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Charts of the Week

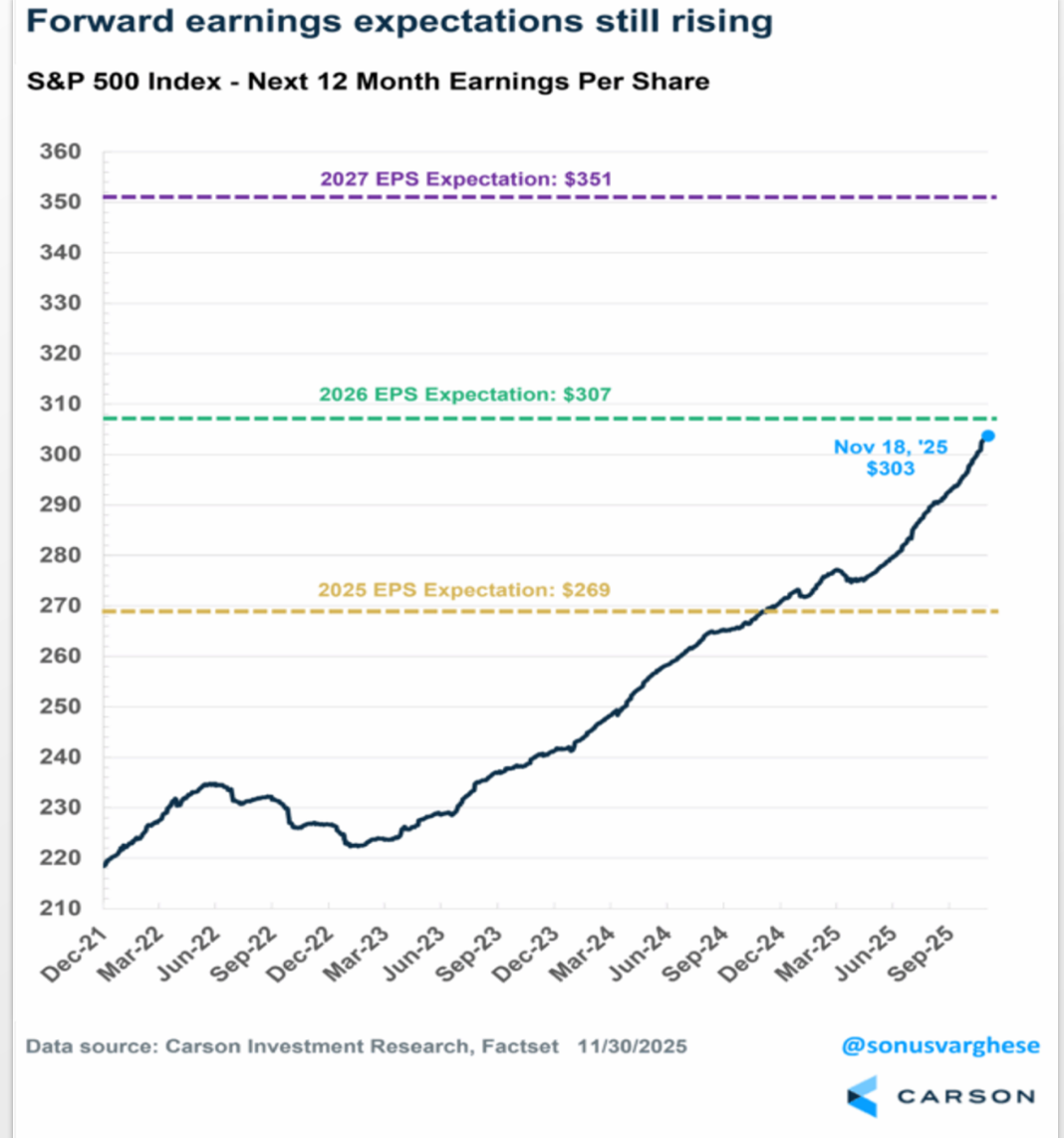
Carson Investment Research

December 1-5, 2025

Chart of the Week

Forward EPS Expectations Continue to Rise

- Analysts continue to revise earnings expectations higher, with next 12-month EPS reaching new cycle highs.
- The upward trend in 2025–2027 estimates indicates that profit growth likely to support equity performance.
- Rising earnings expectations help explain why market valuations have remained stable despite macro uncertainty.



