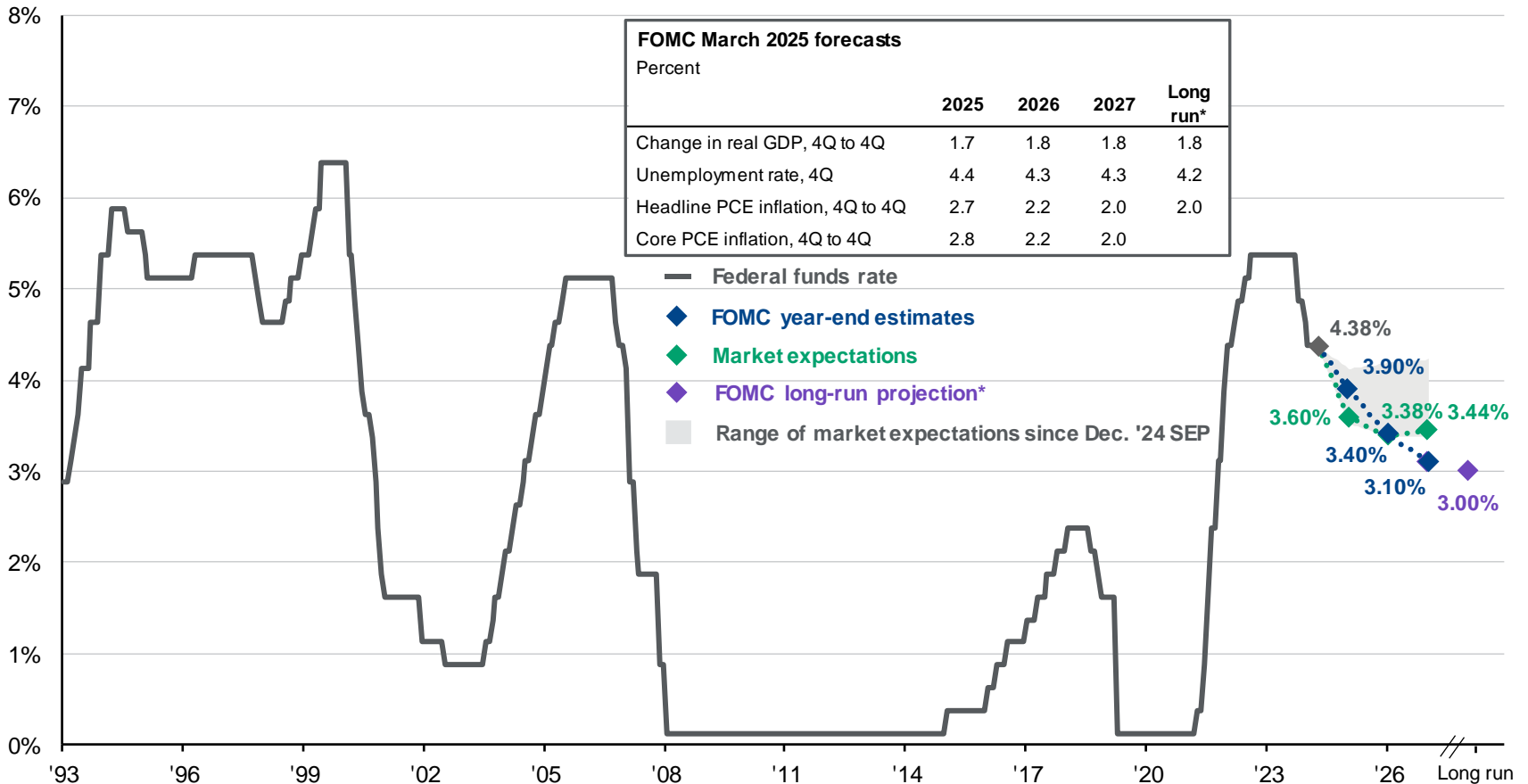
Source: WSJ, Daily Shot, Bloomberg LP, DBIA

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Rate Cut Expectations Have Changed Dramatically

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.

Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.

