



MARKET UPDATE

Quarterly Conversations

March 20, 2025



MODERATOR

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P R E S E N T E R

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Indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts. You cannot invest directly in an index. S&P 500 Index is regarded as a gauge of large cap U.S. equities. The index includes 500 leading companies and captures approximately 80% of the available market capitalization.

S&P 500 Index is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

S&P 400 Index provides investors with a benchmark for mid-sized U.S. companies. The index, which is distinct from the large-cap S&P 500, is designed to measure the performance of 400 mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment.

S&P 600 seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financial stable.

MSCI EAFE in an equity index which captures large and mid cap representation across 21 developed market countries around the world excluding the U.S. and Canada. With 722 constituents, the index covers approximately 85% of the free float adjusted market capitalization in each country.

FTSE All World Emerging Index is a market capitalization-weighted index that tracks the performance of large and mid-cap companies in emerging markets globally.

Presentation prepared by First Horizon Advisors





Heightened Uncertainty



Uncertainty, Valuations, Economic Growth

U N C E R T A I N T Y

Tariffs
Fiscal Policy

I M P A C T S

Consumer & Business Confidence
Stock Valuations
Interest Rates

E C O N O M I C G R O W T H

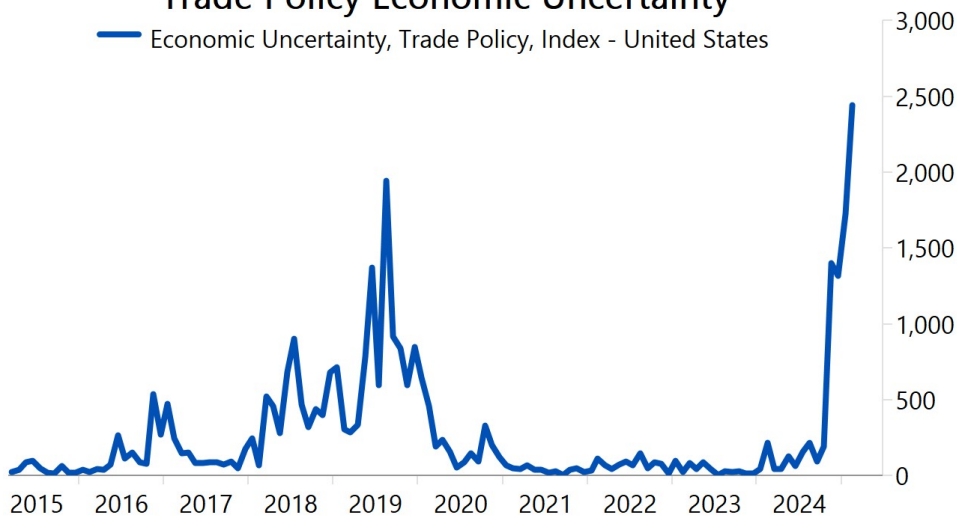
Business Spending
Consumer Spending
The Fed, Inflation & Employment



Very High Uncertainty

Trade Policy Economic Uncertainty

— Economic Uncertainty, Trade Policy, Index - United States



Source: FactSet

Canada & Mexico

- March 4th: Trump 25% tariff on everything except energy and potash which would be 10%
- March 5th: Trump suspended previous day's tariffs until April 2nd for cars through USMCA
- March 6th: Trump tariffs suspended for all imports compliant with USMCA
- Canada response: \$21 billion in tariffs on U.S. fruits, vegetables, appliances, liquor.

Steel & Aluminum

- March 12th: Trump 25% tariffs on all steel and aluminum imports
- Canada response: additional \$20.6 billion tariffs on U.S. goods
- European Union response: 50% tariff on American whiskey, motorcycles, motorboats, chewing gum, poultry, soybeans, other goods.
- Trump responded with threat of 200% tariffs on alcohol from Europe.

China

- Feb 3rd: Trump additional 10% on China. China responded with 15% tariff on U.S. coal and LNG, 10% on crude oil, ag machinery, other products
- March 3rd: Trump another 10% on China. China responded with additional 10%-15% on U.S. agricultural goods and restricting exports to 15 American companies.

Others

- February 18th: Trump threatened 25% tariffs on automobiles, semiconductors, pharmaceutical products
- March 4th: Trump threatened reciprocal tariffs on any country placing tariffs on the U.S.
- March 4th: Trump threatened 25% tariffs on copper and lumber

Source: The Wall Street Journal - Trump's Tariffs: Where Things Stand, published March 13, 2025
<https://www.wsj.com/economy/trade/trump-tariffs-list-products-canada-mexico-china-b41351df>



Very High Uncertainty

Tariff impact estimates cannot be made with any degree of certainty given the magnitude of the potential changes and the rapidly changing proposals.

The Committee for a Responsible Budget made an estimate on February 4th based upon announced tariffs at that point in time. You can find the article here: <https://www.crfb.org/blogs/how-much-revenue-will-trumps-tariffs-raise>

- Calendar year 2025 revenue of \$120 billion
- Fiscal year 2025-2035 revenue of \$1.3 trillion over 10 years
- Long-run reduction to GDP of about 0.3% once fully phased in

The Tax Foundation is tracking the economic impact of tariffs. You can find the specific information referenced here: <https://taxfoundation.org/research/all/federal/trump-tariffs-trade-war/>

- The Tax Foundation estimates the 2018-2019 trade war tariffs reduced long-run GDP by 0.2%, capital stock by 0.1%, and employment by 142,000 jobs
- The Tax Foundation estimates the IEEPA and Section 232 tariffs announced so far in 2025 would reduce U.S. GDP by 0.4% and hours worked by the equivalent of 309,000 jobs.



Very High Uncertainty

The Federal Reserve's Beige Book survey released on March 5th spoke specifically to tariff related uncertainty. When businesses were asked about their input costs, they reported an uptick. They expected this uptick would lead to higher consumer prices.

"Firms in multiple Districts noted difficulty passing input costs on to customers. However, contacts in most Districts expected potential tariffs on inputs would lead them to raise prices, with isolated reports of firms raising prices preemptively."

