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AFTER A WILD RIDE, U.S. STOCKS RALLY

April offered investors a stark reminder that the markets dislike uncertainty. The S&P 500 Index plunged 11% early in the month, enduring some of its most volatile days since the COVID-19 pandemic, then staged a multi-day rally to end April down only 0.7%. International developed market stocks outperformed the U.S. during the month, with the MSCI EAFE returning 4.6%.

Meanwhile, in U.S. bond markets, investor confidence eroded through widening credit spreads early in April, particularly in high-yield bonds. Those concerns appeared to recede somewhat, as spreads began tightening again by the month's end. Ten-year U.S. Treasury yields held relatively steady despite some sharper moves in response to headlines, ending April at 4.17%.

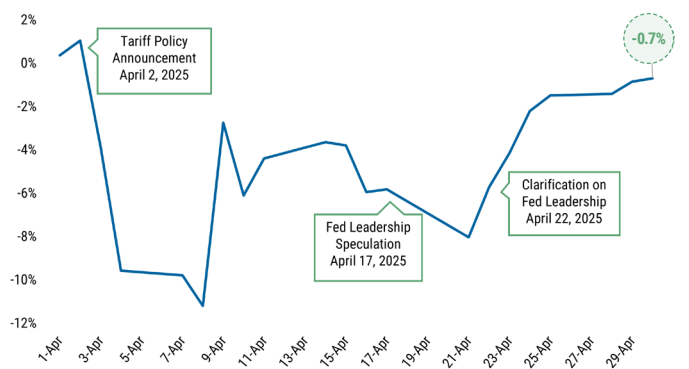
Policy-related uncertainty, including new tariff announcements and shifting trade negotiations, drove much of April's volatility. Markets also reacted to speculation about the Federal Reserve's future independence, contributing to cautious investor sentiment mid-month. Toward the end of April, however, messaging from Washington turned more reassuring, with indications of progress on trade discussions and support for Fed leadership. This helped improve market confidence and contributed to the late-month rebound in U.S. equities.

EARNINGS AND ECONOMIC DATA
CALM RATTLED INVESTORS

First-quarter earnings announcements also helped settle investors. Earnings have not yet seen a significant impact from tariffs. By the end of the month, 73% of the 180 S&P 500 companies reporting beat their earnings estimates, a slightly lower rate than the five-year average. Given the uncertainty surrounding tariffs, however, many companies are reluctant to offer guidance for the remainder of the year, and analysts are reducing earnings targets more than usual. This echoes the general consensus that the future is hard to predict given how much is unknown today.

Reassurance fuels the rebound

S&P 500 TR Performance in April



Source: Y Charts

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U.S. GDP growth for the first quarter came in at -0.3% annualized, the first decline since 2022. That reading was negatively impacted by a flurry of imports as consumers and companies raced to stock up ahead of tariffs. While recession risks are elevated today, largely due to concerns about the impact of tariffs on inflation and growth, the first-quarter GDP decline is not alarming. Consumer spending, the job market and industrial production continue to show strength, at least for now. In the lead up to the next Federal Reserve meeting in June, we expect significant chatter about the potential for an interest rate cut. The market has already priced in a consensus of four rate cuts over the remainder of the year, with the first in June. However, we expect any move by the Fed will come only after it receives a clear indication that inflation is moving higher and/or the broader economy is weakening.