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US Dollar Under Pressure

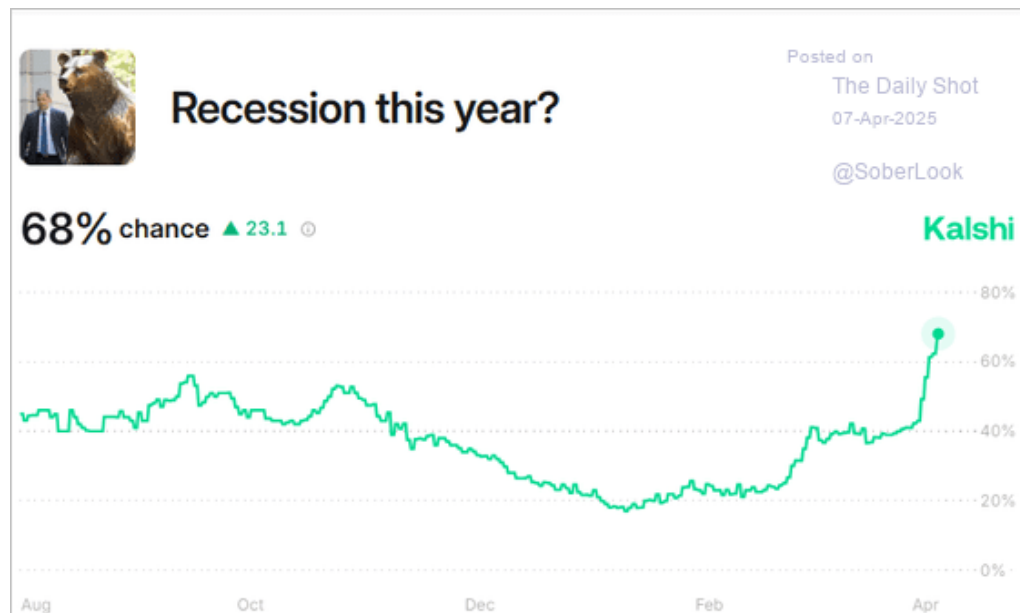
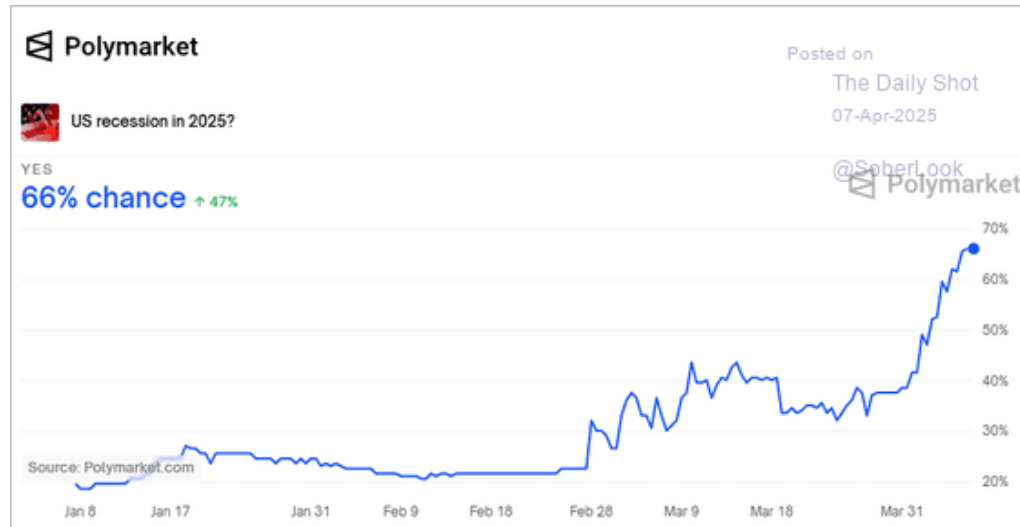
1. The US dollar index (DXY) hit the lowest level in three years.



