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# U.S. Economic Outlook: The Resilient Economy (???)

Private Bank Investment Management

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AUTHORED BY:

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Chief Investment Strategist

# Tom Jalics, CFA

## Chief Investment Strategist

Tom Jalics is the Chief Investment Strategist at Fifth Third Private Bank where he is responsible for leading the Investment Management Group's asset allocation process, both strategic and tactical, which informs the management of the \$50+ billion in assets under management (AUM) at the bank.

He provides internal and external communication on the economy and the markets, making public speaking and media appearances on behalf of the bank. Additionally, Tom is a discretionary investment portfolio manager focusing on high net-worth clients. Prior to his current role, Tom was the Chief Market Strategist and Director of Asset Allocation at the firm and has over 25 years of industry experience.

Tom earned a Bachelor of Arts in Chemistry and Economics from Miami University and an MBA from the University of Chicago. He has earned his Chartered Financial Analyst (CFA) professional designation.



# Five economic insights for 2025

1. U.S. Growth Continues
2. Inflation Persists
3. Labor Shortage Resumes
4. Limited Interest Rate Relief
5. Place Matters

# Five economic insights for 2025

## U.S. Growth Continues

# U.S. economic snapshot – picture of resiliency

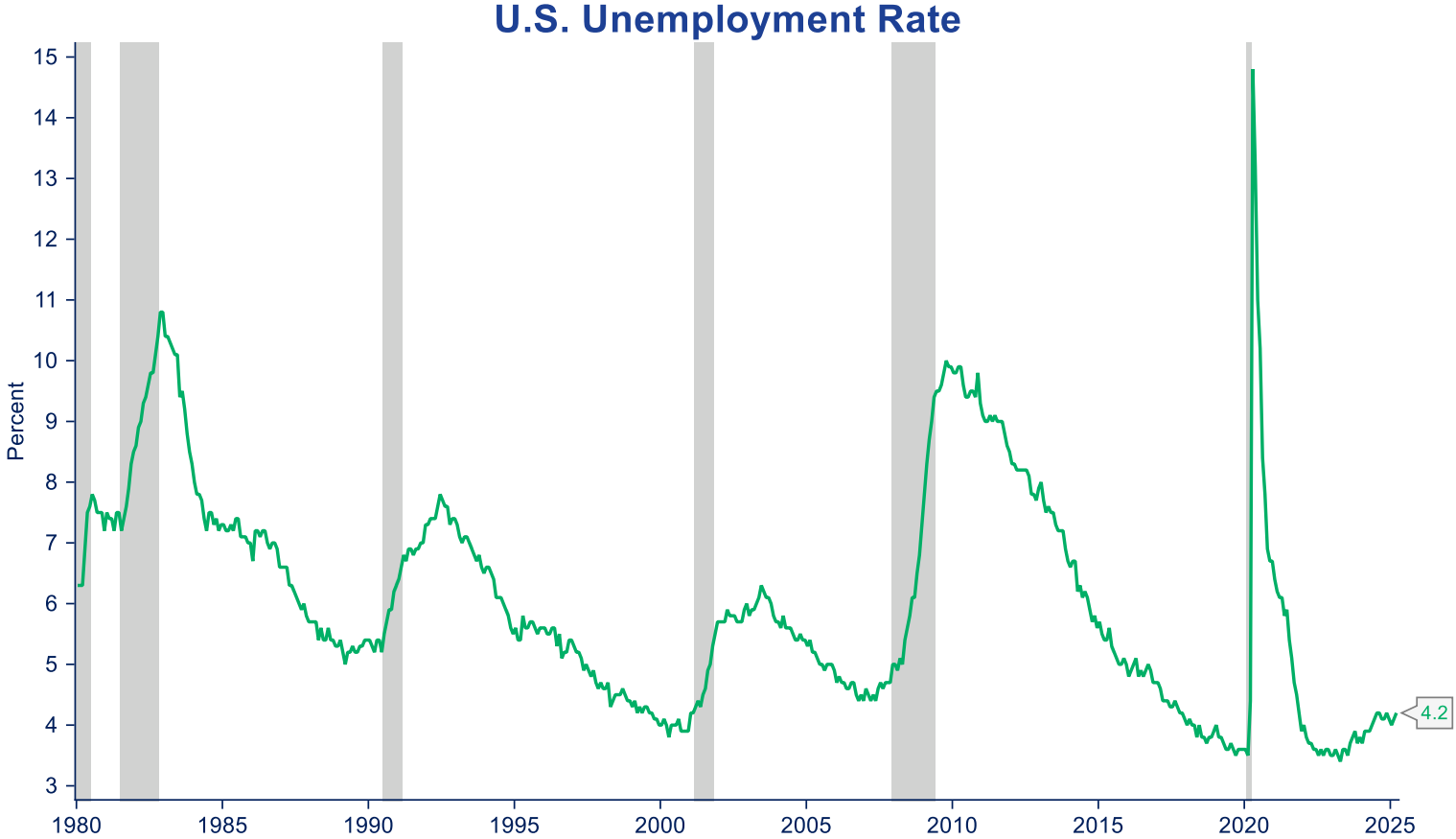
## Current and Projected Real GDP Metrics:

Component	% of Economy	3rd Quarter 2024	4th Quarter 2024	Year End 2024	Consensus* 2025	Consensus* 2026
Private Consumption	68.1%	3.7%	4.0%	2.7%	2.3%	1.9%
Government	17.2%	5.1%	3.1%	3.3%	1.9%	1.0%
Private Investment	17.8%	0.8%	-5.6%	4.2%	1.7%	2.8%
Exports	10.8%	9.6%	-0.2%	3.2%	2.0%	1.4%
Imports	-13.9%	10.7%	-1.9%	5.4%	3.4%	1.4%
<b>Total</b>	<b>100%</b>	<b>3.1%</b>	<b>2.4%</b>	<b>2.8%</b>	<b>1.8%</b>	<b>1.9%</b>

\*Source: Bloomberg as of 3/31/2025

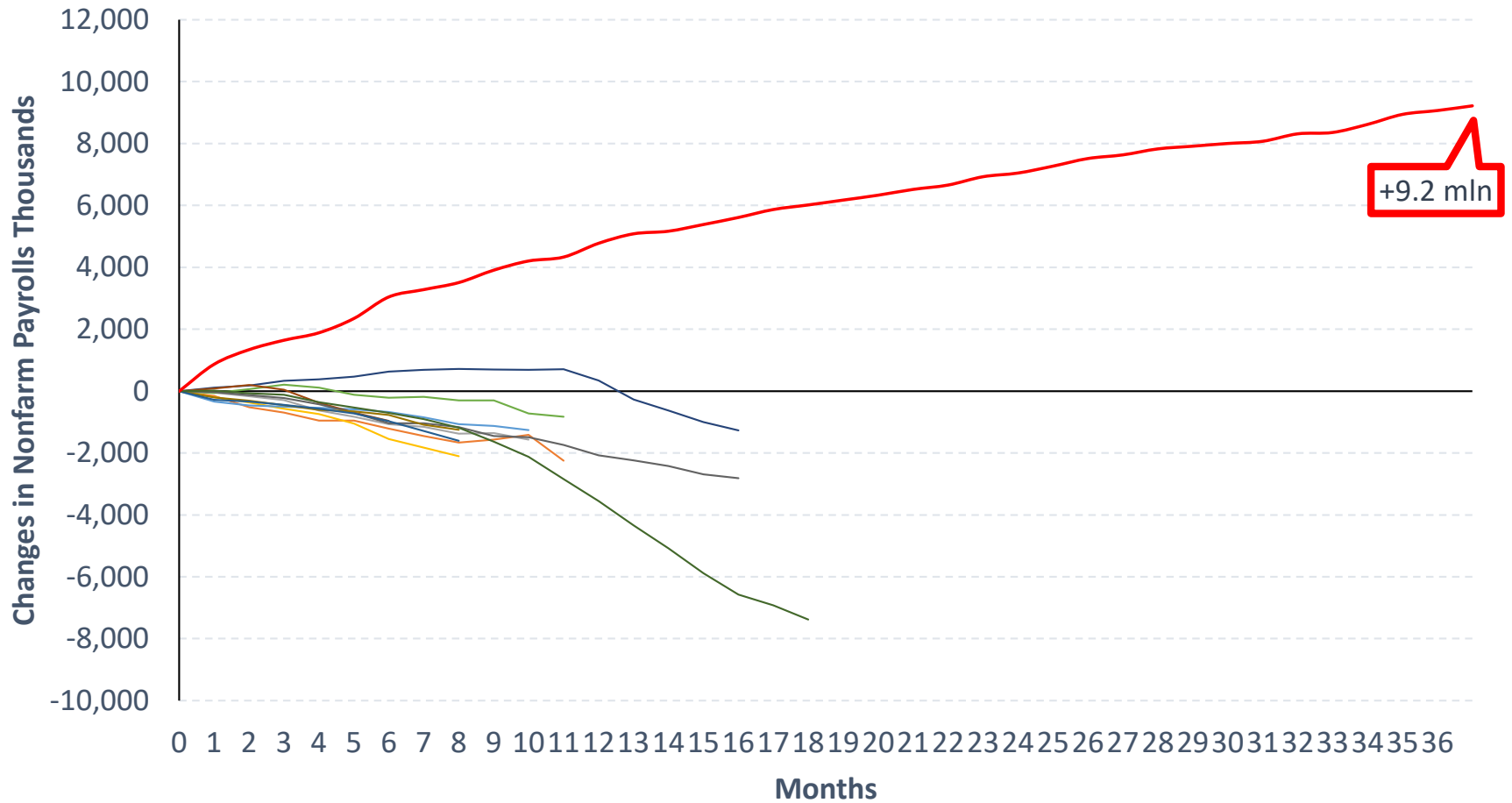
\*Bloomberg monthly economist survey

# Support for growth: consumer economy



Source: Macrobond, BLS, as of 4/14/2025  
Data from 1929-1947: annual unemployment rate, 14 years and over  
Data from 1948 to current: monthly unemployment rate, 16 years and over

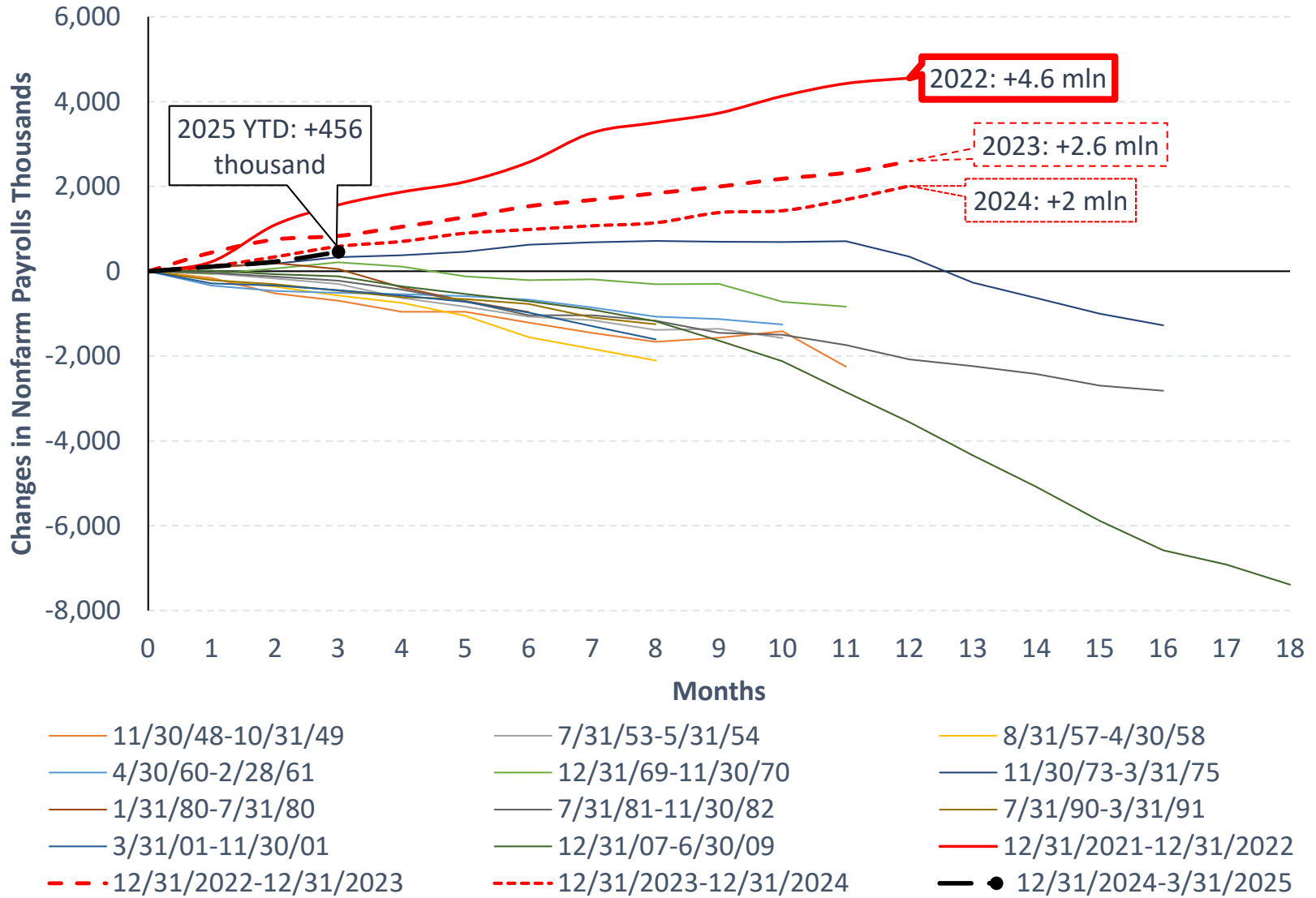
# Nonfarm payroll changes during recessions vs. today



