Economic Update

A Closer Look at Q2 2025 Data

Released: July 2025

RiverGlades
A Multifamily Office

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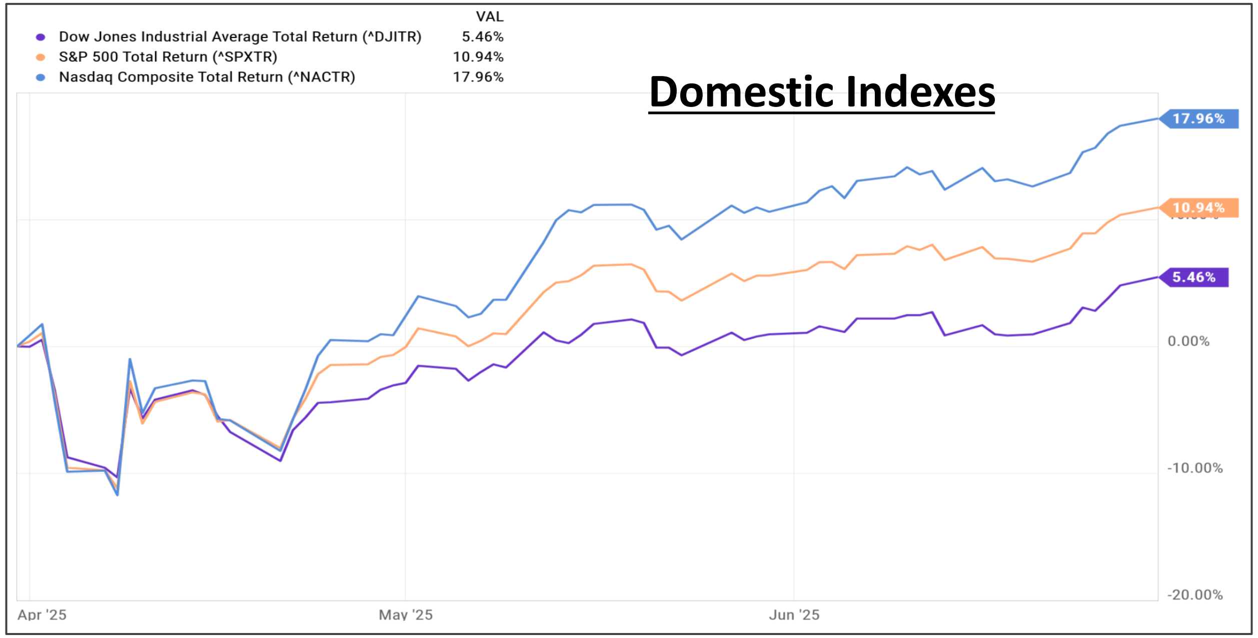
Charts and Tables Highlighting the Performance of Stock Market Indicators and Asset Classes.

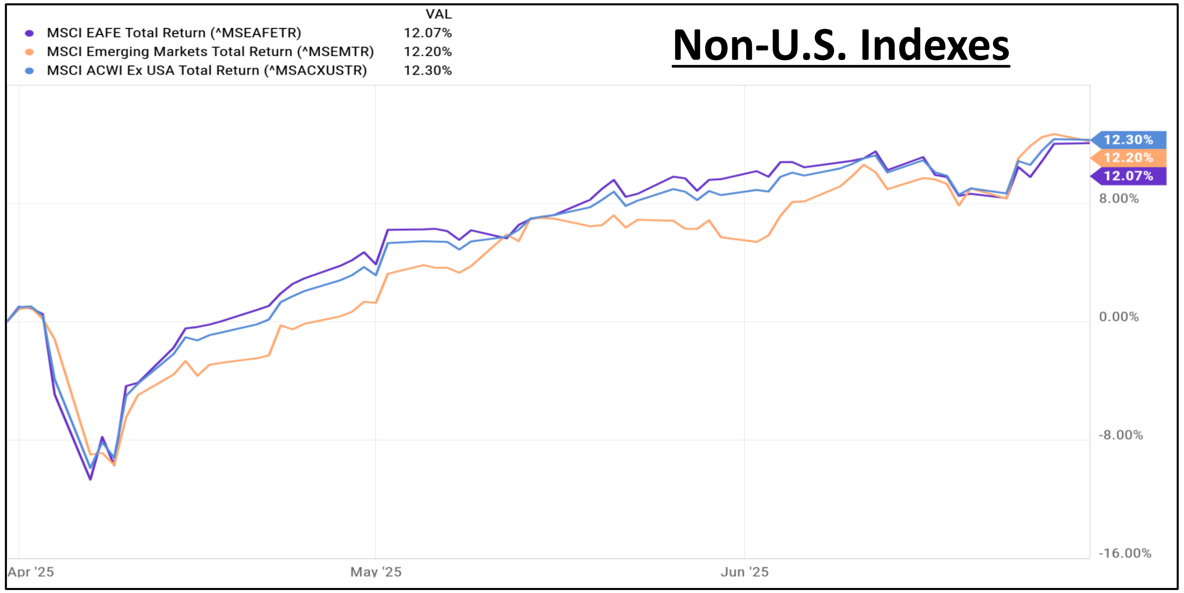
Stock Market Performance



During the second quarter the U.S. equity markets rallied following the "tariff tantrum" sell-off in late March and early April. The Nasdaq jumped 18.0% the S&P 500 climbed 10.9%, while the Dow Jones Industrial Average posted a more modest gain of 5.5%.

On April 9th President Trump delayed the retaliatory tariffs for 90 days and the market took that as a sign that the worst-case scenario of an all-out trade war was off the table. From there the markets continued to climb as inflation numbers came in lower than expected and various other economic indicators remained positive.

Source: YCharts, 7/2/25



Outside the U.S., performance remained strong with both the developed and emerging markets indexes rising by 12%, extending the outperformance of non-U.S. equities so far this year.

Non-U.S. markets followed a similar path initially selling off on tariff fears but quickly rebounded as the quarter progressed. The U.S. Dollar continued to weaken declining 7% in the second quarter and ended the first half of the year down almost 11%. While this represents a notable decline, it does come following a strong 4th quarter that put the dollar at the highest level since 2022.