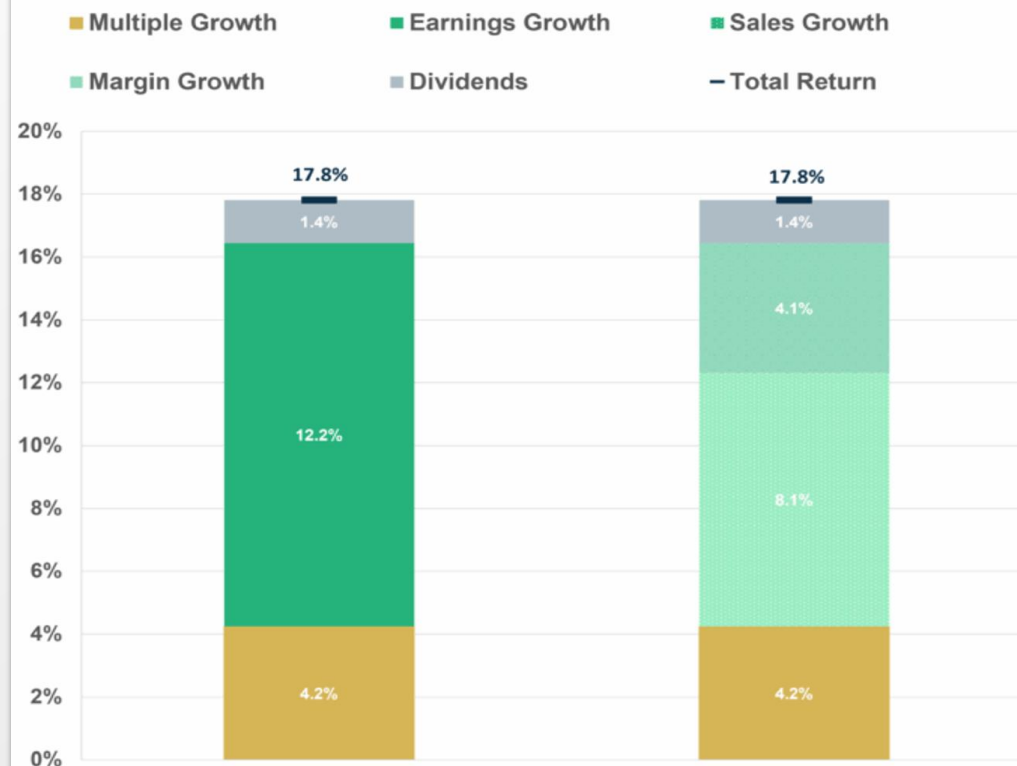
Markets

S&P 500 Total Return Drivers: Earnings & Margins

- Decomposition of expected returns shows that earnings growth and margin improvement account for most of the 2025 gains.
- Multiple expansion played a comparatively smaller role.
- The contribution mix emphasizes largely fundamental rather than valuation-driven performance.

Sales growth & margin expansion powering S&P 500 returns in 2025, much more so than multiple expansion

S&P 500 Total Return Drivers



Data source: Carson Investment Research, Factset 11/30/2025

Next 12-month data used for earnings, sales, margins and multiples.

