

THE APRIL '25 SHARPE REPORT: SURVIVING THE VOLATILITY

ECONOMY

Labor market data came in much stronger than expected to begin April, as the economy created 228K new jobs relative to expectations for 140K. Initial jobless claims are tame with the four-week moving average at 220K per week, well below recessionary levels of 350K-375K. Inflation data improved across the board with CPI, PPI, and PCE declining year-over-year. With inflation declining towards the Fed's 2% goal, it should give the committee the confidence needed to lower rates in the coming months. Soft data remains weak – survey, sentiment, and expectation readings imply concern regarding growth and inflation on a forward-looking basis. At a headline level, the negative preliminary Q1 GDP print looked bad. We thought the underlying data in the GDP report was better than the headline figure; net exports had the largest negative contribution on record, business equipment investment rose 22%, and consumer spending beat estimates. We likely experienced a pull forward of demand in Q1 that will be reset in the coming quarters.

Inflation data greatly improved, and the labor market remained stable, but preliminary GDP estimates were negative. We believe underlying GDP data was actually quite positive and still points towards an expanding U.S. economy.



Economic Data	As of Apr-25	Last Period	Last Year
GDP	-0.3%	2.40%	1.60%
CPI	2.40%	2.80%	3.50%
PCE	2.30%	2.50%	2.80%
Unemployment Rate	4.20%	4.10%	3.90%
Nonfarm Payrolls	228K	117K	246K
Consumer Confidence	86	93.9	97.5

Source: FactSet. As of April 30, 2025.

STOCK MARKET

U.S. equity markets experienced historic volatility in April. The month kicked off with "Liberation Day" on April 2nd, and from the start of the month till April 8th, the S&P 500 declined ~12%. The S&P 500 bottomed on the 8th, regaining nearly the full 12% and closed the month down just 0.76%. Tariffs on, then off, then on again were the headlines throughout the month. Today, the administration is working out trade deals with many countries and has placed a 90-day pause on higher, reciprocal tariffs. Growth stocks outperformed value stocks by four percentage points, and technology was the best-performing sector, gaining 1.69%. The CBOE Volatility Index (VIX) began April at ~23, hit a high of 52 in early April, and closed at ~25. Sentiment has vastly improved since late March, and volatility has declined to a more reasonable level.

The S&P 500 fell 10% at the start of the month before regaining nearly all losses and ending the month down 70 basis points. International markets and technology stocks gained.



Equities	Apr-25	QTD	YTD
S&P 500	-0.76%	-0.76%	-5.31%
DJIA	-3.17%	-3.17%	-4.41%
Nasdaq Composite	1.52%	1.52%	-6.86%
ACWI Ex-U.S.	2.71%	2.71%	9.18%
Russell 3000	-0.75%	-0.75%	-5.75%

Source: FactSet. As of April 30, 2025.

BOND MARKET

Treasury yields appear to have experienced little change in April, but this was anything but the case. The U.S. 10-year yield bottomed at 3.85% on April 4th before topping out just seven days later at 4.58%. Tariff-related volatility had yields moving across the curve throughout the month, and bonds rallied to close out the month. Credit spreads widened but have come in following the 90-day pause. Regarding a favorable risk/reward area of the market, municipal bonds are offering a historically cheap entry point relative to Treasuries. The 10-year Muni-to-Treasury ratio, a key metric assessing the relative value of Municipal bonds, is at 80.9% - the two-year average is 66%.

The 10-year treasury yield traded within a 73-basis-point range during April but closed the month just 4 basis points lower. Municipal bonds exhibit a favorable risk/reward setup.



