Investment and Economic Update
First Quarter 2025

After two years of stellar returns, the U.S. investment markets have decided to give back some of their recent gains. We are not in bear market territory quite yet, but the risk of a recession, a slowdown in consumer spending and the uncertainty over trade wars and tariffs, has created some market jitters that are raining on the bull market parade.

While notable changes have occurred in the days following the quarter's end, we are, as usual, providing you with a breakdown of the QE returns for some of the major indices. The widely quoted S&P 500 index of large company stocks fell 4.59%. As measured by the Russell 2000 Small-Cap Index, investors in smaller companies are sitting on a 9.79% loss for the quarter. The technology-heavy Nasdaq Composite Index dropped 10.42% in the past three months.

For the first time in many years, foreign markets are outpacing the U.S. equity scene. The broad-based EAFE index of companies in developed foreign economies gained a robust 6.15%, in dollar terms, in the first quarter of 2025.

In the bond markets, as of 3/31/25, we were still experiencing an inverted yield. Yields on 30-year government bonds were holding steady at 4.52%; 10-year maturities were yielding 4.16% and 5-year Treasuries yield 3.90% As of April 14, 2025, the yield curve is no longer inverted. Recent reports indicate that the 10-year Treasury yield has risen to 4.49%, which is now slightly above the effective federal funds rate, suggesting that the yield curve has normalized.

Market experts were highly optimistic just a month or two ago, but their tone has shifted sharply to pessimism. When markets are soaring, pundits often predict continued growth, and when markets decline, they do the same. Such predictions often reflect recent trends rather than foresight, relying on guesswork and catering to current sentiment. The truth is, no one can predict the future, and we are all influenced by the bullish or bearish tides.

While we cannot foresee when changes will occur, it's clear that the bull market cannot last indefinitely. The most reliable approach has always been to remain unaffected by predictions and to navigate your emotions through the turbulence of investing. Challenges are ever-present, uncertainties remain, and history has shown that patient investors are consistently rewarded over time. There's no reason to believe the future will be any different.

We want you to feel confident in your financial journey. If your views on risk have shifted, please reach out to us so we can guide you toward the best path. As always, we are here to offer clarity, perspective, and unwavering support in all market conditions. We deeply appreciate your trust in our expertise and consider it an honor to manage the assets you entrust to us.

Below, we have summarized some of the widely quoted indexes for your reference. As a reminder the challenge is, the DJIA is not the same as the S&P 500, which is not the same as the NASDAQ – and none of these indexes perfectly match your own distinct mix of assets and their expected returns, especially if you own a globally diversified portfolio with exposure to stocks and bonds, large and small companies, value and growth companies, and U.S. and non-U.S. based companies. The following returns are quarter and a rolling one year; respectively:

S&P 500: -4.59%, 7.02%
Dow Jones: -1.28%, 6.15%
NASDAQ Composite: -10.42%, 5.50%
Russell 2000 (Small-Cap): -9.79%, -4.32%
MSCI EAFE (International): 6.15%, 2.19%
Barclay's Capital US Aggregate Bond: 2.78%, 5.68%