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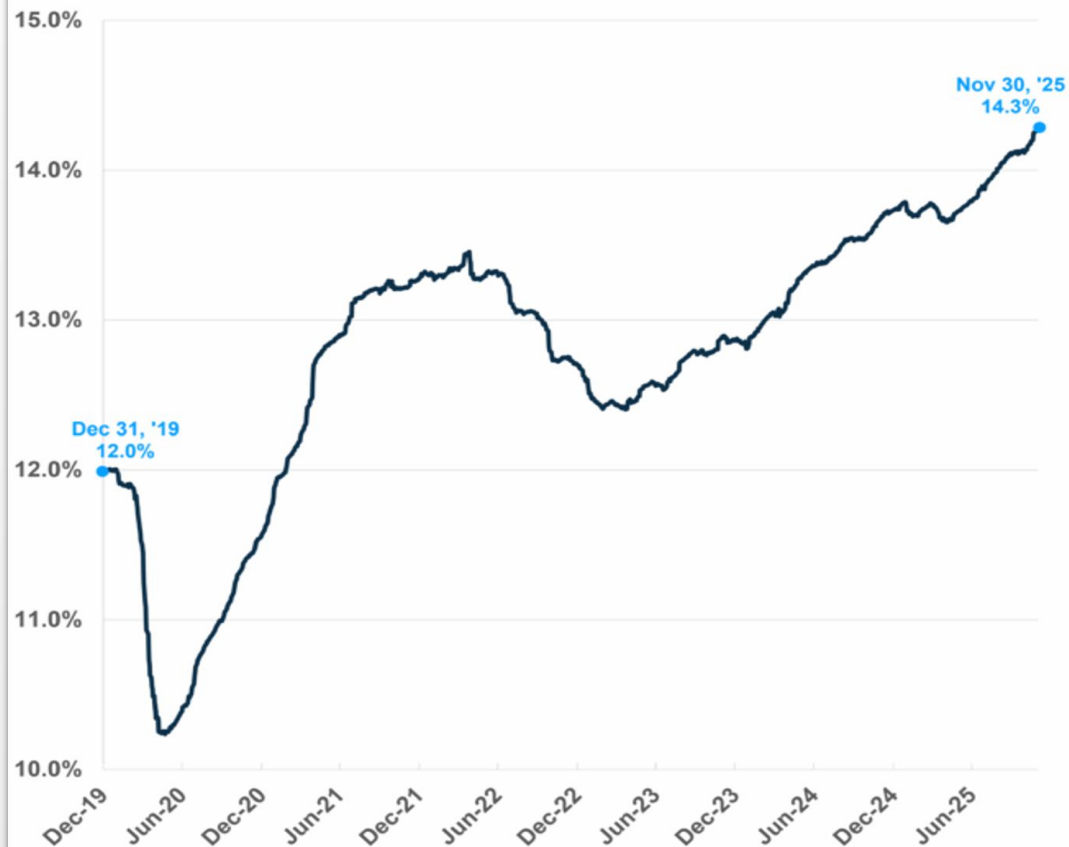
Markets

Profit Margins Continue to Expand

- Forward profit margins are projected to reach new highs, reflecting stronger operational efficiency.
- Margin expansion has contributed meaningfully to improved earnings expectations.
- The trend suggests that companies are maintaining pricing power and cost discipline.

Margins continue to expand

S&P 500 Index - Profit Margin (Forward 12-months)



Data source: Carson Investment Research, Factset 11/30/2025

Profit margin estimated as next 12-month earnings divided by sales

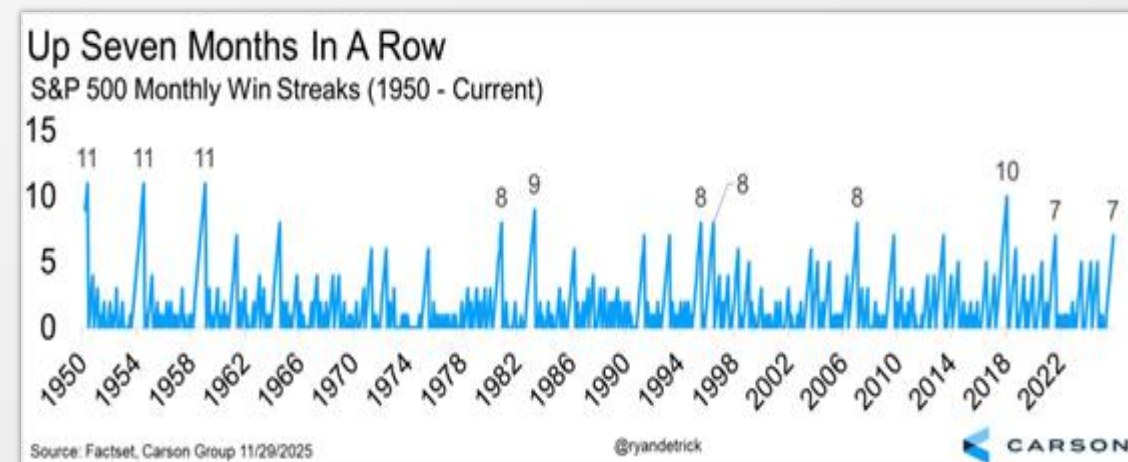
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Markets

Seven-Month Win Streak Historical Outcomes

- Past seven-month win streaks have often been followed by positive average returns over the next 3, 6, and 12 months.
- The data shows a high frequency of continued gains, though with wide variability.
- This pattern highlights the persistence of price momentum in longer market cycles.