+9.2 mln

\*source: Bloomberg, U.S. Bureau of Labor Statistics

# Nonfarm payroll changes during recessions

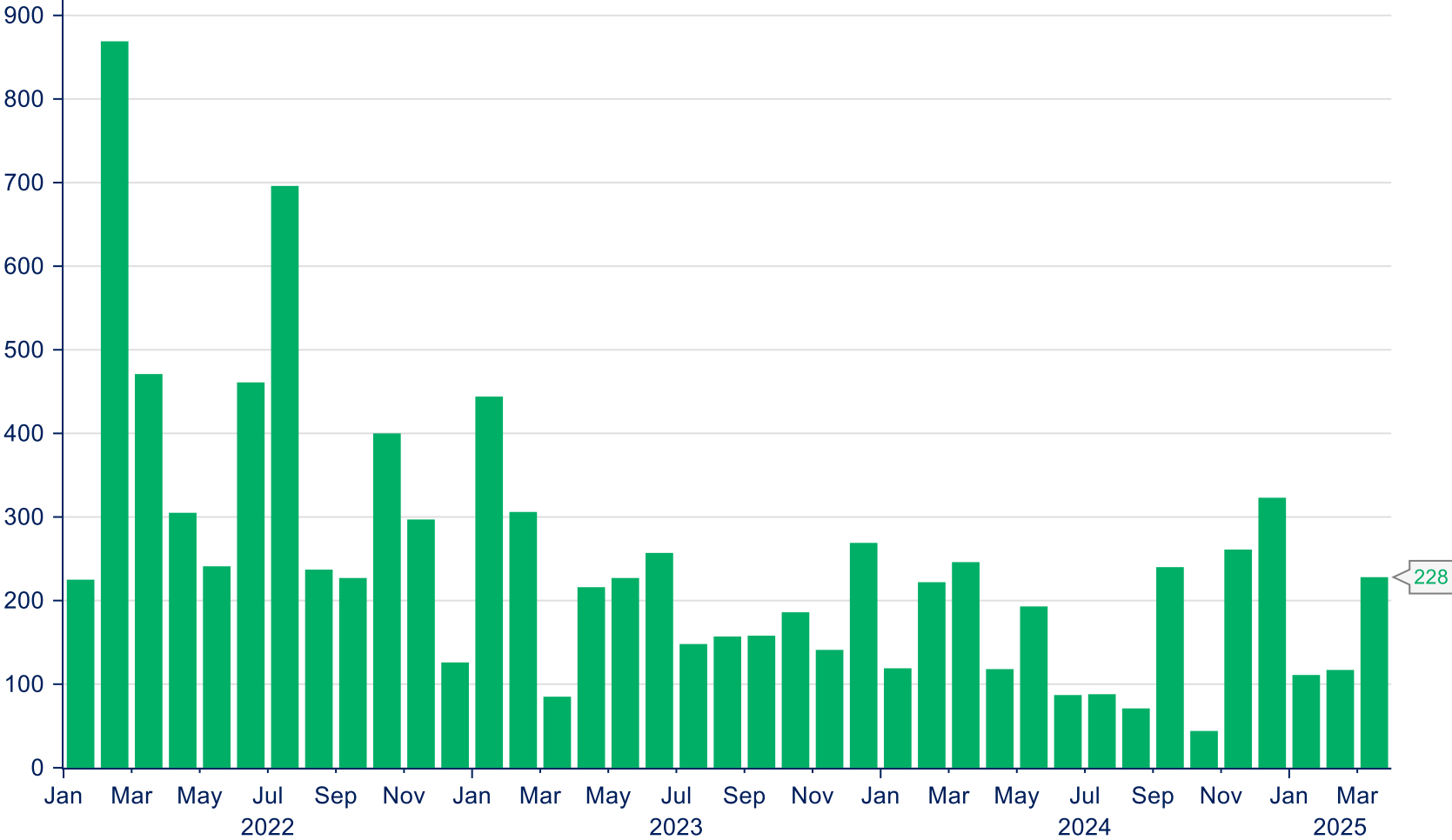


\*source: Bloomberg, U.S. Bureau of Labor



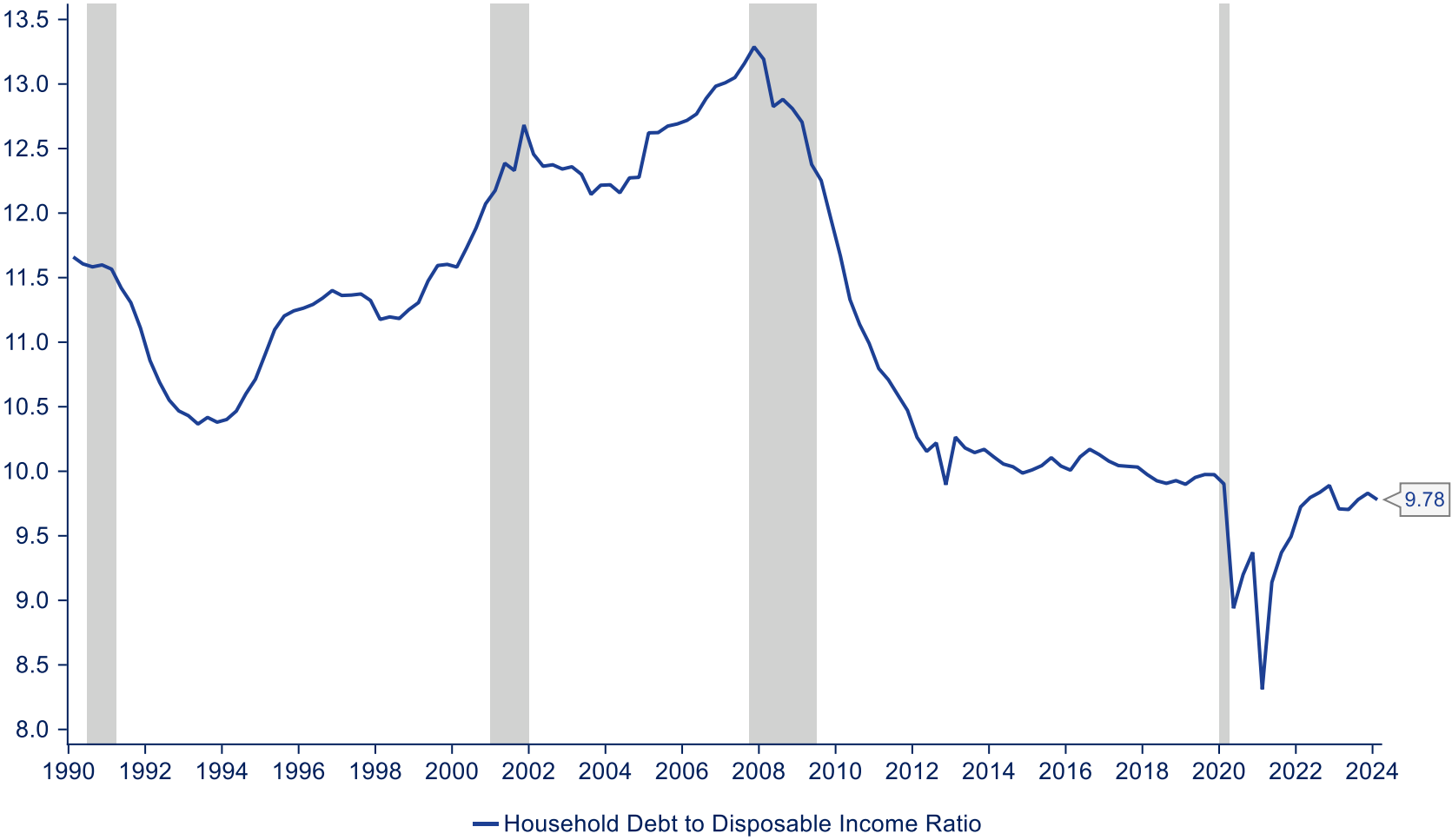
# Nonfarm payroll changes

## Monthly NonFarm Payroll Additions



Source: Macrobond, Bloomberg, as of 4/14/2025

# Household debt burden below low



Source: Macrobond, Bloomberg, Federal Reserve, as of 4/14/2025

# Corporate financial strength



Source: Macrobond, Fed, as of 4/14/2025

# Five economic insights for 2025

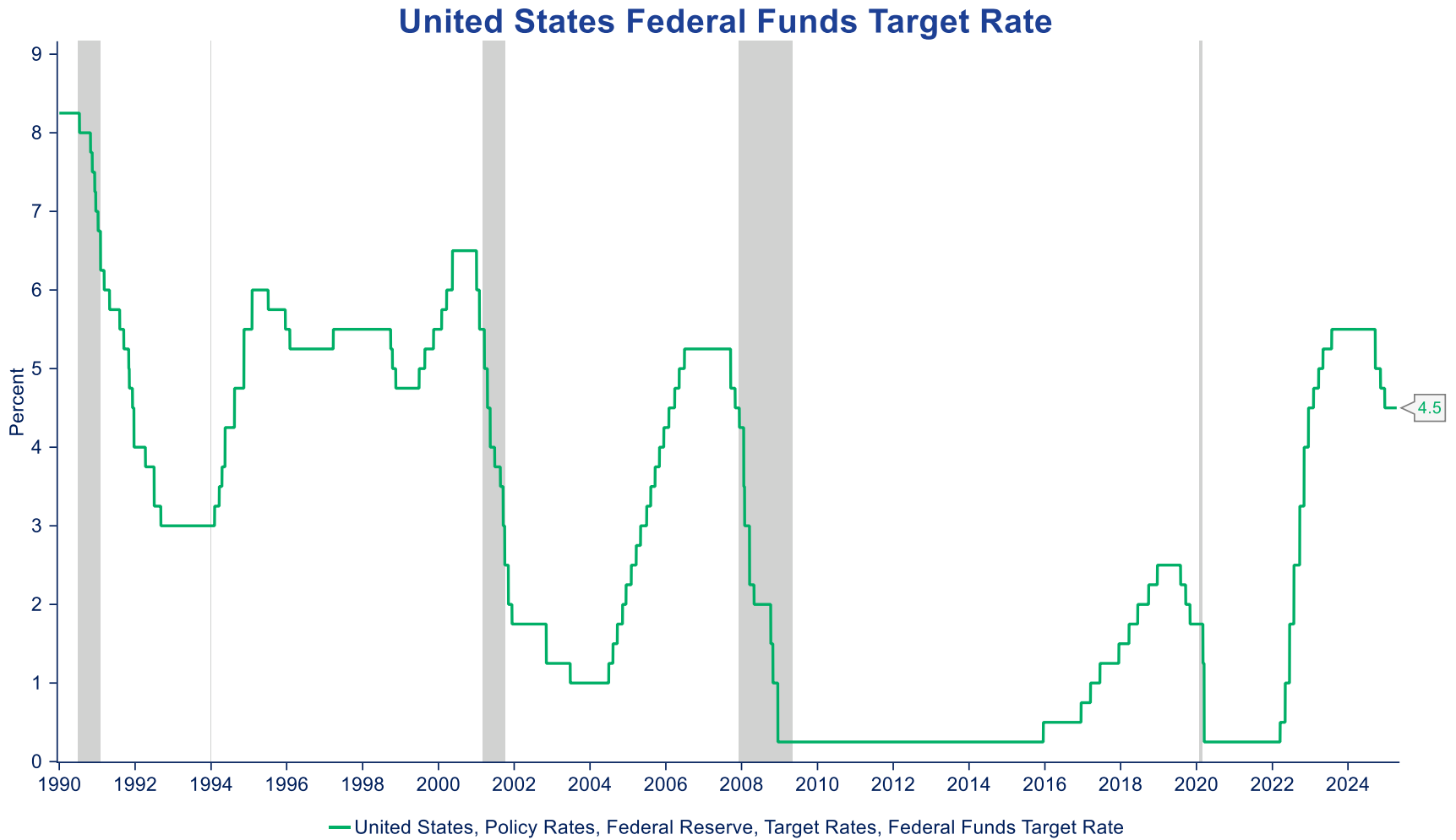
Inflation Persists

# Risk to growth: inflation



Source: Macrobond, Bloomberg, as of 4/14/2025

# Fed is moving from higher to lower interest rates



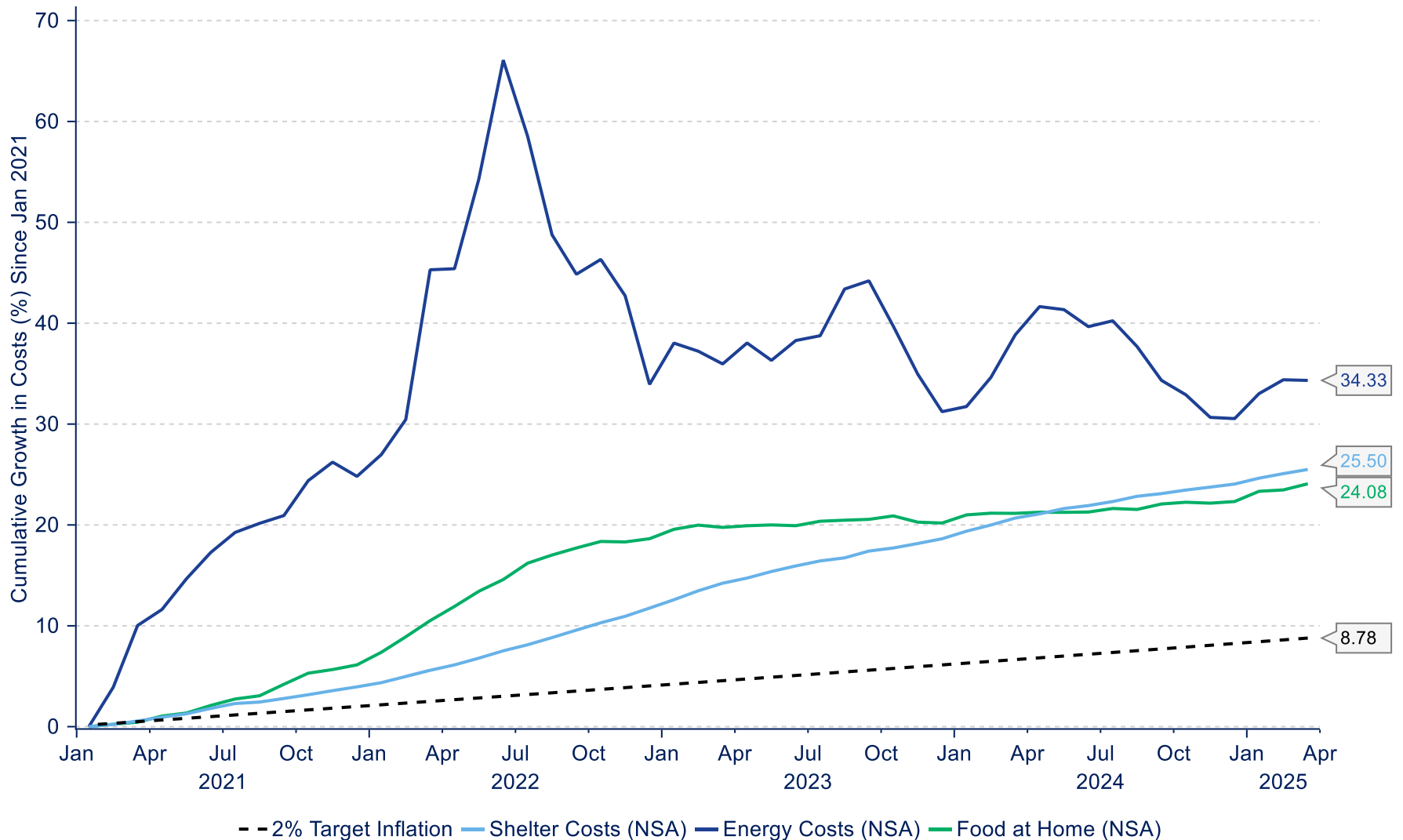
Source: Macrobond, Fed, as of 4/14/2025

# Fed hiking cycles usually end in recessions

Fed Funds Bottom	Fed Funds Peak	Duration (Years)	Change in Fed Funds (%)	From Start to End of Hikes Plus 12 months, the outcome was:
2/28/2022	8/31/2024	2.58	5.25	No Recession
11/30/2016	1/31/2019	2.25	1.99	No Recession
6/30/2004	8/31/2007	3.25	3.99	Recession
6/30/1999	1/31/2001	1.67	1.22	Recession
2/28/1994	5/31/1995	1.33	2.76	No Recession
2/28/1987	4/30/1989	2.25	3.74	No Recession
2/28/1983	8/31/1984	1.58	3.13	No Recession
7/31/1980	7/31/1981	1.08	10.01	Recession
1/31/1977	4/30/1980	3.33	13	Recession
2/29/1972	9/30/1973	1.67	7.48	Recession
11/30/1967	6/30/1969	1.67	4.77	Recession
4/30/1961	11/30/1966	5.67	4.27	No Recession
7/31/1958	11/30/1959	1.42	3.32	Recession

\*Source: Bloomberg Monthly Data as of 12/31/24

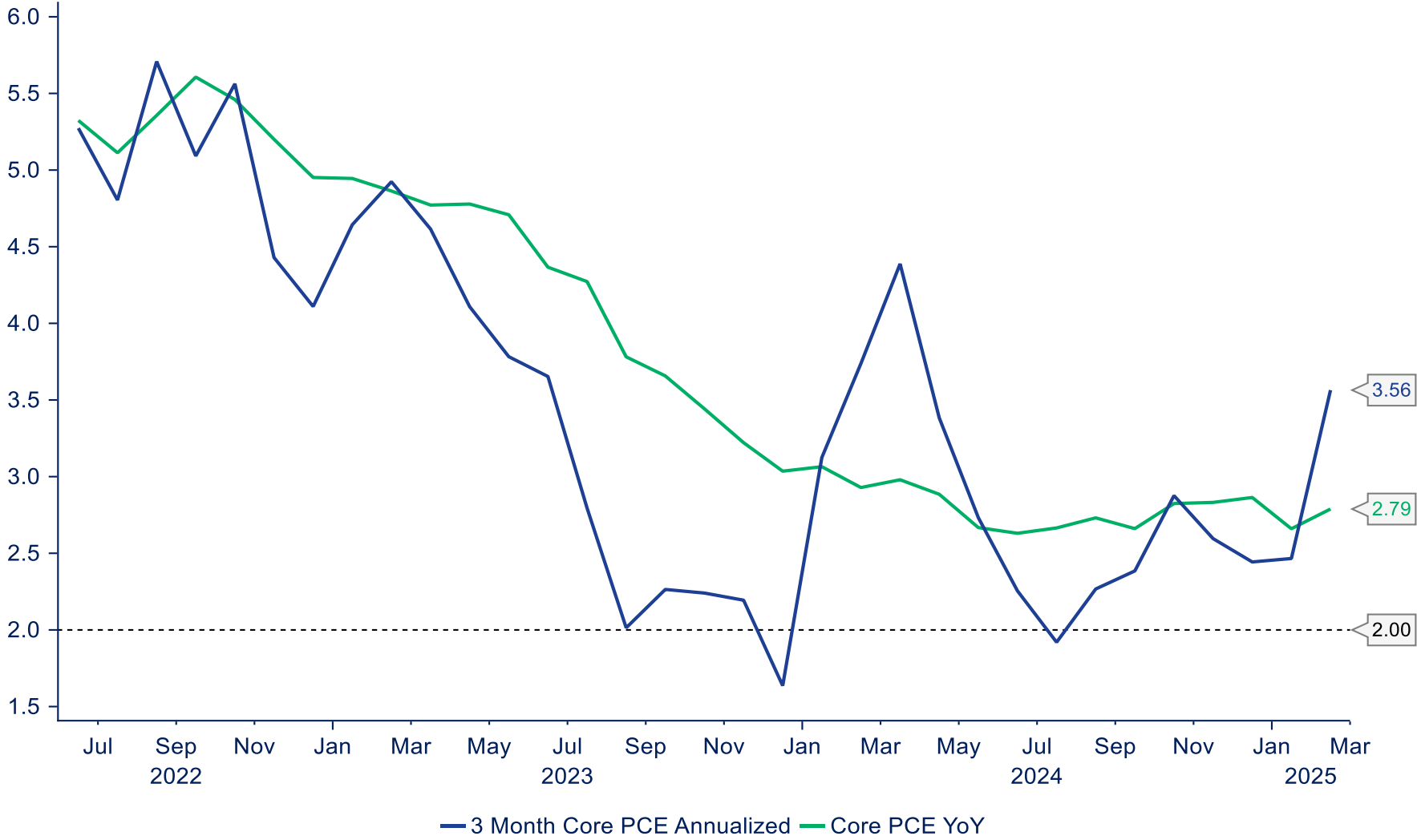
# Rent, food, and energy inflation: well above target



