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Charts of the Week

Carson Investment Research

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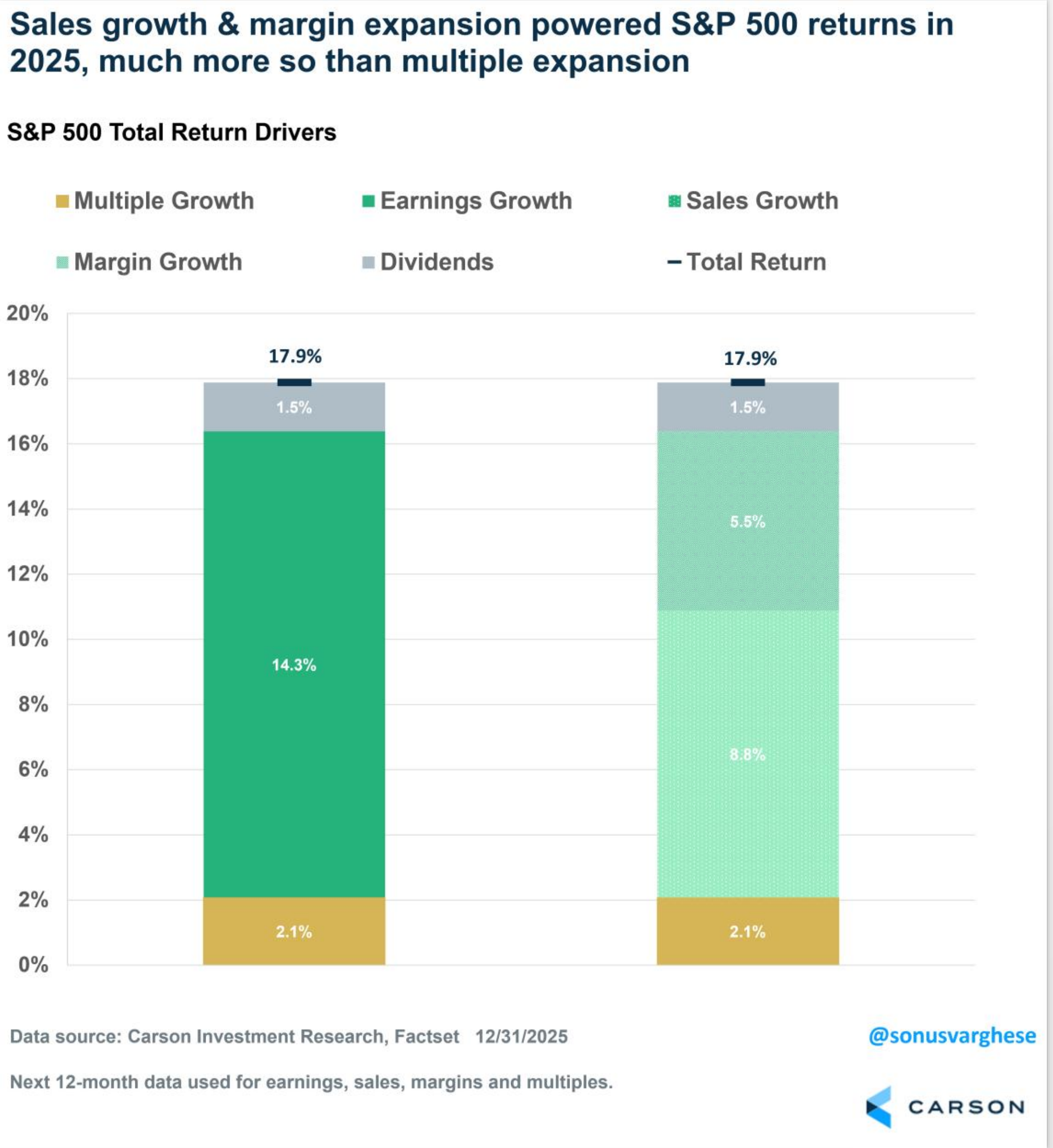
Chart of the Week

