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Quarterly Market Review: January-March 2025

The Markets (as of market close April 30, 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.

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.

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, according to Freddie Mac. 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.

Toward the end of 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 for the quarter.

During April, the markets generally ebbed and flowed in response to uncertainty over U.S. trade policy and the impact of tariffs. April got off to a very rocky start as the stock market endured its worst week since the COVID pandemic. Investors moved away from risk following the announcement of President Trump's sweeping tariffs, particularly those aimed at China, and that country's immediate retaliatory response, which raised fears of rising inflation and global economic recession. Wall Street rebounded the following week after President Trump announced a 90-day pause on many of his new tariffs.

Investors were then hit with President Trump's threat to fire Federal Reserve Chair Jerome Powell, which resulted in another negative week for the markets. Toward the end of April, Wall Street settled into a wait-and-see mode, which resulted in moderate gains as investors remained alert to further developments. However, contraction of the U.S. economy for the first time in three years (see below) drove stocks mostly lower to close out the month. The market sectors ended April mixed, with consumer staples and information technology outperforming, while energy, financials, real estate, materials, and health care declined.

Stock Market Indexes

Market/Index	2024 Close	Prior Month	As of 4/30	Monthly Change	YTD Change
DJIA	42,544.22	42,001.76	40,669.36	- 3.17 %	- 4.41 %
NASDAQ	19,310.79	17,299.29	17,446.34	0.85 %	- 9.65 %
S&P 500	5,881.63	5,611.85	5,569.06	- 0.76 %	- 5.31 %
Russell 2000	2,230.16	2,011.01	1,964.12	- 2.33 %	- 11.93 %
Global Dow	4,863.01	5,106.01	5,089.65	- 0.32 %	4.66 %
Fed. Funds	4.25%-4.50%	4.25%-4.50%	4.25%-4.50%	0 bps	0 bps
10-yr Treasuries	4.57%	4.24%	4.17%	- 7 bps	- 40 bps
US Dollar-DXY	108.44	104.19	99.69	- 4.32 %	- 8.07 %
Crude Oil-CL=F	$ 71.76	$ 71.38	$58.32	- 18.30 %	- 18.73 %
Gold-GC=F	$ 2,638.50	$ 3,156.40	$3,303.50	4.66 %	25.20 %

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 exceeded expectations in March, with the addition of 228,000 new jobs after a downward revision of 48,000 in the prior two months. In March, the unemployment rate increased 0.1 percentage point to 4.2%. The number of unemployed persons changed little at 7.1 million in March. The number of long-term unemployed (those jobless for 27 weeks or more) was 1.5 million, essentially unchanged from the February figure. These individuals accounted for 21.3% of all unemployed persons. The labor force participation rate in March was 62.5%, up 0.1 percentage point from the previous month. The employment-population ratio was unchanged at 59.9%. Average hourly earnings increased by$0.09, or 0.3%, to $36.00 in March. Over the last 12 months, average hourly earnings rose by 3.8% (4.0% for the 12 months ended in February 2025). The average workweek was unchanged at 34.2 hours.

• There were 222,000 initial claims for unemployment insurance for the week ended April 19, 2025. During the same period, the total number of workers receiving unemployment insurance was 1,841,000. A year ago, there were 209,000 initial claims, while the total number of workers receiving unemployment insurance was 1,776,000.

• **FOMC/interest rates:** The Federal Open Market Committee did not meet in April. However, President Trump has pushed for the Federal Reserve to lower interest rates. Thus far, Fed Chair Jerome Powell indicated that the current fiscal policy will be maintained until the Committee deems it appropriate to lower rates.

