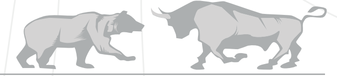

JAMES

Investment Research, Inc.

ECONOMIC OUTLOOK 2025

2nd Quarter Outlook

An Indepth Forecast
of the Year 2025

jamesinvestment.com

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Executive Summary

The current economic environment is characterized by heightened uncertainty, primarily driven by the Trump administration's policy initiatives - specifically regarding tariffs, federal job reductions, and potential tax reforms - alongside conflicting indicators on inflation, growth trajectories, and recession risks. The announcement of sweeping new tariffs on April 2, 2025, has significantly increased economic volatility and altered growth prospects globally, with particularly pronounced implications for US economic outlook in the coming quarters.

Market Performance

Equity Markets

US equity markets have experienced a significant correction and elevated volatility, reversing much of the momentum established since the October 2022 bear market low. The S&P 500 has declined approximately 9.51% from its February 19th peak and closed below its critical 200-day moving average for the first time since November 2023. This represents the swiftest decline of this magnitude since February 2020, potentially signaling a trend reversal. The technology-focused Nasdaq has suffered more pronounced losses, falling roughly 14% from its December 2024 record and posting its worst year-to-date performance since September 2022. The previously dominant "Magnificent Seven" technology companies have experienced widespread and substantial declines, significantly contributing to the broader market downturn.

Small-cap stocks initially displayed positive momentum in early 2025, buoyed by potential rate reductions and the Institute for Supply Management (ISM) Manufacturing Index's return to expansion territory. However, mounting concerns about economic deceleration -directly linked to escalating trade tensions - have significantly dampened sentiment for these smaller enterprises. Despite historical patterns where according to Bloomberg the Russell 2000 typically outperforms the S&P 500 following manufacturing expansion, this relationship has not materialized consistently in recent months.

Investor sentiment has deteriorated markedly, with uncertainty metrics reaching their highest levels since November 2020. The CBOE Volatility Index (VIX) has surged, indicating acute market stress. This uncertainty, amplified by the unpredictable nature of tariff policies, has prompted Wall Street strategists to temper their previously optimistic outlooks for 2025. Notably, the S&P 500 has underperformed global markets since reaching its recent peak.

Economic Indicators

Near-Term Outlook: Q1 Weakness and Q2 Potential

Recent economic data presents a mixed and potentially misleading picture of the U.S. economy's trajectory. The estimates for Q1 2025 performance indicate growth slowing to about 1.2% (annualized), softer than the 2.4% growth recorded in Q4 2024.

One contributor to this weakness has been the dramatic widening of the U.S. trade deficit, which reached a record $131.4 billion in January according to Commerce Department data - a 34% surge from the prior month and exceeding nearly all economist estimates. This unprecedented trade gap largely reflects anticipatory behavior by companies rushing to secure foreign goods ahead of President Trump's announced tariff implementations on major trading partners. While this import surge temporarily depresses Gross Domestic Product (GDP) calculations, it represents a timing shift rather than fundamental economic deterioration.

Additional transitory factors have further clouded the economic picture. Unusually severe weather events, including winter storms across Texas and the Southeast in January, record cold temperatures in February, and California wildfires, significantly disrupted economic activity. Additionally, the country experienced its worst flu season in 15 years, keeping consumers home instead of shopping, dining, or traveling. These temporary disruptions, combined with Trump administration spending cuts and uncertainty surrounding a potential government shutdown, created artificial headwinds that don't necessarily signal a broader economic downturn.

Consumer data supports a bearish interpretation, with personal savings rates in January reaching their highest level since June 2024, suggesting pent-up spending capacity. The Atlanta Fed's GDPNow model currently shows consumption adding just 0.2 percentage points to Q1 2025 growth, below the two-year average of 2.0 percentage points per quarter.

Growth and Inflation Outlook Following Tariff Announcement

The US economy is navigating what President Trump has termed a "period of transition" and Treasury Secretary Scott Bessent characterizes as a "detox period" - acknowledging a willingness to accept short-term economic disruption in pursuit of structural realignment. The April 2nd announcement of sweeping tariffs represents a dramatic implementation of this policy approach, with the U.S. now imposing a minimum 10% tariff on all exporters to the US, plus additional "reciprocal" tariffs on around 60 countries with large trade imbalances.