Source: Macrobond, Bloomberg, as of 4/14/2025



# The Fed's inflation victory?



Source: Macrobond, Bloomberg, Bureau of Economic Analysis, as of 4/14/2025

# Federal Reserve 2025 interest rate cut expectations

## Number of 25 Basis Point Cuts Expected for Calendar Year 2025



Source: Macrobond, BEA, Freddie Mac, Bloomberg as of 4/14/2025

# Market-based Views on Inflation Expectations

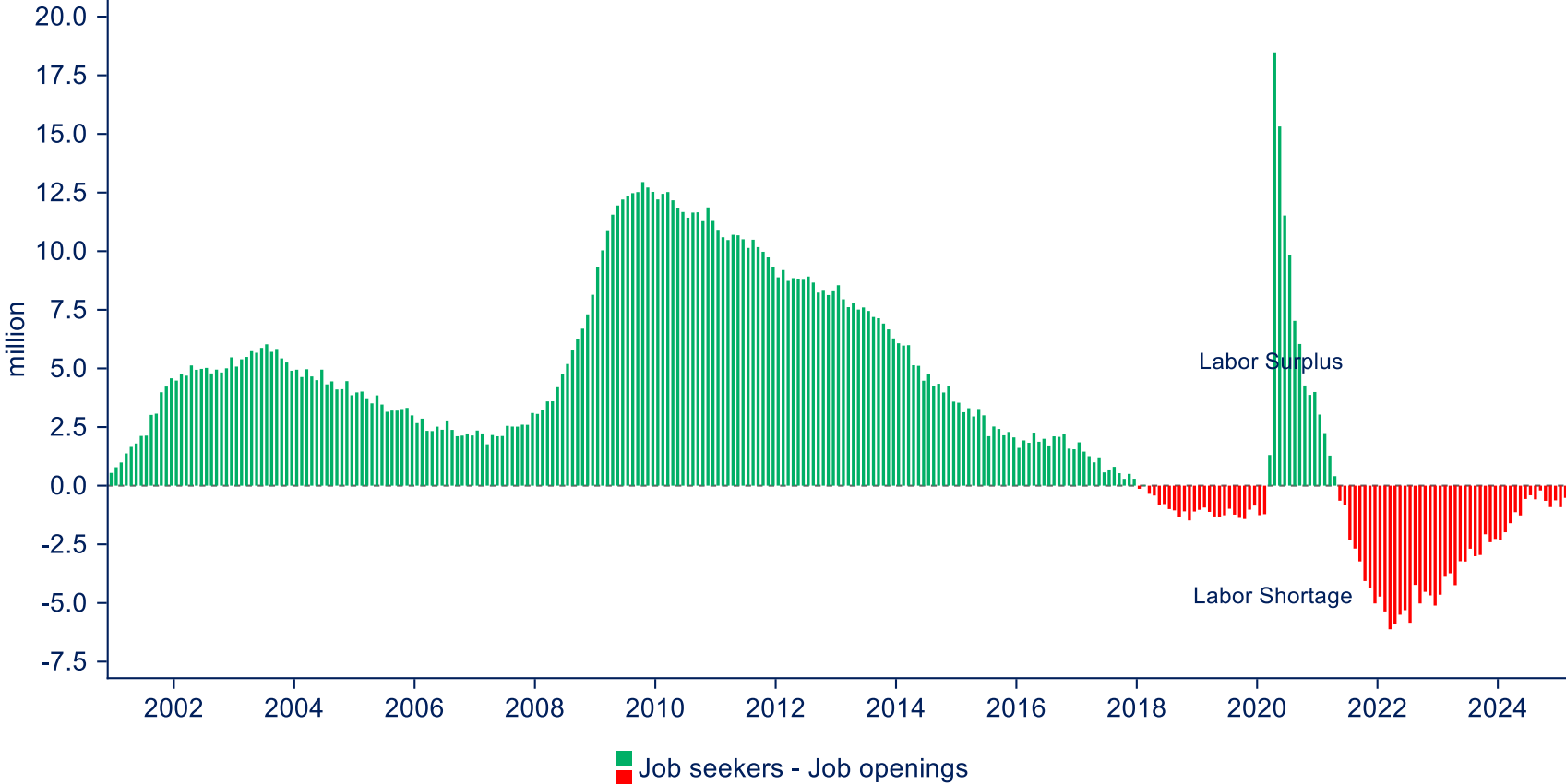


Source: Macrobond, Bloomberg, as of 4/14/2025

# Five economic insights for 2025

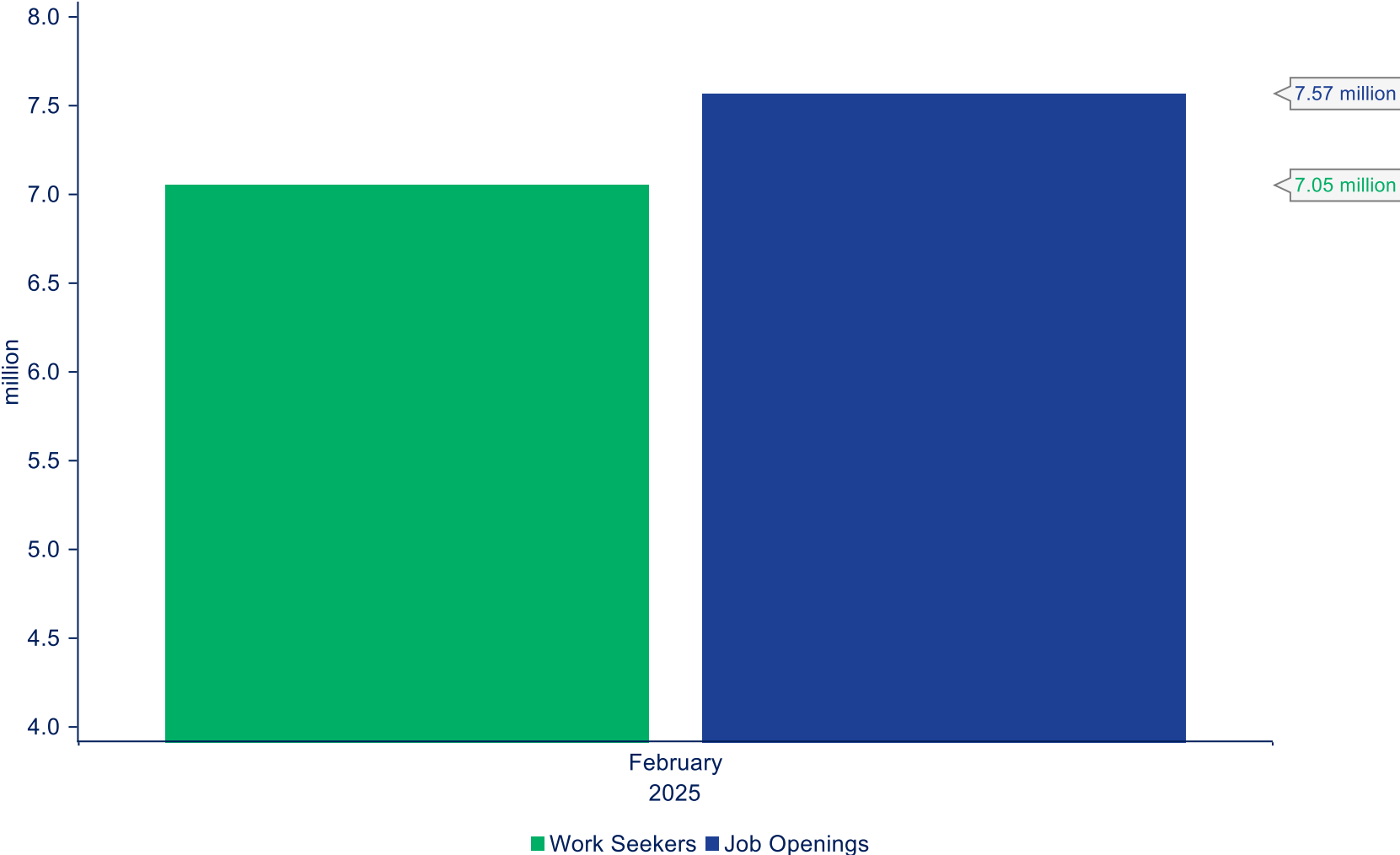
## Labor Shortage Resumes

# Historic labor gap continues



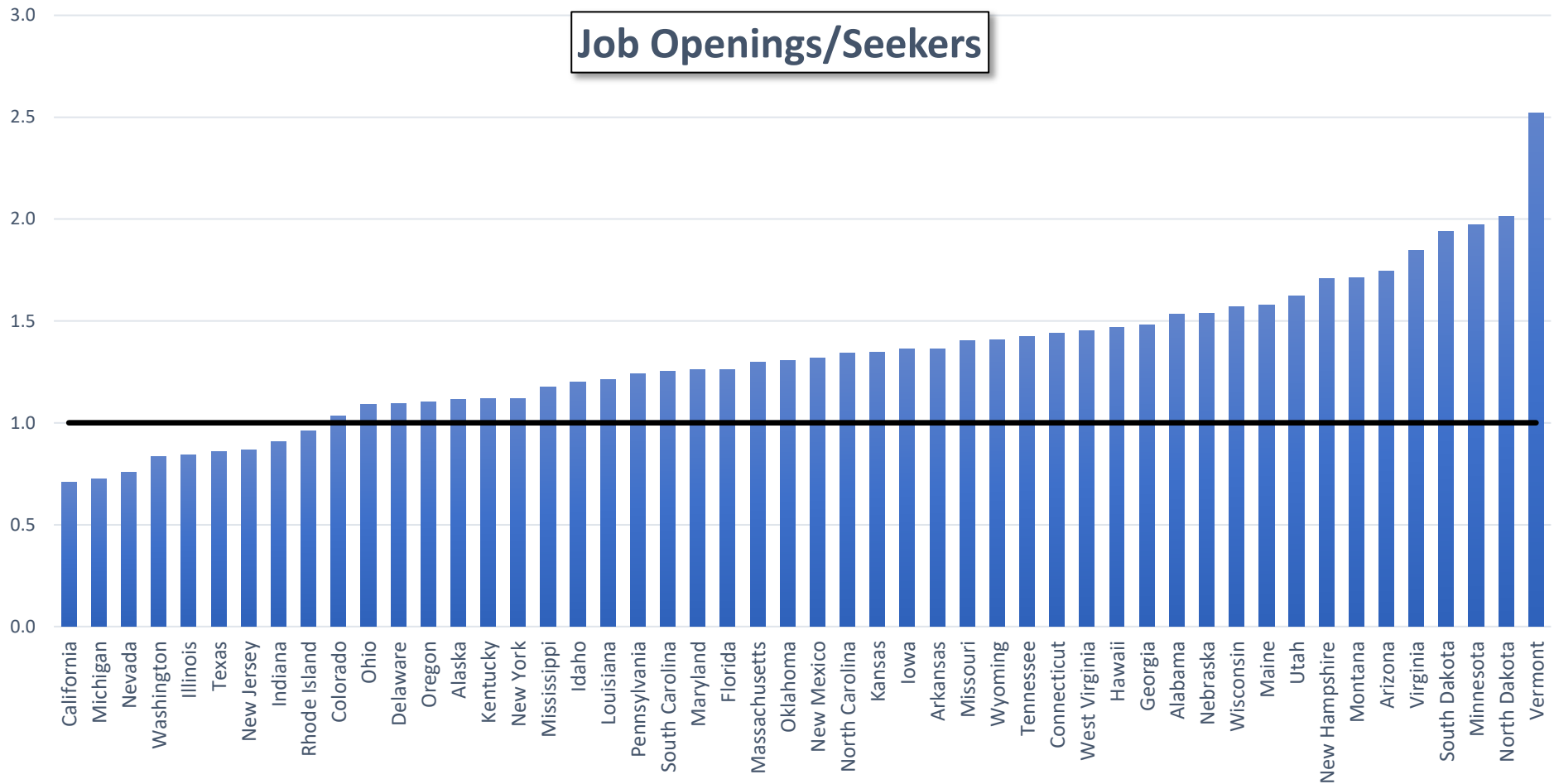
Source: Macrobond, BLS, as of 4/14/2025

# Labor imbalance



Source: Macrobond, BLS, as of 4/14/2025

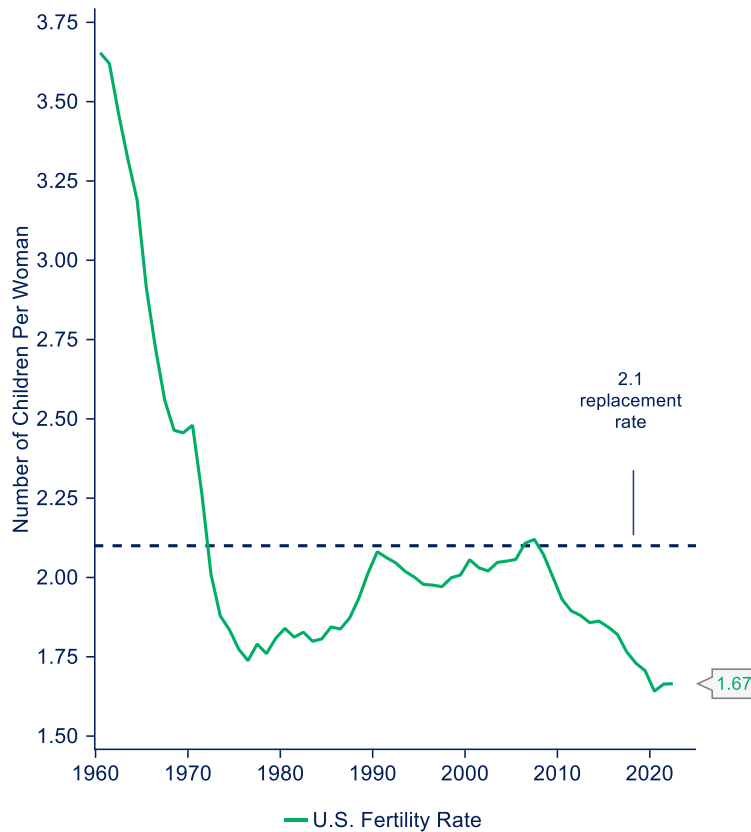
# Historic Labor Gap by State



\*Source: BLS, data as of Jan. 2024

# Labor: the multi-decade challenge

## Structural issues



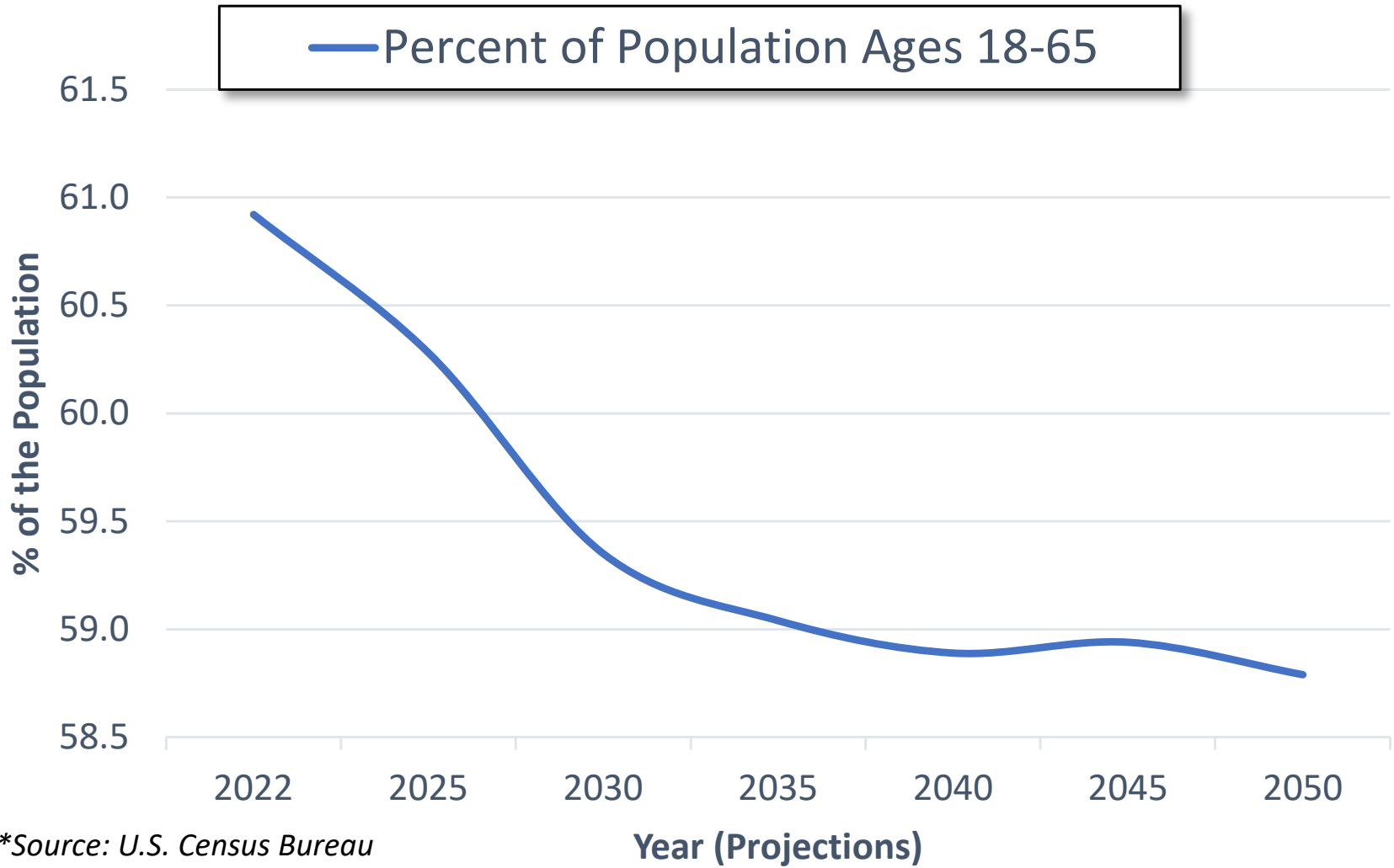
Source: Macrobond, World Bank, as of 4/14/2025

## Employers can help themselves

- Eliminate unnecessary barriers
- Flexibility for working parents
- Pathways for older workers
- Establish non-traditional talent pipelines
- Avoid worker burnout

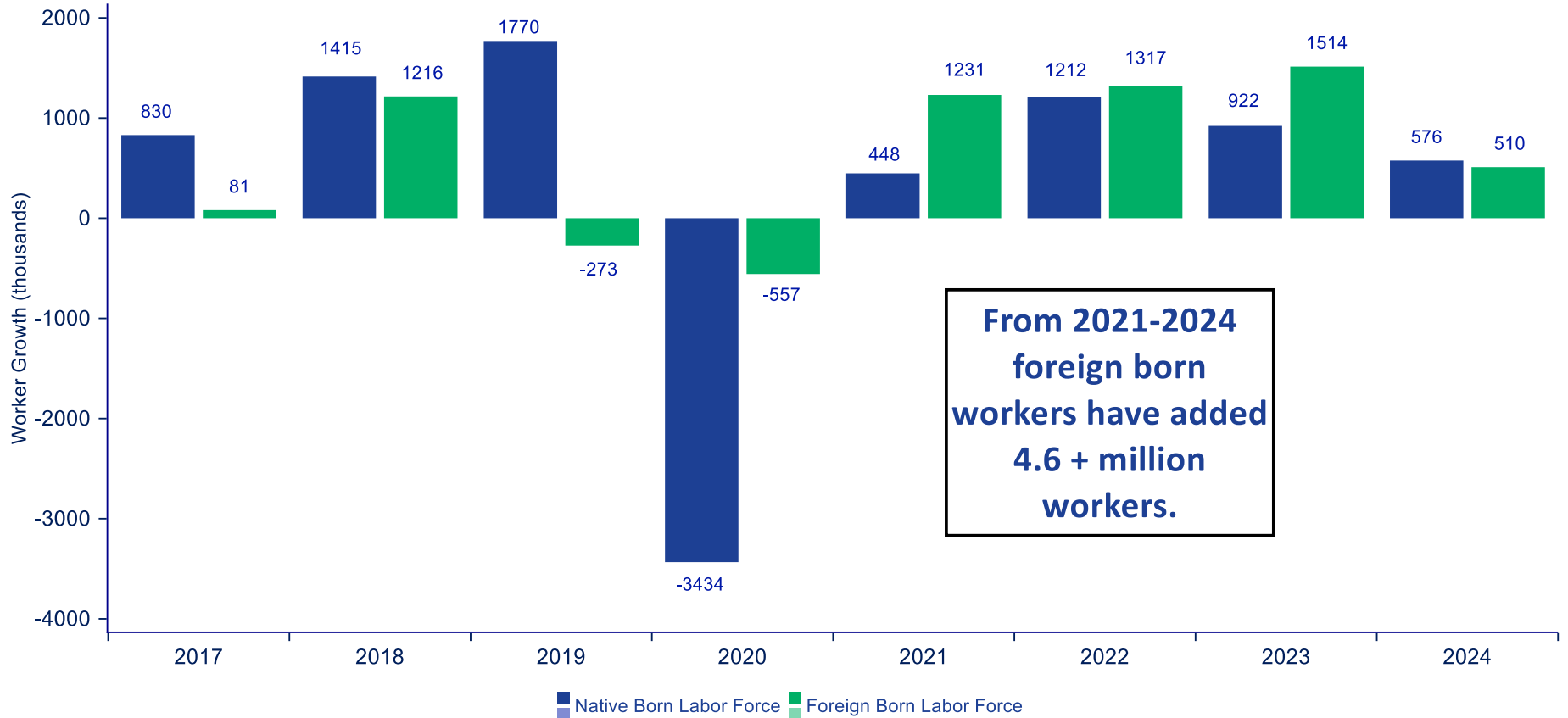


# Structural labor issue



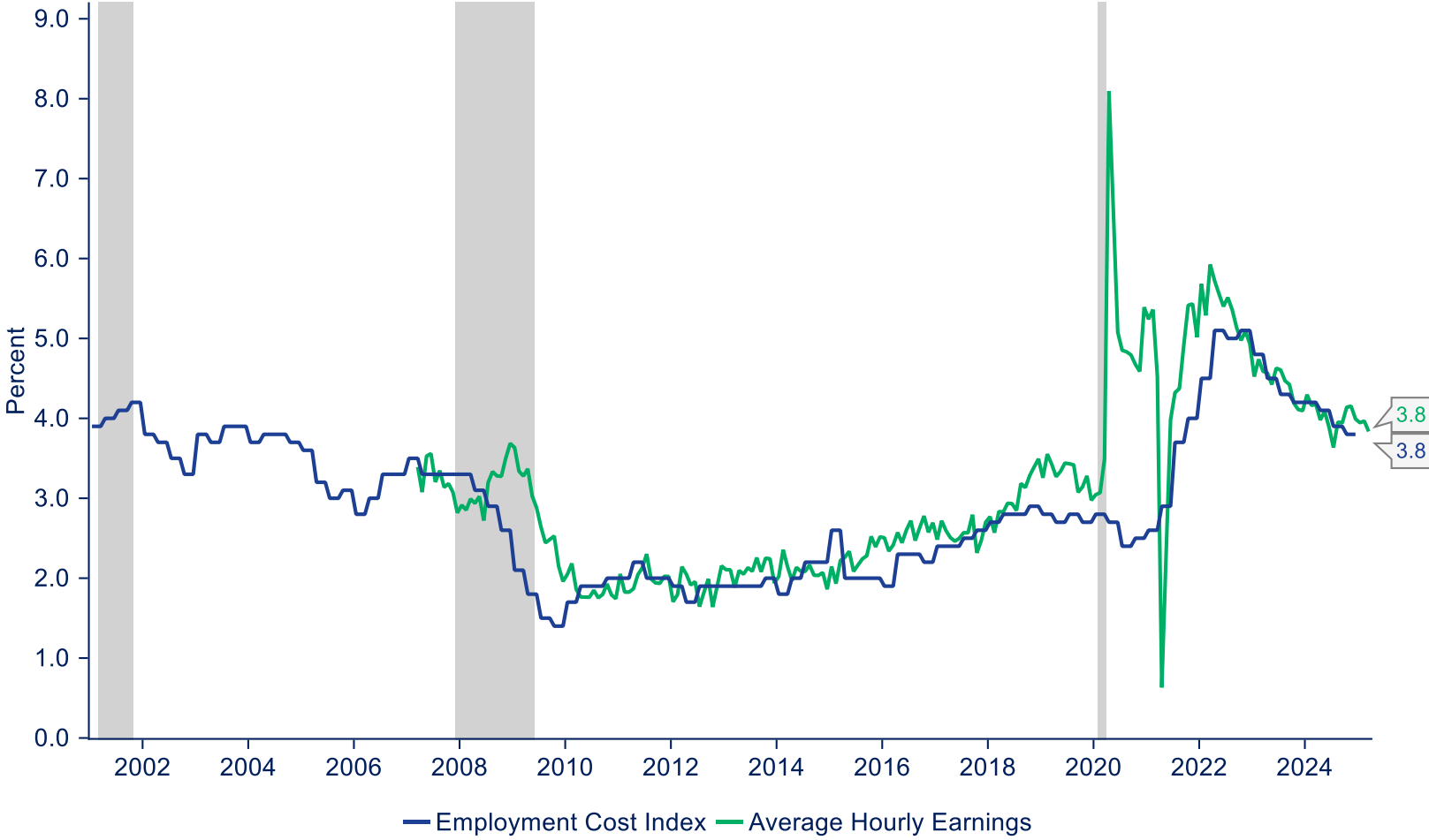
# Immigration trends on labor growth

## Yearly Labor Growth: Native Born & Foreign Born



Source: Macrobond as of 4/14/2025

# Wage and compensation costs too high

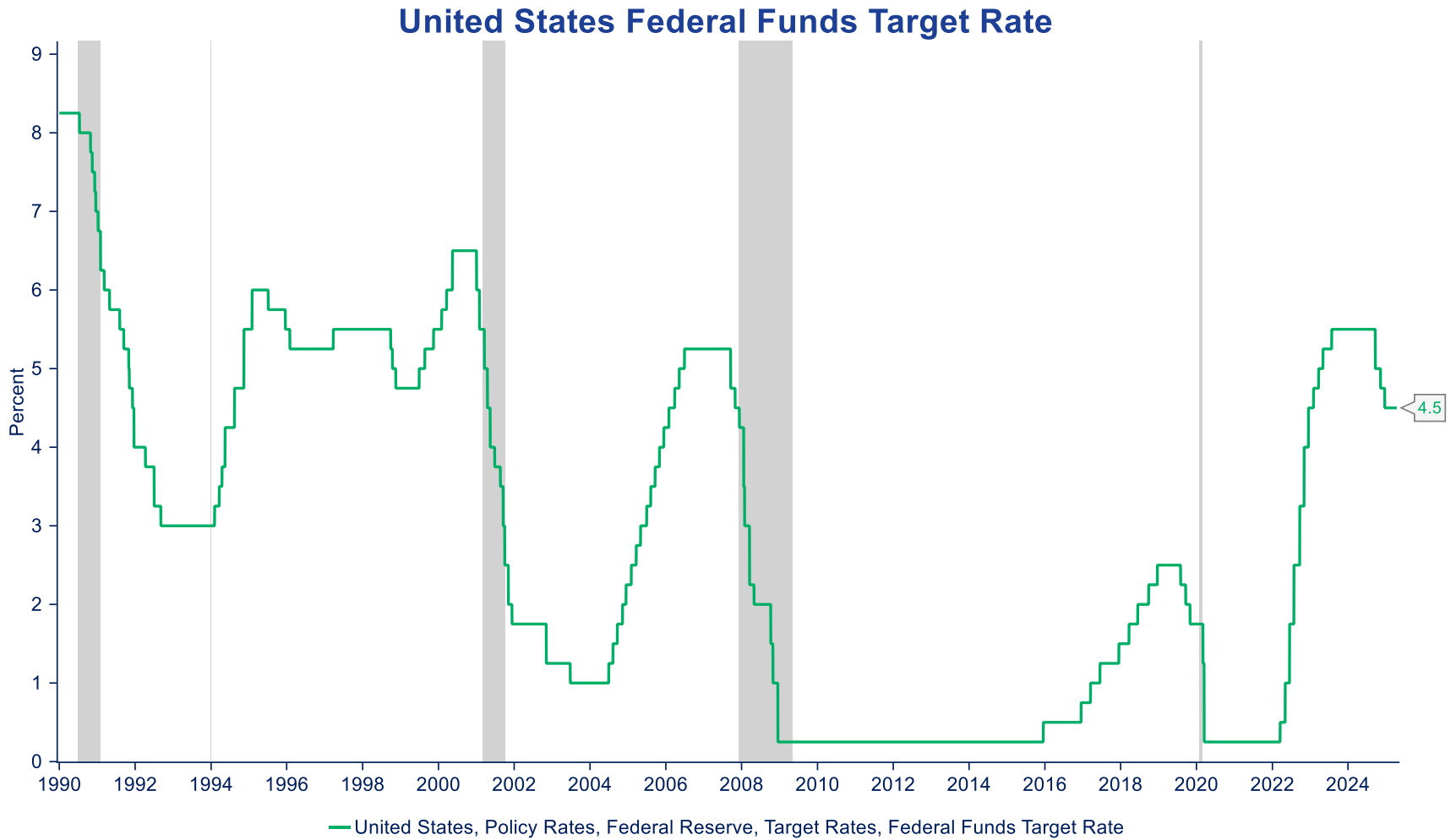


Source: Macrobond, Bloomberg BLS, as of 4/14/2025

# Five economic insights for 2025

## Limited Interest Rate Relief

# Fed is moving from higher to lower interest rates



Source: Macrobond, Fed, as of 4/14/2025

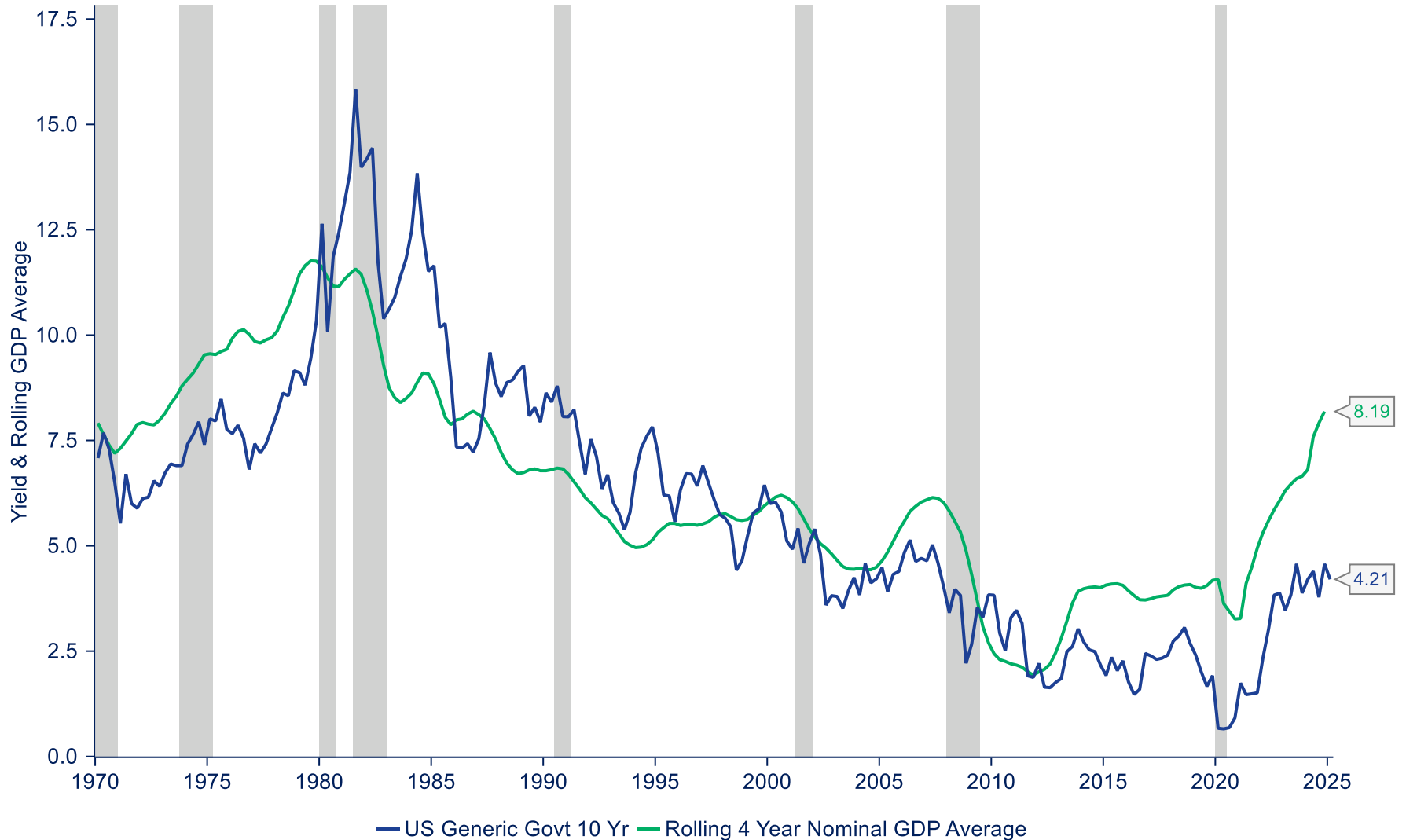
# Federal Reserve 2025 interest rate cut expectations

## Number of 25 Basis Point Cuts Expected for Calendar Year 2025



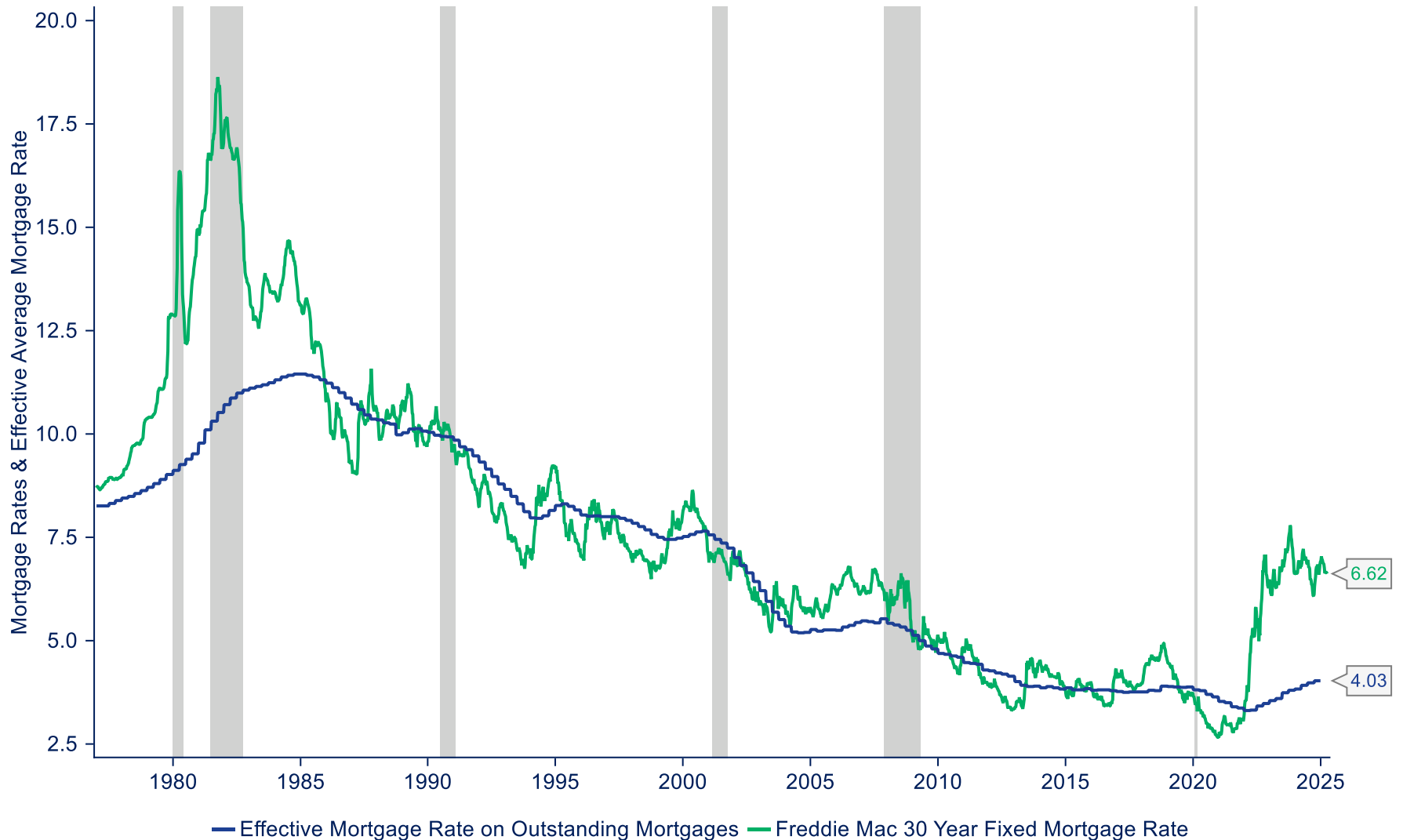
Source: Macrobond, BEA, Freddie Mac, Bloomberg as of 4/14/2025

