MONTHLY MARKET COMMENTARY

APRIL 2025 Executive Summary

Benchmark Returns as of April 30, 2025

	For the Month	For the Year		For the Month	For the Year
S&P 500	-0.68%	-4.92%	**Bloomberg Aggregate Bond Index**	0.39%	3.19%
Dow Jones Industrial Average	-3.08%	-3.92%	**Developed International**	4.58%	11.76%
Nasdaq	0.88%	-9.48%	**Emerging Markets**	1.31%	4.28%
Russell Mid-Cap index	-1.03%	-4.40%	**ICE BofAML US Hi Yield**	-0.02%	0.98%
Russell 2000 Small-Cap index	-2.31%	-11.57%	**3 Month Treasury Bill**	0.35%	1.40%

Tariff Tantrum

Investors can be forgiven for giving themselves a "what just happened?" head scratch as they look back on the market events of April 2025.

TRADE POLICY WHIPLASH On April 2, dubbed "Liberation Day" by the White House, President Trump announced sweeping new tariffs on a broad range of U.S. trading partners. While widely anticipated, the tariffs were far more expansive than expected, igniting fears of a global trade war. Equity markets sold off sharply on the news – the S&P 500 and Nasdaq each plunged over 5% on April 3. Volatility, as measured by the CBOE VIX index, spiked above 60, a level not seen since the initial stages of the COVID-19 pandemic in March 2020. Investors braced for foreign retaliation and economic fallout. However, just a week later the narrative flipped: on April 9, President Trump announced a 90-day pause in implementing certain reciprocal tariffs. This sparked a relief rally in stocks and market sentiment improved heading into the latter half of April. Trade policy remained a wildcard all month, but the pause gave investors hope that the worst-case scenarios might be avoided.

ECONOMIC DATA RELEASES April's major economic reports had mixed impacts on the markets.:

- **The March employment report showed that the labor market remained robust. The U.S. economy added 228,000 jobs in March, beating forecasts of 140,000. The unemployment rate ticked up slightly to 4.2%.**
- **The Consumer Price Index (CPI) report for March indicated that inflation was cooling more than expected. Headline CPI came in at 2.4% year-over-year (with core CPI at 2.8%), marking a continued decline and coming in below economists' forecasts. Similarly, the Personal Consumption Expenditures (PCE) Price Index for March edged lower to 2.3% on a yearly basis. Core PCE was 2.6% in the same period. This moderation in price pressures was welcome news for both the Fed and investors – suggesting that the Fed has leeway to cut interest rates if economic growth slows.**
- **Indeed, the last day of April brought a downside surprise on the broadest measure of economic growth. The advance estimate of first quarter 2025 GDP indicated that the U.S. economy contracted 0.3%. This negative growth was primarily driven by a surge in imports, as firms may have been stockpiling inventory ahead of tariff increases. Higher imports subtract from the GDP calculation. There will be further revisions to the report and investors largely viewed the GDP weakness through a Fed lens: a slowing economy would likely push the Fed to ease policy, which helped keep equity sentiment positive.**

FEDERAL RESERVE OUTLOOK While the Fed did not hold a policy meeting in April, its influence was felt through the evolving expectations of investors. The Fed kept interest rates unchanged in March, and throughout April officials struck a cautious tone given the trade uncertainty and signs of cooling inflation. As of this writing, markets fully expect the fed funds rate to remain 4.25% - 4.50% when the next FOMC meeting concludes on May 7th. According to the latest CME Fedwatch, the most probable next rate move will be a 0.25% cut at the July meeting, with the rate somewhere between 3.25% and 3.75% by year-end 2025. Overall, the prospect of a more accommodative Fed later in the year was a positive undercurrent for markets in April, especially after the mid-month turmoil subsided.

CORPORATE EARNINGS SEASON Large banks kicked off the first quarter earnings season in early April with overall positive results and stable credit quality. As the season progressed, the broader earnings picture was generally better than feared – a majority of S&P 500 companies beat profit estimates. This helped bolster market confidence in the second half of April. According to the latest report from FactSet, the S&P 500 index is reporting double-digit earnings growth for the second consecutive quarter. However, many corporations dispensed with forward profit guidance, citing the volatile global trade situation.

In conclusion, April 2025 was a dramatic month for U.S. financial markets. Equities faced a sharp early sell-off on trade war fears but managed to claw back losses and finish roughly flat for the month, supported by resilient earnings and hopes of Fed easing. The major stock indices (S&P 500, Nasdaq, Dow) all showed extraordinary intra-month volatility yet little change in aggregate, with growth stocks outperforming and energy lagging. The Treasury market saw a spike then decline in yields, as investors first feared inflation and then pivoted to seeking safety. Key economic data – notably weaker inflation and a downtick in GDP – reinforced the narrative of a slowing but not collapsing economy, underpinning the case for eventual Fed rate cuts. Meanwhile, the temporary de-escalation of the tariff conflict mid-month alleviated the market's biggest fear. Together, these factors made April 2025 a month of heightened uncertainty and swift reversals, but ultimately one where the U.S. financial markets demonstrated resilience.

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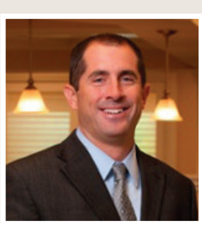

Scott Antritt
Director of Investments
941-202-6507

Gail Neujahr, CFA
Senior Portfolio Manager
941-202-6507

Kendall Peacock, CFA, CAIA
Senior Portfolio Manager
941-202-6507