

Q1 2025

Market Commentary

Overview

In the first quarter of 2025, global markets navigated a landscape marked by significant policy shifts and economic indicators. The U.S. economy began the year with many economists predicting a projected growth rate of around 2%. However, the introduction of new tariffs and the threat of an international trade war introduced a wave of uncertainty, leading to market volatility and concerns over potential retaliation from trading partners.

Looking beyond the United States, the global economic outlook presented a mixed picture. While advanced economies like the Eurozone faced challenges—including sluggish industrial performance and political uncertainties—developing and emerging markets showed resilience.

Countries in Emerging Asia, such as India and Vietnam, continued to experience robust growth driven by strong domestic demand and investment. However, China's economy faced headwinds from ongoing trade tensions and a sluggish property sector, leading to a moderated growth forecast. Overall, the interplay of aggressive trade policies, geopolitical tensions, and varying regional economic performances underscored the complexity of the global market landscape in the first quarter.

The Federal Reserve maintained interest rates between 4.25% and 4.5% during the period, holding off on rate cuts as it continues to monitor economic data. Investors anticipated potential rate cuts in 2025, but tariffs, inflation, and other macroeconomic factors have complicated this outlook. This uncertainty has not been well received by investors, as is evident in the VIX "Fear Gauge" CBOE Market Volatility Index, which increased 28.41% in Q1 2025.

U.S. Macroeconomics Data

The U.S. inflation rate was volatile throughout the quarter, initially rising to 3.00% in January and then declining to 2.82% in February. Throughout Q1, the labor force participation rate remained stable fluctuating between 62.4% and 62.7%. The Federal workforce witnessed significant reductions across multiple departments. The unemployment rate decreased to 4% in January with a slight increase in February to 4.1%, which aligned with market expectations.

The U.S. Producer Price Index (PPI) exhibited varied movements from shifts in inflationary pressures. In January, the PPI increased 0.6% MoM surpassing the anticipated 0.3% rise. This increase is attributed to significant price surges such as a 44% surge in egg prices. On an annual basis, January PPI rose 3.7%. In February, PPI remained constant month over month and rose 3.2% annually.

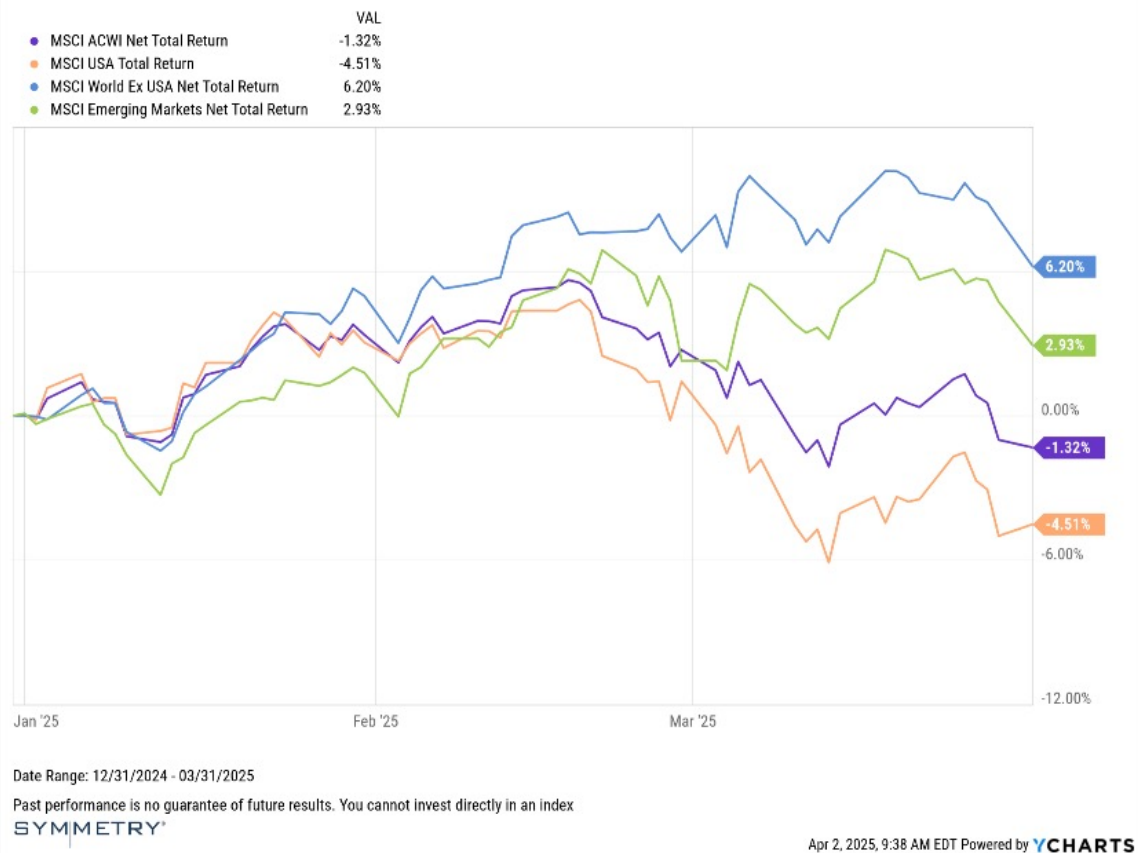
The U.S. dollar experienced a notable decline in Q1 2025 due to trade policies and shifting investor sentiment. The introduction and implementation of new tariffs by the U.S. administration heightened fears of a global trade war and undermined the USD's traditional role as a safe haven asset. As the U.S. dollar fell 3.96%, gold reached all-time highs over \$3,100 with a quarterly gain of 18.8%.