# Nominal U.S. growth and the 10-year U.S. Treasury yield



Source: Macrobond, Bloomberg, as of 4/14/2025

# Limited potential relief from lower mortgage rates



Source: Macrobond, BEA, Freddie Mac, Bloomberg as of 4/14/2025



# Five economic insights for 2025

## Place Matters

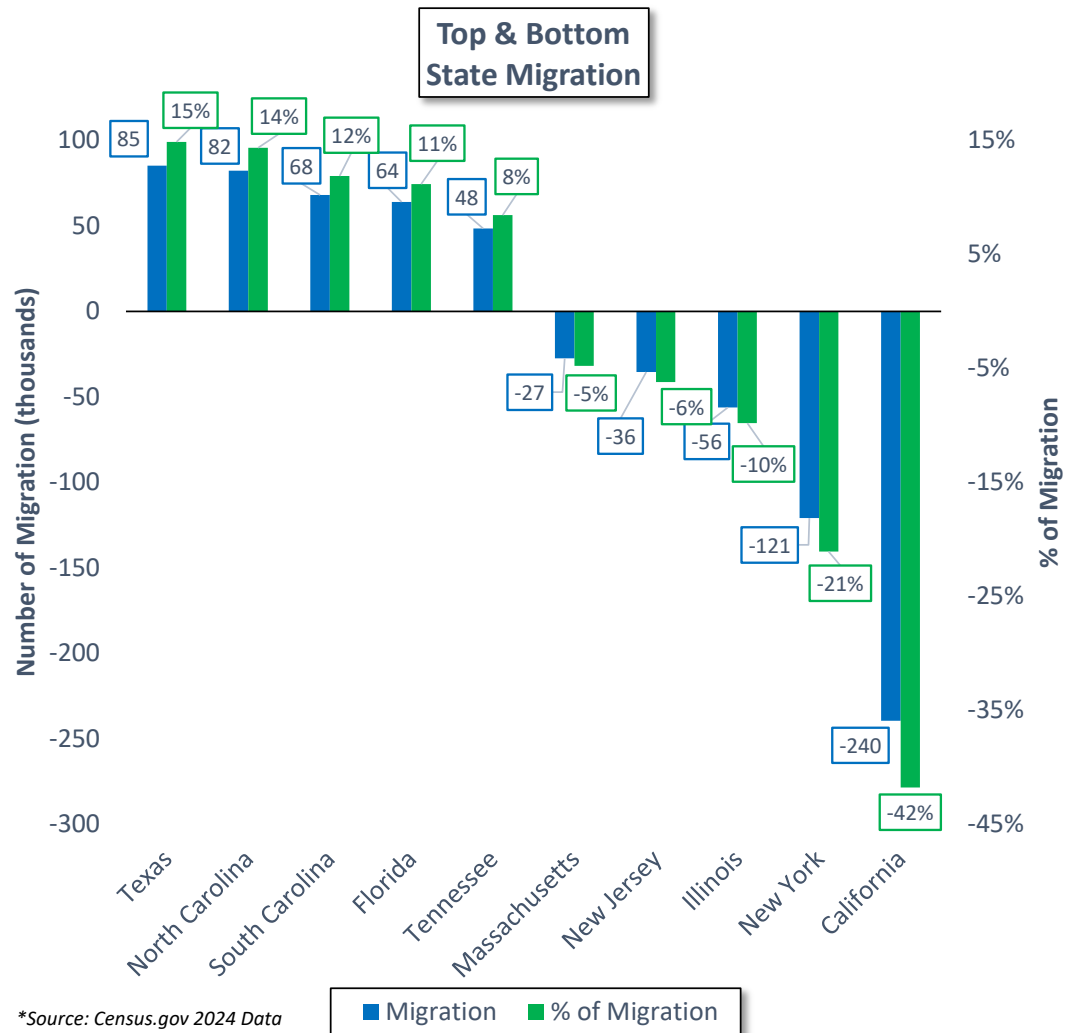
# Demographics = Destiny

## (Interstate domestic migration)

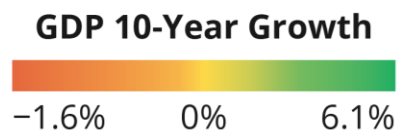
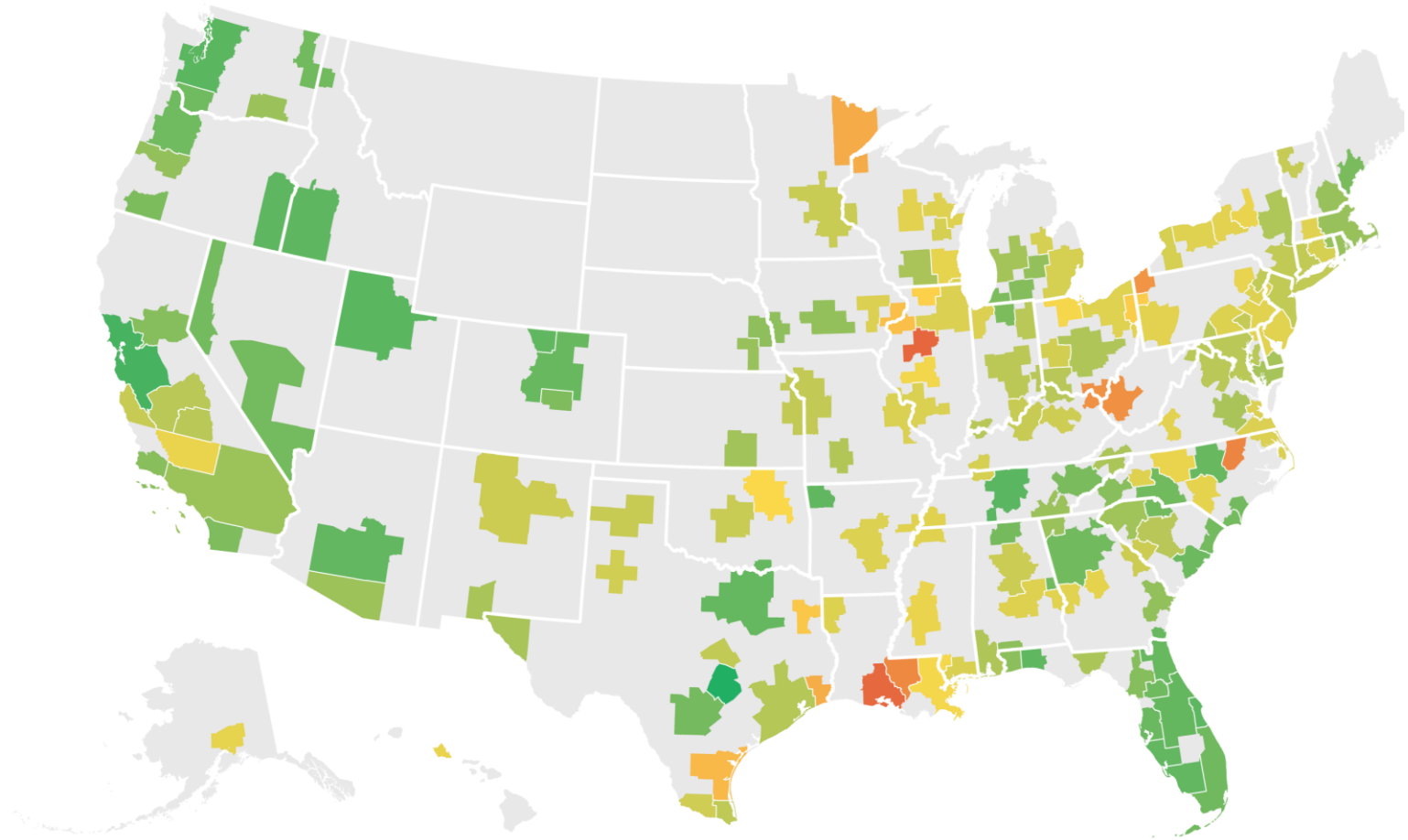
Net Migration Rank	State	Net Migration	Inflow/Total Moves
1	Texas	85,267	14.9%
2	North Carolina	82,288	14.4%
3	South Carolina	68,043	11.9%
4	Florida	64,017	11.2%
5	Tennessee	48,476	8.5%
6	Arizona	34,902	6.1%
7	Alabama	26,028	4.5%
8	Georgia	25,321	4.4%
9	Nevada	16,853	2.9%
10	Idaho	16,383	2.9%
42	Michigan	(7,656)	-1.3%
43	Hawaii	(9,321)	-1.6%
44	Pennsylvania	(11,500)	-2.0%
45	Louisiana	(17,405)	-3.0%
46	Maryland	(18,509)	-3.2%
47	Massachusetts	(27,480)	-4.8%
48	New Jersey	(35,554)	-6.2%
49	Illinois	(56,235)	-9.8%
50	New York	(120,917)	-21.1%
51	California	(239,575)	-41.8%

\*Source: Census.Gov

\*\*Including Washington DC

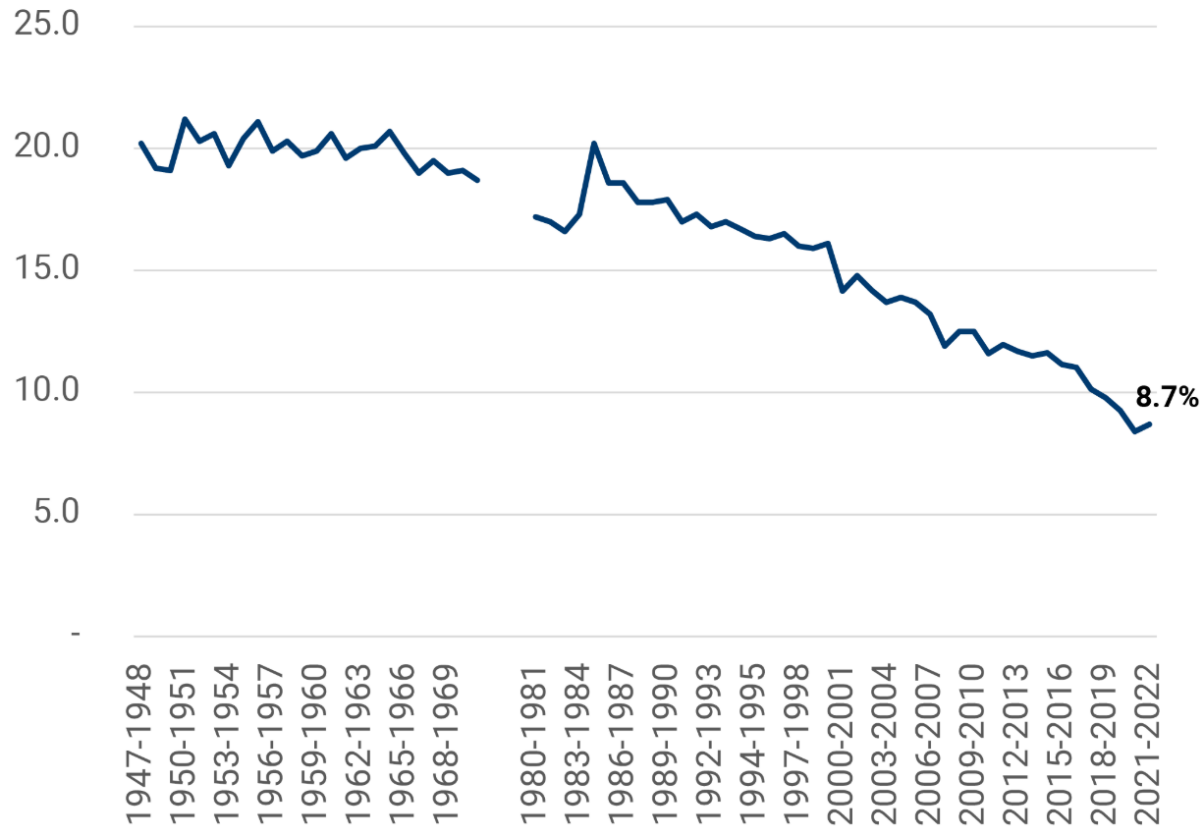


# Demographics = Destiny



# Great American migration slowdown

Annual migration rates, 1947 to 2022

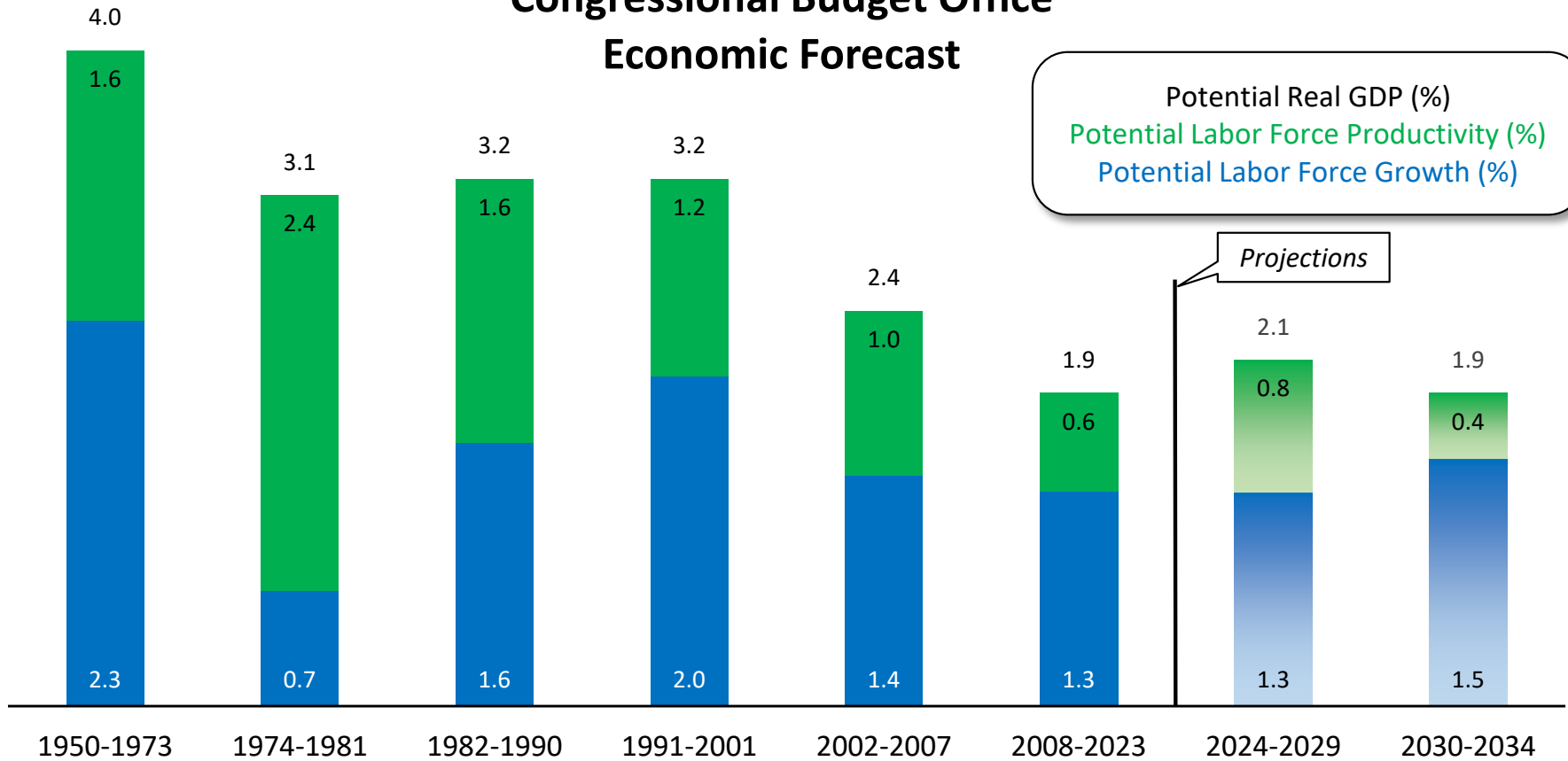


**Note:** Rates are movers as percent of total population from March of first year to March of the second year. Data are not available for years 1972-1975 and 1977-1980.

**Source:** William H. Frey analysis of U.S. Census Bureau Current Population Survey

# Economic forecast: people & productivity

## Congressional Budget Office Economic Forecast



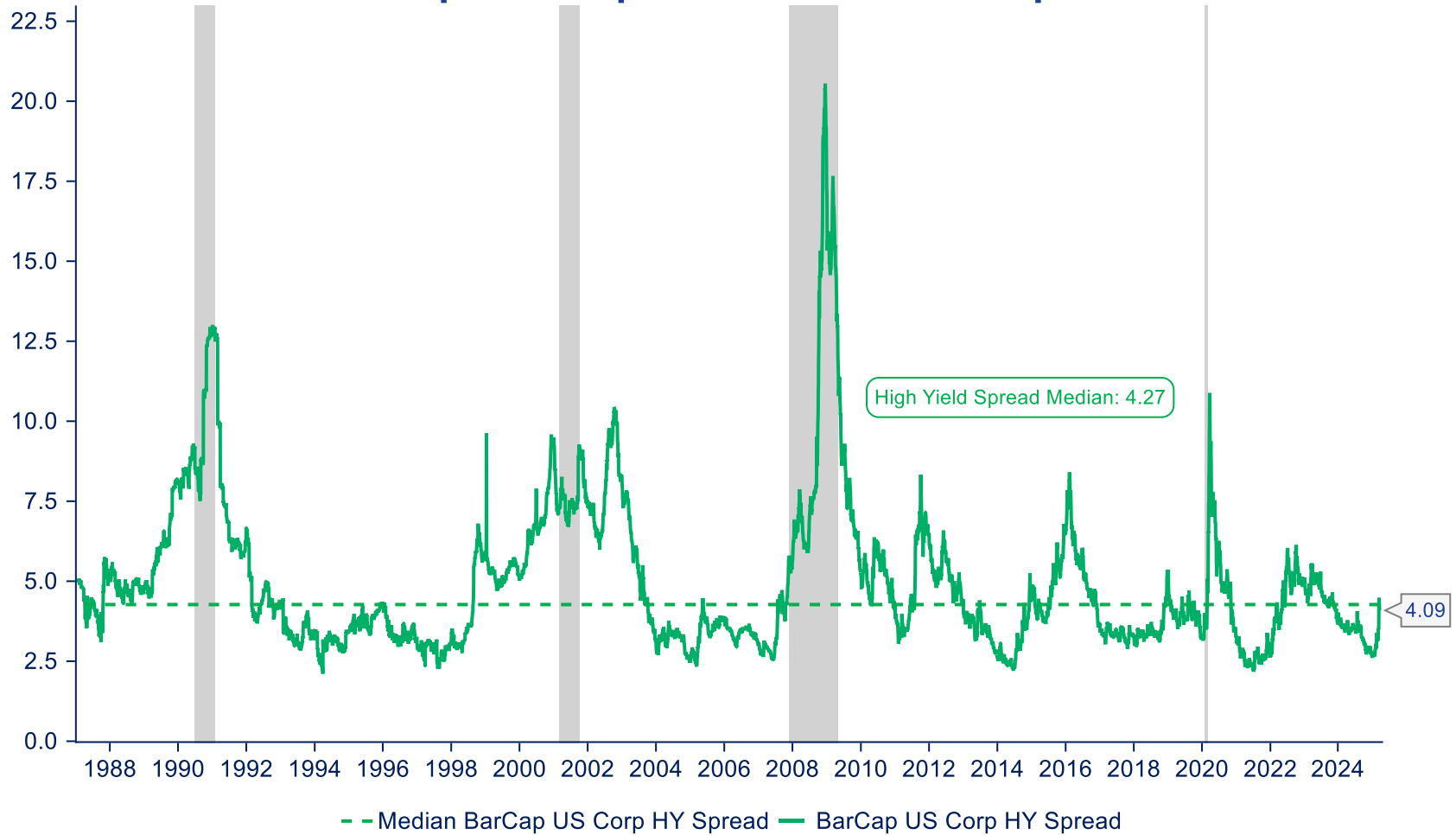
\*Source: CBO's Economic Forecast: Understanding Productivity Growth 2024 Report

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# Fixed income spreads at historic averages

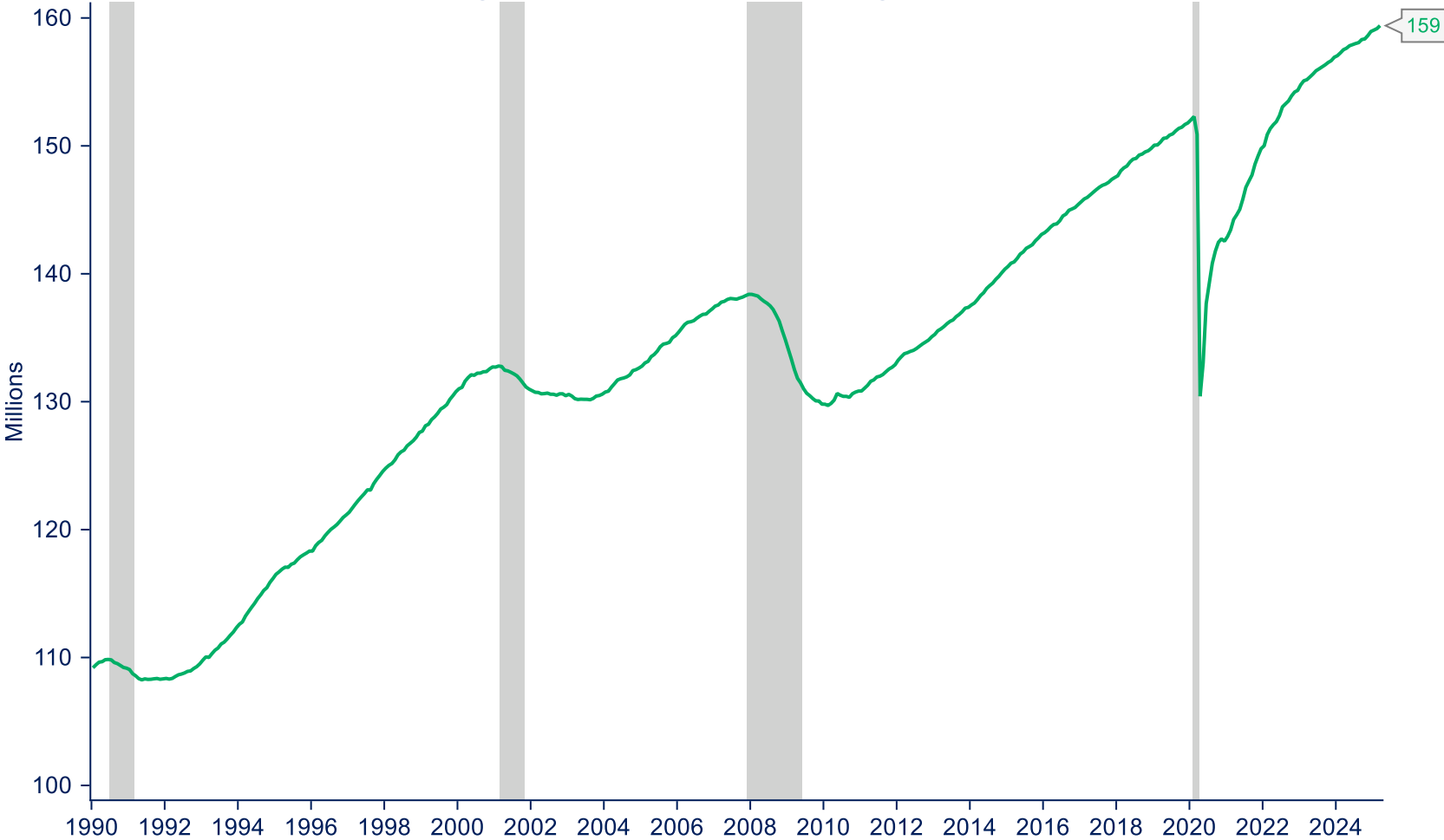
## BarCap US Corp HY YTW - 10 Year Spread