US Dollar Weakness Returns as Trade War Fears Hurt US Assets

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Recession Risks

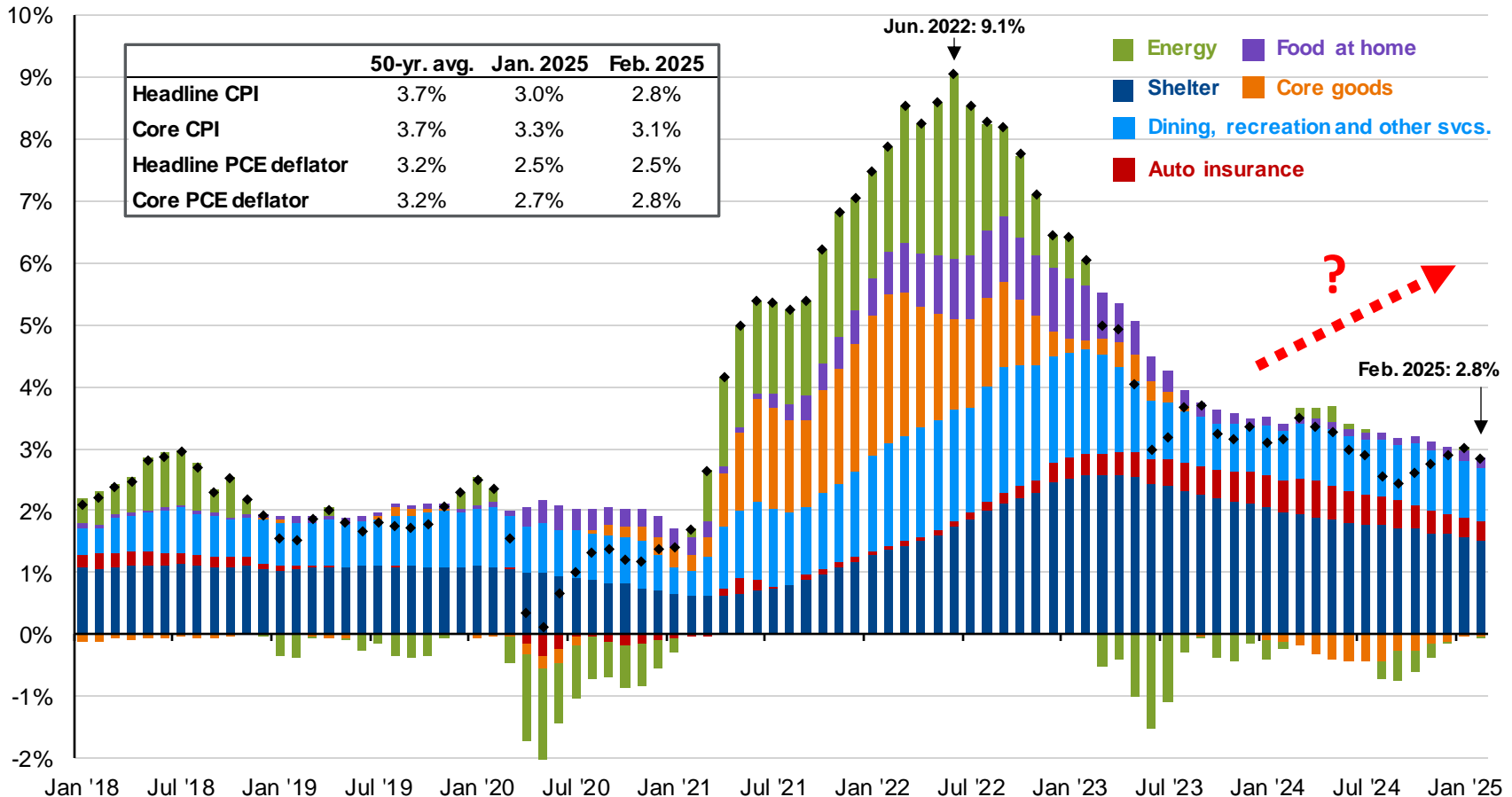


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Inflation Above Fed Target

Contributors to headline CPI inflation

Contribution to y/y % change in CPI, non-seasonally adjusted



Source: BLS, FactSet, J.P. Morgan Asset Management. Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. "Shelter" includes owners' equivalent rent, rent of primary residence and home insurance. "Food at home" includes alcoholic beverages.

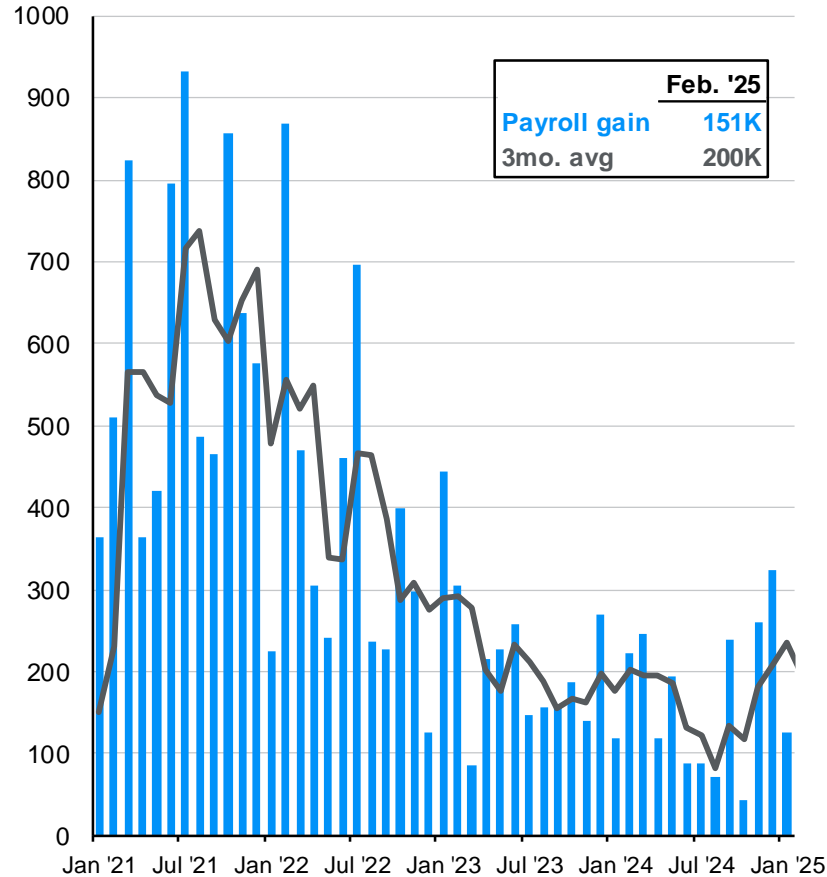
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Tight Labor Supply

Nonfarm payroll gains

Month-over-month change and 3mo. moving average, SA



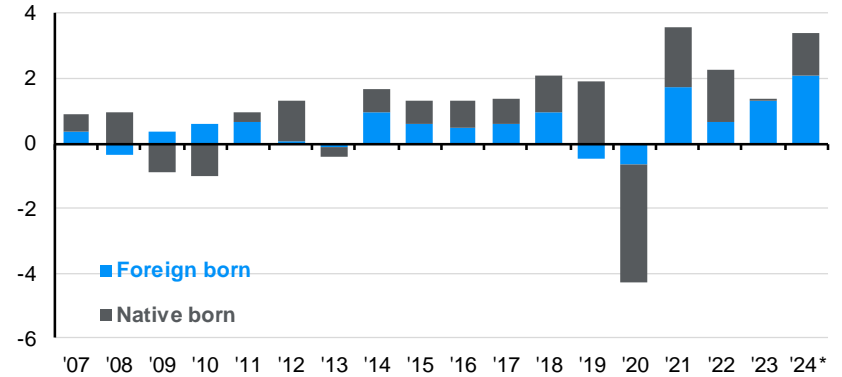
Source: BLS, FactSet, J.P. Morgan Asset Management.