U.S. Sector Performance

Sensitive Sectors	Q1 2025 Return
Technology Select SPDR® ETF	22.84%
Industrial Select Sector SPDR® ETF	12.89%
Energy Select Sector SPDR® ETF	-8.50%
Communication Services Select Sector SPDR® ETF	-12.79%

Defensive Sectors	Q1 2025 Return
Utilities Select Sector SPDR® ETF	4.27%
Consumer Staples Select Sector SPDR® ETF	-0.18%
Health Care Select Sector SPDR® ETF	-7.24%

Cyclical Sectors	Q1 2025 Return
Consumer Discretionary Select SPDR® ETF	10.29%
Financial Select Sector SPDR® ETF	5.50%
Materials Select Sector SPDR® ETF	2.64%
Real Estate Select Sector SPDR® ETF	-0.14%

Source: YCharts, 7/2/25

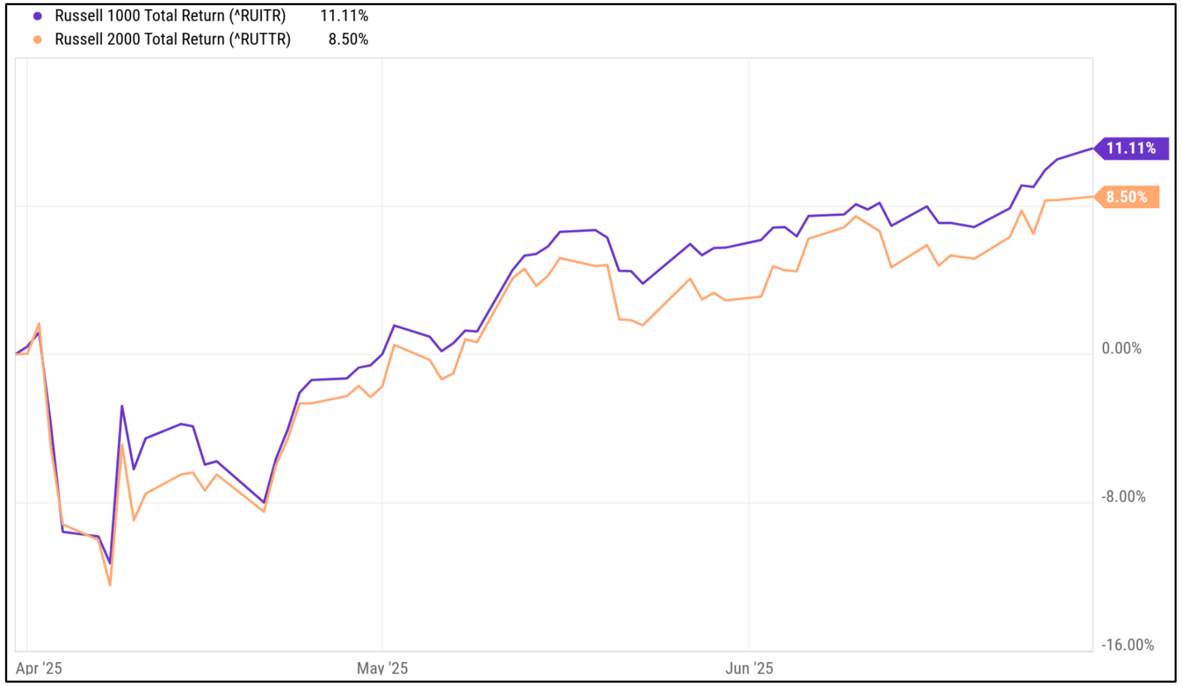
During the second quarter, while the overall S&P 500 index posted a 10.9% gain, the performance by sector ranged from 22.8% to -12.8%.

The S&P 500's move higher during the quarter was led by Technology (22.8%), Industrials (12.9%), and Consumer Discretionary (10.3%). While Communication Services (-12.8%), Energy (-8.5%), and Health Care (-7.2%) weighed on returns.

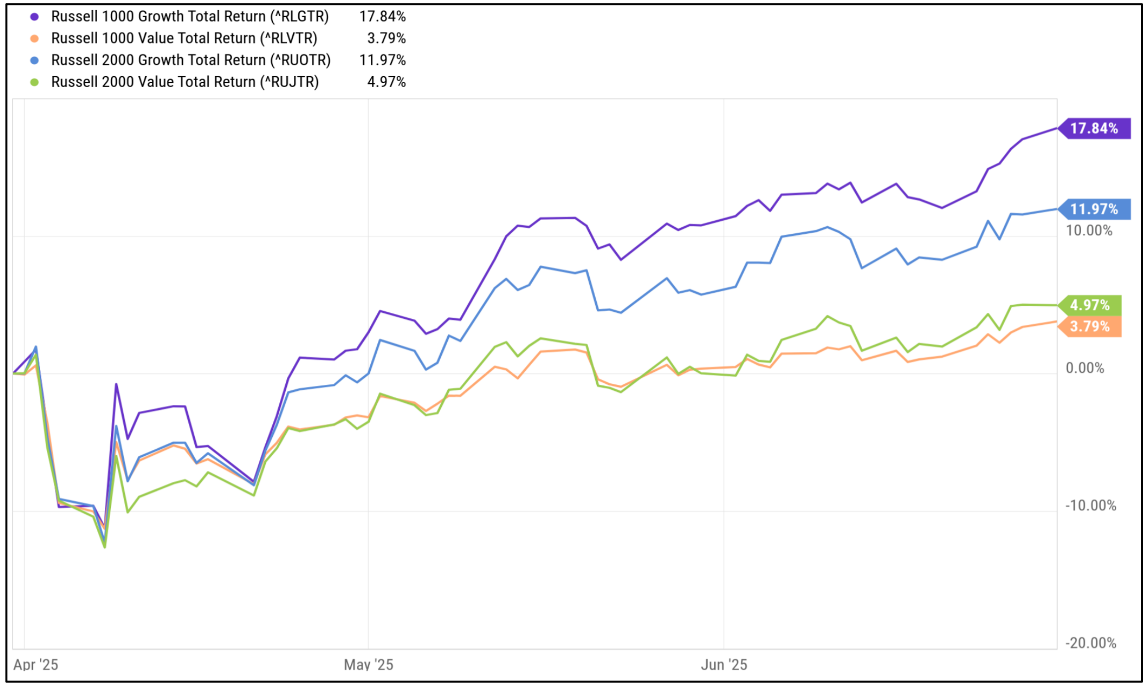
As noted, sector level performance dispersion continued in Q2. Some of this is attributable to mean reversion following the sectors strong or weak first quarter performance reversing as tariff situation became clearer. Other aspects were directly related to industry specific factors, for example energy sector declines were largely due to the perceived easing of Middle East conflict and the continued decline in the price of oil.

Periods of higher sector dispersion allow for active management to play a larger role in portfolio performance. While quick sector swings from quarter to quarter are often difficult to capitalize on, the intermediate and longer trends should provide opportunities for investors focused on strategically over- or under-weighting their exposure to certain sectors.

Large Cap vs. Small Cap, Growth vs. Value



Source: YCharts, 7/2/25



Source: YCharts, 7/2/25

In the past RiverGlades has shared a preference for avoiding the growth/value distinction. Instead favoring a tactical sector level allocation or embracing the broader indexes. However, monitoring the trends between value and growth can be informative and worth checking on from time to time. As captured in the chart above left, Large Cap stocks represented by the Russell 1000 Index, outperformed Small Cap stocks represented by the Russell 2000 index by over 2.5%. The chart to the above right, breaks down the Russell 1000 and Russell 2000 by growth and value. Reversing the results of last quarter, over the past 3 months both Large and Small Cap Growth stocks outperformed value for the quarter, and by a meaningful amount.