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Global Market Performance

Global Market Returns



- Global markets were down -1.32% in the first quarter of 2025.
- U.S. markets lagged dropping -4.51% in Q1 2025. The U.S. decline can be largely attributed to concerns over impending tariffs and their economic impacts. Investors are closely watching the impact that these tariffs have on inflation and how The Fed will react. Consumer Discretionary was the worst-performing sector losing -11.75%. The technology sector, which has dominated the U.S. market returns for the past decade, experienced a downturn of -11.05% in Q1 2025. The Energy and Health Care sectors rose 9.94% and 6.54% limiting the total U.S. market loss.
- International Developed markets experienced a gain of 6.20% in Q1. International markets grappled with growth prospects and uncertainties surrounding U.S. trade policies. European equities were driven by increased defense and infrastructure spending. Investor sentiment improved across Europe mostly in Germany, which experienced significant gains during the quarter. The STOXX Europe 600 outperformed the S&P 500 by 9.8%.
- Emerging Markets rose 2.93% and faced challenges from being significantly impacted by the U.S. tariffs and trade protectionism. Industrials sectors and metals were sensitive to these conditions.

Past performance does not guarantee future results. All data is from sources believed to be reliable but cannot be guaranteed or warranted.

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Global Investment Factor Performance

- U.S. Investment Factors experienced mixed performance in Q1 2025. Markets were very volatile because of the uncertainty of tariffs and their economic impact. Minimum Volatility provided the best performance gaining 5.86%. Value also outperformed rising 2.91%. Momentum and Quality provided protection losing -1.88% and -2.91%. U.S. Small caps fell -7.75%.
- International Developed factors all experienced positive performance. Value was the best-performing factor gaining 10.50% and outperforming the market by 4.15%. Minimum Volatility also outperformed the market rising 9.15%. Momentum gained 5.83%. Size and Quality performed similarly gaining 3.53% and 3.51%.
- Emerging Markets Value gained 4.42% in Q1 2025 and outperformed the market by 141 bps. All other factors experienced negative performance in Q1.