The 2025 Rally Was Earned, Not Bid Up

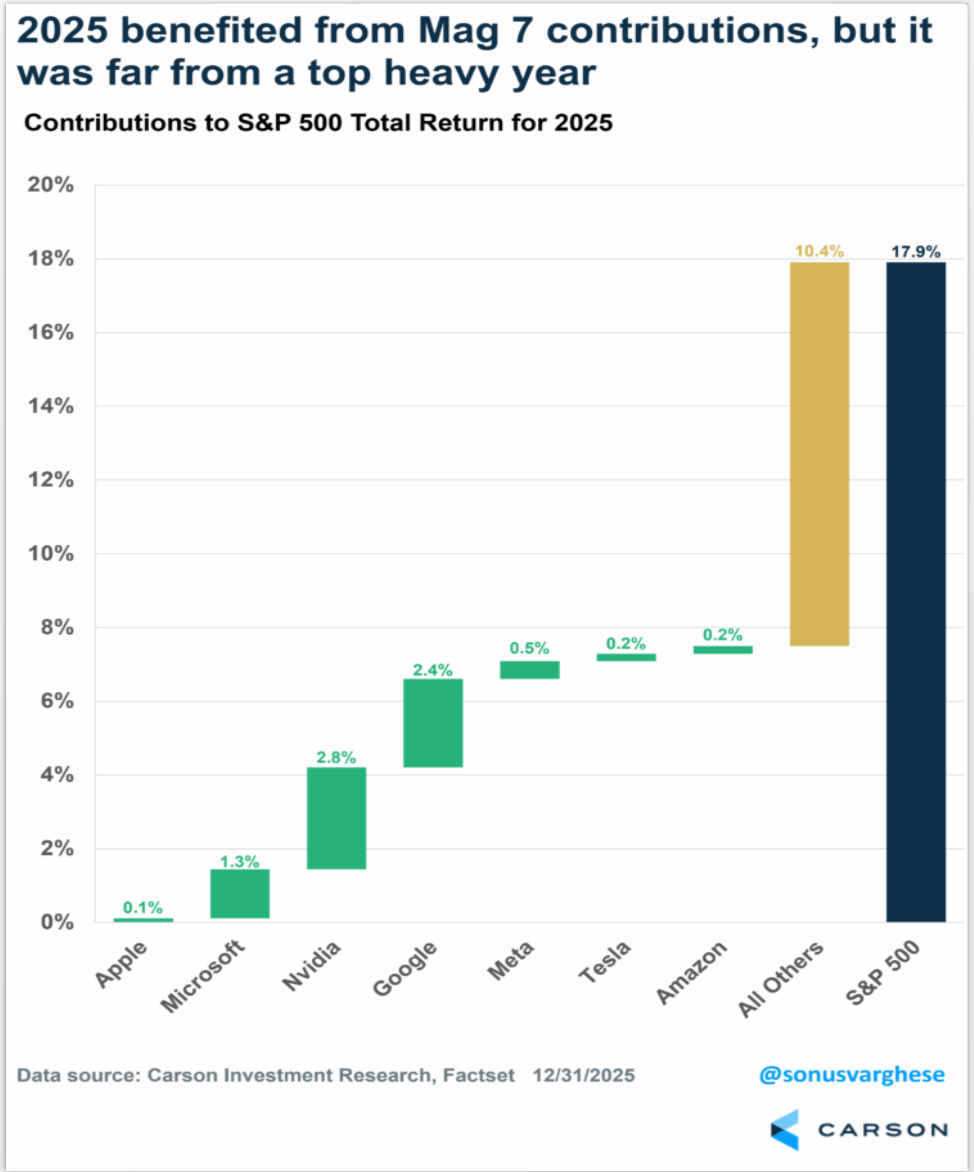
- The S&P 500's 17.9% return was driven mostly by fundamentals, not valuation: earnings growth = 14.3% vs multiple growth = 2.1%.
- Same 17.9% story through the income statement: sales growth = 8.8% + margin growth = 5.5%, with dividends = 1.5% and multiples = 2.1%.
- Translation: the market "did the work" via better growth/profitability. Less reliance on hoping valuations keep stretching.