Over the past few years, it has been extremely challenging for investors that follow a value strategy or were inclined to position their portfolios for a rebound in smaller cap stocks. Large Cap Growth has more than doubled Large Cap Value over the past 10 years and more than 4x the returns of smaller cap stocks over the same period. Depending on the “style box investing” approach typically espoused by many investment advisors, has left their clients wondering what they are getting in return for their fees…

Asset Class Performance – Since Presidential Election & Inauguration

Key ETF Performance (%, Total Return)

US Related

ETF	Description	Q2	YTD
SPY	S&P 500	10.43	5.72
DIA	Dow 30	4.84	3.85
QQQ	Nasdaq 100	17.35	7.80
IJH	S&P Midcap 400	7.09	0.56
RSP	S&P 500 Equalweight	5.17	4.46
IWB	Russell 1000	10.64	5.63
IWM	Russell 2000	9.07	-1.31
IWV	Russell 3000	10.53	5.31
IVW	S&P 500 Growth	18.30	8.29
IJK	Midcap 400 Growth	9.76	0.67
IJT	Smallcap 600 Growth	7.50	-0.94
IVE	S&P 500 Value	2.62	2.86
IJJ	Midcap 400 Value	4.19	0.20
IJS	Smallcap 600 Value	3.24	-7.00
DVY	DJ Dividend	-0.45	2.62
QQQE	Nasdaq 100 EW	12.51	9.35
FXB	British Pound	6.79	10.97
FXE	Euro	8.69	13.93
FXY	Yen	3.51	8.60
IBIT	Bitcoin	30.28	14.96
XLY	Cons Disc	10.45	-2.53
XLP	Cons Stap	-0.81	3.60
XLE	Energy	-8.14	0.98
XLF	Financials	4.92	8.52
XLV	Health Care	-7.25	-1.18
XLI	Industrials	12.36	12.11
XLB	Materials	2.89	5.63
XLRE	Real Estate	-0.13	3.41
XLK	Technology	22.53	9.00
XLC	Comm Services	11.54	11.45
XLU	Utilities	4.25	9.37
SMH	Semis	32.52	15.72

Global

ETF	Description	Q2	YTD
EWA	Australia	13.46	11.46
EWZ	Brazil	11.00	27.47
EWC	Canada	13.58	14.84
MCHI	China	2.63	19.15
EWQ	France	10.15	22.18
EWG	Germany	16.04	35.23
EWH	Hong Kong	16.28	22.21
INDA	India	8.76	6.36
EWI	Italy	15.31	35.67
EWJ	Japan	10.81	13.22
EWW	Mexico	21.33	32.04
EWP	Spain	16.51	42.81
EIS	Israel	24.73	20.38
EWU	UK	8.56	19.99
EFA	EAFE	11.47	20.49
EEM	Emerging Mkts	11.44	16.45
IOO	Global 100	12.43	7.43
VT	All World	11.19	10.10
CWI	All World ex US	11.94	18.51
DBC	Commodities	-3.27	1.80
DBA	Agric. Commod.	-0.45	-1.38
USO	Oil	-5.33	-3.10
UNG	Nat. Gas	-24.53	-2.97
GLD	Gold	4.74	24.65
SLV	Silver	6.03	24.80
SHY	1-3 Yr Treasuries	1.08	2.66
IEF	7-10 Yr Treasuries	1.15	4.98
TLT	20+ Yr Treasuries	-2.42	2.40
AGG	Aggregate Bond	1.04	3.81
BND	Total Bond Market	0.99	3.80
TIP	T.I.P.S.	0.31	4.58

Past performance is no guarantee of future results.

This visual shows various asset classes, sectors, and country-level indexes equity performance during the second quarter and year-to-date as of June 27th.

Looking at this data a few things stand out: 1) International stock indexes have posted significantly stronger returns year-to-date than the domestic indexes, 2) Gold continues to shine, and 3) bonds had a strong first half of the year.

With the MSCI EAFE index up over 20% and Emerging Market index up over 15%, non-U.S. stocks are on pace for their best absolute and relative performance in years. This shouldn't be a complete surprise as both have trailed the S&P 500 significantly over the past 10 years. Including this year, the cumulative total returns for the S&P 500 is 258%, compared to the EAFE's 93% and Emerging Markets' 52%. The question remains, is this a short-term swing or is this a significant reversal in capital flows? RiverGlades continues to believe that over the longer term, the U.S. markets represent a more attractive investment option but that investors should be moving towards an allocation to international inline with the overall global market allocation.

It should be noted that while the U.S. Dollar had its worst first half in over 50 years, gold has climbed almost 25%. This follows a similarly strong gain in 2024.

Bond returns were generally muted in the second quarter with the broad aggregate bond index returning around 1.3% at quarter end and just over 4% year to date.

