

Quarterly Market Review: January-March 2025



The Markets (first quarter through March 31, 2025)

Wall Street got off to a good start to begin the first quarter of 2025 and continued to rally for much of the quarter. Several of the benchmark indexes reached record highs in January through mid-February. However, U.S. stocks closed the first quarter in a tailspin, unable to keep pace with major global stocks. Following the presidential election, investors began the quarter hopeful that the new administration would encourage economic growth and lasso inflation. However, the Trump administration embarked on an economic policy that threatened or imposed tariffs on goods from major trade partners including Canada, Mexico, and China, as well as the European Union. Throughout March, investors worried about the impact of a trade war, rising inflation, and a potential economic recession. Both the personal consumption expenditures (PCE) price index and the Consumer Price Index (CPI) moved little for much of the quarter, however, core prices (excluding volatile food and energy segments) increased on an annual basis, moving farther from the Federal Reserve's 2.0% target rate. In response, the Federal Reserve maintained the federal funds target rate range at 4.25%-4.50%. The unemployment rate edged up to 4.1% in February. In this context, U.S. stocks declined in March and for the quarter. The S&P 500 lost nearly 5.0%, while the NASDAQ declined over 10.0%. Among the market sectors, the first quarter saw consumer discretionary fall more than 16.0%, information technology decline about 15.0%, and communication services drop nearly 8.0%. On the other hand, energy outperformed by a large margin, gaining more than 10.0% from the beginning of the year. Rising bond prices weighed on yields, with the yield on 10-year Treasuries closing lower in each month of the quarter as investors sought safety amid escalating trade tensions. The yield on the 2-year note ended the quarter at about 3.92%, a decrease of 28.0 basis points from the beginning of the quarter. By the end of the quarter, nearly 70 S&P 500 companies reported negative earnings per share, which is above the five-year average of 57 and higher than the 10-year average of 62. According to FactSet, the number of companies issuing positive earnings per share is below the five-year average but a tick above the 10-year average.

Gold, considered a safe haven during volatile economic times, had its best quarter since 1986 after rising nearly 20.0% in the first quarter as the potential trade war and economic slowdown sent worried investors scurrying for more stable investments. Crude oil prices fluctuated throughout much of the quarter, ultimately ending up about where they began. Moving forward, a new round of tariffs set to take effect during the first week of April, could heighten fears of a global trade war, which could slow economic growth and curtail demand for energy. The retail price for regular gasoline was \$3.115 per gallon on March 24, \$0.010 below the price a month earlier but \$0.072 more than the price at the beginning of the first quarter. Regular retail gas prices decreased \$0.408 from a year ago. According to Freddie Mac, the 30-year fixed-rate mortgage averaged 6.65% as of March 13. That's up from 6.63% one week ago but down from 6.74% one year ago.

January began the year and the first quarter on a high note. Stocks moved generally higher, with each of the benchmark indexes listed here closing higher. The S&P 500 gained 2.7%, the NASDAQ climbed 1.6%, and the Dow rose 4.7%. The Federal Reserve met in January and held the key policy rate at 4.25%-4.50% following three consecutive rate cuts. The yields on 10-year Treasuries closed at 4.56% after climbing to 4.80% mid-month. Inflation proved stubborn as both the CPI and the PCE price index increased year over year. Throughout the month, investors tried to digest the plethora of executive orders signed by President Trump. In addition, the administration imposed new tariffs on Canada, Mexico, and China, creating uncertainty around global trade relations. While most of the market sectors closed higher, tech shares took a hit as a new Chinese AI company shook the industry.