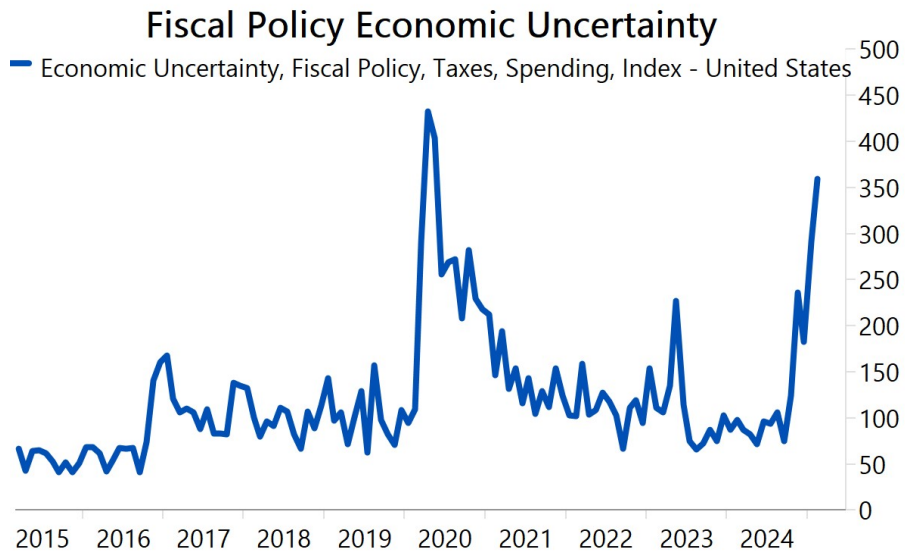
Source: Federal Reserve Beige Book Survey

A look at S&P 500 company earnings reports finds a similar concern. From December 15th through March 6th, 259 companies have included a reference to tariffs during their earnings calls.

Source: FactSet Earnings Insight Report dated March 7, 2025



Very High Uncertainty



Source: FactSet

Continuing Resolution Passed

- Funding to keep the government operating until Sept. 30 when a new fiscal year begins
- Small changes to current law that included higher defense spending and lower non-defense spending
- Avoids a government shut down and gives additional time to work on larger changes to the 2026 budget

Source: NPR – Trump Signs Spending Bill to Avoid a Government Shutdown
<https://www.npr.org/2025/03/14/nx-s1-5328229/senate-spending-bill-vote-government-shutdown>

Longer Term Budget Reconciliation Bill

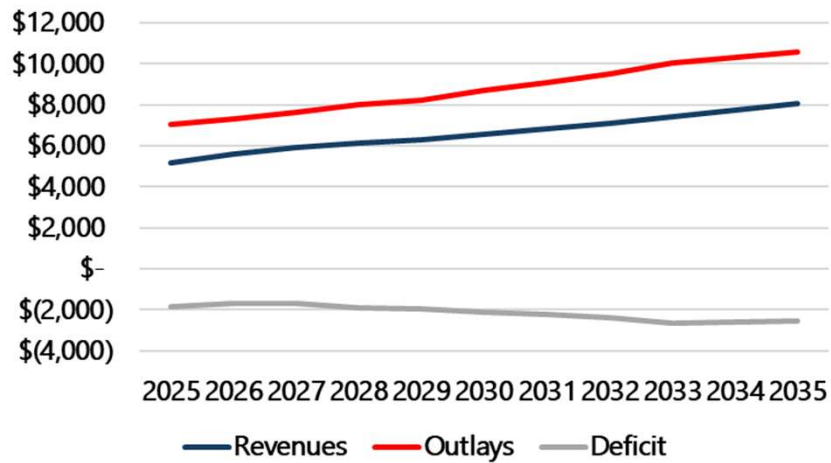
- Preliminary budget reconciliation proposals contemplate \$2 trillion in spending cuts against \$4.8 trillion of tax cuts and spending increases. This is projected to add \$2.8 trillion to deficits through 2034.

Source: Committee For a Responsible Budget at <https://www.crfb.org/blogs/2-trillion-cut-compared-86-trillion-spending>

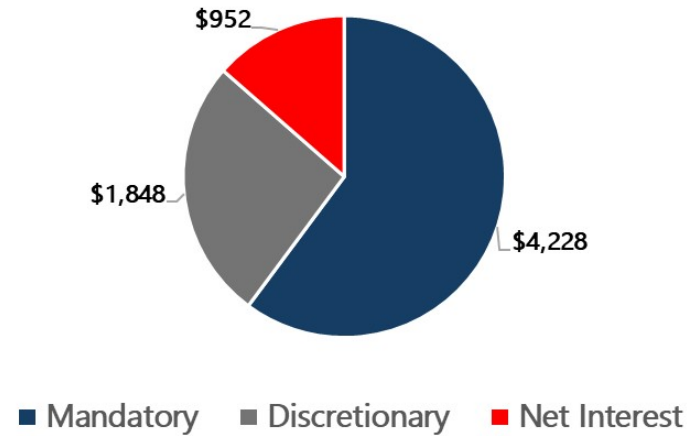


The Reality of the Fiscal Situation

Congressional Budget Office U.S. Budget Projections 2025-2035 trillions of Dollars



Congressional Budget Office Types of Outlays Projected for 2025 trillions of Dollars

