# MONTHLY MARKET RECAP

April 3, 2025

| Index | Asset Class | 2025 Mar. | 2025 YTD | 2024 |
|---|---|---|---|---|
| **Equity Indexes** | | **Total Returns** | | |
| NASDAQ 100 | Mega Cap U.S. Growth Equity | (7.6)% | (8.1)% | 25.9% |
| S&P 500 | Large Cap U.S. Equity | (5.6) | (4.3) | 25.0 |
| S&P 400 | Mid Cap U.S. Equity | (5.5) | (6.1) | 13.9 |
| S&P 600 | Small Cap U.S. Equity | (6.1) | (8.9) | 8.7 |
| MSCI All Country World | Global Equity | (3.9) | (1.2) | 18.0 |
| MSCI All Country World (Ex U.S.) | International Equity | (0.1) | 5.4 | 6.1 |
| MSCI Europe, Asia & Far East (EAFE) | International Developed Market Equity | (0.3) | 7.0 | 4.4 |
| MSCI Emerging Markets (EM) | International Emerging Market Equity | 0.7 | 3.0 | 8.1 |
| **Fixed Income Indexes** | | | | |
| Bloomberg U.S. Aggregate Bond | U.S. Investment Grade Bond | 0.0 | 2.8 | 1.3 |
| S&P National AMT-Free Municipal Bond | U.S. Investment Grade Muni Bond | (1.8) | (0.6) | 1.3 |
| S&P Municipal Bond High Yield | U.S. Muni Bonds (Below Investment Grade) | (1.7) | 0.4 | 6.7 |
| Bloomberg U.S. Corp. High Yield | U.S. Corp Bonds (Below Investment Grade) | (1.0) | 1.0 | 8.2 |
| **Index Blends: Stock/Bond** | | | | |
| 80%/20%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg) | | (3.1) | (0.4) | 14.5 |
| 60%/40%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg) | | (2.3) | 0.4 | 11.1 |
| 40%/60%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg) | | (1.5) | 1.2 | 7.7 |
| 20%/80%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg) | | (0.8) | 2.0 | 4.5 |
| Data as of 3/31/2025. Source: Morningstar, and blended benchmark returns are based on monthly rebalancing. | | | | |

**Please see important disclosures at end of this report.**

## Overview & Economy

"***I never promised you a rose garden***." The markets are responding very negatively to the so-called "reciprocal tariffs" President Trump announced yesterday afternoon at the White House Rose Garden. The tariffs announced were much broader and deeper than expected in terms of the rates and the countries specifically targeted.[1] Some commentators continue to interpret the Trump Tariffs, overall, as most likely negotiating prompts. However, this view appears to be strikingly inconsistent with the Administration's repeated references to tariffs as means to raise revenue – in part to compensate for the planned tax cuts.[2] One particular comment in yesterday's speech stood out, and as yet has not been prominently addressed in the extensive media coverage… The President seemed to longingly refer to a period in history and he said the following: "From 1789 to 1913, we were a tariff-backed nation and the United States was proportionately the wealthiest it has ever been. So wealthy, in fact, that in the 1880s, they established a commission to decide what they were going to do with the vast sums of money they were collecting."[3] Despite some changes and even potential moderations to trade tariffs, in our view, it appears that tariffs are here to stay for the foreseeable future.

***Ceteris paribus*** (Latin for "other things being equal") is a commonly used assumption in economic analysis.[4] Most assessments of the potential implications of tariffs have had to resort, at least to some extent, on this assumption. This is by necessity as it would be analytically irresponsible to interject speculation into analyses. Nevertheless, the fact of the matter is that *other things* will not remain equal. A reasonable consideration of the potential implications and consequences from tariffs would have to consider, in our view, retaliatory tariffs, foreign boycotts of U.S. goods and services, new foreign trade deals that bypass the U.S, and potentially reduced consumer spending globally (particularly among goods with higher price elasticity). From a macroeconomic perspective, bigger broader tariffs materially increase the risk of compounding U.S. inflation. Furthermore, potential resulting declines in asset values (namely, equities) would also introduce "wealth effect" risks.[4] Overall, we must conclude that all this unavoidably boils down to an increase in recession risk – and, potentially, worse yet "*stagflation*"[4] risk. From an investment perspective, it is for times like these that we promote diversification – geographically within equities, and across asset classes for multi-asset class portfolios.

## Equity Markets

The declines exhibited in March across most global equity markets continued a shift in geographic leadership favoring International stocks over U.S. stocks. Within the U.S., a shift toward "*risk-off*" continued, with the mega cap growth NASDAQ 100 and Small Caps continuing to lag. As of month-end, the S&P 500 was 10% from its recent highs, meeting the definition of a correction, but down less than its 40-year average intra-year pull back of 14% - and even at the day and time of this writing, which reflects the first day's response to the new tariffs, the S&P 500's pull back is still shy of that average. We refer to this to help keep things in appropriate context. Investors have been a bit spoiled by the U.S. equity market's consistency and outstanding returns of the last couple years, and even over the last 16 years where corrections have been few and short-lived.

## Fixed Income Markets

On a positive note, bonds look good here – namely investment grade bonds. Year-to-date most U.S. bond indexes are positive, and the headwinds to economic activity from tariffs suggest rates are unlikely to move higher in the near-term. On the other hand, due to that now foggier inflation outlook, market expectations have moved away from anticipating a cut in the Fed Funds rate at the FOMC's next meeting on May 6-7, 2025. Further, we must note that increased recession risks would suggest increased risks (namely default risks) for higher yield bonds, particularly corporate high yield.

**Reference(s):**


1) CNBC News Article, "Trump's tariffs incite fury in China and dismay in Europe", April 3, 2025 – *Link*
2) CBS News Article, "Trump says his tariffs could bring in trillions in revenue…", April 2, 2025 – *Link*
3) The Singju Post, Transcript of President Trump Remarks at 'Liberation Day' Event, April 2, 2025 – *Link* ;
   Wikipedia, Donald Trump's Liberation Day Speech – *Link*
4) Investopedia Definitions, "Ceteris Paribus" *Link*; "Wealth Effect" *Link*; "Stagflation" *Link*