Monthly Market Review

Multi-Asset Class | April 2025

U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P) and the Russell 3000, returned -5.63% and -5.83% respectively in March.
- Within the S&P, two of the 11 sectors posted positive returns. The Energy sector was the best performer for the month, returning 3.85%. The second-best performing sector was Utilities, which posted a return of 0.26%, while Consumer Discretionary was the worst performing sector, returning -8.91%.
- Negative returns were seen across all capitalizations, with small-caps (Russell 2000) returning -6.81%, mid-caps (Russell Mid Cap Index) returning -4.64%, and large-caps (Russell 1000 Index) returning -5.79%. Growth stocks underperformed value stocks across all capitalizations during the month.
- According to FactSet Earnings Insight (as of March 28, 2025), the estimated year-over-year (YoY) earnings growth for the S&P 500 in Q1 was 7.3%. If this estimate holds, it will mark the seventh consecutive quarter of earnings growth. For calendar year 2025, analysts are projecting YoY earnings growth of 11.5%.

Non-U.S. Equity

- Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S. Index, returned -0.23%. Developed markets, represented by the MSCI EAFE Index returned -0.40%, as Europe (MSCI Europe Index) returned -0.30% in March. Emerging markets (EM), as represented by the MSCI Emerging Markets Index, returned 0.63% in March as investors reacted to the U.S. tariffs on a variety of products including computer chips, leading to a -11.54% return for Taiwan (MSCI Taiwan Index). China (MSCI China Index) and India (MSCI India Index) returned 1.98% and 9.40%, respectively.
- Within the ACWI ex-U.S. Index, seven out of 11 sectors posted positive returns. Utilities was the best performing sector for the month, returning 7.20%, while the Energy sector was the second-best performer, returning 6.04%. Information Technology was the worst performing sector, posting a return of -7.79%.

Fixed Income

- Treasury yields fell on the shorter end of the curve during the month, with the 2- and 5-year yields dropping as more signs emerged that the economy may be slowing. On the shorter end of the yield curve, the yield on the 2-year was down 10 basis points (bps), and the 5-year was down 7 bps. Meanwhile, the 10-year yield held flat while the 30-year U.S. Treasury rose 8 bps.
- The Bloomberg U.S. Aggregate Index (Aggregate) returned 0.04% in March. Investment-grade (IG) credit returned -0.24%, AAA-rated bonds returned 0.31%, AA-rated bonds returned -0.20%, A-rated bonds returned -0.20%, and BBB-rated bonds returned -0.37%. High-yield corporates, as represented by ICE BofA U.S. High Yield Index saw a return of -1.02% during the month, while the Broad Treasury Index returned 0.20%.

Diversifying Assets

- During March, real estate investment trusts (REITs), as represented by the MSCI U.S. REIT Index and the FTSE NAREIT Index returned -3.75% and -3.61% respectively. While all sectors saw negative returns, the Diversified sector performed relatively better than other sectors during the month and the Lodging/Resorts sector was the most challenged. Listed Infrastructure, represented by the MSCI World Core Infrastructure Index, returned 2.65% for the month.

Items to Watch

- The Federal Reserve (Fed) extended its "wait-and-see" posture at the March Federal Open Market Committee (FOMC) meeting, holding the federal funds rate at 4.25%-4.50%. The Fed's new economic projections included upward revisions to inflation and downward revisions to growth expectations.
- U.S. consumers were notably more anxious in March, with the University of Michigan's closely watched index of consumer sentiment falling 11.9% to 57.0 from 64.7 in February. This marks its third straight month of declines and the survey's lowest level since November 2022, as consumers continue to worry about potential outcomes of ongoing policy developments.
- Consumer spending rose 0.4% in February, after a 0.3% decline in January. This was supported by outlays on long lasting durable goods such as vehicles as consumers attempted to preempt potential tariffs. However, consumer anxiety appears evident, as some services that are more discretionary are starting to register weakness, with receipts at restaurants, hotels and motels dropping 15%.
- Headline inflation (CPI) came in at 0.2% in February, a drop from January's high of 0.5%, as the YoY rate eased to 2.8%. Core CPI, which excludes volatile food and energy, slowed to 3.1% on an annual basis, the lowest since April 2021. Cooler energy prices and moderating food prices helped lower inflation readings in February.
- The ISM manufacturing purchasing managers index reading fell to 49.0 in March after two months of expansion, including a multi-year high. This contractionary reading aligns with concerns over the impact of tariffs on manufacturing, with the new orders index contracting for a second month in a row, while the prices index surged to 62.4 indicating slowing demand and rising prices.

