



Charts of the Week

Carson Investment Research
December 29 – January 2, 2025

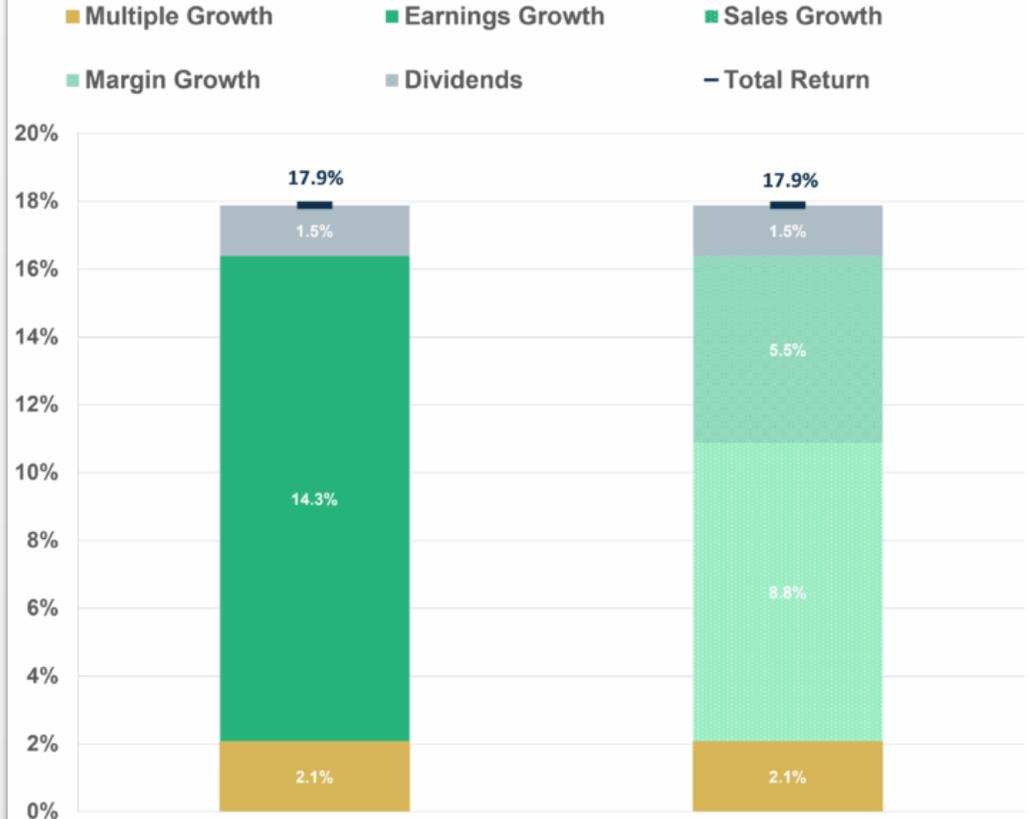
Chart of the Week

Earnings, Not Multiple Expansion Drove Returns

- Equity gains were driven primarily by earnings growth and margin resilience, not by investors paying higher multiples.
- This reinforces the idea that the market advance has been supported by real economic and corporate fundamentals.
- When earnings lead returns, markets tend to be better positioned to absorb volatility without breaking trend.