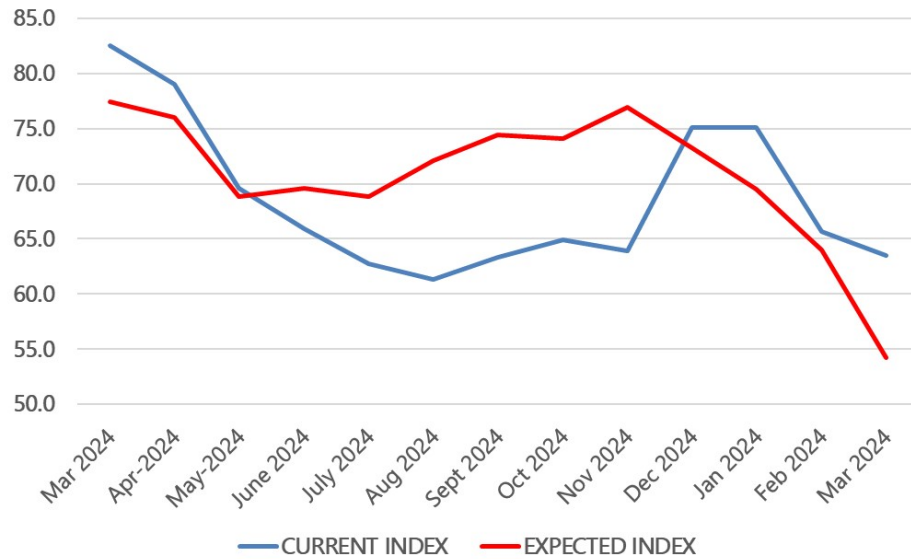


Data Source: Congressional Budget Office
 Chart Source: First Horizon Advisors



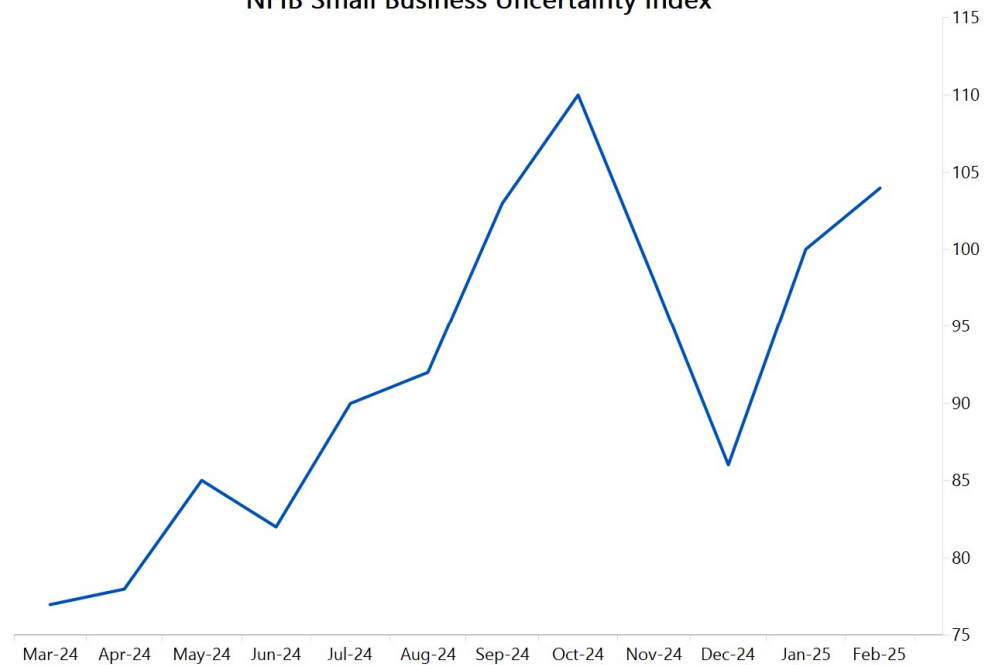
Uncertainty Weighs on Confidence

University of Michigan Consumer Sentiment Survey



Data Source: University of Michigan Surveys of Consumers at <http://www.sca.isr.umich.edu/>
 Chart Source: First Horizon Advisors