According to Bloomberg Economics, these new measures will raise the average U.S. tariff rate to approximately 22% - the highest level in a century. The impact on China is particularly severe, with tariffs potentially reaching over 60% when combined with existing levies. This aggressive tariff implementation has heightened concerns about stagflationary pressures - a combination of slower growth and accelerating inflation that presents unique challenges for policymakers.

While certain "hard" economic metrics, particularly initial employment data, have remained relatively resilient, "soft" indicators, including consumer and business sentiment surveys, have deteriorated significantly. These surveys reveal eroding confidence, declining income expectations, and intensifying inflation concerns.

Recent economic data releases have provided some encouraging signals amid the broader uncertainty. S&P Global's US Composite Purchasing Managers' Index rose to a three-month high of 53.5 in mid-March, with readings above 50 indicating expansion in business activity. This improvement was primarily driven by robust growth in the services sector, while manufacturing activity continued to contract. These results suggest underlying economic resilience despite the challenging policy environment and temporary disruptions affecting Q1 performance.

Inflation has emerged as a critical concern, with the administration's tariff policies widely expected to exert upward pressure on prices through increased production costs and direct consumer price impacts. Federal Reserve (Fed) Chair Jerome Powell has explicitly acknowledged that tariffs are already influencing economic activity and have been incorporated into the Fed's forecasting models. According to models referenced by the Fed, the tariffs could add as much as 1.5% to consumer inflation this year.

Preliminary data on the impact of earlier tariffs (implemented in February 2025) show mixed effects. Analysis by Bloomberg Economics indicates that while import prices have absorbed the full impact of tariffs, there has not yet been a corresponding increase in consumer prices - possibly due to front-loaded inventory accumulation and margin compression by retailers. However, this buffering effect may prove temporary once existing inventories are depleted.

Economic growth projections have been revised downward across the board. The Federal Reserve has reduced its 2025 growth forecast to 1.7% from 2.1%, with private-sector economists adjusting their estimates similarly or lower. JPMorgan economists suggest the tariffs' impact alone could bring the economy "perilously close to slipping into recession" before accounting for additional hits to exports and investment spending. This anticipated slowdown stems from multiple factors: policy uncertainty related to the administration's trade agenda and Department of Government Efficiency (DOGE) initiatives, potential federal workforce reductions that could trigger broader employment contractions, and evolving consumer behavior responding to market volatility and price pressures. The administration's "economic detox" narrative suggests a deliberate moderation of fiscal stimulus dependence.

Labor Market and Consumer Spending

The labor market, while initially appearing robust with continued job creation, exhibits growing signs of softening. The unemployment rate has edged higher over the past year, accompanied by a steady decline in job openings. Economists increasingly express concern about a "low firing, low hiring" environment, where any uptick in layoffs could rapidly translate to higher unemployment due to diminished job opportunities. Fed modeling suggests the unemployment rate could rise to 4.8% or higher by mid-2026 if the full tariff agenda is implemented.

Consumer spending has moderated from the robust growth observed in recent years, signaling increased household caution. The housing market remains highly sensitive to interest rate fluctuations; despite mortgage rates retreating from their 2023 peak, overall homebuying sentiment remains subdued as affordability challenges persist.

Stagflation Concerns

Stagflation - the combination of sluggish economic growth and persistent inflation - represents a growing concern for both economists and investors following the April 2nd tariff announcement. Some analysts contend that the administration's economic policies, particularly the combination of protectionist trade measures and restrictive immigration policies, are inherently stagflationary. This perspective has been reinforced by the Fed's revised projections showing lower growth coupled with higher inflation expectations.

For equity markets, stagflation represents a particularly toxic environment. Stock investors typically respond negatively to slow economic growth because it translates directly into reduced corporate earnings growth, creating a significant headwind for equity valuations. Simultaneously, elevated inflation erodes the present value of future earnings - a different and often more substantial impediment to stock performance. The combination of these factors - slow growth and higher inflation - creates a "worst of all worlds" scenario that investors justifiably dread. Historical performance data confirms that equity markets underperform during stagflationary periods compared to other economic regimes.

Despite these concerns, Fed Chair Powell has expressed skepticism regarding a repeat of 1970's-style inflation dynamics, suggesting the central bank believes current inflationary pressures will prove more manageable than during that historic stagflationary episode. Treasury Secretary Bessent has also urged trading partners not to retaliate, stating "As long as you don't retaliate, this is the high end of the number," suggesting potential room for negotiation in the final tariff rates.

Recession Risks and Sentiment Considerations

The probability of a US recession has become a central focus for market participants and economic analysts. Following the tariff announcement, economists at major financial institutions have increased their recession probability estimates, citing concerns about "extreme US policies."