Equities

Broader Than the Headlines

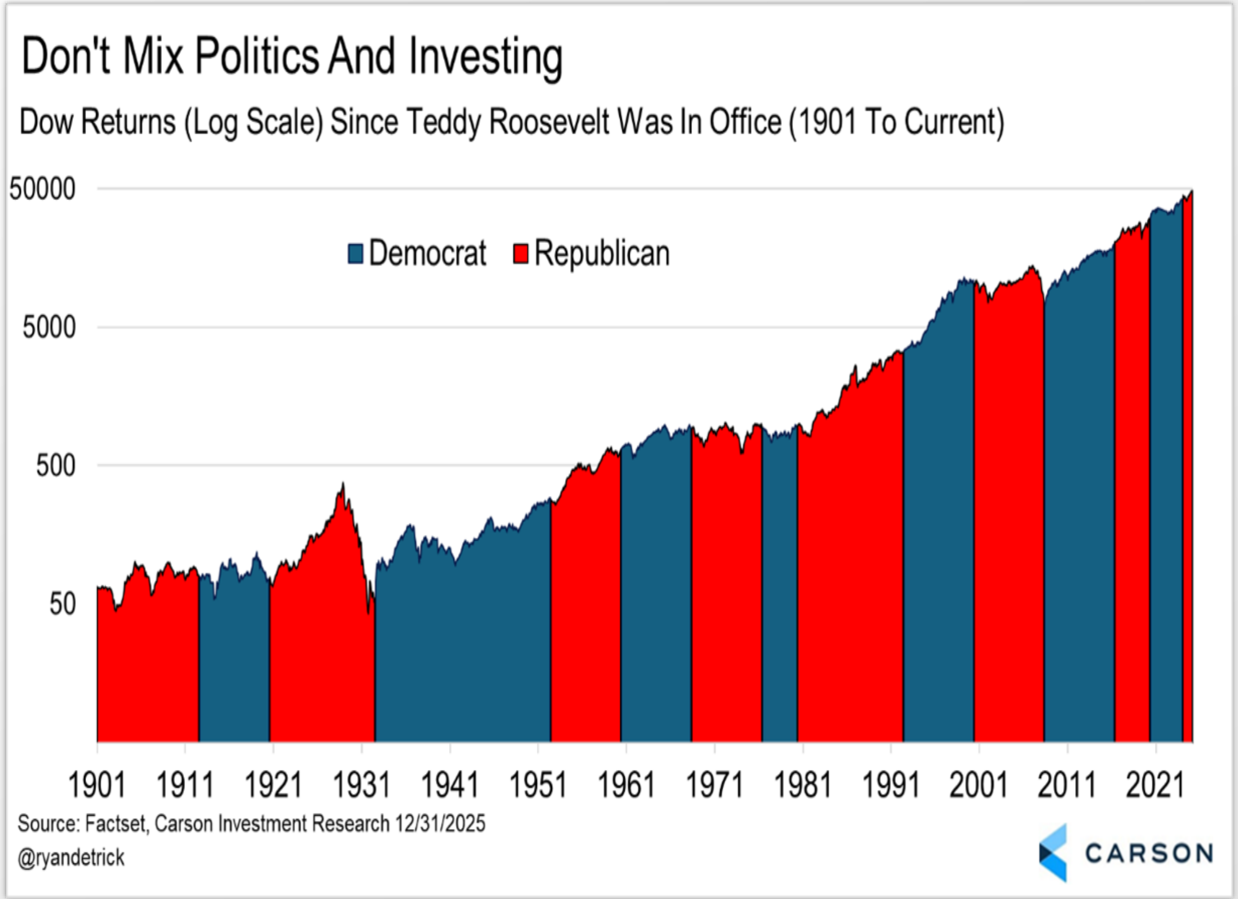
- The S&P 500's 17.9% gain wasn't a one-trick pony: "All Others" contributed 10.4% of the 17.9% total.
- The "Mag 7" names shown (Apple, Microsoft, Nvidia, Google, Meta, Tesla, Amazon) sum to about 7.5% contribution, meaning the majority came from the rest of the market.
- Nvidia (2.8%) + Google (2.4%) did heavy lifting, but breadth still mattered.



