

TALKING POINTS

Data through March 2025

Climate

Persistent inflation, tariffs, ongoing wars, and a potential U.S. recession - among a myriad of other factors - hounded investors throughout the first quarter. Globally, inflation remains persistent, with six of the eleven G-10 countries reporting price increases in excess of their targets as of 4/1/25. In addition to higher prices for certain goods, tariffs pose a near-term threat to global trade and may strain relationships among U.S. trading partners. Even so, U.S. Gross Domestic Product (GDP) and U.S. corporate profits persist to the upside. In the U.S., GDP was revised upward to 2.4% and economy-wide corporate profits increased by 6.9% year-over-year (y-o-y) in Q4'24, according to Brian Wesbury, Chief Economist at First Trust Portfolios L.P. Broadly speaking, American households looked to be in sound financial standing at the start of the year, with household net worth reaching a record \$169.4 trillion in Q4'24. That said, this data is reported in arrears, and likely weakened along with declining equity prices in the first quarter (discussed in the "Stock Market" section below). Perhaps tellingly, investors continued to seek safe havens in March, with total assets held in money market accounts reaching a record \$7.03 trillion on 3/5/25 before declining slightly to \$7.01 trillion on 3/26/25. Gold continued its meteoric rise during the month, surging 9.30% month-over-month to a record \$3,123.57 per troy ounce on 3/31/25.

Stock Market

The S&P 500 Index ("Index") closed at 5,611.85 on 3/31/25, representing a price-only decline of 8.66% from its all-time high of 6,144.15 set on 2/19/25, according to data from Bloomberg. The S&P MidCap 400 and S&P SmallCap 600 Indices stood 13.89% and 17.32%, respectively, below their all-time highs which were set on 11/25/24. The Index posted a total return of -5.63% in March 2025. Nine of the 11 major sectors that comprise the Index registered negative total returns for the month. The top-performer was Energy, up 3.85% while the worst showing came from the Consumer Discretionary sector, which declined by 8.91%. Catapulted by March's returns, Energy is now the top-performing S&P 500 sector year-to-date (YTD), having increased by 10.21% through 3/31. As we see it, much of this performance can be attributed to America's increasing share of global energy production. In 2024, the U.S. was the world's largest oil producer, bringing an average of 13.2 million barrels per day to market during the year. This marks the seventh year in a row that the U.S. produced the largest share of global crude oil. Additionally, the U.S. has emerged as the world's largest exporter of liquefied natural gas (LNG), with worldwide shipments of LNG averaging 11.9 billion cubic feet per day in both 2023 and 2024. In terms of the broader S&P 500 Index, we continue to watch earnings estimates closely. As revealed in our dataset to the right, 2025 and 2026 full-year earnings estimates for the Index declined slightly since December. That said, current estimates reflect y-o-y earnings growth of 11.0% and 14.1% in 2025 and 2026, respectively.

Bond Market

The yield on the benchmark 10-year Treasury note (T-note) stood at 4.21% at the close of trading on 3/31/25, representing an increase of just one basis point (bp) from its 4.20% close on 3/28/24, according to data from Bloomberg. The 4.21% yield stood 167 bps above its 2.54% average for the 10-year period ended March 2025 and 78 bps below its most recent high of 4.99% set on 10/19/23. The yield on the 2-year T-note stood at 3.89% on 3/31/25, down 74 bps from when it stood at 4.62% on 3/28/24. March marks seven months since the yield between the 10-year and 2-year T-notes disinverted. Historically, an inverted yield curve has been an accurate recession indicator. While the U.S. has dodged a recession so far, concerns are mounting. As revealed in our tables to the right, the price of safe haven assets, including gold and fixed income are all positive over the trailing 12-months, while U.S. equities are sharply negative. Further evidence of unease can be seen in money market fund flows, which increased by \$85.3 billion in February 2025, bringing total assets to record levels at the start of March. Moody's reported that its preliminary global speculative grade default rate stood at 4.7% in February 2025, above the historical average of 4.2%. Moody's baseline scenario sees the global default rate declining to 2.5% in December 2025, up from a forecast of 2.2% in January. The higher year-end default rate forecast reflects surging spreads among high-yield issuers, which increased 80 bps from mid-February to mid-March.

Takeaway

Since we're writing this "Takeaway" the morning after the U.S. government unveiled its tariff policy on 4/2, we would be remiss to avoid discussing it. As reflected by the market's reaction to the announcement, the near-term financial and economic impact of restrictive U.S. trade policy is expected to be negative. Just how negative remains to be seen. For example, Kristalina Georgieva, Managing Director of the International Monetary Fund believes that U.S. tariffs will slow global GDP, but not enough to cause recession. Others expect a more grueling outcome. In a nod to market efficiency, investors have been broadening their overall market exposure since the start of the year. Equity market breadth improved significantly y-o-y in the first quarter, with 307 of the 503 stocks in the Index outperforming the broader Index itself on a price-only basis. For comparison, just 202 stocks outperformed the broader Index over the same period in 2024. Gold, most fixed income assets (tracked to the right), and other safe havens have seen steady price increases YTD thru 3/31. With that in mind, earnings estimates for the Index remain buoyant, having declined only slightly during the first quarter. On 3/28/25, FactSet reported that the estimated y-o-y earnings growth rate for the Index stood at 7.3% for Q1'25. Should this hold, it will mark the seventh-straight quarter of y-o-y earnings growth in the Index. We intend to watch this metric closely for any weakness in the coming months.