Seasonal Patterns

December is Strong, But Not an Extreme Outperformer

- December has historically shown a low frequency of being the worst-performing month for the S&P 500.
- Despite its positive reputation, December is not often the strongest month of the year either.
- Seasonal trends are supportive but should be viewed within a broader market context.

December Rarely Is The Worst Month Of The Year

How Often Each Month Is The Worst Month Of The Year For The S&P 500 (1950 - 2024)



Source: Carson Investment Research, Factset 11/28/2025

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December Is Strong, But Rarely The Best Month Of The Year

How Often Each Month Is The Best Month Of The Year For The S&P 500 (1950 - 2024)



Source: Carson Investment Research, Factset 11/28/2025

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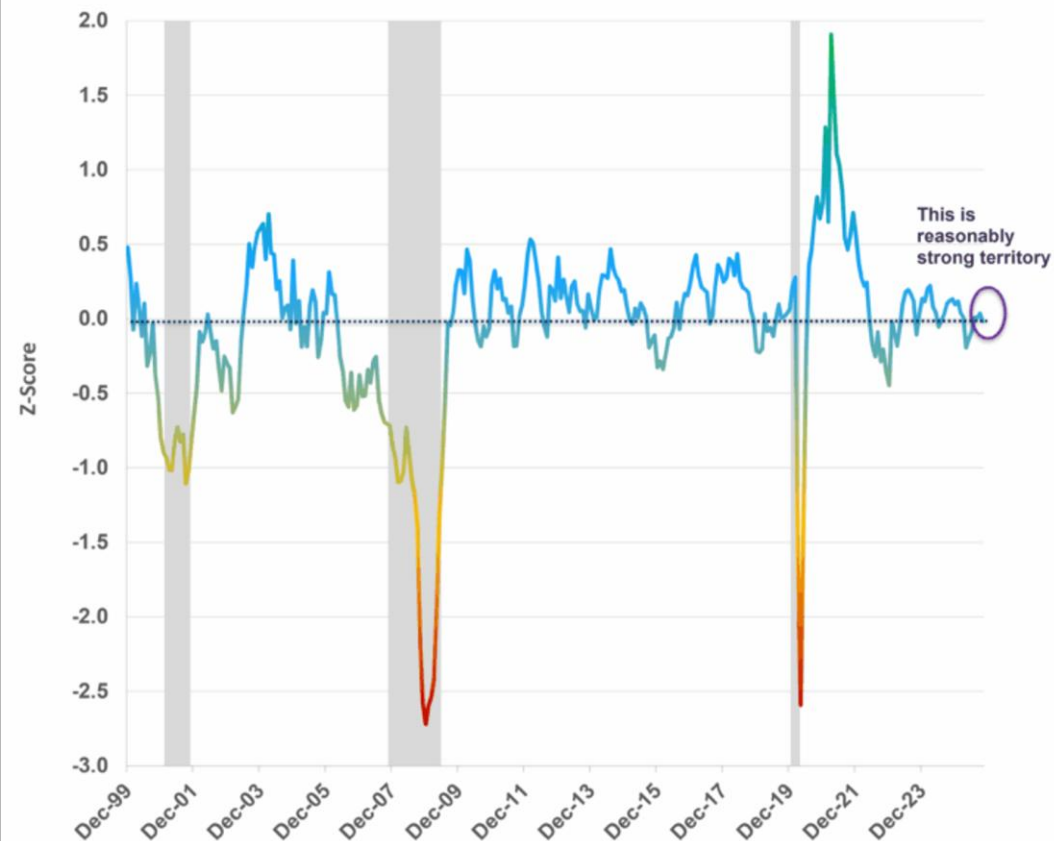
Macro

Carson's Leading Economic Index (US)

- The index remains above trend, indicating that U.S. economic activity is holding steady.
- Recent readings show no signs of the sharp deterioration that typically precedes recessions.
- A stable Leading Index suggests near-term economic risk remains contained.