Source: ***Bespoke Investment Group****, The Bespoke Report, 6/27/25*

Asset Class Performance – By Quarter

6/30/2025 Qtr Return	3/31/2025 Qtr Return	12/31/2024 Qtr Return	9/30/2024 Qtr Return	6/30/2024 Qtr Return	3/31/2024 Qtr Return	12/31/2023 Qtr Return	9/30/2023 Qtr Return	6/30/2023 Qtr Return	3/31/2023 Qtr Return	12/31/2022 Qtr Return	9/30/2022 Qtr Return	6/30/2022 Qtr Return	3/31/2022 Qtr Return	12/31/2021 Qtr Return
US Growth 17.8%	World exUSA 6.3%	US Growth 7.1%	US Real Estate 17.1%	US Growth 8.3%	US Growth 11.4%	US Real Estate 18.0%	Commodities 16.0%	US Growth 12.8%	US Growth 14.4%	World exUSA 16.3%	US Small -2.2%	Commodities 2.0%	Commodities 33.1%	US Real Estate 14.6%
World exUSA 12.3%	Commodities 4.9%	Commodities 3.8%	US Value 9.4%	Emerging Markets 5.1%	S&P 500 10.6%	US Growth 14.2%	Emerging Markets -2.8%	S&P 500 8.7%	World exUSA 8.2%	US Value 12.4%	Muni Bonds -3.5%	Muni Bonds -2.9%	US Value -0.7%	US Growth 11.6%
Emerging Markets 12.2%	US Real Estate 3.5%	S&P 500 2.4%	US Small 9.3%	S&P 500 4.3%	Commodities 10.4%	US Small 14.0%	US Treasuries -3.1%	US Small 5.2%	S&P 500 7.5%	Emerging Markets 9.8%	US Growth -3.6%	US Treasuries -3.8%	S&P 500 -4.6%	S&P 500 11.0%
S&P 500 10.9%	Emerging Markets 3.0%	US Small 0.3%	Emerging Markets 8.9%	Commodities 0.7%	US Value 9.0%	S&P 500 11.7%	US Growth -3.1%	US Value 4.1%	Emerging Markets 4.0%	S&P 500 7.6%	US Treasuries -4.3%	Aggregate Bonds -4.7%	World exUSA -4.7%	US Value 7.8%
US Small 8.5%	US Treasuries 2.9%	Muni Bonds -1.2%	World exUSA 7.8%	US Treasuries 0.1%	World exUSA 5.7%	World exUSA 10.6%	US Value -3.2%	World exUSA 3.3%	US Treasuries 3.0%	US Small 6.2%	Aggregate Bonds -4.8%	Emerging Markets -11.3%	US Treasuries -5.6%	World exUSA 3.2%
US Value 3.8%	Aggregate Bonds 2.8%	US Value -2.0%	S&P 500 5.9%	Aggregate Bonds 0.1%	US Small 5.2%	US Value 9.5%	Aggregate Bonds -3.2%	US Real Estate 2.4%	Aggregate Bonds 3.0%	US Real Estate 4.4%	S&P 500 -4.9%	US Value -12.2%	Aggregate Bonds -5.9%	US Small 2.1%
Aggregate Bonds 1.2%	US Value 2.1%	Aggregate Bonds -3.1%	Aggregate Bonds 5.2%	Muni Bonds 0.0%	Emerging Markets 2.4%	Emerging Markets 7.9%	S&P 500 -3.3%	Emerging Markets 1.0%	Muni Bonds 2.8%	Muni Bonds 4.1%	US Value -5.6%	World exUSA -14.4%	Muni Bonds -6.2%	Commodities 1.5%
US Treasuries 0.8%	Muni Bonds -0.2%	US Treasuries -3.1%	US Treasuries 4.7%	World exUSA -0.4%	Muni Bonds -0.4%	Muni Bonds 7.9%	Muni Bonds -3.9%	Muni Bonds -0.1%	US Small 2.7%	Commodities 3.4%	World exUSA -9.1%	US Real Estate -14.5%	US Real Estate -6.5%	Muni Bonds 0.7%
Muni Bonds -0.1%	S&P 500 -4.3%	World exUSA -7.4%	US Growth 3.2%	US Real Estate -1.7%	Aggregate Bonds -0.8%	Aggregate Bonds 6.8%	World exUSA -4.0%	Aggregate Bonds -0.8%	US Real Estate 1.6%	US Growth 2.2%	Commodities -10.3%	S&P 500 -16.1%	Emerging Markets -6.9%	US Treasuries 0.2%
US Real Estate -0.4%	US Small -9.5%	US Real Estate -7.8%	Muni Bonds 2.7%	US Value -2.2%	US Treasuries -1.0%	US Treasuries 5.7%	US Small -5.1%	US Treasuries -1.4%	US Value 1.0%	Aggregate Bonds 1.9%	US Real Estate -10.4%	US Small -17.2%	US Small -7.5%	Aggregate Bonds 0.0%
Commodities -2.8%	US Growth -10.0%	Emerging Markets -7.8%	Commodities -5.3%	US Small -3.3%	US Real Estate -1.2%	Commodities -10.7%	US Real Estate -8.6%	Commodities -2.7%	Commodities -4.9%	US Treasuries 0.7%	Emerging Markets -11.4%	US Growth -20.9%	US Growth -9.0%	Emerging Markets -1.2%

Past performance is no guarantee of future results. You cannot invest directly in an index.

*Data as of 6/30/2025

Source: YCharts, 6/30/25

This visual shows historical annual asset class performance for the last 15 quarters.

Looking at the returns you can see some continuity of performance for some asset classes, but there is not enough consistency to be of any predictive value. The market environment or themes that were unfolding during these periods explain the performance but identifying the exact start and finish of these movements remains difficult, if not impossible.

However, over longer periods of time, the relationship between risk and return becomes more apparent.

Finding the proper asset mix is key to constructing the right portfolio for each investor. From there, RiverGlades seeks to adjust allocations at the margin based on the market environment and prevailing investment themes.

Bonds & Interest Rates

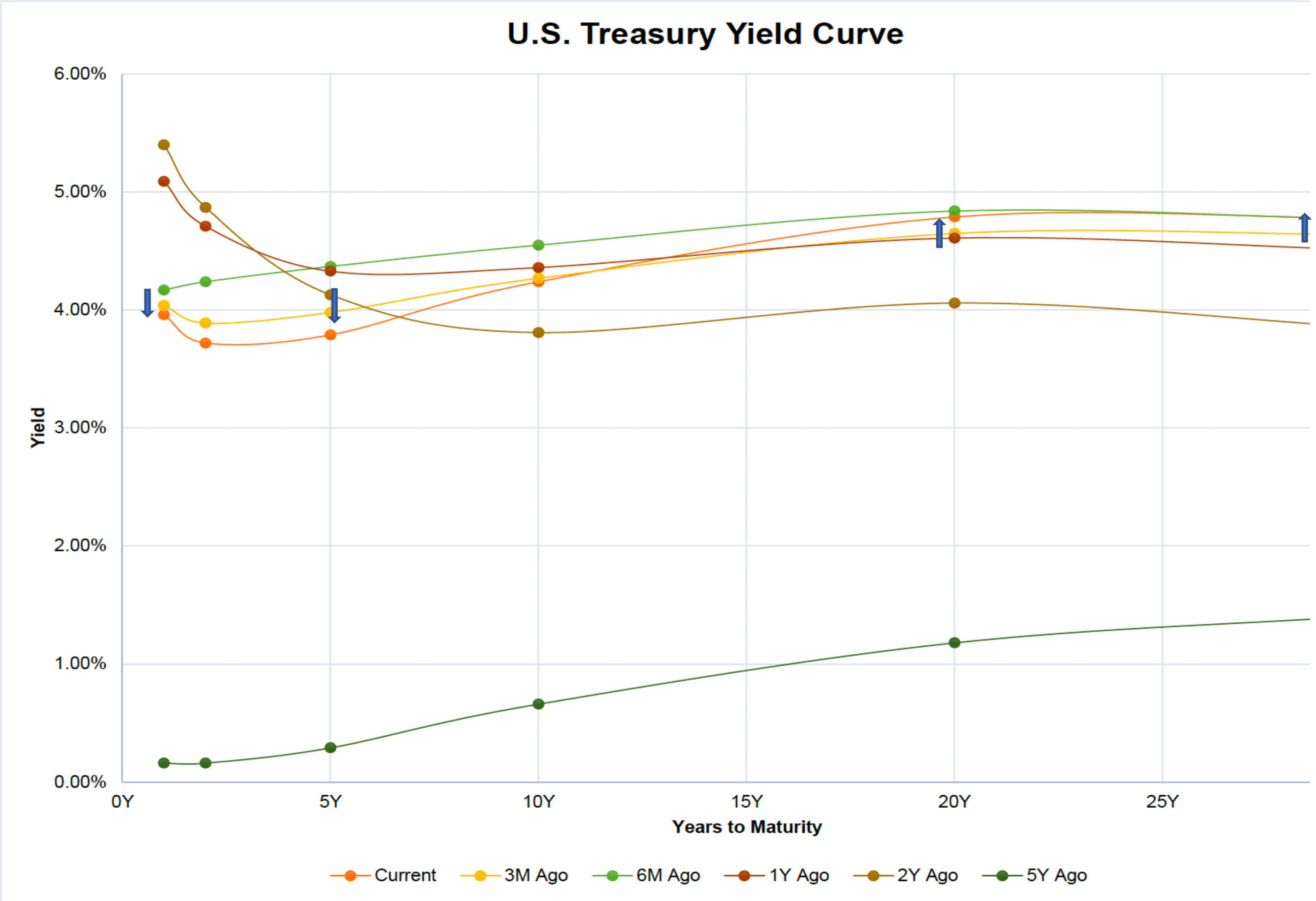
Collection of Data Summarizing Moves in the Fixed Income Markets.