Sources: Bloomberg, FactSet, and Investment Company Institute

Past performance is no guarantee of future results. Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index.

Open-End Net Fund Flows (\$)

	2/25	1/25	YTD (Feb)
Equity	-55.2B	-61.5B	-116.7B
Taxable Bond	11.8B	4.7B	16.5B
Municipal Bond	2.4B	3.7B	6.1B
Hybrid	-7.2B	-8.7B	-15.9B
Taxable Money Market	85.3B	21.4B	106.7B

Key Interest Rates/Yields

	3/31/25	2/28/25	3/28/24
Federal Funds Target Rate	4.50%	4.50%	5.50%
2-Year T-Note	3.89%	3.99%	4.62%
5-Year T-Note	3.95%	4.02%	4.21%
10-Year T-Note	4.21%	4.21%	4.20%
Bond Buyer 40	4.72% (3/28)	4.37%	4.38%

Commodities/U.S. Dollar

	3/25	YTD	12 Mo.
U.S. Dollar Index (DXY)	-3.16%	-3.94%	-0.32%
FTSE/CC CRB Excess Ret.	2.47%	4.24%	6.55%
Crude Oil/WTI (per Barrel)	2.47%	-0.33%	-14.06%
Natural Gas (per million BTUs)	7.43%	13.38%	133.64%
Gold Bullion (Ounce)	9.30%	19.02%	40.08%

S&P 500 Full-Year Earnings Estimates

	2025	2026
3/31/25	269.81	307.91
2/28/25	271.25	309.12
12/31/24	274.12	311.11

Total Return Performance

U.S. Stock Indices	3/25	YTD	12 Mo.
S&P 500	-5.63%	-4.28%	8.23%
DJIA	-4.06%	-0.87%	7.40%
Nasdaq 100	-7.61%	-8.07%	6.44%
S&P MidCap 400	-5.48%	-6.11%	-2.73%
Russell 2000	-6.81%	-9.48%	-4.02%
Russell 3000	-5.83%	-4.73%	7.20%

U.S. Styles/Market Caps

	3/25	YTD	12 Mo.
S&P 500 Growth	-8.19%	-8.48%	10.41%
S&P 500 Value	-2.94%	0.29%	4.21%
S&P MidCap 400 Growth	-6.45%	-8.36%	-8.10%
S&P MidCap 400 Value	-4.46%	-3.71%	3.28%
Russell 2000 Growth	-7.59%	-11.12%	-4.86%
Russell 2000 Value	-6.00%	-7.74%	-3.14%

Foreign Stock Indices (USD)

	3/25	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	-0.58%	6.20%	5.30%
MSCI Emerging Markets NET	0.63%	2.93%	8.09%
MSCI Europe NET	-0.30%	10.48%	6.87%
MSCI BRIC NET	4.76%	8.13%	18.95%
MSCI EM Latin America NET	4.83%	12.70%	-13.61%
Nikkei 225	-3.07%	-5.59%	-9.29%

Bloomberg Fixed Income Indices

	3/25	YTD	12 Mo.
U.S. Treasury: Intermediate	0.52%	2.49%	5.35%
GNMA 30 Year	0.08%	3.08%	5.18%
Municipal Bond (22+)	-2.50%	-1.46%	0.67%
U.S. Aggregate	0.04%	2.78%	4.88%
Intermediate Corporate	0.27%	2.27%	6.32%
U.S. Corporate High Yield	-1.02%	1.00%	7.69%
Global Aggregate	0.62%	2.64%	3.05%
EM Hard Currency Aggregate	0.00%	2.56%	7.10%

