Monthly Market Review

Multi-Asset Class | March 2025

U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P) and the Russell 3000, returned -1.30% and -1.92% respectively in February.
- Within the S&P 500, six of the 11 sectors posted positive returns. The Consumer Staples sector was the best performer for the month, returning 5.70%. The second-best performing sector was Real Estate, which posted a return of 4.23%, while Consumer Discretionary was the worst performing sector, returning -9.37%.
- Negative returns were seen across all capitalizations, with small-caps (Russell 2000) returning -5.35%, mid-caps (Russell Mid Cap Index) returning -2.84%, and large-caps (Russell 1000 Index) returning -1.75%. Growth stocks underperformed value stocks across all capitalizations during the month.
- According to FactSet Earnings Insight (as of February 28, 2025), the blended year-over-year (YoY) earnings growth for the S&P 500 in Q4 was 18.2%, the highest level since Q4 2021. For calendar 2024, S&P 500 companies have reported YoY earnings growth of 10.4% thus far. For calendar year 2025, analysts are projecting YoY earnings growth of 12.1%..

Non-U.S. Equity

- Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S. Index, returned 1.39%. Developed markets, represented by the MSCI EAFE Index returned 1.94%, as Europe (MSCI Europe Index) returned 3.53% in February. Emerging Markets (EM), as represented by the MSCI Emerging Markets Index, returned 0.48% in February, driven by a rotation out of Indian stocks into Chinese equities. China (MSCI China Index) and India (MSCI India Index) returned 11.76% and -8.10%, respectively.
- Within the ACWI ex-U.S. Index, eight out of 11 sectors posted positive returns. Communication Services was the best performing sector for the month, returning 6.35%, while the Consumer Discretionary sector was the second-best performer, returning 3.52%. Information Technology was the worst performing sector, posting a return of -3.39%.

Fixed Income

- Treasury yields have been falling during the month, with 10-year Treasury yields hitting their lowest level since December as more signs emerged that the economy may be slowing. On the shorter end of the yield curve, the yield on the 2-year was down 21 basis points (bps), and the 5-year was down 31 bps. Meanwhile, the 10-year and 30-year U.S. Treasury yield fell 33 bps and 30 bps, respectively.
- The Bloomberg U.S. Aggregate Index (Aggregate) returned 2.20% in February. Investment-grade (IG) credit returned 2.03%, AAA-rated bonds returned 1.65%, AA-rated bonds returned 2.22%, A-rated bonds returned 2.04%, and BBB-rated bonds returned 2.05%. High-yield corporates, as represented by ICE BofA U.S. High Yield Index saw a return of 0.67% during the month, while the Broad Treasury Index returned 0.98%.

Diversifying Assets

- During February, Real Estate Investment Trusts (REITs), as represented by the MSCI U.S. REIT Index and the FTSE NAREIT Index returned 3.65% and 3.61% respectively. The Diversified sector performed relatively better than other sectors during the month, while the Lodging/Resorts sector was challenged. Listed Infrastructure, represented by the MSCI World Core Infrastructure Index, returned 3.04% for the month.