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

S&P 500 Total Return Drivers



Data source: Carson Investment Research, Factset 12/31/2025

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

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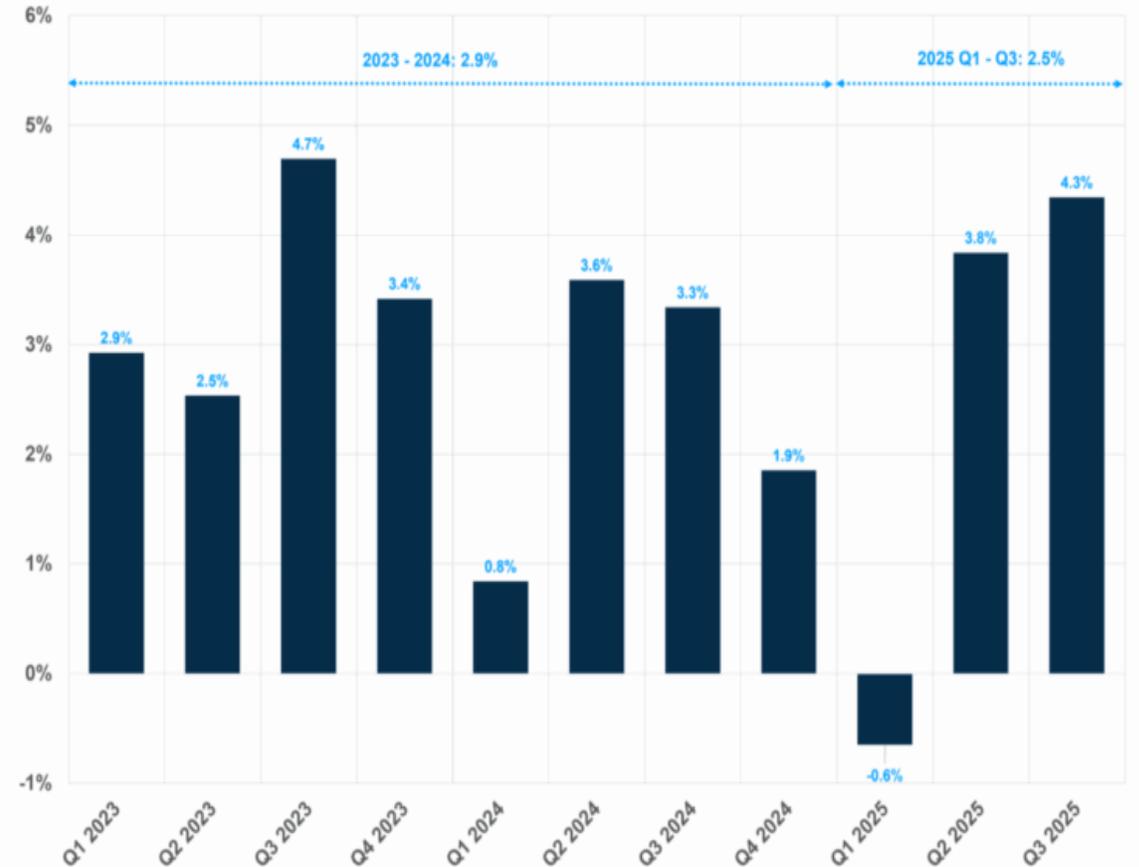
Macro

Economic Growth Rebounded After an Early-Year Soft Patch

- Economic growth cooled earlier in the year but quickly stabilized near trend.
- This pattern fits with an expansion that is maturing, not one that is ending.
- A slowing economy can still support markets when policy and earnings remain supportive.

GDP growth rebounds after a weak first quarter

Real GDP: Annualized Growth Rates



Data source: Carson Investment Research, BEA 12/23/2025

Growth rates show above are all annualized.

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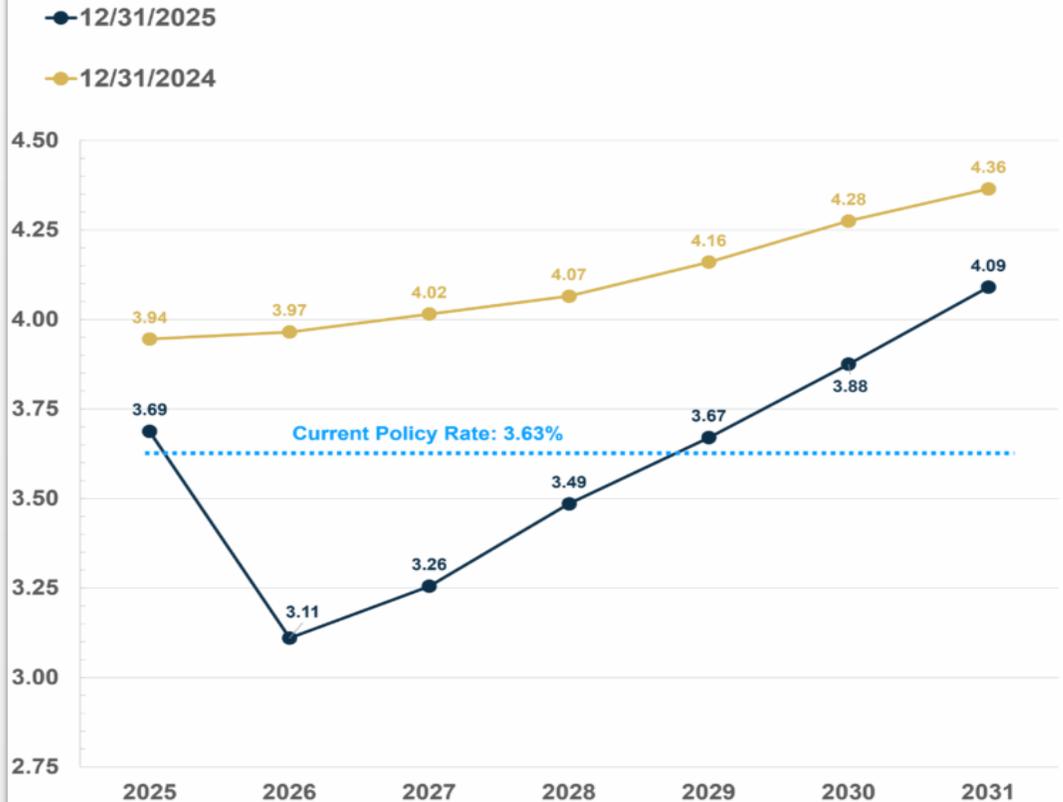
Macro