Bond Market Overview

Index	Quarterly Return Q1 2025
Bloomberg Global Aggregate TR Hdg USD	1.17%
Bloomberg US Treasury US TIPS TR USD	4.17%
Bloomberg US Agg Bond TR USD	2.78%
Bloomberg Municipal TR USD	-0.22%
Bloomberg Gbl Agg Ex USD TR USD	2.53%

- U.S. Treasuries had a strong quarter as falling yields boosted bond prices. Bond prices rise when the yield falls and vice versa. As stocks decline, investors tend to gravitate toward safer assets (bonds). Investors are closely watching The Fed as potential interest rate cuts in 2025 would put downward pressure on Treasury yields and increase bond prices.
- However, Municipal bonds experienced outflows amid concerns about the potential change to their tax-exempt status as Congress may consider eliminating this benefit to fund the extensions of previous tax cuts. Municipals are still appealing to high-net-worth clients due to their lower risk and current tax advantages.
- U.S. Treasury yields decreased notably during Q1 reflecting a shift toward safer assets as trade tensions heighten and tariffs have been implemented. This movement indicates investors are concerned with potential economic slowdowns resulting from these policy changes.
- The U.S. investment-grade bond spreads hit 94 bps on March 12, 2025, their widest level since September 18, 2024 according to the ICE BofA Corporate Index. High-yield spreads widened to 322 bps, which was also the widest since September 18 according to the ICE BofA High Yield Bond Index. Rising spreads indicate increased borrowing costs for U.S. companies, which can hurt profitability. Spreads are overall still near historic lows.

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Market Update

Asset Class Snapshot 3/31/25	
Asset Class	QTD Return
Global Stock Ex U.S.	5.23%
U.S. Real Estate	3.49%
U.S. Bond	2.78%
International Bond	-0.17%
U.S. Stock	-4.51%

Region Snapshot 3/31/25	
Region	QTD Return
Latin America Stock	12.70%
Europe Stock	10.48%
International Developed	6.35%
Emerging Markets	2.93%
Asia Pacific Stock	0.87%
U.S. Stock	-4.51%

Equity Style Snapshot 3/31/25			
QTD	Value	Blend	Growth
Large	2.64%	-4.40%	-9.50%
Mid	-0.06%	-1.56%	-3.43%
Small	-5.42%	-7.37%	-9.92%

Asset Class Summary 3/31/25							
Asset Class	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
U.S. Stock	-5.85%	-4.51%	-4.51%	8.17%	8.85%	18.58%	12.41%
Global Stock Ex U.S.	-0.23%	5.23%	5.23%	6.09%	4.48%	10.92%	4.98%
U.S. Bond	0.04%	2.78%	2.78%	4.88%	0.52%	-0.40%	1.46%
International Bond	-0.81%	-0.17%	-0.17%	4.19%	2.20%	0.87%	2.21%
U.S. Real Estate	-2.43%	3.49%	3.49%	9.80%	-0.84%	9.68%	5.56%

Region Summary 3/31/25							
Region	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
U.S. Stock	-5.85%	-4.51%	-4.51%	8.17%	8.85%	18.58%	12.41%
International Developed	-0.47%	6.35%	6.35%	5.86%	6.27%	12.74%	6.04%
Emerging Markets	0.63%	2.93%	2.93%	8.09%	1.44%	7.94%	3.71%
Europe Stock	-0.30%	10.48%	10.48%	6.87%	7.33%	13.15%	5.67%
Asia Pacific Stock	-0.26%	0.87%	0.87%	5.22%	2.74%	8.30%	4.65%
Latin America Stock	4.83%	12.70%	12.70%	-13.61%	-1.96%	11.81%	2.57%

