MONTHLY
MARKET REVIEW

04 2025

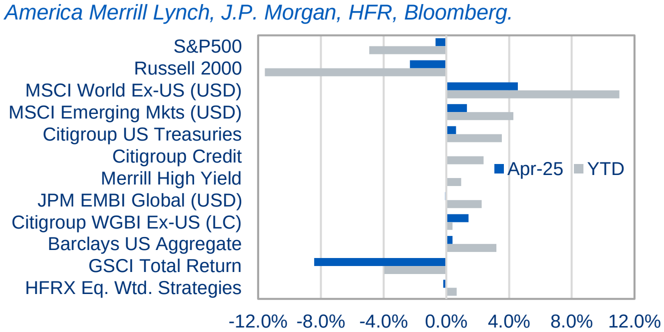
Strategic Investment Group®

Global Market Review

April marked a continuation of the market's frenetic efforts to discount the ultimate impact of tariffs. Survey data continue to point to plunging sentiment and soaring short- and long-term expectations for inflation, but hard data suggest a more nuanced, albeit lagged, view of the state of the global economy. The U.S. equity market closed a volatile April with a slight decline, as a month-end rally erased earlier steep losses. Most non-U.S. equity markets continued to outperform. Chinese equities fell sharply, however, in part reflecting signs of a tariff-induced downturn in industrial production. The underperformance of U.S. stocks relative to their developed market counterparts so far this year amounts to about 16 percentage points, the largest 4-month performance shortfall in 30 years. The U.S. dollar fell against most major currencies in April, while gold continued to climb, briefly topping $3,500 per ounce. Oil prices, however, collapsed, pointing to fears of a global economic slowdown.

Performance of Major Market Indices

Sources: S&P, MSCI, FTSE Russell, Barclays, Citigroup, Bank of America Merrill Lynch, J.P. Morgan, HFR, Bloomberg.



U.S. equities continue to lag other markets.

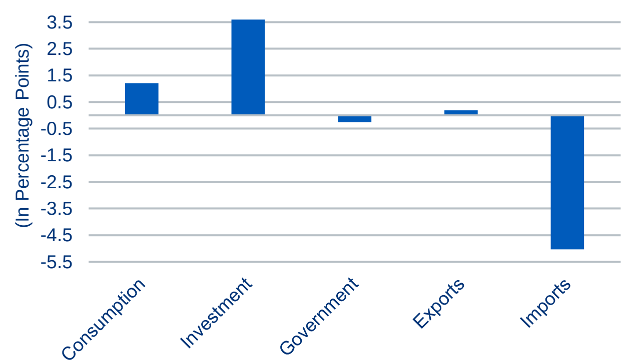
Expectations, Markets, and Data

So far, the impact of tariffs is visible primarily in survey data which show plunging consumer and business sentiment and rising inflation expectations. Both short- and long-term inflation expectations have jumped higher, suggesting that an inflation psychology is becoming entrenched, a development that would greatly complicate the Fed's efforts to maintain price stability. In anticipation of higher prices and tariffs, there is anecdotal evidence of firms deferring hiring and investment decisions and of firms and households bringing purchases forward to front-run tariffs.

Equity and credit markets, although volatile, appear to be largely unfazed by the prospect of tariffs. U.S. equities remain well up over the 12 months through April and are down less than 5% so far this year. Credit spreads, which remain tight, paint a similarly sanguine picture. The impact of tariffs is most manifest in the movements of the dollar, which has fallen against most currencies, and gold which has soared to record highs.

Exhibit 1. Import Surge Distorts GDP Data

Source: Bureau of Economic Analysis. Percentage point contribution to Q1 GDP.



Tariffs are, however, distorting economic indicators. U.S. GDP contracted by 0.3% in the first quarter as a surge of imports detracted from domestic output (Exhibit 1). The import surge was partially offset by investment comprising primarily stock building. Domestic consumption remained solid, partially offsetting the import drag. Looking forward, there is a risk that the inventories built up in the first quarter will detract from future output as they are drawn down. Moreover, firms and

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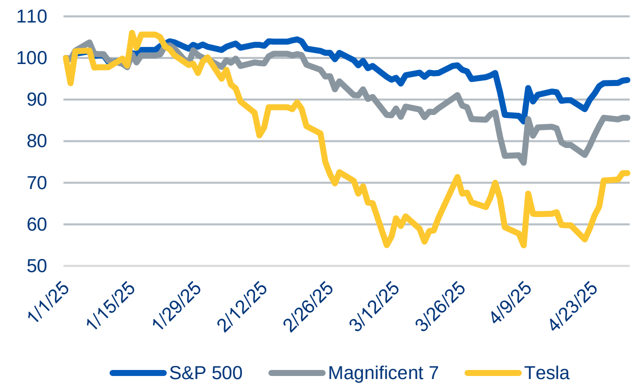
households that pulled purchases forward to front-run tariffs may cut back spending as prices rise in future quarters.

Volatile U.S. Equity Market Ends Month Little Changed

Tariff uncertainty fueled U.S. equity markets volatility in April. The VIX index (an option-based measure of expected short-term equity market volatility) spiked but remained shy of crisis peaks. Although the S&P 500 index closed the month with only a small loss of 0.7%, it was down as much as 11% intra-month (Exhibit 2). At their April low point, U.S. equities were down about 19% from their February peak. So far in 2025, however, they are down a comparatively modest 4.9%, and U.S. equity valuations remain high despite the potential threat tariffs pose to output, employment, and earnings.

Exhibit 2. U.S. Stocks End Volatile April Little Changed

Source: Bloomberg. Index January 1, 2025 = 100.



