

# Market Performance Review and Asset Allocation Outlook April 2025

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# Money Managers



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J.P.Morgan





**FREEDOM**  

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**INVESTMENT MANAGEMENT**

## 2025 YTD Market Performance

**Jonathan Shiffer**

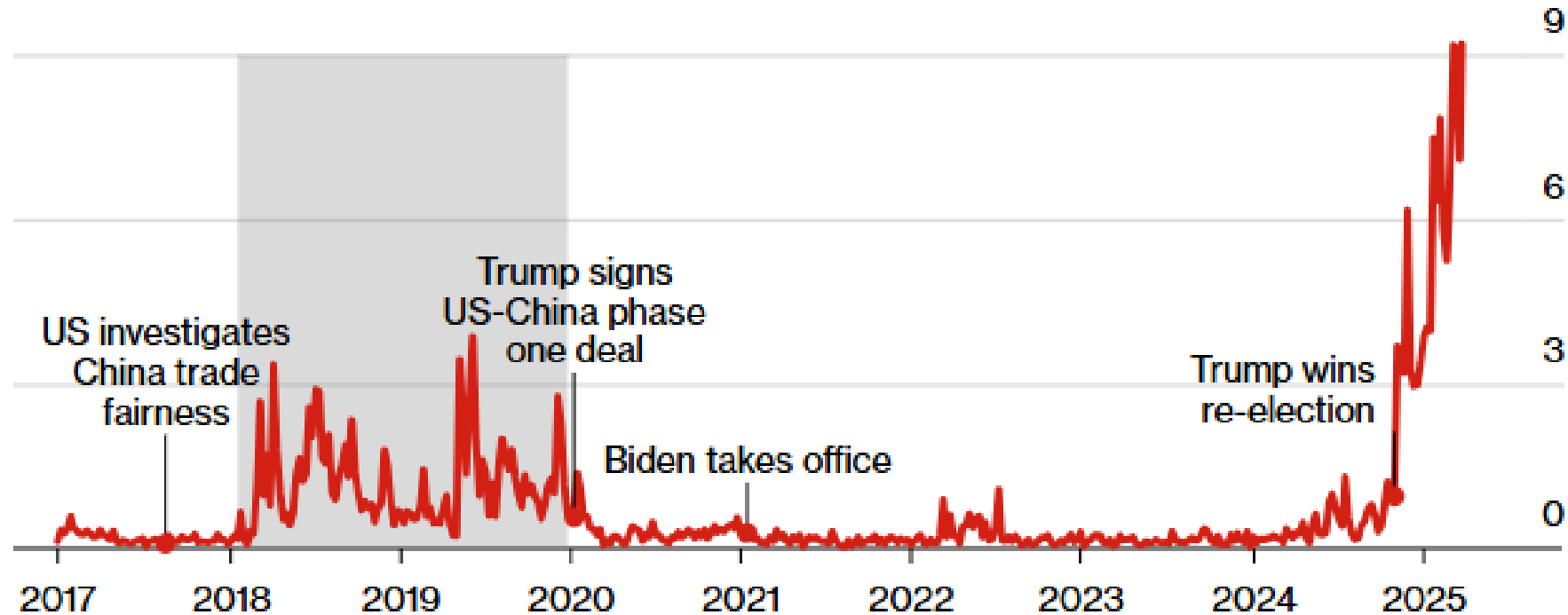
Chief Investment Officer

Freedom Investment Management, Inc.

## Uncertainty About Trade Policy Soars

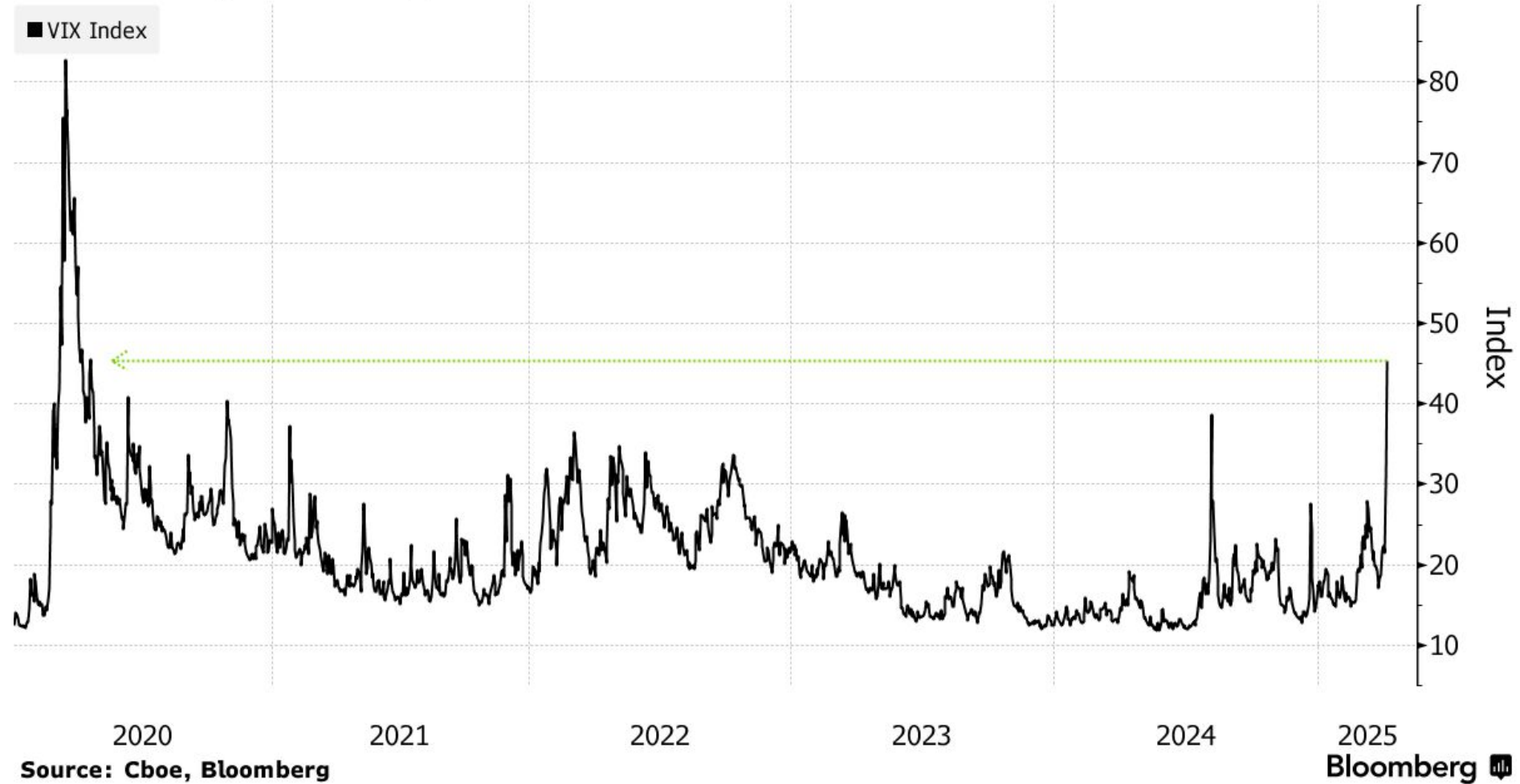
Bloomberg Economics index is near an all-time high