Key Dates/Data Releases

4/1: S&P Global Manufacturing PMI, JOLTS

4/3: S&P Global Services PMI, international trade in goods and services

4/4: Employment situation

4/10: Consumer Price Index, Treasury budget statement

4/11: Producer Price Index

4/15: Import and export prices

4/16: Retail sales, industrial production

4/17: Housing starts

4/23: New home sales

4/24: Durable goods orders, existing home sales

4/29: International trade in goods, JOLTS

4/30: GDP, Personal Income and Outlays

Stocks ended February lower, with information technology, consumer discretionary, communications, and industrials underperforming. Bond prices climbed higher, pulling yields lower. The dollar index ticked lower, while gold prices moved modestly higher. Crude oil prices fell nearly 5.0% in February, marking the first monthly loss since November 2024. President Trump's policies relative to tariffs, immigration, taxes, the Middle East, and the Ukraine/Russia conflict weighed on market sentiment. Mixed economic data and a hotter-than-expected CPI added to concerns of recession and stagflation. Ten-year Treasury yields fell 36.0 basis points.

The market volatility that began in February increased in March. Tariffs, persistent inflation, and the threat of global economic turmoil hit investors hard. Consumer confidence trended lower, notably future expectations, which fell to a 12-year low to a rate that could signal an economic recession. Each of the benchmark indexes declined in value, with the NASDAQ falling more than 8.0%. The energy sector was the only one to close March in the black. The remaining market sectors trended lower, with communication services and information technology underperforming notably. The dollar index declined under the weight of economic uncertainty. Gold prices, on the other hand, reached a record high. Crude oil prices moved higher after President Trump intimated that additional tariffs on Russia could be in the offing, which could lead to supply concerns.

Stock Market Indexes

Market/Index	2024 Close	As of March 31	Monthly Change	Quarterly Change	YTD Change
DJIA	42,544.22	42,001.76	-4.20%	-1.28%	-1.28%
NASDAQ	19,310.79	17,299.29	-8.21%	-10.42%	-10.42%
S&P 500	5,881.63	5,611.85	-5.75%	-4.59%	-4.59%
Russell 2000	2,230.16	2,011.01	-7.03%	-9.83%	-9.79%
Global Dow	4,863.01	5,106.01	-2.10%	5.00%	5.00%
fed. funds target rate	4.25%-4.50%	4.25%-4.50%	0 bps	0 bps	0 bps
10-year Treasuries	4.57%	4.24%	4 bps	-33 bps	-33 bps
US Dollar-DXY	108.44	104.19	-3.13%	-3.92%	-3.92%
Crude Oil-CL=F	\$71.76	\$71.38	2.04%	-0.53%	-0.53%
Gold-GC=F	\$2,638.50	\$3,156.40	10.08%	19.63%	19.63%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Latest Economic Reports

- **Employment:** Job growth was slightly below expectations in February, with the addition of 151,000 new jobs after a downward revision of 18,000 new jobs in January, from 143,000 to 125,000. In February, the unemployment rate increased 0.1 percentage point to 4.1%. The number of unemployed persons rose by 203,000 to 7.1 million in February. The number of long-term unemployed (those jobless for 27 weeks or more) was 1.5 million, essentially unchanged from the January figure. These individuals accounted for 20.9% of all unemployed persons. The labor force participation rate in February was 62.4%, down 0.2 percentage point from the previous month. The employment-population ratio also decreased 0.2 percentage point to 59.9% in February. Average hourly earnings increased by \$0.10, or 0.3%, to \$35.93 in February. Since February 2024, average hourly earnings rose by 4.0% (4.1% for the 12 months ended in January 2025). The average workweek was unchanged at 34.1 hours in February.
- There were 224,000 initial claims for unemployment insurance for the week ended March 22, 2025. During the same period, the total number of workers receiving unemployment insurance was 1,856,000. A year ago, there were 214,000 initial claims, while the total number of workers receiving unemployment insurance was 1,802,000.
- **FOMC/interest rates:** The Federal Open Market Committee left the federal funds rate at the current 4.25%-4.50% following its meeting in March. The projected path of monetary policy points to two interest rate cuts of 25.0 basis points each by the end of 2025.
- **GDP/budget:** The economy, as measured by gross domestic product, accelerated at an annualized rate of 2.4% in the fourth quarter following an increase of 3.1% in the third quarter. GDP expanded at an annualized rate of 2.8% in 2024, compared with an annual increase of 2.9% in 2023. Consumer

