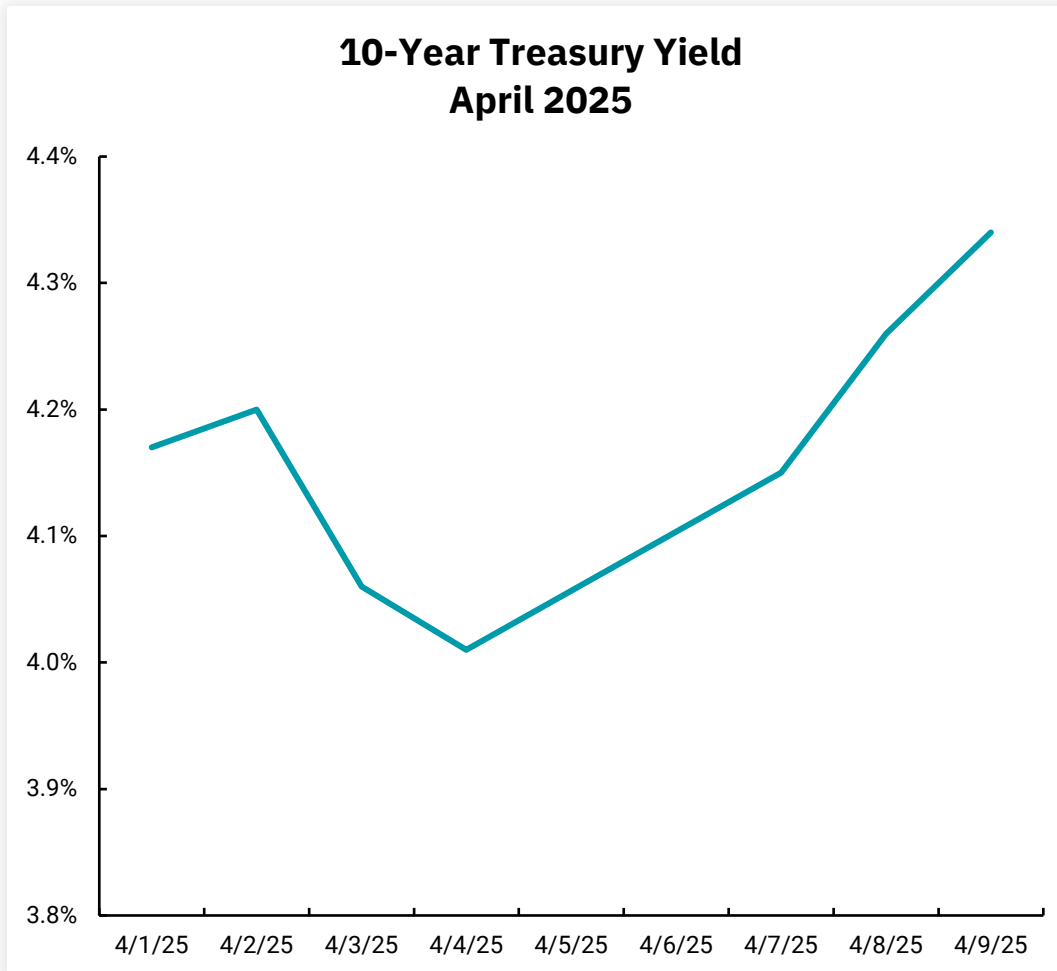


Weekly market update



Chart of the week (Apr. 11, 2025)



What a roller coaster of a week in the capital markets. We continue to be buffeted by news on the tariff front as markets desperately try to find a valuation that adequately compensates for a now-uncertain level of growth and earnings. The fact that we started at fairly rich multiples and an outlook for ongoing growth doesn't help as we think about what price to pay for a stock, or index, today.

We began the year with a relatively benign outlook and anticipated growth to slow from the above-trend rates of the last couple of quarters. Included within that outlook were, of course, some risk factors. The biggest risk we saw was some geopolitical event that could shock the economy into slowing more than anticipated. The list of potential shocks was centered on an unwanted escalation in the Middle East, the ongoing war between Russia and Ukraine—or, the big one we thought—China making a move on Taiwan. The geopolitical event we did not have as a risk factor was a press conference in the Rose Garden of the White House.

