



Charts of the Week

Carson Investment Research

March 23 - 27, 2025

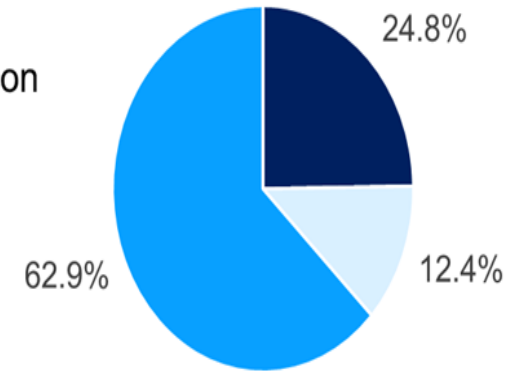
Chart of the Week

Most 5% Pullbacks Don't Turn Into Something Worse

- Since WWII, most 5% pullbacks have stayed just that: a pullback. Only a minority became full corrections, and an even smaller share turned into bear markets.
- That does not mean this decline is over, but it is a useful reminder that early market weakness does not usually snowball into something much larger.

How Often Does A 5% Pullback Turn Into A Correction Or Bear Market?

- Turns Into A Correction
- Turns Into A Bear Market
- Neither



Since WWII, there have been 105 5% pullbacks on the S&P 500

26 turned into a correction and only 13 made it to a bear market

Source: Carson Investment Research, Factset 03/21/2026

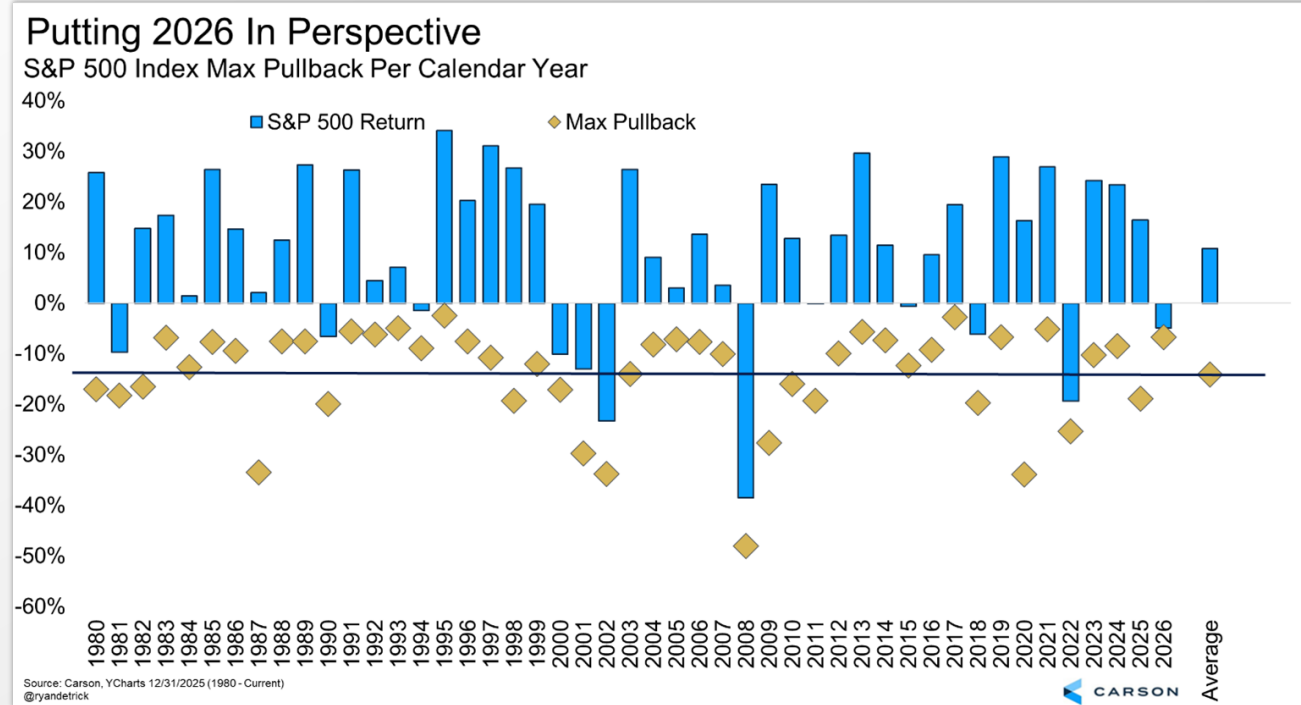
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Equities