Sources

- https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20250129.pdf
- https://www.bls.gov/news.release/pdf/empsit.pdf
- https://www.bls.gov/news.release/pdf/cpi.pdf

usbancorp Asset Management, Inc.

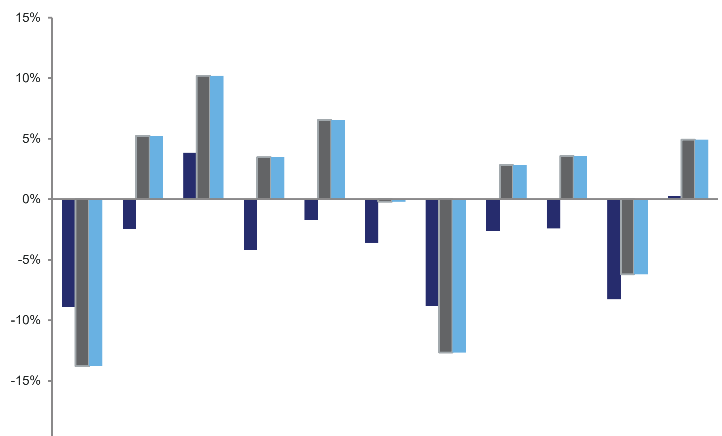
Total Return of Major Indices

Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	-5.63%	-4.28%	-4.28%	8.23%
Russell 3000	-5.83%	-4.73%	-4.73%	7.20%
Russell 2000	-6.81%	-9.48%	-9.48%	-4.02%
Russell 1000	-5.79%	-4.49%	-4.49%	7.80%
International Equity	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI ACWI ex-U.S.	-0.23%	5.24%	5.24%	6.09%
MSCI EAFE	-0.40%	6.86%	6.86%	4.88%
MSCI Emerging Markets	0.63%	2.93%	2.93%	8.09%
Fixed Income	**MTD**	**QTD**	**YTD**	**1 YR**
Bloomberg Barclays U.S. Agg	0.04%	2.78%	2.78%	4.88%
Bloomberg Barclays Global Agg	0.62%	2.64%	2.64%	3.05%
Bloomberg Barclays U.S. HY	-1.07%	0.94%	0.94%	7.60%
Alternatives and Diversifying	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI U.S. REIT	-3.75%	0.76%	0.76%	8.98%
FTSE NAREIT Index	-3.61%	0.91%	0.91%	9.94%
MSCI World Core Infrastructure	2.65%	7.58%	7.58%	13.92%
Bloomberg Commodity	3.93%	8.88%	8.88%	12.28%