Source: Macrobond, Bloomberg, as of 4/14/2025

# Total nonfarm payroll – no issues here

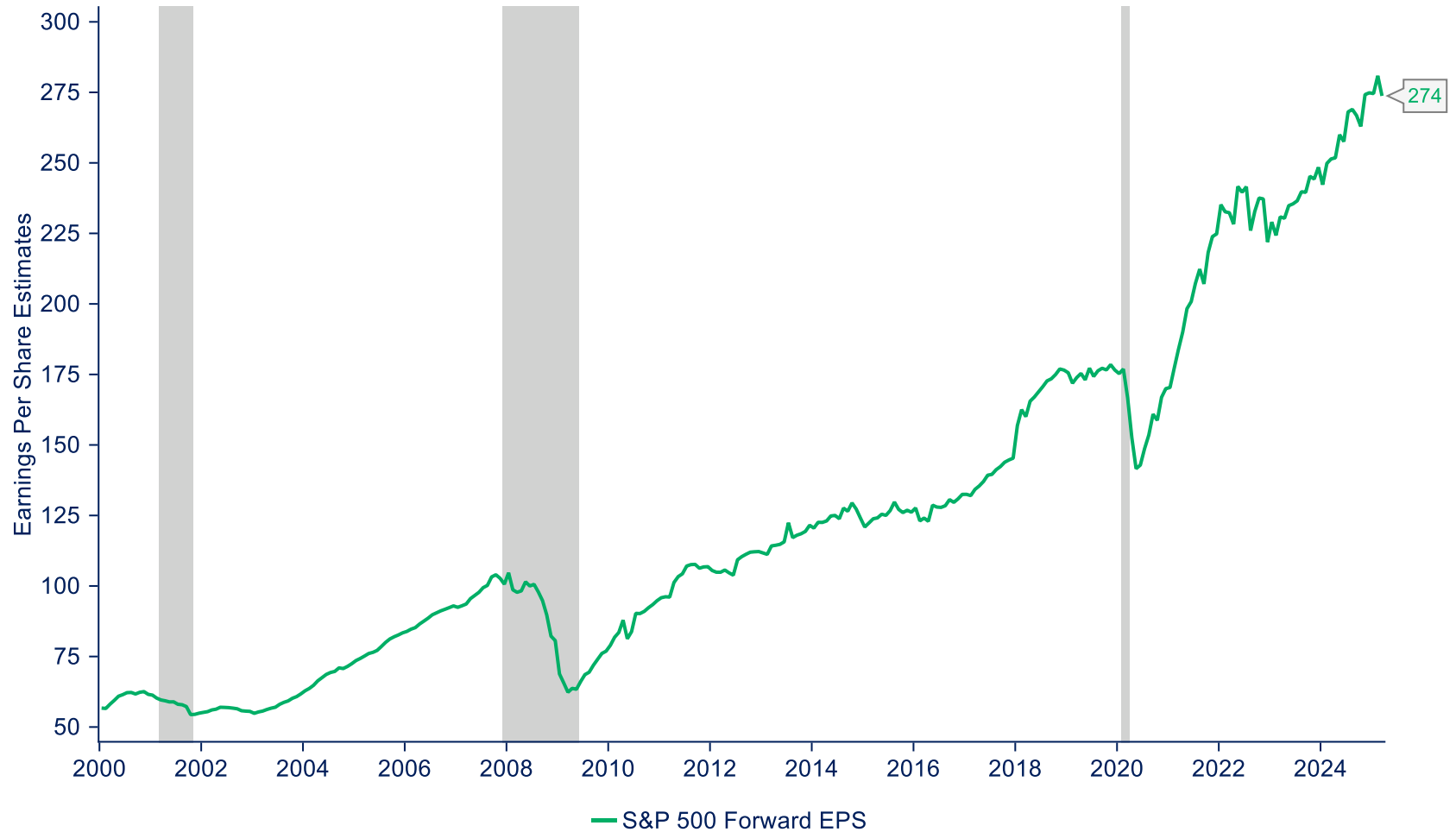
## US Employees on Nonfarm Payrolls Total SA



Source: Macrobond, Bloomberg, Bureau of Labor Statistics, as of 4/14/2025

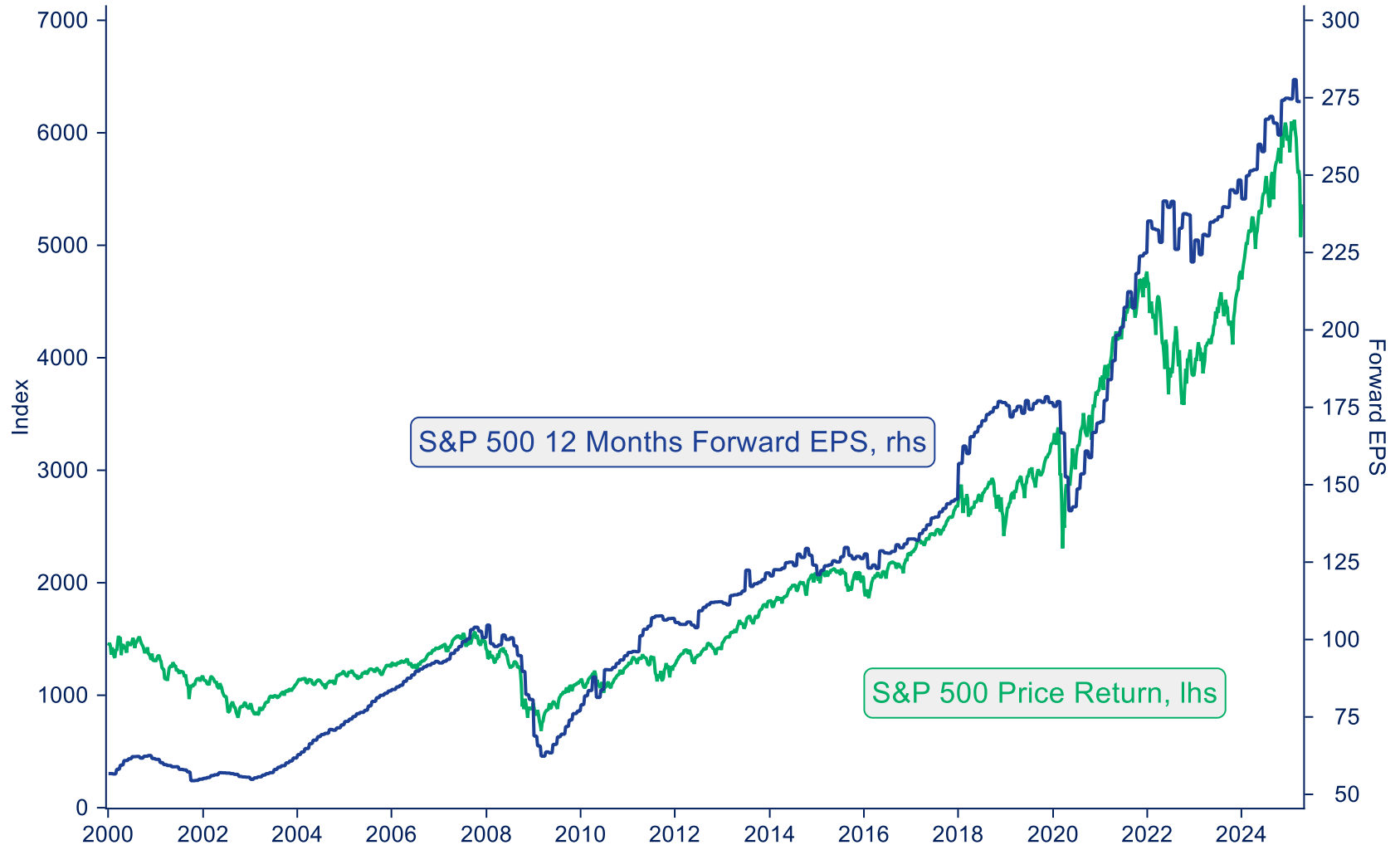


# S&P 500 earnings expectations in an uptrend



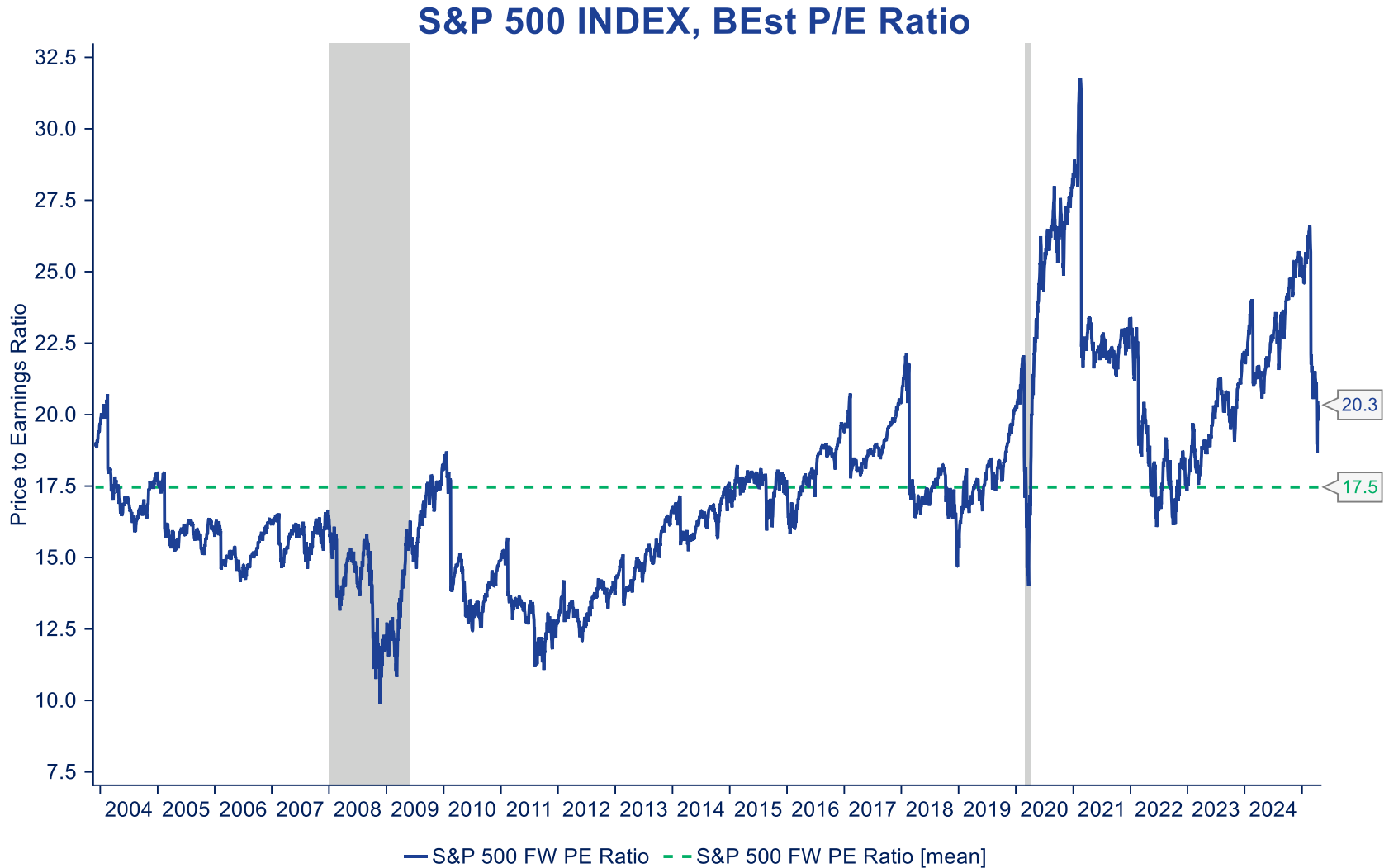
Source: Macrobond, S&P Global, as of 4/14/2025

# S&P 500 vs. Consensus EPS Forecasts



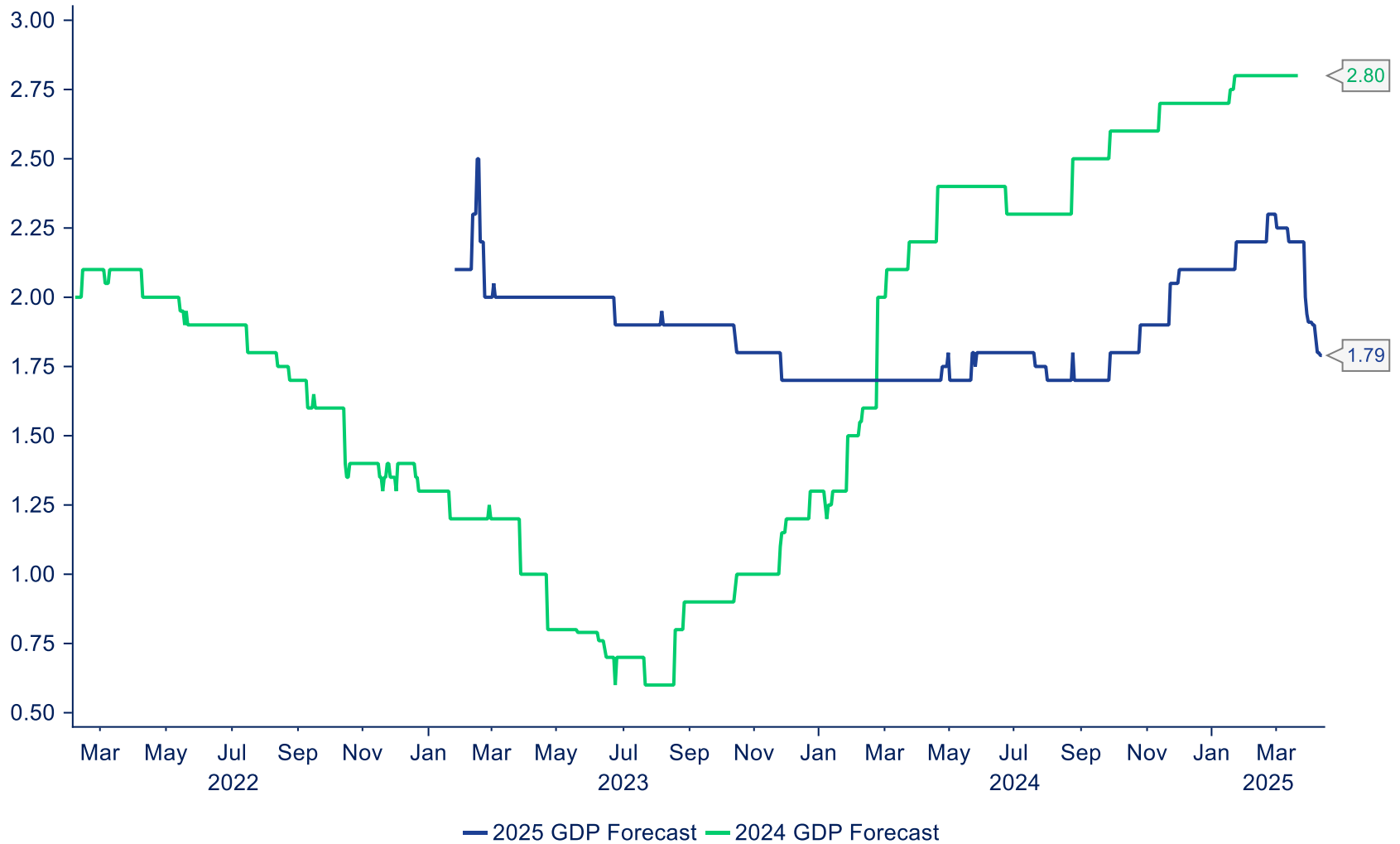
Source: Macrobond, S&P Global, as of 4/14/2025

# S&P 500 valuation



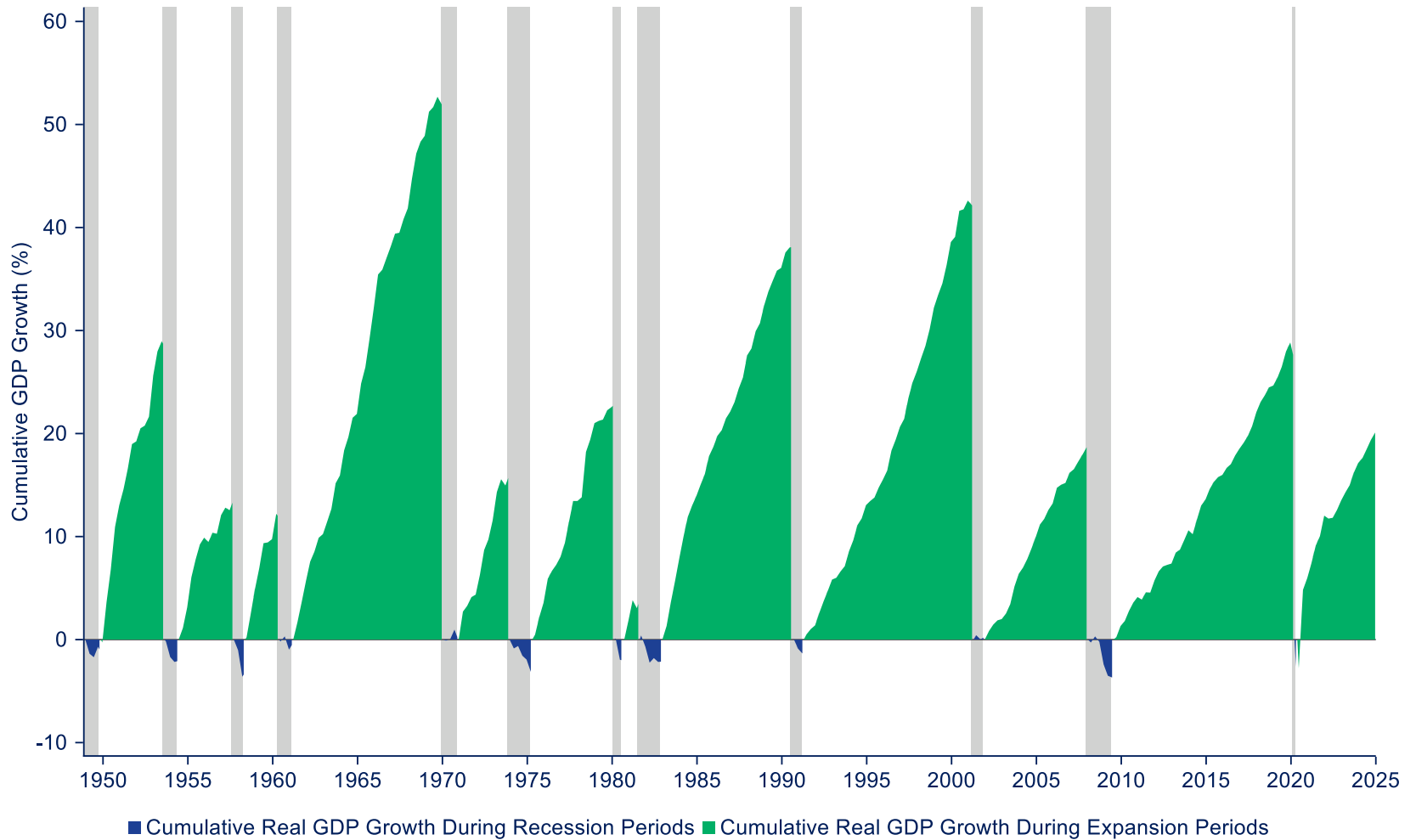
Source: Macrobond, Bloomberg, as of 4/15/2025

# U.S. economic growth expectations



Source: Macrobond, Bloomberg, as of 4/14/2025

# Different this time? Hint: no



Source: Macrobond, NBER, BEA, as of 4/14/2025



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# Questions



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# Tariff Announcements and Ramifications

# Issues per candidate rhetoric thru election day

<b>Issue</b>	<b>Trump</b>	<b>Harris</b>
<b>Taxes</b>	Status quo for individuals. Wants lower taxes on corporations.	<del>Higher taxes on wealthy and corporations. Status quo elsewhere.</del>
<b>Trade</b>	60% tariff on China imports. 10%-20% tariffs on all imports.	<del>Tough on China through tariffs. Targeted taxes to promote green energy</del>
<b>Border</b>	Proposed to implement the "... largest domestic deportation operation in American history".	<del>Reform the immigration system. Open Borders.</del>
<b>Regulation</b>	Deregulation of energy, financial services, technology (A.I.). Allow more M&A.	<del>Increased antitrust &amp; A.I. regulation. Regulation to spur green energy.</del>
<b>Foreign Policy</b>	China hawks. Antagonize allies. Push back on Globalism. Pursue nationalistic agenda.	<del>China hawks. Failure to deter enemies. Deepen relations with Europe, Japan, South Korea, Philippines.</del>
<b>Deficit/Debt</b>	Grows over next decade	<del>Grows over next decade</del>
<b>U.S. Dollar</b>	Wants Weaker; Policy stance suggests Stronger	No change

Sources: Kamalaharris.com, Donaldjtrump.com, Taxfoundation.org, CFR.org, Climate.Law.Columbia.edu, CRFB.org, CATO.org, NY Times, Conflicttime.com, PBS.org



# Tariff goals of U.S. Administration

According to income Secretary of the Treasury Scott Bessent, citizens of the U.S. should think about tariffs in the Trump Administration in three ways:

1. Remedy unfair trade practices by industry or country.
2. Increase government revenue to alleviate federal budget shortfalls.
3. A negotiating tool.

# Tariff summary

## **Tariffs announced earlier prior to April 2, 2025:**

- ❑ 20% tariff on all Chinese imports (10% on 2/24/25; additional 10% on 3/4/25)
- ❑ 25% tariff on all Mexican and Canadian imports (3/4/25) – noncompliant USMCA products
- ❑ 10% tariff on Canadian energy and potash (3/4/25) – noncompliant USMCA products
- ❑ 25% tariff on all steel and aluminum imports (3/12/25)
- ❑ 25% tariff on all automobiles; exemptions for USMCA compliance (4/3/25)

# Tariff summary

## Tariffs announced on April 2nd:

- ❑ Baseline 10% tariff on all imports by country – effective 12:01am Eastern on April 5th. The 10% tariff will be a tariff floor.
- ❑ Reciprocal tariffs on a country-by-country basis – effective 12:01am Eastern on April 9th
  - Calculated by a formula dividing the US trade deficit with a country by total imports from that country. That number is halved which is the final reciprocal tariff percentage.
- ❑ The final tariff to a country is the greater of the 10% floor or the calculated reciprocal tariff for each country.
- ❑ There will be items that will be exempt from these tariffs:
  - Mexican and Canadian imports that are USMCA-compliant
  - Copper, semiconductors, lumber, energy, pharmaceuticals as well as items subject to the Harmonized Tariff Schedule
  - Steel, aluminum, auto, auto parts are exempt but are subject to tariffs already announced. These will be subject to 25% tariffs.

# Tariff pause (as of April 9, 2025)

## Tariff pause details:

- ❑ President Trump lowered reciprocal tariff rates on imports from most trading partners to 10% for 90 days to allow for trade negotiations with those countries
- ❑ A notable exception to the pause was for imports from China, for where President Trump imposed new tariffs of 145% on all goods (these are in addition to the tariffs on Chinese goods already imposed)
  - ❑ Exemptions include cell phones, computers, other electronics
- ❑ Mexico and Canada won't face the 10% tariffs, their tariff rate will remain 25%, unless the goods are compliant with USMCA trade rules, in which there will be no tariffs.
- ❑ On April 11<sup>th</sup> China retaliated by increasing its tariffs on American goods to 125%.