NFIB Small Business Uncertainty Index

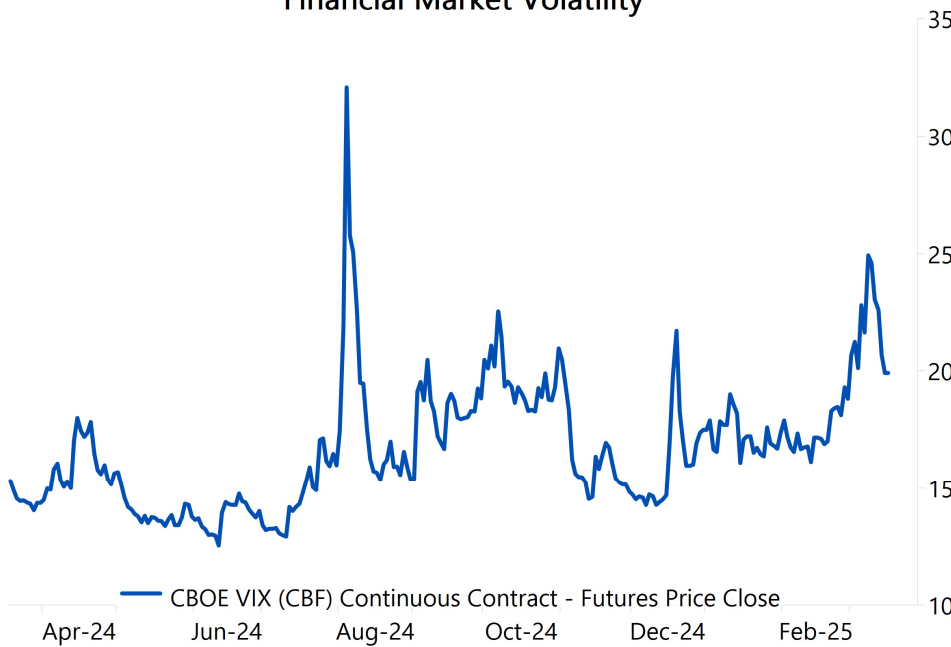


Source: FactSet, National Federation of Independent Businesses

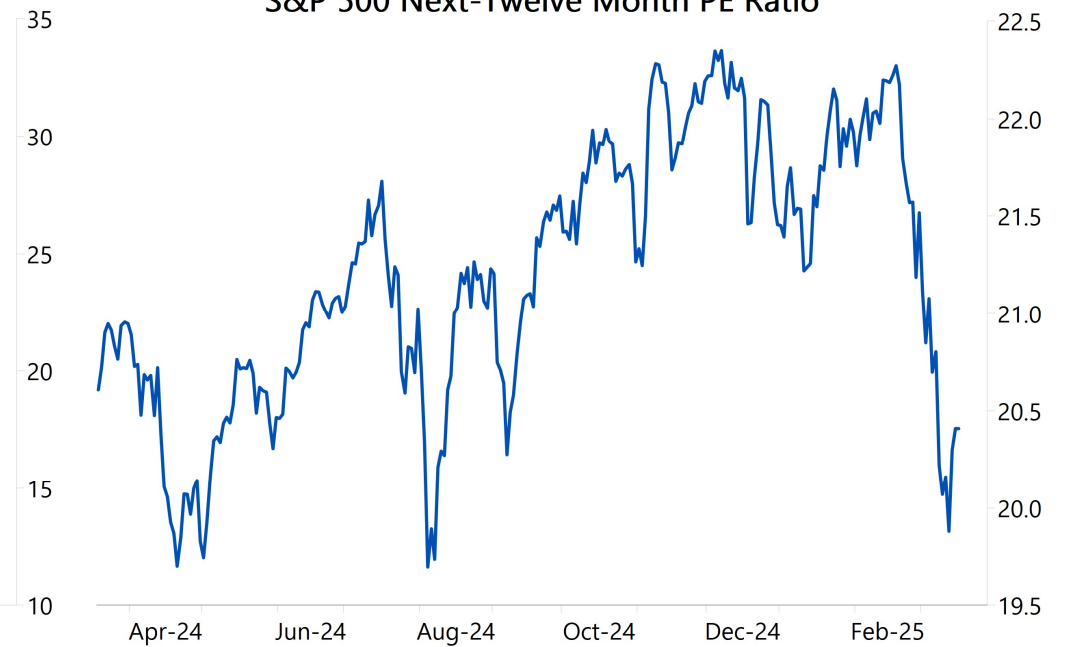


S&P 500 Volatility & Valuations

Financial Market Volatility



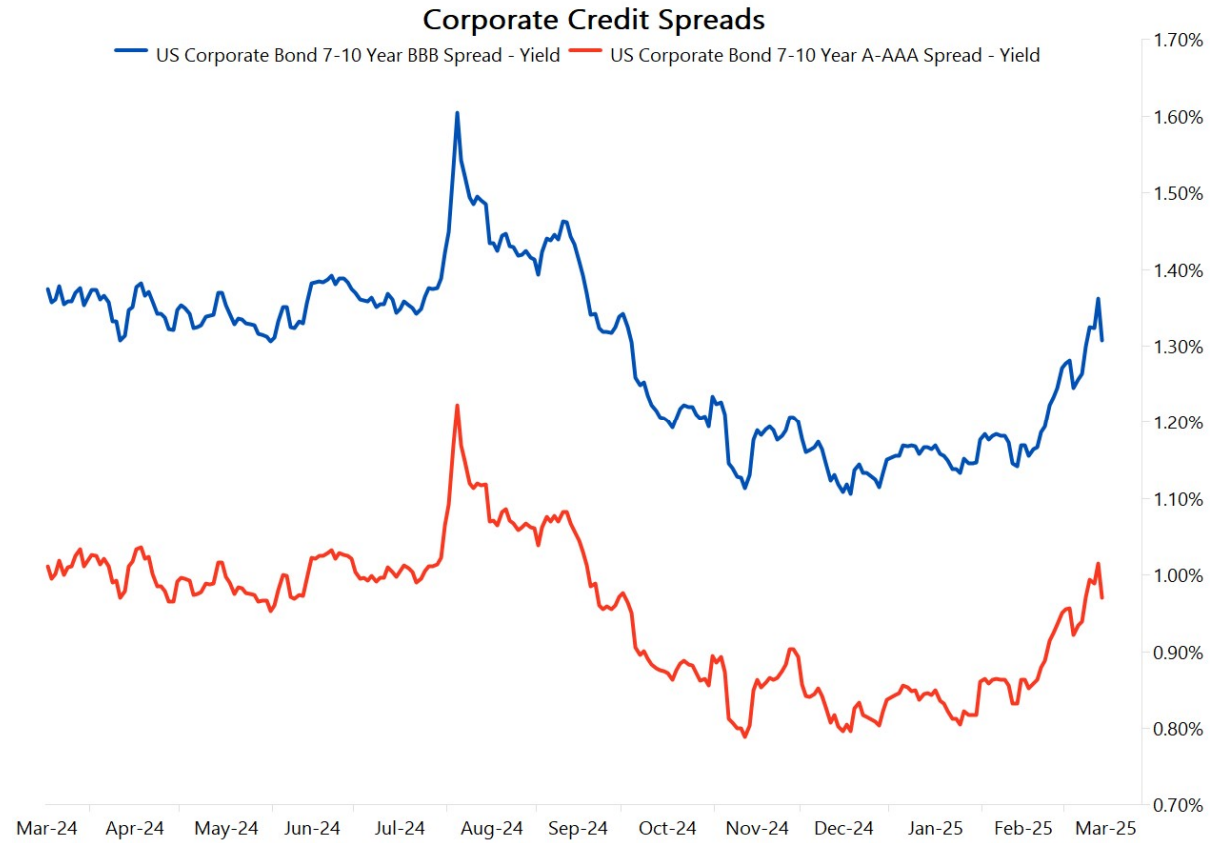
S&P 500 Next-Twelve Month PE Ratio



Source: FactSet, Standard & Poors



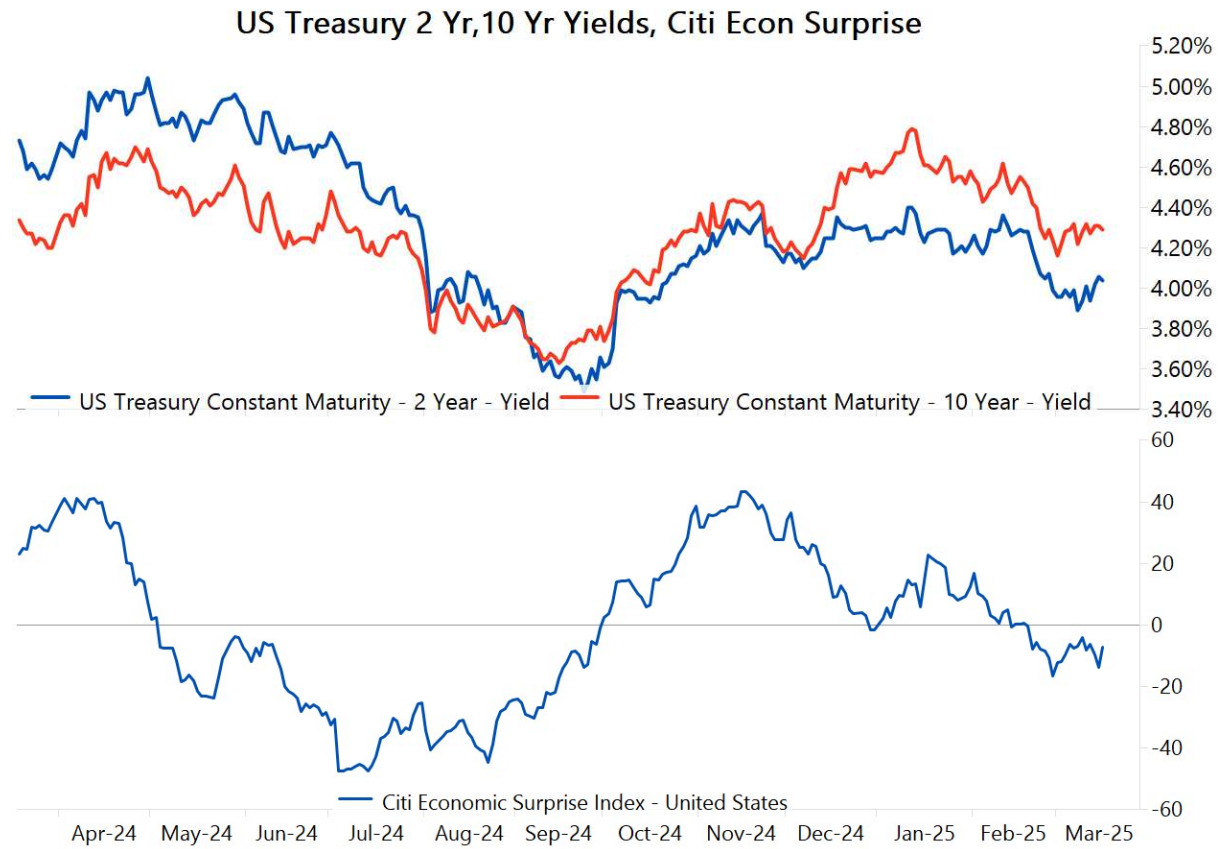
Credit Risk in the Bond Market



Source: FactSet



Interest Rates

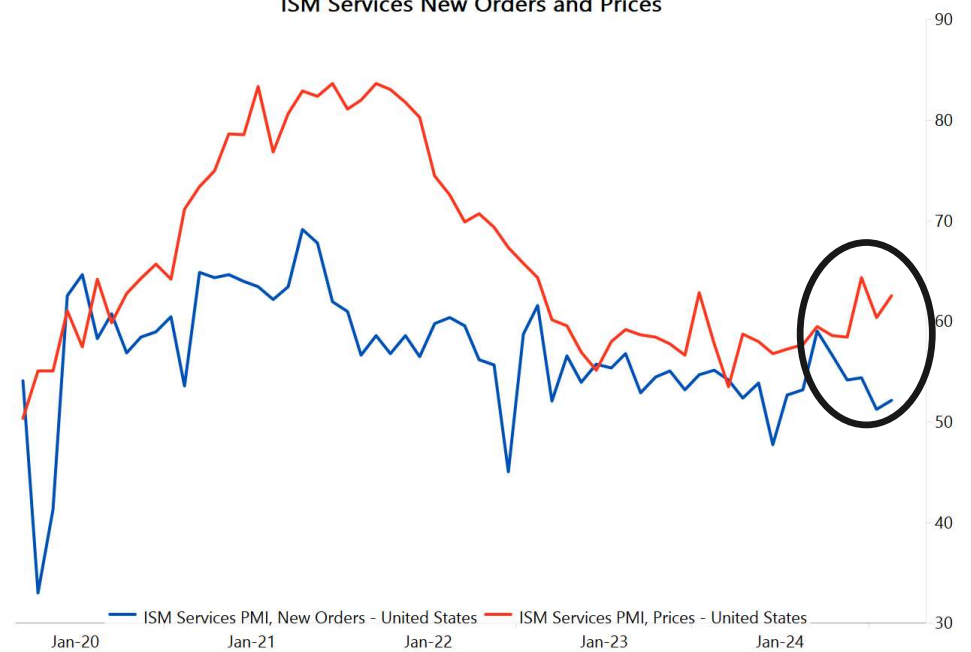


Surveys of Business Activity

ISM Manufacturing New Orders and Prices



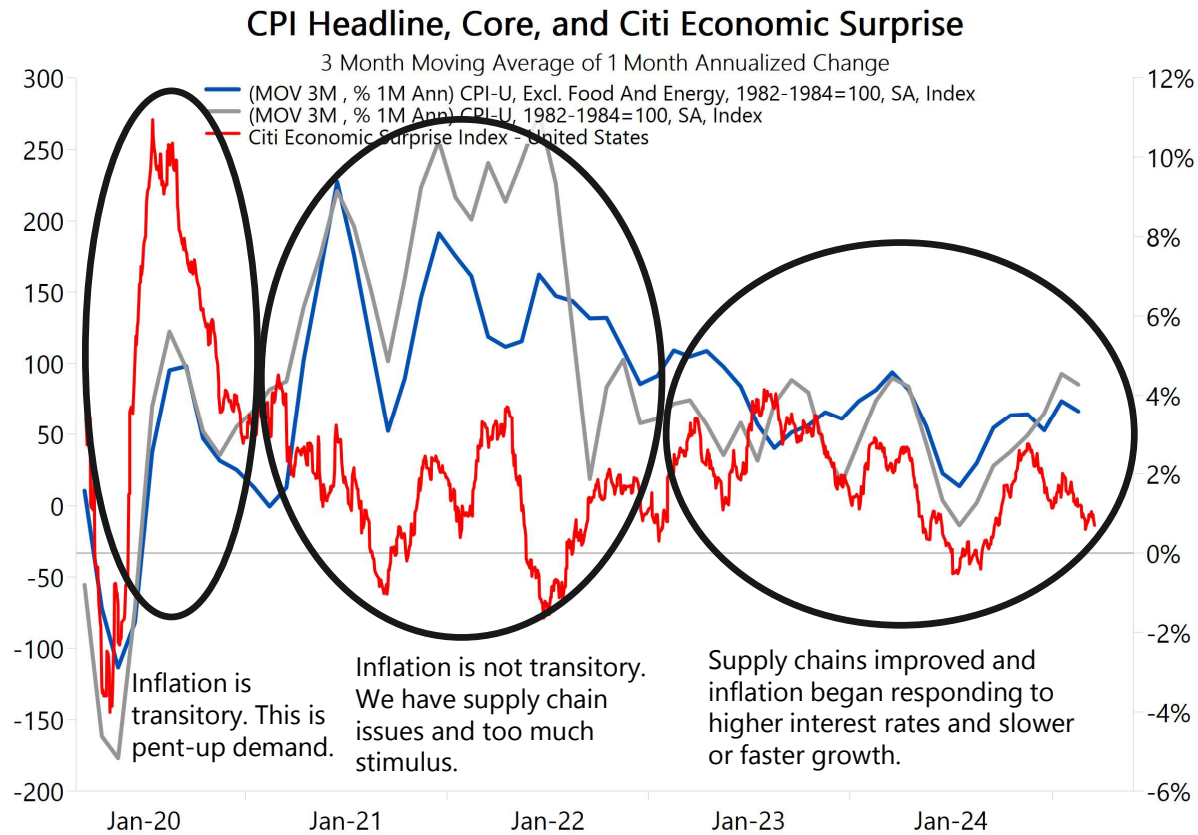
ISM Services New Orders and Prices



