



Understanding Market Changes in Q2 2025: What Investors Should Know



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Famous investor Peter Lynch once noted that "far more money has been lost by investors trying to anticipate corrections, than lost in the corrections themselves." While the stock market has seen some ups and downs lately, it's helpful to remember that over longer periods, stocks have generally risen in value. This perspective is especially important during uncertain times like these.

Recent market swings have been driven by new trade tariffs (special taxes on imported goods) and concerns about their effects. These tariffs could make everyday items more expensive and might impact how much people spend. Markets don't like uncertainty because it makes it harder to understand risks.

The best approach isn't to focus on one type of investment or react to daily news. Instead, having different types of investments that work together - like stocks, bonds, and other assets - can help protect your money during various market conditions.

Key Market and Economic Updates

- The S&P 500 declined 4.6% in the first quarter of the year, the Nasdaq 10.4%, and the Dow Jones Industrial Average 1.3%.
- The Bloomberg U.S. Aggregate Bond index gained 2.8%. The 10-year Treasury yield ended the quarter at 4.2% after reaching as high as 4.8% in January.
- Developed market international stocks (MSCI EAFE) gained 6.1% and emerging market stocks (MSCI EM) increased 2.4% in the quarter.
- Gold rallied to a new record level of \$3,122 per ounce, while Bitcoin declined to \$82,421. The U.S. Dollar Index fell to 104.21.
- In the economy, headline inflation (Consumer Price Index) rose 2.8% year-over-year in March, while the Core measure, which excludes food and energy, rose 3.1%.
- The University of Michigan Consumer Sentiment index fell to 57, the lowest level since 2022.

Consumers expect inflation of 5% over the next year.

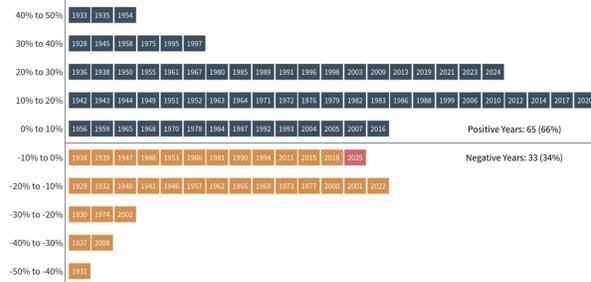
- The Federal Reserve kept rates unchanged within a range of 4.25 to 4.5% in March, but slowed the pace at which assets will roll off its balance sheet.

Stock markets faced challenges in early 2025

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Annual Stock Market Return Ranges

S&P 500 Index by annual price returns



Latest data point is Mar 31, 2025

Sources: Clearnomics, Standard & Poor's © 2025 Clearnomics, Inc.

While stocks had a rough start to the year, history shows this is normal. About two-thirds of years typically end with gains, while one-third see losses. Despite occasional down periods, the stock market has grown significantly over long periods.

Looking ahead, company profits remain strong, with expectations of 12% growth in the coming year. This suggests the foundation of the stock market is still solid, even with current uncertainties.

New trade policies are affecting consumer confidence

Trade policies were a major concern in early 2025. Investors are worried about how new tariffs might affect prices and the economy. While inflation has improved somewhat, it's still above the Federal Reserve's 2% goal. Despite these worries, many people continue to spend normally, helped by good job market conditions and rising wages.

Different investment types helped balance portfolios

While U.S. stocks struggled, other investments did well, including bonds and international stocks. This shows why it's

important to spread your money across different types of investments - when one area struggles, others might do better.

The bottom line? While market uncertainty can be uncomfortable, regular market swings are normal. Having different types of investments can help you stay on track toward your long-term financial goals.

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Consumer Inflation Expectations

Inflation expectations next 12 months and 5 years, University of Michigan Surveys of Consumers



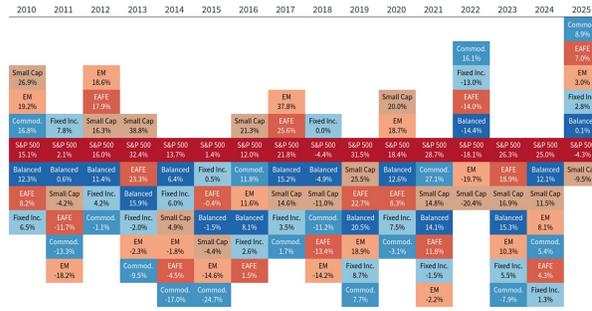
Latest data point is Mar 2025

Sources: Clearnomics, University of Michigan © 2025 University of Michigan



Asset Classes Relative to U.S. Stocks

Total Returns



Latest data point is Mar 31, 2025

The Balanced Portfolio is a 100% historical index calculation consisting of 40% U.S. Large Cap, 5% Small Cap, 10% International Developed Equities, 5% Emerging Market Equities, 20% U.S. Bonds, and 20% Commodities.

Sources: Clearnomics, LSEG
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The Dow Jones Industrial Average (DJIA), commonly known as “The Dow” is an index representing

30 stock of companies maintained and reviewed by the editors of the Wall Street Journal. The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. There are different index construction methodologies for the S&P 500. The more commonly used version of the index weights companies using their total

market capitalization. The S&P 500 Equal Weight Index gives each company an equal weight. Index construction can impact performance. The market cap weighted S&P 500 Index (the traditional version) is not rebalanced and has higher concentrations to larger, growth companies, while the equal weight index has more exposure to smaller and value-oriented companies.

Investing involves risk and you may incur a profit or loss regardless of strategy selected, including diversification and asset allocation.

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