Index level ■ US-China trade war

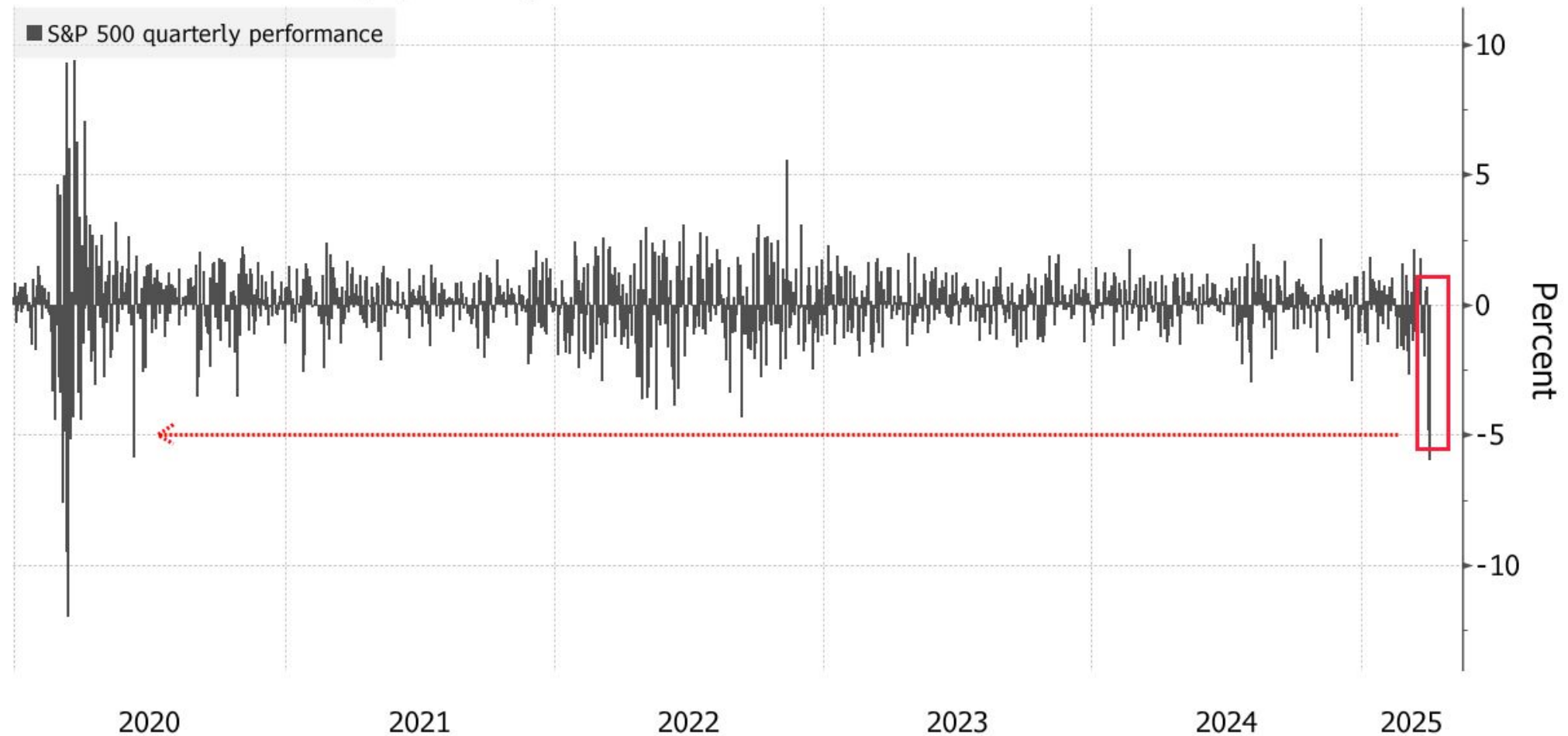


Source: Bloomberg Economics Global Trade Policy Uncertainty Index

## VIX Jumps to Highest Since 2020 on Stock Rout



## S&P 500's Biggest Two-Day Drop Since Pandemic Index tumbles sharply Friday as selloff worsens



Source: Bloomberg

Bloomberg 

# Equity Performance as of 3/31/2025

Domestic Equity	Quarter	YTD through 4/10	1 Year
NASDAQ Composite TR USD	-8.1%	-15.0%	6.4%
S&P 500 TR USD	-5.6%	-10.1%	8.3%
Russell 1000 Growth TR USD	-8.4%	-14.2%	7.8%
Russell 1000 TR USD	-5.8%	-10.4%	7.8%
Russell 1000 Value TR USD	-2.8%	-5.8%	7.2%
Russell Mid Cap Growth TR USD	-7.4%	-12.2%	3.6%
Russell Mid Cap TR USD	-4.6%	-10.9%	2.6%
Russell Mid Cap Value TR USD	-3.7%	-10.4%	2.3%
Russell 2000 Growth TR USD	-7.6%	-18.1%	-4.9%
Russell 2000 TR USD	-6.8%	-17.6%	-4.0%
Russell 2000 Value TR USD	-6.0%	-17.1%	-3.1%
International Equity			
MSCI ACWI NR USD	-4.0%	-7.0%	7.2%
MSCI ACWI Ex USA NR USD	-0.2%	-0.1%	6.1%
MSCI Europe NR USD	-0.3%	4.4%	6.9%
MSCI EM NR USD	0.6%	-3.7%	8.1%
MSCI AC Asia Pacific IMI NR USD	-0.2%	-4.2%	4.3%
MSCI EM Latin America NR USD	4.8%	6.7%	-13.6%

Source: Morningstar

## Outperformance

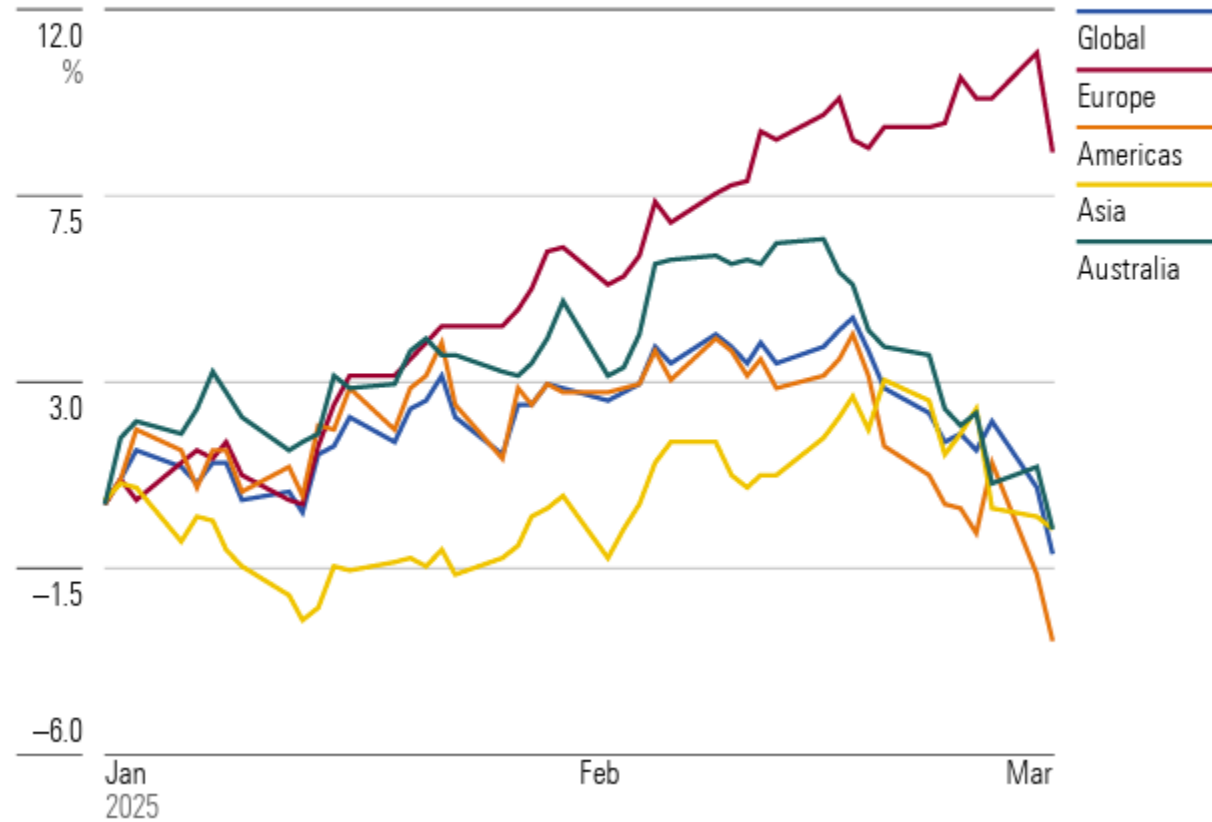
- Europe
- Value (on a Relative Basis)

## Underperformance

- Domestic US
- Small Caps

# European Equities Had Strong Q1

Regional Price Movements Over the First Quarter



Source: Morningstar. Data as of April 4, 2025.

Please see Important Information at the end of the presentation.

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Index	Quarter	YTD through 4/10	1 Year
S&P 500 TR USD	-5.6%	-10.1%	8.3%
S&P Cons Staples Select Sector TR USD	-1.1%	1.6%	9.8%
S&P Utilities Select Sector TR USD	0.3%	0.4%	23.9%
S&P Health Care Select Sector TR USD	-1.7%	-1.4%	0.4%
S&P Financial Select Sector TR USD	-4.2%	-4.6%	20.2%
S&P Real Estate Select Sector TR USD	-2.4%	-4.9%	9.6%
S&P Industrial Select Sector TR USD	-3.6%	-5.9%	5.6%
S&P Cmmnctn Svces Select Sector TR USD	-5.2%	-6.1%	19.5%
S&P Materials Select Sector TR USD	-2.7%	-6.5%	-5.6%
S&P Energy Select Sector TR USD	3.5%	-9.3%	2.3%
S&P Consumer Disc Select Sector TR USD	-8.3%	-15.9%	8.4%
S&P Technology Select Sector TR USD	-8.3%	-16.2%	-0.2%

## Relative Outperformance

- Defensive Sectors

## Relative Underperformance

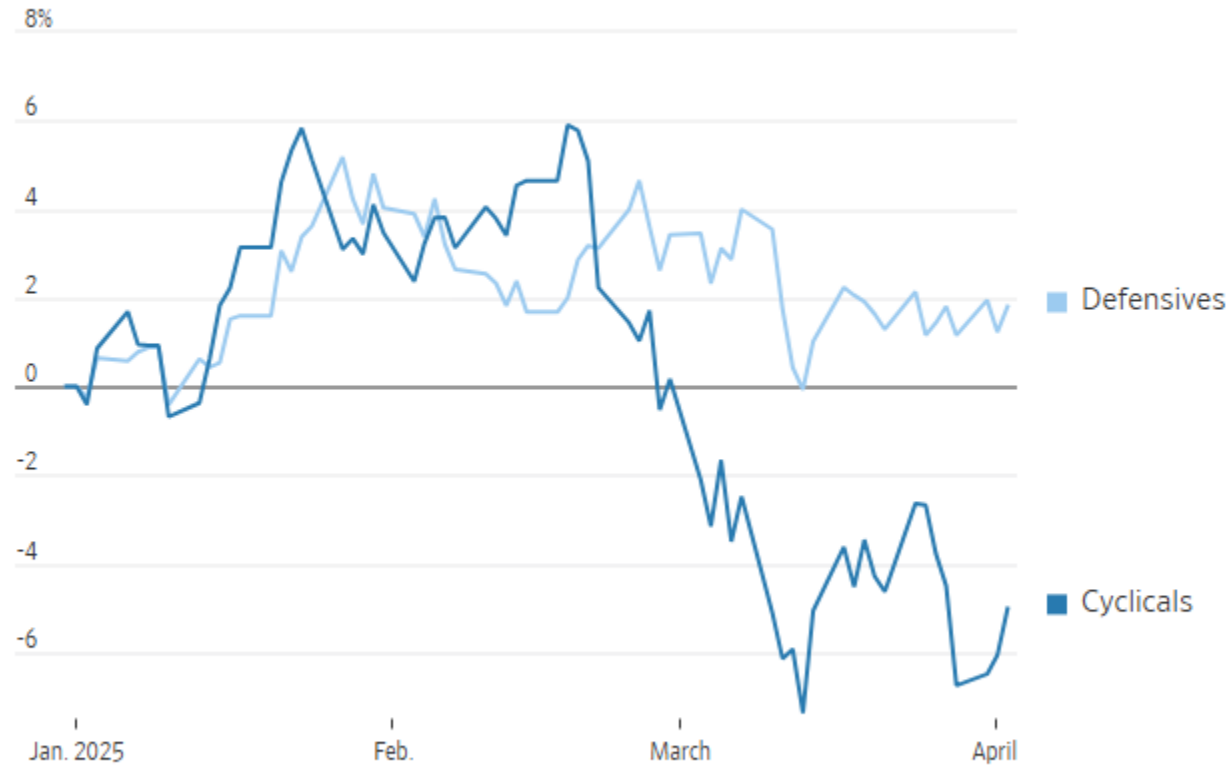
- Technology
- Consumer Discretionary

Source: Morningstar

# Investors Dumped Cyclical for Defensives

## Playing Defense

Price change this year



Note: Through Wednesday. Cyclicals are equal-weighted consumer discretionary, IT, industrials and materials; defensives are utilities, healthcare, consumer staples and communication services.

