TOMPKINS
Financial Advisors
PLANNING | TRUSTS | INVESTMENTS

Seatbacks and Tray Tables

Over the last few years, investors, economists, and media headlines alike have spent countless hours debating whether the U.S. economy was on a flightpath to a hard landing, a soft landing, or something in between – with more than a few having already begun celebrating a "smooth landing." The common airline refrain "It's time to return your seatbacks and tray tables to their upright positions as we prepare for landing" has taken on an economic twist. As the post-Covid economy began its descent into 2025, the anticipated fiscal challenge of refinancing nearly $10 trillion in maturing Treasury debt warned of upcoming turbulence.

Amid ongoing concerns over tariff and trade policy uncertainties, this is a less-discussed but critically time-sensitive challenge. To put this in perspective, this is a staggering 35% of the entire outstanding Federal debt that's set to mature in the next two years. The enormity of this task has already started reshaping economic growth, inflation, interest rates, liquidity, and broader market stability. While media headlines continue to focus on tariffs and trade policy, this may be the proverbial economic elephant in the room – and will remain a central topic within each "tariff negotiation" for much of the next two years.

Said differently, the terms under which the maturing debt is refinanced will directly impact the cost of funding for future government policy. If refinancing occurs at higher interest rates, a larger portion of the budget will be consumed by debt servicing, leaving less room to fund essential services and programs. Conversely, favorable refinancing terms can provide more fiscal flexibility, allowing for larger resource allocation to other government policy agenda items. This is not just a routine financial operation – it's a process that underpins the stability of the US financial system, preserves the nation's creditworthiness, and ensures the government can continue to meet its obligations and finance its operations.

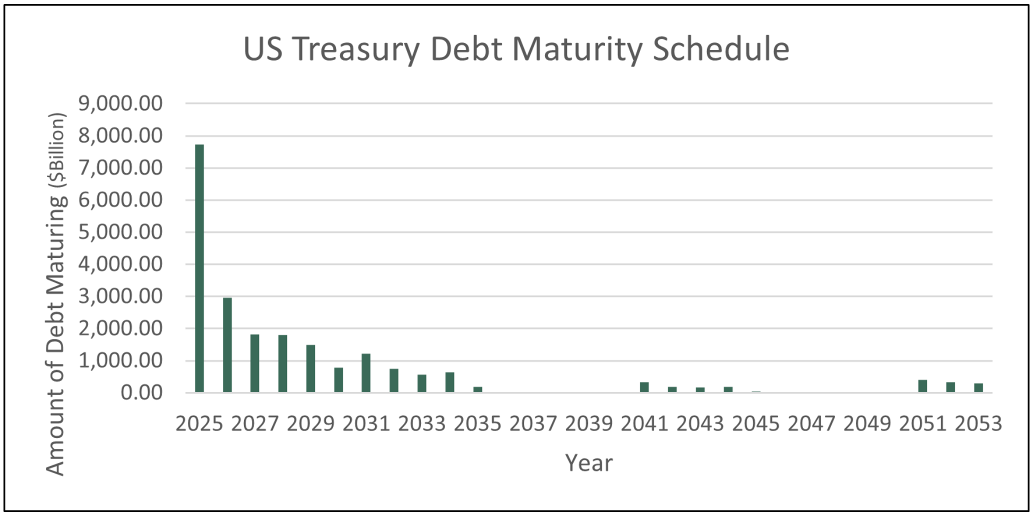

Exhibit 1: While Ongoing Tariff Negotiations continue to capture the majority of media headlines, we are encouraged to see the pace of engagement that U.S. & Foreign officials are applying to trade & debt issuance as part of the ongoing negotiations.

Over the past five years, U.S. consumers have faced a whirlwind of macroeconomic challenges, increasing their standard of living by nearly 25%. Supply chain disruptions, labor shortages and unprecedented fiscal and monetary stimulus have collided pushing prices higher, leaving consumers and businesses grappling with an increase in expenses which has largely been passed along to customers. Now, with slowing economic growth and tariff-related inflation present, the question looming is whether tepid growth and elevated uncertainty across global trade can nudge long-term inflation back toward historical norms without pulling the U.S. & global economies into a broader recession.

