Rising Policy Uncertainty Leads to Increased Market Volatility

Services
Investment Management

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Monthly Market Summary

- The S&P 500 Index returned -0.9%, outperforming the Russell 2000 Index's -2.3% return. Technology was the top-performing S&P 500 sector, followed by Consumer Staples, Industrials, and Utilities. Energy returned -13.9% as oil prices fell -18.6%.
- Bonds ended the month unchanged despite intra-month volatility, with the U.S. Bond Aggregate posting a +0.4% total return. Corporate investment-grade bonds produced a -0.3% total return, underperforming corporate high-yield's +0.1% return.
- International stocks traded higher and outperformed the S&P 500. Developed Markets gained +3.7%, while Emerging Markets returned +0.1%.

Markets Rebound from an Early-Month Selloff as Trade Tensions Ease

Stocks declined in early April after the White House unveiled sweeping tariffs, with the S&P 500 falling over -10% in the first week. However, after the administration paused tariffs and trade tensions eased, the S&P 500 rebounded to finish the month with a loss of less than -1%. Interest rates were volatile in April as the market navigated tariff headlines and economic uncertainty but ultimately ended the month unchanged, with Treasury and corporate bonds flat. Outside the stock and bond markets, gold surged to a record high amid increased market volatility. Elsewhere, the U.S. dollar weakened due to concerns about the direction of U.S. policymaking. As discussed below, Washington policy has had a significant impact on global markets this year.

An Update on This Year's Biggest Market & Economic Trends

This year's major market trends have centered around a key theme: rising policy uncertainty. There's been a notable shift in Washington policy, with the introduction of tariffs leading to increased caution among businesses and consumers. The uncertainty is impacting financial markets, which are focused on how tariffs will affect future economic growth and corporate earnings. Recent economic data indicates that tariffs pulled forward some consumer demand, but forward-looking surveys suggest growth could slow as policy uncertainty delays spending and investment decisions.

2025 has seen a significant change in stock market leadership. The Magnificent 7, a group of leading mega-cap technology stocks, is down over -15% year-to-date after gaining over +60% in 2024. In contrast, defensive sectors are outperforming. Utilities, Consumer Staples, Health

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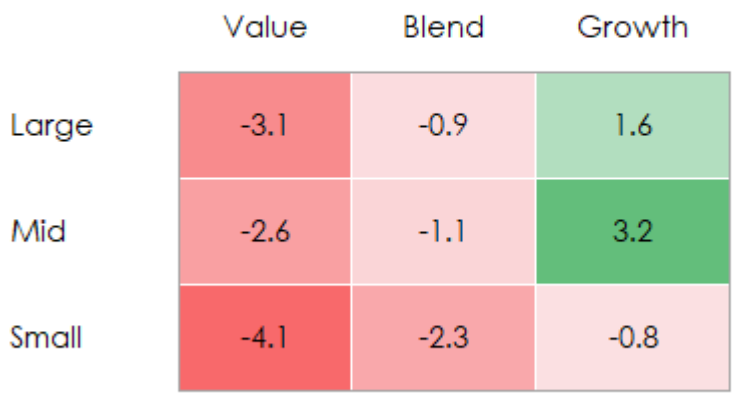
Care, and Real Estate have all traded higher this year, even with the S&P 500 down -5.1%. Global stock market leadership has also shifted. International stocks outperformed the S&P 500 in Q1 for the first time since Q3 2023, marking one of their strongest quarters of relative performance since 2000.

The bond market is experiencing increased volatility, with Treasury yields moving sharply in response to tariff developments, fiscal debt concerns, inflation risk, and economic uncertainty. Corporate credit spreads, which tightened to 2007 levels late last year, have widened, causing high-yield bonds to underperform as investors price in a wider range of potential outcomes. Meanwhile, the Federal Reserve's rate-cutting cycle remains on hold as it balances inflation with the potential for slower economic growth. The market is now forecasting four interest rate cuts in 2025, with the first cut expected in June.