2026 Has Been Weak, But Still Pretty Normal So Far

- This year's drawdown feels uncomfortable, but when you place it against history, it is still well within the range of a normal calendar-year pullback.
- Annual returns and intra-year drawdowns often tell very different stories. Strong years regularly come with meaningful volatility along the way.
- Investors tend to remember the headline return and forget the path it took to get there.



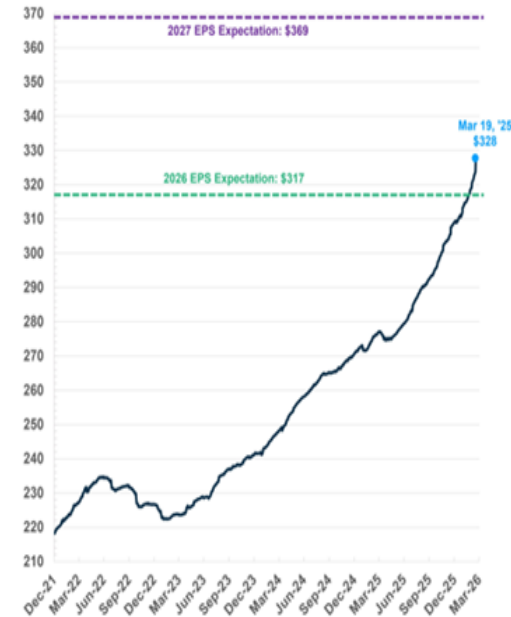
Equities

Earnings Continue to Rise, and Margins Are Too

- Forward earnings estimates continue to trend higher, which is the opposite of what you would expect if profits were rolling over hard.
- At the same time, forward profit margins are still expanding, suggesting corporate fundamentals remain stronger than the market mood.

