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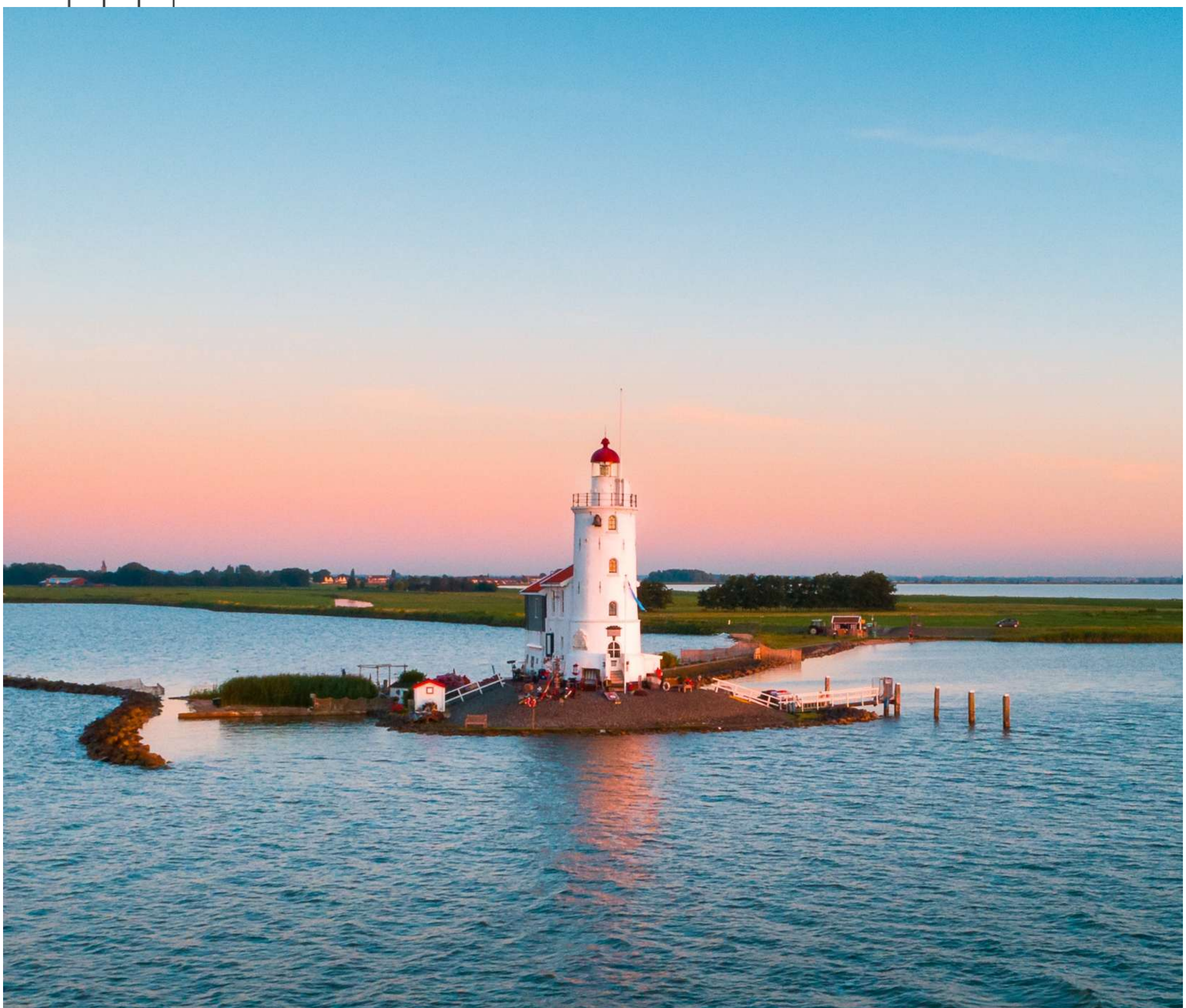

Market Commentary
CIO: The Fed Holds...

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A Patient Fed, Strong Earnings, and What It Means for You

CIO Perspective: The Fed Holds…

The Headline

The Federal Reserve held interest rates steady this week at 3.50%–3.75%, marking the third consecutive pause this year. While the decision itself was widely expected, the deeper story is one of healthy debate within the Fed: four officials dissented — the most in over three decades — reflecting genuine disagreement about how quickly inflation is cooling, particularly as global energy prices remain elevated amid tensions with Iran.

This was likely Chair Powell's final meeting. Kevin Warsh, expected to be confirmed in mid-May, has signaled a somewhat more accommodative stance, and markets are beginning to position for that transition.

When Will Rates Come Down?

Patience is the watchword. The Fed's own projections suggest just one rate cut next year and another in 2027, bringing rates closer to a neutral level near 3.1%. Futures markets have pushed expectations for the next cut into late 2027 — meaningfully later than investors anticipated at the start of the year. For now, "higher for longer" remains the working assumption.

A Strong Earnings Backdrop

Encouragingly, corporate America continues to deliver. The S&P 500 is on pace for its sixth consecutive quarter of double-digit earnings growth, led by exceptional strength in technology. This week's results from the largest tech companies were mixed but generally solid — a reminder that even strong fundamentals can be met with cautious reactions when expectations run high. The market is increasingly relying on continued investment in artificial intelligence to support today's valuations, with major technology firms projected to spend roughly $650 billion on AI infrastructure next year.

What This Means for Your Portfolio

Equities: A patient Fed keeps pressure on more rate-sensitive areas like small caps, real estate, and regional banks. We continue to favor high-quality companies with durable earnings power and remain thoughtful about concentration in the largest names.

Fixed Income: With the 10-year Treasury near 4.4%, bonds are offering attractive income for the first time in years. We see opportunity in selectively extending duration as the rate cycle matures.

Cash & Borrowing: Money market yields remain attractive, while borrowing costs on mortgages and credit stay elevated — a reminder to revisit any large financing decisions thoughtfully.

Diversifiers: A firm dollar, sticky oil prices, and renewed interest in gold reinforce the value of holding genuine portfolio diversifiers in this environment.

Looking Ahead

May brings a Fed leadership transition, additional major earnings reports, and fresh inflation data — each a potential catalyst. Our approach remains unchanged: stay invested, stay diversified, and stay aligned with your long-term plan. Periods of transition often create the very opportunities that reward patient, disciplined investors.

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