• **GDP/budget:** The economy, as measured by gross domestic product, decelerated at an annualized rate of 0.3% in the first quarter of 2025 following an increase of 2.4% in the fourth quarter of 2024. Compared to the fourth quarter, the decrease in GDP in the first quarter primarily reflected an increase in imports, which are a subtraction in the calculation of GDP, a decrease in government spending, and acceleration in consumer spending. These movements were partly offset by increases in investment and exports. Personal spending, as measured by the personal consumption expenditures index, rose 1.8% in the first quarter, compared to a 4.0% rise in the fourth quarter. Spending on services rose 2.4% in the first quarter, compared with a 3.0% increase in the fourth quarter.

Consumer spending on goods increased 0.5% in the first quarter (6.2% in the fourth quarter). Fixed investment increased 7.8% in the first quarter after decreasing 1.1% in the fourth quarter. Nonresidential (business) fixed investment rose 9.8% in the first quarter after falling 3.0% in the previous quarter. Residential fixed investment rose 1.3% in the first quarter following a 5.5% increase in the fourth quarter. Exports advanced 1.8% in the first quarter, compared with a 0.2% decline in the previous quarter. Imports vaulted 41.3% in the first quarter after ticking down 1.9% in the fourth quarter.

• March saw the federal budget deficit come in at $161 billion, compared to a deficit of $237 billion a year ago. The deficit for the first six months of fiscal year 2025, at $1,307 billion, is well above the $1,065 billion deficit over the first six months of the previous fiscal year. So far in fiscal year 2025, government receipts totaled $2,260 billion, while government outlays totaled $3,567 billion. Through the first six months of fiscal year 2025, individual income tax receipts added up to $1,144 billion, while outlays for Social Security totaled $775 billion.

• **Inflation/consumer spending:** According to the latest Personal Income and Outlays report, personal income rose 0.5% in March, while disposable personal income also increased 0.5% last month after increasing 0.7% and 0.8%, respectively, in February. Consumer spending increased 0.7% in March after increasing 0.5% the previous month. In March, the PCE price index and the PCE price index less food and energy were each unchanged for the month after rising 0.4% and 0.5%, respectively, in February. Consumer prices rose 2.3% for the 12 months ended in March, down 0.4 percentage point from the same period ended in February. Core prices increased 2.6% over the last 12 months. In March, prices for goods fell 0.5%, while prices for services rose 0.2%. Food prices increased 0.5%, while energy prices fell 2.7%.

• In what could be the calm before the storm, consumer prices slowed in March. The Consumer Price Index fell 0.1% last month after ticking up 0.1% (revised) in February. Over the 12 months ended in March, the CPI rose 2.4%, 0.2 percentage point below the rate for the 12 months ended in February. Core prices (excluding food and energy) inched up 0.1% last month and 2.8% since March 2024. Prices for shelter rose 0.2% in March (and 4.0% for the last 12 months). Food prices increased 0.4% last month after rising 0.2% in February, and 2.6% for the year. Energy prices fell 2.4% in March, pulled lower by a 6.3% decline in gasoline prices.

• Prices at the wholesale level declined 0.4% in March, according to the latest Producer Price Index. Producer prices increased 2.7% for the 12 months ended in March after rising 3.2% for the 12-month period ended in February. Excluding food and energy, producer prices fell 0.1% in March but increased 3.3% for the year. In March, prices for goods declined 0.9% (+0.3% in February) and 0.9% since March 2024 (1.7% for the 12 months ended in February). Last month saw prices for services fall 0.2% after being unchanged in February. Prices for services have risen 3.6% for the 12 months ended in March, a decrease of 0.3 percentage point from the increase over the 12 months ended in February.

• **Housing:** Sales of existing homes decreased 5.9% in March and were 2.4% under the March 2024 figure. The median existing-home price was $403,700 in March, above the February estimate of $396,800 and higher than the year-earlier price of $392,900. Unsold inventory of existing homes in March represented a 4.0-month supply at the current sales pace, marginally longer than the February supply of 3.5 months and well above the 3.2-month supply in March 2024.

Sales of existing single-family homes fell 6.4% in March and were 3.2% below the estimate from a year earlier. The median existing single-family home price was $408,000 in March ($400,900 in February), above the March 2024 estimate of $396,600.

