

# THE MARCH '25 SHARPE REPORT: TRUMP 2.0 RATTLES MARKETS

## ECONOMY

Economic data remained mostly unchanged relative to February. Growth is slowing, but we see no signs of a recession, and we are using the volatility to add to our favorite companies. Inflation is sticky and the labor market is holding up while soft data (surveys) is weak. The weakening consumer has been a topic of conversation for investors, and although slowing, we do not see a need for worry. Retail sales came in lower than expected, expanding 0.2% m/m in February with revisions lower for January, but sales are still expanding 3.1% y/y. Meanwhile, savings are up 4% y/y and wage growth is outpacing inflation. Initial jobless claims are tame, and the labor market does not appear to be drastically weakening. Additionally, with bond markets rallying, mortgage rates have followed yields lower. February's housing starts rose 11.2% m/m, and existing home sales rose 4.2% m/m. Lower mortgage rates will entice more home buyers to enter the market.

**Economic data did not improve relative to February. Inflation remains sticky, but the labor market is balanced. All eyes are on consumer data and tariff implications.**



Economic Data	As of Mar-25	Last Period	Last Year
GDP	2.40%	2.30%	3.20%
CPI	2.80%	3.00%	3.20%
PCE	2.50%	2.50%	2.60%
Unemployment Rate	4.10%	4.00%	3.90%
Nonfarm Payrolls	151K	125K	222K
Consumer Confidence	92.9	100.1	103.1

Source: FactSet. As of March 31, 2025.

## STOCK MARKET

Markets continued the trend from the end of February. The S&P 500 declined 7.2% through March 13, then bounced back 4.6% through March 25, ultimately ending the month down over 5%. Uncertainty surrounding tariffs and the Trump 2.0 agenda has made markets volatile, especially in sectors with high multiples. Technology and consumer discretionary both declined nearly 10% in the month. Energy was the only positive sector in March, gaining 3%, followed by defensive sectors such as utilities, consumer staples, and health care. Gold and silver both gained 10% in the month, outperforming nearly all equity indices, and are up 19% and 18%, respectively, year-to-date. Low volatility was the top-performing factor, while momentum was the worst.

**Stocks declined in March due to tariff and economic uncertainty. High-valued areas of the market performed the worst, with defensive sectors holding up.**



Equities	Mar-25	QTD	YTD
S&P 500	-5.75%	-4.59%	-4.59%
DJIA	-4.20%	-1.28%	-1.28%
Nasdaq Composite	-7.69%	-8.25%	-8.25%
ACWI Ex-U.S.	0.23%	6.31%	6.31%
Russell 3000	-5.96%	-5.03%	-5.03%

Source: FactSet. As of March 31, 2025.

## BOND MARKET

Treasury yields fluctuated throughout March. Bond yields have been volatile due to rapidly evolving economic data and tariffs. As a result, credit spreads have risen from recent all-time lows; investment-grade and high-yield spreads increased by 11 bps and 58 bps, respectively, during the month. Additionally, the Federal Reserve held rates steady at the March FOMC meeting. Fed Chair Powell noted that long-term inflation expectations are well-anchored and that their policy rate is well-positioned to react to incoming data. The committee expects 50 bps of cuts in 2025, lower growth, and higher inflation.

**Treasury yields traded sideways with bond investors looking for more clarity on the direction of the U.S. economy. Widening credit spreads indicate an increased perception of risk.**



Fixed Income	As of Mar-25	As of Feb-25	As of Mar-24
Federal Funds Rate	4.25-4.50%	4.25-4.50%	5.25-5.50%
2-Year Treasury Yield	3.88%	3.98%	4.62%
10-Year Treasury Yield	4.21%	4.20%	4.20%
Investment Grade Spread	+132 bps	+121 bps	+119 bps
High Yield Spread	+390 bps	+332 bps	+347 bps
30-Year Fixed Mortgage Rate	6.71%	6.88%	7.24%

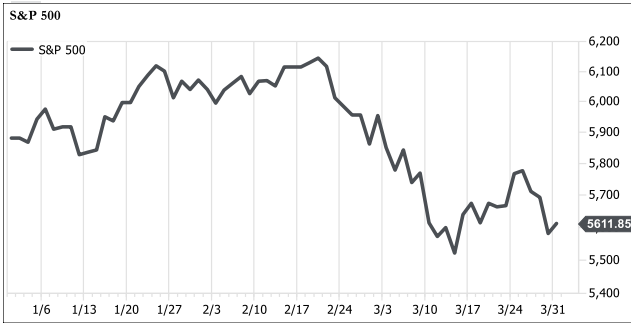
Source: FactSet. As of March 31, 2025.

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

## PUTTING IT ALL TOGETHER

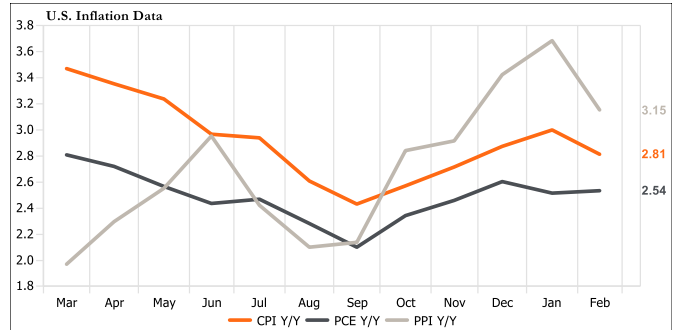
Investors do not like uncertainty, which was prevalent in March. Potential tariffs could impact prices, economic growth, the labor market, and the broader economy, explaining why stocks declined as much as they did during the month. Bond yields did not move as much; the bond market is awaiting more information on the Fed's outlook and how growth and inflation expectations may shape up following tariffs. In the meantime, we are monitoring incoming data, listening to tariff announcements, and working to quiet the noise. In times of turmoil, focus on fundamentals and invest in quality companies with strong market share.