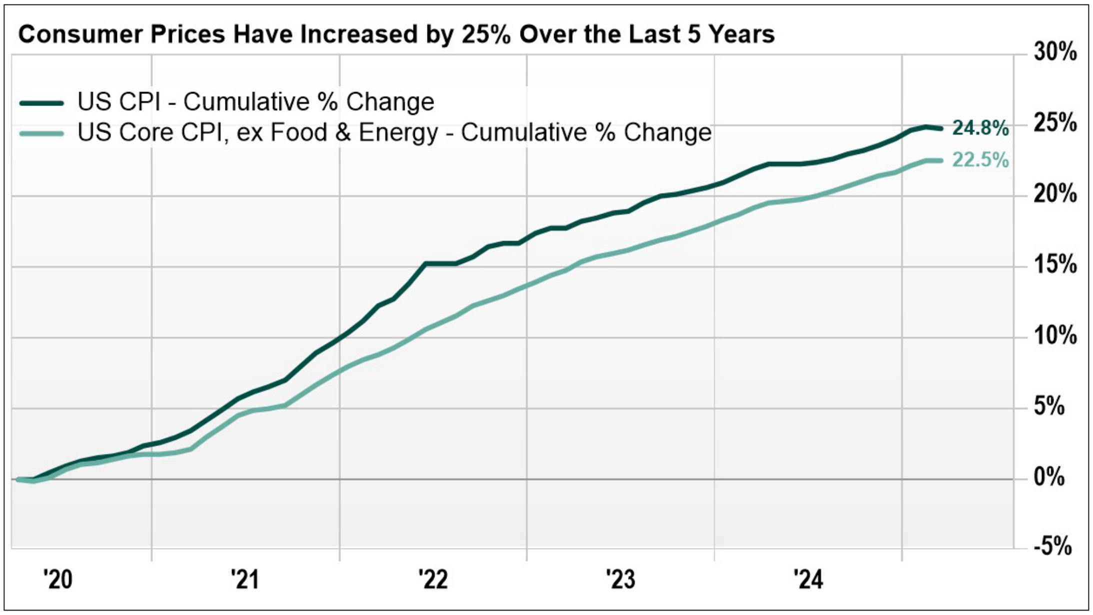

Exhibit 2: Costs of living have jumped by nearly 25% over the last 5 years. Far outpacing historical trends of price increases for U.S. consumers. (Source: Factset, BLS)