It was not the announcement of tariffs that spurred the recent volatility, as we had been talking about them for some time. However, the level of tariffs announced was way higher than the market anticipated, resulting in a much higher "cost" to businesses and consumers and leading to significant downgrades to economic forecasts. Indeed, until the President pressed "pause" on the full implementation of the higher "reciprocal" tariff levels for 90 days, some economic forecasts moved to a recession as the base case. These forecasts were revised back up after the pause, but we still have a 10% tariff across the board, plus additional tariffs on steel and aluminum and very high tariffs on China. All this means there is still a headwind to growth, and the tariff levels on China are material in their impact.

Why did the President blink? Going into this second term of a Trump Presidency, there was a sense he would temper his actions, if not his words, to avoid doing any significant damage to the stock market. We all know he watches the markets closely and uses them from time to time, rightly or wrongly, as a scorecard of how he is doing. However, it appeared this time, he was more willing to allow stocks to fall with his eye on the bigger picture of remaking domestic and global trade. And he may very well have been willing to do that until the bond market reminded him who the boss is in the capital markets.

To paraphrase James Carville, "It's the bond market, stupid." The increase in longer bond yields, even as stocks declined, along with signs of stress at the short end of the curve, signaled that the potential was there for a liquidity crisis. A liquidity crisis in the bond market "trumps" all on the spectrum of risks as this puts not only insolvent companies at risk but also solvent companies. The shift in tariff policy does not mean we are out of the woods, but the administration knows they need to tread lightly as we have some \$9 trillion in bonds to sell this year to fund our existing deficits. Why rates move matters.

Weekly market update



Commentary (Apr. 11, 2025)

Domestic Equities

- U.S. stocks had another volatile week. The market began the week continuing a downward slide, then surged on Wednesday when Trump announced a 90-day pause on reciprocal tariffs. Stocks closed lower Thursday then rallied again on Friday, closing out the best week of the year.
- Several big banks reported earnings Friday morning, which surpassed expectations. On the calls, CEOs expressed concern over uncertainty in the economy and the markets, and criticism of the escalating trade war. JP Morgan's Jamie Dimon also noted that the U.S. is still the most prosperous nation on the planet, with the deepest and widest capital markets the world has ever seen.
- In the University of Michigan's closely watched index of consumer sentiment out Friday, consumers reported multiple warning signs that raise the risk of recession. Most concerning is the expectation that inflation will surge to 6.7% over the next year, the highest reading since 1981.

Bonds

- The U.S. Treasury yield curve bear-steepened, with long-term rates moving higher at a faster rate than the short-term rates. Despite softer inflation data and strong Treasury auction results, investors appear to be selling U.S. Treasuries in an effort to de-risk portfolios and raise cash to meet liquidity needs. In particular, the yield on the 10-year U.S. Treasury rose 0.50%, nearly a 5-sigma jump in yields for the week.
- Secured Overnight Financing Rate (SOFR) swap spreads, especially at the long end, turned deeply negative, with investors willing to receive a lower yield on the fixed rate leg of an interest rate swap relative to the yield on a comparable U.S. Treasury. This can be partially explained by banks selling U.S. Treasuries to raise cash to meet liquidity needs while adding swaps to maintain exposure to rates in the event of a bond rally.
- Synthetic high yield spreads (CDX HY 5-year) made a new high this week, briefly touching 4.98% on Wednesday but closing the week off the highs.

International Equities

- Foreign investors endured another volatile week as concerns about the escalating trade war between the U.S. and China escalated. The dollar continued to fall against major currencies, hitting a three-year low against the euro.
- Developed markets rebounded after the U.S. announced a 90-day tariff pause, improving investor sentiment. New inflation data across multiple European countries showed inflation pressures moderating, which could lead to additional policy rate cuts across Europe.
- Emerging markets struggled primarily due to weakness across Asian markets, particularly China. China raised its total retaliatory tariff on U.S. imports to 125% after the U.S. administration clarified that U.S. tariffs on China are 145% because of earlier fentanyl-related levies. In central bank news, India cut its policy rate by 0.25% to 6%.