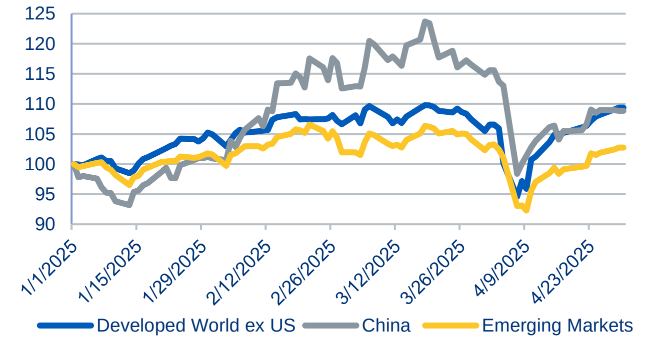
Mega-cap tech stocks proxied by the Magnificent 7 have led the market lower so far this year but outperformed the broader market in April closing the month little changed. Strong earnings reports from Meta and Microsoft helped fuel an end-month tech rally. Growth stocks outperformed value in April gaining 1.7% versus value's decline of 3.1%. So far this year, however, value stocks have outperformed, falling 1.5% versus growth's loss of 8.4%. Small cap stocks (down 11.6%) have lagged large (down 5.1%). Technology shares led all sectors in April, gaining 1.7%, but are down 11.4% through April. Consumer discretionary stocks have lagged all others so far in 2025, weighed down by Tesla's 28% plunge.

Chinese Economic Weakness Weighs on Stocks

The MSCI World ex-U.S. index of advanced economy stocks gained 4.6% in April, bringing its gain so far this year to 11% (Exhibit 3). European markets continue to perform well, driven by signs of resurgent European economic growth, the prospect of a massive German fiscal stimulus and higher defense spending across the continent, and expectations for further monetary easing by the ECB. The appreciation of the euro, which rose 5% against the dollar in April, boosted the return of European equities to U.S. based investors. Relative valuations continue to heavily favor European equities. Despite the U.S. market's recent underperformance, U.S. stock valuations remain well above historical averages and the valuation gap between the U.S. and European markets is high.

Exhibit 3. Chinese Equities Plunge in April

Source: Bloomberg. Index January 1, 2025 = 100.



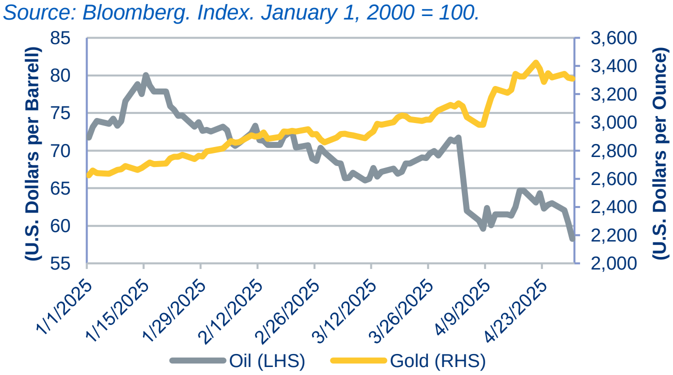
Emerging equities also outperformed the U.S. market in April, gaining 1.3%. They are up 4.3% in the first four months of the year. Chinese equities, however, slumped in April, falling 4.3% on fears of the impact of tariffs on an economy already weighed down by the lingering impact of a burst property bubble. Manufacturing output and new export orders fell sharply in April, representing early signs of tariff-induced disruption to come.

Iconic Commodities Tell Different Tales

Gold and oil tell different tales about the state of the global economy and markets (Exhibit 4). Soaring gold prices suggest growing disillusionment with the dollar, while plunging oil prices point to fears over a slowdown in global growth. Taken together, these strands of the unfolding story point to the underlying vulnerability of highly valued U.S. assets in an uncertain world.

Exhibit 4. Gold Shines, Oil Slides

Source: Bloomberg. Index. January 1, 2000 = 100.



Performance of Major Market Indices through 04-30-2025

Sources: MSCI, FTSE, Barclays, Citigroup, Bank of America Merrill Lynch, J.P. Morgan, S&P GSCI, HFR, Bloomberg.

	1-Month	QTD	YTD	1-Year	3-Year	5-Year
S&P500	-0.7%	-0.7%	-4.9%	-4.9%	12.1%	12.2%
Russell 2000	-2.3%	-2.3%	-11.6%	-11.6%	0.9%	3.3%
MSCI World Ex-US (USD)	4.6%	4.6%	11.0%	11.0%	13.1%	9.7%
MSCI Emerging Mkts (USD)	1.3%	1.3%	4.3%	4.3%	9.0%	3.8%
Citigroup US Treasuries	0.6%	0.6%	3.5%	3.5%	7.7%	1.2%
Citigroup Credit	0.0%	0.0%	2.4%	2.4%	7.6%	3.0%
Merrill High Yield	0.0%	0.0%	0.9%	0.9%	8.7%	6.1%
JPM EMBI Global (USD)	-0.1%	-0.1%	2.3%	2.3%	8.8%	5.2%
Citigroup WGBI Ex-US (LC)	1.4%	1.4%	0.4%	0.4%	3.4%	-0.7%
Barclays US Aggregate	0.4%	0.4%	3.2%	3.2%	8.0%	2.0%
GSCI Total Return	-8.4%	-8.4%	-4.0%	-4.0%	-6.0%	-3.3%
HFRX Eq. Wtd. Strategies	-0.2%	-0.2%	0.7%	0.7%	3.9%	2.4%