Labor force data are sourced from the Current Population Survey, also known as the household survey, conducted by the BLS. *Year-over-year change in the labor force calculated from January of each year. For example, the 2024 figures are calculated by subtracting the size of the labor force as of 1/31/2024 from the size of the labor force as of 1/31/2025.

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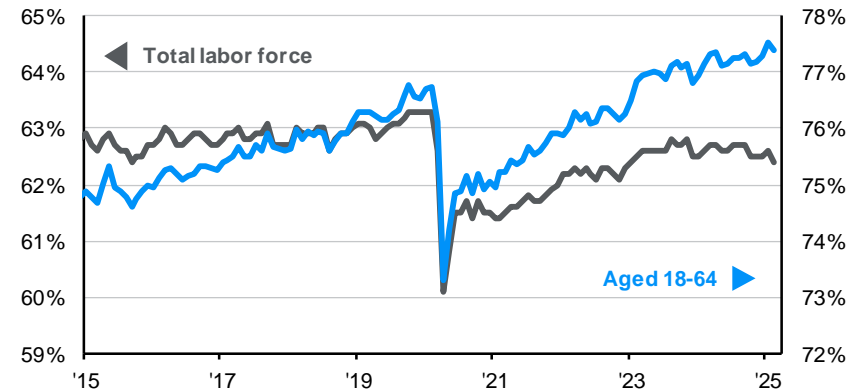
Labor force growth, native and immigrant contribution

Year-over-year change as of January, aged 16+, millions*



Labor force participation

% of civilian noninstitutional population, SA

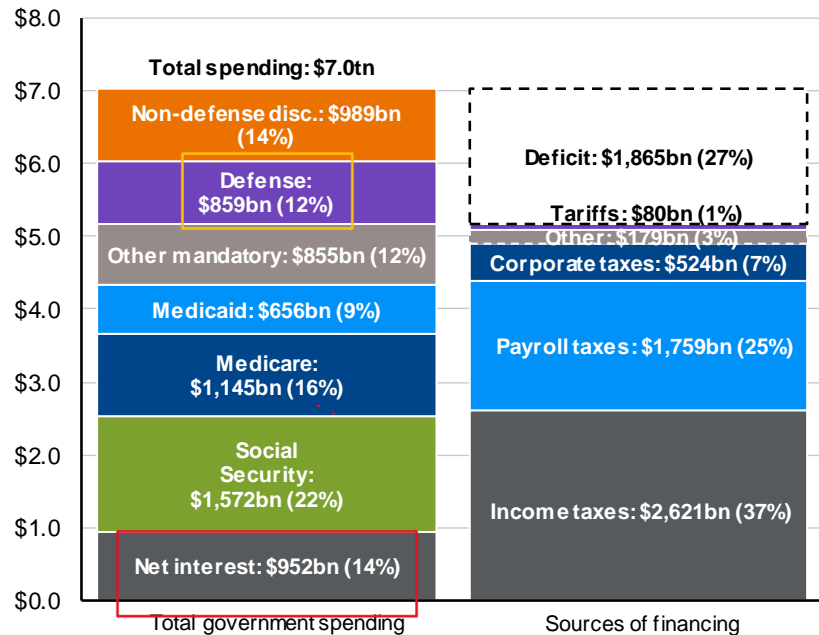


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U.S. Government Debt Levels

The 2025 federal budget

USD trillions



CBO's Baseline economic assumptions

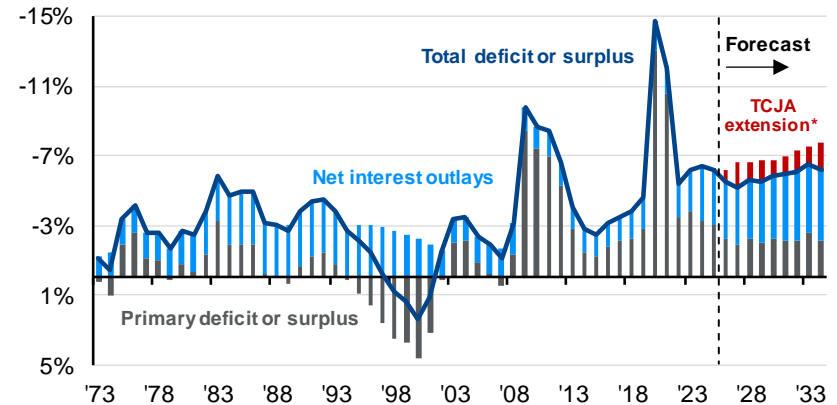
	2025	'26-'27	'28-'29	'30-'35
Real GDP growth	2.2%	1.8%	1.8%	1.8%
10-year Treasury	4.1%	3.9%	3.9%	3.8%
Headline inflation (CPI)	2.3%	2.4%	2.3%	2.2%
Unemployment	4.2%	4.4%	4.4%	4.4%