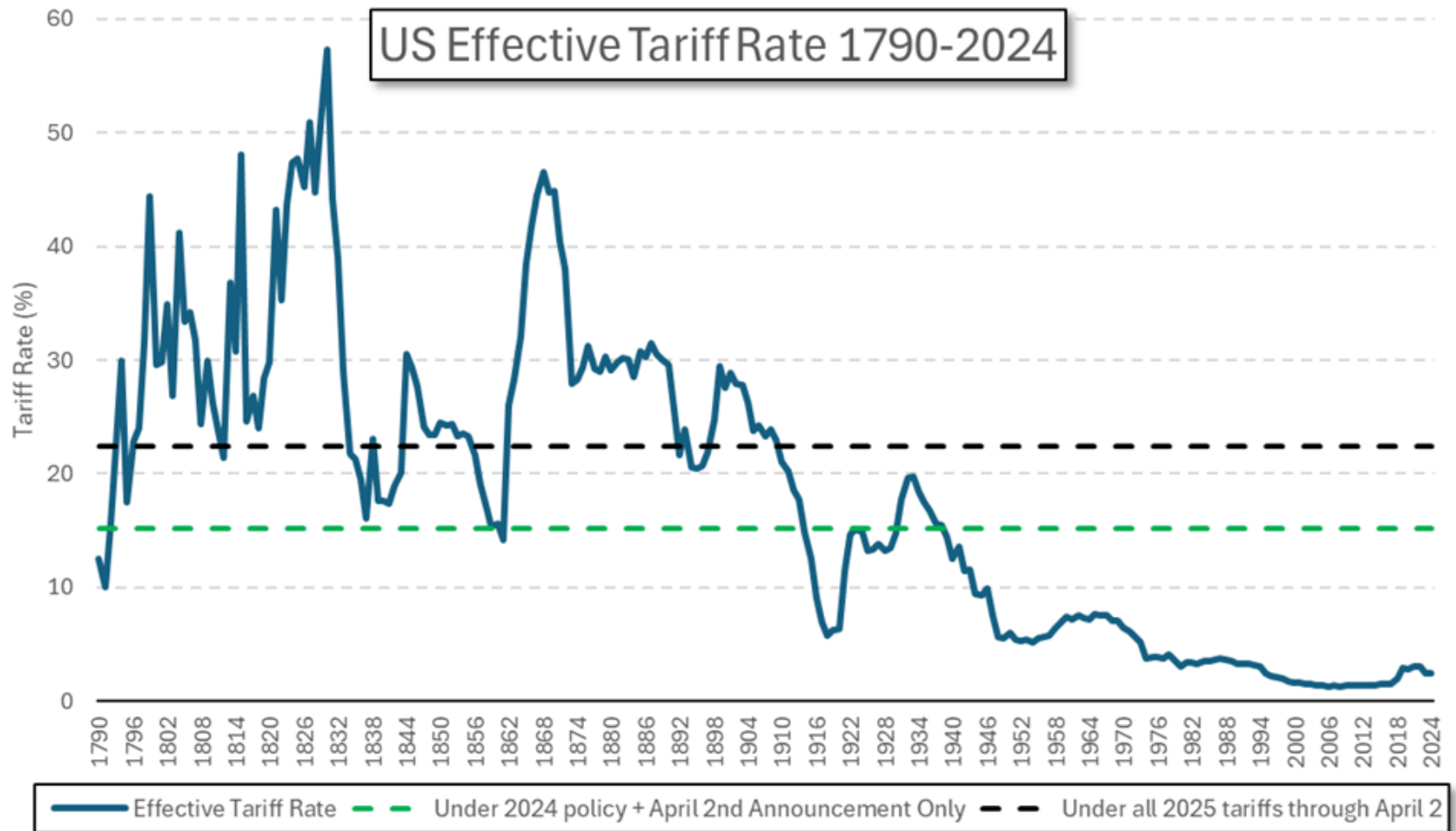
# Economic implications from tariffs

Scenario	Tariff Cost (\$B)	% '24 GDP	'24 GDP Growth	Cost to Median HH income
No tariffs	\$ -	0.0%	5.0%	\$ -
only 10%	\$ 326.75	1.1%	3.9%	\$ 886.12
10% + \$150 already announced	\$ 476.75	1.6%	3.4%	\$ 1,292.92
<b>US goal</b>	<b>\$ 600.00</b>	<b>2.0%</b>	<b>2.9%</b>	<b>\$ 1,627.18</b>
Worst Case	\$ 995.44	3.3%	1.5%	\$ 2,699.61
	2023 \$ 80,610	HH Income		

## Economic Estimates:

- ❑ \$600 billion total tariff increase estimate = 2.0% of 2024 US Nominal GDP
- ❑ If the full tariff amount was applied in 2024, 2024 US Nominal GDP growth would have slowed from +5.0% annually to +2.9% annually
- ❑ If the full value of all tariffs are passed on from foreign exporters to US importers, who then fully passed on the tariffs to consumers, prices will rise in a one-time manner by the roughly same 2.0% amount
- ❑ 2023 median household income in the US was \$80,610. Full tariff pass through would cost the median household \$1,627.18 on an annual basis

# Tariff history



\*Source: Yale Budget Lab



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# Investment Implications

# Global stock index performance and EPS trends

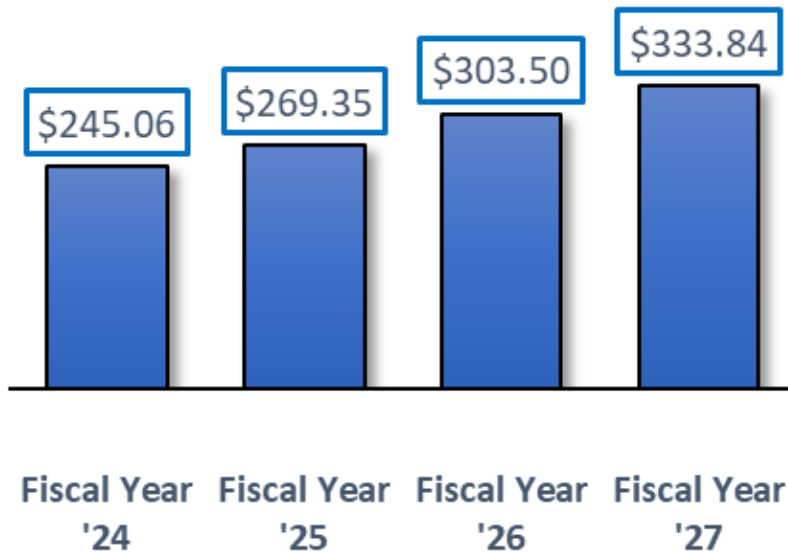
<u><b>Earnings Expectations Snap Shot</b></u>		<u><b>Current Implied EPS Growth from Estimates</b></u>			<u><b>YTD Growth in Headline EPS Targets (Revisions)</b></u>		
	<u><b>YTD Performance</b></u>	<i>Fiscal Year '24 growth</i>	<i>Fiscal Year '25 growth</i>	<i>Fiscal Year '26 growth</i>	<i>Fiscal Year '24 YTD Revisions</i>	<i>Fiscal Year '25 YTD Revisions</i>	<i>Fiscal Year '26 YTD Revisions</i>
<i>MSCI ACWI</i>	-8.7%	4.6%	9.7%	12.5%	0.4%	-0.3%	0.6%
<i>S&amp;P 500</i>	-15.2%	9.8%	9.9%	12.7%	1.3%	-1.2%	-0.5%
<i>Russell 2500</i>	-16.7%	-0.8%	15.1%	22.1%	3.1%	-3.7%	-2.8%
<i>MSCI EAFE</i>	1.7%	-4.8%	7.6%	8.4%	-0.1%	2.8%	1.8%
<i>MSCI EM</i>	1.7%	7.5%	14.5%	19.4%	-3.0%	-2.2%	3.2%

\*Source: Bloomberg as of 4/7/2025

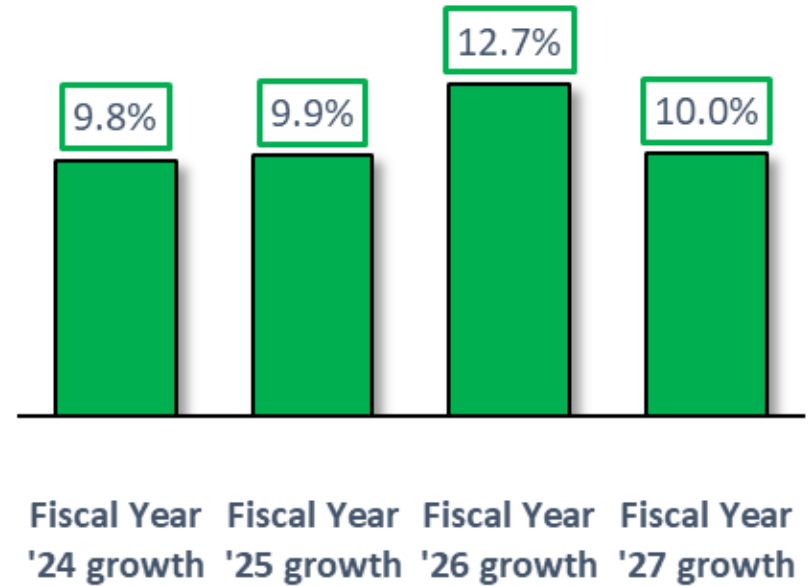


# S&P 500 EPS trends

S&P 500 EPS Targets: 4/7/25



S&P 500 EPS Targets: 4/7/25



# S&P 500 EPS and valuation trends

7-Apr	
SPX	Fiscal 2025
4,986.59	269.35
P/E '25 EPS	18.5

7-Apr	
2024 EPS	245.06
2025 EPS	269.35
2026 EPS	303.50
2027 EPS	333.84

SPX Price Level		Price to Earnings Multiple										
		EPS	15.0	16.0	17.0	18.0	19.0	20.0	21.0	22.0	23.0	24.0
2024 SPX EPS Estimates	\$ 240	3,600	3,840	4,080	4,320	4,560	4,800	5,040	5,280	5,520	5,760	6,000
	\$ 245	3,675	3,920	4,165	4,410	4,655	4,900	5,145	5,390	5,635	5,880	6,125
	\$ 250	3,750	4,000	4,250	4,500	4,750	5,000	5,250	5,500	5,750	6,000	6,250
	\$ 255	3,825	4,080	4,335	4,590	4,845	5,100	5,355	5,610	5,865	6,120	6,375
	\$ 260	3,900	4,160	4,420	4,680	4,940	5,200	5,460	5,720	5,980	6,240	6,500
	\$ 265	3,975	4,240	4,505	4,770	5,035	5,300	5,565	5,830	6,095	6,360	6,625
	\$ 270	4,050	4,320	4,590	4,860	5,130	5,400	5,670	5,940	6,210	6,480	6,750
	\$ 275	4,125	4,400	4,675	4,950	5,225	5,500	5,775	6,050	6,325	6,600	6,875
	\$ 280	4,200	4,480	4,760	5,040	5,320	5,600	5,880	6,160	6,440	6,720	7,000

SPX Return to Current		Price to Earnings Multiple										
		EPS	15.0	16.0	17.0	18.0	19.0	20.0	21.0	22.0	23.0	24.0
2024 SPX EPS Estimates	\$ 240	-27.8%	-23.0%	-18.2%	-13.4%	-8.6%	-3.7%	1.1%	5.9%	10.7%	15.5%	20.3%
	\$ 245	-26.3%	-21.4%	-16.5%	-11.6%	-6.6%	-1.7%	3.2%	8.1%	13.0%	17.9%	22.8%
	\$ 250	-24.8%	-19.8%	-14.8%	-9.8%	-4.7%	0.3%	5.3%	10.3%	15.3%	20.3%	25.3%
	\$ 255	-23.3%	-18.2%	-13.1%	-8.0%	-2.8%	2.3%	7.4%	12.5%	17.6%	22.7%	27.8%
	\$ 260	-21.8%	-16.6%	-11.4%	-6.1%	-0.9%	4.3%	9.5%	14.7%	19.9%	25.1%	30.3%
	\$ 265	-20.3%	-15.0%	-9.7%	-4.3%	1.0%	6.3%	11.6%	16.9%	22.2%	27.5%	32.9%
	\$ 270	-18.8%	-13.4%	-8.0%	-2.5%	2.9%	8.3%	13.7%	19.1%	24.5%	29.9%	35.4%
	\$ 275	-17.3%	-11.8%	-6.2%	-0.7%	4.8%	10.3%	15.8%	21.3%	26.8%	32.4%	37.9%
	\$ 280	-15.8%	-10.2%	-4.5%	1.1%	6.7%	12.3%	17.9%	23.5%	29.1%	34.8%	40.4%

# Bear Market details

## Bear Markets & Market Corrections

	S&P 500 High	S&P 500 Low	% Change	Recession?	Months	
September 16, 1929	31.86	November 13, 1929	17.66	-44.6%	Yes	2
April 10, 1930	25.92	July 8, 1932	4.41	-83.0%	Yes	27
September 7, 1932	9.31	February 27, 1933	5.53	-40.6%	Yes	5
July 18, 1933	12.20	March 14, 1935	8.06	-33.9%		20
March 10, 1937	18.67	March 31, 1938	8.50	-54.5%	Yes	12
September 23, 1937	13.79	June 10, 1940	8.99	-34.8%	Yes	33
November 7, 1940	11.39	April 28, 1942	7.47	-34.4%		17
July 14, 1943	12.64	November 29, 1943	10.99	-13.1%		4
May 29, 1946	19.25	March 16, 1948	13.84	-28.1%		22
June 15, 1948	17.06	June 13, 1949	13.55	-20.6%	Yes	12
June 12, 1950	19.40	July 17, 1950	16.68	-14.0%		1
January 5, 1953	26.66	September 14, 1953	22.71	-14.8%	Yes	8
August 2, 1956	49.74	February 12, 1957	42.39	-14.8%		6
July 15, 1957	49.13	October 22, 1957	38.98	-20.7%	Yes	3
August 3, 1959	60.71	October 25, 1960	52.30	-13.9%	Yes	14
December 12, 1961	72.64	June 26, 1962	52.32	-28.0%		6
February 9, 1966	94.06	October 7, 1966	73.20	-22.2%		8
November 29, 1968	108.37	May 26, 1970	69.29	-36.1%	Yes	18
April 28, 1971	104.77	November 23, 1971	90.16	-13.9%		7
January 11, 1973	120.24	October 3, 1974	62.28	-48.2%	Yes	21
July 15, 1975	95.61	September 16, 1975	82.09	-14.1%		2
September 21, 1976	107.83	March 6, 1978	86.90	-19.4%		18
February 13, 1980	118.44	March 27, 1980	98.22	-17.1%	Yes	1
November 28, 1980	140.52	August 12, 1982	102.42	-27.1%	Yes	21
October 10, 1983	172.65	July 26, 1984	150.08	-13.1%		9
August 25, 1987	336.77	December 4, 1987	223.92	-33.5%		4
October 9, 1989	359.80	January 30, 1990	322.98	-10.2%		3
July 16, 1990	368.95	October 11, 1990	295.46	-19.9%	Yes	3
July 17, 1998	1186.75	October 8, 1998	959.44	-19.2%		3
July 16, 1999	1418.78	October 15, 1999	1247.41	-12.1%		3

## Bear Markets & Market Corrections

	S&P 500 High	S&P 500 Low	% Change	Recession?	Months	
July 16, 1999	1418.78	October 15, 1999	1247.41	-12.1%		3
March 24, 2000	1527.46	May 23, 2000	1373.86	-10.1%		2
September 1, 2000	1520.77	April 4, 2001	1103.25	-27.5%	Yes	7
May 21, 2001	1312.83	September 21, 2001	965.80	-26.4%	Yes	4
March 19, 2002	1170.29	October 9, 2002	776.76	-33.6%		7
October 9, 2007	1565.15	March 10, 2008	1273.37	-18.6%	Yes	5
May 19, 2008	1426.63	March 9, 2009	676.53	-52.6%	Yes	10
April 23, 2010	1217.28	July 2, 2010	1022.58	-16.0%		3
July 7, 2011	1353.22	October 3, 2011	1099.23	-18.8%		3
May 21, 2015	2130.82	February 11, 2016	1829.08	-14.2%		9
January 26, 2018	2872.87	April 2, 2018	2581.88	-10.1%		3
September 20, 2018	2930.75	December 24, 2018	2351.10	-19.8%		3
February 19, 2020	3386.15	March 23, 2020	2237.40	-33.9%	Yes	1
September 2, 2020	3580.84	September 23, 2020	3236.92	-9.6%		0
January 3, 2022	4796.56	March 8, 2022	4170.70	-13.0%		2
March 29, 2022	4631.60	June 16, 2022	3666.77	-20.8%		3
August 16, 2022	4305.20	October 12, 2022	3577.03	-16.9%		2
July 31, 2023	4588.96	October 27, 2023	4117.37	-10.3%		3

Average (All)	-24.5%		8
Median (All)	-19.8%		5
Average (Recessions)	-33.4%	40.4%	11
Median (Recessions)	-27.5%		8
Average (No Recession)	-18.5%	59.6%	6
Median (No Recession)	-15.4%		3

# Bull Market details

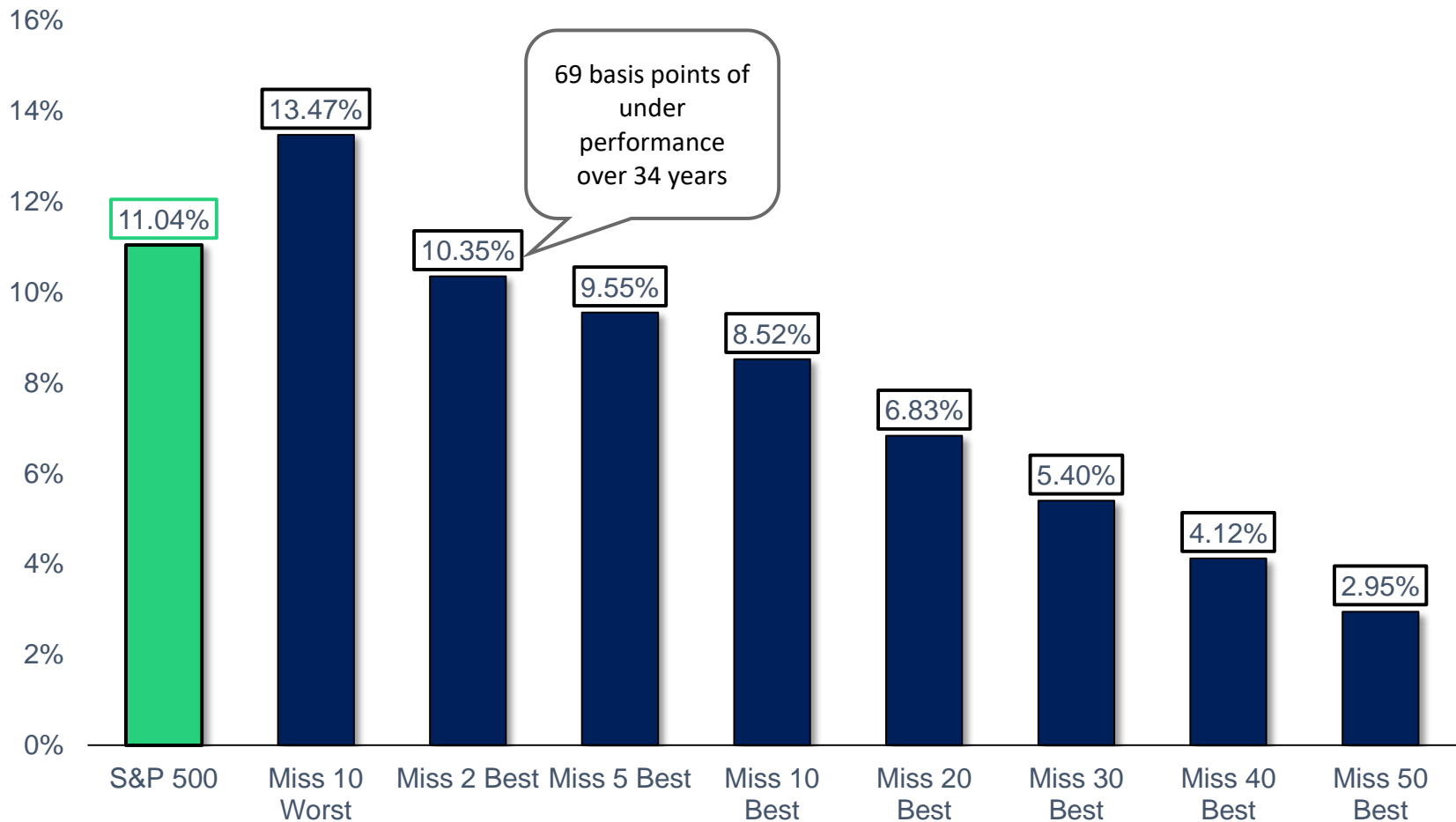
## Bull Markets

<u>S&amp;P 500 Low</u>	<u>S&amp;P 500 High</u>	<u>% Change</u>	<u>Months</u>		
November 13, 1929	17.66	April 10, 1930	25.92	46.8%	5
July 8, 1932	4.41	September 7, 1932	9.31	111.1%	2
February 27, 1933	5.53	July 18, 1933	12.2	120.6%	5
March 14, 1935	8.06	March 10, 1937	18.67	131.6%	24
March 31, 1938	8.5	November 10, 1938	13.7	61.2%	8
June 10, 1940	8.99	November 7, 1940	11.39	26.7%	5
April 28, 1942	7.47	July 14, 1943	12.64	69.2%	15
November 29, 1943	10.99	May 29, 1946	19.25	75.2%	30
March 16, 1948	13.84	June 15, 1948	17.06	23.3%	3
June 13, 1949	13.55	June 12, 1950	19.4	43.2%	12
July 17, 1950	16.68	January 5, 1953	26.66	59.8%	30
September 14, 1953	22.71	August 2, 1956	49.74	119.0%	35
February 12, 1957	42.39	July 15, 1957	49.13	15.9%	5
October 22, 1957	38.98	August 3, 1959	60.71	55.7%	22
October 25, 1960	52.3	December 12, 1961	72.64	38.9%	14
June 26, 1962	52.32	February 9, 1966	94.06	79.8%	44
October 7, 1966	73.2	November 29, 1968	108.37	48.0%	25
May 26, 1970	69.29	April 28, 1971	104.77	51.2%	11
November 23, 1971	90.16	January 11, 1973	120.24	33.4%	14
October 3, 1974	62.28	July 15, 1975	95.61	53.5%	9
September 16, 1975	82.09	September 21, 1976	107.83	31.4%	12
March 6, 1978	86.9	February 13, 1980	118.44	36.3%	23
March 27, 1980	98.22	November 28, 1980	140.52	43.1%	8
August 12, 1982	102.42	October 10, 1983	172.65	68.6%	14
July 26, 1984	150.08	August 25, 1987	336.77	124.4%	37
December 4, 1987	223.92	October 9, 1989	359.8	60.7%	22
January 30, 1990	322.98	July 16, 1990	368.95	14.2%	6
October 11, 1990	295.46	July 17, 1998	1186.75	301.7%	93
October 8, 1998	959.44	July 16, 1999	1418.78	47.9%	9
October 15, 1999	1247.41	March 24, 2000	1527.46	22.5%	5

## Bull Markets

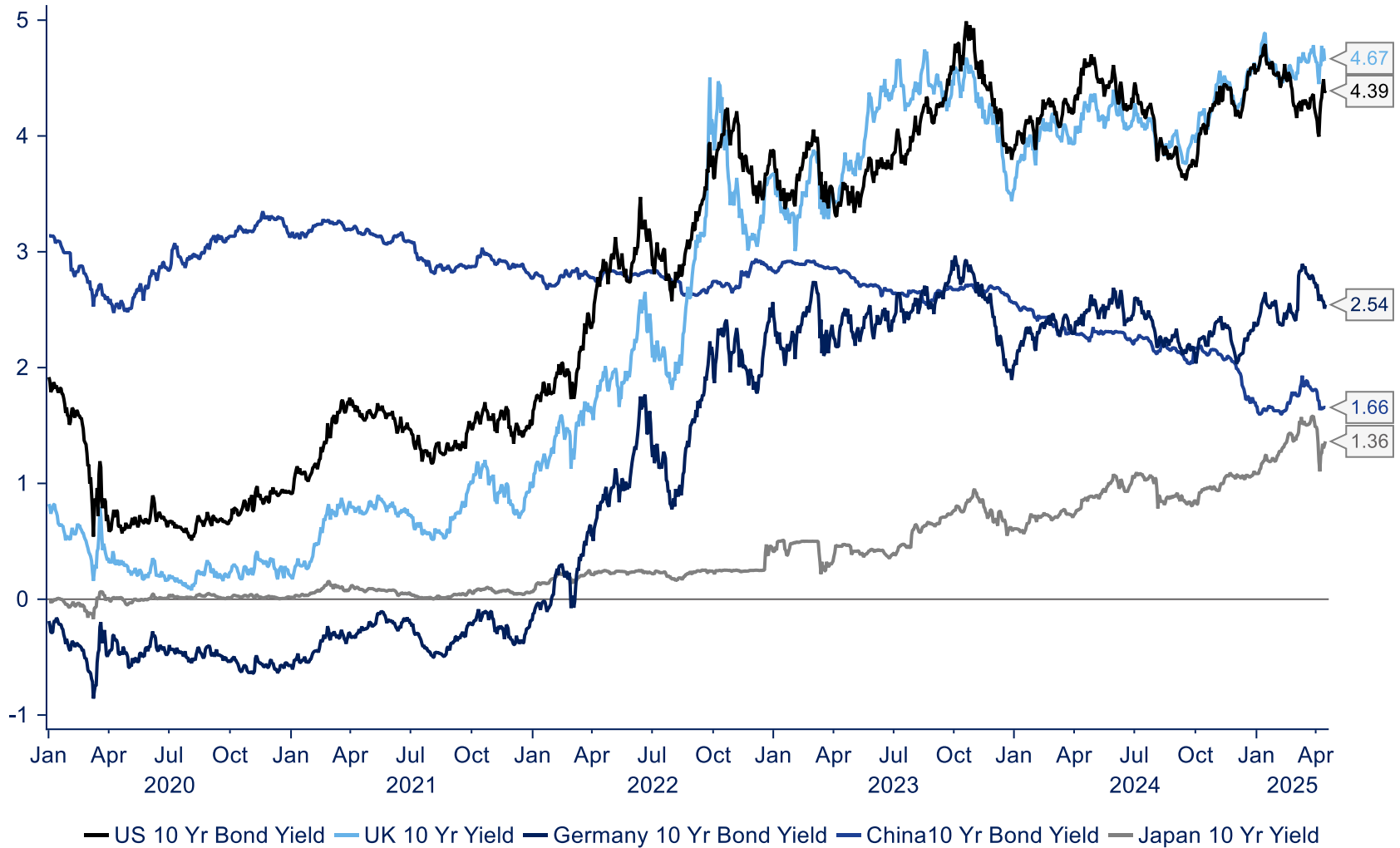
<u>S&amp;P 500 Low</u>	<u>S&amp;P 500 High</u>	<u>% Change</u>	<u>Months</u>		
October 15, 1999	1247.41	March 24, 2000	1527.46	22.5%	5
May 23, 2000	1373.86	September 1, 2000	1520.77	10.7%	4
April 4, 2001	1103.25	May 21, 2001	1312.83	19.0%	1
September 21, 2001	965.8	March 19, 2002	1170.29	21.2%	6
October 9, 2002	776.76	October 9, 2007	1565.15	101.5%	60
March 10, 2008	1273.37	May 19, 2008	1426.63	12.0%	2
March 9, 2009	676.53	April 23, 2010	1217.28	79.9%	13
July 2, 2010	1022.58	July 7, 2011	1353.22	32.3%	12
October 3, 2011	1099.23	May 21, 2015	2130.82	93.8%	43
February 11, 2016	1829.08	January 26, 2018	2872.87	57.1%	23
April 2, 2018	2581.88	September 20, 2018	2930.75	13.5%	5
December 24, 2018	2351.1	February 19, 2020	3386.15	44.0%	14
March 23, 2020	2237.4	September 2, 2020	3580.84	60.0%	6
September 23, 2020	3236.92	January 3, 2022	4796.56	48.2%	16
March 8, 2022	4170.7	March 29, 2022	4631.6	11.1%	0
June 16, 2022	3666.77	August 16, 2022	4305.2	17.4%	2
October 12, 2022	3577.03	July 31, 2023	4588.96	28.3%	9
October 27, 2023	4117.37	February 19, 2025	6144.15	49.2%	15
		Average		57.7%	16.55
		Median		48.0%	12.00