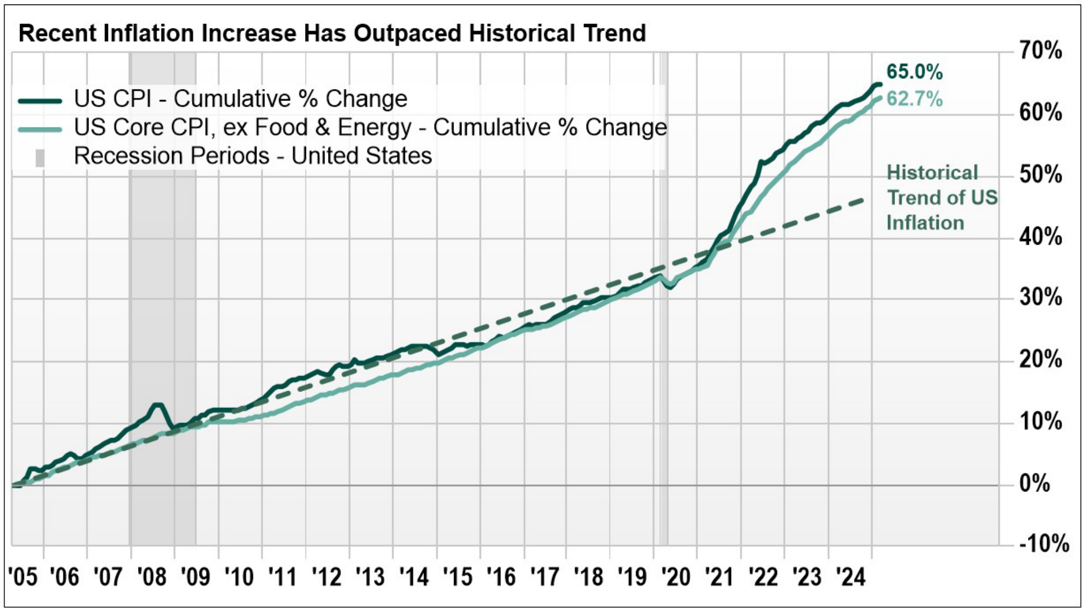

Exhibit 3: Consumer prices' recent increase has far outpaced the historical pace of inflation. For the U.S. economy to return to a more normal trend of inflation, periods of deflation are likely necessary – but "too much" deflation has historically coincided with recessionary environments & contracting economic growth. (Source: Factset, BLS)

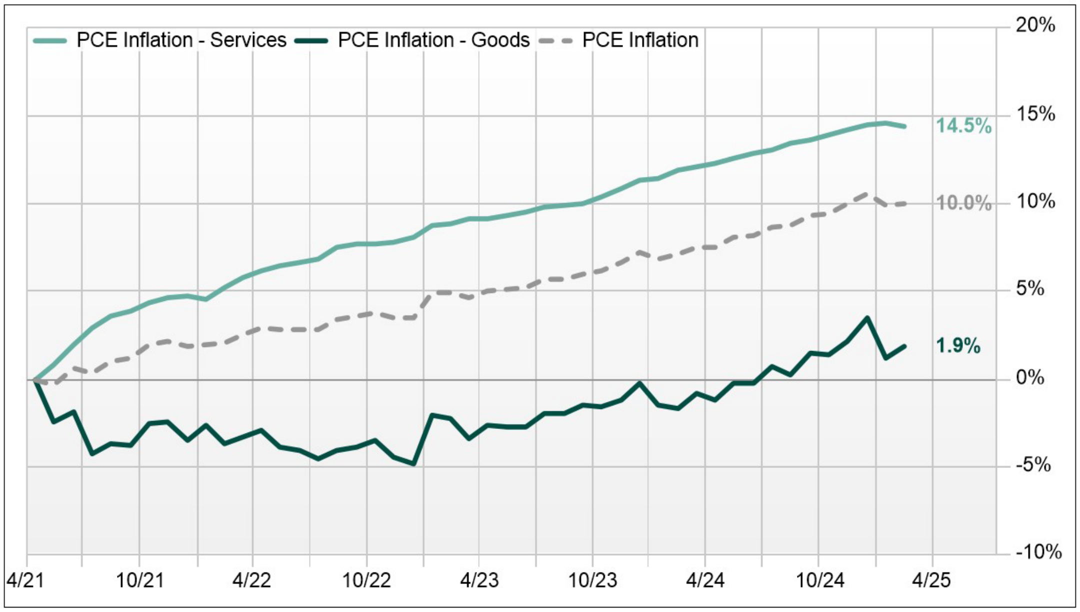

Exhibit 4: Inflation asymmetry's have resulted in key service costs such as housing, health care and insurance have notably outpaced the inflation, and periodic deflation, by the cost of goods over the last 3 years.

Tariff-related price increases and a constantly changing list of imported goods have dominated recent economic and political headlines. Are prices destined to continue rising? One historical and offsetting example would suggest not. Consider the semiconductor industry. Relentless innovation has continually lowered the price(s) for computer chips and driven exponential gains in computational efficiency throughout much of modern history. The Nvidia/DeepSeek competition is just a recent and dynamic iteration. When competitive pressures are coupled with the possibility of export limitations or even restrictions, the resulting increased availability of leading-edge computer chips starts to mirror the semiconductor industry's historical deflationary arc. Could this innovation trend, if it drives improvement in price/performance ratios, spread to other key sectors and ultimately exert a deflationary pull on the broader economy? It's very possible.