Source: CBO, J.P. Morgan Asset Management; (Left) Numbers may not sum to 100% due to rounding; (Top and bottom right) BEA, Treasury Department. Estimates are from the Congressional Budget Office (CBO) June 2024 An Update to the Budget Outlook: 2024 to 2034. "Other" spending includes, but is not limited to, health insurance subsidies, income security and federal civilian and military retirement. Years shown are fiscal years. All CBO estimates are adjusted by JPMAM to reflect GDP revisions resulting from the 2024 annual update of the National Economic Accounts. *Adjusted by JPMAM to include estimates from the CBO May 2024 report "Budgetary Outcomes Under Alternative Assumptions About Spending and Revenues" on the extension of TCJA provisions. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.

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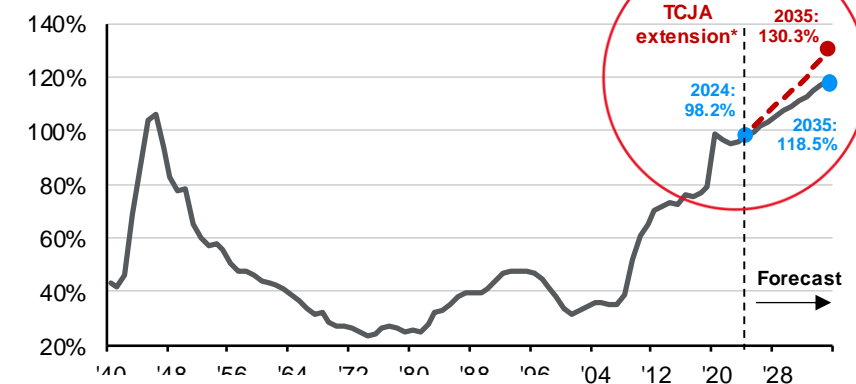
Federal deficit and net interest outlays

% of GDP, 1973-2035, CBO Baseline Forecast



Federal net debt (accumulated deficits)