Rate Expectations Have Reset Lower

- Market expectations for future policy rates have shifted meaningfully lower.
- This reflects confidence that inflation pressures are manageable without requiring restrictive policy.
- A less punitive rate backdrop improves the runway for both growth and asset prices.

Markets now expect much lower rates over the next several years than at the start of the year

Implied Fed Policy Rate Expectations



Data source: Carson Investment Research, Bloomberg 12/31/2025

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Implied policy rate proxied by SOFR futures

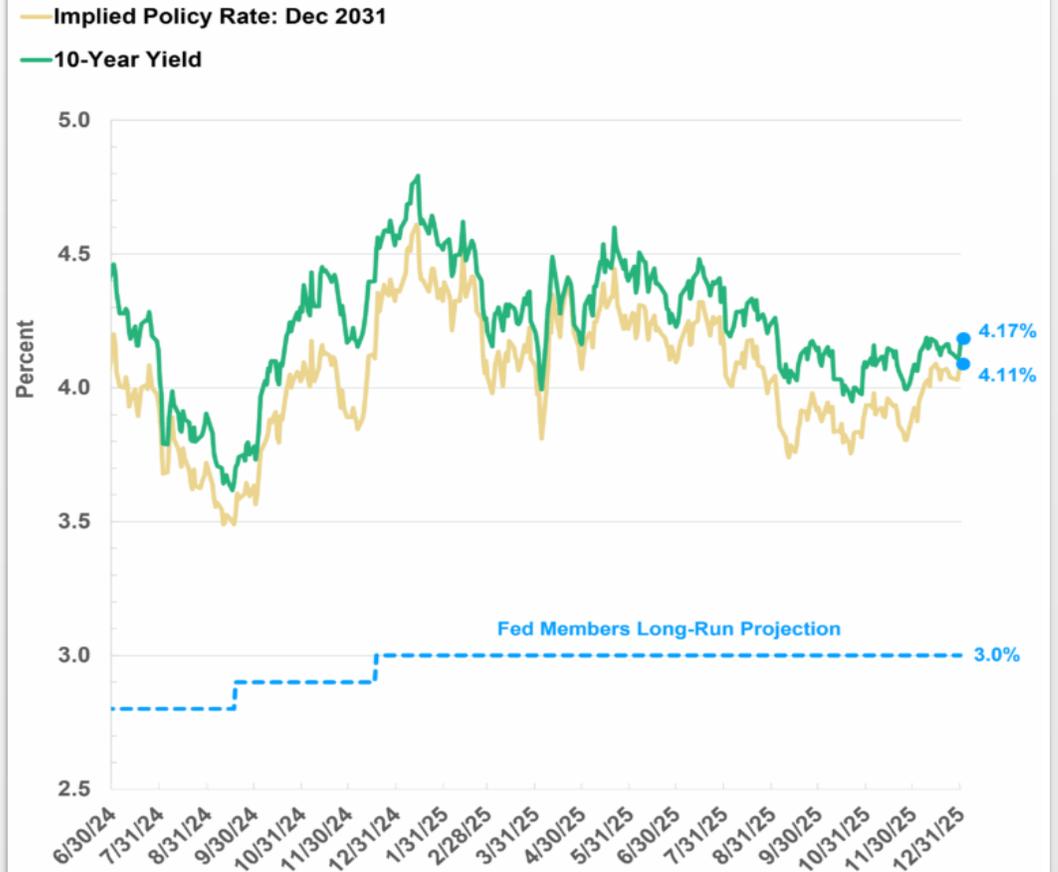


Macro

Long-Term Yields Reflect Policy Expectations

- Long-term yields have largely moved in line with changes in policy expectations.