3+ Year Trend - Major Macroeconomic Indicators

Macro - Indicators	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Core Demand & Rates																						
US ISM *Composite* PMI	61.1	57.9	55.7	54.9	48.9	50.4	53.1	52.9	50.2	51.2	49.5	53.0	49.1	51.0	51.2	53.8	54.9	52.1	53.5	52.6	53.2	50.6
US ISM *Services* PMI	61.4	58.0	55.9	55.3	49.0	50.8	53.8	53.3	50.6	51.3	49.6	53.5	49.2	51.4	51.6	54.5	55.8	52.5	54.0	52.8	53.5	50.8
US ISM *Manufacturing* PMI	58.3	57.2	53.5	51.1	48.0	46.3	46.3	48.9	46.9	49.8	48.8	48.5	48.3	47.0	47.5	47.5	46.9	48.4	49.2	50.9	50.3	49.0
US 10Yr Treasury Yield (%)	1.5%	2.3%	3.0%	3.8%	3.9%	3.5%	3.8%	4.6%	3.9%	4.2%	4.7%	4.5%	4.4%	4.0%	3.9%	3.8%	4.3%	4.2%	4.6%	4.5%	4.2%	4.2%
Yield Spread, 10Yr - 2 Year	0.8%	0.0%	0.1%	-0.5%	-0.6%	-0.6%	-1.1%	-0.5%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.2%	0.0%	0.1%	0.1%	0.0%	0.3%	0.3%	0.2%	0.3%
St. Louis Fed Recession Probabilities (%)	0.1%	0.1%	0.1%	0.1%	0.8%	0.2%	0.2%	0.1%	0.2%	0.1%	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%	0.3%	0.1%	0.1%	0.3%		
NY Fed Recession Probabilities (NTM, %)	7.7%	5.5%	5.9%	23.1%	47.3%	57.8%	67.3%	56.2%	62.9%	58.3%	50.0%	51.8%	55.8%	56.3%	61.8%	57.1%	42.1%	33.6%	29.4%	23.2%	27.0%	
Employment																						
Initial Jobless Claims (in thousands)	227K	214K	212K	204K	204K	217K	248K	216K	198K	223K	209K	229K	238K	248K	228K	227K	218K	225K	209K	222K	224K	219K
LTM seq increases					-8k	8k	33k	-2k	-22k	0k	-13k	7k	17k	26k	6k	5k	-5k	2k	-15k	-2k	-1k	-6k
% Above LTM Avg					-4%	4%	16%	-1%	-10%	0%	-6%	3%	8%	12%	3%	2%	-2%	1%	-7%	-1%	0%	-3%
Unemployment Rate	3.9%	3.7%	3.6%	3.5%	3.5%	3.5%	3.6%	3.8%	3.8%	3.9%	3.9%	4.0%	4.1%	4.2%	4.2%	4.1%	4.1%	4.2%	4.1%	4.0%	4.1%	4.2%
Non-farm payroll change (%yoy, NSA)	5.0%	5.0%	4.5%	3.9%	3.0%	2.6%	2.3%	1.8%	1.7%	1.5%	1.5%	1.4%	1.3%	1.3%	1.3%	1.3%	1.2%	1.2%	1.3%	1.4%	1.3%	1.2%
ISM Services PMI - Employment	54.6	53.1	49.2	51.3	49.7	51.0	53.7	52.4	43.7	48.5	46.6	47.5	46.7	51.0	49.6	48.2	52.2	50.9	51.3	52.3	53.9	46.2
Consumer / Small Business																						
Credit Card Delinquencies (Qtrly, All Banks)	1.6%	1.7%	1.8%	2.1%	2.3%	2.5%	2.8%	2.9%	3.1%	3.2%	--	--	3.2%	--	--	3.2%	--	--	3.1%	--	--	--