Items to Watch

- The January Federal Open Market Committee (FOMC) meeting minutes mostly outlined the rationale behind the Federal Reserve's (Fed) consensus decision to pause its rate-cutting cycle and begin a wait-and-see approach to monetary policy in early 2025, with a March rate cut highly unlikely.
- The Atlanta Fed's latest GDPNow update forecasts a 2.8% contraction in Q1 GDP on January's PCE dip, weak residential construction spending, and a surge in gold imports. If Q1 GDP growth turns negative, it would be the first quarterly contraction in the economy since the first quarter of 2022.
- Non-farm payrolls rose by 143k in January. The moderation in job gains was impacted by the California wildfires/cold weather issues. However, strong positive revisions to the prior two months affirm that the labor market remains solid. Meanwhile, the unemployment rate ticked down to 4.0% in January, the lowest reading since last May. Average hourly earnings remained surprisingly strong, though YoY growth held at 4.1%. The latest initial jobless claims eased by 21k to 221k in the last week of February. Continuing claims rose by 42k to just under 1.9 million, reflecting a relatively tight labor market despite the prolonged tightening cycle.
- Headline inflation (CPI) came in at 0.5% in January, the highest monthly reading since mid-2023, and lifted the year-over-year rate up to a seven-month high of 3.0%. Core CPI, which excludes volatile food and energy, rose to 3.3% on an annual basis. January's acceleration in inflation stemmed from both core goods and services. Used car sales were strong, due in part to the wildfires. Meanwhile, hotels, car insurance, and recreation services also accelerated significantly.
- In Europe, the European Central Bank (ECB) lowered its key interest rates by 25 bps and warned that trade wars and increased defense spending could fuel inflation. The ECB lowered its 2025 economic growth forecast for the fourth consecutive time and is now expecting 0.9% growth in 2025.

Sources

- https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20250129.pdf
- https://www.bls.gov/news.release/pdf/empsit.pdf
- https://www.bls.gov/news.release/pdf/cpi.pdf

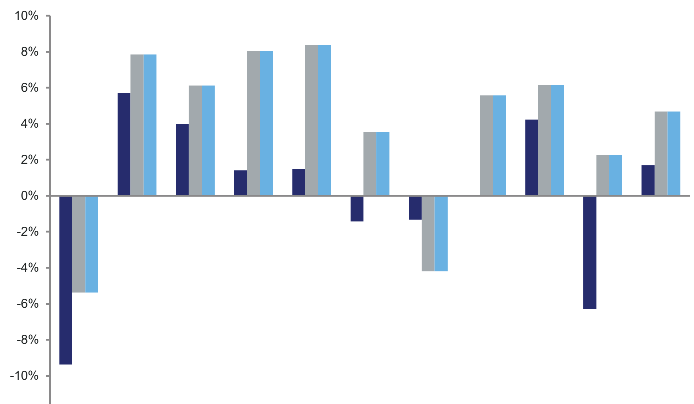
Total Return of Major Indices

Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	-1.30%	1.44%	1.44%	18.38%
Russell 3000	-1.92%	1.18%	1.18%	17.52%
Russell 2000	-5.35%	-2.87%	-2.87%	6.68%
Russell 1000	-1.75%	1.37%	1.37%	18.09%
International Equity	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI ACWI ex-U.S.	1.39%	5.47%	5.47%	9.65%
MSCI EAFE	1.94%	7.30%	7.30%	8.77%
MSCI Emerging Markets	0.48%	2.28%	2.28%	10.07%
Fixed Income	**MTD**	**QTD**	**YTD**	**1 YR**
Bloomberg Barclays U.S. Agg	2.20%	2.74%	2.74%	5.81%
Bloomberg Barclays Global Agg	1.43%	2.01%	2.01%	2.98%
Bloomberg Barclays U.S. HY	0.65%	2.04%	2.04%	10.06%
Alternatives and Diversifying	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI U.S. REIT	3.65%	4.68%	4.68%	15.19%
FTSE NAREIT Index	3.61%	4.69%	4.69%	16.41%
MSCI World Core Infrastructure	3.04%	4.80%	4.80%	14.23%
Bloomberg Commodity	0.78%	4.76%	4.76%	11.60%