- This suggests rate volatility has been orderly rather than signaling stress.
- Financial conditions continue to adjust, not tighten abruptly.

10-year yield closely tracking expected policy rate in the future



Data source: Carson Investment Research, Bloomberg 12/31/2025

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Implied policy rate proxied by SOFR futures
1 basis point = 0.01%-point



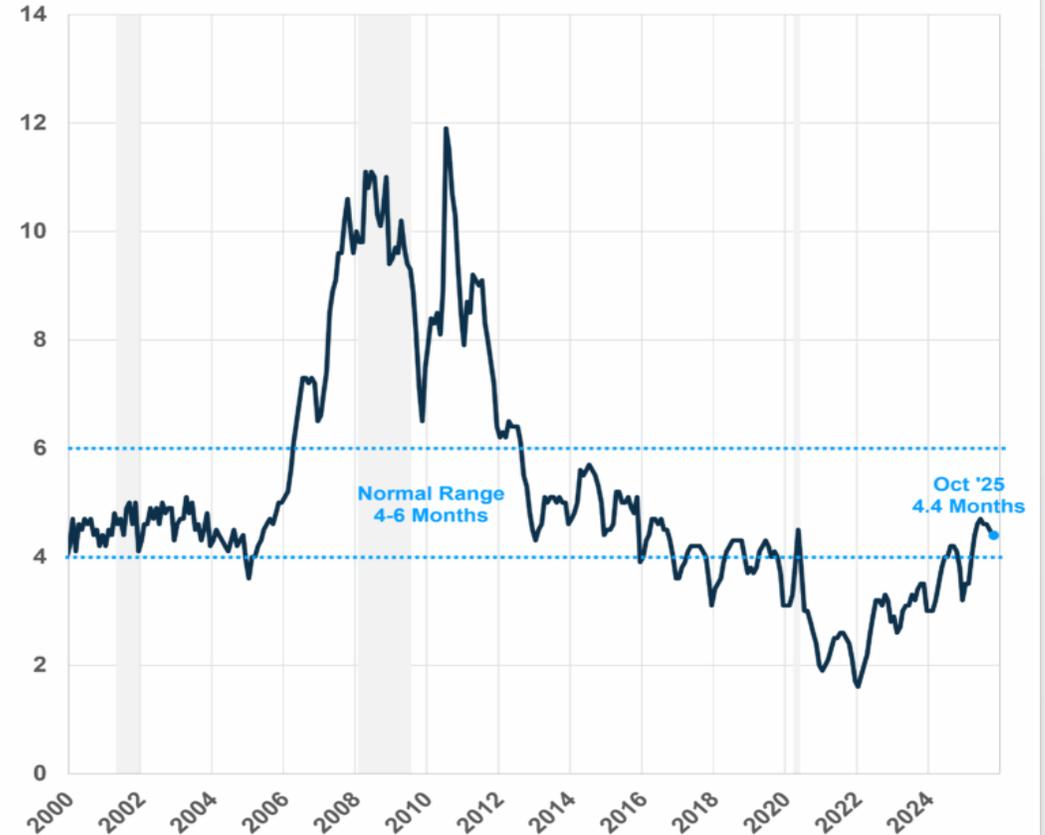
Housing

Housing Inventory Has Normalized

- Housing supply has normalized from extreme post-pandemic shortages.
- This has helped slow housing activity without triggering a collapse in prices.
- Stable housing conditions continue to support household balance sheets.