Interest Rates

Duration	Rate	QoQ Δ
1-Month	4.28%	▼ 10 bps
3-Month	4.41%	▲ 9 bps
6-Month	4.29%	▲ 6 bps
1-Year	3.96%	▼ 7 bps
2-Year	3.72%	▼ 17 bps
3-Year	3.68%	▼ 21 bps
5-Year	3.79%	▼ 17 bps
10-Year	4.24%	▲ 1 bp
20-Year	4.79%	▲ 17 bps
30-Year	4.78%	▲ 19 bps

During the second quarter the yield curve steepened slightly more, dropping at the short end and rising at the longer end.

A steepening yield curve is generally viewed as a "healthy" indicator. One would expect that the longer the time period the higher the rate of interest earned.



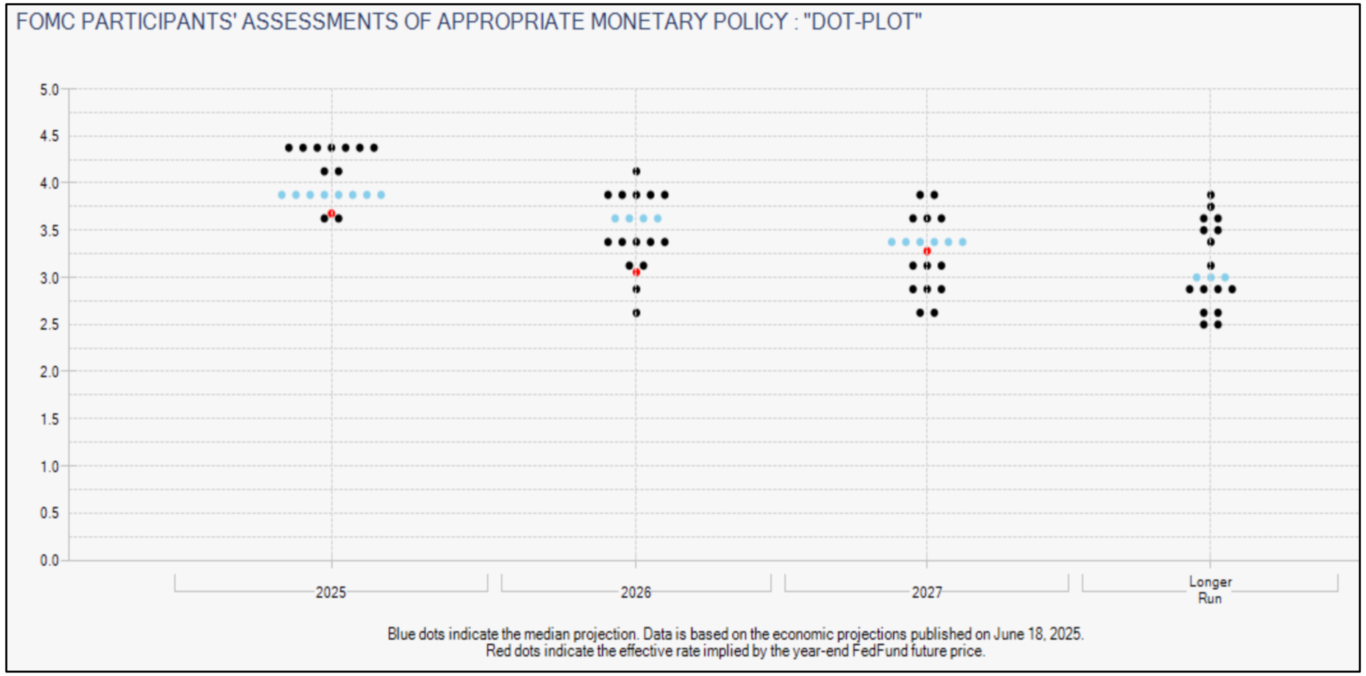
*'Current' data as of 6/30/2025

Source: YCharts

Where Are Interest Rates Headed?

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES										
MEETING DATE	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450
7/30/2025						0.0%	0.0%	0.0%	0.0%	23.3%	76.7%
9/17/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	21.3%	72.2%	6.5%
10/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	14.6%	56.2%	27.2%	2.0%
12/10/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.7%	45.2%	34.8%	8.7%	0.5%
1/28/2026	0.0%	0.0%	0.0%	0.0%	0.0%	4.8%	26.0%	40.6%	23.2%	5.1%	0.3%
3/18/2026	0.0%	0.0%	0.0%	0.0%	2.5%	16.0%	33.8%	31.4%	13.6%	2.5%	0.1%
4/29/2026	0.0%	0.0%	0.0%	0.7%	6.0%	20.6%	33.2%	26.8%	10.7%	1.9%	0.1%
6/17/2026	0.0%	0.0%	0.3%	3.2%	13.0%	26.7%	30.1%	19.1%	6.5%	1.0%	0.1%
7/29/2026	0.0%	0.1%	1.2%	6.2%	17.1%	27.7%	26.8%	15.3%	4.9%	0.7%	0.0%
9/16/2026	0.0%	0.4%	2.7%	9.5%	20.3%	27.4%	23.3%	12.1%	3.6%	0.5%	0.0%
10/28/2026	0.1%	0.6%	3.2%	10.3%	20.9%	27.1%	22.5%	11.5%	3.4%	0.5%	0.0%
12/9/2026	0.2%	1.0%	4.4%	12.1%	21.9%	26.3%	20.6%	10.1%	2.9%	0.4%	0.0%

Source: CME Group; Fed Watch Tool, 7/2/25



Source: CME Group; Fed Watch Tool, 7/2/25

Over the past few quarters RiverGlades has highlighted that the markets have been flip-flopping on whether multiple rate cuts were coming in 2025. As of now, the markets continue to price in 2-3 rate cuts before year-end. RiverGlades has remained consistent in the opinion that multiple rate cuts were unnecessary and unlikely.