US economic activity running along trend, with no sign of deterioration typical of recession

Carson Proprietary Leading Economic Index - USA



Data source: Carson Investment Research 11/30/2025

Shaded areas indicate U.S. recessions

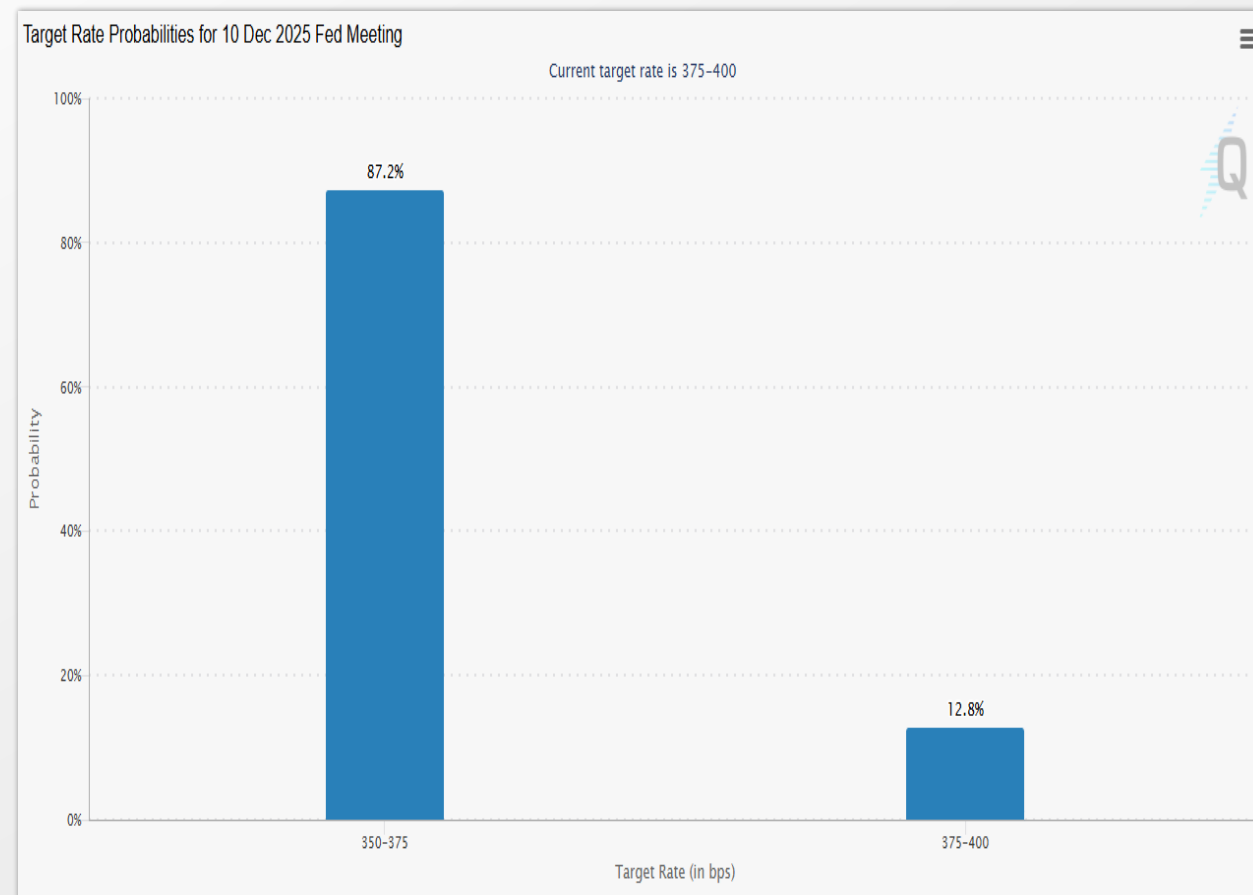
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Macro

Fed Target Rate Probabilities: Market Expects a Cut

- Market pricing assigns a high probability to a rate cut in December.
- Futures positioning suggests investors expect additional cuts in 2026.
- Rate expectations influence financial conditions and have implications for credit, housing, and broader asset pricing.