Source: FactSet, Institute of Supply Management



Inflation



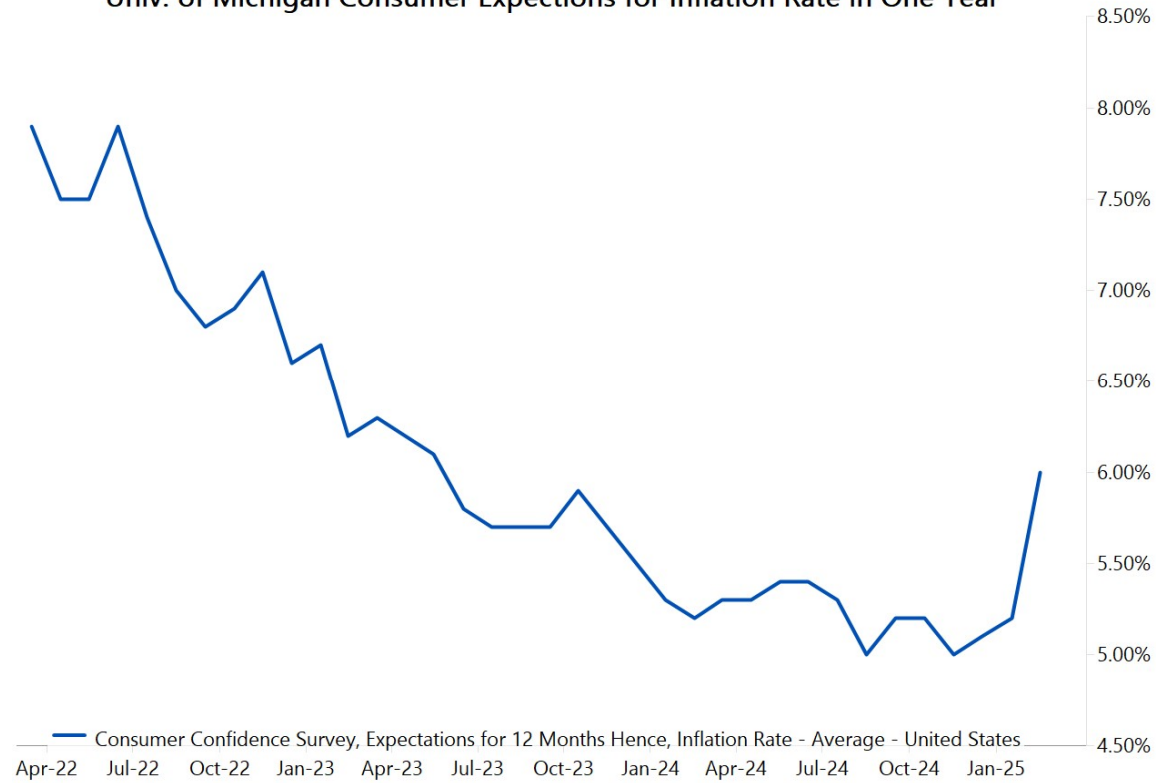
It appears inflation is responding to faster or slower economic growth. Will recent slower growth bring inflation down or will tariffs work their way into the inflation number and cause a decoupling between growth and inflation like what occurred with supply chains?

Source: FactSet, Bureau of Labor Statistics, Citigroup



Consumer Inflation Expectations

Univ. of Michigan Consumer Expections for Inflation Rate in One Year



Source: FactSet, University of Michigan



Fed Speak

“Uncertainty around the economic outlook has increased.”

FOMC Statement, March 19, 2025