# Risk of market timing



\*Source: Bloomberg

# 10-year government bond yields



Source: Macrobond, Bloomberg, as of 4/15/2025

# Putting investing environment into context

## Average inflation, valuation, treasury yields, equity returns and GDP by decade

	Average YoY CPI	Average Quarterly GDP Report	Average 10 Year Treasury Yield	Average S&P 500 Trailing P/E	S&P 500 Compound Annual Growth Rate
1960's	2.3%	4.6%	4.9%	17.7	7.8%
1970's	7.1%	3.3%	7.5%	12.7	5.9%
1980's	5.6%	3.2%	10.6%	12.2	17.5%
1990's	3.0%	3.3%	6.6%	20.8	18.2%
2000's	2.6%	1.9%	4.4%	19.4	-0.9%
2010's	1.8%	2.5%	2.4%	16.6	13.5%
2020's	4.1%	2.9%	2.8%	21.9	10.4%
Average	3.8%	3.1%	5.6%	17.3	10.3%
Current	2.8%	2.4%	4.0%	21.7	YTD -13.4%

\*Source: Bloomberg as of 4/4/2025

# Putting investing environment into context

	1926-1929	1930's	1940's	1950's	1960's	1970's	1980's	1990's	2000's	2010's	2020's
<b>Large Cap Stocks</b>	19.2%	-0.1%	9.2%	19.4%	7.8%	5.9%	17.6%	18.2%	-0.9%	13.6%	14.5%
<b>Small Cap Stocks</b>	-4.5%	1.4%	20.7%	16.9%	15.5%	11.5%	15.8%	15.1%	6.3%	12.4%	10.3%
<b>Long-term Corp. Bonds</b>	5.2%	6.9%	2.7%	1.0%	1.7%	6.2%	13.0%	8.4%	7.6%	8.0%	-1.7%
<b>Long-term Gov. Bonds</b>	5.0%	4.9%	3.2%	-0.1%	1.4%	5.5%	12.6%	8.8%	7.7%	6.6%	-5.1%
<b>Intermediate Gov. Bonds</b>	4.2%	4.6%	1.8%	1.3%	3.5%	7.0%	11.9%	7.2%	6.2%	3.2%	0.2%
<b>Treasury Bills</b>	3.7%	0.6%	0.4%	1.9%	3.9%	6.3%	8.9%	4.9%	2.8%	0.5%	2.4%
<b>Inflation</b>	-1.0%	-2.0%	5.4%	2.2%	2.5%	7.4%	5.1%	2.9%	2.5%	1.8%	4.2%

\*Source: CFA Institute, Morningstar Direct, & "Stocks, Bonds, Bills, and Inflation" by Roger Ibbotson & James Harrington 2021 edition

	<i>Geometric Average</i>	<i>Min</i>	<i>Max</i>	<i>Last: Full Year 2024</i>
<b>Large Cap Stocks</b>	10.4%	-43.3%	54.0%	25.0%
<b>Small Cap Stocks</b>	11.8%	-58.0%	142.9%	11.4%
<b>Long-term Corp. Bonds</b>	5.7%	-25.2%	42.6%	-1.9%
<b>Long-term Gov. Bonds</b>	5.0%	-26.1%	40.4%	-9.4%
<b>Intermediate Gov. Bonds</b>	4.9%	-9.4%	29.1%	3.0%
<b>Treasury Bills</b>	3.3%	0.0%	14.7%	5.4%
<b>Inflation</b>	2.9%	-10.3%	18.1%	2.9%

\*Source: CFA Institute, Mornings \*\*Using Annual Data



# Putting investing environment into context

## Geometric annual average returns by decade and style

	1926-1929	1930's	1940's	1950's	1960's	1970's	1980's	1990's	2000's	2010's	2020's	<i>Geometric Average Annual Return</i>
Small Cap Growth	0.9%	4.8%	11.4%	17.6%	10.8%	5.8%	10.3%	11.4%	-1.4%	12.7%	10.0%	8.9%
Small Cap Core	6.4%	4.8%	14.1%	18.6%	13.3%	10.2%	19.9%	15.8%	9.5%	12.7%	8.9%	12.7%
Small Cap Value	7.8%	1.8%	21.2%	20.2%	15.9%	15.1%	21.5%	16.3%	10.5%	10.9%	11.3%	14.3%
Large Cap Growth	20.5%	1.6%	6.9%	17.7%	8.0%	3.4%	15.8%	19.8%	-1.2%	15.2%	17.8%	10.2%
Large Cap Core	17.3%	-3.4%	11.5%	18.5%	7.7%	8.9%	17.1%	14.8%	3.8%	12.7%	7.4%	10.1%
Large Cap Value	18.9%	-4.5%	16.4%	22.5%	10.8%	12.2%	20.4%	16.0%	2.9%	11.2%	13.7%	12.0%

\*Source: [mba.tuck.dartmouth.edu](http://mba.tuck.dartmouth.edu) Kenneth French Data Library

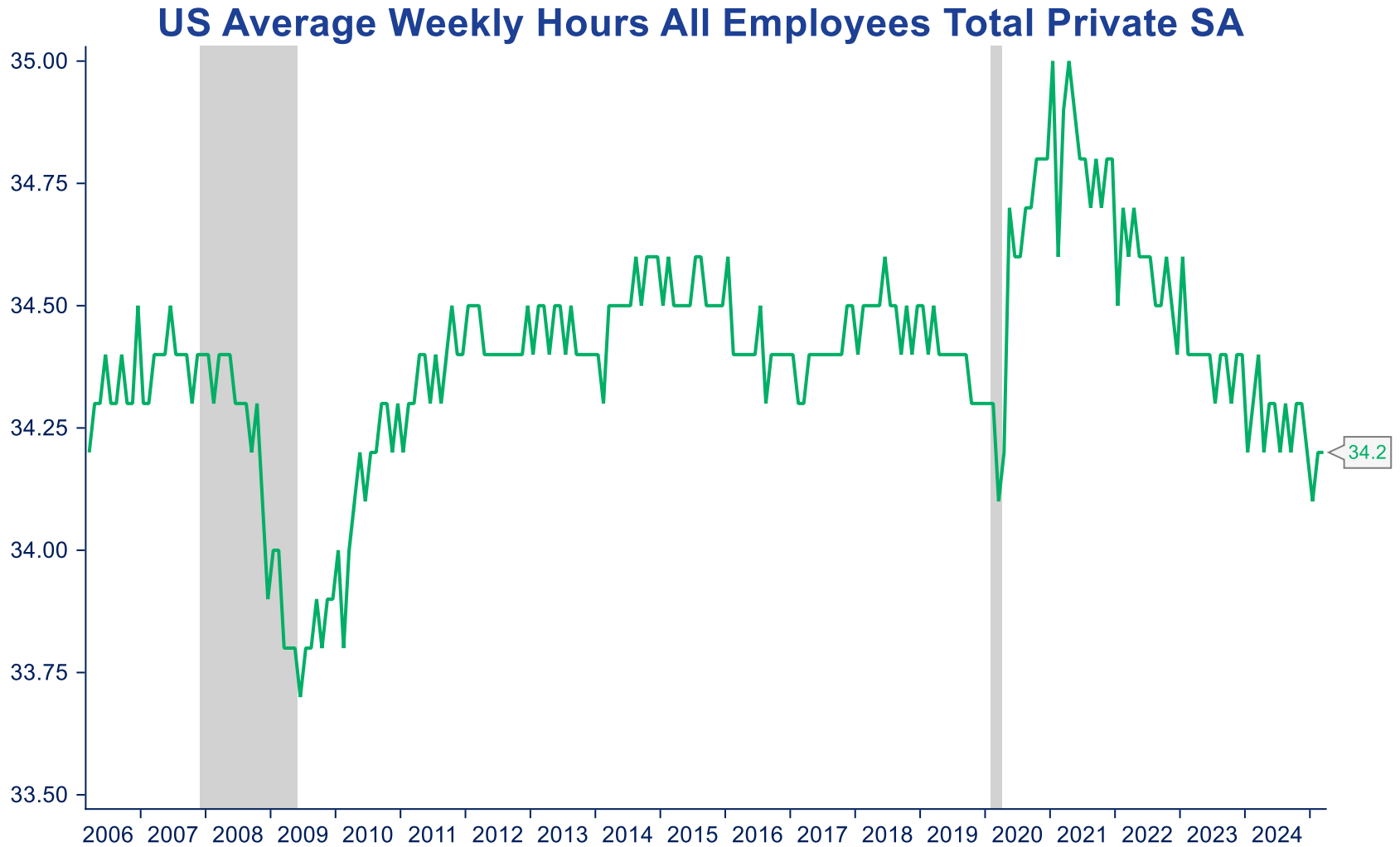
\*\*Showing Geometric Annualized Returns from Monthly Data



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Canaries in the coalmine?

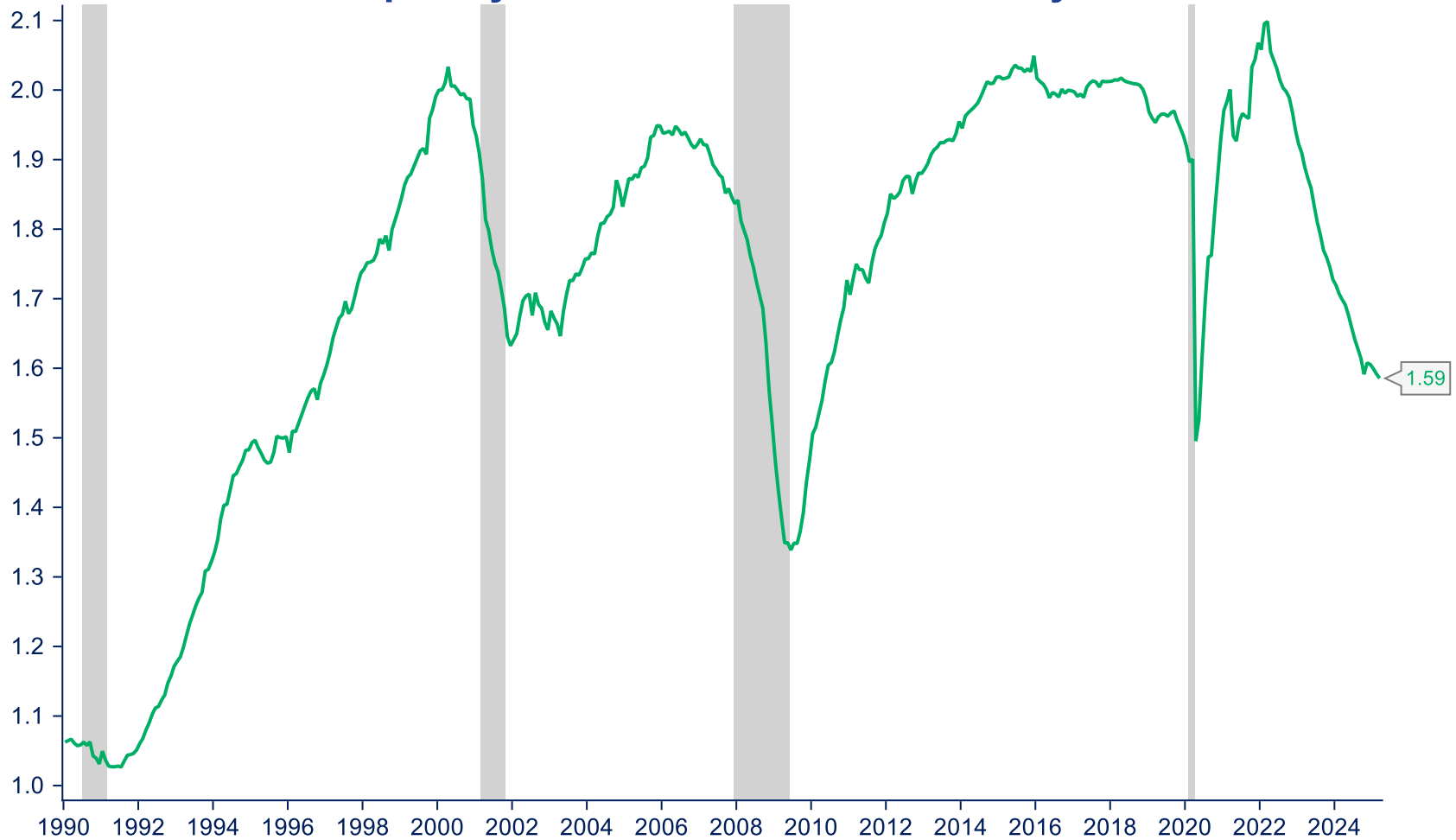
# Average hours worked moving down



Source: Macrobond, Bloomberg, as of 4/14/2025

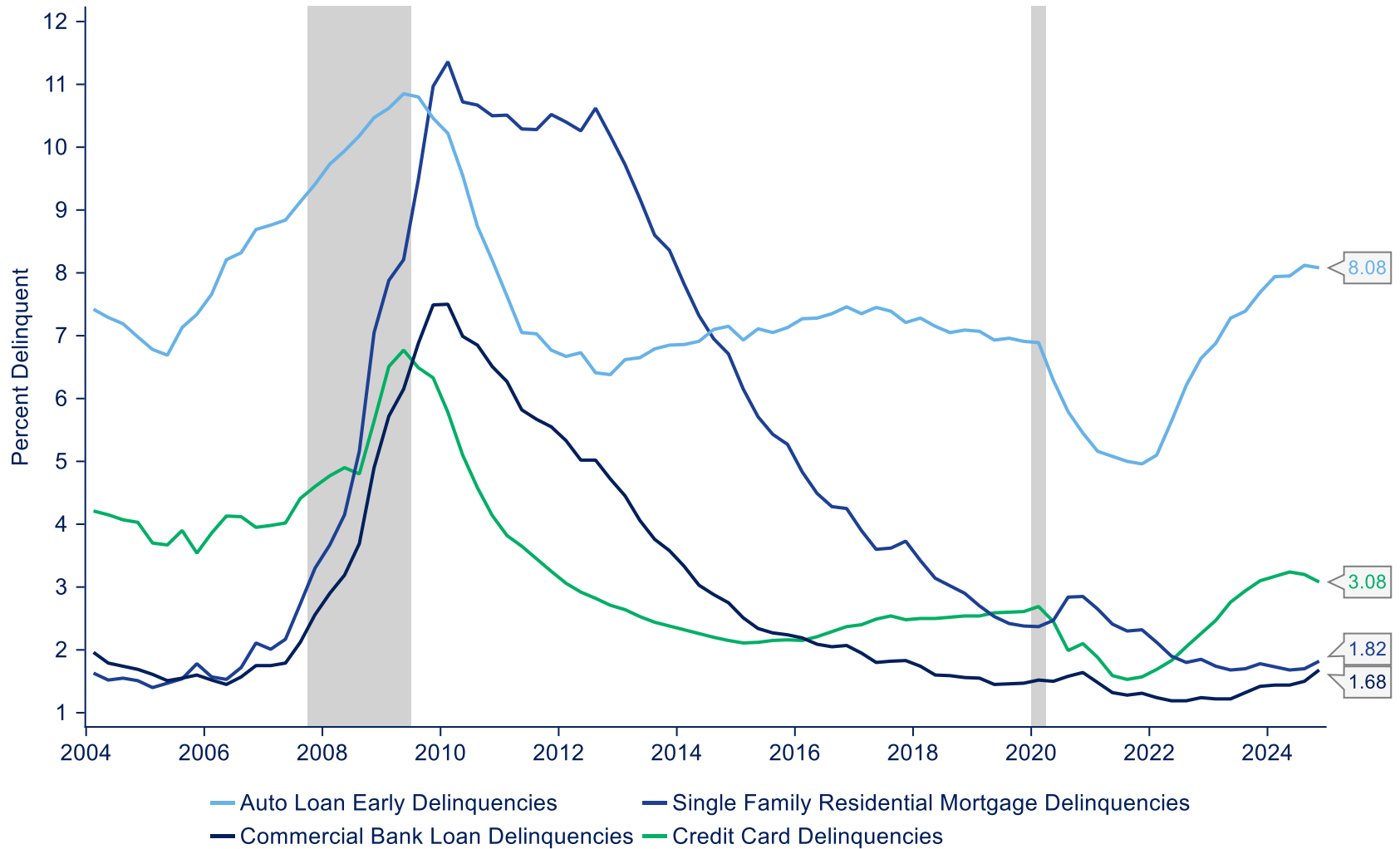
# Nonfarm temporary payrolls down

## Temporary Workers as a % of Total Payrolls



Source: Macrobond, Bloomberg, BLS, as of 4/14/2025

# Delinquency rates rising for Credit Cards & Auto Loans



Source: Macrobond, NY Fed, Federal Reserve, Bloomberg, as of 4/14/2025

# Manufacturing weak...bottoming?



Source: Macrobond, S&P Global, Bloomberg, as of 4/14/2025

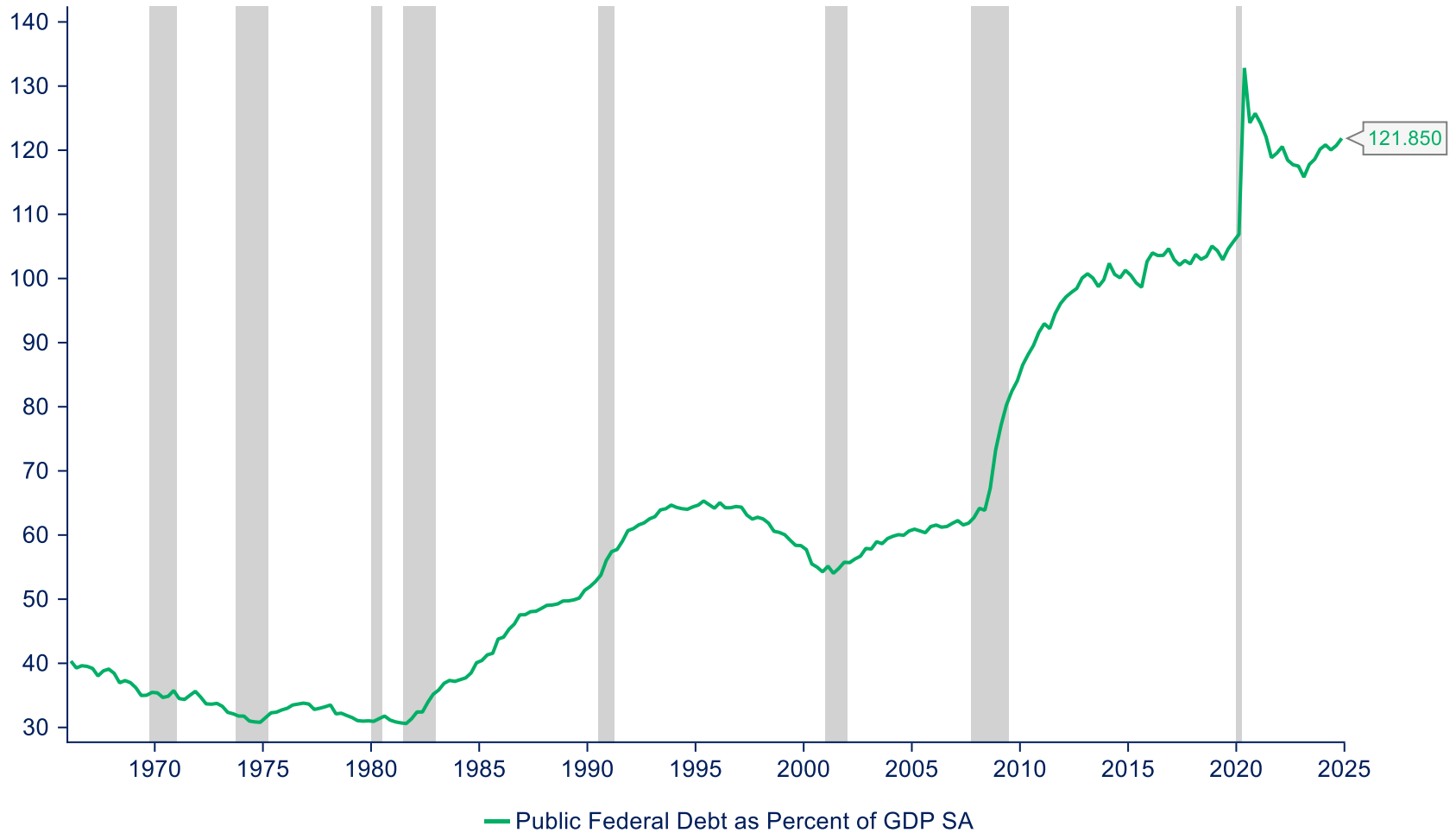


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# Appendix

# U.S. debt to GDP

## Public Federal Debt as a Percent of GDP



Source: Macrobond, Bloomberg, as of 4/14/2025



# Fiscal debt interest burden moving higher

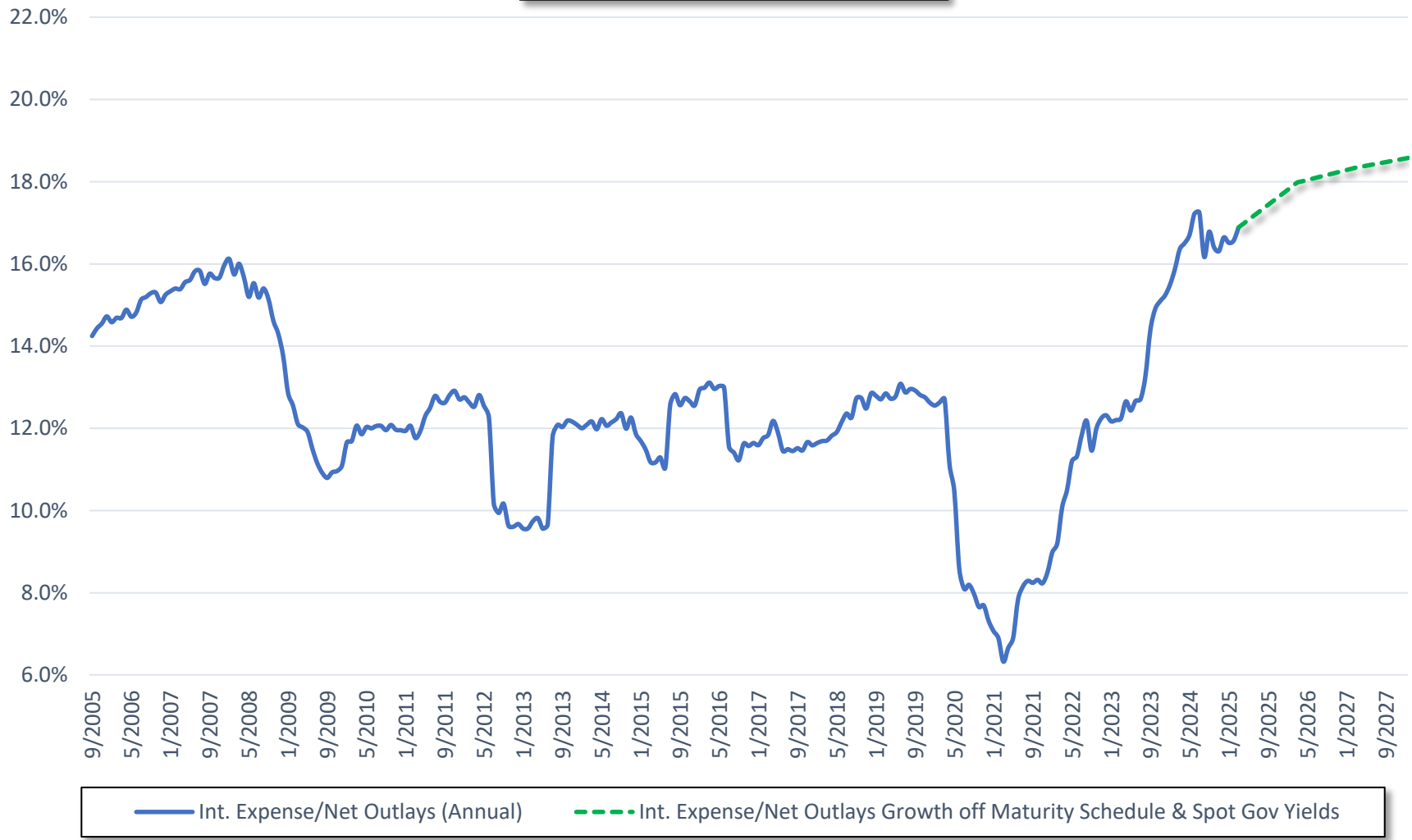
## Last 12 months of Interest Expenses/Last 12 months of Federal Budget Outlays



