

March 4, 2025

Index	Asset Class	2025		2024
		Feb.	YTD	
Equity Indexes		Total Returns		
NASDAQ 100	Mega Cap U.S. Growth Equity	(2.7)%	(0.5)%	25.9%
S&P 500	Large Cap U.S. Equity	(1.3)	1.4	25.0
S&P 400	Mid Cap U.S. Equity	(4.4)	(0.7)	13.9
S&P 600	Small Cap U.S. Equity	(5.7)	(3.0)	8.7
MSCI All Country World	Global Equity	(0.6)	2.8	18.0
MSCI All Country World (Ex U.S.)	International Equity	1.4	5.5	6.1
MSCI Europe, Asia & Far East (EAFE)	International Developed Market Equity	2.0	7.3	4.4
MSCI Emerging Markets (EM)	International Emerging Market Equity	0.5	2.3	8.1
Fixed Income Indexes				
Bloomberg U.S. Aggregate Bond	U.S. Investment Grade Bond	2.2	2.7	1.3
S&P National AMT-Free Municipal Bond	U.S. Investment Grade Muni Bond	1.0	1.2	1.3
S&P Municipal Bond High Yield	U.S. Muni Bonds (Below Investment Grade)	1.3	2.2	6.7
Bloomberg U.S. Corp. High Yield	U.S. Corp Bonds (Below Investment Grade)	0.7	2.1	8.2
Index Blends: Stock/Bond				
80%/20%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(0.0)	2.8	14.5
60%/40%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		0.5	2.8	11.1
40%/60%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		1.1	2.8	7.7
20%/80%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		1.7	2.8	4.5
Data as of 2/28/2025. Source: Morningstar, and blended benchmark returns are based on monthly rebalancing.				

Please see important disclosures at end of this report.

## Overview & Economy

Suffice it to say, recent events and the related news flow has stoked some uncertainties – economic and geo-political: Inflation remains sticky<sup>1</sup>; Consumer Sentiment softened<sup>2</sup>; and President Trump has put U.S. Foreign Policy in flux<sup>3</sup> and has implemented Tariffs on our biggest trading partners who will retaliate<sup>4</sup>.

In our last *Monthly*, we commented how investment markets hadn't yet responded as if a lasting trade war will actually occur. And, in our view, this is still mostly the case. The declines across U.S. equity indexes in February (see table above) and the downticks since (as of this writing) have been unexceptional in terms of historic parameters – albeit markets have been fairly erratic day to day. As context, we remind readers that over the last 45 years, the average intra-year decline for the S&P 500 has been 14.1%.

What has been much more meaningful, in our view, than the broader index moves so far, has been the significant shifts in leadership away from “risk on.” By “risk on” we’re referring to both a higher risk tolerance among investors, as well as the related performance leadership by the most optimistic growth stories underpinned by ambitious valuations. The most notable among such “risk on” leadership stocks have been the “**Magnificent 7**” [i.e., Alphabet (GOOGL, GOOG), Amazon (AMZN), Apple (AAPL), META (META), Microsoft (MSFT), Nvidia (NVDA), and Tesla (TSLA)]; and we’d also have to mention here the dozen or so other major stocks which have been riding excitement around Artificial Intelligence (AI) and crypto currencies. Fast forward to real time (as of the date and time of this writing), the “Mag 7” stocks are down an

average of 21% from their respective peaks (led by TSLA's -45%, and NVDA's -26%). NVDA is also the largest "AI" stock, and another, as an example, is Palantir (PLTR) which is down 35% off its high. Examples among larger crypto-related stocks are MicroStrategy (MSTR) and Robinhood (HOOD), which are down 48% and 34% from their respective highs.

Over the past two years as U.S. equities steadily appreciated, the leadership has been quite narrow. Just the "Mag 7" accounted for 63% and 55% of the S&P 500's price return in 2023 and 2024, respectively. Said another way, the S&P 500's other 493 stocks collectively appreciated just 8% and 10% in 2023 and 2024, respectively. As of February 27, 2025, the "Mag 7" stocks still represent 31% of the S&P 500. So far their pull-backs have been largely diluted by the performance of the S&P 500's other 493 stocks. This notable shift in leadership is just weeks old – still just a nascent phenomenon. Will it continue, will it accelerate, and what the implication may be to the broader indexes remains unclear. Nevertheless, already being revalidated are the benefits of diversified portfolios positioned for risk-adjusted returns through market cycles.

## Equity Markets

Global equity markets were mixed in February, but they continued a recent shift in geographic leadership favoring International stocks over U.S. stocks. On the other hand, within the U.S., the underperformance of Small and Mid Caps has continued, as these Indexes declined more than Larger Caps in February. In our view, the overall relative performance comparisons reflect a reset of risk tolerances and expectations regarding relative corporate profit growth, along with some profit-taking with proceeds redeployed toward previous laggards.

## Fixed Income Markets

U.S. Bond indexes continued on positive trends in February, supported by downticks in market yields. Commensurate with moves toward "risk off," Investment Grade bonds indexes outpaced their higher yield/below Investment Grade peers. And, by the way, the next Federal Reserve FOMC meeting will be held on March 18 and 19, 2025. Reflecting recent sticky inflation, expectations are for the Fed Funds rate to remain unchanged in the target range of 4.25%-4.5%.

### Reference(s):

- 1) CNBC News Article, "Consumer Prices Rise...", February 12, 2025 – [Link](#)
- 2) CBS New Article, "Consumer Confidence Plunged...", February 25, 2025 – [Link](#)
- 3) Associated Press News Article, "NATO is in Disarray..." – [Link](#)
- 4) CNBC News Article, "Trump Tariffs...", March 4, 2025 – [Link](#)

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*Reference to market index information is included for illustrative purposes only, as it is not possible to directly invest in an index. Indexes are unmanaged, hypothetical vehicles that serve as market indicators. Index total return performance data reflects the assumptions of the reinvestment of interest and dividends but does not include the deduction of fees or transaction costs which otherwise reduce performance of an actual portfolio. The blended indexes are shown for informational purposes only and are not representative of any particular investment or plan.*

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