While some analysts have expressed severe concerns about global recession risks, others suggest that adaptability in supply chains and potential moderation in final tariff rates could mitigate the worst outcomes. Market strategists generally agree that economic forecasts will require significant adjustment to account for new trade dynamics, though the ultimate impact remains highly dependent on implementation details and potential negotiated outcomes.

A critical question emerging in economic discourse is whether deteriorating sentiment will translate into actual economic contraction, or if this represents another case of what some analysts term a "recession in sentiment" - where negative feelings and perceptions run ahead of economic fundamentals. The disconnect between "soft" sentiment data and "hard" economic metrics creates a challenging analytical environment. While consumer and business sentiment surveys show marked deterioration, actual spending, employment, and production data have remained relatively resilient.

This divergence raises important questions about appropriate economic forecasting emphasis: Should analysts prioritize sentiment indicators that often serve as leading economic signals, or focus on concrete data points that still appear reasonably solid? Historical precedent suggests sentiment can sometimes deteriorate without precipitating actual recession, as occurred in 2011, 2016, and 2022. However, there's growing concern that extremely poor sentiment could eventually become self-fulfilling, as businesses delay investments, consumers reduce discretionary spending, and financial conditions tighten in response to perceived risks rather than current conditions.

Several indicators bear watching for signs of sentiment spilling over into actual economic contraction:

1. **Business Investment**: Corporate capital expenditure plans often respond quickly to uncertainty and pessimism.

2. **Labor Market Dynamics**: Any shift from the current "low firing, low hiring" equilibrium toward actual layoffs would represent a significant escalation.

3. **Consumer Credit Metrics**: Early signs of credit stress could indicate sentiment beginning to impact household financial decisions.

4. **Bank Lending Standards**: Further tightening would suggest financial institutions are responding to perceived economic deterioration.

The risk of a sentiment-driven recession represents a particularly challenging scenario for policymakers, as conventional stimulus tools may prove less effective against psychologically-driven economic contraction. This underscores the importance of clear policy communication and confidence-building measures in the months ahead

Federal Reserve Policy

The Federal Reserve maintained its benchmark interest rate at 4.25%-4.50% during its recent Federal Open Market Committee (FOMC) meeting, aligning with broad market expectations. However, the updated Summary of Economic Projections (SEP) revealed significant revisions: lowered GDP growth forecasts for 2025 (to 1.7%), elevated inflation projections (core Personal Consumption Expenditures (PCE) to 2.8%), and increased unemployment expectations (to 4.4%). These adjustments signal the FOMC's recognition of heightened risks and uncertainty regarding economic trajectories.

The "dot plot" reflecting individual policymakers' interest rate expectations continued to indicate a median projection of two 25-basis-point reductions in 2025, unchanged from December's forecast. However, the distribution of these projections has shifted notably toward a more hawkish stance. Eight FOMC participants now anticipate one or zero rate cuts this year, compared to four in December. Conversely, only two participants project three cuts, with none expecting more aggressive easing - down from five members projecting three or more reductions previously.

In a significant monetary policy implementation adjustment, the Fed announced a deceleration in its balance sheet reduction program beginning April 1st. The monthly cap on Treasury securities redemption will be reduced substantially to $5 billion from the current $25 billion, while maintaining the $35 billion monthly redemption cap on agency debt and mortgage-backed securities (MBS). Chair Powell indicated this decision received broad FOMC support, with members preferring this "slower for longer" approach over terminating quantitative tightening (QT) entirely.

Notably, Governor Christopher Waller dissented from the balance sheet decision, advocating continuation of the current reduction pace, though he supported maintaining current interest rates. Powell explicitly rejected speculation regarding MBS runoff termination, affirming the intention to progress toward a Treasury-only portfolio.

Following the April 2nd tariff announcement, market expectations for Fed policy have shifted significantly. Bond traders have increased bets on interest-rate cuts from the Federal Reserve amid concerns that the trade war will hamper economic growth, with some now pricing a small chance of four quarter-point reductions in 2025, compared to the two cuts previously anticipated.

However, the Fed now faces an even more complex policy dilemma. According to analysis by Bloomberg Economics, Fed models suggest that each 1 percentage point hike in tariff rates lowers GDP by 0.14% while pushing up core PCE prices by 0.09%. This creates a challenging stagflationary dynamic where the central bank must balance growth concerns against price pressures.