Inventory of existing homes has normalized (relative to demand)

Existing Home Sales Inventory
(Months of Supply)



Data source: Carson Investment Research, Bloomberg 12/30/2025

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Shaded area indicate U.S. recessions



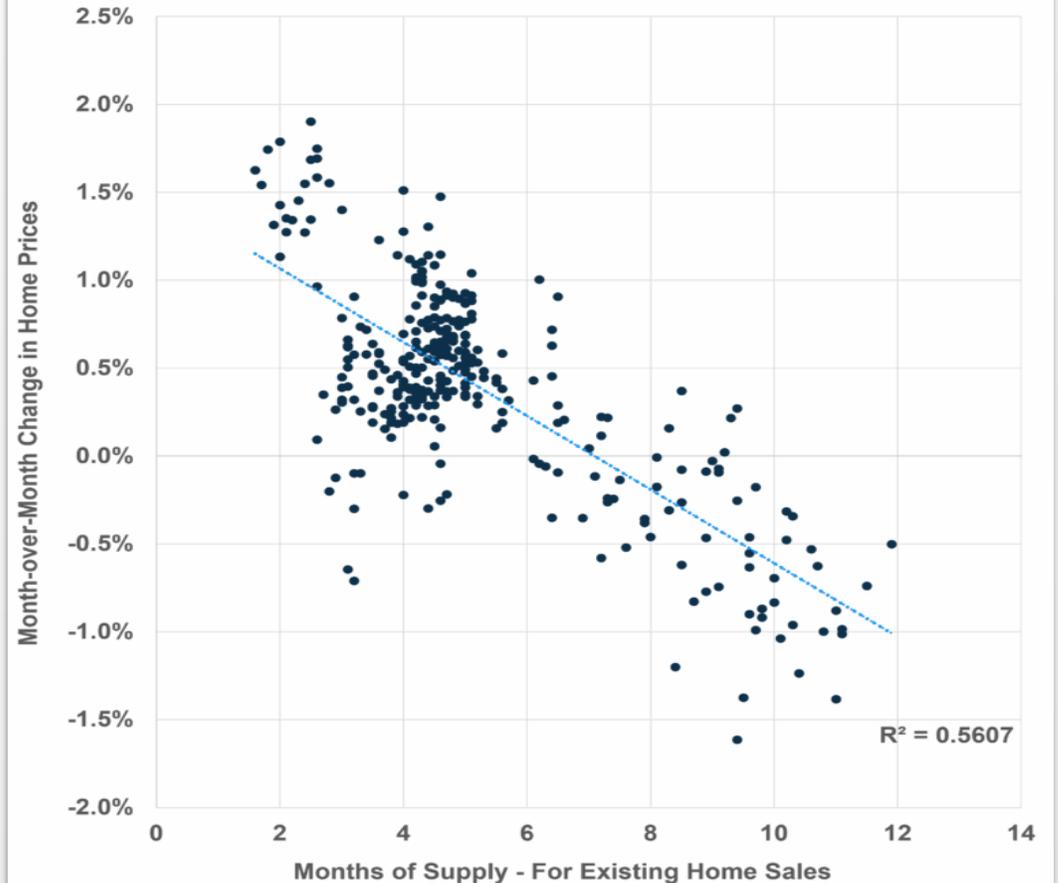
Housing

Home Prices Remain Closely Tied to Supply

- Limited supply remains the primary driver of home price behavior.
- This helps explain price resilience despite higher mortgage rates.
- Housing dynamics today reflect structural constraints, not speculative excess.

Low inventory tends to push home prices up, and vice versa

Home Prices vs Inventory (January 1999 - October 2025)



Data source: Carson Investment Research, Bloomberg 12/30/2025

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Month-over-month change in home prices calculated using the Case-Shiller National Home Price Index (seasonally adjusted)



