ECONOMIC & MARKET

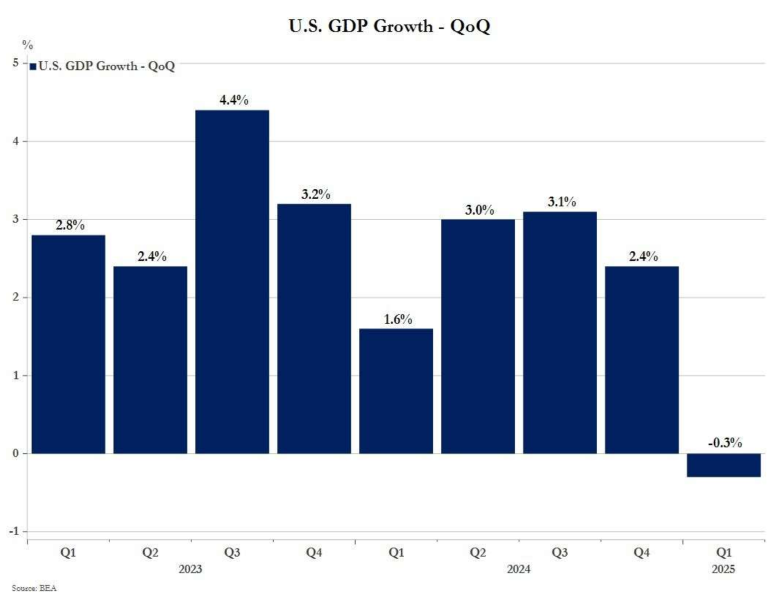
INSIGHTS

An Executive Summary for April 2025

According to the Bureau of Economic Analysis' advanced estimate, U.S. GDP contracted 0.3% in Q1 2025, though it came in meaningfully above the final GDPNow estimate of -2.7% that was released on April 29th. The current GDPNow model estimate for real GDP growth in Q2 2025 sits at 1.1%. Core PCE held steady in March, below forecasts for a 0.1% increase and following an increase of 0.5% in the month prior. The year-over-year figure rose 2.3%, above forecasts for a 2.1% increase but below an increase of 2.7% in the February reading. While trending toward the Fed's stated target of 2.0%, the impact of tariffs has largely not made its way into the data and markets, along with the FOMC, will be closely monitoring price levels when released each month. The labor market is holding relatively stable as nonfarm payrolls increased a seasonally adjusted 177,000 in April, beating estimates of 133,000, while unemployment stayed flat at 4.2%. U.S. consumer sentiment fell in April, driven by growing pessimism about economic growth and the labor market due to continued uncertainty about the path forward for tariffs and trade. On a positive note, China recently exempted some U.S. imports from tariffs, though the list of goods affected is said to be dynamic and will be adjusted based on China's needs, which does not materially diminish uncertainty. The move echoes the Trump Administration exempting smartphones and other electronics from reciprocal tariffs as both countries appear to be making efforts to soften the blow of the trade war on their respective economies, giving investors hope that a broader deal can eventually be reached. Global equity markets faced heightened volatility throughout April as Liberation Day was followed by a broad and swift selloff, though a subsequent tariff pause led to a meaningful recovery. The S&P 500 ended the month down slightly, but U.S. equities continue to lag their international counterparts. While the aforementioned recovery was a welcomed reprieve, strategists have voiced concern that the trade war's impact on corporate earnings remains unclear and that investors should continue to proceed with caution. There was also volatility within fixed income markets as the yield on 10-year U.S. Treasuries hit a low of 3.86% before jumping to 4.58% a week later and ultimately ending the month at 4.17%. Investment grade corporates underperformed government bonds as spreads widened in conjunction with equity market volatility. With volatility likely to continue in coming months, the best defense is typically a well-diversified portfolio with overall risk levels aligned with long-term goals. It is important to remember that times of market dislocation can be viewed as opportunities to deploy capital at more compelling valuations, tax loss harvest, or review financial goals.

U.S GDP Growth Turns Negative in Q1

- The Bureau of Economic Analysis' advanced estimate of GDP growth showed the U.S. economy contracted at an annualized rate of 0.3% during Q1 2025.
- Imports, which are subtracted in the GDP calculation, surged at an annualized rate of 41.3% in Q1 as companies front-loaded orders ahead of anticipated tariffs, playing a key role in the decline.
- The reading came in lower than the 2.4% growth seen in Q4 2024 as the impact of the ongoing trade war begins to take shape.
- On a positive note, real final sales to private domestic purchasers rose 3% in the quarter, up from a revised 2.9% in Q4.