Forward earnings expectations still rising

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

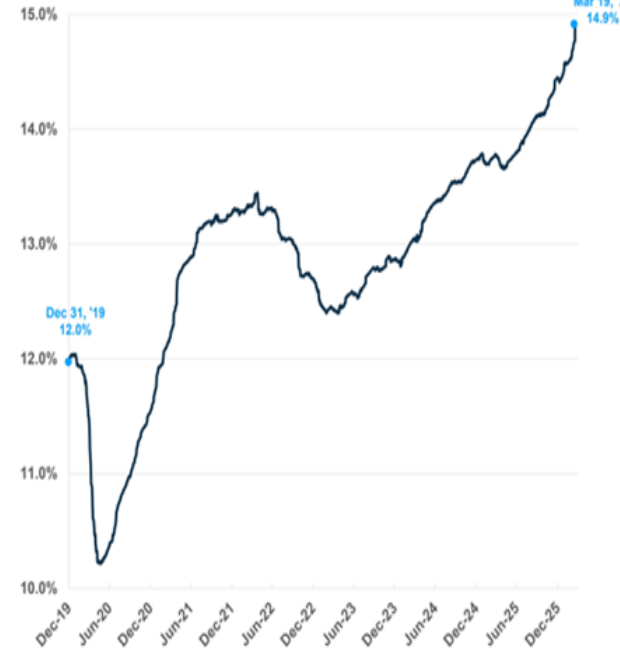


Data source: Carson Investment Research, Factset 03/19/2026

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Margins continue to expand

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



Data source: Carson Investment Research, Factset 03/19/2026

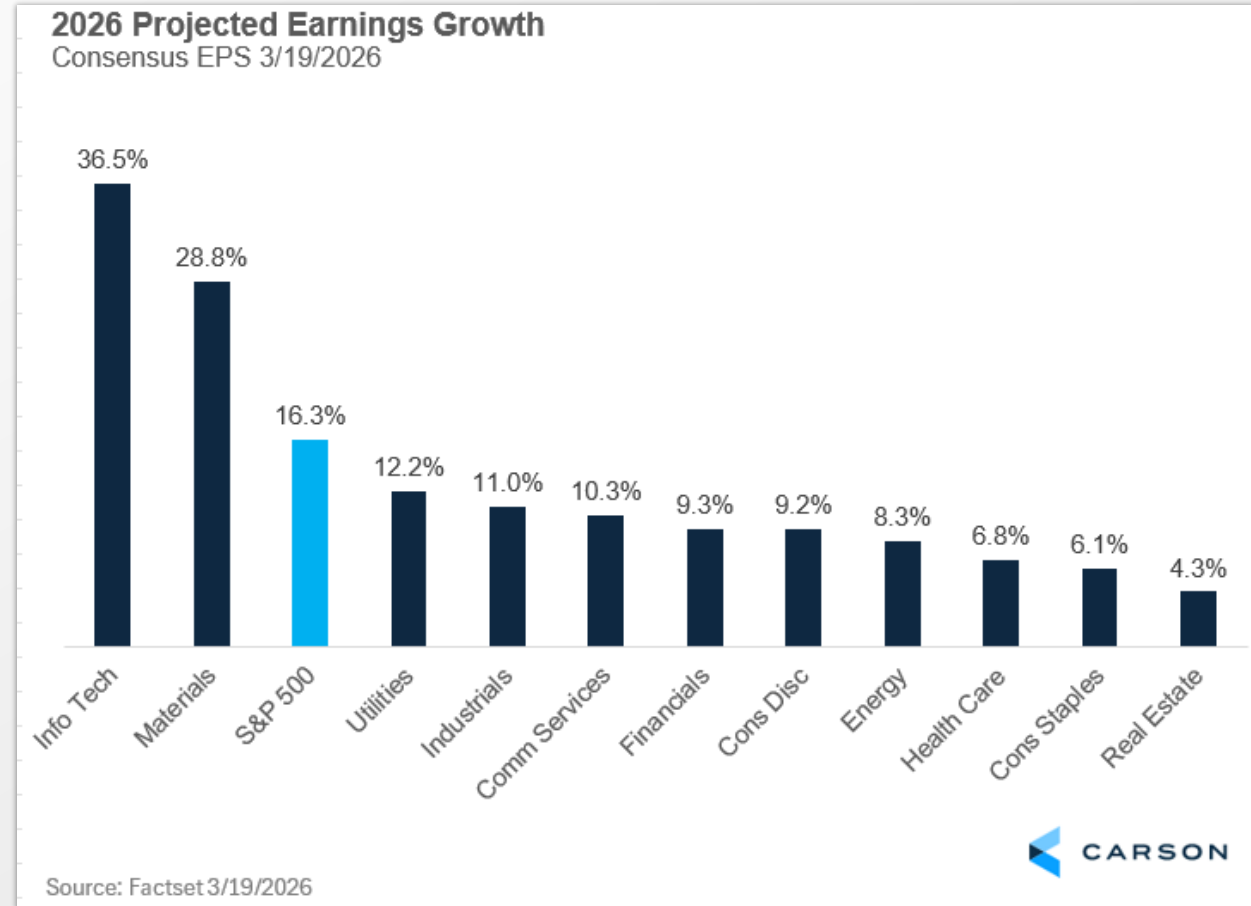
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Equities