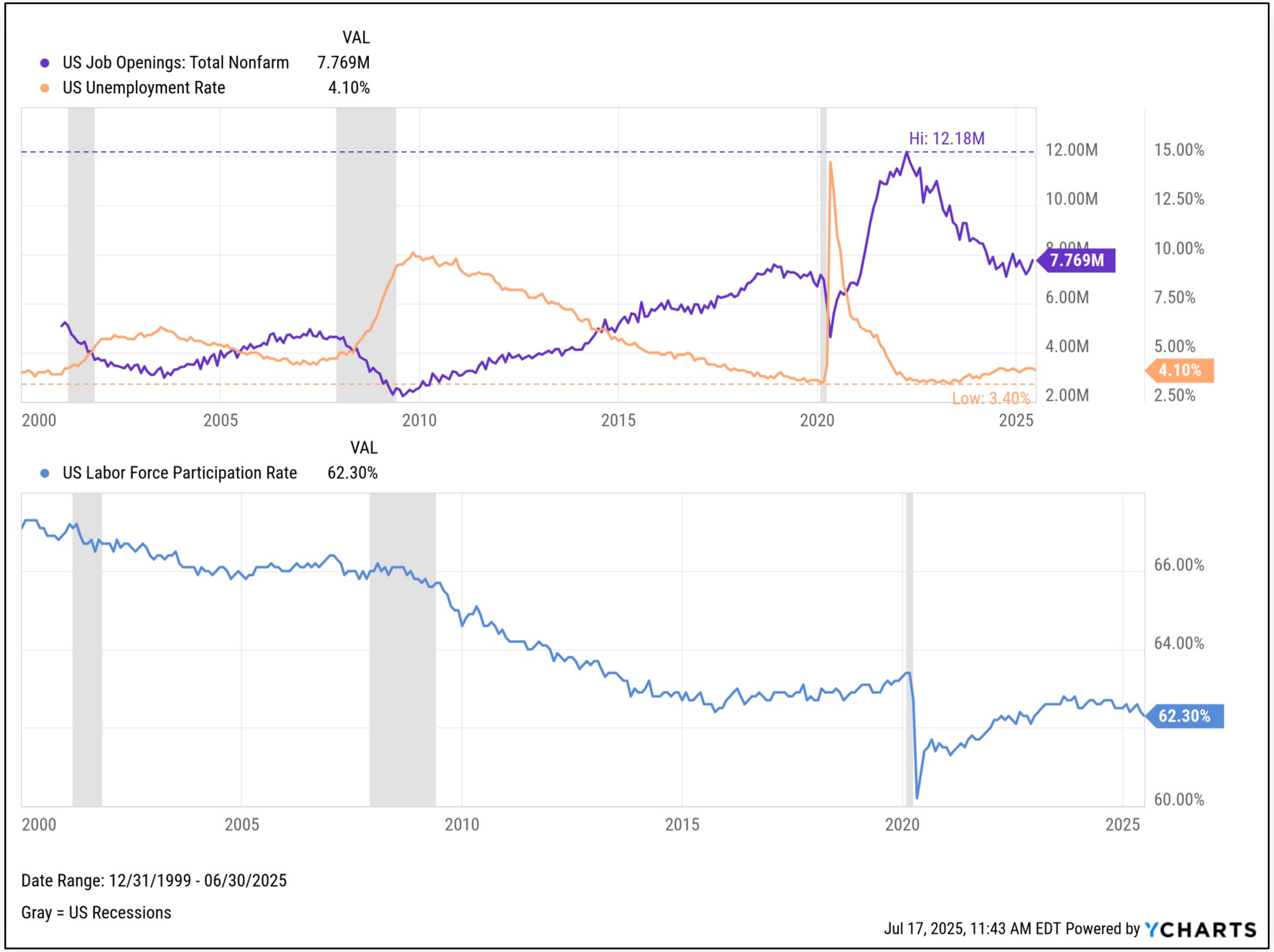
In keeping with the uncertainty in whether rate cuts were coming, many Wall Street Strategists have been on again/off again with whether or not the U.S. economy would experience a recession in 2025. Their opinions have ranged from a near certainty to ”in the second half of the year,” and now many are admitting a recession might not occur at all.

RiverGlades continues to believe the economy remains “ok” and that there will not be a recession in the next 12 months. To the contrary, if anything, the firm believes we are likely to witness a surprise to the upside.

Macro Economic Data

Leading and Lagging Economic Data and Trends from Key Economic Reports Published Recently.

Unemployment and Labor Force Participation



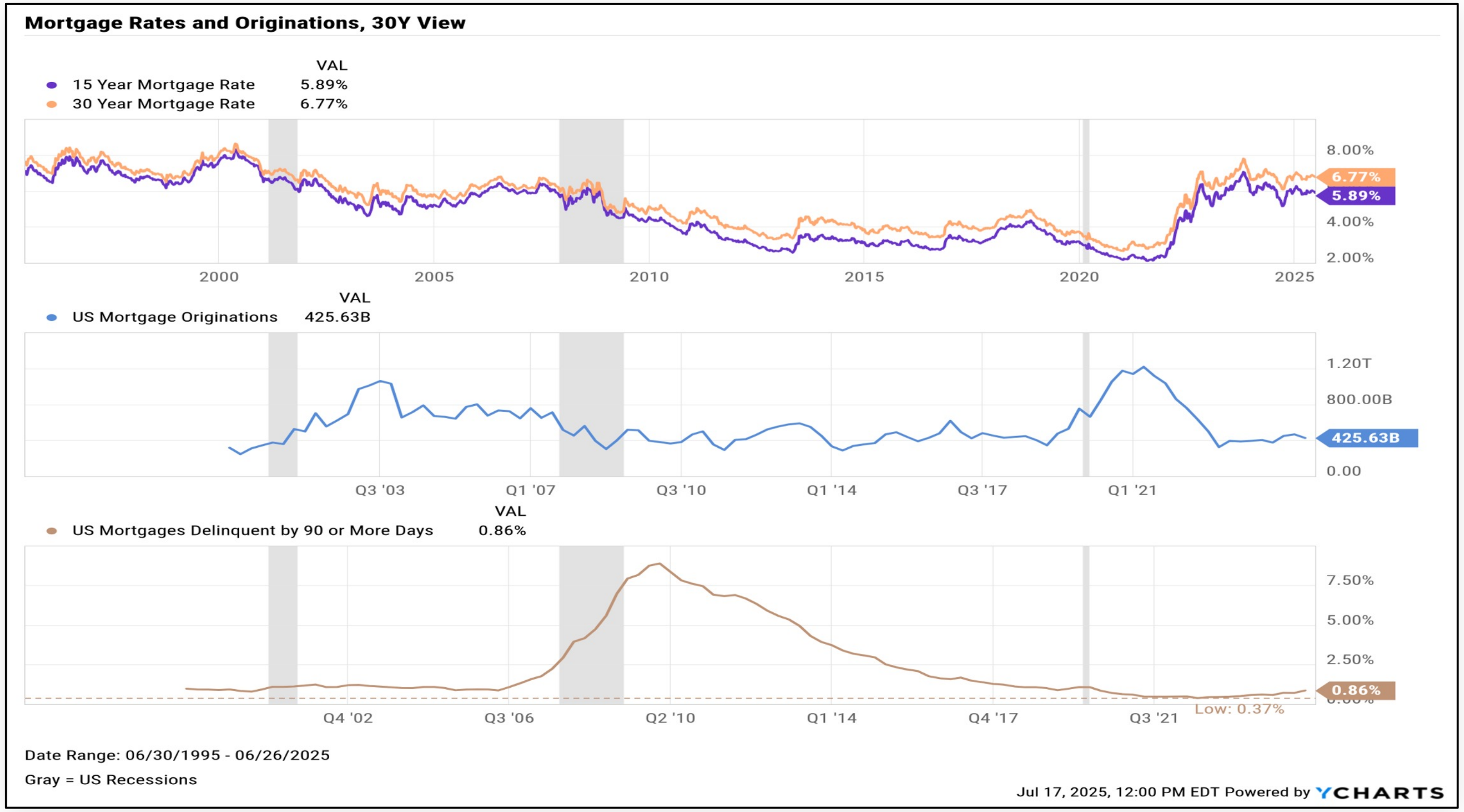
The chart shows the history of U.S Job Openings and the U.S. Unemployment Rate that typically track in a loosely inverse relationship.