Source: LSEG

Index	Quarter	YTD through 4/10	1 Year
S&P 500 Low Volatility TR USD	0.4%	1.2%	15.8%
S&P High Yield Dividend Aristocrats TR USD	-1.3%	-3.8%	6.3%
S&P 500 Enhanced Value TR USD	-0.6%	-3.8%	6.7%
S&P 500 Dividend Aristocrats TR USD	-1.3%	-4.4%	3.2%
S&P 500 Momentum TR USD	-7.2%	-6.7%	16.3%
S&P 500 Quality TR USD	-5.4%	-6.7%	11.1%
S&P 500 Value TR USD	-3.0%	-7.6%	4.2%
S&P 500 Quality High Dividend TR USD	-1.4%	-8.0%	4.5%
S&P 500 Growth TR USD	-8.2%	-12.4%	10.5%
S&P 500 High Beta TR USD	-9.7%	-18.4%	-10.0%

## Relative Outperformance

- Low Volatility
- Dividends

## Relative Underperformance

- High Beta
- Growth

Source: Morningstar

Broad Fixed Income	Quarter	YTD through 4/10	1 Year
Bloomberg US Agg Bond TR USD	0.0%	1.3%	4.9%
Bloomberg Global Aggregate TR USD	0.6%	3.3%	3.0%
<b>Treasuries</b>			
Bloomberg US Treasury Bill 1-3 M TR USD	0.3%	1.2%	5.0%
Bloomberg 1-5 Yr Treasury TR USD	0.5%	2.1%	5.5%
Bloomberg Treasury 5-7 Yr TR USD	0.6%	2.8%	5.3%
Bloomberg Treasury 7-20 Yr TR USD	0.0%	1.8%	3.8%
Bloomberg US Treasury 20+ Yr TR USD	-1.2%	-0.2%	0.1%
Bloomberg US Treasury US TIPS TR USD	0.6%	1.9%	6.2%
<b>Credit</b>			
Bloomberg Municipal TR USD	-1.7%	-1.2%	1.2%
Bloomberg US Corp Bond TR USD	-0.3%	-0.1%	4.9%
Bloomberg US Corporate High Yield TR USD	-1.0%	-1.5%	7.7%

## Outperformance

- Short Duration Treasuries
- Global Bonds

## Underperformance

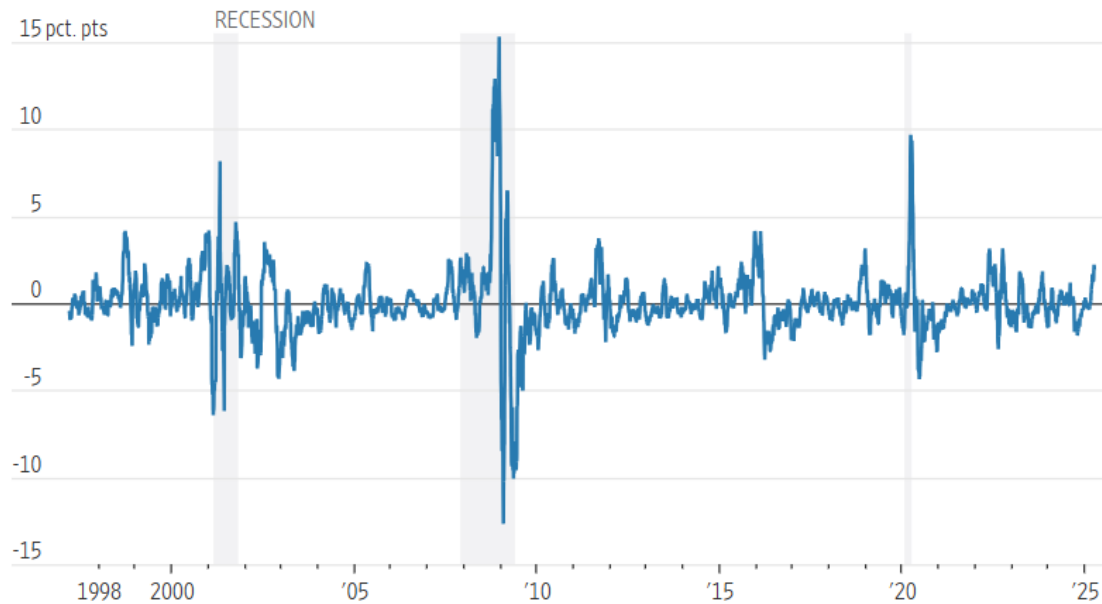
- Municipals
- High Yield
- Long Duration Treasuries

Source: Morningstar

## Junked

The weakest junk bonds have fallen significantly since the S&P 500 peaked, but in recessions they fell far more.

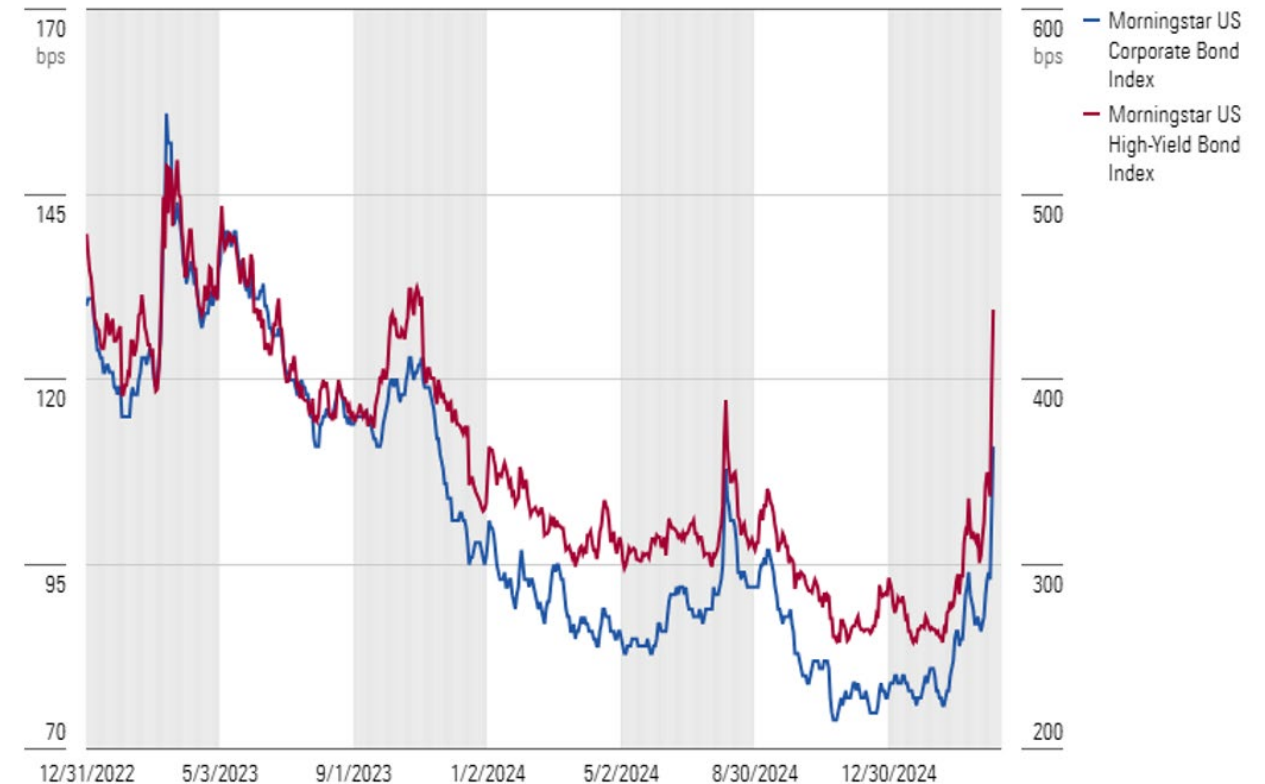
### Change in CCC-or-lower-rated U.S. bond\* spread over Treasuries over 31 days



\*ICE BofA index, through Wednesday  
Source: LSEG

## Corporate Credit Spreads Widen

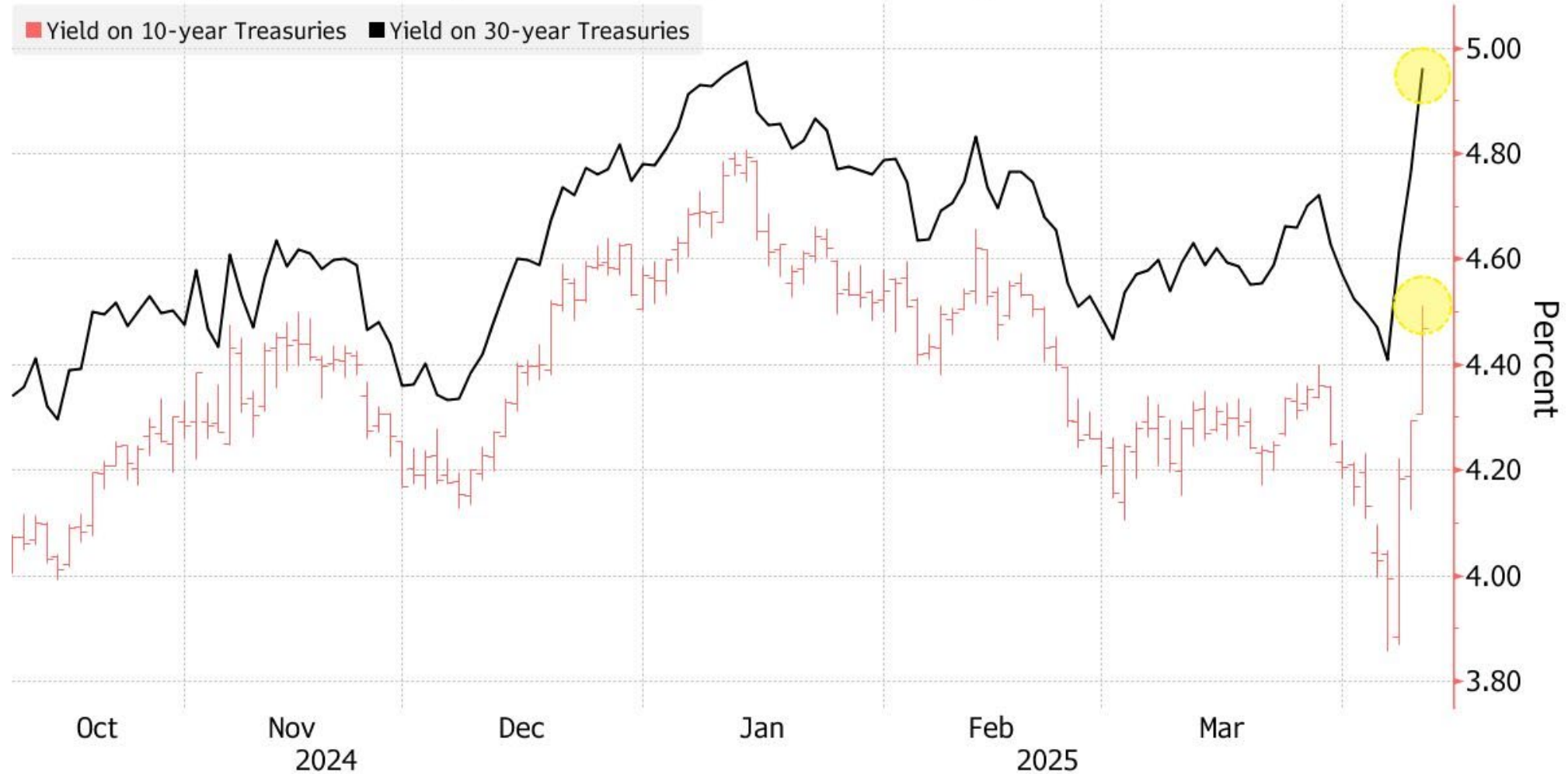
Investment-grade corporate credit spreads widen significantly.