% of GDP, 1940-2035, CBO Baseline Forecast, end of fiscal year

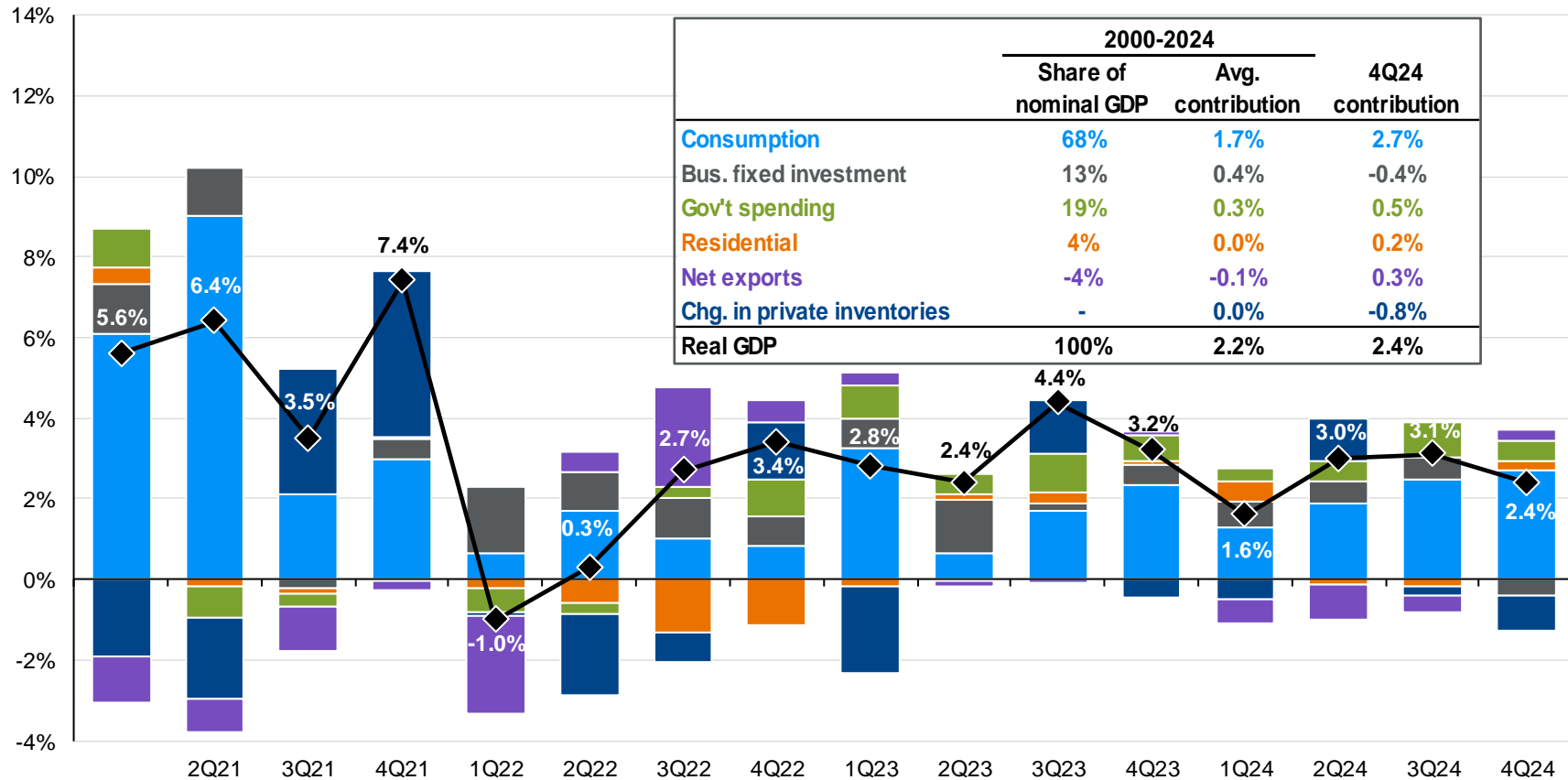


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Solid Economic Growth

Contributors to real GDP growth

Quarter-over-quarter, seasonally adjusted annualized rate



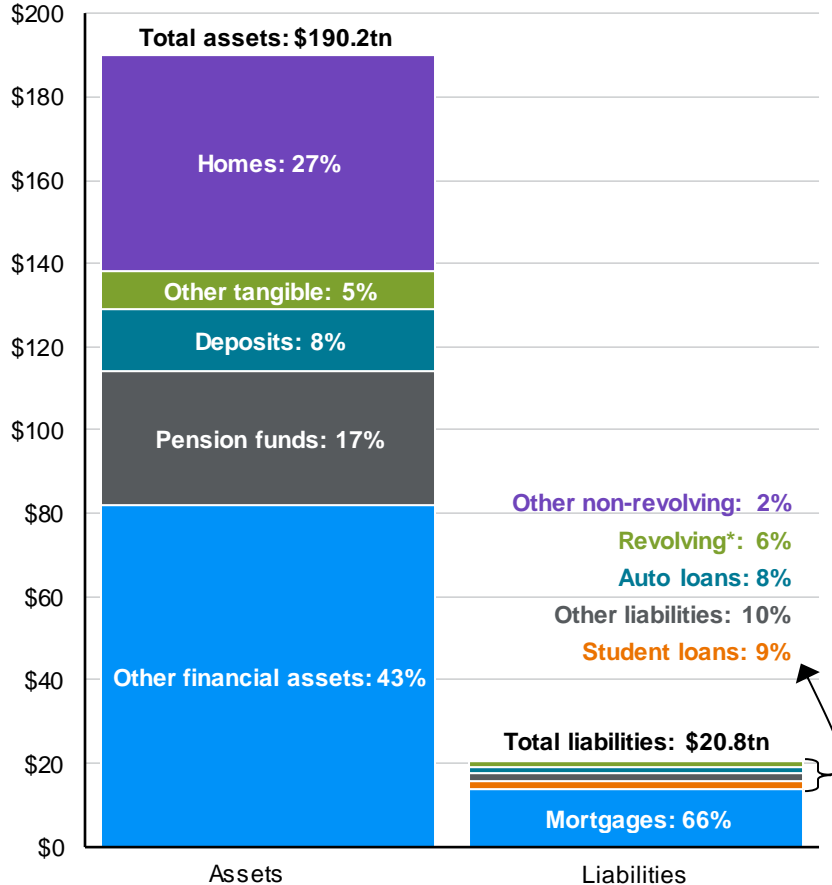
Source: BEA, FactSet, J.P. Morgan Asset Management.
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Overall Consumer Finances Strong