Factor Summary 3/31/25							
Region	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
MSCI USA	-5.85%	-4.51%	-4.51%	8.17%	8.85%	18.58%	12.41%
MSCI ACWI	-3.90%	-1.22%	-1.22%	7.63%	7.42%	15.71%	9.39%
MSCI USA Value	-2.43%	2.91%	2.91%	7.87%	6.93%	15.81%	9.24%
MSCI USA Small Cap	-6.36%	-7.75%	-7.75%	-2.19%	2.53%	15.96%	7.88%
MSCI USA Quality	-5.80%	-2.91%	-2.91%	6.65%	11.67%	18.56%	14.36%
MSCI USA Momentum	-6.51%	-1.88%	-1.88%	7.93%	8.23%	15.09%	12.71%
MSCI USA Minimum Volatility	-0.60%	5.86%	5.86%	14.02%	8.35%	13.59%	10.72%
MSCI USA Diversified Multi-Factor	-5.53%	-3.61%	-3.61%	7.15%	7.04%	16.26%	9.72%
MSCI ACWI Diversified Multi-Factor	-3.23%	-0.96%	-0.96%	5.49%	5.20%	13.58%	7.82%

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Market Update

Sector Snapshot		3/31/25
Sector	QTD Return	
Energy		9.94%
Health Care		6.54%
Utilities		4.91%
Consumer Defensive		4.44%
Real Estate		3.55%
Financials		3.43%
Materials		2.67%
Comm. Services		-0.08%
Industrials		-0.22%
Technology		-11.05%
Consumer Cyclical		-11.75%

S&P 500 Sector Weights*		3/27/25
Sector	Weight	
Technology		31.28%
Financials		14.11%
Health Care		10.96%
Consumer Cyclical		10.56%
Comm. Services		9.54%
Industrials		7.46%
Consumer Defensive		5.88%
Energy		3.59%
Utilities		2.63%
Real Estate		2.22%
Materials		1.78%

Sector Summary								3/31/25
Sector	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	
Cyclical								
Consumer Cyclical	-8.32%	-11.75%	-11.75%	8.32%	3.11%	15.96%	11.36%	
Financials	-4.20%	3.43%	3.43%	20.09%	11.13%	21.30%	11.93%	
Materials	-2.68%	2.67%	2.67%	-5.66%	1.26%	16.09%	8.00%	
Real Estate	-2.40%	3.55%	3.55%	9.52%	-1.31%	9.80%	-	
Sensitive								
Comm. Services	-5.17%	-0.08%	-0.08%	19.44%	13.06%	17.94%	-	
Energy	3.48%	9.94%	9.94%	2.19%	10.83%	31.62%	6.09%	
Industrials	-3.57%	-0.22%	-0.22%	5.59%	10.16%	19.16%	10.94%	
Technology	-8.29%	-11.05%	-11.05%	-0.17%	10.03%	21.78%	18.87%	
Defensive								
Consumer Defensive	-1.18%	4.44%	4.44%	9.72%	5.24%	11.32%	8.13%	
Health Care	-1.58%	6.54%	6.54%	0.42%	3.81%	12.26%	9.03%	
Utilities	0.24%	4.91%	4.91%	23.75%	5.16%	10.71%	9.42%	

Market Indicators								
Name	As of	Last Quarter	1 Month Ago	1 Mo. % Change	1 Year Ago	1 Year % Change	Freq.	
Key Interest Rates								
1 Month Treasury	3/31/25	4.38%	4.38%	▲ 0.0%	5.49%	▼ -20.2%	Daily	
2 Year Treasury	3/31/25	3.89%	3.99%	▼ -2.5%	4.59%	▼ -15.3%	Daily	
10 Year Treasury	3/31/25	4.23%	4.24%	▼ -0.2%	4.20%	▲ 0.7%	Daily	
30 Year Mortgage	3/27/25	6.65%	6.76%	▼ -1.6%	6.87%	▼ -3.2%	Weekly	
US Corporate AAA	3/31/25	4.71%	4.66%	▲ 1.1%	4.80%	▼ -1.9%	Daily	
US Corporate BBB	3/31/25	5.38%	5.29%	▲ 1.7%	5.56%	▼ -3.2%	Daily	
US Corporate CCC	3/31/25	13.21%	11.61%	▲ 13.8%	12.96%	▲ 1.9%	Daily	
Effective Federal Funds	3/31/25	4.33%	4.33%	▲ 0.0%	5.33%	▼ -18.8%	Daily	
U.S. Economy								
Consumer Sentiment	3/31/25	57.00	64.70	▼ -11.9%	79.40	▼ -28.2%	Monthly	
Unemployment Rate	2/28/25	4.10%	4.10%	▲ 0.0%	3.70%	▲ 10.8%	Monthly	
Inflation Rate	2/28/25	2.82%	2.89%	▼ -2.3%	3.09%	▼ -8.7%	Monthly	
Manufacturing PMI	3/31/25	49.00	50.30	▼ -2.6%	50.30	▼ -2.6%	Monthly	
Non Manufacturing PMI	2/28/25	53.50	54.00	▼ -0.9%	53.40	▲ 0.2%	Monthly	
Retail Sales	2/28/25	627,217	633,359	▼ -1.0%	600,936	▲ 4.4%	Monthly	
Building Permits	2/28/25	1,456	1,482	▼ -1.8%	1,508	▼ -3.4%	Monthly	