Earnings Growth Still Looks Broadly Healthy in 2026

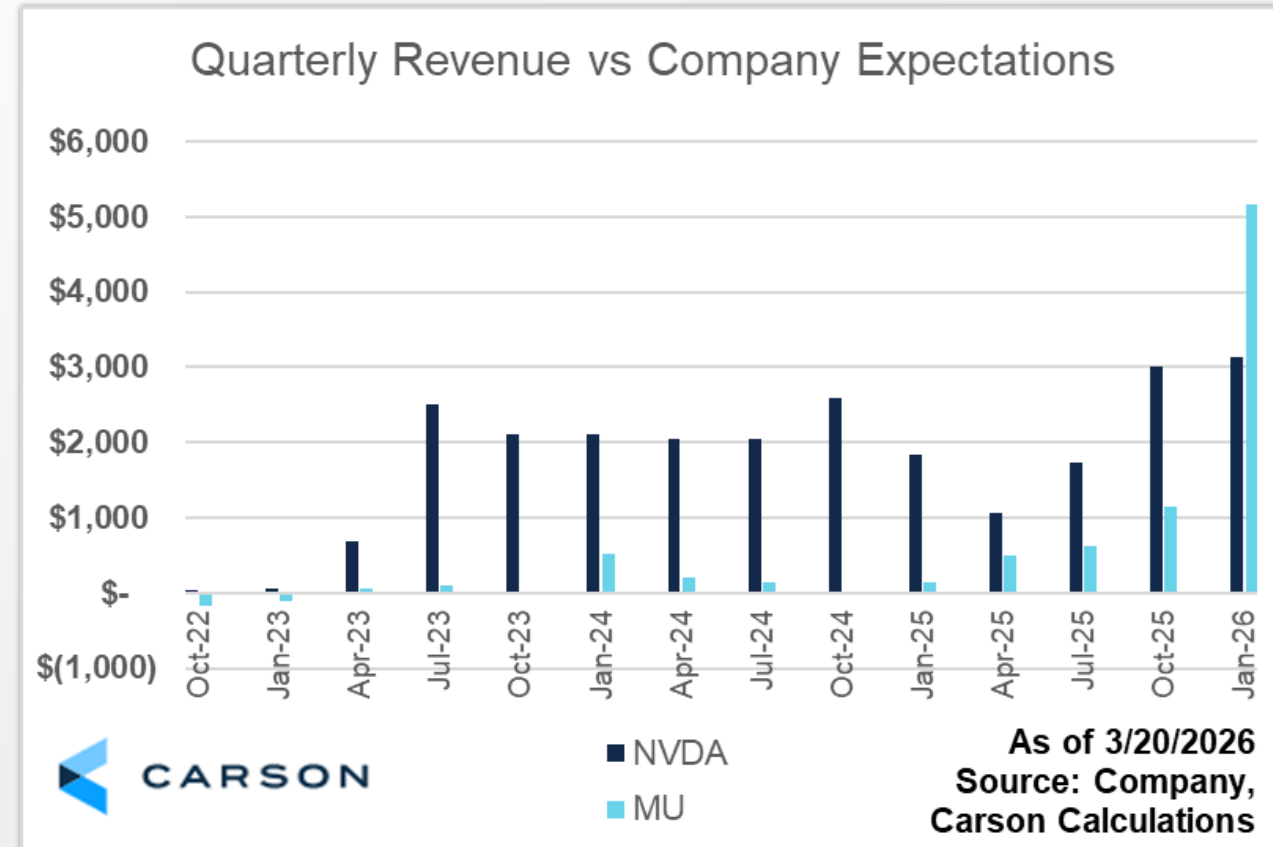
- The S&P 500 is still expected to deliver solid earnings growth this year, even if leadership remains concentrated in a few stronger groups.
- Technology and materials stand out at the top, but several cyclical and defensive sectors are also still showing positive growth expectations.



Equities

Micron's Numbers Show the AI Capex Trade Is Still Real

- Revenue upside versus expectations has widened sharply for Micron, and forecast EPS estimates have exploded higher into 2026 and 2027.
- That is a reminder that, beneath all the macro noise, some AI-linked demand trends are still strengthening rather than fading.