It appears that unemployment has settled at around 4% over the past couple years and remains at that level, while the number of job openings has come down.

This pairs nicely with the lower chart that shows the U.S. Labor Force Participation rate. After trending lower from 2000 through around 2015, you can see a small uptick until 2020. Since the COVID shutdown the participation rate had been steadily increasing but appears to be ticking slightly lower again.

Along with other several other indicators, this data has given the Fed reason to pause their rate cuts as they await the downstream and often lagging effects of the tariff negotiations, the recently passed tax cuts, and various other policy initiatives coming from the Trump administration.

Housing Indicators



Housing Indicator Review

Overall	Indicator Name	Latest Period	Frequency	Value	1 Mo. Ago: 1 Mo. Ago	1 Mo. Ago: % Change	3 Mo. Ago: 3 Mo. Ago	3 Mo. Ago: % Change	1 Yr. Ago: 1 Yr. Ago	1 Yr. Ago: % Change
▼	Case-Shiller Home Price Index: National	4/30/2025	monthly	327.9	329	▼ -0.41%	329	▼ -0.44%	319	▲ 2.69%
▲	US Housing Starts	6/30/2025	monthly	1,321	1,263	▲ 4.59%	1,355	▼ -2.51%	1,327	▼ -0.45%
▲	US Building Permits	6/30/2025	monthly	1,397	1,394	▲ 0.22%	1,481	▼ -5.67%	1,461	▼ -4.38%
▼	US New Single Family Houses Sold	5/31/2025	monthly	623	722	▼ -13.71%	642	▼ -2.96%	665	▼ -6.32%
▲	US Pending Home Sales Index	5/31/2025	monthly	73	71	▲ 1.82%	72	▲ 0.69%	72	▲ 1.11%
▼	30 Year Mortgage Rate	6/30/2025	weekly	6.77%	6.89%	▼ -1.74%	6.65%	▲ 1.80%	6.86%	▼ -1.31%
▼	US Households	3/31/2025	monthly	132,024	132,101	▼ -0.06%	132,276	▼ -0.19%	130,966	▲ 0.81%

Mortgage rates have stabilized over the past few quarters following a rapid climb in 2022 and notable volatility in 2023/early 2024. 30-year mortgage rates have appear to have settled around the high 6% range and 15-year mortgage rates around high 5%.

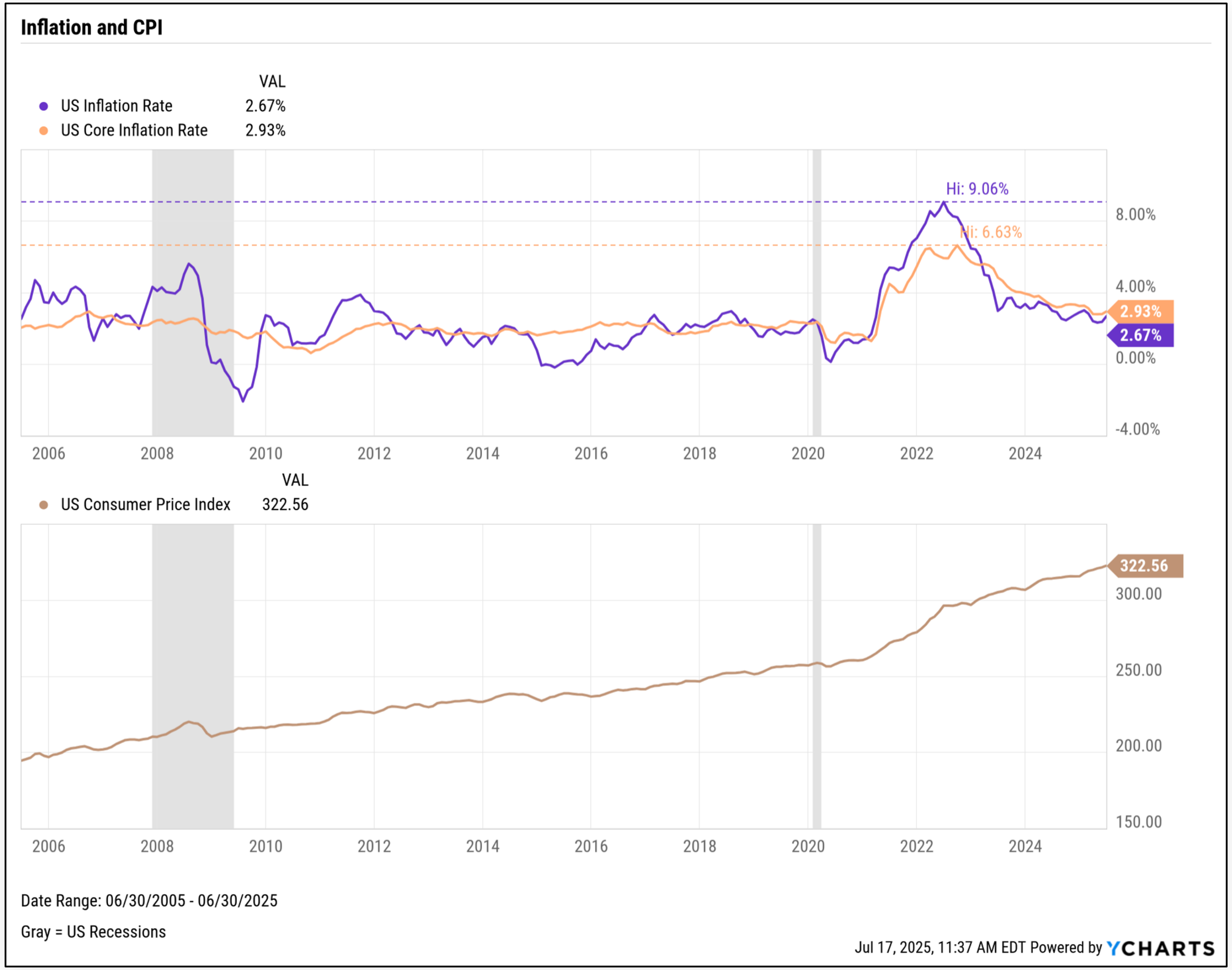
In many areas the real estate market has come to a standstill with potential sellers unwilling to part with their historically low mortgage rates and/or maintaining unrealistic price expectations for their homes.

Prospective buyers are dealing with the other side of the coin. They now face higher mortgage rates and are expecting to buy at prices 5%, 10%, or even more below where homes were valued during and right after the COVID run-up.

New single-family homes aren't selling well either. The May 2025 data shows a decline in number of new homes sold fell over 13% compared to the year prior.

