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PRIVATE WEALTH
MANAGEMENT

April 2025

Monthly Market Commentary

Summary

1. Soft data, especially sentiment, is weak while hard data is yet to reflect it meaningfully.
2. Markets are pricing in almost four rate cuts while communication from the FED remains at 2.
3. Tariff policy has been unleashed, and markets need to start pricing in the impact of the new operating environment.
4. Maintaining a defensive posture is appropriate for now as uncertainty & volatility remains high.

Spring is officially here! Although sometimes it still feels like winter here in the Midwest. One day it hits 75 and breaks a temperature record and the next we get a blizzard. Anyways, for sports lovers the NCAA March Madness is coming down to the wire, and the new MLB baseball season is in full swing. We have a lot to look forward to. As always, we wish you continued health and happiness in 2025!

We had a very mixed environment for financial markets with a lot of divergences in performance for asset classes and geographies. US equities performed relatively well over the last few years; however, the first quarter saw a strong rotation out of the US into developed foreign markets and emerging markets. Various factors have driven this dynamic with concentration risk within the US indexes being on the forefront as economic uncertainty is elevated once again in the US and valuations are extended. On the contrary, fixed income performed well globally in the same time frame and once again emphasizes the necessity to remain diversified within portfolios. Overall, a balanced portfolio was essentially flat over the period but witnessed elevated volatility throughout the quarter.

Fundamentally, the economy continues to slow while inflation is on a downward path for now but maybe nearing a trough soon except in the case of a significant downside surprise on growth. Going forward, it remains to be seen how policy impacts hard data going forward as soft data was weak. We have been cognizant of the heightened uncertainty with respect to policy of the new administration and are now starting to see some actual policy be implemented in the recent days on tariffs. Some of the other policies associated with tax cuts and budget are still to be seen later this year. As these are implemented markets need to adjust to the new operating environment and these can create pockets of extreme volatility as market participants readjust and create new opportunities along the way. We have accordingly increased duration in our portfolios and are defensively positioned while taking advantage of opportunities as and when we see fit.

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