Economics

- On Thursday, the jobless claims figure was reported at 223,000, slightly below the consensus estimate of 225,000 and in line with last week's figure of 219,000. Despite recent volatility, the labor market continues to demonstrate stability.
- The Consumer Price Index (CPI) was also released on Thursday. The year-over-year CPI increase was 2.4%, which exceeded expectations of 2.6% but fell below last month's reading of 2.8%. Core CPI, which excludes food and energy, rose by 2.8% year-over-year. Core CPI has remained relatively sticky in recent months, and this figure marked a four-year low. Despite the softer CPI readings, inflation expectations have been rising as consumers grow increasingly cautious about the recent tariff announcements.
- Retail sales for March will be reported on Wednesday, and housing starts on Thursday.

Weekly Market Update

For Week Ending April 11, 2025

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	40,212.71	5.0%	-5.0%	6.4%
S&P 500 Index	5,363.36	5.7%	-8.5%	4.5%
NASDAQ Composite	16,724.46	7.3%	-13.2%	2.4%
S&P 400 Midcap Index	2,722.55	2.8%	-12.4%	-6.2%
S&P 600 Smallcap Index	1,164.74	0.8%	-16.9%	-8.2%
MSCI EAFE	8,276.15	0.8%	2.4%	2.7%
MSCI Emerging Markets	561.26	-3.8%	-2.2%	1.5%
Bloomberg US Agg	2,212.19	-2.5%	1.1%	5.3%
Bloomberg Municipal 5 Yr	491.13	-2.5%	-0.7%	1.4%
Bloomberg US Corporate	3,281.50	-2.8%	-0.2%	4.4%
Bloomberg Glb Agg ex US Hdg	594.90	-0.5%	0.3%	5.5%
Bloomberg High Yield	2,644.96	-0.7%	-1.4%	6.1%
MSCI US REIT Index	2,140.56	-0.3%	-7.3%	4.2%
Bloomberg Commodity Index	248.11	1.9%	4.0%	4.0%

Key Rates

	Last Price/Yield	Prior Week	Year End	Year Ago
Fed Funds Target	4.50%	4.50%	4.50%	5.50%
3-Month Treasury	4.31%	4.24%	4.31%	5.39%
1-Year Treasury	4.02%	3.83%	4.14%	5.15%
2-Year Treasury	3.96%	3.65%	4.24%	4.96%
5-Year Treasury	4.16%	3.71%	4.38%	4.63%
7-Year Treasury	4.33%	3.83%	4.48%	4.62%
10-Year Treasury	4.49%	3.99%	4.57%	4.59%
30-Year Treasury	4.87%	4.41%	4.78%	4.68%

Consumer Rates

30-Year Mortgage	6.76%	6.73%	7.28%	5.83%
Prime Rate	8.25%	8.25%	8.25%	9.25%
SOFR	4.33%	4.35%	4.49%	5.31%

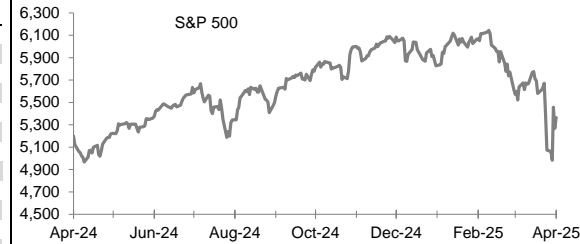
Commodities

Gold (spot)	3,237.61	3,038.24	2,624.50	2,372.52
Crude Oil WTI	61.50	61.99	71.72	85.02
Gasoline	3.20	3.26	3.06	3.63
Natural Gas	3.53	3.84	3.63	1.76
Copper	4.52	4.40	4.03	4.25