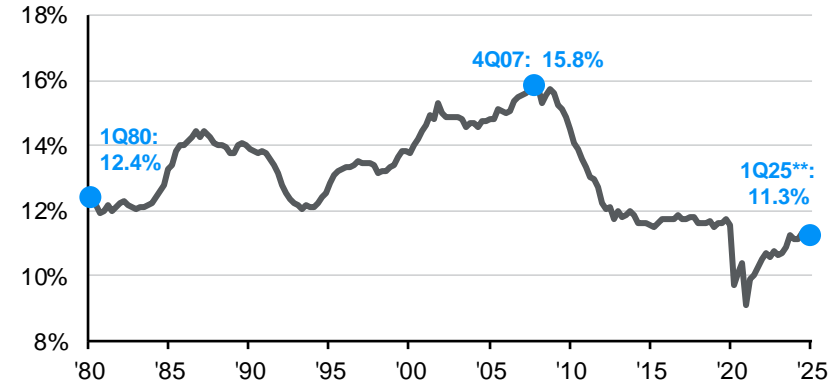
Consumer balance sheet

4Q24, USD trillions, not seasonally adjusted



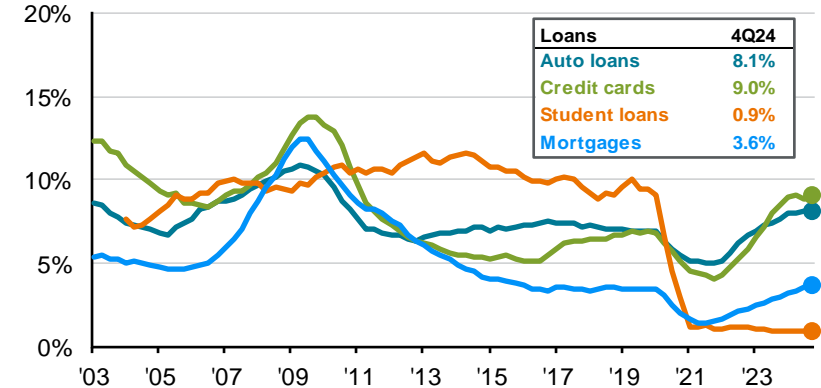
Household debt service ratio

Debt payments as % of disposable personal income, SA



Flows into early delinquencies

% of balance delinquent 30+ days



Source: FactSet, FRB, J.P. Morgan Asset Management; (Top and bottom right) BEA.

Data include households and nonprofit organizations. SA – seasonally adjusted. *Revolving includes credit cards. Values may not sum to 100% due to rounding.

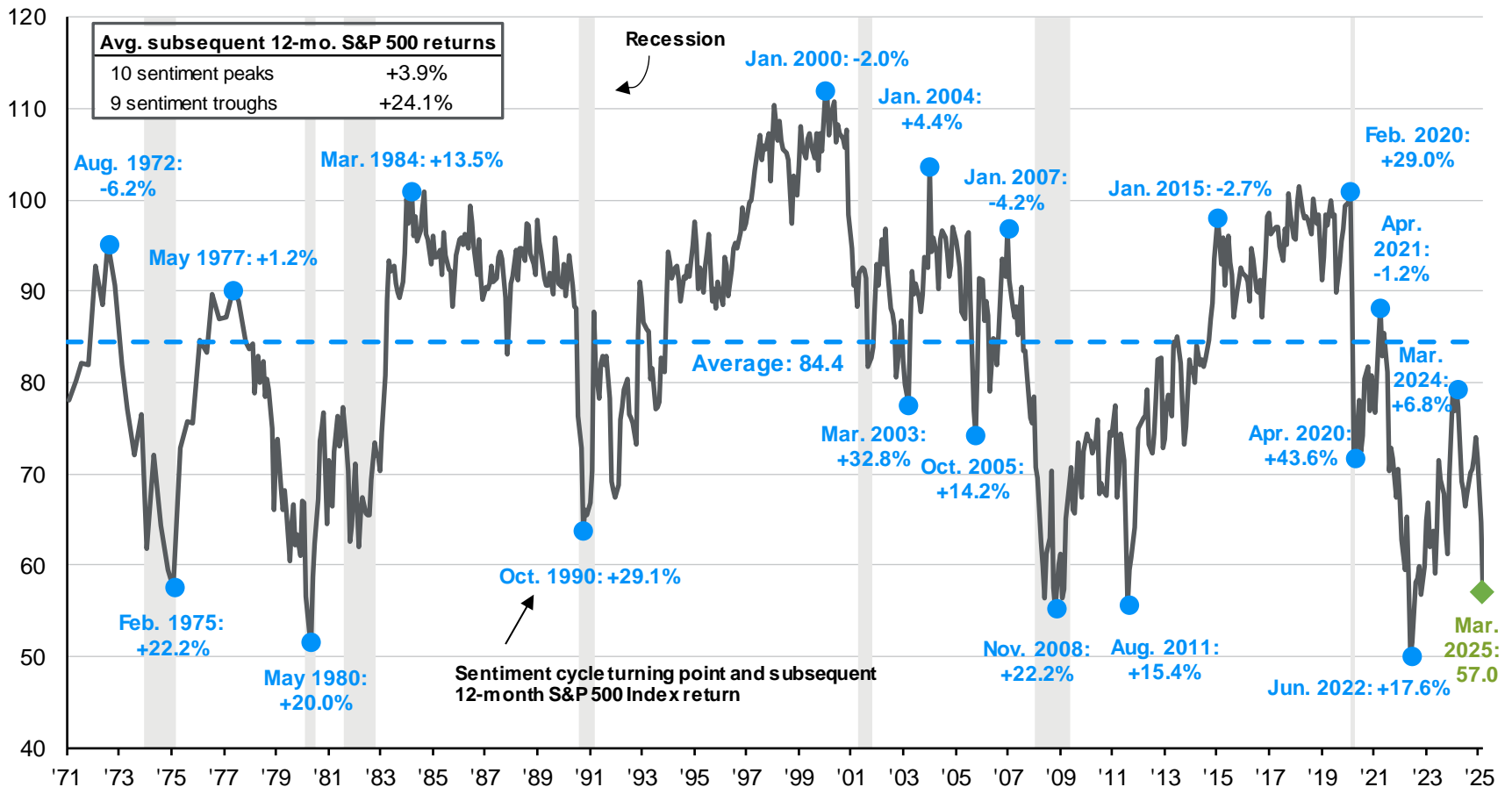
**1Q25 figures for debt service ratio are J.P. Morgan Asset Management estimates. Household debt service ratio data from 1Q80 to 4Q04 are J.P. Morgan Asset Management estimates. Due to the moratorium on delinquent student loan payments being reported to credit bureaus, missed federal student loan payments were not reported until 4Q24.

