April 1, 2025

Quarterly Recap

First Quarter 2025 Recap

At-A-Glance

The S&P 500 extended its 1.3% February loss, to end the first quarter down nearly 4.3% which is 8.66% below its Feb 19 record high. The S&P 500 fell 5.63% in March, its largest monthly decline since December 2022.

The Dow Jones Industrial Average fared better, down 4.06% in March, and lost just 0.87% in the first quarter.

The tech-heavy Nasdaq Composite tumbled 8.14% in March, extending its first quarter loss to 10.26%, its worst quarterly performance since Q2 2022. While the Nasdaq remains in correction status, the index has reversed around 45% of last year's 29.57% full-year return.

The Bloomberg Commodity Index rose 3.93% in March, extending its first quarter gain to 8.88%. Commodities had gained 5.38% in 2024.

After surging over 27.4% last year, gold futures leapt a further 19.28% in the first quarter and ended at a new record high of $3,150.30/ounce. Copper futures performed best, surging nearly 26%, its best quarter since Q1 2009.

U.S. WTI Crude Oil rose 2.47% in March, ended at $71.48 per barrel, down just 0.33% in the first three months of the year.

Market Indices[1]	March	1Q 2025	YTD
S&P 500	-5.63%	-4.27%	-4.27%
Russell 3000	-5.83%	-4.72%	-4.72%
Russell 2000	-6.81%	-9.48%	-9.48%
MSCI EAFE	-0.40%	6.86%	6.86%
MSCI Emerging Markets	0.63%	2.93%	2.93%
Bloomberg US Aggregate Bond	0.04%	2.78%	2.78%
Bloomberg US Municipal Bond	-1.69%	-0.22%	-0.22%
Bloomberg US Corporate High Yield	-1.02%	1.00%	1.00%

[1]FactSet (all equity performance is total return based, which include reinvested dividends).

The S&P 500 posted its largest quarterly loss in nearly three years, whipsawed by President Trump's fast-evolving rollout of newly imposed trade tariffs with additional foreign-made auto import levies and broad-based "reciprocal tariffs" expected to be announced on April 2. Reciprocal tariffs refer to imposing U.S. trade levies generally matching what other nations charge on U.S. products. Investor sentiment reversed from January optimism over corporate deregulation and planned tax cuts to accelerating concerns over persistent inflation and a slowing economy.

U.S. small caps broadly led the quarterly slide, down nearly 9.5% as measured by the Russell 2000. At the sector level, Technology and Consumer Discretionary posted the largest losses, both ending the quarter in correction territory, down each by double-digit percentages. Drilling down further, the so-called "Magnificent Seven," mostly tech megacap stocks, extended their quarterly rout to 16%, with Tesla plunging 35.6%.

Having a diversified portfolio including global equity exposures notably helped reduce losses and volatility. The S&P 500 compared to the rest of the world had its worst quarter since 2009. The MSCI EAFE index of developed markets excluding the U.S. gained 6.86%, an 11% positive differential to the S&P 500. Germany (+15.55%) and France (+10.27%) led the charge among MSCI national indices. Emerging Markets advanced a lesser 2.78% in Q1. China jumped 15% while Taiwan's 12.63% correction offset larger gains.

Investors have been particularly concerned that a by-product of U.S. imposed trade tariffs could stir global trade reprisals, reigniting inflation. Those fears were partially reinforced after the personal consumption expenditures (PCE) price index, the Fed's preferred measure of inflation, came in with mixed results in February. Headline PCE prices rose 0.3% and up 2.5% from a year ago, matching forecasts and in line with January's readings. However, core PCE prices (excluding volatile food & energy) rose 0.4%, topping the 0.3% forecast and rose 2.8% on an annualized basis (2.7% expected) and follows a 2.7% January increase.

As shown in the style box performance boxes below, Value stocks outperformed in March and for the quarter. Moreover, Large cap Value (+2.14%) outpaced Large cap Growth (-9.97%) by 12.1% in the first quarter, marking the widest U.S. Value outperformance in 24 years. Stretched Growth stock valuations led to a sharp correction in Q1, while more defensive Value stocks were resilient to the rise in volatility. Small cap Growth ended the quarter in correction, down 11.12%.