Consumer credit growth (%y/y)	8.7%	9.7%	7.0%	7.4%	7.6%	6.7%	5.3%	3.7%	2.6%	2.1%	1.9%	1.9%	1.5%	1.7%	2.2%	2.0%	2.1%	1.4%	-0.7%	-0.6%		
Retail Sales (Seasonally adj, %m/m)	-0.8%	2.1%	0.7%	-0.3%	-1.0%	-1.1%	0.3%	0.8%	0.4%	0.4%	-0.2%	0.2%	-0.3%	1.2%	-0.1%	0.9%	0.6%	0.7%	0.7%	-1.2%	0.2%	
Small Business Optimism Index - NFIB	98.9	93.2	89.5	92.1	89.8	90.1	91.0	90.8	91.9	88.5	89.7	90.5	91.5	93.7	91.2	91.5	93.7	101.7	105.1	102.8	100.7	
Small Business Hiring Plans - NFIB	28.0%	20.0%	19.0%	23.0%	17.0%	15.0%	15.0%	18.0%	16.0%	11.0%	12.0%	15.0%	15.0%	15.0%	13.0%	15.0%	15.0%	18.0%	19.0%	18.0%	15.0%	12.0%
Consumer Confidence - Conference Board	115.2	107.6	98.4	107.8	109.0	104.0	110.1	104.3	108.0	103.1	97.5	101.3	97.8	101.9	105.6	99.2	109.6	112.8	109.5	105.3	100.1	92.9
Present Situation Index	144.8	153.8	147.2	150.2	147.4	148.9	155.3	146.2	147.2	146.8	140.6	140.8	135.3	133.1	134.6	123.8	136.1	141.4	144.0	139.9	138.1	134.5
Expectations Index (6-month outlook)	95.4	76.7	65.8	79.5	83.4	74.0	80.0	76.4	81.9	74.0	68.8	74.9	72.8	81.1	86.3	82.8	91.9	93.7	86.5	82.2	74.8	65.2
Michigan Index of Consumer Sentiment	70.6	59.4	50.0	58.6	59.8	62.0	64.2	67.9	69.7	79.4	77.2	69.1	68.2	66.4	67.9	70.1	70.5	71.8	74.0	71.7	64.7	57.0
Housing / Construction																						
Housing Starts	1,757K	1,678K	1,542K	1,470K	1,340K	1,342K	1,415K	1,363K	1,568K	1,299K	1,377K	1,315K	1,329K	1,262K	1,379K	1,355K	1,344K	1,305K	1,526K	1,350K	1,501K	
New Home Sales	834K	713K	543K	556K	632K	644K	666K	694K	654K	683K	736K	672K	672K	707K	691K	726K	623K	676K	713K	664K	676K	
Housing Inventory	880K	930K	1,250K	1,230K	960K	970K	1,070K	1,130K	990K	1,110K	1,200K	1,280K	1,320K	1,340K	1,370K	1,360K	1,370K	1,330K	1,140K	1,180K	1,240K	
US Architecture Billings Index (ABI)	51.8	56.4	52.8	51.0	48.4	50.4	50.1	44.8	45.4	43.6	48.3	42.4	46.4	48.2	45.7	45.7	50.3	49.6	44.1	45.6	45.5	
Construction spend (% y/y)	11.7%	16.6%	17.0%	14.7%	9.4%	4.6%	5.5%	7.4%	9.3%	8.7%	8.7%	7.8%	6.0%	5.7%	5.6%	4.2%	5.1%	4.5%	4.3%	2.7%	2.9%	
Europe																						
Eurozone PMI (Manufacturing)			52.1	48.4	47.8	47.3	43.4	43.4	44.4	46.1	45.7	47.3	45.8	45.8	45.8	45.0	46.0	45.2	45.1	46.6	47.6	48.6