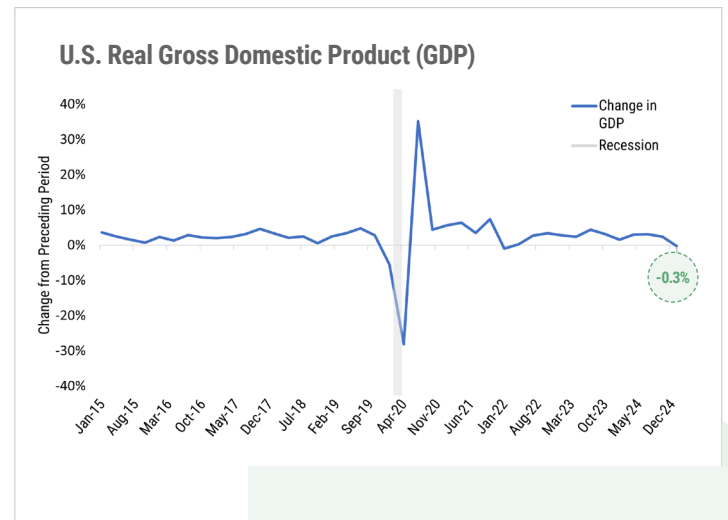
STAYING DIVERSIFIED AND INVESTED AMID UNCERTAINTY

Even though the U.S. stock market was roughly flat in April, it was an uncomfortable month for investors. Unfortunately, the uncertainty ranking markets remains in place, and as such, we anticipate that volatility could remain elevated in the near term. Investors considering shifting away from U.S. stocks in favor of comparatively attractive non-U.S. markets should take heed. While international exposure remains an important building block of a diversified portfolio, we believe it is too soon to count out the U.S. stocks. The depth of the U.S. capital markets, the innovative and entrepreneurial nature of its companies, and the continued position of the U.S. dollar globally remain unmatched. Should the news cycle and tariff uncertainty abate, U.S. stocks may well regain their footing this year.

We are monitoring the markets, economy, and geopolitical developments to understand potential investment risks and opportunities for our clients. As always, we believe it's important to ensure that portfolios are diversified and allocated appropriately for each investor's risk tolerance and time horizon.

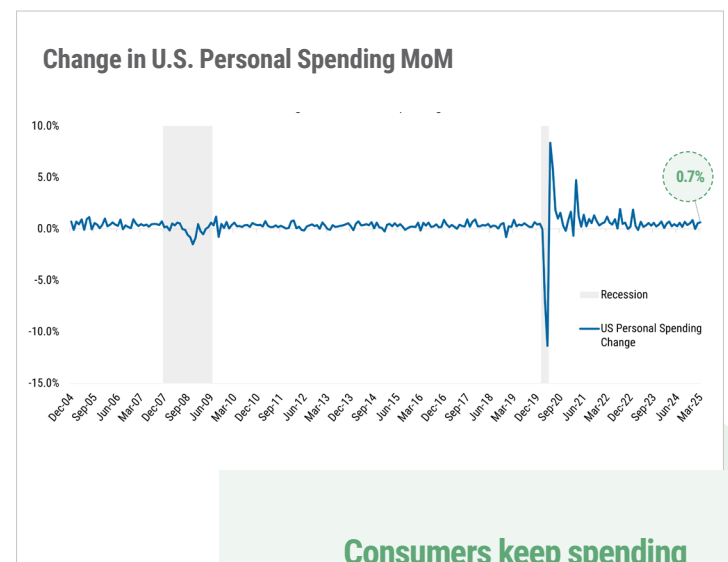
Your advisor is here to help you cut through the noise and stay focused on your goals—don't hesitate to schedule a check-in to ensure your plan remains on track.

Source: U.S. Bureau of Economic Analysis/FRED



Tariff fears hinder growth

Source: U.S. Bureau of Economic Analysis/FRED



**Consumers keep spending
— despite the noise**

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The Standard & Poor's (S&P) 500 Index is an index of 500 stocks seen as a leading indicator of U.S. equities and a reflection of the performance of the large cap universe, made up of companies selected by economists. The S&P 500 is a market value weighted index and one of the common benchmarks for the U.S. stock market.

The MSCI EAFE Index is a stock market index that measures the performance of large- and mid-cap companies across 21 developed markets countries around the world. Canada and the USA are not included. EAFE is an acronym that stands for Europe, Australasia, and the Far East.

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