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Consumer Confidence Lags

Consumer Sentiment Index and subsequent 12-month S&P 500 returns



Source: FactSet, Standard & Poor's, University of Michigan, J.P. Morgan Asset Management.

Peak is defined as the highest index value before a series of lower lows, while a trough is defined as the lowest index value before a series of higher highs.

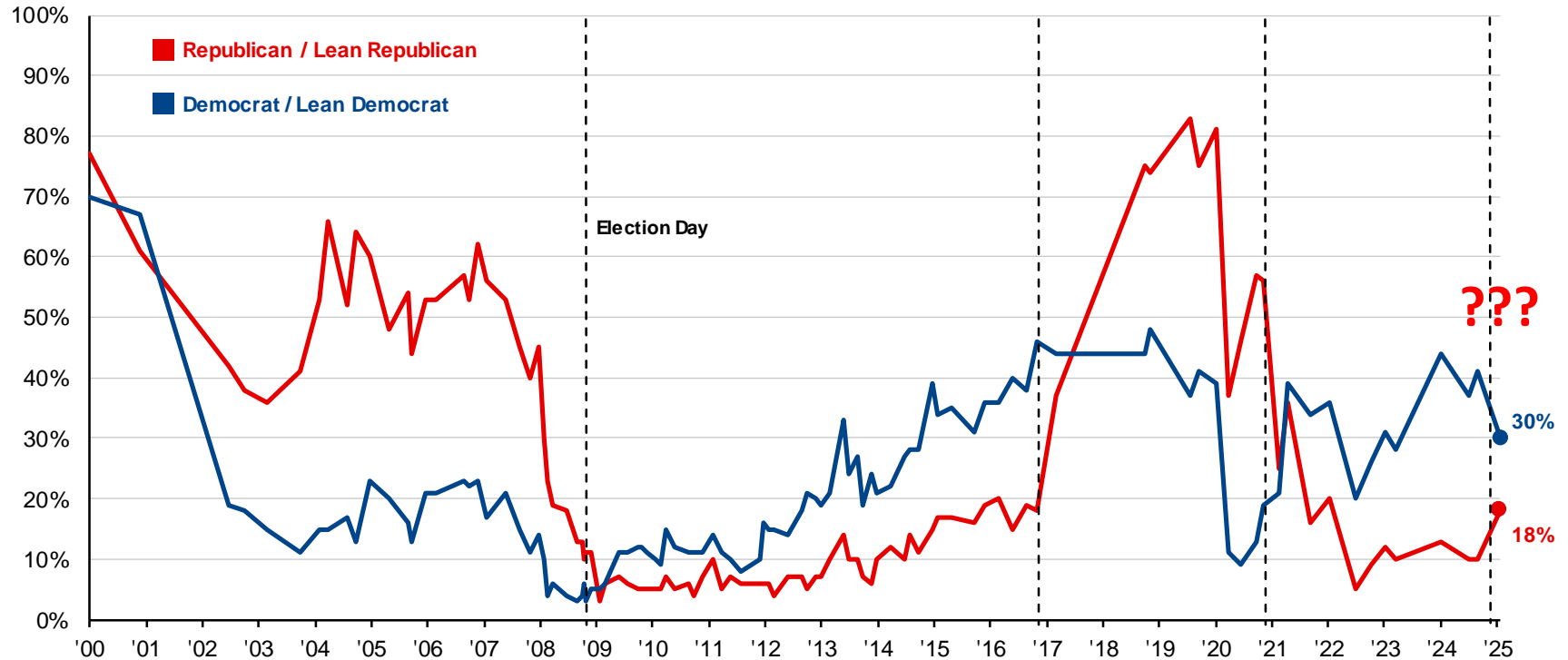
Subsequent 12-month S&P 500 returns are price returns only starting from the end of the month and excluding dividends. Past performance is not a reliable indicator of current and future results.

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Consumer Confidence: Politics

Percentage of Republicans and Democrats who rate national economic conditions as excellent or good



Administration	Bush	Obama	Trump	Biden
Dates in office	Jan. '01–Jan. '09	Jan. '09–Jan. '17	Jan. '17–Jan. '21	Jan. '21–Jan. '25
S&P 500 return	-4.5%	16.3%	16.0%	13.4%
Real GDP growth	1.9%	2.2%	1.8%	3.0%

Source: Pew Research Center, J.P. Morgan Asset Management. The survey was last conducted in February 2025. Pew Research Center asks the question: “Thinking about the nation’s economy, How would you rate economic conditions in this country today... as excellent, good, only fair, or poor?” S&P 500 returns are average annualized total returns between presidential inauguration dates and are updated monthly.

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BONUS Poll Question #7

- Question:

Which of the following “fun facts” from this presentation did you find ***most interesting***?

Answer Choices:

- A. There IS rationale for tariffs (but it won't be fun ☹)
- B. Inflation is NOT gone (3% > 2% target)
- C. Prices are NOT going down → inflation compounds....ouch
- D. Consumes, aka “you and I” are 70% of the U.S. economy
- E. There are too many and we LOVED this presentation!

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THANK YOU!



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