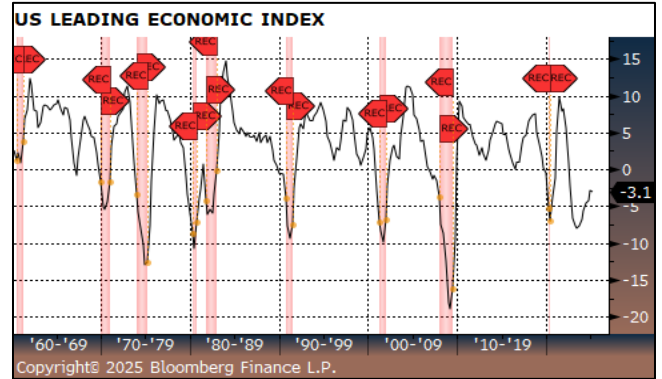
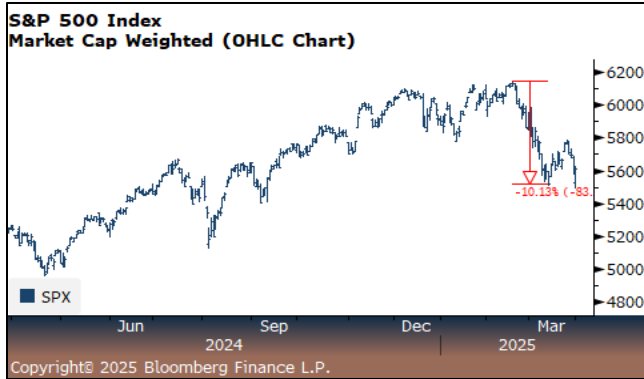


**Executive Summary:**

- Uncertainty related to Trump’s tariffs has sparked higher stock market volatility. Stocks have declined into correction territory, despite the U.S. economy’s resilience.
- The chance of a recession in the U.S. within the next 12 months remains low, but an escalated trade war could lead to a sharper global economic slowdown.
- Sticky inflation will likely keep the Fed on the sidelines until the second half of 2025.



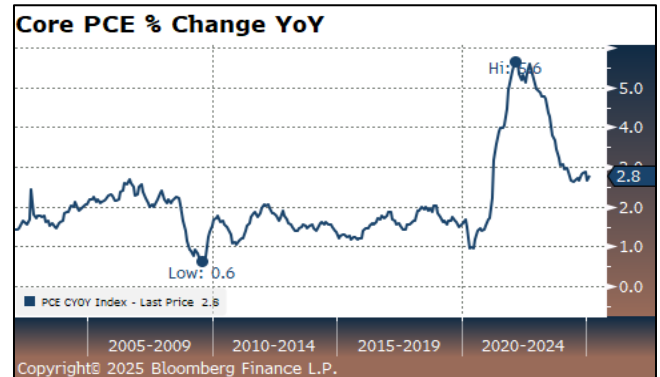
The major U.S. stock indices finished Q1 2025 in negative territory while facing headwinds amid a complex backdrop. The S&P 500 Index experienced a correction, dropping over 10% from its February peak, largely due to uncertainty related to the Trump administration’s new trade policies. Despite this pullback, the U.S. economy remains resilient, supported by solid corporate earnings and a labor market that, while softening, has not collapsed. Although escalating trade tensions could trigger a sharper slowdown or global recession, which may push stocks into a bear market, this is not our base case. We believe domestic equities are more likely to experience moderate growth with the S&P 500 potentially rising 5-8% over the next four quarters. Corporate earnings are expected to grow steadily with S&P 500 earnings per share projected to increase by 8-10% in 2025. While these earnings are down from the double-digit gains in prior years, they should support equity prices.

Nevertheless, the Fed’s cautious approach to additional interest rate cuts in 2025 will keep borrowing costs elevated, favoring larger, profitable companies over smaller, debt-laden firms. Small-cap stocks could lag unless deregulation or lower rates provide a catalyst. The Trump administration’s tariff policies and fiscal agenda will be pivotal. Pro-business policies could boost investor confidence and drive a resurgence in capital markets. Still, a prolonged trade war would likely introduce more volatility, especially in the next couple of quarters, as tariff impacts become more clear. The CBOE Volatility Index (VIX), which depicts implied volatility for the S&P 500 Index and is driven heavily by put option purchases, signifies the recent decline in confidence among investors. The direction of the VIX is inversely related to the S&P 500, and it climbed to an average 20-25 in March 2025.