Source: Morningstar. Data as of April 4, 2025.

# Yields Cratered Before Shooting Higher

## Treasury Yields Spike in Sign of Fading Haven Status



Source: Bloomberg

Bloomberg

## Traditional Havens Falter amid Tariff-Driven Volatility



Source: Bloomberg

Bloomberg 

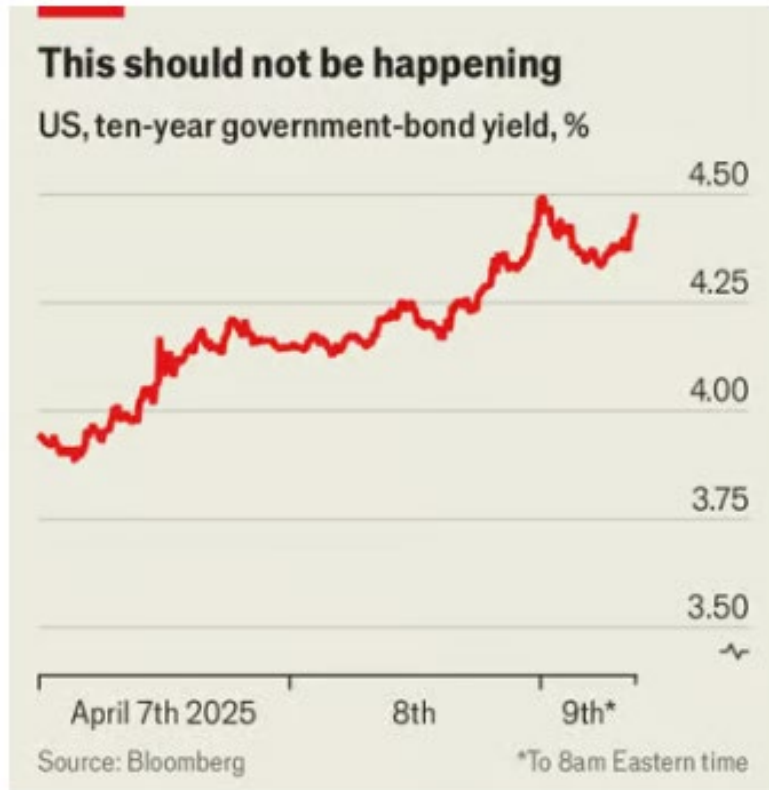
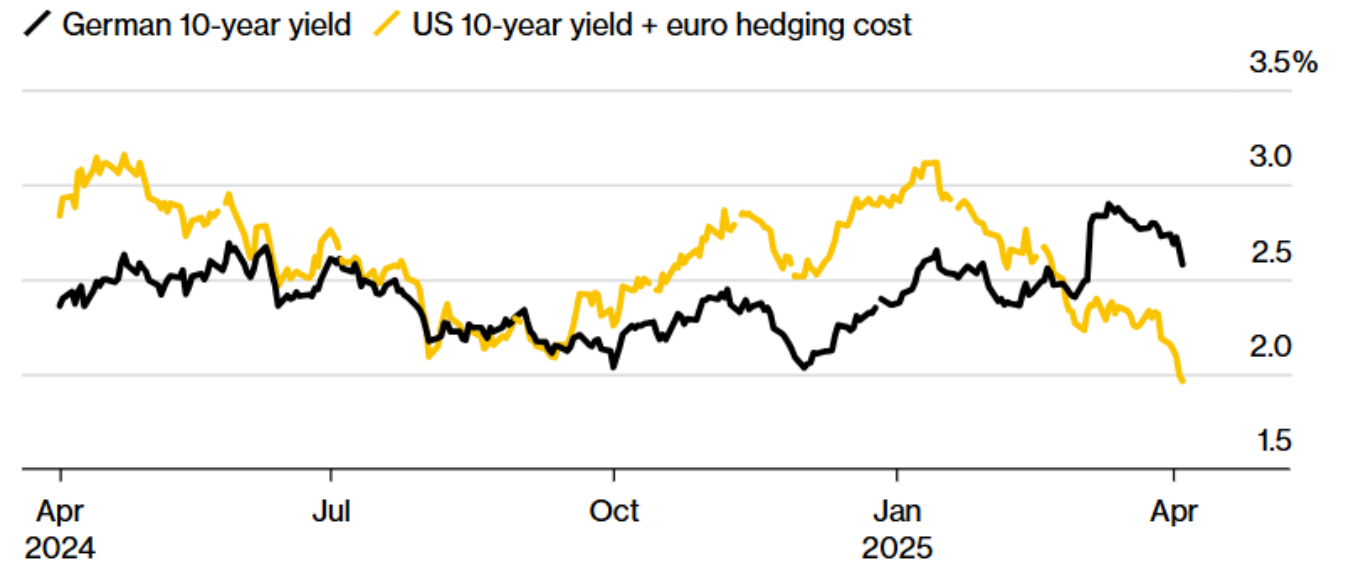


CHART: THE ECONOMIST

## Bund Yield Looks More Attractive for Euro Investors



Source: Bloomberg

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# Economic Outlook and Asset Class Preferences

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# Asset Allocation Preferences for 2025

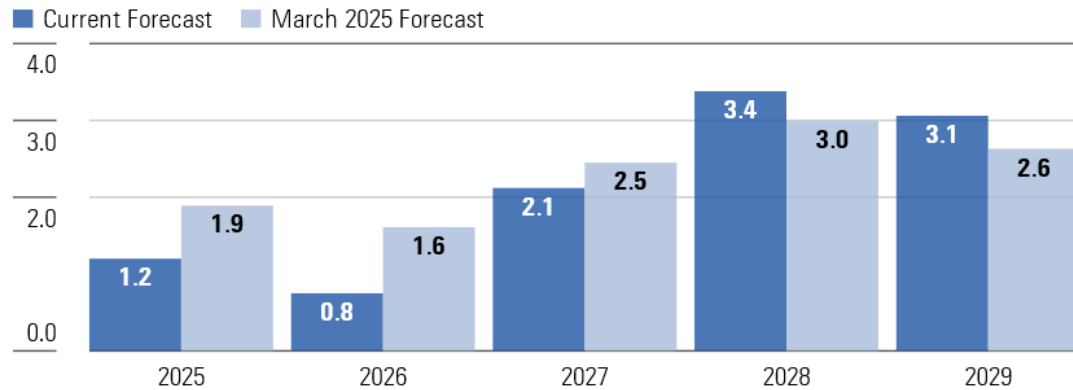
Asset Class	Asset Class - 2025			Change in Opinion
	Concern	Neutral	Constructive	
Equities		0		
Bonds		0		
<b>Equity</b>				
<b>Geographic Exposure</b>				
US		0		-1
Intl. Developed		0		
EM	-1			
<b>Size</b>				
Large			1	
Mid		0		
Small		0		-1
<b>Style</b>				
Growth		0		
Value		0		
<b>Fixed Income</b>				
<b>Geographic Exposure</b>				
US		0		
Intl. Developed		0		
EM	-1			
<b>Credit Exposure</b>				
Treasuries		0		
Investment Grade		0		
High Yield			1	
<b>Interest Rate Exposure</b>				
Duration		0		
<b>Alternatives</b>				
Liquid Alts		0		
Commodities		0		-1
Real Estate		0		

- Maintain neutral allocation between stocks and bonds
- Maintain diversification with a neutral stance between domestic and international equities
- Reduce small cap equity exposure
- Hedge against continued inflation risk with precious metals, real estate, and TIPS

# Tariffs Expected to Push Growth Down, Inflation Up

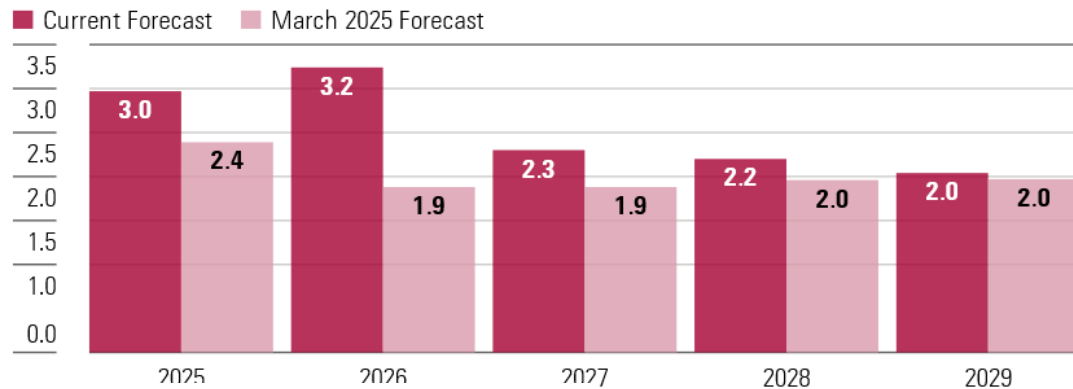
## Real GDP Growth (%) Forecast

Annual Averages



## Inflation (% PCE) Forecast<sup>1</sup>

Annual Averages



Source: Morningstar. Data as of April 7, 2025.