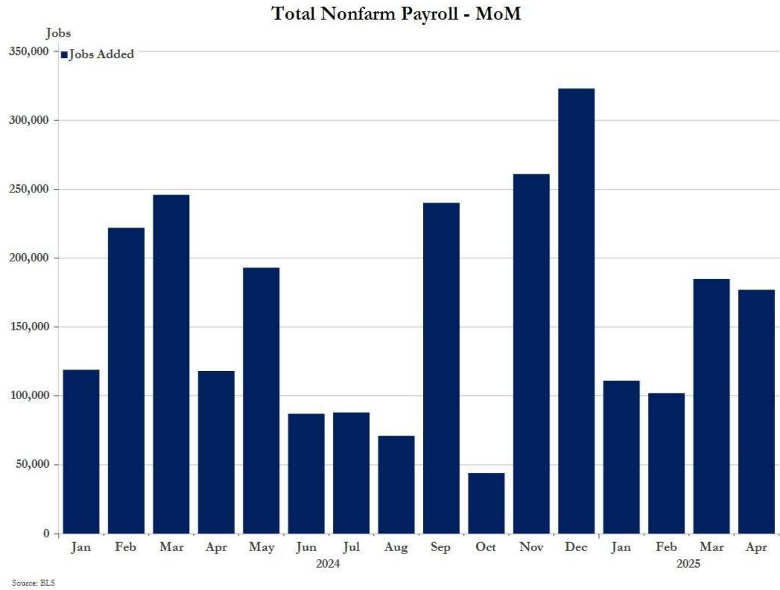
Labor Market Remains Steady

- The U.S. job growth was robust in April as nonfarm payrolls increased by 177,000, well above estimates of 133,000, while the unemployment rate was unchanged at 4.2%.

- Additions to payroll were broad based and led by healthcare, while transportation and warehousing saw their largest increases since December as the surge in imports boosted demand for labor in those sectors.

- Reflecting the efforts of the Department of Government Efficiency to reduce government spending, the federal government cut jobs for a third straight month.

- The report suggests private sector businesses did not significantly alter their hiring plans despite ongoing uncertainty.

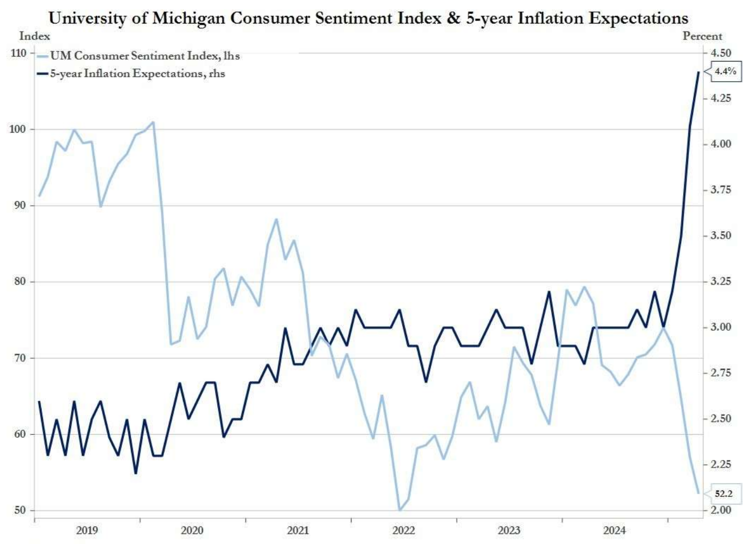


Sentiment Falls as Inflation Expectations Rise

- According to the University of Michigan survey, U.S. consumer sentiment fell from 57.0 in March to 52.2 in April.

- Long-term inflation expectations climbed as consumers anticipate inflation will rise over the next twelve months, driven by concern over the domestic consequences from President Trump's tariffs.

- Labor market expectations also remained murky, as approximately two-thirds of respondents see their inflation-adjusted incomes falling and unemployment rising in the year ahead.



Heightened Volatility Persists Throughout Global Equity Markets

- Global equity markets experienced a swift selloff after President Trump's announcement of sweeping reciprocal tariffs on Liberation Day.

- The S&P 500 had an intra-month drawdown of over -10% during April, but was able to recover a majority of its losses after most tariffs were put on hold, and ultimately ended the month down less than –1%.

