

# April volatility and market rotations



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INVESTMENT MANAGEMENT

In light of recent developments in the financial markets, we are pleased to offer timely insights and share our perspective with you. As you may be aware, markets have undergone significant adjustments in recent weeks. In response to these changes, we have made meaningful updates to our model portfolio, reflecting our proactive approach to navigating the evolving financial landscape. You can read

about the model changes in our Managed Portfolio Strategies Snapshot. For now, we'll stick to market comments as of April 30, 2025.

## Economic Backdrop:

- **Labor Market:** Continues to be resilient supported by the April Jobs Report and a steady 4.2% unemployment rate (updated as of 5/2/2025). Future uncertainty, however, could present challenges.
- **Inflation:** Holding at approximately 3% in the U.S., with tariffs assumed to drive consumer prices higher. Consumer expectations of rising inflation add pressure.

## Interest Rate and Yield Curve Movements:

- **Yield Curve:** Notable volatility, especially at the short end, with the two-year yield dropping by 50 basis points this year. The 30-year yield remains relatively stable.
- **Federal Reserve Policy:** The Fed has maintained rates in 2025 after a 100-basis point cut in the late half of 2024. The market is anticipating three rate cuts between June and December 2025, despite the Fed navigating recession and inflation concerns in real time. For now, the Fed is holding steady.

## Asset Class Performance, Risk and Volatility:

- **Equities:** Significant shifts YTD. Non-U.S. equities benefiting from a weaker U.S. dollar, Value equities outperforming Growth. Low volatility stocks seemingly the only consistent positive return options YTD.
- **Fixed Income:** Risk off environment is here. Bond are showing positive returns, with investment-grade outperforming high-yield, marking a reversal from previous years.
- **Index Concentration:** Mag 7 stocks held within the Russell 1000 Growth and S&P 500 as top holdings are providing a disproportionate amount of return, both up and down, and concentration risk remains high.
- **Sector Rotation:** Defensive sectors like Consumer Staples, Utilities, and Healthcare are providing positive returns, while Communications, IT, and Consumer Discretionary sectors face significant declines.
- **Volatility:** Tariff announcements have spiked volatility across equities, currencies, interest rates, and commodities. This has led to bearish investor and business sentiment.
- **Diversification:** Remain invested and diversified. Investors should be cautious not to take on too much risk given market volatility and uncertainty. Keep a long term-view to meet long-term goals.

## IMPORTANT INFORMATION

### Definitions:

**S&P 500 Index** is a weighted index of common stocks of 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities. The index is capitalization weighted, thereby giving greater weight to companies with the largest market capitalizations.

**Russell 1000® Growth Index** measures the performance of those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. It is market-capitalization weighted.

A basis point (BPS) is a unit of measure used to indicate percentage changes in financial instruments. Basis points are typically expressed with the abbreviations "bp," "bps," or "bips." One basis point is equal to 1/100th of 1%, or 0.01%. In decimal form, one basis point appears as 0.0001 (0.01/100).

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Due to the subjective aspect of these analyses, the effective evolution of the economic variables and values of the financial markets could be significantly different from the projections, forecasts, anticipations and hypotheses, which are communicated in this material.

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