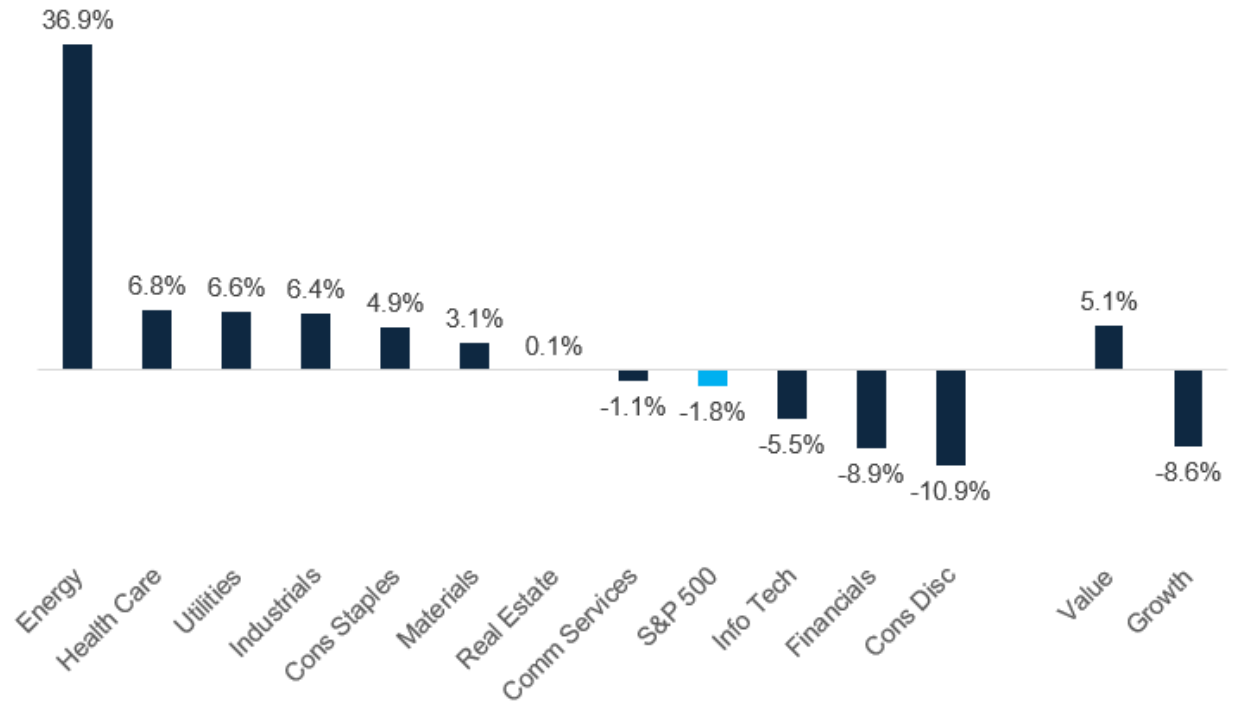


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Leadership Has Changed Fast

- Energy has crushed everything over the last six months, while growth-heavy parts of the market have badly lagged.
- When leadership changes this quickly, broad index performance can hide a lot of pain and opportunity underneath the surface.