The U.S. bond market is poised for an extended period of stability, interspersed with bouts of volatility driven by economic data, Fed policy, and evolving dynamics under the Trump administration. Several key factors—interest rates, inflation expectations, economic growth, and Treasury supply—will shape the direction of bond yields and returns over the next 12 months. Treasuries are likely to deliver modest returns with shorter maturities outperforming if the Fed cuts rates and longer maturities lagging due to supply pressure. While high-quality investment-grade

corporates can enhance portfolio returns, current credit spreads remain tight and generally unattractive. We continue to maintain a slightly longer duration target compared to our relative benchmarks.

Thank you for your business!



SECTORS	2024	YTD	EQUITY INDICES	2024	YTD	COMM. & CURRENCIES	LAST CLOSE	YTD
S&P 500 COMM SVC	40.23%	-6.21%	S&P 500 INDEX	25.00%	-4.27%	WTI CRUDE FUTURE May25	71.48	1.22%
S&P 500 CONS DISCRET IDX	30.14%	-13.80%	DOW JONES INDUS. AVG	14.99%	-0.87%	BRENT CRUDE FUTR Jun25	74.77	1.48%
S&P 500 CONS STAPLES IDX	14.87%	5.23%	NASDAQ COMPOSITE	29.60%	-10.26%	NATURAL GAS FUTR May25	4.12	29.20%
S&P 500 ENERGY INDEX	5.72%	10.21%	S&P 400 MIDCAP INDEX	13.89%	-6.10%	LME COPPER 3MO (\$)	9,710.00	10.74%
S&P 500 FINANCIALS INDEX	30.50%	3.49%	RUSSELL 1000 GROWTH INDEX	33.35%	-9.97%	Gold Spot \$/Oz	3,132.43	19.97%
S&P 500 HEALTH CARE IDX	2.58%	6.55%	RUSSELL 1000 VALUE INDEX	14.35%	2.14%	Silver Spot \$/Oz	33.92	17.28%
S&P 500 INDUSTRIALS IDX	17.30%	-0.19%	RUSSELL MIDCAP RT INDEX	15.34%	-3.39%	Euro Spot	1.08	3.62%
S&P 500 INFO TECH INDEX	36.61%	-12.65%	RUSSELL 2000 INDEX	11.52%	-9.48%	British Pound Spot	1.29	2.76%
S&P 500 MATERIALS INDEX	-0.04%	2.86%	MSCI ACWI ex US	5.53%	5.23%	Japanese Yen Spot	149.40	5.11%
S&P 500 REAL ESTATE IDX	5.23%	3.61%	MSCI EAFE	4.44%	7.03%	DOLLAR INDEX SPOT	104.21	-3.86%
S&P 500 UTILITIES INDEX	23.43%	4.94%	MSCI EM	7.99%	2.98%			

Source: Bloomberg

As of: 4/1/2025

**Total Return**

Bloomberg Barclays Bond Indices	2023	2024	YTD	Effective Duration	Avg. Maturity	Yield-to-Worst	Key Rates	
U.S. Aggregate	5.53%	1.25%	2.78%	6.14	8.38	4.60%	Effective Fed Funds	4.33%
Intermediate	5.24%	3.00%	2.42%	3.85	4.29	4.26%	2-yr Treasury	3.86%
Global Agg ex USD	5.72%	-4.22%	2.53%	6.95	8.49	2.76%	10-yr Treasury	4.15%
Inv Grade Corporate	8.52%	2.13%	2.31%	7.03	10.57	5.15%	10-yr German Bund	2.66%
U.S. Corporate High Yield	13.45%	8.19%	1.00%	3.49	4.69	7.73%	Prime Rate	7.50%
<b>Tax Exempt</b>							30 Year Fixed Mortgage	6.77%
Muni 1-10 Yr Blend (1-12)	4.61%	0.91%	0.70%	4.02	6.23	3.34%		

Source: Bloomberg

As of: 4/1/2025

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