The Fed appears likely to adopt a middle-ground approach – delivering fewer rate cuts in 2025 than previously expected (perhaps just one 25-basis point reduction) while potentially accelerating easing in 2026 if growth deteriorates significantly. This would acknowledge the temporary nature of tariff-induced inflation while responding to underlying economic weakness.

During his press conference, Chair Powell acknowledged tariffs' economic impact and their incorporation into Fed forecasting. While the base case maintains that tariffs will exert "transitory" inflationary pressure, he repeatedly emphasized the "enormous uncertainty" surrounding this outlook and potential delays in inflation normalization due to "tariff inflation." Powell consistently dismissed concerns about rising long-term inflation expectations, citing surveys beyond the University of Michigan's measure. The Fed appears to have adopted a "wait-and-see" approach, closely monitoring incoming economic data and the unfolding impact of administration policies before implementing further monetary adjustments.

Investment Implications

Equity Markets

According to FactSet, the projected year-over-year earnings growth for the S&P 500 in Q1 2025 stands at 7.1%, potentially marking the seventh consecutive quarter of growth. However, this estimate represents a significant reduction from the 11.6% growth anticipated on December 31st, reflecting downward earnings per share (EPS) revisions across all eleven sectors. These estimates may require further downward revisions as companies begin to assess the impact of the April 2nd tariff announcement.

Sector analysis reveals that analysts maintain their most optimistic outlook for Energy (65%), Information Technology (63%), and Communication Services (63%), which exhibit the highest proportion of Buy ratings. Conversely, Consumer Staples (40%) attracts the least favorable outlook, with the lowest percentage of Buy ratings and highest proportion of Hold recommendations. The S&P 500's forward 12-month P/E ratio stands at 20.5, exceeding both the 5-year average (19.9) and 10-year average (18.3), though below the 21.5 recorded at the end of Q4 2024.

The recent market correction has raised fundamental questions about the sustainability of the previous bull market, which delivered a remarkable 62.5% return since the end of September 2022. Concerns are mounting regarding elevated valuations. Much of the recent bull market advance was driven by multiple expansion, which becomes increasingly difficult to justify given resurgent risks, elevated bond yields, and more competitive global equity markets. The concept of a "Trump Put" - suggesting administration intervention to support equity markets - faces increasing skepticism, with some analysts suggesting the current administration may exhibit reduced sensitivity to market volatility, prioritizing core constituency interests and broader economic restructuring over short-term market stability.

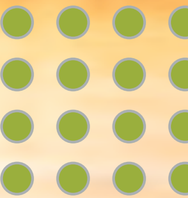
Citigroup analysts have noted that if Apple were to absorb the jump in costs resulting from tariffs on China, the iPhone maker's gross margin could take a hit of as much as 9%. Technology companies with global supply chains appear particularly vulnerable to the tariff regime, especially those with manufacturing concentrated in highly-targeted countries like China (34% tariff) and Vietnam (46% tariff).

Despite prevailing bearish sentiment, several potential recovery scenarios exist. These include a possible pivot by the administration from trade confrontation toward implementing substantive tax reductions and deregulation - policies that catalyzed market advances during the president's first term. Some commentators suggest current trade policies may represent "trade-war theater" and could moderate over time. Treasury Secretary Bessent's comments suggesting room for negotiation support this view. The resilience of US consumers remains a crucial variable, with continued spending by middle and high-income households potentially sustaining economic momentum. Longer-term productivity enhancements from technological innovation, particularly AI, could eventually offset current headwinds. Ultimately, the balance between protectionist trade policies and growth-oriented initiatives will likely determine US equity market trajectories.

Fixed Income Markets

Treasury yields have generally declined following the tariff announcement, reflecting growing economic slowdown concerns and heightened market volatility. The 10-year U.S. Treasury yield has demonstrated a significant downward trend, falling toward the 4% level, the lowest since October. The 2-year Treasury yield, which closely tracks federal funds rate expectations, has also declined substantially, suggesting market anticipation of multiple rate cuts.

Despite escalating economic concerns impacting equity markets, credit spreads for BBB-rated corporate bonds remain surprisingly contained, with the premium over Treasuries near a historic low of approximately one percentage point - even compared to previous high-volatility periods. This suggests credit markets are not yet signaling significant concern regarding a severe economic contraction. Leveraged loans have experienced the most direct impact from the Fed's higher-for-longer interest rate policy. Nevertheless, steady economic expansion and strong risk appetite in 2025 generated record issuance, primarily directed toward refinancing and repricing, effectively reducing corporate borrowing costs. A similar pattern exists in high-yield bonds, where maturities concentrate beyond March 2026, by which time the Fed is expected to have implemented further rate reductions, facilitating refinancing at more favorable rates.