• New single-family home sales rose 7.4% in March and were 6.0% above the March 2024 figure. The median sales price of new single-family houses sold in March was $403,600 ($411,500 in February), down from the March 2024 estimate of $436,400. The March average sales price was $497,700 ($492,700 in February), down from the March 2024 average sales price of $522,500. Inventory of new single-family homes for sale in March represented a supply of 8.3 months at the current sales pace, down from the February estimate of 8.9 months but above the 8.2-month supply from a year earlier.

• **Manufacturing:** Industrial production decreased 0.3% in March following a 0.8% advance in February. Manufacturing output gained 0.3% last month after climbing 1.0% in February. In March, mining increased 0.6%, while utilities dropped 5.8%, impacted by unusually warm weather. Over the 12 months ended in March, total industrial production was 1.3% above its year-earlier reading. Since March 2024, manufacturing increased 1.0%, utilities rose 4.4%, while mining increased 1.0%.

• New orders for durable goods increased 9.2% in March, marking the third consecutive monthly gain. For the 12 months ended in March, durable goods orders advanced 5.5%. Excluding transportation, new orders were unchanged last month. Excluding defense, new orders advanced 10.4%. Transportation equipment, which increased 27.0%, rose for the third straight month and led the overall increase in new orders in March.

• **Imports and exports:** Import prices decreased 0.1% in March following a 0.2% increase in February.

The March decline was the first monthly drop since the index decreased 0.4% in September 2024. Prices for imports increased 0.9% from March 2024 to March 2025. Import fuel prices decreased 2.3% in March, which was the largest monthly drop since September 2024. Export prices were unchanged in March after rising 0.5% the previous month. Export prices have not declined on a one-month basis since September 2024. Export prices advanced 2.4% for the 12 months ended March 2025.

• The international trade in goods deficit in March was $162.0 billion, 9.6% more than the February estimate. Exports of goods for March were 1.2% above February exports. Imports of goods for March were 5.0% more than February imports. Over the 12 months ended in March, the goods deficit grew by about 75.0%. Exports rose 6.8%, while imports increased 30.8%.

• The latest information on international trade in goods and services, released April 3, saw the goods and services deficit fall 6.1% in February to $122.7 billion. Exports of goods increased 2.9% to $278.5 billion in February. Imports of goods, at $401.1 billion, were unchanged. For the 12 months ended in February 2025, the goods and services deficit increased $117.1 billion, or 86.0%. Exports increased $24.0 billion, or 4.6%. Imports increased $141.2 billion, or 21.4%.

• **International markets:** Global markets were largely driven by tariff news throughout April. European and Asian stocks were mostly mixed for much of the month, ultimately closing April largely in the red. Elsewhere, the Ukraine war has depleted the Russian labor force, driving the unemployment rate to 2.3%. While the U.S. GDP declined in the first quarter, Mexico's GDP unexpectedly grew by 0.6% on a yearly basis.

Canada's GDP also expanded, driven higher by a rise in household consumption. Eurozone GDP expanded by 0.4% in the first quarter. The Chinese economy grew by 1.2% in the first quarter, and Japan's GDP rose 0.6%. In April, the STOXX Europe 600 Index fell 1.8%; the United Kingdom's FTSE declined 1.3%; Japan's Nikkei 225 Index gained 1.2%; and China's Shanghai Composite Index ticked down 2.1%.

• **Consumer confidence:** The Conference Board Consumer Confidence Index® fell by 7.9 points in April to 86.0. The Present Situation Index, based on consumers' assessment of current business and labor market conditions, decreased 0.9 points to 133.5. The Expectations Index, based on consumers' shortterm outlook for income, business, and labor market conditions, dropped 12.5 points to 54.4, the lowest level since October 2011 and well below the threshold of 80 that usually signals a recession ahead.

Wishing you a wonderful Spring season and the start of Summer.

Warmest regards,

Financial Concepts Unlimited, Inc.

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. 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.

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