- International equities were not immune to the volatility but also quickly recovered and continue to meaningfully outpace U.S. stocks year to date.

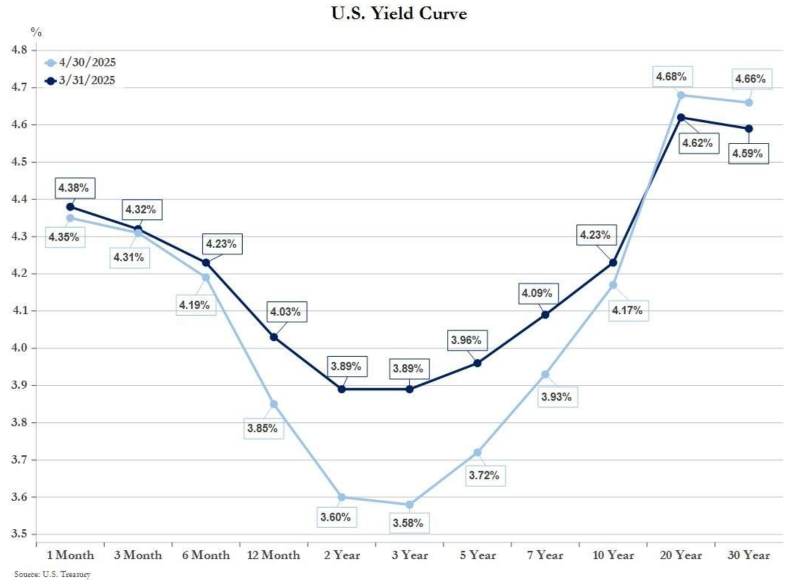
U.S. Yield Curve Steeper, Mostly Lower

- Yields declined in the short and intermediate parts of the curve as the economic fallout from trade polices led to renewed optimism of FOMC rate cuts in the near-term.

- There was significant volatility on the longer end of the curve throughout the month as 10-year Treasury yields hit a low of 3.86% on April 4th before rising to 4.58% a week later and ultimately ending the month at 4.17%, 5 bps lower than where it started.

- Yields on the longer end rose due to concerns over fiscal deficits and the possibility of foreign central banks offloading Treasuries in retaliation for tariffs.

- Investment grade corporate issues underperformed government bonds as spreads widened in conjunction with equity market volatility and short-term Treasuries continued to provide a haven for investors.



USD Continues to Weaken

- The U.S. Dollar Index (DXY) has been on a steady decline over the last three months and finished April at 99.5, 8.7% below its recent peak of 109 in January.

- Similar to U.S. equity markets, the selloff has largely been driven by tariff announcements and concerns over slowing growth, but was exacerbated by fears that President Trump would fire Chair Powell, leading the Fed to lose its independence.

- President Trump quickly walked back his threats and the DXY was able to recover some losses as market participants view central bank independence as critical to maintaining long-term price stability.

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The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS, and CMBS (agency and non- agency). The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers. The Bloomberg Municipal Bond

Index covers the U.S. dollar-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. It is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are included. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The S&P 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity, and industry group representation. Included are the stocks of eleven different sectors. The MSCI EAFE Index (Europe, Australasia, Far East) captures large- and mid-cap representation across developed markets countries around the world, excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI Emerging Markets Index captures large- and mid-cap representation across emerging markets countries across the world. The index covers approximately 85% of the free float-adjusted market capitalization in each country. The HFRX Global Hedge Fund Index is comprised of funds representing the overall hedge fund universe. Constituent funds include but are not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event-driven, macro, merger arbitrage, and relative value arbitrage. The underlying strategies are asset-weighted based on the distribution of assets in the hedge fund industry. The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITS worldwide. Index constituents are free float-adjusted, subject to liquidity, size, and revenue screening for inclusion. The Bloomberg Commodity Index reflects commodity futures price movements and is calculated on an excess return basis. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production, and weight-caps are applied at the commodity, sector, and group level for diversification. The roll period typically occurs from the 6th-10th business day based on the roll schedule. The Consumer Confidence Index reports how consumers feel about the current situation of the economy and about where they feel it is headed. Conducted by the Conference Board, the survey consists of five questions about the present situation and three questions about their expectations for the economy in the future. It provides insight into how they spend and save, which helps businesses and economic leaders track inflation and output. The U.S. Dollar Index (DXY) is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow", is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.

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