Sector and Style Returns
Prior 6 Months Through 3/23/2026



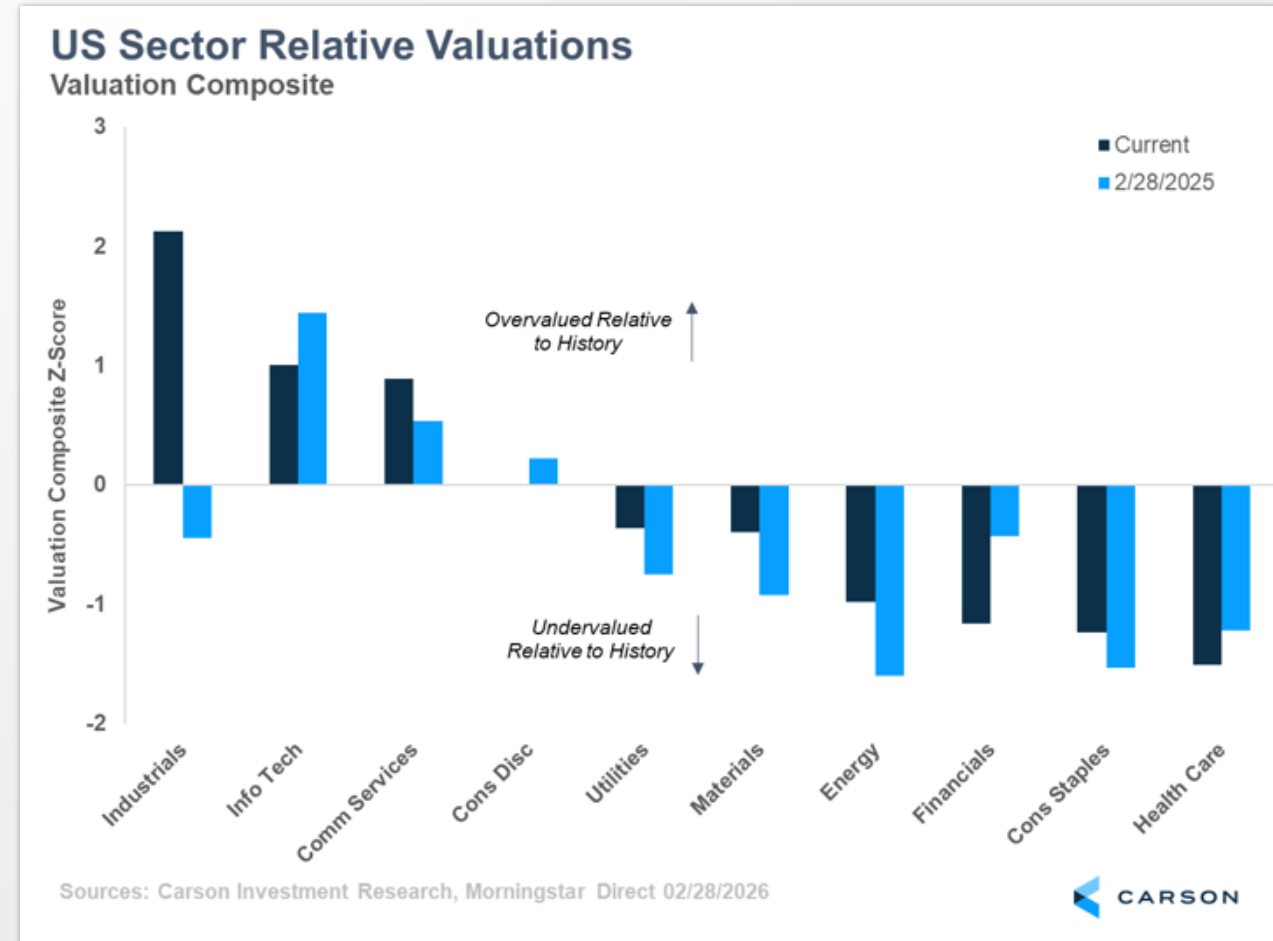
Source: Morningstar Direct, 3/23/2026



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Some of the Cheap Parts of the Market Still Look Cheap

- Several defensive and old-economy sectors remain inexpensive relative to their own history, even after recent leadership changes.
- At the same time, parts of the market that still look expensive are not always the areas with the strongest near-term returns.
- That is a good reminder that valuation does not drive week-to-week moves, but it still matters for the backdrop.



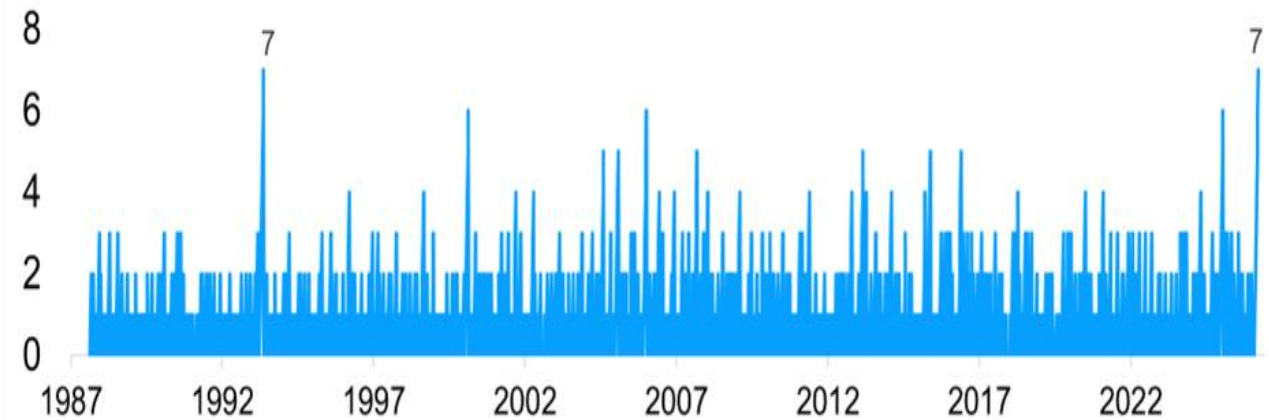
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Bullishness Has Been Getting Squeezed Out

