



Five in Five

July 2025



Treasury Yields

10-year Treasury Yields



Sources: BTC Capital Management, Bloomberg

- Price action on the 10-year Treasury may be giving early clues to lower yields.
- Red arrows signified when pullbacks after a rally were too deep to suggest a new trend.
- Green arrows show “quiet” pullbacks after a rally that imply a breakout could be sustainable.
- The offset is that this logic failed in 2023, along with no medium-term trend to lower yields.

Corporate Bonds

Investment Grade Corporate Bond Spread



Sources: BTC Capital Management, Bloomberg

- Corporate bonds are the best performing fixed income sector over the last year.
- Corporate bonds have outpaced Treasuries by 1.24% annually over the last 30 years.
- We maintain a generally favorable view toward corporate bonds.

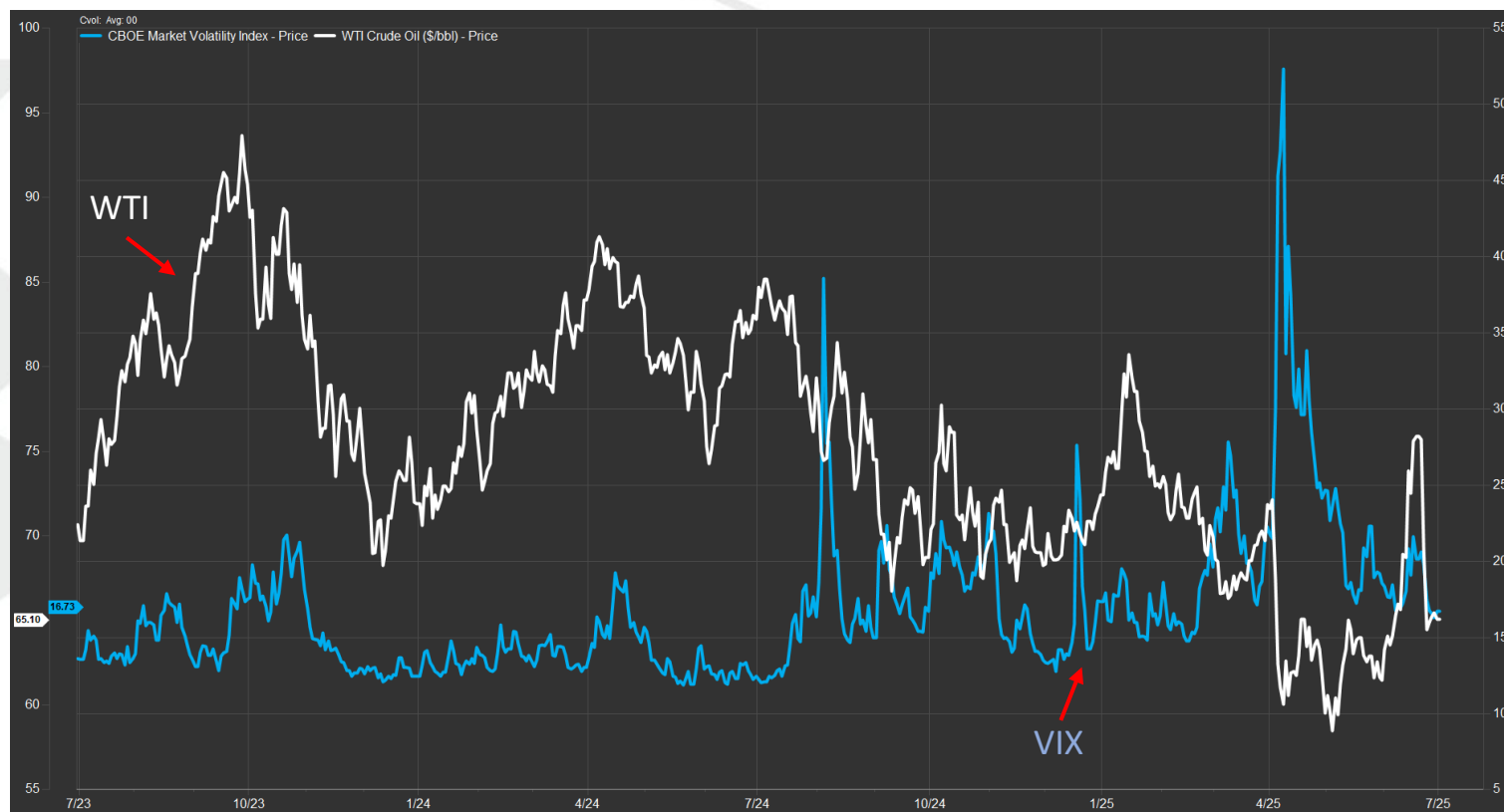
Large Cap Growth Stocks Finish Q2 Strong

Q2 2025	<i>Value</i>	<i>Core</i>	<i>Growth</i>
<i>Large</i>	+2.5%	+10.6%	+18.7%
<i>Mid</i>	+3.1%	+6.3%	+9.4%
<i>Small</i>	+1.9%	+4.4%	+6.9%

Source: PSC Portfolio Strategy

- After underperforming on a relative basis during the first part of the year, large cap Growth stocks rebounded during the second quarter, far outpacing other style/size categories, and have now closed the gap versus Value on a year-to-date basis.
- In particular, the Magnificent 7 group of stocks outpaced the broad index by almost 7% during the second quarter.
- Upwards earnings revisions for U.S. stocks have been rising recently, outpacing downwards earnings revisions, as analysts have become more bullish regarding the market's outlook.