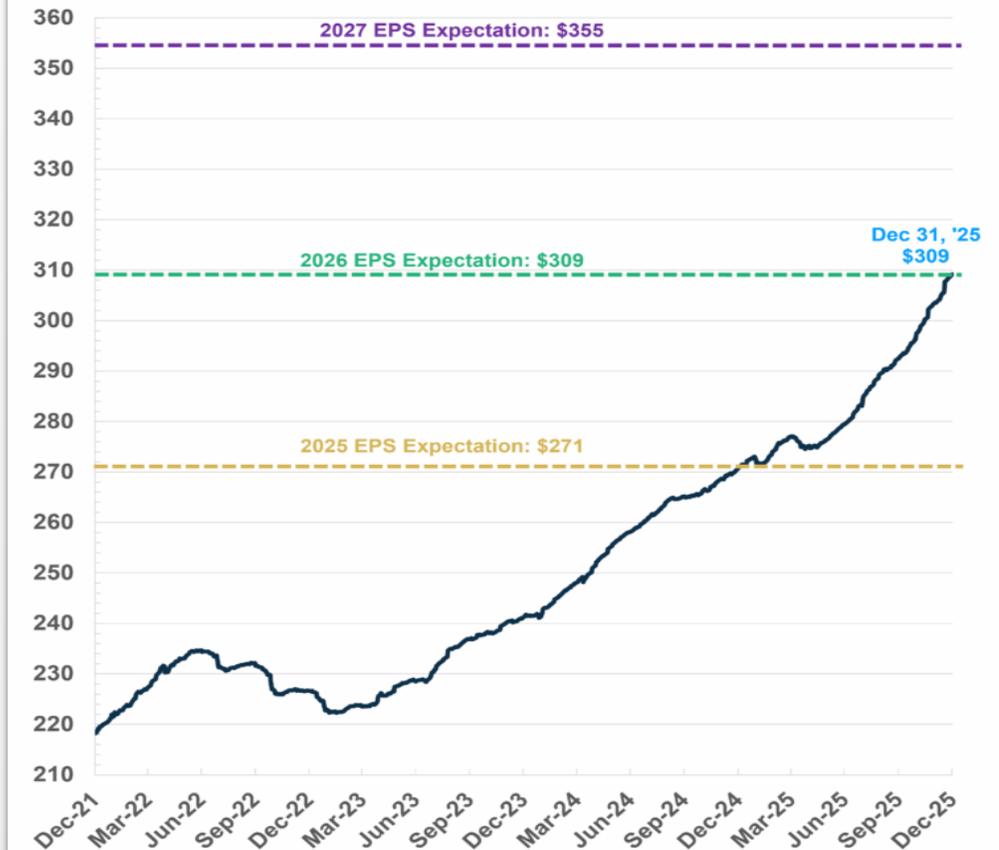
Equities

Earnings Expectations Continue to Improve

- Analysts continue to revise earnings expectations higher.
- This supports equity performance even as economic growth moderates.
- Strong earnings help explain why markets have looked past policy and political noise.

Forward earnings expectations still rising

S&P 500 Index - Next 12 Month Earnings Per Share



Data source: Carson Investment Research, Factset 12/31/2025

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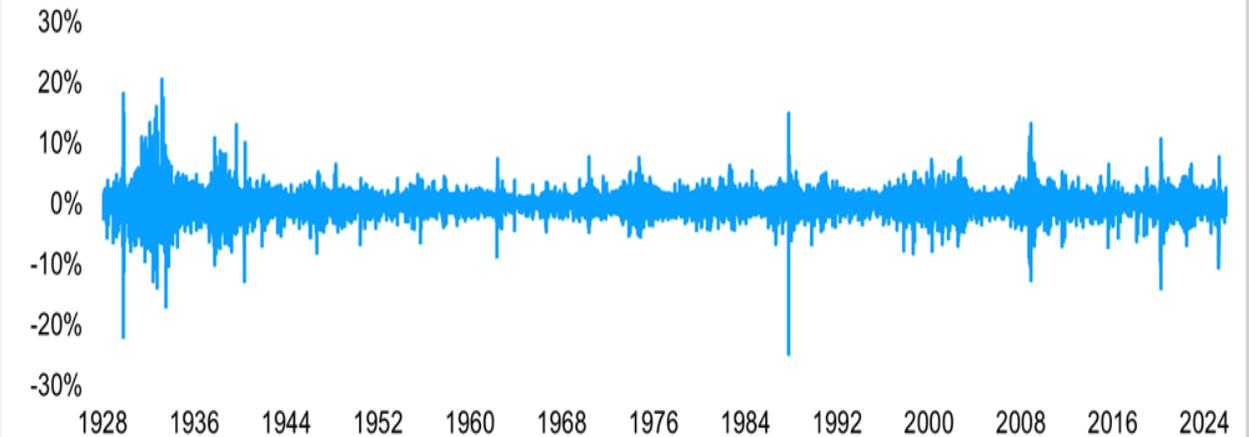


Equities

Trying to Time the Market Is a Losing Game

- The biggest up and down days often occur close together.
- Missing a small number of strong days can significantly hurt long-term returns.
- Reinforces the difficulty (and cost) of trying to time markets.