Source: Federal Reserve at <https://www.federalreserve.gov/newsevents/pressreleases/monetary20250319a.htm>



Fed Summary of Economic Projections

The Fed made notable changes to its median economic projections.

- Expected 2025 Real GDP fell from 2.1% in December to 1.7% in March. Growth was downgraded for 2027 and 2028 by two-tenths and one-tenth, respectively.
- Expected 2025 Unemployment Rate rose from 4.3% in December to 4.4% in March. This number did not change for 2026 or 2027.
- Expected 2025 Core PCE Inflation Rate rose to 2.8% in March from 2.5% in December. This number did not change for 2026 or 2027.

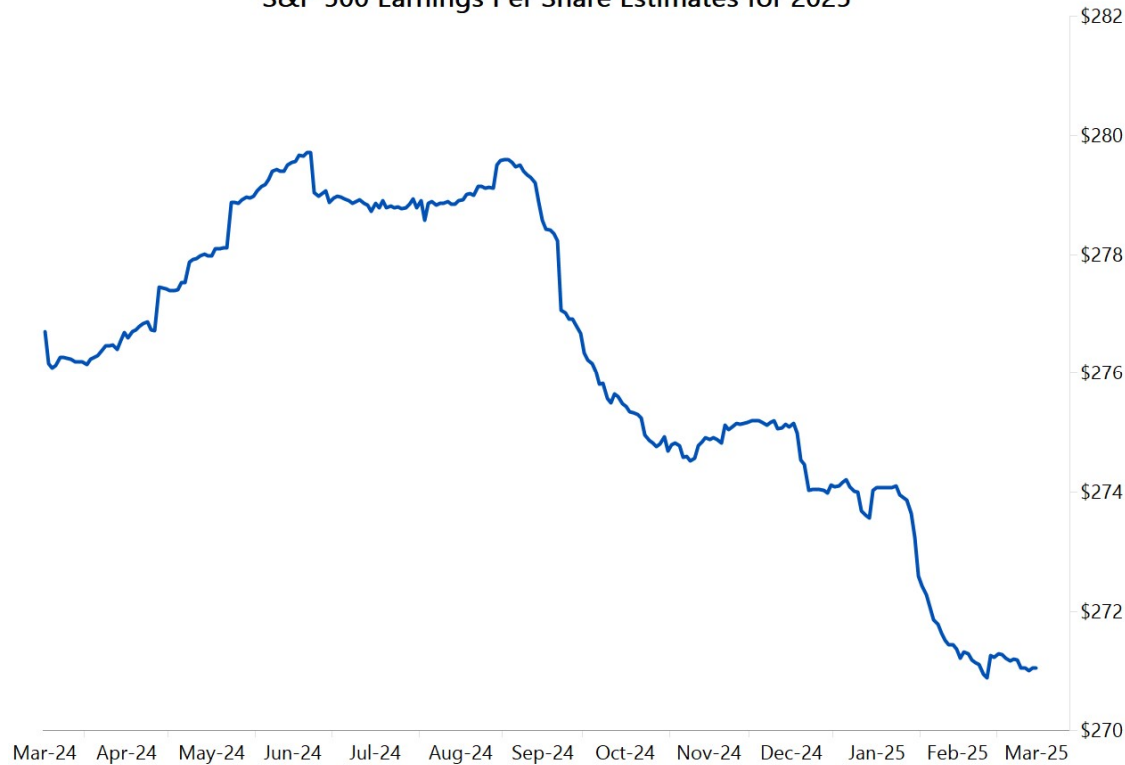
FOMC Summary of Economic Projections, March 19, 2025