This Month in Numbers

FIGURE 1

U.S. Style Returns (April in %)

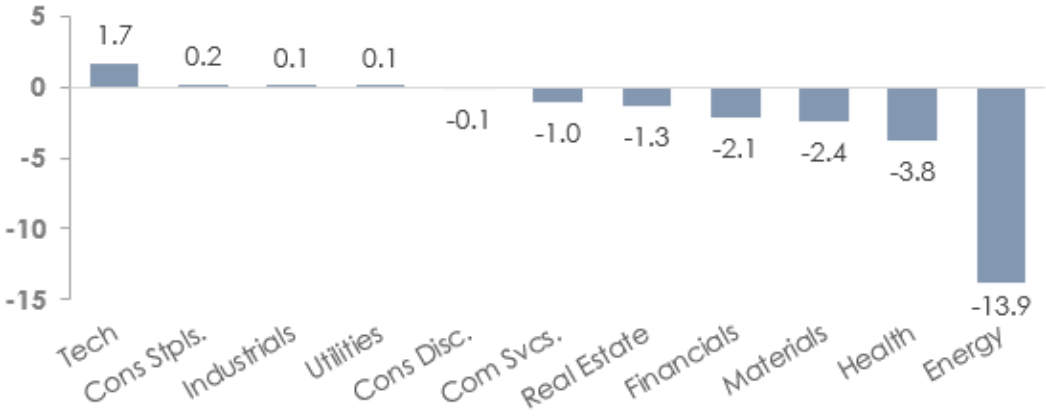


Data Reflects Most Recently Available As of 4/30/2025

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FIGURE 2

U.S. Sector Returns (April in %)



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FIGURE 3

U.S. Style Returns (YTD in %)

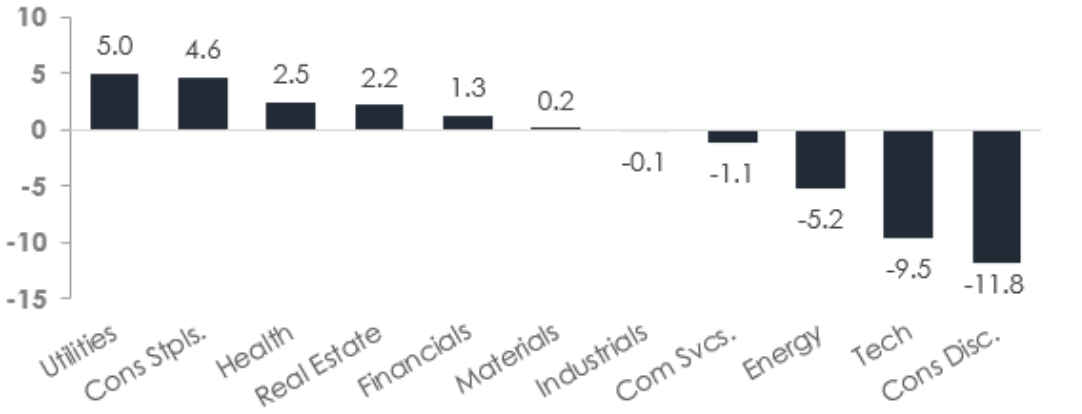
	Value	Blend	Growth
Large	-1.1	-5.1	-8.6
Mid	-4.7	-4.5	-4.2
Small	-11.5	-11.6	-11.8

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FIGURE 4

U.S. Sector Returns (YTD in %)



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FIGURE 5

Market Data Center

Stocks	1 month	3 months	6 months	YTD	1 year	3 years	Dividend Yield	NTM P/E	P/B
S&P 500	-0.9%	-7.6%	-1.8%	-5.1%	11.9%	39.5%	1.29%	20.0x	4.8x
Dow Jones	-3.2%	-8.4%	-1.9%	-4.1%	9.2%	29.3%	1.65%	18.4x	5.3x
Russell 2000	-2.3%	-13.8%	-10.0%	-11.6%	0.7%	9.6%	1.26%	22.4x	1.8x
Russell 1000 Growth	1.6%	-10.3%	-1.7%	-8.6%	14.2%	52.9%	0.49%	25.5x	11.7x
Russell 1000 Value	-3.1%	-5.4%	-1.9%	-1.1%	8.3%	23.0%	1.92%	16.0x	2.7x
MSCI EAFE	3.7%	7.0%	8.3%	12.1%	12.9%	32.9%	2.89%	13.9x	1.9x
MSCI EM	0.1%	2.4%	0.1%	4.6%	9.2%	10.4%	2.33%	12.0x	1.7x
NASDAQ 100	1.4%	-8.8%	-1.4%	-6.9%	12.7%	54.3%	0.63%	24.1x	7.5x

Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years
U.S. Aggregate	4.53%	0.4%	2.6%	3.2%	7.9%	5.5%
U.S. Corporates	5.17%	-0.3%	1.6%	2.2%	7.4%	7.5%
Municipal Bonds	4.31%	-0.4%	-0.9%	-0.9%	1.6%	6.2%
High Yield Bonds	7.90%	0.1%	0.0%	1.4%	9.1%	17.0%

Key Rates	4/30/2025	3/31/2025	1/31/2025	10/31/2024	4/30/2024	4/30/2022
2 yr Treasury	3.59%	3.89%	4.20%	4.16%	5.03%	2.69%
10 yr Treasury	4.16%	4.21%	4.55%	4.28%	4.68%	2.89%
30 yr Treasury	4.69%	4.58%	4.80%	4.48%	4.79%	2.94%
30 yr Mortgage	6.86%	6.77%	7.01%	7.28%	7.55%	5.41%
Prime Rate	7.50%	7.50%	7.50%	8.00%	8.50%	3.50%

Commodities	Level	1 month	YTD
Oil (WTI)	58.22	-18.6%	-18.8%
Gasoline	2.01	-9.0%	0.0%
Natural Gas	3.66	-11.1%	18.1%
Propane	0.74	-13.5%	-4.8%
Ethanol	1.65	1.5%	12.2%
Gold	3.299	4.7%	24.9%
Silver	32.82	-5.2%	12.2%
Copper	4.82	-3.9%	21.0%
Steel	800	-2.4%	12.8%
Corn	4.75	3.9%	3.7%
Soybeans	10.52	3.4%	4.3%

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The S&P 500 Index or Standard & Poor's 500 Index is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S.

The Russell 2000 index measures the performance of approximately 2,000 small-cap US equities.

The MSCI EAFE Index is a stock market index that measures the performance of large- and mid-cap companies across 21 developed markets countries around the world. Canada and the USA are not included.

The MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries.

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The Nasdaq 100 Index is a stock index of the 100 largest companies by modified market capitalization trading on Nasdaq exchanges.

The Russell 1000 Growth index is an index that tracks large cap, growth stocks. This benchmark is important for investors that might tilt their investments towards large cap growth. Growth stocks, in comparison to value stocks, are considered companies with a more growth potential, and a higher risk profile.

The Russell 1000 Value index is an index that tracks large cap, value stocks. This benchmark is important for investors that might tilt their investments towards large cap value. Value stocks, in comparison to growth stocks, are considered companies with a stable cash flow, and more mature business model.

The Dow Jones Industrial Average, or simply the Dow, is a stock market index that indicates the value of 30 large, publicly owned companies based in the United States, and how they have traded in the stock market during various periods of time. These 30 companies are also included in the S&P 500 Index. The value of the Dow is not a weighted arithmetic mean and does not represent its component companies' market capitalization, but rather the sum of the price of one share of stock for each component company. The sum is corrected by a factor which changes whenever one of the component stocks has a stock split or stock dividend, so as to generate a consistent value for the index.

The Bloomberg US Aggregate Bond Index is used as a benchmark for investment grade bonds within the United States. This index is important as a benchmark for someone wanting to track their fixed income asset allocation.

The Bloomberg US Corporate Index covers performance for United States corporate bonds. This index serves as an important benchmark for portfolios that include exposure to investment grade corporate bonds.

The Bloomberg US Corporate High Yield Index covers performance for United States high yield corporate bonds. This index serves as an important benchmark for portfolios that include exposure to riskier corporate bonds that might not necessarily be investment grade.

Treasuries, also known as Treasury securities, are debt obligations issued by the United States government. They are used to raise cash needed to fund government operations and help finance the federal deficit. Treasuries are backed by the full faith and credit of the US government, making them one of the safest investments. They are an important instrument in monetary policy, allowing central banks to control the money supply.

The Prime Rate is the interest rate that commercial banks charge their most creditworthy corporate customers. The prime rate is derived from the federal funds rate, usually using fed funds + 3 as the formula.

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