Source: [CME FedWatch Tool - CME Group. \(n.d.\). Www.cmegroup.com.](https://www.cmegroup.com)



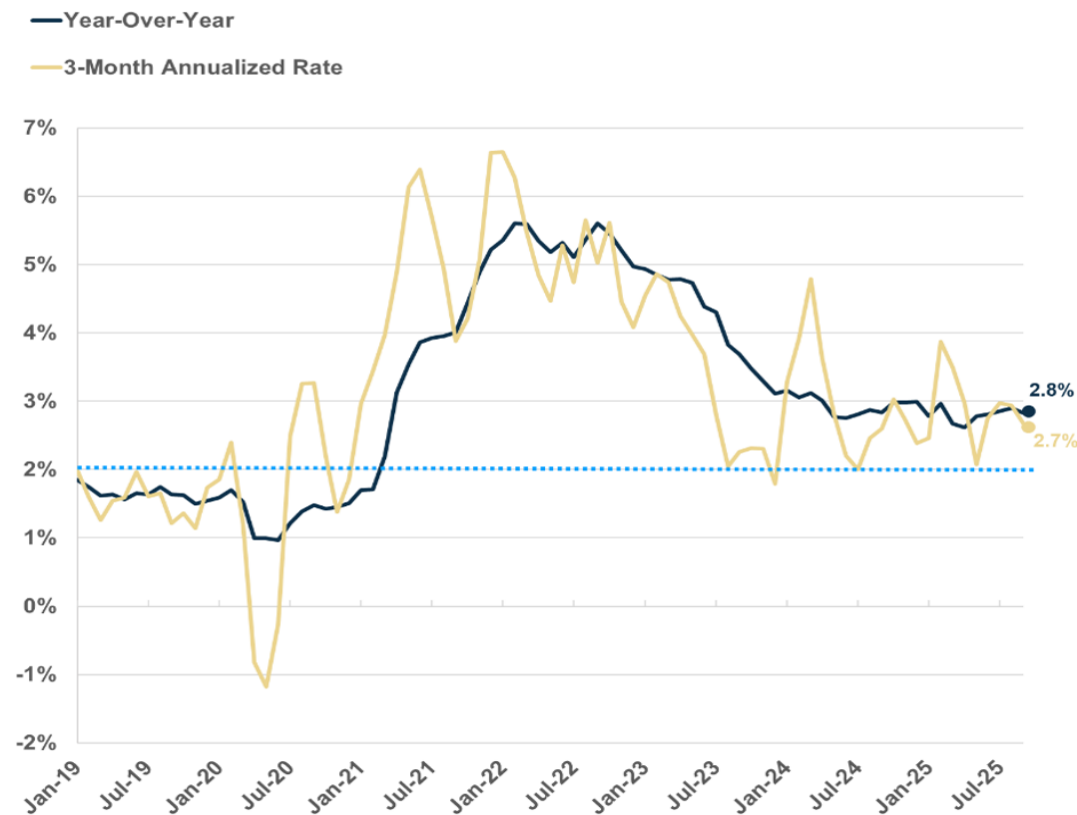
Macro

Core Inflation Is Sticky but Losing Momentum

- Core PCE inflation has eased from its peak, and the short-term annualized trend shows some continued cooling.
- The decline in momentum indicates that inflation pressures has stabilized even if somewhat elevated.
- Inflation stabilization supports the case for some additional cuts in the year ahead.