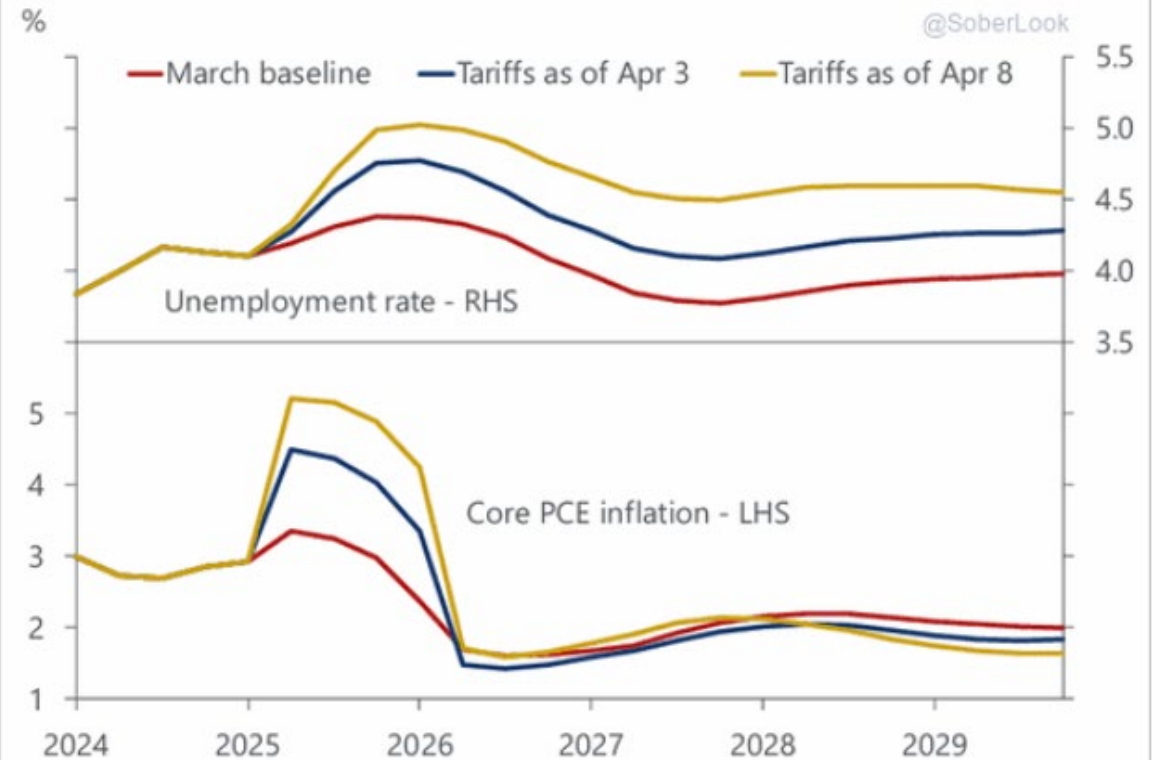
## Fed is contending with uncertainty around policies and their effects

The Daily Shot

10-Apr-2025

@SoberLook

### US: Unemployment rate and core inflation



Source: Oxford Economics/Haver Analytics

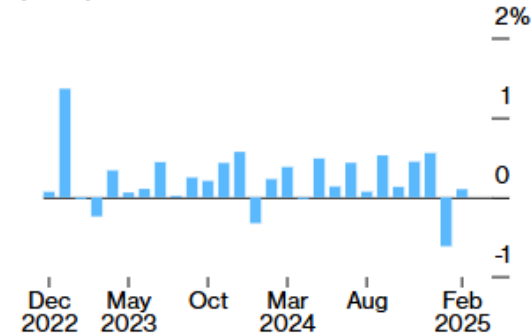
Source: [Oxford Economics](#)

# Inflation Remains Stubbornly High

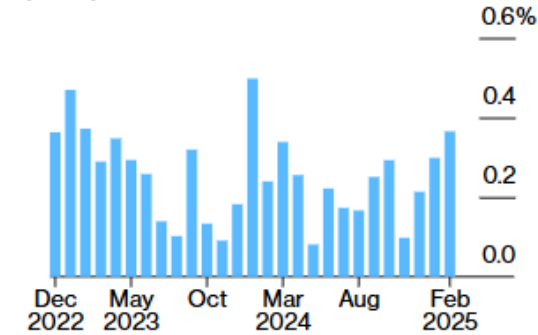
## US Consumer Spending Sluggish Amid Brewing Inflation

Household saving rate climbs and disposable income growth soft

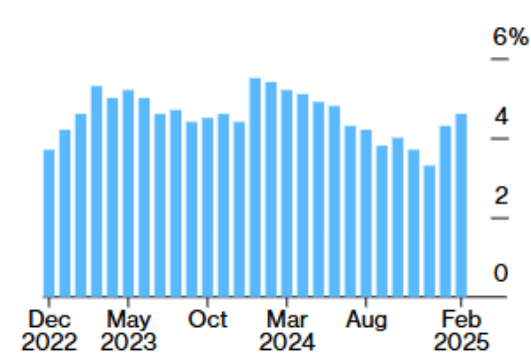
Change in inflation-adjusted spending (MoM)



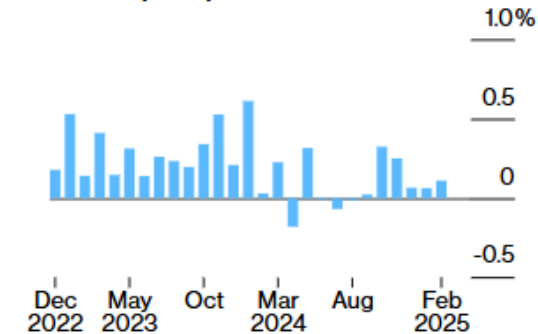
Change in PCE price index ex-food, energy (MoM)



Saving rate



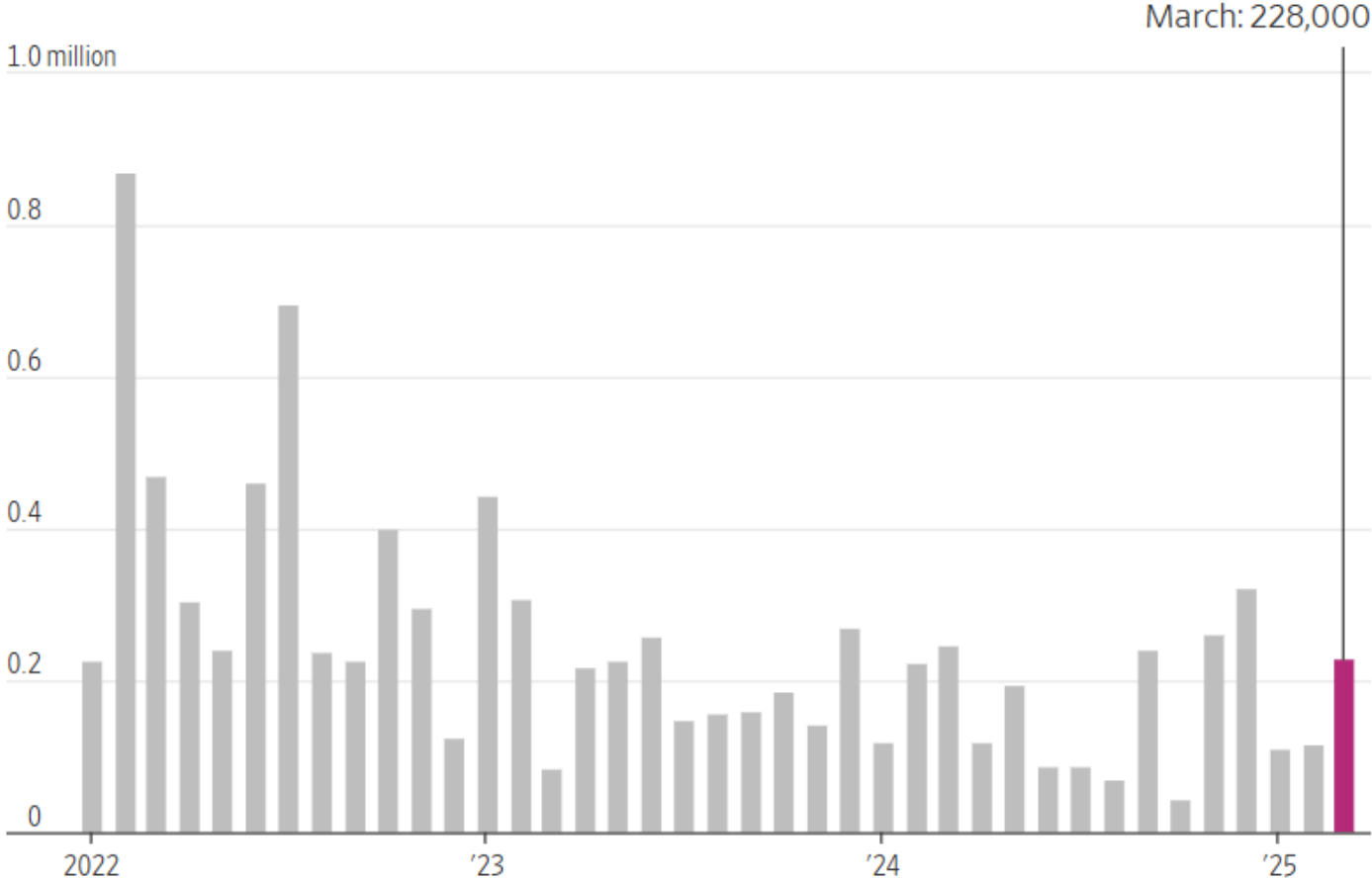
Change in real disposable income ex-transfers (MoM)



Source: Bureau of Economic Analysis

# Jobs Market Remain Strong

Nonfarm payrolls, change from a month earlier



Note: Seasonally adjusted  
Source: Labor Department

## Household balance sheet strength

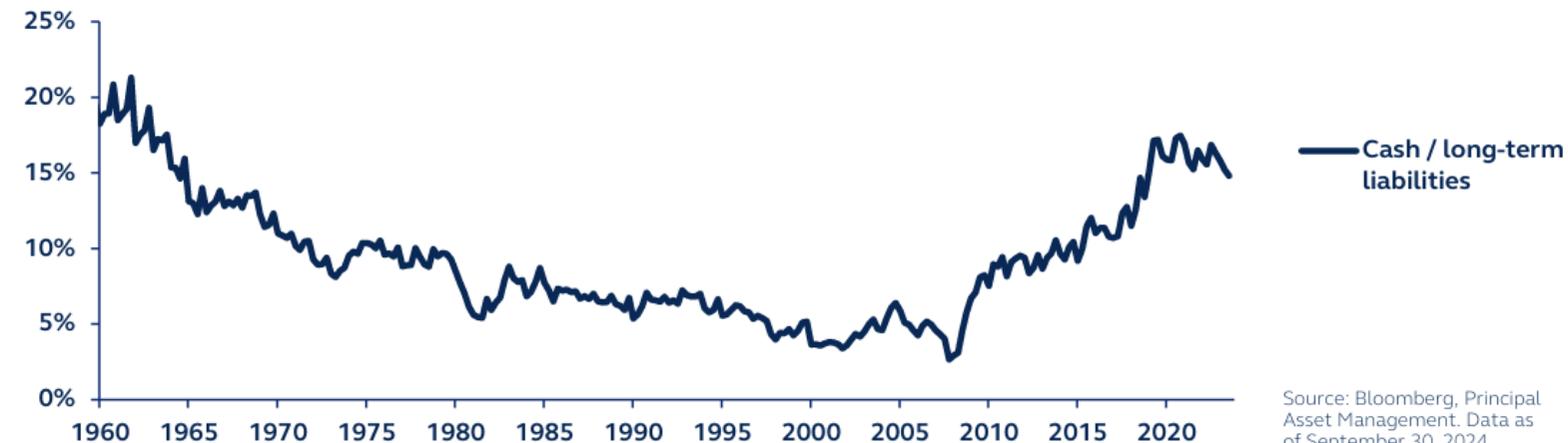
Household liabilities as % of net worth, 1960–present



Source: Bloomberg, Principal Asset Management. Data as of September 30, 2024.