Equities

Politics Changes, Markets Compound

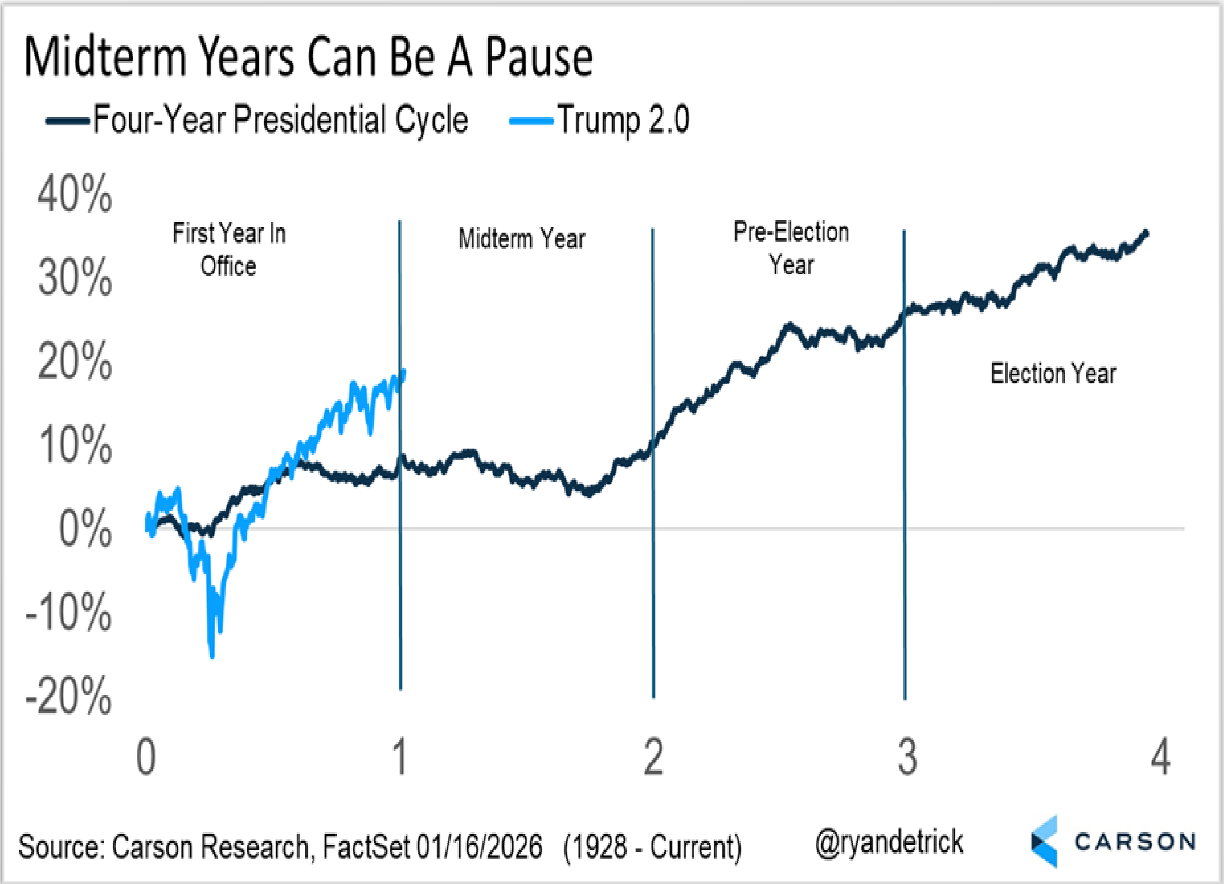
- The long-run trajectory of Dow returns keeps rising through both red and blue stretches, meaning, compounding doesn't "switch off" with party changes.
- The visual punchline is the title itself: if you anchor to party, you risk missing the bigger driver (time in the market).



Equities

Often a Pause, Not a Collapse

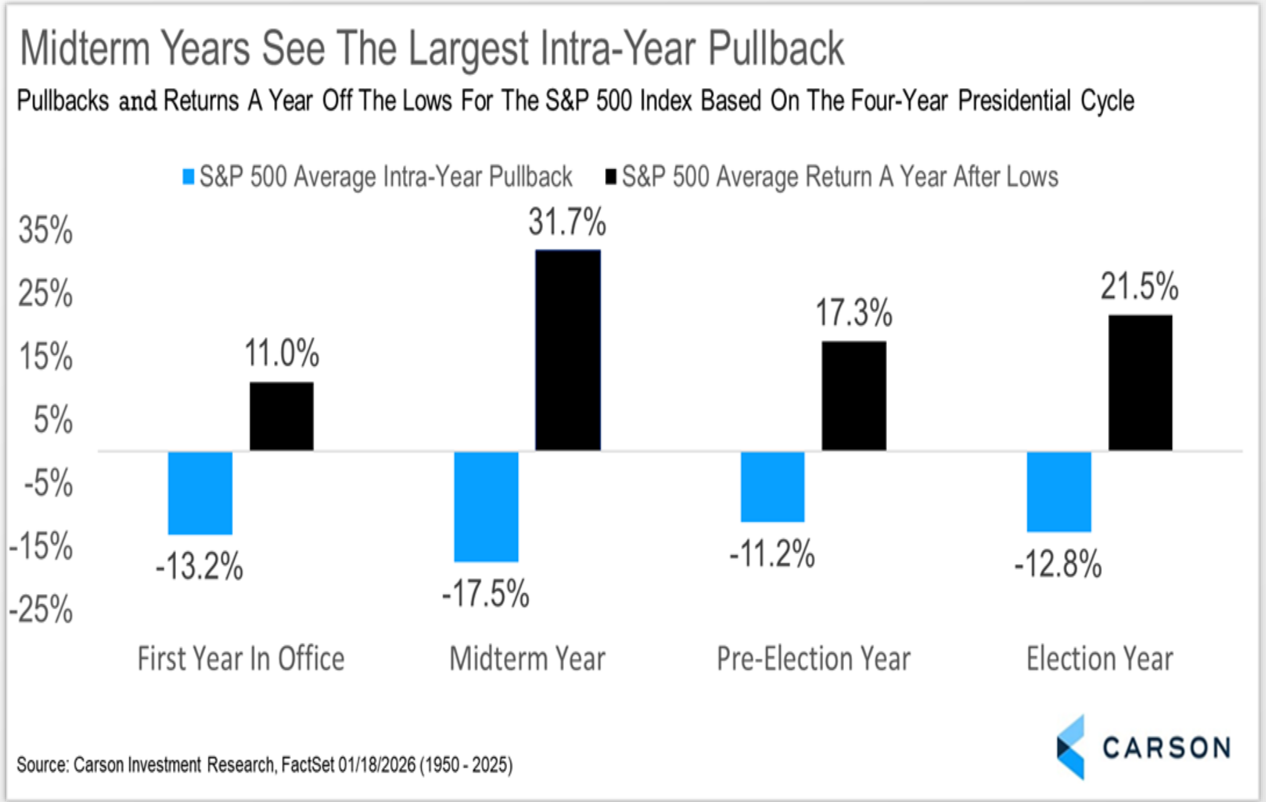
- The four-year cycle line shows the midterm year (year 2) is historically the “chop zone” where progress often stalls before improving into years 3 and 4.
- The current cycle path is visibly more volatile early than the average which could be useful framing for client expectations when markets feel noisy.