The Fed's decision to slow quantitative tightening by substantially reducing the Treasury runoff cap may provide support to bond markets by increasing the banking system liquidity available for securities investment. While the MBS runoff cap remains unchanged, the fixed income outlook will continue to be closely linked to inflation expectations and the Fed's future monetary policy direction.

Fixed Income Investment Strategy

The current global market environment presents a notably complex landscape for fixed income investors, with divergent central bank policies creating both challenges and opportunities. While some central banks have begun cutting rates, the US Federal Reserve remains in a holding pattern, creating what many characterize as a "higher for longer" or "higher and hold" environment. At the beginning of January, markets had priced in approximately 1.5 percentage points of Fed rate cuts for 2025 based on expectations of inflation deceleration. However, with inflation remaining stubbornly above the Fed's 2% target (April data showed US inflation at 3.4% annually, only slightly below March's 3.5%), investors had tempered these expectations. Following the tariff announcement, markets are now recalibrating expectations again, with some suggesting the Fed might need to cut more aggressively to counter economic weakness despite inflation concerns.

Despite these challenges, bond yields, which are at much higher levels since the global financial crisis have significantly improved return prospects for fixed income. The Bloomberg US Aggregate Index - a proxy for investment-grade bonds - currently yields 3.8%, higher than its 10-year average of 3.0%. This yield environment makes a compelling case for increasing allocations to higher-quality fixed income, particularly in the more liquid portions of investment portfolios.

Investment strategies should focus on quality and moderate duration risk in this environment:

1. **Quality Focus**: Investors should prioritize high-quality segments of the market, including select investment-grade corporates and structured products with AAA or AA credit ratings, which offer attractive yields without excessive risk.

2. **Refinancing Risk Management**: Given elevated capital costs, careful evaluation of leveraged structures, companies, and countries that may require refinancing is essential.

For those seeking higher returns, yield can potentially be enhanced through selective exposure to structured products, bank loans, and emerging markets, though this requires careful risk management.

While the trajectory of Fed policy remains uncertain, with July's meeting potentially influenced by upcoming inflation, non-farm payroll, and employment cost data, the consensus view holds that inflation will eventually moderate sufficiently to enable rate cuts. In this environment, active management remains crucial to navigate potential dislocations in credit markets while capitalizing on attractive yield opportunities in high-quality fixed income.

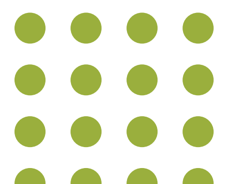
Second Half Outlook & Risks

While Q2 may show mechanical improvement, the more significant economic risks appear concentrated in the second half of 2025. This timeframe is when the full impact of the White House's trade policies will materialize, and the Federal Reserve's inflation vigilance may prevent monetary easing despite weakening growth indicators.

The labor market remains a critical variable in this equation. The current "low hiring, low firing" equilibrium established since mid-2023 represents a modest deterioration but not an economic collapse. Initial jobless claims remain low, and while continuing unemployment claims have increased 5.4% year-over-year as of early March, this suggests gradual rather than catastrophic weakening. However, there's no evidence of hiring acceleration, and interest rate-sensitive industries show little prospect of near-term recovery given the Fed's cautious stance on policy easing.

Several factors could influence second-half performance:

1. **Trade Policy Implementation**: The timing and scale of tariff implementation, along with potential retaliatory measures from trading partners, could significantly impact both business investment and consumer prices.



The European Union and China have already vowed to retaliate, though specifics remain unclear. Treasury Secretary Bessent has warned trading partners against retaliation, stating it would lead to further escalation.

2. **Federal Reserve Response**: The Fed's willingness to pivot toward easing if economic data deteriorates will be crucial, particularly given its current emphasis on inflation concerns. The tariff-induced stagflationary environment creates a particularly challenging policy dilemma.

3. **Consumer Spending Sustainability**: Whether the expected Q2 spending rebound maintains momentum through year-end represents a key variable, especially if employment conditions weaken further.

4. **Fiscal Policy Clarity**: Resolution of government funding uncertainty and clarification of longer-term fiscal priorities could either support or further undermine business confidence.