## Corporate liquidity: Cash-to-long-term liabilities ratio

1960–present

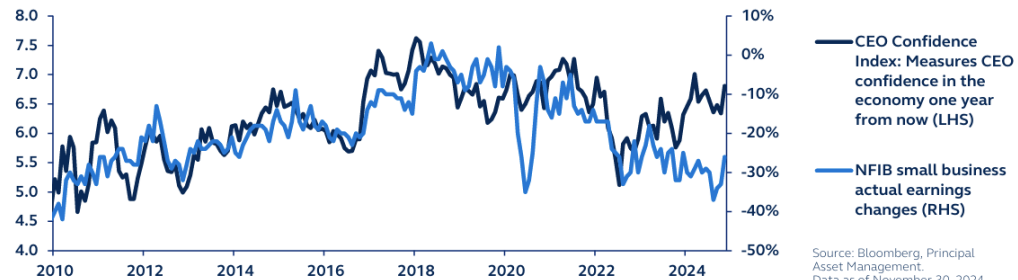


Source: Bloomberg, Principal Asset Management. Data as of September 30, 2024.

# Pockets of Weakness Despite Overall Strength

## Small and large business confidence

Level, January 2010-present

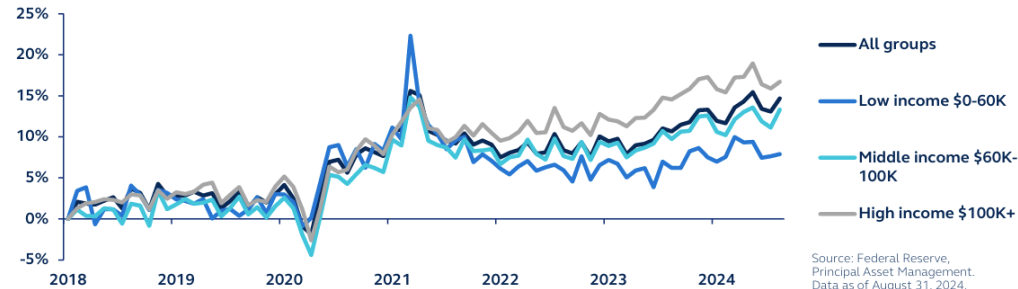


— CEO Confidence Index: Measures CEO confidence in the economy one year from now (LHS)  
 — NFIB small business actual earnings changes (RHS)

Source: Bloomberg, Principal Asset Management. Data as of November 30, 2024.

## Growth of average retail spending

Seasonally-adjusted and inflation-adjusted, Rebased to 0 at January 2018

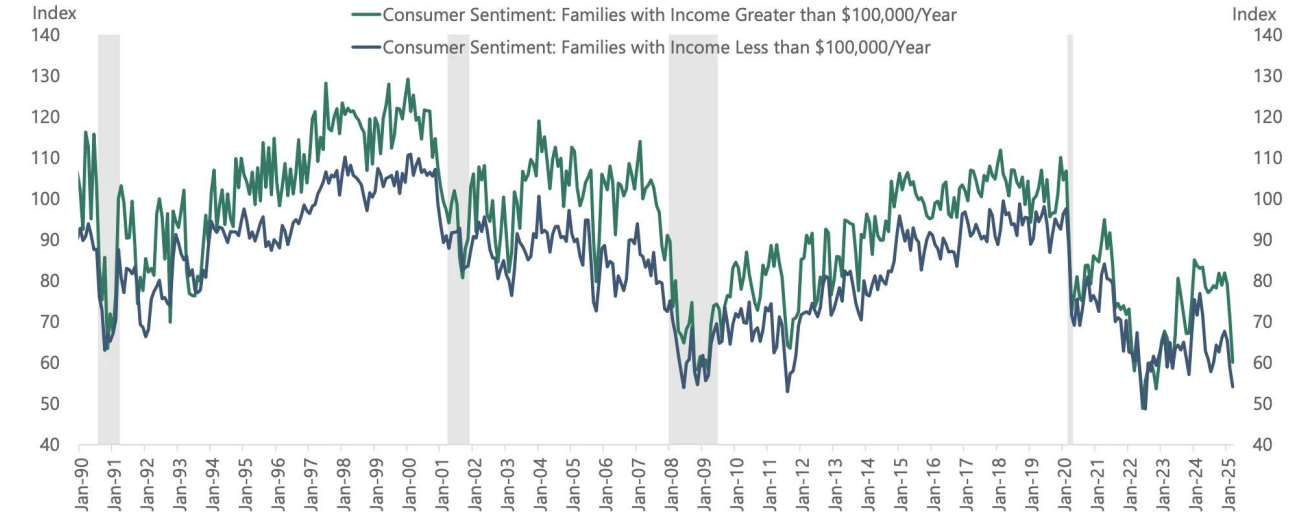


— All groups  
 — Low income \$0-60K  
 — Middle income \$60K-100K  
 — High income \$100K+

Source: Federal Reserve, Principal Asset Management. Data as of August 31, 2024.



## Consumer sentiment declining across income groups



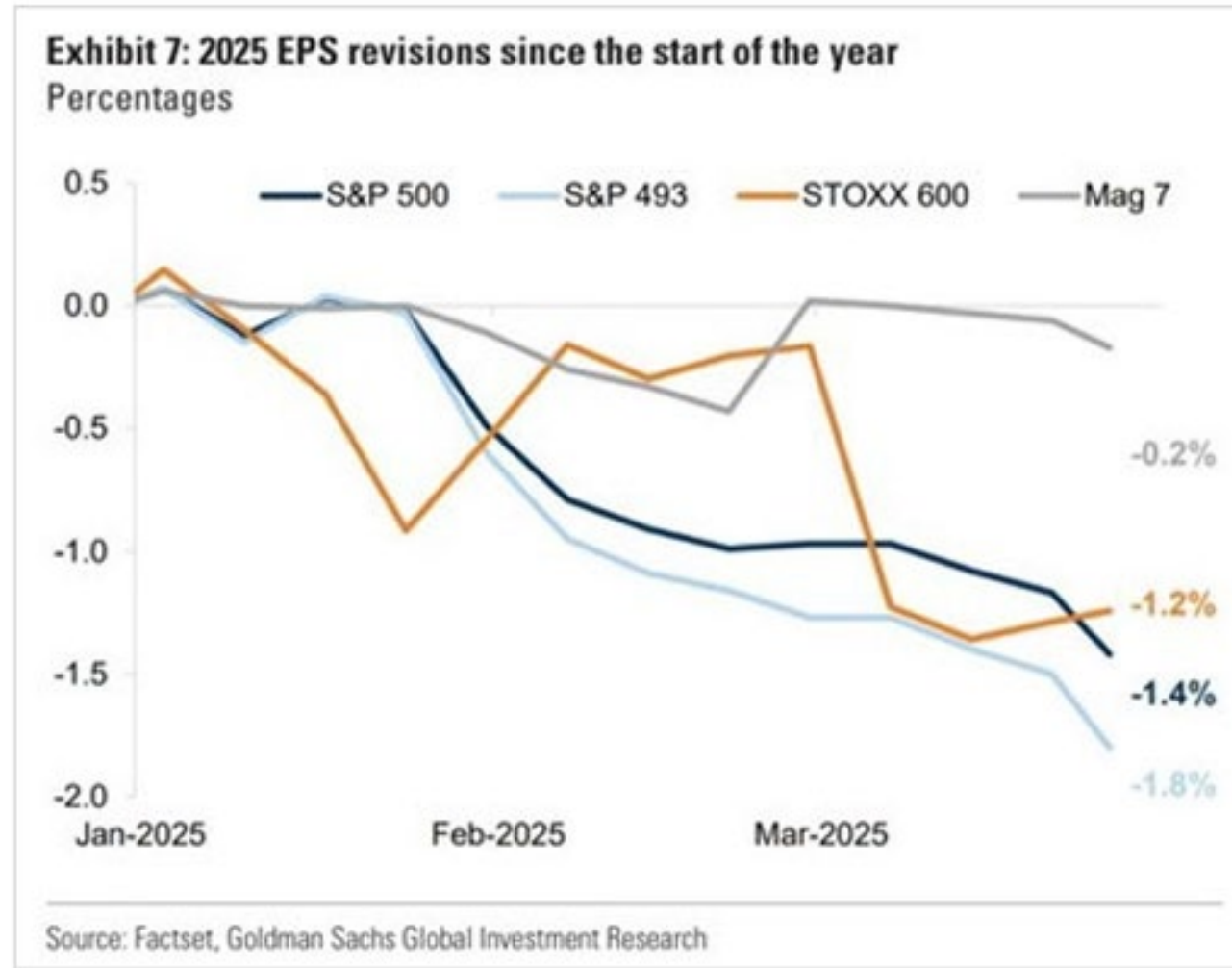
APOLLO

# Market Now Forecasting 3 Rate Cuts

Region: United States »		Instrument: Fed Funds Futures »				
Target Rate	4.50	Pricing Date	04/09/2025			
Effective Rate	4.33	Cur. Imp. O/N Rate	4.324			
Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.	
05/07/2025	-0.213	-21.3%	-0.053	4.270	0.250	
06/18/2025	-0.805	-59.2%	-0.201	4.123	0.250	
07/30/2025	-1.565	-76.0%	-0.391	3.932	0.250	
09/17/2025	-2.213	-64.8%	-0.553	3.770	0.250	
10/29/2025	-2.645	-43.2%	-0.661	3.663	0.250	
12/10/2025	-3.169	-52.4%	-0.792	3.531	0.250	
01/28/2026	-3.365	-19.6%	-0.841	3.483	0.250	
03/18/2026	-3.661	-29.6%	-0.915	3.409	0.250	
04/29/2026	-3.805	-14.4%	-0.951	3.373	0.250	
06/17/2026	-3.907	-10.2%	-0.977	3.347	0.250	
07/29/2026	-4.115	-20.8%	-1.029	3.295	0.250	
09/16/2026	-3.658	+45.7%	-0.914	3.409	0.250	
10/28/2026	-3.755	-9.7%	-0.939	3.385	0.250	
12/09/2026	-4.489	-73.4%	-1.122	3.202	0.250	
01/27/2027	-4.195	+29.4%	-1.049	3.275	0.250	