Equities

Midterm Drawdowns Are the Feature

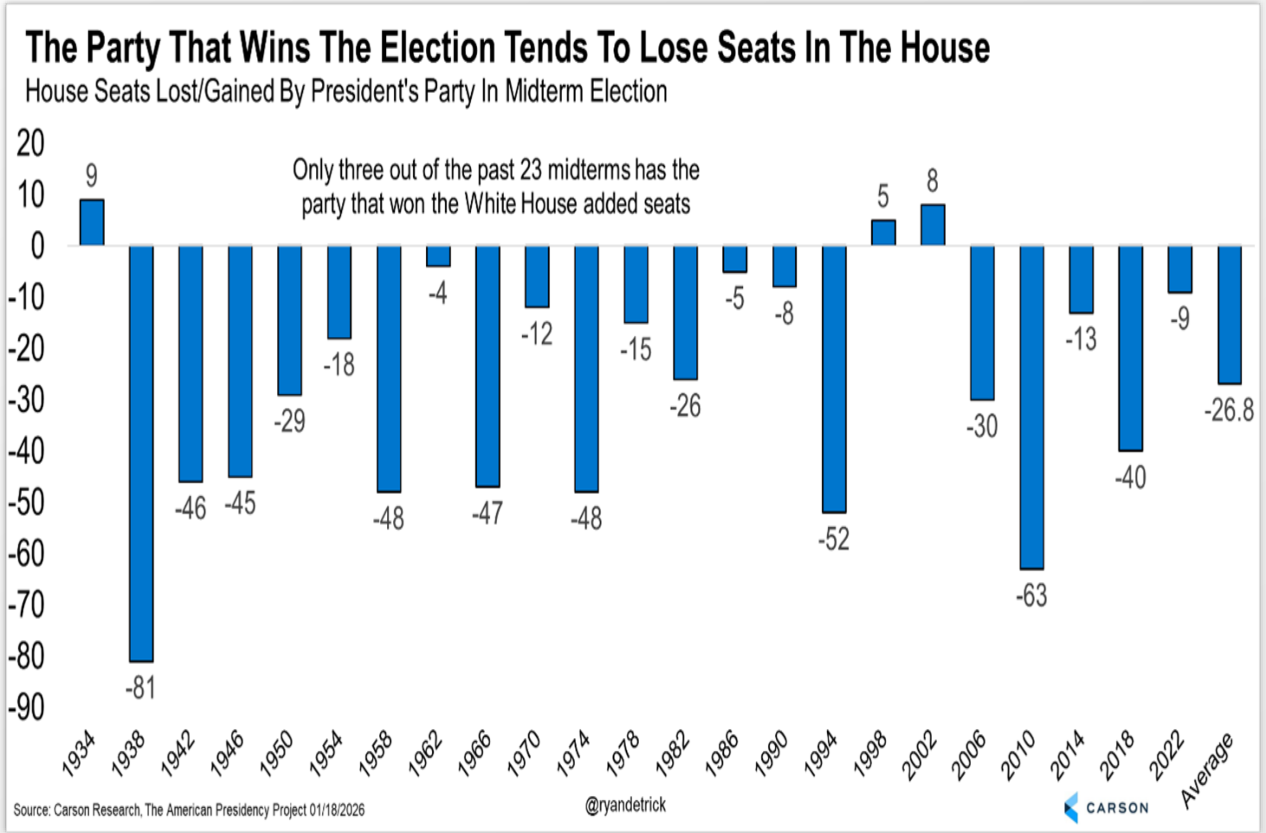
- Historically, the midterm year has the largest average intra-year pullback: -17.5% (vs -13.2% first year, -11.2% pre-election, -12.8% election year).
- The flip side is the rebound profile: average return a year after the lows = 31.7% in midterm years (highest of the cycle buckets shown).