spending, as measured by the Personal Consumption Expenditures index, rose 4.0% in the fourth quarter following a 3.7% rise in the third quarter. Spending on services rose 3.0% in the fourth quarter, compared with a 2.8% increase in the third quarter. Consumer spending on goods increased 6.2% in the fourth quarter (5.6% in the third quarter). Fixed investment declined 1.1% in the fourth quarter after increasing 2.1% in the third quarter. Nonresidential (business) fixed investment declined 3.0% in the fourth quarter after climbing 4.0% in the previous quarter. Residential fixed investment rose 5.5% in the fourth quarter following a 4.3% decrease in the third quarter. Exports fell 0.2% in the fourth quarter, compared with a 9.6% increase in the previous quarter. Imports, which are a negative in the calculation of GDP, decreased 1.9% in the fourth quarter after rising 10.7% in the third quarter.

- February saw the federal budget deficit come in at \$307.0 billion, compared to a deficit of \$296.3 billion a year ago. The deficit for the first five months of fiscal year 2025, at \$1,147.0 trillion, is well above the \$828.0 billion deficit over the first five months of the previous fiscal year. So far in fiscal year 2025, government receipts totaled \$1,893.0 trillion, while government outlays totaled \$3,039.0 trillion. Through the first five months of fiscal year 2025, individual income tax receipts added up to \$959.0 billion, while outlays for Social Security totaled \$631.0 billion.
- Inflation/consumer spending:** According to the latest Personal Income and Outlays report, personal income rose 0.8% in February, while disposable personal income increased 0.9% last month after both increased 0.7% in January. Consumer spending increased 0.4% in February after decreasing 0.3% the previous month. Consumer prices inched up 0.3% in February for the third straight month. Excluding food and energy (core prices), prices rose 0.4% in February. Consumer prices rose 2.5% for the 12 months ended in February, unchanged from the same period ended in January. Core prices increased 2.8% over the last 12 months. Since February 2024, prices for food rose 1.5%, while energy prices decreased 1.1%.
- The increase in consumer prices slowed in February following a more rapid increase between November 2024 and January 2025. The Consumer Price Index rose by just 0.2% in February after advancing 0.5% in January. Over the 12 months ended in February, the CPI rose 2.8%, 0.2 percentage point below the rate for the 12 months ended in January. Core prices (excluding food and energy) also ticked up 0.2% last month and 3.1% since February 2024. Prices for shelter rose 0.3% in February (and 4.2% for the last 12 months), accounting for nearly half of the February increase. Food prices increased 0.2% last month and 2.6% for the year. Energy prices rose 0.2% in February but declined 0.2% since February 2024. Gasoline prices decreased 1.0% in February and 3.1% over the last 12 months.
- Prices at the wholesale level were flat in February, according to the latest Producer Price Index. Producer prices increased 3.2% for the 12 months ended in February, a decrease of 0.2 percentage point from the estimate for the 12-month period ended in January. Excluding food and energy, producer prices fell 0.1% in February but increased 3.4% for the year. In February, prices for goods rose 0.3% (0.6% in January) and 1.7% since February 2024 (2.3% for the 12 months ended in January). Last month saw prices for services fall 0.2% after advancing 0.6% in January. Prices for services have risen 3.9% for the 12 months ended in February, a decrease of 0.2 percentage point from the increase over the 12 months ended in January.
- Housing:** Sales of existing homes increased 4.2% in February but were 1.2% under the February 2024 figure. The median existing-home price was \$398,400 in February, above the January estimate of \$393,400 and higher than the year-earlier price of \$383,800. Unsold inventory of existing homes in February represented a 3.5-month supply at the current sales pace, unchanged from the January estimate but above the 3.0-month supply in February 2024. Sales of existing single-family homes increased 5.7% in February but were 0.3% below the estimate from a year earlier. The median existing single-family home price was \$402,500 in February (\$398,100 in January), above the February 2024 estimate of \$388,000.
- New single-family home sales rose 18.9% in February but were 1.8% below the February 2024 figure. The median sales price of new single-family houses sold in February was \$414,500 (\$427,400 in January) down from the February 2024 estimate of \$420,900. The February average sales price was \$487,100 (\$507,900 in January), below the February 2024 average sales price of \$509,700. Inventory of new single-family homes for sale in February represented a supply of 8.9 months at the current sales pace, slightly lower than the January estimate of 9.0 months but above the 8.7-month supply from a year earlier.
- Manufacturing:** Industrial production increased 0.7% in February following a 0.3% advance in January. Manufacturing output gained 0.9% last month after ticking up 0.1% in January. In February, mining increased 2.8%, while utilities fell 2.5%. Over the 12 months ended in February, total industrial production was 1.4% above its year-earlier reading. Since February 2024, manufacturing increased 0.7%, utilities rose 8.7%, while mining was unchanged.
- New orders for durable goods unexpectedly increased 0.9% in February after rising 3.3% in the prior