Source: Bloomberg

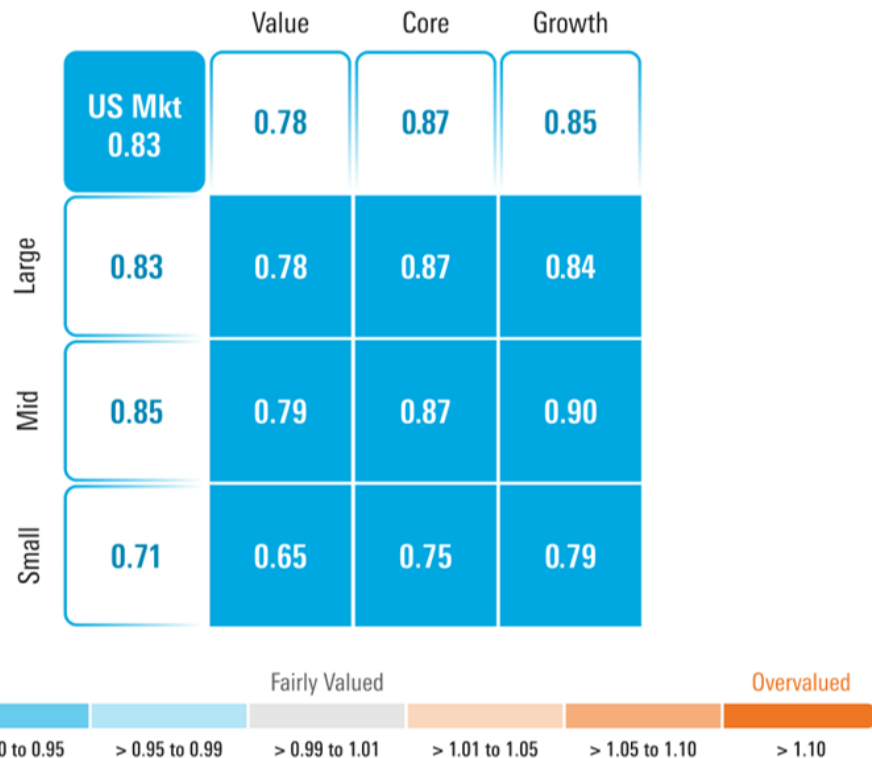
# Earnings Forecasts Revised Downward



# US Stocks May be An Opportunity after Selloff

## US Stock Market Trading Well Below Fair Value Estimate

Valuations of Morningstar's equity research coverage by equity style box.

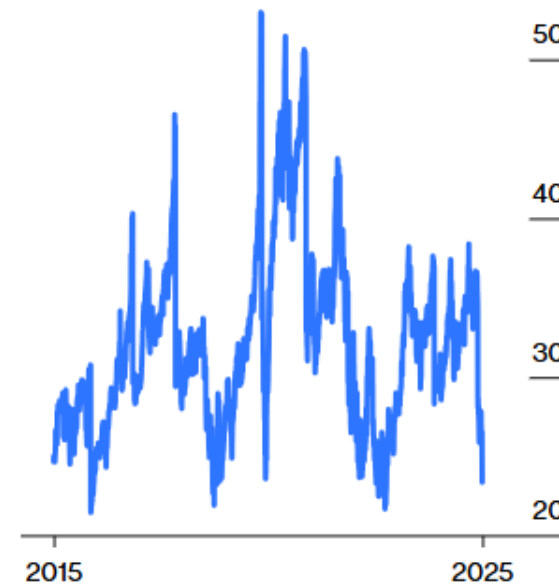


Source: Morningstar. Data as of April 4, 2025.

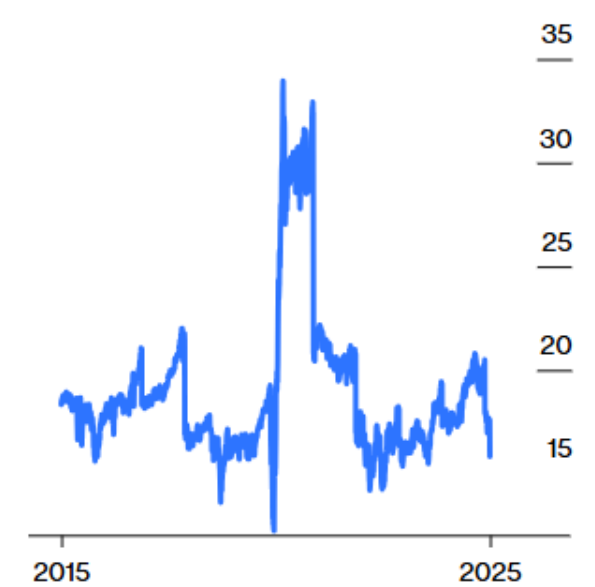
## Valuations Hold Above Decade Lows

US stocks have had a big correction, but within the last decade's range

Bloomberg Magnificent 7 Forward P/E



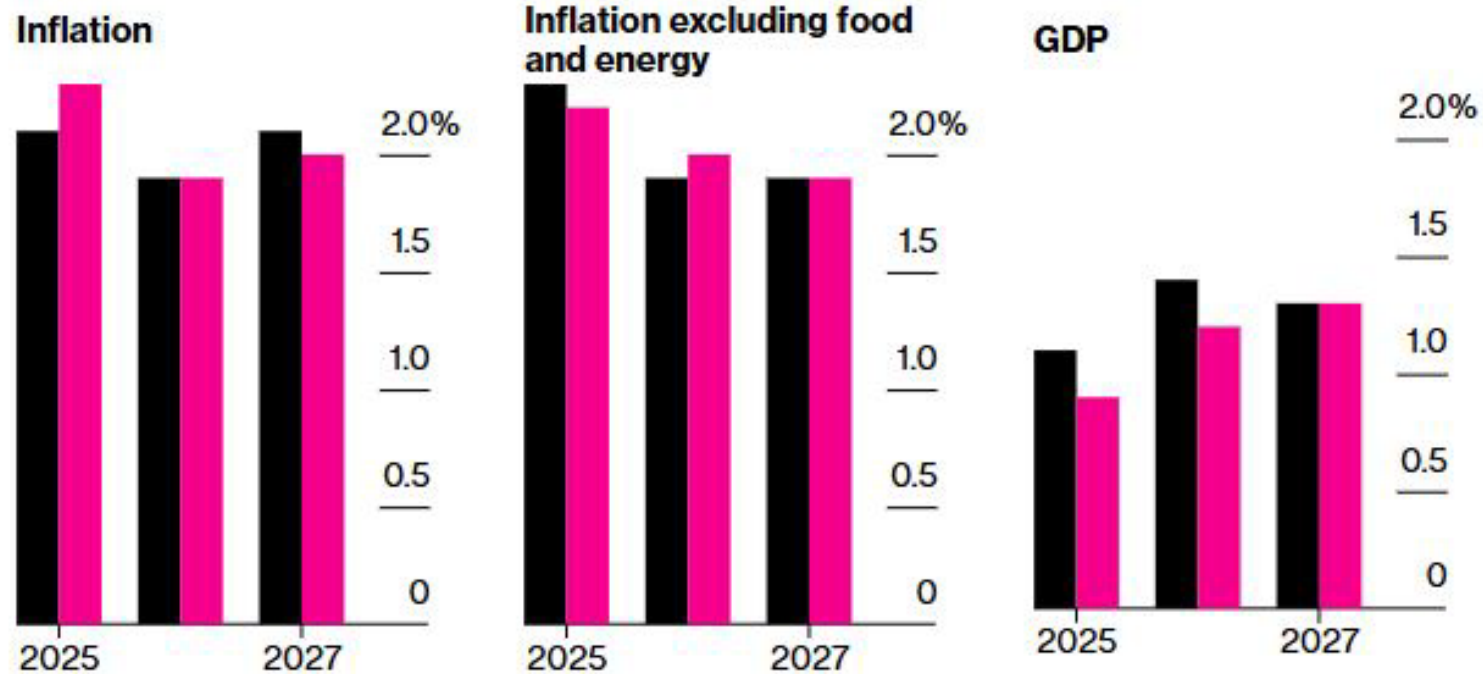
S&P 500 Equal-Weight Forward P/E



Source: Bloomberg

## ECB's New Inflation and Growth Forecasts

■ December forecast ■ March forecast



Source: ECB

Note: 2027 forecasts are first predictions from ECB

# ECB Expected to Continue Cutting

Region: Eurozone »			Instrument: Overnight Index Swaps »			
Target Rate	2.5000		Pricing Date	04/10/2025 ▾		
Effective Rate	2.4150		Cur. Imp. O/N Rate	2.414		
Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.	
04/17/2025	-0.926	-92.6%	-0.231	2.182	0.250	
06/05/2025	-1.764	-83.8%	-0.441	1.973	0.250	
07/24/2025	-2.252	-48.8%	-0.563	1.851	0.250	
09/11/2025	-2.651	-40.0%	-0.663	1.751	0.250	
10/30/2025	-2.957	-30.6%	-0.739	1.674	0.250	
12/18/2025	-3.227	-26.9%	-0.807	1.607	0.250	
02/05/2026	-3.308	-8.1%	-0.827	1.587	0.250	
03/19/2026	-3.293	+1.4%	-0.823	1.590	0.250	

Source: Bloomberg

# Europe May Present Equity Opportunities

## European Equities Offer Modest Upside

Intrinsic Value-Weighted Price/Fair Value Estimate for Morningstar Europe-Domiciled Coverage



Source: Morningstar. Data as of April 4, 2025.