Eurozone PMI (Services)	53.1	55.6	53.0	48.8	49.8	55.0	52.0	48.7	48.8	51.5	53.3	53.2	52.8	51.9	52.9	51.4	51.6	49.5	51.6	51.3	50.6	51.0
Eurozone PMI (Composite)		54.9	52.0	48.1	49.3	53.7	49.9	47.2	47.6	50.3	51.7	52.2	50.9	50.2	51.0	49.6	50.0	48.3	49.6	50.2	50.2	50.9
Asia																						
Japan PMI (Manufacturing)	54.3	54.1	52.7	50.8	48.9	49.2	49.8	48.5	47.9	48.2	49.6	50.4	50.0	49.1	49.8	49.7	49.2	49.0	49.6	48.7	49.0	48.4
Japan PMI (Services)	52.1	49.4	54.0	52.2	51.1	55.0	54.0	53.8	51.5	54.1	54.3	53.8	49.4	53.7	53.7	53.1	49.7	50.5	50.9	53.0	53.7	50.0
Japan Capital Inv. (Software) (JPY, Bn)	11.7	15.1	13.4	13.3	14.0	18.2	14.2	15.6	21.5	19.4	--	--	13.6	--	--	15.3	--	--	17.4	--	--	--
China PMI (Composite)			55.3	48.5	48.3	54.5	52.5	50.9	52.6	52.7	52.8	54.1	52.8	51.2	51.2	50.3	51.9	52.3	51.4	51.1	51.5	51.8
Valuation / Sentiment																						
Shiller PE	34.9x	32.6x	27.1x	25.2x	27.0x	26.9x	29.0x	27.9x	30.7x	32.0x	30.7x	32.1x	33.4x	33.6x	34.3x	34.7x	34.3x	36.2x	33.5x	34.2x	33.6x	31.8x
S&P 500 Forward PE	21.4x	19.6x	16.0x	15.3x	16.8x	18.3x	19.4x	18.0x	19.7x	21.1x	20.0x	20.7x	21.2x	21.2x	21.5x	21.8x	21.5x	22.4x	21.6x	22.1x	21.7x	20.3x
S&P 500 Spread vs. Rate-Adjusted Fair Value	175bps	100bps	91bps	62bps	50bps	57bps	32bps	12bps	20bps	1bps	-5bps	-4bps	-5bps	2bps	6bps	7bps	-5bps	-6bps	-12bps	-14bps	-2bps	4bps
Buffet Indicator (US Total Mkt Cap to GDP)	2.2x	2.0x	1.6x	1.5x	1.5x	1.6x	1.7x	1.6x	1.8x	1.9x	--	--	2.0x	--	--	2.0x	--	--	2.1x	--	--	--
AAII US Investor Sentiment Net-Bullish (%)	7.2%	4.4%	-23.9%	-40.8%	-21.1%	-23.1%	14.4%	-13.1%	21.2%	27.6%	-1.8%	12.3%	16.2%	11.5%	24.2%	25.9%	8.6%	-1.5%	3.7%	7.0%	-41.2%	-24.8%
SaaS EV/FTM Rev Multiple	14.8x	10.1x	6.5x	5.9x	5.3x	5.8x	6.2x	5.6x	6.3x	5.9x	5.3x	4.9x	5.0x	5.2x	4.9x	5.0x	5.3x	6.5x	5.9x	6.4x	5.9x	5.2x
Semiconductor P/BV Multiple	7.1x	6.1x	3.9x	3.5x	4.0x	4.8x	5.3x	4.3x	5.0x	5.9x	5.5x	6.0x	6.4x	6.1x	6.0x	5.6x	5.4x	5.3x	5.4x	5.2x	4.9x	4.4x
Ratio of SaaS EV/FTM Rev to Semis P/BV	2.1x	1.6x	1.7x	1.7x	1.3x	1.2x	1.2x	1.3x	1.3x	1.0x	1.0x	0.8x	0.8x	0.8x	0.8x	0.9x	1.0x	1.2x	1.1x	1.2x	1.2x	1.2x