Source: Federal Reserve at <https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20250319.pdf>



Outlook for S&P 500 Earnings

S&P 500 Earnings Per Share Estimates for 2025



- S&P 500 earnings expectations are trending lower for the first quarter of 2025 and the full calendar year.
- As of March 14th, first quarter earnings per share growth is expected to be 7.1% as compared to 11.6% on December 31st.

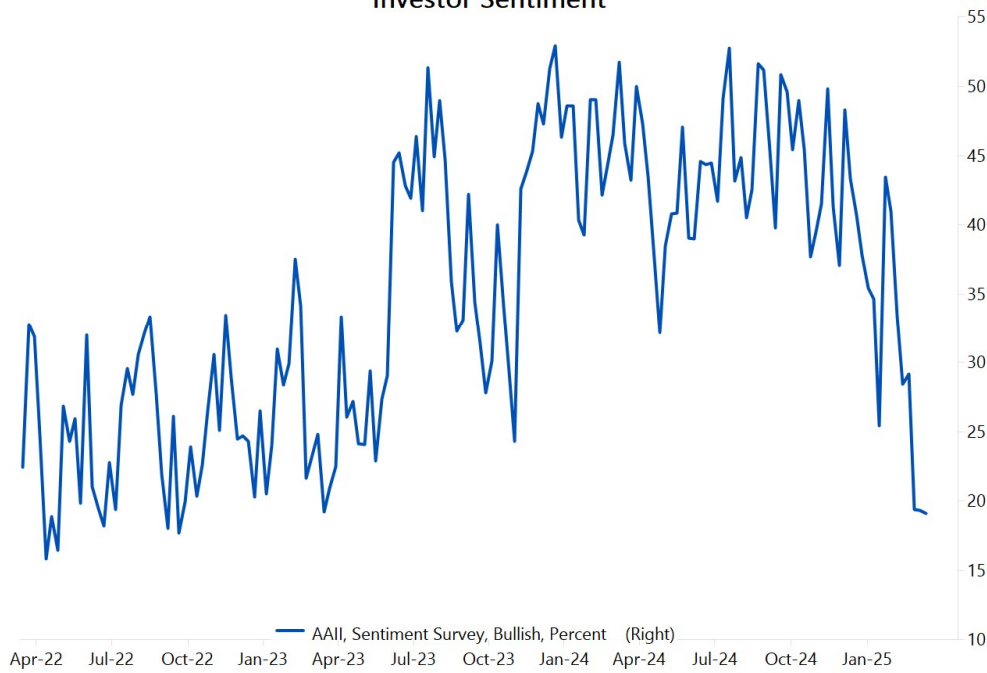
Source: FactSet Earnings Insight Report
Published March 14, 2025