HIGH/LOW SNAPSHOT

Data through March 2025

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	6144.15	2/19/2025	1829.08	2/11/2016	5611.85	-8.66%	-4.28%	1.36%
S&P 500 Growth	4303.17	2/19/2025	1035.44	2/11/2016	3741.91	-13.04%	-8.48%	0.72%
S&P 500 Value	2027.49	11/29/2024	788.67	2/11/2016	1882.03	-7.17%	0.29%	2.05%
S&P MidCap 400	3390.26	11/25/2024	1218.55	3/23/2020	2919.22	-13.89%	-6.11%	1.63%
S&P MidCap 400 Growth	1610.10	11/25/2024	574.06	2/11/2016	1349.63	-16.18%	-8.36%	0.96%
S&P MidCap 400 Value	1083.78	11/25/2024	373.28	3/23/2020	959.62	-11.46%	-3.71%	2.31%
S&P 100	3003.15	2/19/2025	819.58	8/25/2015	2709.78	-9.77%	-5.96%	1.23%
DJIA	45014.04	12/4/2024	15660.18	2/11/2016	42001.76	-6.69%	-0.87%	1.69%
Nasdaq 100	22175.60	2/19/2025	3947.80	2/9/2016	19278.45	-13.06%	-8.07%	0.81%
Russell 2000	2442.74	11/8/2021	953.72	2/11/2016	2011.91	-17.64%	-9.48%	1.54%
Russell 2000 Growth	1709.62	2/9/2021	573.10	2/11/2016	1304.74	-23.68%	-11.12%	0.69%
Russell 2000 Value	2715.42	11/25/2024	1067.63	3/23/2020	2263.37	-16.65%	-7.74%	2.42%
Russell 3000	3509.12	2/19/2025	1067.34	2/11/2016	3187.86	-9.15%	-4.73%	1.36%
MSCI World Net (ex U.S.) (USD)	9077.60	3/18/2025	4189.62	2/11/2016	8750.30	-3.61%	6.20%	3.05%
MSCI Emerging Markets Net (USD)	699.23	2/17/2021	296.25	1/21/2016	590.69	-15.52%	2.93%	2.75%
Bovespa/Brazil (USD)	29488.46	1/2/2020	9077.09	1/21/2016	22685.79	-23.07%	16.78%	7.04%
RTS/Russia (USD)	1919.58	10/25/2021	628.41	1/20/2016	N/A	N/A	N/A	N/A
S&P BSE 500/India (USD)	461.76	9/26/2024	129.66	3/23/2020	392.57	-14.98%	-4.30%	1.22%
Shanghai Composite/China (USD)	832.07	6/12/2015	358.39	10/18/2018	459.64	-44.76%	0.42%	3.02%
KOSPI/South Korea (USD)	2.93	6/16/2021	1.16	3/19/2020	1.68	-42.60%	4.29%	2.27%
Hang Seng (USD)	4241.01	1/26/2018	1871.10	10/31/2022	2971.55	-29.93%	15.90%	3.75%
MSCI Euro (USD)	1920.55	3/18/2025	865.50	3/18/2020	1817.48	-5.37%	12.23%	3.00%
S&P 500 Consumer Discretionary	1959.72	12/17/2024	543.54	2/11/2016	1575.40	-19.61%	-13.80%	0.74%
S&P 500 Consumer Staples	923.91	3/3/2025	467.66	8/25/2015	892.71	-3.38%	5.23%	2.42%
S&P 500 Energy	749.39	4/5/2024	179.94	3/18/2020	715.75	-4.49%	10.21%	3.11%
S&P 500 Utilities	419.01	11/26/2024	206.51	9/4/2015	400.81	-4.34%	4.94%	2.92%
S&P 500 Financials	867.06	2/18/2025	264.89	2/11/2016	829.46	-4.34%	3.48%	1.48%
S&P 500 Banks	529.64	2/6/2025	180.19	2/11/2016	465.51	-12.11%	-0.60%	2.60%
FTSE NAREIT All Equity REITs	980.08	12/31/2021	483.48	3/23/2020	779.47	-20.47%	2.75%	3.93%
S&P 500 Health Care	1829.71	8/30/2024	732.99	2/11/2016	1702.26	-6.97%	6.54%	1.69%
S&P 500 Pharmaceuticals	1216.04	8/30/2024	539.37	9/28/2015	1090.77	-10.30%	5.00%	2.46%
NYSE Arca Biotechnology	6319.77	2/8/2021	2642.53	2/11/2016	5897.17	-6.69%	2.70%	0.25%
S&P 500 Information Technology	4780.84	12/26/2024	626.12	8/25/2015	4019.98	-15.91%	-12.65%	0.70%
Philadelphia Semiconductor	5904.54	7/10/2024	559.18	2/11/2016	4270.43	-27.68%	-14.04%	1.14%
S&P 500 Communication Services	377.61	2/4/2025	130.86	12/24/2018	319.75	-15.32%	-6.21%	0.95%
S&P 500 Industrials	1214.04	11/29/2024	412.06	3/23/2020	1109.72	-8.59%	-0.19%	1.53%
S&P 500 Materials	616.97	10/18/2024	234.97	1/25/2016	541.98	-12.15%	2.81%	1.95%
Philadelphia Gold & Silver	178.66	3/27/2025	38.84	1/19/2016	177.14	-0.85%	29.67%	1.25%
FTSE/CC CRB Excess Return	329.59	6/9/2022	106.29	4/21/2020	309.30	-6.16%	4.24%	N/A
ICE BofA Perpetual Preferred	331.82	10/16/2024	213.87	5/6/2015	322.63	-2.77%	0.36%	6.54%
ICE BofA U.S. High Yield Constrained	580.53	2/28/2025	313.74	2/11/2016	574.29	-1.07%	0.94%	7.88%

Source: Bloomberg

Past performance is no guarantee of future results. Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.