Exhibit 5: Specific indicators notwithstanding, the general economic trend in the chart from green/positive toward red/negative is evidence of moderating or even contracting growth for much of the last three years.

(Source: J.P. Morgan, Bloomberg Finance L.P., Capital IQ, J.P. Morgan Research Estimates, Institute for Supply Management (ISM), S&P Global, U.S. Census Bureau, Conference Bureau, American Association of Individual Invetors (AAII), National Federation of Independent Business (NFIB), Company reports. Note: Data pulled as of April 4, 2025. The color shading reflects the range since Nov-2021. NSA = Non-Seasonally Adjusted.

The impressive gains witnessed in certain corners of the market stand in contrast to the broader trend of moderating economic growth that has developed over the last three years. While select companies, particularly those referred to as the "Magnificent 7", have driven substantial market capitalization increases recently, many traditional industries and service sectors have navigated a landscape of slowing demand and cautious investment. This concentration of market upside among a relatively small number of players indicates that the rising tide hasn't lifted all boats. In fact, numerous indicators of economic growth have been slowing, such as moderate wage growth, rising unemployment claims, and stalled manufacturing & production output. The fact that recent market expansion has occurred alongside a general cooling of economic growth raises questions about the durability and breadth of participation for much of the broader economy.

S&P 500 Sectors	Q1	March	February	January	December	vs. 52W High
Energy	10.6%	4.2%	4.0%	2.1%	-9.5%	-5.0%
Healthcare	5.6%	-2.6%	1.5%	6.8%	-6.2%	-8.1%
Staples	4.7%	-2.9%	5.7%	2.0%	-5.0%	-4.4%
Utilities	4.3%	-0.3%	1.7%	2.9%	-7.9%	-5.5%
REITs	3.2%	-2.8%	4.2%	1.8%	-8.6%	-8.0%
Financials	2.7%	-5.0%	1.4%	6.5%	-5.5%	-5.8%
Materials	2.1%	-3.3%	0.0%	5.6%	-10.7%	-13.0%
Industrials	-1.0%	-4.3%	-1.4%	5.0%	-8.0%	-9.6%
Communications	-6.8%	-8.9%	-6.3%	9.1%	3.6%	-16.1%
Technology	-13.8%	-10.0%	-1.3%	-2.9%	1.2%	-17.3%
Discretionary	-14.6%	-9.7%	-9.4%	4.4%	2.4%	-20.5%

Exhibit 6: Shift in Sector performance from December of last year through Q1 2025. Percentages represent total return. (Source: Nasdaq.com)

US Benchmarks	Q1	March	February	January	December	vs. 52W High
SPX Equal Weight	-0.6%	-3.4%	-0.6%	3.5%	-6.3%	-7.7%
Dow Jones Industrials	-0.9%	-4.1%	-1.4%	4.8%	-5.1%	-6.8%
NDX Equal Weight	-2.8%	-6.2%	-1.2%	4.9%	-4.8%	-11.1%
S&P 500	-4.3%	-5.6%	-1.3%	2.8%	-2.4%	-8.7%
S&P Midcap 400	-6.1%	-5.5%	-4.3%	3.8%	-7.1%	-14.5%
Nasdaq 100	-8.1%	-7.6%	-2.7%	2.3%	0.5%	-13.2%
Russell 2000	-9.5%	-6.8%	-5.4%	2.6%	-8.3%	-18.4%
Nasdaq Composite	-10.3%	-8.1%	-3.9%	1.7%	0.6%	-14.4%
Magnificent Seven	-16.0%	0.0%	-8.7%	2.5%	6.3%	-21.2%

Exhibit 7: U.S. benchmarks through Q1 2025. Percentages represent total return. (Source: Nasdaq.com)

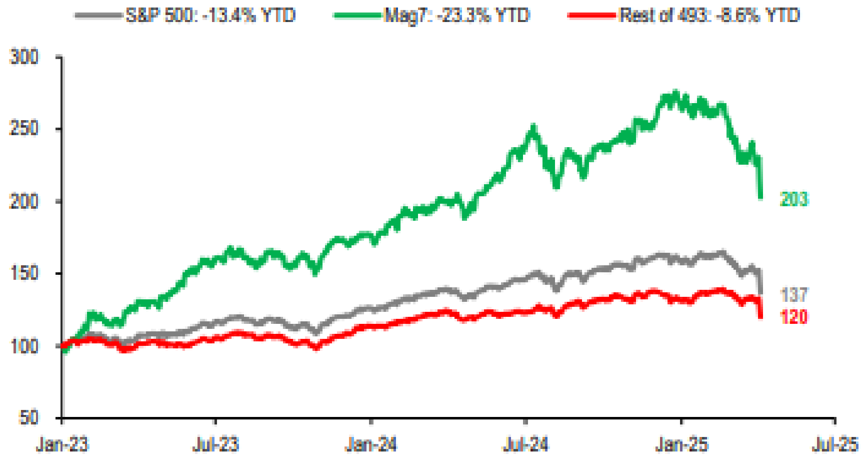

Exhibit 8: While much of recent years market upside was led by strength from companies such as the "magnificent 7", they've also pulled broader indices precipitously lower amidst recent volatility while the rest of the market (S&P 493) have held up well in comparison.
(Source: J.P. Morgan Equity Strategy & Quantitative Research, Bloomberg Finance L.P.)

