May 1, 2025

April Market Recap

Uncertainty reigned through April and likely will continue to do so, at least in the near term. Markets have reacted, both negatively and positively, to every headline coming out of Washington. On April 2, President Donald Trump's declaration of "Liberation Day" sparked a selloff of 19% in the equity markets as the announced tariff rates were considerably higher than expected. Then, amid stronger-than-expected first-quarter earnings and a softening rhetoric on tariffs, markets recovered 62% of the drawdown by the close of the month. The effects of the new tariffs won't be seen in corporate earnings until second-quarter reports, and so remain uncertain.

"Despite tariff-related headwinds, we remain constructive on the equity market and expect positive earnings growth for the year, pushing the S&P 500 toward our 5,800 target," said Raymond James Chief Investment Officer Larry Adam.

Bond markets also experienced extraordinary volatility, rattled by tariff headlines and concerns that President Trump would fire Federal Reserve (Fed) Chair Jerome Powell. A softer tone on tariffs and walking back the comments about Powell helped bond yields and took some of the stress out of the market by the end of the month.

Before we dig into details, here's where the major indices stand.

	12/31/24 Close	4/30/25 Close*	Change Year to Date	% Gain/Loss Year to Date
DJIA	42,544.22	40,669.36	-1,874.86	-4.41%
NASDAQ	19,310.79	17,446.34	-1,864.45	-9.65%
S&P 500	5,881.63	5,569.06	-312.57	-5.31%
MSCI EAFE	2,259.60	2,488.79	+229.19	+10.14%
Russell 2000	2,230.16	1,964.12	-266.04	-11.93%
Bloomberg Aggregate Bond	2,189.03	2,259.78	+70.75	+3.23%

*Performance reflects index values as of market close on April 30, 2025. Figures for the MSCI EAFE and Bloomberg Aggregate Bond reflect the market close on April 29, 2025.

Aggressive action in Washington shapes volatile market landscape

The markets' rollercoaster in April was driven by aggressive tariff actions and shifting policy signals from the administration, including a 10% global tariff and additional country-specific tariffs as high as 145%. While the administration's announcement of a 90-day pause on the additional tariffs and new exemptions for select tech goods offered temporary relief, the baseline 10% tariff remains in place and is likely to be more durable than expected, as legal and Congressional challenges face hurdles.

On the fiscal front, the House and Senate passage of a budget resolution has set the stage for what could be the largest reconciliation package in US history. Reconciliation is a process to close Senate debate with a simple majority on certain budgetary matters, avoiding filibusters. The package contains $5 to $7 trillion in tax cuts and new spending offset by $1.5 trillion in reductions — particularly from Medicaid and student loans. The reconciliation bill is likely to deliver $500 billion to $1 trillion in near-term stimulus.

Export controls also tightened, with immediate licensing requirements on advanced chips to China that are unlikely to be granted, effectively serving as outright bans. The upcoming AI diffusion rule, due by May 15, could further impact semiconductors as the US seeks to align controls with allies and increase its lead in advanced semis and AI. For markets, tariffs and tech controls are becoming important tools for economic policy, and while the upcoming fiscal stimulus may be robust, the environment will remain highly volatile as the administration tests the limits of its new playbook.

US economy waits in tariff anticipation

The US trade deficit in goods and services was in line with expectations in March and slightly lower than the record-breaking deficit in January as firms continued to stock up on imports ahead of the imposition of tariffs. The trend is likely to continue, given the president's April 2 announcement of much larger tariffs, and remain a drag on US gross domestic product (GDP) growth.

Better-than-expected Consumer Price Index (CPI) numbers were good news for the Fed and the economy but may be the last disinflationary year-over-year print this year as tariffs begin to affect prices. The recent decline in petroleum prices and the continuing disinflationary trend in shelter costs may temporarily mitigate the upward pressure on prices.

Markets' tariff tug-of-war

After a strong start to the year, the S&P 500 experienced a sharp three-day drawdown (-15%), followed by a robust +10% one-day rally on news that Trump would pause part of the tariffs in April. Since then, the market has attempted to digest the potential economic and inflation risks, leading to further back-and-forth volatility. Investors are caught in a tug-of-war between the fact that this drawdown could be reversed quickly versus the risk that the White House digs its heels in and continues the trade war, with the potential for additional sector-specific tariffs, such as for semiconductors and pharmaceuticals.

Bond yields remain flat

Like the equity market, the bond market roiled, but closed April roughly flat. Treasury rates had marginal net changes over the course of April. Two- and three-year rates are down 11 and 12 basis points, respectively, while the 10- and 30-year rates are up eight and 17 basis points, resulting in a slightly steeper Treasury curve. Corporate spreads widened slightly, as did municipal yields as a percent of Treasury yields.

No time to panic over US dollar

The trade war and general unpredictability of administrative policy have put downward pressure on the US dollar over the last three months, and the greenback is down 10% since January 20. This is not unprecedented. The dollar saw a 10% drop over a similar timeframe in 2009 and 8% to 9% drops in 2003, 2004, 2010 and 2022. In every case, the dollar ended up bouncing afterward, in varying degrees. It's also worth noting that, even with the latest drop, the Dollar Index is only slightly below the midpoint of its 10-year range and slightly above the midpoint of the 25-year range.

US-China economic decoupling continues

The process of reducing economic ties between the US and China, which began during the first Trump administration, continues. The latest escalation in trade tension – with the US tariff on Chinese goods now at 145% and China's retaliatory tariff rate on imported US goods at 125% – could, if sustained, lead to most bilateral trade ending within the next few years. While both the White House and China have indicated a willingness to negotiate, the markets are not holding out hope for an agreement anytime soon.

Beyond trade, the conflict between the US and China could broaden to investment flows and financial measures. In February, the Trump administration published an "America First" investment policy laying out potential steps that include delisting Chinese firms from US stock exchanges. In response, China could choose to weaponize its US Treasury holdings, dumping bonds on the market to drive yields higher.

The bottom line

It's helpful to remember that economic data lags, so the markets will shift on regular reports and the effects of tariffs on earnings and GDP are yet to be seen. Expect high levels of volatility to continue as the markets are heavily shaped by presidential policy. Plenty of uncertainty remains, so changes can happen quickly.

I hope this update finds you well and if you have any questions, that you will not hesitate to reach out at your earliest convenience.

Sincerely,

Jeff

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