Source: FactSet, Standard & Poors

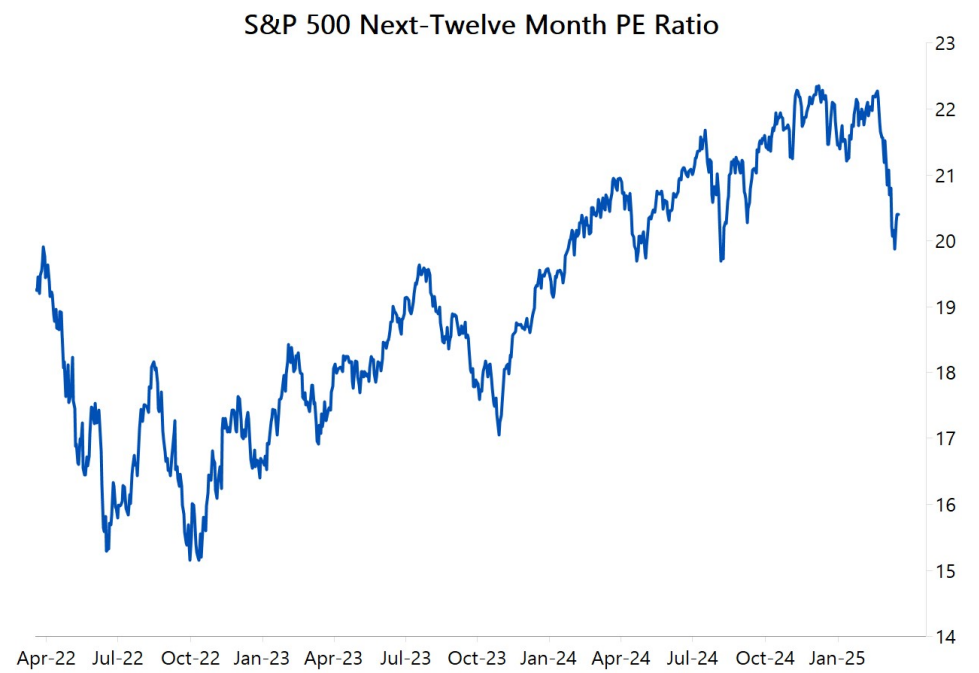


Investors Are Not Bullish

Investor Sentiment



S&P 500 Next-Twelve Month PE Ratio

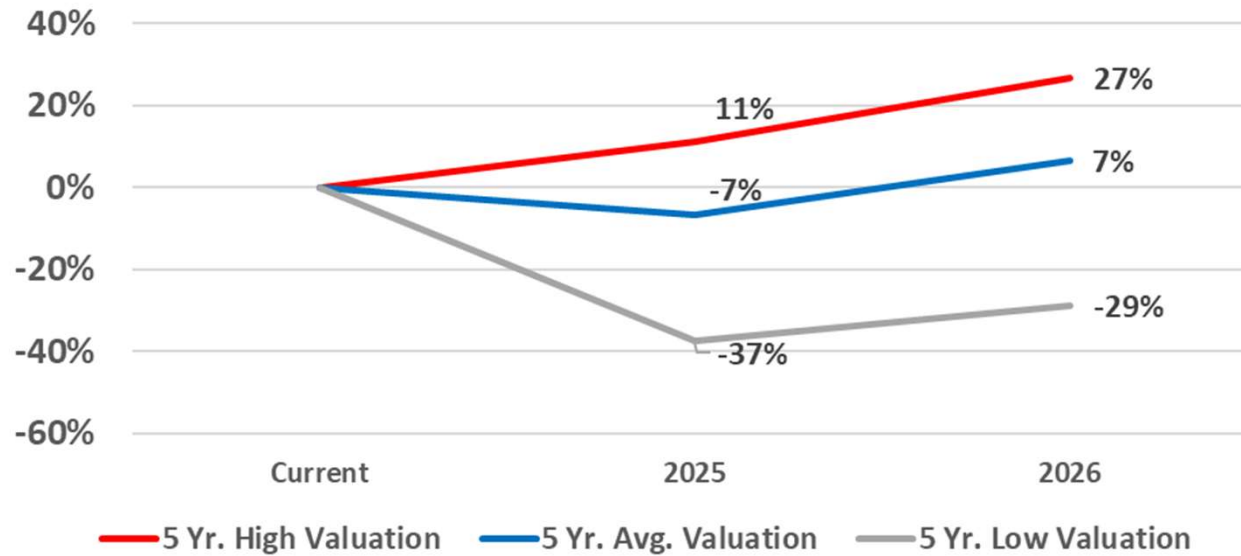


Source: FactSet



S&P 500 Ranges

S&P 500 Index Estimate and Valuation Ranges as of March 18, 2025



Data Source: FactSet
Chart Source: First Horizon Advisors



Equity Performance

Selected Indexes Year to Date Through March 18, 2025

S&P 500 Index	-4.26%
S&P 400 Index	-5.29%
S&P 600 Index	-8.50%
MCSI EAFE Index	10.98%
FTSE All World Emerging Index	5.71%

Magnificent 7

-13.80%

Year to Date March 18, 2025

Magnificent 7 companies include: Apple, Alphabet, Meta Platforms, Microsoft, Amazon.com, Tesla, NVIDIA. Capitalization weighted Magnificent 7 calculated by First Horizon Advisors using the year 2025 beginning weight of the Magnificent 7 stocks reweighted proportionately by market cap to equal 100%.

Data Source: FactSet
Chart Sources: First Horizon Advisors



Slide 24

AH0 Add definition of MCSI Index to disclosures at the beginning of the deck

Heard, Adella M., 2025-03-19T22:07:40.834

AH1 This slide needs to be reformatted . Make 2 different charts one with the selected Equity Index and one for the Magnificent 7

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Market Timing

Time in the market, not timing the market!

S&P 500 Index total returns, 1988–2022, missing the best and worst days

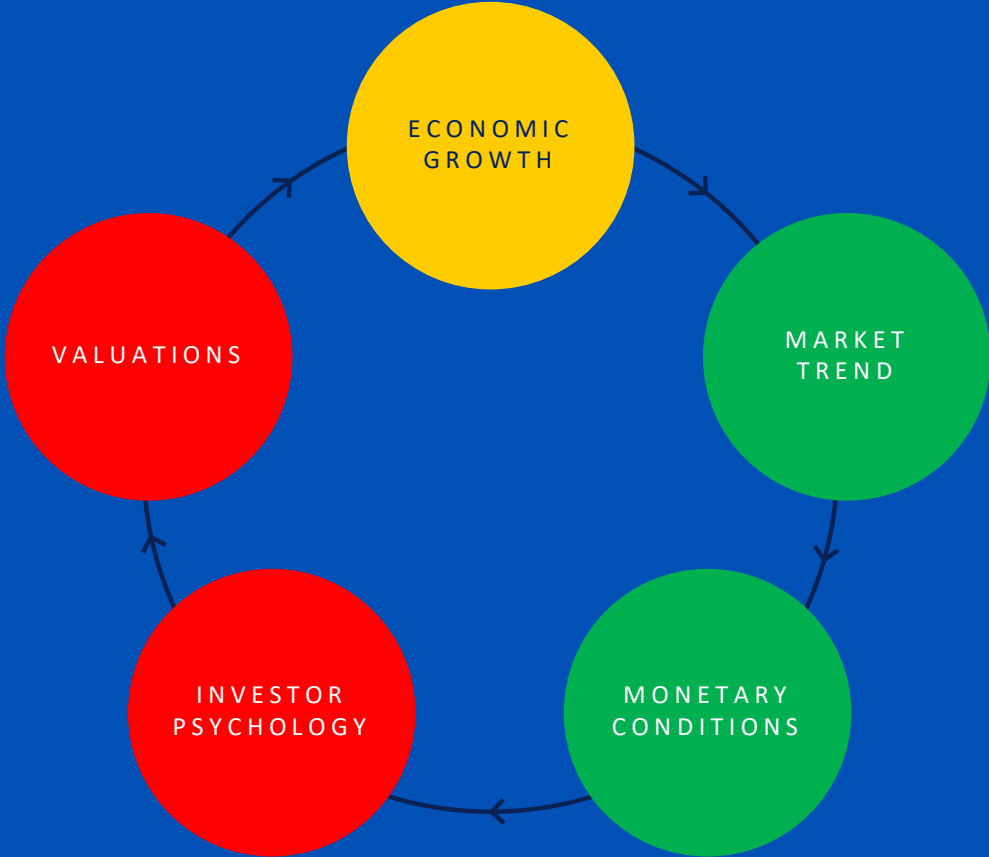


Source: Vanguard Investment Advisory Research Center.

Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.



Five Factor Framework



Source: First Horizon Advisors



Q&A



Michelle Hardin

SVP and Manager
Medical Private Banking and Private Client Services
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Tracy Bell, CFA[®]

Chief Investment Officer
First Horizon Advisors, Inc.

Please reach out to your banker or advisor with any questions or to set up a meeting with our economists.

A recording of this event will be forwarded next week.

Thank you.