Historically, The Best And Worst Days Are Usually Close To Each Other
Two-Day Returns For The S&P 500 (1928 - Current)



Source: Factset, Carson Group 12/29/2025

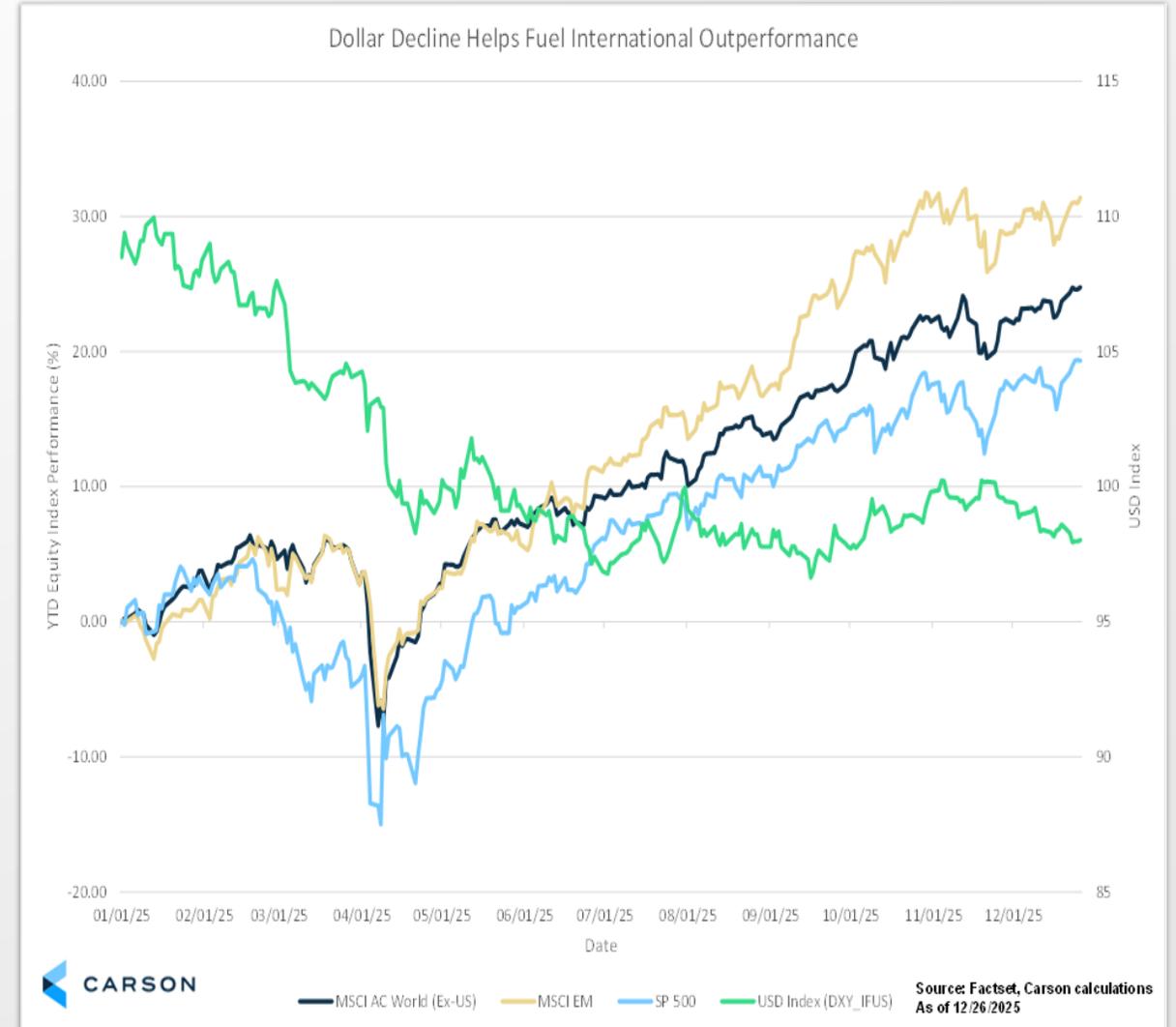
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Markets