Equities

Midterms Usually Punish the Party in Power

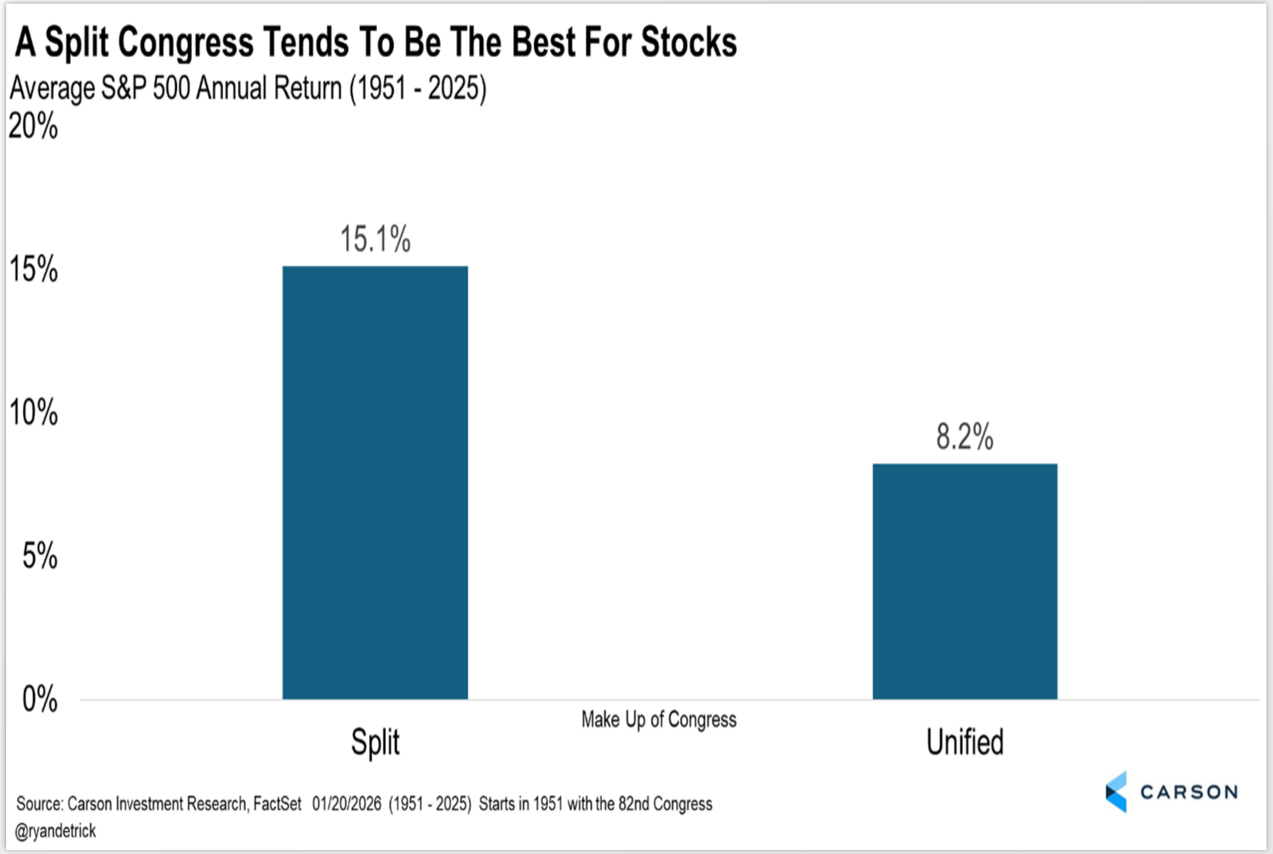
- The chart states it directly: only 3 of the past 23 midterms had the president's party gain House seats.
- The far-right shows an average seat change of -26.8. The default outcome is losses, not a coin flip.
- Practical Takeaway: election-year positioning based on "my team will win big" is historically fighting the base rate.