month. For the 12 months ended in February, durable goods orders advanced 2.3%. Excluding transportation, new orders rose 0.7% in February from the prior month. Excluding defense, new orders advanced 0.8%. Transportation equipment, which increased 1.5% for the second straight month, led the overall increase in new orders in February.

- **Imports and exports:** Import prices exceeded expectations after rising 0.4% in February, the same increase as in January. Prices for imports rose 2.0% over the last 12 months. Higher fuel and nonfuel prices in February contributed to the overall increase in import prices. Import fuel prices advanced 1.7% in February after increasing 3.5% in January. Import fuel prices rose 2.8% over the past 12 months ended in February. Prices for nonfuel imports edged up 0.3% in February and advanced 2.0% over the last 12 months. Prices for exports rose 0.1% in February, following a 1.3% advance in January. Higher agricultural and nonagricultural export prices each contributed to the increase in February. Export prices rose 2.1% over the past year.
- The international trade in goods deficit in February was \$147.9 billion, 4.9% less than the January estimate. Exports of goods for February were 4.1% above January exports. Imports of goods for February were 0.2% less than January imports. Over the 12 months ended in February, the goods deficit grew by about \$56.0 billion. Exports rose 2.5%, while imports increased 22.5%.
- The latest information on international trade in goods and services, released March 6, saw the goods and services deficit jump 34.0% in January to \$131.1 billion. Exports of goods increased 1.2% to \$269.8 billion in January. Imports of goods were \$401.2 billion in January, an increase of 10.0% over the December figure. For the 12 months ended in January 2025, the goods and services deficit increased \$64.5 billion, or 96.5%, from January 2024. Exports increased \$10.6 billion, or 4.1%. Imports increased \$75.2 billion, or 23.1%.
- **International markets:** Global markets trended lower in March as concerns over a trade war dampened the economic outlook and curbed investor sentiment. The German inflation rate slowed to 2.2% in March, the lowest it's been since November 2024. The European Central Bank is expected to cut its key interest rate in mid-April as inflation data seems to be heading toward the ECB's 2.0% target. While China's stock market managed to trend higher last month, that country's industrial output fell by 3.6% over the last 12 months, marking the steepest decline since May 2023. In March, the STOXX Europe 600 Index fell 5.1%; the United Kingdom's FTSE declined 3.4%; Japan's Nikkei 225 Index fell 5.7%; and China's Shanghai Composite Index ticked up 0.6%.
- **Consumer confidence:** The Conference Board Consumer Confidence Index® declined for a fourth straight month in March after falling 7.2 points to 92.9. The Present Situation Index, based on consumers' assessment of current business and labor market conditions, dropped 3.6 points to 134.5 in March. The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, tumbled 9.6 points to 65.2 in March, the lowest level in 12 years and well below the 80 point threshold that usually signals an impending recession.

Eye on the Quarter Ahead

The Federal Reserve does not meet in April, so there will be some time to determine the impact of President Trump's economic policy and tariffs.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ

Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.

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