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	18.78	20.36	5.16	1.81
S&P 500	19.45	21.84	4.61	1.52
S&P 500 Value	16.64	18.15	3.09	2.28
S&P 500 Growth	22.85	26.75	8.27	0.80
NASDAQ	23.49	28.82	6.00	0.85
S&P Midcap 400	14.15	15.18	2.23	2.02
S&P Smallcap 600	13.45	14.27	1.59	2.92
MSCI EAFE	13.47	14.77	1.88	3.50
MSCI Emerging Markets	11.35	13.53	1.69	3.10

Source: Bloomberg

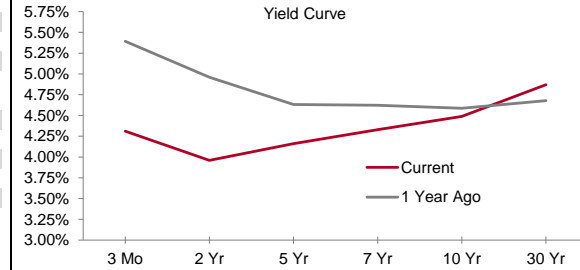
Equity Style



1 Month*			Year to Date*				
Value	Core	Growth	Value	Core	Growth		
Large	-4.87	-3.63	-2.39	Large	-6.05	-8.47	-10.71
Mid	-7.78	-6.22	-4.68	Mid	-11.87	-12.40	-12.89
Small	-11.15	-8.61	-6.08	Small	-19.58	-16.89	-14.22

*S&P Indices

Fixed Income Style



1 Month*			Year to Date*				
Short	Interm.	Long	Short	Interm.	Long		
Govt	0.25	-0.07	-3.36	Govt	1.58	1.92	0.42
Corp	-0.21	-1.04	-3.98	Corp	1.05	0.67	-2.13
HY	-1.57	-2.64	-6.53	HY	-0.02	-1.38	-4.36

1-3 Yrs 1-10 Yrs +10 Yrs

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	2.4%	3.5%
CPI Core Inflation	2.8%	3.8%
Personal Consumption Exp (PCE) Core	2.8%	2.9%

Jobs

Unemployment Rate (U3)	4.2%	3.9%
Broader Unemployment Rate (U6)	7.9%	7.3%
JOLT Survey (in millions)	7.57	8.45
Jobless Claims (000's)	223	212
Change in Non-Farm Payroll (000's)	228	246
Average Hourly Earnings (Y/Y % Change)	3.8%	4.2%

Consumer & Spending

Consumer Confidence (Conf Board)	92.9	103.1
Consumer Spending (\$ Bil)	20,439	19,413
Consumer Credit (\$ Bil)	4,997	5,049
Retail Sales (\$ Bil)	723	701

Housing

Housing Starts (000's)	1,501	1,546
Case-Shiller Home Price Index	323.54	310.86

U.S. Productivity

Real Gross Domestic Product (\$ Bil)	23,542	22,961
Quarter over Quarter Change	2.4%	3.2%
Year Over Year Change	2.5%	3.2%
ISM Manufacturing	49.00	49.80
Capacity Utilization	78.19	78.07
Markit US Composite PMI	53.50	52.10

U.S. General

Leading Economic Indicators	101.1	104.3
Trade Weighted Dollar Index	126.1	121.2
EUR / USD	1.14	1.07
JPY / USD	143.54	153.27
CAD / USD	0.72	0.73
AUD / USD	0.63	0.65

S&P 500 Sector Returns

	1 Month	YTD
Consumer Staples	-0.01%	4.39%
Utilities	-0.72%	1.61%
Health Care	-5.89%	-0.02%
Financials	-1.58%	-3.01%
Materials	-4.68%	-3.30%
Real Estate	-5.87%	-3.65%
Industrials	-3.10%	-4.29%
Energy	-8.65%	-6.70%
Communication Services	-4.98%	-8.72%
Information Technology	-3.79%	-15.13%
Consumer Discretionary	-3.13%	-16.85%

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