Equities

Gridlock Has Been a Tailwind (Historically)

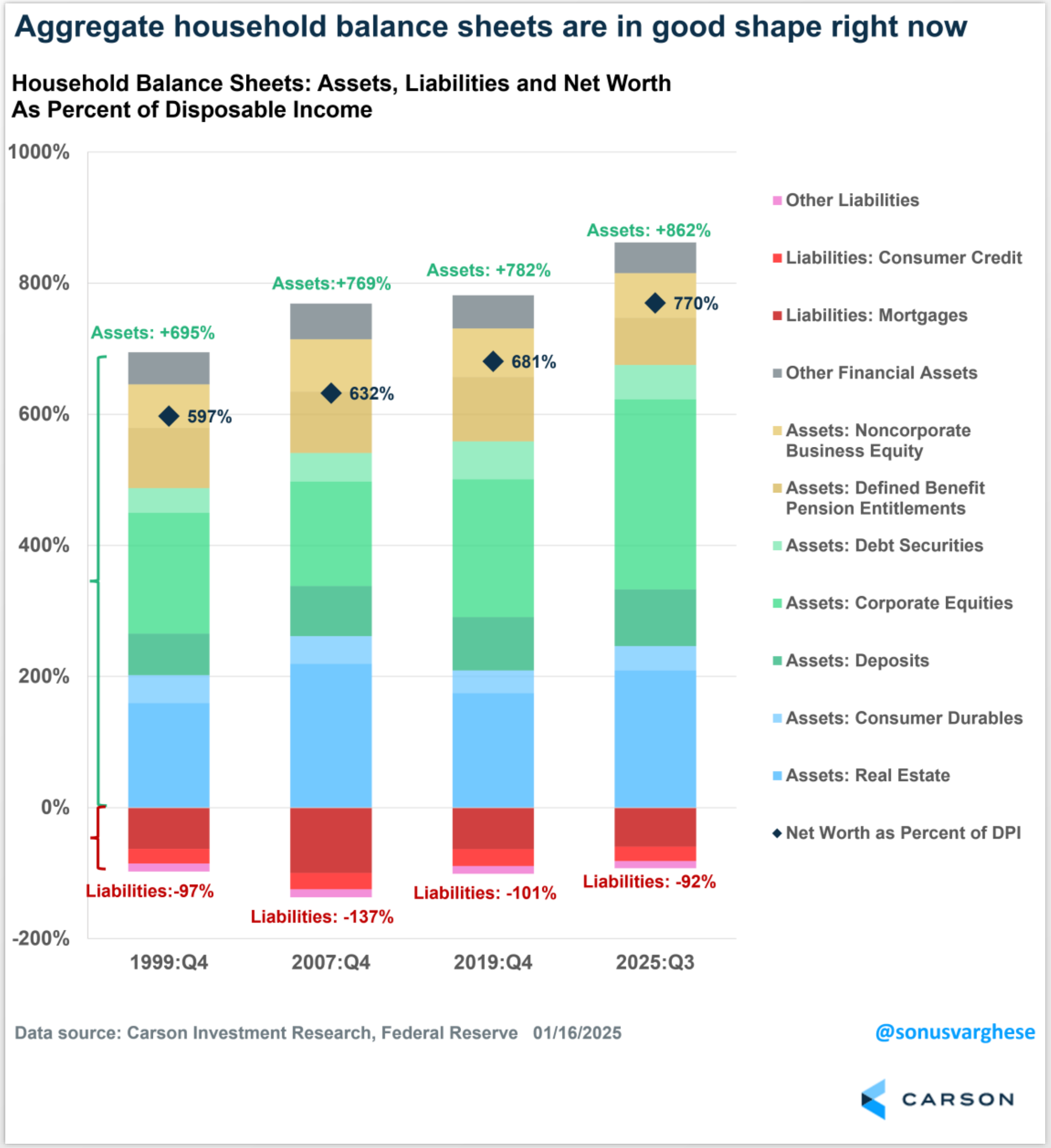
- Average S&P 500 annual return with split Congress: 15.1% vs unified: 8.2%.
- That's nearly double the return in the split vs unified comparison shown. The market often likes fewer big policy swings.