Core inflation stays stubbornly high, though there is some sign of momentum slowing

Personal Consumption Expenditure Price Index
Excluding Food and Energy (September 2025)



Data source: Carson Investment Research, FRED 12/05/2025

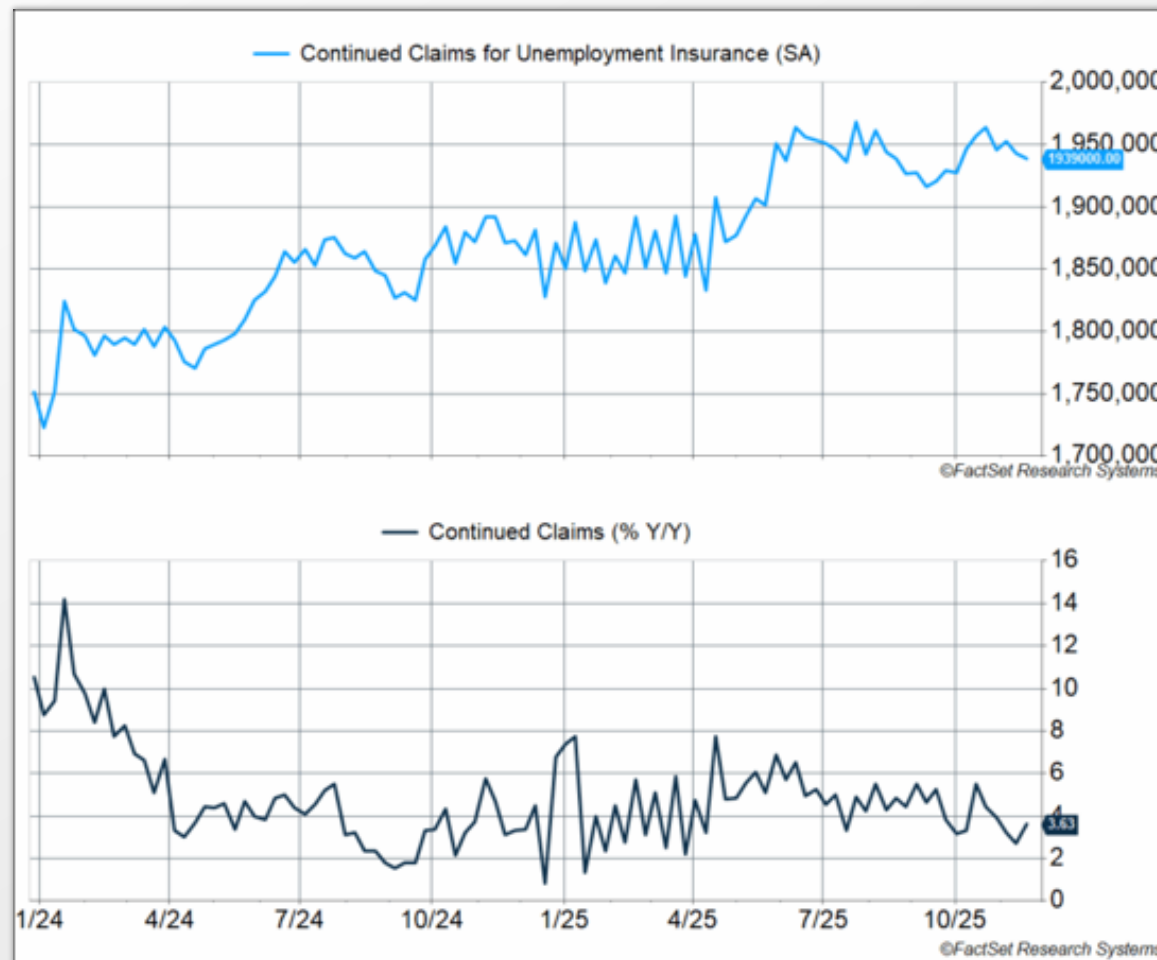
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Macro

Continued Claims Rising Slowly but Still Controlled

- Continued unemployment claims have trended higher over the past year, indicating some cooling in the labor market.
- The current level remains historically moderate and does not signal broad-based stress.
- Gradual softening in claims is consistent with a stable labor market.



Macro

Mortgage Activity On an Uptrend

- Purchase applications have begun trending higher after a prolonged period of softness.
- The recent year-over-year improvement points to early signs of stabilization in housing demand.
- Historically, turning points in mortgage activity have coincided with shifts in household sentiment and spending.

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Mortgage activity on an uptrend

MBA US Purchase Index - Mortgage Loan Applications



Data source: Carson Investment Research, Bloomberg 12/02/2025

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