Source: Macrobond, US Treasury, Bloomberg, as of 4/14/2025

# Federal interest expense over net outlays

Interest Expense Costs



\*Source: Bloomberg, Assumes Public Debt Maturing over next 3 years is refinanced at current treasury yields for like maturities

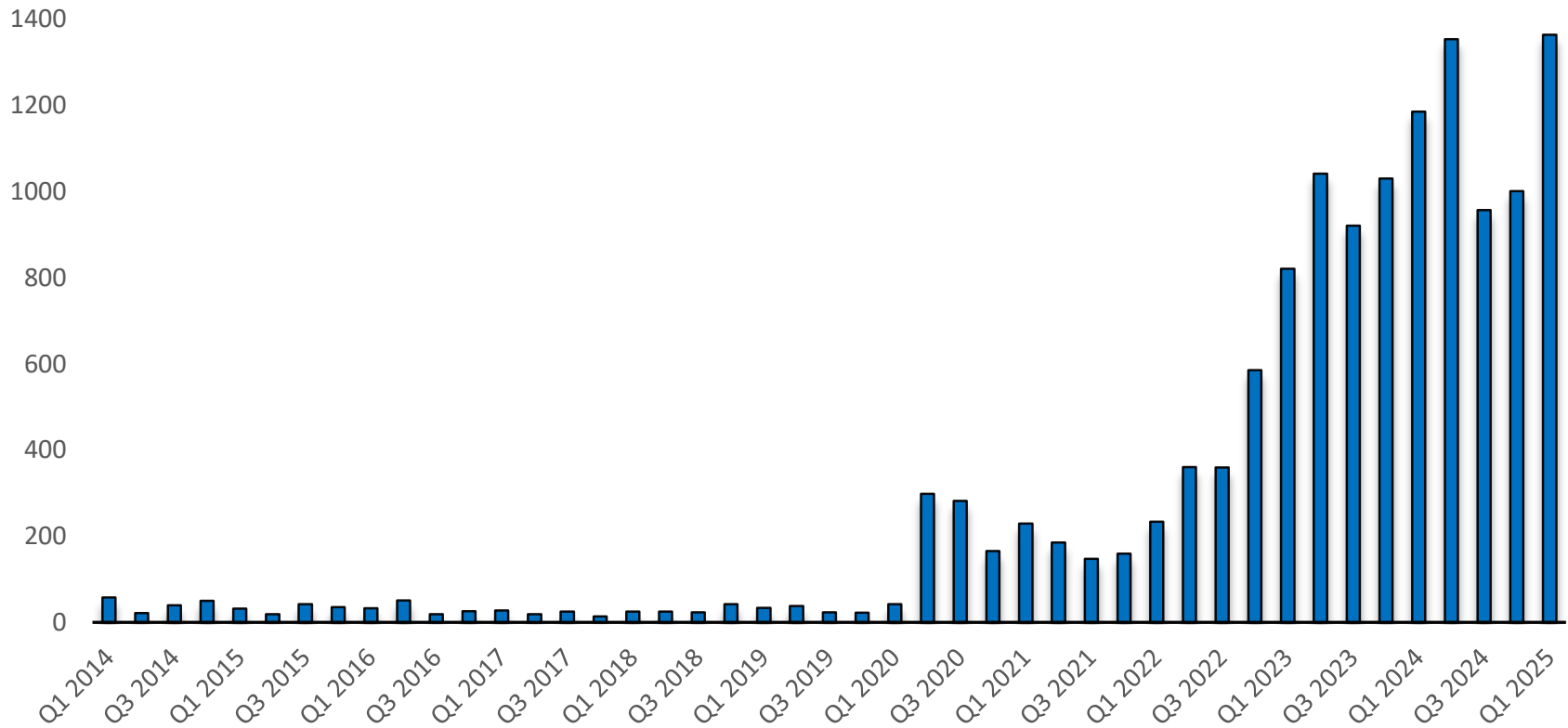
# Federal debt metrics: some context

<u><b>U.S. Fiscal Health Metrics at times of Stress</b></u>	'11 US Downgrade	Fitch '23 Downgrade	Today
<b><u>Debt Metrics</u></b>			
US Treasury Total Public Debt Outstanding (Billions)	\$14,584.50	\$32,587.57	\$36,215.70
Marketable US Debt (Billions)	\$9,377.63	\$25,138.00	\$28,587.05
<i>% of Debt Marketable (Public)</i>	64%	77%	79%
Average Interest Rates on Marketable US Debt	2.39%	2.87%	3.35%
<b><u>Debt Maturity Timeline</u></b>			
US Debt Maturing in 12 Months	29%	30%	32%
<i>Estimated US Debt Maturing in next 12 Months (Billions)</i>	\$4,229.51	\$9,776.27	\$11,589.02
US Debt Maturing in 24 Months	43%	42%	45%
<i>Estimated US Debt Maturing in next 24 Months</i>	\$6,271.34	\$13,686.78	\$16,297.07
<b><u>Debt Ratio's</u></b>			
Total Federal Debt as a % of Nominal GDP SAAR	94%	119%	122%
Monthly Interest Expense as a % of Nominal GDP SAAR, Annualized	2.1%	3.3%	4.3%
US Deficit/Surplus (Billions)	-\$129.38	-\$220.78	-\$160.53
US Deficit/Surplus as a % of GDP	-7.83%	-8.09%	-6.98%
<b><u>Rates Snapshot</u></b>			
Fed Funds Upper Bound	0.25%	5.50%	4.50%
US 2 Year Yield	0.29%	4.90%	3.90%
US 10 year Yield	2.56%	4.02%	4.41%

\*Source: Bloomberg as of 4/14/25

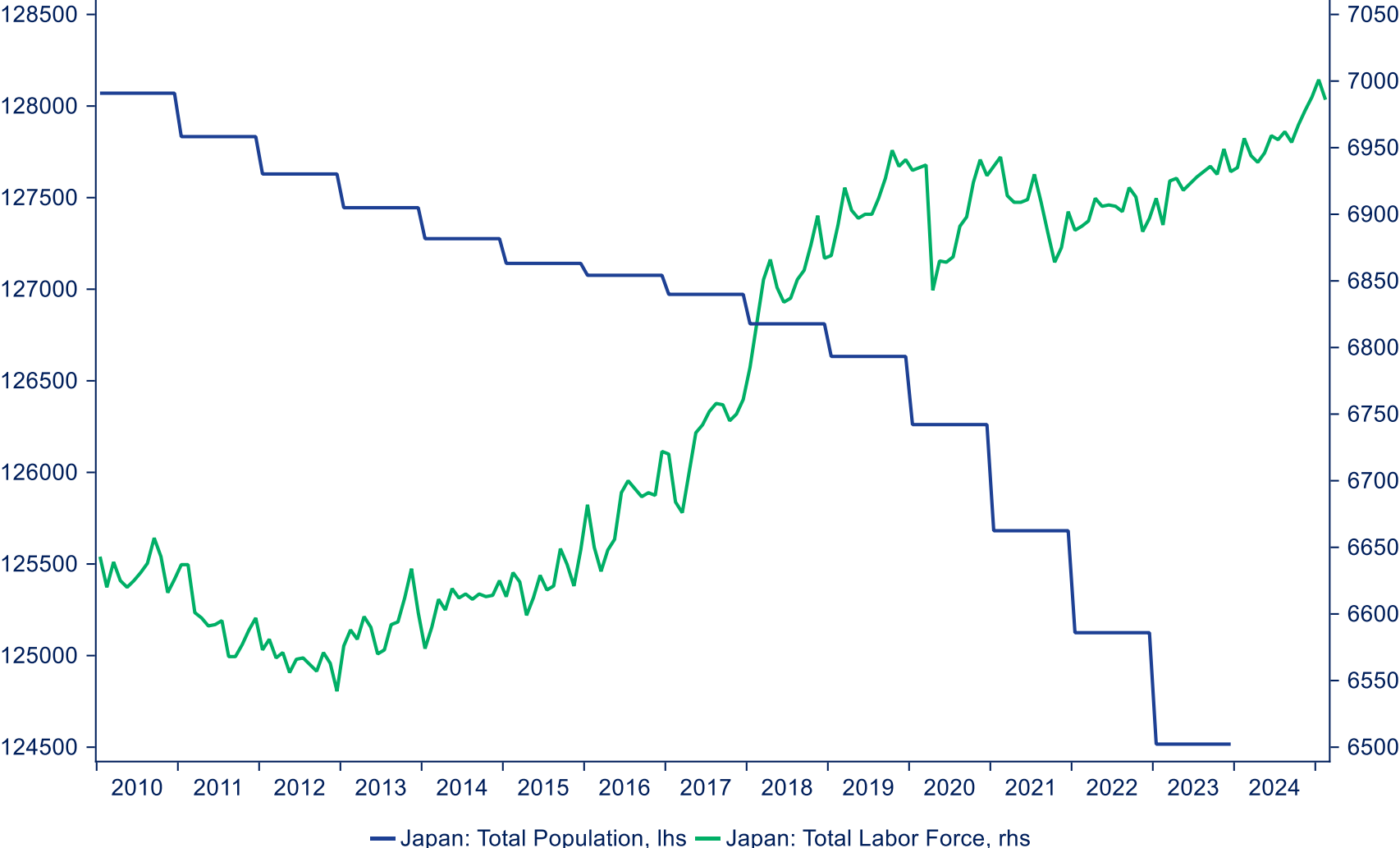
# Passing of “Globalization” and Emergence of “Reshoring”

"Reshoring" mentioned in Public Companies Documents



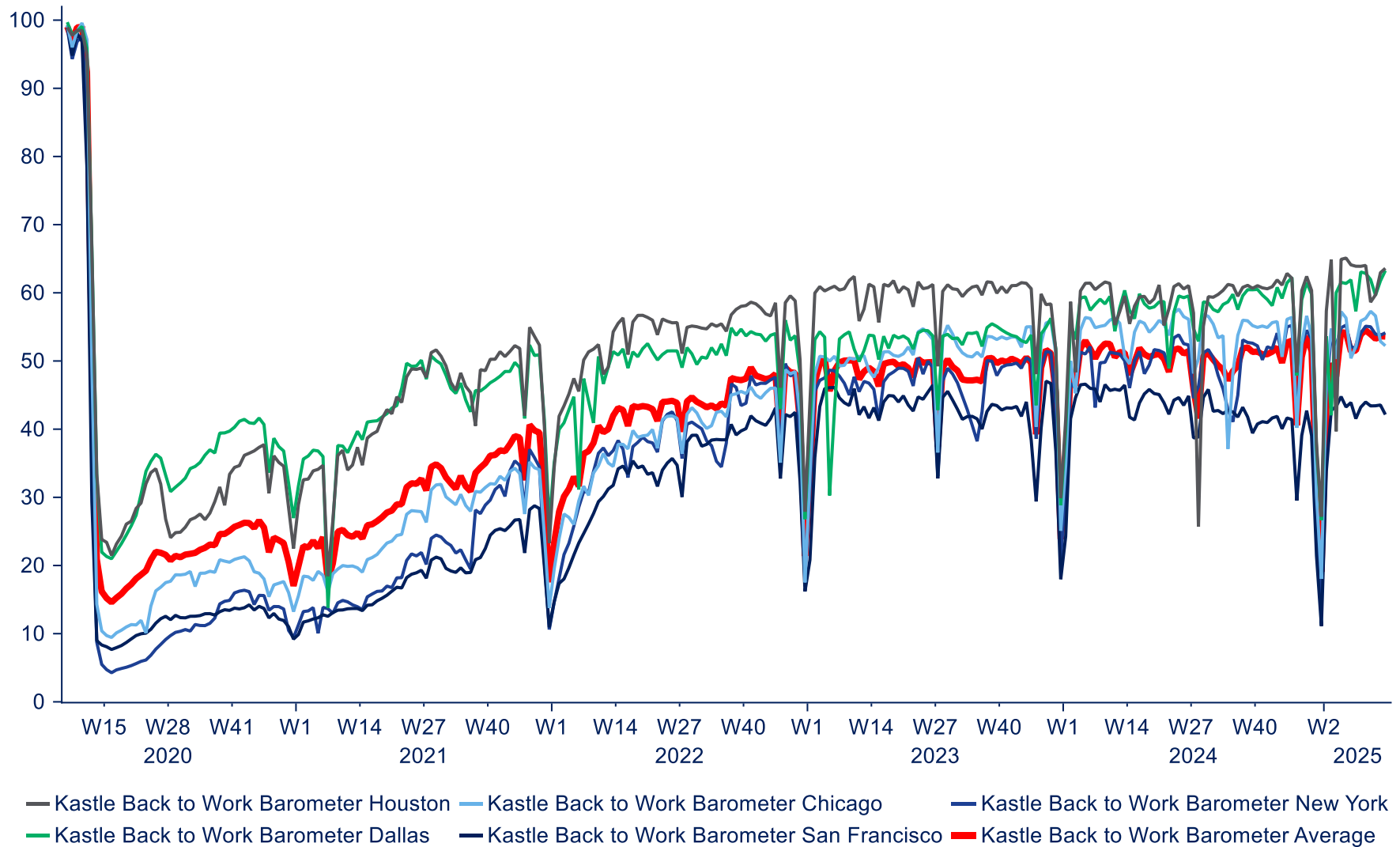
\*Sources: Bloomberg Refrencing Russell 3000 Index

# Japan's labor miracle



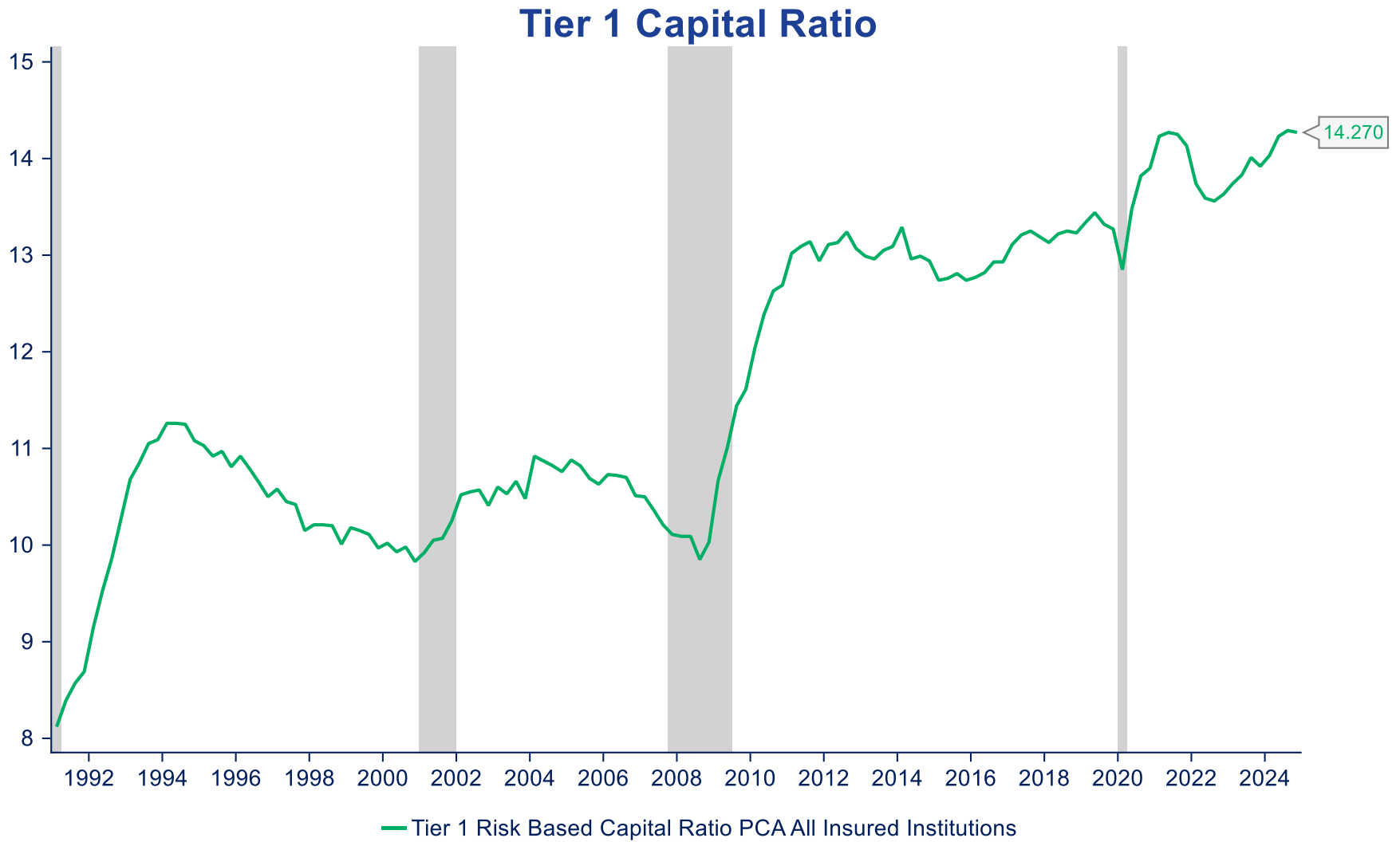
Source: Macrobond, Bloomberg, as of 4/14/2025

# The Workplace Has Changed



Source: Macrobond, Bloomberg BLS, as of 4/14/2025

# Banking system resiliency



Source: Macrobond, FDIC, Bloomberg, as of 4/14/2025



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# Definitions and Disclosures



# Definitions

**U-3 Unemployment Rate** is the total unemployed as a percentage of the civilian labor force. U-6 Unemployment Rate is the total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force.

**The U.S. Treasury Federal Budget Deficit or Surplus** is reported in the monthly Treasury statement of Receipts and Outlays of the U.S. Government. This statement summarizes the financial activities of the Federal Government and off-budget federal entities conducted in accordance with the budget of the U.S. Government.

**GDP (Gross Domestic Product)** is the total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports.

**The Federal Funds Rate (Fed funds)** is the short-term interest rate targeted by the Federal Reserve's Federal Open Market Committee (FOMC) as part of its monetary policy.

**The Federal Reserve balance sheet** tracks the aggregate assets and liabilities of the Federal Reserve.

**Money market funds** are mutual funds that invest in highly liquid, near-term instruments including cash and cash equivalents.

**Capacity utilization** tracks the extent to which the installed productive capacity of a country is being used in the production of goods and services.

**The labor force participation rate** is a measure of the economy's active workforce. It is the sum of all workers who are employed or actively seeking employment divided by the total noninstitutionalized, civilian working-age population.

**Personal consumption**, or consumer spending, tracks goods and services purchased by consumers. Core personal consumption expenditures measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices to reveal underlying inflation trends.

**The Consumer Price Index** is a measure of prices paid by consumers for a basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

**The U.S. Existing Home Sales Median Price Index** tracks the median price in all existing home sales. Total existing home sales include single-family homes, townhomes, condominiums and co-ops. All sales based on closings from Multiple Listing Services.

**5-Year, 5-Year Forward Inflation Expectation Rate** measures expected inflation (on average) over the five-year period that begins five years from today.

**The fertility rate** represents the number of children that would be born to a woman if she were to live to the end of her childbearing years and bear children in accordance with current age-specific fertility rates.

**The Employment Cost Index (ECI)** measures changes in employee compensation costs (or labor costs). These include both direct costs, such as wages, bonuses or in-kind benefits, as well as indirect costs, such as social security contributions, training costs, medical benefits, taxes, etc.

**Total Public Debt as a Percent of Gross Domestic Product (GDP)** is calculated using Federal Government Debt: Total Public Debt and Gross Domestic Product.

**CEO Confidence Index** measures CEO confidence in the economy, one year from now. This concept tracks the general state of the economy as it relates to businesses.

**Capital Goods New Orders Nondefense Ex Aircraft & Parts** tracks the value of new orders received during the reference period. It is often used as a proxy for capital expenditures, or CapEx. Capital expenditure are funds used by a company to acquire, upgrade, and maintain physical assets.

**The Personal Saving Rate** is household disposable income less household consumption as a percent of household disposable income.

# Definitions

**The BarCap U.S. Corporate HY YTW – 10-yr Treasury Spread** is calculated by taking the Barclays Capital U.S. Corporate High Yield Yield-to-Worst minus the U.S. Generic Government 10-year Yield.

**The Bloomberg Commodity Index** is calculated on an excess return basis and reflects commodity futures price movements.

**Nonfarm Payrolls** measures the number of employees on business payrolls.

**Retail sales**, also referred to as retail trade, tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

**The Job Openings and Labor Turnover Survey (JOLTS)** job openings tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

**The Boston Consulting Group (BCG) Global Manufacturing Cost-Competitiveness Index** estimates shifts in direct costs for the world's 25 leading manufacturing exporting economies in four dimension: manufacturing wages, productivity, energy costs and currency exchange rates.

**Purchasing Managers' Indexes (PMIs)** are indicators of the economic health of the manufacturing and services sectors. PMIs are based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.

# Disclosures

## About Fifth Third

Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio, and the indirect parent company of Fifth Third Bank, National Association, a federally chartered institution. Fifth Third offers financial products and solutions in Commercial Banking, Consumer and Small Business Banking, and Wealth & Asset Management. Wealth & Asset Management is comprised of Fifth Third Private Bank and Fifth Third Institutional Services. Fifth Third is among the largest money managers in the Midwest and, as of December 31, 2022, had \$510 billion in assets under care, of which it managed \$55 billion for individuals, corporations and not-for-profit organizations through its Trust and Registered Investment Advisory businesses. Investor information and press releases can be viewed at [53.com](https://www.fifththird.com). Fifth Third's common stock is traded on the NASDAQ® Global Select Market under the symbol "FITB." Fifth Third Bank was established in 1858.

Investments and investment services are offered through or are made available by one or more of Fifth Third Bancorp's indirect subsidiaries. Investments and Investment Services: **Are Not FDIC Insured, Offer No Bank Guarantee, May Lose Value, Are Not Insured By Any Federal Government Agency, Are Not A Deposit.**

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