Economic Indicators

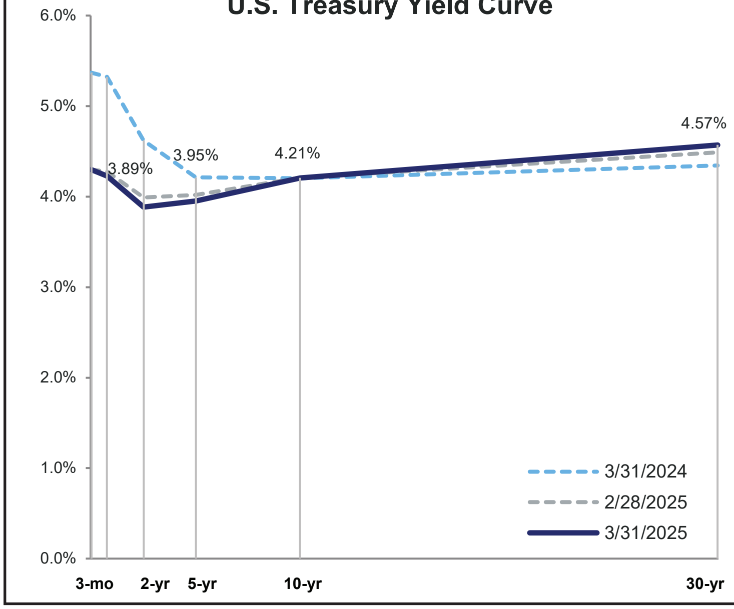
Domestic	Current	Previous Month
Unemployment Rate (%)	4.1%	4.0%
Initial Jobless Claims (4 week average)	225 K	225.3 K
CB Leading Economic Indicators	-0.3	-0.2
Capacity Utilization	78.2%	77.7%
GDP (annual growth rate)	2.4%	3.1%
University of Michigan Consumer Confidence	57.0	64.7
New Home Starts	676 K	664 K
Existing Home Sales	4.3 MM	4.1 MM
Retail Sales (YoY)	3.1%	3.9%
U.S. Durable Goods (MoM)	0.9%	3.3%
Consumer Price Index (YoY)	2.8%	3.0%
Producer Price Index (MoM)	0.2%	0.5%
Developed International*	**12/31/2024**	**9/30/2024**
Market GDP (annual rate)	1.5%	1.2%
Market Unemployment	4.6%	4.6%

Stock Market Sector Performance (S&P 500)

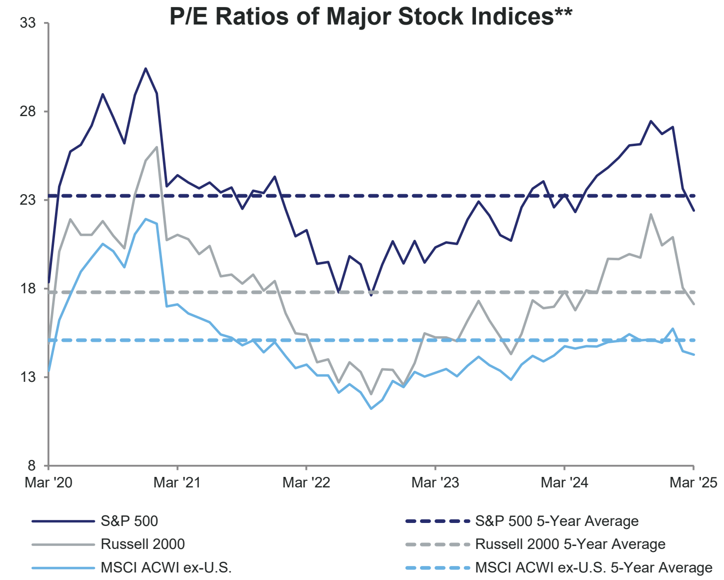


	Cons. Disc.	Cons. Staples	Energy	Financial	H'lthcare	Industrial	Info. Tech	Materials	Real Estate	Telecom	Utilities
MTD	-8.91%	-2.43%	3.85%	-4.20%	-1.70%	-3.59%	-8.83%	-2.62%	-2.41%	-8.28%	0.26%
QTD	-13.80%	5.23%	10.21%	3.48%	6.54%	-0.19%	-12.65%	2.81%	3.58%	-6.21%	4.94%
YTD	-13.80%	5.23%	10.21%	3.48%	6.54%	-0.19%	-12.65%	2.81%	3.58%	-6.21%	4.94%

U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**



Source: Bloomberg. Data as of March 31, 2025, unless otherwise noted.
**Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of December 31, 2024 due to release dates of numerous countries.*
***P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.*