RiverGlades outlook is for the housing market to continue normalizing as the uncertainty around the Trump administration's policies fade and the economy remains strong.

Inflation



The U.S. inflation rate (CPI) trended lower this year but experienced a small uptick in the second quarter ending at 2.7% and Core CPI, which excludes food and energy prices, rose to 2.9%.

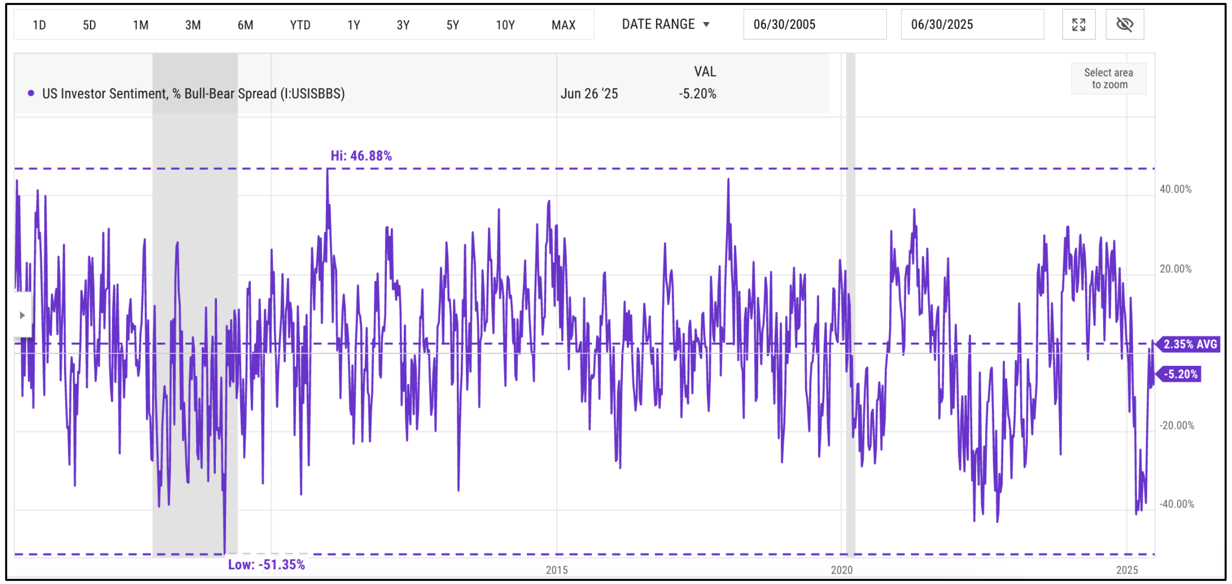
While inflation has moderated below 3%, it remains a point of contention for investors. So far the announcement and initial implementation of tariffs hasn't led to a large spike in prices, but many continue to believe that it will eventually. Their reasoning is that it takes several months for the tariffs to work through the system ultimately causing companies to implement higher pricing.

RiverGlades' opinion is that any increases will be absorbed between the exporter, importer, and consumers resulting in a small upward push to prices. However, the funds raised from the tariffs will improve the Federal budget situation easing upward pressure on interest rates, while the overall growth of the economy will enable wages to keep up with or exceed the increase in prices.

However, it works out, RiverGlades' expectation is that rates will remain higher for longer and inflation will not increase notably from the 3% range.

Investor & Consumer Sentiment

Source: YCharts, 7/23/25



Source: YCharts, 7/23/25

Consumer sentiment is trending higher but remains below the 20-year historical average of around 80. Current levels are above the July 2022 low and the decline that followed the tariff announcements, but not by much. The direction consumer sentiment is swinging is often more indicative of changes in consumer spending than the absolute level measured. While still below average, the move higher over the past few weeks could point to a more positive consumer outlook and an increase in spending in the months to come.

Investor Sentiment has rebounded sharply following the tariff announcements earlier this quarter. As indicated by the Bull-Bear Spread in the chart to the right, investors were quite bearish following the initial announcement but have turned more positive over the past few weeks.

Last quarter we noted that a bearish investor sentiment reading is often a bullish indicator for the markets. That appears to have been the case in the second quarter as tariff fears faded, and the markets rallied into the quarter end.

Summary & Outlook

Summary of Where RiverGlades Believes the Markets are Positioned Today and Where They Might Go In The Near Future.

Where Do Things Go From Here?

Pros

1. Bull Market
2. NBMs and 20 in 2
3. Breadth
4. Analogues – Six Months
5. Buy the Dip
6. Strong Semis
7. Equal Weight Valuations
8. Inflation
9. Healthy Margins
10. Healthy Leverage
11. Past Peak Tariffs
12. Still Exceptional
13. AI Boom

Cons

1. Overbought
2. Risk Appetite
3. Getting Frothy
4. Looming AI Hangover
5. Cap-Weighted Valuations
6. "Too Late"
7. Labor Market Plateau
8. Tariff Tax
9. Concerned Consumer
10. Housing Rollover
11. Presidential Cycle
12. Seasonality
13. International Competition

Source: ***Bespoke Investment Group****,*
The Bespoke Report, June 27, 2025

A recent report from the well-respected *Bespoke Investment Group (www.bespokepremium.com)* summarized their take on the current "Pros and Cons" for the stock market going forward. Many of these have been touched on in this presentation, but RiverGlades is always available to elaborate or answer questions.

The Pros and Cons appear to be evenly split. While an argument can be made for both sides, it also becomes important to take into consideration the time over which these factors are anticipated to unfold and the weighting each situation warrants in your analysis.

As highlighted in this summary presentation, RiverGlades continues to believe the underlying fundamentals are "ok" and that the markets are likely to trend higher over the next 12-18 months. However, with tariff negotiations ongoing, additional volatility should be expected.

Where Do Things Go From Here? cont.

Source: YCharts, 7/24/25

The chart to the top left shows the S&P 500 Shiller CAPE Ratio over the past 30 years. Yale Professor Robert Shiller created this variation of the traditional P/E Ratio to account for the cyclicality of earnings. Rather than simply taking the trailing year's earnings as is done with the traditional P/E, the CAPE Ratio averages the past 10 years earnings and adjusts for inflation. This provides a longer-term lens through which valuation can be analyzed.

The bottom chart, shows the forward P/E ratio at around 28 and that future earnings are expected to continuing growing, but estimates have a fair amount of uncertainty baked into them. RiverGlades' outlook remains relatively constructive all things considered.

Interestingly, non-U.S. stocks have picked up after a decade of underperforming the S&P 500. During this time, the global equity index saw the U.S. to Non-U.S. ratio shift from roughly 50/50 to close to 70/30. RiverGlades has favored U.S. over non-U.S. during this period and continues to do so. However, investors should evaluate their non-U.S. exposure to confirm they have the appropriate level of diversification as earnings growth around the world appears to be picking up.

Short of knowing how things playout this year, the best approach is to focus on what we do know, while keeping an eye on the situation as things progress. From where we sit it appears the markets will continue to climb the metaphorical "wall of worry!"

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