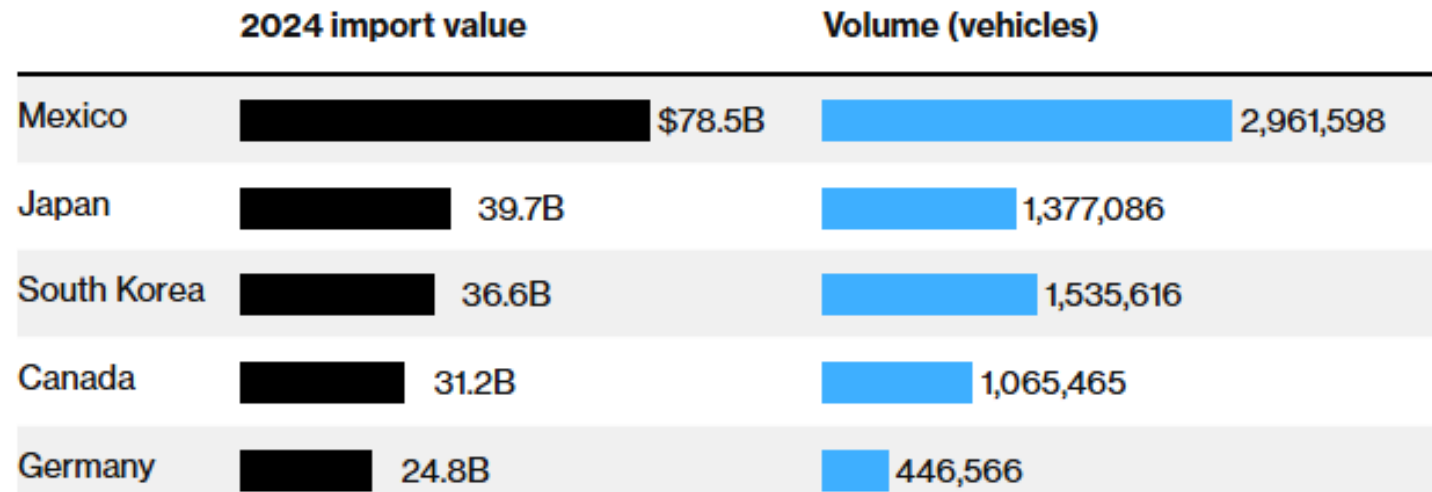
Europe Intrinsic Value-Weighted Price/Fair Value Estimate

Size	Style			
	All	Value	Core	Growth
All	0.93	0.89	0.97	0.94
Large	0.94	0.90	0.98	0.95
Mid	0.86	0.80	0.90	0.86
Small	0.71	0.67	0.76	1.06

Source: Morningstar. Data as of April 4, 2025.

## Where Most US Auto Imports Come From

Mexico, Japan, South Korea are most exposed

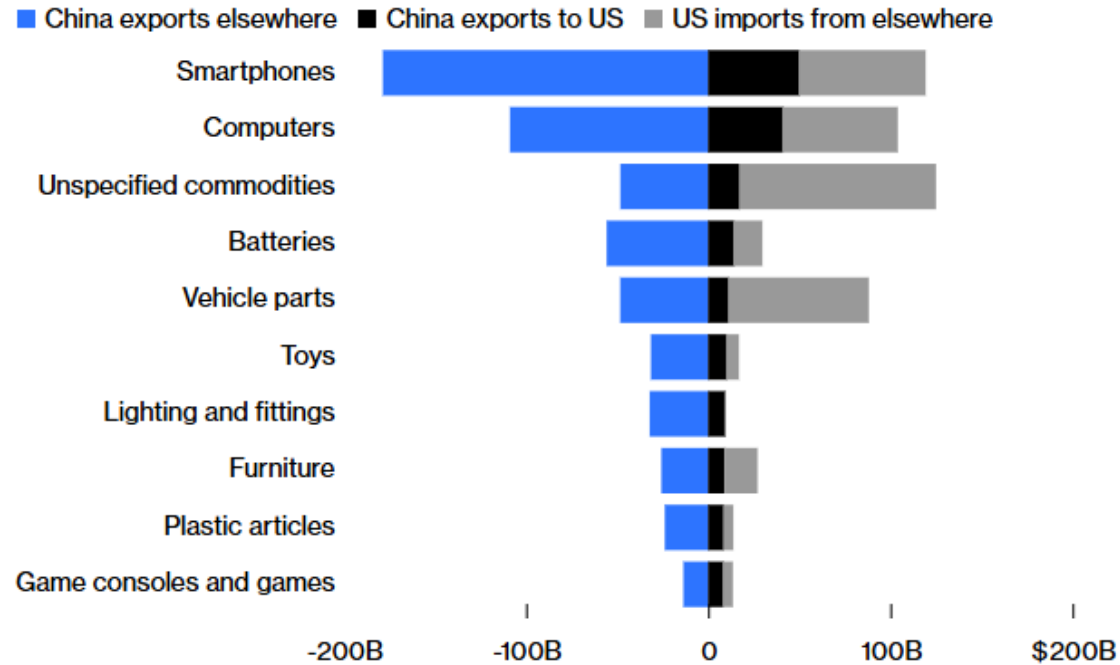


Source: US Commerce Department's International Trade Administration

# China and US are Deeply Integrated

## Sticker Shock

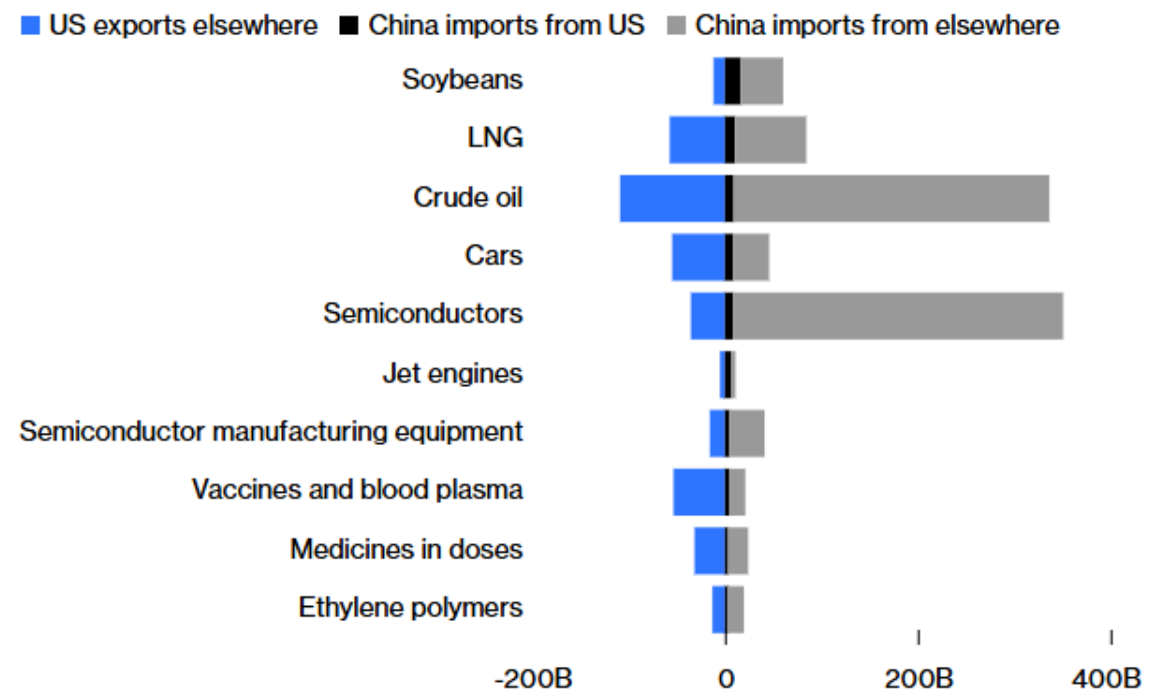
The US mostly imports consumer goods from China



Source: International Trade Centre  
Note: 2023 data.

## Below the Radar

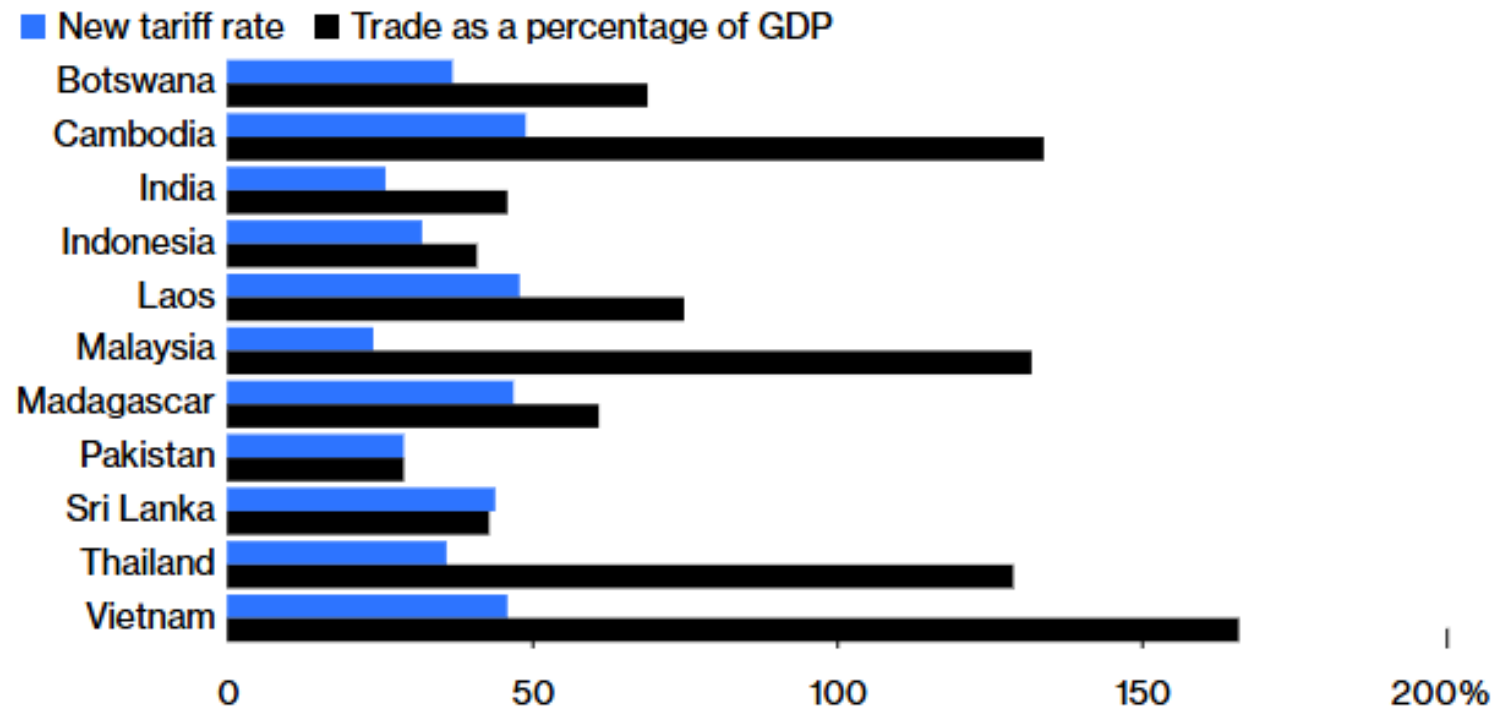
China mostly imports intermediate industrial inputs from the US



Source: International Trade Centre

## Tariffs Will Hurt Developing Nations More Than the US

Higher tariffs will make it difficult for countries whose economies depend more on export-driven growth



Source: Bloomberg, World Bank

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