Fixed Income	As of Apr-25	As of Mar-25	As of Apr-24
Federal Funds Rate	4.25-4.50%	4.25-4.50%	5.25-5.50%
2-Year Treasury Yield	3.60%	3.88%	5.04%
10-Year Treasury Yield	4.17%	4.21%	4.68%
Investment Grade Spread	+153 bps	+132 bps	+118 bps
High Yield Spread	+434 bps	+390 bps	+346 bps
30-Year Fixed Mortgage Rate	6.89%	6.71%	7.55%

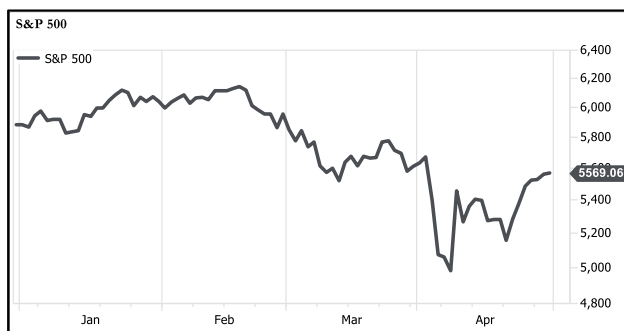
Source: FactSet. As of April 30, 2025.

*Stars signify the strength of economic and market performance in the month.

PUTTING IT ALL TOGETHER

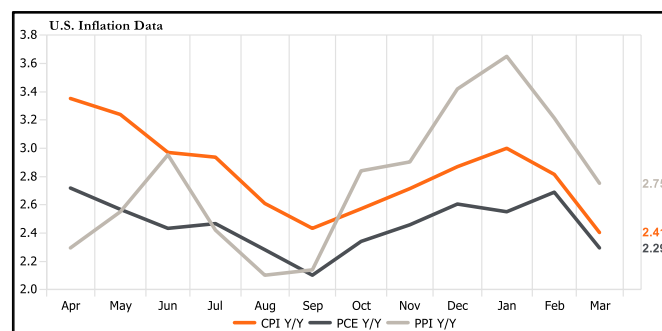
Equity and fixed income markets were volatile in April, with both gaining back losses to end the month. Hard economic data is not projecting the same sentiment investors are showing – the labor market is balanced, inflation is declining, and consumer activity is solid. First quarter earnings results have held up strong; earnings have expanded 14% y/y, with revenues up 4% y/y. Technology, the sector with the most exposure to China (and thus tariffs), is growing earnings 18% y/y this quarter. The negative preliminary Q1 GDP print did raise some eyebrows, but when digging deeper into the data, we think the economy is still expanding.

S&P 500



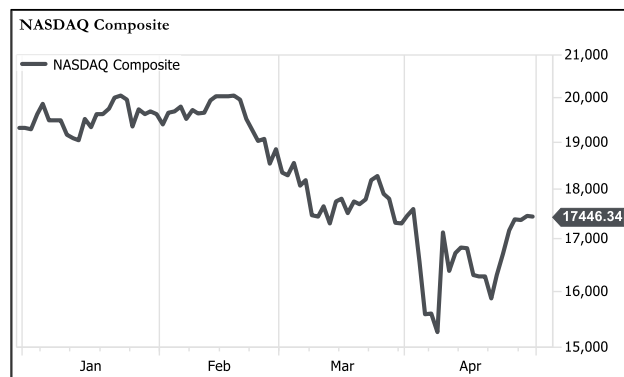
Source: FactSet. As of April 30, 2025.

U.S. Inflation Rates



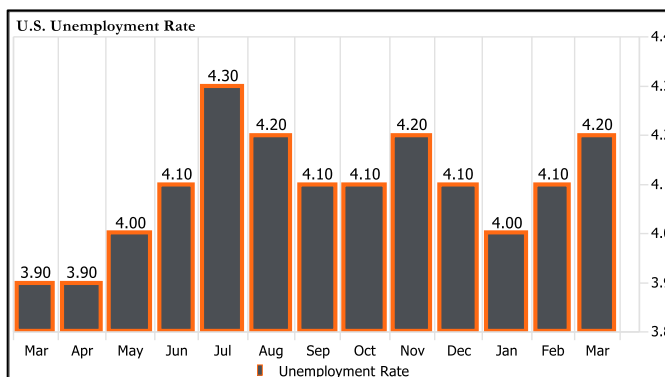
Source: FactSet. As of April 30, 2025.