Economic Indicators

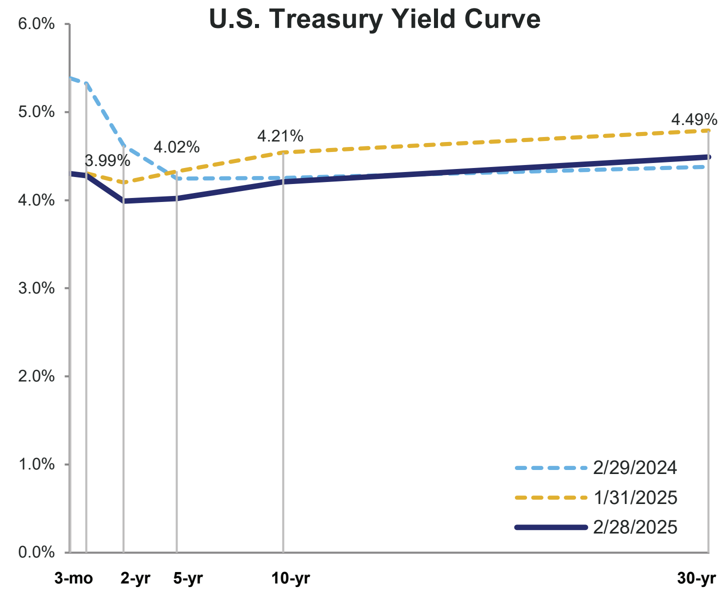
Domestic	Current	Previous Month
Unemployment Rate (%)	4.0%	4.1%
Initial Jobless Claims (4 week average)	224.3 K	225 K
CB Leading Economic Indicators	-0.3	0.1
Capacity Utilization	77.8%	77.5%
GDP (annual growth rate)	2.3%	3.1%
University of Michigan Consumer Confidence	64.7	71.7
New Home Starts	657 K	734 K
Existing Home Sales	4.1 MM	4.3 MM
Retail Sales (YoY)	4.2%	4.4%
U.S. Durable Goods (MoM)	3.1%	-1.8%
Consumer Price Index (YoY)	3.0%	2.9%
Producer Price Index (MoM)	0.4%	0.8%
Developed International*	**12/31/2024**	**9/30/2024**
Market GDP (annual rate)	1.4%	1.2%
Market Unemployment	4.6%	4.6%

Stock Market Sector Performance (S&P 500)

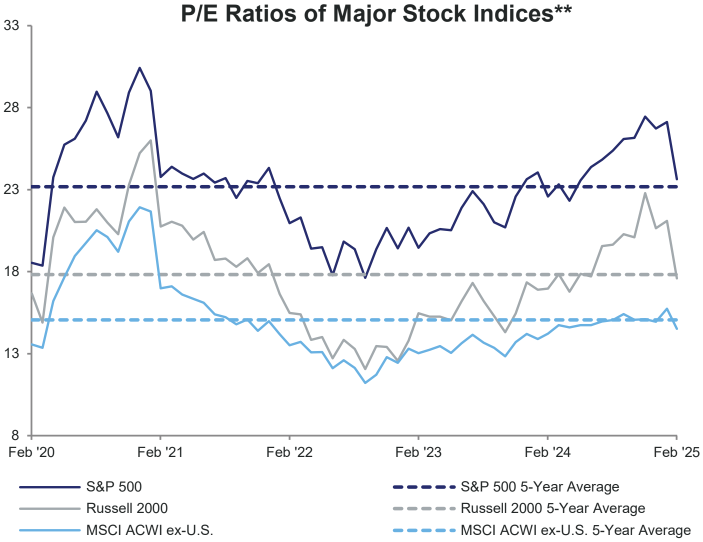


	Cons. Disc.	Cons. Staples	Energy	Financial	H'lthcare	Industrial	Info. Tech	Materials	Real Estate	Telecom	Utilities
MTD	-9.37%	5.70%	3.97%	1.41%	1.49%	-1.43%	-1.33%	-0.01%	4.23%	-6.29%	1.69%
QTD	-5.38%	7.85%	6.13%	8.02%	8.38%	3.52%	-4.19%	5.58%	6.14%	2.26%	4.67%
YTD	-5.38%	7.85%	6.13%	8.02%	8.38%	3.52%	-4.19%	5.58%	6.14%	2.26%	4.67%

U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**



Source: Bloomberg. Data as of February 28, 2025, unless otherwise noted.
**Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of September 30, 2024 due to release dates of numerous countries.*
***P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.*