Consumer

Households Aren’t Tapped Out

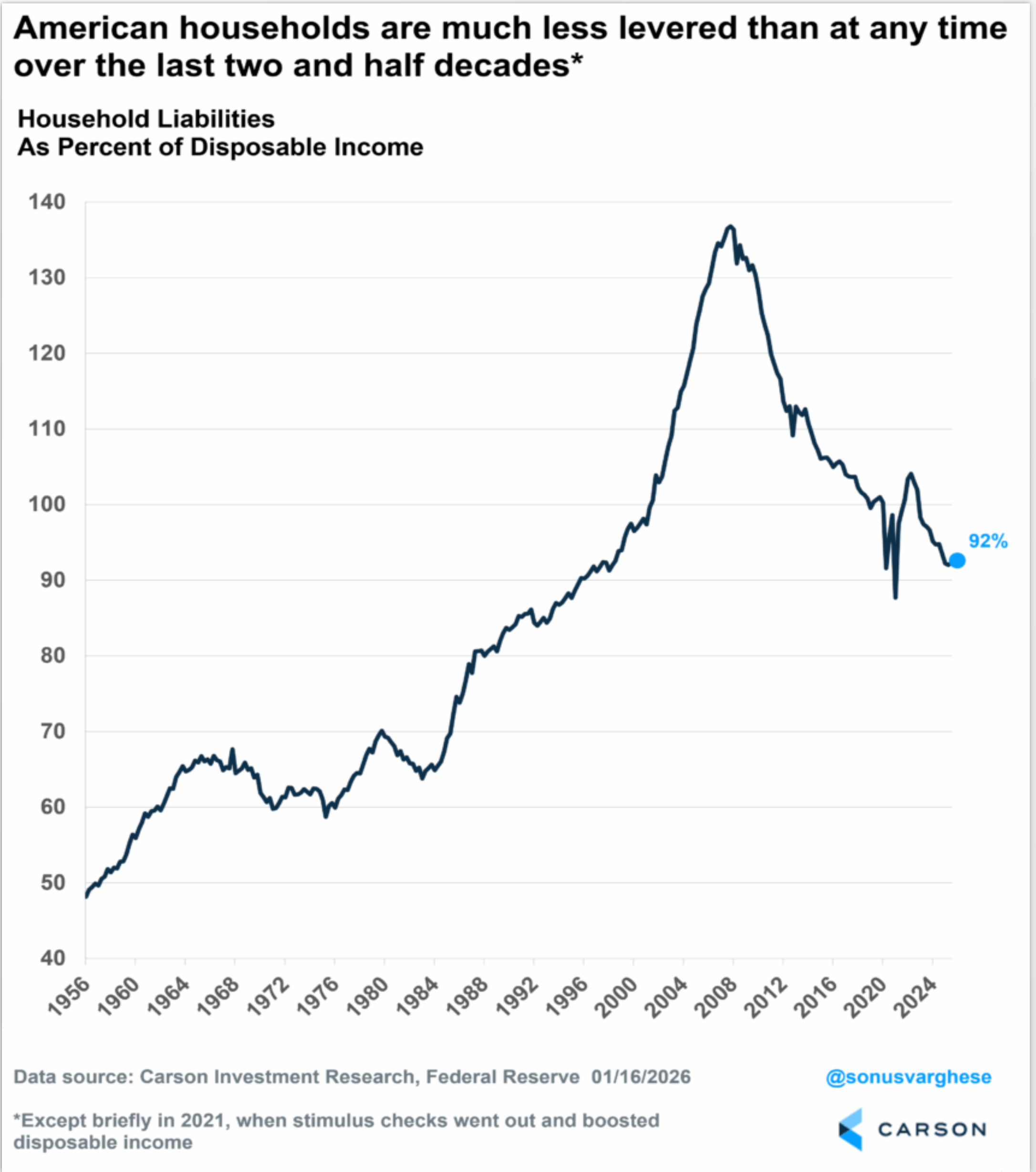
- By 2025: Q3, assets are ~862% of disposable income while liabilities are ~-92%. Net worth is marked around 770%.
- Net worth moved from ~681% (2019:Q4) to ~770% (2025:Q3) even with higher rates in between.
- This supports a “balance sheets are a cushion” framing (not a guarantee, but the setup is stronger than 2007).



Consumer

The Consumer Is Less Levered

- Household liabilities as % of disposable income sit around 92% now, down sharply from the ~135% peak around the GFC era.
- The chart's headline holds: leverage is lower than at any point in the last ~25 years shown (with a note about 2021's stimulus distortion).



Gold

Gold Just Rewrote Its Real High

- The chart flags the prior inflation-adjusted peak in 1980 at ~3548.59 (real price).
- The current move pushes above that prior real peak.
- A historic rally on gold continues marking new highs into 2026.