NASDAQ Composite



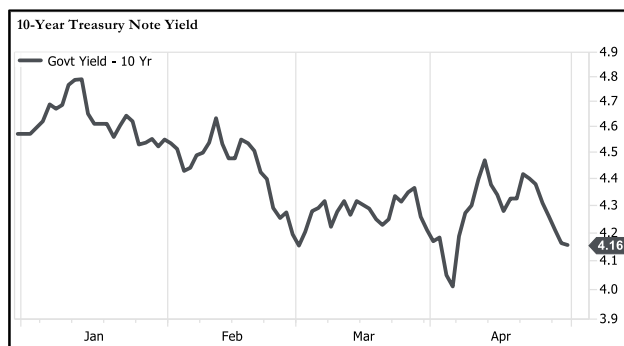
Source: FactSet. As of April 30, 2025.

U.S. Unemployment Rate



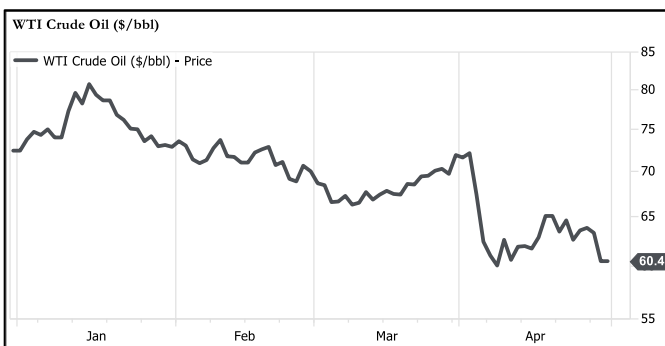
Source: FactSet. As of April 30, 2025.

10-Year Treasury Note Yield



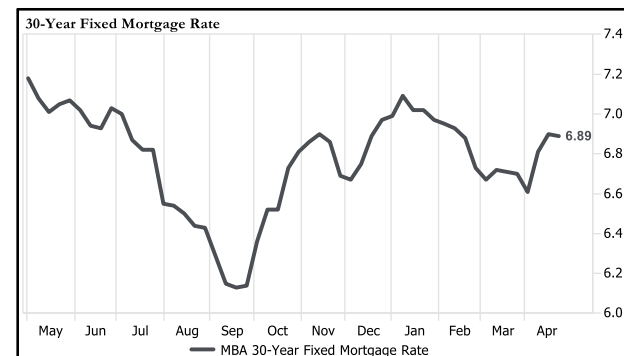
Source: FactSet. As of April 30, 2025.

WTI Crude Oil (\$/bbl)



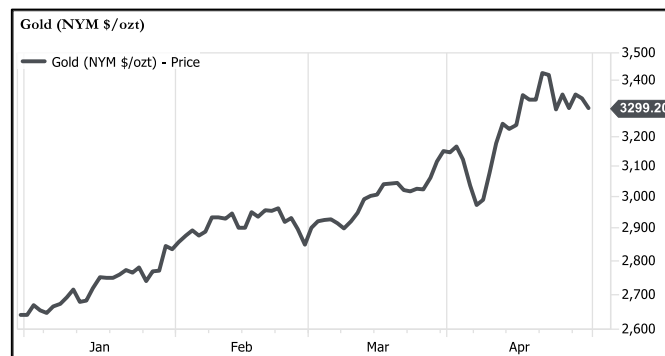
Source: FactSet. As of April 30, 2025.

30-Year Fixed Mortgage Rate



Source: FactSet. As of April 30, 2025.

Gold (NYM \$/ozt)



Source: FactSet. As of April 30, 2025.



HIGHTOWER

Investment Solutions

200 W MADISON, 25TH FLOOR
CHICAGO, IL 60606
(312) 962-3800
HIGHTOWERADVISORS.COM

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