- Bulls in the AAI survey have now fallen for seven straight weeks, which tells you optimism has eroded meaningfully.
- Extreme optimism does not usually mark durable lows, but washed-out sentiment often helps create them.
- That does not guarantee an immediate bounce, but it does mean a lot of bad feeling is already in the price.

Being Bullish Isn't Popular

Weeks In A Row With AAI Bulls Lower Than The Week Before (1987 - Current)



Source: AAI, Carson Group 03/20/2026

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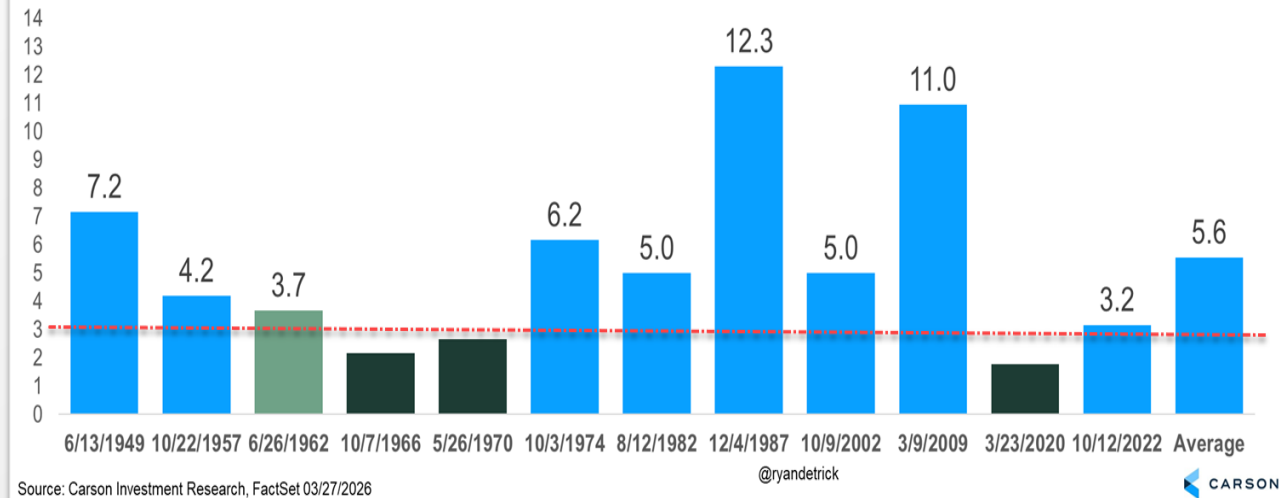


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Bull Markets That Reach 3 Years Often Have More Left

- Bull markets don't usually die of old age alone.
- Historically, once a bull market makes it to year three, it has often kept going for another year or more.
- That does not mean this one has to follow the script, but age by itself has usually not been a great reason to turn bearish.

Once A Bull Turns Three, They Usually Get to Four
Length of Bull Markets (Years)



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The Next Quarter Has a Tough Historical Setup

- Year 2, Q2 in the presidential cycle has historically been the weakest quarter in the four-year pattern.
- Seasonality is never enough on its own, but it is worth respecting when sentiment is already shaky and the market has started to lose momentum.



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