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Market Update

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Asset Class Indices

Name	Index	Index Start Date
U.S. Stock	MSCI USA	1/21/1994
Global Stock Ex U.S.	MSCI ACWI Ex USA Net Total Return	12/29/2000
U.S. Bond	Bloomberg US Aggregate	4/29/1996
International Bond	Bloomberg Global Aggregate ex-USD USD Hedged	9/4/2000
U.S. Real Estate	Dow Jones US Real Estate Index Total Return	8/2/2010

Region Indices

Name	Index	Index Start Date
U.S. Stock	MSCI USA	1/21/1994
International Developed	MSCI World Ex USA	6/1/1994
Emerging Markets	MSCI Emerging Markets Net Total Return	12/29/2000
Europe Stock	MSCI Europe Net Total Return	2/28/1995
Asia Pacific Stock	MSCI AC Asia Pacific Net Total Return	12/29/2000
Latin America Stock	MSCI Emerging Markets Latin America Net Total Return	12/29/2000

Equity Style Indices

Name	Index	Index Start Date
MSCI USA	MSCI USA	1/21/1994
MSCI ACWI	MSCI ACWI	12/31/1987
MSCI USA Value	MSCI USA Value	12/31/1996
MSCI USA Small Cap	MSCI USA Small Cap	6/1/1994
MSCI USA Quality	MSCI USA Quality	11/28/1975
MSCI USA Momentum	MSCI USA Momentum	12/31/1974
MSCI USA Minimum Volatility	MSCI USA Minimum Volatility	5/31/1988
MSCI USA Diversified Multi-Factor	MSCI USA Diversified Multi-Factor	11/30/1998
MSCI ACWI Diversified Multi-Factor	MSCI ACWI Diversified Multi-Factor	11/30/1998

Sector Indices

Name	Index	Index Start Date
Consumer Cyclical	Consumer Discretionary Select Sector SPDR Fund	12/16/1998
Financials	Financial Select Sector SPDR Fund	12/16/1998
Materials	Materials Select Sector SPDR Fund	12/16/1998
Real Estate	Real Estate Select Sector SPDR Fund	10/7/2015
Comm. Services	Communication Services Select Sector SPDR Fund	6/19/2018
Energy	Energy Select Sector SPDR Fund	12/16/1998
Industrials	Industrial Select Sector SPDR Fund	12/16/1998
Technology	Technology Select Sector SPDR Fund	12/16/1998
Consumer Defensive	Consumer Staples Select Sector SPDR Fund	12/16/1998
Health Care	Health Care Select Sector SPDR Fund	12/16/1998
Utilities	Utilities Select Sector SPDR Fund	12/16/1998

* SPY's sector exposure data is used as a proxy for the 'S&P 500 Sector Weights' module. This data may not be updated as of the selected time period in cell F1, as YCharts does not provide historical sector exposure data for ETFs or Mutual Funds.

** Economic data may not be updated as of the selected time period in cell F1. Please see the 'As of' column in the 'Market Indicators' module to determine each indicator's as of date. '1 Month Ago' and '1 Year Ago' columns will populate with data 1 month and 1 year prior to the 'As of' column, respectively.

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