Conclusion

The US economic landscape in April 2025 is characterized by pervasive uncertainty, primarily driven by the administration's evolving policy framework, particularly regarding international trade. The April 2nd announcement of sweeping tariffs represents a dramatic escalation of protectionist policies, with the US now imposing a minimum 10% tariff on all exporters plus additional "reciprocal" duties on countries with large trade imbalances. This has significantly increased concerns about stagflation risks and potential economic contraction.

Short-term economic data appears particularly clouded by transitory factors, including severe weather events and unusual seasonal illness patterns that significantly disrupted Q1 activity. Analysts should exercise caution when interpreting upcoming data volatility, which may overstate both weakness in Q1 and strength in Q2. The underlying trend suggests gradual but persistent economic softening, with more substantial risks concentrated in the second half of 2025.

The Federal Reserve faces a challenging balancing act, navigating these complex crosscurrents, as evidenced by its decision to maintain current interest rates while simultaneously revising economic projections downward and moderating quantitative tightening. Equity markets have responded with increased volatility and general weakness, reflecting heightened uncertainty and recession concerns, while credit markets have maintained relative stability.

The interplay between forthcoming government policy implementation, Federal Reserve monetary responses, and ongoing economic data releases will prove decisive in determining US economic trajectories in subsequent quarters. Given this environment of elevated uncertainty and potentially misleading data signals, investors should maintain vigilance, stay informed regarding policy developments, and adhere to fundamental long-term financial planning principles, including diversification and alignment of asset allocation with individual objectives and risk parameters.

For Investors:

Equities

- Prioritize companies with domestic manufacturing and resilient supply chains to weather tariff implementation
- Focus on sectors less vulnerable to tariff impacts: Energy, domestic-focused Technology, and select Communication Services
- Consider high-quality defensive stocks with strong pricing power to offset inflation pressures
- Expect increased volatility; adjust position sizes accordingly and maintain higher cash reserves
- Approach small caps with caution despite historical outperformance patterns, as trade tensions may disproportionately impact smaller enterprises

Fixed Income

- Maintain quality focus with selective exposure to investment-grade corporate bonds.
- Evaluate carefully companies requiring refinancing given the “higher for longer” rate environment
- Look for opportunities in Treasury markets as recession concerns may drive further yield declines
- Monitor BBB-rated corporate bonds closely, as current tight spreads suggest potential underpricing of economic risks

Potential Risks to Our Outlook

- Escalation of global trade tensions, particularly retaliatory measures from the EU and China
- Stagflationary pressures limiting the Federal Reserve’s ability to respond to economic weakness
- Sentiment deterioration becoming self-fulfilling through reduced business investment and consumer spending
- Credit market complacency reversing suddenly if recession probability increases
- Labor market transitioning from “low firing, low hiring” to actual widespread layoffs

Disclosure

This information is of a general nature and does not constitute financial advice. It does not take into account your individual financial situation, objectives or needs, and should not be relied upon as a substitute for financial or other professional advice to assess, among other things, whether any such information is appropriate for you and/or applicable to your particular circumstances. In addition, this does not constitute an offer to sell, or the solicitation of an offer to buy, any financial product, service or program. The information contained herein is based on public information we believe to be reliable, but its accuracy is not guaranteed.

Investing involves risks, including loss of principal. Past performance is no guarantee of future results.

Definitions

*Growth: A company stock that tends to increase in capital value rather than yield high income.

*Quantitative Tightening: monetary policies that contract, or reduce, the Federal Reserve System (Fed) balance sheet.

*Gross Domestic Product (GDP): a standard measure of the total value of all goods and services produced within a country's borders during a specific period, typically a year.

*Stagflation: an economic condition characterized by simultaneous high inflation, high unemployment, and slow economic growth.

*Basis Point: one hundredth of one percent, used chiefly in expressing differences of interest rates.

*BBB Bonds: An investment grade is a rating that signifies a municipal or corporate bond presents a relatively low risk of default. "BBB" (medium credit quality) are considered investment grade.

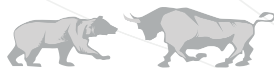
*U.S. Aggregate Bond Index: Designed to measure the performance of publicly issued US dollar denominated investment-grade debt.

*S&P 500 Index: S&P (Standard & Poor's) 500 Index: is a market-capitalization-weighted index of the 500 largest US publicly traded companies.

*NASDAQ: is a global electronic marketplace for buying and selling securities.

*Russell 2000 Index: a stock market index that measures the performance of the 2,000 smaller companies included in the Russell 3000 Index.

***Indexes are not managed. One cannot invest directly in an index.**



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