### S&P 500



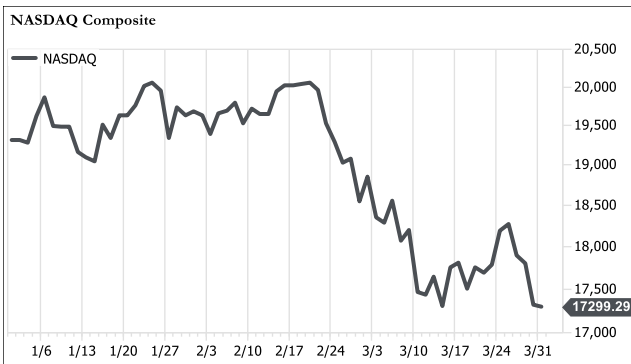
Source: FactSet. As of March 31, 2025.

### U.S. Inflation Rates



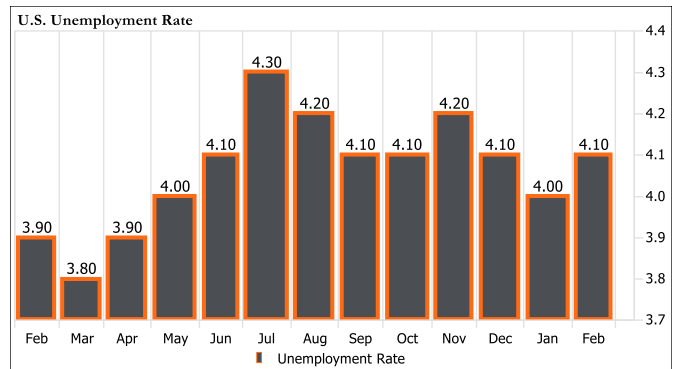
Source: FactSet. As of March 31, 2025.

### NASDAQ Composite



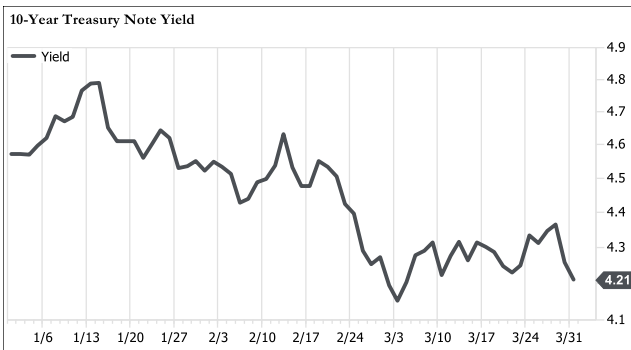
Source: FactSet. As of March 31, 2025.

### U.S. Unemployment Rate



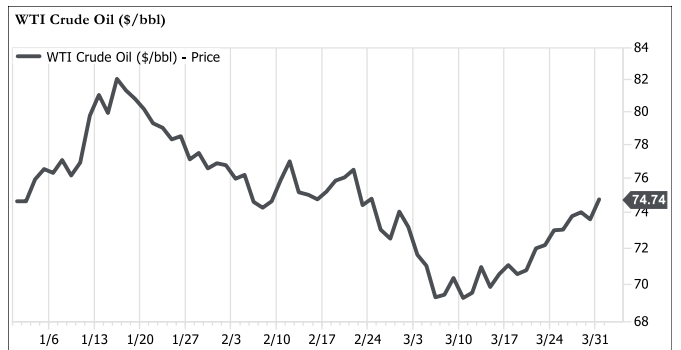
Source: FactSet. As of March 31, 2025.

### 10-Year Treasury Note Yield



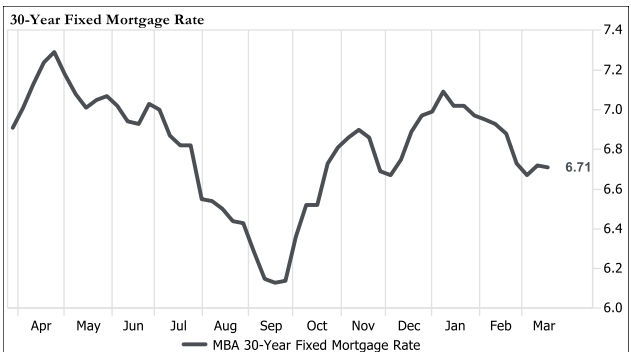
Source: FactSet. As of March 31, 2025.

### WTI Crude Oil (\$/bbl)



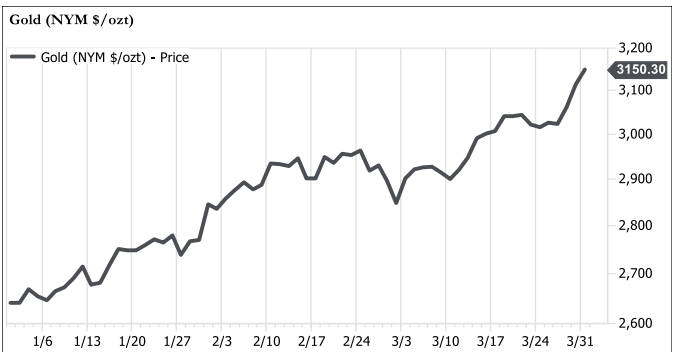
Source: FactSet. As of March 31, 2025.

### 30-Year Fixed Mortgage Rate



Source: FactSet. As of March 31, 2025.

### Gold (NYM \$/ozt)



Source: FactSet. As of March 31, 2025.



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