March Returns

	Value	Blend	Growth
Large Cap	-2.78%	-5.79%	-8.42%
Mid Cap	-3.68%	-4.63%	-7.41%
Small Cap	-6.00%	-6.81%	-7.58%

Quarterly Returns

	Value	Blend	Growth
Large Cap	2.14%	-4.49%	-9.97%
Mid Cap	-2.11%	-3.40%	-7.12%
Small Cap	-7.74%	-9.48%	-11.12%

Year-to-Date Returns

	Value	Blend	Growth
Large Cap	2.14%	-4.49%	-9.97%
Mid Cap	-2.11%	-3.40%	-7.12%
Small Cap	-7.74%	-9.48%	-11.12%

Source: Cetera Investment Management, FactSet, FTSE Russell. Returns shown are total return, which include dividends. Investors cannot invest directly in indexes. Data as of 3/31/2025.

Sector performance was surprisingly divergent in March and more so during the quarter. Two sectors posted gains last month (Energy and Utilities) whereas last year's biggest gainers experienced the largest March declines, with Technology down 8.83% and Consumer Discretionary falling 8.91%. First quarter performance was more broadly positive with seven sectors posting gains, led by Energy (+10.21%) and Healthcare (+6.54%). In contrast, Consumer Discretionary and Technology also posted the largest first quarter losses, down respectively by 13.80% and 12.65%.

Top Sector Performers – March [1]	Bottom Sector Performers – March [1]
Energy (+3.85%)	Communication Services (-8.28%)
Utilities (+0.26%)	Technology (-8.83%)
Healthcare (-1.70%)	Consumer Discretionary (-8.91%)
Top Performers – First Quarter [1]	**Bottom Performers – First Quarter [1]**
Energy (+10.21%)	Communication Services (-6.21%)
Healthcare (+6.54%)	Technology (-12.65%)
Consumer Staples (+5.23%)	Consumer Discretionary (-13.80%)
Top Performers – YTD 2025 [1]	**Bottom Performers – YTD 2025 [1]**
Energy (+10.21%)	Communication Services (-6.21%)
Healthcare (+6.54%)	Technology (-12.65%)
Consumer Staples (+5.23%)	Consumer Discretionary (-13.80%)

[1]FactSet (all S&P 500 sector performance percentages are total return based, which include reinvested dividends). Data as of 3/31/2025.

Reflecting a flight-to-safety, yet limited by inflation and economic growth concerns, prices on Treasury securities advanced while yields declined. The yield on benchmark 10-year Treasury notes ended the first quarter at 4.210%, down over 0.36% from the start of the new year.

In fixed-income performance, U.S. Treasurys (as measured by the Bloomberg U.S. Government Bond Index) rose 0.23% in March, extending first quarter gains to 2.91%. Longer-term U.S. Government bonds fell 0.89% in March, trimming its first quarter gain to 4.67%.

In other fixed-income assets, investment-grade bonds of all types (as measured by the Bloomberg U.S. Aggregate Bond Index) inched 0.04% higher last month, mildly extending its quarterly gain to 2.78%. Non-investment-grade High-Yield corporate bonds trailed, backpedaling 1.02% in March, cutting its quarterly gain in half to 1.00%. Municipal Bonds posted losses in March (-1.69%) and in the first quarter (-0.22%).

Excluding municipals, this was the first quarter since the start of the pandemic in March 2020 that bond markets climbed while major U.S. equity averages fell.

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Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

A diversified portfolio does not assure a profit or protect against loss in a declining market.

Glossary

The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included.

The Bloomberg U.S. Municipal Bond Index covers the USD-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. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years.

The Bloomberg U.S. Corporate High Yield Index measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years.

The **Bloomberg U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government).

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual re-weightings of the components).

The **Cboe Volatility Index®** (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **MSCI All-Country World Index (ACWI)** is a market cap weighted index designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets, covering more than 2,700 companies across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

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.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **Nasdaq Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.