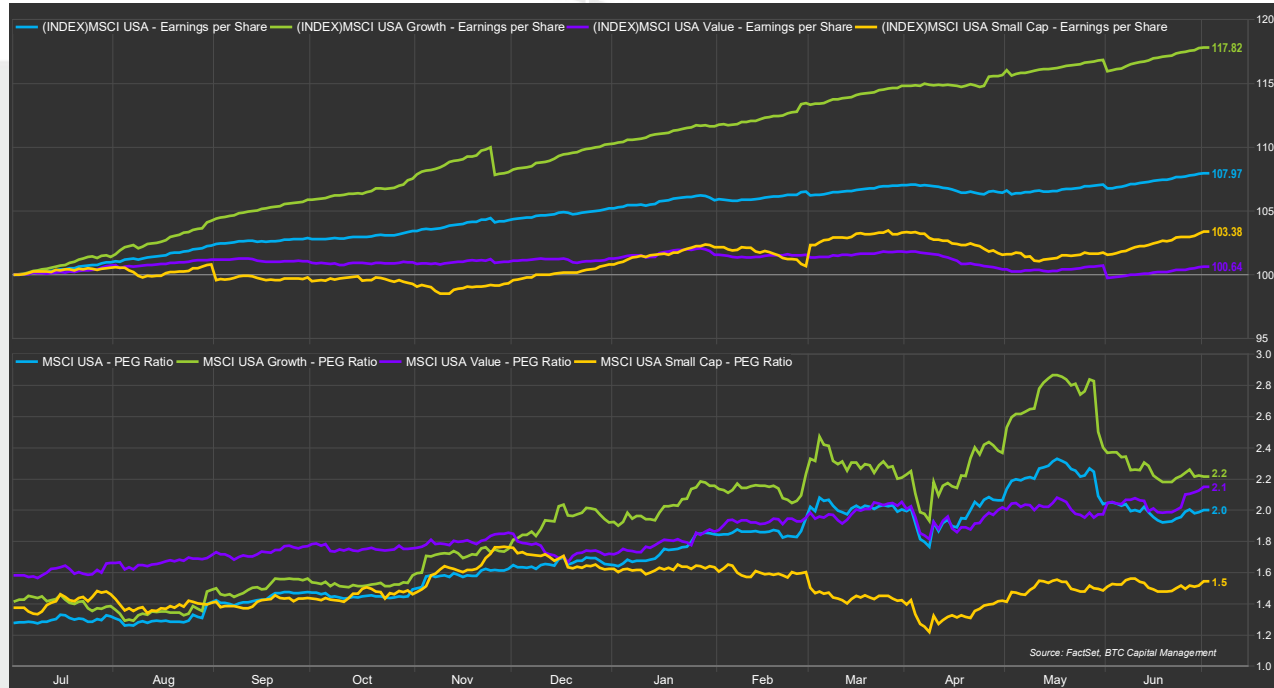
Market Volatility Relatively Low Despite Volatile Oil Prices



Sources: BTC Capital Management, FactSet

- Oil prices (left axis) have seen much volatility in the last few months, from \$60 in early May, rising to \$76 in mid-June, and back down to \$65 this week.
- Market volatility, as measured by VIX (right axis), was not in sync with the increased volatility in West Texas Intermediate (WTI). In fact, it fell for most of May and fluctuated to some degree in June.
- Historically, there has been a strong correlation between rising volatility in the stock market and oil prices. However, that relationship has broken down as investors seem to have shrugged off the recent price movements in WTI.

Large Cap Growth Stocks Exhibiting Strong Earnings Growth Forecast



Sources: BTC Capital Management, FactSet

- For the next twelve months, earnings-per-share (NTM EPS) are expected to grow year-over-year for the MSCI USA series of indexes, which includes MSCI USA (large cap core – blue line), MSCI USA Growth (large cap growth – green line), MSCI USA Value (large cap value – purple line), and MSCI USA Small Cap (small cap core – yellow line).
- Anchoring each tail of this spectrum are large cap growth, which exhibits the highest estimated NTM EPS growth (+17.8%), while large cap value exhibits the lowest estimated NTM EPS growth (+0.6%).
- Falling within the two extremes are large cap core (+7.9%) followed by small cap core (+3.4%).
- Small cap core exhibits an attractive, relative valuation when considering its price-to-earnings growth ratio (PEG) of 1.5x. Surprisingly, the PEG for large cap growth (2.2x) approximates that of large cap value (2.1x).
- The perceived sustainability of EPS growth within large cap, specifically large cap growth and large cap core, may support the projected premium valuation over small cap.

Disclosures

- *Sources: BTC Capital Management, Bloomberg, FactSet, PSC Portfolio Strategy*
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