Looking at the last 10 calendar years, the S&P 500 has outpaced the FTSE Developed U.S. and MSCI ACWI ex U.S. indices in all but two years (2022 and 2017). This outperformance has resulted in a cumulative total of more than double the international indexes. The strong U.S. dollar, earnings and valuations have kept U.S. companies attractive to investors for this extended period. However, so far in 2025, we have seen the international markets positive while the U.S. market has lagged. We believe the international markets have become more attractive as quality company valuations appear lower than their U.S. market counterparts.

Index	Q1 2025	Annual Ret 2024 USD	Annual Ret 2023 USD	Annual Ret 2022 USD	Annual Ret 2021 USD	Annual Ret 2020 USD	Annual Ret 2019 USD	Annual Ret 2018 USD	Annual Ret 2017 USD	Annual Ret 2016 USD	Annual Ret 2015 USD	2015 - Q1 2025 (Cumulative)
S&P 500 TR USD	-4.27	25.02	26.29	-18.11	28.71	18.40	31.49	-4.38	21.83	11.96	1.38	138.31
FTSE Developed ex US All Cap NR USD	5.76	3.14	17.70	-15.75	11.38	9.78	22.07	-14.97	26.05	2.87	-1.96	66.08
MSCI ACWI Ex USA NR USD	5.23	5.53	15.62	-16.00	7.82	10.65	21.51	-14.20	27.19	4.50	-5.66	62.20

(Source: Morningstar Direct)

INDEX PERFORMANCE — NET RETURNS (%) (MAR 31, 2025) | **FUNDAMENTALS (MAR 31, 2025)**

	1 Mo	3 Mo	1 Yr	YTD	3 Yr (Annualized)	5 Yr (Annualized)	10 Yr (Annualized)	Since Dec 29, 2000 (Annualized)	Div Yld (%)	P/E	P/E Fwd	P/BV
MSCI ACWI ex USA	-0.23	5.23	6.09	5.23	4.48	10.92	4.98	4.94	2.91	15.48	13.32	1.88
MSCI World	-4.45	-1.79	7.04	-1.79	7.58	16.13	9.50	6.52	1.83	21.47	18.15	3.38
MSCI ACWI	-3.95	-1.32	7.15	-1.32	6.91	15.18	8.84	6.39	1.92	20.57	17.23	3.10

(Source: msci.com)

Exhibit 9: International stock markets versus U.S. stock markets.

With the backdrop of slowing economic growth having previously limited the broad participation in recent market upside, we've been very pleased with the resilience demonstrated throughout our balanced and diversified portfolio allocations.

As our airplane continues its approach of the runway, the broader investment landscape is reasonably well suited for a shift toward greater economic and financial stability. Over the next 18 to 24 months, as the pace of Treasury debt issuance begins to normalize, and markets digest a record supply of US Treasury bonds, businesses and investors may begin to find a more predictable environment for implementing previously deferred capital allocation plans. The current uncertainty surrounding the global economy absorbing this historic amount of debt issuance —compounded by tariff negotiations and bond market volatility—can gradually give way to clearer signals on longer-term costs of capital and broader economic growth. The possibility of this emerging clarity, coupled with the potential stabilization in inflation and trade dynamics, will be the confidence boost business owners and capital allocators alike have needed to begin to pivot from a cautious to a more opportunistic footing in the years ahead.

Investment Committee:

Geoff Blyth
Chief Investment Officer
585.419.8387
GBlyth@TompkinsFinancial.com

Michael Lawhead
Senior Portfolio Manager
585.419.8361
MLawhead@TompkinsFinancial.com

John Shea
Senior Portfolio Manager
607.273.0037
JShea@TompkinsFinancial.com

Victor Hugo Marin
Senior Investment Analyst
607.273.0037
VMarin@TompkinsFinancial.com

Eric Fitzpatrick
Investment Analyst
607.273.0037
EFitzpatrick@TompkinsFinancial.com