Why International Stocks Have Had a Better Backdrop

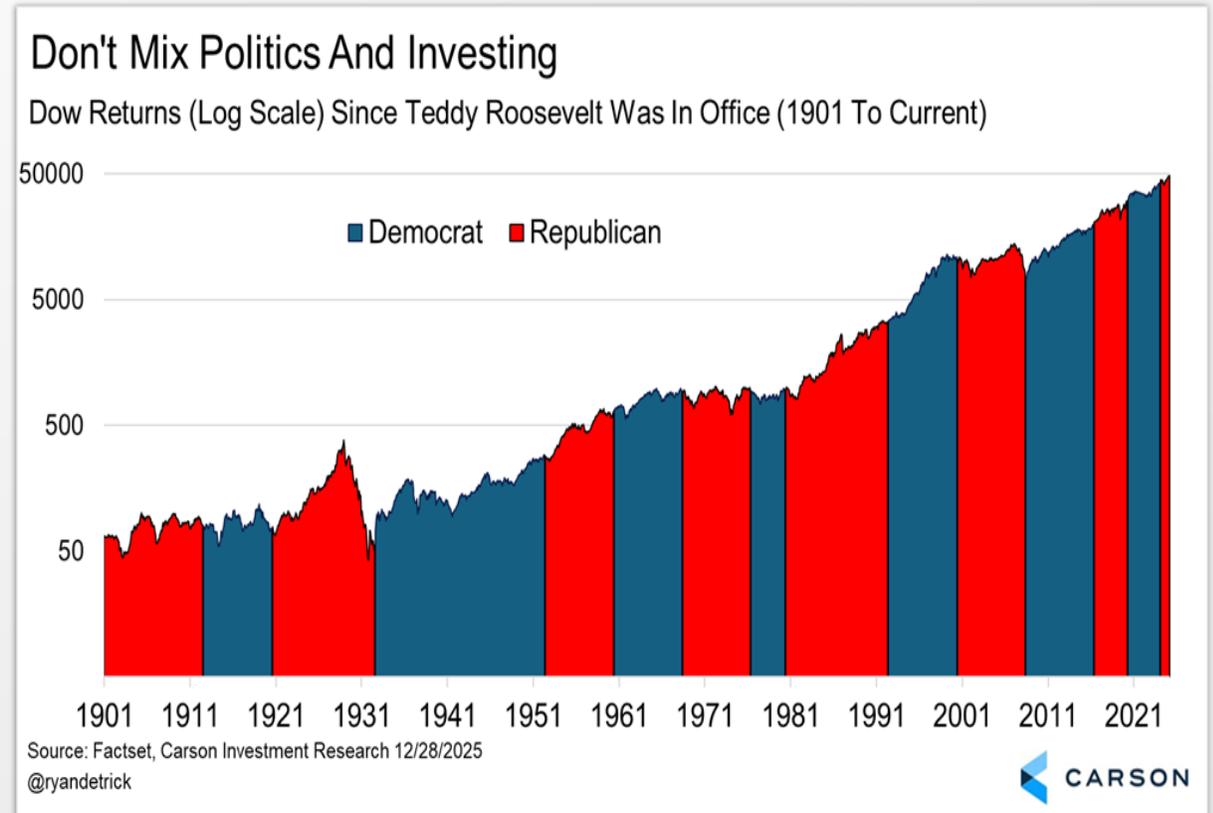
- A weaker U.S. dollar has coincided with stronger performance in international equities.
- Currency moves can materially impact relative returns for U.S. investors holding foreign assets.
- This highlights why global diversification tends to work better when the dollar is falling.



Markets

Markets Compound Through Political Cycles

- Long-term market growth has occurred under both political parties.
- Short-term political outcomes have mattered far less than staying invested.
- As the Oracle of Omaha would say: “Time in the market beats market timing every time” – Warren Buffett.



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